ELECTED OFFICIALS' RETIREMENT PLAN



33rd COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 is best for our members and financial health and integrity of the System.
- Be proactive.
- Committed to high quality, uniform, sustainable service.
- Innovative and cost effective in Plan administration and services.
- Use best practices in HR management.

Elected Officials' Retirement Plan

A Pension Trust Fund of the State of Arizona

Thirty-Third
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2014

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
3010 E. Camelback Road, Suite 200
Phoenix, AZ 85016
Phone (602)255-5575 Fax (602)255-5572
www.psprs.com

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

INVESTMENT SECTION

TABLE OF CONTENTS (continued)

INTRODUCTORY SECTION

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona Elected Officials' Retirement Plan

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Emer

Executive Director/CEO

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

Administration
Ryan Parham Chief Investment Officer
Jared A. Smout Deputy Administrator

February XX, 2015

The Honorable Douglas A. Ducey
Governor of the State of Arizona
Executive Tower
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Ducey:

The Board of Trustees (Board) of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the thirty-third Comprehensive Annual Financial Report (CAFR) for the EORP for the fiscal year ended June 30, 2014 (FY'14), in accordance with the provisions of A.R.S. § 38-848. Under the direction of the Board, the primary responsibility for the integrity and objectivity of this CAFR and related financial data rests with the management of the System. It is a product of the collective efforts of the staff and is intended to provide complete and reliable information that will facilitate the management decision process and serve as a means for determining compliance with the System's governance and investment policies and legal requirements.

The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans and have received a "clean" opinion from Heinfeld, Meech & Co., P.C., Certified Public Accountants and auditors for the System. This unmodified opinion can be found at the beginning of the Financial Section. Management believes that all other financial information included in this annual report is consistent with those financial statements.

Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A). It should be read in conjunction with this Letter of Transmittal. Also included in the report are the actuarial Certification Statement and the actuarial Balance Sheet from the June 30, 2014 Actuarial Valuation Report prepared by the System's actuary, Gabriel, Roeder, Smith & Co. (GRS).

History and Administration of the System

The Plan was established on August 7, 1985 by A.R.S. § 38-802, when the Judge's Retirement Plan merged with the previous Elected Officials' Retirement Plan, "in order to provide a uniform, consistent and equitable statewide program for" for eligible judges and state, county and local elected officials of participating governmental employer units. The Plan provides retirement, disability and survivor benefits, post-retirement adjustments and health insurance subsidies for these eligible members. The EORP is a cost sharing, multiple-employer defined benefit plan. As such, the assets and liabilities are pooled for all the employers. The plan was closed to newly elected officials as of January 1, 2014.

The Plan's Funding Status

As of fiscal year-end, the financial status of the EORP, as reflected in its funding ratio, decreased from 55.5% at June 30, 2013, to 41.6% at June 30, 2014. The primary contributor to this decline was the court-ordered reinstatement of the previous mechanism for funding permanent benefit increases (PBI). That mechanism was modified with the passage of SB 1609 in the Fiftieth Legislature, First Regular Session (2011), but was immediately challenged in the courts, along with other key pension reform initiatives, upon enactment. In February 2014, the Arizona Supreme Court affirmed the ruling of the Superior Court in the *Fields* case that changes made to the funding mechanism for PBIs were unconstitutional as applied to already retired members. As such, the liability associated with the reinstatement of the previous PBI mechanism, which included retroactive payments back to 2011, accounted for 10.2% of the overall 13.9% decline.

This PBI mechanism requires that in any year in which the Plan generates an investment return in excess of 9%, one hundred percent of that excess above 9% is multiplied by the actuarial present value of pensions in payment status and that amount is diverted into the EORP Reserve for Future Benefit Increases. These Reserve assets finance the PBIs for all eligible beneficiaries. As such, these assets are not used to decrease the System's unfunded liabilities, and the unfunded liabilities continue to rise as additional PBIs are awarded. This creates a scenario in which higher investment returns create additional unfunded liabilities that outpace or outmatch the Fund's ability to accumulate assets necessary to cover these liabilities.

Another factor contributing to the funding level decline is the ongoing recognition of asset losses from fiscal years 2008, 2009 and 2012, which continue to offset any gains enjoyed over the past seven-year smoothing period. This accounted for 2.4% of the overall decline in the funding ratio. Fortunately, 2014, is the last year that the System will have to account for 2008 losses in our seven-year actuarial smoothing methodology. Unfortunately, the one-seventh share of fiscal 2009 losses that will need to be recognized next fiscal year is $13 million, which will, again, most assuredly impact future gains. Additionally, unexpected demographic changes allowed for a decrease of 1.3% in the overall changes to the funding ratio.

Member and Employer Contribution Rates

The reinstatement of the previous PBI funding mechanism has also resulted in the need for increased contribution amounts required by the employers. When the plan was closed, the employer contribution rate was statutorily set at 23.5% for all employers. The plan is unsustainable at this rate and current estimates show that the plan could run out of assets in less than 20 years.

In addition to the changes in the PBI funding mechanism promulgated by SB 1609, the employee contribution rate, which had historically been 7.0%, has steadily increased since fiscal year 2011-12. It is currently set at 13.0%. These contribution rate increases also face a legal challenge (*Hall*) that has secured a Superior Court final judgment declaring the changes unconstitutional.

Should the plaintiffs ultimately prevail, member contribution rates may be retroactively reset to 7.0% and the previous PBI mechanism could also be made available to eligible active members. Both outcomes will exacerbate the declining funding levels and increasing employer contribution rates.

FY'14 Investment Results

All EORP assets are managed by the Board of Trustees and commingled with PSPRS and CORP for investment purposes in accordance with A.R.S. § 38 -848. The FY'14 investment return is 13.28%, net of fees. This is 543 basis points higher than the 7.85% actuarial assumed rate of return, but also 54 basis points lower than the 13.82% benchmark return for the System. Eleven of the System's asset classes had positive returns for the fiscal year; the only exception was "Real Estate" which had a -1.26% return. In addition, half of all the asset classes outperformed their respective benchmarks.

The investment strategy of EORP is directly impacted by the reinstated PBI funding mechanism. This funding mechanism effectively prevents funding level improvements and can adversely affect funding levels when benefit increases add to the liabilities that must be supported by the fund. Low funding levels result in low risk tolerance and provide incentive for investment strategies that seek modest and consistent returns. However, the portfolio diversification needed for this conservative strategy has proven to be more secure than and only half as risky as traditional conservative portfolios. This type of strategy continues to attract national interest and serious consideration by our peers who are reevaluating their risk levels.

New Developments and Management Initiatives

Our efforts over the past few years to increase communication and education with our employer groups have been met with great success and have expanded these outreach efforts to focus more intently on the financial professionals and other decision makers at the local level, to assist with understanding the various components of their employer liabilities. Furthermore, we have begun assessing how we can provide broader, more robust communication channels and clear, concise messaging to those employers, our membership, and other interested stakeholders. This includes, but is not limited to, more outreach, website redesign, educational sessions and stakeholder meetings, to name a few.

Additionally, organizational efforts to become more efficient were begun in May by focusing more intently on our internal processes and procedures. To foster this process, construction continues on the *Knowledge|Information Management Portal*, a three-tiered, folder-based system for controlling the PSPRS operational documents and records. The portal enables enhanced organizational planning, execution and reporting. It integrates the processes and groups in the organization to create a uniform approach to document management and records retention, thereby increasing efficiency and strengthening decision making. Our goal over the next three to five years is to achieve *International Organization for Standardization (ISO)* Quality Certifications and apply for the Malcolm Baldrige Quality Award, the highest level of national quality recognition a U.S. organization can receive.

Finally, since late fall of 2013, we have been undergoing our sunset review and performance audit with the Office of the Auditor General. The collaborative relationship we have experienced with the Office over the past year has been very enlightening and is providing additional insight for more efficiencies and improvement. We look forward to the release of their report in fall 2015.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Plan for the EORP Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the nineteenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe our FY'14 CAFR continues to meet the Certificate of Achievement Program's requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a certificate.

Conclusion

Our goal as the Board of Trustees is to bring the EORP to a more sustainable level. However, that cannot happen without a legislative change to increase the required employer contribution rate. As previously stated, without addressing the employer contribution rate, the plan will be out of funds in less than 20 years. Either the legislature needs to address this or return the authority to set the employer contribution rate to the EORP Board of Trustees. With the reversal of certain pension reform provisions (and the threat of reversal of others) the need for this change is urgent. Over the past year EORP has noticed a more concerted effort amongst management, employers and stakeholders to better understand the issues at hand and work together toward a solution. This includes internal and external efforts for increased efficiency, communication and education amongst these groups.

As members of the PSPRS Board of Trustees, we intend to continue our efforts to secure the long-term financial integrity of the Plan and to faithfully serve the interests of the Plan's participants and beneficiaries.

We appreciate the opportunity to serve the State of Arizona, its political subdivisions and EORP members and we look forward to continuing to serve as Trustees.

Respectfully submitted,

Brian P. Tobin, Chairman
of the Board of Trustees

Gregory Ferguson, Vice Chairman
of the Board of Trustees

Jeff Allen McHenry, Member
of the Board of Trustees

Richard J. Petrenka, Member
of the Board of Trustees

Randie A. Stein, Member
of the Board of Trustees

Lauren Kingry, Member
of the Board of Trustees

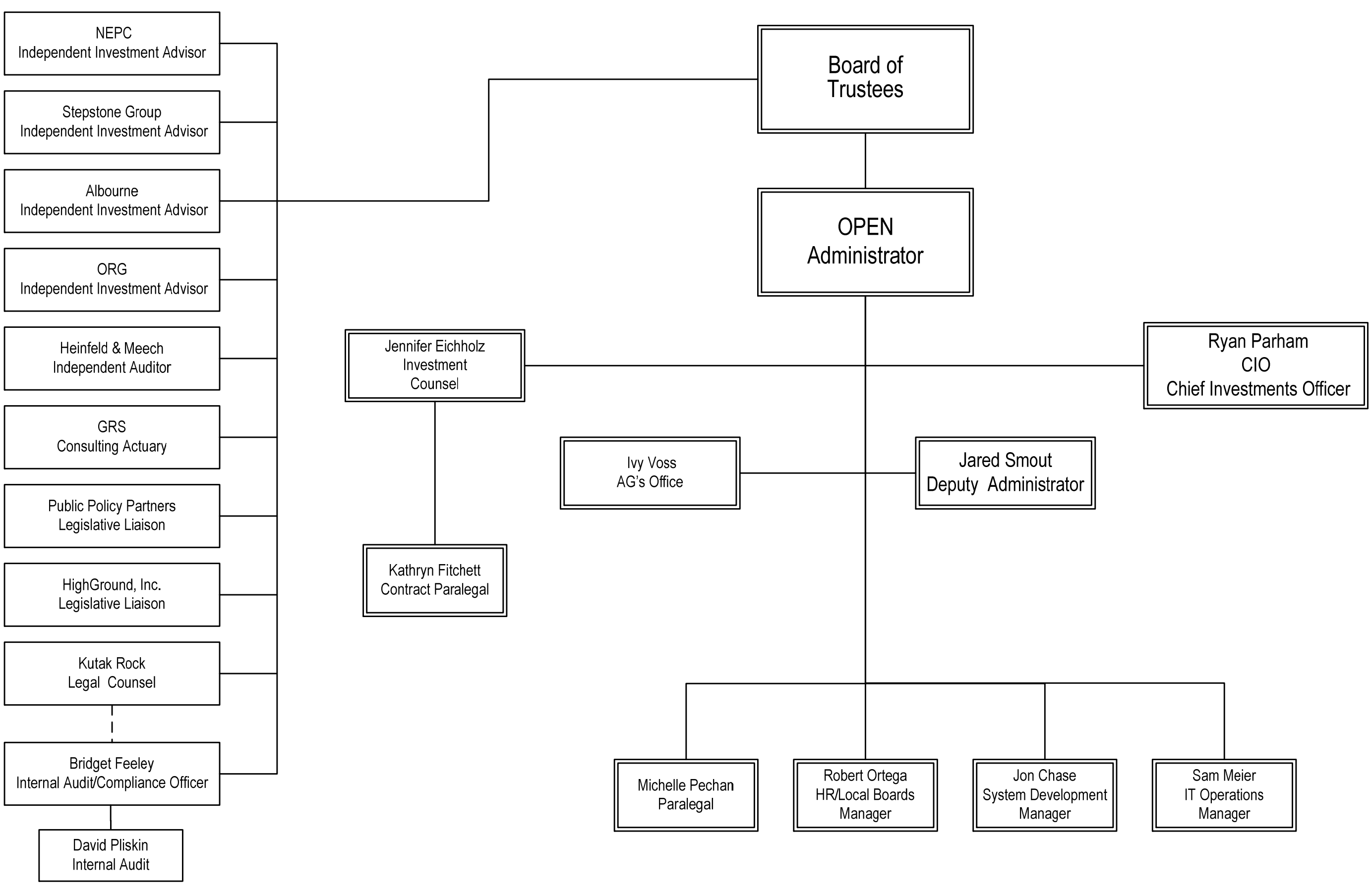
William C. Davis, Member
of the Board of Trustees

BOARD OF TRUSTEES
(AS OF JUNE 30, 2014)

EXECUTIVE STAFF AND ORGANIZATIONAL CHART

Ryan Parham
Chief Investment Officer

Jared A. Smout
Deputy Administrator



PROFESSIONAL ADVISORS

ALBOURNE AMERICA, LLC	International Alternative Investment Consultant
BNY MELLON ASSET SERVICING	Independent Investment Advisor
BUCK CONSULTING, LLC	Compensation Consultant
COOLEY LLP	Investment Counsel
ERNST & YOUNG LLP	Investment Consultant
FOLEY & LARDNER, LLC	Investment Counsel
FOSTER PEPPER	Investment Counsel
GABRIEL ROEDER SMITH & COMPANY	Actuary
GOODWIN PROCTER	Legislative Liaison
HEINFELD, MEECH & CO.	Independent Auditor
HIGHGROUND, INC	Legislative Liaison
JACKSON WALKER LLP	Investment Counsel
KUTAK ROCK LLP	General Counsel
LIGHT STONE SOLUTIONS, LLC	Due Diligence
NEPC, LLC	Independent Investment Advisor
OFFICE OF THE ATTORNEY GENERAL	General Counsel
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant
OSAM INC.	IT Consultant
PATRICE ROBINSON CONSULTING	IT Consultant
PILLSBURY	Investment Counsel
PUBLIC POLICY PARTNERS	Legislative Liaison
ROPES & GRAY LLP	Investment Counsel
STEPSTONE GROUP LLC	Equity Advisors
STEPTOE & JOHNSON, LLP	Litigation Counsel

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 Investment Section.

FINANCIAL SECTION

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public Safety Personnel Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of Elected Officials Retirement Plan (EORP), a component unit of the State of Arizona, which comprise the Statement of Fiduciary Net Position as of June 30, 2014, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Elected Officials Retirement Plan, as of June 30, 2014, and the respective changes in its net position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, EORP implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 10 and No. 62, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents under the Financial Section, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the EORP's financial statements. The Introductory Section, Supporting Schedules Information, Investment Section, Actuarial Section and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supporting Schedules Information, as listed in the table of contents under the Financial Section, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules Information is fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory Section, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, on our consideration of the EORP'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* in considering the EORP's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

February 25, 2015

EORP 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 2014 are as follows:

- The Elected Officials' Retirement Plan (EORP) had a total net of fees rate of return of 13.28% this year. Our total portfolio underperformed the target fund benchmark by 54 basis points. This is an improvement from the prior year's return of 10.64%.
- In compliance with the Supreme Court decision regarding permanent benefit increase (PBI) payments, the Future Benefit Increase Reserve was restored effective FY 2012 for those members who retired effectively on or before July 1, 2011. The retroactive funding of the reserves and the increase for FY 2014, were reduced to $6.73 million with the distribution of a retroactive PBI increase and PBI for FY 2014 effective July 1, 2014.
- Retirement benefits paid totaled $54.93 million for the current year, compared to $46.37 million for the previous year. This represents a 18.46% increase from the prior year.

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 Fiduciary Net Position and The Statement of Changes in Fiduciary Net Postion

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 position and changes in them. Net position is the difference between assets and liabilities, one way to measure the financial health, or financial position. Over time, increases or decreases in the net position 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 Fiduciary Net Position and The Statement of Changes in Fiduciary Net Position.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes the Schedule of Employers Net Pension Liability, the Schedule of Pension Contributions, the Money-Weighted Rate of Return, and the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios.

Supporting Schedules

The Supporting Schedules Section include the Schedule of Changes in Fund Balance Reserves, Schedule of Cash Receipts and Cash Disbursements, Schedule of Administrative Expenses, Schedule of Payments to Consultants. The total columns and information provided on these schedules carry forward to the applicable financial statement.

FINANCIAL ANALYSIS OF THE PLAN

The following schedules present comparative summary financial statements of the Plan for FY2014 and FY2013. Following each schedule is a brief summary of the significant changes noted in these schedules.

SUMMARY COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION

	As of 06/30/2014	As of 06/30/2013	Change	% Change
Cash and Short-Term Investments	13,508,156	6,154,720	7,353,436	119.48%
Total Receivables	4,557,207	2,988,764	1,568,443	52.48%
Total Investments	321,437,585	302,733,751	18,703,834	6.18%
Securities Lending Collateral	24,125,025	9,600,702	14,524,323	151.28%
Net Capital Assets	244,901	262,644	(17,743)	(6.76)%
Total Plan Assets	**363,872,874**	**321,740,581**	**42,132,293**	**13.10%**
Accrued Accounts Payable	1,480,440	431,501	1,048,939	243.09%
Investment Purchases Payable	1,190,332	775,704	414,628	53.45%
Securities Lending Collateral	24,125,025	9,600,702	14,524,323	151.28%
Total Plan Liabilities	**26,795,797**	**10,807,907**	**15,987,890**	**147.93%**
Net Assets	**337,077,077**	**310,932,674**	**26,144,403**	**8.41%**

Summary Comparative Statements of Fiduciary Net Position Analysis

The total plan net position held in trust for benefits at June 30, 2014 were $337.08 million, an 8.41% increase from $310.93 million at June 30, 2013. The increase in net assets is primarily due to favorable financial markets during the fiscal year. The decrease or 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 increase in security lending collateral is due to normal fluctuations in the lending program as well as an increase in exposure to other alternative investments. The investment of the collateral fluctuated in a similar manner.

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	2014	2013	Change	% Change
ADDITIONS				
Total Contributions and Service Purchase	39,906,849	31,116,271	8,790,578	28.25%
Net Investment Income (Loss)	41,567,954	30,737,247	10,830,707	35.24%
Service Transfers	98,579	16,871	81,708	484.31%
Total Additions (Reductions)	**81,573,382**	**61,870,389**	**19,702,993**	**31.85%**
DEDUCTIONS				
Benefits	54,934,569	46,373,716	8,560,853	18.46%
Service Transfers and Refunds	178,514	160,455	18,059	11.25%
Administrative Expenses	315,896	299,692	16,204	5.41%
Total Deductions	**55,428,979**	**46,833,863**	**8,595,116**	**18.35%**
Net Increase (Decrease)	**26,144,403**	**15,036,526**	**11,107,877**	**73.87%**
Balance Beginning of Year - July 1	**310,932,674**	**295,896,148**	**15,036,526**	**5.08%**
Balance End of Year - June 30	**337,077,077**	**310,932,674**	**26,144,403**	**8.41%**

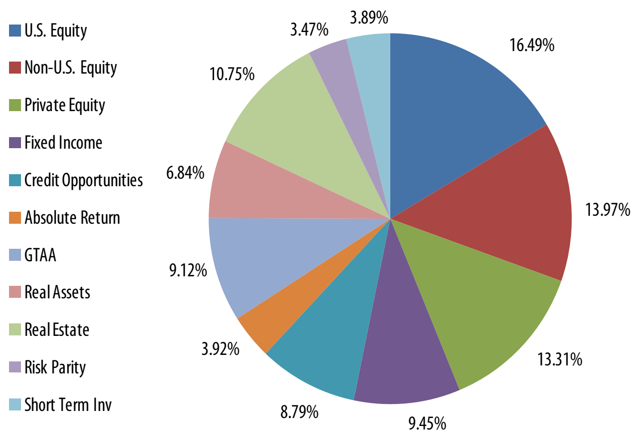
Summary Comparative Statements of Changes in Fiduciary Net Position Analysis

Employer and employee contributions increased $8.79 million due to increased employee and employer contribution rates during fiscal year 2014. Additionally, there was a decrease in members' service purchases.

For FY 2014, EORP recognized a net investment income of $41.57 million which compares to a $30.74 million in the previous year. This 35.24% increase in income was due to positive returns in the financial markets during the fiscal year.

Deductions from the EORP net position held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2014, these deductions totaled $55.43 million, an increase of 18.35% from the $46.83 million paid during FY2013. Refunds increased by 25.18%. Service Transfers and refunds represent a return of contributions 11.25% from the prior year.

INVESTMENT ACTIVITIES



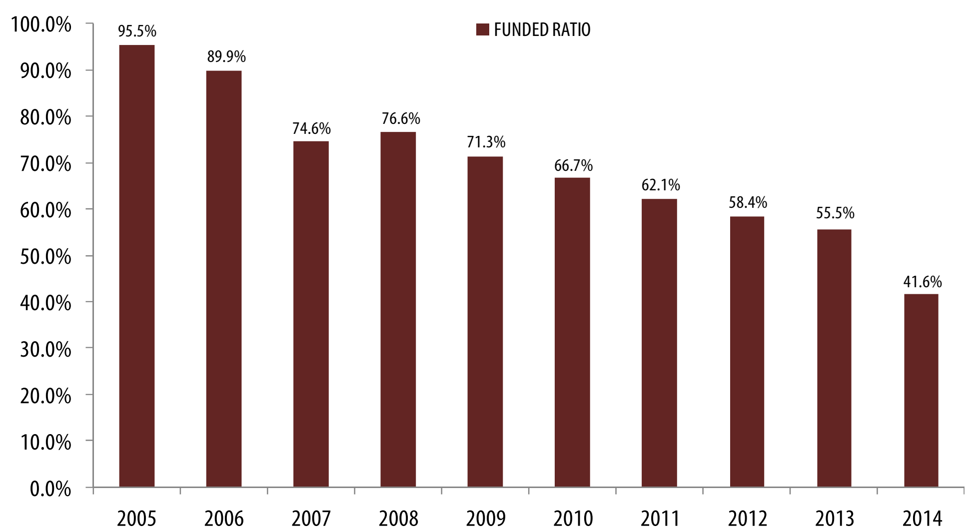
During 2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past four years. As illustration, at the end of FY2007, 72.8% of the entire investment portfolio was invested in equities versus 30.5% at the end of FY2014. Fixed income had remained about 19% of the entire portfolio prior to being reduced to 9.5% in FY2014. However, alternative investments have increased from *3.4*% in FY2007 to 56.4% in FY2014.

At June 30, 2014, EORP held $101.73 million in equities. The FY 2014 rate of return for EORP total equities was 21.20% versus a benchmark rate of return of 23.68%. At June 30, 2014, EORP held $31.58 million in fixed income securities. The FY 2014 rate of return for EORP fixed income securities was 6.21% versus a benchmark rate of return of 7.39%. 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. Additionally, a more thorough discussion of the diversification of the asset allocation policy can be found in the Introductory Section of this report in the transmittal letter.

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.

In an effort to be more transparent in our financial reporting and to better track the performance of each investment, we have changed the way we are reporting investment-related fees and expenses. Previously, many of our investments were reported by their respective managers on a net of fee basis only. For those investments, we did not report a management fee. Beginning with FY2013, we have been proactive in obtaining the information on fees and expenses for those investments. This has resulted in an increase of reported management fees, year-over-year; however, this increase was due to the change in reporting, not to actual higher management fees. The investments are still being reported net of fees.

HISTORICAL TRENDS



Accounting standards require that the "Statement of Fiduciary Net Position" 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 - Health Insurance" is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed 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, 2014.

At June 30, 2014, the total funded status of the EORP decreased to 41.6% from 55.5% at FYE 2013. This decrease in funded status is related primarily to investment losses in investment losses from prior years being fully reflected and court ruling that reinstated of the PBI mechanism. The market value smoothing techniques used in this valuation of the Plan recognize both past and present investment gains and losses. 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.

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.

COMBINED STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	PENSION	HEALTH INSURANCE	COMBINED 2014	COMBINED 2013
ASSETS				
Cash and Short-Term Investments	12,669,284	838,872	13,508,156	6,154,720
RECEIVABLES				
Member Contributions	240,251	-	240,251	220,273
Employer Contributions	423,263	28,830	452,093	424,387
Court Fees	682,629	-	682,629	687,037
Interest and Dividends	285,346	19,946	305,292	311,048
Investment Sales	1,725,750	125,800	1,851,550	356,737
Other	1,024,595	797	1,025,392	989,282
Total Receivables	**4,381,834**	**175,373**	**4,557,207**	**2,988,764**
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)				
U.S. Equity	51,394,613	3,746,442	55,141,055	56,315,872
Non U.S. Equity	43,421,556	3,165,241	46,586,797	43,494,475
GTAA	28,465,844	2,075,035	30,540,879	26,467,272
Fixed Income	29,436,123	2,145,765	31,581,888	34,272,174
Credit Opportunities	27,430,982	1,999,599	29,430,581	27,922,974
Private Equity	41,529,492	3,027,318	44,556,810	35,122,508
Real Assets	21,339,041	1,555,523	22,894,564	19,680,454
Real Estate	33,544,923	2,445,278	35,990,201	39,843,729
Absolute Return	12,213,339	890,299	13,103,638	12,718,911
Risk Parity	10,822,275	788,897	11,611,172	6,895,382
Total Investments	**299,598,188**	**21,839,397**	**321,437,585**	**302,733,751**
Securities Lending Collateral	22,485,901	1,639,124	24,125,025	9,600,702
CAPITAL ASSETS (NOTE 4)				
Land	33,145	-	33,145	33,145
Building	250,653	-	250,653	250,653
Furniture, Fixtures & Equipment	113,119	-	113,119	110,549
Total Capital Assets	**396,917**	**-**	**396,917**	**394,347**
Accumulated Depreciation	(152,016)	-	(152,016)	(131,703)
Net Capital Assets	**244,901**	**-**	**244,901**	**262,644**
TOTAL PLAN POSITION	**339,380,108**	**24,492,766**	**363,872,874**	**321,740,581**
LIABILITIES				
Accrued Accounts Payable	1,480,440	-	1,480,440	431,501
Investment Purchases Payable	1,109,457	80,875	1,190,332	775,704
Securities Lending Collateral	22,485,901	1,639,124	24,125,025	9,600,702
Total Plan Liabilities	**25,075,798**	**1,719,999**	**26,795,797**	**10,807,907**
NET POSITION HELD IN TRUST FOR PENSION AND HEALTH INSURANCE BENEFITS	**314,304,310**	**22,772,767**	**337,077,077**	**310,932,674**
NET POSITION RESERVES				
Refundable Members' Reserve	54,010,575	-	54,010,575	48,357,034
Employers' Reserve	253,565,994	22,772,767	276,338,761	258,205,068
Future Benefit Increase Reserve	6,727,741	-	6,727,741	4,370,572
Total Net Position Reserves	**314,304,310**	**22,772,767**	**337,077,077**	**310,932,674**

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

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED 2014 WITH COMPARATIVE TOTALS FOR 2013

	PENSION	HEALTH INSURANCE	COMBINED 2014	COMBINED 2013
ADDITIONS				
Contributions				
Members' Contributions (NOTES 2,5)	8,938,401	-	8,938,401	7,700,666
Employers' Contributions (NOTES 2,5)	16,162,159	1,072,197	17,234,356	14,668,848
Non-Employer Entity Contributions (NOTE 5)	5,000,000	-	5,000,000	-
Court Fees	8,540,583	-	8,540,583	8,411,739
Members' Service Purchase	51,077	-	51,077	228,213
Legacy Contributions	17,519	-	17,519	-
Alternate Employer Contributions	124,913	-	124,913	106,805
Total Contributions	**38,834,652**	**1,072,197**	**39,906,849**	**31,116,271**
Investment Income				
From Investing Income				
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	39,564,276	2,707,649	42,271,925	27,693,848
Interest	378,997	25,937	404,934	301,417
Dividends	2,237,188	153,106	2,390,294	2,257,763
Other Income	2,956,491	202,332	3,158,823	3,385,118
From Securities Lending Activities				
Securities Lending Activities (NOTE 3)				
Securities Lending Income	35,132	2,404	37,536	10,131
Borrower Rebates	67,689	4,632	72,321	46,665
Agents Share of Income	(15,404)	(1,054)	(16,458)	(8,476)
Net Securities Lending Income	**87,417**	**5,982**	**93,399**	**48,320**
Total Investment Income (Loss)	**45,224,369**	**3,095,006**	**48,319,375**	**33,686,466**
Less Investment Expense	(6,318,972)	(432,449)	(6,751,421)	(2,949,219)
Net Investment Income (Loss)	**38,905,397**	**2,662,557**	**41,567,954**	**30,737,247**
Transfers Into System	98,579	-	98,579	16,871
Total Additions (Reductions)	**77,838,628**	**3,734,754**	**81,573,382**	**61,870,389**
DEDUCTIONS				
Pension Benefits (NOTE 2)	53,984,038	-	53,984,038	45,472,356
Health Insurance Subsidy	-	950,531	950,531	901,360
Refunds To Terminated Members (NOTE 2)	154,933	-	154,933	123,773
Administrative Expenses	315,896	-	315,896	299,692
Transfers Out of System	23,581	-	23,581	36,682
Total Deductions	**54,478,448**	**950,531**	**55,428,979**	**46,833,863**
NET INCREASE (DECREASE)	**23,360,180**	**2,784,223**	**26,144,403**	**15,036,526**
NET POSITION HELD IN TRUST FOR PENSION & HEALTH INSURANCE BENEFITS				
Beginning of Year, July 1	290,944,130	19,988,544	310,932,674	295,896,148
End of Year, June 30	**314,304,310**	**22,772,767**	**337,077,077**	**310,932,674**

** 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 Board of Trustees (formerly Fund Manager) of the Public Safety Personnel Retirement System (PSPRS) administers the EORP Plan.

Effective April 28, 2010 SB 1006 was passed that changed the name of the Fund Manager to Board of Trustees and expanded the size of the Board from five to seven. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Board of Trustees. SB 1006 also increased the term from three to five years. There will be a transitional period during which the terms of office may vary. The Board of Trustees 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. Substantial investment experience is required for the member of the Board that represents the state as an employer and the two public members of the Board.

Prior to January 1, 2014, the health insurance premium subsidy was considered an agency fund; provided by A.R.S 38-817. The law was amended so all health insurance premium subsidies would be separated from the benefits. The contributions for the health insurance can only be used to pay health insurance benefits.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Board of Trustees approves new eligible groups for participation. The EORP is reported as a component unit of the State of Arizona. The State of Arizona is considered a non-employer contributing member.

The Board of Trustees 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 were held and accounted for separately from those of the EORP until September 1, 2008. Arizona Revised Statutes Section 38-848 was amended by Laws 2008, Ch. 286, § 22 to authorize the Board of Trustees to commingle the assets of the fund and the assets of all other plans entrusted to its management. Accordingly, the assets of these plans have been unitized but all receipts and earnings are credited and charges of payments are made to the appropriate employer, system or plan.

In 2013 the legislature passed HB 2608 effectively closing the Elected Official's Retirement Plan (EORP). See Note 11 for additional information on the closure.

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, 2014 and 2013, the number of participating local government employer groups was:

GROUP	2014	2013
Cities and Towns	21	21
Counties	15	15
State Agencies	2	2
Non-Employer Contributing Entity	1	0
Total Employers	**39**	**38**

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, 2014 and 2013, statewide EORP membership consisted of:

	RETIREMENT PLAN		INSURANCE SUBSIDY	
MEMBERSHIP TYPE	2014	2013	2014	2013
Retirees	1,053	1,057	597	577
Terminated Vested	149	160	-	-
Current Vested	549	503	-	-
Current Non-Vested	294	336	-	-
Total Members	**2,045**	**2,056**	**597**	**577**

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

To provide a uniform, consistent, and equitable statewide program for those eligible elected officials as defined by the Plan. A.R.S. §38-810.02.B

AVERAGE MONTHLY BENEFIT

Employees who became a member of the Plan on or before December 31, 2011: An average of your highest thirty-six (36) consecutive months within the last ten (10) years of completed years of credited service as an elected official that yield the highest average. If an employee does not have three (3) consecutive years of credited service as an elected official, the considered period is the employee's last consecutive period of employment with a Plan employer immediately before retirement. A.R.S. § 38-801(5).

Employees that became a member of the Plan on or after January 1, 2012: An average of your highest sixty (60) consecutive months within the last ten (10) years of completed years of credited service as an elected official that yield the highest average. If an employee does not have five (5) consecutive years of credited service as an elected official, the considered period is the employee's last consecutive period of employment with a Plan employer immediately before retirement. A.R.S. § 38-801 (5).

PERMANENT BENEFIT INCREASE (PBI)

A retired member or survivor of a retired member, who retired prior to August 1, 2011, may be entitled to a permanent benefit increase in their base benefit contingent upon the balance in the Future Benefit Increase Reserve balance. The maximum amount of the increase is 4% of the benefit being received on the preceding June 30. A.R.S. § 38-856.

A retired member or survivor of a retired member, who retired on or after August 1, 2011, may receive a benefit increase from the System <u>if monies are available</u> (*See* A.R.S. § 38-856). However, effective July 1, 2013 (A.R.S. § 38-856.02) and each July 1 thereafter, a benefit increase will be issued as long as the following criteria have been met:

Members of the plan **BEFORE** January 1, 2012:	Members of the plan **AFTER** January 1, 2012:
A. Retired member/survivor was receiving benefits on/before July 31 of two (2) previous years.	A. Age 55 on July 1 and is receiving benefits.
B. Retired member/survivor was age 55 on July 1 and receiving Benefits on/before July 31 of previous year.	B. Under age 55 on July 1 and was receiving an accidental disability and was receiving benefits on/before July 31 of two (2) previous years.
	C. Survivor under 55 on July 1, is survivor of KIA and receiving benefits on/before July 31 of two (2) previous years.

The increase will be calculated based on (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

- If the ratio of the actuarial value of assets to liabilities is 60-64% and the total return is more than 10.5% for the prior fiscal year, 2% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 65-69% and the total return is more than 10.5% for the prior fiscal year, 2.5% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 70-74% and the total return is more than 10.5% for the prior fiscal year, 3% maximum increase to all eligible retirees and survivors.
- If the ratio of the actuarial value of assets to liabilities is 75-79% and the total return is more than 10.5% for the prior fiscal year, 3.5% maximum increase to all eligible retirees and survivor.
- If the ratio of the actuarial value of assets to liabilities is 80% or more and the total return is more than 10.5% for the prior fiscal year, 4% maximum increase to all eligible retirees and survivors.

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the Plan by the Joint Legislative Budget Committee (JLBC). A.R.S. § 38-818.02.

As of June 30, 2014, the reserve balance for future benefit increases was $6,727,741. This reserve is used to pay future permanent benefit increases for retirees.

CONTRIBUTIONS

From July 1, 2013 through June 30, 2014 and each fiscal year thereafter, each member shall contribute 13% of compensation to the Plan on a pre-tax basis by payroll deduction. The amount of the member's contribution that exceeds 7% of the member's compensation shall not be used to reduce the employer's contributions. A.R.S. § 38-810 (G).

From July 1, 2013 – December 31, 2013 the contribution rate for the State of Arizona employers was 39.62% (38.06% pension and 1.56% health insurance).

From January 1, 2014 through June 30, 2044, the EORP employers shall contribute a level percent of salary of 25.06% (23.50% retirement and 1.56% health insurance). The health insurance contribution is set by the actuary to meet the normal cost plus an amount to amortize the unfunded accrued liability. A.R.S. § 38-810 (C). In addition, the EORP will receive contributions from certain employers pursuant to A.R.S. §§ 12-119.01(B)(2), 12-120.31(D)(2), 12-284.03(A)(6), 22-281(C)(3), 38-797.05 and 41-178 as stated in A.R.S. § 38-810.

Starting in fiscal years 2013-2014 and ending in 2042-2043, the Legislature will appropriate five million dollars each year to supplement the Normal Cost an amount to amortize the unfunded accrued liability.

CREDITED SERVICE
Service for which contributions have been made, or transferred to the Plan from another retirement system for public employees of this state. A.R.S. § 38-801(7).

DEATH BENEFIT - ACTIVE OR INACTIVE MEMBER
Spouse's Pension. Employees who became a member on or before December 31, 2011, the surviving spouse of an active or inactive member will receive a Spouse's Pension each month for lifetime. The Spouse's Pension is 75% of the member's pension benefit based on the calculation for a disability benefit. A.R.S. § 38-806 . Employees who became a member on or after January 1, 2012, the surviving spouse of an active or inactive member will receive a Spouse's Pension each month for lifetime. The Spouse's Pension is 50% of the member's pension benefit based on the calculation for a disability benefit. A.R.S. § 38-806. OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, a Guardian Benefit (based on the calculation for the applicable Spouse's Pension) may be paid to the guardian of the surviving, eligible (unmarried) child(ren) until the child(ren) is adopted, turns 18 or until the age of 23 if the attending full-time school between the ages of 18 and 23. An eligible child's pension shall become payable directly to the eligible child when the eligible child reaches the age of eighteen (18), if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. A.R.S. § 38-807. If the Guardian Benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the Guardian Benefit is payable to the disabled child for lifetime. OR

Balance of Contributions. If there is no eligible surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions. A.R.S. § 38-808.

DEATH BENEFIT - RETIRED MEMBER
Spouse's Pension. Employees who became a member on or before December 31, 2011, If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 75% of the member's pension benefit. A.R.S. § 38-807. Employees who became a member on or after January 1, 2012, If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 50% of the member's pension benefit – except that at the time of retirement, a member may elect an optional form of retirement benefit, as determined by the board, that provides for an actuarially reduced pension and an increased surviving spouse's benefit.
A.R.S. § 38-807. OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, a Guardian Benefit (based on the calculation for the applicable Spouse's Pension) may be paid to the guardian of the surviving, eligible (unmarried) child(ren) until the child(ren) is adopted, turns 18 or until the age of 23 if the attending full-time school between the ages of 18 and 23. An eligible child's pension shall become payable directly to the eligible child when the eligible child reaches the age of eighteen (18), if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. If the Guardian Benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the surviving spouse's pension is payable to the disabled child for lifetime. A.R.S. § 38-807 . OR

Balance of Contributions. If there is no eligible surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions. A.R.S. § 38-807.

DISABILITY
A member who becomes permanently mentally or physically incapacitated for the purpose of performing the duties of the member's office if the majority of the board of physicians certifies that the member is mentally or physically incapacitated and is expected to be for an indefinite duration. A.R.S. § 38-806.

Employees who became a member on or before December 31, 2011, the disability benefit is 20% of the member's average yearly salary with 4.99 or less years of credited service, or 40% of the member's average yearly salary with 5 but less than 9.99 years of credited service, or 80% of member's average yearly salary with ten (10) or more years of credited service. A.R.S. § 38-808(B)(2).

Pursuant to A.R.S. § 38-808(C), employees who became a member on or after January 1, 2012, the disability benefit is:
3% of the average yearly salary multiplied by 25 years of credited service if the member had 10 or more years of credited service.
3% of the average yearly salary multiplied by 12.5 years of credited service if the member had 5.0 to 9.99 years of credited service.
3% of the average yearly salary multiplied by 6.25 years of credited service if the member had 4.99 or less years of credited service.

DIVORCE / DOMESTIC RELATIONS ORDER (DRO)
If the member has been involved in a divorce(s), please provide the EORP with a complete copy of the Divorce Decree(s) and any attachments or exhibits if referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties. If the retirement account is required to be split, a Domestic Relations Order (DRO) will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended to provide the EORP with a draft copy of the DRO for review and approval prior to submitting it to the court. A.R.S. § 38-822.

ELIGIBILITY
Every elected official is a member of the Plan who was a member of the Plan on December 31, 2013, and every full-time superior court commissioner; except full-time superior court commissioners who failed to make a timely election of membership under the judges' retirement plan, repealed on August 7, 1985, who was a member of the plan on December 31, 2013. A state elected official who is subject to term limits may elect not to participate in the Plan. A.R.S. §§ 38-801(15) and 38-804(A).

Every elected official, justice of the supreme court, judge of the court of appeals and superior court, and the commissioners that make a timely election of membership, who was hired on or after January 1, 2014 and who was not a member of the plan on December 31, 2013, will be required to participate in a Defined Contribution System or ASRS. See Note 11.

HEALTH INSURANCE

Pursuant to A.R.S. §§ 38-817, 38-651.01 and 38-782, retirees* and survivors *with 8 or more years of credited service that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan, or a group plan through an employer of the PSPRS or EORP plans, the Plan will pay up to the following amount (i.e., Premium Benefit):

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

Employees who become a member on/after September 12, 2013, or their survivors, will not be eligible for the Premium Benefit if they are (re)employed and participates in health care coverage provided by the member's or survivor's new employer. A.R.S. § 38-817.

* Members with 5 to 7.99 years of credited service will receive a proportionate share of the subsidy stated above.

JOINDERS

Elected officials of an incorporated city or town may participate in the EORP if the governing body enters into a joinder agreement in accordance with the provisions of the Plan. Assets under any existing public employee defined benefit retirement program shall be transferred to the EORP within sixty (60) days after the employer's effective date. A.R.S. § 38-815.

REFUNDS

Employees who became a member on or before December 31, 2011, pursuant to A.R.S. § 38-804(B), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with the EORP, the member will receive a lump-sum payment (less mandated tax withholding) of accumulated contributions (less any benefits paid or any amounts owed to the Plan) - thus, forfeiting all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has five (5) or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

5 to 5.9 years of service = 25% of member contributions.
6 to 6.9 years of service = 40% of member contributions.
7 to 7.9 years of service = 55% of member contributions.
8 to 8.9 years of service = 70% of member contributions.
9 to 9.9 years of service = 85% of member contributions.
10 or more years of service = 100% of member contributions plus 3% interest if left on deposit after 30 days.

For an elected official who becomes a member on or after January 1, 2012, pursuant to A.R.S. § 38-804(D), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with EORP, shall receive a lump-sum payment plus interest at a rate determined by the board (currently 3%) as of the date of termination of ONLY their accumulated contributions (less any benefits paid or any amounts owed to the Plan) - thus, forfeiting all membership rights and credited service in the Plan upon receipt of refund of contributions. The member will NOT receive the additional percentage of contributions as stated above.

Note: A member may not, under any circumstance, borrow from, take a loan against or remove contributions from the member's account before the termination of membership in the plan or the receipt of a pension. A.R.S. § 38-810(A).

RETIREMENT ELIGIBILITY AND CALCULATION

Employees who became a member on or before December 31, 2011:

Early Retirement (Reduction for Age). Pursuant to A.R.S. §§ 38-801(5, 7 and 15), 38-805(C) and 38-808, early retirement benefits will commence the first day of month following termination of employment to an elected official who has at least five (5) years of credited service and who ceases to serve as an elected official may retire before meeting the age or service requirement for normal retirement The amount of an early retirement pension is 4% of the member's average yearly salary multiplied by the years of the member's credited service, not to exceed 80% of the member's average yearly salary then reducing that amount by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age. The maximum reduction is 30%.

*Normal Retirement***.** Pursuant to A.R.S. §§ 38-801(5, 7 and 15), 38-805(A) and 38-808, normal retirement will commence the first day of month following termination of employment to an elected official who ceases to hold office based the following age and service requirements:

- Age 65 years, with 5 or more years of credited service, or
- Age 62 years, with 10 or more years of credited service, or
- 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, not to exceed 80% of the member's average yearly salary.

Employees who became a member on or after January 1, 2012:

Early Retirement. Early Retirement is not available.

Normal Retirement. Pursuant to A.R.S. §§ 38-801(5, 7 and 15), 38-805(B) and 38-808, normal retirement benefits will commence the first day of month following termination of employment and based upon the following:

- Age 65 years, with 5 or more years of credited service, or
- Age 62 years, with 10 or more years of credited service.

The amount of a normal retirement pension is 3% of the member's average yearly salary multiplied by the member's credited service, not to exceed 75% of the member's average yearly salary.

RETURN TO WORK AFTER RETIREMENT

If a retired member subsequently becomes an elected official, contributions shall not be made by the retired member and credited service shall not accrue while the retired member is holding office. § 38-804(I). If a retired member subsequently becomes, by reason of election or reelection, an elected official of the same office from which the member retired, within a time period following the member's retirement that is less than one full term for that office, the member shall not receive a pension. If/when the elected official ceases to hold the same office, the elected official is entitled to receive the same pension the elected official was receiving when the elected official's pension was discontinued. Nothing in this section prohibits a retired judge called by the supreme court to active duties of a judge pursuant to § 38--813 from receiving retirement benefits. § 38-804(J).

Every judge retired under this plan may, if physically and mentally able, be subject to call by the supreme court or the chief justice of the supreme court to assist the supreme court, court of appeals or superior court under such directions as the supreme court may give, including the examination of the facts in cases before the court, the examination of authorities cited and the preparation of opinions for and on behalf of the court. The court may order these opinions, to the extent approved by the court, to constitute the opinion of the court. The retired judge may, subject to any rule which the supreme court adopts, perform any duties preliminary to the final disposition of cases insofar as they are not inconsistent with the constitution of this state. § 38-813 .

Notwithstanding any provision of law to the contrary, a retired judge who is temporarily called back to the active duties of a judge is entitled to receive the same compensation and expenses as other like active judges less any amount received for that period in retirement benefits. § 38-813 .

Effective July 20, 2011, the employer is required to pay an alternate contribution rate on behalf of a retired member who returns to work in any capacity in a position ordinarily filled by an elected official. A.R.S. § 38-810.04.

Effective July 20, 2011, the premium benefit (subsidy) will not apply if the retired member or survivor is reemployed and participates in health care coverage provided by the member's or survivor's new employer. A.R.S. § 38-817(E).

SERVICE PURCHASE

Purchase of Prior Active Military Service. (Form 18). Members who have at least ten (10) years of credited service may purchase up to sixty (60) months of credited service for periods of active military service performed before employment with their current employer. A.R.S. § 38-820. Active members may also receive credited service limited to sixty (60) months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-820. The member shall pay the members contributions, upon which the employer shall make employer contributions. If member performs military service due to presidential call-up, the employer shall make the employer and employee contributions not to exceed forty-eight (48) months pursuant to A.R.S.38-820(G). For more information, contact your employer .

Purchase of Prior Service from an Out-of-State Agency. (Form EOSS). Active members who have at least five (5) years of credited service with the Plan that have previous service with an agency of the U.S. Government, a state of the U.S., or a political subdivision of a state of the U.S. as may elect to redeem up to sixty (60) months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-816.

Purchase of Prior Forfeited Service as an Elected Official. If a former elected official terminates membership in the Plan and takes a refund of contributions and is later re-employed as an elected official may elect to purchase all of the previously forfeited credited service if the elected official signs a written election within ninety (90) days after re-employment to reimburse the Plan within one (1) year after the date of re-employment. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment. A.R.S. § 38-804(H). (*Form E1B*) OR

If the statutory requirements above are not met, the elected official may still purchase some or all of the previously forfeited credited service or of elected official service not covered by the Plan. The calculation is based on an amount computed by the Plan's actuary to equal the actuarial present value. A.R.S. § 38-816(B). (*Form E2*).

Purchase of Service Between the Arizona Retirement Plans/Systems. (Form U2). Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may redeem the credited service to their current Arizona state retirement System/Plan by paying the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the EORP or governing board. A.R.S. § 38-922.

TAXATION OF RETIREMENT BENEFITS

Effective tax year January 1, 1989, all EORP retirement benefits in excess of $2500 annually will be subject to Arizona state tax. A.R.S. §§ 38-811 and 43-1022.

TRANSFERS

Transfer of Service Between the Arizona Retirement Plans/Systems. (Form U2). Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the EORP or governing board. 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/Plan. A.R.S. §§ 38-921 and 38-922.

Transfer of Service Between City Retirement Plans. (Form U2E). A member of a charter city retirement system who is an elected official may apply for a transfer of service credits from the charter city retirement system to the EORP based on the actuarial present value of the service (with the member paying the difference), or the member may elect a reduced service amount to be transferred based on the actuarial present value. A.R.S. § 38-821.

This is not an official version of the Arizona Revised Statutes. If there are any differences or discrepancies, the official version will prevail.

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 $10,000 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 $22,551,048 for FYE 2014 and $15,232,109 for FYE 2013. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

NEW ACCOUNTING PRONOUNCEMENT

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued and is effective for periods beginning after December 15, 2012. There is no effect on the EORP financial statements. GASB Statement 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*, was issued and is effective for periods beginning after December 15, 2012. There is no effect on the EORP financial statements. The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25" This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of this statement have been implemented in the EORP Financial Statements. GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued and is effective for periods beginning after June 15, 2013. There is no effect on the EORP financial statements.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2014. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

CASH

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 two financial institutions with a balance of up to $250,000 (permanently guaranteed as of July 21, 2010) insured by the Federal Deposit Insurance Corporation (FDIC). The Plan mitigates custodial credit risk for deposits by requiring the financial institutions 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, 2014, as collateral:

Description	CPN	Maturity	Market Value
FNMA Pool MA1688	3.50	12-1-2033	1,132,902
FNMA Pool AB7748	3.00	1-1-2043	12,858,589
FNMA Pool AR2458	3.00	12-1-2042	37,676,656
TOTAL			**51,668,147**

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. 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, 2014:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	12,346,724	12,346,724
Operating Fund	1,161,432	2,343,722
Total Deposits	**13,508,156**	**14,690,446**

MONEY-WEIGHTED RATE OF RETURN

The money-weighted rate of return on investments for FY 2014 was 11.554%, $35,657,650 and 11.311%, $32,966,444 for FY 2013. The calculation is less investment expenses of $6,318,972. The money-weighted rate of return expresses investment performance, net of investments expense, adjusted for the changing amounts actually invested.

INVESTMENTS

EORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at cost plus accrued interest. 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 value as determined by fixed-income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows.

Statutes enacted by the Arizona Legislature authorize the Board of Trustees to make investments in accordance with the "Prudent Man" rule. The Board of Trustees is not limited to so-called "Legal Investments for Trustees." In making every investment, the board 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 board 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 or other plans that the board 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 board 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 §78ll);
   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 A, Act of 1934, as amended (15 United States Code §78a through §78ll).
   c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state.
   d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty per cent of the combined assets of the system and other plans that the board manages shall be invested in foreign 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.

A.R.S. § 38-848.B as amended in 2008 authorized the Board of Trustees to commingle the assets of all the plans entrusted to its management, subject to the crediting of receipts and earnings and charging of payments to the appropriate employer, system or plan. As a result, the various assets of the Public Safety Retirement System, Elected Officials' Retirement Plan, and the Corrections Officer Retirement Plan were unitized beginning September 1, 2008 into the PSPRS Trust. Investments for each fund are allocated daily via a constant dollar unitization methodology. Realized and unrealized gains are allocated monthly using the same methodology.

At June 30, 2014, the fair value of the PSPRS Trust and the allocation for each system and plan was as follows:

PLAN	UNITIZED	PERCENT
PSPRS	6,193,474,862	76.20%
CORP	1,599,282,660	19.68%
EORP	334,748,966	4.12%
TOTAL	**8,127,506,488**	**100.00%**

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, 2014, 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, or the PSPRS Trust 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, 2014, the Plan's fixed income assets that were not government guaranteed represented 96.2% 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.

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, 2014	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	29,473,229	97.0%	A
Mortgages	-	0.0%	
CBO	909,947	3.0%	
Total	**30,383,176**	**100.0%**	

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO
AAA	-	-	-
AA	744,391	-	-
A	851,369	-	-
BBB	874,662	-	-
Below BBB	428,700	-	-
Not Rated	26,574,107	-	909,947
Total	**29,473,229**	**-**	**909,947**

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	-	1,952,103	730,603	534,534	158,884	26,097,105
Agencies	-	-	-	-	433,734	764,978
Mortgages	-	-	-	-	-	-
CBO	-	508,649	-	-	-	401,298
Total	**-**	**2,460,752**	**730,603**	**534,534**	**592,618**	**27,263,381**

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2014	% OF ALL FIXED INCOME ASSETS
Corporate	-	0.00%
Agencies	-	0.00%
Totals	**-**	**0.00%**

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment. The PSPRS is allowed to invest part of its assets in foreign investments. The following table shows the Plan's exposure to foreign currency risk (U. S. dollars):

FOREIGN CURRENCY RISK

CURRENCY	SHORT TERM	FIXED INCOME	EQUITY	OTHER	TOTAL
AUSTRALIAN DOLLAR	2,519	-	1,976,809	-	1,979,327
BRAZIL REAL	330	-	951,526	-	951,855
CANADIAN DOLLAR	3,027	-	2,619,053	-	2,622,080
CHILEAN/COLOMBIAN PESO	0	-	171,816	-	171,816
DANISH KRONE	246	-	431,447	-	431,693
EURO CURRENCY UNIT	45,993	-	9,378,814	5,707,713	15,132,520
HONG KONG DOLLAR	6,037	-	2,274,657	-	2,280,694
INDONESIAN RUPIAH	39	-	271,944	-	271,982
ISRAELI SHEKEL	2,458	-	132,241	-	134,700
JAPANESE YEN	55,262	-	5,677,178	-	5,732,440
MALAYSIAN RINGGIT	217	-	263,950	-	264,166
MEXICAN NEW PESO	426	-	409,950	-	410,376
NEW TAIWAN DOLLAR	3,106	-	882,230	-	885,337
NEW TURKISH LIRA	2,375	-	114,200	-	116,575
NEW ZEALAND DOLLAR	1,186	-	52,591	-	53,778
NORWEGIAN KRONE	3,174	-	309,494	-	312,668
PHILIPPINES PESO	14	-	66,740	-	66,754
POLISH ZLOTY	545	-	113,890	-	114,434
POUND STERLING	17,405	-	6,528,409	1,677,593	8,223,407
S AFRICAN COMM RAND	1,826	-	513,248	-	515,074
SINGAPORE DOLLAR	588	-	329,331	-	329,919
SOUTH KOREAN WON	1,521	-	1,116,424	-	1,117,945
SWEDISH KRONA	135	-	776,588	-	776,723
SWISS FRANC	134	-	2,618,529	-	2,618,664
THAILAND BAHT	0	-	102,227	-	102,227
TOTAL MARKET VALUE	**148,562**	**-**	**38,083,287**	**7,385,305**	**45,617,154**

DERIVATIVES

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, options contracts, and forward foreign currency exchange. The Board of Trustees has adopted a derivative policy that specifically authorizes external investment managers to enter into certain derivative contracts based on an analysis that the use of such derivatives will have a positive impact on the Trust's ability to manage its underlying assets and liabilities. The PSPRS Trust investment program, indirectly through its external managers, holds investments in futures contracts. The external money managers enter into these certain derivative instruments primarily to enhance the performance and reduce the volatility of the PSPRS portfolio, to gain or hedge exposure to certain markets, and to manage interest rate risk. The external managers are required to follow certain controls, documentation and risk management procedures when employing these financial instruments.

The fair value exposure associated with these derivative instruments was recorded on the financial statements as a portion of the unrealized gains and losses related to U.S. Equity and Fixed Income. The total of unrealized gains for EORP was $113,085 at June 30, 2014 consisting of U.S. Equity (gain of $114,343) and Risk Parity (loss of $1,258). Interest risk associated with these investments are included in the tables on page 29.

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, 2014 the fair value of securities on loan was $23,445,850 and the collateral was $24,125,025 for the Elected Officials Retirement Plan. 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, 2014, the weighted average maturity was 73 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 the current fiscal year, under this program, the Plan has not experienced any defaults or losses on these loans. However, in 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. A liability of $240,736 has been recorded as the EORP's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	23,403,818	33,379,580	70.2%
Agencies	-	-	-
Treasuries	-	-	-
Exchange Traded	42,032	420,315	10.0%
Totals	**23,445,850**	**33,799,895**	**69.4%**

VALUATION PROCESS FOR NON-EXCHANGE TRADED INVESTMENTS

The Public Safety Personnel Retirement System does not value any non-publicly traded assets. All of the System's non-publicly-traded assets are managed by external managers, who value the investments under their management in accordance with their established valuation policies, which may include discounted cash flow methodologies (such as purchase offers) or market comparable pricing is otherwise unavailable or appears imprudent to employ. Upon receipt of an external manager's valuation of assets under its management, that valuation is provided to the System's custodian bank which then reflects the valuation on the System's books of account.

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, 2014 was $20,313.

The following table is a schedule of the capital asset account balances as of June 30, 2014, and June 30, 2013, and changes to those account balances during the year ended June 30, 2014.

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2013	33,145	250,653	110,549	394,347
Additions	-	-	2,570	2,570
Deletions	-	-	-	-
Balance June 30, 2014	**33,145**	**250,653**	**113,119**	**396,917**
ACCUMULATED DEPRECIATION				
Balance June 30, 2013	-	(56,003)	(75,699)	(131,703)
Additions	-	(7,354)	(12,959)	(20,313)
Deletions	-	-	-	-
Balance June 30, 2014	-	(63,357)	(88,659)	(152,016)
Net Capital Assets	**33,145**	**187,296**	**24,461**	**244,901**

NOTE 5: CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Prior to January 1, 2014, the Retirement System's funding policy provided for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the Entry Age Normal 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 period 30 year period. Employer contributions including court fees represented 39.62% of covered payroll [18.31% for normal costs (17.73% pension and 0.58% health insurance) and 21.31% for amortization of the unfunded actuarial accrued liability in aggregate (20.33% pension and .98% health insurance subsidy)].

As of January, 1 2014, the Arizona State Legislature closed the Elected Official's Retirement Plan and set the employer contribution rate to 25.06% of covered payroll (23.50% for pension and 1.56% for health insurance) with an additional five million dollars appropriated from the Arizona State Budget (Section 133 of Fiscal Year General Appropriation Act). The five million dollars from the State of Arizona is considered a non-employer contributing entity and is listed separately on the Statement of Changes in Fiduciary Position.

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 Board of Trustees, 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 Nationwide Retirement Solutions. All contributions are sent directly to the third party administrator from the participating employer groups.

NOTE 7: HEALTH INSURANCE PREMIUM SUBSIDY

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 and 5. The health insurance premium subsidy provided by A.R.S. §38-817 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. As of July 1, 2013 the Plan administers a separate healthcare plan as defined under IRC §401(h). In addition, the Plan is statutorily authorized, by A.R.S. §38-817, to maintain a separate account for the health insurance subsidy assets and benefit payments. The Health Insurance assets are accounted for by employer, and are available to pay only Health Insurance benefit.

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, pending the results of the sunset audit review by the legislature and the auditor general's office.

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 Board of Trustees, whichever is less. In management's opinion, any realized loss due to current economic conditions 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 was notified in November 2008 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 unrealized loss is approximately $5.8 million for all three plans and has been recorded as a liability. Management is still pursuing options regarding recoveries, if any, of the liability.

NOTE 10: FUNDING STATUS AND PROGRESS - ACCOUNTING STATUS

The Government Accounting Standards Board Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans,* requires additional information for the financial statements. Because of GASB 67 there will now be two actuarial valuations for the System. The valuation for funding purposes will remain the same as in years past, but the accounting valuation is calculated in a different manner. The discount rate for the accounting method uses the funding discount rate up to the point where the assets no longer fund the liability and then a blended rate is used. The blended rate is created by combining the funding discount rate with the rate of municipal bonds.

FUNDING STATUS AND PROGRESS - HEALTH INSURANCE

The required schedule of funding progress for health insurance premium subsidy 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 health insurance premium subsidy benefits are as follows:

Valuation Date:	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	22 years closed for unfunded accrued actuarial liability
Asset Valuation Method:	7-Year Smoothed Market Value, 80%/120% Market
Investment Rate of Return:	7.85%
Projected Salary Increases:	4.25% which includes inflation at 4.00%

As of June 30, 2014, the health insurance premium subsidy has assets in excess of $11,001,212 for a funding ratio of 190.83%. The assets for the health insurance premium subsidy were $23,112,947 with liabilities of $12,111,735. The assets are 16.10% of covered payroll, $68,340,894.

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" .

ACCOUNTING STATUS

DETERMINATION OF TOTAL PENSION LIABILITY

The total pension liability shown in this subsection is also shown as of the last date of the pension plan's fiscal year, June 30, 2014. A single discount rate of 5.67% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.85% and a municipal bond rate of 4.29% (20-year Bond Buyer Index as published by the Federal Reserve, as of June 26, 2014). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates set by statute and non-employer contributions. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2030. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2030, and the municipal bond rate was applied to all benefit payments after that date.

EXPECTED RETURN GEOMETRIC BASIS
TARGET INVESTMENT ALLOCATION

ASSET CLASS	TARGET ALLOCATION	REAL RETURN GEOMETRIC BASIS	LONG-TERM EXPECTED PORFOLIO REAL RATE OF RETURN
Short Term Investments	2%	3.25%	0.07%
Absolute Return	4%	6.75%	0.27%
Risk Parity	4%	6.04%	0.24%
Fixed Income	7%	4.75%	0.33%
Real Assets	8%	5.96%	0.48%
GTAA	10%	5.73%	0.57%
Private Equity	11%	9.50%	1.05%
Real Estate	11%	6.50%	0.72%
Credit Opportunities	13%	8.00%	1.04%
Non-U.S. Equity	14%	8.63%	1.21%
U.S. Equity	16%	7.60%	1.22%
Total	**100%**		**7.18%**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected real rates of return (expected returns, net of pension plan investment expense) are developed for each major class. The geometric method is the best method used to calculate the average rate per period on an investment that is compounded over multiple periods.

The actuarial assumptions used for the total pension liability are as follows:

ASSUMPTIONS	
Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, Closed
Remaining amortization period	22 years
Asset valuation method	Fair value
Actual Contributions Amounts	Amounts are according to Section 38-810, Arizona Revised Statutes: 23.50% of aggregate payroll for 30 years. Includes $5 million appropriation from a non-employer contributing member, the State of Arizona.
Actuarial assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.25%
Payroll Growth	4.00%
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition.
Mortality	RP-2000 mortality table projected to 2025 using projection scale AA (unadjusted males and females).
Assumed Future Permanent Benefit	Members Retired on or before July 1, 2011: 3% of benefit.
Increases	Members Retired on or after August 1, 2011: 0.5% of benefit.

MEASUREMENT OF NET PENSION LIABILITY

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. As of the plan year ending June 30, 2014, the net pension liability is $670,571,964. If a single discount rate that is 1% lower was used, the net pension liability would have been $782,836,809. Similarly, if a single discount rate that was 1% higher was used, the net pension liability would have been $575,782,118. Total Pension Liability for FY 2014 is $984,876,274. The Plan's Fiduciary Net Position is $314,304,310 which is 31.91% of Total Pension Liability.

SENSITIVITY OF NET POSITION LIABILITY TO THE SINGLE DISCOUNT RATE ASSUMPTION

	1% DECREASE 4.67%	SINGLE RATE ASSUMPTION 5.67%	1% INCREASE 6.67%
Total Pension Liability	1,097,141,119	984,876,274	890,086,428
Plan Fiduciary Net Position	314,304,310	314,304,310	314,304,310
Net Position Liability (Asset)	**782,836,809**	**670,571,964**	**575,782,310**

NOTE 11: ELECTED OFFICIALS' DEFINED CONTRIBUTION RETIREMENT SYSTEM

As part of 2013 legislation, House Bill 2608 effectively closed the Elected Officials' Retirement Plan (EORP) and created the Elected Officials' Defined Contribution Retirement System (EODCRS), with an effective date of January 1, 2014. All employers who are in EORP are required to be in the EODCRS. This is to ensure that the legacy costs of EORP are continued to be funded by those employers whose members contribute to that liability. Elected Officials who are elected, appointed, or hired on or after January 1, 2014 have one of three different paths that may be available to them.

Path 1: Elected Officials' Retirement Plan. ARS § 38-801 restricts membership in EORP to elected officials defined therein who are members of the plan on December 31, 2013. Member is not defined, but has always included active and inactive members. Inactive is not defined, either, but they are only considered inactive if they are not actively contributing, but have left their money on account. Therefore, if a person has EORP time on account or is appointed, elected, or hired on or before December 31, 2013 they are required to be in EORP.

Path 2: Arizona State Retirement System. As prescribed in ARS § 38-727, if a person is appointed, elected, or hired on or after January 1, 2014 and does not have prior EORP time, but has ASRS time, that person has the option to return to ASRS. If that person chooses ASRS, that choice must be made in writing and filed with ASRS within 30 days after that person's term begins. That decision is irrevocable during the term in which that election was made. Additionally, the member has the option to participate in either the EODC or ASRS Plan with each term. The elected official will contribute to and participate in the Long-Term Disability Program administered by ASRS.

Path 3: Elected Officials' Defined Contribution Retirement System. If a person is elected, appointed, or hired on or after January 1, 2014, does not have time on account with EORP, and does not timely opt out of EODC to return to ASRS, s/he is automatically enrolled in EODCRS, the investment options of which will be administered by third-party administrator. The elected official will contribute to and participate in the Elected Officials' Defined Contribution Retirement System Disability Program administered by EODCRS.

Through HB 2608, beginning January 1, 2014 and continuing for 30 years, employer contributions equal 23.5% of aggregate payroll. Aggregate payroll is on behalf of active members in the Arizona Elected Official's Retirement Plan (EORP), active members in the Elected Officials' Defined Contribution Retirement System (EODCRS), and active members in the Arizona State Retirement System (ASRS) who opt out of EODCRS because they had money on account with ASRS. The employer contributions are used to pay for:

1) EORP Defined Benefits = Employer Normal Cost plus an amount to amortize the unfunded accrued liability;
2) EODCRS Defined Contribution = 6% of pay for those electing EODCRS, first effective January 1, 2014; and
3) ASRS Defined Benefits = Employer's contribution amount.

Additionally, in fiscal years 2013-14 through 2042-43, the sum of $5,000,000 is appropriated in each fiscal year from the state general fund to EORP to supplement the Normal Cost plus an amount to amortize the unfunded accrued liability.

NOTE12: ESTABLISHMENT OF HEALTH INSURANCE RESERVES

In order to preserve the non-taxable status of the health insurance subsidy benefit, the IRS required PSPRS to maintain a reserve separate from the pension reserve. Consequently, reserve balances for the health insurance subsidy were constructed from prior years of contribution and subsidy distribution data. Previously, employer contributions were reported net of health insurance subsidy distributions with the subsidy payments included in pension benefits. Changes were employed to report pension and health insurance subsidy contributions separately including schedules. Likewise, pension benefits paid and health insurance subsidy payments are being reported separately.

NOTE 13: PENDING LAWSUITS

In compliance with the Supreme Court decision regarding permanent benefit increase (PBI) payments, the Public Safety Personnel Retirement System issued a retroactive permanent benefit increase payment for its eligible members (those members who retired effectively on or before July 1, 2011). We are still awaiting the outcomes of the others lawsuits filed in the Superior Court of Arizona in Maricopa County that challenged Senate Bill 1609 in 2011.

SCHEDULE OF FUNDING PROGRESS - HEALTH INSURANCE

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A) *	ACTUARIAL ACCRUED LIABILITY (AAL) AT ENTRY AGE (B) *	UNFUNDED AAL (EXCESS) (UAAL) (B-A) *	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C))
6/30/2012	0	11,900,126	11,900,126	0.00%	67,933,920	17.52%
6/30/2013	0	11,646,432	11,646,432	0.00%	67,504,798	17.25%
6/30/2014	23,112,947	12,111,735	(11,001,212)	190.83%	68,340,894	-16.10%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	HEALTH INSURANCE CONTRIBUTIONS	
FISCAL YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONT.	PERCENTAGE CONTRIBUTED
2012	1,232,862	100.00%
2013	1,208,405	100.00%
2014	1,072,197	100.00%

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY FROM 2014)

FISCAL YEAR ENDED	TOTAL PENSION LIABILITY	PLAN NET POSITION	NET PENSION LIABILITY	PLAN NET POSITION AS A % OF TOTAL PENSION LIABILITY	COVERED PAYROLL	NET PENSION LIABILITY AS A % OF COVERED PAYROLL
06/30/2014	984,876,274	314,304,310	670,571,964	31.91%	68,340,894	981.22%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY FROM 2014)

FISCAL YEAR ENDED	ACTUARIALLY DETERMINED CONTRIBUTION	EMPLOYER AND NON-EMPLOYER ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
06/30/2014	28,535,016	29,845,174	(1,610,158)	68,340,894	43.67%

MONEY WEIGHTED RATE OF RETURN
LAST TEN FISCAL YEARS

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS (BUILT PROSPECTIVELY FROM 2014)

FISCAL YEAR ENDING JUNE 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service Cost	23,501,879									
Interest on the Total Pension Liability	47,537,398									
Benefit Changes	342,442,071									
Difference Between Expected and Actual Experience of Total Pension Liability	4,643,397									
Benefit Payments and Refunds	(54,138,971)									
Net Change in Total Pension Liability	**363,985,774**									
Total Pension Liability - Beginning	**620,890,500**									
Total Pension Liability - Ending (a)	**984,876,274**									
Plan Fiduciary Net Position										
Employer Contributions	29,845,174									
Employee Contributions	8,989,478									
Pension Plan Net Investment Income	34,068,988									
Benefit Payments and Refunds	(54,138,971)									
Pension Plan Administrative Expense	(315,896)									
Other	3,327,220									
Net Change in Plan Fiduciary Net Position	**21,775,993**									
Plan Fiduciary Net Position- Beginning	**292,528,317**									
Plan Fiduciary Net Position- Ending (b)	**314,304,310**									
Net Pension Liability - Ending (a) - (b)	**670,571,964**									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**31.91%**									
Covered Employee Payroll	**68,340,894**									
Net Pension Liability as a Percentage of Covered Payroll	**981.22%**									

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE RECOMMENDED CONTRIBUTION AMOUNTS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

PENSION

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal.
Amortization method	Level percent-of-pay, closed.
Remaining amortization period	24 years
Asset valuation method	7-year smoothed market 80%/120% market.

Actuarial assumptions:

Investment Rate of Return	8.00%
Projected Salary Increases	4.75%
Payroll Growth	4.50%
Cost of Living Adjustments	None.

HEALTH INSURANCE

As of July 1, 2013, the assets for Health Insurance premiums were separated from the pension assets. The Health Insurance contributions will be accounted for by employer and are only available to pay health insurance benefits.

SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	HEALTH INSURANCE RESERVE	FUTURE BENEFIT INCREASE RESERVE
BALANCE AS OF JUNE 30, 2012	**$ 46,953,365**	**$ 218,813,238**	**$ 17,774,010**	**$ 12,355,535**
DISTRIBUTION OF REVENUES AND EXPENSES				
Members' Contributions	7,928,879	-	-	-
Employers' Contributions	-	21,982,088	1,208,405	-
Earnings (Loss) on Investments Net of Investment Expenses	-	28,829,758	1,907,489	-
Pension and Insurance Benefits	-	(45,475,456)	(901,360)	-
Refunds to Terminated Members	(119,083)	(4,691)	-	-
Administrative Expenses	-	(299,692)	-	-
DISTRIBUTION OF TRANSFERS				
Excess Investment Earnings to be used for Future Benefit Increases	-	-	-	-
Earnings (Loss) on Excess Investment Earnings Account Assets	-	(8,227,719)	-	8,227,719
Amount Utilized by Benefit Increases Granted	-	16,212,682	-	(16,212,682)
Net Transfers In (Out) and Purchase of Service Credits	(14,354)	(5,457)	-	-
Balances Transferred to Employers' Reserve due to Retirement	(6,391,773)	6,391,773	-	-
BALANCE AS OF JUNE 30, 2013	**48,357,034**	**238,216,524**	**19,988,544**	**4,370,572**
DISTRIBUTION OF REVENUES AND EXPENSES				
Members' Contributions	8,938,401	-	-	-
Employers' Contributions	-	24,845,174	1,072,197	-
Non-Employer Contribution	-	5,000,000	-	-
Earnings (Loss) on Investments Net of Investment Expenses	-	38,905,398	2,662,557	-
Pension and Insurance Benefits	-	(53,984,038)	(950,531)	-
Refunds to Terminated Members	(141,175)	(13,758)	-	-
Administrative Expenses	-	(315,896)	-	-
DISTRIBUTION OF TRANSFERS				
Excess Investment Earnings to be used for Future Benefit Increases	-	(18,108,734)	-	18,108,734
Earnings (Loss) on Excess Investment Earnings Account Assets	-	15,751,565	-	(15,751,565)
Amount Utilized by Benefit Increases Granted	-	-	-	-
Net Transfers In (Out) and Purchase of Service Credits	123,616	2,458	-	-
Balances Transferred to Employers' Reserve due to Retirement	(3,267,301)	3,267,301	-	-
BALANCE AS OF JUNE 30, 2014	**$ 54,010,575**	**$ 253,565,994**	**$ 22,772,767**	**$ 6,727,741**

SUPPORTING SCHEDULES INFORMATION

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECEIPTS		
Members' Contributions	8,918,423	7,667,913
Employers' Contributions	16,125,679	12,482,614
Non-Employer Contribution	5,000,000	-
Health Insurance Contributions	1,080,971	1,217,179
Court Fees	8,544,991	8,454,470
Alternative Contributions	124,913	106,805
Legacy Contributions	17,519	-
Interest	405,292	302,129
Dividends	2,395,692	2,218,266
Other Income	3,122,713	3,383,484
Securities Lending Income	86,933	47,675
Transfer In	98,579	16,871
Service Purchase	51,077	228,213
Maturities and Sales of:		
U S Equity	61,123,427	118,835,359
NON-U S Equity	19,457,537	28,035,537
GTAA	6,088,455	4,362,858
Fixed Income	7,666,601	9,035,105
Absolute Return	537,120	838,148
Credit Opportunities	10,636,282	7,319,553
Private Equity	8,672,056	2,695,410
Real Assets	7,839,670	2,185,189
Real Estate	10,305,118	777,609
Risk Parity	7,725,282	1,037,695
Total Receipts	**186,024,330**	**211,248,082**
DISBURSEMENTS		
Pension Benefits	53,984,038	44,570,996
Refunds to Terminiated Members	154,933	123,773
Health Insurance Subsidy	950,531	901,360
Investment and Administrative Expenses	6,018,378	3,285,714
Transfer Out	23,581	36,682
Acquisitions of:		
U S Equity	42,085,399	105,477,713
NON-U S Equity	20,471,074	25,615,646
GTAA	4,119,401	2,251,004
Fixed Income	10,584,746	3,394,334
Absolute Return	1,239,953	1,265,130
Credit Opportunities	7,504,094	8,416,960
Private Equity	5,339,556	4,159,550
Real Assets	5,972,762	3,152,003
Real Estate	16,354,333	511,359
Risk Parity	3,868,115	7,829,659
Total Disbursements	**178,670,894**	**210,991,883**
INCREASE (DECREASE) IN CASH	7,353,436	256,199
BEGINNING CASH BALANCE - July 1	6,154,720	5,898,521
ENDING CASH BALANCE - June 30	**13,508,156**	**6,154,720**

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

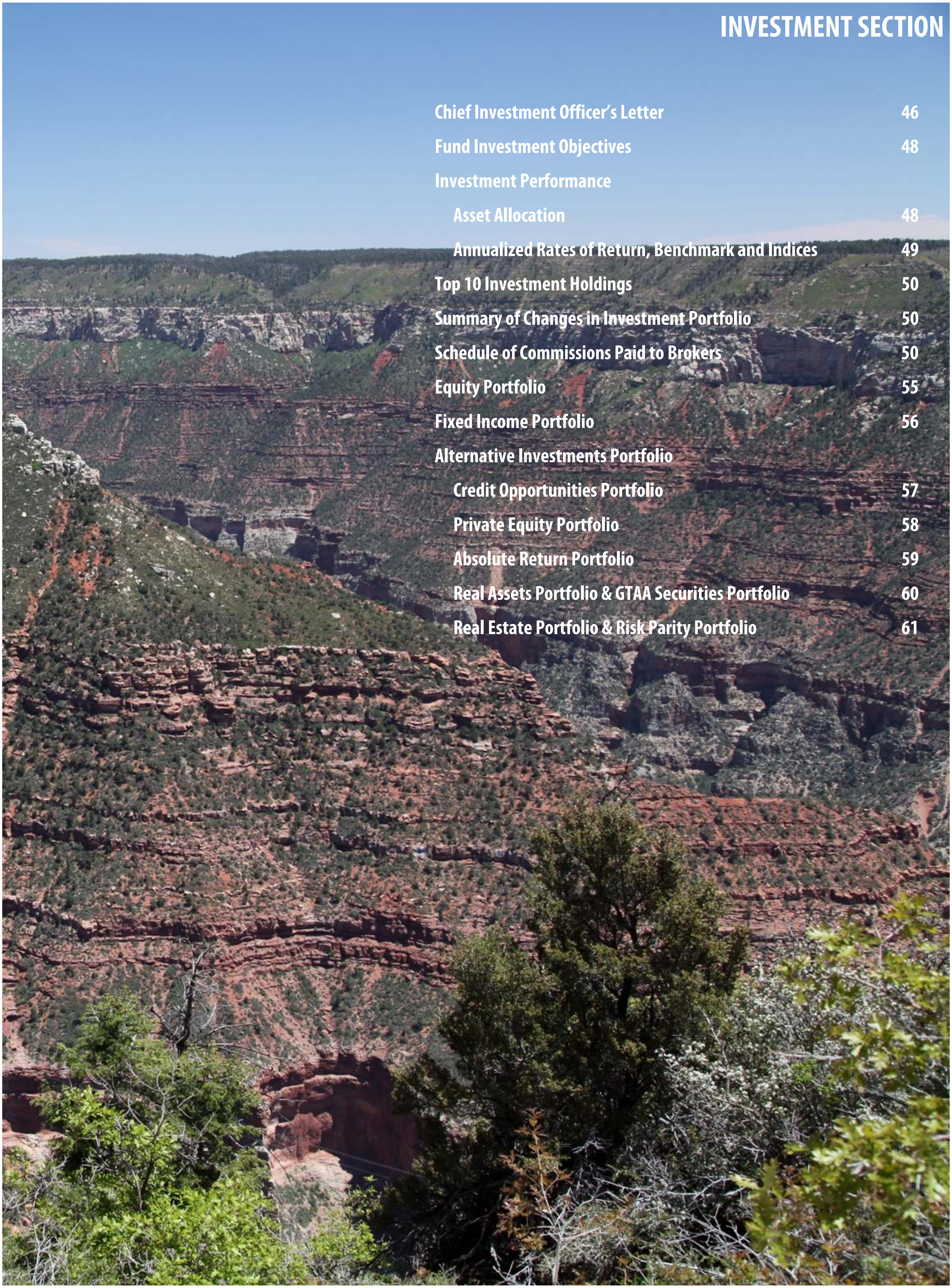
EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	3,829	-	3,829
Actuarial Services	7,766	-	7,766
Building Expense	6,055	-	6,055
Communications	1,684	-	1,684
Computer Related Expense	5,244	1,833	7,077
Contractual Services	2,305	-	2,305
Depreciation Expense	20,313	-	20,313
Board of Trustees Initiatives	760	-	760
Furniture and Equipment	1,043	34	1,077
Investment Services	-	6,579,346	6,579,346
Legal Services	63,599	32,944	96,543
Local Board Training	-	-	-
Payroll Taxes and Fringe Benefits	43,343	13,017	56,360
Postage Expenses	1,323	-	1,323
Printing and Publications	501	-	501
Professional Services	37,718	74,138	111,856
Salaries and Wages	116,762	45,794	162,556
Supplies and Services	1,271	-	1,271
Training Expenses	1,760	1,984	3,745
Travel Expense	620	2,331	2,951
TOTAL	**315,896**	**6,751,421**	**7,067,317**

SCHEDULE OF CONSULTANT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

CONSULTANT	SERVICE PROVIDED	FEES PAID
ALBOURNE AMERICA, LLC	International Alternative Investment Consultant	23,724
BNY MELLON ASSET SERVICING	Independent Investment Advisor	8,116
COOLEY LLP	Investment Counsel	749
ERNST & YOUNG LLP	Investment Consultant	10,570
FOLEY & LARDNER, LLC	Investment Counsel	2,664
GABRIEL ROEDER SMITH & COMPANY	Actuary	15,672
GOODWIN PROCTER	Legislative Liaison	1,329
HEINFELD, MEECH & CO.	Independent Auditor	4,026
HIGHGROUND, INC	Legislative Liaison	3,361
JACKSON WALKER LLP	Investment Counsel	1,612
KUTAK ROCK LLP	General Counsel	64,923
LEWIS AND ROCA, LLP	HR Consultant	5,263
LIGHT STONE SOLUTIONS, LLC	Due Diligence	7,734
NEPC, LLC	Independent Investment Advisor	17,710
OFFICE OF THE ATTORNEY GENERAL	General Counsel	2,899
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant	12,356
OSAM INC.	IT Counsel	1,499
PATRICE ROBINSON CONSULTING	IT Consultant	1,713
PILLSBURY	Investment Counsel	335
PUBLIC POLICY PARTNERS	Legislative Liaison	4,942
ROPES & GRAY LLP	Investment Counsel	278
STEPSTONE GROUP LLC	Equity Advisors	4,119
STEPTOE & JOHNSON, LLP	Litigation Counsel	2,923
WHETSTINE, CHARLES	IRS Consultant	2,777
Grand Total		**201,294**

THIS PAGE INTENTIONALLY BLANK

INVESTMENT 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

Administration

Ryan Parham
Chief Investment Officer

Jared A. Smout
Deputy Administrator

December XX, 2014

The Board of Trustees and
The Deputy Administrator of the
Arizona Public Safety Personnel Retirement System

Members:

As the Chief Investment Officer of the Public Safety Personnel Retirement System (PSPRS) during the fiscal year beginning July 1, 2013 and ending June 30, 2014, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the System:

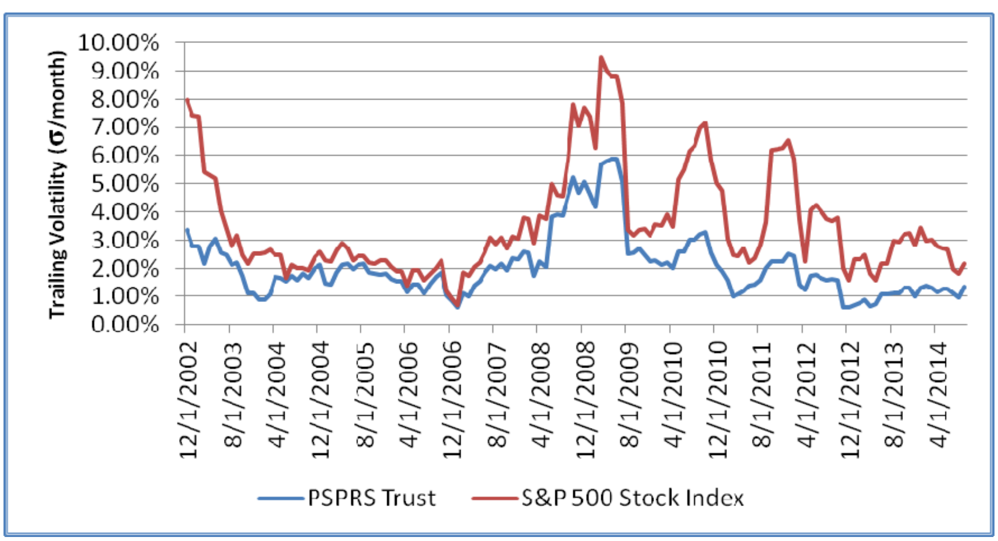
INTRODUCTION

On behalf of the PSPRS investment team, it is a pleasure to provide this annual update of investment activities of the PSPRS Trust for the fiscal year ending June 30, 2014. This marks approximately the fourth year in the operation of a substantially less risky portfolio, and five years since we began moving away from the old U.S. stock (equity) heavy strategy. In 2014, we returned approximately 13.28% or approximately $988,000,000.00 in earnings. In 2013, our return was approximately 10.64% and our five year annualized return is approximately 10.68%. This is exactly the increase in consistency that we have been charged with delivering to the PSPRS system. Our assumed earnings rate is 7.85%. That is a primary goal for the system's investments for us to "break even." 7.85% is the rate calculated to pay our liabilities and to move toward 100% funding over time. Even with much less risk, in the last five years we have exceeded that goal by almost 3% per year.

DIVERSIFICATION (HOW MUCH UP AND HOW MUCH DOWN)

The Trust's portfolio returns for the fiscal year ending June 30, 2014 continue to come from many diversified sources (10 separate asset classes.) We expect that diversification to help us to *capture* most of strong positive markets and to *protect* us from the worst of devastating negative markets. This was demonstrated in 2014 where we captured almost 3/4 of the returns of stock heavy portfolios. But in Q3 2014, when stocks were hard hit we had only 1/3 of the losses of those portfolios.

For the past five years the total volatility of the PSPRS portfolio has been roughly one half that of the U.S. Stock markets.



The practical implications of this shift can be seen in the following worst case stress model results:

Events	Today's Portfolio	PSPRS Trust Actual
Asian Crisis of 1997	3.4%	5.7%
Russian/LTCM Crisis 1998	-3.1%	-5.5%
WTC Attacks - Sept. 11	-6.1%	-11.7%
Stock Market Crash 2002	-8.0%	-21.1%
August Crisis 2007	1.3%	1.6%
January Crisis 2008	-4.1%	-2.7%
Credit Crunch 2008 (Aug to Nov)	-15.1%	-23.1%
Crisis 2009 (Jan-Feb)	-8.5%	-12.9%
Flash Crash 2010	-3.5%	-3.7%

Volatility analysis and stress test results such as these led us to perform a dedicated study of the Trust's risk and efficiency evolution over time. Results were published in the *Journal of Asset Management* in August, 2014 (entitled "Modern Pension Fund Diversification") and lead us to conclude that the current portfolio has almost 1/4 as much risk at it had just seven years ago, that it has roughly half the risk of a 60% stock/40% bond portfolio, but it has also maintained roughly the same expected return.

Independent peer comparison analysis places the PSPRS Trust among the top 10% lowest risk, and top 10% highest efficiency (Sharpe Ratio) of defined-benefit pension funds in the United States today, based on one year, three year and five year track records.

THE PSPRS TEAM (A FURTHER NOTE)

We have been much in the news in the last year as a variety of reckless allegations made by former staff members were investigated, often at our request. I am happy to report that, yet again, PSPRS has been exonerated of any wrong doing, most recently by the U.S. Attorney's office. I can further confirm that all members of the PSPRS investment staff are currently paid below the median and below the average of their peers in similar funds throughout the U.S. as reported in a recent compensation survey.

The current PSPRS Investment team brings together more than 100 years of experience, 7 master level degrees along with 5 doctorate level degrees. When we add that to the hundreds of analysts who work within our consultancies in offices around the world, we have expertise, experience and coverage to manage our truly global and diversified portfolio.

I am wonderfully proud of all the hard work that has been done by Staff and our Consultants which has produced these admirable results.

Respectfully and Gratefully Submitted,

Ryan P. Parham

Ryan P. Parham
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 Plan 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:

- Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within a twenty year period.
- Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial evaluations.
- 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.
- 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.
- Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investment fund.

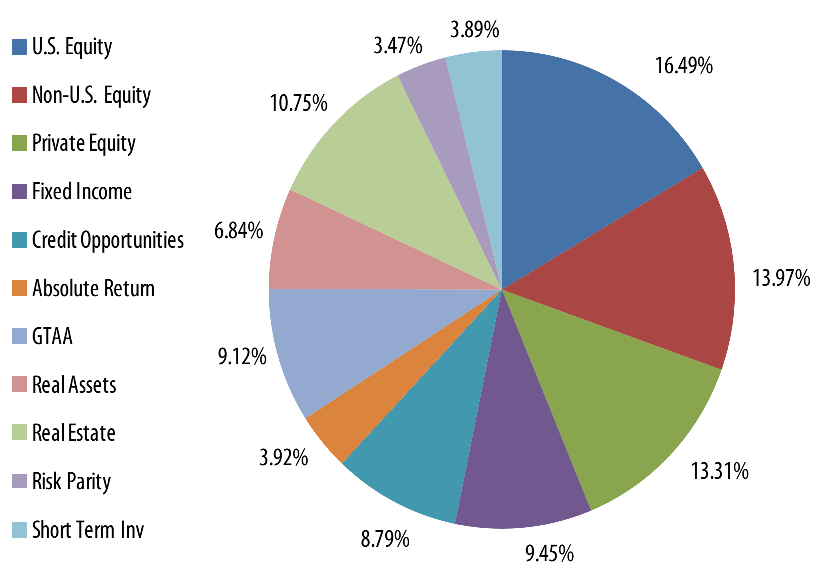
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

- Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term.
- Consistent with these objectives and the direction of the Board of Trustees, strategically allocating within asset classes and investment styles in order to enhance investment returns.
- Regularly reviewing the status of investments.
- 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 shall be long-term.

ASSET ALLOCATION
JUNE 30, 2014



ANNUALIZED RATES OF RETURN*
JUNE 30, 2014

Description	1 Year	3 Years	5 Years	10 Years
PSPRS - Total Fund	13.28%	7.65%	10.68%	5.77%
Target Fund Benchmark	*13.82%*	*8.84%*	*11.15%*	*4.81%*
Total Equity	21.20%	10.36%	14.72%	6.75%
Target Equity Benchmark	*23.68%*	*11.78%*	*15.82%*	*7.92%*
U.S. Equity	21.90%	13.85%	17.57%	N/A
Russell 3000	*25.22%*	*16.46%*	*19.33%*	*N/A*
Non-U.S. Equity	20.35%	5.54%	10.71%	N/A
MSCI ACWI Ex-US Net	*21.75%*	*5.73%*	*11.11%*	*N/A*
Private Equity	26.60%	14.46%	19.04%	N/A
Russell 3000 + 100 bps	*26.22%*	*17.46%*	*20.33%*	*N/A*
Fixed Income	6.21%	4.62%	6.31%	5.04%
BC Global Aggregate	*7.39%*	*2.57%*	*4.60%*	*5.06%*
Credit Opportunities	11.31%	7.89%	14.75%	N/A
ML US High Yield BB-B Constrained, CSFB Arbitrage	*8.59%*	*7.70%*	*11.19%*	*N/A*
Absolute Return	8.28%	9.54%	N/A	N/A
BofA ML 3-Month T-Bill + 200 bps	*2.05%*	*2.07%*	*N/A*	*N/A*
GTAA	7.51%	4.78%	N/A	N/A
3-Month LIBOR + 300bps	*3.23%*	*3.33%*	*N/A*	*N/A*
Real Assets	8.85%	4.24%	5.10%	N/A
CPI + 200 bps	*4.08%*	*3.84%*	*4.00%*	*N/A*
Real Estate	-1.26%	1.54%	-2.77%	N/A
NCREIF NPI	*11.21%*	*11.32%*	*9.67%*	*N/A*
Risk Parity	9.71%	N/A	N/A	N/A
BC Global Agg, MSCI AC World Net, Dow Jones UBS Ind	*12.07%*	*N/A*	*N/A*	*N/A*
Short Term Investments	0.27%	-0.05%	0.05%	1.76%
BofA ML 3-Month T-Bill	*0.05%*	*0.07%*	*0.11%*	*1.63%*

*Time weighted rate of return based on the market rate of return (net of fees).

Target Fund Benchmarks (Effective Dates)

July 1, 2013 to Present: 17% Russell 3000, 14% MSCI ACWI Ex-US Net, 10% Russell 3000 + 100 bps, 8% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 10% 3-Month LIBOR + 300 bps, 8% CPI + 200 bps, 11% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill.

July 1, 2012 - June 30, 2013: 18% Russell 3000, 14% MSCI World Ex-US Net, 9% Russell 3000 + 100 bps, 12% BC Global Aggregate, 12% Credit Opportunities Benchmark, 4% BofA ML 3-Month T-Bill + 200 bps, 8% 3-Month LIBOR + 300 bps, 7% CPI + 200 bps, 10% NCREIF NPI, 4% Risk Parity Benchmark and 2% BofA ML 3-Month T-Bill.

July 1, 2010 - June 30, 2012: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC US Aggregate, 4% BofA ML 3-Month T-Bill + 200 bps, 9% BofA ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% BofA ML 3-Month T-Bill.

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI ACWI Ex-US Net, 20% BC US Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% BofA ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% BofA ML 3-Month T-Bill

Target Equity Benchmarks (Effective Dates)

July 1, 2013 to Present: 54.84% Russell 3000 and 45.16% MSCI ACWI Ex-US Net.

July 1, 2012 - June 30, 2013: 56.25% Russell 3000 and 43.75% MSCI ACWI Ex-US Net.

July 1, 2010 - June 30, 2012: 57.14% Russell 3000 and 42.86% MSCI ACWI Ex-US Net.

EQUITY PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2014

Description	Shares	Fair Value
STATE STREET INTL EQ	5,050,544	32,127,829
STATE STREET US EQTY	436,767	21,719,251
CRESTLINE ALPHA	7,189,973	7,189,974
ACADIAN US MANAGED	119,004	5,565,306
SEG BAXTER STREET	1,234,372	3,995,406
EAGLE SMALL CAP ST	112,636	3,551,745
ESG CBE	3,268,836	3,268,836
SOUTHPOINT	3,084,208	3,084,208
THB MICRO CAP	289,974	2,874,581
GOTHAM INSTL SELECT	73,437	2,484,149

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2014

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	505,686	12,303,542
IGUAZU PARTNERS LP	3,361,735	3,361,735
BLACKROCK FIXED INCOME GLOBAL	3,090,569	3,090,570
GOLDENTREE HIGH YIELD VALUE	2,562,542	2,562,542
FRANKLIN TEMPLETON EMD	2,283,305	2,283,305
CAPITAL GUARDIAN EMERGING	101,818	1,575,118
CBO HLDGS III 04-3 CL A 144A	510,115	508,649
FHLMC MULTICLASS MTG 3561 B	411,872	433,734
FHLMC MULTICLASS MTG 3740 KD	411,872	431,852
SKYWAY CONCESSION CO LLC 144A	535,433	420,315

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
JUNE 30, 2014
(IN THOUSANDS)

	JUNE 30, 2013 BALANCE					JUNE 30, 2014 BALANCE		
DESCRIPTION	PERCENT AT FAIR VALUE	FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
U. S. Equity	18.61%	56,316	45,826	40,172	43,542	55,141	42,456	17.15%
Non U. S. Equity	14.37%	43,494	40,259	19,458	21,018	46,587	38,699	14.49%
GTAA	8.74%	26,467	21,882	6,088	4,119	30,541	23,851	9.50%
Fixed Income	11.32%	34,272	30,770	7,667	10,614	31,582	27,823	9.83%
Absolute Return	4.20%	12,719	10,115	537	1,240	13,104	9,412	4.08%
Credit Opportunities	9.22%	27,923	25,942	10,636	8,122	29,430	28,456	9.16%
Private Equity	11.60%	35,123	30,692	8,672	5,339	44,557	34,025	13.86%
Real Assets	6.50%	19,680	18,194	7,840	5,984	22,895	20,050	7.12%
Real Estate	13.16%	39,844	44,139	10,305	16,354	35,990	38,090	11.20%
Risk Parity	2.28%	6,895	6,868	7,725	3,911	11,611	10,682	3.61%
Total Portfolio	**100.00%**	**302,733**	**274,687**	**119,100**	**120,243**	**321,438**	**273,544**	**100.00%**

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABEL NOSER CORP, NEW YORK	578	0.0300	17
AQUA SECURITIES LP, NEW YORK	269	0.0200	5
B.RILEY & CO.,LLC, LOS ANGELES	1,931	0.0364	70
BAIRD, ROBERT W & CO INC, MILWAUKEE	27,991	0.0331	925
BANCO BTG PACTUAL SA, RIO DE JANEIRO	11,801	0.0227	268
BANCO ITAU, SAO PAULO	27,214	0.0126	342
BANCO SANTANDER, NEW YORK	7,660	0.0019	15
BANQUE PARIBAS, PARIS	1,734	0.0746	129
BARCLAYS BK PLC, NEW YORK	3,616	0.0241	87
BARCLAYS CAPITAL INC./LE, NEW JERSEY	16	0.0115	0

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
BARCLAYS CAPITAL LE, JERSEY CITY	5,182	0.0135	70
BARCLAYS CAPITAL, LONDON (BARCGB33)	760	0.0031	2
BARRINGTON RESEARCH ASSOCIATES, BROOKLYN	1,947	0.0376	73
BB&T SECURITIES, LLC, RICHMOND	8,070	0.0333	269
BENCHMARK COMPANY LLC, BROOKLYN	30	0.0100	0
BERNSTEIN SANFORD C & CO, NEW YORK	14,524	0.0200	291
BLOOMBERG TRADEBOOK LLC, NEW YORK	31,797	0.0200	636
BMO CAPITAL MARKETS CORP, NEW YORK	3,214	0.0312	100
BNP PARIBAS BKRGE (INT), KING OF PRUSSIA	1,708	0.0143	24
BNP PARIBAS PRIME BRKRGE INC,NEW YORK	69	0.2211	15
BNY CONVERGEX, NEW YORK	597	0.0150	9
BTIG LLC, SAN FRANCISCO	26,112	0.0189	494
BURKE & QUICK PARTNERS LLC, JERSEY CITY	2,062	0.0306	63
CANACCORD GENUITY INC.NEY YORK	11,414	0.0260	297
CANTOR CLEARING SERV, NEW YORK	309	0.0100	3
CANTOR FITZGERALD & CO INC, NEW YORK	29,068	0.0158	461
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	1,620	0.0460	75
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	658	0.0035	2
CITIGROUP GBL MKTS INC, NEW YORK	3,885	0.0192	75
CITIGROUP GBL MKTS/SALOMON, NEW YORK	22,553	0.0037	83
CITIGROUP GLOBAL MARKETS LTD, LONDON	5,565	0.0042	23
CJS SECURITIES INC, JERSEY CITY	973	0.0366	36
COMPASS POINT RESEARCH & TR, JERSEY CITY	13,637	0.0252	344
COWEN AND COMPANY LLC, NEW YORK	5,317	0.0271	144
CRAIG HALLUM, MINNEAPOLIS	22,236	0.0317	706
CREDIT LYONNAIS SECS (ASIA), HONG KONG	11,948	0.0029	34
CREDIT LYONNAIS SECS, SINGAPORE	82,640	0.0019	154
CREDIT RESEARCH & TRADING LLC, JERSEY	1,304	0.0354	46
CREDIT SUISSE (EUROPE), LONDON	2,251	0.0060	14
CREDIT SUISSE (EUROPE), SEOUL	8,089	0.0390	316
CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	668	0.0017	1
CREDIT SUISSE, NEW YORK (CSUS)	640,109	0.0016	1,007
CREDIT SUISSE, SAO PAULO	52,489	0.0041	218
CREDIT SUISSE, TAIPEI	391,978	0.0008	326
DAVIDSON(D A) & CO INC, NEW YORK	624	0.0207	13
DEUTSCHE BK SECS INC, NY (NWSCUS33)	701,593	0.0050	3,514
DOUGHERTY COMPANY, BROOKLYN	8,913	0.0303	270
EVERCORE GROUP LLC, JERSEY CITY	1,060	0.0390	41
FBR CAPITAL MARKETS & CO, ARLINGTON	816	0.0309	25
FIG PARTNERS LLC, ATLANTA	9,040	0.0323	292
FIRST ANALYSIS SECS CORP, CHICAGO	1,626	0.0500	81
GBM BRASIL DTVM SA, RIO DE JANEIRO	6,845	0.0233	160
GLOBAL HUNTER SECURITIES LTD,JERSEY	744	0.0363	27
GOLDMAN SACHS & CO, NY	64,077	0.0323	2,067

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
GOLDMAN SACHS (ASIA) LLC, TAIPEI	103,462	0.0034	355
GOLDMAN SACHS EXECUTION & CLEARING, NY	4,564	0.0171	78
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	49,848	0.0059	294
GOODBODY STOCKBROKERS, DUBLIN	81	0.0070	1
G-TRADE SERVICES LTD, HAMILTON	618	0.0014	1
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	936	0.0500	47
HONG KONG & SHANGHAI BKG CORP, AUCKLAND	291	0.0024	1
HSBC BANK AUSTRALIA LTD, SYDNEY	45,195	0.0008	38
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	146,849	0.0042	612
INSTINET CORP, NEW YORK	27,753	0.0161	445
INSTINET CORP, NY	4,891	0.0270	132
INSTINET EUROPE LIMITED, LONDON	283,528	0.0057	1,603
INVESTEC SECURITIES (331), LONDON	41,692	0.0147	613
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	153,904	0.0050	774
INVESTMENT TECHNOLOGY GROUP, NEW YORK	11,036	0.0113	124
ISI GROUP INC, NY	110,696	0.0103	1,145
ITAU USA SECURITIES INC, NEW YORK	85,746	0.0028	239
ITG AUSTRALIA LTD, MELBOURNE	3,534	0.1213	429
ITG CANADA CORP, TORONTO	9,127	0.0118	107
ITG HONG KONG LIMITED, HONG KONG	473,563	0.0007	317
ITG INC, NY	1,064	0.0174	19
J P MORGAN SECS LTD, LONDON	10,147	0.0450	457
J P MORGAN SECURITIES INC, BROOKLYN	2,759	0.0143	39
J.P. MORGAN CLEARING CORP, NEW YORK	29,558	0.0151	447
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	943	0.0500	47
JEFFERIES & CO INC, NEW YORK	23,174	0.0229	531
JEFFERIES & CO LTD, LONDON	1,318	0.0023	3
JMP SECURITIES, SAN FRANCISCO	4,392	0.0339	149
JOHNSON RICE & CO, NEW ORLEANS	2,088	0.0379	79
JONESTRADING INSTL SVCS LLC, WESTLAKE	32,950	0.0164	541
JPMORGAN SECURITIES INC, NEW YORK	237,125	0.0002	36
KEEFE BRUYETTE AND WOODS, JERSEY CITY	15,648	0.0314	491
KEYBANC CAPITAL MARKETS INC, NEW YORK	25,941	0.0362	939
KING (CL) & ASSOCIATES, ALBANY	725	0.0210	15
KNIGHT DIRECT LLC, JERSEY CITY	572	0.0133	8
KNIGHT EQUITY MARKETS L.P.,JERSEY CITY	71,606	0.0168	1,202
LEERINK SWANN & CO, JERSEY CITY	736	0.0314	23
LEK SECURITIES CORP, NEW YORK	9,148	0.0188	172
LIQUIDNET INC, BROOKLYN	42,679	0.0191	814
LOOP CAPITAL MARKETS, JERSEY CITY	735	0.0105	8
MACQUARIE BANK LIMITED, SYDNEY	1,898	0.0006	1
MACQUARIE BANK LTD, HONG KONG	1,606	0.0022	4
MACQUARIE CAPITAL (USA) INC., NEW YORK	17,048	0.0085	145
MACQUARIE EQUITIES LTD, SYDNEY	1,766	0.0075	13

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
MACQUARIE SECURITIES LTD, AUCKLAND	513	0.0078	4
MAINFIRST BANK AG,FRANKFURT AM MAIN	4,588	0.1756	805
MERIDIAN EQUITY PARTNERS, NEW YORK	8,341	0.0237	198
MERRILL LYNCH CANADA (MLCT), TORONTO	441	0.0121	5
MERRILL LYNCH INTL (KSI), LONDON	26,269	0.0383	1,007
MERRILL LYNCH INTL LONDON EQUITIES	74,894	0.0056	423
MERRILL LYNCH INTL LTD (IPB), LONDON	8,351	0.0079	66
MERRILL LYNCH PIERCE FENNER SMITH INC NY	27,709	0.0136	377
MERRILL LYNCH PIERCE FENNER, WILMINGTON	16,390	0.0121	199
MIZUHO SECURITIES USA, INC., NEW YORK	68	0.0233	2
MONTROSE SECURITIES EQ, SAN FRANCISCO	251	0.0100	3
MORGAN STANLEY & CO INC, NY	1,868,594	0.0035	6,449
MORGAN STANLEY & CO INTL LTD, SEOUL	1,605	0.0491	79
MORGAN STANLEY HONG KONG SEC LTD	16,037	0.0005	9
MORGAN STANLEY SECURITIES LTD, LONDON	34	0.0025	0
MS SECS SVCS INC INTL, BROOKLYN	1,617	0.0158	26
NATIONAL FINL SVCS CORP, NEW YORK	2,267	0.0379	86
NEEDHAM & CO, NEW YORK	3,711	0.0297	110
NEWEDGE USA LLC, NEW YORK	4	21.6909	89
NOBLE INTL INVESTMENTS INC, JERSEY CITY	1,092	0.0315	34
NORTHLAND SECS INC, JERSEY CITY	6,321	0.0298	189
NUMIS SECURITIES INC., NEW YORK	28,357	0.0212	600
ODDO ET CIE, PARIS	1,934	0.0935	181
OPPENHEIMER & CO INC, NEW YORK	11,337	0.0358	406
PACIFIC CREST SECURITIES, PORTLAND	5,362	0.0339	182
PERSHING LLC, JERSEY CITY	10,121	0.0281	285
PICKERING ENERGY PARTNERS, HOUSTON	386	0.0494	19
PIPER JAFFRAY & CO, MINNEAPOLIS	9,427	0.0304	287
PULSE TRADING LLC, BOSTON	95,822	0.0298	2,856
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	12,049	0.0263	317
RBC CAPITAL MARKETS LLC, NEW YORK	423,274	0.0051	2,170
RBC DOMINION SECS INC, TORONTO (DOMA)	4,621	0.0124	57
ROTH CAPITAL PARTNERS LLC, IRVINE	5,146	0.0282	145
SANDLER O'NEILL & PARTNERS, NEW YORK	23,149	0.0250	580
SANFORD C. BERNSTEIN & CO, WHITE PLAINS	407	0.0186	8
SCOTIA CAPITAL (USA) INC, NEW YORK	2,106	0.0449	95
SG AMERICAS SECURITIES LLC, NEW YORK	16,808	0.0185	312
SG SEC (LONDON) LTD, LONDON	627	0.0048	3
SIDOTI & CO LLC, NEW YORK	8,739	0.0334	292
SIS SEGAINTERSETTLE AG, ZURICH	4,604	0.0952	439
STATE STREET BROKERAGE SVCS, BOSTON	15,986	0.0308	492
STEPHENS INC, LITTLE ROCK	16,780	0.0362	607
STERNE AGEE & LEACH INC	2,555	0.0347	89
STIFEL NICOLAUS	61,851	0.0090	559

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2014

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
SUNTRUST CAPITAL MARKETS INC, ATLANTA	571	0.0452	26
UBS EQUITIES, LONDON	8,066	0.0050	40
UBS SECURITIES LLC, STAMFORD	18,610	0.0222	413
UBS WARBURG ASIA LTD, HONG KONG	23,234	0.0025	58
UBS WARBURG AUSTRALIA EQUITIES, SYDNEY	17,199	0.0082	140
UBS WARBURG, LONDON	5,403	0.0028	15
WEDBUSH MORGAN SECS INC, LOS ANGELES	1,023	0.0375	38
WEEDEN & CO, NEW YORK	34,443	0.0240	827
WELLS FARGO SECURITIES LLC, CHARLOTTE	1,273	0.0114	15
WILLIAM BLAIR & CO, CHICAGO	8,976	0.0316	284
WUNDERLICH SECURITIES INC, MEMPHIS	3,357	0.0377	127
TOTAL COMMISSIONS	**7,328,571**	**0.0070**	**51,421**

U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
119,004	ACADIAN US MANAGED	4,877,209	5,565,306	688,097
1,544	AZ GDH 115-65	305,204	350,588	45,384
20,985	AZ GDH 140-40	703,567	759,540	55,973
7,301	AZ GHVS 115-65	326,272	356,401	30,129
18,754	AZ GHVS 140-40	723,309	789,064	65,755
7,189,973	CRESTLINE ALPHA	6,178,075	7,189,974	1,011,899
112,636	EAGLE SMALL CAP ST	2,605,084	3,551,745	946,661
30,419	FRONTPOINT ALPHA	32,859	30,419	(2,440)
73,437	GOTHAM INSTL SELECT	2,327,224	2,484,149	156,925
67,221	GOTHAM VALUE 1000	2,211,020	2,422,788	211,768
23,971	GOTHAM VALUE 2000	504,559	544,275	39,716
64,603	RANGER SMALL CAP	1,855,304	2,354,526	499,222
3,084,208	SOUTHPOINT	2,471,230	3,084,208	612,978
71	SSGA BETA	0	114,343	114,343
436,767	STATE STREET US EQTY	14,095,585	21,719,251	7,623,666
289,974	THB MICRO CAP	2,386,825	2,874,581	487,756
29,037	THB SMALL CAP VAL	853,130	949,897	96,767
11,569,905	**TOTAL US EQUITY PORTFOLIO**	**42,456,456**	**55,141,055**	**12,684,599**

NON-U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
278,770	BLKRK FRONTIER FUND	1,235,696	2,346,797	1,111,101
3,268,836	ESG CBE	3,089,038	3,268,836	179,798
273,525	GOTHAM 400 INTL	1,571,068	1,716,358	145,290
184,066	GOTHAM INSTL INTL	1,471,240	1,639,164	167,924
29,188	INTL EQUITY FUNDS	1,368,955	1,492,407	123,452
1,234,372	SEG BAXTER STREET	3,890,706	3,995,406	104,700
5,050,544	STATE STREET INTL EQ	26,072,684	32,127,829	6,055,145
10,319,301	**TOTAL NON-US EQUITY PORTFOLIO**	**38,699,387**	**46,586,797**	**7,887,410**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2014

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
25,041	FHLMC POOL #H1-0069	6.00%	11/01/2036	25,064	27,994
26,268	FHLMC POOL #H1-5010	6.00%	11/01/2036	26,292	29,347
411,872	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	407,681	433,734
411,872	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	403,388	431,852
267,131	FHLMC MULTICLASS MTG 4012 MW	3.50%	03/15/2042	268,370	275,786
1,142,184	**TOTAL US GOVERNMENT SECURITIES**			**1,130,795**	**1,198,713**

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
98,359	ACA ABS 2006-1 LTD 1A A3L 144A	1.78%	06/10/2041	34,153	1
79,409	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	76,641	94,833
205,936	AUSTRALIA & NEW ZEALAND B 144A	4.88%	01/12/2021	210,804	232,094
7,829	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	7,829	0
82,374	BANK ONE CORP	8.00%	04/29/2027	81,081	111,327
123,562	BASSDRILL BETA LTD	8.50%	04/24/2018	125,404	125,404
505,686	BGI CORE ACTIVE BOND FUND	0.00%	01/00/1900	10,177,942	12,303,542
3,090,569	BLACKROCK FIXED INCOME GLOBAL	0.00%	01/00/1900	3,089,039	3,090,570
101,818	CAPITAL GUARDIAN EMERGING	0.00%	01/00/1900	1,314,465	1,575,118
510,115	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	508,649	508,649
386,606	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	401,298	401,298
205,936	CHICAGO PARKING METERS LL 144A	5.49%	12/30/2020	223,826	223,825
185,342	CHLOE MARINE CORP LTD	12.00%	12/28/2016	198,522	201,560
35,256	CONAGRA FOODS INC	9.75%	03/01/2021	38,802	45,986
61,781	CON-WAY INC	6.70%	05/01/2034	53,625	68,045
2,283,305	FRANKLIN TEMPLETON EMD	0.00%	01/00/1900	1,830,265	2,283,305
123,562	GENERAL ELECTRIC CAPITAL CORP	0.49%	08/07/2018	115,613	122,294
205,936	GILEAD SCIENCES INC	4.50%	04/01/2021	208,571	228,698
189,461	GLBL INVESTMNT GRP FNCE	11.00%	09/24/2017	175,309	191,829
2,562,542	GOLDENTREE HIGH YIELD VALUE	0.00%	01/00/1900	2,059,358	2,562,542
144,155	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	150,617	173,423
50	GRACIE INTERNATIONAL CREDIT	0.00%	01/00/1900	102,968	99,770
267,717	HSBC FINANCE CORP	0.66%	06/01/2016	260,262	267,792
3,361,735	IGUAZU PARTNERS LP	0.00%	01/00/1900	2,883,103	3,361,735
2,874	JP MORGAN MBS SERI R2 3A1 144A	4.85%	04/28/2026	2,900	2,892
164,749	MARINE ACCURATE WELL	9.50%	04/03/2018	172,101	172,162
6,198	MORGAN STANLEY ABS CAPI NC1 M2	2.48%	12/27/2033	5,502	6,139
5,239	MORGAN STANLEY ABS CAPI NC2 M2	1.96%	12/25/2033	4,494	4,256
49,691	NORTH STREET REFE 3A CTFS 144A	3.99%	04/30/2031	45,326	45,326
205,936	NORTH STREET REFE 3A NOTE 144A	1.24%	04/30/2031	79,061	35,118

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2014

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
172,986	OCEANTEAM SHIPPING ASA	11.48%	10/24/2017	179,834	179,834
140,036	ONEOK PARTNERS LP	6.65%	10/01/2036	152,766	172,348
144,155	PROTECTIVE LIFE CORP	8.45%	10/15/2039	164,024	209,903
164,749	SANTA MARIA OFFSHORE LTD	8.88%	07/03/2018	172,347	175,457
247,123	SECURITY MUTUAL LIFE CO OF NEW	9.38%	12/15/2016	251,278	251,278
535,433	SKYWAY CONCESSION CO LLC 144A	0.61%	06/30/2026	407,891	420,315
411,872	TRAINER WORTHAM FI 2A A3L 144A	1.98%	04/10/2037	304,015	4
195,018	TRI-COMMAND MILITARY HOUS 144A	5.38%	02/15/2048	175,404	172,862
82,374	UNITED UTILITIES PLC	4.55%	06/19/2018	78,670	87,398
82,374	WACHOVIA CORP	0.50%	06/15/2017	79,539	82,261
78,256	WESTERN GROUP HOUSING LP 144A	6.75%	03/15/2057	89,272	91,982
17,508,104	**TOTAL US CORPORATE BONDS**			**26,692,570**	**30,383,175**
18,650,288	**TOTAL FIXED INCOME PORTFOLIO**			**27,823,365**	**31,581,888**

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
APOLLO EUR PRIN FIN	2,583,425	2,240,709	(342,716)
CASTLE CREEK TARP	1,023,602	1,044,373	20,771
CENTERBRIDGE SC I	0	714,252	714,252
CENTERBRIDGE SC II	1,157,922	1,366,090	208,168
CREDIT OPPS PUBLIC	4,429,015	4,563,835	134,820
CRESTLINE OPP FD II	342,111	315,531	(26,580)
EJF DEBT OPPS FUND	1,647,487	2,634,715	987,228
ESG CME FUND	3,089,038	1,930,812	(1,158,226)
OHA STRATEGIC CREDIT	205,556	488,990	283,434
PAG ASIA OPP FUND	1,647,487	2,010,096	362,609
PAG SPEC SITUATIONS	755,409	849,735	94,326
PNMAC MORTG OPP	5,354,332	4,183,521	(1,170,811)
SJC DIR LENDING II	734,476	713,087	(21,389)
SJC DIRECT LENDING	847,399	828,531	(18,868)
STARK ABS OPPS	25,675	28,231	2,556
TPG OPPS II	2,798,790	3,536,684	737,894
TPG OPPS III	166,382	160,655	(5,727)
WEST FACE LT OPPS	1,647,487	1,820,734	173,247
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	**28,455,593**	**29,430,581**	**974,988**

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS V	417,738	250,017	(167,721)
APOLLO INV FD VII	1,236,457	2,029,304	792,847
AVALON VENTURES IX	617,338	723,520	106,182
AVALON VENTURES X	278,325	287,074	8,749
BARING ASIA PE V	818,849	909,923	91,074
BERKSHIRE PARTN VIII	276,723	297,185	20,462
BCP V	600,062	821,238	221,176
CASTLE CREEK V	562,361	577,379	15,018
CASTLE CREEK IV	1,945,350	3,490,002	1,544,652
CENTERBRIDGE CP II	1,702,572	1,782,692	80,120
CHARLESBANK VII	786,166	1,232,387	446,221
CORTEC V	699,176	824,644	125,468
PROSPECTOR EQ CAP	21,560	26,074	4,514
DAG II CO-INV	722,924	319,461	(403,463)
DAG VENTURES II	215,045	171,852	(43,193)
DAG III CO-INV	3,439	1,777,677	1,774,238
DAG VENTURES III	466,145	845,774	379,629
DAG IV CO-INV	894,701	1,544,503	649,802
DAG IV DIRECT	1,008,556	1,244,648	236,092
DAG V COINV	164,749	164,558	(191)
DAG V DIRECT	331,948	574,201	242,253
DFJ MERCURY II	611,255	726,952	115,697
DRUG RYLTY II CO-INV	292,555	309,265	16,710
DRUG RYLTY II DIRECT	508,709	674,110	165,401
EQT VI	675,642	768,785	93,143
INSIGHT EQUITY II	1,413,308	1,754,059	340,751
INSIGHT MEZZANINE I	57,704	63,040	5,336
JMI EQUITY FUND VII	671,400	671,404	4
KKR ASIA FUND II	257,470	256,905	(565)
LADDER	934,766	1,246,507	311,741
LITTLEJOHN FUND IV	1,187,539	1,784,015	596,476
LITTLEJOHN IV COINV	134,278	340,813	206,535
LONGWORTH VP III	459,649	586,961	127,312
MADRONA VENTURES V	52,411	53,713	1,302
DFJ MERCURY III	54,367	42,149	(12,218)
MESIROW FINANCIAL	655,122	438,547	(216,575)
MIDOCEAN CO-INV	240,552	349,559	109,007
MIDOCEAN PTNS	1,226,282	1,533,516	307,234
MILLENNIUM TV II	494,246	484,612	(9,634)
SP TRIDENT V COINV	182,980	279,000	96,020

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
OAKTREE EPF III	1,184,890	1,406,232	221,342
PATRIA BRAZIL IV	128,783	178,384	49,601
PENINSULA EQ PTNS	175,710	163,043	(12,667)
STEPSTONE SECONDARY	2,160,605	2,810,668	650,063
STERLING GROUP III	554,763	718,255	163,492
TOWERBROOK III	1,112,563	1,519,180	406,617
TOWERBROOK IV	9,086	9,086	0
SP TRIDENT FUND V	1,259,289	1,450,449	191,160
TRUSTBRIDGE PARTN IV	872,877	1,166,183	293,306
VALLEY VENTURES III	327,031	119,281	(207,750)
VALLEY VENT III ANNX	107,949	47,651	(60,298)
VISTA EQUITY FUND IV	1,721,502	1,996,258	274,756
VIVO VENTURES VII	529,146	714,115	184,969
TOTAL PRIVATE EQUITY PORTFOLIO	**34,024,613**	**44,556,810**	**10,532,197**

ABSOLUTE RETURN PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER	2,883,102	3,535,144	652,042
GSAM HF SEED 2011	1,910,450	2,202,514	292,064
LSV SPEC OPP FD IV	647,747	1,246,477	598,730
LSV SPEC OPPS FD III	241,277	1,097,251	855,974
LUXOR CAP PARTNERS	846,750	1,052,124	205,374
OZ MASTER FUND	2,883,102	3,970,128	1,087,026
TOTAL ABSOLUTE RETURN PORTFOLIO	**9,412,428**	**13,103,638**	**3,691,210**

REAL ASSETS PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ACTIS ENERGY 3	205,827	144,366	(61,461)
ALTERNA I	995,776	1,447,287	451,511
ALTERNA II	126,519	122,311	(4,208)
CONSERVATION FOREST	629,660	596,235	(33,425)
CONSERVATN FOREST II	960,630	1,184,370	223,740
DENHAM COMMODITY VI	590,438	744,668	154,230
EDESIA ALPHA FUND	1,029,679	1,082,323	52,644
EIF US POWER FUND IV	675,095	509,658	(165,437)
ENCAP FUND IX	218,576	222,683	4,107
ENERGY RECAP FUND	379,039	488,661	109,622
FUNDAMENTAL PARTN II	1,443,508	1,731,354	287,846
GEOSPHERE	0	67,568	67,568
JP MORGAN AIRRO FUND	940,857	1,137,837	196,980
JPM AIRRO SIDECAR	941,916	1,107,725	165,809
MAGNETAR LLC - COINV	117,383	117,383	0
MAGNETAR MTP ERGY FD	3,294,973	3,343,740	48,767
MCQURIE EUR INFR III	784,126	1,267,358	483,232
MCQURIE INFRA PT II	618,096	789,745	171,649
ORG SECONDARY RA	806,589	1,117,575	310,986
TAYLOR WOODS	1,029,679	1,110,841	81,162
TIPS AND RA	3,809,016	4,162,412	353,396
TVEST CROSSOVER III	452,410	398,464	(53,946)
TOTAL REAL ASSETS PORTFOLIO	**20,049,792**	**22,894,564**	**2,844,772**

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALPHADYNE	2,059,358	1,934,019	(125,339)
BLACKROCK GBL ASCENT	2,354,388	2,127,269	(227,119)
BLUETREND FUND	3,737,848	3,958,637	220,789
BREVAN HOWARD	2,059,358	1,967,802	(91,556)
BRIDGEWATER GTAA	6,432,188	11,760,542	5,328,354
BRIDGEWATER PAMM	1,235,615	1,480,152	244,537
DE SHAW MULTI ASSET	5,972,139	7,312,458	1,340,319
TOTAL GTAA SECURITIES PORTFOLIO	**23,850,894**	**30,540,879**	**6,689,985**

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	615,843	524,821	(91,022)
ARES US REAL ESTATE	1,548,735	1,757,080	208,345
BREP VI	2,026,911	3,707,103	1,680,192
CATALYST EURO	1,352,133	1,250,935	(101,198)
CLEARBELL II	165,809	215,009	49,200
CLSA FUDO CAP II	961,482	934,293	(27,189)
DESERT TROON	16,384,941	12,268,093	(4,116,848)
GREENFIELD VI	1,064,222	1,223,871	159,649
H2 CREDIT PARTNERS	1,647,487	2,179,832	532,345
HARRISON ST RE	1,197,820	1,084,751	(113,069)
HARRISON ST RE COINV	272,036	425,790	153,754
IRON POINT RE	2,078,974	2,784,227	705,253
IRON POINT RE II	189,280	202,462	13,182
LUBERT ADLER FD VI B	791,201	999,626	208,425
MOUNT GRANGE	786,940	1,462,584	675,644
ORG SECONDARY RE	1,607,729	1,904,540	296,811
OWH BERKANA HLD	1,826,060	541,701	(1,284,359)
PATRON IV	148,670	179,926	31,256
PEBBLECREEK	1,567,172	473,652	(1,093,520)
PIVOTAL EQUITY	102,968	339,794	236,826
WALTON MEXICO	1,310,507	1,064,089	(246,418)
WALTON ST FD VII	443,185	466,022	22,837
TOTAL REAL ESTATE PORTFOLIO	**38,090,105**	**35,990,201**	**(2,099,904)**

RISK PARITY PORTFOLIO
YEAR ENDED JUNE 30, 2014

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BRIDGEWATER RA FUND	3,294,973	3,363,643	68,670
BRIDGEWTR ALL WEATHR	4,939,661	5,786,151	846,490
FFTW TIPS/CURRENCY	1,622,250	1,624,169	1,919
RISK PARITY FUNDS	824,875	837,209	12,334
TOTAL RISK PARITY PORTFOLIO	**10,681,759**	**11,611,172**	**929,413**

THIS PAGE INTENTIONALLY BLANK

ACTUARIAL SECTION

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 4, 2014

The Board of Trustees
Arizona Elected Officials' Retirement System
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Re: Arizona Elected Officials' Retirement System

Attention: Jared Smout, Deputy Administrator

The purpose of the annual actuarial valuation of the Arizona Elected Officials' Retirement System as of June 30, 2014 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and non-retired members.
- Compare assets with accrued liabilities to assess the funded condition.
- Compute the recommended employers' contribution for the Fiscal Year beginning July 1, 2015.

The funding objective is stated in Article 4, Chapter 5, Title 38, Sections 843B and 848N of the Arizona Revised Statutes. The valuation should not be relied upon for any other purpose.

The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2014.

The valuation was based upon information furnished by the plan's administrative staff concerning Retirement System benefits, financial transactions, and active members, terminated members, retirees and beneficiaries. We checked the data for internal and year to year consistency, but did not otherwise audit the data. As a result, we do not assume responsibility for the accuracy or completeness of the data provided. The actuary summarizes and tabulates population data in order to analyze longer-term trends. The following schedules were prepared by the actuary and provided to the administrative staff to be included in the "Actuarial Section" of the June 30, 2014 CAFR:

- Aggregate Actuarial Balance Sheet as of June 30, 2014
- Summary of Valuation Assumptions
- Solvency Test
- Summary of Active Member Data
- Summary of Retirees and Inactive Members
- Schedule of Experience Gain/(Loss) for year ended June 30, 2014

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

The Board of Trustees
November 4, 2014
Page 2

GRS did not prepare any of the schedules included in the "Financial Section" of the June 30, 2014 CAFR. However, we did provide certain pieces of information that were used in that section, such as the Actuarial Accrued Liability and the Actuarial Value of Assets.

Assets are valued on a market related basis. This method recognizes the assumed return fully each year and spreads each year's gain or loss above or below assumed return over a closed seven-year period. The continuing effect of prior asset losses was dampened by the 7-year smoothing period, and further offset by the effect of lower than assumed pay increases. There remains $6.1 million ($5.8 million for pension and $0.3 million for health) of unrecognized investment losses that will in the absence of other gains, drive the contribution rate up over the next several years.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board of Trustees adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 67 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2014 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2011 period. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by the actuarial assumptions, changes in plan provisions, changes in actuarial assumptions or methods, or changes in applicable law.

Based upon the results of the June 30, 2014 valuations, the retired lives are less than fully funded on a funding value of assets basis and market value of assets basis. It is most important that this plan receive contributions at least equal to the actuarial rates.

The June 30, 2014 actuarial valuation reflected the following changes:

- Benefit changes:
  - Effective January 1, 2014, the plan is closed to new hires. Those hired on or after January 1, 2014 do not enter this plan, but instead enter a Defined Contribution plan. Due to this change, the previous method of amortizing unfunded accrued liabilities as a level percent of payroll is no longer appropriate. Going forward, unfunded accrued liabilities are amortized on a level dollar basis.

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

The Board of Trustees
November 4, 2014
Page 3

In order to gain a full understanding of the actuarial condition of the plan, it is important to read the full actuarial report that we have provided to the System.

Mark Buis and James D. Anderson are Members of the American Academy of Actuaries (M.A.A.A.), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Mark Buis

Mark Buis, F.S.A, M.A.A.A

James D. Anderson

James D. Anderson, F.S.A, M.A.A.A

MB/JDA:bd

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2014

ACTUARIAL ASSETS	2014
ACCRUED ASSETS	
Member Accumulated Contributions	54,318,245
Employer and Benefit Payment Reserves	282,758,832
Funding Value Adjustment	6,145,562
Total Accrued Assets	**343,222,639**
PROSPECTIVE ASSETS	
Member Contributions	48,308,438
Employer Normal Costs	42,381,376
Employer Unfunded Actuarial Accrued Liability	471,862,375
Total Prospective Assets	**562,552,189**
Total Actuarial Assets	**905,774,828**

ACTUARIAL PRESENT VALUES (LIABILITY)	
PENSIONS IN PAYMENT STATUS	
Pensions in payment status	583,698,503
PROSPECTIVE PAYMENTS	
Retirement Payments	307,516,008
Health Insurance Payments	6,406,196
Member Contribution Refunds	1,426,380
Pension Increase Reserve	6,727,741
Total Prospective Payments	**322,076,325**
Total Actuarial Present Values (Liabilities)	**905,774,828**

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS
Interest Rate: 7.85% (net of expenses)
Salary Increases: 4.25% for inflation

HEALTHY MORTALITY TABLE
RP2000 Health Annuitant Mortality Table projected to 2025 using projection scale AA with no adjustments for males and females. This assumption was first used for the FY2012 valuation of the System and include margin for future improvements in mortality.

DISABLED MORTALITY TABLES
RP2000 Health Annuitant Mortality Table projected to 2025 using projection scale AA set forward 10 years for both males and females. This assumption was first used for the FY2012 valuation of the System.

MORTALITY RATES AND LIFE EXPECTANCY
HEALTHY MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR MEN	PROBABILITY OF DYING NEXT YEAR WOMEN	FUTURE LIFE EXPECTANCY (YEARS) MEN	FUTURE LIFE EXPECTANCY (YEARS) WOMEN
50	.14%	.11%	33.27	34.93
55	.22%	.22%	28.52	30.16
60	.45%	.45%	23.92	25.58
65	.90%	.86%	19.58	21.28
70	1.52%	1.48%	15.58	17.31
75	2.66%	2.30%	11.87	13.69
80	5.01%	3.85%	8.63	10.41

MORTALITY RATES AND LIFE EXPECTANCY
DISABLED MORTALITY

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR MEN	PROBABILITY OF DYING NEXT YEAR WOMEN	FUTURE LIFE EXPECTANCY (YEARS) MEN	FUTURE LIFE EXPECTANCY (YEARS) WOMEN
50	.45%	.45%	23.88	25.54
55	.90%	.86%	19.54	21.23
60	1.52%	1.48%	15.54	17.27
65	2.66%	2.30%	11.83	13.64
70	5.01%	3.85%	8.59	10.37
75	9.29%	6.66%	6.02	7.52
80	16.59%	12.22%	4.13	5.39

ACTIVE MEMBER MORTALITY TABLE
Sample rates of mortality for death-in-service set forward 0 years for both males and females.
This assumption was first used for the FY2013 valuation of the System.

MORTALITY RATES
ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR MEN	PROBABILITY OF DYING NEXT YEAR WOMEN
50	.10%	.08%
55	.17%	.17%
60	.34%	.33%
65	.67%	.64%

Active members are eligible to retire early at any age within 5 years of service, or normally at any age with 20 years of service, at age 62 with 10 years of service, or at 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 Board of Trustees, as recommended by the Plan's actuary, were first used for the June 30, 2007 valuation.

SUMMARY OF VALUATION ASSUMPTIONS
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

MARRIAGE ASSUMPTION
85% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

PAY INCREASE TIMING
Six months after the evaluation date.

DECREMENT TIMING
Decrements of all types are assumed to occur mid-year.

ELIGIBILITY TESTING
Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

DECREMENT RELATIVITY
Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

DECREMENT OPERATION
Disability and turnover decrements do not operate during retirement eligibility.

SERVICE CREDIT ACCRUALS
It is assumed that members accrue one year of service credit per year.

INCIDENCE OF CONTRIBUTIONS
Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

NORMAL FORM OF BENEFIT
A straight life payment is the assumed normal form of benefit for members who are not married, and the 75% Joint and Survivor form of payment with no reduction, for married members. 85% of members are assumed to be married at time of retirement.

BENEFIT SERVICE
Exact fractional service is used to determine the amount of benefit payable.

NORMAL COST PERCENTAGE
For the purposes of calculating the Normal Cost as a percent of payroll under the Projected Unit Credit Cost Method, the Normal Cost was projected with interest to the applicable Fiscal Year and divided by the Payroll projected with wage base to the applicable Fiscal Year.

HEALTH CARE UTILIZATION
70% of future retirees are expected to utilize health care. 85% of those are assumed to be married.

FUTURE COST OF LIVING INCREASES
Future cost of living increases are not reflected in the liabilities. The 2012 Experience Study recommended reducing the expected rate of return by approximately 0.5% to account for this contingency.

SOLVENCY TEST

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

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

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

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

	AGGREGATE ACCRUED LIABILITIES				PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
YEAR ENDED JUNE 30,	ACTIVE MEMBER CONT. $ (1)	RETIRANTS AND BENEFICIARIES $ (2)	ACTIVE MEMBERS (ER PORTION) $ (3)	VALUATION ASSETS AVAILABLE FOR BENEFITS $ (2)	(1)	(2)	(3)
2005	30,671	240,470	89,617	344,604	100.00%	100.00%	82.00%
2006	36,639	248,357	106,407	351,701	100.00%	100.00%	62.30%
2007	39,760	277,278	134,261	336,717	100.00%	100.00%	14.70%
2008	41,964	285,634	126,743	348,013	100.00%	100.00%	16.10%
2009	40,924	324,200	141,067	360,950	100.00%	99.00%	0.00%
2010	43,283	349,417	143,071	357,342	100.00%	90.00%	0.00%
2011	42,171	393,830	154,321	366,429	100.00%	82.00%	0.00%
2012	47,274	400,005	162,949	356,346	100.00%	77.00%	0.00%
2013	47,351	431,511	153,675	350,885	100.00%	70.00%	0.00%
2014	54,318	576,015	165,913	313,382	100.00%	45.00%	0.00%

See Schedule of Funding Progress in the Required Supplementary Information.

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 839 active members in the Plan as of June 30, 2014, increased from 839 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+	NO.	AVG. SALARY
< 25	1							1	76,600
25-29	5							5	34,156
30-34	11	4						15	37,584
35-39	24	13	3					40	45,214
40-44	37	19	6					62	75,104
45-49	49	28	8	5				90	84,969
50-54	50	51	22	15	2			140	94,476
55-59	51	48	31	35	4		2	171	91,289
60-64	36	46	39	33	8	2	1	165	89,184
65+	30	50	32	25	8	6	3	154	64,059
Total	**294**	**259**	**141**	**113**	**22**	**8**	**6**	**843**	**81,069**

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
2005	781	53,450	53.8	7.8	68,436	3.70%
2006	800	54,696	54.3	8.3	68,370	(0.10)%
2007	813	61,308	54.4	8.3	75,409	10.30%
2008	824	62,184	54.6	8.4	75,474	0.10%
2009	857	67,777	54.6	8.1	79,086	4.80%
2010	827	66,442	55.1	8.5	80,341	1.60%
2011	845	66,637	54.6	8	78,860	(1.80)%
2012	845	67,934	55.3	8.5	80,395	1.90%
2013	839	67,505	54.9	8.0	80,459	0.10%
2014	843	68,341	55.6	8.6	81,069	0.80%

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 RETIREES AND INACTIVE MEMBERS

RETIREES AND BENEFICIARIES

YEAR ENDED JUNE 30,	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
2005	33	72	769	817,929	3,076,044	26,112,301	9.5%	33,956
2006	20	48	797	1,188,444	2,482,196	28,044,340	7.4%	35,187
2007	29	58	826	842,516	3,178,426	30,380,250	8.3%	36,780
2008	29	75	872	668,820	3,138,910	32,850,340	8.1%	37,672
2009	47	80	905	987,408	4,399,639	36,262,571	10.4%	40,069
2010	25	41	921	666,409	3,740,863	39,337,025	8.5%	42,711
2011	32	101	990	1,182,916	5,307,555	43,461,664	10.5%	43,901
2012	33	35	992	1,277,532	1,726,008	43,910,140	1.0%	44,264
2013	26	91	1,057	915,428	4,208,986	47,203,698	7.5%	44,658
2014	42	38	1,053	1,363,194	7,164,962	53,005,466	12.3%	50,338

**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.*

As of June 30, 2014, there were 149 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:

INACTIVE MEMBERS

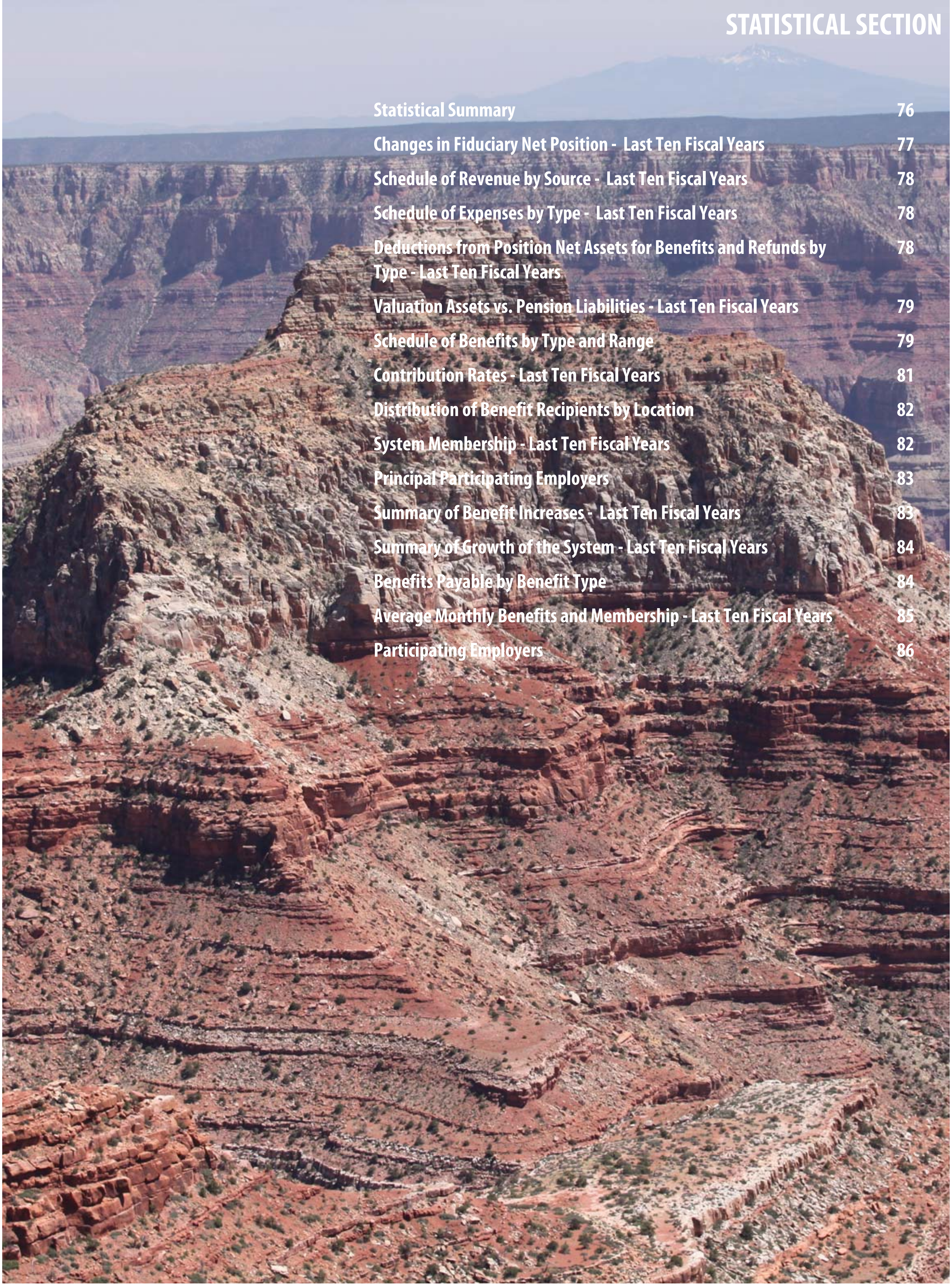
ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE					
	0-4	5-9	10-14	15-19	20+	TOTAL
< 30						
30-39	5	2		1		8
40-44	10	4				14
45-49	6	8	2			16
50-54	12	9	5	1		27
55-59	14	17	4	1		36
60-69	18	18	2	4	1	43
70+	2	1		1	1	5
Total	**67**	**59**	**13**	**8**	**2**	**149**

SCHEDULE OF EXPERIENCE GAIN (LOSS)
YEAR ENDED JUNE 30, 2014

(1)	UAAL* at start of year	292,448,392
(2)	Normal cost for year	16,649,370
(3)	Funding Method Contribution	38,909,650
(4)	Interest accrued on (1), (2) and (3)	22,083,483
(5)	Expected UAAL before changes [(1)+(2)-(3)+(4)]	292,271,595
(6)	Changes from benefit increases	170,547,893
(7)	Change in Reserve for future pension increases	6,727,741
(8)	Expected UAAL after changes: (5)+(6)+(7)	469,547,229
(9)	Actual UAAL at end of year	482,863,587
(10)	**Experience Gain (Loss): (8)-(9)**	**(13,316,358)**

** Unfunded Actuarial Accrued Liability*

THIS PAGE INTENTIONALLY BLANK



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 Position, Schedule of Revenue by Source, Schedule of Expenses by Type, Deductions from Net Position for Benefits and Refunds by Type, Valuation Assets vs. Pension Liabilities, and Contribution Rates.

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*, Benefit Recipients by Location, Principal Participating Employers, Summary of the Growth of the Plan, Benefits Payable*, Average Monthly Benefit Amounts*, Summary of Benefit Increases*, and Participating Employers.

Schedules and information are derived from EORP internal sources unless otherwise indicated.
* Schedules and data are provided by actuarial consultant Gabriel Roeder Smith & Company.

CHANGES IN FIDUCIARY NET POSITION LAST 10 FISCAL YEARS INCLUDING HEALTH SUBSIDY
(IN THOUSANDS)

	2014	2013	2012	2011	2010
ADDITIONS					
Member Contributions	$ 8,938	$ 7,701	$ 6,859	$ 4,717	$ 4,611
Employer Contributions	16,304	13,567	11,627	10,865	8,444
Non-Employer Contribution	5,000	-	-	-	-
Health Insurance Contributions	1,072	1,208	1,233	1,181	1,244
Court Fees	8,541	8,412	8,880	9,896	9,538
Net Investment Gain (Loss)	41,568	30,738	(3,700)	48,275	34,584
Member Service Purchase	51	228	661	1,452	889
Transfers IN	99	17	149	248	41
Total Additions (Reductions)	**81,573**	**61,871**	**25,709**	**76,634**	**59,351**
DEDUCTIONS					
Pension & Insurance Benefits	54,934	46,373	44,452	40,592	37,769
Refunds To Terminated Members	155	124	90	217	126
Administrative Expenses	316	300	288	324	245
Transfers OUT	24	37	-	28	-
Total Deductions	**55,429**	**46,834**	**44,830**	**41,161**	**38,140**
NET INCREASE (DECREASE)	**26,144**	**15,037**	**(19,121)**	**35,473**	**21,211**
NET POSITION HELD IN TRUST					
Beginning of Fiscal Year, July 1	310,933	295,896	315,017	279,544	258,333
End of Fiscal Year, June 30	**$ 337,077**	**$ 310,933**	**$ 295,896**	**$ 315,017**	**$ 279,544**

	2009	2008	2007	2006	2005
ADDITIONS					
Member Contributions	4,437	4,356	4,090	3,811	3,617
Employer Contributions	9,173	6,809	5,976	6,701	2,463
Health Insurance Contributions	1,273	1,379	955	924	842
Court Fees	8,000	4,155	3,978	3,855	3,793
Net Investment Gain (Loss)	(61,527)	(23,151)	54,599	24,409	27,407
Member Service Purchase	377	1,045	1,957	2,430	-
Transfers IN	283	573	1,190	1,703	3,647
Total Additions (Reductions)	**(37,984)**	**(4,834)**	**72,745**	**43,833**	**41,769**
DEDUCTIONS					
Pension & Insurance Benefits	35,095	32,519	29,569	27,909	25,746
Refunds To Terminated Members	132	64	128	7	83
Administrative Expenses	521	355	340	248	132
Transfers OUT	-	4	20	11	246
Total Deductions	**35,748**	**32,942**	**30,056**	**28,175**	**26,207**
NET INCREASE (DECREASE)	**(73,732)**	**(37,776)**	**42,689**	**15,658**	**15,562**
NET POSITION HELD IN TRUST					
Beginning of Fiscal Year, July 1	332,065	369,841	327,152	311,494	295,932
End of Fiscal Year, June 30	**$ 258,333**	**$ 332,065**	**$ 369,841**	**$ 327,152**	**$ 311,494**

FINANCIAL TRENDS

SCHEDULE OF REVENUE BY SOURCE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS

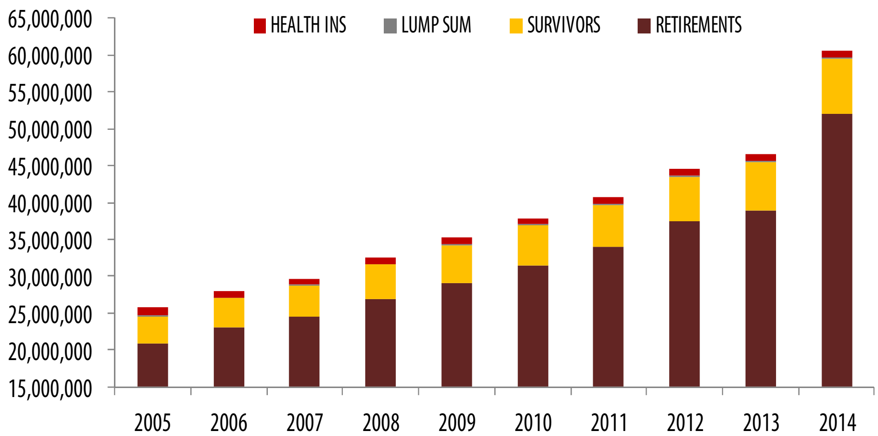
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	COURT FEES	HEALTH INSURANCE CONT.	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2005	3,617,383	2,462,272	3,792,729	842,241	14.54%	27,407,259	3,646,744	41,768,628
2006	3,811,179	6,700,757	3,855,007	924,203	20.54%	24,408,222	4,133,169	43,832,537
2007	4,089,699	5,975,979	3,977,740	955,111	18.55%	54,598,524	3,147,915	72,744,968
2008	4,355,999	6,808,557	4,155,348	1,379,146	20.21%	(23,150,918)	1,618,535	(4,833,333)
2009	4,436,652	9,172,918	8,000,231	1,273,229	28.00%	(61,526,963)	660,650	(37,983,283)
2010	4,611,179	8,444,229	9,538,094	1,243,514	26.25%	34,583,592	930,727	59,351,335
2011	4,716,681	10,865,962	9,895,857	1,180,768	29.79%	48,274,987	1,699,788	76,634,043
2012	6,858,675	11,627,462	8,880,308	1,232,862	32.99%	(2,641,096)	809,474	26,767,685
2013	7,700,666	13,567,248	8,411,739	1,208,405	36.44%	30,737,247	245,084	61,870,389
2014	8,938,401	21,304,591	8,540,583	1,072,197	23.50%	41,567,954	149,656	81,573,382

SCHEDULE OF EXPENSES BY TYPE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	BENEFITS	HEALTH INSURANCE SUBSIDY	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2005	24,569,977	1,175,740	131,655	83,007	246,091	26,206,470
2006	27,005,830	903,104	247,594	7,246	11,093	28,174,867
2007	28,717,546	850,915	339,875	127,738	20,169	30,056,243
2008	31,607,055	911,923	355,290	63,958	3,834	32,942,060
2009	34,178,410	917,286	521,507	131,663	-	35,748,866
2010	36,884,844	884,225	245,127	126,426	-	38,140,622
2011	39,665,718	926,378	324,343	216,689	28,071	41,161,199
2012	43,536,995	914,968	287,772	89,631	-	44,829,366
2013	45,472,356	901,360	299,692	123,773	36,682	46,833,863
2014	53,984,038	950,531	315,896	154,933	23,581	55,428,979

DEDUCTIONS FROM NET POSITION FOR BENEFITS AND REFUNDS BY TYPE
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	TOTAL BENEFITS	SEPARATION REFUNDS	HEALTH INSURANCE SUBSIDY
2005	19,824,610	3,671,914	1,073,453	24,569,977	83,007	1,175,740
2006	21,986,931	3,935,206	1,083,693	27,005,830	7,246	903,104
2007	23,435,322	4,231,772	1,050,452	28,717,546	127,738	850,915
2008	25,967,062	4,637,432	1,002,561	31,607,055	63,958	911,923
2009	28,020,876	5,007,588	1,149,946	34,178,410	131,663	917,286
2010	30,411,785	5,379,358	1,093,701	36,884,844	126,426	884,225
2011	32,855,786	5,582,012	1,227,920	39,665,718	216,689	926,378
2012	36,215,843	6,030,424	1,290,728	43,536,995	89,631	914,968
2013	37,637,320	6,477,448	1,357,588	45,472,356	123,773	901,360
2014	44,479,754	7,488,200	1,650,094	53,618,049	154,933	950,531



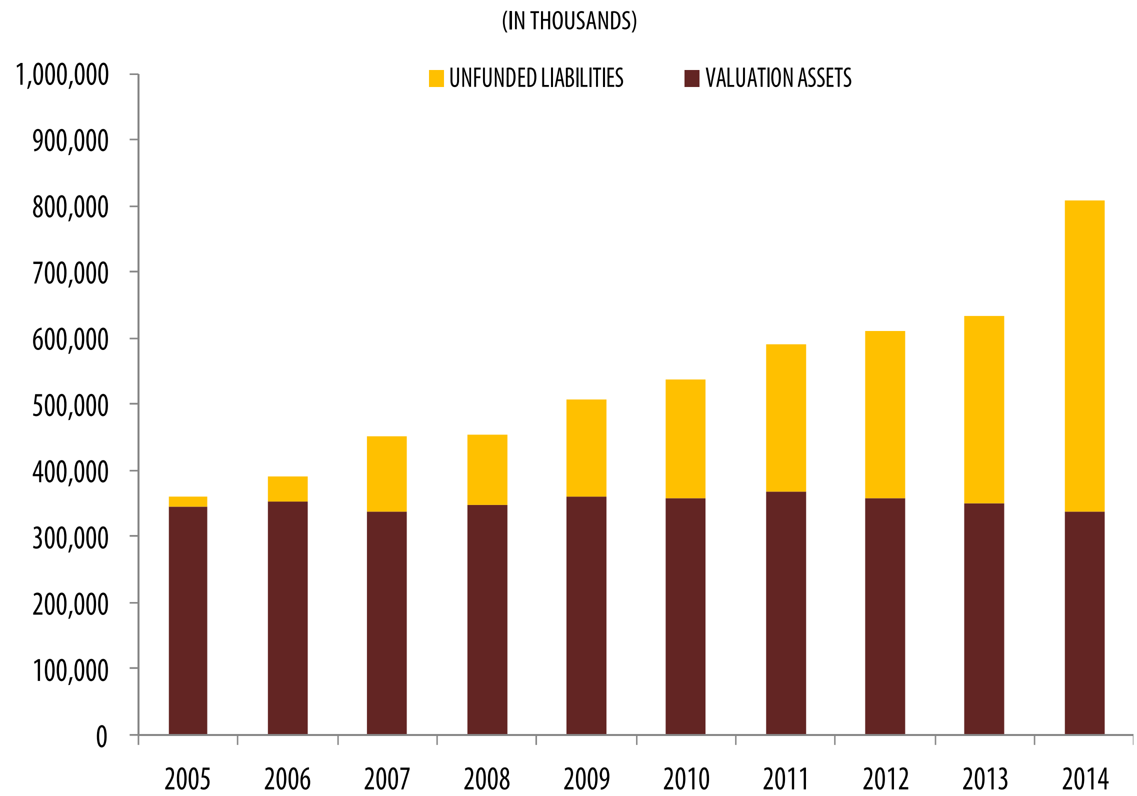
VALUATION ASSETS vs. PENSION LIABILITIES
INCLUDES HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(IN THOUSANDS)

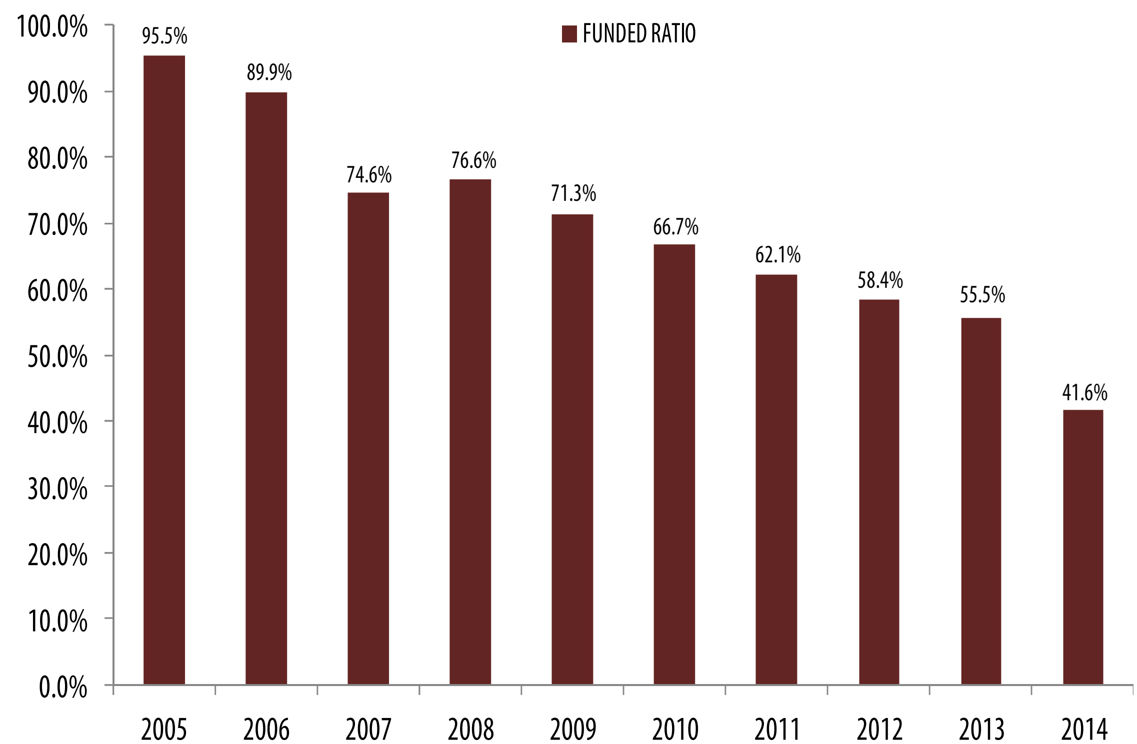
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2005	344,604	16,154	360,758	95.5%
2006	351,701	39,702	391,403	89.9%
2007	336,717	114,582	451,299	74.6%
2008	348,013	106,327	454,341	76.6%
2009	360,950	145,240	506,190	71.3%
2010	357,342	178,429	535,771	66.7%
2011	366,429	223,892	590,321	62.1%
2012	356,346	253,883	610,229	58.4%
2013	350,885	281,652	632,537	55.5%
2014	336,495	471,862	808,357	41.6%

SCHEDULE OF BENEFITS BY TYPE AND RANGE
FISCAL YEAR 2014

MONTHLY BENEFIT AMOUNT	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	TOTAL BENEFITS
Under 1,000	181	70	-	251
1,001-2,000	131	37	1	169
2,001-3,000	110	21	1	132
3,001-4,000	74	17	2	93
4,001-5,000	76	12	-	88
5,001-6,000	47	8	-	55
6,001-7,000	28	6	-	34
7,001-8,000	32	7	2	41
8,001-9,000	16	14	2	32
9,001-10,000	29	8	1	38
Over 10,001	113	-	7	120
Totals	**837**	**200**	**16**	**1,053**

FINANCIAL TRENDS

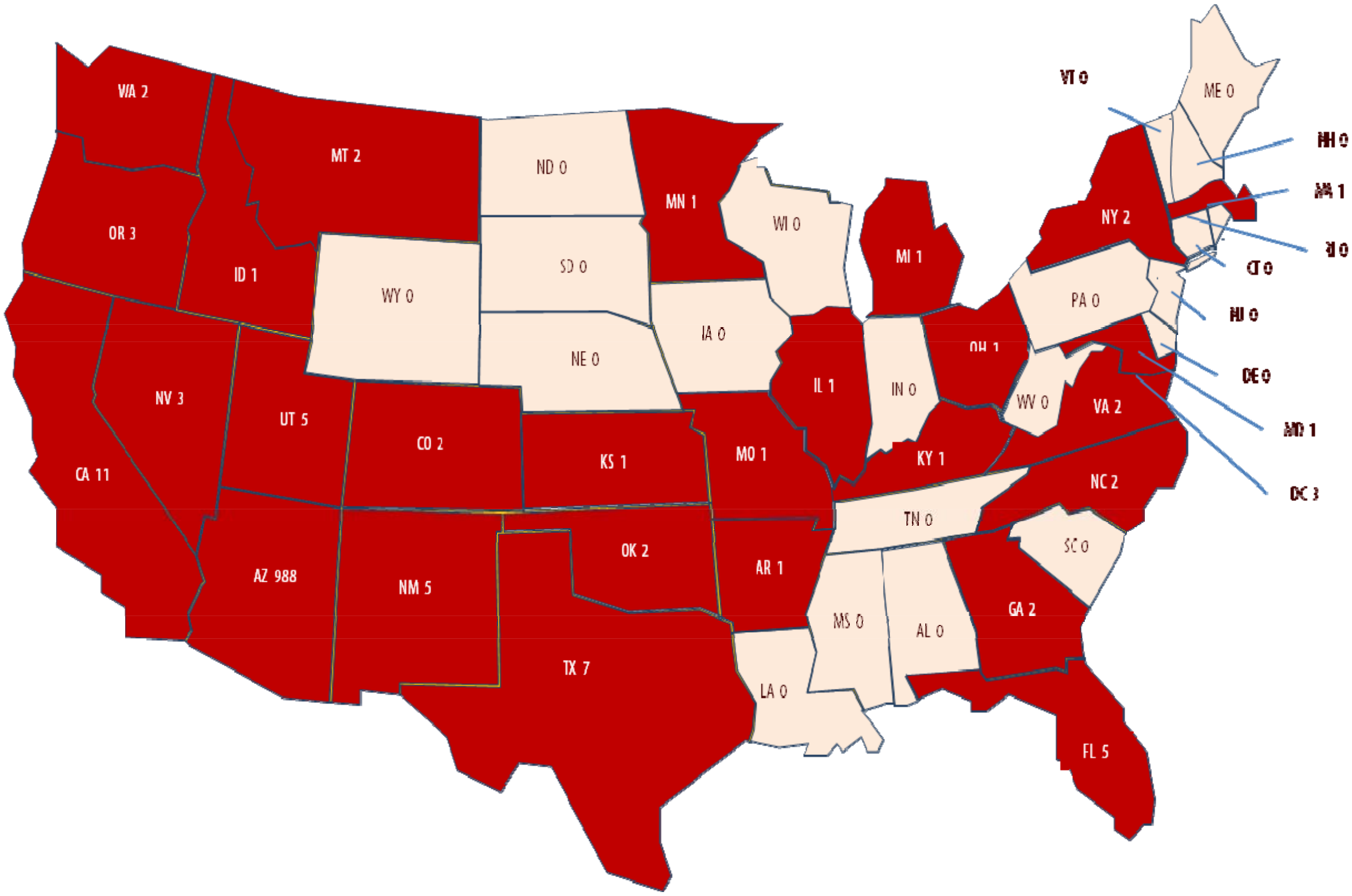




CONTRIBUTION RATES
LAST TEN FISCAL YEARS

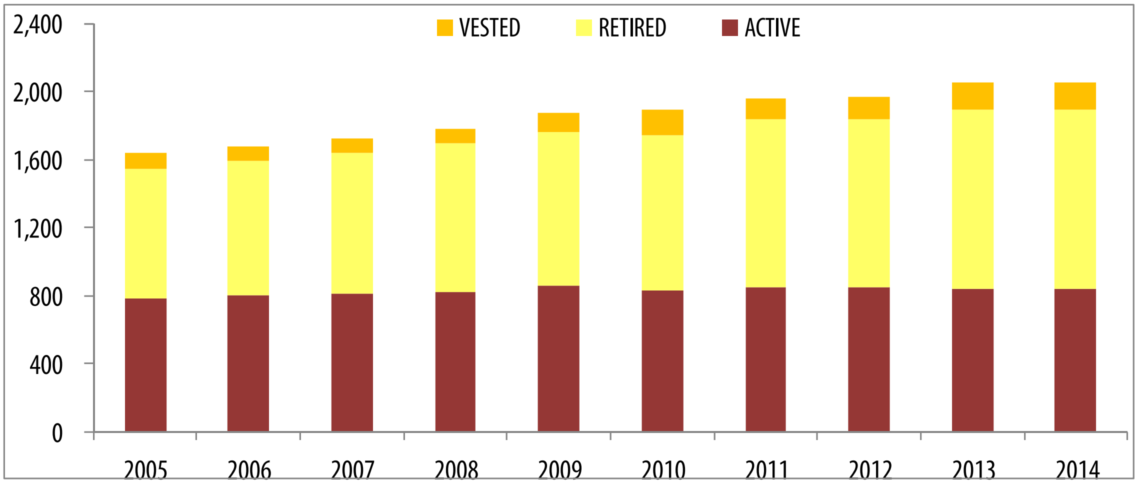
YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
2005	14.54%	7.00%
2006	20.54%	7.00%
2007	18.55%	7.00%
2008	20.21%	7.00%
2009	28.00%	7.00%
2010	26.25%	7.00%
2011	29.79%	7.00%
2012	32.99%	10.00%
2013	36.44%	11.50%
2014	23.50%	13.00%

DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	TERMINATED VESTED	TOTAL
2005	781	769	88	1,638
2006	800	797	85	1,682
2007	813	826	86	1,725
2008	824	872	88	1,784
2009	857	905	119	1,881
2010	827	921	146	1,894
2011	845	990	122	1,957
2012	845	992	132	1,969
2013	839	1,057	160	2,056
2014	843	1,053	149	2,045



PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS

	2014			2005		
EMPLOYER	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**	**COVERED EMPLOYEES**	**RANK**	**% OF MEMBERSHIP**
STATE	684	1	81.14%	650	1	83.23%
CITY OF YUMA	11	2	1.30%	9	t2	1.15%
CITY OF PHOENIX	9	3	1.07%	9	t2	1.15%
TOWN OF SAHUARITA	8	t4	0.95%	0	NA	NA
CITY OF SURPRISE	8	t4	0.95%	0	NA	NA
CITY OF GLOBE	8	t4	0.95%	6	t15	0.77%
ALL OTHERS	115		13.64%	107		13.70%
TOTAL	**843**		**100.00%**	**781**		**100.00%**

SUMMARY OF BENEFIT INCREASES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	EXCESS YIELD PER STATUTE	EXCESS EARNINGS	EARNED ON EXCESS AVAILABLE	UTILIZED TO FUND COLA	EXCESS EARNINGS AVAILABLE	BENEFIT INCREASE 4% CAP
2005	0.56%	1,271,696	2,649,033	(8,027,464)	23,611,516	4.00%
2006	0.00%	-	1,858,226	(8,946,622)	16,523,120	4.00%
2007	8.01%	20,886,734	2,810,583	(9,392,556)	30,827,881	4.00%
2008	0.00%	-	(2,340,761)	(10,302,702)	18,184,418	4.00%
2009	0.00%	-	(3,227,552)	(11,319,196)	3,637,670	4.00%
2010	4.47%	15,303,603	489,994	(12,367,914)	7,063,353	4.00%
2011	0.00%	32,774,743	1,226,904	(13,406,035)	27,658,965	4.00%
2012	0.00%	-	(218,506)	(15,084,924)	12,355,535	4.00%
2013	0.00%	6,913,090	1,314,629	(16,212,682)	4,370,572	4.00%
2014	0.00%	17,528,322	580,412	(15,751,565)	6,727,741	4.00%

SUMMARY OF GROWTH OF THE SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	TOTAL ASSETS AT BOOK	INVESTMENT REALIZED EARNINGS	ASSUMED ACTUARIAL YIELD	NET EFFECTIVE YIELD	AVERAGE EMPLOYER RATE
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%
2009	284,301,733	(43,712,004)	8.50%	-12.05%	28.00%
2010	275,228,597	(83,746)	8.50%	-1.48%	26.25%
2011	281,066,482	13,833,726	8.25%	6.56%	29.79%
2012	278,266,609	9,054,084	8.00%	4.22%	32.99%
2013	283,202,703	15,232,109	7.85%	7.07%	36.44%
2014	289,437,455	22,551,048	7.85%	7.64%	23.50%

BENEFITS PAYABLE JUNE 30, 2014
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	837	44,033,291	52,608
Disability Pensions	16	1,686,107	105,382
Total Retired Members	**853**	**45,719,398**	**53,598**
SURVIVORS OF MEMBERS			
Spouses	199	7,239,086	36,377
Children w/Guardians	1	46,982	46,982
Total Survivors of Members	**200**	**7,286,068**	**36,430**
TOTAL PENSIONS BEING PAID	**1,053**	**53,005,466**	**50,338**

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	71.5	14.4	61.1
Disability retired members	67.7	12.2	58.2
Spouse beneficiaries	76.7	13.3	57.5

AVERAGE MONTHLY BENEFIT AND MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,		YEARS OF CREDITED SERVICE BY CATEGORY							
		<5	5-10	10-15	15-20	20-25	25-30	30+	ALL MEMBERS
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
2009	Average monthly benefit	1,161	1,113	2,437	4,196	6,724	5,911	3,802	3,339
	Average final average salary								6,388
	Number of retirees	12	257	255	149	167	50	15	905
2010	Average monthly benefit	1,208	1,156	2,565	4,428	7,116	6,083	3,956	3,559
	Average final average salary								6,525
	Number of retirees	12	255	257	156	177	50	14	921
2011	Average monthly benefit	1,142	1,171	2,700	4,547	7,246	6,309	3,589	3,658
	Average final average salary								6,517
	Number of retirees	11	277	273	169	195	49	16	990
2012	Average monthly benefit	1,133	1,153	2,722	4,609	7,297	6,382	3,589	3,689
	Average final average salary								6,580
	Number of retirees	10	276	277	168	197	48	16	992
2013	Average monthly benefit	1,133	1,144	2,829	4,650	7,297	6,327	3,565	3,722
	Average final average salary								6,576
	Number of retirees	10	291	299	181	209	50	17	1,057
2014	Average monthly benefit	1,252	1,279	3,186	5,258	8,228	7,304	3,964	4,195
	Average final average salary								6,489
	Number of retirees	12	293	295	179	211	48	15	1,053

** Detailed information not available prior to fiscal year ending June 30, 2008.*

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

P.S.P.R.S.

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 SURPRISE
CITY OF TEMPE
CITY OF TOLLESON
CITY OF TUCSON
CITY OF YUMA
TOWN OF GILBERT
TOWN OF MARANA
TOWN OF SAHUARITA
TOWN OF THATCHER