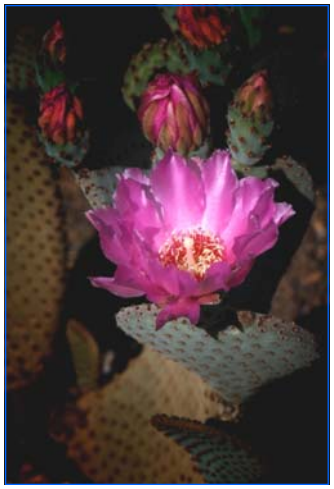
Effective December 2021, CAFR (Comprehensive Annual Financial Report) is called
ACFR (Annual Comprehensive Financial Report)

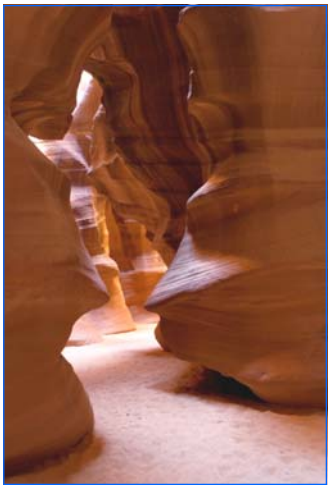
# PUBLIC SAFETY

# PERSONNEL RETIREMENT SYSTEM

## 42nd COMPREHENSIVE ANNUAL FINANCIAL REPORT

## A PENSION TRUST FUND OF THE STATE OF ARIZONA





## FOR THE FISCAL YEAR ENDED JUNE 30, 2010

# 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.

# Public Safety Personnel Retirement System

A Pension Trust Fund of the State of Arizona

## Forty-Second
## Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

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

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# INTRODUCTORY SECTION


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# Certificate of Achievement for Excellence in Financial Reporting

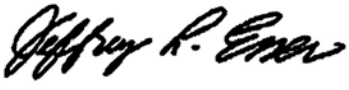
Presented to

## Arizona Public Safety Personnel Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President



Executive Director

**Brian Tobin,** Chairman
**Lori Roediger,** Vice Chairperson
**Tim Dunne,** Trustee
**Gregory Ferguson,** Trustee
**Alan Maguire,** Trustee
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**James M. Hacking**
Administrator

**Ryan Parham**
Chief Investment Officer

**Tracey D. Peterson**
Assistant Administrator-COO

December 3, 2010

The Honorable Janice K Brewer
Governor of the State of Arizona
Executive Tower
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Brewer:

The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Forty-second Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010 (FY'10), in accordance with the provisions of A.R.S. Section 38-848.

**The PSPRS Plan's Funding Ratio**

As of fiscal year-end, the financial status of the PSPRS Plan, as reflected in its funding ratio, decreased from 68.2% at June 30, 2009 to 65.8% at June 30, 2010. This funding ratio decrease follows two fiscal years in which the Plan's funding status had remained relatively stable. This most recent decrease resumes the Plan's FY'02 through FY'07 funding ratio erosion trend that was due in large part to the asset value losses and negative rates of return that the Plan experienced in FY'01 and FY'02. Those losses were largely the result of a lack of diversification in the deployment of the Plan's assets for investment purposes.

The funding ratio decrease this fiscal year occurred despite the fact that the Plan had an FY'10 rate of return (13.47%) that was well in excess of its actuarial assumed rate of return (8.5%). (For further information on the Plan's net assets and changes in net assets, please refer to the subsequent Management's Discussion and Analysis section of this Comprehensive Annual Financial Report (CAFR) which begins on page 20.)

Because the Plan uses a seven year averaging process ("smoothing") to determine its fiscal year-end actuarial value of assets, only one-seventh of any fiscal year's investment gain or loss is reflected in that year's results. The remaining six-sevenths are rolled forward and reflected in the results over the next six fiscal years. That means that only one-seventh of the positive return that the Plan experienced in FY'10 is reflected in this fiscal year's results. That was more than offset by factoring into the FY'10 results, one-seventh portions of the -7.19% and -17.45% returns that the Plan experienced during FY'08 and FY'09 respectively. Those negative returns were due to the collapse of the U.S. housing market and the intense recession that followed. Because the remainder of the FY'08 and FY'09 investment losses will be factored into the Plan's financial status results over the next several fiscal years, the expectation is that the Plan's funding ratio will continue to deteriorate unless this trend is offset by several consecutive years of much better-than-expected rates of return or changes in the Plan's employee contribution rate and benefit structure or both.

If the PSPRS Plan's funding ratio were calculated using fiscal year-end market value (rather than actuarial value) of assets, the Plan's funded status would be only 54.0%, rather than 65.8%. How to move the Plan, within a ten to twenty year time period, back to a state of financial soundness with an 80% funding ratio or better, calculated using market value, is clearly the principal challenge facing the PSPRS Board of Trustees.

Although the investment losses that the Plan sustained in FY'08 and FY'09 have taken, and will continue to take, their toll on the financial status of the Plan, the principal structural impediment to restoring the Plan to a state of financial soundness in a reasonable period of time is the post retirement adjustment structure. Current PSPRS statutes require that in any year in which the Plan generates an investment return in excess of 9%, one-half of the excess return over 9% must be diverted into the PSPRS Plan's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets are used to finance the cost of the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets are not taken into account for funding ratio and employer contribution rate calculations. The Board of Trustees at their meeting on September 15, 2010 were told by the System's actuaries from Gabriel, Roeder, Smith & Co. (GRS) that this diversion of excess return in good investment return years makes the PSPRS-administered Plans "unsustainable."

### Employer Contribution Rates

Any change in the PSPRS Plan's fiscal year-end funding ratio impacts the employer contribution rate two fiscal years later. For example, a funding ratio change in Plan FY'10 will affect the employer contribution requirement during employer FY'12.

When times were good and the PSPRS Plan was over-funded, the PSPRS employers' contribution rates were abnormally low. (Each employer has its own rate that reflects the benefit liability for its own covered group.) For example, early in the current decade the computed aggregate employer contribution was only 3.75% of payroll.

But as the Plan's funding ratio eroded, the employer contribution requirements rose in large year-over-year increments until employer FY'09 when the aggregate rate crested at 21.72% of payroll. In employer FY'10 and in the current year (FY'11) the aggregate rate has been relatively stable. But based on the Plan's FY'10 results, the aggregate employer rate is projected to begin increasing again, with a 22.68% aggregate rate payable in employer FY'12. That represents a 1.79% of payroll increase over the current aggregate rate of 20.89%. This increase in the employer aggregate rate reflects a combination of factors including the negative returns from FY'08 and FY'09 as well as the fact that covered payroll and salaries did not increase as expected. With further erosion in the Plan's funding status expected to occur over the next several years, the forecast is that the employer contribution rate will continue to increase unless significant changes are made.

As the new fiscal year progresses, the Board of Trustees and the System's Administrator will consult with representatives of the Plans' constituency groups and the contributing employers in an attempt to create a consensus for a combination of legislative changes that will reverse the present funding ratio/employer contribution rate trends and restore the Plan to a state of financial soundness within a reasonable period of time. But if these efforts to achieve a consensus fail or fall short, the PSPRS Board members, in their capacity as fiduciaries, will propose to the Legislature changes designed to assure the sustainability of the Plan.

### FY'10 Investment Results

The FY'10 net of fee rate of investment return for the PSPRS Plan was 13.47%. The return was 1.37% higher than the Plan's weighted composite rate of return benchmark, which was 12.10%. In addition, on a "peer group" basis, the return was good enough to place the PSPRS Plan in the second quartile (rank 32) of the public funds included in the ICC Public Fund Universe of 100 public retirement systems.

Clearly, the FY'10 investment result was much higher than the Plan's 8.5% actuarial assumed rate of return. However, because the return was in excess of 9%, one-half of the return in excess of 9% -- a total of $90.9 million -- was diverted to the Plan's Reserve and, therefore, will not be available to help improve the Plan's funding ratio/employer contribution rate situation described above.

Clearly, the FY'10 in-flow of new assets to the Plan's Reserve was large. However, it was significantly less than the $139.7 million that was withdrawn from the Reserve to fully fund the post-retirement increase that was paid at the statutory maximum to all of the Plan's eligible benefit recipients on July 1, 2010. That excess of out-go over income left a Reserve balance of $275.3 million which was $10.3 million less than the Reserve's balance ($285.6 million) one year earlier. Nevertheless, that Reserve balance should be more than enough to assure that a full adjustment will be paid at the statutory maximum to all eligible beneficiaries next July 1st.

But out-go from the PSPRS Plan's Reserve is increasing annually as the number of eligible beneficiaries increases and the average benefit payable rises. Therefore, it is expected that the Reserve's balance will continue to decline and that at some point, the Reserve will no longer be able to finance annual adjustments at the statutory maximum.

### The Strategy to Improve the Plan's Funding Ratio and Decrease Employer Contribution Requirements

To help improve the Plan's funded status and reduce employer contribution rates, the System must generate, on a consistent basis, annual rates of return that meet or exceed the Plan's return expectations. In pursuit of that goal, PSPRS has been, for the last four fiscal years, going through a complete restructuring of the way in which the System manages and invests its assets with a view to dramatically increasing asset allocation diversification and diversification within asset classes. In the process, the Plan's over-weight reliance on equities has declined considerably and so has the total Fund's volatility.

Unfortunately, according to our GRS actuaries, we have a five percent or less probability of our being able to invest our way back to an 80% or higher funding status within ten to twenty years. Therefore, in advance of the 2011 legislative session, the PSPRS Board of Trustees intends to put forward a variety of legislative changes that will, in the aggregate, give us a seventy-five percent or higher probability of achieving our stated funding goal within our stated time-frame and we shall seek the support of our constituency groups and the Plan's employers and their organizations in this effort.

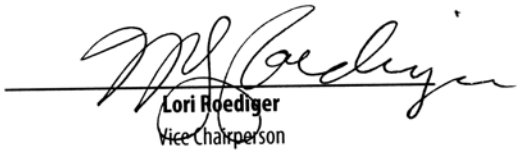
**Conclusion**

As members of the PSPRS Board of Trustees, we intend to continue our efforts to assure the financial integrity of the System and its Plans and to faithfully serve the interests of the Plan's participants and beneficiaries.

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

Respectfully submitted,

**Brian Tobin**
Chairman

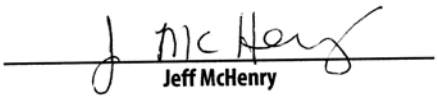


**Lori Roediger**
Vice Chairperson

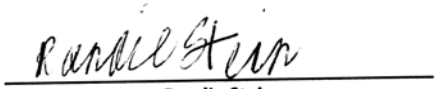
**Tim Dunne**
Trustee

**Gregory Ferguson**
Trustee

**Alan Maguire**
Trustee



**Jeff McHenry**
Trustee



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Administrator
**Ryan Parham**
Chief Investment Officer
**Tracey D. Peterson**
Assistant Administrator-COO

December 3, 2010

The Members of the Board of Trustees
Public Safety Personnel Retirement System (PSPRS)
3010 E. Camelback Road, Suite 200
Phoenix, Arizona 85016

Members:

Here is the Forty-second Comprehensive Annual Financial Report (CAFR) of the operations and financial condition of the Arizona Public Safety Personnel Retirement System (PSPRS) Plan. This report is for the fiscal year ended June 30, 2010. The Plan was created on July 1, 1968 to provide a uniform statewide retirement system for public safety personnel. The System provides a normal retirement benefit following the completion of twenty years of service and also provides disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies.

Arizona Revised Statutes Title 38 requires that the Board of Trustees transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited Financial Statements, Management's Discussion and Analysis, and other financial data from the June 30, 2010 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial Balance Sheet from the June 30, 2010 actuarial valuation prepared by the System's actuary, Gabriel, Roeder, Smith & Co (GRS).

**Financial Information Reporting**

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

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

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

**Revenues**

Revenues for the Plan are derived from four sources: member contributions, employer contributions, fire insurance premium tax revenues and realized and unrealized returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan had an investment gain of $553.1 million this fiscal year. That was supplemented by revenue from member contributions of $102.1 million, direct employer contributions of $288.2 million, and insurance premium taxes of $12.5 million. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

**Administrative and Investment Expenses**

The PSPRS Plan's FY'10 administrative and investment-related expenses totaled $21.5 million, down from the $22.9 million during the prior year. Administrative and investment expenses were approximately 48 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets are being outsourced to external portfolio managers and even though service needs have escalated due to increasing numbers of participants and beneficiaries and the desire to provide consistent support to the PSPRS network of local boards that have important administrative functions to perform.

**Investments**

The total rate of return on the PSPRS Plan assets for the fiscal year was 13.47% on a net of fees basis. This return was well in excess of the System's 8.5% actuarial assumed rate of return and also well in excess of the 9% statutory "threshold" that causes a new in-flow of assets ($90.9 million) to the Plan's Reserve for Future Benefit Increases. The Investment Section of this Report contains, among other things, graphs depicting the Plan's performance, a detailed summary of the investment portfolio, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

**Enacted Legislation**

During FY'10, the State Legislature approved, and the Governor signed, two bills that were of significance. The first was HB2067 which made many administrative, technical and clarifying changes to the PSPRS statutes and eliminated the so-called "ordinary disability offset" that had required a dollar-for-dollar reduction in monthly benefits for every dollar of earned income in excess of the benefit amount.

The second bill, SB1006, changed the name of the Fund Manager to Board of Trustees, added two new Governor-appointed members to the Board (bringing the total to seven) and extending the terms of office for newly appointed Board members from three to five years.

**Actuarial and Funding Information**

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

The PSPRS Plan is funded through a statutory member contribution of 7.65% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and reset annually, depending on the Plan's actuarial valuation results, fire insurance premium tax revenues and the realized and unrealized returns on the invested assets of the Plan. The firefighter groups receive a percentage of the fire insurance premium tax revenues, which serve to reduce the employer contributions that would otherwise be required.

The most commonly used measure of a retirement system's funding progress is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the PSPRS Plan had declined steadily for six consecutive years through FY'07. Following two years of modest improvement, the funding ratio started to deteriorate again this fiscal year, falling to 65.8%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08 and FY'09 negative rates of return are yet to be reflected in the funding ratio of the Plan; therefore, the expectation is that the funding ratio will deteriorate further in the future.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the current aggregate rate for the contributing employers is 20.89%. The aggregate rate that will take effect on July 1, 2011 will be 22.68%. Further decline in the Plan's funding ratio will cause employer rates to rise even further.

**Post Retirement Benefit Increases**

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

These benefit adjustments are fully funded on a present value basis from the assets that are accumulated in the PSPRS Plan's Reserve for Future Benefit Increases. In any year in which the Plan generates a return in excess of 9%, one-half of the return in excess of 9% is diverted to the Reserve. (The Plan's FY'10 13.47% return resulted in a $90.9 million flow of new assets into the Reserve.) These reserve assets are invested along with all other assets of the Plan.

The current Reserve balance, after subtracting the $139.7 million needed to fund the present value of the July 1, 2010 post retirement increase, is $275.3 million. Were there to be no new in-flow of assets to the Reserve during FY'11, the existing Reserve balance should be more than enough to fund a post-retirement adjustment for all eligible beneficiaries at the statutory maximum on July 1, 2011.

### Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the PSPRS Plan's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the nineteenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, 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.

A Certificate of Achievement is valid for a period of one year only. We believe our FY'10 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

### New Developments and Management Initiatives

During this past fiscal year, the PSPRS Board of Trustees continued its strategic initiative that has changed the way in which the Plan's assets are managed and invested. (See the Board of Trustees' transmittal letter to the Governor that begins on page 7). In addition, there were other developments and initiatives that are worthy of note. These included the following:

- The FY'10 actual level of administrative spending was kept significantly below the budgeted amount and the FY'11 budget that was approved by the Board came in at less than 95% of the FY'10 actual level of spending.
- The System continued its comprehensive and multi-year effort to assure that the PRPRS and CORP local board networks are properly structured and functioning so as to assure uniform administration of the statutory responsibilities delegated to them. Staff and other resources continue to be dedicated to this initiative. Within the last twelve months, the System's outreach efforts to provide training and education to local boards were intensified through more on-site visits, group meetings/consultations via conference call, video conference and webinars, the development of training modules which were made accessible through the PSPRS web site, the continued publication of a monthly local board newsletter, and the creation of a Local Board Reference Guide.
- The Internal Auditor/Compliance Officer developed and received approval for her annual audit plan and continued her monthly investments compliance review. In addition, the Auditor took over responsibility for approving capital calls made with respect to investment commitments approved by the Board.
- The System's multi-year document imaging (i.e., scanning) project continued to progress. Once the project is completed, a new "Work Flow" project will be initiated in accordance with the System's Strategic Plan.
- The System's IT Program Development staff created and implemented a new Members Only web site that enables members to view their account information, including their monthly bank deposit information.
- The Program Development staff also implemented a one thousand concurrent user "GoToMeeting.com" capability for Board of Trustee meetings and local board and other training meetings.
- A new once-a-day online database backup capability through Ibackup.com was implemented; this is in addition to our hourly backup to our secondary Denver site.
- The System's Disaster Recovery/Business Continuity capability was augmented by creating Disaster Recovery plans for the database application, the timing of the pension payroll process and key employee availability following a disaster.
- The T1 line connection between the Phoenix headquarters and the PSPRS Denver backup facility was replaced with a microwave connection and the bandwidth to the Denver facility was substantially increased to better accommodate our file transfer needs.

### New Initiatives for System FY'11

As we have moved through the first four months of the new fiscal year (FY'11), some new initiatives are underway and still others are planned. These include:

- Completing the RFP process for legal services that the Board requested and conducting an RFP process for external audit services after completion of the current audit cycle;
- Keeping administrative expenses significantly under the FY'11 budgeted levels and holding the recommended FY'12 administrative budget to a level not to exceed 95% of FY'11 actual expenditures;
- Discontinuing the practice of mailing monthly bank deposit notices to beneficiaries following our educating them as to how to access their monthly payment information on-line via the Members Only website;
- Continuing to reduce the number of payment checks PSPRS issues monthly by converting DROP payments to ACH transfers and initiating the use of "pay cards;"
- Adding to the local board outreach, organization, education and training effort by creating a local board web site or "module" within the PSPRS database to make it possible for local board personnel to input or update data directly without having the PSPRS staff do it for them; and
- Securing the enactment of legislative proposals to restructure and redesign provisions of the PSPRS Plans to restore them to a state of financial soundness within a reasonable period of time and reduce employer contribution requirements in the process.

**Summary**

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

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

Respectfully submitted,

James M. Hacking
Administrator

## BOARD OF TRUSTEES

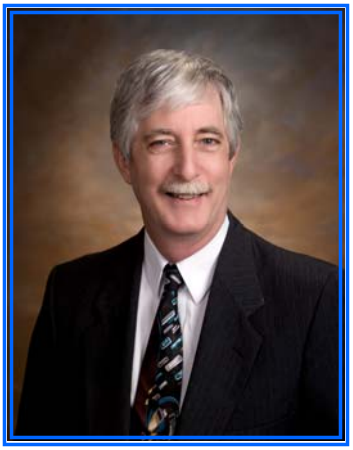
(AS OF JUNE 30, 2010)

**Brian Tobin**

Interim Chairman

**Lori Roediger**

Vice Chairperson



**Tim Dunne**

Trustee

**Gregory Ferguson**

Trustee

**Alan Maguire**

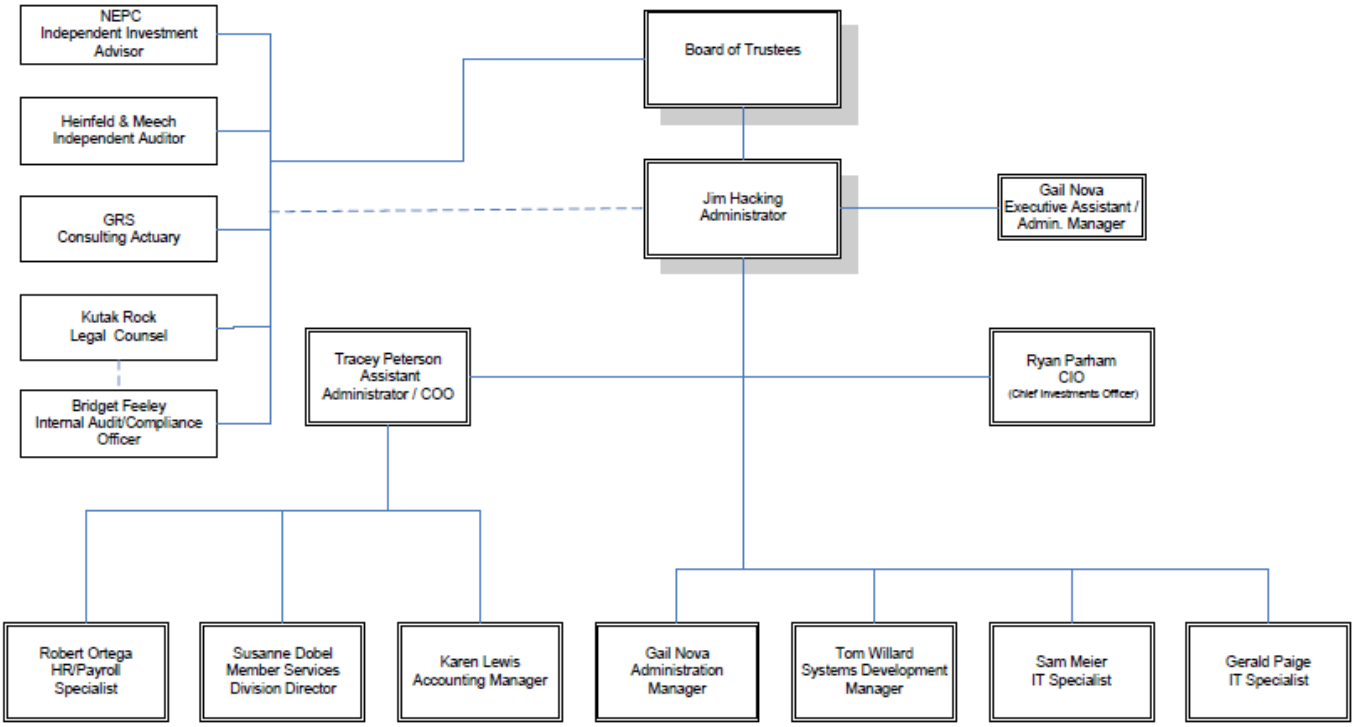
Trustee

# EXECUTIVE STAFF AND ORGANIZATIONAL CHART

**James M. Hacking**
Administrator

**Ryan Parham**
Chief Investment Officer

**Tracey D. Peterson**
Assistant Administrator
Chief Operations Officer



## PROFESSIONAL ADVISORS

| | |
|---|---|
| Albourne America, LLC | International Alternative Investment Consultant |
| Bank of New York Mellon | Custodian |
| Gabriel, Roeder, Smith & Company | Actuary |
| Heinfeld Meech & Co., P.C. | Independent Auditors |
| HighGround, Inc. | Legislative Liaison |
| Kutak Rock, LLP | General Counsel |
| McLagan Partners, Inc. | Human Resource Consultant |
| NEPC, LLC | Independent Investment Advisor |
| Public Policy Partners | Legislative Liaison |
| ORG Portfolio Management, LLC | Real Estate Consultant |
| Step Stone Group, LLC | Alternative Investment Consultant |

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

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITORS' REPORT

Board of Trustees
Public Safety Personnel Retirement System

We have audited the accompanying Statement of Plan Net Assets of the Public Safety Personnel Retirement System (PSPRS) as of and for the year ended June 30, 2010, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of PSPRS's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals as of and for the year ended June 30, 2009, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 1, 2009, expressed an unqualified opinion on those statements; however, we have not performed any auditing procedures on this information since the date of our report.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Public Safety Personnel Retirement System, as of June 30, 2010, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Public Safety Personnel Retirement System implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2010, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the Public Safety Personnel Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 23 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

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

Heinfeld, Meech & Co., P.C.

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

December 3, 2010

## PSPRS MANAGEMENT DISCUSSION & ANALYSIS

The Public Safety Personnel Retirement System's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the System's financial activity, identify changes in the System'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 2010 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return (net of fees) of 13.47% this year. Our total portfolio outperformed the target fund benchmark by 137 basis points. This is a significant improvement over the prior year's return of -17.75%.
- As of the close of the fiscal year 2010, the Future Benefit Increase Reserve was $275.3 million. This will enable another post-retirement adjustment of $152.84 for qualifying retirees or their survivors for the twenty-seventh consecutive year.
- Retirement benefits paid totaled $469.5 million for the current year, compared to $444.4 for the previous year. This represents a 5.66% increase from the prior year. Although the number of DROP participants retiring this year decreased from fiscal year 2009; normal, survivor, and disability retirement benefits paid increased by $32.7 million.

## 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 System as an operating entity. The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

*The Statement of Plan Net Assets and The Statement of Changes in Plan Net Assets*
These two statements report the System's net assets and changes in them using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Net assets are the difference between assets and liabilities, one way to measure the financial health, or financial position. Over time, increases or decreases in the net assets are one indicator of the financial health of the Plan.

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

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

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

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

*Supporting Schedules and Other Supplementary Information*
The Supporting Schedules and Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Administrative Expenses and Payments to Consultants, the Supplemental Schedule of Cash Receipts and Cash Disbursements and the Agency Fund Statement of Changes in Assets and Liabilities (see Note 7). The total columns and information provided on these schedules carry forward to the applicable financial statement.

## FINANCIAL ANALYSIS OF THE SYSTEM

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

## SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

| | As of 06/30/2010 | As of 06/30/2009 | Change | % Change |
|---|---|---|---|---|
| Cash and Short-Term Investments | $ 54,071,805 | $ 73,792,458 | $ (19,720,653) | (26.72)% |
| Total Receivables | 81,120,430 | 25,983,713 | 55,136,717 | 212.20 |
| Total Investments | 4,488,031,721 | 4,021,324,149 | 466,707,572 | 11.61 |
| Securities Lending Collateral | 494,161,031 | 632,722,191 | (138,561,160) | (21.90) |
| Net Capital Assets | 3,836,429 | 3,943,081 | (106,652) | (2.70) |
| **Total Plan Assets** | **5,121,221,416** | **4,757,765,592** | **363,455,824** | **7.64** |
| Accrued Accounts Payable | 296,411 | 650,068 | (353,657) | (54.40) |
| Investment Purchases Payable | 40,900,571 | 8,692,211 | 32,208,360 | 370.54 |
| Securities Lending Collateral | 494,161,031 | 632,722,191 | (138,561,160) | (21.90) |
| **Total Plan Liabilities** | **535,358,013** | **642,064,470** | **(106,706,457)** | **(16.62)** |
| **Net Assets** | **$4,585,863,403** | **$4,115,701,122** | **$470,162,281** | **11.42 %** |

***Summary Comparative Statements of Plan Net Assets Analysis***

The total plan net assets held in trust for benefits at June 30, 2010 were $4.6 billion, an 11.42% increase from $4.1 billion at June 30, 2009. The increase in net assets is primarily due to favorable financial markets during the fiscal year. The decrease in cash or increase in receivables is attributable to normal fluctuations in investment income receivables during the year. PSPRS is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the System's investment portfolio is included in the investment section of this report. The decrease in security lending collateral is due to normal fluctuations in the lending program 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 PLAN NET ASSETS

| | 2010 | 2009 | Change | % Change |
|---|---|---|---|---|
| ADDITIONS | | | | |
| Total Contributions | $ 400,959,722 | $ 425,031,518 | $ 24,071,796) | (5.66)% |
| Net Investment Income (Loss) | 553,076,513 | (872,798,642) | 1,425,875,155 | 163.37 |
| Transfers and Service Purchases | 758,603 | 584,336 | 174,267 | 29.82 |
| **Total Additions (Reductions)** | **954,794,838** | **(447,182,788)** | **1,401,977,626** | **313.51** |
| DEDUCTIONS | | | | |
| Benefits | 469,481,695 | 444,352,210 | 25,129,485 | 5.66 |
| Service Transfers and Refunds | 10,218,513 | 7,692,371 | 2,526,142 | 32.84 |
| Administrative Expenses | 4,932,349 | 4,352,207 | 580,142 | 13.33 |
| **Total Deductions** | **484,632,557** | **456,396,788** | **28,235,769** | **6.19** |
| **Net Increase (Decrease)** | **470,162,281** | **(903,579,576)** | **1,373,741,857** | **152.03** |
| **Balance Beginning of Year - July 1** | **4,115,701,122** | **5,019,280,698** | **(903,579,576)** | **(18.00)** |
| **Balance End of Year - June 30** | **$4,585,863,403** | **$4,115,701,122** | **$470,162,281** | **11.42%** |

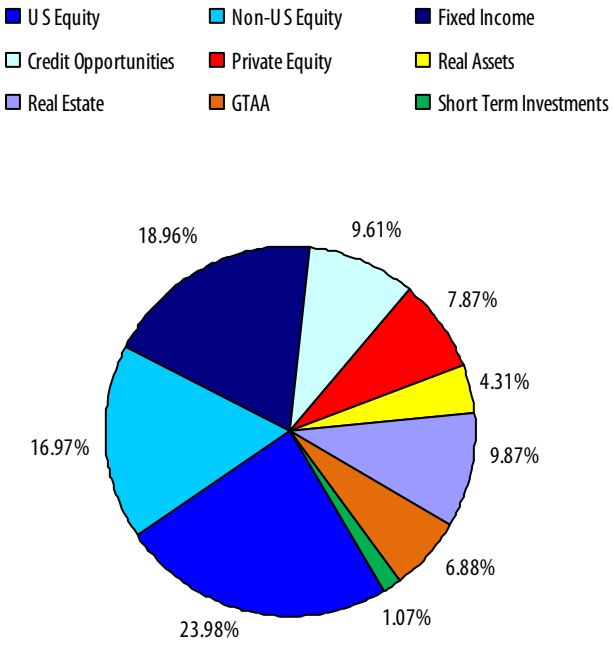
***Summary Comparative Statements of Changes in Plan Net Assets Analysis***

Employer and employee contributions decreased $24.1 million due to a slight decrease in the aggregate employer contribution rates from 21.71% to 20.77%. Additionally, due to economic conditions, layoffs and furloughs have resulted in a decline in salaries paid to active members.

For FY 2010, PSPRS recognized a net investment gain of $553.1 million which compares to an $872.8 million loss in the previous year. This 163.4% recovery was due to the more positive returns in the financial markets during the fiscal year.

Deductions from the PSPRS net assets held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2010, these deductions totaled $484.6 million, an increase of 6.19% from the $456.4 million paid during FY 2009. The total benefit payments increase is due to a net increase in the number of benefit recipients plus post-retirement adjustments provided to existing benefit recipients. Details of these changes can be found on pages 78 and 79 of the *Actuarial Section* of this report. Refunds and service transfers increased $2.5 million over the prior year (32.8%). Refunds represent a return of contributions held on account when a member leaves employment. This increase is due to current economic conditions that have led to layoffs and reduction of many governmental services. Administrative expenses increased 13.3% in large part due to increases in professional services and employee benefit costs.

## INVESTMENT ACTIVITIES

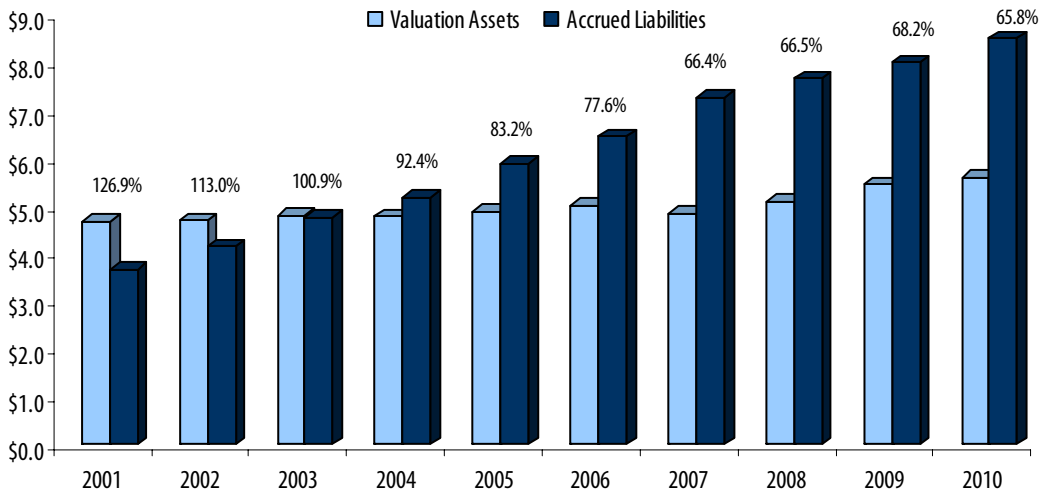



During FY 2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past three years. As illustration, at the end of FY07, 72.8% of the entire investment portfolio was invested in equities versus 41.2% at the end of FY10. Fixed income has remained about 19% of the entire portfolio. However, alternative investments have increased from 3.5% in FY 07 to 39.8% in FY10.

At June 30, 2010, PSPRS held $1.9 billion in equities. The FY 2010 rate of return for Total PSPRS equities was 13.73% versus a benchmark rate of return of 13.66%. At June 30, 2010, PSPRS held $864 million in fixed income securities. The FY 2010 rate of return for PSPRS fixed income securities was 13.84% versus a benchmark rate of return of 9.50%. 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 System's investment portfolio can be found in the investment section of this report.

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

**HISTORICAL TRENDS**




Accounting standards require that the "Statement of Plan Assets" reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the "Schedule of Funding Progress." The asset value stated in the "Schedule of Funding Progress" is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed over a seven year period. Actuarial valuations of the PSPRS assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2010.

At June 30, 2010, the total funded status of the PSPRS decreased to 65.8% from 68.2% at FYE 2009. This decrease in funded status is related primarily to the seven year smoothing period with only ½ of the investment gain from the FY10 investment return being reflected in the calculation. 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 Public Safety Personnel Retirement System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

## STATEMENT OF PLAN NET ASSETS

JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash and Short-Term Investments | $ 54,071,805 | $ 73,792,458 |
| **RECEIVABLES** | | |
| Member Contributions | 3,870,819 | 3,793,528 |
| Employer Contributions | 11,837,423 | 12,250,237 |
| Interest and Dividends | 5,233,188 | 7,078,372 |
| Investment Sales | 57,665,694 | - |
| Other | 2,513,306 | 2,861,576 |
| **Total Receivables** | **81,120,430** | **25,983,713** |
| **INVESTMENTS AT FAIR VALUE** (NOTES 2 AND 3) | | |
| U.S. Equity | 1,093,235,318 | 1,420,576,221 |
| Non U.S. Equity | 773,517,715 | 786,139,701 |
| GTAA | 313,598,493 | - |
| Fixed Income | 864,135,904 | 776,251,768 |
| Credit Opportunities | 438,228,418 | 309,503,876 |
| Private Equity | 358,786,145 | 146,963,381 |
| Real Assets | 196,381,163 | 168,585,943 |
| Real Estate | 450,148,565 | 413,303,259 |
| **Total Investments** | **4,488,031,721** | **4,021,324,149** |
| Securities Lending Collateral | 494,161,031 | 632,722,191 |
| **CAPITAL ASSETS** (NOTE 4) | | |
| Land | 495,436 | 495,434 |
| Building | 3,573,482 | 3,504,604 |
| Furniture, Fixtures & Equipment | 843,278 | 787,707 |
| **Total Capital Assets** | **4,912,196** | **4,787,745** |
| Accumulated Depreciation | (1,075,767) | (844,664) |
| **Net Capital Assets** | **3,836,429** | **3,943,081** |
| **TOTAL PLAN ASSETS** | **5,121,221,416** | **4,757,765,592** |
| **LIABILITIES** | | |
| Accrued Accounts Payable | 296,411 | 650,069 |
| Investment Purchases Payable | 40,900,571 | 8,692,210 |
| Securities Lending Collateral | 494,161,031 | 632,722,191 |
| **Total Plan Liabilities** | **535,358,013** | **642,064,470** |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | **$4,585,863,403** | **$4,115,701,122** |
| **NET ASSET RESERVES** | | |
| Refundable Members' Reserve | 921,671,914 | 853,566,631 |
| Employers' Reserve | 3,388,902,162 | 2,976,520,774 |
| Future Benefit Increase Reserve | 275,289,327 | 285,613,717 |
| **Total Net Asset Reserves** | **$4,585,863,403** | **$4,115,701,122** |

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

## STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

| | 2010 | 2009 |
|---|---|---|
| **ADDITIONS (REDUCTIONS)** | | |
| Contributions | | |
| Members' Contributions (NOTES 2,5) | $ 102,141,540 | $ 101,183,586 |
| Employers' Contributions (NOTES 2,5) | 288,210,202 | 316,222,272 |
| Members' Service Purchase | 10,607,980 | 7,625,660 |
| **Total Contributions** | **400,959,722** | **425,031,518** |
| Investment Income | | |
| *From Investing Income* | | |
| Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3) | 483,512,510 | (991,712,611) |
| Interest | 25,283,323 | 46,718,291 |
| Dividends | 54,737,396 | 82,687,046 |
| Other Income | 2,961,955 | 416 |
| *From Securities Lending Activities* | | |
| Security Lending Activities (NOTE 3) | | |
| Securities Lending Income | 2,501,582 | 12,445,737 |
| Borrower Rebates | 1,155,802 | (3,001,417) |
| Agents Share of Income | (547,024) | (1,416,624) |
| **Net Securities Lending Income** | **3,110,360** | **8,027,696** |
| **Total Investment Income (Loss)** | **569,605,544** | **(854,279,163)** |
| Less Investment Expense | (16,529,031) | (18,519,479) |
| **Net Investment Income (Loss)** | **553,076,513** | **(872,798,642)** |
| Transfers Into System & Service Purchases | 758,603 | 584,336 |
| **Total Additions (Reductions)** | **954,794,838** | **(447,182,788)** |
| **DEDUCTIONS** | | |
| Pension Benefits (NOTE 2) | 386,181,299 | 353,483,943 |
| DROP Benefits (NOTE 2) | 83,300,396 | 90,868,267 |
| Refunds To Terminated Members (NOTE 2) | 9,975,440 | 7,643,202 |
| Administrative Expenses | 4,932,349 | 4,352,207 |
| Transfers To Other Plans | 243,073 | 49,169 |
| **Total Deductions** | **484,632,557** | **456,396,788** |
| **NET INCREASE (DECREASE)** | **470,162,281** | **(903,579,576)** |
| **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** | | |
| Beginning of Year, July 1 | 4,115,701,122 | 5,019,280,698 |
| **End of Year, June 30** | **$4,585,863,403** | **$4,115,701,122** |

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

## PSPRS NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: PLAN DESCRIPTION

#### ORGANIZATION

The Public Safety Personnel Retirement System (PSPRS), 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 4 of the Arizona Revised Statutes, to provide benefits for public safety employees of certain state and local governments. The Board of Trustees (formerly Fund Manager) and 234 local boards jointly administer the System.

Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Board of Trustees. 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 members. 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 System, 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.

Each eligible group participating in the System has a five-member local board. The chief elected official of the organization appoints three members and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each local board is responsible for determining eligibility for membership, service credits, eligibility for benefits, the timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the local boards.

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 PSPRS is reported as a component unit of the State of Arizona.

The Board of Trustees of the PSPRS is also responsible for the investment and general administration of two other statewide retirement plans-the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan. The investments and expenses of these plans were held and accounted for separately from those of PSPRS 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.

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, 2010 and 2009, the number of participating local government employer groups was:

| GROUP | 2010 | 2009 |
|---|---|---|
| Municipalities | 143 | 143 |
| County Agencies | 21 | 21 |
| State Agencies | 10 | 10 |
| Special Districts | 60 | 59 |
| **Total Employers** | **234** | **233** |

Any state, county or city in the State of Arizona may elect to have its paid, full-time eligible employees (generally, firefighters and police officers in hazardous duty positions) covered by PSPRS. At June 30, 2010 and 2009, statewide PSPRS membership consisted of:

| | RETIREMENT PLAN | | INSURANCE SUBSIDY | |
|---|---|---|---|---|
| MEMBERSHIP TYPE | 2010 | 2009 | 2010 | 2009 |
| Retirees | 8,954 | 8,609 | 6,104 | 5,106 |
| Terminated Vested | 1,106 | 1,145 | 0 | 0 |
| DROP | 1,093 | 1,044 | 0 | 0 |
| Current Vested | 13,367 | 12,684 | 0 | 0 |
| Current Non-Vested | 6,101 | 7,183 | 0 | 0 |
| **Total Members** | **30,621** | **30,665** | **6,104** | **5,106** |

PSPRS 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 public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona, or a political subdivision of this State. Membership consists of those eligible employees who are employed by an employer who entered the system in 1968 or who has entered into an agreement to join the System on behalf of an eligible group. A.R.S. §38-841

AVERAGE MONTHLY BENEFIT

An average of your highest 36 consecutive months of compensation (salary) within the last 20 years of credited service. Compensation includes base wages, shift and military differential pay, holiday and overtime pay that is paid to an employee by the employer on a regular monthly, semimonthly, or biweekly payroll basis as well as any longevity pay paid to an employee at least every six months for which contributions are made to the system.

For the purposes of computing retirement benefits, compensation does not include unused sick leave, compensatory time, payment in lieu of vacation, "fringe" benefit pay (such as uniform allowance, cell phone or mileage reimbursement) and any payments made directly or indirectly by the employer to the employee for work performed for a third party on a contracted basis except for third party contracts in certain situations. A.R.S. § 38-842(7 and 12).

BENEFIT INCREASE / COST OF LIVING ADJUSTMENT (COLA)

Contingent upon the excess investment earnings, effective July 1 of each year, eligible retired members or survivors may be entitled to a permanent benefit increase in their base benefit. To be eligible for the increase, the retired member or survivor must be either age 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year, or the retired member or survivor has been receiving benefits on or before July 31 of the previous two years. The maximum amount of the increase is 4% of the average normal benefit being received on the preceding June 30. A.R.S. § 38-856.

CANCER INSURANCE

A cancer insurance program administrated by the PSPRS for eligible fire fighters and peace officers. A.R.S. §§ 38-641 through 38-645.

CONTRIBUTIONS

Each member shall contribute 7.65% of compensation to the System on a pre-tax basis by payroll deduction. The employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the System. Beginning July 1, 2006, the minimum employer contribution rate shall not be less than 8% of compensation. For any employer whose actual contribution rate is less than 8% of compensation for fiscal year 2006/07, that employer's contribution rate is not subject to the 8% minimum, but for fiscal year 2006/07 and each year thereafter, shall be at least 5% and not more than the employer's actual contribution rate. A.R.S. § 38-843.

CREDITED SERVICE

The member's total period of service for which the member made contributions to the PSPRS. A.R.S. § 38-842(13). Members are eligible to receive credited service limited to 60 months if called to active duty while working for the current employer. A.R.S. § 38-858.

DEATH BENEFITS - ACTIVE MEMBER

*Spouse's Pension*. The surviving spouse of an active member will receive a lifetime monthly benefit of 80% of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the spouse will receive a lifetime monthly benefit of 100% of the member's average monthly benefit compensation less the "Child's Pension" stated below (if applicable). A.R.S. § 38-846, AND

*Child's Pension*. The surviving eligible child(ren) under the age of 18 will receive 20% of the pension each month based on the calculation for an accidental disability retirement until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

*Guardian Benefit*. If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. If the member was killed in the line of duty, the guardian benefit is 100% of the member's average monthly benefit compensation (less the Child's Pension if applicable). If a 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 benefit is payable for the lifetime of the child. A.R.S. § 38-842(23) and 38-846, OR

*Balance of Contributions*. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. § 38-846(I).

DEATH BENEFITS - INACTIVE MEMBER

*Balance of Contributions*. If the member was inactive, the member's named beneficiary on file will receive the member's accumulated contributions. A.R.S. §§ 38-842 (32) and 38-846(I).

DEATH BENEFITS - RETIRED MEMBER

*Spouse's Pension*. The surviving spouse of a retired member will receive 80% of member's pension benefit for lifetime. Requires two consecutive years of marriage at time of death. A.R.S. § 38-846, AND

*Child's Pension*. The surviving eligible child(ren) under the age of 18 will receive 20% of the pension each month based on the calculation for an accidental disability retirement until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. Note: No more than 10% per child and if more than two children, equal shares of the 20%. A.R.S. §§ 38-842(23) and 38-846, OR

*Guardian Benefit*. If there is no surviving spouse and there is at least one eligible child, a guardian benefit of 80% of the member's pension and the Child's Pension will be paid to the guardian of the eligible child(ren) until the child turns 18, or until the age of 23 if attending full-time school between the ages of 18 and 23. If a 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 benefit is payable for the lifetime of the child. A.R.S. § 38-842(23) and 38-846, OR

*Balance of Contributions*. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions less the pension payments made to the member. If there is no beneficiary, the balance of the member's accumulated contributions will be paid to the legal representative of the last surviving individual who was being paid the benefit. A.R.S. § 38-846(I).

DEFERRED ANNUITY

Inactive members that have at least 10 years of credited service may elect to receive a Deferred Annuity at the age of 62. This annuity is a lifetime monthly payment that is actuarially equivalent to the member's accumulated contributions in the System plus an equal amount paid by the employer. This annuity is not a retirement benefit and annuitants are not entitled to survivor benefits, benefit increases, or the group health insurance subsidy. A.R.S. § 38-846.01.

ACCIDENTAL DISABILITY

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's job classification that was incurred in the performance of the employee's duties and was not the result of a physical or mental condition or injury that existed or occurred before the employee's date of membership in the System. A.R.S. §§ 38-842(1) and 38-844.

Eligibility for an accidental disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the accidental disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

CATASTROPHIC DISABILITY

A physical (not mental) condition or injury that totally and permanently prevents an employee from engaging in any gainful employment that was incurred in the performance of the employee's duties and that did not exist or occur before the employee's date of membership in the System. A.R.S. §§ 38-842(8) and 38-844.

Eligibility for a catastrophic disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is 90% of average monthly benefit compensation for first 60 months then reduced to either 62.5% of the average monthly benefit compensation, or normal pension amount, whichever is greater. (There is no credited service requirement.) The Local Board may require periodic medical re-evaluations and the catastrophic disability may terminate if the Local Board finds the member no longer meets the requirements for the disability benefit. A.R.S. §§ 38-844, 38-845 and Section 11.

ORDINARY DISABILITY

A physical condition that totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, or a mental condition that totally and permanently prevents the employee from engaging in any substantial gainful activity. The physical or mental condition or injury did not occur before the employee's date of membership in the System. A.R.S. §§ 38-842(34) and 38-844.

Eligibility for an ordinary disability will be determined by the Local Board upon an independent medical examination. The monthly benefit is a percentage of normal retirement based on the employee's years of credited service divided by 20. The Local Board may require periodic medical re-evaluations and the ordinary disability may terminate if the Local Board finds that the member no longer meets the requirements for the disability benefit and refuses an offer of employment by an employer in the system. A.R.S. §§ 38-844 and 38-845.

TEMPORARY DISABILITY

A physical or mental condition that totally and temporarily prevents an employee from performing a reasonable range of duties within the employee's department and that was incurred in the performance of the employee's duties. The monthly benefit is one-twelfth of 50% of annual compensation at time of disability. (There is no credited service requirement.) The disability pension will be paid for no more than 12 months, or if the member returns to work, or if the Local Board deems the member is no longer under temporary disability, whichever occurs first. The member must terminate employment to receive this benefit. A.R.S. §§ 38-842(46), 38-844 and 38-845.

DEFERRED RETIREMENT OPTION PLAN (DROP)

A member with 20 or more years of credited service may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to 60 months (5 years). During the DROP period, the member remains as an employee of the employer as a full-time paid firefighter or full-time paid certified peace officer, but the employee and employer contributions will not be paid to the System and the member will not earn any additional credited service.

The member's monthly benefit is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period and that same amount is credited to the DROP account with interest which is currently 8.5%.

At the end of the 60 months (or prior to that time), the member must terminate employment and the monies in the DROP account will then be paid as a lump-sum to the member or as a rollover. The member will then begin receiving the monthly benefit amount (which is the same amount that was calculated at the beginning of the DROP). A.R.S. §§ 38-842, 38-844.02 through 38-844.09.

ELIGIBILITY

Police officers who are certified peace officers and fire fighters are eligible to participate in the PSPRS if the employee's customary employment is for at least 40 hours per week for more than 6 months in a calendar year and is regularly assigned to hazardous duties. A.R.S. § 38-842(23 and 31).

HEALTH INSURANCE

For PSPRS retirees, survivors and their eligible dependents that elect group health insurance and/or accident insurance coverage administered by PSPRS or another state recognized employer plan, the PSPRS will pay up to the following amount (i.e., Premium Benefit). A.R.S. §§ 38-857, 38-651.01 and 38-782.

| **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 |

JOINDERS

Specific positions and employers may participate in the PSPRS if the governing body of the employer enters into a joinder agreement to bring such employees into the PSPRS. The joinder agreement shall be in accordance with the provisions of this System. Assets under any existing public employee defined benefit retirement program shall be transferred to the PSPRS within 60 days after the employer's effective date. A.R.S. § 38-851.

PURCHASE OF HANDGUN OR SHOTGUN

Upon retirement and subject to approval by the employer, the PSPRS retiree may purchase the handgun or shotgun issued by the employer to the employee at less than fair market value. A.R.S. § 38-845(G).

REFUNDS

Pursuant to A.R.S. § 38-846.02, upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with the PSPRS, a member shall receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the System). The member forfeits all membership rights and credited service in the System upon receipt of refund of contributions. If the member has five 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 additional member contributions.
6 to 6.9 years of service = 40% of additional member contributions.
7 to 7.9 years of service = 55% of additional member contributions.
8 to 8.9 years of service = 70% of additional member contributions.
9 to 9.9 years of service = 85% of additional member contributions.
10 or more years of service = 100% of member contributions plus 3% interest if left on deposit after 30 days.

RETIREMENT ELIGIBILITY AND CALCULATION

Retirement benefits will commence the first day of month following termination of employment and based upon completion of 20 years of service, or following 62nd birthday and completion of 15 years of service. A.R.S. §§ 38-842(12, 32 and 43) and 38-844. The benefit is calculated as follows:

- *20 years of credited service*: 50% of the average monthly benefit compensation. A.R.S. § 38-845(A).
- *Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service:* The pension is reduced by 4% per year for each year of credited service under 20 years. A.R.S. § 38-845(A)(1).
- *20 to 24.99 years of credited service:* 50% of the average monthly benefit compensation for the first 20 years of credited service, plus 2% of the average monthly benefit compensation for each year of credited service between 20 and 24.99. A.R.S. § 38-845(A)(2).
- *25 or more years of credited service:* 50% of the average monthly benefit compensation for the first 20 years of credited service, plus 2.5% of the average monthly benefit compensation for each year of credited service above 20 years up to a maximum of 80% of the average monthly benefit compensation. A.R.S. §38-845(A)(2).

RETURN TO WORK AFTER RETIREMENT

Effective September 30, 2009, language was added to A.R.S. § 38-849(D) that requires the PSPRS to review all reemployment determinations. However, pre-approval of the rehiring decision by the PSPRS was not mandated by this legislative amendment.

Therefore, in order for a retirement to be valid, the Internal Revenue Service (IRS) requires a separation from service from the date of termination (retirement) to the date of rehire. The statutes have defined this period of separation of service as sixty (60) consecutive days from retirement to the date of rehire.

In addition, A.R.S. § 38-849(D) was amended to provide: "If a retired member becomes employed in any capacity by the employer from which the member retired before sixty consecutive days after the member's date of retirement, the system shall not make pension payments to the retired member during the period of reemployment." Moreover, "if a retired member subsequently becomes employed in the same position by the employer from which the member retired, the system shall not make pension payments to the retired member" and no contributions shall be made on the retired member's account, nor any service credited during the period of reemployment. Thus, a retiree who is hired by an employer in the "same position" is still not entitled to a pension during the period of reemployment, ***even if*** more than sixty consecutive days have passed since his retirement. "Same position means the member is in a position where the member performs substantially similar duties that were performed and exercises substantially similar authority that was exercised by the retired member before retirement."

SERVICE PURCHASE

*Purchase of Prior Active Military Service.* Members may purchase up to 48 months of credited service for periods of active military service performed before employment with their current employer (even if the member receives a military pension). A.R.S. § 38-858. Additionally, members can receive credited service limited to 60 months if called to active duty while working for the current employer. A.R.S. § 38-858.

*Purchase of Prior Service from an Out-of-State Agency.* Active members 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 a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

*Purchase of Prior Forfeited Service within the SAME Retirement Plan.* If a former member becomes RE-EMPLOYED with the SAME EMPLOYER within two years after the former member's termination date, and applies with the System within ninety days of reemployment, may elect to purchase **all** of the previously forfeited credited service. 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 and the reimbursement is required to be paid within 1-year from the date of re-employment. A.R.S. § 38-849(C).

If the statutory requirements above are not met, the member may still purchase some or all of the previously forfeited credited service calculated based on an amount computed by the System's actuary to equal the actuarial present value. A.R.S. § 38-853.01.

*Purchase of Service between the Arizona Retirement Plans/Systems.* 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 PSPRS or governing board. A.R.S. § 38-922.

*Purchase of Service from Rural Metro/Contract Service.* Active members that have previous service with a corporation that contracted with an employer now covered by the System to provide firefighting services on behalf of that employer as a full-time paid firefighter may purchase service subject to limitations pursuant to federal laws. A.R.S. §§ 38-842 and 38-853.01.

*Purchase of Service with a PSPRS Employer Prior to Joinder Date.* Active members of the System that had previous service in this state as an employee with an employer now covered by the System as a full-time paid fire fighter or full-time paid certified peace officer may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

TAXATION OF RETIREMENT BENEFITS

All PSPRS retirement benefits in excess of $2,500 annually will be subject to Arizona state tax. A.R.S. §§ 38-852 and 43-1022.

TRANSFERS

*Transfer of Contributions between PSPRS Employers.* A member, who terminates employment with an employer and, within two years, accepts a position with the same or another employer participating in the System shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the System. The period not employed shall not be considered as service. A.R.S. § 38-853.

*Transfer of Service between the Arizona Retirement Plans/Systems.* 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 PSPRS 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 Municipal Retirement Systems and Special Retirement Plans.* An active or inactive member of a retirement System or Plan of a municipality of this state *(i.e., City of Phoenix and City of Tucson)* or of the PSPRS may transfer the service to their current retirement System or Plan based on the member's accumulated contributions plus interest, or the member may elect a reduced service amount to be transferred based on the actuarial present value. A.R.S. §§ 38-923 and 38-924.

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

PSPRS 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 System. 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 System is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gain (Loss) used in this calculation totaled $(835,785) for FYE 2010 and $(693,024,100) for FYE 2009. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

The Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* for the year ended June 30, 2010. Statement No. 53 addresses the recognition, measurement, and disclosures regarding derivative instruments entered into by the Plan.

### 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, 2010 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 System'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 System 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 PSPRS, Wells Fargo Bank pledged the following securities to PSPRS, the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan on June 30, 2010 as collateral:

| Description | CPN | Maturity | Market Value |
|---|---|---|---|
| FED NATL MTG ASSN POOL #257449 | 6.00 | 11/1/2038 | $ 6,302,267 |
| FED NATL MTG ASSN POOL #885515 | 6.00 | 7/1/2036 | 2,798,720 |
| FED NATL MTG ASSN POOL #911370 | 6.00 | 2/1/2037 | 2,150,459 |
| FED NATL MTG ASSN POOL #930769 | 6.00 | 3/1/2039 | 4,802,040 |
| FED NATL MTG ASSN POOL #950981 | 6.00 | 10/1/2037 | 6,864,700 |
| **TOTAL** | | | **$22,918,186** |

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, 2010:

| | REPORTED AMOUNT | BANK BALANCE |
|---|---|---|
| Pension Trust Fund | $ 48,548,389 | $ 48,548,389 |
| Operating Fund | 5,523,416 | 5,523,416 |
| **Total Deposits** | **$54,071,805** | **$54,071,805** |

## INVESTMENTS

PSPRS investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at cost which approximates fair value. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by fixed-income broker/dealers. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

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 of Trustees shall exercise the judgment and care under the circumstances then prevailing which persons 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 Act of1934, 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 percent 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 § 80 a-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, 2010, the fair market value of the PSPRS Trust and the allocation for each system and plan was as follows:
A small portion of the assets (cash and real estate) remain outside the comingled funds, representing less than 2 basis points of the total.

| PLAN | UNITIZED | PERCENT |
|---|---|---|
| PSPRS | $ 4,553,738,626 | 76.66% |
| CORP | 1,108,804,112 | 18.67% |
| EORP | 277,865,255 | 4.68% |
| **TRUST TOTAL** | **$5,940,407,993** | **100.00%** |

## CUSTODIAL CREDIT RISK

Custodial Credit Risk is the risk that PSPRS 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, 2010, PSPRS 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 PSPRS have any investments that are not registered in the name of PSPRS 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 System. As of June 30, 2010, the System's fixed income assets that were not government guaranteed represented 94.0% 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, 2010 | % OF ALL FIXED INCOME ASSETS | WEIGHTED AVG. CREDIT |
|---|---|---|---|
| Corporate Bonds | $ 770,746,696 | 94.80% | AA |
| Mortgages | 8,566,561 | 1.10% | Below BB |
| CBO | 21,459,649 | 2.60% | A |
| CDO | 11,803,690 | 1.50% | A |
| **Total** | **$812,576,596** | **100.00%** | **AA** |

**RATINGS DISPERSION DETAIL**

| CREDIT RATING LEVEL | CORPORATE BONDS | MORTGAGES | CBO | CDO |
|---|---|---|---|---|
| AAA | $ - | $ 529,017 | $ - | $ - |
| AA | 714,366,412 | - | - | - |
| A | 28,595,049 | - | 17,831,891 | 11,803,690 |
| BBB | 26,632,669 | - | - | - |
| Below BBB | 1,152,566 | 8,037,544 | 3,627,759 | - |
| **Total** | **$770,746,696** | **$8,566,561** | **$21,459,650** | **$11,803,690** |

**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 System 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 | $- | $ 3,857,629 | $ 22,147,651 | $ 8,881,523 | $ 4,739,788 | $ 739,686,666 |
| Agencies | - | - | 19,569,383 | 12,696,835 | 9,460,345 | 9,832,745 |
| CBO | - | - | 9,444,713 | - | - | 12,014,936 |
| CDO | - | - | - | - | - | 11,803,690 |
| **Total** | **$-** | **$3,857,629** | **$51,161,747** | **$21,578,358** | **$14,200,133** | **$773,338,037** |

**CALLABLE BONDS BY SECURITY TYPE**
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

| FIXED INCOME SECURITY TYPE | FAIR VALUE JUNE 30, 2010 | % OF ALL FIXED INCOME ASSETS |
|---|---|---|
| Corporate | $ 8,039,143 | 0.99% |
| Agencies | - | 0.00% |
| **Total** | **$8,039,143** | **0.99%** |

## 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. According to Arizona state statutes, no more than twenty per cent of the combined assets of the system and other plans that the Board of Trustees manages shall be invested in foreign securities.

The following table shows the System's exposure to foreign currency risk (U. S. dollars):

**FOREIGN CURRENCY RISK**

| CURRENCY TYPE | HOLDINGS | FAIR VALUE |
|---|---|---|
| Australian Dollar | 44,334 | $ 37,447 |
| British Pound Sterling | 110,177 | 164,836 |
| Canadian Dollar | 108,592 | 102,189 |
| Danish Krone | 91,378 | 15,026 |
| Euro Currency Unit | 63,249 | 77,473 |
| Hong Kong Dollar | 229,939 | 29,528 |
| Israeli Shekel | 227,262 | 58,550 |
| Japanese Yen | 62,529,859 | 706,632 |
| New Zealand Dollar | 7,724 | 5,311 |
| Norwegian Krone | 198,088 | 30,460 |
| Singapore Dollar | 26,677 | 19,108 |
| Swedish Krona | 162,109 | 20,831 |
| Swiss Franc | 30,564 | 28,344 |
| **Total Market Value** | | **$1,295,735** |

## 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 losses for PSPRS was $13,202,815 at June 30, 2010 consisting of U.S. Equity (loss of $13,233,196) and Fixed Income (gain of $30,381). Interest risk associated with these investments are included in the tables on page 33.

**SECURITY LENDING PROGRAM**

The System 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, 2010 the fair value of securities on loan was $481,291,983 and the collateral was $494,161,031 for Public Safety Personnel Retirement System. The System receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The System participates in a collateral investment pool. All security loans 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. Additionally, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2010, the weighted average maturity was 36 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 last fiscal year, the System had not experienced any defaults or losses on these loans. However, in November 2008 PSPRS was informed that due to recent market events one or more securities lending collateral vehicles that held assets had 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 $8,644,062 has been recorded as the System's share.

| ASSET CLASS | OUT ON LOAN | TOTAL AVAILABLE TO LOAN | % OF AVAILABLE TO LOAN |
|---|---|---|---|
| Equities | $ 452,569,667 | $ 1,866,753,032 | 24.24% |
| Agencies | - | 23,361,743 | 0.00% |
| Treasuries | 4,023,293 | 28,197,565 | 14.27% |
| Exchange Traded | 24,699,023 | 2,600,087,785 | 0.95% |
| **Totals** | **$481,291,983** | **$4,518,400,125** | **10.65%** |

**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, 2010 was $231,103.

The following table is a schedule of the capital asset account balances as of June 30, 2009, and June 30, 2010, and changes to those account balances during the year ended June 30, 2010.

**SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES**

| | LAND | BUILDING AND IMPROVEMENTS | FURNITURE, FIXTURES AND EQUIPMENT | TOTAL CAPITAL ASSETS |
|---|---|---|---|---|
| **CAPITAL ASSETS** | | | | |
| Balance June 30, 2009 | $ 495,436 | $ 3,504,602 | $ 787,707 | $ 4,787,745 |
| Additions | - | 68,880 | 55,570 | 124,451 |
| Deletions | - | - | - | - |
| **Balance June 30, 2010** | **495,436** | **3,573,482** | **843,278** | **4,912,196** |
| | | | | |
| **ACCUMULATED DEPRECIATION** | | | | |
| Balance June 30, 2009 | - | (416,746) | (427,918) | (844,664) |
| Additions | - | (95,305) | (135,798) | (231,103) |
| Deletions | - | - | - | - |
| **Balance June 30, 2010** | - | (512,052) | (563,716) | (1,075,767) |
| **Net Capital Assets** | **$495,436** | **$3,061,431** | **$279,562** | **$3,836,429** |

**NOTE 5: CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the Projected Unit Credit Actuarial cost method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a closed twenty-six (26) year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2010, contributions totaling $402,848,666 ($300,707,126 employer [$281,099,513 pension and $19,607,613 health insurance subsidy contributions in excess of the benefits paid] and $102,141,540 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2008. The employer contributions consisted of approximately $170,839,870 for normal cost [$163,697,097 pension and $7,142,773 health insurance subsidy] plus $129,867,256 for amortization of the unfunded actuarial accrued liability in aggregate [$117,402,416 pension and $12,464,840 health insurance subsidy]. Employer contributions represented 20.77% of covered payroll [11.80% for normal costs (11.29% pension and 0.51% health insurance) and 8.97% for amortization of unfunded actuarial accrued liability in aggregate (8.08% pension and 0.89% health insurance subsidy)]. Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

**NOTE 6: OTHER BENEFITS**

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the EORP and the CORP. 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, Inc. All contributions are sent directly to Nationwide Retirement Solutions, Inc. from the participating employer groups.

**NOTE 7: HEALTH INSURANCE PREMIUM SUBSIDY AGENCY FUND**

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2 and 5. The health insurance premium subsidy provided by A.R.S. §38-857 consists of a fixed dollar amount set by statute and paid by the System 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 System represents other post employment benefits. The System does not administer a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the System is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the System are available to pay both pension benefits and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type.

Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '10, contributions collected for the health insurance subsidy amounted to $19,607,613 and the health benefit subsidy payments were $12,496,924. The excess contributions of $7,110,689 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

**NOTE 8: PLAN TERMINATION**

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

**NOTE 9: CONTINGENCIES**

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Board of Trustees, whichever is less. In management's opinion, any loss realized 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 11.3 million dollars for all three plans and has been recorded as a liability. It is anticipated that a final resolution will be reached this next fiscal year.

**NOTE 10: FUNDING STATUS AND PROGRESS**

The System's funded status (excluding health insurance subsidy) as of the most recent valuation data is as follows:

(IN THOUSANDS)

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (A) | ACTUARIAL ACCRUED LIABILITY (B) | UNFUNDED AAL(UAAL) (B-A) | FUNDED RATIO (A/B) | ANNUAL COVERED PAYROLL (C) | UAAL AS A % OF COVERED PAYROLL ((B-A)/C) |
|---|---|---|---|---|---|---|
| 06/30/2010 | $5,591,304 | $8,255,185 | $2,663,881 | 67.7% | $1,400,544 | 190.2% |

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

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

Valuation Date: June 30, 2010
Actuarial Cost Method: Projected Unit Credit
Amortization Method: Level Percent of Payroll, Closed
Remaining Amortization Period: 26 years closed for unfunded actuarial accrued liability, 20 years open for excess
Asset Valuation Method: 7-Year Smoothed Market Value
Investment Rate of Return: 8.50%
Projected Salary Increases: 5.50% - 8.50%, which includes inflation at 5.50%

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

**NOTE 11: REQUIRED SCHEDULES**

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

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS

(IN THOUSANDS)

| 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)) |
|---|---|---|---|---|---|---|
| 06-30-01 | 4,661,941 | 3,674,758 | (987,183) | 126.9% | 826,740 | (119.4)% |
| 06-30-02 | 4,684,386 | 4,144,211 | (540,175) | 113.0% | 854,249 | (63.2)% |
| 06-30-03 | 4,781,377 | 4,739,613 | (41,764) | 100.9% | 881,285 | (4.7)% |
| 06-30-04 | 4,774,313 | 5,167,333 | 393,020 | 92.4% | 911,718 | 43.1 % |
| 06-30-05 | 4,639,517 | 5,704,491 | 1,064,974 | 81.3% | 974,863 | 109.2 % |
| 06-30-06 | 4,767,055 | 6,211,586 | 1,444,531 | 76.7% | 1,073,685 | 134.5 % |
| 06-30-07 | 4,572,615 | 7,011,385 | 2,438,770 | 65.2% | 1,228,037 | 198.6 % |
| 06-30-08 | 5,095,645 | 7,405,397 | 2,309,752 | 68.8% | 1,383,332 | 167.0 % |
| 06-30-09 | 5,445,497 | 7,778,394 | 2,332,897 | 70.0% | 1,415,643 | 164.8 % |
| 06-30-10 | 5,591,304 | 8,255,185 | 2,663,881 | 67.7% | 1,400,544 | 190.2 % |

** Entry Age Normal Cost method through 6-30-05. Projected Unit Credit method from 6-30-06 to the present.*

** Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy included, the funded ratio would be 66.4% for 6-30-07, 66.5% for 6-30-08, 68.2% for 6-30-09, and 65.8% for 6-30-10.*

** See Notes to the Schedules of Required Supplementary Information.*

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

| | EMPLOYER CONTRIBUTIONS | | |
|---|---|---|---|
| FISCAL YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTIONS | PERCENTAGE CONTRIBUTED | |
| 2001 | $52,540,310 | 100.00% | |
| 2002 | 51,983,407 | 100.00% | |
| 2003 | 50,800,669 | 100.00% | |
| 2004 | 79,000,130 | 100.00% | |
| 2005 | 104,497,150 | 100.00% | |
| 2006 | 127,218,686 | 100.00% | |
| 2007 | 166,578,202 | 107.00% | * |
| 2008 | 221,732,592 | 104.00% | * |
| 2009 | 316,222,272 | 103.10% | * |
| 2010 | 288,210,202 | 104.30% | * |

** Total Employer Contributions received during FY'07 were $177,587,507. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $21,797,745. The benefits paid for the health insurance subsidy were $11,009,305. The difference between the calculated annual required contributions and the benefits paid of $9,064,857 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 107.0%for the retirement plan.*

** Total Employer Contributions received during FY'08 were $233,556,049. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $20,888,314. The benefits paid for the health insurance subsidy were $11,823,457. The difference between the calculated annual required contributions and the benefits paid of $9,064,857 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.0% for the retirement plan.*

## REQUIRED SUPPLEMENTARY INFORMATION

** Total Employer Contributions received during FY'09 were $328,436,309. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $22,084,023. The benefits paid for the health insurance subsidy were $12,214,039. The difference between the calculated annual required contributions and the benefits paid of $9,869,986 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 103.1% for the retirement plan.*

** Total Employer Contributions received during FY'10 were $300,707,126. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $19,607,613. The benefits paid for the health insurance subsidy were $12,496,924. The difference between the calculated annual required contributions and the benefits paid of $7,110,689 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.3% for the retirement plan.*

** See Notes to the Schedules of Required Supplementary Information.*

## REQUIRED SUPPLEMENTARY INFORMATION

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### ACTUARIAL METHODS AND ASSUMPTIONS FOR VALUATIONS PERFORMED JUNE 30, 2010

The projected unit credit actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization period for excess and a closed 26-year amortization period were used for the June 30, 2010 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.5%-8.5%, which include a price inflation assumption of 5.5% per year.

Each of the 234 participating employer groups has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2010 were determined by actuarial valuations as of June 30, 2008.

**SCHEDULE OF CHANGES IN RESERVE BALANCES**
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

| | REFUNDABLE MEMBERS' RESERVE | EMPLOYERS' RESERVE | FUTURE BENEFIT INCREASE RESERVE |
|---|---|---|---|
| **BALANCE AS OF JUNE 30, 2008** | **$789,565,692** | **$3,729,763,733** | **$499,951,273** |
| DISTRIBUTION OF REVENUES AND EXPENSES | | | |
| Members' Contributions | 101,183,586 | | |
| Employers' Contributions | | 328,436,309 | |
| Earnings (Loss) on Investments Net of Investment Expenses | | (872,798,642) | |
| Pension and Insurance Benefits | | (456,566,247) | |
| Refunds to Terminated Members | (5,092,561) | (2,550,641) | |
| Administrative Expenses | | (4,352,207) | |
| DISTRIBUTION OF TRANSFERS | | | |
| Excess Investment Earnings to be used for Future Benefit Increases | | | |
| Earnings (Loss) on Excess Investment Earnings Account Assets | | 88,616,363 | (88,616,363) |
| Amount Utilized by Benefit Increases Granted | | 125,721,193 | (125,721,193) |
| Net Transfers In (Out) and Purchase of Service Credits | 7,856,545 | 304,282 | |
| Balances Transferred to Employers' Reserve due to Retirement | (39,946,631) | 39,946,631 | |
| **BALANCE AS OF JUNE 30, 2009** | **$853,566,631** | **$2,976,520,773** | **$285,613,717** |
| DISTRIBUTION OF REVENUES AND EXPENSES | | | |
| Members' Contributions | 102,141,540 | | |
| Employers' Contributions | | 300,707,126 | |
| Earnings (Loss) on Investments Net of Investment Expenses | | 553,076,515 | |
| Pension and Insurance Benefits | | (481,978,619) | |
| Refunds to Terminated Members | (6,329,178) | (3,646,261) | |
| Administrative Expenses | | (4,932,351) | |
| DISTRIBUTION OF TRANSFERS | | | |
| Excess Investment Earnings to be used for Future Benefit Increases | | (90,856,517) | 90,856,517 |
| Earnings (Loss) on Excess Investment Earnings Account Assets | | (38,472,168) | 38,472,168 |
| Amount Utilized by Benefit Increases Granted | | 139,653,075 | (139,653,075) |
| Net Transfers In (Out) and Purchase of Service Credits | 10,813,373 | 310,137 | |
| Balances Transferred to Employers' Reserve due to Retirement | (38,520,452) | 38,520,452 | |
| **BALANCE AS OF JUNE 30, 2010** | **$921,671,914** | **$3,388,902,162** | **$275,289,327** |

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| RECEIPTS | | |
| Members' Contributions | $ 102,064,249 | $ 101,090,579 |
| Employers' Contributions | 301,119,939 | 325,385,997 |
| Interest | 28,627,333 | 50,351,882 |
| Dividends | 53,238,571 | 90,430,741 |
| Other Income | 2,961,955 | 416 |
| Securities Lending Income | 3,110,361 | 8,027,696 |
| Transfer In | 758,603 | 945,673 |
| Service Purchase | 10,607,980 | 7,625,661 |
| Maturities and Sales of: | | |
| Short-Term Investment | - | - |
| U S Equity | 3,861,632,992 | 4,231,348,762 |
| Non-U s Equity | 1,982,048,039 | 1,470,285,292 |
| GTAA | 153,667,203 | - |
| Fixed Income | 266,297,468 | 2,543,547,069 |
| Credit Opportunities | 182,699,024 | 216,562,946 |
| Private Equity | 415,560,540 | 90,393,104 |
| Real Assets | 211,332,275 | 51,704,436 |
| Real Estate | 89,418,115 | 326,831,738 |
| **Total Receipts** | **7,665,144,647** | **9,514,531,992** |
| DISBURSEMENTS | | |
| Pension Benefits | 398,678,223 | 365,697,981 |
| Refunds to Terminated Members | 9,975,440 | 7,643,202 |
| Drop Benefits | 83,300,396 | 90,868,267 |
| Investment and Administrative Expenses | 21,482,760 | 23,650,810 |
| Transfer Out | 243,073 | 410,507 |
| Acquisitions of: | | |
| Short-Term Investment | - | - |
| U S Equity | 3,360,979,934 | 3,702,490,597 |
| Non-U s Equity | 1,919,404,005 | 1,731,675,348 |
| GTAA | 460,036,689 | - |
| Fixed Income | 235,168,359 | 2,376,519,405 |
| Credit Opportunities | 213,823,553 | 408,725,589 |
| Private Equity | 571,070,553 | 182,271,637 |
| Real Assets | 230,986,374 | 185,087,223 |
| Real Estate | 179,715,941 | 461,036,393 |
| **Total Disbursements** | **7,684,865,300** | **9,536,076,959** |
| INCREASE (DECREASE) IN CASH | (19,720,653) | (21,544,967) |
| BEGINNING CASH BALANCE - July 1 | 73,792,458 | 95,337,425 |
| **ENDING CASH BALANCE - June 30** | **$ 54,071,805** | **$ 73,792,458** |

## SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

| EXPENSE CATEGORY | ADMINISTRATIVE | INVESTMENT | TOTAL |
|---|---|---|---|
| Accounting and Auditing Services | $ 62,262 | $ - | $ 62,262 |
| Actuarial Services | 143,851 | - | 143,851 |
| Building Expense | 143,922 | - | 143,922 |
| Communications | 13,474 | - | 13,474 |
| Computer Related Expense | 178,959 | 56,101 | 235,060 |
| Contractual Services | 55,383 | - | 55,383 |
| Depreciation Expense | 231,103 | - | 231,103 |
| Fund Manager Initiatives | 24,750 | - | 24,750 |
| Furniture and Equipment | 3,849 | - | 3,849 |
| Investment Services | - | 13,730,417 | 13,730,417 |
| Legal Services | 304,913 | 540,658 | 845,571 |
| Local Board Training | 60,000 | - | 60,000 |
| Payroll Taxes and Fringe Benefits | 880,593 | 249,889 | 1,130,482 |
| Postage Expenses | 92,605 | - | 92,605 |
| Printing and Publications | 57,197 | - | 57,197 |
| Professional Services | 777,897 | 1,380,654 | 2,158,551 |
| Salaries and Wages | 1,860,792 | 505,139 | 2,365,931 |
| Supplies and Services | 24,280 | - | 24,280 |
| Training Expenses | 1,987 | 26,882 | 28,869 |
| Travel Expense | 14,532 | 39,291 | 53,823 |
| **TOTAL** | **$4,932,349** | **$16,529,031** | **$21,461,380** |

## SCHEDULE OF CONSULTANT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

| CONSULTANT | SERVICE PROVIDED | FEES PAID |
|---|---|---|
| Albourne America, LLC | International Alternative Investment Consultant | $ 351,019 |
| Alliance Resource Consulting, LLC | Executive Recruitment | 6,902 |
| BNY Mellon Asset Servicing | Independent Investment Advisor | 133,192 |
| Brazen Technology, Inc. | IT Consultant | 87,739 |
| CB Richard Ellis | Real Estate Consultant | 25,634 |
| Cortex Applied Research, Inc. | Governance Advisor | 8,996 |
| Cushman & Wakefield | Real Estate Consultant | 27,712 |
| Gabriel Roeder Smith & Company | Actuary | 136,135 |
| Heinfeld, Meech & Co. | Independent Auditors | 62,262 |
| Highground, Inc. | Legislative Liaison | 62,352 |
| Kutak Rock LLP | General Counsel | 845,571 |
| Light Stone Solutions, LLC | Due Diligence | 195,266 |
| NEPC, LLC | Independent Investment Advisor | 322,152 |
| ORG Portfolio Management LLC | Real Estate Consultant | 251,140 |
| OSAM, Inc. | IT Consultant | 13,522 |
| Page, Gerald | IT Consultant | 23,027 |
| Public Policy Partners | Legislative Liaison | 83,156 |
| Rodwan Consulting Company | Actuary | 7,716 |
| Sherwood Systems | Accounting Consultant | 8,236 |
| Smout, Jared | Accounting Consultant | 20,784 |
| Stepstone Group LLC | Alternative Investment Consultant | 242,480 |
| **TOTAL** | | **$2,914,993** |

OTHER SUPPLEMENTARY INFORMATION

**HEALTH INSURANCE PREMIUM SUBSIDY**
**AGENCY FUND**
**STATEMENT OF CHANGES IN ASSETS & LIABILITIES**
FOR THE YEAR ENDED JUNE 30, 2010

| HEALTH INSURANCE PREMIUM SUBSIDY | BEGINNING BALANCE | ADDITIONS | DELETIONS | ENDING BALANCE |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 0 | $ 12,496,923 | $ 12,496,923 | $ 0 |
| **Total Assets** | **0** | **12,496,923** | **12,496,923** | **0** |
| LIABILITIES | | | | |
| Benefits Payable | 0 | 12,496,923 | 12,496,923 | 0 |
| **Total Liabilities** | **$ 0** | **$12,496,923** | **$12,496,923** | **$ 0** |

**HEALTH INSURANCE PREMIUM SUBSIDY**
**AGENCY FUND**
**STATEMENT OF FUNDING PROGRESS**
(IN THOUSANDS)

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS $ (A) | ACTUARIAL ACCRUED LIABILITY $ (B) | UNFUNDED AAL(UAAL) $ (B-A) | FUNDED RATIO (A/B) | ANNUAL COVERED PAYROLL $ (C) | UAAL AS A % OF COVERED PAYROLL ((B-A)/C) |
|---|---|---|---|---|---|---|
| 06/30/07 | 0 | 256,906 | 256,906 | 0.0% | 1,228,037 | 20.9% |
| 06/30/08 | 0 | 257,381 | 257,381 | 0.0% | 1,383,332 | 18.6% |
| 06/30/09 | 0 | 211,057 | 211,057 | 0.0% | 1,415,643 | 14.9% |
| 06/30/10 | 0 | 236,637 | 236,637 | 0.0% | 1,400,544 | 16.9% |

** GASB reporting requires discreetly reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the 2007, 2008, 2009 and 2010 health insurance premium subsidy with the retirement plan, the funded ratios are 66.4%, 66.5%, 68.2% and 65.8% respectively.*

# INVESTMENT SECTION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**Brian Tobin,** Chairman
**Lori Roediger,** Vice Chairperson
**Tim Dunne,** Trustee
**Gregory Ferguson,** Trustee
**Alan Maguire,** Trustee
**Jeff McHenry,** Trustee
**Randie Stein,** Trustee

**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

**James M. Hacking**
Administrator

**Ryan Parham**
Chief Investment Officer

**Tracey D. Peterson**
Assistant Administrator-COO

December 3, 2010

Dear Members:

As the Chief Investment Officer of the Public Safety Personnel Retirement System (PSPRS) during the fiscal year beginning July 1, 2009 and ending June 30, 2010, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the System:

## HISTORY

Until recently the investment activities of PSPRS focused on internally managed domestic public securities (Stocks and Bonds), with some allocations to Arizona Real Estate. As with "baskets and eggs" this created concentrations of risks, particularly a concentration of risk in U.S. large Cap growth stocks. When U.S. domiciled equities did well, so did PSPRS. When U.S. equities performed poorly, so did PSPRS with a corresponding erosion in our funding ratios. While each of the System's Plans have slightly different liabilities and slightly different funding ratios, the trend in funding ratios has been down during the last several years. While it might be argued that going up high in good years offsets going down low in bad years, a simple illustration demonstrates the continuing problems with this volatility.

> *Assume that a fund begins a year with $100.00 and in that year suffers a 20% loss, ending with a balance of $80.00. In the next year assume that the markets recover and the fund increases in value 20%. This new return brings the fund only back to $96.00. Over this two year example the fund's net return is negative. In the case of retirement funds with demographics similar to ours, during this two year period the liabilities of the fund would continue to grow unabated and the funding ratio of the fund would decline.*

Our historic performance with large concentrations in U.S. equities has been extremely volatile, reflecting major losses in asset value resulting from the "Dot Com" market decline early in the decade and the most recent economic and financial market calamities. This volatility over our last ten years demonstrates precisely the example cited above as follows:

| FY | Return % | FY | Return% |
|---|---|---|---|
| 2010 | 13.47 | 2005 | 9.11 |
| 2009 | -17.73 | 2004 | 14.97 |
| 2008 | -7.27 | 2003 | 6.67 |
| 2007 | 17.05 | 2002 | -15.07 |
| 2006 | 8.32 | 2001 | -16.86 |

This return distribution has six up years and four down years. The average return per year is about +1.26% with an arithmetic return of +12.66%. But that return is deceiving. Because of the "Time Value of Money" and compounding effects, the PSPRS 10 year return is really +0.36%. Our liabilities compounded to an amount more than that, thus reducing our funding ratios. During this period PSRPS investment managers have consistently outperformed but that relative outperformance was outpaced by the portfolio volatility driven by extreme reliance on Domestic Equities. In the universe of public pension plans, manager outperformance cannot overcome asset allocation performance as asset allocation usually accounts for more than 85% of total fund performance.

**2008 TO THE PRESENT**

Recognizing these problems the PSPRS Administrator and the PSPRS Board began a program to broadly diversity the Fund's asset allocation and manager concentration. There was significant progress to this end in 2008-2009 which has continued through fiscal year 2009-2010. U.S. Equity exposure has been reduced from about 65% in 2007 to about 24% in 2010. Total equities have been reduced from about 73% of the portfolio in 2007 to about 41% in 2010. Within equities, the Fund currently enjoys exposures to domestic equities, developed international equities and to emerging and to frontier markets. Current asset allocation targets will reduce our total equity exposures to about 35% of the total portfolio with true global diversity.

The large historic equity exposures have been replaced with allocations to Credit Opportunities, Real Assets (Timber, Commodities, Infrastructure etc.) Global Tactical Asset Allocation (GTAA) Strategies, Private Equity, Real Estate and Absolute Return Strategies. The specific purpose of this diversification is to generate returns from multiple asset classes, multiple geographies and multiple strategies. This means that we will not "live or die" by one asset class, one geography and one strategy. Our financial eggs are distributed widely in different baskets, many of which go up when others go down or are largely uninfluenced by events which "spoil a basket" in another area.

In the Fiscal year 2008-2009 the effect of this diversification proved immediately valuable. While the fund was down more than 17% in that time frame, we would have been down much more if we had kept our traditional equity allocation. Many of our peers were down significantly more than 20%.

In this fiscal year 2009-2010, equities had a strong recovery. We participated in that recovery and returned 13.47% for the total fund net of fees. However, consistent with our strategy, our participation was not solely dependent upon equities. For example, our credit opportunities portfolio of approximately one half of a billion dollars returned 33.85% in this time period. That return was generated in positions higher in the capital structure (including in many cases credit tranches that were AAA and AA rated) than equities, with significantly more downside protection than equities could have provided. In this situation, the System's Plans benefited from more return than equities would have given us and with less risk.

The Fund's fiduciary consultant NEPC, has recently confirmed the System's Investment Department's staff's assessment that our current asset allocation delivers a higher probability of reaching our assumed earnings rate of return of 8.25% with significantly less risk. In all likelihood we will continue to participate in most of the market's upside but also have significantly less participation in the market's downside.

**CONCLUSION**

The continued diversification of the fund will enable the System's Plans to generate better risk adjusted returns than was the case with PSPRS' historic allocations and will help to protect funding ratios from the effects of exaggerated volatility. When combined with expected continued manager outperformance, this diversification should in the mid and long term, improve PSPRS funding ratios and enhance the stability of our System.

Respectfully Submitted,

Ryan Parham

## 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.

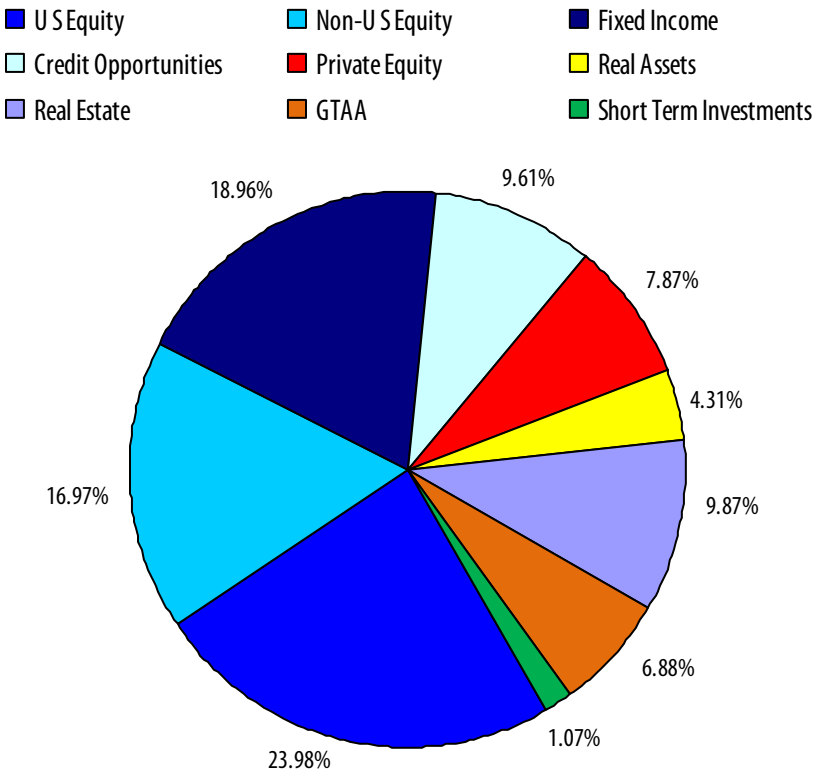
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

- 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, 2010



**ANNUALIZED RATES OF RETURN***
JUNE 30, 2010

| Description | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| PSPRS - Total Fund | 13.47% | -4.69% | 1.88% | 0.36% |
| *Target Fund Benchmark* | *12.10%* | *-5.89%* | *-0.13%* | *1.43%* |
| Total Equity | 13.73% | -7.82% | 0.16% | |
| *Target Equity Benchmark* | *13.66%* | *-9.56%* | *-0.73%* | |
| U.S. Equity | 16.95% | N/A | N/A | |
| *Russell 3000* | *15.72%* | *-9.47%* | *-0.48%* | |
| Non-U.S. Equity | 8.99% | N/A | N/A | |
| *MSCI ACWI Ex-US Net* | *10.43%* | *-10.70%* | *3.38%* | |
| Fixed Income | 13.84% | 5.10% | 4.45% | |
| *BC Aggregate* | *9.50%* | *7.55%* | *5.54%* | |
| Credit Opportunities | 33.85% | N/A | N/A | |
| *ML US High Yield BB-B Constrained* | 21.65% | 5.60% | 6.11% | |
| Private Equity | 26.68% | -5.50% | N/A | |
| *Russell 3000 + 100 bps* | *16.72%* | *-8.47%* | *0.52%* | |
| Real Assets | 5.85% | N/A | N/A | |
| *CPI + 200 bps* | *2.92%* | *3.52%* | *4.27%* | |
| Real Estate | -12.63% | -1.38% | N/A | |
| *NCREIF NPI* | *-1.48%* | -4.71% | 3.78% | |
| Short Term Investments | 0.28% | 1.86% | 3.08% | |
| *ML Treasury 91 day Actual* | *0.16%* | *1.57%* | *2.76%* | |

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

**Target Fund Benchmarks (Effective Dates)**

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% ML US High Yield BB-B Constrained, 5% CPI + 200 bps and 1% 91-Day T-Bill
July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% 91-Day T-Bill
July 1, 2006 - June 30, 2007: 50% S&P 500, 10% S&P 400, 5% S&P 600, 20% BC Gov/Cred, 10% Expected Annual Return for Real Estate of 8.00% and 5% 91-Day T-Bill
July 1, 2002 - June 30, 2006: 45% S&P 500, 45% BC Gov/Cred and 10% 91-Day T-Bill

**Target Equity Benchmarks (Effective Dates)**

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net
July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net
July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600
July 1, 2002 - June 30, 2006: 100% S&P 500

**EQUITY PORTFOLIO TOP 10 HOLDINGS**
JUNE 30, 2010

| Description | Shares | Fair Value |
|---|---|---|
| VANGUARD INSTL INDEX FD TOTAL | 7,985,449 | $184,703,430 |
| CRESTLINE CS 3000 FUND L.P. | 101,803,643 | 101,803,643 |
| ISHARES MSCI EMERGING MARKETS | 2,488,980 | 92,888,734 |
| FRONTPOINT MULTI-STRATEGY FUND | 74,880,973 | 74,880,973 |
| VANGUARD INTL EQUITY INDEX FD | 1,894,220 | 72,700,156 |
| GAM TRADING STRATEGY | 57,492,751 | 57,492,751 |
| VANGUARD EMERGING MARKETS ETF | 1,193,401 | 45,337,296 |
| VANGUARD STAR FD DEVELOPED MKT | 4,061,943 | 33,226,695 |
| BGI FRONTIER MARKETS FUND | 5,188,421 | 28,924,346 |
| ETF VANGUARD PACIFIC ETF | 492,193 | 23,408,706 |

**FIXED INCOME PORTFOLIO TOP 10 HOLDINGS**
JUNE 30, 2010

| Description | Shares | Fair Value |
|---|---|---|
| BGI CORE ACTIVE BOND FUND | 27,798,208 | $571,356,854 |
| VANGUARD BD INDEX FD INC TOTAL | 1,639,039 | 133,384,962 |
| SECURITY MUT LIFE INS CO 144A | 11,498,550 | 12,006,466 |
| U S TREASURY NOTE | 9,965,410 | 10,429,400 |
| CBO HLDGS III 04-3 CL A 144A | 9,494,199 | 9,444,713 |
| PREFERRED CPO A / B 144A | 8,195,783 | 9,122,304 |
| CBO HLDGS III 1A 04-1 C-2 144A | 8,027,479 | 8,387,177 |
| U S TREASURY NOTE | 7,665,700 | 7,695,060 |
| SPDR BARCLAYS CAPITAL INTL | 127,947 | 6,877,133 |
| U S TREASURY NOTE | 6,132,560 | 6,159,421 |

**SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO**
JUNE 30, 2010
(IN THOUSANDS)

| | JUNE 30, 2009 BALANCE | | | | | JUNE 30, 2010 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 | 35.33% | $1,420,576 | $1,704,893 | $3,362,944 | $3,973,574 | $1,093,235 | $1,094,263 | 24.82% |
| Non U. S. Equity | 19.55 | 786,140 | 754,735 | 1,920,113 | 1,894,544 | 773,518 | 780,304 | 17.70 |
| GTAA | 0.00 | - | - | 460,037 | 153,409 | 313,598 | 306,628 | 6.95 |
| Fixed Income | 19.30 | 776,252 | 829,050 | 264,600 | 296,901 | 864,136 | 796,749 | 18.07 |
| Credit Opportunities | 7.70 | 309,504 | 335,983 | 213,823 | 153,474 | 438,228 | 396,332 | 8.99 |
| Private Equity | 3.65 | 146,963 | 173,365 | 571,070 | 393,664 | 358,786 | 350,771 | 7.96 |
| Real Assets | 4.19 | 168,586 | 164,976 | 231,398 | 205,972 | 196,381 | 190,402 | 4.32 |
| Real Estate | 10.28 | 413,303 | 462,587 | 179,717 | 148,940 | 450,149 | 493,364 | 11.19 |
| **Total Portfolio** | **100.00%** | **$4,021,324** | **$4,425,589** | **$7,203,702** | **$7,220,478** | **$4,488,031** | **$4,408,813** | **100.00%** |

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**
YEAR ENDED JUNE 30, 2010

| BROKER | NUMBER OF SHARES TRADED | AVERAGE COMMISSION | TOTAL COMMISSIONS |
|---|---|---|---|
| ABN AMRO BANK NV, LONDON | 969,028 | 0.0004 | $ 388 |
| BARCLAYS CAPITAL LE, JERSEY CITY | 1,429,882 | 0.0016 | 2,340 |
| BLOOMBERG TRADEBOOK LLC, NEW YORK | 109,142,711 | 0.0002 | 23,648 |
| BNY BROKERAGE, NEW YORK | 467,284 | 0.0009 | 414 |
| BROCKHOUSE AND COOPER, MONTREAL | 524,988 | 0.0004 | 220 |
| CIBC WORLD MKTS INC, TORONTO | 43,795 | 0.0003 | 13 |
| CITATION GROUP/BCC CLRG, NEW YORK | 6,986,469 | 0.0006 | 4,003 |
| CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY | 62,046 | 0.0005 | 31 |
| CITIGROUP GBL MKTS INC, NEW YORK | 610,994 | 0.0009 | 553 |
| CITIGROUP GBL MKTS SINGAPORE SEC PVT LTD | 158,630 | 0.0005 | 79 |
| CITIGROUP GBL MKTS/SALOMON, NEW YORK | 901,945 | 0.0005 | 440 |
| CITIGROUP GLOBAL MARKETS LTD, LONDON | 12,640,340 | 0.0003 | 3,545 |

## SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2010

| BROKER | NUMBER OF SHARES TRADED | AVERAGE COMMISSION | TOTAL COMMISSIONS |
|---|---|---|---|
| CITIGROUP GLOBAL MARKETS U.K., LONDON | 6,114,495 | 0.0003 | $ 1,682 |
| CREDIT SUISSE (EUROPE), LONDON | 3,209,810 | 0.0003 | 883 |
| CREDIT SUISSE, NEW YORK | 552,629 | 0.0004 | 205 |
| DEUTSCHE BK INTL EQ, LONDN | 524,182 | 0.0003 | 174 |
| DEUTSCHE BK SECS INC, NY | 375,821 | 0.0005 | 182 |
| GOLDMAN SACHS & CO, NY | 1,287,588 | 0.0005 | 644 |
| GOLDMAN SACHS INTL, LONDON | 5,588,635 | 0.0003 | 1,937 |
| INSTINET AUSTRALIA CLEARING SERV, SYDNEY | 72,711 | 0.0005 | 36 |
| INSTINET EUROPE LIMITED, LONDON | 237,510 | 0.0004 | 95 |
| INVESTMENT TECHNOLOGY GROUP, NEW YORK | 8,703,952 | 0.0005 | 4,557 |
| ITG (EUROPE) LTD, DUBLIN | 1,871,862 | 0.0004 | 814 |
| ITG CANADA CORP, TORONTO | 1,666,901 | 0.0005 | 894 |
| ITG HONG KONG LIMITED, HONG KONG | 8,499,494 | 0.0004 | 3,418 |
| ITG/POSIT, NEW YORK | 81,397 | 0.0004 | 31 |
| J P MORGAN SEC, SYDNEY | 175,499 | 0.0005 | 88 |
| JP MORGAN SECS ASIA PACIFIC, HONG KONG | 349,286 | 0.0004 | 140 |
| KNIGHT SEC BROADCORT, JERSEY CITY | 5,367 | 0.0086 | 46 |
| MERRILL LYNCH INTL LONDON EQUITIES | 267,721 | 0.0003 | 94 |
| MERRILL LYNCH PIERCE FENNER SMITH INC NY | 474,993 | 0.0011 | 541 |
| MERRILL LYNCH PIERCE FENNER, WILMINGTON | 174,201 | 0.0009 | 152 |
| MORGAN STANLEY & CO INC, NY | 2,902,743 | 0.0004 | 1,152 |
| NOMURA INTERNATIONAL LTD, HONG KONG | 10,605 | 0.0005 | 5 |
| NOMURA SECS INTL, LONDON | 302,159 | 0.0004 | 128 |
| PENSON FINANCIAL SERVICES INC, DALLAS | 466,703,742 | 0.0001 | 35,398 |
| RBC DOMINION SECS INC, TORONTO | 2,917,263 | 0.0004 | 1,288 |
| STATE STREET BANK ASSET MGMT DIV, BOSTON | 2,216,598 | 0.0002 | 469 |
| STATE STREET BK & TR CO (SEC), LONDON | 30,216,980 | 0.0004 | 13,590 |
| STATE STREET GLOBAL MARKETS LLC, BOSTON | 632,703,891 | 0.0003 | 186,524 |
| UBS EQUITIES, LONDON | 273,405 | 0.0003 | 96 |
| UBS FINANCIAL SERVICES INC, WEEHAWKEN | 88,540,568 | 0.0001 | 10,654 |
| UBS WARBURG ASIA LTD, HONG KONG | 1,070,950 | 0.0005 | 536 |
| **TOTAL COMMISSIONS** | **1,402,031,069** | **0.0002** | **$302,127** |

**U.S. EQUITY PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| SHARES | DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| 26,822,514 | RUSSELL 3000 SECURITIES | $ 683,601,546 | $ 687,587,718 | $ 3,986,172 |
| 269 | RUSSELL 2000 MINI IND FUTURES | - | (1,500,043) | (1,500,043) |
| 169 | S & P MID 400 EMINI FUTURES | - | (1,124,022) | (1,124,022) |
| 2,567 | S&P 500 EMINI INDEX FUTURES | - | (10,609,132) | (10,609,132) |
| 101,803,643 | CRESTLINE CS 3000 FUND L.P. | 101,953,812 | 101,803,643 | (150,169) |
| 74,880,973 | FRONTPOINT MULTI-STRATEGY FUND | 76,657,001 | 74,880,973 | (1,776,028) |
| 57,492,751 | GAM TRADING STRATEGY | 57,492,751 | 57,492,751 | - |
| 7,985,449 | VANGUARD INSTL INDEX FD TOTAL | 174,558,346 | 184,703,430 | 10,145,084 |
| **268,988,335** | **TOTAL U.S. EQUITY PORTFOLIO** | **$1,094,263,456** | **$1,093,235,318** | **$(1,028,138)** |

**NON-U.S. EQUITY PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| SHARES | DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| 55,405,505 | MSCI WORLD EX-US INDEX | $ 509,991,750 | $ 469,787,236 | $ (40,204,514) |
| 4,061,943 | VANGUARD STAR FD DEVELOPED MKT | 39,470,491 | 33,226,695 | (6,243,796) |
| 291,297 | ISHARES MSCI CDA INDEX FD | 7,697,451 | 7,244,547 | (452,904) |
| 2,488,980 | ISHARES MSCI EMERGING MARKETS | 65,713,773 | 92,888,734 | 27,174,961 |
| 1,894,220 | VANGUARD INTL EQUITY INDEX FD | 75,911,844 | 72,700,156 | (3,211,688) |
| 1,193,401 | VANGUARD EMERGING MARKETS ETF | 32,543,470 | 45,337,296 | 12,793,826 |
| 492,193 | ETF VANGUARD PACIFIC ETF | 25,976,931 | 23,408,706 | (2,568,225) |
| 5,188,421 | BGI FRONTIER MARKETS FUND | 22,998,612 | 28,924,345 | 5,925,733 |
| **71,015,960** | **TOTAL NON-U.S. EQUITY PORTFOLIO** | **$780,304,322** | **$773,517,715** | **$(6,786,607)** |

**FIXED INCOME PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| PAR VALUE | DESCRIPTION | COUPON RATE | MATURITY | COST | FAIR VALUE |
|---|---|---|---|---|---|
| U.S. GOVERNMENT SECURITIES | | | | | |
| 2,181,580 | FHLMC POOL #H1-0069 | 6.00% | 11/01/2036 | $2,184,006 | $2,362,389 |
| 2,077,283 | FHLMC POOL #H1-5010 | 6.00% | 11/01/2036 | 2,079,593 | 2,249,448 |
| 42,570 | GNMA POOL #0153415 | 9.00% | 04/15/2016 | 44,397 | 47,123 |
| 11,348 | GNMA POOL #0156462 | 9.00% | 07/15/2016 | 11,848 | 12,562 |
| 24,922 | GNMA POOL #0157733 | 9.00% | 05/15/2016 | 26,008 | 27,588 |
| 18,262 | GNMA POOL #0158992 | 9.00% | 06/15/2016 | 18,857 | 20,216 |
| 21,345 | GNMA POOL #0159801 | 9.00% | 09/15/2019 | 22,574 | 24,390 |
| 13,233 | GNMA POOL #0160350 | 9.00% | 05/15/2016 | 13,690 | 14,649 |
| 45,265 | GNMA POOL #0161684 | 9.00% | 07/15/2016 | 47,296 | 50,107 |
| 39,592 | GNMA POOL #0164501 | 9.00% | 08/15/2016 | 41,345 | 43,827 |
| 77,764 | GNMA POOL #0164681 | 9.00% | 10/15/2016 | 81,279 | 86,083 |
| 29,592 | GNMA POOL #0164924 | 9.00% | 09/15/2016 | 30,852 | 32,758 |
| 32,947 | GNMA POOL #0165172 | 9.00% | 06/15/2016 | 34,376 | 36,471 |
| 15,663 | GNMA POOL #0165863 | 9.00% | 08/15/2016 | 16,363 | 17,338 |
| 28,163 | GNMA POOL #0168283 | 9.00% | 08/15/2016 | 29,421 | 31,175 |
| 9,705 | GNMA POOL #0172800 | 9.00% | 08/15/2016 | 10,130 | 10,743 |
| 22,165 | GNMA POOL #0173847 | 9.00% | 09/15/2016 | 23,102 | 24,536 |
| 34,202 | GNMA POOL #0173878 | 9.00% | 08/15/2016 | 35,659 | 37,861 |
| 14,953 | GNMA POOL #0174829 | 9.00% | 09/15/2016 | 15,582 | 16,553 |
| 43,175 | GNMA POOL #0176431 | 9.00% | 08/15/2016 | 45,114 | 47,793 |
| 16,978 | GNMA POOL #0178234 | 9.00% | 11/15/2016 | 17,765 | 18,794 |
| 10,323 | GNMA POOL #0181945 | 9.00% | 04/15/2020 | 10,942 | 11,842 |
| 1,728 | GNMA POOL #0182127 | 9.00% | 11/15/2016 | 1,806 | 1,913 |
| 11,214 | GNMA POOL #0182491 | 9.00% | 12/15/2016 | 11,735 | 12,413 |
| 5,213 | GNMA POOL #0182914 | 9.00% | 10/15/2016 | 5,434 | 5,771 |
| 29,517 | GNMA POOL #0183553 | 9.00% | 08/15/2017 | 30,950 | 32,910 |
| 18,112 | GNMA POOL #0183715 | 9.00% | 11/15/2016 | 18,952 | 20,049 |
| 111,344 | GNMA POOL #0183733 | 9.00% | 01/15/2017 | 116,605 | 124,143 |
| 5,502 | GNMA POOL #0185639 | 9.00% | 11/15/2016 | 5,733 | 6,091 |
| 34,206 | GNMA POOL #0187705 | 9.00% | 01/15/2017 | 35,769 | 38,138 |
| 39,958 | GNMA POOL #0190921 | 9.00% | 12/15/2016 | 41,775 | 44,232 |
| 25,198 | GNMA POOL #0191648 | 9.00% | 05/15/2017 | 26,419 | 28,094 |
| 16,886 | GNMA POOL #0191943 | 9.00% | 07/15/2018 | 17,776 | 19,240 |
| 35,197 | GNMA POOL #0194468 | 9.00% | 12/15/2016 | 36,775 | 38,962 |
| 2,318 | GNMA POOL #0202505 | 9.00% | 10/15/2019 | 2,409 | 2,390 |
| 29,065 | GNMA POOL #0206683 | 9.00% | 04/15/2020 | 30,773 | 33,343 |
| 27,432 | GNMA POOL #0207671 | 9.00% | 07/15/2018 | 28,884 | 31,256 |
| 4,168 | GNMA POOL #0208705 | 9.00% | 05/15/2020 | 4,402 | 4,690 |
| 30,792 | GNMA POOL #0210798 | 9.00% | 07/15/2018 | 32,420 | 35,084 |
| 22,492 | GNMA POOL #0216520 | 9.00% | 05/15/2017 | 23,577 | 25,077 |
| 11,286 | GNMA POOL #0217956 | 10.00% | 11/15/2017 | 12,039 | 12,677 |
| 40,701 | GNMA POOL #0221509 | 9.00% | 12/15/2016 | 42,482 | 45,055 |
| 37,863 | GNMA POOL #0223282 | 9.00% | 05/15/2018 | 39,869 | 43,141 |
| 13,077 | GNMA POOL #0223307 | 9.00% | 04/15/2018 | 13,766 | 14,900 |

**FIXED INCOME PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| PAR VALUE | DESCRIPTION | COUPON RATE | MATURITY | COST | FAIR VALUE |
|---|---|---|---|---|---|
| U.S. GOVERNMENT SECURITIES | | | | | |
| 36,063 | GNMA POOL #0226529 | 9.00% | 06/15/2018 | $37,958 | $41,090 |
| 11,103 | GNMA POOL #0227210 | 9.00% | 09/15/2017 | 11,640 | 12,379 |
| 10,848 | GNMA POOL #0228184 | 9.00% | 05/15/2018 | 11,424 | 12,360 |
| 14,606 | GNMA POOL #0228233 | 9.00% | 05/15/2018 | 15,294 | 16,642 |
| 28,174 | GNMA POOL #0229731 | 9.00% | 07/15/2017 | 29,551 | 31,412 |
| 24,144 | GNMA POOL #0234450 | 9.00% | 04/15/2018 | 25,384 | 27,510 |
| 1,153 | GNMA POOL #0234695 | 10.00% | 12/15/2017 | 1,237 | 1,295 |
| 21,698 | GNMA POOL #0234937 | 9.00% | 03/15/2018 | 22,836 | 24,723 |
| 15,664 | GNMA POOL #0235280 | 9.00% | 04/15/2018 | 16,492 | 17,848 |
| 30,182 | GNMA POOL #0236041 | 10.00% | 11/15/2017 | 32,010 | 33,821 |
| 15,589 | GNMA POOL #0236835 | 10.00% | 11/15/2017 | 16,536 | 17,510 |
| 2,491 | GNMA POOL #0236939 | 9.00% | 04/15/2018 | 2,623 | 2,838 |
| 69,627 | GNMA POOL #0237138 | 10.00% | 10/15/2017 | 74,796 | 78,205 |
| 10,048 | GNMA POOL #0237195 | 9.00% | 06/15/2018 | 10,531 | 11,143 |
| 2,445 | GNMA POOL #0238133 | 9.00% | 04/15/2018 | 2,560 | 2,713 |
| 23,991 | GNMA POOL #0238600 | 10.00% | 11/15/2017 | 25,408 | 26,947 |
| 11,436 | GNMA POOL #0247506 | 9.00% | 01/15/2020 | 12,104 | 13,119 |
| 6,879 | GNMA POOL #0248951 | 9.00% | 05/15/2018 | 7,246 | 7,838 |
| 73,928 | GNMA POOL #0249621 | 9.00% | 05/15/2018 | 77,810 | 84,234 |
| 11,552 | GNMA POOL #0250933 | 9.00% | 06/15/2018 | 12,167 | 13,163 |
| 26,620 | GNMA POOL #0252052 | 9.00% | 06/15/2018 | 27,693 | 30,331 |
| 71,877 | GNMA POOL #0252055 | 9.00% | 06/15/2018 | 75,721 | 81,897 |
| 5,784 | GNMA POOL #0252306 | 9.00% | 04/15/2018 | 6,077 | 6,591 |
| 7,641 | GNMA POOL #0252538 | 9.00% | 05/15/2018 | 8,037 | 8,706 |
| 7,556 | GNMA POOL #0257869 | 9.00% | 09/15/2019 | 7,994 | 8,634 |
| 3,024 | GNMA POOL #0262845 | 9.00% | 03/15/2020 | 3,203 | 3,469 |
| 47,868 | GNMA POOL #0266545 | 9.00% | 01/15/2019 | 50,479 | 54,697 |
| 46,548 | GNMA POOL #0271090 | 9.00% | 10/15/2019 | 49,188 | 53,189 |
| 16,975 | GNMA POOL #0273548 | 9.00% | 09/15/2019 | 17,959 | 19,396 |
| 34,362 | GNMA POOL #0274140 | 9.00% | 09/15/2019 | 36,329 | 39,264 |
| 8,631 | GNMA POOL #0277907 | 9.00% | 11/15/2019 | 9,133 | 9,862 |
| 13,256 | GNMA POOL #0284420 | 9.00% | 02/15/2020 | 14,032 | 15,208 |
| 10,918 | GNMA POOL #0285593 | 9.00% | 02/15/2020 | 11,564 | 12,525 |
| 34,835 | GNMA POOL #0286371 | 9.00% | 02/15/2020 | 36,812 | 39,531 |
| 1,390 | GNMA POOL #0286427 | 9.00% | 04/15/2020 | 1,422 | 1,595 |
| 18,506 | GNMA POOL #0287851 | 9.00% | 04/15/2020 | 19,613 | 21,230 |
| 17,720 | GNMA POOL #0290000 | 9.00% | 04/15/2020 | 18,754 | 20,328 |
| 15,462 | GNMA POOL #0290057 | 9.00% | 06/15/2020 | 16,395 | 17,737 |
| 14,799 | GNMA POOL #0298952 | 9.00% | 04/15/2021 | 15,701 | 17,056 |
| 6,238 | GNMA POOL #0303324 | 9.00% | 04/15/2021 | 6,611 | 7,189 |
| 5,323 | GNMA POOL #0304625 | 9.00% | 03/15/2021 | 5,647 | 6,135 |
| 13,880 | GNMA POOL #0305187 | 9.00% | 06/15/2021 | 14,745 | 15,997 |
| 22,135 | GNMA POOL #0319521 | 8.00% | 02/15/2022 | 23,419 | 25,524 |
| 31,482 | GNMA POOL #0330725 | 8.00% | 07/15/2022 | 33,378 | 36,301 |

**FIXED INCOME PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| PAR VALUE | DESCRIPTION | COUPON RATE | MATURITY | COST | FAIR VALUE |
|---|---|---|---|---|---|
| U.S. GOVERNMENT SECURITIES | | | | | |
| 158,582 | GNMA POOL #0337419 | 7.00% | 06/15/2023 | $166,302 | $178,920 |
| 114,892 | GNMA POOL #0345731 | 8.00% | 05/15/2024 | 122,075 | 133,088 |
| 24,351 | GNMA POOL #0352219 | 8.00% | 04/15/2023 | 25,826 | 28,153 |
| 160,830 | GNMA POOL #0352964 | 7.00% | 05/15/2024 | 168,676 | 181,687 |
| 276,757 | GNMA POOL #0366756 | 7.00% | 03/15/2024 | 290,256 | 312,647 |
| 172,463 | GNMA POOL #0371734 | 7.00% | 04/15/2024 | 180,863 | 194,828 |
| 253,517 | GNMA POOL #0375887 | 7.00% | 05/15/2024 | 265,897 | 286,393 |
| 390,344 | GNMA POOL #0377589 | 7.50% | 08/15/2025 | 411,345 | 443,415 |
| 132,931 | GNMA POOL #0386030 | 7.00% | 05/15/2024 | 139,411 | 150,169 |
| 62,007 | GNMA POOL #0386038 | 7.00% | 06/15/2024 | 65,029 | 70,048 |
| 34,917 | GNMA POOL #0390014 | 7.00% | 06/15/2024 | 36,622 | 39,445 |
| 205,470 | GNMA POOL #0391992 | 7.00% | 03/15/2024 | 215,507 | 232,115 |
| 245,355 | GNMA POOL #0398831 | 8.00% | 08/15/2026 | 261,253 | 283,770 |
| 34,342 | GNMA POOL #0402544 | 7.50% | 04/15/2026 | 36,212 | 38,999 |
| 259,120 | GNMA POOL #0403979 | 8.50% | 10/15/2024 | 275,711 | 300,574 |
| 151,826 | GNMA POOL #0405618 | 7.50% | 04/15/2026 | 160,098 | 172,416 |
| 21,479 | GNMA POOL #0406811 | 7.50% | 01/15/2026 | 22,645 | 24,392 |
| 35,367 | GNMA POOL #0417666 | 7.50% | 08/15/2025 | 37,274 | 40,176 |
| 156,105 | GNMA POOL #0421711 | 7.50% | 04/15/2026 | 164,586 | 177,276 |
| 8,576 | GNMA POOL #0427556 | 7.50% | 03/15/2026 | 9,041 | 9,740 |
| 37,238 | GNMA POOL #0427558 | 7.50% | 04/15/2026 | 39,267 | 42,288 |
| 82,219 | GNMA POOL #0429356 | 7.50% | 03/15/2026 | 86,680 | 93,370 |
| 66,053 | GNMA POOL #0430384 | 8.00% | 08/15/2026 | 70,073 | 76,395 |
| 204,193 | GNMA POOL #0432701 | 8.00% | 06/15/2026 | 217,389 | 236,164 |
| 117,065 | GNMA POOL #0433892 | 7.00% | 07/15/2028 | 122,644 | 132,974 |
| 78,803 | GNMA POOL #0434101 | 7.00% | 12/15/2028 | 82,566 | 89,513 |
| 222,271 | GNMA POOL #0434237 | 6.00% | 03/15/2029 | 225,743 | 245,979 |
| 28,021 | GNMA POOL #0438772 | 8.00% | 08/15/2026 | 29,837 | 32,408 |
| 29,450 | GNMA POOL #0438778 | 8.00% | 08/15/2026 | 31,360 | 34,061 |
| 54,228 | GNMA POOL #0439645 | 8.00% | 09/15/2026 | 57,737 | 62,718 |
| 108,180 | GNMA POOL #0450368 | 7.00% | 08/15/2028 | 113,342 | 122,881 |
| 53,656 | GNMA POOL #0458918 | 7.00% | 08/15/2028 | 56,211 | 60,948 |
| 177,042 | GNMA POOL #0464692 | 7.00% | 07/15/2028 | 185,492 | 201,102 |
| 112,093 | GNMA POOL #0466888 | 7.00% | 07/15/2028 | 117,438 | 127,326 |
| 281,496 | GNMA POOL #0469797 | 7.00% | 12/15/2028 | 294,933 | 319,752 |
| 197,325 | GNMA POOL #0470493 | 7.00% | 06/15/2029 | 206,746 | 224,275 |
| 142,899 | GNMA POOL #0472997 | 7.00% | 06/15/2029 | 149,713 | 162,416 |
| 44,064 | GNMA POOL #0475872 | 7.00% | 07/15/2028 | 46,166 | 50,053 |
| 28,413 | GNMA POOL #0478875 | 7.50% | 11/15/2029 | 30,010 | 32,358 |
| 143,867 | GNMA POOL #0478881 | 7.50% | 11/15/2029 | 151,940 | 163,841 |
| 161,574 | GNMA POOL #0482784 | 7.00% | 10/15/2028 | 169,290 | 183,532 |
| 70,150 | GNMA POOL #0485451 | 6.50% | 05/15/2031 | 72,141 | 78,570 |
| 149,906 | GNMA POOL #0486539 | 7.00% | 09/15/2028 | 157,054 | 170,278 |
| 33,854 | GNMA POOL #0486761 | 7.00% | 12/15/2028 | 35,469 | 38,455 |

**FIXED INCOME PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| PAR VALUE | DESCRIPTION | COUPON RATE | MATURITY | COST | FAIR VALUE |
|---|---|---|---|---|---|
| U.S. GOVERNMENT SECURITIES | | | | | |
| 38,207 | GNMA POOL #0487221 | 7.00% | 05/15/2029 | $ 40,030 | $ 43,425 |
| 100,513 | GNMA POOL #0487222 | 7.00% | 05/15/2029 | 105,301 | 114,241 |
| 156,825 | GNMA POOL #0493996 | 7.00% | 07/15/2029 | 164,310 | 178,244 |
| 323,359 | GNMA POOL #0499876 | 7.00% | 06/15/2029 | 338,801 | 367,524 |
| 206,118 | GNMA POOL #0499905 | 7.00% | 05/15/2029 | 215,966 | 234,269 |
| 168,986 | GNMA POOL #0499907 | 7.00% | 05/15/2029 | 177,055 | 192,067 |
| 182,980 | GNMA POOL #0500931 | 7.00% | 06/15/2029 | 193,110 | 207,971 |
| 923,077 | GNMA POOL #0503019 | 6.00% | 03/15/2029 | 937,454 | 1,021,533 |
| 572,462 | GNMA POOL #0505728 | 7.00% | 06/15/2029 | 599,773 | 650,649 |
| 127,036 | GNMA POOL #0506075 | 7.00% | 11/15/2029 | 133,106 | 144,386 |
| 152,735 | GNMA POOL #0507496 | 7.00% | 06/15/2029 | 160,029 | 173,596 |
| 65,864 | GNMA POOL #0509328 | 7.00% | 06/15/2029 | 68,999 | 74,860 |
| 24,877 | GNMA POOL #0510100 | 7.00% | 07/15/2029 | 26,063 | 28,275 |
| 29,311 | GNMA POOL #0510302 | 7.00% | 08/15/2029 | 30,708 | 33,314 |
| 141,524 | GNMA POOL #0510958 | 7.00% | 05/15/2029 | 148,281 | 160,853 |
| 32,722 | GNMA POOL #0510983 | 7.00% | 06/15/2029 | 34,284 | 37,191 |
| 166,375 | GNMA POOL #0512888 | 7.00% | 07/15/2029 | 174,325 | 189,098 |
| 203,487 | GNMA POOL #0512915 | 7.00% | 07/15/2029 | 213,203 | 231,279 |
| 94,124 | GNMA POOL #0513367 | 7.00% | 08/15/2029 | 98,618 | 106,979 |
| 20,399 | GNMA POOL #0520045 | 6.50% | 06/15/2031 | 20,979 | 22,847 |
| 198,336 | GNMA POOL #0530203 | 6.50% | 04/15/2031 | 205,849 | 222,142 |
| 419,671 | GNMA POOL #0530611 | 6.50% | 05/15/2031 | 435,584 | 470,044 |
| 324,623 | GNMA POOL #0530631 | 6.50% | 06/15/2031 | 336,934 | 363,588 |
| 79,242 | GNMA POOL #0539629 | 6.50% | 04/15/2031 | 82,240 | 88,754 |
| 189,011 | GNMA POOL #0541464 | 6.50% | 06/15/2031 | 194,376 | 211,698 |
| 104,139 | GNMA POOL #0548963 | 6.50% | 03/15/2031 | 107,101 | 116,639 |
| 66,037 | GNMA POOL #0549889 | 6.50% | 05/15/2031 | 67,913 | 73,963 |
| 454,681 | GNMA POOL #0552514 | 6.50% | 04/15/2032 | 467,508 | 506,701 |
| 1,166,815 | GNMA POOL #0552518 | 6.50% | 04/15/2032 | 1,199,740 | 1,300,310 |
| 152,825 | GNMA POOL #0557424 | 6.50% | 05/15/2031 | 157,166 | 171,168 |
| 97,603 | GNMA POOL #0557467 | 6.50% | 05/15/2031 | 100,379 | 109,319 |
| 336,947 | GNMA POOL #0560189 | 6.50% | 04/15/2031 | 346,519 | 377,391 |
| 747,781 | GNMA POOL #0780076 | 8.00% | 02/15/2025 | 794,191 | 864,838 |
| 837,892 | GNMA POOL #0780220 | 7.50% | 08/15/2025 | 900,944 | 952,792 |
| 30,063 | GNMA POOL #0780896 | 7.00% | 11/15/2028 | 31,494 | 34,140 |
| 116,896 | GNMA POOL #0781129 | 7.00% | 11/15/2028 | 122,462 | 132,751 |
| 9,965,402 | U S TREASURY NOTE | 3.50% | 05/15/2020 | 10,340,291 | 10,429,398 |
| 3,832,850 | U S TREASURY NOTE | 2.75% | 05/31/2017 | 3,850,746 | 3,913,685 |
| 6,132,560 | U S TREASURY NOTE | 2.50% | 06/30/2017 | 6,158,432 | 6,159,421 |
| 7,665,700 | U S TREASURY NOTE | 1.88% | 06/30/2015 | 7,696,363 | 7,695,060 |
| **48,442,096** | **TOTAL US GOVERNMENT SECURITIES** | | | **$49,656,559** | **$51,559,308** |

**FIXED INCOME PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| PAR VALUE | DESCRIPTION | COUPON RATE | MATURITY | COST | FAIR VALUE |
|---|---|---|---|---|---|
| CORPORATE BONDS | | | | | |
| 1,695,467 | ACA ABS LTD 144A | VAR | 06/10/2041 | $ 290,650 | $ 17 |
| 1,533,140 | ANADARKO FIN CO SR NT | 7.50% | 05/01/2031 | 1,588,927 | 1,289,386 |
| 2,299,710 | ASSOC CORP NA BDS | 6.95% | 11/01/2018 | 2,145,605 | 2,354,075 |
| 145,720 | AUTO BD RECEIVABLES TR 94-A | | | 145,720 | - |
| 1,533,140 | AXA SA US$ SUB NT | 8.60% | 12/15/2030 | 1,478,283 | 1,731,666 |
| 1,533,140 | BANC ONE CORP DEBS | 8.00% | 04/29/2027 | 1,501,556 | 1,890,208 |
| 1,533,140 | BANK AMER CORP SR NT | 5.75% | 12/01/2017 | 1,386,050 | 1,589,989 |
| 27,798,208 | BGI CORE ACTIVE BOND FUND | | | 506,651,144 | 571,356,853 |
| 1,533,140 | BURLINGTON RESOURCES FINANCE | 7.40% | 12/01/2031 | 1,415,791 | 1,917,054 |
| 9,494,199 | CBO HLDGS III 04-3 CL A 144A | 1.00% | 06/01/2019 | 9,444,713 | 9,444,713 |
| 8,027,479 | CBO HLDGS III 1A 04-1 C-2 144A | 7.00% | 02/10/2038 | 8,387,177 | 8,387,177 |
| 3,832,850 | CHASEPEAKE & POTOMAC TEL CO MD | 7.15% | 05/01/2023 | 3,816,680 | 4,102,184 |
| 1,533,140 | CITIGROUP INC | 6.13% | 05/15/2018 | 1,392,513 | 1,600,108 |
| 1,149,855 | CNF INC SR DEB | 6.70% | 05/01/2034 | 967,446 | 1,148,349 |
| 656,184 | CONAGRA INC NTS | 9.75% | 03/01/2021 | 761,782 | 894,707 |
| 3,871,179 | CONTINENTAL AIRLS 01-1 CL A 2 | 6.50% | 06/15/2011 | 3,738,333 | 3,857,629 |
| 1,533,140 | CORNING INC NT | 7.25% | 08/15/2036 | 1,538,184 | 1,716,274 |
| 45,312 | DELTA FDG HM EQ LN TR 99-3 M-2 | VAR | 01/15/2030 | 8,608 | 98 |
| 3,832,850 | DEUTSCHE BK CAYMAN 2001-3 144A | VAR | 04/30/2030 | 910,229 | 653,616 |
| 514,258 | J P MORGAN RESI 02-R2 CL 3A1 | 6.00% | 04/28/2026 | 520,517 | 529,017 |
| 3,832,850 | MACQUARIE GROUP LTD 144A | 6.00% | 01/14/2020 | 3,810,802 | 3,884,632 |
| 3,664,403 | MID OCEAN CBO CL A 144A | 6.56% | 11/05/2036 | 3,670,955 | 3,627,759 |
| 674,538 | MORGAN STANLEY ABS 03 NC10 M2 | VAR | 10/25/2033 | 438,720 | 308,608 |
| 494,269 | MORGAN STANLEY ABS 04-NC1 M2 | VAR | 11/25/2033 | 426,818 | 410,673 |
| 180,644 | MORGAN STANLEY ABS 04-NC2 M2 | VAR | 12/25/2033 | 149,326 | 95,801 |
| 3,066,280 | MORGAN STANLEY SR MEDIUM TERM | 5.95% | 12/28/2017 | 2,695,345 | 3,105,099 |
| 2,012,246 | MURPHY OIL CORP NT | 7.05% | 05/01/2029 | 2,017,922 | 2,320,563 |
| 1,533,140 | NATIONAL RURAL UTILITIES COOPE | 8.00% | 03/01/2032 | 1,727,496 | 1,976,601 |
| 1,533,140 | NEXEN INC NT | 6.40% | 05/15/2037 | 1,385,189 | 1,598,774 |
| 3,066,280 | NORTH STREET REFERENCED LINKED | VAR | 08/30/2030 | 2,731,794 | 2,731,794 |
| 3,717,865 | PACIFIC BELL | 7.38% | 07/15/2043 | 3,770,989 | 3,936,958 |
| 3,355,801 | PACIFIC SHORES CDO C 144A 3C7 | VAR | 07/03/2037 | 3,144,753 | 336 |
| 8,195,783 | PREFERRED CPO A / B 144A | 8.95% | 07/26/2030 | 6,305,051 | 9,122,304 |
| 2,695,981 | PREFERRED CPO A / B 144A | 8.95% | 07/26/2030 | 2,681,385 | 2,681,385 |
| 4,024,493 | PREMIUM ASSET TR ACA 144A | | | 4,024,493 | - |
| 498,500 | SBA LOAN NESTING FEATHERS | | | 498,500 | 498,500 |
| 11,498,550 | SECURITY MUT LIFE INS CO 144A | 9.38% | 12/15/2016 | 12,006,466 | 12,006,466 |
| 2,299,710 | SHELL INTL FIN B V GTD NT | 6.38% | 12/15/2038 | 2,531,493 | 2,747,464 |
| 127,947 | SPDR BARCLAYS CAPITAL INTL | | | 7,590,405 | 6,877,133 |
| 7,665,700 | TRAINER WORTHAM FIRST A3L 144A | VAR | 04/10/2037 | 5,305,750 | 5,305,750 |
| 1,533,140 | UNITED UTILS PLC NT | 4.55% | 06/19/2018 | 1,394,697 | 1,491,914 |
| 1,639,039 | VANGUARD BD INDEX FD INC TOTAL | | | 130,694,374 | 133,384,962 |
| **141,405,550** | **TOTAL CORPORATE BONDS** | | | **747,092,631** | **812,576,596** |
| **189,847,646** | **TOTAL FIXED INCOME PORTFOLIO** | | | **$796,749,190** | **$864,135,904** |

**CREDIT OPPORTUNITIES PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|
| BLACKROCK MORTGAGE INVESTORS | $ 56,591,232 | $ 63,843,799 | $ 7,252,567 |
| CENTERBRIDGE | 21,463,960 | 27,893,100 | 6,429,140 |
| COMMERCE STREET INCOME PARTNER | 28,824,646 | 33,605,848 | 4,781,202 |
| GS CREDIT OPPS FUND 2008 | 82,747,190 | 93,351,437 | 10,604,247 |
| NISSWA FIXED INCOME FUND LP | 22,997,100 | 23,565,129 | 568,029 |
| OHA STRATEGIC CREDIT | 15,770,123 | 20,498,379 | 4,728,256 |
| PSPRS PNMAC MORTGOPP | 99,654,102 | 102,305,081 | 2,650,979 |
| PSPRS-APOLLO EUR NPL | 34,102,748 | 37,829,153 | 3,726,405 |
| TENNENBAUM DIP | 3,518,275 | 3,744,942 | 226,667 |
| WATERSTONE MARKET NEUTRAL | 30,662,800 | 31,591,550 | 928,750 |
| **TOTAL CREDIT OPPORTUNITIES PORTFOLIO** | **$396,332,176** | **$438,228,418** | **$41,896,242** |

**PRIVATE EQUITY PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|
| ABRY PARTNERS | $ 19,575,928 | $ 38,831,839 | $ 19,255,911 |
| APOLLO INVESTMENT FUND VII | 19,911,834 | 24,155,590 | 4,243,756 |
| BLACKSTONE CAPITAL PARTNERS V | 14,207,941 | 14,246,795 | 38,854 |
| CASTLE CREEK | 11,392,207 | 13,239,224 | 1,847,017 |
| CHARLESBANK EQUITY FUND VII | 3,007,592 | 2,917,541 | (90,051) |
| DAG VENTURES II CO-INVEST | 14,505,647 | 5,141,418 | (9,364,229) |
| DAG VENTURES II DIRECT | 4,036,580 | 3,172,755 | (863,825) |
| DAG VENTURES III CO-INVEST | 9,645,645 | 9,222,342 | (423,303) |
| DAG VENTURES III DIRECT | 9,277,333 | 8,597,970 | (679,363) |
| DAG VENTURES IV CO-INVEST LP | 14,400,238 | 14,354,766 | (45,472) |
| DAG VENTURES IV LP | 8,447,004 | 9,176,073 | 729,069 |
| DFJ MERCURY II | 3,832,850 | 3,832,850 | - |
| DRUG RYLTY II CO=INV | 2,225,831 | 2,443,821 | 217,990 |
| DRUG RYLTY II DIRECT | 2,485,435 | 2,271,742 | (213,693) |
| INSIGHT EQUITY II | 214,789 | 185,925 | (28,864) |
| INSIGHT EQUITY MEZZANINE I | 176,106 | 180,700 | 4,594 |
| ISHARES RUSSELL 2000 INDEX FUN | 133,145,419 | 133,069,690 | (75,729) |
| LADDER | 14,791,401 | 16,942,293 | 2,150,892 |
| LITTLEJOHN FUND IV | 1,410,318 | 1,410,318 | - |
| LONGWORTH VP III | 2,537,347 | 1,845,576 | (691,771) |
| MESIROW CAPITAL PARTNERS IX | 12,028,614 | 10,462,339 | (1,566,275) |
| MIDOCEAN PARTNER III CO-INVEST | 958,213 | 520,501 | (437,712) |
| MIDOCEAN PARTNER III DIRECT | 13,610,677 | 7,790,753 | (5,819,924) |
| MILLENNIUM TECHNOLOGY | 766,570 | 766,570 | - |
| PENINSULA EQUITY PARTNERS | 2,511,088 | 2,068,069 | (443,019) |
| PROSPECTOR EQUITY CAPITAL | 2,537,215 | 1,755,523 | (781,692) |
| STEPSTONE AZ SECONDARY | 12,800,960 | 13,689,404 | 888,444 |
| STERLING GROUP PARTNERS III | 41,792 | 41,792 | - |
| TOWERBROOK INVESTORS III | 7,276,749 | 9,138,352 | 1,861,603 |
| TRIDENT V LP | 1,974,684 | 1,974,684 | - |
| VALLEY VENTURES III | 5,404,926 | 4,138,842 | (1,266,084) |
| VALLEY VENTURES III ANNEX | 1,631,977 | 1,200,088 | (431,889) |
| **TOTAL PRIVATE EQUITY PORTFOLIO** | **$350,770,910** | **$358,786,145** | **$8,015,235** |

**REAL ASSETS PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|
| ALTERNA I | $ 6,665,561 | $ 7,268,970 | $ 603,409 |
| BLUEGOLD CAPITAL FUND LTD | 9,198,840 | 8,359,950 | (838,890) |
| CONSERVATION FORESTRY FUND I | 15,756,579 | 15,658,480 | (98,099) |
| CONSERVATN FOREST II | 9,519,290 | 9,018,972 | (500,318) |
| GEOSPHERE | 15,331,400 | 15,312,306 | (19,094) |
| HAWKER CAPITAL HARRIER FUND | 15,331,400 | 14,352,855 | (978,545) |
| HELIOS SUNBEAM OPPORTUNITIES | 15,331,400 | 14,762,971 | (568,429) |
| JP MORGAN AIRRO FUND | 6,673,315 | 6,482,265 | (191,050) |
| MACQUARIE EUR INFRASTRUCT III | 13,235,320 | 12,479,183 | (756,137) |
| MACQUARIE INFRASTRUCTURE II US | 9,072,619 | 9,489,917 | 417,298 |
| ORG SECONDARY - REAL ASSETS | 15,918,898 | 25,244,837 | 9,325,939 |
| SPDR SER TR DB INTL GOVT | 11,364,193 | 10,290,402 | (1,073,791) |
| US 10YR NOTE FUTURES | - | 137,048 | 137,048 |
| US 5YR TREAS NTS FUTURES | - | (21,686) | (21,686) |
| US TREAS BD FUTURES | - | (56,091) | (56,091) |
| US TREAS-CPI INFLAT | 12,008,364 | 12,463,664 | 455,300 |
| US TREAS-CPI INFLATION INDEX | 25,795,947 | 26,110,653 | 314,706 |
| US ULTRA BOND (CBT) | - | (28,890) | (28,890) |
| VIRIDIAN FUND LTD | 9,198,840 | 9,055,357 | (143,483) |
| **TOTAL REAL ASSETS PORTFOLIO** | **$190,401,966** | **$196,381,163** | **$5,979,197** |

**REAL ESTATE PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|
| ALCION II | $ 813,654 | $ 813,654 | $ - |
| APEX FUND I | 44,924,411 | 50,679,673 | 5,755,262 |
| APEX FUND II | 7,507,495 | 8,632,509 | 1,125,014 |
| BREP VI | 23,055,128 | 14,901,303 | (8,153,825) |
| CLSA FUDO CAP II | 2,294,407 | 2,327,396 | 32,989 |
| COLGATE WILLOW SPRINGS | 4,835,648 | 4,835,648 | - |
| DESERT TROON | 239,220,930 | 214,753,171 | (24,467,759) |
| HARRISON ST RE | 47,220,713 | 44,578,492 | (2,642,221) |
| HARRISON ST RE COINV | 5,749,275 | 6,990,009 | 1,240,734 |
| ORG SECONDARY FUND | 4,854,595 | 4,629,589 | (225,006) |
| OWH BERKANA DEV | 3,748,085 | 3,748,085 | - |
| OWH BERKANA HLD | 7,756,322 | 5,479,872 | (2,276,450) |
| PEBBLECREEK | 29,359,631 | 29,359,632 | 1 |
| PIVOTAL EQUITY | 1,916,425 | 2,165,560 | 249,135 |
| PSPRS-CATALYST EURO | 5,785,984 | 418,920 | (5,367,064) |
| PSPRS-IRONPOINTRE | 26,465,366 | 24,685,421 | (1,779,945) |
| PSPRS-MOUNT GRANGE | 6,122,026 | 3,537,750 | (2,584,276) |
| PSPRS-WALTONMEXICO | 9,582,125 | 5,460,454 | (4,121,671) |
| WALTON FUND V | 65,677 | 65,677 | - |
| WHISP CANYON OWC | 22,085,750 | 22,085,750 | - |
| **TOTAL REAL ESTATE PORTFOLIO** | **$493,363,647** | **$450,148,565** | **$(43,215,082)** |

**GTAA SECURITIES PORTFOLIO**
YEAR ENDED JUNE 30, 2010

| DESCRIPTION | COST | FAIR VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|
| BLACKROCK GLOBAL ASCENT L | $ 153,314,002 | $ 147,650,975 | $ (5,663,027) |
| BRIDGEWATER PURE ALPHA | 153,314,003 | 165,947,518 | 12,633,515 |
| **TOTAL GTAA SECURITIES** | **$306,628,005** | **$313,598,493** | **$6,970,488** |

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# ACTUARIAL SECTION


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October 29, 2010

The Fund Manager
Arizona Public Safety Personnel Retirement System
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Re: Arizona Public Safety Personnel Retirement System Actuarial Valuation as of June 30, 2010

Ladies and Gentlemen:

The results of the June 30, 2010 annual actuarial valuations of members covered by the Arizona Public Safety Personnel Retirement System (PSPRS) are presented in this report. The purpose of the valuations is to measure PSPRS' funding progress and to establish contribution rates for the 2011-2012 fiscal year.

The valuations are based upon current plan provisions of the Arizona Public Safety Personnel Retirement System. All promised benefits are included in the actuarially calculated contribution rates. These provisions are summarized in Section F.

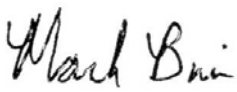
In preparing this report we relied, without audit, on information (some oral and some written) supplied by the State Retirement System. This information includes, but is not limited to, statutory provisions, employee and retiree census, and financial information. In our examination of this data, we have found it to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

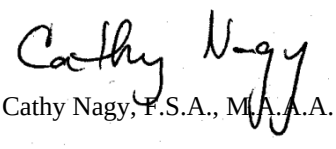
GRS's work product was prepared exclusively for the Arizona Public Safety Personnel Retirement System for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses System data, which GRS has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of GRS's work product who desires professional guidance should not rely upon GRS's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be provided in its entirety including this cover letter, unless prior written consent is obtained from GRS.

The valuations were completed by qualified actuaries in accordance with accepted actuarial procedures prescribed by the Actuarial Standards Board. All of the actuaries submitting this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and the actuarial methods and assumptions produced results that are reasonable.

Respectfully submitted,

Brian B. Murphy, F.S.A., M.A.A.A.


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


Cathy Nagy, F.S.A., M.A.A.A.

BBM/CN/MB:sc

**AGGREGATE ACTUARIAL BALANCE SHEET**
YEAR ENDED JUNE 30, 2010

| **ACTUARIAL ASSETS** | **2010** |
|---|---|
| ACCRUED ASSETS | |
| Member Accumulated Contributions | $ 799,237,809 |
| Employer and Benefit Payment Reserves | 3,786,625,594 |
| Funding Value Adjustment | 1,280,729,914 |
| **Total Accrued Assets** | **5,866,593,317** |
| PROSPECTIVE ASSETS | |
| Member Contributions | 937,440,653 |
| Employer Normal Costs | 1,710,472,398 |
| Employer Unfunded Actuarial Accrued Liability | 2,900,518,401 |
| **Total Prospective Assets** | **5,548,431,452** |
| **Total Actuarial Assets** | **$11,415,024,769** |

| **ACTUARIAL PRESENT VALUES (LIABILITY)** | **2010** |
|---|---|
| PENSIONS IN PAYMENT STATUS | |
| Pensions in payment status | $ 4,117,265,456 |
| PROSPECTIVE PAYMENTS | |
| Retirement Payments | 6,795,291,779 |
| Health Insurance Payments | 171,900,582 |
| Member Contribution Refunds | 55,277,625 |
| Pension Increase Reserve | 275,289,327 |
| **Total Prospective Payments** | **7,297,759,313** |
| **Total Actuarial Present Values (Liabilities)** | **$11,415,024,769** |

## SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS
Interest Rate: 8.50% (net of expenses)
Salary Increases: 5.50% for inflation

DEMOGRAPHIC ASSUMPTIONS
Retired Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 0 years and female ages set forward 1 year.
Active Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set forward 1 year and female ages set forward 2 years.

HEALTHY MORTALITY TABLES
This assumption is used to measure the probabilities of each benefit payment being made after retirement.
For disabled members, non-disability rates with a five year set forward were used.

**MORTALITY RATES AND LIFE EXPECTANCY**
RETIRED MEMBERS

| SAMPLE AGES | PROBABILITY OF DYING NEXT YEAR | | FUTURE LIFE EXPECTANCY (YEARS) | |
|---|---|---|---|---|
| | MEN | WOMEN | MEN | WOMEN |
| **50** | .53% | .25% | 30.07 | 32.35 |
| **55** | .59% | .39% | 25.86 | 27.79 |
| **60** | .82% | .69% | 21.64 | 23.42 |
| **65** | 1.34% | 1.14% | 17.62 | 19.33 |
| **70** | 2.22% | 1.86% | 13.92 | 15.54 |
| **75** | 3.78% | 3.10% | 10.61 | 12.13 |
| **80** | 6.44% | 5.08% | 7.79 | 9.16 |

**MORTALITY RATES AND LIFE EXPECTANCY**
ACTIVE MEMBERS

| SAMPLE AGES | PROBABILITY OF DYING NEXT YEAR | | FUTURE LIFE EXPECTANCY (YEARS) | |
|---|---|---|---|---|
| | MEN | WOMEN | MEN | WOMEN |
| **50** | .20% | .20% | 34.07 | 35.14 |
| **55** | .28% | .30% | 29.44 | 30.52 |
| **60** | .44% | .47% | 24.89 | 26.03 |
| **65** | .70% | .66% | 20.50 | 21.67 |
| **70** | .95% | 2.07% | 16.24 | 17.57 |
| **75** | 3.39% | 3.41% | 12.66 | 14.64 |
| **80** | 5.79% | 5.63% | 10.09 | 12.50 |

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

**PERCENT OF ACTIVE MEMBERS RETIRING**
FOLLOWING ATTAINMENT OF INDICATED YEARS OF SERVICE

| SERVICE IN YEARS | % RETIRING NEXT YEAR | SERVICE IN YEARS | % RETIRING NEXT YEAR | SERVICE IN YEARS | % RETIRING NEXT YEAR |
|---|---|---|---|---|---|
| **5** | 4% | **14** | 5% | **23** | 15% |
| **6** | 4% | **15** | 5% | **24** | 15% |
| **7** | 4% | **16** | 15% | **25** | 45% |
| **8** | 8% | **17** | 5% | **26** | 45% |
| **9** | 8% | **18** | 6% | **27** | 15% |
| **10** | 8% | **19** | 7% | **28** | 15% |
| **11** | 8% | **20** | 40% | **29** | 15% |
| **12** | 15% | **21** | 30% | **30** | 100% |
| **13** | 5% | **22** | 20% | | |

Retirement benefits will commence the first day of the month following termination of employment and based upon completion of 20 years of service, or following 62nd birthday and completion of 15 years of service.

## MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

MARRIAGE ASSUMPTION
90% 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 valuation 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. 90% 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
80% of future retirees are expected to utilize health care. 90% of those are assumed to be married.

## 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) |
| 2001 | 449,792 | 1,722,264 | 1,502,702 | 4,661,941 | 100.0% | 100.0% | 100.0% |
| 2002 | 495,565 | 1,905,916 | 1,742,730 | 4,684,386 | 100.0% | 100.0% | 100.0% |
| 2003 | 543,817 | 2,117,512 | 2,078,284 | 4,781,377 | 100.0% | 100.0% | 82.9% |
| 2004 | 594,479 | 2,323,470 | 2,249,383 | 4,774,313 | 100.0% | 100.0% | 82.5% |
| 2005 | 643,712 | 2,566,487 | 2,741,738 | 4,886,963 | 100.0% | 100.0% | 61.2% |
| 2006 | 698,025 | 2,743,387 | 3,053,601 | 4,999,911 | 100.0% | 100.0% | 51.0% |
| 2007 | 730,929 | 3,183,931 | 3,353,431 | 4,829,521 | 100.0% | 100.0% | 27.3% |
| 2008 | 789,566 | 3,418,835 | 3,454,378 | 5,095,645 | 100.0% | 100.0% | 25.7% |
| 2009 | 737,839 | 4,622,427 | 2,629,185 | 5,445,497 | 100.0% | 100.0% | 3.2% |
| 2010 | 808,207 | 4,993,382 | 2,690,233 | 5,591,304 | 100.0% | 96.0% | 0.0% |

*See Schedule of Funding Progress in the Required Supplementary Information.*

## SUMMARY OF ACTIVE MEMBER DATA

AGE AND SERVICE DISTRIBUTION

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 19,468 active members in the Plan as of June 30, 2010, compared to 19,867 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 |
| 20-24 | 455 | 1 | | | | | | 456 | $ 50,193 |
| 25-29 | 2,278 | 474 | | | | | | 2,752 | 57,153 |
| 30-34 | 1,608 | 1,652 | 363 | 1 | | | | 3,624 | 64,219 |
| 35-39 | 930 | 1,358 | 1,550 | 284 | 1 | | | 4,123 | 71,649 |
| 40-44 | 462 | 796 | 1,233 | 1,130 | 205 | 1 | | 3,827 | 78,109 |
| 45-49 | 225 | 345 | 501 | 764 | 647 | 157 | 1 | 2,640 | 83,121 |
| 50-54 | 91 | 137 | 210 | 345 | 350 | 263 | 57 | 1,453 | 86,963 |
| 55-59 | 36 | 47 | 66 | 114 | 90 | 65 | 32 | 450 | 82,385 |
| 60-64 | 14 | 17 | 21 | 39 | 16 | 11 | 6 | 124 | 73,325 |
| 65+ | 2 | 2 | 4 | 8 | 1 | | 2 | 19 | 70,797 |
| **Total** | **6,101** | **4,829** | **3,948** | **2,685** | **1,310** | **497** | **98** | **19,468** | **$71,941** |

### COMPARATIVE SCHEDULE

| YEAR ENDED JUNE 30, | ACTIVE MEMBERS | PAYROLL +000 | AGE (YEARS) | SERVICE (YEARS) | AVERAGE SALARY | INCREASE IN AVG. PAY |
|---|---|---|---|---|---|---|
| 2001 | 15,473 | $ 826,740 | 37.2 | 10.0 | $53,431 | 5.9% |
| 2002 | 15,557 | 854,249 | 36.9 | 9.4 | 54,911 | 2.8% |
| 2003 | 15,530 | 881,285 | 37.0 | 9.5 | 56,747 | 3.3% |
| 2004 | 15,852 | 911,718 | 37.1 | 9.5 | 57,514 | 1.4% |
| 2005 | 16,317 | 974,863 | 37.6 | 9.5 | 59,745 | 3.9% |
| 2006 | 17,324 | 1,073,685 | 37.4 | 9.0 | 61,977 | 3.7% |
| 2007 | 18,624 | 1,228,037 | 37.3 | 8.9 | 65,903 | 6.3% |
| 2008 | 19,912 | 1,383,332 | 37.3 | 8.9 | 69,472 | 5.4% |
| 2009 | 19,867 | 1,415,643 | 37.8 | 9.4 | 71,256 | 2.6% |
| 2010 | 19,468 | 1,400,547 | 38.4 | 10.0 | 71,941 | 1.0% |

## SUMMARY OF RETIREES AND INACTIVE MEMBERS

**RETIRANTS 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 |
|---|---|---|---|---|---|---|---|---|
| 2001 | 89 | 429 | 5,782 | $ N/A | $ N/A | $170,281,580 | 11.9% | 29,450 |
| 2002 | 91 | 298 | 5,989 | N/A | N/A | 184,212,972 | 8.2% | 30,759 |
| 2003 | 104 | 299 | 6,184 | N/A | N/A | 207,616,176 | 12.7% | 33,573 |
| 2004 | 119 | 331 | 6,396 | 5,951,348 | 22,497,533 | 224,162,361 | 8.0% | 35,047 |
| 2005 | 103 | 395 | 6,688 | 3,095,916 | 23,228,295 | 244,294,740 | 9.0% | 36,527 |
| 2006 | 164 | 350 | 6,874 | 4,721,490 | 13,926,144 | 265,826,712 | 8.8% | 38,671 |
| 2007 | 159 | 918 | 7,633 | 3,578,561 | 45,409,478 | 307,657,629 | 15.7% | 40,306 |
| 2008 | 164 | 772 | 8,241 | 3,642,137 | 38,830,259 | 342,845,751 | 11.4% | 41,602 |
| 2009 | 222 | 590 | 8,609 | 11,175,896 | 47,338,063 | 379,007,918 | 10.5% | 44,025 |
| 2010 | 139 | 484 | 8,954 | 5,756,060 | 37,338,661 | 410,590,518 | 8.3% | 45,856 |

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, 2010, there were 1,106 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 a deferred annuity (A.R.S.§38-846.01). They are broken down by attained age and years of service as follows:

**SUMMARY OF INACTIVE MEMBERS**
FOR THE YEAR ENDED JUNE 30, 2010

| ATTAINED AGE | YEARS OF SERVICE TO VALUATION DATE 0-4 | 5-9 | 10-14 | 15-19 | 20+ | TOTAL |
|---|---|---|---|---|---|---|
| 20-29 | 313 | 3 | | | | 316 |
| 30-39 | 398 | 55 | 18 | 2 | | 473 |
| 40-44 | 96 | 22 | 19 | 5 | | 142 |
| 45-49 | 57 | 15 | 15 | 9 | 1 | 97 |
| 50-54 | 25 | 7 | 7 | 3 | | 42 |
| 55-59 | 6 | 2 | 8 | 3 | | 19 |
| 60-69 | 6 | 1 | 10 | | | 17 |
| 70+ | | | | | | 0 |
| **Total** | **901** | **105** | **77** | **22** | **1** | **1,106** |

**SCHEDULE OF EXPERIENCE GAIN (LOSS)**
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

| | | |
|---|---|---|
| (1) | UAAL* at start of year | $2,543,954 |
| (2) | Normal cost for year | 281,260 |
| (3) | Funding Method Contribution | 413,457 |
| (4) | Interest accrued on (1), (2) and (3) | 210,618 |
| (5) | Expected UAAL before changes [(1)+(2)-(3)+(4)] | 2,622,375 |
| (6) | Changes from benefit increases | 139,653 |
| (7) | Changes from actuarial methods & actuary | None |
| (8) | Change in Reserve for future pension increases | (34,602) |
| (9) | Expected UAAL after changes: (5)+(6)+(7)+(8) | 2,727,426 |
| (10) | Actual UAAL at end of year | 2,900,518 |
| (11) | Experience Gain (Loss): (9)-(10) | $ (173,092) |

** Unfunded Actuarial Accrued Liability*

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# STATISTICAL SECTION

| | |
|---|---|
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## 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 PSPRS.

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

Operating information is intended to provide contextual information about the operations and resources of PSPRS 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 System*, Principal Participating Employers, Benefit Recipients by Location, Summary of the Growth of the System, Benefits Payable*, Average Monthly Benefit Amounts*, Summary of Benefit Increases*, Schedule of Changes in Employers' Reserve Balances, Schedule of Changes in Refundable Member Reserve Balances, Schedule of Employers' Earnings Distribution, and Participating Employers.

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

## CHANGES IN NET PLAN ASSETS LAST 10 FISCAL YEARS
(IN THOUSANDS)

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| ADDITIONS | | | | | |
| Member Contributions | 102,142 | $ 101,184 | $ 97,157 | $ 84,630 | $ 75,616 |
| Employer Contributions | 300,706 | 328,436 | 233,556 | 177,588 | 127,219 |
| Net Investment Gain (Loss) | 553,077 | (872,799) | (408,918) | 815,524 | 379,512 |
| Member Service Purchase | 10,607 | 7,626 | 9,483 | 9,160 | 9,409 |
| Transfers IN | 759 | 584 | 1,696 | 1,640 | 1,125 |
| **Total Additions (Reductions)** | **967,291** | **(434,969)** | **(67,026)** | **1,088,541** | **592,881** |
| DEDUCTIONS | | | | | |
| Pension & Insurance Benefits | 481,979 | 456,566 | 430,209 | 450,345 | 284,028 |
| Refunds To Terminated Members | 9,975 | 7,643 | 7,884 | 8,709 | 7,226 |
| Administrative Expenses | 4,932 | 4,352 | 7,250 | 3,971 | 2,980 |
| Transfers OUT | 243 | 49 | 144 | 121 | 290 |
| **Total Deductions** | **497,129** | **468,610** | **445,487** | **463,146** | **294,524** |
| **NET INCREASE (DECREASE)** | **470,162** | **(903,579)** | **(512,513)** | **625,395** | **298,357** |
| NET ASSETS HELD IN TRUST | | | | | |
| Beginning of Fiscal Year, July 1 | 4,115,702 | 5,019,281 | 5,531,794 | 4,906,399 | 4,608,042 |
| **End of Fiscal Year, June 30** | **4,585,863** | **$4,115,702** | **$5,019,281** | **$5,531,794** | **$4,906,399** |

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| ADDITIONS | | | | | |
| Member Contributions | $ 67,948 | $ 71,874 | $ 67,937 | $ 62,487 | $ 58,053 |
| Employer Contributions | 104,498 | 79,000 | 50,801 | 51,983 | 52,540 |
| Net Investment Gain (Loss) | 383,530 | 562,613 | 233,425 | (654,570) | (895,996) |
| Member Service Purchase | 8,163 | - | - | - | - |
| Transfers IN | 994 | 1,282 | 1,394 | 6,184 | 373 |
| **Total Additions (Reductions)** | **565,133** | **714,769** | **353,557** | **(533,916)** | **(785,030)** |
| DEDUCTIONS | | | | | |
| Pension & Insurance Benefits | 257,449 | 229,885 | 209,715 | 185,035 | 164,728 |
| Refunds To Terminated Members | 7,648 | 6,391 | 6,423 | 6,058 | 6,052 |
| Administrative Expenses | 1,600 | 1,100 | 813 | 735 | 679 |
| Transfers OUT | 129 | 196 | 386 | - | - |
| **Total Deductions** | **266,826** | **237,572** | **217,337** | **191,828** | **171,459** |
| **NET INCREASE (DECREASE)** | **298,307** | **477,197** | **136,220** | **(725,744)** | **(956,489)** |
| NET ASSETS HELD IN TRUST | | | | | |
| Beginning of Fiscal Year, July 1 | 4,309,735 | 3,832,538 | 3,696,318 | 4,422,062 | 5,378,551 |
| **End of Fiscal Year, June 30** | **$4,608,042** | **$4,309,735** | **$3,832,538** | **$3,696,318** | **$4,422,062** |

**SCHEDULE OF REVENUE BY SOURCE (ALL PLANS COMBINED)**
LAST TEN FISCAL YEARS (Includes Health Insurance Subsidy)

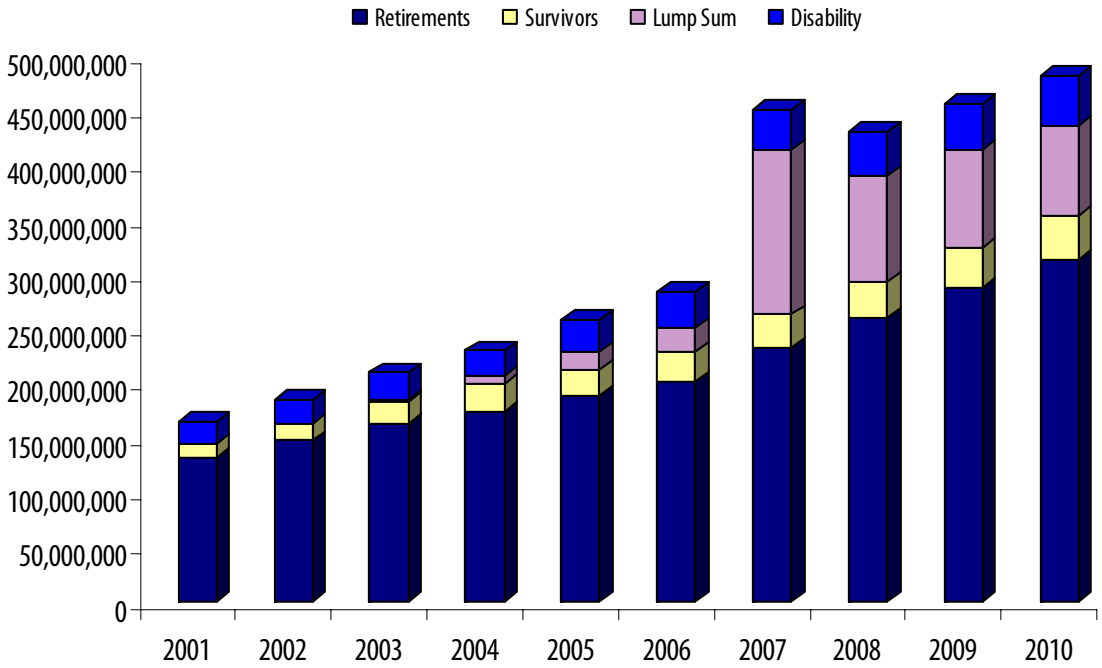
| YEAR ENDING JUNE 30, | MEMBER CONT. | EMPLOYER CONT. | FIRE INSURANCE PREMIUM TAX | % OF COVERED PAYROLL | INVESTMENT INCOME (LOSS) | TRANSFERRED IN FROM OTHER PLANS | TOTAL |
|---|---|---|---|---|---|---|---|
| 2001 | 58,052,765 | 45,435,300 | 7,105,010 | 5.21% | (895,995,528) | 874,673 | (784,527,780) |
| 2002 | 62,486,725 | 44,518,693 | 7,464,714 | 4.21% | (654,569,820) | 6,412,646 | (533,687,042) |
| 2003 | 67,937,288 | 40,047,132 | 10,753,537 | 3.75% | 233,424,569 | 1,393,775 | 353,556,301 |
| 2004 | 71,874,188 | 68,058,390 | 10,941,740 | 7.66% | 562,613,259 | 1,281,703 | 714,769,280 |
| 2005 | 67,947,506 | 92,778,813 | 11,718,337 | 10.05% | 383,530,412 | 9,156,465 | 565,131,533 |
| 2006 | 75,616,322 | 121,561,838 | 5,656,848 | 12.80% | 379,512,079 | 10,533,585 | 592,880,672 |
| 2007 | 84,629,709 | 166,281,935 | 11,305,571 | 13.83% | 815,524,366 | 10,799,442 | 1,088,541,023 |
| 2008 | 97,156,897 | 209,425,888 | 12,306,704 | 16.52% | (411,505,523) | 11,179,532 | (81,436,502) |
| 2009 | 101,183,586 | 303,715,517 | 24,720,792 | 21.71% | (872,798,642) | 8,209,996 | (434,968,751) |
| 2010 | 102,141,540 | 288,786,191 | 11,920,934 | 20.77% | 553,076,513 | 11,366,583 | 967,291,761 |

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

| YEAR ENDING JUNE 30, | BENEFITS | ADMIN. EXPENSES | REFUNDS | TRANSFERRED TO OTHER PLANS | TOTAL |
|---|---|---|---|---|---|
| 2001 | 164,727,744 | 679,372 | 6,051,785 | 501,851 | 171,960,752 |
| 2002 | 185,035,202 | 735,241 | 6,057,924 | 228,610 | 192,056,977 |
| 2003 | 209,715,238 | 812,332 | 6,422,965 | 385,905 | 217,336,440 |
| 2004 | 229,885,444 | 1,099,932 | 6,390,643 | 196,287 | 237,572,306 |
| 2005 | 257,449,083 | 1,599,784 | 7,647,443 | 128,407 | 266,824,717 |
| 2006 | 284,027,642 | 2,979,511 | 7,225,720 | 291,161 | 294,524,034 |
| 2007 | 450,345,464 | 3,971,338 | 8,708,528 | 120,511 | 463,145,841 |
| 2008 | 430,208,772 | 4,661,877 | 7,884,695 | 144,622 | 442,899,966 |
| 2009 | 456,566,247 | 4,352,207 | 7,643,202 | 49,169 | 468,610,825 |
| 2010 | 481,978,618 | 4,932,349 | 9,975,440 | 243,073 | 497,129,480 |

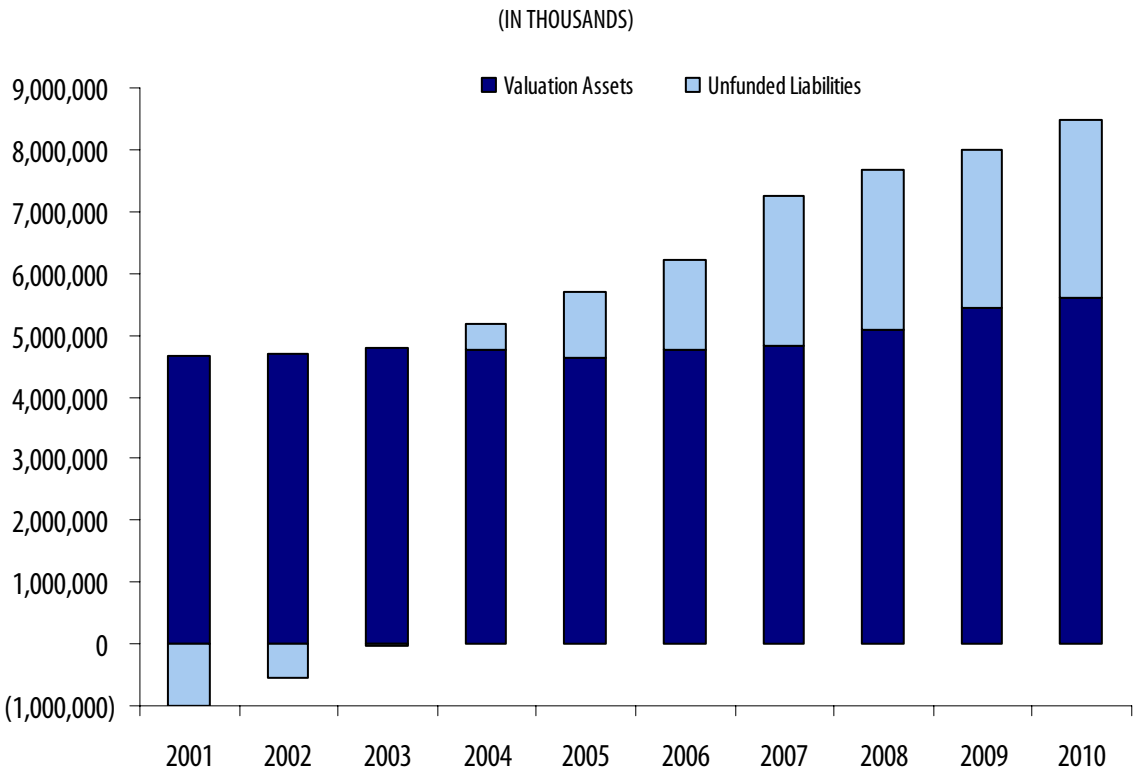
**DEDUCTIONS FROM NET ASSETS FOR BENEFITS AND REFUNDS BY TYPE**
LAST TEN FISCAL YEARS

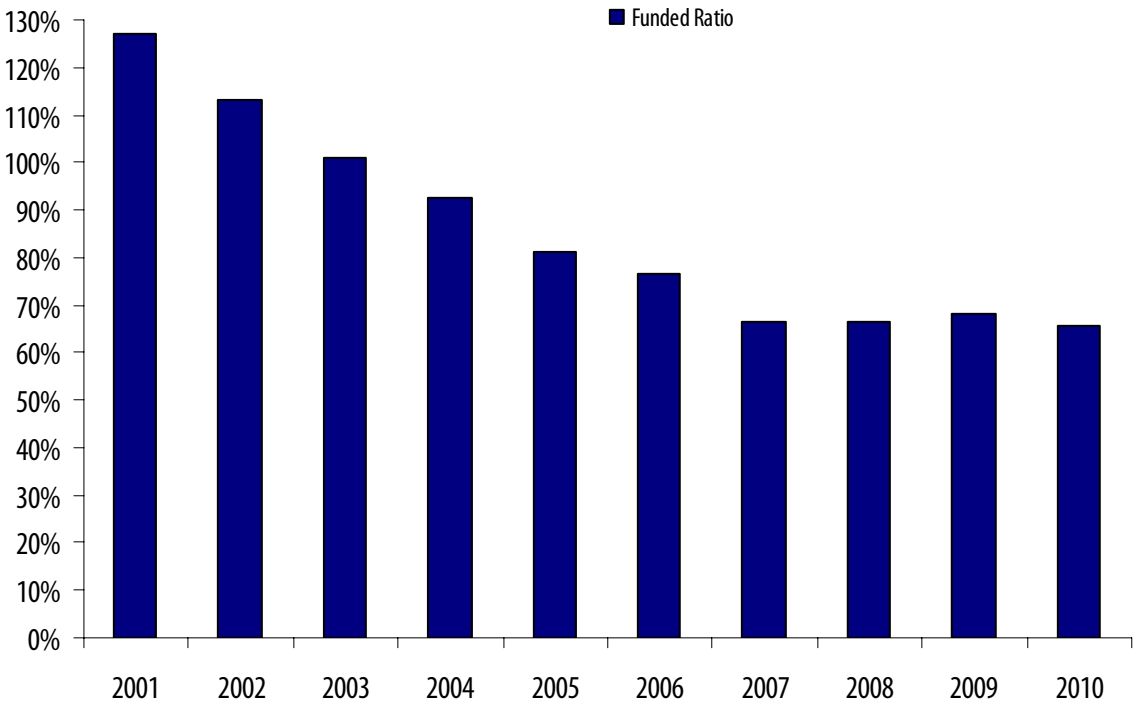
| YEAR ENDING JUNE 30, | NORMAL BENEFITS | SURVIVOR BENEFITS | DISABILITY BENEFITS | DEFERRED BENEFITS | HEALTH INSURANCE SUBSIDY | DROP BENEFITS | TOTAL BENEFITS | REFUNDS |
|---|---|---|---|---|---|---|---|---|
| 2001 | 126,279,381 | 14,049,906 | 19,543,264 | 53,946 | 4,801,247 | - | 164,727,744 | 6,051,785 |
| 2002 | 137,556,909 | 15,342,508 | 21,914,529 | 70,335 | 9,715,347 | 435,573 | 185,035,202 | 6,057,924 |
| 2003 | 151,170,457 | 20,135,779 | 24,102,353 | 81,550 | 11,196,923 | 3,028,175 | 209,715,238 | 6,422,965 |
| 2004 | 163,080,132 | 26,321,345 | 23,431,361 | 102,458 | 10,774,433 | 6,175,715 | 229,885,444 | 6,390,643 |
| 2005 | 176,394,304 | 25,357,132 | 28,883,283 | 131,285 | 11,417,919 | 15,265,160 | 257,449,083 | 7,647,443 |
| 2006 | 190,350,994 | 27,991,410 | 32,501,612 | 140,587 | 10,203,920 | 22,839,120 | 284,027,642 | 7,225,720 |
| 2007 | 220,950,477 | 30,742,748 | 35,536,324 | 146,890 | 11,009,305 | 151,959,720 | 450,345,464 | 8,708,528 |
| 2008 | 247,831,306 | 33,357,309 | 39,137,350 | 151,698 | 11,824,417 | 97,907,651 | 430,209,731 | 7,884,695 |
| 2009 | 274,965,209 | 36,380,334 | 41,979,907 | 158,494 | 12,214,037 | 90,868,266 | 456,566,247 | 7,643,202 |
| 2010 | 300,889,208 | 39,673,066 | 45,439,760 | 179,265 | 12,496,923 | 83,300,396 | 481,978,618 | 9,975,440 |




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

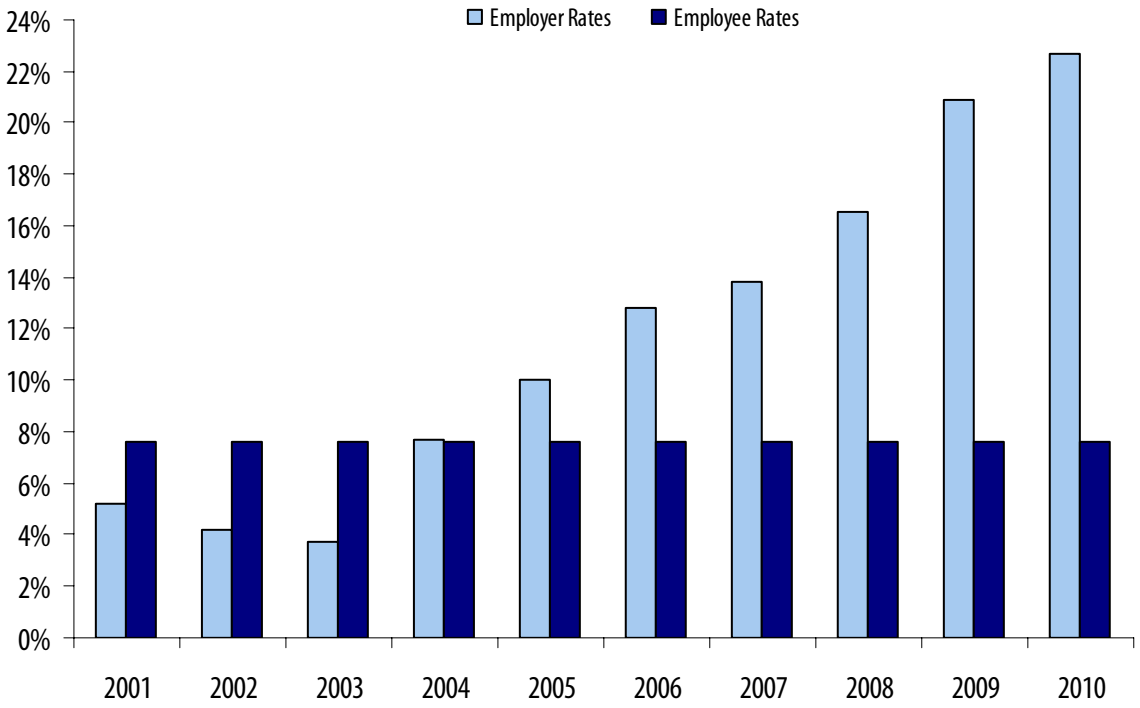
| YEAR ENDING JUNE 30, | VALUATION ASSETS | UNFUNDED LIABILITIES | ACCRUED LIABILITIES | FUNDED RATIO |
|---|---|---|---|---|
| 2001 | $4,661,941 | $ (987,183) | $3,674,758 | 126.9% |
| 2002 | 4,684,386 | (540,175) | 4,144,211 | 113.0% |
| 2003 | 4,781,377 | (41,764) | 4,739,613 | 100.9% |
| 2004 | 4,774,313 | 393,020 | 5,167,333 | 92.4% |
| 2005 | 4,886,963 | 1,064,974 | 5,951,937 | 82.1% |
| 2006 | 4,999,911 | 1,495,101 | 6,495,012 | 77.0% |
| 2007 | 4,829,521 | 2,438,770 | 7,268,291 | 66.4% |
| 2008 | 5,095,645 | 2,567,134 | 7,662,779 | 66.5% |
| 2009 | 5,445,497 | 2,543,954 | 7,989,451 | 68.2% |
| 2010 | 5,591,304 | 2,900,518 | 8,491,822 | 65.8% |


(IN THOUSANDS)
Valuation Assets
Unfunded Liabilities
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
(1,000,000)
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

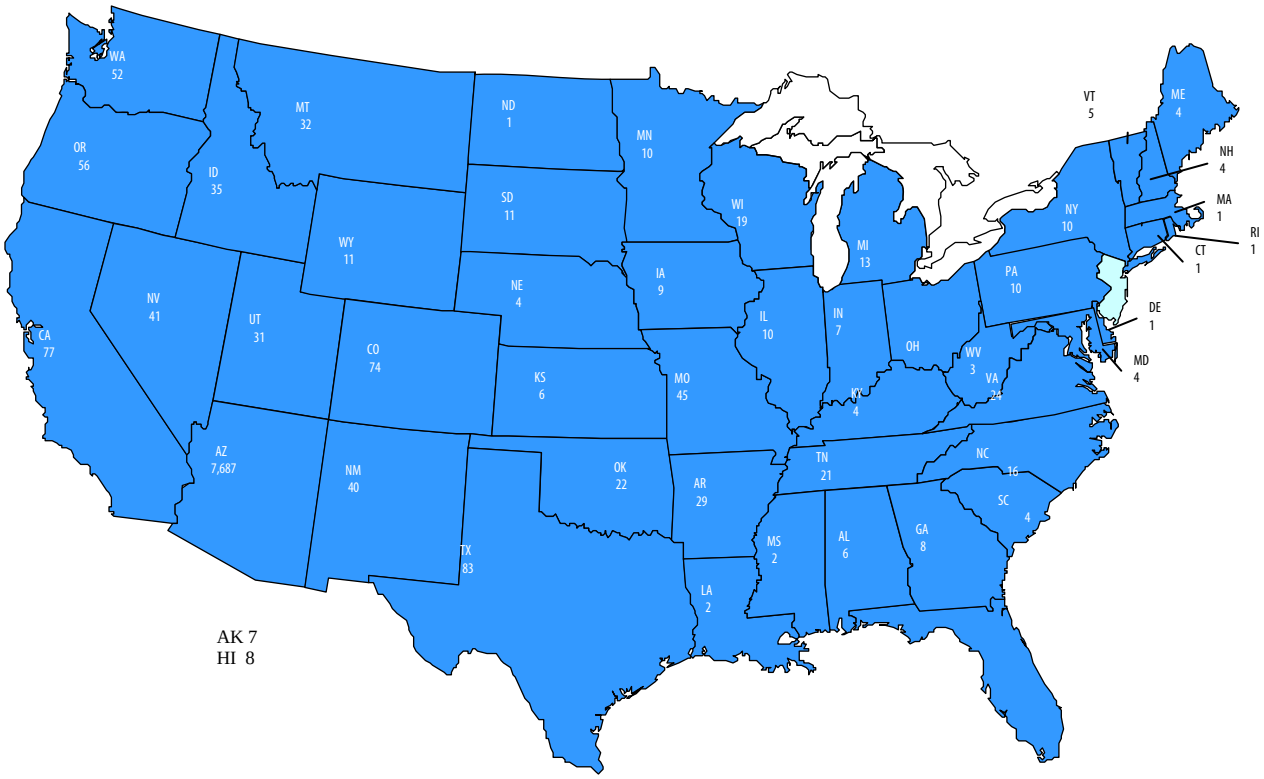

Funded Ratio
130%
120%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

**CONTRIBUTION RATES**
LAST TEN FISCAL YEARS

| YEAR ENDING JUNE 30, | AVERAGE EMPLOYER RATE | EMPLOYEE RATE |
|---|---|---|
| 2001 | 5.21% | 7.65% |
| 2002 | 4.21% | 7.65% |
| 2003 | 3.75% | 7.65% |
| 2004 | 7.66% | 7.65% |
| 2005 | 10.05% | 7.65% |
| 2006 | 12.80% | 7.65% |
| 2007 | 13.83% | 7.65% |
| 2008 | 16.52% | 7.65% |
| 2009 | 21.71% | 7.65% |
| 2010 | 20.77% | 7.65% |

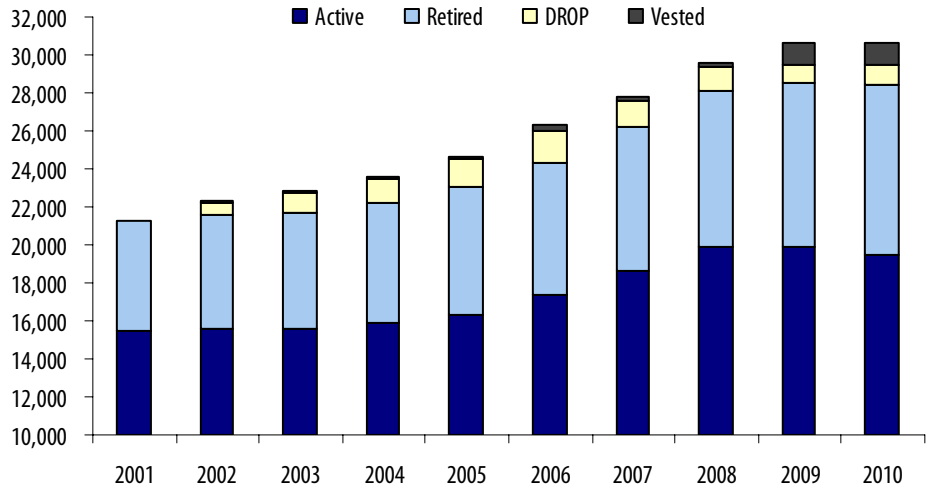


## DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION




## MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

| YEAR ENDING JUNE 30, | ACTIVE | BENEFICIARY RETIRED | DROP | TERMINATED VESTED | TOTAL |
|---|---|---|---|---|---|
| 2001 | 15,473 | 5,782 | - | 59 | 21,314 |
| 2002 | 15,557 | 5,989 | 645 | 82 | 22,273 |
| 2003 | 15,530 | 6,184 | 1,011 | 84 | 22,809 |
| 2004 | 15,852 | 6,396 | 1,267 | 69 | 23,584 |
| 2005 | 16,317 | 6,688 | 1,472 | 104 | 24,581 |
| 2006 | 17,324 | 6,974 | 1,746 | 226 | 26,270 |
| 2007 | 18,624 | 7,633 | 1,325 | 212 | 27,794 |
| 2008 | 19,912 | 8,241 | 1,181 | 213 | 29,547 |
| 2009 | 19,867 | 8,609 | 1,044 | 1,145 | 30,665 |
| 2010 | 19,468 | 8,954 | 1,093 | 1,106 | 30,621 |




**PRINCIPAL PARTICIPATING EMPLOYERS**
LAST TEN FISCAL YEARS

| | 2010 | | | 2001 | | |
|---|---|---|---|---|---|---|
| **EMPLOYER** | **COVERED EMPLOYEES** | **RANK** | **% OF MEMBERSHIP** | **COVERED EMPLOYEES** | **RANK** | **% OF MEMBERSHIP** |
| Phoenix Police | 3,017 | 1 | 15.50% | 2,676 | 1 | 17.29% |
| Phoenix Fire | 1,472 | 2 | 7.56% | 1,313 | 2 | 8.49% |
| Dept of Public Safety | 1,071 | 3 | 5.50% | 1,035 | 3 | 6.69% |
| Tucson Police | 893 | 4 | 4.59% | 941 | 4 | 6.08% |
| Mesa Police | 726 | 5 | 3.73% | 748 | 5 | 4.83% |
| Maricopa Sheriff | 694 | 6 | 3.56% | 628 | 6 | 4.06% |
| Tucson Fire | 585 | 7 | 3.00% | 518 | 7 | 3.35% |
| Pima Sheriff | 485 | 8 | 2.49% | 465 | 8 | 3.01% |
| Glendale Police | 401 | t9 | 2.06% | 316 | t11 | 2.04% |
| Scottsdale Police | 401 | t9 | 2.06% | 323 | 10 | 2.09% |
| All Others | 9,723 | | 49.94% | 6,510 | | 42.07% |
| **Total** | **19,468** | | **100.00%** | **15,473** | | **100.00%** |

**SUMMARY OF BENEFIT INCREASES**
LAST TEN FISCAL YEARS

| YEAR ENDING JUNE 30, | EXCESS YIELD PER STATUTE | EXCESS EARNINGS | UTILIZED TO FUND COLA | EXCESS EARNINGS AVAILABLE | BENEFIT INCREASE 4% CAP |
|---|---|---|---|---|---|
| 2001 | 0.00% | $ - | $ (54,178,336) | $662,898,016 | 98.17 |
| 2002 | 0.00% | - | (61,603,276) | 502,456,646 | 102.53 |
| 2003 | 0.00% | - | (67,995,889) | 468,125,352 | 111.90 |
| 2004 | 5.97% | 107,495,840 | (77,066,484) | 568,619,029 | 116.82 |
| 2005 | 0.11% | 2,198,002 | (85,121,958) | 537,513,325 | 121.76 |
| 2006 | 0.00% | - | (91,412,190) | 490,714,741 | 127.06 |
| 2007 | 8.05% | 190,317,350 | (101,767,604) | 662,931,350 | 134.34 |
| 2008 | 0.00% | - | (114,771,709) | 499,951,273 | 138.66 |
| 2009 | 0.00% | - | (125,721,193) | 285,613,717 | 146.74 |
| 2010 | 4.47% | 90,856,517 | (139,653,075) | 275,289,327 | 152.84 |

**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 |
|---|---|---|---|---|---|
| 2001 | $4,014,033,477 | $ 229,978,521 | 9.00% | 6.02 % | 5.21% |
| 2002 | 4,038,098,811 | 95,669,176 | 9.00% | 2.40 % | 4.21% |
| 2003 | 3,580,672,469 | (359,783,581) | 9.00% | -9.01% | 3.75% |
| 2004 | 3,639,362,740 | 144,657,402 | 9.00% | 4.08 % | 7.66% |
| 2005 | 3,820,166,058 | 266,719,194 | 8.75% | 7.41 % | 10.05% |
| 2006 | 4,183,883,048 | 445,686,514 | 8.50% | 11.78 % | 12.80% |
| 2007 | 4,517,667,333 | 529,659,234 | 8.50% | 12.93 % | 13.83% |
| 2008 | 5,137,831,607 | 726,656,511 | 8.50% | 16.26 % | 16.52% |
| 2009 | 4,528,657,401 | (693,024,100) | 8.50% | -11.82% | 21.71% |
| 2010 | 4,515,144,264 | (853,785) | 8.50% | 1.52% | 20.77% |

**BENEFITS PAYABLE JUNE 30, 2010**
BY TYPE OF BENEFIT

| PENSIONS BEING PAID | NO. | ANNUAL PENSIONS | AVERAGE PENSIONS |
|---|---|---|---|
| RETIRED MEMBERS | | | |
| Service Pensions | 6,557 | $ 320,257,942 | $ 48,842 |
| Disability Pensions | 1,252 | 47,997,903 | 38,337 |
| **Total Retired Members** | **7,809** | **368,255,845** | **47,158** |
| SURVIVORS OF MEMBERS | | | |
| Spouses | 1,098 | 41,266,450 | 37,583 |
| Children w/Guardians | 47 | 1,068,223 | 22,728 |
| **Total Survivors of Members** | **1,145** | **42,334,673** | **36,974** |
| **TOTAL PENSIONS BEING PAID** | **8,954** | **$410,590,518** | **$45,856** |

| | AVERAGE AGE | AVERAGE SERVICE | AVG. AGE AT RETIREMENT |
|---|---|---|---|
| Normal retired members | 62.6 | 23.6 | 51.0 |
| Disability retired members | 55.8 | 14.2 | 43.5 |
| Spouse beneficiaries | 67.4 | 18.8 | 44.1 |

## AVERAGE MONTHLY BENEFITS AND MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

| YEAR ENDING JUNE 30, | | YEARS OF CREDITED SERVICE BY CATEGORY | | | | | | | ALL MEMBERS |
|---|---|---|---|---|---|---|---|---|---|
| | | <5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30+ | |
| 2001 | Average monthly benefit | | | | | | | | 2,454 |
| | Average final average salary | | | | | | | | 4,227 |
| | Number of retirees | | | | | | | | 5,782 |
| 2002 | Average monthly benefit | | | | | | | | 2,563 |
| | Average final average salary | | | | | | | | 4,411 |
| | Number of retirees | | | | | | | | 5,989 |
| 2003 | Average monthly benefit | | | | | | | | 2,798 |
| | Average final average salary | | | | | | | | 4,586 |
| | Number of retirees | | | | | | | | 6,184 |
| 2004 | Average monthly benefit | | | | | | | | 2,921 |
| | Average final average salary | | | | | | | | 4,699 |
| | Number of retirees | | | | | | | | 6,396 |
| 2005 | Average monthly benefit | | | | | | | | 3,044 |
| | Average final average salary | | | | | | | | 4,834 |
| | Number of retirees | | | | | | | | 6,688 |
| 2006 | Average monthly benefit | 2,323 | 2,410 | 2,522 | 2,629 | 2,931 | 4,210 | 5,114 | 3,176 |
| | Average final average salary | | | | | | | | 4,979 |
| | Number of retirees | 221 | 288 | 368 | 465 | 3,727 | 1,461 | 652 | 6,974 |
| 2007 | Average monthly benefit | 2,449 | 2,522 | 2,620 | 2,751 | 3,045 | 4,321 | 4,950 | 3,359 |
| | Average final average salary | | | | | | | | 5,213 |
| | Number of retirees | 208 | 302 | 382 | 481 | 3,948 | 1,787 | 525 | 7,633 |
| 2008 | Average monthly benefit | 2,373 | 2,654 | 2,703 | 2,858 | 3,115 | 4,281 | 5,183 | 3,467 |
| | Average final average salary | | | | | | | | 5,483 |
| | Number of retirees | 233 | 317 | 403 | 501 | 4,209 | 2,013 | 565 | 8,241 |
| 2009 | Average monthly benefit | 2,638 | 2,741 | 2,894 | 3,007 | 3,293 | 4,492 | 5,401 | 3,669 |
| | Average final average salary | | | | | | | | 5,741 |
| | Number of retirees | 202 | 336 | 425 | 511 | 4,351 | 2,201 | 583 | 8,609 |
| 2010 | Average monthly benefit | 2,768 | 2,879 | 2,952 | 3,137 | 3,434 | 4,652 | 5,592 | 3,821 |
| | Average final average salary | | | | | | | | 5,938 |
| | Number of retirees | 210 | 343 | 439 | 533 | 4,482 | 2,333 | 614 | 8,954 |

** Detailed information not available prior to fiscal year ending June 30, 2006.*

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| AK CHIN INDIAN COMM. FIRE DEPT. | 313,165 | 52,627 | 101,609 | (3,512) | 463,889 |
| AK CHIN INDIAN COMM. POLICE DEPT. | 171,749 | 0 | 64,228 | (63) | 235,914 |
| APACHE COUNTY SHERIFF'S DEPT. | 740,655 | (80,669) | 125,760 | (12,600) | 773,145 |
| APACHE JUNCTION FIRE DISTRICT | 3,479,336 | 133 | 468,469 | (52,442) | 3,895,497 |
| APACHE JUNCTION POLICE DEPARTMENT | 1,855,604 | (115,048) | 401,841 | (78,047) | 2,064,349 |
| ARIZONA STATE CAPITOL POLICE | 616,835 | 0 | 79,473 | (772) | 695,536 |
| ARIZONA STATE PARK RANGERS | 2,062,975 | (444,520) | 137,270 | (42,905) | 1,712,820 |
| ASU CAMPUS POLICE | 1,937,718 | (82,778) | 268,625 | (7,576) | 2,115,990 |
| ATTORNEY GENERAL INVESTIGATORS | 867,837 | (85,116) | 66,252 | 0 | 848,973 |
| AVONDALE FIRE DEPARTMENT | 2,347,634 | (36,989) | 300,882 | (19,569) | 2,591,959 |
| AVONDALE POLICE DEPARTMENT | 2,895,724 | (17,543) | 485,284 | (75,431) | 3,288,034 |
| AVRA VALLEY FIRE DISTRICT | 406,794 | 29,373 | 68,303 | (18,074) | 486,396 |
| AZ DPT. LIQ. LIC. & CONTROL INVST | 522,132 | 25,207 | 59,267 | 0 | 606,606 |
| BENSON FIRE DEPARTMENT | 57,006 | 0 | 5,090 | 0 | 62,096 |
| BENSON POLICE DEPARTMENT | 341,346 | 0 | 59,521 | (32,417) | 368,450 |
| BISBEE FIRE DEPARTMENT | 497,016 | (1,358) | 61,765 | (31,433) | 525,990 |
| BISBEE POLICE DEPARTMENT | 507,767 | (103,557) | 52,400 | 0 | 456,610 |
| BLACK CANYON FIRE DISTRICT | 85,334 | 0 | 27,490 | 0 | 112,824 |
| BUCKEYE FIRE DEPARTMENT | 1,836,053 | (21,272) | 391,815 | (19,972) | 2,186,623 |
| BUCKEYE POLICE DEPARTMENT | 1,863,684 | 2,285 | 332,189 | (47,105) | 2,151,053 |
| BUCKEYE VALLEY FIRE DISTRICT | 723,065 | (14,739) | 288,918 | (7,580) | 989,665 |
| BUCKSKIN FIRE DISTRICT | 288,681 | (45,293) | 58,769 | (3,478) | 298,678 |
| BULLHEAD CITY FIRE DEPARTMENT | 3,304,522 | 67,390 | 412,189 | (45,349) | 3,738,752 |
| BULLHEAD CITY POLICE DEPARTMENT | 3,590,993 | (158,235) | 439,223 | (106,788) | 3,765,192 |
| CAMP VERDE FIRE DISTRICT | 582,030 | (38,975) | 119,042 | (4,800) | 657,297 |
| CAMP VERDE MARSHAL'S | 486,538 | (64,175) | 68,732 | (14,123) | 476,973 |
| CASA GRANDE FIRE DEPARTMENT | 1,751,993 | 0 | 324,667 | 0 | 2,076,660 |
| CASA GRANDE POLICE DEPARTMENT | 2,764,414 | (70,063) | 414,653 | (77,618) | 3,031,386 |
| CAVE CREEK MARSHALS | 21,514 | 0 | 6,284 | 0 | 27,798 |
| CENTRAL ARIZONA COLLEGE POLICE | 53,034 | 0 | 21,143 | (13,970) | 60,207 |
| CENTRAL YAVAPAI FIRE DISTRICT | 3,747,398 | (42,256) | 544,273 | 0 | 4,249,415 |
| CHANDLER FIRE DEPARTMENT | 10,582,528 | (251,431) | 1,178,888 | (54,762) | 11,455,224 |
| CHANDLER POLICE DEPARTMENT | 16,795,764 | (378,453) | 2,261,638 | (124,263) | 18,554,685 |
| CHINO VALLEY FIRE DISTRICT | 1,160,191 | 0 | 170,323 | 0 | 1,330,514 |
| CHINO VALLEY POLICE DEPARTMENT | 753,495 | 0 | 91,052 | (6,032) | 838,515 |
| CHRISTOPHER-KOHL'S FIRE DISTRICT | 28,154 | 57,231 | 18,556 | 0 | 103,941 |
| CITY OF MARICOPA POLICE | 1,054,302 | 0 | 258,817 | (15,456) | 1,297,663 |
| CLARKDALE FIRE DISTRICT | 70,326 | 0 | 34,125 | 0 | 104,451 |
| CLARKDALE POLICE DEPARTMENT | 354,690 | (102,787) | 27,167 | 0 | 279,071 |
| CLIFTON FIRE DEPARTMENT | 0 | 0 | 0 | 0 | 0 |
| CLIFTON POLICE DEPARTMENT | 56,536 | (19,020) | 17,171 | (20,837) | 33,850 |
| COCHISE COUNTY SHERIFF'S DEPT | 2,133,980 | 8,871 | 351,717 | (47,862) | 2,446,706 |

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| COCONINO COUNTY SHERIFF'S DEPT | 2,120,813 | (85,815) | 249,624 | (66,847) | 2,217,775 |
| COOLIDGE FIRE DEPARTMENT | 30,008 | 0 | 11,892 | 0 | 41,901 |
| COOLIDGE POLICE DEPARTMENT | 760,250 | 64,597 | 128,134 | (7,470) | 945,511 |
| CORONA DE TUCSON FIRE DISTRICT | 173,743 | (15,183) | 69,133 | 0 | 227,693 |
| COTTONWOOD FIRE DEPARTMENT | 548,330 | 38,975 | 108,208 | 0 | 695,512 |
| COTTONWOOD POLICE DEPARTMENT | 814,302 | (52,666) | 126,261 | (86,675) | 801,223 |
| DAISY MOUNTAIN FIRE DISTRICT | 2,805,216 | 0 | 527,517 | 0 | 3,332,734 |
| DEPARTMENT OF EMER & MILITARY AFF | 1,275,645 | (102,352) | 163,805 | (18,883) | 1,318,214 |
| DEPARTMENT OF PUBLIC SAFETY | 26,611,841 | (2,242,286) | 2,530,978 | (189,148) | 26,711,385 |
| DESERT HILLS FIRE DEPARTMENT | 107,256 | (7,081) | 74,168 | 0 | 174,343 |
| DIAMOND STAR FIRE DISTRICT | 216,691 | (25,833) | 41,015 | 0 | 231,872 |
| DOUGLAS FIRE DEPARTMENT | 628,918 | 0 | 87,898 | (20,016) | 696,801 |
| DOUGLAS POLICE DEPARTMENT | 1,128,812 | (50,669) | 138,415 | 0 | 1,216,558 |
| DREXEL HEIGHTS FIRE DISTRICT | 2,764,188 | (74,087) | 450,927 | (21,878) | 3,119,151 |
| EAGAR POLICE DEPARTMENT | 258,543 | 31,780 | 32,439 | (39,727) | 283,035 |
| EL MIRAGE FIRE DEPARTMENT | 514,332 | 0 | 123,817 | (28,069) | 610,081 |
| EL MIRAGE POLICE DEPARTMENT | 1,198,812 | (77,239) | 207,172 | (26,517) | 1,302,228 |
| ELOY FIRE DISTRICT | 301,563 | (8,534) | 115,307 | (3,348) | 404,987 |
| ELOY POLICE DEPARTMENT | 997,134 | (105,472) | 140,913 | (63,052) | 969,524 |
| FLAGSTAFF FIRE DEPARTMENT | 4,691,444 | (557,276) | 381,622 | (1,338) | 4,514,452 |
| FLAGSTAFF POLICE DEPARTMENT | 3,876,853 | (25,859) | 620,275 | (16,800) | 4,454,470 |
| FLORENCE FIRE DEPARTMENT | 353,729 | 0 | 82,739 | (6,775) | 429,693 |
| FLORENCE POLICE DEPARTMENT | 766,302 | 1,626 | 123,947 | (44,712) | 847,164 |
| FORT MCDOWELL TRIBAL FIRE DEPT. | 181,116 | (2,899) | 46,314 | 0 | 224,531 |
| FORT MCDOWELL TRIBAL POLICE DEPT. | 567,342 | 0 | 101,872 | (50,568) | 618,646 |
| FORT MOJAVE MESA FIRE DISTRICT | 1,349,575 | 0 | 0 | (101,872) | 1,247,703 |
| FORT MOJAVE TRIBAL POLICE DEPT. | 255,538 | 0 | 118,158 | (89,352) | 284,345 |
| FREDONIA MARSHALS | 73,603 | 0 | 13,669 | 0 | 87,271 |
| FRY FIRE DISTRICT | 1,045,885 | (10,878) | 210,108 | (5,137) | 1,239,978 |
| GAME AND FISH DEPARTMENT | 5,338,107 | (215,080) | 543,249 | (31,877) | 5,634,398 |
| GILA COUNTY SHERIFF'S DEPARTMENT | 1,199,455 | (80,753) | 161,134 | (64,692) | 1,215,144 |
| GILA RIVER FIRE DEPARTMENT | 1,724,652 | (72,450) | 349,183 | (206,247) | 1,795,137 |
| GILA RIVER POLICE DEPARTMENT | 2,290,082 | (63,837) | 435,601 | (88,873) | 2,572,973 |
| GILBERT FIRE DEPARTMENT | 6,231,836 | 0 | 965,170 | 0 | 7,197,006 |
| GILBERT POLICE DEPARTMENT | 8,536,730 | 0 | 1,278,014 | (15,978) | 9,798,766 |
| GLENDALE FIRE DEPARTMENT | 12,085,304 | (380,047) | 1,358,502 | (77,930) | 12,985,830 |
| GLENDALE POLICE DEPARTMENT | 16,994,762 | (227,210) | 2,419,980 | (32,158) | 19,155,374 |
| GLOBE FIRE DEPARTMENT | 585,799 | 0 | 73,178 | 0 | 658,977 |
| GLOBE POLICE DEPARTMENT | 602,553 | 59 | 87,597 | (3,075) | 687,135 |
| GOLDEN SHORES FIRE DISTRICT | 136,912 | 0 | 31,287 | 0 | 168,200 |
| GOLDEN VALLEY FIRE DISTRICT | 355,081 | (6,327) | 84,211 | (8,646) | 424,319 |
| GOLDER RANCH FIRE DISTRICT | 3,136,467 | 0 | 517,226 | (25,078) | 3,628,614 |

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| GOODYEAR FIRE DEPARTMENT | 3,132,740 | (54,412) | 503,435 | (65,081) | 3,516,682 |
| GOODYEAR POLICE DEPARTMENT | 3,275,660 | (57,332) | 476,072 | (50,886) | 3,643,514 |
| GRAHAM COUNTY ATTORNEY INVEST. | 0 | 0 | 0 | 0 | 0 |
| GRAHAM COUNTY SHERIFF'S DEPT. | 516,831 | 58,370 | 91,620 | 0 | 666,821 |
| GREEN VALLEY FIRE DISTRICT | 1,829,101 | (132,696) | 278,972 | (52,019) | 1,923,357 |
| GREENLEE CNTY ATTY INVESTIGATORS | 0 | 0 | 0 | 0 | 0 |
| GREENLEE COUNTY SHERIFF'S DEPT. | 366,022 | 27,205 | 53,871 | (31,954) | 415,144 |
| GROOM CREEK FIRE DISTRICT | 70,414 | 0 | 30,592 | 0 | 101,006 |
| GUADALUPE FIRE DEPARTMENT | 229,866 | 0 | 29,779 | 0 | 259,645 |
| HARQUAHALA FIRE DISTRICT | 150,844 | 0 | 51,036 | (5,438) | 196,442 |
| HAYDEN POLICE DEPARTMENT | 75,411 | 13,971 | 26,685 | 0 | 116,066 |
| HEBER-OVERGAARD FIRE DISTRICT | 189,507 | (11,726) | 52,548 | (15,621) | 214,709 |
| HIGHLANDS FIRE DISTRICT | 553,895 | (22,383) | 117,425 | 0 | 648,937 |
| HOLBROOK POLICE DEPARTMENT | 369,623 | 34,409 | 55,153 | (19,334) | 439,850 |
| HUALAPAI INDIAN TRIBE POLICE DEPT | 142,712 | 0 | 54,025 | (1,200) | 195,537 |
| HUALAPAI VALLEY FIRE DISTRICT | 550,354 | 56,489 | 153,238 | (51,671) | 708,409 |
| JEROME POLICE DEPARTMENT | 35,358 | 0 | 6,698 | 0 | 42,057 |
| KEARNY POLICE DEPARTMENT | 164,287 | 393 | 12,453 | (393) | 176,740 |
| KINGMAN FIRE DEPARTMENT | 2,235,270 | (161,336) | 234,573 | (11,604) | 2,296,902 |
| KINGMAN POLICE DEPARTMENT | 1,868,390 | 0 | 231,214 | (23,819) | 2,075,785 |
| LA PAZ COUNTY ATTY. INVESTIGATORS | 57,358 | 0 | 4,411 | 0 | 61,769 |
| LA PAZ COUNTY SHERIFF'S DEPT. | 1,221,109 | (105,663) | 130,237 | 0 | 1,245,683 |
| LAKE HAVASU CITY FIRE DEPARTMENT | 3,067,141 | (256,470) | 324,478 | (62,108) | 3,073,040 |
| LAKE HAVASU CITY POLICE DEPT. | 3,633,420 | (197,780) | 454,070 | (62,855) | 3,826,855 |
| LAKE MOHAVE RANCHOS FIRE DISTRICT | 0 | (272) | 50,281 | 0 | 50,009 |
| LAKESIDE FIRE DISTRICT | 490,459 | 0 | 105,653 | 0 | 596,112 |
| LINDEN FIRE DISTRICT | 94,301 | (14,658) | 29,657 | 0 | 109,300 |
| MAMMOTH POLICE DEPARTMENT | 82,296 | 1,442 | 12,109 | 0 | 95,848 |
| MARANA POLICE DEPARTMENT | 2,492,982 | (348,446) | 339,979 | (117,220) | 2,367,296 |
| MARICOPA CNTY ATTY INVESTIGATORS | 428,650 | (7,920) | 64,145 | 0 | 484,875 |
| MARICOPA COUNTY PARK RANGERS | 24,132 | 0 | 0 | 0 | 24,132 |
| MARICOPA COUNTY SHERIFF'S OFFICE | 30,785,115 | (1,489,894) | 3,665,569 | (185,308) | 32,775,482 |
| MARICOPA FIRE DISTRICT | 1,182,028 | 8,534 | 390,242 | (18,865) | 1,561,939 |
| MAYER FIRE DISTRICT | 389,902 | (76,597) | 72,010 | 0 | 385,314 |
| MESA FIRE DEPARTMENT | 25,304,418 | (1,184,444) | 2,182,491 | (39,429) | 26,263,036 |
| MESA POLICE DEPARTMENT | 43,292,153 | (1,945,656) | 4,619,577 | (83,242) | 45,882,832 |
| MIAMI FIRE DEPARTMENT | 0 | 0 | 0 | 0 | 0 |
| MIAMI POLICE DEPARTMENT | 113,924 | 689 | 20,035 | (5,986) | 128,662 |
| MOHAVE COUNTY SHERIFF'S DEPT. | 3,117,461 | (249,482) | 412,125 | (30,871) | 3,249,233 |
| MOHAVE VALLEY FIRE DISTRICT | 918,334 | (60,345) | 142,763 | (63,554) | 937,198 |
| MONTEZUMA RIMROCK FIRE DISTRICT | 269,307 | 0 | 45,842 | (6,172) | 308,977 |
| MOUNT LEMMON FIRE DISTRICT | 87,937 | 0 | 21,766 | (25,993) | 83,710 |

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| NAU CAMPUS POLICE | 473,975 | (15) | 65,324 | (9,932) | 529,352 |
| NAVAJO COUNTY ATTY'S INVESTIGATOR | 0 | 0 | 0 | 0 | 0 |
| NAVAJO COUNTY SHERIFF'S DEPT. | 1,027,160 | (194,479) | 155,200 | (94,120) | 893,762 |
| NOGALES FIRE DEPARTMENT | 1,543,638 | (48,520) | 186,358 | (29,828) | 1,651,648 |
| NOGALES POLICE DEPARTMENT | 1,934,274 | (82,523) | 267,059 | (63,942) | 2,054,867 |
| NORTHWEST FIRE DISTRICT | 6,397,316 | (87,354) | 981,852 | (9,592) | 7,282,222 |
| ORACLE FIRE DISTRICT | 22,853 | 0 | 14,076 | 0 | 36,930 |
| ORO VALLEY POLICE DEPARTMENT | 3,805,957 | (92,195) | 458,085 | (22,597) | 4,149,250 |
| PAGE FIRE DEPARTMENT | 199,650 | 0 | 71,901 | (34,597) | 236,953 |
| PAGE POLICE DEPARTMENT | 542,562 | 1,794 | 100,731 | (40,070) | 605,017 |
| PARADISE VALLEY POLICE DEPARTMENT | 1,582,246 | (113,925) | 182,212 | 0 | 1,650,532 |
| PARKER POLICE DEPARTMENT | 246,602 | (3,734) | 39,666 | (4,421) | 278,113 |
| PASCUA YAQUI TRIBE FIRE DEPT. | 412,422 | (246) | 96,274 | 0 | 508,450 |
| PASCUA YAQUI TRIBE POLICE DEPT. | 718,581 | 28,880 | 130,238 | 0 | 877,699 |
| PATAGONIA MARSHALS | 34,328 | 0 | 2,215 | 0 | 36,543 |
| PAYSON FIRE DEPARTMENT | 941,546 | (82,595) | 102,875 | (38,232) | 923,593 |
| PAYSON POLICE DEPARTMENT | 995,769 | (80,786) | 127,312 | (4,277) | 1,038,017 |
| PEORIA FIRE DEPARTMENT | 6,210,356 | 18,755 | 799,223 | 0 | 7,028,334 |
| PEORIA POLICE DEPARTMENT | 6,288,560 | (389,863) | 1,302,151 | (113,619) | 7,087,229 |
| PHOENIX FIRE DEPARTMENT | 102,796,857 | (5,884,415) | 10,643,548 | (11,499) | 107,544,491 |
| PHOENIX POLICE DEPARTMENT | 178,236,110 | (8,429,935) | 23,268,355 | (547,814) | 192,526,716 |
| PICTURE ROCKS FIRE DISTRICT | 595,776 | (18,738) | 67,737 | 0 | 644,775 |
| PIMA COUNTY ATTORNEY INVESTIGATOR | 361,054 | 0 | 12,642 | 0 | 373,696 |
| PIMA COUNTY COMM. COLLEGE POLICE | 692,775 | 319 | 91,366 | (172) | 784,288 |
| PIMA COUNTY SHERIFF'S DEPARTMENT | 12,180,404 | (418,818) | 1,446,605 | (143,764) | 13,064,427 |
| PIMA POLICE DEPARTMENT | 47,111 | 10,452 | 15,370 | (26,532) | 46,401 |
| PINAL COUNTY SHERIFF'S DEPARTMENT | 6,605,098 | (377,674) | 1,064,011 | (93,640) | 7,197,794 |
| PINE-STRAWBERRY FIRE DISTRICT | 615,907 | 0 | 84,146 | 0 | 700,054 |
| PINETOP FIRE DISTRICT | 645,729 | (28,843) | 139,990 | (19,120) | 737,757 |
| PINETOP-LAKESIDE POLICE DEPT. | 400,069 | 0 | 49,617 | 0 | 449,686 |
| PINEWOOD FIRE DISTRICT | 230,588 | 0 | 74,522 | (11,097) | 294,012 |
| PRESCOTT FIRE DEPARTMENT | 3,073,244 | (89,548) | 303,788 | (5,106) | 3,282,378 |
| PRESCOTT POLICE DEPARTMENT | 2,510,881 | (46,426) | 386,364 | (48,103) | 2,802,716 |
| PRESCOTT VALLEY POLICE DEPARTMENT | 2,191,210 | (143,373) | 303,554 | (15,901) | 2,335,490 |
| QUARTZSITE FIRE DISTRICT | 109,826 | 0 | 30,790 | 0 | 140,616 |
| QUARTZSITE POLICE DEPARTMENT | 395,265 | 0 | 113,756 | 0 | 509,022 |
| QUEEN CREEK FIRE DEPARTMENT | 200,616 | 1,473 | 145,213 | 0 | 347,302 |
| QUEEN VALLEY FIRE DISTRICT | 1,701 | 14,739 | 9,262 | 0 | 25,702 |
| RINCON VALLEY FIRE DISTRICT | 465,522 | 15,098 | 131,189 | (11,051) | 600,758 |
| RIO RICO FIRE DISTRICT | 479,508 | (5,451) | 108,876 | (3,840) | 579,093 |
| RIO VERDE FIRE DISTRICT | 404,685 | 0 | 79,536 | 0 | 484,221 |
| SAFFORD POLICE DEPARTMENT | 892,228 | (58,370) | 88,194 | (51,193) | 870,858 |

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| SAHUARITA POLICE DEPARTMENT | 950,415 | 11,854 | 179,337 | (33,967) | 1,107,639 |
| SALT RIVER PIMA-MARICOPA FIRE | 2,720,999 | (204,485) | 446,142 | (33,257) | 2,929,399 |
| SALT RIVER PIMA-MARICOPA POLICE | 3,120,369 | (66,375) | 599,362 | (74,816) | 3,578,539 |
| SAN CARLOS TRIBAL POLICE | 131,523 | (689) | 82,931 | 0 | 213,766 |
| SAN LUIS FIRE DEPARTMENT | 505,645 | 0 | 76,745 | 0 | 582,390 |
| SAN LUIS POLICE DEPARTMENT | 847,535 | (99,651) | 204,287 | (29,349) | 922,822 |
| SANTA CRUZ COUNTY SHERIFF'S DEPT. | 1,153,639 | (20,617) | 180,478 | (20,734) | 1,292,767 |
| SCOTTSDALE FIRE DEPARTMENT | 6,248,408 | 3,169 | 1,347,250 | (60,298) | 7,538,528 |
| SCOTTSDALE POLICE DEPARTMENT | 21,531,901 | (1,130,068) | 2,618,948 | (219,230) | 22,801,552 |
| SEDONA FIRE DISTRICT | 2,639,126 | (230,984) | 421,374 | 0 | 2,829,516 |
| SEDONA POLICE DEPARTMENT | 1,019,935 | 2,426 | 130,594 | (41,997) | 1,110,957 |
| SHOW LOW FIRE DISTRICT | 721,186 | 28,843 | 169,711 | 0 | 919,739 |
| SHOW LOW POLICE DEPARTMENT | 1,049,097 | (13,163) | 125,710 | (42,450) | 1,119,193 |
| SIERRA VISTA FIRE DEPARTMENT | 1,810,742 | (112,054) | 213,093 | 0 | 1,911,781 |
| SIERRA VISTA POLICE DEPARTMENT | 2,207,312 | (192,674) | 401,427 | (1,917) | 2,414,148 |
| SNOWFLAKE POLICE DEPARTMENT | 361,601 | (6,794) | 53,024 | 0 | 407,831 |
| SOMERTON FIRE DEPARTMENT | 379,305 | 0 | 61,351 | 0 | 440,656 |
| SOMERTON POLICE DEPARTMENT | 500,287 | (41,507) | 73,254 | 0 | 532,034 |
| SONOITA ELGIN FIRE DEPARTMENT | 26,725 | 0 | 21,859 | (775) | 47,809 |
| SOUTH TUCSON FIRE DEPARTMENT | 321,826 | (5,189) | 30,902 | (1,852) | 345,687 |
| SOUTH TUCSON POLICE DEPARTMENT | 330,707 | (72,627) | 43,838 | 0 | 301,918 |
| SPRINGERVILLE POLICE DEPARTMENT | 259,532 | (66,177) | 25,463 | 0 | 218,818 |
| ST. JOHNS POLICE DEPARTMENT | 140,078 | 28,303 | 34,781 | (642) | 202,519 |
| SUMMIT FIRE DISTRICT | 1,073,769 | 0 | 264,630 | (7,480) | 1,330,919 |
| SUN CITY FIRE DISTRICT | 4,525,703 | (180,224) | 358,414 | 0 | 4,703,893 |
| SUN CITY WEST FIRE DISTRICT | 2,546,075 | (52,764) | 310,107 | (2,099) | 2,801,319 |
| SUN LAKES FIRE DISTRICT | 1,591,271 | (170,370) | 343,474 | 0 | 1,764,375 |
| SUPERIOR POLICE DEPARTMENT | 153,242 | (288) | 22,791 | (29,467) | 146,277 |
| SURPRISE FIRE DEPARTMENT | 3,821,858 | 0 | 692,707 | 0 | 4,514,565 |
| SURPRISE POLICE DEPARTMENT | 3,681,180 | (69,414) | 670,313 | 0 | 4,282,080 |
| TEMPE FIRE DEPARTMENT | 9,009,216 | (428,537) | 1,256,930 | (378) | 9,837,230 |
| TEMPE POLICE DEPARTMENT | 16,544,834 | (788,805) | 2,390,824 | (133,829) | 18,013,024 |
| THATCHER POLICE DEPARTMENT | 293,249 | 0 | 47,693 | 0 | 340,941 |
| THREE POINTS FIRE DISTRICT | 288,205 | (41,460) | 66,810 | 0 | 313,555 |
| TOHONO O'ODHAM NATION FIRE | 422,593 | 23,629 | 190,956 | (11,373) | 625,804 |
| TOHONO O'ODHAM NATION POLICE | 780,080 | 84,883 | 366,862 | (17,442) | 1,214,382 |
| TOLLESON FIRE DEPARTMENT | 1,075,020 | 0 | 321,636 | 0 | 1,396,656 |
| TOLLESON POLICE DEPARTMENT | 875,181 | 0 | 131,360 | (100,206) | 906,336 |
| TOMBSTONE MARSHAL'S DEPARTMENT | 121,908 | 0 | 15,902 | 0 | 137,811 |
| TONOPAH FIRE DISTRICT | 80,307 | 0 | 23,765 | (4,353) | 99,719 |
| TOWN OF SUPERIOR (FIRE DEPT) | 65,867 | 0 | 20,879 | 0 | 86,746 |
| TRI-CITY FIRE DISTRICT | 308,945 | 0 | 76,335 | (8,946) | 376,334 |

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | 2010 BALANCES |
|---|---|---|---|---|---|
| TUBAC FIRE DISTRICT | 571,770 | 0 | 119,034 | 0 | 690,804 |
| TUCSON AIRPORT AUTHORITY FIRE DPT | 950,594 | (148,492) | 63,623 | 0 | 865,725 |
| TUCSON AIRPORT AUTHORITY POLICE | 1,032,950 | (28,880) | 97,176 | 0 | 1,101,246 |
| TUCSON FIRE DEPARTMENT | 24,198,826 | (851,528) | 3,272,864 | (4,333) | 26,615,828 |
| TUCSON POLICE DEPARTMENT | 38,212,758 | (3,661,011) | 5,762,755 | (176,776) | 40,137,726 |
| U OF A CAMPUS POLICE DEPARTMENT | 1,933,291 | (32,319) | 259,286 | (35,301) | 2,124,958 |
| VERDE VALLEY FIRE DISTRICT | 849,885 | 0 | 136,852 | (14,926) | 971,812 |
| WELLTON POLICE | 105,509 | (27,001) | 21,848 | (1,752) | 98,604 |
| WHETSTONE FIRE DISTRICT | 55,195 | 0 | 17,550 | (21,451) | 51,294 |
| WICKENBURG FIRE DEPARTMENT | 97,208 | 0 | 32,078 | 0 | 129,287 |
| WICKENBURG POLICE DEPARTMENT | 454,400 | (12,213) | 57,126 | (19,695) | 479,618 |
| WILLCOX POLICE DEPARTMENT | 317,851 | 0 | 41,726 | 0 | 359,577 |
| WILLIAMS POLICE DEPARTMENT | 230,379 | 3,333 | 44,382 | (26,333) | 251,761 |
| WILLIAMSON VALLEY FIRE DISTRICT | 77,724 | 0 | 22,464 | 0 | 100,188 |
| WINSLOW FIRE DEPARTMENT | 328,144 | 0 | 26,840 | 0 | 354,983 |
| WINSLOW POLICE DEPARTMENT | 809,039 | (9,279) | 108,183 | 0 | 907,942 |
| WITTMAN FIRE DISTRICT | 39,197 | 0 | 34,688 | 0 | 73,885 |
| YAVAPAI CNTY ATTRNY INVESTIGATORS | 0 | 0 | 0 | 0 | 0 |
| YAVAPAI COUNTY SHERIFF'S DEPT. | 4,154,430 | (59,495) | 545,258 | (181,736) | 4,458,457 |
| YAVAPAI PRESCOTT TRIBAL POLICE | 58,214 | 0 | 23,367 | 0 | 81,581 |
| YOUNGTOWN POLICE DEPARTMENT | 217,123 | 33,975 | 40,668 | 0 | 291,766 |
| YUMA COUNTY SHERIFF'S DEPARTMENT | 2,078,264 | 24,271 | 378,479 | (38,284) | 2,442,730 |
| YUMA FIRE DEPARTMENT | 4,896,363 | (147,359) | 466,376 | 0 | 5,215,380 |
| YUMA POLICE DEPARTMENT | 5,996,413 | (540,962) | 779,103 | (19,482) | 6,215,071 |
| **TOTALS** | **853,566,631** | **(38,315,059)** | **112,749,520** | **(6,329,178)** | **921,671,914** |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AK CHIN INDIAN COMM. FIRE DEPT. | 1,535,861 | 221,057 | 165,628 | 0 | (105,080) | 0 | 0 | 0 | 277,680 | 2,095,146 | 288,637 |
| AK CHIN INDIAN COMM. POLICE DEPT. | 831,811 | 0 | 98,483 | 0 | (53,947) | 0 | 0 | 0 | 142,244 | 1,018,590 | (18,250) |
| APACHE COUNTY SHERIFF'S DEPT. | 1,947,927 | (3,444) | 446,218 | 0 | (595,652) | (7,837) | 0 | 0 | 352,880 | 2,140,092 | 5,003,503 |
| APACHE JUNCTION FIRE DISTRICT | 7,390,779 | (133) | 721,814 | 111,233 | (270,983) | (6,277) | 0 | (17,496) | 1,525,726 | 9,454,662 | 3,609,650 |
| APACHE JUNCTION POLICE DEPARTMENT | 6,428,003 | 115,048 | 641,857 | 0 | (1,009,191) | (19,511) | (49,266) | (72,127) | 1,101,393 | 7,136,207 | 7,822,648 |
| ARIZONA STATE CAPITOL POLICE | 1,729,555 | 0 | 114,274 | 0 | (125,979) | (7,720) | 0 | 0 | 319,475 | 2,029,605 | 605,944 |
| ARIZONA STATE PARK RANGERS | 4,745,194 | 447,780 | 316,388 | 0 | (264,747) | (10,380) | (606,777) | (20,744) | 882,559 | 5,489,273 | 946,893 |
| ASU CAMPUS POLICE | 8,842,899 | (5,715) | 700,885 | 0 | (1,128,409) | (20,396) | 0 | 0 | 1,431,022 | 9,820,286 | 4,524,147 |
| ATTORNEY GENERAL INVESTIGATORS | 4,144,008 | 60,131 | 211,483 | 0 | (859,930) | (26,930) | (185,454) | 0 | 618,782 | 3,962,090 | 5,869,107 |
| AVONDALE FIRE DEPARTMENT | 4,749,357 | (51,807) | 679,154 | 0 | (168,307) | (2,700) | 0 | (4,892) | 1,001,019 | 6,201,824 | 1,943,498 |
| AVONDALE POLICE DEPARTMENT | 5,850,862 | (11,416) | 764,438 | 0 | (489,725) | (11,824) | 0 | (15,001) | 1,218,316 | 7,305,651 | 4,425,394 |
| AVRA VALLEY FIRE DISTRICT | 1,075,683 | (24,142) | 37,480 | 7,820 | 0 | 0 | 0 | 0 | 206,104 | 1,302,944 | (900,409) |
| AZ DPT. LIQ. LIC. & CONTROL INVST | 2,220,487 | 58,220 | 107,454 | 0 | (341,835) | (20,495) | 0 | 0 | 361,224 | 2,385,055 | 2,101,915 |
| BENSON FIRE DEPARTMENT | 145,779 | 0 | (1,826) | 6,351 | 0 | 0 | 0 | 0 | 27,912 | 178,216 | 69,306 |
| BENSON POLICE DEPARTMENT | 878,194 | 0 | 111,980 | 0 | (140,479) | (2,040) | 0 | (22,692) | 162,220 | 987,183 | 939,649 |
| BISBEE FIRE DEPARTMENT | 1,597,541 | 1,358 | 297,910 | 7,333 | (646,319) | (4,559) | 0 | (31,873) | 258,289 | 1,479,680 | 5,092,620 |
| BISBEE POLICE DEPARTMENT | 1,390,260 | 103,557 | 233,368 | 0 | (438,417) | (9,677) | (145,447) | 0 | 234,513 | 1,368,157 | 3,169,071 |
| BLACK CANYON FIRE DISTRICT | 137,859 | 0 | 36,163 | 4,585 | 0 | 0 | 0 | 0 | 34,598 | 213,205 | 55,890 |
| BUCKEYE FIRE DEPARTMENT | 2,713,876 | (1,369) | 295,046 | 111,987 | 0 | 0 | 0 | 0 | 662,613 | 3,782,153 | (10,015) |
| BUCKEYE POLICE DEPARTMENT | 4,616,321 | (139,008) | 415,127 | 0 | (301,290) | (1,800) | 0 | (15,006) | 887,783 | 5,462,127 | 1,144,628 |
| BUCKEYE VALLEY FIRE DISTRICT | 1,277,863 | (7,872) | 348,827 | 29,566 | 0 | 0 | 0 | 0 | 311,872 | 1,960,255 | 366,333 |
| BUCKSKIN FIRE DISTRICT | 951,558 | 79,250 | 201,709 | 0 | (269,755) | (3,001) | 0 | 0 | 167,983 | 1,127,745 | 2,073,180 |
| BULLHEAD CITY FIRE DEPARTMENT | 11,041,999 | 42,418 | 854,453 | 103,387 | (404,751) | (8,560) | 0 | (35,908) | 1,995,235 | 13,588,272 | 4,329,618 |
| BULLHEAD CITY POLICE DEPARTMENT | 9,924,669 | 52,765 | 869,354 | 0 | (766,799) | (18,958) | (259,179) | (87,620) | 1,814,846 | 11,529,078 | 6,640,276 |
| CAMP VERDE FIRE DISTRICT | 1,285,695 | (43,354) | 200,229 | 17,443 | 0 | 0 | 0 | 0 | 267,909 | 1,727,921 | 441,180 |
| CAMP VERDE MARSHAL'S | 1,200,502 | 64,175 | 125,425 | 0 | (68,003) | 0 | 0 | 0 | 234,367 | 1,556,466 | 544,342 |
| CASA GRANDE FIRE DEPARTMENT | 5,188,770 | 0 | 621,049 | 69,631 | (821,656) | (17,520) | 0 | 0 | 945,081 | 5,985,356 | 5,721,604 |
| CASA GRANDE POLICE DEPARTMENT | 8,519,095 | 75,276 | 1,048,059 | 0 | (1,438,821) | (19,549) | (152,828) | (21,061) | 1,500,886 | 9,511,058 | 11,177,464 |
| CAVE CREEK MARSHALS | 38,565 | 0 | 9,627 | 0 | 0 | 0 | 0 | 0 | 9,148 | 57,339 | 24,219 |
| CENTRAL ARIZONA COLLEGE POLICE | 244,639 | 0 | 25,343 | 0 | (37,185) | 0 | 0 | 0 | 39,711 | 272,509 | 141,114 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CENTRAL YAVAPAI FIRE DISTRICT | 10,475,073 | 42,256 | 898,596 | 162,234 | (851,840) | (22,585) | 0 | 0 | 1,961,440 | 12,665,174 | 8,292,195 |
| CHANDLER FIRE DEPARTMENT | 28,349,075 | 251,431 | 2,529,805 | 328,029 | (1,638,018) | (57,834) | (857,858) | (48,815) | 5,327,383 | 34,183,197 | 13,417,047 |
| CHANDLER POLICE DEPARTMENT | 39,703,711 | 378,848 | 4,652,782 | 0 | (2,801,834) | (86,452) | (503,032) | (83,391) | 7,819,697 | 49,080,329 | 31,645,477 |
| CHINO VALLEY FIRE DISTRICT | 2,504,753 | 0 | 286,753 | 35,000 | (31,637) | 0 | 0 | 0 | 523,734 | 3,318,603 | 1,064,743 |
| CHINO VALLEY POLICE DEPARTMENT | 1,920,242 | 0 | 163,893 | 0 | (133,276) | (1,750) | 0 | 0 | 367,160 | 2,316,270 | 683,700 |
| CHRISTOPHER-KOHL'S FIRE DISTRICT | 38,673 | 9,897 | 27,110 | 4,786 | 0 | 0 | 0 | 0 | 16,890 | 97,356 | 50,327 |
| CITY OF MARICOPA POLICE | 1,357,657 | 0 | 180,313 | 0 | 0 | 0 | 0 | 0 | 352,789 | 1,890,759 | 485,409 |
| CLARKDALE FIRE DISTRICT | 77,225 | 0 | 20,577 | 9,775 | 0 | 0 | 0 | 0 | 24,174 | 131,751 | 33,315 |
| CLARKDALE POLICE DEPARTMENT | 932,494 | 102,787 | 51,422 | 0 | (61,432) | (2,007) | 0 | 0 | 174,090 | 1,197,354 | 196,382 |
| CLIFTON FIRE DEPARTMENT | 223,047 | 0 | 219 | 985 | (53,973) | (1,800) | 0 | 0 | 26,322 | 194,799 | (3,222) |
| CLIFTON POLICE DEPARTMENT | 341,968 | (18,414) | 11,223 | 0 | (21,621) | 0 | 0 | (11,460) | 49,349 | 351,045 | (206,755) |
| COCHISE COUNTY SHERIFF'S DEPT | 7,673,518 | 205,029 | 1,124,113 | 0 | (1,744,449) | (41,186) | 0 | (25,746) | 1,307,295 | 8,498,575 | 13,103,552 |
| COCONINO COUNTY SHERIFF'S DEPT | 7,743,253 | 54,999 | 843,946 | 0 | (1,691,515) | (48,925) | (322,730) | (41,652) | 1,251,746 | 7,789,122 | 13,613,204 |
| COOLIDGE FIRE DEPARTMENT | 47,363 | 0 | 4,593 | 15,523 | 0 | 0 | 0 | 0 | 12,555 | 80,034 | (29,114) |
| COOLIDGE POLICE DEPARTMENT | 2,350,287 | 63,951 | 248,394 | 0 | (285,961) | (8,681) | 0 | 0 | 431,880 | 2,799,871 | 2,187,756 |
| CORONA DE TUCSON FIRE DISTRICT | 387,970 | (24,151) | 127,421 | 12,530 | (36,627) | 0 | 0 | 0 | 84,476 | 551,619 | 585,851 |
| COTTONWOOD FIRE DEPARTMENT | 1,097,678 | 43,354 | 166,562 | 22,356 | (66,500) | (3,120) | 0 | 0 | 242,148 | 1,502,478 | 604,610 |
| COTTONWOOD POLICE DEPARTMENT | 2,099,408 | 52,666 | 341,928 | 0 | (443,031) | (2,736) | (150,389) | (63,006) | 373,104 | 2,207,945 | 3,586,808 |
| DAISY MOUNTAIN FIRE DISTRICT | 4,156,832 | 0 | 651,245 | 127,923 | 0 | 0 | 0 | 0 | 1,023,946 | 5,959,945 | 735,031 |
| DEPARTMENT OF EMER & MILITARY AFF | 3,882,991 | 102,352 | 353,078 | 0 | (388,218) | (5,130) | (173,176) | 0 | 689,010 | 4,460,908 | 2,278,373 |
| DEPARTMENT OF PUBLIC SAFETY | 323,016,791 | 2,034,381 | 23,790,339 | 0 | (45,836,802) | (1,361,724) | (6,082,043) | (133,198) | 45,162,099 | 340,589,844 | 258,293,640 |
| DESERT HILLS FIRE DEPARTMENT | 224,936 | 7,081 | 59,964 | 12,749 | (26,921) | 0 | 0 | 0 | 52,731 | 330,540 | 362,681 |
| DIAMOND STAR FIRE DISTRICT (HELLSGATE) | 396,099 | (5,441) | 77,560 | 0 | 0 | 0 | 0 | 0 | 88,263 | 556,482 | 324,396 |
| DOUGLAS FIRE DEPARTMENT | 3,140,963 | 0 | 350,281 | 9,562 | (726,834) | (15,120) | 0 | (4,154) | 485,484 | 3,240,183 | 5,005,350 |
| DOUGLAS POLICE DEPARTMENT | 4,379,188 | 50,669 | 448,358 | 0 | (791,909) | (16,607) | (141,320) | 0 | 716,184 | 4,644,563 | 5,329,518 |
| DREXEL HEIGHTS FIRE DISTRICT | 6,269,530 | 49,109 | 645,674 | 55,142 | (171,865) | (8,425) | (16,396) | (4,721) | 1,275,391 | 8,093,439 | 2,667,699 |
| EAGAR POLICE DEPARTMENT | 880,228 | 39,245 | 53,090 | 0 | (92,211) | 0 | 0 | (18,323) | 153,539 | 1,015,568 | 486,893 |
| EL MIRAGE FIRE DEPARTMENT | 1,039,851 | 0 | 90,441 | 41,733 | (40,838) | 0 | 0 | (19,648) | 220,228 | 1,331,767 | 343,823 |
| EL MIRAGE POLICE DEPARTMENT | 2,043,260 | 77,239 | 326,474 | 0 | (297,140) | (1,241) | 0 | (14,584) | 448,974 | 2,582,983 | 2,226,847 |
| ELOY FIRE DISTRICT | 583,764 | (1,051) | 188,798 | 16,897 | 0 | 0 | 0 | 0 | 139,750 | 928,157 | 861,141 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ELOY POLICE DEPARTMENT | 2,769,738 | 32,783 | 226,935 | 0 | (226,347) | (2,400) | (197,351) | (39,434) | 490,791 | 3,054,717 | 1,024,109 |
| FLAGSTAFF FIRE DEPARTMENT | 20,357,758 | 557,276 | 1,211,503 | 149,555 | (2,660,390) | (85,486) | (1,006,471) | 0 | 3,232,855 | 21,756,598 | 14,818,048 |
| FLAGSTAFF POLICE DEPARTMENT | 13,421,620 | 12,717 | 1,539,083 | 0 | (2,386,421) | (49,219) | 0 | 0 | 2,305,322 | 14,843,102 | 17,581,158 |
| FLORENCE FIRE DEPARTMENT | 515,712 | 0 | 71,534 | 18,602 | 0 | 0 | 0 | 0 | 128,069 | 733,917 | (236,173) |
| FLORENCE POLICE DEPARTMENT | 1,625,028 | 0 | 155,506 | 0 | (61,738) | (1,200) | 0 | (32,398) | 331,014 | 2,016,211 | (84,805) |
| FORT MCDOWELL TRIBAL FIRE DEPT. | 477,658 | (1,611) | 30,475 | 0 | 0 | 0 | 0 | 0 | 93,436 | 599,958 | (181,056) |
| FORT MCDOWELL TRIBAL POLICE DEPT. | 950,084 | 0 | 137,640 | 0 | 0 | 0 | 0 | (51,740) | 213,253 | 1,249,237 | 358,773 |
| FORT MOJAVE MESA FIRE DISTRICT | 3,102,688 | 0 | 640,884 | 35,504 | (241,887) | (12,401) | 0 | (44,911) | 617,149 | 4,097,027 | 1,582,000 |
| FORT MOJAVE TRIBAL POLICE DEPT. | 461,478 | 0 | 133,619 | 0 | 0 | 0 | 0 | (32,911) | 105,115 | 667,302 | (94,062) |
| FREDONIA MARSHALS | 244,693 | 0 | 8,934 | 0 | 0 | 0 | 0 | 0 | 44,317 | 297,943 | (82,053) |
| FRY FIRE DISTRICT | 4,354,107 | (7,607) | 537,521 | 27,037 | (712,445) | (26,940) | 0 | 0 | 726,853 | 4,898,526 | 4,886,948 |
| GAME AND FISH DEPARTMENT | 22,970,311 | 194,438 | 2,585,587 | 0 | (5,165,594) | (157,805) | (217,027) | (34,478) | 3,638,302 | 23,813,734 | 37,343,693 |
| GILA COUNTY SHERIFF'S DEPARTMENT | 3,744,358 | 11,373 | 422,009 | 0 | (559,318) | (12,236) | (119,021) | (51,616) | 645,027 | 4,080,576 | 4,041,390 |
| GILA RIVER FIRE DEPARTMENT | 2,485,034 | (141,963) | 547,193 | 0 | (138,231) | 0 | 0 | (102,361) | 581,831 | 3,231,503 | 1,808,377 |
| GILA RIVER POLICE DEPARTMENT | 3,690,021 | 62,211 | 555,435 | 0 | (75,694) | 0 | 0 | (40,666) | 856,789 | 5,048,097 | 666,009 |
| GILBERT FIRE DEPARTMENT | 9,730,206 | 0 | 1,013,416 | 458,049 | (80,312) | (3,120) | 0 | 0 | 2,304,419 | 13,422,658 | 1,623,634 |
| GILBERT POLICE DEPARTMENT | 15,662,037 | 0 | 2,342,190 | 0 | (1,049,240) | (12,234) | 0 | 0 | 3,424,651 | 20,367,404 | 12,124,362 |
| GLENDALE FIRE DEPARTMENT | 40,985,559 | 380,047 | 2,683,443 | 439,830 | (3,385,143) | (123,025) | (777,948) | (72,794) | 7,138,795 | 47,268,763 | 18,888,064 |
| GLENDALE POLICE DEPARTMENT | 48,111,647 | 379,787 | 5,868,848 | 0 | (6,271,234) | (263,979) | (603,265) | 0 | 8,839,476 | 56,061,280 | 52,483,958 |
| GLOBE FIRE DEPARTMENT | 1,900,390 | 0 | 201,111 | 7,027 | (305,668) | (14,920) | 0 | 0 | 331,646 | 2,119,586 | 2,186,997 |
| GLOBE POLICE DEPARTMENT | 1,976,271 | (59) | 254,889 | 0 | (331,809) | (9,870) | 0 | 0 | 346,590 | 2,236,011 | 2,727,877 |
| GOLDEN SHORES FIRE DISTRICT | 278,154 | 0 | 30,470 | 5,446 | 0 | 0 | 0 | 0 | 60,327 | 374,398 | (30,087) |
| GOLDEN VALLEY FIRE DISTRICT | 1,344,517 | (2,364) | 126,692 | 23,384 | (126,916) | (3,600) | 0 | 0 | 234,334 | 1,596,048 | 583,685 |
| GOLDER RANCH FIRE DISTRICT | 6,230,915 | 0 | 786,307 | 136,561 | (49,806) | (3,600) | 0 | 0 | 1,351,054 | 8,451,431 | 2,384,112 |
| GOODYEAR FIRE DEPARTMENT | 4,869,997 | 54,412 | 525,734 | 183,828 | (36,238) | (2,340) | 0 | (65,081) | 1,146,232 | 6,676,544 | 499,693 |
| GOODYEAR POLICE DEPARTMENT | 6,141,290 | 69,931 | 841,639 | 0 | (305,318) | (5,569) | (140,442) | (46,995) | 1,318,692 | 7,873,227 | 3,706,244 |
| GRAHAM COUNTY ATTORNEY INVEST. | 37,933 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,100 | 43,034 | (52,823) |
| GRAHAM COUNTY SHERIFF'S DEPT. | 900,838 | 126,403 | 200,190 | 0 | (108,442) | (3,520) | 0 | 0 | 215,129 | 1,330,597 | 1,475,844 |
| GREEN VALLEY FIRE DISTRICT | 4,557,686 | 112,985 | 460,638 | 84,521 | (34,555) | (300) | 0 | (38,024) | 904,435 | 6,047,385 | 2,084,753 |
| GREENLEE CNTY ATTY INVESTIGATORS | 30,051 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,041 | 34,092 | (41,846) |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GREENLEE COUNTY SHERIFF'S DEPT. | 1,562,554 | 33,099 | 82,955 | 0 | (116,883) | (1,200) | 0 | 0 | 262,477 | 1,823,003 | 320,542 |
| GROOM CREEK FIRE DISTRICT | 101,607 | 0 | 30,786 | 3,982 | 0 | 0 | 0 | 0 | 27,524 | 163,898 | 27,976 |
| GUADALUPE FIRE DEPARTMENT | 231,745 | 0 | 59,251 | 3,682 | (40,618) | (1,200) | 0 | 0 | 65,489 | 318,349 | 629,394 |
| HARQUAHALA FIRE DISTRICT | 258,572 | 0 | 40,501 | 4,958 | 0 | 0 | 0 | 0 | 61,171 | 365,201 | (127,226) |
| HAYDEN POLICE DEPARTMENT | 404,191 | 184,067 | 20,720 | 0 | 0 | 0 | 0 | 0 | 80,987 | 689,964 | (444,031) |
| HEBER-OVERGAARD FIRE DISTRICT | 390,132 | (600) | 77,813 | 18,266 | 0 | 0 | 0 | 0 | 86,050 | 571,661 | (57,123) |
| HIGHLANDS FIRE DISTRICT | 1,398,059 | 22,383 | 210,789 | 22,439 | (69,997) | (1,800) | (274,956) | 0 | 262,717 | 1,569,633 | 1,089,662 |
| HOLBROOK POLICE DEPARTMENT | 1,247,994 | 29,665 | 177,065 | 0 | (328,364) | (1,560) | 0 | (7,734) | 213,420 | 1,330,486 | 2,349,128 |
| HUALAPAI INDIAN TRIBE POLICE DEPT | 218,318 | 0 | 59,034 | 0 | 0 | 0 | 0 | 0 | 56,063 | 333,416 | (51,734) |
| HUALAPAI VALLEY FIRE DISTRICT | 1,091,951 | 126,535 | 276,710 | 0 | (112,058) | (7,800) | 0 | (7,867) | 249,969 | 1,617,441 | 1,498,727 |
| JEROME POLICE DEPARTMENT | 86,206 | 0 | 12,014 | 0 | 0 | 0 | 0 | 0 | 17,603 | 115,823 | (7,758) |
| KEARNY POLICE DEPARTMENT | 730,570 | (393) | 8,934 | 0 | (61,093) | (209) | 0 | 0 | 117,610 | 795,419 | 148,767 |
| KINGMAN FIRE DEPARTMENT | 6,389,210 | (23,229) | 575,970 | 0 | (513,746) | (10,460) | (215,942) | 0 | 1,151,170 | 7,352,975 | 3,985,800 |
| KINGMAN POLICE DEPARTMENT | 5,780,132 | 0 | 550,350 | 0 | (684,843) | (10,475) | 0 | 0 | 1,032,598 | 6,667,763 | 4,892,170 |
| LA PAZ COUNTY ATTY. INVESTIGATORS | 121,371 | 0 | 2,918 | 0 | 0 | 0 | 0 | 0 | 24,524 | 148,813 | 24,099 |
| LA PAZ COUNTY SHERIFF'S DEPT. | 3,374,893 | 136,332 | 380,451 | 0 | (476,911) | (5,977) | (161,278) | 0 | 611,055 | 3,858,565 | 3,973,945 |
| LAKE HAVASU CITY FIRE DEPARTMENT | 12,953,156 | 234,418 | 1,022,307 | 0 | (1,417,715) | (59,880) | (774,911) | (23,285) | 2,085,935 | 14,020,025 | 9,405,555 |
| LAKE HAVASU CITY POLICE DEPT. | 10,341,279 | 197,780 | 997,663 | 0 | (1,201,033) | (47,564) | (283,411) | (53,414) | 1,865,789 | 11,817,090 | 9,012,214 |
| LAKE MOHAVE RANCHOS FIRE DISTRICT | 0 | 0 | 131,819 | 0 | 0 | 0 | 0 | 0 | 12,224 | 144,043 | 0 |
| LAKESIDE FIRE DISTRICT | 826,828 | 0 | 123,597 | 19,771 | 0 | 0 | 0 | 0 | 193,860 | 1,164,057 | 161,736 |
| LINDEN FIRE DISTRICT | 247,413 | (86,922) | 16,901 | 7,549 | 0 | 0 | 0 | 0 | 42,755 | 227,696 | (135,361) |
| MAMMOTH POLICE DEPARTMENT | 113,980 | 343 | 21,373 | 0 | (11,287) | 0 | 0 | 0 | 28,003 | 152,412 | 94,543 |
| MARANA POLICE DEPARTMENT | 5,348,317 | 303,337 | 582,630 | 0 | (488,047) | (10,979) | (166,972) | (104,313) | 1,053,647 | 6,517,620 | 3,012,448 |
| MARICOPA CNTY ATTY INVESTIGATORS | 2,904,221 | 0 | 218,178 | 0 | (644,639) | (8,640) | 0 | 0 | 422,658 | 2,891,777 | 3,303,754 |
| MARICOPA COUNTY PARK RANGERS | 439,820 | 0 | 0 | 0 | (155,854) | (3,600) | 0 | 0 | 51,662 | 332,028 | 1,117,201 |
| MARICOPA COUNTY SHERIFF'S OFFICE | 108,491,783 | 1,538,528 | 9,448,994 | 0 | (15,563,463) | (300,271) | (2,042,764) | (77,411) | 18,390,272 | 119,885,669 | 91,703,566 |
| MARICOPA FIRE DISTRICT | 1,817,056 | 1,051 | 274,676 | 63,421 | 0 | 0 | 0 | 0 | 451,591 | 2,607,794 | 365,767 |
| MAYER FIRE DISTRICT | 850,273 | 76,597 | 81,064 | 7,046 | (27,350) | 0 | 0 | 0 | 175,677 | 1,163,307 | (146,138) |
| MESA FIRE DEPARTMENT | 92,467,260 | 1,184,444 | 5,102,302 | 911,318 | (8,252,860) | (364,187) | (3,164,224) | (27,601) | 15,589,751 | 103,446,202 | 43,335,114 |
| MESA POLICE DEPARTMENT | 146,234,348 | 1,944,839 | 12,275,544 | 0 | (15,416,023) | (791,470) | (3,601,702) | (40,333) | 25,278,983 | 165,884,186 | 97,758,034 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| MIAMI FIRE DEPARTMENT | 250,945 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33,741 | 284,686 | (349,440) |
| MIAMI POLICE DEPARTMENT | 374,986 | 30,937 | 42,291 | 0 | (53,501) | 0 | 0 | 0 | 68,055 | 462,768 | 314,728 |
| MOHAVE COUNTY SHERIFF'S DEPT. | 10,203,085 | 232,514 | 885,704 | 0 | (1,087,249) | (25,103) | (97,287) | 0 | 1,793,760 | 11,905,424 | 6,931,830 |
| MOHAVE VALLEY FIRE DISTRICT | 2,003,391 | 60,345 | 151,424 | 17,199 | (16,958) | 0 | 0 | (63,972) | 404,068 | 2,555,498 | (446,479) |
| MONTEZUMA RIMROCK FIRE DISTRICT | 409,481 | 0 | 61,716 | 10,428 | (21,772) | (3,120) | 0 | 0 | 97,112 | 553,845 | 338,230 |
| MOUNT LEMMON FIRE DISTRICT | 181,616 | 0 | 24,662 | 2,341 | 0 | 0 | 0 | (16,352) | 36,675 | 228,942 | (29,222) |
| NAU CAMPUS POLICE | 2,272,396 | 15 | 216,552 | 0 | (456,677) | (15,300) | 0 | 0 | 355,822 | 2,372,807 | 2,591,262 |
| NAVAJO COUNTY ATTY'S INVESTIGATOR | 146,598 | 0 | 0 | 0 | (27,710) | 0 | 0 | 0 | 17,848 | 136,737 | 112,176 |
| NAVAJO COUNTY SHERIFF'S DEPT. | 3,642,688 | 127,929 | 429,706 | 0 | (826,359) | (12,224) | 0 | (51,324) | 596,590 | 3,907,006 | 4,877,616 |
| NOGALES FIRE DEPARTMENT | 3,933,139 | 48,520 | 567,279 | 0 | (551,343) | (38,375) | (132,124) | (25,354) | 734,821 | 4,536,562 | 4,724,488 |
| NOGALES POLICE DEPARTMENT | 5,469,577 | 121,140 | 620,903 | 0 | (509,866) | (28,740) | (290,296) | (58,494) | 993,839 | 6,318,064 | 3,915,311 |
| NORTHWEST FIRE DISTRICT | 13,452,148 | 87,354 | 1,581,656 | 222,086 | (443,996) | (14,135) | (361,498) | 0 | 2,800,433 | 17,324,049 | 6,392,391 |
| ORACLE FIRE DISTRICT | 48,205 | 0 | 31,053 | 0 | 0 | 0 | 0 | 0 | 12,588 | 91,847 | 61,990 |
| ORO VALLEY POLICE DEPARTMENT | 8,145,136 | 92,195 | 891,682 | 0 | (594,900) | (14,260) | (105,408) | 0 | 1,648,098 | 10,062,544 | 5,224,151 |
| PAGE FIRE DEPARTMENT | 413,392 | 0 | 86,252 | 10,978 | (61,534) | (1,800) | 0 | (13,294) | 86,321 | 520,316 | 360,912 |
| PAGE POLICE DEPARTMENT | 1,942,247 | 13,291 | 160,379 | 0 | (218,996) | 0 | 0 | (41,604) | 332,456 | 2,187,773 | 997,784 |
| PARADISE VALLEY POLICE DEPARTMENT | 5,438,828 | 104,277 | 619,666 | 0 | (1,127,097) | (33,827) | (253,331) | 0 | 902,218 | 5,650,734 | 9,349,679 |
| PARKER POLICE DEPARTMENT | 1,007,382 | (604) | 51,384 | 0 | (95,029) | 0 | 0 | 0 | 167,751 | 1,130,885 | 231,355 |
| PASCUA YAQUI TRIBE FIRE DEPT. | 742,385 | 246 | 213,914 | 0 | (43,490) | 0 | 0 | 0 | 173,202 | 1,086,257 | 1,500,771 |
| PASCUA YAQUI TRIBE POLICE DEPT. | 746,852 | 43,080 | 257,751 | 0 | (40,519) | (5,130) | 0 | 0 | 224,891 | 1,226,924 | 1,505,155 |
| PATAGONIA MARSHALS | 307,000 | 0 | 1,448 | 0 | (27,815) | 0 | 0 | 0 | 44,270 | 324,903 | (74,446) |
| PAYSON FIRE DEPARTMENT | 2,334,620 | 82,595 | 233,226 | 45,761 | (217,781) | (15,488) | (45,590) | (38,232) | 442,289 | 2,821,399 | 1,704,941 |
| PAYSON POLICE DEPARTMENT | 3,068,863 | 80,786 | 426,869 | 0 | (627,827) | (22,338) | 0 | 0 | 539,780 | 3,466,132 | 5,223,641 |
| PEORIA FIRE DEPARTMENT | 16,319,480 | 22,741 | 1,127,734 | 381,995 | (762,503) | (63,242) | 0 | 0 | 3,131,809 | 20,158,013 | 6,250,045 |
| PEORIA POLICE DEPARTMENT | 21,031,193 | 339,713 | 2,053,235 | 0 | (1,905,310) | (17,665) | (62,703) | (94,548) | 3,748,062 | 25,091,977 | 14,377,584 |
| PHOENIX FIRE DEPARTMENT | 400,989,905 | 5,881,582 | 28,513,855 | 3,440,127 | (44,390,359) | (1,388,600) | (17,589,160) | 0 | 66,340,553 | 441,797,903 | 280,034,638 |
| PHOENIX POLICE DEPARTMENT | 690,701,348 | 8,472,274 | 64,411,085 | 0 | (85,446,342) | (2,433,457) | (21,702,452) | (371,008) | 115,303,715 | 768,935,162 | 547,259,779 |
| PICTURE ROCKS FIRE DISTRICT | 1,632,600 | (9,754) | 70,694 | 8,610 | (46,396) | 0 | 0 | 0 | 304,472 | 1,960,226 | (283,602) |
| PIMA COUNTY ATTORNEY INVESTIGATOR | 1,202,799 | 0 | 82,078 | 0 | (72,197) | (2,640) | 0 | 0 | 211,608 | 1,421,648 | 674,656 |
| PIMA COUNTY COMM. COLLEGE POLICE | 2,532,132 | 423 | 213,426 | 0 | (295,906) | (2,117) | 0 | 0 | 434,106 | 2,882,064 | 1,623,815 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| PIMA COUNTY SHERIFF'S DEPARTMENT | 94,118,881 | 515,157 | 8,760,936 | 0 | (12,169,790) | (440,409) | (1,224,943) | (78,182) | 14,040,410 | 103,522,060 | 77,216,020 |
| PIMA POLICE DEPARTMENT | 152,822 | 2,941 | 10,049 | 0 | 0 | 0 | 0 | (14,239) | 26,751 | 178,324 | (158,047) |
| PINAL COUNTY SHERIFF'S DEPARTMENT | 18,241,845 | 424,665 | 2,271,808 | 0 | (2,189,166) | (50,557) | 0 | (64,017) | 3,407,107 | 22,041,686 | 14,425,012 |
| PINE-STRAWBERRY FIRE DISTRICT | 1,455,016 | 0 | 169,015 | 15,348 | (67,520) | 0 | 0 | 0 | 291,963 | 1,863,822 | 1,287,787 |
| PINETOP FIRE DISTRICT | 1,298,862 | (11,442) | 264,595 | 26,071 | (142,775) | (4,380) | 0 | 0 | 276,531 | 1,707,461 | 1,800,041 |
| PINETOP-LAKESIDE POLICE DEPT. | 1,136,022 | 0 | 109,807 | 0 | (233,223) | (6,720) | 0 | 0 | 201,126 | 1,207,012 | 1,661,254 |
| PINEWOOD FIRE DISTRICT | 708,205 | 0 | 135,010 | 15,176 | (138,196) | (4,920) | 0 | 0 | 130,967 | 846,242 | 1,067,153 |
| PRESCOTT FIRE DEPARTMENT | 11,072,975 | 89,548 | 1,187,079 | 0 | (1,638,821) | (37,754) | (343,309) | 0 | 1,866,156 | 12,195,874 | 13,043,926 |
| PRESCOTT POLICE DEPARTMENT | 7,873,396 | 46,426 | 1,160,160 | 0 | (1,936,839) | (51,958) | 0 | 0 | 1,363,276 | 8,454,461 | 16,119,076 |
| PRESCOTT VALLEY POLICE DEPARTMENT | 4,555,086 | 151,165 | 533,698 | 0 | (244,032) | (2,672) | (163,528) | 0 | 935,253 | 5,764,969 | 2,762,788 |
| QUARTZSITE FIRE DISTRICT | 176,065 | 0 | 43,526 | 4,162 | 0 | 0 | 0 | 0 | 43,716 | 267,469 | 156,275 |
| QUARTZSITE POLICE DEPARTMENT | 999,008 | 0 | 52,029 | 0 | 0 | 0 | 0 | 0 | 198,616 | 1,249,653 | (286,964) |
| QUEEN CREEK FIRE DEPARTMENT | 301,522 | 10,853 | 61,912 | 66,510 | (35,231) | (1,300) | 0 | 0 | 84,285 | 488,550 | (83,118) |
| QUEEN VALLEY FIRE DISTRICT | 3,261 | 7,872 | 21,812 | 0 | 0 | 0 | 0 | 0 | 4,276 | 37,222 | 51,856 |
| RINCON VALLEY FIRE DISTRICT | 709,935 | 24,236 | 174,613 | 23,413 | 0 | 0 | 0 | 0 | 182,083 | 1,114,280 | 511,834 |
| RIO RICO FIRE DISTRICT | 579,107 | (2,608) | 131,826 | 12,545 | 0 | 0 | 0 | 0 | 158,564 | 879,434 | 173,995 |
| RIO VERDE FIRE DISTRICT | 828,853 | 0 | 187,485 | 19,044 | 0 | 0 | 0 | 0 | 185,090 | 1,220,472 | 661,544 |
| SAFFORD POLICE DEPARTMENT | 2,409,952 | (126,403) | 270,808 | 0 | (383,649) | (10,654) | 0 | (51,195) | 422,324 | 2,531,184 | 3,992,693 |
| SAHUARITA POLICE DEPARTMENT | 1,756,831 | 75,763 | 175,540 | 0 | 0 | 0 | 0 | (5,143) | 391,129 | 2,394,120 | (80,479) |
| SALT RIVER PIMA-MARICOPA FIRE | 5,595,130 | 233,036 | 909,217 | 0 | (188,293) | 0 | 0 | (23,280) | 1,194,745 | 7,720,555 | 3,399,734 |
| SALT RIVER PIMA-MARICOPA POLICE | 4,965,447 | 34,876 | 1,005,218 | 0 | (405,204) | (5,160) | 0 | (54,050) | 1,156,703 | 6,697,830 | 5,098,020 |
| SAN CARLOS TRIBAL POLICE | 398,158 | (30,937) | 178,177 | 0 | 0 | 0 | 0 | 0 | 86,647 | 632,046 | 1,016,233 |
| SAN LUIS FIRE DEPARTMENT | 872,955 | 0 | 102,601 | 12,205 | 0 | 0 | 0 | 0 | 198,241 | 1,186,003 | (132,618) |
| SAN LUIS POLICE DEPARTMENT | 1,811,808 | (90,138) | 224,936 | 0 | (156,214) | (436) | 0 | (20,544) | 359,780 | 2,129,192 | 756,103 |
| SANTA CRUZ COUNTY SHERIFF'S DEPT. | 2,600,000 | (18,000) | 483,398 | 0 | (470,451) | (6,228) | 0 | (5,183) | 512,951 | 3,096,487 | 4,476,326 |
| SCOTTSDALE FIRE DEPARTMENT | 10,635,483 | 19,472 | 56,536 | 1,518,212 | (28,020) | 0 | 0 | 0 | 2,462,192 | 14,663,876 | (4,065,004) |
| SCOTTSDALE POLICE DEPARTMENT | 70,124,761 | 1,136,908 | 6,330,804 | 0 | (7,209,869) | (260,169) | (2,422,858) | (167,979) | 12,234,945 | 79,766,544 | 43,911,400 |
| SEDONA FIRE DISTRICT | 6,032,471 | 230,984 | 626,900 | 129,218 | (491,922) | (19,717) | (78,809) | 0 | 1,205,427 | 7,634,551 | 4,741,641 |
| SEDONA POLICE DEPARTMENT | 2,356,949 | 321 | 215,437 | 0 | (103,664) | 0 | 0 | (14,355) | 466,737 | 2,921,426 | 929,335 |
| SHOW LOW FIRE DISTRICT | 1,112,257 | 11,442 | 255,699 | 0 | (37,969) | 0 | 0 | 0 | 275,275 | 1,616,704 | 324,415 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| SHOW LOW POLICE DEPARTMENT | 2,711,830 | (13,390) | 238,273 | 0 | (259,429) | (6,240) | 0 | (39,127) | 505,025 | 3,136,942 | 1,545,768 |
| SIERRA VISTA FIRE DEPARTMENT | 7,015,534 | 130,539 | 478,527 | 0 | (594,490) | (25,320) | (157,892) | 0 | 1,182,214 | 8,029,113 | 3,324,999 |
| SIERRA VISTA POLICE DEPARTMENT | 7,911,243 | 200,768 | 858,403 | 0 | (1,188,215) | (58,137) | 0 | 0 | 1,361,837 | 9,085,900 | 8,561,058 |
| SNOWFLAKE POLICE DEPARTMENT | 839,507 | (2,562) | 122,059 | 0 | (135,281) | (3,198) | 0 | 0 | 163,330 | 983,855 | 1,108,008 |
| SOMERTON FIRE DEPARTMENT | 787,066 | 0 | 104,979 | 0 | (58,240) | 0 | 0 | 0 | 164,094 | 997,899 | 439,918 |
| SOMERTON POLICE DEPARTMENT | 1,041,047 | 73,109 | 143,244 | 0 | (39,752) | (300) | 0 | 0 | 221,231 | 1,438,579 | 711,135 |
| SONOITA ELGIN FIRE DEPARTMENT | 46,940 | 0 | 41,096 | 915 | 0 | 0 | 0 | 0 | 14,146 | 103,096 | 64,581 |
| SOUTH TUCSON FIRE DEPARTMENT | 982,772 | (1,982) | 75,417 | 0 | (122,366) | (4,320) | 0 | 0 | 173,437 | 1,102,957 | 765,607 |
| SOUTH TUCSON POLICE DEPARTMENT | 292,170 | 342,746 | 184,698 | 0 | (464,204) | (7,559) | 0 | 0 | 85,558 | 433,409 | 4,625,162 |
| SPRINGERVILLE POLICE DEPARTMENT | 732,702 | 66,177 | 46,983 | 0 | (42,430) | 0 | 0 | 0 | 135,431 | 938,863 | 43,977 |
| ST. JOHNS POLICE DEPARTMENT | 457,635 | 34,115 | 57,577 | 0 | (30,228) | 0 | 0 | 0 | 88,697 | 607,796 | (59,263) |
| SUMMIT FIRE DISTRICT | 2,122,676 | 0 | 252,790 | 25,410 | (31,457) | (1,800) | 0 | 0 | 463,541 | 2,831,161 | 776,806 |
| SUN CITY FIRE DISTRICT | 7,599,424 | 180,224 | 1,014,719 | 103,301 | (686,251) | (28,920) | (568,658) | 0 | 1,643,263 | 9,257,102 | 11,119,878 |
| SUN CITY WEST FIRE DISTRICT | 5,324,112 | 52,764 | 592,955 | 103,238 | (327,902) | (20,040) | 0 | 0 | 1,102,325 | 6,827,452 | 5,562,581 |
| SUN LAKES FIRE DISTRICT | 4,260,369 | 170,370 | 429,371 | 60,334 | (228,397) | (6,620) | 0 | 0 | 827,010 | 5,512,437 | 1,481,255 |
| SUPERIOR POLICE DEPARTMENT | 521,793 | 288 | 31,028 | 0 | (51,576) | 0 | 0 | (25,047) | 87,249 | 563,736 | 123,043 |
| SURPRISE FIRE DEPARTMENT | 6,743,431 | 0 | 555,900 | 287,323 | (17,319) | 0 | 0 | 0 | 1,522,676 | 9,092,012 | 2,702,536 |
| SURPRISE POLICE DEPARTMENT | 7,206,448 | 67,690 | 1,090,661 | 0 | (399,800) | (11,507) | (243,948) | 0 | 1,538,143 | 9,247,687 | 5,154,645 |
| TEMPE FIRE DEPARTMENT | 43,848,589 | 436,596 | 2,513,962 | 435,579 | (4,667,915) | (229,937) | (1,295,309) | 0 | 6,974,081 | 48,015,645 | 29,259,622 |
| TEMPE POLICE DEPARTMENT | 54,189,873 | 798,591 | 6,415,283 | 0 | (8,341,000) | (377,855) | (1,136,247) | (100,550) | 9,425,189 | 60,873,284 | 65,822,309 |
| THATCHER POLICE DEPARTMENT | 1,396,625 | 0 | 138,153 | 0 | (219,052) | (2,580) | 0 | 0 | 224,810 | 1,537,956 | 1,306,082 |
| THREE POINTS FIRE DISTRICT | 456,957 | 41,460 | 81,306 | 9,467 | (14,038) | 0 | 0 | 0 | 109,843 | 684,994 | 16,698 |
| TOHONO O'ODHAM NATION FIRE | 1,408,393 | 84,683 | 297,401 | 0 | (6,255) | 0 | 0 | 0 | 285,118 | 2,069,339 | 700,188 |
| TOHONO O'ODHAM NATION POLICE | 6,304,053 | 17,474 | 566,685 | 0 | (55,765) | (400) | 0 | (10,662) | 1,016,492 | 7,837,876 | 640,078 |
| TOLLESON FIRE DEPARTMENT | 1,952,846 | 0 | 276,249 | 21,806 | (75,229) | 0 | 0 | 0 | 443,723 | 2,619,394 | 962,244 |
| TOLLESON POLICE DEPARTMENT | 1,981,750 | 0 | 256,196 | 0 | (294,062) | (4,200) | 0 | (50,967) | 379,976 | 2,268,692 | 2,262,656 |
| TOMBSTONE MARSHAL'S DEPARTMENT | 288,863 | 0 | 14,405 | 0 | 0 | 0 | 0 | 0 | 57,269 | 360,538 | (238,259) |
| TONOPAH FIRE DISTRICT | 121,317 | 0 | 29,008 | 7,189 | 0 | 0 | 0 | 0 | 30,848 | 188,363 | (67,065) |
| TOWN OF SUPERIOR (FIRE DEPT) | 109,311 | 0 | 27,204 | 2,075 | 0 | 0 | 0 | 0 | 26,926 | 165,517 | 17,236 |
| TRI-CITY FIRE DISTRICT | 455,225 | 0 | 93,941 | 2,645 | 0 | 46 | 0 | 0 | 113,775 | 665,633 | 19,278 |

## SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 BALANCES | RESERVE TRANSFERS | CONTRIB RECEIVED | FIRE TAX RECEIVED | PENSION PAYMENTS | SUBSIDY PAYMENTS | DROP PAYMENT | ENHANCED REFUNDS | DIST. OF EARNINGS | 2010 BALANCES | UNFUNDED AAL 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TUBAC FIRE DISTRICT | 1,110,917 | 0 | 146,416 | 20,031 | (40,035) | 0 | 0 | 0 | 242,751 | 1,480,081 | 672,433 |
| TUCSON AIRPORT AUTHORITY FIRE DPT | 3,889,338 | 44,584 | 247,487 | 0 | (500,281) | (7,695) | (290,105) | 0 | 611,041 | 3,994,369 | 3,743,267 |
| TUCSON AIRPORT AUTHORITY POLICE | 2,528,134 | (43,080) | 319,600 | 0 | (597,037) | (6,288) | 0 | 0 | 461,435 | 2,662,764 | 5,189,860 |
| TUCSON FIRE DEPARTMENT | 139,928,193 | 893,753 | 10,180,440 | 724,840 | (19,791,167) | (838,816) | (2,288,855) | 0 | 21,483,026 | 150,291,415 | 122,554,547 |
| TUCSON POLICE DEPARTMENT | 222,514,880 | 3,374,703 | 17,040,897 | 0 | (29,489,797) | (1,264,248) | (7,704,565) | (150,255) | 33,963,083 | 238,284,698 | 192,549,940 |
| U OF A CAMPUS POLICE DEPARTMENT | 5,282,550 | 69,499 | 611,744 | 0 | (730,316) | (30,915) | 0 | (21,673) | 976,275 | 6,157,163 | 5,444,017 |
| VERDE VALLEY FIRE DISTRICT | 2,129,940 | 0 | 156,528 | 38,241 | (77,979) | (2,600) | 0 | (3,732) | 416,283 | 2,656,682 | 382,061 |
| WELLTON POLICE | 106,965 | 32,803 | 32,053 | 0 | (8,066) | 0 | 0 | 0 | 31,922 | 195,677 | 149,404 |
| WHETSTONE FIRE DISTRICT | 24,773 | 0 | 28,939 | 0 | 0 | 0 | 0 | (701) | 12,388 | 65,400 | 36,055 |
| WICKENBURG FIRE DEPARTMENT | 160,913 | 0 | 31,875 | 19,072 | 0 | 0 | 0 | 0 | 40,288 | 252,148 | 68,816 |
| WICKENBURG POLICE DEPARTMENT | 946,620 | (1,529) | 131,428 | 0 | (135,770) | (1,430) | 0 | 0 | 189,582 | 1,128,902 | 1,278,732 |
| WILLCOX POLICE DEPARTMENT | 976,239 | 0 | 108,058 | 0 | (153,874) | 0 | 0 | 0 | 173,725 | 1,104,148 | 1,092,341 |
| WILLIAMS POLICE DEPARTMENT | 758,298 | 2,017 | 73,565 | 0 | (59,592) | 0 | 0 | 0 | 135,448 | 909,736 | 71,048 |
| WILLIAMSON VALLEY FIRE DISTRICT | 139,015 | 0 | 23,199 | 0 | 0 | 0 | 0 | 0 | 32,212 | 194,427 | 56,078 |
| WINSLOW FIRE DEPARTMENT | 3,614,069 | 0 | 18,571 | 5,836 | (34,971) | (1,200) | 0 | 0 | 531,073 | 4,133,378 | (3,302,659) |
| WINSLOW POLICE DEPARTMENT | 2,463,809 | (2,760) | 213,630 | 0 | (235,088) | (6,000) | 0 | 0 | 444,677 | 2,878,268 | 1,271,673 |
| WITTMAN FIRE DISTRICT | 63,852 | 0 | 41,710 | 0 | 0 | 0 | 0 | 0 | 18,992 | 124,554 | 27,994 |
| YAVAPAI CNTY ATTRNY INVESTIGATORS | 180,144 | 0 | 0 | 0 | (61,284) | (800) | 0 | 0 | 20,048 | 138,107 | 415,293 |
| YAVAPAI COUNTY SHERIFF'S DEPT. | 9,385,553 | 73,237 | 1,400,886 | 0 | (1,574,069) | (36,650) | 0 | (144,963) | 1,822,062 | 10,926,055 | 13,845,064 |
| YAVAPAI PRESCOTT TRIBAL POLICE | 126,337 | 0 | 39,861 | 0 | 0 | 0 | 0 | 0 | 29,065 | 195,264 | 99,755 |
| YOUNGTOWN POLICE DEPARTMENT | 682,078 | 20,781 | 63,953 | 0 | (85,507) | (556) | 0 | 0 | 125,833 | 806,582 | 329,525 |
| YUMA COUNTY SHERIFF'S DEPARTMENT | 7,572,881 | 17,787 | 1,004,059 | 0 | (1,222,941) | (16,610) | 2,946 | (17,754) | 1,306,540 | 8,646,907 | 7,327,033 |
| YUMA FIRE DEPARTMENT | 17,202,060 | 147,359 | 1,441,709 | 115,866 | (2,917,003) | (78,995) | (317,353) | 0 | 2,884,614 | 18,478,258 | 18,496,864 |
| YUMA POLICE DEPARTMENT | 25,074,500 | 661,986 | 1,847,772 | 0 | (3,409,980) | (48,544) | (621,908) | 0 | 4,086,822 | 27,590,648 | 15,540,315 |
| **TOTALS** | **3,262,134,491** | **38,830,589** | **288,786,192** | **11,920,934** | **(386,592,925)** | **(12,496,923)** | **(82,888,770)** | **(3,646,261)** | **548,144,164** | **3,664,191,489** | **2,543,953,609** |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| AK CHIN INDIAN COMM. FIRE DEPT. | 1,535,861 | 2,095,146 | 313,165 | 463,889 | 4,408,060 | 2,204,030 | 0.051% | 277,680 |
| AK CHIN INDIAN COMM. POLICE DEPT. | 831,811 | 1,018,590 | 171,749 | 235,914 | 2,258,064 | 1,129,032 | 0.026% | 142,244 |
| APACHE COUNTY SHERIFF'S DEPT. | 1,947,927 | 2,140,092 | 740,655 | 773,145 | 5,601,819 | 2,800,909 | 0.064% | 352,880 |
| APACHE JUNCTION FIRE DISTRICT | 7,390,779 | 9,454,662 | 3,479,336 | 3,895,497 | 24,220,274 | 12,110,137 | 0.278% | 1,525,726 |
| APACHE JUNCTION POLICE DEPARTMENT | 6,428,003 | 7,136,207 | 1,855,604 | 2,064,349 | 17,484,163 | 8,742,082 | 0.201% | 1,101,393 |
| ARIZONA STATE CAPITOL POLICE | 1,729,555 | 2,029,605 | 616,835 | 695,536 | 5,071,532 | 2,535,766 | 0.058% | 319,475 |
| ARIZONA STATE PARK RANGERS | 4,745,194 | 5,489,273 | 2,062,975 | 1,712,820 | 14,010,262 | 7,005,131 | 0.161% | 882,559 |
| ASU CAMPUS POLICE | 8,842,899 | 9,820,286 | 1,937,718 | 2,115,990 | 22,716,893 | 11,358,447 | 0.261% | 1,431,022 |
| ATTORNEY GENERAL INVESTIGATORS | 4,144,008 | 3,962,090 | 867,837 | 848,973 | 9,822,908 | 4,911,454 | 0.113% | 618,782 |
| AVONDALE FIRE DEPARTMENT | 4,749,357 | 6,201,824 | 2,347,634 | 2,591,959 | 15,890,773 | 7,945,386 | 0.183% | 1,001,019 |
| AVONDALE POLICE DEPARTMENT | 5,850,862 | 7,305,651 | 2,895,724 | 3,288,034 | 19,340,271 | 9,670,135 | 0.222% | 1,218,316 |
| AVRA VALLEY FIRE DISTRICT | 1,075,683 | 1,302,944 | 406,794 | 486,396 | 3,271,816 | 1,635,908 | 0.038% | 206,104 |
| AZ DPT. LIQ. LIC. & CONTROL INVST | 2,220,487 | 2,385,055 | 522,132 | 606,606 | 5,734,280 | 2,867,140 | 0.066% | 361,224 |
| BENSON FIRE DEPARTMENT | 145,779 | 178,216 | 57,006 | 62,096 | 443,096 | 221,548 | 0.005% | 27,912 |
| BENSON POLICE DEPARTMENT | 878,194 | 987,183 | 341,346 | 368,450 | 2,575,173 | 1,287,587 | 0.030% | 162,220 |
| BISBEE FIRE DEPARTMENT | 1,597,541 | 1,479,680 | 497,016 | 525,990 | 4,100,228 | 2,050,114 | 0.047% | 258,289 |
| BISBEE POLICE DEPARTMENT | 1,390,260 | 1,368,157 | 507,767 | 456,610 | 3,722,794 | 1,861,397 | 0.043% | 234,513 |
| BLACK CANYON FIRE DISTRICT | 137,859 | 213,205 | 85,334 | 112,824 | 549,223 | 274,612 | 0.006% | 34,598 |
| BUCKEYE FIRE DEPARTMENT | 2,713,876 | 3,782,153 | 1,836,053 | 2,186,623 | 10,518,704 | 5,259,352 | 0.121% | 662,613 |
| BUCKEYE POLICE DEPARTMENT | 4,616,321 | 5,462,127 | 1,863,684 | 2,151,053 | 14,093,185 | 7,046,593 | 0.162% | 887,783 |
| BUCKEYE VALLEY FIRE DISTRICT | 1,277,863 | 1,960,255 | 723,065 | 989,665 | 4,950,847 | 2,475,424 | 0.057% | 311,872 |
| BUCKSKIN FIRE DISTRICT | 951,558 | 1,127,745 | 288,681 | 298,678 | 2,666,661 | 1,333,331 | 0.031% | 167,983 |
| BULLHEAD CITY FIRE DEPARTMENT | 11,041,999 | 13,588,272 | 3,304,522 | 3,738,752 | 31,673,546 | 15,836,773 | 0.364% | 1,995,235 |
| BULLHEAD CITY POLICE DEPARTMENT | 9,924,669 | 11,529,078 | 3,590,993 | 3,765,192 | 28,809,932 | 14,404,966 | 0.331% | 1,814,846 |
| CAMP VERDE FIRE DISTRICT | 1,285,695 | 1,727,921 | 582,030 | 657,297 | 4,252,943 | 2,126,472 | 0.049% | 267,909 |
| CAMP VERDE MARSHAL'S | 1,200,502 | 1,556,466 | 486,538 | 476,973 | 3,720,479 | 1,860,239 | 0.043% | 234,367 |
| CASA GRANDE FIRE DEPARTMENT | 5,188,770 | 5,985,356 | 1,751,993 | 2,076,660 | 15,002,779 | 7,501,389 | 0.172% | 945,081 |
| CASA GRANDE POLICE DEPARTMENT | 8,519,095 | 9,511,058 | 2,764,414 | 3,031,386 | 23,825,955 | 11,912,977 | 0.274% | 1,500,886 |
| CAVE CREEK MARSHALS | 38,565 | 57,339 | 21,514 | 27,798 | 145,216 | 72,608 | 0.002% | 9,148 |
| CENTRAL ARIZONA COLLEGE POLICE | 244,639 | 272,509 | 53,034 | 60,207 | 630,389 | 315,195 | 0.007% | 39,711 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| CENTRAL YAVAPAI FIRE DISTRICT | 10,475,073 | 12,665,174 | 3,747,398 | 4,249,415 | 31,137,061 | 15,568,530 | 0.358% | 1,961,440 |
| CHANDLER FIRE DEPARTMENT | 28,349,075 | 34,183,197 | 10,582,528 | 11,455,224 | 84,570,023 | 42,285,012 | 0.972% | 5,327,383 |
| CHANDLER POLICE DEPARTMENT | 39,703,711 | 49,080,329 | 16,795,764 | 18,554,685 | 124,134,489 | 62,067,245 | 1.427% | 7,819,697 |
| CHINO VALLEY FIRE DISTRICT | 2,504,753 | 3,318,603 | 1,160,191 | 1,330,514 | 8,314,062 | 4,157,031 | 0.096% | 523,734 |
| CHINO VALLEY POLICE DEPARTMENT | 1,920,242 | 2,316,270 | 753,495 | 838,515 | 5,828,522 | 2,914,261 | 0.067% | 367,160 |
| CHRISTOPHER-KOHL'S FIRE DISTRICT | 38,673 | 97,356 | 28,154 | 103,941 | 268,124 | 134,062 | 0.003% | 16,890 |
| CITY OF MARICOPA POLICE | 1,357,657 | 1,890,759 | 1,054,302 | 1,297,663 | 5,600,381 | 2,800,191 | 0.064% | 352,789 |
| CLARKDALE FIRE DISTRICT | 77,225 | 131,751 | 70,326 | 104,451 | 383,753 | 191,876 | 0.004% | 24,174 |
| CLARKDALE POLICE DEPARTMENT | 932,494 | 1,197,354 | 354,690 | 279,071 | 2,763,609 | 1,381,804 | 0.032% | 174,090 |
| CLIFTON FIRE DEPARTMENT | 223,047 | 194,799 | 0 | 0 | 417,846 | 208,923 | 0.005% | 26,322 |
| CLIFTON POLICE DEPARTMENT | 341,968 | 351,045 | 56,536 | 33,850 | 783,399 | 391,700 | 0.009% | 49,349 |
| COCHISE COUNTY SHERIFF'S DEPT | 7,673,518 | 8,498,575 | 2,133,980 | 2,446,706 | 20,752,779 | 10,376,389 | 0.238% | 1,307,295 |
| COCONINO COUNTY SHERIFF'S DEPT | 7,743,253 | 7,789,122 | 2,120,813 | 2,217,775 | 19,870,963 | 9,935,481 | 0.228% | 1,251,746 |
| COOLIDGE FIRE DEPARTMENT | 47,363 | 80,034 | 30,008 | 41,901 | 199,306 | 99,653 | 0.002% | 12,555 |
| COOLIDGE POLICE DEPARTMENT | 2,350,287 | 2,799,871 | 760,250 | 945,511 | 6,855,919 | 3,427,959 | 0.079% | 431,880 |
| CORONA DE TUCSON FIRE DISTRICT | 387,970 | 551,619 | 173,743 | 227,693 | 1,341,025 | 670,512 | 0.015% | 84,476 |
| COTTONWOOD FIRE DEPARTMENT | 1,097,678 | 1,502,478 | 548,330 | 695,512 | 3,843,997 | 1,921,999 | 0.044% | 242,148 |
| COTTONWOOD POLICE DEPARTMENT | 2,099,408 | 2,207,945 | 814,302 | 801,223 | 5,922,879 | 2,961,439 | 0.068% | 373,104 |
| DAISY MOUNTAIN FIRE DISTRICT | 4,156,832 | 5,959,945 | 2,805,216 | 3,332,734 | 16,254,727 | 8,127,364 | 0.187% | 1,023,946 |
| DEPARTMENT OF EMER & MILITARY AFF | 3,882,991 | 4,460,908 | 1,275,645 | 1,318,214 | 10,937,757 | 5,468,879 | 0.126% | 689,010 |
| DEPARTMENT OF PUBLIC SAFETY | 323,016,791 | 340,589,844 | 26,611,841 | 26,711,385 | 716,929,861 | 358,464,930 | 8.239% | 45,162,099 |
| DESERT HILLS FIRE DEPARTMENT | 224,936 | 330,540 | 107,256 | 174,343 | 837,075 | 418,538 | 0.010% | 52,731 |
| DIAMOND STAR FIRE DISTRICT | 396,099 | 556,482 | 216,691 | 231,872 | 1,401,144 | 700,572 | 0.016% | 88,263 |
| DOUGLAS FIRE DEPARTMENT | 3,140,963 | 3,240,183 | 628,918 | 696,801 | 7,706,864 | 3,853,432 | 0.089% | 485,484 |
| DOUGLAS POLICE DEPARTMENT | 4,379,188 | 4,644,563 | 1,128,812 | 1,216,558 | 11,369,121 | 5,684,561 | 0.131% | 716,184 |
| DREXEL HEIGHTS FIRE DISTRICT | 6,269,530 | 8,093,439 | 2,764,188 | 3,119,151 | 20,246,308 | 10,123,154 | 0.233% | 1,275,391 |
| EAGAR POLICE DEPARTMENT | 880,228 | 1,015,568 | 258,543 | 283,035 | 2,437,374 | 1,218,687 | 0.028% | 153,539 |
| EL MIRAGE FIRE DEPARTMENT | 1,039,851 | 1,331,767 | 514,332 | 610,081 | 3,496,031 | 1,748,016 | 0.040% | 220,228 |
| EL MIRAGE POLICE DEPARTMENT | 2,043,260 | 2,582,983 | 1,198,812 | 1,302,228 | 7,127,284 | 3,563,642 | 0.082% | 448,974 |
| ELOY FIRE DISTRICT | 583,764 | 928,157 | 301,563 | 404,987 | 2,218,471 | 1,109,235 | 0.025% | 139,750 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| ELOY POLICE DEPARTMENT | 2,769,738 | 3,054,717 | 997,134 | 969,524 | 7,791,113 | 3,895,556 | 0.090% | 490,791 |
| FLAGSTAFF FIRE DEPARTMENT | 20,357,758 | 21,756,598 | 4,691,444 | 4,514,452 | 51,320,252 | 25,660,126 | 0.590% | 3,232,855 |
| FLAGSTAFF POLICE DEPARTMENT | 13,421,620 | 14,843,102 | 3,876,853 | 4,454,470 | 36,596,045 | 18,298,023 | 0.421% | 2,305,322 |
| FLORENCE FIRE DEPARTMENT | 515,712 | 733,917 | 353,729 | 429,693 | 2,033,051 | 1,016,525 | 0.023% | 128,069 |
| FLORENCE POLICE DEPARTMENT | 1,625,028 | 2,016,211 | 766,302 | 847,164 | 5,254,705 | 2,627,352 | 0.060% | 331,014 |
| FORT MCDOWELL TRIBAL FIRE DEPT. | 477,658 | 599,958 | 181,116 | 224,531 | 1,483,263 | 741,632 | 0.017% | 93,436 |
| FORT MCDOWELL TRIBAL POLICE DEPT. | 950,084 | 1,249,237 | 567,342 | 618,646 | 3,385,308 | 1,692,654 | 0.039% | 213,253 |
| FORT MOJAVE MESA FIRE DISTRICT | 3,102,688 | 4,097,027 | 1,349,575 | 1,247,703 | 9,796,992 | 4,898,496 | 0.113% | 617,149 |
| FORT MOJAVE TRIBAL POLICE DEPT. | 461,478 | 667,302 | 255,538 | 284,345 | 1,668,662 | 834,331 | 0.019% | 105,115 |
| FREDONIA MARSHALS | 244,693 | 297,943 | 73,603 | 87,271 | 703,510 | 351,755 | 0.008% | 44,317 |
| FRY FIRE DISTRICT | 4,354,107 | 4,898,526 | 1,045,885 | 1,239,978 | 11,538,495 | 5,769,248 | 0.133% | 726,853 |
| GAME AND FISH DEPARTMENT | 22,970,311 | 23,813,734 | 5,338,107 | 5,634,398 | 57,756,550 | 28,878,275 | 0.664% | 3,638,302 |
| GILA COUNTY SHERIFF'S DEPARTMENT | 3,744,358 | 4,080,576 | 1,199,455 | 1,215,144 | 10,239,534 | 5,119,767 | 0.118% | 645,027 |
| GILA RIVER FIRE DEPARTMENT | 2,485,034 | 3,231,503 | 1,724,652 | 1,795,137 | 9,236,326 | 4,618,163 | 0.106% | 581,831 |
| GILA RIVER POLICE DEPARTMENT | 3,690,021 | 5,048,097 | 2,290,082 | 2,572,973 | 13,601,174 | 6,800,587 | 0.156% | 856,789 |
| GILBERT FIRE DEPARTMENT | 9,730,206 | 13,422,658 | 6,231,836 | 7,197,006 | 36,581,706 | 18,290,853 | 0.420% | 2,304,419 |
| GILBERT POLICE DEPARTMENT | 15,662,037 | 20,367,404 | 8,536,730 | 9,798,766 | 54,364,936 | 27,182,468 | 0.625% | 3,424,651 |
| GLENDALE FIRE DEPARTMENT | 40,985,559 | 47,268,763 | 12,085,304 | 12,985,830 | 113,325,455 | 56,662,727 | 1.302% | 7,138,795 |
| GLENDALE POLICE DEPARTMENT | 48,111,647 | 56,061,280 | 16,994,762 | 19,155,374 | 140,323,063 | 70,161,532 | 1.613% | 8,839,476 |
| GLOBE FIRE DEPARTMENT | 1,900,390 | 2,119,586 | 585,799 | 658,977 | 5,264,752 | 2,632,376 | 0.061% | 331,646 |
| GLOBE POLICE DEPARTMENT | 1,976,271 | 2,236,011 | 602,553 | 687,135 | 5,501,970 | 2,750,985 | 0.063% | 346,590 |
| GOLDEN SHORES FIRE DISTRICT | 278,154 | 374,398 | 136,912 | 168,200 | 957,664 | 478,832 | 0.011% | 60,327 |
| GOLDEN VALLEY FIRE DISTRICT | 1,344,517 | 1,596,048 | 355,081 | 424,319 | 3,719,964 | 1,859,982 | 0.043% | 234,334 |
| GOLDER RANCH FIRE DISTRICT | 6,230,915 | 8,451,431 | 3,136,467 | 3,628,614 | 21,447,426 | 10,723,713 | 0.246% | 1,351,054 |
| GOODYEAR FIRE DEPARTMENT | 4,869,997 | 6,676,544 | 3,132,740 | 3,516,682 | 18,195,963 | 9,097,981 | 0.209% | 1,146,232 |
| GOODYEAR POLICE DEPARTMENT | 6,141,290 | 7,873,227 | 3,275,660 | 3,643,514 | 20,933,691 | 10,466,846 | 0.241% | 1,318,692 |
| GRAHAM COUNTY ATTORNEY INVEST. | 37,933 | 43,034 | 0 | 0 | 80,967 | 40,484 | 0.001% | 5,100 |
| GRAHAM COUNTY SHERIFF'S DEPT. | 900,838 | 1,330,597 | 516,831 | 666,821 | 3,415,088 | 1,707,544 | 0.039% | 215,129 |
| GREEN VALLEY FIRE DISTRICT | 4,557,686 | 6,047,385 | 1,829,101 | 1,923,357 | 14,357,529 | 7,178,764 | 0.165% | 904,435 |
| GREENLEE CNTY ATTY INVESTIGATORS | 30,051 | 34,092 | 0 | 0 | 64,144 | 32,072 | 0.001% | 4,041 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| GREENLEE COUNTY SHERIFF'S DEPT. | 1,562,554 | 1,823,003 | 366,022 | 415,144 | 4,166,722 | 2,083,361 | 0.048% | 262,477 |
| GROOM CREEK FIRE DISTRICT | 101,607 | 163,898 | 70,414 | 101,006 | 436,926 | 218,463 | 0.005% | 27,524 |
| GUADALUPE FIRE DEPARTMENT | 231,745 | 318,349 | 229,866 | 259,645 | 1,039,605 | 519,803 | 0.012% | 65,489 |
| HARQUAHALA FIRE DISTRICT | 258,572 | 365,201 | 150,844 | 196,442 | 971,058 | 485,529 | 0.011% | 61,171 |
| HAYDEN POLICE DEPARTMENT | 404,191 | 689,964 | 75,411 | 116,066 | 1,285,632 | 642,816 | 0.015% | 80,987 |
| HEBER-OVERGAARD FIRE DISTRICT | 390,132 | 571,661 | 189,507 | 214,709 | 1,366,008 | 683,004 | 0.016% | 86,050 |
| HIGHLANDS FIRE DISTRICT | 1,398,059 | 1,569,633 | 553,895 | 648,937 | 4,170,525 | 2,085,262 | 0.048% | 262,717 |
| HOLBROOK POLICE DEPARTMENT | 1,247,994 | 1,330,486 | 369,623 | 439,850 | 3,387,953 | 1,693,977 | 0.039% | 213,420 |
| HUALAPAI INDIAN TRIBE POLICE DEPT | 218,318 | 333,416 | 142,712 | 195,537 | 889,984 | 444,992 | 0.010% | 56,063 |
| HUALAPAI VALLEY FIRE DISTRICT | 1,091,951 | 1,617,441 | 550,354 | 708,409 | 3,968,155 | 1,984,078 | 0.046% | 249,969 |
| JEROME POLICE DEPARTMENT | 86,206 | 115,823 | 35,358 | 42,057 | 279,445 | 139,723 | 0.003% | 17,603 |
| KEARNY POLICE DEPARTMENT | 730,570 | 795,419 | 164,287 | 176,740 | 1,867,016 | 933,508 | 0.021% | 117,610 |
| KINGMAN FIRE DEPARTMENT | 6,389,210 | 7,352,975 | 2,235,270 | 2,296,902 | 18,274,357 | 9,137,178 | 0.210% | 1,151,170 |
| KINGMAN POLICE DEPARTMENT | 5,780,132 | 6,667,763 | 1,868,390 | 2,075,785 | 16,392,071 | 8,196,035 | 0.188% | 1,032,598 |
| LA PAZ COUNTY ATTY. INVESTIGATORS | 121,371 | 148,813 | 57,358 | 61,769 | 389,312 | 194,656 | 0.004% | 24,524 |
| LA PAZ COUNTY SHERIFF'S DEPT. | 3,374,893 | 3,858,565 | 1,221,109 | 1,245,683 | 9,700,250 | 4,850,125 | 0.111% | 611,055 |
| LAKE HAVASU CITY FIRE DEPARTMENT | 12,953,156 | 14,020,025 | 3,067,141 | 3,073,040 | 33,113,362 | 16,556,681 | 0.381% | 2,085,935 |
| LAKE HAVASU CITY POLICE DEPT. | 10,341,279 | 11,817,090 | 3,633,420 | 3,826,855 | 29,618,643 | 14,809,322 | 0.340% | 1,865,789 |
| LAKE MOHAVE RANCHOS FIRE DISTRICT | 0 | 144,043 | 0 | 50,009 | 194,052 | 97,026 | 0.002% | 12,224 |
| LAKESIDE FIRE DISTRICT | 826,828 | 1,164,057 | 490,459 | 596,112 | 3,077,455 | 1,538,728 | 0.035% | 193,860 |
| LINDEN FIRE DISTRICT | 247,413 | 227,696 | 94,301 | 109,300 | 678,710 | 339,355 | 0.008% | 42,755 |
| MAMMOTH POLICE DEPARTMENT | 113,980 | 152,412 | 82,296 | 95,848 | 444,536 | 222,268 | 0.005% | 28,003 |
| MARANA POLICE DEPARTMENT | 5,348,317 | 6,517,620 | 2,492,982 | 2,367,296 | 16,726,216 | 8,363,108 | 0.192% | 1,053,647 |
| MARICOPA CNTY ATTY INVESTIGATORS | 2,904,221 | 2,891,777 | 428,650 | 484,875 | 6,709,523 | 3,354,761 | 0.077% | 422,658 |
| MARICOPA COUNTY PARK RANGERS | 439,820 | 332,028 | 24,132 | 24,132 | 820,113 | 410,057 | 0.009% | 51,662 |
| MARICOPA COUNTY SHERIFF'S OFFICE | 108,491,783 | 119,885,669 | 30,785,115 | 32,775,482 | 291,938,049 | 145,969,025 | 3.355% | 18,380,272 |
| MARICOPA FIRE DISTRICT | 1,817,056 | 2,607,794 | 1,182,028 | 1,561,939 | 7,168,816 | 3,584,408 | 0.082% | 451,591 |
| MAYER FIRE DISTRICT | 850,273 | 1,163,307 | 389,902 | 385,314 | 2,788,796 | 1,394,398 | 0.032% | 175,677 |
| MESA FIRE DEPARTMENT | 92,467,260 | 103,446,202 | 25,304,418 | 26,263,036 | 247,480,916 | 123,740,458 | 2.844% | 15,589,751 |
| MESA POLICE DEPARTMENT | 146,234,348 | 165,884,186 | 43,292,153 | 45,882,832 | 401,293,520 | 200,646,760 | 4.612% | 25,278,983 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| MIAMI FIRE DEPARTMENT | 250,945 | 284,686 | 0 | 0 | 535,631 | 267,815 | 0.006% | 33,741 |
| MIAMI POLICE DEPARTMENT | 374,986 | 462,768 | 113,924 | 128,662 | 1,080,341 | 540,170 | 0.012% | 68,055 |
| MOHAVE COUNTY SHERIFF'S DEPT. | 10,203,085 | 11,905,424 | 3,117,461 | 3,249,233 | 28,475,203 | 14,237,602 | 0.327% | 1,793,760 |
| MOHAVE VALLEY FIRE DISTRICT | 2,003,391 | 2,555,498 | 918,334 | 937,198 | 6,414,422 | 3,207,211 | 0.074% | 404,068 |
| MONTEZUMA RIMROCK FIRE DISTRICT | 409,481 | 553,845 | 269,307 | 308,977 | 1,541,610 | 770,805 | 0.018% | 97,112 |
| MOUNT LEMMON FIRE DISTRICT | 181,616 | 228,942 | 87,937 | 83,710 | 582,205 | 291,103 | 0.007% | 36,675 |
| NAU CAMPUS POLICE | 2,272,396 | 2,372,807 | 473,975 | 529,352 | 5,648,531 | 2,824,265 | 0.065% | 355,822 |
| NAVAJO COUNTY ATTY'S INVESTIGATOR | 146,598 | 136,737 | 0 | 0 | 283,335 | 141,668 | 0.003% | 17,848 |
| NAVAJO COUNTY SHERIFF'S DEPT. | 3,642,688 | 3,907,006 | 1,027,160 | 893,762 | 9,470,616 | 4,735,308 | 0.109% | 596,590 |
| NOGALES FIRE DEPARTMENT | 3,933,139 | 4,536,562 | 1,543,638 | 1,651,648 | 11,664,987 | 5,832,493 | 0.134% | 734,821 |
| NOGALES POLICE DEPARTMENT | 5,469,577 | 6,318,064 | 1,934,274 | 2,054,867 | 15,776,782 | 7,888,391 | 0.181% | 993,839 |
| NORTHWEST FIRE DISTRICT | 13,452,148 | 17,324,049 | 6,397,316 | 7,282,222 | 44,455,734 | 22,227,867 | 0.511% | 2,800,433 |
| ORACLE FIRE DISTRICT | 48,205 | 91,847 | 22,853 | 36,930 | 199,835 | 99,917 | 0.002% | 12,588 |
| ORO VALLEY POLICE DEPARTMENT | 8,145,136 | 10,062,544 | 3,805,957 | 4,149,250 | 26,162,887 | 13,081,443 | 0.301% | 1,648,098 |
| PAGE FIRE DEPARTMENT | 413,392 | 520,316 | 199,650 | 236,953 | 1,370,311 | 685,156 | 0.016% | 86,321 |
| PAGE POLICE DEPARTMENT | 1,942,247 | 2,187,773 | 542,562 | 605,017 | 5,277,600 | 2,638,800 | 0.061% | 332,456 |
| PARADISE VALLEY POLICE DEPARTMENT | 5,438,828 | 5,650,734 | 1,582,246 | 1,650,532 | 14,322,340 | 7,161,170 | 0.165% | 902,218 |
| PARKER POLICE DEPARTMENT | 1,007,382 | 1,130,885 | 246,602 | 278,113 | 2,662,981 | 1,331,491 | 0.031% | 167,751 |
| PASCUA YAQUI TRIBE FIRE DEPT. | 742,385 | 1,086,257 | 412,422 | 508,450 | 2,749,513 | 1,374,757 | 0.032% | 173,202 |
| PASCUA YAQUI TRIBE POLICE DEPT. | 746,852 | 1,226,924 | 718,581 | 877,699 | 3,570,056 | 1,785,028 | 0.041% | 224,891 |
| PATAGONIA MARSHALS | 307,000 | 324,903 | 34,328 | 36,543 | 702,773 | 351,387 | 0.008% | 44,270 |
| PAYSON FIRE DEPARTMENT | 2,334,620 | 2,821,399 | 941,546 | 923,593 | 7,021,158 | 3,510,579 | 0.081% | 442,289 |
| PAYSON POLICE DEPARTMENT | 3,068,863 | 3,466,132 | 995,769 | 1,038,017 | 8,568,781 | 4,284,391 | 0.098% | 539,780 |
| PEORIA FIRE DEPARTMENT | 16,319,480 | 20,158,013 | 6,210,356 | 7,028,334 | 49,716,182 | 24,858,091 | 0.571% | 3,131,809 |
| PEORIA POLICE DEPARTMENT | 21,031,193 | 25,091,977 | 6,288,560 | 7,087,229 | 59,498,959 | 29,749,479 | 0.684% | 3,748,062 |
| PHOENIX FIRE DEPARTMENT | 400,989,905 | 441,797,903 | 102,796,857 | 107,544,491 | 1,053,129,155 | 526,564,578 | 12.103% | 66,340,553 |
| PHOENIX POLICE DEPARTMENT | 690,701,348 | 768,935,162 | 178,236,110 | 192,526,716 | 1,830,399,336 | 915,199,668 | 21.035% | 115,303,715 |
| PICTURE ROCKS FIRE DISTRICT | 1,632,600 | 1,960,226 | 595,776 | 644,775 | 4,833,376 | 2,416,688 | 0.056% | 304,472 |
| PIMA COUNTY ATTORNEY INVESTIGATOR | 1,202,799 | 1,421,648 | 361,054 | 373,696 | 3,359,197 | 1,679,599 | 0.039% | 211,608 |
| PIMA COUNTY COMM. COLLEGE POLICE | 2,532,132 | 2,882,064 | 692,775 | 784,288 | 6,891,259 | 3,445,629 | 0.079% | 434,106 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| PIMA COUNTY SHERIFF'S DEPARTMENT | 94,118,881 | 103,522,060 | 12,180,404 | 13,064,427 | 222,885,772 | 111,442,886 | 2.561% | 14,040,410 |
| PIMA POLICE DEPARTMENT | 152,822 | 178,324 | 47,111 | 46,401 | 424,657 | 212,329 | 0.005% | 26,751 |
| PINAL COUNTY SHERIFF'S DEPARTMENT | 18,241,845 | 22,041,686 | 6,605,098 | 7,197,794 | 54,086,423 | 27,043,212 | 0.622% | 3,407,107 |
| PINE-STRAWBERRY FIRE DISTRICT | 1,455,016 | 1,863,822 | 615,907 | 700,054 | 4,634,799 | 2,317,400 | 0.053% | 291,963 |
| PINETOP FIRE DISTRICT | 1,298,862 | 1,707,461 | 645,729 | 737,757 | 4,389,809 | 2,194,905 | 0.050% | 276,531 |
| PINETOP-LAKESIDE POLICE DEPT. | 1,136,022 | 1,207,012 | 400,069 | 449,686 | 3,192,789 | 1,596,394 | 0.037% | 201,126 |
| PINEWOOD FIRE DISTRICT | 708,205 | 846,242 | 230,588 | 294,012 | 2,079,047 | 1,039,523 | 0.024% | 130,967 |
| PRESCOTT FIRE DEPARTMENT | 11,072,975 | 12,195,874 | 3,073,244 | 3,282,378 | 29,624,470 | 14,812,235 | 0.340% | 1,866,156 |
| PRESCOTT POLICE DEPARTMENT | 7,873,396 | 8,454,461 | 2,510,881 | 2,802,716 | 21,641,454 | 10,820,727 | 0.249% | 1,363,276 |
| PRESCOTT VALLEY POLICE DEPARTMENT | 4,555,086 | 5,764,969 | 2,191,210 | 2,335,490 | 14,846,755 | 7,423,377 | 0.171% | 935,253 |
| QUARTZSITE FIRE DISTRICT | 176,065 | 267,469 | 109,826 | 140,616 | 693,977 | 346,988 | 0.008% | 43,716 |
| QUARTZSITE POLICE DEPARTMENT | 999,008 | 1,249,653 | 395,265 | 509,022 | 3,152,948 | 1,576,474 | 0.036% | 198,616 |
| QUEEN CREEK FIRE DEPARTMENT | 301,522 | 488,550 | 200,616 | 347,302 | 1,337,990 | 668,995 | 0.015% | 84,285 |
| QUEEN VALLEY FIRE DISTRICT | 3,261 | 37,222 | 1,701 | 25,702 | 67,886 | 33,943 | 0.001% | 4,276 |
| RINCON VALLEY FIRE DISTRICT | 709,935 | 1,114,280 | 465,522 | 600,758 | 2,890,495 | 1,445,248 | 0.033% | 182,083 |
| RIO RICO FIRE DISTRICT | 579,107 | 879,434 | 479,508 | 579,093 | 2,517,142 | 1,258,571 | 0.029% | 158,564 |
| RIO VERDE FIRE DISTRICT | 828,853 | 1,220,472 | 404,685 | 484,221 | 2,938,231 | 1,469,116 | 0.034% | 185,090 |
| SAFFORD POLICE DEPARTMENT | 2,409,952 | 2,531,184 | 892,228 | 870,858 | 6,704,222 | 3,352,111 | 0.077% | 422,324 |
| SAHUARITA POLICE DEPARTMENT | 1,756,831 | 2,394,120 | 950,415 | 1,107,639 | 6,209,005 | 3,104,503 | 0.071% | 391,129 |
| SALT RIVER PIMA-MARICOPA FIRE | 5,595,130 | 7,720,555 | 2,720,999 | 2,929,399 | 18,966,083 | 9,483,042 | 0.218% | 1,194,745 |
| SALT RIVER PIMA-MARICOPA POLICE | 4,965,447 | 6,697,830 | 3,120,369 | 3,578,539 | 18,362,185 | 9,181,092 | 0.211% | 1,156,703 |
| SAN CARLOS TRIBAL POLICE | 398,158 | 632,046 | 131,523 | 213,766 | 1,375,493 | 687,747 | 0.016% | 86,647 |
| SAN LUIS FIRE DEPARTMENT | 872,955 | 1,186,003 | 505,645 | 582,390 | 3,146,993 | 1,573,497 | 0.036% | 198,241 |
| SAN LUIS POLICE DEPARTMENT | 1,811,808 | 2,129,192 | 847,535 | 922,822 | 5,711,356 | 2,855,678 | 0.066% | 359,780 |
| SANTA CRUZ COUNTY SHERIFF'S DEPT. | 2,600,000 | 3,096,487 | 1,153,639 | 1,292,767 | 8,142,893 | 4,071,446 | 0.094% | 512,951 |
| SCOTTSDALE FIRE DEPARTMENT | 10,635,483 | 14,663,876 | 6,248,408 | 7,538,528 | 39,086,295 | 19,543,147 | 0.449% | 2,462,192 |
| SCOTTSDALE POLICE DEPARTMENT | 70,124,761 | 79,766,544 | 21,531,901 | 22,801,552 | 194,224,757 | 97,112,379 | 2.232% | 12,234,945 |
| SEDONA FIRE DISTRICT | 6,032,471 | 7,634,551 | 2,639,126 | 2,829,516 | 19,135,664 | 9,567,832 | 0.220% | 1,205,427 |
| SEDONA POLICE DEPARTMENT | 2,356,949 | 2,921,426 | 1,019,935 | 1,110,957 | 7,409,267 | 3,704,633 | 0.085% | 466,737 |
| SHOW LOW FIRE DISTRICT | 1,112,257 | 1,616,704 | 721,186 | 919,739 | 4,369,886 | 2,184,943 | 0.050% | 275,275 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| SHOW LOW POLICE DEPARTMENT | 2,711,830 | 3,136,942 | 1,049,097 | 1,119,193 | 8,017,061 | 4,008,531 | 0.092% | 505,025 |
| SIERRA VISTA FIRE DEPARTMENT | 7,015,534 | 8,029,113 | 1,810,742 | 1,911,781 | 18,767,171 | 9,383,585 | 0.216% | 1,182,214 |
| SIERRA VISTA POLICE DEPARTMENT | 7,911,243 | 9,085,900 | 2,207,312 | 2,414,148 | 21,618,602 | 10,809,301 | 0.248% | 1,361,837 |
| SNOWFLAKE POLICE DEPARTMENT | 839,507 | 983,855 | 361,601 | 407,831 | 2,592,795 | 1,296,398 | 0.030% | 163,330 |
| SOMERTON FIRE DEPARTMENT | 787,066 | 997,899 | 379,305 | 440,656 | 2,604,926 | 1,302,463 | 0.030% | 164,094 |
| SOMERTON POLICE DEPARTMENT | 1,041,047 | 1,438,579 | 500,287 | 532,034 | 3,511,947 | 1,755,974 | 0.040% | 221,231 |
| SONOITA ELGIN FIRE DEPARTMENT | 46,940 | 103,096 | 26,725 | 47,809 | 224,570 | 112,285 | 0.003% | 14,146 |
| SOUTH TUCSON FIRE DEPARTMENT | 982,772 | 1,102,957 | 321,826 | 345,687 | 2,753,242 | 1,376,621 | 0.032% | 173,437 |
| SOUTH TUCSON POLICE DEPARTMENT | 292,170 | 433,409 | 330,707 | 301,918 | 1,358,203 | 679,102 | 0.016% | 85,558 |
| SPRINGERVILLE POLICE DEPARTMENT | 732,702 | 938,863 | 259,532 | 218,818 | 2,149,915 | 1,074,958 | 0.025% | 135,431 |
| ST. JOHNS POLICE DEPARTMENT | 457,635 | 607,796 | 140,078 | 202,519 | 1,408,028 | 704,014 | 0.016% | 88,697 |
| SUMMIT FIRE DISTRICT | 2,122,676 | 2,831,161 | 1,073,769 | 1,330,919 | 7,358,524 | 3,679,262 | 0.085% | 463,541 |
| SUN CITY FIRE DISTRICT | 7,599,424 | 9,257,102 | 4,525,703 | 4,703,893 | 26,086,122 | 13,043,061 | 0.300% | 1,643,263 |
| SUN CITY WEST FIRE DISTRICT | 5,324,112 | 6,827,452 | 2,546,075 | 2,801,319 | 17,498,959 | 8,749,479 | 0.201% | 1,102,325 |
| SUN LAKES FIRE DISTRICT | 4,260,369 | 5,512,437 | 1,591,271 | 1,764,375 | 13,128,452 | 6,564,226 | 0.151% | 827,010 |
| SUPERIOR POLICE DEPARTMENT | 521,793 | 563,736 | 153,242 | 146,277 | 1,385,048 | 692,524 | 0.016% | 87,249 |
| SURPRISE FIRE DEPARTMENT | 6,743,431 | 9,092,012 | 3,821,858 | 4,514,565 | 24,171,865 | 12,085,933 | 0.278% | 1,522,676 |
| SURPRISE POLICE DEPARTMENT | 7,206,448 | 9,247,687 | 3,681,180 | 4,282,080 | 24,417,395 | 12,208,697 | 0.281% | 1,538,143 |
| TEMPE FIRE DEPARTMENT | 43,848,589 | 48,015,645 | 9,009,216 | 9,837,230 | 110,710,680 | 55,355,340 | 1.272% | 6,974,081 |
| TEMPE POLICE DEPARTMENT | 54,189,873 | 60,873,284 | 16,544,834 | 18,013,024 | 149,621,015 | 74,810,507 | 1.719% | 9,425,189 |
| THATCHER POLICE DEPARTMENT | 1,396,625 | 1,537,956 | 293,249 | 340,941 | 3,568,772 | 1,784,386 | 0.041% | 224,810 |
| THREE POINTS FIRE DISTRICT | 456,957 | 684,994 | 288,205 | 313,555 | 1,743,711 | 871,856 | 0.020% | 109,843 |
| TOHONO O'ODHAM NATION FIRE | 1,408,393 | 2,069,339 | 422,593 | 625,804 | 4,526,129 | 2,263,065 | 0.052% | 285,118 |
| TOHONO O'ODHAM NATION POLICE | 6,304,053 | 7,837,876 | 780,080 | 1,214,382 | 16,136,391 | 8,068,196 | 0.185% | 1,016,492 |
| TOLLESON FIRE DEPARTMENT | 1,952,846 | 2,619,394 | 1,075,020 | 1,396,656 | 7,043,915 | 3,521,958 | 0.081% | 443,723 |
| TOLLESON POLICE DEPARTMENT | 1,981,750 | 2,268,692 | 875,181 | 906,336 | 6,031,959 | 3,015,979 | 0.069% | 379,976 |
| TOMBSTONE MARSHAL'S DEPARTMENT | 288,863 | 360,538 | 121,908 | 137,811 | 909,120 | 454,560 | 0.010% | 57,269 |
| TONOPAH FIRE DISTRICT | 121,317 | 188,363 | 80,307 | 99,719 | 489,706 | 244,853 | 0.006% | 30,848 |
| TOWN OF SUPERIOR (FIRE DEPT) | 109,311 | 165,517 | 65,867 | 86,746 | 427,441 | 213,721 | 0.005% | 26,926 |
| TRI-CITY FIRE DISTRICT | 455,225 | 665,633 | 308,945 | 376,334 | 1,806,138 | 903,069 | 0.021% | 113,775 |

## SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION
FISCAL YEAR ENDED JUNE 30, 2010

| SYSTEM | 2009 EMPLOYER RESERVE | 2010 EMPLOYER RESERVE | 2009 MEMBER RESERVE | 2010 MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|---|---|---|---|---|---|---|---|---|
| TUBAC FIRE DISTRICT | 1,110,917 | 1,480,081 | 571,770 | 690,804 | 3,853,572 | 1,926,786 | 0.044% | 242,751 |
| TUCSON AIRPORT AUTHORITY FIRE DPT | 3,889,338 | 3,994,369 | 950,594 | 865,725 | 9,700,025 | 4,850,013 | 0.111% | 611,041 |
| TUCSON AIRPORT AUTHORITY POLICE | 2,528,134 | 2,662,764 | 1,032,950 | 1,101,246 | 7,325,094 | 3,662,547 | 0.084% | 461,435 |
| TUCSON FIRE DEPARTMENT | 139,928,193 | 150,291,415 | 24,198,826 | 26,615,828 | 341,034,262 | 170,517,131 | 3.919% | 21,483,026 |
| TUCSON POLICE DEPARTMENT | 222,514,880 | 238,284,698 | 38,212,758 | 40,137,726 | 539,150,062 | 269,575,031 | 6.196% | 33,963,083 |
| U OF A CAMPUS POLICE DEPARTMENT | 5,282,550 | 6,157,163 | 1,933,291 | 2,124,958 | 15,497,962 | 7,748,981 | 0.178% | 976,275 |
| VERDE VALLEY FIRE DISTRICT | 2,129,940 | 2,656,682 | 849,885 | 971,812 | 6,608,319 | 3,304,159 | 0.076% | 416,283 |
| WELLTON POLICE | 106,965 | 195,677 | 105,509 | 98,604 | 506,755 | 253,377 | 0.006% | 31,922 |
| WHETSTONE FIRE DISTRICT | 24,773 | 65,400 | 55,195 | 51,294 | 196,662 | 98,331 | 0.002% | 12,388 |
| WICKENBURG FIRE DEPARTMENT | 160,913 | 252,148 | 97,208 | 129,287 | 639,556 | 319,778 | 0.007% | 40,288 |
| WICKENBURG POLICE DEPARTMENT | 946,620 | 1,128,902 | 454,400 | 479,618 | 3,009,541 | 1,504,770 | 0.035% | 189,582 |
| WILLCOX POLICE DEPARTMENT | 976,239 | 1,104,148 | 317,851 | 359,577 | 2,757,815 | 1,378,908 | 0.032% | 173,725 |
| WILLIAMS POLICE DEPARTMENT | 758,298 | 909,736 | 230,379 | 251,761 | 2,150,175 | 1,075,088 | 0.025% | 135,448 |
| WILLIAMSON VALLEY FIRE DISTRICT | 139,015 | 194,427 | 77,724 | 100,188 | 511,354 | 255,677 | 0.006% | 32,212 |
| WINSLOW FIRE DEPARTMENT | 3,614,069 | 4,133,378 | 328,144 | 354,983 | 8,430,573 | 4,215,287 | 0.097% | 531,073 |
| WINSLOW POLICE DEPARTMENT | 2,463,809 | 2,878,268 | 809,039 | 907,942 | 7,059,059 | 3,529,530 | 0.081% | 444,677 |
| WITTMAN FIRE DISTRICT | 63,852 | 124,554 | 39,197 | 73,885 | 301,488 | 150,744 | 0.003% | 18,992 |
| YAVAPAI CNTY ATTRNY INVESTIGATORS | 180,144 | 138,107 | 0 | 0 | 318,251 | 159,126 | 0.004% | 20,048 |
| YAVAPAI COUNTY SHERIFF'S DEPT. | 9,385,553 | 10,926,055 | 4,154,430 | 4,458,457 | 28,924,495 | 14,462,247 | 0.332% | 1,822,062 |
| YAVAPAI PRESCOTT TRIBAL POLICE | 126,337 | 195,264 | 58,214 | 81,581 | 461,395 | 230,698 | 0.005% | 29,065 |
| YOUNGTOWN POLICE DEPARTMENT | 682,078 | 806,582 | 217,123 | 291,766 | 1,997,549 | 998,775 | 0.023% | 125,833 |
| YUMA COUNTY SHERIFF'S DEPARTMENT | 7,572,881 | 8,646,907 | 2,078,264 | 2,442,730 | 20,740,782 | 10,370,391 | 0.238% | 1,306,540 |
| YUMA FIRE DEPARTMENT | 17,202,060 | 18,478,258 | 4,896,363 | 5,215,380 | 45,792,061 | 22,896,031 | 0.526% | 2,884,614 |
| YUMA POLICE DEPARTMENT | 25,074,500 | 27,590,648 | 5,996,413 | 6,215,071 | 64,876,632 | 32,438,316 | 0.746% | 4,086,822 |
| **TOTALS** | **3,262,134,491** | **3,664,191,489** | **853,566,631** | **921,671,914** | **8,701,564,525** | **4,350,782,262** | **100.000%** | **548,144,164** |

## PARTICIPATING EMPLOYERS

AK CHIN INDIAN COMM. FIRE DEPT.
AK CHIN INDIAN COMM. POLICE DEPT.
APACHE COUNTY SHERIFF'S DEPT.
APACHE JUNCTION FIRE DISTRICT
APACHE JUNCTION POLICE DEPARTMENT
ARIZONA STATE CAPITOL POLICE
ARIZONA STATE PARK RANGERS
ASU CAMPUS POLICE
ATTORNEY GENERAL INVESTIGATORS
AVONDALE FIRE DEPARTMENT
AVONDALE POLICE DEPARTMENT
AVRA VALLEY FIRE DISTRICT
AZ DPT. LIQ. LIC. & CONTROL INVST
BENSON FIRE DEPARTMENT
BENSON POLICE DEPARTMENT
BISBEE FIRE DEPARTMENT
BISBEE POLICE DEPARTMENT
BLACK CANYON FIRE DISTRICT
BUCKEYE FIRE DEPARTMENT
BUCKEYE POLICE DEPARTMENT
BUCKEYE VALLEY FIRE DISTRICT
BUCKSKIN FIRE DISTRICT
BULLHEAD CITY FIRE DEPARTMENT
BULLHEAD CITY POLICE DEPARTMENT
CAMP VERDE FIRE DISTRICT
CAMP VERDE MARSHAL'S
CASA GRANDE FIRE DEPARTMENT
CASA GRANDE POLICE DEPARTMENT
CAVE CREEK MARSHALS
CENTRAL ARIZONA COLLEGE POLICE
CENTRAL YAVAPAI FIRE DISTRICT
CHANDLER FIRE DEPARTMENT
CHANDLER POLICE DEPARTMENT
CHINO VALLEY FIRE DISTRICT
CHINO VALLEY POLICE DEPARTMENT
CHRISTOPHER-KOHL'S FIRE DISTRICT
CITY OF MARICOPA POLICE
CLARKDALE FIRE DISTRICT
CLARKDALE POLICE DEPARTMENT
CLIFTON FIRE DEPARTMENT
CLIFTON POLICE DEPARTMENT
COCHISE COUNTY SHERIFF'S DEPT
COCONINO COUNTY SHERIFF'S DEPT
COOLIDGE FIRE DEPARTMENT
COOLIDGE POLICE DEPARTMENT
CORONA DE TUCSON FIRE DISTRICT
COTTONWOOD FIRE DEPARTMENT
COTTONWOOD POLICE DEPARTMENT
DAISY MOUNTAIN FIRE DISTRICT
DEPARTMENT OF EMER & MILITARY AFF
DEPARTMENT OF PUBLIC SAFETY
DESERT HILLS FIRE DEPARTMENT
DIAMOND STAR FIRE DISTRICT (HELLSGATE)
DOUGLAS FIRE DEPARTMENT
DOUGLAS POLICE DEPARTMENT
DREXEL HEIGHTS FIRE DISTRICT
EAGAR POLICE DEPARTMENT
EL MIRAGE FIRE DEPARTMENT
EL MIRAGE POLICE DEPARTMENT
ELOY FIRE DISTRICT
ELOY POLICE DEPARTMENT
FLAGSTAFF FIRE DEPARTMENT
FLAGSTAFF POLICE DEPARTMENT
FLORENCE FIRE DEPARTMENT
FLORENCE POLICE DEPARTMENT
FORT MCDOWELL TRIBAL FIRE DEPT.
FORT MCDOWELL TRIBAL POLICE DEPT.
FORT MOJAVE MESA FIRE DISTRICT
FORT MOJAVE TRIBAL POLICE DEPT.
FREDONIA MARSHALS
FRY FIRE DISTRICT
GAME AND FISH DEPARTMENT
GILA COUNTY SHERIFF'S DEPARTMENT
GILA RIVER FIRE DEPARTMENT
GILA RIVER POLICE DEPARTMENT
GILBERT FIRE DEPARTMENT
GILBERT POLICE DEPARTMENT
GLENDALE FIRE DEPARTMENT
GLENDALE POLICE DEPARTMENT
GLOBE FIRE DEPARTMENT
GLOBE POLICE DEPARTMENT
GOLDEN SHORES FIRE DISTRICT
GOLDEN VALLEY FIRE DISTRICT
GOLDER RANCH FIRE DISTRICT
GOODYEAR FIRE DEPARTMENT
GOODYEAR POLICE DEPARTMENT
GRAHAM COUNTY ATTORNEY INVEST.
GRAHAM COUNTY SHERIFF'S DEPT.
GREEN VALLEY FIRE DISTRICT
GREENLEE CNTY ATTY INVESTIGATORS
GREENLEE COUNTY SHERIFF'S DEPT.
GROOM CREEK FIRE DISTRICT
GUADALUPE FIRE DEPARTMENT
HARQUAHALA FIRE DISTRICT
HAYDEN POLICE DEPARTMENT
HEBER-OVERGAARD FIRE DISTRICT
HIGHLANDS FIRE DISTRICT
HOLBROOK POLICE DEPARTMENT
HUALAPAI INDIAN TRIBE POLICE DEPT
HUALAPAI VALLEY FIRE DISTRICT
JEROME POLICE DEPARTMENT
KEARNY POLICE DEPARTMENT
KINGMAN FIRE DEPARTMENT
KINGMAN POLICE DEPARTMENT
LA PAZ COUNTY ATTY. INVESTIGATORS
LA PAZ COUNTY SHERIFF'S DEPT.
LAKE HAVASU CITY FIRE DEPARTMENT
LAKE HAVASU CITY POLICE DEPT.
LAKE MOHAVE RANCHOS FIRE DISTRICT
LAKESIDE FIRE DISTRICT
LINDEN FIRE DISTRICT
MAMMOTH POLICE DEPARTMENT
MARANA POLICE DEPARTMENT
MARICOPA CNTY ATTY INVESTIGATORS
MARICOPA COUNTY PARK RANGERS
MARICOPA COUNTY SHERIFF'S OFFICE
MARICOPA FIRE DISTRICT

## PARTICIPATING EMPLOYERS

MAYER FIRE DISTRICT
MESA FIRE DEPARTMENT
MESA POLICE DEPARTMENT
MIAMI FIRE DEPARTMENT
MIAMI POLICE DEPARTMENT
MOHAVE COUNTY SHERIFF'S DEPT.
MOHAVE VALLEY FIRE DISTRICT
MONTEZUMA RIMROCK FIRE DISTRICT
MOUNT LEMMON FIRE DISTRICT
NAU CAMPUS POLICE
NAVAJO COUNTY ATTY'S INVESTIGATOR
NAVAJO COUNTY SHERIFF'S DEPT.
NOGALES FIRE DEPARTMENT
NOGALES POLICE DEPARTMENT
NORTHWEST FIRE DISTRICT
ORACLE FIRE DISTRICT
ORO VALLEY POLICE DEPARTMENT
PAGE FIRE DEPARTMENT
PAGE POLICE DEPARTMENT
PARADISE VALLEY POLICE DEPARTMENT
PARKER POLICE DEPARTMENT
PASCUA YAQUI TRIBE FIRE DEPT.
PASCUA YAQUI TRIBE POLICE DEPT.
PATAGONIA MARSHALS
PAYSON FIRE DEPARTMENT
PAYSON POLICE DEPARTMENT
PEORIA FIRE DEPARTMENT
PEORIA POLICE DEPARTMENT
PHOENIX FIRE DEPARTMENT
PHOENIX POLICE DEPARTMENT
PICTURE ROCKS FIRE DISTRICT
PIMA COUNTY ATTORNEY INVESTIGATOR
PIMA COUNTY COMM. COLLEGE POLICE
PIMA COUNTY SHERIFF'S DEPARTMENT
PIMA POLICE DEPARTMENT
PINAL COUNTY SHERIFF'S DEPARTMENT
PINE-STRAWBERRY FIRE DISTRICT
PINETOP FIRE DISTRICT
PINETOP-LAKESIDE POLICE DEPT.
PINEWOOD FIRE DISTRICT
PRESCOTT FIRE DEPARTMENT
PRESCOTT POLICE DEPARTMENT
PRESCOTT VALLEY POLICE DEPARTMENT
QUARTZSITE FIRE DISTRICT
QUARTZSITE POLICE DEPARTMENT
QUEEN CREEK FIRE DEPARTMENT
QUEEN VALLEY FIRE DISTRICT
RINCON VALLEY FIRE DISTRICT
RIO RICO FIRE DISTRICT
RIO VERDE FIRE DISTRICT
SAFFORD POLICE DEPARTMENT
SAHUARITA POLICE DEPARTMENT
SALT RIVER PIMA-MARICOPA FIRE
SALT RIVER PIMA-MARICOPA POLICE
SAN CARLOS TRIBAL POLICE
SAN LUIS FIRE DEPARTMENT
SAN LUIS POLICE DEPARTMENT
SANTA CRUZ COUNTY SHERIFF'S DEPT.
SCOTTSDALE FIRE DEPARTMENT
SCOTTSDALE POLICE DEPARTMENT
SEDONA FIRE DISTRICT
SEDONA POLICE DEPARTMENT
SHOW LOW FIRE DISTRICT
SHOW LOW POLICE DEPARTMENT
SIERRA VISTA FIRE DEPARTMENT
SIERRA VISTA POLICE DEPARTMENT
SNOWFLAKE POLICE DEPARTMENT
SOMERTON FIRE DEPARTMENT
SOMERTON POLICE DEPARTMENT
SONOITA ELGIN FIRE DEPARTMENT
SOUTH TUCSON FIRE DEPARTMENT
SOUTH TUCSON POLICE DEPARTMENT
SPRINGERVILLE POLICE DEPARTMENT
ST. JOHNS POLICE DEPARTMENT
SUMMIT FIRE DISTRICT
SUN CITY FIRE DISTRICT
SUN CITY WEST FIRE DISTRICT
SUN LAKES FIRE DISTRICT
SUPERIOR POLICE DEPARTMENT
SURPRISE FIRE DEPARTMENT
SURPRISE POLICE DEPARTMENT
TEMPE FIRE DEPARTMENT
TEMPE POLICE DEPARTMENT
THATCHER POLICE DEPARTMENT
THREE POINTS FIRE DISTRICT
TOHONO O'ODHAM NATION FIRE
TOHONO O'ODHAM NATION POLICE
TOLLESON FIRE DEPARTMENT
TOLLESON POLICE DEPARTMENT
TOMBSTONE MARSHAL'S DEPARTMENT
TONOPAH FIRE DISTRICT
TOWN OF SUPERIOR (FIRE DEPT)
TRI-CITY FIRE DISTRICT
TUBAC FIRE DISTRICT
TUCSON AIRPORT AUTHORITY FIRE DPT
TUCSON AIRPORT AUTHORITY POLICE
TUCSON FIRE DEPARTMENT
TUCSON POLICE DEPARTMENT
U OF A CAMPUS POLICE DEPARTMENT
VERDE VALLEY FIRE DISTRICT
WELLTON POLICE
WHETSTONE FIRE DISTRICT
WICKENBURG FIRE DEPARTMENT
WICKENBURG POLICE DEPARTMENT
WILLCOX POLICE DEPARTMENT
WILLIAMS POLICE DEPARTMENT
WILLIAMSON VALLEY FIRE DISTRICT
WINSLOW FIRE DEPARTMENT
WINSLOW POLICE DEPARTMENT
WITTMAN FIRE DISTRICT
YAVAPAI CNTY ATTRNY INVESTIGATORS
YAVAPAI COUNTY SHERIFF'S DEPT.
YAVAPAI PRESCOTT TRIBAL POLICE
YOUNGTOWN POLICE DEPARTMENT
YUMA COUNTY SHERIFF'S DEPARTMENT
YUMA FIRE DEPARTMENT
YUMA POLICE DEPARTMENT

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