

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

# PUBLIC SAFETY

## PERSONNEL RETIREMENT SYSTEM



## 45th COMPREHENSIVE ANNUAL FINANCIAL REPORT

### A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2013

# 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-Fifth Comprehensive Annual Financial Report**

For the Fiscal Year Ended  
June 30, 2013

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System  
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Government Finance Officers Association

**Certificate of  
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Presented to

**Arizona Public Safety Personnel  
Retirement System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



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

**Brian P. Tobin**, Chairman  
**Gregory Ferguson**, Vice Chair  
**Jeff McHenry**, Trustee  
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**James M. Hacking**  
Administrator  
**Ryan Parham**      **Jared A. Smout**  
Chief Investment Officer      Deputy Administrator

December 12, 2013

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-fifth Comprehensive Annual Financial Report (CAFR) for the PSPRS Plan for the fiscal year ended June 30, 2013 (FY'13), in accordance with the provisions of A.R.S. Section 38-848.

### **The PSPRS Plan's Funding Status**

As of fiscal year-end, the financial status of the PSPRS Plan, as reflected in its funding ratio, decreased from 58.6% at June 30, 2012 to 57.1% at June 30, 2013. This funding ratio decrease continues the Plan's FY'02 through FY'07 funding ratio erosion trend that resumed in FY'10 following two fiscal years in which the funding status remained relatively stable. It is important to note that the FY'13 decline in the funding ratio occurred, despite the fact that the Plan experienced a far-better-than-expected 10.64% rate of return on its invested assets.

The continuing funding ratio decline that began in FY'02 is due primarily to the asset value losses and negative rates of return that the Plan experienced in FY'01 and FY'02 (\$1.3 billion) coupled with the additional losses and negative rates of return the Plan experienced in FY'08 and FY'09 and then again in FY'12. The losses in FY'01 and FY'02 were largely the result of a lack of investment diversification and an over-concentration in high technology and telecommunication stocks and bonds at a time when the "tech-telecom bubble" was deflating. The FY'08 and FY'09 losses were the result of the impact on the financial markets of the collapse of the U.S. housing market and the intense global recession that followed.

The FY'12 asset value loss was the result of two factors: first, weakness and volatility in the financial markets – especially the international equity markets – that resulted from weakness in the U.S. and global economies; and, second, an actual rate of return that was significantly less than the Plan's benchmark return (2.89%) for the fiscal year.

A second factor that has also contributed significantly to the funding erosion was the downward revision in the Plan's actuarial assumption for investment return. (That assumption was reduced by the Board from 8.5% in FY'10 to 8.0% in FY'12 and was reduced further to 7.85% for FY'13 in an attempt to more accurately reflect the System's long term investment returns.) Downward revision in this assumption reduces the projected rate of growth in Plan assets relative to the rate of growth in liability for benefits and that, in turn, diminishes the Plan's funding ratio (and adds to the employer contribution requirement). It should be noted that an over stated investment assumption will also adversely impact the Plan's funding ratio when less than expected returns are factored into the actuarial valuation.

How to move the Plan back to an annual pattern of steadily improving funding ratios remains the principal challenge facing the PSPRS System and its Board of Trustees. Although the System has no control or influence over the performance of the U.S. and global financial markets and the world economies, the Board has taken the initiative to fully diversify the System's financial market exposures to reduce overall risk and volatility.

It should be noted that the Plan's funding ratio decreased during fiscal years 2010 and 2011 even though the Plan had strong rates of return in those years (13.47% in FY'10 and 17.37% in FY'11). The same thing happened again during FY'13 when the rate of return was 10.64%. This is because the PSPRS Plan uses a seven year averaging process ("smoothing") to determine the fiscal year-end actuarial value of assets. Under this methodology, 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 succeeding six fiscal years. So, although one-seventh of the FY'13 10.64% return is reflected in the Plan's fiscal year-end results, those results also reflect one-seventh portions of the -7.27%, -17.73% and -0.79% returns that the Plan experienced during FY'08, FY'09 and FY'12 respectively. Because the remainder of the FY'08, FY'09 and FY'12 investment losses will be factored into the PSPRS Plan's funding ratios over the next several fiscal years, the forecast is that the Plan's funding will continue to deteriorate until the years of asset value losses drop out of the calculation of the funding ratio. While it is possible that this trend could be arrested, and perhaps reversed, by several consecutive years of much better-than-expected rates of return, it is also possible that funded status deterioration could be exacerbated if the Arizona Supreme Court fails to uphold the statutory changes that were made by the 2011 pension reform bill (SB 1609) to increase the Plan's member contribution rates and to diminish the so-called COLA formula.

Before the changes made by the pension reform bill, the PSPRS statutes required a fixed member contribution rate of 7.65%. That rate was increased substantially and was 11.05% during FY'13. Also, prior to the pension reform bill's changes to the Plan's COLA formula, the statutes required that in any year in which the Plan generated an investment return in excess of 9%, one-half of any return over 9% had to be diverted into the PSPRS Plan's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets were then used to finance life-time post-retirement benefit adjustments for the Plan's eligible beneficiaries. However, whenever assets were allocated to the Reserve, those same assets were denied to the underfunded Plan and were not available to help fund the Plan's growing liabilities for benefits. If the Arizona Supreme Court overturns the pension reform bill's member contribution rate increases and the COLA changes, the System could have to refund the revenue raised by the higher contribution rates and revive and restore retroactively the old COLA formula. Either or both of these changes will have significantly adverse consequences for the financial status of the Plan and will further increase employer contribution requirements.

### **Employer Contribution Rates**

Any change in the PSPRS Plan's June 30<sup>th</sup> funding ratio impacts the employer contribution rate as of the following July 1<sup>st</sup>. Since the Plan's FY'13 funding ratio declined, the PSPRS employers' contribution rates will increase as of July 1, 2014 (the start of employer FY'15). The PSPRS aggregate employer contribution rate will total 32.54%, consisting of a 12.89% "normal cost" component (to cover the cost of future service to be performed by the covered employee groups) and a 19.65% component for the amortization of the unfunded actuarial accrued liability (which is related to service performed in the past).

As the Plan's funding ratio has eroded, the employer contribution requirements have been rising in large year-over-year increments. The employer aggregate rate crested at 21.71% of payroll in employer FY'09. For the next two years, the aggregate rate remained relatively stable. But because of the Plan's funding ratio declines in FY'10, FY'11 and FY'12, the aggregate employer rate began to increase again, rising to 22.68% in employer FY'12, 27.18% in employer FY'13 and 30.44% in employer FY'14. Given the further erosion in the Plan's funding status as of the end of FY'13, the aggregate employer rate is scheduled to increase to 32.54% of payroll during employer FY'15. That represents a 2.10 percentage point increase over the current employer FY'14 aggregate rate. This increase in the employer rate reflects the same combination of factors that have contributed to the funding ratio erosion, including the performance of the financial markets and the actuarial assumption revisions adopted by the Board, based on recommendations from the System's actuaries. With further erosion in the Plan's funding status expected to occur over the next several years, the forecast is that the employer contribution rates will continue to increase unless the Plan benefits from several consecutive years of far-better-than-expected investment returns. If the Arizona Supreme Court overturns the pension reform bill's statutory changes in member contribution rates and/or the COLA formula, employer rates will rise even more.

### **FY'13 Investment Results**

As indicated above, the FY'13 PSPRS Plan investment return was 10.64%. That was 56 basis points higher than the 10.08% benchmark return for the Plan and 279 basis points higher than the 7.85% actuarial assumed rate of return. Ten of the Plan's asset classes had positive returns for the fiscal year; the only exception was "Risk Parity" which had a -1.17% return. In addition, all asset classes outperformed their respective benchmarks, except for "U.S. Equity," "Private Equity," "Risk Parity" and "Real Estate." However, U.S. Equity, Private Equity and Real Estate had strong positive returns for the year (21.26%, 13.25% and 7.73%, respectively).

Going forward into Plan fiscal year 2014, two points should be noted. First, the values of the Plan's legacy real estate, which consists primarily of residential property concentrated in Arizona and the Southwest U.S., are continuing to rise, thus creating opportunities to liquidate many of these properties at a gain and reallocate the proceeds into more diversified real estate exposures. Second, during FY'13 the new COLA formula authorized by the 2011 pension reform bill became effective; this new formula will result in post-retirement benefit adjustments for eligible CORP beneficiaries as of July, 2014. However, neither PSPRS nor EORP beneficiaries will receive benefit adjustments, since neither Plan had a funding ratio as of the end of FY'13 above the threshold 60% level required by the new statutory formula.

## Conclusion


To improve the Plan's funded status and reduce the rate of increase in 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 gone 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 former heavy reliance on equities has declined considerably and so has the risk level. This is helping to limit asset value losses in down financial market cycles. In addition, as the Plan's portfolio managers demonstrate their ability to perform at, or above, expectations, increasing amounts of Plan assets will be committed to those portfolio relationships while assets are taken away from managers that have failed to perform as expected.

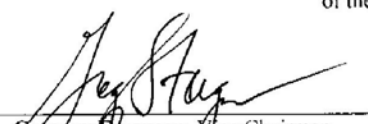
While today the PSPRS Plan is far better positioned to weather the volatility of the financial markets and perform up to expectations over the long term, there are still serious risks over which we, as a Board of Trustees, have no control, such as fiscal grid-lock at the federal level in the U.S., economic malaise and financial market stagnation in Europe, and declining rates of economic growth in Asia and the emerging markets of Africa, Latin America, the Middle East and South and Southeast Asia. These risks are simply a consequence of the reality that Plan assets must be invested in the financial markets and cannot be totally immunized against the consequences of what happens when those financial markets perform poorly, as was demonstrated in FY'08 and FY'09 and again in FY'12.

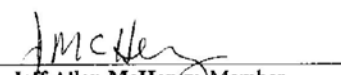
As members of the PSPRS Board of Trustees, we intend to continue our efforts to secure the long-term financial integrity of the Plans and to faithfully serve the interests of the Plan's participants and beneficiaries.


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

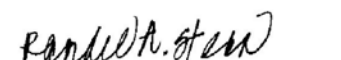
Respectfully submitted,

  
**Brian P. Tobin**, Chairman  
of the Board of Trustees

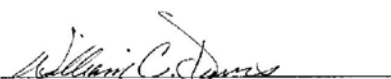
  
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**James M. Hacking**  
Administrator

**Ryan Parham**  
Chief Investment Officer

**Jared A. Smout**  
Deputy Administrator

December 12, 2013

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-fifth 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, 2013. The Plan was created on July 1, 1968 to provide a uniform statewide retirement system for public safety personnel. The System provides normal retirement benefits based on years of service, the annual benefit accrual rate and final average compensation; it also provides disability benefits, survivor benefits for spouses and children, post-retirement adjustments and health insurance premium 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, 2013 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, 2013 Actuarial Valuation Report 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 \$542.0 million this past fiscal year. That was augmented by revenue from member contributions of \$127.4 million, direct employer contributions (including Alternative Contributions) of \$368.0 million, and insurance premium taxes of \$12.8 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'13 administrative and investment-related expenses totaled \$57.4 million, up from the \$28.7 million during the prior year. Administrative and investment expenses were approximately 104 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal technology and expertise has enabled management to keep costs reasonable.

## Investments

The total rate of return on the PSPRS Plan assets for the fiscal year was 10.64% on a net of fees basis. This return was well above the System's 7.85% actuarial assumed rate of return; it was also above the Plan's benchmark return of 10.08% for the fiscal year. 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'13, the State Legislature approved, and the Governor signed, three bills that were of significance. The first was HB2056 which made various changes to the PSPRS statutes including a provision to prohibit members from taking a loan against, or removing contributions from, their account prior to termination. It also modified provisions for contributions by retired members who are reemployed after retirement and it bars any health insurance premium subsidy for members who retire or become survivors (after the effective date of the bill) but who are subsequently reemployed and participate in employer-provided health insurance.

The second was HB2204 which provides that the surviving spouse or dependent of a law enforcement officer who is killed in the line of duty is entitled to receive payments for health insurance premiums from public monies of the deceased officer's employer. The third bill was HB2389 which also provides for health insurance premium payments, but it does so for survivors or dependents of law enforcement officers killed in the line of duty who were working for the state or political subdivision under a contract with a private company.

## 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 statutorily specified member contribution (that was 9.55% of gross payroll in FY'13), an employer contribution that is expressed as a level percent of gross payroll and reset annually, depending on the actuarial valuation results for the employer's group that is participating in the PSPRS Plan, fire insurance premium tax revenues and the realized and unrealized returns on the invested assets of the Plan.

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 decline resumed and that trend has continued for the last four fiscal years, including FY'13. The primary factor responsible for this negative trend has been the asset value losses that the Plan sustained as a result of poor financial market performance in FY'08, FY'09 and again in FY'12; that poor performance yielded negative rates of return for PSPRS. At June 30, 2013, the Plan's funding ratio was only 57.1% -- down from 58.6% the year before. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08, FY'09 and FY'12 asset value losses is yet to be reflected in the funding ratio of the Plan; therefore, the expectation is that the funding ratio will continue to deteriorate further in the future until those asset value loss years drop out of the calculation of the actuarial value of assets. This trend, however, could be ameliorated or even reversed if the Plan has several successive years of superior investment returns.

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 30.44%. The aggregate rate that will take effect on July 1, 2014 based on the PSPRS Plan's FY'13 results will be 32.54%. Further decline in the Plan's funding ratio will cause employer rates to rise even further in the future.

## Post Retirement Benefit Increases

State statutes long provided 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) attained age 55 and had been retired for a year. These increases were limited to four percent of the average benefit being paid at the end of the prior fiscal year. A benefit increase schedule demonstrating the effect of these provisions can be found in the Statistical Section of this CAFR.

These benefit adjustments were fully funded on a present value basis from the assets contained in the PSPRS Plan's Reserve for Future Benefit Increases. In any year in which the Plan generated a return in excess of 9%, one-half of the return in excess of 9% was diverted to the Reserve and withheld from the underlying and underfunded Plan. However, the 2011 pension reform bill, SB 1609, changed all this.

As of May 31, 2011, the new law prohibited any further transfers of assets to the PSPRS Reserve. The assets remaining in the Reserve, which were used to finance retiree benefit adjustments in FY'12 and FY'13, are now exhausted. An entirely new post-retirement adjustment formula that was included in SB 1609 took effect on July 1, 2013. But under this new formula, there will be no retiree benefit adjustment based on FY'13 results because the PSPRS Plan's funding ratio at June 30, 2013 was less than the 60% threshold level that the new formula requires. In the future, however, this new formula is expected to provide periodic, but not annual, adjustments for retirees and the Plan's other beneficiaries.

### **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, 2012. This was the twenty-second consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe our FY'13 CAFR continues to meet the Certificate of Achievement Program's requirements. We are, therefore, submitting it to the GFOA to determine its eligibility for a certificate.

### **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 .) In addition, there were other developments and initiatives that are worthy of note. These included the following:

- A. Integrating PSPRS Personnel Administration with the Requirements of Arizona Department of Administration (ADOA)
  - Since PSPRS became subject to the State's Personnel System in September 2012, the PSPRS personnel manual has been revised so that all rules and policies are in-line with the State's Personnel System.
  - With PSPRS now subject to ADOA's Managing Accountability and Performance (MAP) system, PSPRS supervisors are now monitoring employee performance to identify positive performance and poor performance where coaching may be necessary. This should assist in making the performance review process more dynamic and meaningful to each employee.
  - PSPRS is in the process enhancing its screening procedures when considering candidates for agency positions and has undertaken to secure a Governor's Office Executive Order that will authorize PSPRS to conduct credit and criminal background checks and require psychological, drug, and other forms of testing when considering candidates for supervisory and other sensitive positions.
- B. Reorganizing the Investment Department and Enhancing its Operational Procedures
  - The Investment Department has been reorganized with responsibilities reallocated among existing staff; the focus is now on monitoring existing external manager relationships with a much reduced need for new manager searches.
- C. Reconfiguration of the Investment Department's Compensation Structure
  - Given the Board's approval of the suspension of the Investment Department's Incentive Compensation Program and in recognition of the increased responsibilities assumed by the Department's personnel, recommendations are being formulated for modifications to the salary ranges for all job classifications, with adjustments to base pay where appropriate.
- D. Internal Reorganization and Staffing
  - Having re-incorporated the Health Insurance Department staff into the Retired Members Department, training is being provided so that more staff support is available for aiding retired members who have health and other types of insurance issues.
  - With respect to the Investment Department, a new Deputy CIO for Risk has been hired who will enable the System managers to be more conscious of the risks to which the System's fund is exposed and to find ways to minimize the potential impact of those risks. In addition, a search is underway to screen qualified candidates to fill the position of in-house Investment Counsel.
- E. Audits, Oversight and Follow-up Action
  - The AZ Auditor General issued a report with respect to the methodology used in valuing some of the System's real estate assets and the values resulting from that methodology; modifications in the System's FY'12 financial statements will be made in order to conform with any recommendations contained in that report.
  - The System's annual audit by Heinfeld Meech & Co. was completed with no significant finding reported; the Internal Auditor is continuing monthly investments compliance reviews and is reviewing and approving all capital calls made with respect to investment commitments approved by the System.
- F. Local Board Network Outreach and Support
  - 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. The programming necessary for the implementation of a web site for use by the local boards is underway; once implemented, it will enable the local boards to send new beneficiary data electronically and process benefit claim applications on line.

#### G. IT Operations and Program Development

- The Operations staff has upgraded the Denver back-up site servers and installed an Intrusion Prevention System on the Denver site firewall. The staff is also: 1) creating a test lab to mirror production using reclaimed servers from the Denver site; 2) setting up a new scanner for document imaging; 3) upgrading the inventory database and the mail server (to exchange 2013); 4) installing the latest version of Backup Exec; and 5) implementing a virtual server for the System's database.
- The IT Programming staff will be: 1) implementing the online retirement application process capability on the local board web site; and 2) completing the Record Retention Project, which includes a rewrite of the PSPRS procedural processes.

#### H. New Initiative

- The staff will complete the planning for, and the implementation of, the new EORP Defined Contribution Plan, using Nationwide Retirement Solutions initially as the 3rd Party Administrator.

### Conclusion

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 contributed to the administrative operations 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

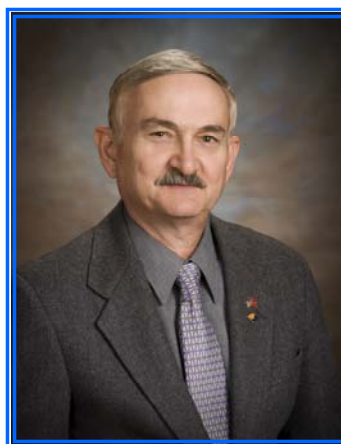
## BOARD OF TRUSTEES

(AS OF JUNE 30, 2013)



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Chairman



**Gregory Ferguson**

Vice Chairman



**Jeff Allen McHenry**

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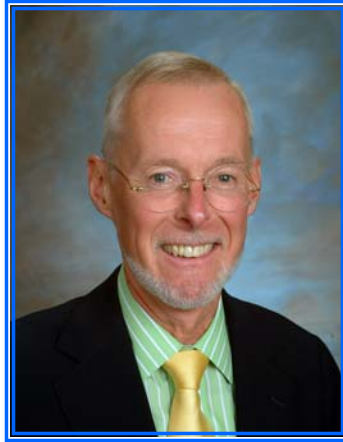
Trustee



## EXECUTIVE STAFF AND ORGANIZATIONAL CHART



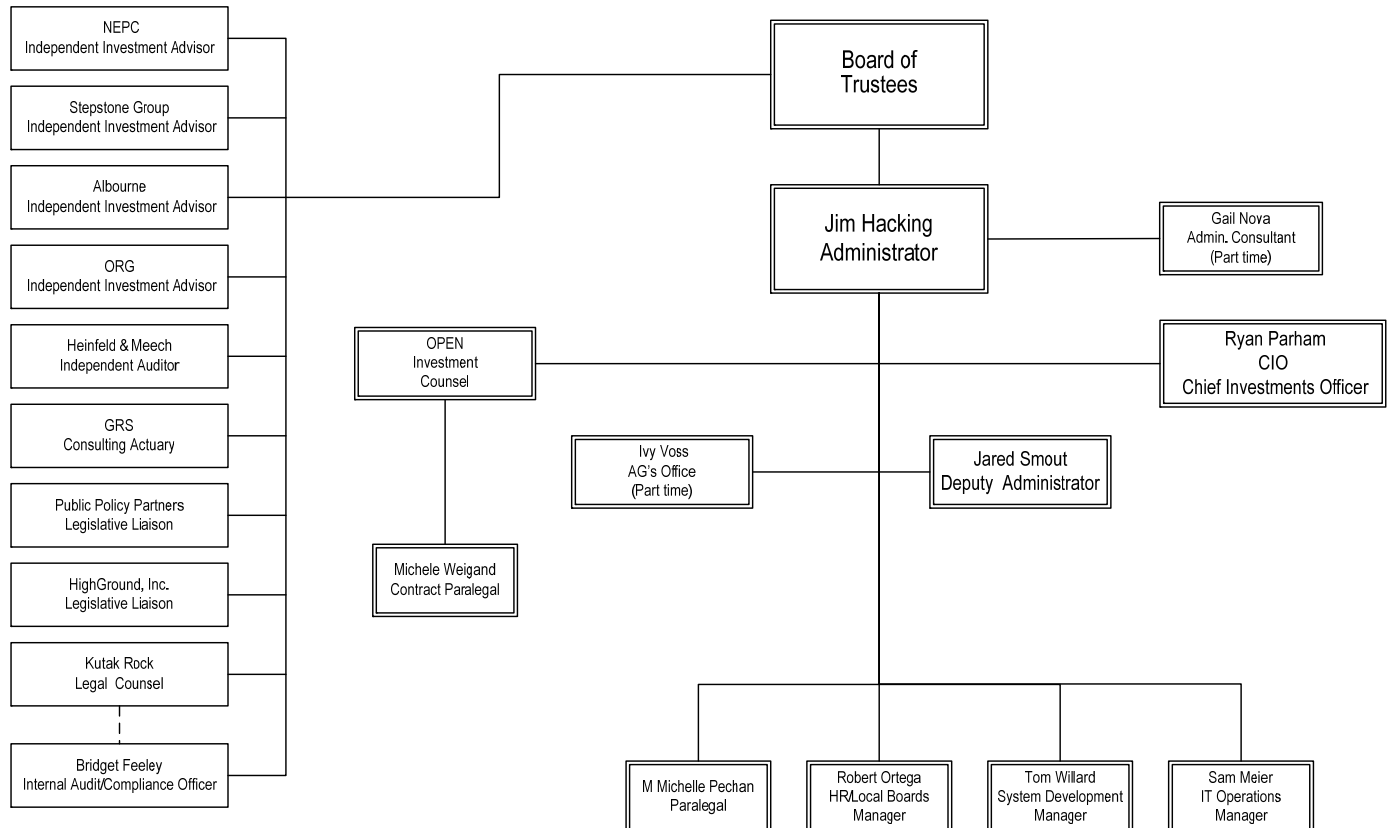
**Ryan Parham**  
Chief Investment Officer



**James M. Hacking**  
Administrator



**Jared A. Smout**  
Deputy Administrator



**PROFESSIONAL ADVISORS**

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

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



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Tucson, Arizona 85704  
Tel (520) 742-2611  
Fax (520) 742-2718

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Public Safety Personnel Retirement System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Public Safety Personnel Retirement System (PSPRS), a pension trust fund of the State of Arizona, which comprise the Statement of Plan Net Position as of June 30, 2013, and the related Statement of Changes in Plan Net Position for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Public Safety Personnel Retirement System, as of June 30, 2013, and the respective changes in its net position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



**Other Matters****Report on Prior Year Information**

We have previously audited PSPRS's 2012 financial statements, and our report dated November 20, 2012, expressed an unmodified opinion on those financial statements.

**Required Supplementary Information**

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

**Other Information**

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

The Supporting Schedules Information and the 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 Supporting Schedules Information and the Other Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, 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* in considering the Public Safety Personnel Retirement System's internal control over financial reporting and compliance.



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

December 12, 2013

## 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 2013 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return (net of fees) of 10.64% this year. Our total portfolio out performed the target fund benchmark by 56 basis points. This is an improvement from the prior year's return of -0.79%.
- The Future Benefit Increase Reserve was depleted in 2012 and received no excess earnings in 2013.
- Retirement benefits paid totaled \$552.72 million for the current year, compared to \$507.18 for the previous year. This represents a 8.98% increase from the prior year. Normal, survivor, and disability retirement benefits paid increased by \$45.54 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 Position and The Statement of Changes in Plan Net Position*

These two statements report the System's net position 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 position are one indicator of the financial health of the Plan.

*Notes to the Financial Statements*

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

*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 Supplementary 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 PLAN

The following schedules present comparative summary financial statements of the System for FY2013 and FY2012. Following each schedule is a brief summary of the significant changes noted in these schedules.

## SUMMARY COMPARATIVE STATEMENTS OF PLAN NET POSITION

	As of 06/30/2013	As of 06/30/2012	Change	% Change
Cash and Short-Term Investments	\$ 107,493,228	\$ 102,676,329	\$ 4,816,899	4.69%
Total Receivables	39,828,240	61,209,670	(21,381,430)	(34.93)%
Total Investments	5,392,261,504	4,900,445,932	491,815,572	10.04%
Securities Lending Collateral	171,006,687	102,111,901	68,894,786	67.47%
Net Capital Assets	3,643,709	3,750,957	(107,248)	(2.86)%
<b>Total Plan Assets</b>	<b>5,714,233,368</b>	<b>5,170,194,789</b>	<b>544,038,579</b>	<b>10.52%</b>
Accrued Accounts Payable	352,877	544,554	(191,677)	(35.20)%
Investment Purchases Payable	13,816,754	11,710,287	2,106,467	17.99%
Securities Lending Collateral	171,006,687	102,111,901	68,894,786	67.47%
<b>Total Plan Liabilities</b>	<b>185,176,318</b>	<b>114,366,742</b>	<b>70,809,576</b>	<b>61.91%</b>
<b>Net Position</b>	<b>\$ 5,529,057,050</b>	<b>\$ 5,055,828,047</b>	<b>\$ 473,229,003</b>	<b>9.36%</b>

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

The total plan net assets held in trust for benefits at June 30, 2013 were \$5.53 billion, a 9.36% increase from \$5.06 billion at June 30, 2012. The increase in net position is primarily due to favorable financial markets during the fiscal year. The increase in cash or decrease 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 increase in security lending collateral is due to normal fluctuations in the lending program as well as changes in exposure to other alternative investments. The investment of the collateral fluctuated in a similar manner. \*See Note 14.

## SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET POSITION

	2013	2012	Change	% Change
<b>ADDITIONS</b>				
Total Contributions and Service Purchase	\$ 501,663,084	\$ 423,697,183	\$ 77,965,901	18.40%
Net Investment Income (Loss)	541,980,088	(60,521,177)	602,501,265	995.52%
Service Transfers	744,656	539,618	205,038	38.00%
<b>Total Additions (Reductions)</b>	<b>1,044,387,828</b>	<b>363,715,624</b>	<b>680,672,204</b>	<b>187.14%</b>
<b>DEDUCTIONS</b>				
Benefits	552,720,457	507,182,015	45,538,442	8.98%
Service Transfers and Refunds	13,333,922	12,458,050	875,872	7.03%
Administrative Expenses	5,104,446	4,890,364	214,082	4.38%
<b>Total Deductions</b>	<b>571,158,825</b>	<b>524,530,429</b>	<b>46,628,396</b>	<b>8.89%</b>
<b>Net Increase (Decrease)</b>	<b>473,229,003</b>	<b>(160,814,805)</b>	<b>634,043,808</b>	<b>394.27%</b>
<b>Balance Beginning of Year - July 1</b>	<b>5,055,828,047</b>	<b>5,216,642,852</b>	<b>(160,814,805)</b>	<b>(3.08)%</b>
<b>Balance End of Year - June 30</b>	<b>\$ 5,529,057,050</b>	<b>\$ 5,055,828,047</b>	<b>\$ 473,229,003</b>	<b>9.36%</b>

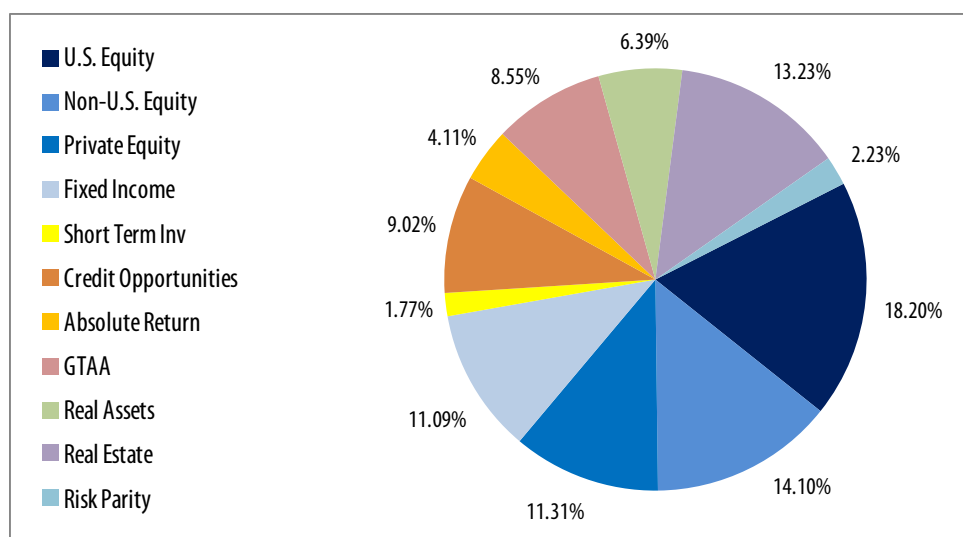
**Summary Comparative Statements of Changes in Plan Net Assets Analysis**

Employer and employee contributions for FY2013 increased \$77.97 million due to increased employee and employer contribution rates during fiscal year 2013.

For FY 2013, PSPRS recognized a net investment gain of \$542.0 million which compares to a \$60.52 million loss in the previous year. This 995.52% increase was due to the 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 2013, these deductions totaled \$571.16 million, an increase of 8.89% from the \$524.53 million paid during FY 2012. Refunds and service transfers increased \$0.88 million over the prior year which equates to 7.03%. 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 4.38%. \*See Note 14.

## INVESTMENT ACTIVITIES

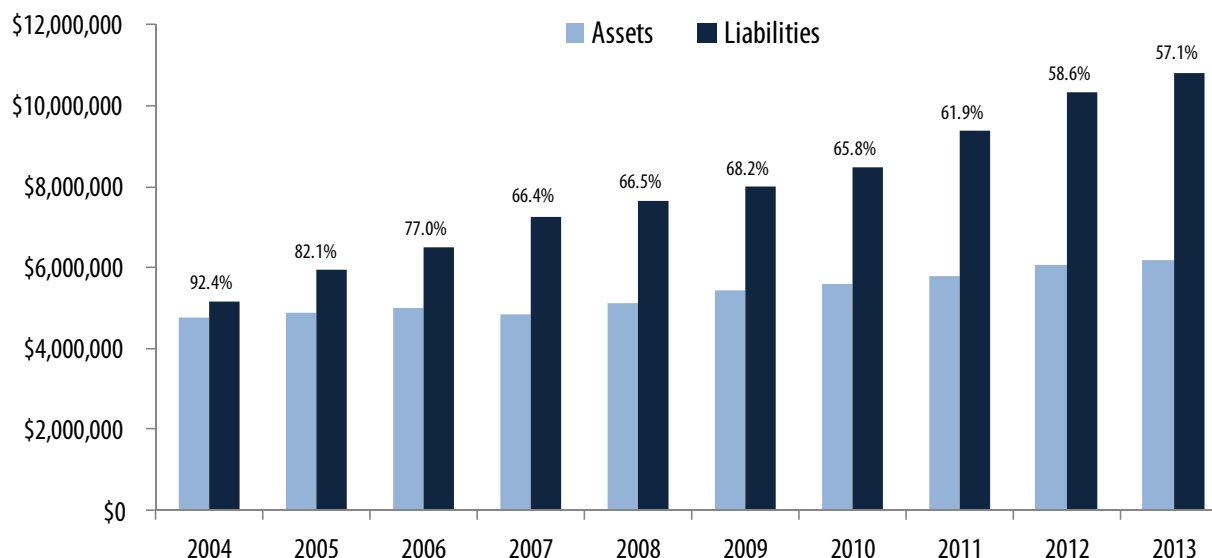


During FY2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past six years. As illustration, at the end of FY2007, 72.8% of the entire investment portfolio was invested in equities versus 32.3% at the end of FY2013. Fixed income had remained about 19% of the entire portfolio prior to being reduced to 11.1% in FY2013. However, alternative investments have increased from 3.5% in FY2007 to 54.8% in FY2013.

At June 30, 2013, PSPRS held \$1.78 billion in equities. The FY2013 rate of return for Total PSPRS equities was 18.22% versus a benchmark rate of return of 18.07%. At June 30, 2013, PSPRS held \$610.45 million in fixed income securities. The FY2013 rate of return for PSPRS fixed income securities was 1.35% versus a benchmark rate of return of -2.18%. 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, 2013.

At June 30, 2013, the total funded status of the PSPRS decreased to 57.1% from 58.6% at FYE 2012. This decrease in funded status is related primarily to the seven year smoothing period with only  $\frac{1}{7}$  of the investment gain from the FY2013 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 POSITION**  
JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013	2012
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 107,493,228	\$ 102,676,329
<b>RECEIVABLES</b>		
Member Contributions	6,538,643	3,579,383
Employer Contributions	18,976,828	9,458,815
Interest and Dividends	5,540,578	4,667,718
Investment Sales	6,354,163	40,986,912
Other	2,418,028	2,516,842
<b>Total Receivables</b>	<b>39,828,240</b>	<b>61,209,670</b>
<b>INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)</b>		
U.S. Equity	1,003,092,332	969,757,584
Non U.S. Equity	774,718,974	710,653,056
GTAA	471,432,244	476,060,752
Fixed Income	610,452,326	681,837,244
Credit Opportunities	497,361,057	434,272,921
Private Equity	625,598,396	514,147,279
Real Assets	350,546,170	314,124,974
Real Estate	709,692,292	624,259,334
Absolute Return	226,547,902	175,332,788
Risk Parity	122,819,811	-
<b>Total Investments</b>	<b>5,392,261,504</b>	<b>4,900,445,932</b>
Securities Lending Collateral	171,006,687	102,111,901
<b>CAPITAL ASSETS (NOTE 4)</b>		
Land	495,436	495,436
Building	3,719,420	3,671,586
Furniture, Fixtures & Equipment	1,176,775	1,123,133
<b>Total Capital Assets</b>	<b>5,391,631</b>	<b>5,290,155</b>
Accumulated Depreciation	(1,747,922)	(1,539,198)
<b>Net Capital Assets</b>	<b>3,643,709</b>	<b>3,750,957</b>
<b>TOTAL PLAN ASSETS</b>	<b>5,714,233,368</b>	<b>5,170,194,789</b>
<b>LIABILITIES</b>		
Accrued Accounts Payable	352,877	544,554
Investment Purchases Payable	13,816,754	11,710,287
Securities Lending Collateral	171,006,687	102,111,901
<b>Total Plan Liabilities</b>	<b>185,176,318</b>	<b>114,366,742</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<b>5,529,057,050</b>	<b>5,055,828,047</b>
<b>NET POSITION RESERVES</b>		
Refundable Members' Reserve	1,154,573,232	1,067,750,716
Employers' Reserve	4,374,483,818	3,988,077,331
Future Benefit Increase Reserve	-	-
<b>Total Net Position Reserves</b>	<b>\$ 5,529,057,050</b>	<b>\$ 5,055,828,047</b>

\*Fair Value of Real Estate for FY2012 was reduced by \$18,859,827. See Note 14.

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

**STATEMENT OF CHANGES IN PLAN NET POSITION**  
FOR THE YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013	2012
<b>ADDITIONS (REDUCTIONS)</b>		
Contributions		
Members' Contributions (NOTES 2,5)	\$ 127,362,618	\$ 112,645,371
Employers' Contributions (NOTES 2,5)	365,317,847	295,491,882
Members' Service Purchase	6,830,833	13,735,525
Alternate Employer Contributions	2,151,786	1,824,405
<b>Total Contributions</b>	<b>501,663,084</b>	<b>423,697,183</b>
Investment Income		
<i>From Investing Income</i>		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	488,713,869	(106,706,364)
Interest	5,113,784	11,061,203
Dividends	39,898,109	38,835,919
Other Income	59,727,877	18,926,446
<i>From Securities Lending Activities</i>		
Security Lending Activities (NOTE 3)		
Securities Lending Income	179,558	350,695
Borrower Rebates	827,040	990,676
Agents Share of Income	(150,212)	(200,103)
<b>Net Securities Lending Income</b>	<b>856,386</b>	<b>1,141,268</b>
<b>Total Investment Income (Loss)</b>	<b>594,310,025</b>	<b>(36,741,528)</b>
Less Investment Expense	(52,329,937)	(23,779,649)
<b>Net Investment Income (Loss)</b>	<b>541,980,088</b>	<b>(60,521,177)</b>
Transfers Into System	744,656	539,618
<b>Total Additions (Reductions)</b>	<b>1,044,387,828</b>	<b>363,715,624</b>
<b>DEDUCTIONS</b>		
Pension Benefits (NOTE 2)	492,506,527	460,700,737
DROP Benefits (NOTE 2)	60,213,930	46,481,278
Refunds To Terminated Members (NOTE 2)	12,819,713	12,376,688
Administrative Expenses	5,104,446	4,890,364
Transfers To Other Plans	514,209	81,362
<b>Total Deductions</b>	<b>571,158,825</b>	<b>524,530,429</b>
<b>NET INCREASE (DECREASE)</b>	<b>473,229,003</b>	<b>(160,814,805)</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of Year, July 1	5,055,828,047	5,216,642,852
<b>End of Year, June 30</b>	<b>\$ 5,529,057,050</b>	<b>\$ 5,055,828,047</b>

\*Net Appreciation for FY2012 was reduced by \$18,859,827. See Note 14.

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 an agent 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 237 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, 2013 and 2012, the number of participating local government employer groups was:

GROUP	2013	2012
Municipalities	144	144
County Agencies	21	21
State Agencies	10	10
Special Districts	62	62
<b>Total Employers</b>	<b>237</b>	<b>237</b>

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, 2013 and 2012, statewide PSPRS membership consisted of:

MEMBERSHIP TYPE	RETIREMENT PLAN		INSURANCE SUBSIDY	
	2013	2012	2013	2012
Retirees	10,159	9,802	6,714	6,632
Terminated Vested	1,442	1,264	-	-
DROP	1,482	1,496	-	-
Current Vested	9,298	9,056	-	-
Current Non-Vested	9,138	9,486	-	-
<b>Total Members</b>	<b>31,519</b>	<b>31,104</b>	<b>6,714</b>	<b>6,492</b>

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 to 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

Employees who became a member of the System on or before December 31, 2011: An average of your highest **36** consecutive months of compensation (salary) within the last 20 years of credited service A.R.S. § 38-842 (7).

Employees who became a member of the System on or after January 1, 2012: An average of your highest **60** consecutive months of compensation (salary) within the last 20 years of credited service. A.R.S. § 38-842 (7).

Compensation includes base wages, shift and military differential wage pay, compensatory time used by an employee in lieu of overtime not otherwise paid by an employer, holiday and overtime pay that is paid to an employee by the employer for the employee's performance of services in an eligible group on a regular monthly, semi-monthly, 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, unused 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(12).

### BENEFIT INCREASE / COST OF LIVING ADJUSTMENT (COLA)

A retired member or survivor of a retired member may receive a benefit increase from the System if monies are available (See A.R.S. § 38-856). However, effective July 1, 2013 (A.R.S. § 38-856.02) and each July 1 thereafter, as long as there are no monies left to pay under the old benefit increase structure (See A.R.S. § 38-856 and Section 62), a benefit increase will be issued as long as the following criteria have been met:

- Retired members who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.
- Retired members who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability or a catastrophic disability retirement benefit and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under 55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

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

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

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the System by the Joint Legislative Budget Committee (JLBC). A.R.S. § 38-856.03.

### CANCER INSURANCE

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

### CONTRIBUTIONS

From July 1, 2013 through June 30, 2014, each member shall contribute 10.35% of compensation to the System on a pre-tax basis by payroll deduction. The contribution rate for members will change each fiscal year. A.R.S. § 38-843(E).

A member may not, under any circumstance, borrow from, take a loan against or remove contributions from the member's account before the termination of membership in the plan or the receipt of a pension. A.R.S. § 38-843(C).

### CREDITED SERVICE

The member's total period of service for which the member made contributions to the PSPRS. A.R.S. § 38-842(13) .

## DEATH BENEFITS - ACTIVE MEMBER

*Spouse's Pension.* The surviving spouse of an active member will receive a Spouse's Pension each month for lifetime. The Spouse's Pension is 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) will receive a Child's Pension up to 20% (in equal shares, but no more than 10% per eligible child) each month based on the calculation for an accidental disability retirement until each (unmarried) child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the child remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. A.R.S. §§ 38-842(23) and 38-846, OR

*Guardian Benefit.* If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one (1) eligible child, a Guardian Benefit of 80% (based on the calculation for a Spouse's Pension) and the applicable Child's Pension (based on the calculation for a Child's Pension) will be paid to the guardian of the (unmarried) eligible child(ren) until the child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. 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 to the guardian or conservator for the lifetime of the child. A.R.S. § 38-842(23) and 38-846. 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), 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. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. § 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you must complete a *Beneficiary Designation Form* after the date of the divorce.

## 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. If the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. §§ 38-842(31) and 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex-spouse as a beneficiary, you must complete a *Beneficiary Designation Form* after the date of the divorce.

## DEATH BENEFITS - RETIRED MEMBER

*Spouse's Pension.* If married for at least two (2) consecutive years at the time of the member's death, the surviving spouse will receive a Spouse's Pension each month for lifetime based on 80% of the member's pension benefit. A.R.S. § 38-846, AND

*Child's Pension.* The surviving eligible child(ren) will receive a Child's Pension up to 20% (in equal shares, but no more than 10% per eligible child) each month based on the member's pension until each (unmarried) child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. An eligible Child's Pension shall become payable directly to the eligible child when the eligible child reaches the age of 18, if the person remains eligible to receive the pension and is not subject to a guardianship or conservatorship due to disability or incapacity. A.R.S. §§ 38-842(23) and 38-846, OR

*Guardian Benefit.* If there is no surviving spouse, or the pension of the surviving spouse is terminated, and there is at least one eligible child, a Guardian Benefit of 80% (based on the member's pension) and the applicable Child's Pension (based on the member's pension) will be paid to the guardian of the (unmarried) eligible child (ren) until the child turns 18, or under 23 years of age only during any period that the (unmarried) child is a full-time student. 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 the surviving beneficiary does not apply for the benefit within twelve months from the date of the member's death, the Local Board has the authority to pay the member's nearest of kin, or estate. A.R.S. § 38-846(l).

Note: Divorce automatically terminates the ex-spouse as the member's beneficiary. To maintain an ex spouse as a beneficiary, you must complete a *Beneficiary Designation Form* after the date of the divorce.

## DEFERRED ANNUITY

Inactive members (not making contributions to the System) that have at least (ten) 10 years of credited service may elect to receive a Deferred Annuity at the age of sixty-two (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(A). Employees who became a member on or after January 12, 2012 are not eligible for a "Deferred Annuity." However, a member who attains the service requirement for a normal retirement, but does not meet the age requirement, may elect to leave contributions on account until reaching the age requirement and then elect to receive a retirement benefit (survivor benefits, benefit increases, or the group health insurance subsidy). A.R.S. § 38-846.01(B).

**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. For members with a membership date on or before December 31, 2011, the monthly benefit is 50% of the member's average monthly compensation, or the normal pension amount, whichever is greater. For members with a membership date on or after January 1, 2012, the monthly benefit is 62.5% of the member's average monthly compensation less a 4% reduction for each year of credited service under 25 years, or the normal pension amount, whichever is greater (but not less than 50% of the average monthly compensation). (There is no age or 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 and 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. For all members, the monthly benefit is a percentage of normal retirement based on the employee's years of credited service (maximum of 20 years) divided by twenty (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 twelve (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.

**DIVORCE / DOMESTIC RELATIONS ORDER (DRO)**

If the member has been involved in a divorce(s), please provide the PSPRS with a complete copy of the Divorce Decree(s) and any attachments or exhibits if referenced in the Decree(s). Upon receipt, additional correspondence will be provided to the parties. If the retirement account is required to be split, a Domestic Relations Order (DRO) will need to be prepared. To ensure that the language in the DRO is acceptable, it is recommended to provide the PSPRS with a draft copy of the DRO for review and approval prior to submitting it to the court. A.R.S. § 38-860.

**DEFERRED RETIREMENT OPTION PLAN (DROP)**

*Employees who became a member on or before December 31, 2011 that have AT LEAST 20 years of credited service on January 1, 2012 and enter into DROP either prior to or after January 1, 2012 may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to sixty (60) months (i.e., 5 years). 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 (subject to change each fiscal year). Currently, the interest rate is 7.85% from July 1, 2013 through June 30, 2014.*

Additionally, during the DROP period, the member remains as a full-time employee and contributions will not be paid by the employee or the employer and the employee will not earn any additional credited service. At the end of the sixty (60) months (or prior to that time), the member terminates employment and the monies accrued in DROP will be paid as a lump-sum either directly to the member (less mandated taxes), or as a rollover. The member will then begin receiving the monthly retirement benefit - which is the same amount that was calculated at the beginning of DROP. A.R.S. §§ 38-842, 38-844.02 through 38-844.09.

*Employees who became a member on or before December 31, 2011 that have LESS THAN 20 years of credited service on January 1, 2012 and enter into the DROP program after January 1, 2012, may voluntarily and irrevocably enter into the DROP program with the employer for a period of up to 60 months (5 years). 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 (subject to change each fiscal year equal to the average annual return of the system - minimum 2%; maximum assumed earnings rate). The interest rate for the DROP account is 3.2% from July 1, 2013 through June 30, 2014. A.R.S. §§ 38-842, 38-844.02 through 38-844.09, and 38-844.06(B).*

Additionally, during the DROP period, the member remains as a full-time employee and contributions will be paid by the employee (at the same contribution rate previously being paid), but employee will not earn any additional credited service. At the end of the sixty (60) months (or prior to that time), the member terminates employment and the monies accrued in DROP will be paid as a lump-sum either directly to the member (less mandated taxes), or as a rollover. The member will then begin receiving the monthly retirement benefit - which is the same amount that was calculated at the beginning of DROP and will also receive the contributions made to the retirement system during period of time in DROP, plus interest (subject to change each fiscal year). The interest rate for the contributions made during the member's participation in DROP is 2.0% from July 1, 2013 through June 30, 2014. A.R.S. §§ 38-842, 38-844.02 through 38-844.09, and 38-844.06(B).

*\*Employees who became a member on or after January 1, 2012 are not eligible to participate in DROP.*

#### 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 forty (40) hours per week for more than six (6) months in a calendar year and are regularly assigned to hazardous duties. Retroactive to January 1, 2009, police and fire chiefs are eligible to participate in the PSPRS. A.R.S. § 38-842 (24 and 31).

#### HEALTH INSURANCE

Pursuant to A.R.S. §§ 38-857, 38-651.01 and 38-782, retirees and survivors under the System that elect group health insurance and/or accident insurance coverage through the Arizona State Retirement System group plan (ASRS), the Arizona Department of Administration (ADOA) group plan, or a group plan through an employer of the PSPRS or CORP plans, the System will pay up to the following amount Premium Benefit amount:

SINGLE		FAMILY		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One With Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

Employees who become a member on/after September 12, 2013, or their survivors, will not be eligible for the Premium Benefit if they are (re)employed and participates in health care coverage provided by the member's or survivor's new employer. A.R.S. § 38-857.

If a law enforcement officer, as defined in A.R.S. § 38-1103(E)(2), is killed in the line of duty, the surviving spouse or dependent(s) are entitled to insurance benefits either by the former employer, or from the state retirement system from which the spouse or dependent is receiving benefits. The health insurance premium amount payable by the employer of the deceased law enforcement officer is the amount the employer of the deceased law enforcement officer would pay for an active law enforcement officer for a family coverage premium or single coverage premium, whichever is applicable. A.R.S. § 38-1103.

#### 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 sixty (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(H).

#### REFUNDS

*Employees who became a member on or before December 31, 2011*, pursuant to A.R.S. § 38-846.02 (A and B), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with the PSPRS, the member will receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting all membership rights and credited service in the System upon receipt of refund of contributions. If the member has five (5) or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

- 5 to 5.9 years of service = 25% of 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.



*Employees who became a member on or after January 1, 2012*, pursuant to A.R.S. § 38-846.02 (C), upon termination of employment (for any reason other than death or retirement) within twenty (20) days after filing an application with PSPRS, shall receive a lump-sum payment, plus interest at a rate determined by the board (currently 3%) as of the date of termination, of ONLY their accumulated contributions (less any benefits paid or any amounts owed to the System) - thus, forfeiting all membership rights and credited service in the System upon receipt of refund of contributions. The member will NOT receive the additional percentage of contributions as stated above.

Note: A member may not, under any circumstance, borrow from, take a loan against or remove contributions from the member's account before the termination of membership in the plan or the receipt of a pension. A.R.S. § 38-843(C).

#### RETIREMENT ELIGIBILITY AND CALCULATION

*Employees who became a member on or before December 31, 2011*, pursuant to A.R.S. §§ 38-842(12, 13, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- 20 years of credited service: 50% of the average monthly benefit compensation for the first 20 years of credited service. 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: 50% of the average monthly benefit compensation for the first 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. §§ 38-842(7 and 32) and 38-845(A)(1).
- 20 years of service with less than 20 years of credited service: 50% of the average monthly benefit compensation for the first 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. §§ 38-842(7 and 32) and 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. §§ 38-842(7) and 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. §§ 38-842(7) and 38-845(A)(2).

*Employees who became a member on or after January 1, 2012*, pursuant to A.R.S. §§ 38-842(7, 12, 32 and 43) and 38-844 and 38-845, retirement benefits will commence the first day of month following termination of employment and based upon the following:

- Age 52.5 with 25 years of service: 62.5% of the average monthly benefit compensation. Benefits will be reduced by 4% for each year of credited service under 25 years. A.R.S. §§ 38-842(7 and 32) and 38-845(G).
- 25 or more years of service: 62.5% of the average monthly benefit compensation for the first 25 years of credited service plus 2.5% of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80% of the average monthly benefit compensation. The pension is reduced by 4% per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years. A.R.S. §§ 38-842(7) and 38-845(G).

#### 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.

#### RETURN TO WORK AFTER RETIREMENT

In order for you to continue to receive your retirement benefits, you must terminate your employment and be retired for a minimum of one (1) year from the effective date of your retirement, in any capacity, by the employer from which you retired. If you are re-employed in the same, or substantially similar position, by the employer from which you retired, your retirement benefits will be suspended. You can return to work with the employer from which you retired and continue to receive your retirement benefits as long as you are retired for a minimum of sixty (60) consecutive days from the effective date of your retirement and you were hired as a result of participating in an open, competitive, new-hire process for an entry-level, nonsupervisory position, or hired as a fire inspector, or arson investigator. You may continue to receive your retirement benefits if you are assigned to voluntary duties (i.e., acting as a limited authority peace officer for an employer pursuant to the Arizona peace officer standards and training board rules). If you are receiving an accidental or ordinary disability retirement (*and have not reached normal retirement*) and have become employed by any employer in a PSPRS covered position, your local board shall determine if you will continue to receive your retirement benefits. Upon eligibility for (re)retirement, the service from the disability retirement will be considered "service" and not "credited" service and your average monthly compensation will be based on the compensation from the new employment. You cannot have an implicit or explicit pre-existing agreement with the employer from which you retired, whether written or verbal, to return to work, in any capacity.

If a retired member returns to work in any capacity in a position ordinarily filled by an employee, the employer is required to pay an alternate contribution rate to the PSPRS. The current alternate contribution rate is 17.07%. Effective August 2, 2012, this section does not apply if the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. A.R.S. § 38-843.05 .

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

## SERVICE PURCHASE

*Purchase of Prior Active Military Service.* Members who have at least ten (10) years of service with the System may purchase up to sixty (60) months of credited service for periods of active military service performed before employment with their current employer. A.R.S. § 38-858(A). Active members may also receive credited service limited to sixty (60) months if ordered/volunteered to active military service while working for the current employer if the criteria is met pursuant to A.R.S. § 38-858. The member shall pay the members contributions, upon which the employer shall make employer contributions. If member performs military service due to presidential call-up, the employer shall make the employer and employee contributions not to exceed forty-eight (48) months pursuant to A.R.S. § 38-858 (G). For more information, contact your employer.

*Purchase of Prior Service from an Out-of-State Agency.* Active members who have at least five (5) years of service with the System 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 up to sixty (60) months of any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-853.01.

*Purchase of Prior Forfeited Service within the SAME Retirement Plan.* If a former member who 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 one (1) year from the date of re-employment. A.R.S. § 38-849(C). (Form P1B) OR

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. § 38-849(C)(D), as applicable. (Form P2)

*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.

## TRANSFERS

*Transfer of Contributions between PSPRS Employers.* (Form P1A). A member who terminates employment with an employer and accepts a position with the same or another employer participating in the system, after completing an application that is acceptable to the board 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.* (Form U2). Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the 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.* (Form U2A). 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 \$268.82 million for FYE 2013 and \$153.74 million for FYE 2012. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

**NEW ACCOUNTING PRONOUNCEMENT**

GASB Statement No. 63. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, was issued and is effective for periods beginning after December 15, 2011. There is no effect on the PSPRS financial statements.

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2013. 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, 2013 as collateral:

Description	CPN	Maturity	Market Value
FN AR9197	3.00%	3-1-2043	4,266,706
FN T5899	3.00%	6-1-2043	325,169
FN AB6848	3.00%	11-1-2042	2,266,667
FN AB7741	3.00%	1-1-2043	780,271
FN AE0215	4.00%	12-1-2039	6,990,942
FN AE0385	4.00%	9-1-2040	13,485,729
<b>TOTAL</b>			<b>28,115,484</b>

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 and short-term investment accounts as of June 30, 2013:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	104,963,855	104,963,855
Operating Fund	2,529,373	2,529,373
<b>Total Deposits</b>	<b>107,493,228</b>	<b>107,493,228</b>

## INVESTMENTS

PSPRS investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair value as determined by fixed-income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. 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 of 1934, as amended (15 United States Code §78a through §78ll).
  - C. Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state.
  - D. Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty 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, 2013, the fair value of the PSPRS Trust and the allocation for each system and plan was as follows:

PLAN	UNITIZED	PERCENT
PSPRS	5,495,283,314	76.22%
CORP	1,405,983,893	19.50%
EORP	308,517,628	4.28%
<b>TRUST TOTAL</b>	<b>7,209,784,835</b>	<b>100.00%</b>

## 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, 2013, 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, 2013, the System's fixed income assets that were not government guaranteed represented 94.9% 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**

<b>FIXED SECURITY TYPE</b>	<b>FAIR VALUE JUNE 30, 2013</b>	<b>% OF ALL FIXED INCOME ASSETS</b>	<b>WEIGHTED AVG. CREDIT</b>
Corporate Bonds	561,531,730	96.90%	AA
Mortgages	-	0.00%	BBB
CBO	17,677,032	3.10%	Below BBB
<b>TOTAL</b>	<b>\$ 579,208,762</b>	<b>100.00%</b>	

**RATINGS DISPERSION DETAIL**

<b>CREDIT RATING LEVEL</b>	<b>CORPORATE BONDS</b>	<b>MORTGAGES</b>	<b>CBO</b>
AAA	-	-	-
AA	5,688,353	-	-
A	19,213,493	-	-
BBB	29,199,601	-	-
Below BBB	7,653,723	-	8,269,628
Not Rated	499,776,560	-	9,407,404
<b>Total</b>	<b>\$ 561,531,730</b>	<b>\$ -</b>	<b>\$ 17,677,032</b>

**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)**

<b>FIXED INCOME SECURITY</b>	<b>&lt;1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>&gt;20</b>
Corporate	-	22,164,296	21,814,838	2,183,174	1,483,876	513,885,546
Agencies	-	-	-	2	16,801,518	14,442,044
Mortgages	-	-	-	-	-	-
CBO	-	-	9,407,404	-	-	8,269,628
<b>Total</b>	<b>\$ -</b>	<b>\$ 22,164,296</b>	<b>\$ 31,222,242</b>	<b>\$ 2,183,176</b>	<b>\$ 18,285,394</b>	<b>\$ 536,597,218</b>

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

<b>FIXED INCOME SECURITY TYPE</b>	<b>FAIR VALUE JUNE 30, 2013</b>	<b>% OF ALL FIXED INCOME ASSETS</b>
Corporate	3,810,813	0.62%
Agencies	0	0.00%
<b>Totals</b>	<b>\$ 3,810,813</b>	<b>0.62%</b>

**FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment. The PSPRS is allowed to invest part of its assets in foreign investments.

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

<b>FOREIGN CURRENCY RISK</b>					
<b>CURRENCY</b>	<b>SHORT TERM</b>	<b>FIXED INCOME</b>	<b>EQUITY</b>	<b>OTHER</b>	<b>TOTAL</b>
AUSTRALIAN DOLLAR	18,025	-	39,341,314	-	39,359,339
BRAZIL REAL	8,020	-	1,011,993	-	1,020,013
CANADIAN DOLLAR	(1,270,298)	-	49,771,184	-	48,500,886
DANISH KRONE	14,967	-	5,762,200	-	5,777,167
EURO CURRENCY UNIT	1,768,096	-	140,024,998	122,049,839	263,842,933
HONG KONG DOLLAR	6,932,171	-	14,653,805	-	21,585,976
ISRAELI SHEKEL	63,885	-	2,330,580	-	2,394,465
JAPANESE YEN	690,379	-	111,785,279	-	112,475,658
MEXICAN NEW PESO	9,766	-	742,262	-	752,028
NEW TAIWAN DOLLAR	80,867	-	753,162	-	834,029
NEW ZEALAND DOLLAR	5,092	-	739,150	-	744,242
NORWEGIAN KRONE	102,196	-	5,544,253	-	5,646,449
POUND STERLING	380,259	-	102,930,998	27,718,899	131,030,156
SINGAPORE DOLLAR	85,649	-	7,735,572	-	7,821,221
SWEDISH KRONA	297,323	-	15,490,559	-	15,787,882
SWISS FRANC	(1,385,297)	-	41,894,914	-	40,509,617
<b>TOTAL MARKET VALUE</b>	<b>7,801,100</b>	<b>-</b>	<b>540,512,223</b>	<b>149,768,738</b>	<b>698,082,061</b>

**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 \$2,316,084 at June 30, 2013 consisting of U.S. Equity (loss of \$2,340,439) and Risk Parity (gain of \$24,355). Interest risk associated with these investments are included in the tables on page 35.

**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, 2013 the fair value of securities on loan was \$166.16 million and the collateral was \$171.01 million 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, 2013, the weighted average maturity was 60 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 FY2009, 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 \$5.88 million has been recorded as the System's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	160,623,648	328,702,873	48.87%
Agencies	-	-	-
Treasuries	-	-	-
Exchange Traded	5,539,379	9,091,291	60.93%
<b>Totals</b>	<b>166,163,027</b>	<b>337,794,164</b>	<b>49.19%</b>

**VALUATION PROCESS FOR NON-EXCHANGE TRADED INVESTMENTS**

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

**NOTE 4: CAPITAL ASSETS**

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2013 was \$208,724.

The following table is a schedule of the capital asset account balances as of June 30, 2013, and June 30, 2012, and changes to those account balances during the year ended June 30, 2013.

**SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES**

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
<b>CAPITAL ASSETS</b>				
Balance June 30, 2012	\$ 495,436	\$ 3,671,586	\$ 1,123,133	\$ 5,290,155
Additions	-	47,834	53,642	101,477
Deletions	-	-	-	-
<b>Balance June 30, 2013</b>	<b>495,436</b>	<b>3,719,420</b>	<b>1,176,775</b>	<b>5,391,631</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance June 30, 2012	-	(716,501)	(822,697)	(1,539,198)
Additions	-	(104,933)	(103,791)	(208,724)
Deletions	-	-	-	-
<b>Balance June 30, 2013</b>	<b>-</b>	<b>(821,434)</b>	<b>(926,488)</b>	<b>(1,747,922)</b>
<b>Net Capital Assets</b>	<b>\$ 495,436</b>	<b>\$ 2,897,986</b>	<b>\$ 250,287</b>	<b>\$ 3,643,709</b>

**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 Entry Age Normal 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 23 year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2013, contributions totaling \$506,063,909 (\$378,701,291 employer [\$357,075,558 pension and \$21,625,733 health insurance subsidy contributions in excess of the benefits paid] and \$127,362,618 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2011. The employer contributions consisted of approximately \$175,696,221 for normal cost [\$167,453,932 pension and \$8,242,289 health insurance subsidy] plus \$203,005,070 for amortization of the unfunded actuarial accrued liability in aggregate [\$189,621,626 pension and \$13,383,444 health insurance subsidy]. Employer contributions represented 27.18% of covered payroll [12.61% for normal costs (12.23% pension and 0.38% health insurance) and 14.57% for amortization of unfunded actuarial accrued liability in aggregate (13.47% pension and 1.10% health insurance subsidy)]. Member contributions represented 9.55% 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 Board of Trustees, 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 FY2013, contributions collected for the health insurance subsidy amounted to \$21,625,733 and the health benefit subsidy payments were \$13,383,444. The excess contributions of \$8,242,289 were added to the retirement plan for reporting purposes. Effective FY2008, 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 \$7.7 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)
6/30/2013	6,185,074	10,544,353	4,359,279	58.70%	1,370,609	318.10%

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, 2013  
 Actuarial Cost Method: Entry Age Normal  
 Amortization Method: Level Percent of Payroll, Closed  
 Remaining Amortization Period: 23 years closed for unfunded actuarial accrued liability  
 Asset Valuation Method: 7-Year Smoothed Market Value, 80%/120% Market  
 Investment Rate of Return: 7.85%  
 Projected Salary Increases: 4.50% to 8.50%, which includes inflation at 4.50%

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.

#### NOTE 12: GASB 67

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25" This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

#### NOTE 13: PENDING LAWSUITS

There are four pending lawsuits challenging reforms, effected by Senate Bill 1609 in 2011, to the Public Safety Personnel Retirement System and the other plans it administers. All four lawsuits were filed in the Superior Court of Arizona in Maricopa County. Two were brought by, respectively, retired and active judges challenging changes to the Elected Officials' Retirement Plan (EORP); the other two were brought by, respectively, retired and active law-enforcement officers challenging changes to the PSPRS plan. However, the outcome of each lawsuit will certainly have ramifications for all plans. One of the lawsuits against EORP was ruled not in EORP's favor and has been appealed to the Arizona Supreme Court where oral arguments were heard on June 4, 2013. We are still awaiting the ruling. The three other lawsuits have been stayed pending the outcome of the one being appealed.

#### NOTE 14: RESTATEMENT OF NET ASSETS AND EMPLOYER RESERVE BALANCES

For year ended June 30, 2012, changes to the methodology determining the fair value of the Real Estate portfolio resulted in a reduction of \$18,859,827. This change is reflected in a reduction of Net Appreciation which reduced the Employer Reserve by \$18,859,827. All schedules presenting a balance for FY 2012 reflect the reduction.

## 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)
06-30-04	4,774,313	5,167,333	393,020	92.40%	911,718	43.10%
06-30-05	4,639,517	5,704,491	1,064,974	81.30%	974,863	109.20%
06-30-06	4,767,055	6,211,586	1,444,531	76.70%	1,073,685	134.50%
06-30-07	4,572,615	7,011,385	2,438,770	65.20%	1,228,037	198.60%
06-30-08	5,095,645	7,405,397	2,309,752	68.80%	1,383,332	167.00%
06-30-09	5,445,497	7,778,394	2,332,897	70.00%	1,415,643	164.80%
06-30-10	5,591,304	8,255,185	2,663,881	67.70%	1,400,544	190.20%
06-30-11	5,795,945	9,094,447	3,298,502	63.70%	1,325,350	248.90%
06-30-12	6,051,595	10,054,752	4,003,157	60.20%	1,349,252	296.70%
06-30-13	6,185,074	10,544,353	4,359,279	58.70%	1,370,609	318.10%

\* Entry Age Normal Cost method through 6-30-05. Projected Unit Credit method from 6-30-06 through 6-30-10. Entry Age method 6-30-11 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, 65.8% for 6-30-10, 61.9% for 6-30-11, 58.6% for 6-30-12 and 57.1% for 6-30-13.

\* 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
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% *
2011	272,445,607	104.90% *
2012	295,491,882	104.60% *
2013	365,317,847	103.70% *

\* Total Employer Contributions received during FY2007 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 FY2008 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 FY2009 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 FY2010 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.

\* Total Employer Contributions received during FY2011 were \$285,846,497. 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 \$20,325,827. The benefits paid for the health insurance subsidy were \$13,400,890. The difference between the calculated annual required contributions and the benefits paid of \$6,924,937 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.9% for the retirement plan.

\* Total Employer Contributions received during FY2012 were \$309,005,098. 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 \$22,135,531. The benefits paid for the health insurance subsidy were \$13,513,216. The difference between the calculated annual required contributions and the benefits paid of \$8,622,315 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.6% for the retirement plan.

\* Total Employer Contributions received during FY2013 were \$378,701,291. 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 \$21,625,733. The benefits paid for the health insurance subsidy were \$13,383,444. The difference between the calculated annual required contributions and the benefits paid of \$8,242,289 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 103.7% 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, 2013**

The entry age normal 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. A closed 23-year amortization period were used for the June 30, 2013 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 7.85% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 4.50%-8.50%, which include a price inflation assumption of 4.50% per year.

The Actuarial Standards of Practice require that the Funding Value of Assets fall within a reasonable range around the Market Value. Although some actuarial judgment is used to determine what is deemed 'reasonable', a ratio approaching 140% is on the high end. We recommend that consideration be given to establishing an asset corridor for the June 30, 2013 actuarial valuation. An asset corridor, sometimes called a "Collar", is a limitation on the amount by which the Funding Value is permitted to differ from Market Value. A corridor of 20 to 25% is a common standard, although many systems have relaxed their standards in response to the extraordinary events of late 2008 and early 2009. It is not anticipated that this change would have any immediate impact on the contribution rate as the Funding Value of Assets was within 15% of the Market Value. However, implementing this now would protect the System from having the Funding Value of assets stray too far away (either below or above) from the true value of assets in the fund. The actuary recommends that a 20% corridor be added to the Funding Value of Assets Calculation.

Each of the 237 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 FY2013 were determined by actuarial valuations as of June 30, 2011.

**SCHEDULE OF CHANGES IN RESERVE BALANCES**  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<b>REFUNDABLE MEMBERS' RESERVE</b>	<b>EMPLOYERS' RESERVE</b>	<b>FUTURE BENEFIT INCREASE RESERVE</b>
<b>BALANCE AS OF JUNE 30, 2011</b>	<b>\$ 982,628,689</b>	<b>\$ 4,065,683,719</b>	<b>\$ 168,330,444</b>
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	112,645,371		
Employers' Contributions		310,829,503	
Earnings (Loss) on Investments Net of Investment Expenses		(60,521,177)	
Pension and Insurance Benefits		(520,695,231)	
Refunds to Terminated Members	(7,852,771)	(4,523,917)	
Administrative Expenses		(4,890,364)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		1,329,811	(1,329,811)
Amount Utilized by Benefit Increases Granted		167,000,633	(167,000,633)
Net Transfers In (Out) and Purchase of Service Credits	14,086,019	107,762	
Balances Transferred to Employers' Reserve due to Retirement	(33,756,592)	33,756,592	
<b>BALANCE AS OF JUNE 30, 2012</b>	<b>1,067,750,716</b>	<b>3,988,077,331</b>	<b>-</b>
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	127,362,618		
Employers' Contributions		380,853,077	
Earnings (Loss) on Investments Net of Investment Expenses		541,980,088	
Pension and Insurance Benefits		(566,103,901)	
Refunds to Terminated Members	(7,995,112)	(4,824,601)	
Administrative Expenses		(5,104,446)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets			
Amount Utilized by Benefit Increases Granted			
Net Transfers In (Out) and Purchase of Service Credits	7,282,093	(220,813)	
Balances Transferred to Employers' Reserve due to Retirement	(39,827,083)	39,827,083	
<b>BALANCE AS OF JUNE 30, 2013</b>	<b>\$ 1,154,573,232</b>	<b>\$ 4,374,483,818</b>	<b>\$ -</b>

\*See Note 14.



## SUPPORTING SCHEDULES INFORMATION

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
<b>RECEIPTS</b>		
Members' Contributions	\$ 124,403,358	\$ 112,950,689
Employers' Contributions	357,951,620	299,381,460
Interest	5,074,261	11,729,205
Dividends	39,064,772	39,383,198
Other Income	59,826,691	18,832,445
Securities Lending Income	841,939	1,242,249
Transfer In	744,656	539,618
Service Purchase	6,830,833	13,735,525
Maturities and Sales of:		
U S Equity	434,627,304	290,546,173
NON-U S Equity	149,811,170	111,254,130
GTAA	37,735,364	122,748,351
Fixed Income	119,089,446	526,533,612
Absolute Return	22,063,628	3,925,609
Credit Opportunities	152,194,813	252,622,079
Private Equity	48,830,739	158,865,378
Real Assets	61,335,514	294,698,829
Real Estate	24,433,558	39,792,074
Risk Parity	18,475,723	-
<b>Total Receipts</b>	<b>1,663,335,389</b>	<b>2,298,780,624</b>
<b>DISBURSEMENTS</b>		
Pension Benefits	492,506,527	460,700,737
Refunds to Terminated Members	12,819,713	12,376,688
Drop Benefits	60,213,930	46,481,278
Investment and Administrative Expenses	57,626,060	28,381,498
Transfer Out	514,209	81,362
Acquisitions of:		
U S Equity	245,841,384	269,665,906
NON-U S Equity	135,782,905	184,098,878
GTAA	15,910,316	113,560,163
Fixed Income	42,475,554	226,609,289
Absolute Return	36,029,590	40,504,702
Credit Opportunities	187,280,669	229,996,209
Private Equity	93,295,289	229,925,908
Real Assets	89,497,957	328,756,195
Real Estate	48,896,177	158,195,209
Risk Parity	139,828,211	-
<b>Total Disbursements</b>	<b>1,658,518,490</b>	<b>2,329,334,022</b>
INCREASE (DECREASE) IN CASH	4,816,899	(30,553,398)
BEGINNING CASH BALANCE - July 1	102,676,329	133,229,727
<b>ENDING CASH BALANCE - June 30</b>	<b>\$ 107,493,228</b>	<b>\$ 102,676,329</b>

**SCHEDULE OF ADMINISTRATIVE EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2013

<b>EXPENSE CATEGORY</b>	<b>ADMINISTRATIVE</b>	<b>INVESTMENT</b>	<b>TOTAL</b>
Accounting and Auditing Services	\$ 79,130	\$ -	\$ 79,130
Actuarial Services	211,335	-	211,335
Board of Trustees Initiatives	351,307	-	351,307
Building Expense	125,507	-	125,507
Communications	32,308	-	32,308
Computer Related Expense	106,375	-	106,375
Contractual Services	48,096	-	48,096
Depreciation Expense	208,724	-	208,724
Furniture and Equipment	8,521	33	8,554
Investment Services	-	49,707,109	49,707,109
Legal Services	515,884	470,951	986,835
Local Board Training	-	-	-
Payroll Taxes and Fringe Benefits	796,172	262,690	1,058,862
Postage Expenses	7,786	-	7,786
Printing and Publications	11,948	-	11,948
Professional Services	278,221	971,782	1,250,003
Salaries and Wages	2,259,571	837,832	3,097,403
Supplies and Services	25,076	-	25,076
Training Expenses	19,960	24,474	44,434
Travel Expense	18,526	55,065	73,591
<b>TOTAL</b>	<b>\$ 5,104,446</b>	<b>\$ 52,329,937</b>	<b>\$ 57,434,383</b>

## SUPPORTING SCHEDULES INFORMATION

**SCHEDULE OF CONSULTANT EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2013

CONSULTANT	SERVICE PROVIDED	FEES PAID
ALBOURNE AMERICA, LLC	International Alternative Investment Consultant	\$ 437,875
BNY MELLON ASSET SERVICING	Independent Investment Advisor	158,407
BUCK CONSULTING, LLC	Compensation Consultant	59,875
COOLEY LLP	Investment Counsel	16,842
ERNST & YOUNG LLP	Investment Consultant	156,449
FOLEY & LARDNER, LLC	Investment Counsel	48,361
FOSTER PEPPER	Investment Counsel	3,788
GABRIEL ROEDER SMITH & COMPANY	Actuary	204,114
GOODWIN PROCTER	Legislative Liaison	26,069
HEINFELD, MEECH & CO.	Independent Auditor	68,910
HIGHGROUND, INC	Legislative Liaison	62,032
JACKSON WALKER LLP	Investment Counsel	42,416
KUTAK ROCK LLP	General Counsel	545,595
LIGHT STONE SOLUTIONS, LLC	Due Diligence	119,080
NEPC, LLC	Independent Investment Advisor	326,886
OFFICE OF THE ATTORNEY GENERAL	General Counsel	55,264
ORG PORTFOLIO MANAGEMENT LLC	Real Estate Consultant	203,825
OSAM INC.	IT Counsel	16,686
PATRICE ROBINSON CONSULTING	IT Consultant	34,860
PILLSBURY	Investment Counsel	13,139
PUBLIC POLICY PARTNERS	Legislative Liaison	91,224
ROPES & GRAY LLP	Investment Counsel	396
STEPSTONE GROUP LLC	Equity Advisors	76,020
STEPTOE & JOHNSON, LLP	Litigation Counsel	228,058
<b>TOTAL</b>		<b>\$ 2,996,171</b>

## OTHER SUPPLEMENTARY INFORMATION

**HEALTH INSURANCE PREMIUM SUBSIDY  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>HEALTH INSURANCE PREMIUM SUBSIDY</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>ENDING BALANCE</b>
<b>ASSETS</b>				
Cash	\$ -	\$ 13,383,444	\$ 13,383,444	\$ -
<b>Total Assets</b>	<b>-</b>	<b>13,383,444</b>	<b>13,383,444</b>	<b>-</b>
<b>LIABILITIES</b>				
Benefits Payable	-	13,383,444	13,383,444	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 13,383,444</b>	<b>\$ 13,383,444</b>	<b>\$ -</b>

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

<b>ACTUARIAL VALUATION DATE</b>	<b>ACTUARIAL VALUE OF ASSETS \$ (A)</b>	<b>ACTUARIAL ACCRUED LIABILITY \$ (B)</b>	<b>UNFUNDED AAL(UAAL) \$ (B-A)</b>	<b>FUNDED RATIO (A/B)</b>	<b>ANNUAL COVERED PAYROLL \$ (C)</b>	<b>UAAL AS A % OF COVERED PAYROLL ((B-A)/C)</b>
06-30-07	0	256,906	256,906	0.00%	1,228,037	20.90%
06-30-08	0	257,381	257,381	0.00%	1,383,332	18.60%
06-30-09	0	211,057	211,057	0.00%	1,415,643	14.90%
06-30-10	0	236,637	236,637	0.00%	1,400,544	16.90%
06-30-11	0	270,814	270,814	0.00%	1,325,350	20.40%
06-30-12	0	270,778	270,778	0.00%	1,349,252	20.10%
06-30-13	0	279,187	279,187	0.00%	1,370,609	20.40%

\* 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, 2010, 2011, 2012 and 2013 health insurance premium subsidy with the retirement plan, the funded ratios are 66.4%, 66.5%, 68.2%, 65.8%, 61.9%, 58.6% and 57.1% respectively.

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

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**James M. Hacking**  
Administrator

**Ryan Parham**  
Chief Investment Officer

**Jared A. Smout**  
Deputy Administrator

December 12, 2013

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

Members:

As the Chief Investment Officer of the Public Safety Personnel Retirement System (PSPRS) during the fiscal year beginning July 1, 2012 and ending June 30, 2013, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the System:

## INTRODUCTION

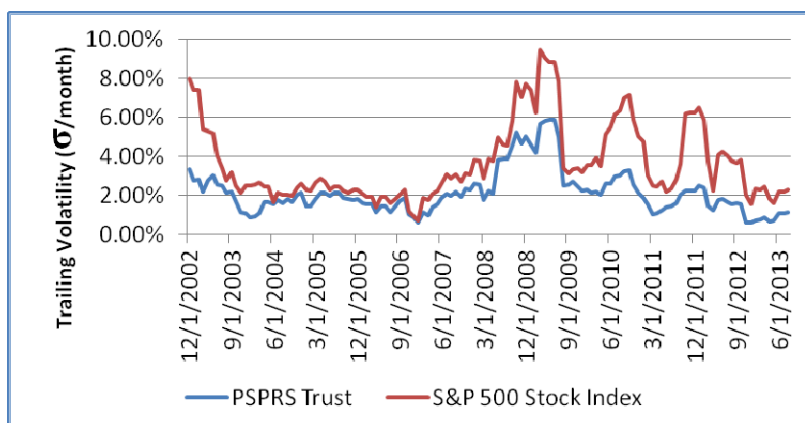
On behalf of the PSPRS investment team, it is a pleasure to provide this annual update of investment activities of the PSPRS Trust for the fiscal year ending June 30, 2013. In commenting last year about the development of the PSPRS investment portfolio I mentioned that the end of 2012 marked the third year of having substantially deployed our more diversified, lower risk portfolio. The close of 2013 is the fourth year of that work and I am pleased to note that our four year return is about 9.94%. In 2013 alone we returned approximately 10.64%. This is exactly the increase in consistency we have been charged with delivering to the PSPRS system. Capturing most of the upside of the markets while limiting the downside is our ultimate goal.

## NOT ALL EGGS IN ONE BASKET

Recall from previous years that the historic PSPRS portfolio had a large concentration in U.S. equities. At times more than 70% of the total fund was invested in U.S. large cap stocks. The allowed the fund to perform well when the U.S. stock market went up but also to perform very poorly when the U.S. stock market went down. Today total equity concentration is about 30% of the portfolio and that exposure is broadly diversified. The portfolio has more than 100 external managers deploying an even greater number of different investment strategies. These investments are in 11 different asset classes and literally span the global markets. When some markets are down, others are up. When some strategies lag others are leaders. The net result is a much more complex but also a much more stable portfolio.

## LOWER RISK

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



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

Events	Today's Portfolio	PSPRS Trust Actual
Asian Crisis of 1997	8.2%	n.a.
Russian/LTCM Crisis 1998	-5.0%	n.a.
WTC Attacks - Sept. 11	-2.5%	n.a.
Stock Market Crash 2002	-5.4%	n.a.
August Crisis 2007	3.3%	1.6%
January Crisis 2008	-2.2%	-2.7%
Credit Crunch 2008 (Aug to Nov)	-9.1%	-23.1%
Crisis 2009 (Jan-Feb)	-5.5%	-12.9%

These stress tests lead to the conclusion that the PSPRS portfolio might half in the neighborhood of one half as much exposure to undesirable risks as it had five years ago, while maintaining a comparable expected return.

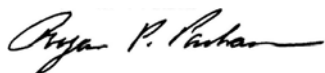
We will certainly deliver a smaller return than other funds that have 50% or 60% equities when the equity markets are strongly rising, but we will have considerably less losses when those equity markets drop precipitously. In the long run a stable return will outperform the more volatile ups and downs by a significant margin.

#### THE PSPRS TEAM

Our system has benefitted greatly from a talented and dedicated group of current and former employees. The effective efforts of our staff have been joined by several teams of outside consultants positioned in markets around the world that help to monitor, analyze and evaluate current and future investment opportunities. In addition to this reservoir of talent we further benefit from our ongoing active partnerships with some the best and brightest investment organizations in the world. Literally hundreds of people across every time zone and geography combine their efforts to help PSPRS achieve its investment objectives.

Without the support of our Administrator, the members of the PSPRS board and all of the other employees of PSPRS our recent progress would have been impossible, and our future successes unattainable.

Respectfully and Gratefully Submitted,



Ryan P. Parham  
Chief Investment Officer

## FUND INVESTMENT OBJECTIVES

The objective of the Fund is to ensure the integrity of the Elected Officials' Retirement Plan, Public Safety Personnel Retirement Plan and the Corrections Officer Retirement Plan in order to adequately fund benefit levels for members as stated in Title 38, Chapter 5, Articles 3,4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Legislature. To achieve the objective, the Fund will do the following:

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

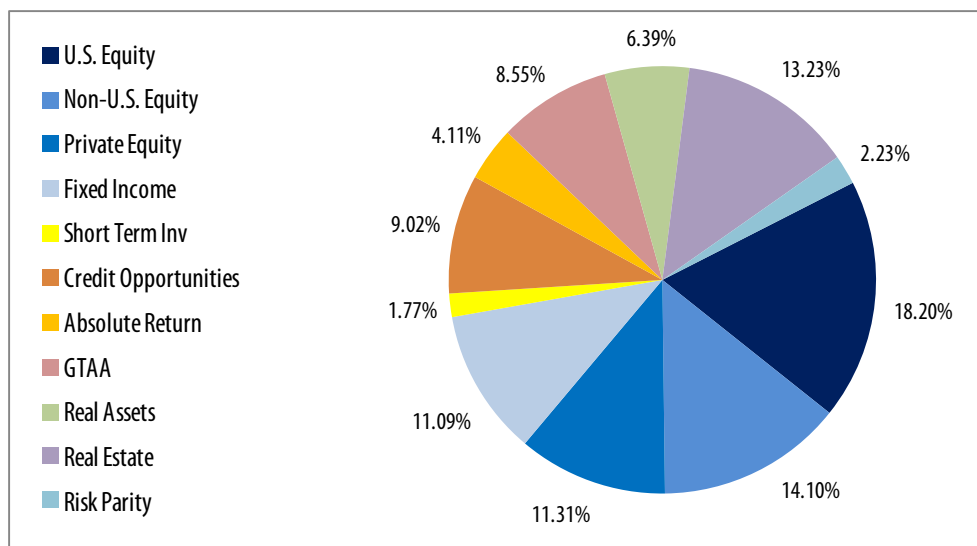
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

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

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

The time horizon for evaluating total Fund investment performance shall be long-term.

**ASSET ALLOCATION**  
JUNE 30, 2013



**ANNUALIZED RATES OF RETURN\***  
JUNE 30, 2013

Description	1 Year	3 Years	5 Years	10 Years
PSPRS - Total Fund	10.64%	8.82%	3.75%	5.89%
<i>Target Fund Benchmark</i>	<i>10.08%</i>	<i>9.96%</i>	<i>3.28%</i>	<i>4.28%</i>
Total Equity	18.22%	12.96%	5.07%	
<i>Target Equity Benchmark</i>	<i>18.07%</i>	<i>14.03%</i>	<i>4.17%</i>	
U.S. Equity	21.04%	16.37%	N/A	
<i>Russell 3000</i>	<i>21.46%</i>	<i>18.63%</i>	<i>7.25%</i>	
Non-U.S. Equity	14.66%	8.23%	N/A	
<i>MSCI ACWI Ex-US Net</i>	<i>13.63%</i>	<i>7.99%</i>	<i>-0.80%</i>	
Private Equity	11.52%	14.23%	7.58%	
<i>Russell 3000 + 100 bps</i>	<i>22.46%</i>	<i>19.64%</i>	<i>8.91%</i>	
Fixed Income	1.35%	3.96%	4.69%	
<i>BC US Aggregate</i>	<i>-2.18%</i>	<i>3.55%</i>	<i>3.68%</i>	
Credit Opportunities	12.52%	10.12%	5.68%	
<i>BofA ML US High Yield BB-B Constrained</i>	<i>8.02%</i>	<i>8.97%</i>	<i>N/A</i>	
Absolute Return	18.00%	N/A	N/A	
<i>BofA ML 3-Month T-Bill + 200 bps</i>	<i>2.11%</i>	<i>2.11%</i>	<i>N/A</i>	
GTAA	3.45%	9.05%	N/A	
<i>3-Month LIBOR + 300bps</i>	<i>3.33%</i>	<i>3.36%</i>	<i>N/A</i>	
Real Assets	3.49%	3.59%	N/A	
<i>CPI + 200 bps</i>	<i>3.76%</i>	<i>4.33%</i>	<i>N/A</i>	
Real Estate	7.73%	-0.51%	-3.98%	
<i>NCREIF NPI</i>	<i>10.73%</i>	<i>13.14%</i>	<i>2.79%</i>	
Risk Parity	-1.32%	N/A	N/A	
<i>BC Global Agg, MSCI AC World Net, Dow Jones UBS Ind</i>	<i>2.58%</i>	<i>N/A</i>	<i>N/A</i>	
Short Term Investments	0.13%	-0.10%	0.18%	
<i>BofA ML 3-Month T-Bill</i>	<i>0.11%</i>	<i>0.11%</i>	<i>0.29%</i>	

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

**Target Fund Benchmarks (Effective Dates)**

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

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

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

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% BofA ML 3-Month T-Bill.

**Target Equity Benchmarks (Effective Dates)**

July 1, 2010 - Present: 57.14% Russell 3000 and 42.86% MSCI World Ex-US Net.

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.



**EQUITY PORTFOLIO TOP 10 HOLDINGS**  
 JUNE 30, 2013

Description	Shares	Fair Value
MCSI WORLD EX-US INDEX	41,229,342	496,250,964
RUSSELL 3000 SECURITIES	9,837,429	417,903,483
CRESTLINE ALPHA	124,127,843	124,127,843
VANGUARD FTSE EMERGING MARKETS	2,802,598	108,726,793
ACADIAN US MANAGED	2,234,961	87,389,870
EAGLE SMALL CAR GR	2,824,434	68,107,828
THB MICRO CAP	6,115,628	58,041,897
RANGER SMALL CAP	1,922,391	56,333,176
KKR EQ STRATEGIES	50,579,019	50,579,019
SOUTHPOINT	50,461,394	50,461,394

**FIXED INCOME PORTFOLIO TOP 10 HOLDINGS**  
 JUNE 30, 2013

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	13,127,361	304,212,406
FRANKLIN TEMPLETON EMD	60,775,498	60,775,498
CAPITAL GUARDIAN EMERGING	3,542,361	50,159,829
GOLDENTREE HIGH YIELD VALUE	43,006,890	43,006,891
IGUAZU PARTNERS LP	35,188,953	35,188,952
BANK OF AMERICA NA	9,908,574	9,489,242
CBO HLDGS III 04-3 CL A 144A	9,440,050	9,407,403
FNMA GTD REMIC P/T 11-8 AV	8,384,177	8,727,175
CBO HLDGS III 1A 04-1 C-2 144A	7,952,030	8,269,627
FHLMC MULTICLASS MTG 3561 B	7,621,980	8,074,344

**SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO**

JUNE 30, 2013

(IN THOUSANDS)

DESCRIPTION	PERCENT AT FAIR VALUE	JUNE 30, 2012 BALANCE				JUNE 30, 2013 BALANCE		
		FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
U. S. Equity	19.79%	969,758	821,112	274,837	279,706	1,003,092	816,243	18.60%
Non U. S. Equity	14.50%	710,653	710,954	126,558	120,429	774,719	717,083	14.37%
GTAA	9.72%	476,061	404,432	22,866	37,541	471,432	389,757	8.74%
Fixed Income	13.91%	681,837	605,431	43,940	101,298	610,452	548,073	11.32%
Credit Opportunities	3.58%	175,333	162,350	37,848	20,026	226,548	180,172	4.20%
Private Equity	8.86%	434,273	385,516	189,766	113,200	497,361	462,082	9.23%
Real Assets	10.49%	514,147	457,342	96,115	6,772	625,598	546,685	11.60%
Real Estate	6.41%	314,125	293,195	90,848	59,973	350,546	324,070	6.50%
Absolute Return	12.74%	624,259	750,101	55,379	19,275	709,693	786,205	13.16%
Risk Parity	-	-	-	140,214	17,882	122,820	122,332	2.28%
<b>TOTAL PORTFOLIO</b>	<b>100.00%</b>	<b>4,900,446</b>	<b>4,590,433</b>	<b>1,078,371</b>	<b>776,102</b>	<b>5,392,261</b>	<b>4,892,702</b>	<b>100.00%</b>

\*See Note 14.

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**  
 YEAR ENDED JUNE 30, 2013

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
B.RILEY & CO.,LLC, LOS ANGELES	47,866	0.0297	1,424
BAIRD, ROBERT W & CO INC, MILWAUKEE	224,080	0.0397	8,890
BARCLAYS BK PLC, NEW YORK	561,528	0.0182	10,203
BARCLAYS CAPITAL LE, JERSEY CITY	1,966,199	0.0103	20,322
BARCLAYS CAPITAL, LONDON (BARCGB33)	5,513	0.0146	80
BARRINGTON RESEARCH ASSOCIATES, BROOKLYN	7,927	0.0400	317
BB&T SECURITIES, LLC, RICHMOND	78,703	0.0400	3,148
BENCHMARK COMPANY LLC, BROOKLYN	3,277	0.0249	82
BERNSTEIN SANFORD C & CO, NEW YORK	998,561	0.0181	18,069
BLOOMBERG TRADEBOOK LLC, NEW YORK	944,016	0.0200	18,880
BMO CAPITAL MARKETS CORP, NEW YORK	76,465	0.0314	2,402
BNY BROKERAGE, NEW YORK	364,714	0.0050	1,824
BNY CONVERGEX, NEW YORK	13,701	0.0045	62

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**  
YEAR ENDED JUNE 30, 2013

<b>BROKER</b>	<b>NUMBER OF SHARES TRADED</b>	<b>AVERAGE COMMISSION</b>	<b>TOTAL COMMISSIONS</b>
BREAN MURRAY, CARRET & CO, LAKE SUCCESS	13,267	0.0224	297
BROCKHOUSE AND COOPER, MONTREAL	48,076	0.0135	651
BTIG LLC, SAN FRANCISCO	287,812	0.0211	6,067
CANACCORD GENUITY INC. NEW YORK	24,090	0.0363	874
CANACCORD GENUITY INC, JERSEY CITY	47,250	0.0359	1,698
CANTOR FITZGERALD & CO INC, NEW YORK	186,188	0.0198	3,694
CAPITAL ONE SOUTHCOAST INC, NEW ORLEANS	37,565	0.0400	1,503
CHEEVERS & CO. INC., CHICAGO	4,039	0.0249	101
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	37,457	0.0093	349
CITIGROUP GBL MKTS INC, NEW YORK	67,355	0.0216	1,457
CITIGROUP GBL MKTS/SALOMON, NEW YORK	247,280	0.0055	1,359
CITIGROUP GLOBAL MARKETS LTD, LONDON	18,113	0.0070	128
CJS SECURITIES INC, JERSEY CITY	6,098	0.0400	244
COMPASS POINT RESEARCH & TR, JERSEY CITY	257,790	0.0285	7,339
COWEN AND COMPANY LLC, NEW YORK	146,697	0.0287	4,214
CRAIG HALLUM, MINNEAPOLIS	418,919	0.0280	11,716
CREDIT LYONNAIS SECS (ASIA), HONG KONG	58,232	0.0011	64
CREDIT RESEARCH & TRADING LLC, JERSEY	12,412	0.0369	458
CREDIT SUISSE (EUROPE), LONDON	242,927	0.0042	1,010
CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	233,061	0.0031	733
CREDIT SUISSE, NEW YORK (CSUS)	261,594	0.0069	1,802
DAIWA SECS (HK) LTD, HONG KONG	34,528	0.0058	201
DAVIDSON (D A) & CO INC, NEW YORK	13,831	0.0183	253
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	647,338	0.0038	2,438
DEUTSCHE BK SECS INC, NY (NWSCUS33)	477,000	0.0138	6,580
DIRECT ACCESS PARTNERS LLC, JERSEY CITY	721	0.0193	14
DOMINICK & DOMINICK, JERSEY CITY	5,716	0.0296	169
DOUGHERTY COMPANY, BROOKLYN	83,921	0.0315	2,643
EVERCORE GROUP LLC, JERSEY CITY	6,467	0.0470	304
EXECUTION LTD, LONDON	10,481	0.0032	33
FBN SECURITIES INC, JERSEY CITY	533	0.0300	16
FBR CAPITAL MARKETS & CO, ARLINGTON	53,196	0.0324	1,726
FIG PARTNERS LLC, ATLANTA	258,797	0.0348	9,017
FIRST ANALYSIS SECS CORP, CHICAGO	53,670	0.0470	2,522
FIRST CLEARING LLC, RICHMOND	1,559	0.0362	56
GLOBAL HUNTER SEC. LLC, NEW ORLEANS	2,484	0.0301	75
GLOBAL HUNTER SECURITIES LTD, JERSEY	11,128	0.0307	342
GOLDMAN SACHS & CO, NY	388,038	0.0985	38,215
GOLDMAN SACHS EXECUTION & CLEARING, NY	400,484	0.0147	5,878
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	348,320	0.0044	1,522
GUGGENHEIM CAPITAL MKT LLC, JERSEY CITY	19,849	0.0438	869
HOWARD WEIL INCORPORATED, NEW ORLEANS	9,605	0.0400	384
HSBC BANK AUSTRALIA LTD, SYDNEY	467,081	0.0023	1,089
HSBC SECS INC, NEW YORK	10,396	0.0063	65

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**  
YEAR ENDED JUNE 30, 2013

<b>BROKER</b>	<b>NUMBER OF SHARES TRADED</b>	<b>AVERAGE COMMISSION</b>	<b>TOTAL COMMISSIONS</b>
INSTINET CORP, NEW YORK	257,886	0.0140	3,619
INSTINET EUROPE LIMITED, LONDON	176,901	0.0039	693
INSTINET, SINGAPORE	49,543	0.0019	92
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	390,246	0.0019	755
INVESTMENT TECHNOLOGY GROUP, NEW YORK	109,496	0.0118	1,290
ISI GROUP INC, NY	1,926,816	0.0110	21,270
ITG AUSTRALIA LTD, MELBOURNE	882	0.0198	17
ITG CANADA CORP, TORONTO	21,570	0.0134	288
ITG HONG KONG LIMITED, HONG KONG	63,507	0.0015	93
ITG/POSIT, NEW YORK	63,600	0.0132	841
J P MORGAN SEC, SYDNEY	1,227	0.0119	15
J P MORGAN SECURITIES INC, BROOKLYN	159,250	0.0127	2,022
J.P. MORGAN CLEARING CORP, NEW YORK	210,403	0.0218	4,578
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	1,288	0.0200	26
JEFFERIES & CO INC, NEW YORK	456,132	0.0233	10,613
JEFFERIES & CO LTD, LONDON	114,372	0.0054	617
JMP SECURITIES, SAN FRANCISCO	40,141	0.0432	1,734
JOHNSON RICE & CO, NEW ORLEANS	127,504	0.0398	5,080
JONESTRADING INSTL SVCS LLC, WESTLAKE	343,739	0.0197	6,773
KEEFE BRUYETTE AND WOODS, JERSEY CITY	240,250	0.0322	7,728
KEYBANC CAPITAL MARKETS INC, NEW YORK	212,919	0.0349	7,421
KNIGHT DIRECT LLC, JERSEY CITY	38,131	0.0200	763
KNIGHT EQUITY MARKETS L.P.,JERSEY CITY	1,067,739	0.0226	24,178
LAZARD CAPITAL MARKETS LLC, NEW YORK	60,365	0.0295	1,778
LEERINK SWANN & CO, JERSEY CITY	21,779	0.0256	557
LEK SECURITIES CORP, NEW YORK	45,142	0.0200	903
LIQUIDNET INC, BROOKLYN	989,339	0.0195	19,321
LOOP CAPITAL MARKETS LLC	24,647	0.0058	143
MACQUARIE BANK LTD, HONG KONG	21,700	0.0026	57
MACQUARIE CAPITAL (USA) INC., NEW YORK	97,880	0.0072	704
MACQUARIE EQUITIES LTD, SYDNEY	25,700	0.0072	186
MACQUARIE SECURITIES LIMITED, HONG KONG	7,622	0.0023	18
MERRILL LYNCH INTL LONDON EQUITIES	700,175	0.0033	2,312
MERRILL LYNCH PIERCE FENNER SMITH INC NY	244,910	0.0157	3,836
MERRILL LYNCH PIERCE FENNER, WILMINGTON	188,746	0.0053	1,003
MISCHLER FINL/EQUITIES, CORONA DELMAR	478	0.0110	5
MKM PARTNERS LLC, GREENWICH	40,015	0.0264	1,057
MONNESS CRESPI HARDT & CO INC, JERSEY	26,116	0.0215	562
MORGAN STANLEY & CO INC, NY	9,688,868	0.0048	46,264
MORGAN STANLEY SECURITIES LTD, LONDON	309,145	0.0010	310
MS SECS SVCS INC INTL, BROOKLYN	14,132	0.0135	191
NATIONAL FINL SVCS CORP, NEW YORK	10,767	0.0338	364
NEEDHAM & CO, NEW YORK	158,476	0.0317	5,025
NEWEDGE USA LLC, NEW YORK	115	16.1909	1,862

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**  
YEAR ENDED JUNE 30, 2013

<b>BROKER</b>	<b>NUMBER OF SHARES TRADED</b>	<b>AVERAGE COMMISSION</b>	<b>TOTAL COMMISSIONS</b>
NOMURA SECS INTL INC, NEW YORK	410,389	0.0146	5,988
NOMURA SECS INTL, LONDON	207,013	0.0015	311
NON-BROKER CORP ACTIONS, BOSTON	11,889	0.0142	169
NORTHLAND SECS INC, JERSEY CITY	20,352	0.0336	685
OPPENHEIMER & CO INC, NEW YORK	219,808	0.0378	8,313
PACIFIC CREST SECURITIES, PORTLAND	49,491	0.0315	1,558
PERSHING LLC, JERSEY CITY	155,752	0.0134	2,083
PERSHING SECURITIES LTD, LONDON	2,770	0.0150	41
PICKERING ENERGY PARTNERS, HOUSTON	20,118	0.0450	905
PIPER JAFFRAY & CO, MINNEAPOLIS	293,002	0.0309	9,048
PULSE TRADING LLC, BOSTON	1,430,497	0.0282	40,328
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	175,743	0.0363	6,381
RBC CAPITAL MARKETS LLC, NEW YORK	4,841,943	0.0054	26,183
RBC DOMINION SECS INC, TORONTO (DOMA)	50,915	0.0151	769
ROCHDALE SECURITIES CORP	1,280	0.0200	26
ROTH CAPITAL PARTNERS LLC, IRVINE	74,056	0.0281	2,082
ROYAL BANK OF CANADA, TORONTO (RBCT)	50,935	0.0040	201
SANDLER O'NEILL & PARTNERS, NEW YORK	296,265	0.0330	9,769
SCARSDALE EQUITIES LLC, JERSEY CITY	38,157	0.0429	1,635
SCOTIA CAPITAL (USA) INC, NEW YORK	21,366	0.0495	1,058
SG AMERICAS SECURITIES LLC, NEW YORK	73,249	0.0240	1,759
SG SEC (LONDON) LTD, LONDON	56,108	0.0025	141
SIDOTI & CO LLC, NEW YORK	194,693	0.0379	7,386
STATE STREET BK & TR CO (SEC), LONDON	168,916	0.0032	536
STEPHENS INC, LITTLE ROCK	195,981	0.0383	7,513
STERNE AGEE & LEACH INC	56,917	0.0431	2,452
STIFEL NICOLAUS	172,119	0.0305	5,257
SUNTRUST CAPITAL MARKETS INC, ATLANTA	44,962	0.0346	1,557
TD WATERHOUSE SEC, TORONTO (GIST)	1,277	0.0146	19
THINKEQUITY PARTNERS LLC, MINNEAPOLIS	20,947	0.0466	977
UBS AG, AUSTRALIA BR, SYDNEY	10,922	0.0038	41
UBS EQUITIES, LONDON	24,053	0.0034	83
UBS FINANCIAL SERVICES INC, WEEHAWKEN	11,433	0.0050	57
UBS SECURITIES CANADA, TORONTO (BWIT)	26,712	0.0145	386
UBS SECURITIES LLC, STAMFORD	33,816	0.0135	455
UBS WARBURG AUSTRALIA EQUITIES, SYDNEY	132,536	0.0058	766
WEDBUSH MORGAN SECS INC, LOS ANGELES	17,793	0.0389	692
WEDGE SECURITIES LLC, JERSEY CITY	3,441	0.0400	138
WEEDEN & CO, NEW YORK	674,866	0.0245	16,540
WILLIAM BLAIR & CO, CHICAGO	264,736	0.0273	7,236
WILLIAMS CAPITAL GROUP LP, JERSEY CITY	15,015	0.0139	209
WUNDERLICH SECURITIES INC, MEMPHIS	138,039	0.0382	5,275
<b>TOTAL COMMISSIONS</b>	<b>40,713,846</b>	<b>0.0140</b>	<b>569,845</b>

**U.S. EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
2,234,961	ACADIAN US MANAGED	79,967,496	87,389,870	7,422,375
124,127,843	CRESTLINE ALPHA	114,329,694	124,127,843	9,798,149
2,824,434	EAGLE SMALL CAR GR	55,149,586	68,107,828	12,958,242
1,192,133	FRONTPOINT ALPHA	1,380,141	1,192,133	(188,008)
1,259,508	GOTHAM INSTL SELECT	33,823,683	33,976,995	153,312
1,145,251	GOTHAM VALUE 1000	34,177,816	34,541,904	364,089
458,469	GOTHAM VALUE 2000	7,615,911	7,807,047	191,136
50,579,019	KKR EQ STRATEGIES	45,731,878	50,579,019	4,847,141
1,922,391	RANGER SMALL CAP	47,655,380	56,333,176	8,677,795
50,461,394	SOUTHPOINT	45,731,878	50,461,394	4,729,516
1,278	RUSSELL 1000 MINI FUTURE	0	(2,228,002)	(2,228,002)
98	RUSSELL 2000 MINI IND FUTURE	0	(112,438)	(112,438)
9,837,429	RUSSELL 3000 SECURITIES	292,499,574	417,903,483	125,403,909
6,115,628	THB MICRO CAP	44,971,435	58,041,897	13,070,461
762,870	THB SMALL CAP VAL	13,208,420	14,970,183	1,761,763
<b>252,922,707</b>	<b>TOTAL US EQUITY PORTFOLIO</b>	<b>816,242,892</b>	<b>1,003,092,332</b>	<b>186,849,440</b>

**NON-U.S. EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
41,229,342	MCSI WORLD EX-US INDEX	448,608,792	496,250,964	47,642,171
5,158,830	BGI FRONTIER	22,867,442	33,836,518	10,969,075
38,331,713	ESG CBE	38,109,898	38,331,713	221,815
4,015,623	GOTHAM 400 INTL	25,835,935	25,054,023	(781,913)
1,785,034	GOTHAM INSTL INTL	25,371,669	24,776,005	(595,664)
320,124	ISHARES MSCI CANADA ETF	8,660,134	8,371,220	(288,914)
99,848	ISHARES MSCI EAFE ETF	5,052,384	5,721,287	668,903
290,855	ISHARES MSCI SOUTH KOREA	17,219,607	15,473,472	(1,746,135)
82,088	VANGUARD FTSE ALL-WORLD EX-US	3,537,668	3,629,964	92,296
2,802,598	VANGUARD FTSE EMERGING MARKETS	107,317,931	108,726,793	1,408,862
35,366	VANGUARD FTSE EUROPE ETF	1,504,542	1,702,165	197,623
16,366	VANGUARD FTSE PACIFIC ETF	830,815	913,709	82,894
259,147	WISDOMTREE EMERGING MARKETS SM	12,165,796	11,931,142	(234,654)
<b>94,426,934</b>	<b>TOTAL NON-US EQUITY PORTFOLIO</b>	<b>717,082,614</b>	<b>774,718,974</b>	<b>57,636,360</b>



**FIXED INCOME PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
804,475	FHLMC POOL #H1-0069	6.00%	11/01/2036	805,246	868,906
759,763	FHLMC POOL #H1-5010	6.00%	11/01/2036	760,472	819,801
4,943,445	FHLMC MULTICLASS MTG 4012 MW	3.50%	03/15/2042	4,967,201	4,909,484
7,621,980	FHLMC MULTICLASS MTG 3740 KD	4.00%	11/15/2038	7,458,542	7,843,855
8,384,177	FNMA GTD REMIC P/T 11-8 AV	4.00%	01/25/2030	8,208,851	8,727,175
7,621,980	FHLMC MULTICLASS MTG 3561 B	4.00%	08/15/2029	7,539,294	8,074,344
2	GNMA POOL #0427558	7.50%	04/15/2026	2	2
<b>30,135,823</b>	<b>TOTAL US GOVERNMENT SECURITIES</b>			<b>29,739,609</b>	<b>31,243,567</b>

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
1,787,321	ACA ABS 2006-1 LTD 1A A3L 144A	1.82%	06/10/2041	535,682	17
1,469,518	ASSOCIATES CORP OF NORTH AMERI	6.95%	11/01/2018	1,406,489	1,740,350
3,810,990	AUSTRALIA & NEW ZEALAND B 144A	4.88%	01/12/2021	3,914,859	4,179,513
144,889	AUTO BD RECEIVABLES TR 94-A	6.40%	04/15/2009	144,890	0
9,908,574	BANK OF AMERICA NA	0.57%	06/15/2017	9,022,153	9,489,242
1,524,396	BANK ONE CORP	8.00%	04/29/2027	1,498,593	2,046,624
13,127,361	BGI CORE ACTIVE BOND FUND	0.00%	01/00/1900	260,349,866	304,212,406
3,542,361	CAPITAL GUARDIAN EMERGING	0.00%	01/00/1900	45,731,878	50,159,829
9,440,050	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	9,407,403	9,407,403
7,952,030	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	8,269,627	8,269,627
3,810,990	CHICAGO PARKING METERS LL 144A	5.49%	12/30/2020	4,192,970	3,957,523
652,441	CONAGRA FOODS INC	9.75%	03/01/2021	727,901	850,118
1,143,297	CON-WAY INC	6.70%	05/01/2034	984,763	1,143,537
60,775,498	FRANKLIN TEMPLETON EMD	0.00%	01/00/1900	53,353,858	60,775,498
2,286,594	GENERAL ELECTRIC CAPITAL CORP	0.54%	08/07/2018	2,103,662	2,229,223
3,810,990	GILEAD SCIENCES INC	4.50%	04/01/2021	3,866,980	4,129,703
43,006,890	GOLDENTREE HIGH YIELD VALUE	0.00%	01/00/1900	38,109,898	43,006,891
2,667,693	GOLDMAN SACHS GROUP INC/THE	6.75%	10/01/2037	2,792,409	2,732,678
917	GRACIE INTERNATIONAL CREDIT	0.00%	01/00/1900	1,905,496	1,751,645
4,954,287	HSBC FINANCE CORP	0.70%	06/01/2016	4,744,513	4,911,779
35,188,953	IGUAZU PARTNERS LP	0.00%	01/00/1900	30,487,918	35,188,952
134,794	JP MORGAN MBS SERI R2 3A1 144A	4.84%	04/28/2026	136,123	136,550
2,667,693	MORGAN STANLEY	6.38%	07/24/2042	2,679,360	2,976,237
135,316	MORGAN STANLEY ABS CAPI NC1 M2	2.52%	12/27/2033	119,214	134,723
107,015	MORGAN STANLEY ABS CAPI NC2 M2	1.99%	12/25/2033	90,832	83,852
3,810,990	NABORS INDUSTRIES INC	9.25%	01/15/2019	4,767,338	4,728,409
919,559	NORTH STREET REFE 3A CTF5 144A	4.02%	04/30/2031	833,987	833,987

**FIXED INCOME PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
3,810,990	NORTH STREET REFE 3A NOTE 144A	1.27%	04/30/2031	1,323,665	649,888
3,696,660	PACIFIC BELL TELEPHONE CO	7.38%	07/15/2043	3,744,815	3,810,813
2,667,693	PROTECTIVE LIFE CORP	8.45%	10/15/2039	3,049,909	3,425,397
4,573,188	SECURITY MUTUAL LIFE CO OF NEW	9.38%	12/15/2016	4,681,342	4,681,342
7,621,980	TRAINER WORTHAM FI 2A A3L 144A	2.02%	04/10/2037	5,538,450	76
3,644,395	TRI-COMMAND MILITARY HOUS 144A	5.38%	02/15/2048	3,266,976	2,974,154
1,524,396	UNITED UTILITIES PLC	4.55%	06/19/2018	1,438,587	1,583,467
1,524,396	WACHOVIA CORP	0.54%	06/15/2017	1,454,201	1,498,466
1,448,176	WESTERN GROUP HOUSING LP 144A	6.75%	03/15/2057	1,656,816	1,508,840
<b>249,293,281</b>	<b>TOTAL US CORPORATE BONDS</b>			<b>518,333,421</b>	<b>579,208,760</b>
<b>279,429,104</b>	<b>TOTAL FIXED INCOME PORTFOLIO</b>			<b>548,073,030</b>	<b>610,452,326</b>

**CREDIT OPPORTUNITIES PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
APOLLO EUR PRIN FIN	59,682,156	59,219,784	(462,372)
BLACKROCK MTG INV PE	0	23,050,573	23,050,573
CASTLE CREEK TARP	26,089,087	26,616,800	527,714
CENTERBRIDGE SC I	3,495,827	21,202,346	17,706,519
CENTERBRIDGE SC II	12,626,255	13,524,686	898,431
CREDIT OPPS PUBLIC	5,588,448	5,800,409	211,961
EJF DEBT OPPS FUND	30,487,918	41,359,530	10,871,612
ESG CME FUND	57,164,847	50,214,690	(6,950,157)
GS CREDIT OPPS 2008	477,429	1,022,299	544,870
HELIOS MARITIME	22,865,938	24,473,938	1,608,000
OHA STRATEGIC CREDIT	3,803,970	10,828,351	7,024,381
PAG ASIA OPP FUND	30,487,918	34,174,940	3,687,022
PAG SPEC SITUATIONS	9,988,647	10,126,951	138,304
PNMAC MORTG OPP	99,085,735	73,019,163	(26,066,572)
SJC DIR LENDING II	6,839,706	6,799,664	(40,042)
SJC DIRECT LENDING	20,104,262	20,890,617	786,355
STARK ABS OPPS	475,131	691,707	216,576
TENNENBAUM DIP	576,212	400,806	(175,407)
TPG OP II	41,754,679	43,866,501	2,111,822
WEST FACE LT OPPS	30,487,917	30,077,303	(410,614)
<b>TOTAL CREDIT OPPORTUNITIES PORTFOLIO</b>	<b>462,082,083</b>	<b>497,361,057</b>	<b>35,278,974</b>

**PRIVATE EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS	10,127,573	9,616,695	(510,878)
ACTIS ENERGY 3	1,706,787	1,706,787	0
APOLLO INV FD VII	28,505,058	41,107,598	12,602,540
AVALON VENTURES IX	10,213,453	10,857,570	644,117
AVALON VENTURES X	1,829,275	1,556,203	(273,072)
BARING ASIA PE V	9,556,951	11,360,017	1,803,066
BCP V	14,980,222	18,084,828	3,104,606
BERKSHIRE PARTN VIII	3,833,545	3,923,843	90,298
CASTLE CREEK	31,275,875	41,475,950	10,200,075
CENTERBRIDGE CP II	20,539,698	22,396,536	1,856,838
CHARLESBANK VII	12,562,039	15,231,169	2,669,130
CORTEC V	7,429,083	8,996,003	1,566,920
DAG II CO-INV	13,378,229	3,843,748	(9,534,481)
DAG III CO-INV	9,010,051	12,809,940	3,799,889
DAG IV CO-INV	16,551,607	21,990,300	5,438,693
DAG IV DIRECT	18,330,613	18,708,029	377,416
DAG V COINV	3,048,793	3,046,710	(2,083)
DAG V DIRECT	4,611,297	4,892,714	281,417
DAG VENTURES II	3,979,566	2,869,210	(1,110,357)
DAG VENTURES III	9,732,753	9,391,246	(341,507)
DFJ MERCURY II	12,170,979	14,421,276	2,250,297
DRUG RYLTY II CO-INV	3,722,334	3,674,302	(48,032)
DRUG RYLTY II DIRECT	6,689,968	8,641,897	1,951,929
EQT VI	8,753,391	8,176,949	(576,442)
INSIGHT EQUITY II	25,581,414	28,200,279	2,618,865
INSIGHT MEZZANINE I	837,901	922,523	84,622
JMI EQUITY FUND VII	9,415,639	9,252,164	(163,475)
LADDER	17,298,512	22,895,407	5,596,895
LITTLE JOHN FUND IV	18,040,022	22,893,017	4,852,995
LITTLEJOHN IV COINV	2,858,129	6,386,004	3,527,875
LONGWORTH VP III	7,530,516	9,448,252	1,917,736
MADRONA VENTURES V	323,935	288,371	(35,564)
MESIROW FINANCIAL	12,123,502	7,854,509	(4,268,993)
MIDOCEAN CO-INV	4,499,218	7,307,495	2,808,277
MIDOCEAN PTNS	24,649,462	27,827,401	3,177,940
MILLENNIUM TV II	8,384,177	8,724,881	340,704
OAKTREE EPF III	18,268,688	18,580,617	311,929
PATRIA BRAZIL IV	861,137	895,758	34,621
PENINSULA EQ PTNS	3,251,642	3,277,852	26,210
PROSPECTOR EQ CAP	2,178,161	862,104	(1,316,057)

**PRIVATE EQUITY PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
SP TRIDENT FUND V	14,009,936	15,014,562	1,004,626
SP TRIDENT V COINV	3,386,169	3,801,845	415,676
STEPSTONE SECONDARY	40,570,666	53,115,286	12,544,620
STERLING GROUP III	10,097,298	15,358,938	5,261,640
TOWERBROOK III	17,023,329	22,166,499	5,143,170
TRUSTBRIDGE PARTN IV	10,480,879	10,847,695	366,816
VALLEY VENT III ANNX	1,997,670	1,045,517	(952,153)
VALLEY VENTURES III	6,051,934	2,581,336	(3,470,598)
VISTA EQUITY FUND IV	16,838,296	17,863,211	1,024,915
VIVO VENTURES VII	7,587,282	9,407,354	1,820,072
<b>TOTAL PRIVATE EQUITY PORTFOLIO</b>	<b>546,684,651</b>	<b>625,598,396</b>	<b>78,913,745</b>

**ABSOLUTE RETURN PORTFOLIO**  
YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
DAVIDSON KEMPNER	53,353,858	59,538,589	6,184,731
GSAM HF SEED 2011	34,229,767	36,567,602	2,337,835
LSV SPEC OPP FD IV	9,288,104	17,422,915	8,134,811
LSV SPEC OPPS FD III	14,276,657	27,838,336	13,561,679
LUXOR CAP PARTNERS	15,669,719	18,015,109	2,345,390
OZ MASTER FUND	53,353,858	67,165,351	13,811,493
<b>TOTAL ABSOLUTE RETURN PORTFOLIO</b>	<b>180,171,963</b>	<b>226,547,902</b>	<b>46,375,939</b>

**REAL ASSETS PORTFOLIO**  
 YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALTERNA I	17,987,474	24,608,916	6,621,442
ALTERNA CORE CAPITAL ASSETS	2,080,700	2,080,699	(1)
CONSERVATION FORESTRY FUND I	12,065,696	11,238,586	(827,110)
CONSERVATN FOREST II	18,244,572	20,037,275	1,792,703
DENHAM COMMODITY PARTNERS VI	5,678,416	5,344,381	(334,035)
LD COMMODITIES ALPHA FD LTD	19,054,949	19,078,885	23,936
EIF US POWER FUND IV	7,150,273	4,191,865	(2,958,408)
ENCAP ENERGY CAPITAL FUND IX	1,500,998	1,480,092	(20,906)
TRUST IN ENERGY RECAP FUND	7,290,778	7,954,934	664,156
FUNDAMENTAL PARTNERS II	23,537,319	25,998,182	2,460,863
GEOSPHERE	0	789,963	789,963
HELIOS SUNBEAM OPPORTUNITIES	19,054,949	17,917,017	(1,137,932)
JP MORGAN AIRRO FUND	16,452,069	20,102,874	3,650,805
JP MORGAN AIRRO SIDECAR LP	17,209,255	20,639,673	3,430,418
MACQUARIE EUR INFRASTRUCT III	15,628,738	21,629,050	6,000,312
MACQUARIE INFRASTRUCTURE II US	16,213,771	23,848,192	7,634,421
ORG SECONDARY - REAL ASSETS	15,590,201	22,745,831	7,155,630
TAYLOR WOODS PARTNERS LP	19,054,949	21,075,377	2,020,428
FIRST TRUST ISE-REVERE NATURAL	9,788,182	9,750,988	(37,194)
MARKET VECTORS GOLD MINERS ETF	3,808,237	2,111,150	(1,697,087)
MARKET VECTORS - AGRIBUSINESS	9,181,715	9,028,514	(153,201)
SPDR GOLD SHARES	18,057,349	13,300,061	(4,757,288)
SPDR S&P METALS & MINING ETF	9,904,149	7,802,233	(2,101,916)
ENERGY SELECT SECTOR SPDR FUND	9,966,669	10,748,386	781,717
UTILITIES SELECT SECTOR SPDR F	3,818,364	3,823,245	4,881
TVEST CROSSOVER III	7,457,533	6,936,069	(521,464)
VIRIDIAN FUND LTD	18,292,751	16,283,732	(2,009,019)
<b>TOTAL REAL ASSETS PORTFOLIO</b>	<b>324,070,056</b>	<b>350,546,170</b>	<b>26,476,114</b>

**GTAA SECURITIES PORTFOLIO**  
 YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK GBL ASCENT	102,467,518	98,574,113	(3,893,405)
BLUETREND FUND	69,171,549	69,855,360	683,811
BRIDGEWATER GTAA	119,032,213	188,833,485	69,801,272
BRIDGEWATER PAMM	22,865,938	22,496,808	(369,130)
DE SHAW MULTI ASSET	76,219,796	91,672,478	15,452,682
<b>TOTAL ABSOLUTE RETURN PORTFOLIO</b>	<b>389,757,014</b>	<b>471,432,244</b>	<b>81,675,230</b>

**REAL ESTATE PORTFOLIO**  
 YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	12,193,723	11,326,247	(867,476)
APEX FUND I	45,068,189	17,169,271	(27,898,918)
APEX FUND II	7,754,028	6,421,517	(1,332,511)
AREA VEF DIR	34,461,145	35,734,715	1,273,570
BREP VI	39,991,637	56,573,056	16,581,419
CATALYST EURO	37,584,657	31,546,903	(6,037,754)
CLEARBELL II	592,323	586,958	(5,365)
CLSA FUDO CAP II	19,512,156	21,587,431	2,075,275
DESERT TROON	290,067,119	235,492,496	(54,574,623)
GREENFIELD VI	13,096,880	14,370,508	1,273,628
H2 CREDIT PARTNERS	30,487,918	37,348,576	6,860,658
HARRISON ST RE	41,493,767	46,630,888	5,137,121
HARRISON ST RE COINV	5,716,485	7,445,540	1,729,055
IRON POINT RE	44,577,753	50,925,827	6,348,074
IRON POINT RE II	2,310,201	2,215,890	(94,311)
LUBERT ADLER FD VI B	18,415,391	19,179,234	763,843
MOUNT GRANGE	22,960,464	27,131,941	4,171,477
ORG SECONDARY RE	23,490,550	29,782,555	6,292,005
OWH BERKANA DEV	3,825,616	1,653,969	(2,171,647)
OWH BERKANA HLD	7,676,868	8,521,373	844,505
PATRON IV	1,400,776	1,477,155	76,379
PEBBLECREEK	29,001,633	8,498,508	(20,503,125)
PIVOTAL EQUITY	1,905,495	7,088,432	5,182,937
WALTON MEXICO	30,068,710	27,172,311	(2,896,399)
WHISP CANYON OWC	22,551,399	3,810,991	(18,740,408)
<b>TOTAL REAL ESTATE PORTFOLIO</b>	<b>786,204,883</b>	<b>709,692,292</b>	<b>(76,512,591)</b>

**RISK PARITY PORTFOLIO**  
 YEAR ENDED JUNE 30, 2013

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALL WEATHER PORTFOLIO	91,411,958	93,620,523	2,208,565
US TREAS-CPI INFLATION INDEX	30,897,374	29,152,196	(1,745,178)
US TREAS BOND FUTURE (CBT)	0	24,355	24,355
USD/EUR SPOT OPTION 2013	22,866	22,737	(129)
<b>TOTAL RISK PARITY PORTFOLIO</b>	<b>122,332,198</b>	<b>122,819,811</b>	<b>487,613</b>



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October 28, 2013

The Board of Trustees  
Arizona Public Safety Personnel Retirement System  
3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016-4416

**Re: Arizona Public Safety Personnel Retirement System**

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuation of the Arizona Public Safety Personnel Retirement System as of June 30, 2013 is to:

- Compute the liabilities associated with benefits likely to be paid on behalf of current retired and non-retired members.
- Compare assets with accrued liabilities to assess the funded condition.
- Compute the recommended employers' contribution for the Fiscal Year beginning July 1, 2014.

The valuation should not be relied upon for any other purpose.

The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2013.

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

The following schedules were prepared by the actuary and provided to the administrative staff to be included in the "Actuarial Section" of the June 30, 2013 CAFR:

- Aggregate Actuarial Balance Sheet as of June 30, 2013
- Summary of Valuation Assumptions
- Solvency Test
- Summary of Active Member Data
- Summary of Retirees and Inactive Members
- Schedule of Experience Gain/(Loss) for year ended June 30, 2013



The Board of Trustees

October 28, 2013

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GRS did not prepare any of the schedules included in the “Financial Section” of the June 30, 2013 CAFR. However, we did provide certain pieces of information that were used in that section, such as the Actuarial Accrued Liability and the Actuarial Value of Assets.

Assets are valued on a market related basis. This method recognizes the assumed return fully each year and spreads each year’s gain or loss above or below assumed return over a closed seven-year period. The continuing effect of prior asset losses was dampened by the 7-year smoothing period, and further offset by the effect of lower than assumed pay increases. There remains \$628 million of unrecognized investment losses that will in the absence of other gains, drive the contribution rate up over the next several years.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board of Trustees adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2013 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2011 period. Future actuarial measurements may differ significantly from those presented in the valuations due to such factors as experience differing from that anticipated by the actuarial assumptions, changes in plan provisions, changes in actuarial assumptions or methods, or changes in applicable law.

Based upon the results of the June 30, 2013 valuations, the retired lives are slightly less than fully funded on a funding value of assets basis. They are much less than fully funded based upon the market value of assets. It is most important that this plan receive contributions at least equal to the actuarial rates.

The June 30, 2013 actuarial valuation reflected the following changes:

- Assumption and method changes:
  - Investment return was decreased from 8.00% to 7.85%.
  - Wage inflation was decreased from 5.00% to 4.50%.
- Benefit changes
  - Member contributions for the fiscal year beginning July 1, 2014 were increased to 11.05% of payroll with maintenance of effort provision.

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



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The Board of Trustees

October 28, 2013

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

Respectfully submitted,

A handwritten signature in black ink that reads "Brian B. Murphy".

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

A handwritten signature in black ink that reads "Mark Buis".

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

BBM/MB:sc



**AGGREGATE ACTUARIAL BALANCE SHEET**  
YEAR ENDED JUNE 30, 2013

**ACTUARIAL ASSETS** **2013**

ACCRUED ASSETS

Member Accumulated Contributions	\$ 978,016,620
Employer and Benefit Payment Reserves	4,579,257,798
Funding Value Adjustment	627,799,193
<b>Total Accrued Assets</b>	<b>6,185,073,611</b>

PROSPECTIVE ASSETS

Member Contributions	1,288,893,001
Employer Normal Costs	1,091,052,433
Employer Unfunded Actuarial Accrued Liability	4,638,466,294
<b>Total Prospective Assets</b>	<b>7,018,411,728</b>

<b>Total Actuarial Assets</b>	<b>\$ 13,203,485,339</b>
-------------------------------	--------------------------

**ACTUARIAL PRESENT VALUES (LIABILITY)** **2013**

PENSIONS IN PAYMENT STATUS

Pensions in payment status	\$ 5,262,215,315
----------------------------	------------------

PROSPECTIVE PAYMENTS

Retirement Payments	7,684,466,757
Health Insurance Payments	199,547,650
Member Contribution Refunds	57,255,617
Pension Increase Reserve	
<b>Total Prospective Payments</b>	<b>7,941,270,024</b>

<b>Total Actuarial Present Values (Liabilities)</b>	<b>\$ 13,203,485,339</b>
---	--------------------------

**SUMMARY OF VALUATION ASSUMPTIONS**
**ECONOMIC ASSUMPTIONS**

Interest Rate: 7.85% (net of expenses)

Salary Increases: 4.50% for inflation

**HEALTHY MORTALITY TABLE**

RP2000 Health Annuitant Mortality Table projected to 2015 using projection scale AA adjusted by 105% for both males and females.

This assumption was first used for the FY2012 valuation of the System and include margin for future improvements in mortality.

**DISABLED MORTALITY TABLES**

RP2000 Health Annuitant Mortality Table projected to 2015 using projection scale AA set forward 10 years for both males and females.

This assumption was first used for the FY2012 valuation of the System.

**MORTALITY RATES AND LIFE EXPECTANCY**
**HEALTHY MORTALITY**

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
<b>50</b>	0.16%	0.13%	31.88	33.93
<b>55</b>	0.27%	0.24%	27.19	29.20
<b>60</b>	0.53%	0.47%	22.67	24.66
<b>65</b>	1.03%	0.90%	18.43	20.39
<b>70</b>	1.77%	1.55%	14.56	16.49
<b>75</b>	3.06%	2.49%	11.04	12.95
<b>80</b>	5.54%	4.13%	8.00	9.80

**MORTALITY RATES AND LIFE EXPECTANCY**
**DISABLED MORTALITY**

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
<b>50</b>	0.53%	0.47%	23.05	25.08
<b>55</b>	1.03%	0.90%	18.79	20.80
<b>60</b>	1.77%	1.55%	14.89	16.86
<b>65</b>	3.06%	2.49%	11.34	13.29
<b>70</b>	5.54%	4.13%	8.25	10.09
<b>75</b>	9.97%	7.08%	5.81	7.35
<b>80</b>	17.27%	12.59%	4.02	5.30

**ACTIVE MEMBERS MORTALITY TABLE**

Sample rates of mortality for death-in-service set forward 0 years for both males and females.

This assumption was first used for the FY2012 valuation of the System.

**MORTALITY RATES**
**ACTIVE MEMBERS**

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR	
	MEN	WOMEN
<b>50</b>	0.16%	0.13%
<b>55</b>	0.27%	0.24%
<b>60</b>	0.53%	0.47%
<b>65</b>	1.03%	0.90%

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.



SUMMARY OF VALUTATION ASSUMPTIONS

**MISCELLANEOUS AND TECHNICAL ASSUMPTIONS**

**MARRIAGE ASSUMPTION**

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

**PAY INCREASE TIMING**

Six months after the 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 80% Joint and Survivor form of payment with no reduction, for married members. 85% of members are assumed to be married at time of retirement.

**BENEFIT SERVICE**

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

**NORMAL COST PERCENTAGE**

For the purposes of calculating the Normal Cost as a percent of payroll under the Entry Age Normal 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**

75% of future retirees are expected to utilize health care. 85% of those are assumed to be married.

**FUTURE COST OF LIVING INCREASES**

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

**SOLVENCY TEST**

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

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

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

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

AGGREGATE ACCRUED LIABILITIES					PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
YEAR ENDED JUNE 30,	ACTIVE MEMBER CONT. \$ (1)	RETIRANTS AND BENEFICIARIES \$ (2)	ACTIVE MEMBERS (ER PORTION) \$ (3)	VALUATION ASSETS AVAILABLE FOR BENEFITS \$ (2)	(1)	(2)	(3)
2004	594,479	2,323,470	2,249,383	4,774,313	100.00%	100.00%	82.50%
2005	643,712	2,566,487	2,741,738	4,886,963	100.00%	100.00%	61.20%
2006	698,025	2,743,387	3,053,601	4,999,911	100.00%	100.00%	51.00%
2007	730,929	3,183,931	3,353,431	4,829,521	100.00%	100.00%	27.30%
2008	789,566	3,418,835	3,454,378	5,095,645	100.00%	100.00%	25.70%
2009	737,839	4,622,427	2,629,185	5,445,497	100.00%	100.00%	3.20%
2010	808,207	4,993,382	2,690,233	5,591,304	100.00%	96.00%	0.00%
2011	819,996	5,790,724	2,754,541	5,795,945	100.00%	86.00%	0.00%
2012	897,597	6,364,273	3,063,659	6,051,595	100.00%	81.00%	0.00%
2013	978,017	6,652,270	3,193,253	6,185,074	100.00%	78.00%	0.00%

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 18,436 active members in the Plan as of June 30, 2013, compared to 18,542 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
< 24	297	1						298	48,497
25-29	1,034	838						1,872	57,638
30-34	757	2,286	374					3,417	65,852
35-39	400	1,534	1,521	281				3,736	72,371
40-44	212	918	1,390	1,395	163	2		4,080	79,767
45-49	144	376	628	1,000	565	146		2,859	84,268
50-54	47	178	273	413	315	250	48	1,524	87,388
55-59	18	68	95	151	81	66	22	501	82,429
60-64	5	17	31	36	15	15	5	124	81,921
65+	4	4	4	7	4	2		25	74,401
<b>Total</b>	<b>2,918</b>	<b>6,220</b>	<b>4,316</b>	<b>3,283</b>	<b>1,143</b>	<b>481</b>	<b>75</b>	<b>18,436</b>	<b>74,344</b>

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
2004	15,852	911,718	37.1	9.5	57,514	1.40%
2005	16,317	974,863	37.6	9.5	59,745	3.90%
2006	17,324	1,073,685	37.4	9	61,977	3.70%
2007	18,624	1,228,037	37.3	8.9	65,938	6.30%
2008	19,912	1,383,332	37.3	8.9	69,472	5.40%
2009	19,867	1,415,643	37.8	9.4	71,256	2.60%
2010	19,468	1,400,547	38.4	10	71,941	1.00%
2011	18,638	1,325,350	38.6	10.2	71,110	(1.20)%
2012	18,542	1,349,252	39.1	10.6	72,767	2.30%
2013	18,436	1,370,609	39.5	11.1	74,344	2.20%

SUMMARY OF RETIREES AND INACTIVE MEMBERS

YEAR ENDED JUNE 30,	NUMBER REMOVED FROM ROLES	NUMBER ADDED TO ROLES	RETIRANTS AND BENEFICIARIES					PERCENT INCREASE	AVERAGE PENSION
			TOTALS	ANNUAL ALLOWANCES REMOVED FROM ROLES	ANNUAL ALLOWANCES ADDED TO ROLES	ANNUAL PENSIONS			
2004	119	331	6,396	5,951,348	22,497,533	224,162,361	8.00%	35,047	
2005	103	395	6,688	3,095,916	23,228,295	244,294,740	9.00%	36,527	
2006	164	350	6,874	4,721,490	13,926,144	265,826,712	8.80%	38,671	
2007	159	918	7,633	3,578,561	45,409,478	307,657,629	15.70%	40,306	
2008	164	772	8,241	3,642,137	38,830,259	342,845,751	11.40%	41,602	
2009	222	590	8,609	11,175,896	47,338,063	379,007,918	10.50%	44,025	
2010	139	484	8,954	5,756,060	37,338,661	410,590,518	8.30%	45,856	
2011	130	698	9,522	5,139,598	49,120,961	454,571,881	10.70%	47,739	
2012	138	418	9,802	5,859,981	36,291,206	485,003,106	6.70%	49,480	
2013	186	543	10,159	8,308,593	26,893,778	503,588,291	3.80%	49,571	

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, 2013, there were 1,442 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, 2013

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE					TOTAL
	0-4	5-9	10-14	15-19	20+	
< 30	270	25	1			296
30-39	496	127	25	1		649
40-44	154	37	27	6	1	225
45-49	80	19	21	4		124
50-54	52	13	11	10	2	88
55-59	17	12	9	2		40
60-69	5	4	7	2		18
70+	2					2
<b>Total</b>	<b>1,076</b>	<b>237</b>	<b>101</b>	<b>25</b>	<b>3</b>	<b>1,442</b>

**SCHEDULE OF EXPERIENCE GAIN (LOSS)**

YEAR ENDED JUNE 30, 2013

(IN THOUSANDS)

(1)	UAAL* at start of year	4,273,935
(2)	Normal cost for year	293,207
(3)	Funding Method Contribution	515,047
(4)	Interest accrued on (1), (2) and (3)	333,041
(5)	Expected UAAL before changes [(1)+(2)-(3)+(4)]	4,385,136
(6)	Changes from benefit increases	-
(7)	Changes from actuarial methods & actuary	74,793
(8)	Change in Reserve for future pension increases	-
(9)	Expected UAAL after changes: (5)+(6)+(7)+(8)	4,459,929
(10)	Actual UAAL at end of year	4,638,466
(11)	<b>Experience Gain (Loss): (9)-(10)</b>	<b>(178,537)</b>

\* Unfunded Actuarial Accrued Liability

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

Operating information is intended to provide contextual information about the operations and resources of 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 POSITION LAST 10 FISCAL YEARS**  
(IN THOUSANDS)

	2013	2012	2011	2010	2009
<b>ADDITIONS</b>					
Member Contributions	\$ 127,363	\$ 112,645	\$ 99,262	\$ 102,142	\$ 101,184
Employer Contributions	380,852	310,830	272,446	300,706	328,436
Net Investment Gain (Loss)	541,981	(60,521)	789,264	553,077	(872,799)
Member Service Purchase	6,831	13,735	20,936	10,607	7,626
Transfers IN	745	540	304	759	584
<b>Total Additions (Reductions)</b>	<b>1,057,772</b>	<b>377,229</b>	<b>1,182,212</b>	<b>967,291</b>	<b>(434,969)</b>
<b>DEDUCTIONS</b>					
Pension & Insurance Benefits	566,105	520,696	534,388	481,979	456,566
Refunds To Terminated Members	12,820	12,377	11,976	9,975	7,643
Administrative Expenses	5,104	4,890	4,776	4,932	4,352
Transfers OUT	514	81	293	243	49
<b>Total Deductions</b>	<b>584,543</b>	<b>538,044</b>	<b>551,433</b>	<b>497,129</b>	<b>468,610</b>
<b>NET INCREASE (DECREASE)</b>	<b>473,229</b>	<b>(160,815)</b>	<b>630,779</b>	<b>470,162</b>	<b>(903,579)</b>
<b>NET POSITION HELD IN TRUST</b>					
Beginning of Fiscal Year, July 1	5,055,828	5,216,643	4,585,863	4,115,702	5,019,281
<b>End of Fiscal Year, June 30</b>	<b>\$ 5,529,057</b>	<b>\$ 5,055,828</b>	<b>\$ 5,216,643</b>	<b>\$ 4,585,863</b>	<b>\$ 4,115,702</b>

	2008	2007	2006	2005	2004
<b>ADDITIONS</b>					
Member Contributions	\$ 97,157	\$ 84,630	\$ 75,616	\$ 67,948	\$ 71,874
Employer Contributions	233,556	177,588	127,219	104,498	79,000
Net Investment Gain (Loss)	(408,918)	815,524	379,512	383,530	562,613
Member Service Purchase	9,483	9,160	9,409	8,163	-
Transfers IN	1,696	1,640	1,125	994	1,282
<b>Total Additions (Reductions)</b>	<b>(67,026)</b>	<b>1,088,541</b>	<b>592,881</b>	<b>565,133</b>	<b>714,769</b>
<b>DEDUCTIONS</b>					
Pension & Insurance Benefits	430,209	450,345	284,028	257,449	229,885
Refunds To Terminated Members	7,884	8,709	7,226	7,648	6,391
Administrative Expenses	7,250	3,971	2,980	1,600	1,100
Transfers OUT	144	121	290	129	196
<b>Total Deductions</b>	<b>445,487</b>	<b>463,146</b>	<b>294,524</b>	<b>266,826</b>	<b>237,572</b>
<b>NET INCREASE (DECREASE)</b>	<b>(512,513)</b>	<b>625,395</b>	<b>298,357</b>	<b>298,307</b>	<b>477,197</b>
<b>NET POSITION HELD IN TRUST</b>					
Beginning of Fiscal Year, July 1	5,531,794	4,906,399	4,608,042	4,309,735	3,832,538
<b>End of Fiscal Year, June 30</b>	<b>\$5,019,281</b>	<b>\$5,531,794</b>	<b>\$4,906,399</b>	<b>\$4,608,042</b>	<b>\$4,309,735</b>

\*See Note 14.

## FINANCIAL TRENDS

## 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
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
2011	99,262,271	273,824,144	12,022,353	20.89%	789,263,727	21,240,375	1,195,612,870
2012	112,645,371	298,641,991	12,187,512	22.68%	(60,521,177)	14,275,143	377,228,840
2013	127,362,618	368,025,011	12,828,065	27.18%	541,980,088	7,575,490	1,057,771,272

\*See Note 14.

## SCHEDULE OF EXPENSES BY TYPE (ALL PLANS COMBINED)

LAST TEN FISCAL YEARS

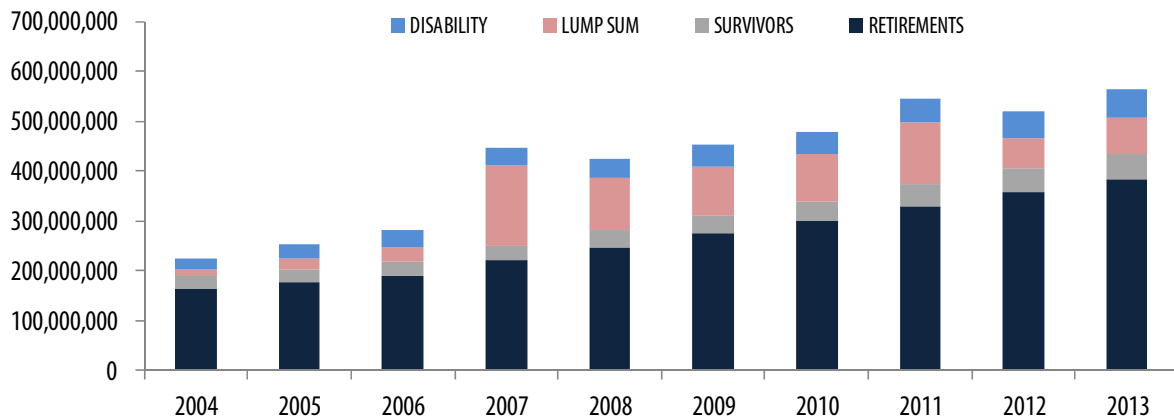
YEAR ENDING JUNE 30,	BENEFITS	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2004	229,885,444	1,099,932	6,390,643	196,287	237,572,306
2005	257,449,083	1,599,784	7,647,443	128,407	266,824,717
2006	284,027,642	2,979,511	7,225,720	291,161	294,524,034
2007	450,345,464	3,971,338	8,708,528	120,511	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
2011	547,787,621	4,776,388	11,976,416	292,996	564,833,421
2012	520,695,231	4,890,364	12,376,688	81,362	538,043,645
2013	566,103,901	5,104,446	12,819,713	514,209	584,542,269

## DEDUCTIONS FROM NET POSITION FOR BENEFITS AND REFUNDS BY TYPE

LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	DEFERRED BENEFITS	TOTAL BENEFITS	DROP PROGRAM	SEPARATION REFUNDS	HEALTH INSURANCE SUBSIDY*
2004	163,080,132	26,321,345	23,431,361	102,458	212,935,296	6,175,715	6,390,643	10,774,433
2005	176,394,304	25,357,132	28,883,283	131,285	230,766,004	15,265,160	7,647,443	11,417,919
2006	190,350,994	27,991,410	32,501,612	140,587	250,984,603	22,839,120	7,225,720	10,203,920
2007	220,950,477	30,742,748	35,536,324	146,890	287,376,439	151,959,720	8,708,528	11,009,305
2008	247,831,306	33,357,309	39,137,350	151,698	320,477,663	97,907,651	7,884,695	11,824,417
2009	274,965,209	36,380,334	41,979,907	158,494	353,483,944	90,868,266	7,643,202	12,214,037
2010	300,889,208	39,673,066	45,439,760	179,265	386,181,299	83,300,396	9,975,440	12,496,923
2011	328,892,084	43,889,613	49,132,258	199,716	422,113,671	112,273,060	11,976,416	13,400,890
2012	359,668,287	47,630,792	53,214,209	187,449	460,700,737	46,481,278	12,376,688	13,513,216
2013	383,377,255	51,443,297	57,486,396	199,579	492,506,527	60,213,930	12,819,713	13,383,444

\* Health Insurance Subsidy payments are reported as an offset to Employer Contributions. The detail appears in the notes below the Schedule of Employer Contributions on page 39.



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

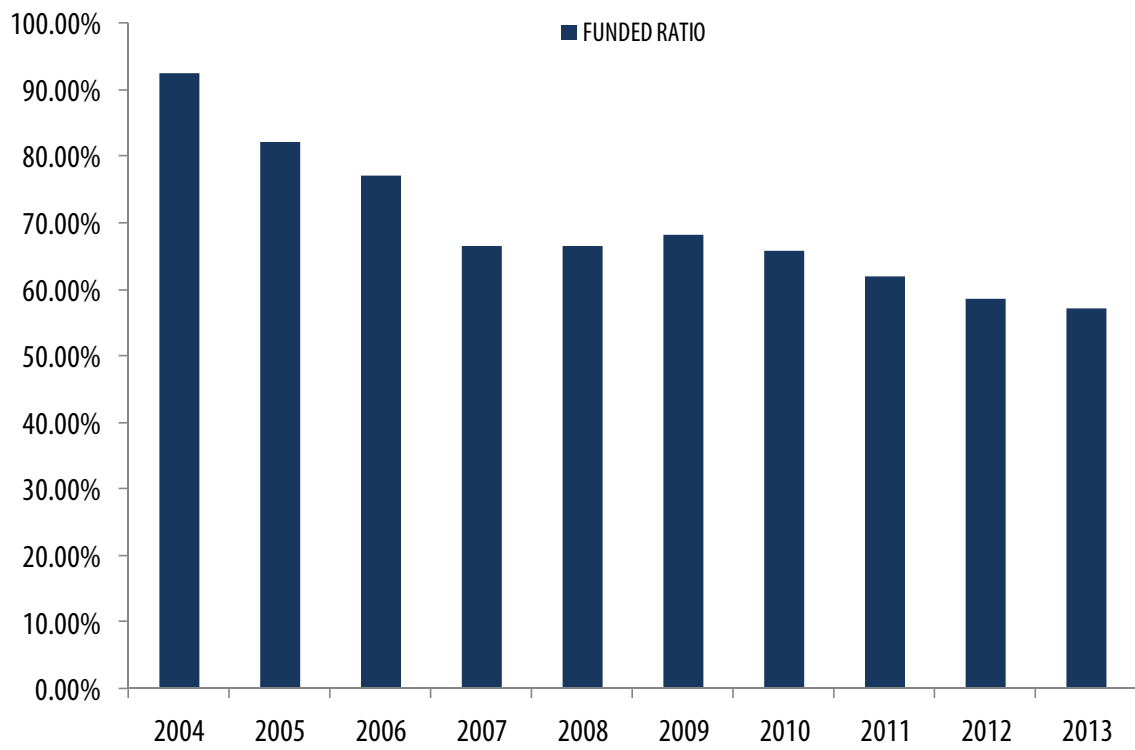
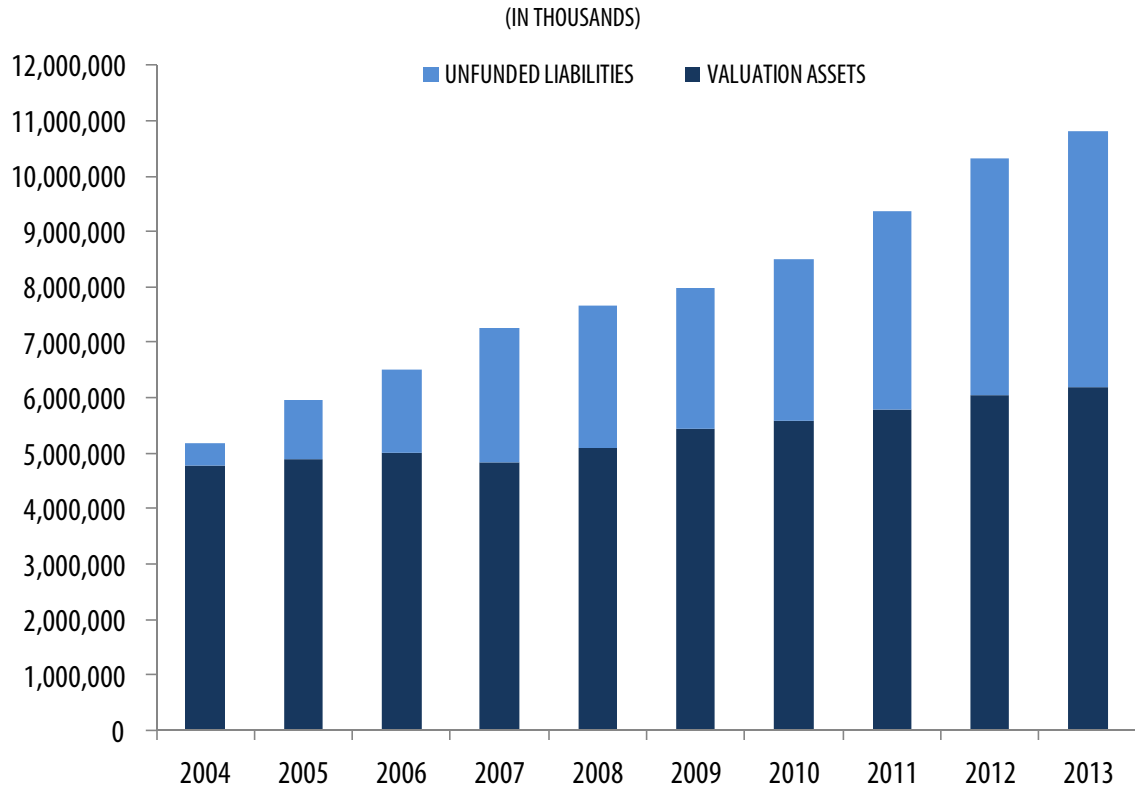
YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2004	4,774,313	393,020	5,167,333	92.4%
2005	4,886,963	1,064,974	5,951,937	82.1%
2006	4,999,911	1,495,101	6,495,012	77.0%
2007	4,829,521	2,438,770	7,268,291	66.4%
2008	5,095,645	2,567,134	7,662,779	66.5%
2009	5,445,497	2,543,954	7,989,451	68.2%
2010	5,591,304	2,900,518	8,491,822	65.8%
2011	5,795,945	3,569,316	9,365,261	61.9%
2012	6,051,595	4,273,935	10,325,530	58.6%
2013	6,185,074	4,638,466	10,823,540	57.1%

**SCHEDULE OF BENEFITS BY TYPE AND RANGE**  
 FISCAL YEAR 2013

MONTHLY BENEFIT AMOUNT	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	TOTAL BENEFITS
Under 1,000	18	19	6	43
1,001-2,000	19	20	50	89
2,001-3,000	435	354	269	1,058
3,001-4,000	2,983	680	836	4,499
4,001-5,000	2,187	140	183	2,510
5,001-6,000	1,060	57	37	1,154
6,001-7,000	429	22	20	471
7,001-8,000	188	6	6	200
8,001-9,000	79	4	1	84
9,001-10,000	31	3	2	36
Over 10,001	15	0	0	15
<b>Totals</b>	<b>7,444</b>	<b>1,305</b>	<b>1,410</b>	<b>10,159</b>

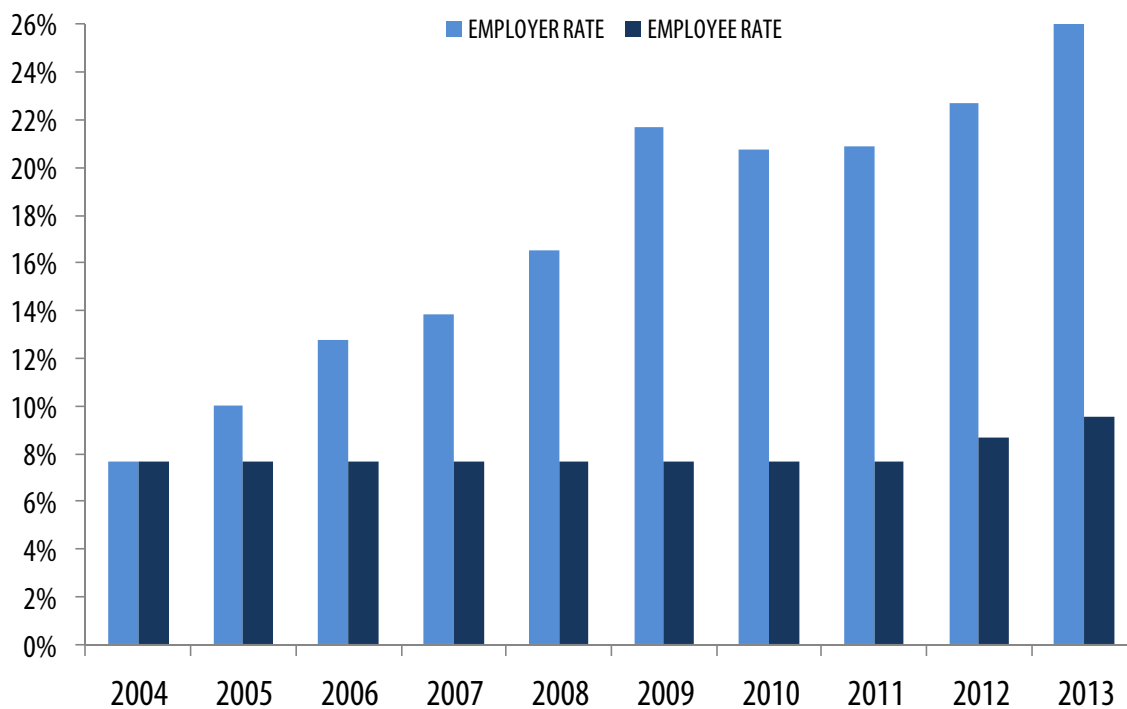


FINANCIAL TRENDS

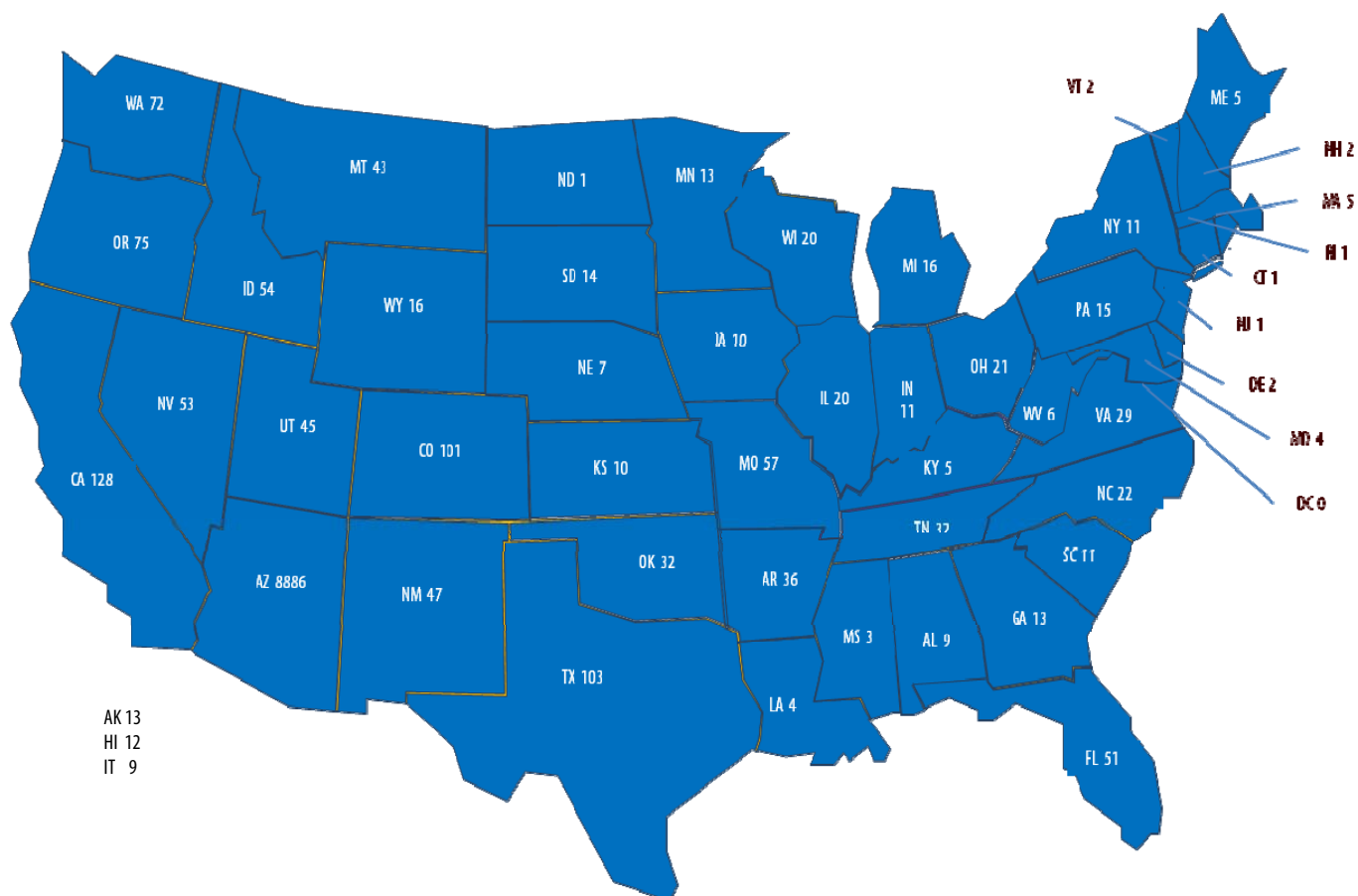


**CONTRIBUTION RATES**  
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
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%
2011	20.89%	7.65%
2012	22.68%	8.65%
2013	27.18%	9.55%



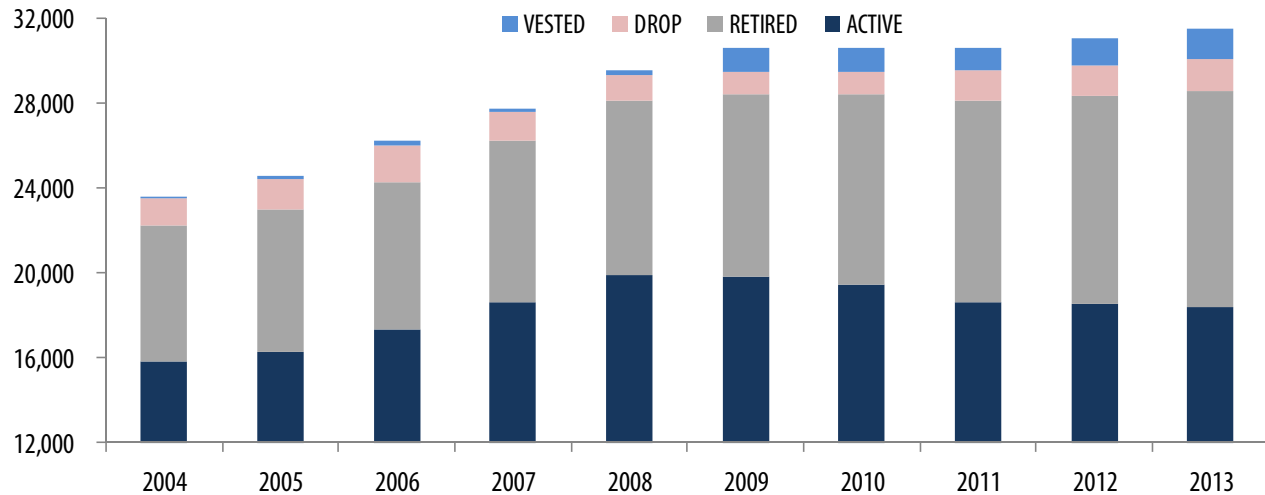
### DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



### MEMBERSHIP IN RETIREMENT SYSTEM LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	DROP	TERMINATED VESTED	TOTAL
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
2011	18,638	9,522	1,419	1,081	30,660
2012	18,542	9,802	1,496	1,264	31,104
2013	18,436	10,159	1,482	1,442	31,519

OPERATING INFORMATION



PRINCIPAL PARTICIPATING EMPLOYERS  
LAST TEN FISCAL YEARS

EMPLOYER	2013			2004		
	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP
PHOENIX POLICE	2,673	1	14.50%	2,646	1	16.69%
PHOENIX FIRE DEPARTMENT	1,391	2	7.55%	1,200	2	7.57%
D.P.S.	926	3	5.02%	993	3	6.26%
TUCSON POLICE	856	4	4.64%	838	4	5.29%
MESA POLICE	696	5	3.78%	789	5	4.98%
MARICOPA SHERIFF	594	6	3.22%	619	6	3.90%
TUCSON FIRE	511	7	2.77%	445	8	2.81%
PIMA SHERIFF	487	8	2.64%	449	7	2.83%
SCOTTSDALE POLICE	382	9	2.07%	340	9	2.14%
GLENDALE POLICE	360	10	1.95%	314	11	1.98%
ALL OTHERS	9,560		51.86%	7,219		45.55%
<b>TOTAL</b>	<b>18,436</b>		<b>100.00%</b>	<b>15,852</b>		<b>100.00%</b>

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
2004	5.97%	107,495,840	(77,066,484)	568,619,029	111.90
2005	0.11%	2,198,002	(85,121,958)	537,513,325	116.82
2006	0.00%	-	(91,412,190)	490,714,741	121.76
2007	8.05%	190,317,350	(101,767,604)	662,931,350	127.06
2008	0.00%	-	(114,771,709)	499,951,273	134.34
2009	0.00%	-	(125,721,193)	285,613,717	138.66
2010	4.47%	90,856,517	(139,653,075)	275,289,327	146.74
2011	0.00%	-	(154,776,639)	168,330,444	152.84
2012	0.00%	-	(167,000,633)	-	153.06
2013	0.00%	-	-	-	-

## OPERATING INFORMATION

 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
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%
2011	4,654,515,193	228,517,315	8.25%	6.44%	20.89%
2012	4,754,315,706	153,740,609	8.00%	4.25%	22.68%
2013	5,035,133,736	268,824,221	7.85%	7.16%	27.18%

 BENEFITS PAYABLE JUNE 30, 2013  
 BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	7,444	391,491,786	52,592
Disability Pensions	1,410	58,553,496	41,527
<b>Total Retired Members</b>	<b>8,854</b>	<b>450,045,282</b>	<b>50,830</b>
SURVIVORS OF MEMBERS			
Spouses	1,252	52,139,469	41,645
Children w/Guardians	53	1,403,540	26,482
<b>Total Survivors of Members</b>	<b>1,305</b>	<b>53,543,009</b>	<b>41,029</b>
<b>TOTAL PENSIONS BEING PAID</b>	<b>10,159</b>	<b>503,588,291</b>	<b>49,571</b>

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	63.5	23.6	51.3
Disability retired members	56.8	14.2	43.8
Spouse beneficiaries	68.2	18.9	44.0

**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+	
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
	Average final average salary							4,979
	Number of retirees	221	288	368	465	3,727	1,461	652
2007	Average monthly benefit	2,449	2,522	2,620	2,751	3,045	4,321	4,950
	Average final average salary							5,213
	Number of retirees	208	302	382	481	3,948	1,787	525
2008	Average monthly benefit	2,373	2,654	2,703	2,858	3,115	4,281	5,183
	Average final average salary							5,483
	Number of retirees	233	317	403	501	4,209	2,013	565
2009	Average monthly benefit	2,638	2,741	2,894	3,007	3,293	4,492	5,401
	Average final average salary							5,741
	Number of retirees	202	336	425	511	4,351	2,201	583
2010	Average monthly benefit	2,768	2,879	2,952	3,137	3,434	4,652	5,592
	Average final average salary							5,938
	Number of retirees	210	343	439	533	4,482	2,333	614
2011	Average monthly benefit	2,868	3,008	3,061	3,282	3,577	4,820	5,791
	Average final average salary							6,007
	Number of retirees	221	355	469	551	4,741	2,540	645
2012	Average monthly benefit	2,988	3,116	3,184	3,405	3,718	4,973	5,988
	Average final average salary							6,077
	Number of retirees	228	367	478	567	4,872	2,636	654
2013	Average monthly benefit	3,039	3,122	3,160	3,393	3,718	4,999	6,031
	Average final average salary							6,197
	Number of retirees	236	386	501	588	5,041	2,740	667

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



## OPERATING INFORMATION

## SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES

FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
AK CHIN INDIAN COMM. FIRE DEPT.	647,768	(83,144)	205,877	(10,069)	760,431
AK CHIN INDIAN COMM. POLICE DEPT.	405,465	0	99,602	(31,710)	473,358
APACHE COUNTY SHERIFF'S DEPT.	920,829	(102,289)	136,599	(4,707)	950,432
APACHE JUNCTION FIRE DISTRICT	4,361,563	21,058	610,086	(25,233)	4,967,474
APACHE JUNCTION POLICE DEPARTMENT	2,371,585	(230,963)	288,793	0	2,429,415
ARIZONA STATE CAPITOL POLICE	1,693	(1,693)	0	0	0
ARIZONA STATE PARK RANGERS	1,727,871	(58,646)	94,491	(35,526)	1,728,191
ASU PD PSPRS LOCAL BOARD	2,392,332	(207,464)	353,304	(16,824)	2,521,347
ATTORNEY GENERAL INVESTIGATORS	656,324	(61,028)	57,858	(37,859)	615,295
AVONDALE FIRE DEPARTMENT	2,986,652	0	410,938	0	3,397,590
AVONDALE POLICE DEPARTMENT	3,864,914	(351,774)	674,513	(31,036)	4,156,617
AVRA VALLEY FIRE DISTRICT	484,324	(55,543)	114,358	0	543,140
AZ DPT. LIQ. LIC. & CONTROL INVST	651,010	(52,484)	65,595	0	664,122
BENSON FIRE DEPARTMENT	73,163	0	6,545	0	79,707
BENSON POLICE DEPARTMENT	489,464	0	70,547	(21,379)	538,631
BISBEE FIRE DEPARTMENT	458,755	(8,008)	74,148	0	524,896
BISBEE POLICE DEPARTMENT	574,220	(9,507)	60,971	0	625,683
BLACK CANYON FIRE DISTRICT	170,447	0	35,783	0	206,231
BUCKEYE FIRE DEPARTMENT	2,910,152	6,311	510,133	(21,757)	3,404,840
BUCKEYE POLICE DEPARTMENT	2,624,457	(101,814)	476,117	(101,225)	2,897,535
BUCKEYE VALLEY FIRE DISTRICT	1,616,846	2,473	415,177	0	2,034,496
BUCKSKIN FIRE DISTRICT	347,496	0	70,888	0	418,384
BULLHEAD CITY FIRE DEPARTMENT	4,299,437	(59,448)	533,071	0	4,773,059
BULLHEAD CITY POLICE DEPARTMENT	4,142,781	(137,748)	450,720	(86,662)	4,369,091
CAMP VERDE FIRE DISTRICT	817,933	0	156,337	0	974,270
CAMP VERDE MARSHALL'S	582,378	(289,837)	69,832	0	362,373
CASA GRANDE FIRE DEPARTMENT	2,680,248	0	426,106	0	3,106,354
CASA GRANDE POLICE DEPARTMENT	3,524,649	(193,578)	498,448	(24,915)	3,804,604
CAVE CREEK MARSHALS	41,187	0	8,370	0	49,557
CENTRAL AZ. COLLEGE POLICE DEPT.	94,982	0	25,282	0	120,265
CENTRAL YAVAPAI FIRE DISTRICT	4,452,148	(93,709)	514,789	0	4,873,228
CHANDLER FIRE DEPARTMENT	13,317,912	(258,589)	1,544,885	(31,463)	14,572,744
CHANDLER POLICE DEPARTMENT	21,234,840	(356,874)	2,280,310	(61,921)	23,096,354
CHINO VALLEY FIRE DISTRICT	1,600,179	(181,679)	204,698	(24,813)	1,598,386
CHINO VALLEY POLICE DEPARTMENT	840,973	(76,821)	105,195	(40,700)	828,646
CHRISTOPHER-KOHL'S FIRE DISTRICT	75,027	0	20,263	(14,172)	81,118
CITY OF MARICOPA - FIRE	2,272,374	31	430,102	0	2,702,507
CITY OF MARICOPA (POLICE DEPT.)	1,489,495	(49,709)	331,689	(67,245)	1,704,231
CLARKDALE FIRE DISTRICT	225,784	34,109	50,016	0	309,910
CLARKDALE POLICE DEPARTMENT	226,280	0	31,118	(26,342)	231,056
CLIFTON FIRE DEPARTMENT	0	0	0	0	0
CLIFTON POLICE DEPARTMENT	81,492	0	25,657	(15,017)	92,132

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
COCHISE COUNTY SHERIFF'S DEPT	3,202,644	(668,296)	478,333	0	3,012,681
COCONINO COUNTY SHERIFF'S DEPT	2,083,206	(262,070)	268,022	(35,547)	2,053,611
COOLIDGE FIRE DEPARTMENT	67,142	0	13,466	(21,787)	58,821
COOLIDGE POLICE DEPARTMENT	1,052,857	(63,678)	147,871	0	1,137,051
CORONA DE TUCSON FIRE DISTRICT	383,142	14,364	95,015	(26,129)	466,392
COTTONWOOD FIRE DEPARTMENT	796,757	(11,862)	150,113	(12,404)	922,604
COTTONWOOD POLICE DEPARTMENT	927,585	0	172,198	0	1,099,783
DAISY MOUNTAIN FIRE DISTRICT	4,345,799	(100,213)	650,874	(68,214)	4,828,246
DEPARTMENT OF EMER & MILITARY AFF	1,402,888	(70,694)	237,004	0	1,569,198
DEPARTMENT OF PUBLIC SAFETY	29,000,877	(1,468,227)	3,017,280	(63,938)	30,485,991
DESERT HILLS FIRE DEPARTMENT	340,779	0	101,696	(15,405)	427,070
DOUGLAS FIRE DEPARTMENT	787,391	(65,431)	129,654	0	851,614
DOUGLAS POLICE DEPARTMENT	1,343,207	(85,722)	193,426	0	1,450,912
DREXEL HEIGHTS FIRE DISTRICT	3,418,533	(103,976)	442,571	0	3,757,127
EAGAR POLICE DEPARTMENT	355,153	0	33,490	(6,116)	382,528
EL MIRAGE FIRE DEPARTMENT	789,231	0	158,306	0	947,537
EL MIRAGE POLICE DEPARTMENT	1,752,209	(49,498)	293,631	(48,614)	1,947,727
ELOY FIRE DISTRICT	687,963	0	173,954	0	861,917
ELOY POLICE DEPARTMENT	1,105,131	47,436	164,720	(10,368)	1,306,919
FLAGSTAFF FIRE DEPARTMENT	4,763,031	(221,691)	625,353	0	5,166,693
FLAGSTAFF POLICE DEPARTMENT	4,784,262	(372,023)	675,639	(198,252)	4,889,626
FLORENCE FIRE DEPARTMENT	601,648	0	121,868	(30,457)	693,059
FLORENCE POLICE DEPARTMENT	697,036	(71,648)	144,803	(21,491)	748,701
FORT MCDOWELL TRIBAL FIRE DEPT.	433,291	0	87,534	(4,127)	516,698
FORT MCDOWELL TRIBAL POLICE DEPT.	870,799	(33,028)	146,815	0	984,586
FORT MOJAVE MESA FIRE DISTRICT	1,261,613	(59,467)	202,574	0	1,404,720
FORT MOJAVE TRIBAL POLICE DEPT.	487,401	0	152,060	(7,927)	631,534
FREDONIA MARSHALS	114,064	(43,592)	12,153	(14,390)	68,234
FRY FIRE DISTRICT	1,569,023	(158,054)	291,243	(10,426)	1,691,786
GAME AND FISH DEPARTMENT	6,345,564	(375,499)	620,322	(4,621)	6,585,766
GILA COUNTY SHERIFF'S DEPARTMENT	1,256,645	3,663	175,508	(63,718)	1,372,097
GILA RIVER FIRE DEPARTMENT	2,277,581	(104,660)	427,430	(84,386)	2,515,965
GILA RIVER POLICE DEPARTMENT	3,480,755	(224,661)	751,349	(170,630)	3,836,813
GILBERT FIRE DEPARTMENT	10,008,743	85,246	1,516,611	(20,271)	11,590,329
GILBERT POLICE DEPARTMENT	11,709,843	(372,268)	1,805,621	(192,202)	12,950,994
GLENDALE FIRE DEPARTMENT	16,093,234	(306,700)	1,839,567	(17,748)	17,608,353
GLENDALE POLICE DEPARTMENT	22,116,598	(563,603)	3,050,988	(218,367)	24,385,616
GLOBE FIRE DEPARTMENT	748,672	(110,037)	82,244	0	720,879
GLOBE POLICE DEPARTMENT	735,811	(59,982)	109,752	(482)	785,099
GOLDEN SHORES FIRE DISTRICT	214,127	0	36,061	0	250,188
GOLDEN VALLEY FIRE DISTRICT	582,333	(9)	138,868	(20,002)	701,190
GOLDER RANCH FIRE DISTRICT	4,887,301	(115,775)	814,193	0	5,585,719

OPERATING INFORMATION

**SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
GOODYEAR FIRE DEPARTMENT	4,554,581	(53,113)	755,273	0	5,256,741
GOODYEAR POLICE DEPARTMENT	4,007,632	(49,369)	637,609	(56,167)	4,539,705
GRAHAM COUNTY ATTORNEY INVEST.	0	0	0	0	0
GRAHAM COUNTY SHERIFF'S DEPT.	761,513	9,750	103,494	(63,818)	810,939
GREEN VALLEY FIRE DISTRICT	2,366,262	(95,096)	385,133	(15,808)	2,640,490
GREENLEE CNTY ATTY INVESTIGATORS	0	0	0	0	0
GREENLEE COUNTY SHERIFF'S DEPT.	480,767	0	72,639	0	553,406
GROOM CREEK FIRE DISTRICT	156,574	(14,667)	35,433	0	177,341
GUADALUPE FIRE DEPARTMENT	224,886	0	25,039	0	249,925
HARQUAHALA FIRE DISTRICT	234,399	(2,473)	70,842	0	302,768
HAYDEN POLICE DEPARTMENT	72,196	4,697	40,338	(3,008)	114,223
HEBER-OVERGAARD FIRE DISTRICT	331,585	(20,657)	74,890	(23,208)	362,610
HELLSGATE FIRE DISTRICT	292,902	0	39,252	0	332,154
HIGHLANDS FIRE DISTRICT	888,606	(37,947)	160,701	(2,869)	1,008,491
HOLBROOK POLICE DEPARTMENT	481,107	(59,669)	62,598	0	484,036
HUACHUCA CITY POLICE DEPARTMENT	20,698	0	23,493	0	44,191
HUALAPAI INDIAN TRIBE POLICE DEPT	268,018	(6,580)	63,325	0	324,764
JEROME POLICE DEPARTMENT	46,127	16,755	15,661	0	78,542
KEARNY POLICE DEPARTMENT	301,187	(26,898)	21,013	(9,114)	286,188
KINGMAN FIRE DEPARTMENT	2,580,053	2,219	258,683	(49,895)	2,791,061
KINGMAN POLICE DEPARTMENT	2,161,021	6,580	279,420	(63,732)	2,383,288
LA PAZ COUNTY ATTY. INVESTIGATORS	67,421	(67,421)	0	0	0
LA PAZ COUNTY SHERIFF'S DEPT.	1,240,908	(319,167)	115,997	(55,997)	981,742
LAKE HAVASU CITY FIRE DEPARTMENT	3,457,385	(247,948)	450,577	(33,372)	3,626,642
LAKE HAVASU CITY POLICE DEPT.	4,391,355	(163,954)	431,326	(122,106)	4,536,622
LAKE MOHAVE RANCHOS FIRE DISTRICT	160,719	(2,210)	59,625	(60,500)	157,635
LAKESIDE FIRE DISTRICT	790,239	0	148,130	(44,331)	894,039
LINDEN FIRE DISTRICT	162,447	0	43,816	0	206,263
MAMMOTH POLICE DEPARTMENT	103,279	(469)	13,969	(37,388)	79,391
MARANA POLICE DEPARTMENT	2,964,019	(116,552)	430,939	(17,802)	3,260,604
MARICOPA CNTY ATTY INVESTIGATORS	589,336	61,155	81,118	(44,916)	686,693
MARICOPA COUNTY PARK RANGERS	24,132	0	0	0	24,132
MARICOPA COUNTY SHERIFF'S OFFICE	37,065,357	(1,114,633)	3,930,621	(302,028)	39,579,316
MAYER FIRE DISTRICT	507,708	0	153,023	0	660,731
MESA FIRE DEPARTMENT	28,836,776	(803,793)	2,953,014	(12,756)	30,973,241
MESA POLICE DEPARTMENT	49,679,295	(2,783,145)	6,022,904	(246,918)	52,672,136
MIAMI FIRE DEPARTMENT - GONE	0	0	0	0	0
MIAMI POLICE DEPARTMENT	138,067	0	17,860	(12,780)	143,146
MOHAVE COUNTY SHERIFF'S DEPT.	3,612,842	(66,219)	427,839	(53,077)	3,921,386
MOHAVE VALLEY FIRE DISTRICT	1,244,481	(103,697)	186,111	(8,453)	1,318,441
MONTEZUMA RIMROCK FIRE DISTRICT	303,172	(59,973)	48,558	0	291,757
MOUNT LEMMON FIRE DISTRICT	117,107	0	27,516	0	144,623

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
NAU CAMPUS POLICE	706,713	(11,917)	86,239	0	781,036
NAVAJO COUNTY ATTY'S INVESTIGATOR	0	0	0	0	0
NAVAJO COUNTY SHERIFF'S DEPT.	1,091,831	54,334	218,077	(31,392)	1,332,850
NOGALES FIRE DEPARTMENT	1,946,413	(2,213)	226,562	0	2,170,762
NOGALES POLICE DEPARTMENT	2,374,751	(82,547)	299,081	0	2,591,285
NORTHERN AZ. CONSOLIDATED FD #1	905,398	0	135,941	(19,700)	1,021,638
NORTHWEST FIRE DISTRICT	9,100,789	(366,598)	1,363,289	(130,681)	9,966,799
ORACLE FIRE DISTRICT	102,000	0	30,598	(11,031)	121,567
ORO VALLEY POLICE DEPT.	4,962,571	(87,480)	677,683	(513)	5,552,262
PAGE FIRE DEPARTMENT	387,387	0	78,940	(3,752)	462,575
PAGE POLICE DEPARTMENT	764,816	(29,245)	112,547	0	848,118
PALOMINAS FIRE DISTRICT	52,187	0	32,191	(28,673)	55,705
PARADISE VALLEY POLICE DEPARTMENT	1,734,026	27,509	261,324	0	2,022,858
PARKER POLICE DEPARTMENT	393,557	0	58,299	0	451,856
PASCUA YAQUI TRIBE FIRE DEPT.	722,370	0	142,487	0	864,857
PASCUA YAQUI TRIBE POLICE DEPT.	955,239	0	210,439	(90,882)	1,074,797
PATAGONIA MARSHALS	43,532	0	6,052	0	49,583
PAYSON FIRE DEPARTMENT	1,128,774	(80,692)	160,970	(38,135)	1,170,918
PAYSON POLICE DEPARTMENT	1,162,815	(162,353)	141,450	(66,688)	1,075,224
PEORIA FIRE DEPARTMENT	8,608,128	0	1,015,695	(66,542)	9,557,281
PEORIA POLICE DEPARTMENT	9,034,148	(241,993)	1,305,333	(98,447)	9,999,042
PHOENIX FIRE DEPARTMENT	121,947,118	(2,884,681)	12,759,153	(30,436)	131,791,153
PHOENIX POLICE DEPARTMENT	223,679,091	(8,167,087)	25,340,363	(696,983)	240,155,384
PICTURE ROCKS FIRE DISTRICT	605,110	(154,794)	133,802	0	584,118
PIMA COUNTY ATTORNEY INVESTIGATOR	185,895	0	14,507	0	200,402
PIMA COUNTY COMM. COLLEGE POLICE	813,457	(60,507)	140,923	(1,405)	892,468
PIMA COUNTY SHERIFF'S DEPARTMENT	15,090,658	(550,476)	2,043,332	(85,368)	16,498,146
PIMA POLICE DEPARTMENT	57,396	0	12,350	0	69,746
PINAL COUNTY SHERIFF'S DEPARTMENT	8,518,333	(444,129)	1,219,292	(245,930)	9,047,567
PINE-STRAWBERRY FIRE DISTRICT	885,760	(66,167)	116,689	0	936,282
PINETOP FIRE DISTRICT	967,302	0	175,329	(33,057)	1,109,574
PINETOP-LAKESIDE POLICE DEPT.	335,565	30,028	54,886	0	420,479
PINEWOOD FIRE DISTRICT	450,961	5,134	109,897	(42,892)	523,100
PRESCOTT FIRE DEPARTMENT	3,340,655	17	361,008	(3,116)	3,698,564
PRESCOTT POLICE DEPARTMENT	3,116,336	(503,016)	388,078	(27,858)	2,973,540
PRESCOTT VALLEY POLICE DEPARTMENT	2,618,722	(139,654)	433,225	(25,188)	2,887,105
QUARTZSITE FIRE DISTRICT	212,402	0	43,603	(36,126)	219,879
QUARTZSITE POLICE DEPARTMENT	638,204	(174,712)	55,202	0	518,694
QUEEN CREEK FIRE DEPARTMENT	573,721	0	262,878	(17,475)	819,123
QUEEN VALLEY FIRE DISTRICT	46,103	0	11,813	0	57,916
RINCON VALLEY FIRE DISTRICT	862,719	(59,555)	180,735	(20,197)	963,702
RIO RICO FIRE DISTRICT	802,400	0	143,747	(92,510)	853,637

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
RIO VERDE FIRE DISTRICT	791,651	0	105,444	0	897,095
SAFFORD POLICE DEPARTMENT	1,022,546	(19,474)	106,739	0	1,109,811
SAHUARITA POLICE DEPARTMENT	1,417,099	(91,090)	217,080	0	1,543,089
SALT RIVER PIMA-MARICOPA FIRE	3,823,730	(198,381)	590,209	(75,828)	4,139,731
SALT RIVER PIMA-MARICOPA POLICE	4,444,545	(96,012)	725,403	(236,210)	4,837,726
SAN CARLOS TRIBAL POLICE DEPT.	401,283	0	155,579	0	556,862
SAN LUIS FIRE DEPARTMENT	737,839	(59,238)	140,351	(5,996)	812,956
SAN LUIS POLICE DEPARTMENT	991,870	0	141,103	(68,908)	1,064,065
SANTA CRUZ COUNTY SHERIFF'S DEPT.	1,448,607	(17,453)	195,864	0	1,627,019
SCOTTSDALE FIRE DEPARTMENT	15,328,485	(429,528)	1,810,228	(190,046)	16,519,139
SCOTTSDALE POLICE DEPARTMENT	26,704,156	(986,885)	3,224,856	(133,655)	28,808,472
SEDONA FIRE DISTRICT	3,418,842	(307,006)	514,677	0	3,626,513
SEDONA POLICE DEPARTMENT	942,018	(38,783)	124,716	0	1,027,950
SHOW LOW FIRE DISTRICT	1,239,095	(201,954)	182,557	0	1,219,698
SHOW LOW POLICE DEPARTMENT	1,347,534	(331,407)	165,062	0	1,181,190
SIERRA VISTA FIRE DEPARTMENT	1,978,906	73,025	271,298	(42,149)	2,281,080
SIERRA VISTA POLICE DEPARTMENT	2,497,185	(139,298)	418,704	(34,880)	2,741,712
SNOWFLAKE POLICE DEPARTMENT	426,240	(53,539)	68,849	(34,059)	407,491
SOMERTON FIRE DEPARTMENT	523,539	0	91,968	(30,587)	584,920
SOMERTON POLICE DEPARTMENT	653,019	0	86,351	(54,440)	684,929
SONOITA ELGIN FIRE DEPARTMENT	146,432	(11,110)	44,625	0	179,947
SOUTH TUCSON FIRE DEPARTMENT	329,121	(57,819)	15,336	0	286,637
SOUTH TUCSON POLICE DEPARTMENT	418,871	(14,256)	55,946	(16,849)	443,713
SPRINGVILLE POLICE DEPARTMENT	280,674	(55,052)	33,086	(36,917)	221,791
ST. JOHNS POLICE DEPARTMENT	148,453	(1,365)	23,705	0	170,793
SUMMIT FIRE DISTRICT	1,658,662	(77,688)	233,046	0	1,814,020
SUN CITY FIRE DISTRICT	5,067,339	(188,321)	405,356	(22,945)	5,261,429
SUN CITY WEST FIRE DISTRICT	3,110,298	(66,552)	401,487	0	3,445,234
SUN LAKES FIRE DISTRICT	2,115,113	0	327,288	0	2,442,401
SUN SITES PEARCE FIRE DISTRICT	106,410	0	29,790	0	136,201
SUPERIOR POLICE DEPARTMENT	170,186	(13,196)	23,986	0	180,976
SURPRISE FIRE DEPARTMENT	5,402,876	124,542	804,829	(81,651)	6,250,596
SURPRISE POLICE DEPARTMENT	5,371,360	(159,712)	758,661	(74,208)	5,896,101
TEMPE FIRE DEPARTMENT	11,364,683	(168,090)	1,279,428	(295)	12,475,725
TEMPE POLICE DEPARTMENT	20,703,141	(840,518)	3,150,605	(190,866)	22,822,362
THATCHER POLICE DEPARTMENT	444,632	15,256	66,452	0	526,341
THREE POINTS FIRE DISTRICT	374,005	49,940	79,286	(33,658)	469,573
TOHONO O'ODHAM NATION FIRE DEPT.	1,033,046	(20,127)	263,075	(71,058)	1,204,936
TOHONO O'ODHAM NATION POLICE DEPT	1,881,644	(187,260)	490,677	(63,637)	2,121,423
TOLLESON FIRE DEPARTMENT	1,950,302	(3)	203,309	0	2,153,607
TOLLESON POLICE DEPARTMENT	1,169,071	(64,106)	182,230	(75,871)	1,211,323
TOMBSTONE MARSHAL'S DEPARTMENT	176,289	0	17,758	0	194,047

**SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVE BALANCES**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIBUTIONS RECEIVED	WITHDRAWN MEMBERS	2013 BALANCES
TONOPAH VALLEY FIRE DISTRICT	142,121	0	35,539	0	177,660
TOWN OF SUPERIOR (FIRE DEPT)	101,197	(2,144)	22,916	(16,728)	105,241
TRI-CITY FIRE DISTRICT	513,016	(31)	104,792	(38,299)	579,479
TUBAC FIRE DISTRICT	905,567	(6,497)	156,038	0	1,055,108
TUCSON AIRPORT AUTHORITY FIRE DPT	687,740	73,495	104,941	0	866,176
TUCSON AIRPORT AUTHORITY POLICE	972,702	58,851	136,173	(6,783)	1,160,943
TUCSON FIRE	28,855,196	(1,233,596)	3,293,545	(95,973)	30,819,172
TUCSON POLICE	43,195,295	(2,529,145)	5,631,528	(188,396)	46,109,281
U OF A CAMPUS POLICE DEPARTMENT	2,634,845	(31,657)	373,753	(49,886)	2,927,056
VERDE VALLEY FIRE DISTRICT	1,243,864	(62,450)	172,152	(101,062)	1,252,504
WELLTON POLICE	76,560	51,074	31,406	0	159,040
WHETSTONE FIRE DISTRICT	79,016	0	23,746	0	102,762
WICKENBURG FIRE DEPARTMENT	190,903	0	45,978	0	236,881
WICKENBURG POLICE DEPARTMENT	548,175	(79,501)	92,965	(28,901)	532,738
WILLCOX POLICE DEPARTMENT	359,808	(81,074)	49,610	0	328,344
WILLIAMS POLICE DEPARTMENT	171,538	0	45,277	(23,216)	193,599
WILLIAMSON VALLEY FIRE DISTRICT	89,612	0	20,246	0	109,857
WINSLOW FIRE DEPARTMENT	167,607	0	28,105	0	195,712
WINSLOW POLICE DEPARTMENT	1,007,852	(7,275)	113,262	0	1,113,839
WITTMANN FIRE DISTRICT	159,327	0	51,921	0	211,248
YAVAPAI CNTY ATTRNY INVESTIGATORS	0	0	0	0	0
YAVAPAI COUNTY SHERIFF'S DEPT.	5,039,029	(333,662)	678,379	(145,174)	5,238,573
YAVAPAI PRESCOTT TRIBAL POLICE	194,960	0	22,901	(19,960)	197,901
YOUNGTOWN POLICE DEPARTMENT	194,319	(40,951)	5,474	(34,189)	124,653
YUMA COUNTY SHERIFF'S DEPARTMENT	3,147,901	(279,788)	555,736	(164,506)	3,259,343
YUMA FIRE DEPARTMENT	6,075,069	(529,275)	692,574	0	6,238,368
YUMA POLICE DEPARTMENT	7,205,885	(492,427)	956,315	(103,710)	7,566,064
<b>TOTALS</b>	<b>1,067,750,716</b>	<b>(39,375,823)</b>	<b>134,193,450</b>	<b>(7,995,111)</b>	<b>1,154,573,232</b>



## OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
AK CHIN INDIAN COMM. FIRE DEPT.	2,670,162	83,277	289,952	0	(169,261)	(4,160)	0	0	371,257	3,241,227	544,659
AK CHIN INDIAN COMM. POLICE DEPT.	1,347,086	0	143,824	0	(59,379)	0	0	0	195,421	1,626,952	61,026
APACHE COUNTY SHERIFF'S DEPT.	2,315,662	85,735	498,986	0	(733,684)	(9,480)	(15,116)	0	338,167	2,480,270	7,107,006
APACHE JUNCTION FIRE DISTRICT	12,222,411	48,559	928,032	97,353	(508,676)	(6,510)	0	(17,663)	1,833,484	14,596,989	5,771,998
APACHE JUNCTION POLICE DEPARTMENT	7,793,034	266,715	1,032,724	0	(1,350,295)	(20,763)	(541,134)	0	1,056,562	8,236,842	13,334,311
ARIZONA STATE CAPITOL POLICE	1,977,724	(2,359)	0	0	0	0	0	0	211,308	2,186,673	0
ARIZONA STATE PARK RANGERS	6,216,772	39,683	248,941	0	(413,137)	(12,115)	(129,116)	(27,075)	833,353	6,757,305	3,181,257
ASU PD PSPRS LOCAL BOARD	10,309,198	220,534	919,538	0	(1,469,034)	(27,677)	(512,286)	0	1,317,778	10,758,051	8,472,957
ATTORNEY GENERAL INVESTIGATORS	3,282,942	70,337	949,122	0	(1,106,472)	(28,532)	(244,260)	(26,501)	398,125	3,294,761	9,851,192
AVONDALE FIRE DEPARTMENT	8,053,121	0	628,843	103,191	(343,421)	(4,840)	0	0	1,222,195	9,659,089	1,486,958
AVONDALE POLICE DEPARTMENT	9,711,857	238,173	1,208,708	0	(826,069)	(13,536)	(292,293)	(11,297)	1,482,654	11,498,198	5,793,158
AVRA VALLEY FIRE DISTRICT	1,640,322	55,543	146,487	15,479	(39,204)	0	0	0	239,714	2,058,341	(665,618)
AZ DPT. LIQ. & CONTROL INVEST	2,431,826	83,172	333,857	0	(431,103)	(18,652)	0	0	328,390	2,727,490	4,050,787
BENSON FIRE DEPARTMENT	235,250	0	(2,457)	11,521	0	0	0	0	33,792	278,106	84,310
BENSON POLICE DEPARTMENT	1,163,463	0	150,106	0	(162,205)	(2,275)	0	(5,345)	178,209	1,321,952	1,451,597
BISBEE FIRE DEPARTMENT	977,842	(23,077)	390,781	0	(755,507)	(5,009)	0	0	136,063	721,094	7,212,947
BISBEE POLICE DEPARTMENT	1,180,287	0	328,161	0	(525,832)	(9,506)	0	0	179,170	1,152,280	5,609,989
BLACK CANYON FIRE DISTRICT	340,641	0	44,540	3,468	0	0	0	0	59,093	447,743	(37,524)
BUCKEYE FIRE DEPARTMENT	5,888,874	1,250	697,443	101,338	0	0	0	(5,439)	1,009,170	7,692,635	(945,277)
BUCKEYE POLICE DEPARTMENT	7,066,984	220,776	795,078	0	(515,556)	(2,340)	(90,901)	(64,501)	1,068,541	8,478,080	3,559,886
BUCKEYE VALLEY FIRE DISTRICT	3,301,434	96	517,551	29,487	0	0	0	0	577,127	4,425,695	464,018
BUCKSKIN FIRE DISTRICT	1,137,427	0	194,694	21,313	(317,645)	(3,917)	0	0	156,830	1,188,701	2,882,230
BULLHEAD CITY FIRE DEPARTMENT	16,478,820	59,448	969,212	74,304	(637,461)	(11,280)	(266,889)	0	2,255,724	18,921,878	7,220,439
BULLHEAD CITY POLICE DEPARTMENT	13,612,632	123,652	1,088,778	0	(1,249,682)	(39,287)	(379,700)	(30,924)	1,883,443	15,008,912	11,299,262
CAMP VERDE FIRE DISTRICT	2,464,106	0	244,892	17,774	(103,941)	0	0	0	367,560	2,990,391	1,028,710
CAMP VERDE MARSHALL'S	1,904,235	289,837	145,057	0	(238,142)	(501)	0	0	264,455	2,364,940	780,900
CASA GRANDE FIRE DEPARTMENT	7,084,440	0	872,023	80,317	(823,452)	(17,365)	0	0	1,072,201	8,268,163	8,276,427
CASA GRANDE POLICE DEPARTMENT	10,551,987	193,578	1,447,944	0	(1,729,911)	(21,553)	(525,575)	(9,966)	1,484,728	11,391,232	18,060,229
CAVE CREEK MARSHALS	88,365	0	11,753	0	0	0	0	0	14,919	115,038	26,228
CENTRAL AZ. COLLEGE POLICE DEPT.	334,151	0	63,840	0	(42,616)	0	0	0	48,343	403,718	229,683

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
CENTRAL YAVAPAI FIRE DISTRICT	14,851,136	255,034	1,110,639	142,816	(1,415,816)	(32,167)	(334,006)	0	2,070,675	16,648,310	14,694,822
CHANDLER FIRE DEPARTMENT	41,316,357	258,589	2,302,926	584,640	(2,489,917)	(78,057)	(744,606)	(17,305)	5,895,562	47,028,189	23,978,793
CHANDLER POLICE DEPARTMENT	60,569,373	355,310	5,156,043	0	(4,209,247)	(108,641)	(524,005)	(61,921)	8,873,693	70,050,606	51,055,205
CHINO VALLEY FIRE DISTRICT	4,569,969	181,679	303,202	31,742	(143,629)	(3,300)	(275,394)	(8,787)	663,828	5,319,309	1,924,598
CHINO VALLEY POLICE DEPARTMENT	2,677,791	76,821	185,804	0	(219,455)	(6,120)	(64,164)	(43,136)	371,610	2,979,152	1,293,343
CHRISTOPHER-KOHL'S FIRE DISTRICT	202,455	0	17,294	5,936	(13,350)	(1,550)	0	0	30,423	241,208	10,594
CITY OF MARICOPA - FIRE	4,214,253	0	530,870	57,461	0	0	0	0	747,592	5,550,176	607,682
CITY OF MARICOPA (POLICE DEPT.)	3,136,459	49,709	531,821	0	(61,960)	0	0	(67,245)	529,981	4,118,765	(42,363)
CLARKDALE FIRE DISTRICT	269,654	68,800	58,896	8,637	0	0	0	0	64,723	470,710	92,536
CLARKDALE POLICE DEPARTMENT	1,352,029	0	65,359	0	(133,441)	(3,003)	0	(29,261)	163,555	1,415,238	448,515
CLIFTON FIRE DEPARTMENT	146,928	0	(131)	0	(27,665)	(1,200)	0	0	14,152	132,084	83,548
CLIFTON POLICE DEPARTMENT	407,956	0	32,235	0	(27,053)	0	0	0	53,149	466,287	(137,290)
COCHISE COUNTY SHERIFF'S DEPT	8,850,338	714,504	1,406,418	0	(2,255,188)	(40,008)	(73,198)	0	1,264,634	9,867,500	19,590,274
COCONINO COUNTY SHERIFF'S DEPT	7,603,166	200,991	1,514,650	0	(2,227,681)	(52,470)	(160,757)	(21,402)	993,629	7,850,126	22,204,239
COOLIDGE FIRE DEPARTMENT	138,837	0	10,830	13,319	0	0	0	(5,447)	22,566	180,106	(79,426)
COOLIDGE POLICE DEPARTMENT	3,244,685	148,481	386,861	0	(360,947)	(8,643)	0	0	472,599	3,883,035	3,627,543
CORONA DE TUCSON FIRE DISTRICT	913,885	4,955	148,012	16,953	(32,972)	0	0	(18,290)	149,391	1,181,935	638,743
COTTONWOOD FIRE DEPARTMENT	2,287,494	(6,187)	203,897	23,309	(122,756)	(6,240)	0	0	341,231	2,720,748	1,130,750
COTTONWOOD POLICE DEPARTMENT	2,628,207	0	450,533	0	(534,889)	(3,701)	0	0	384,475	2,924,624	5,553,580
DAISY MOUNTAIN FIRE DISTRICT	8,961,936	100,213	817,197	97,737	(86,558)	0	(216,850)	(68,214)	1,482,254	11,087,716	1,367,813
DEPARTMENT OF EMER & MILITARY AFF	5,171,831	(89,093)	509,424	0	(580,392)	(4,272)	0	0	702,694	5,710,193	4,120,219
DEPARTMENT OF PUBLIC SAFETY	329,494,681	1,379,411	30,746,371	0	(56,073,316)	(1,321,622)	(2,500,919)	(31,186)	36,903,485	338,596,907	448,507,165
DESERT HILLS FIRE DEPARTMENT	635,673	0	172,095	10,500	(24,772)	0	0	(10,784)	116,813	899,526	932,242
DOUGLAS FIRE DEPARTMENT	2,980,198	65,431	551,362	15,415	(850,552)	(12,790)	(227,435)	0	381,542	2,903,171	7,569,011
DOUGLAS POLICE DEPARTMENT	4,823,195	159,232	724,781	0	(994,574)	(12,659)	(308,711)	0	641,631	5,032,894	9,767,618
DREXEL HEIGHTS FIRE DISTRICT	10,160,273	103,976	693,418	61,125	(478,220)	(14,140)	(102,289)	0	1,483,250	11,907,393	4,139,595
EAGAR POLICE DEPARTMENT	1,267,101	0	72,311	0	(142,197)	0	0	0	171,086	1,368,302	1,533,606
EL MIRAGE FIRE DEPARTMENT	2,014,310	0	195,786	25,171	(93,662)	0	0	0	314,852	2,456,456	393,602
EL MIRAGE POLICE DEPARTMENT	3,434,681	76,460	557,538	0	(311,507)	(1,203)	0	(49,861)	579,231	4,285,339	3,877,313
ELOY FIRE DISTRICT	1,639,489	0	256,865	18,454	0	0	0	0	272,722	2,187,530	882,243

## OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
ELOY POLICE DEPARTMENT	3,595,737	38,150	290,472	0	(271,857)	(3,000)	0	(41)	515,997	4,165,458	1,741,380
FLAGSTAFF FIRE DEPARTMENT	21,518,053	221,691	1,592,425	203,923	(3,438,159)	(86,952)	(736,018)	0	2,710,169	21,985,132	26,101,529
FLAGSTAFF POLICE DEPARTMENT	15,603,391	189,708	2,065,652	0	(3,002,730)	(52,985)	(249,135)	(112,619)	2,122,204	16,563,486	26,842,647
FLORENCE FIRE DEPARTMENT	1,133,591	0	122,002	23,368	0	0	0	(4,595)	197,837	1,472,204	(246,962)
FLORENCE POLICE DEPARTMENT	2,775,701	(100,568)	208,031	0	(159,120)	(4,320)	0	(5,373)	370,586	3,084,937	116,228
FORT MCDOWELL TRIBAL FIRE DEPT.	951,024	0	108,800	0	0	0	0	0	158,201	1,218,024	51,329
FORT MCDOWELL TRIBAL POLICE DEPT.	1,972,746	(2,685)	239,821	0	0	0	0	0	322,617	2,532,500	509,428
FORT MOJAVE MESA FIRE DISTRICT	5,526,481	59,467	421,809	25,170	(414,213)	(10,563)	(214,251)	0	725,952	6,119,851	4,232,300
FORT MOJAVE TRIBAL POLICE DEPT.	1,084,084	0	197,915	0	0	0	0	0	186,208	1,468,208	(463,884)
FREDONIA MARSHALS	395,177	43,592	16,135	0	(26,469)	0	0	0	53,747	482,183	(134,843)
FRY FIRE DISTRICT	5,440,728	144,235	671,542	38,205	(887,938)	(25,247)	0	0	752,473	6,133,997	8,112,882
GAME AND FISH DEPARTMENT	22,986,717	375,499	3,290,459	0	(6,105,536)	(157,713)	(315,261)	0	2,991,722	23,065,885	58,029,591
GILA COUNTY SHERIFF'S DEPARTMENT	4,591,981	128,752	574,548	0	(762,129)	(12,757)	(269,676)	(46,465)	610,448	4,814,702	6,414,429
GILA RIVER FIRE DEPARTMENT	4,749,321	122,709	588,537	0	(199,292)	0	0	(61,751)	787,701	5,987,226	1,063,703
GILA RIVER POLICE DEPARTMENT	7,476,439	(551,136)	918,584	0	(136,334)	0	0	(133,351)	1,195,157	8,769,359	(454,607)
GILBERT FIRE DEPARTMENT	19,587,746	(12,682)	1,295,095	499,072	(135,614)	(3,153)	0	(5,068)	3,334,750	24,560,145	2,697,854
GILBERT POLICE DEPARTMENT	27,414,167	368,401	2,960,766	0	(1,664,934)	(18,282)	(274,012)	(82,775)	4,316,071	33,019,401	16,016,069
GLENDALE FIRE DEPARTMENT	54,834,068	(74,797)	3,756,305	371,743	(4,088,502)	(124,894)	(605,333)	(4,437)	7,619,257	61,683,410	37,532,876
GLENDALE POLICE DEPARTMENT	63,920,579	511,547	7,292,196	0	(7,935,017)	(280,128)	(324,268)	(181,300)	9,266,354	72,269,965	84,721,667
GLOBE FIRE DEPARTMENT	2,344,659	110,037	256,461	0	(398,667)	(15,308)	(89,428)	0	321,760	2,529,513	3,610,338
GLOBE POLICE DEPARTMENT	2,466,743	59,982	350,638	0	(458,119)	(13,181)	0	(14)	341,622	2,747,670	4,402,936
GOLDEN SHORES FIRE DISTRICT	517,854	0	39,586	3,530	0	0	0	0	82,451	643,421	(52,437)
GOLDEN VALLEY FIRE DISTRICT	1,990,094	0	217,179	15,791	(146,882)	(3,600)	0	(8,001)	285,226	2,349,806	1,028,596
GOLDER RANCH FIRE DISTRICT	12,535,244	156,150	1,095,509	239,761	(239,107)	(8,520)	(242,347)	0	1,952,635	15,489,326	5,462,827
GOODYEAR FIRE DEPARTMENT	9,582,109	(75,505)	740,610	170,084	(50,154)	0	0	0	1,590,139	11,957,282	1,309,829
GOODYEAR POLICE DEPARTMENT	10,638,571	76,883	1,076,201	0	(671,256)	(8,527)	0	(21,016)	1,617,719	12,708,575	5,825,750
GRAHAM COUNTY ATTORNEY INVEST.	49,882	(50,066)	0	0	0	0	0	0	2,655	2,471	(59,704)
GRAHAM COUNTY SHERIFF'S DEPT.	1,888,829	154,537	219,841	0	(161,802)	(2,425)	0	(50,567)	294,389	2,342,801	1,934,772
GREEN VALLEY FIRE DISTRICT	8,601,326	113,386	509,269	106,954	(239,083)	(7,647)	(107,113)	0	1,206,749	10,183,842	3,904,147
GREENLEE CNTY ATTY INVESTIGATORS	39,517	0	0	0	0	0	0	0	4,223	43,740	(47,299)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
GREENLEE COUNTY SHERIFF'S DEPT.	2,119,914	0	122,976	0	(138,609)	(1,200)	0	0	280,896	2,383,976	781,198
GROOM CREEK FIRE DISTRICT	304,008	(11,241)	48,414	4,020	0	0	0	0	52,529	397,729	(23,382)
GUADALUPE FIRE DEPARTMENT	360,960	0	52,344	3,500	(46,050)	(1,200)	0	0	64,402	433,957	479,736
HARQUAHALA FIRE DISTRICT	511,012	(96)	88,398	0	0	0	0	0	88,027	687,341	(128,100)
HAYDEN POLICE DEPARTMENT	777,683	7,806	74,712	0	0	0	0	0	97,474	957,676	(857,874)
HEBER-OVERGAARD FIRE DISTRICT	881,412	20,657	96,318	26,569	(19,990)	0	0	(9,283)	137,387	1,133,070	(278,747)
HELLSGATE FIRE DISTRICT	794,811	0	63,674	6,675	0	0	0	0	122,091	987,252	369,118
HIGHLANDS FIRE DISTRICT	2,213,198	37,947	295,217	27,329	(130,892)	(1,800)	0	0	350,042	2,791,041	1,745,116
HOLBROOK POLICE DEPARTMENT	1,289,422	67,704	242,787	0	(383,834)	(6,240)	(28,232)	0	183,598	1,365,205	3,969,620
HUACHUCA CITY POLICE DEPARTMENT	87,060	0	45,149	0	0	0	0	0	15,183	147,392	261,989
HUALAPAI INDIAN TRIBE POLICE DEPT	534,548	(3,370)	84,470	0	0	0	0	0	93,129	708,778	(177,212)
JEROME POLICE DEPARTMENT	172,663	0	25,669	0	0	0	0	0	26,484	224,815	(109,555)
KEARNY POLICE DEPARTMENT	924,535	201,086	46,383	0	(84,811)	(209)	0	0	138,862	1,225,847	357,060
KINGMAN FIRE DEPARTMENT	9,018,174	553	536,252	51,505	(711,181)	(10,800)	0	(27,453)	1,242,076	10,099,127	6,739,661
KINGMAN POLICE DEPARTMENT	7,737,096	3,370	692,996	0	(943,908)	(17,520)	0	(29,802)	1,053,855	8,496,089	7,497,273
LA PAZ COUNTY ATTY. INVESTIGATORS	193,099	67,421	0	0	(15,605)	0	(41,152)	0	24,807	228,571	71,637
LA PAZ COUNTY SHERIFF'S DEPT.	4,242,774	348,242	374,204	0	(700,843)	(3,558)	(408,580)	(32,346)	549,555	4,369,449	5,350,247
LAKE HAVASU CITY FIRE DEPARTMENT	14,421,936	247,948	1,164,074	168,719	(1,840,727)	(68,778)	(618,602)	(4,790)	1,868,791	15,338,571	14,934,755
LAKE HAVASU CITY POLICE DEPT.	13,462,067	163,954	1,207,048	0	(1,573,622)	(35,658)	(107,633)	(48,866)	1,894,522	14,961,813	15,034,176
LAKE MOHAVE RANCHOS FIRE DISTRICT	726,629	(553)	98,306	5,580	(87,715)	0	0	(19,227)	94,466	817,486	764,474
LAKESIDE FIRE DISTRICT	1,750,904	0	189,537	26,805	(26,920)	0	0	(46,451)	284,737	2,178,612	455,662
LINDEN FIRE DISTRICT	376,863	0	44,567	11,313	0	0	0	0	62,959	495,701	(21,494)
MAMMOTH POLICE DEPARTMENT	203,921	(140)	28,699	0	(14,958)	0	0	(26,982)	30,837	221,376	94,442
MARANA POLICE DEPARTMENT	8,065,372	173,312	859,777	0	(647,666)	(14,708)	0	0	1,214,278	9,650,365	5,383,675
MARICOPA CNTY ATTY INVESTIGATORS	2,691,085	154,278	641,414	0	(725,334)	(9,523)	0	(16,782)	358,108	3,093,247	5,197,599
MARICOPA COUNTY PARK RANGERS	37,279	0	0	0	(177,580)	(4,350)	0	0	(3,158)	(147,810)	1,930,040
MARICOPA COUNTY SHERIFF'S OFFICE	127,608,921	1,007,212	11,283,899	0	(18,811,490)	(311,099)	(1,436,508)	(222,285)	17,278,117	136,396,767	151,531,671
MAYER FIRE DISTRICT	1,494,585	0	121,433	5,979	(89,529)	0	0	0	224,170	1,756,638	250,829
MESA FIRE DEPARTMENT	110,678,939	804,158	7,668,410	814,900	(10,880,525)	(440,756)	(1,972,375)	0	14,809,039	121,481,789	92,330,274
MESA POLICE DEPARTMENT	182,494,742	3,026,390	16,703,380	0	(20,970,154)	(958,542)	(3,732,797)	(151,369)	24,645,487	201,057,137	173,388,894

OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
MIAMI FIRE DEPARTMENT - GONE	329,988	(331,207)	0	0	0	0	0	0	17,566	16,347	(394,967)
MIAMI POLICE DEPARTMENT	497,539	0	50,435	0	(64,364)	0	0	0	67,449	551,059	495,641
MOHAVE COUNTY SHERIFF'S DEPT.	12,648,424	85,182	1,103,661	0	(1,433,024)	(22,532)	(76,888)	(25,591)	1,734,472	14,013,704	12,427,715
MOHAVE VALLEY FIRE DISTRICT	3,475,350	103,697	224,946	15,082	(67,206)	0	0	0	523,098	4,274,968	(53,724)
MONTUZUMA RIMROCK FIRE DISTRICT	784,168	59,973	104,753	8,071	(56,478)	(2,580)	(195,283)	0	111,229	813,853	587,084
MOUNT LEMMON FIRE DISTRICT	332,394	0	29,228	4,750	0	0	0	0	51,320	417,692	(16,233)
NAU CAMPUS POLICE	2,360,175	(881)	366,768	0	(502,402)	(15,710)	0	0	323,572	2,531,522	4,509,920
NAVAJO COUNTY ATTY'S INVESTIGATOR	95,760	0	0	0	(33,141)	0	0	0	8,462	71,081	290,797
NAVAJO COUNTY SHERIFF'S DEPT.	3,986,467	(17,867)	643,686	0	(1,082,566)	(8,415)	0	(9,182)	530,211	4,042,334	8,011,261
NOGALES FIRE DEPARTMENT	5,297,203	2,213	521,734	33,168	(640,329)	(38,575)	0	0	779,548	5,954,962	5,999,365
NOGALES POLICE DEPARTMENT	7,394,091	383,839	653,594	0	(725,694)	(41,995)	0	0	1,069,901	8,733,736	5,821,239
NORTHERN AZ. CONSOLIDATED FD #1	2,262,956	0	230,988	24,940	(128,353)	(9,360)	0	(7,880)	350,683	2,723,974	1,730,178
NORTHWEST FIRE DISTRICT	23,785,999	366,233	2,014,996	280,087	(827,309)	(16,170)	(173,313)	(101,148)	3,643,087	28,972,462	11,530,644
ORACLE FIRE DISTRICT	187,166	0	40,958	6,206	0	0	0	0	34,466	268,796	(49,707)
ORO VALLEY POLICE DEPT.	13,034,466	79,373	1,143,711	0	(812,344)	(11,320)	(227,887)	0	1,963,874	15,169,873	8,477,054
PAGE FIRE DEPARTMENT	867,621	0	108,438	18,660	(72,398)	(1,200)	0	0	140,989	1,062,110	349,346
PAGE POLICE DEPARTMENT	2,644,630	(15,163)	217,607	0	(296,172)	0	0	0	363,784	2,914,686	1,840,613
PALOMINAS FIRE DISTRICT	222,082	0	28,447	0	0	0	0	(8,486)	30,563	272,607	(48,846)
PARADISE VALLEY POLICE DEPARTMENT	5,193,162	72,392	960,647	0	(1,469,701)	(36,296)	0	0	730,416	5,450,620	14,966,012
PARKER POLICE DEPARTMENT	1,320,084	0	112,243	0	(111,324)	0	0	0	186,287	1,507,289	787,906
PASCUA YAGUI TRIBE FIRE DEPT.	1,742,446	0	293,776	0	(47,160)	0	0	0	284,186	2,273,247	2,121,621
PASCUA YAGUI TRIBE POLICE DEPT.	2,245,094	0	414,048	0	(139,208)	(5,580)	0	(91,324)	357,890	2,780,919	3,052,281
PATAGONIA MARSHALS	501,762	0	15,152	0	(65,987)	0	0	0	55,878	506,806	203,887
PAYSON FIRE DEPARTMENT	3,368,710	80,692	340,188	48,755	(294,256)	(17,320)	(167,614)	(4,554)	482,108	3,836,709	2,762,484
PAYSON POLICE DEPARTMENT	3,513,274	187,627	472,486	0	(777,650)	(23,168)	(115,285)	(70,143)	477,591	3,664,730	7,653,750
PEORIA FIRE DEPARTMENT	25,835,634	0	1,424,609	326,879	(1,057,746)	(12,260)	0	(66,542)	3,764,304	30,214,878	10,017,712
PEORIA POLICE DEPARTMENT	30,446,798	531,364	2,754,819	0	(2,639,312)	(31,753)	(97,117)	(64,049)	4,294,827	35,195,576	26,520,054
PHOENIX FIRE DEPARTMENT	466,815,645	2,761,574	36,948,837	3,118,498	(54,134,800)	(1,558,675)	(8,600,128)	(11,931)	62,294,878	507,633,898	474,984,524
PHOENIX POLICE DEPARTMENT	822,436,076	8,167,408	73,500,900	0	(105,002,922)	(2,598,634)	(12,832,905)	(471,126)	110,573,909	893,772,708	914,250,704
PICTURE ROCKS FIRE DISTRICT	2,376,570	154,794	136,079	12,211	(185,345)	(3,600)	0	0	323,606	2,814,315	549,734

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
PIMA COUNTY ATTORNEY INVESTIGATOR	1,206,415	0	212,368	0	(182,802)	(3,520)	0	0	150,952	1,383,413	1,462,487
PIMA COUNTY COMM. COLLEGE POLICE	3,211,396	127,299	341,838	0	(446,008)	(6,849)	0	0	435,196	3,662,873	2,961,076
PIMA COUNTY SHERIFF'S DEPARTMENT	109,459,716	626,421	10,647,827	0	(15,151,324)	(375,510)	(1,684,018)	(24,255)	13,066,422	116,565,279	127,143,284
PIMA POLICE DEPARTMENT	238,927	0	16,631	0	0	0	0	0	33,214	288,772	(223,492)
PINAL COUNTY SHERIFF'S DEPARTMENT	26,769,576	459,144	2,737,255	0	(3,195,306)	(60,290)	(192,790)	(187,625)	3,775,728	30,105,691	22,418,019
PINE-STRAWBERRY FIRE DISTRICT	2,271,884	66,167	225,602	19,170	(153,154)	0	(274,424)	0	333,900	2,489,146	1,871,043
PINETOP FIRE DISTRICT	2,384,885	0	301,701	43,168	(198,884)	(3,780)	0	(18,181)	372,450	2,881,360	2,623,273
PINETOP-LAKESIDE POLICE DEPT.	1,175,470	20,702	229,880	0	(346,657)	(9,127)	0	0	160,388	1,230,655	2,904,253
PINEWOOD FIRE DISTRICT	1,072,418	2,019	218,856	19,553	(154,491)	(4,320)	0	(28,899)	169,463	1,294,600	1,495,827
PRESCOTT FIRE DEPARTMENT	12,738,184	(17)	1,141,887	152,139	(2,267,570)	(36,326)	0	0	1,683,382	13,411,680	20,900,283
PRESCOTT POLICE DEPARTMENT	8,247,488	503,016	1,696,419	0	(2,506,962)	(63,757)	(436,566)	(135)	1,163,561	8,603,063	25,093,542
PRESCOTT VALLEY POLICE DEPARTMENT	7,384,534	151,635	660,966	0	(427,254)	(5,600)	(138,831)	(5,451)	1,095,890	8,715,888	4,025,152
QUARTZSITE FIRE DISTRICT	451,429	0	64,550	8,714	0	0	0	(24,535)	73,942	574,100	180,963
QUARTZSITE POLICE DEPARTMENT	1,719,076	145,637	82,369	0	(49,238)	0	(67,900)	0	251,442	2,081,386	(455,109)
QUEEN CREEK FIRE DEPARTMENT	754,785	0	214,180	62,010	(86,392)	(3,120)	0	0	165,053	1,106,517	888,448
QUEEN VALLEY FIRE DISTRICT	84,839	0	18,265	1,421	0	0	0	0	15,676	120,201	53,541
RINCON VALLEY FIRE DISTRICT	1,760,682	59,171	240,706	33,645	(33,503)	(900)	0	(5,049)	301,450	2,356,202	254,347
RIO RICO FIRE DISTRICT	1,498,486	0	218,146	18,382	0	0	0	(81,459)	256,901	1,910,455	(60,361)
RIO VERDE FIRE DISTRICT	1,941,501	0	240,448	19,260	(21,173)	(900)	0	0	310,401	2,489,536	944,321
SAFFORD POLICE DEPARTMENT	2,868,023	89,113	439,676	0	(447,174)	(9,680)	(171,014)	0	415,123	3,184,067	5,841,531
SAHUARITA POLICE DEPARTMENT	3,506,898	60,694	341,938	0	(15,715)	0	0	0	553,594	4,447,410	233,065
SALT RIVER PIMA-MARICOPA FIRE	10,700,559	200,525	955,409	0	(338,209)	0	0	(62,726)	1,609,321	13,064,878	4,198,256
SALT RIVER PIMA-MARICOPA POLICE	9,517,218	100,064	1,227,517	0	(569,530)	(6,738)	0	(146,614)	1,545,301	11,667,217	5,897,117
SAN CARLOS TRIBAL POLICE DEPT.	1,184,259	0	276,732	0	0	0	0	0	192,533	1,653,524	933,847
SAN LUIS FIRE DEPARTMENT	1,699,706	56,088	177,165	20,328	(27,439)	0	0	0	276,578	2,202,424	35,176
SAN LUIS POLICE DEPARTMENT	2,879,071	0	257,901	0	(217,640)	(423)	0	(55,175)	416,695	3,280,429	1,389,878
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,548,355	(15,734)	526,887	0	(580,643)	(9,237)	0	0	539,312	4,008,940	5,931,516
SCOTTSDALE FIRE DEPARTMENT	22,047,759	500,074	866,838	1,441,633	(402,703)	(11,720)	0	(83,003)	4,181,207	28,540,085	(5,992,333)
SCOTTSDALE POLICE DEPARTMENT	90,190,702	940,313	7,361,798	0	(9,490,238)	(238,567)	(439,652)	(67,553)	12,500,734	100,757,538	74,958,677
SEDONA FIRE DISTRICT	9,329,118	204,097	865,331	134,136	(784,291)	(23,120)	(78,482)	0	1,390,343	11,037,131	6,852,192



OPERATING INFORMATION

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

FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
SEDONA POLICE DEPARTMENT	3,579,168	38,783	229,085	0	(269,883)	(450)	0	0	487,603	4,064,306	1,462,297
SHOW LOW FIRE DISTRICT	2,395,508	201,954	218,123	40,985	(103,454)	0	0	0	406,472	3,159,588	251,239
SHOW LOW POLICE DEPARTMENT	3,886,392	131,808	354,606	0	(382,720)	(9,209)	(223,266)	0	543,539	4,301,150	3,411,216
SIERRA VISTA FIRE DEPARTMENT	8,984,550	105,363	564,020	97,018	(918,334)	(43,890)	0	(14,528)	1,176,484	9,950,682	6,868,811
SIERRA VISTA POLICE DEPARTMENT	9,672,471	139,298	1,283,733	0	(1,600,002)	(72,348)	(349,703)	(24,416)	1,280,229	10,329,262	14,036,181
SNOWFLAKE POLICE DEPARTMENT	1,210,308	64,553	163,346	0	(197,682)	(3,000)	0	(34,059)	173,518	1,376,983	1,608,395
SOMERTON FIRE DEPARTMENT	1,311,340	0	160,823	0	(67,343)	0	0	(33,015)	202,589	1,574,395	712,766
SOMERTON POLICE DEPARTMENT	1,849,968	0	170,351	0	(90,904)	(1,800)	0	(35,227)	271,446	2,163,834	1,071,975
SONOITA ELGIN FIRE DEPARTMENT	260,660	(7,180)	56,295	11,655	0	0	0	0	48,540	369,970	54,320
SOUTH TUCSON FIRE DEPARTMENT	1,122,755	57,819	40,820	0	(161,658)	(3,820)	0	0	149,309	1,205,224	1,235,515
SOUTH TUCSON POLICE DEPARTMENT	34,422	(3,044)	378,444	0	(574,117)	(8,476)	0	(4,212)	38,472	(138,512)	6,304,939
SPRINGVILLE POLICE DEPARTMENT	1,102,054	55,052	56,334	0	(91,469)	0	0	(13,199)	144,974	1,253,746	614,163
ST. JOHNS POLICE DEPARTMENT	688,425	(993)	32,087	0	(45,820)	0	0	0	89,837	763,537	18,913
SUMMIT FIRE DISTRICT	4,066,935	70,535	339,861	36,274	(113,305)	(1,800)	(85,672)	0	633,289	4,946,117	1,448,026
SUN CITY FIRE DISTRICT	10,692,745	72,311	1,141,084	89,064	(1,006,600)	(36,500)	(265,802)	0	1,694,182	12,380,484	14,397,698
SUN CITY WEST FIRE DISTRICT	8,931,481	66,552	841,850	112,142	(592,487)	(29,760)	(445,879)	0	1,302,163	10,186,063	7,488,470
SUN LAKES FIRE DISTRICT	7,150,421	0	556,191	58,866	(379,055)	(7,441)	0	0	1,019,834	8,398,816	2,828,206
SUN SITES PEARCE FIRE DISTRICT	176,766	0	28,575	4,129	0	0	0	0	33,600	243,071	51,112
SUPERIOR POLICE DEPARTMENT	636,451	(1,463)	47,721	0	(62,439)	0	0	0	85,911	706,182	248,549
SURPRISE FIRE DEPARTMENT	12,799,007	256,955	953,153	255,672	(197,328)	(2,460)	0	(92,954)	2,053,062	16,025,108	3,860,702
SURPRISE POLICE DEPARTMENT	12,780,556	121,806	1,319,647	0	(650,716)	(9,420)	(248,219)	(30,251)	1,994,657	15,278,059	5,895,585
TEMPE FIRE DEPARTMENT	52,305,439	167,607	3,587,618	469,160	(5,655,701)	(200,169)	(652,907)	0	6,741,229	56,762,275	50,016,724
TEMPE POLICE DEPARTMENT	65,636,004	868,129	8,380,904	0	(10,463,304)	(322,209)	(501,493)	(93,254)	9,225,740	72,730,516	102,842,339
THATCHER POLICE DEPARTMENT	1,650,426	(856)	197,415	0	(255,313)	(2,040)	0	0	225,000	1,814,633	2,103,482
THREE POINTS FIRE DISTRICT	1,144,489	40,581	138,268	13,624	(106,590)	(1,800)	0	(23,240)	170,627	1,375,959	597,790
TOHONO O'ODHAM NATION FIRE DEPT.	3,122,675	(13,531)	357,142	0	0	0	0	(55,372)	468,674	3,879,589	441,285
TOHONO O'ODHAM NATION POLICE DEPT	10,158,959	187,260	762,948	0	(322,458)	(2,040)	(122,813)	(36,029)	1,324,441	11,950,267	2,265,313
TOLLESON FIRE DEPARTMENT	3,852,437	0	289,422	28,515	(177,901)	(1,800)	0	0	638,342	4,629,014	1,571,710
TOLLESON POLICE DEPARTMENT	2,754,961	(93,189)	413,570	0	(337,515)	(4,200)	0	(79,114)	416,221	3,070,734	2,890,833
TOMBSTONE MARSHAL'S DEPARTMENT	480,326	0	23,333	0	0	0	0	0	72,363	576,023	(354,375)

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER RESERVE BALANCES AND UNFUNDED ACTUARIAL ACCRUED LIABILITIES  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 BALANCES	RESERVE TRANSFERS	CONTRIB RECEIVED	FIRE TAX RECEIVED	PENSION PAYMENTS	SUBSIDY PAYMENTS	DROP PAYMENT	ENHANCED REFUNDS	DIST. OF EARNINGS	2013 BALANCES	UNFUNDED AAL 2012
TONOPAH VALLEY FIRE DISTRICT	313,450	0	54,156	0	0	0	0	0	53,476	421,083	(151,298)
TOWN OF SUPERIOR (FIRE DEPT)	248,808	0	32,489	0	0	0	0	(3,659)	39,159	316,797	(34,860)
TRI-CITY FIRE DISTRICT	1,025,314	0	131,280	3,915	0	0	0	(21,020)	174,041	1,313,530	(121,907)
TUBAC FIRE DISTRICT	2,198,878	(9,933)	231,254	26,176	(50,898)	0	0	0	350,242	2,745,719	526,821
TUCSON AIRPORT AUTHORITY FIRE DPT	3,510,783	13,531	480,532	0	(792,039)	(12,660)	0	0	441,599	3,641,746	6,636,388
TUCSON AIRPORT AUTHORITY POLICE	2,563,375	0	645,646	0	(760,066)	(12,515)	0	(203)	381,137	2,817,375	8,040,184
TUCSON FIRE	140,805,248	1,233,596	13,754,275	960,793	(24,889,391)	(922,344)	(4,356,247)	(37,176)	17,473,467	144,022,223	213,569,882
TUCSON POLICE	232,354,726	2,449,922	23,041,509	0	(38,118,179)	(1,420,282)	(4,752,739)	(95,006)	28,591,981	242,051,932	329,653,129
U OF A CAMPUS POLICE DEPARTMENT	7,124,367	153,280	857,661	0	(847,303)	(23,646)	(306,328)	(23,295)	1,048,371	7,983,107	8,544,352
VERDE VALLEY FIRE DISTRICT	3,540,465	62,450	249,338	33,927	(105,934)	(3,120)	0	(65,097)	520,892	4,232,923	767,786
WELLTON POLICE	425,881	42,138	66,561	0	(68,371)	0	0	0	60,254	526,462	352,476
WHETSTONE FIRE DISTRICT	134,322	0	30,541	0	0	0	0	0	25,698	190,561	(14,308)
WICKENBURG FIRE DEPARTMENT	415,386	0	55,879	18,387	0	0	0	0	71,214	560,865	39,341
WICKENBURG POLICE DEPARTMENT	1,470,596	79,501	229,637	0	(222,127)	(5,751)	0	(20,231)	218,166	1,749,792	1,778,263
WILLCOX POLICE DEPARTMENT	1,270,439	81,074	159,479	0	(212,986)	(1,800)	0	0	173,907	1,470,113	1,795,316
WILLIAMS POLICE DEPARTMENT	1,039,532	0	88,700	0	(111,017)	(3,010)	0	(5,804)	128,933	1,137,333	377,567
WILLIAMSON VALLEY FIRE DISTRICT	153,919	0	20,968	3,023	0	0	0	0	28,388	206,298	(73,686)
WINSLOW FIRE DEPARTMENT	4,874,376	0	14,670	8,395	(167,154)	(3,000)	0	0	532,439	5,259,728	(3,337,246)
WINSLOW POLICE DEPARTMENT	3,471,142	(3,739)	209,361	0	(271,188)	(4,200)	0	0	480,570	3,881,947	1,985,031
WITTMANN FIRE DISTRICT	278,711	0	60,977	8,122	0	0	0	0	53,276	401,085	67,166
YAVAPAI CNTY ATTRNY INVESTIGATORS	47,364	0	42,283	0	(72,148)	(1,200)	0	0	3,402	19,700	782,878
YAVAPAI COUNTY SHERIFF'S DEPT.	12,599,625	381,789	1,754,670	0	(2,124,245)	(44,806)	(100,241)	(108,935)	1,882,647	14,240,506	20,606,635
YAVAPAI PRESIDENT TRIBAL POLICE	343,074	0	33,262	0	0	0	0	(8,965)	58,951	426,321	(224,812)
YOUNGTOWN POLICE DEPARTMENT	735,881	(25,633)	11,006	0	(101,802)	(3,120)	0	(29,061)	87,740	675,011	369,144
YUMA COUNTY SHERIFF'S DEPARTMENT	9,802,726	186,576	1,126,580	0	(1,442,423)	(11,271)	(211,029)	(67,044)	1,367,519	10,751,635	10,609,117
YUMA FIRE DEPARTMENT	19,369,116	532,427	2,329,394	158,101	(3,249,407)	(69,700)	(943,839)	0	2,661,328	20,787,420	28,603,837
YUMA POLICE DEPARTMENT	29,541,067	452,343	2,542,703	0	(4,236,001)	(51,531)	(375,330)	(63,067)	3,853,618	31,663,802	28,919,720
<b>TOTALS</b>	<b>3,988,077,331</b>	<b>39,606,272</b>	<b>368,025,011</b>	<b>12,828,065</b>	<b>(492,506,527)</b>	<b>(13,383,444)</b>	<b>(60,213,930)</b>	<b>(4,824,606)</b>	<b>536,875,642</b>	<b>4,374,483,818</b>	<b>4,273,934,974</b>

\*See Note 14.

OPERATING INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
AK CHIN INDIAN COMM. FIRE DEPT.	2,670,162	2,869,971	647,768	760,431	6,948,332	1,737,083	0.069%	371,257
AK CHIN INDIAN COMM. POLICE DEPT.	1,347,086	1,431,531	405,465	473,358	3,657,440	914,360	0.036%	195,421
APACHE COUNTY SHERIFF'S DEPT.	2,315,662	2,142,104	920,829	950,432	6,329,027	1,582,257	0.063%	338,167
APACHE JUNCTION FIRE DISTRICT	12,222,411	12,763,505	4,361,563	4,967,474	34,314,954	8,578,739	0.342%	1,833,484
APACHE JUNCTION POLICE DEPARTMENT	7,793,034	7,180,280	2,371,585	2,429,415	19,774,315	4,943,579	0.197%	1,056,562
ARIZONA STATE CAPITOL POLICE	1,977,724	1,975,364	1,693	0	3,954,781	988,695	0.039%	211,308
ARIZONA STATE PARK RANGERS	6,216,772	5,923,953	1,727,871	1,728,191	15,596,787	3,899,197	0.155%	833,353
ASU PD PSPRS LOCAL BOARD	10,309,198	9,440,273	2,392,332	2,521,347	24,663,150	6,165,788	0.245%	1,317,778
ATTORNEY GENERAL INVESTIGATORS	3,282,942	2,896,636	656,324	615,295	7,451,196	1,862,799	0.074%	398,125
AVONDALE FIRE DEPARTMENT	8,053,121	8,436,893	2,986,652	3,397,590	22,874,256	5,718,564	0.228%	1,222,195
AVONDALE POLICE DEPARTMENT	9,711,857	10,015,543	3,864,914	4,156,617	27,748,932	6,937,233	0.276%	1,482,654
AVRA VALLEY FIRE DISTRICT	1,640,322	1,818,627	484,324	543,140	4,486,414	1,121,603	0.045%	239,714
AZ DPT. LIQ. LIC. & CONTROL INVST	2,431,826	2,399,099	651,010	664,122	6,146,057	1,536,514	0.061%	328,390
BENSON FIRE DEPARTMENT	235,250	244,315	73,163	79,707	632,435	158,109	0.006%	33,792
BENSON POLICE DEPARTMENT	1,163,463	1,143,744	489,464	538,631	3,335,302	833,826	0.033%	178,209
BISBEE FIRE DEPARTMENT	977,842	585,030	458,755	524,896	2,546,523	636,631	0.025%	136,063
BISBEE POLICE DEPARTMENT	1,180,287	973,109	574,220	625,683	3,353,299	838,325	0.033%	179,170
BLACK CANYON FIRE DISTRICT	340,641	388,650	170,447	206,231	1,105,969	276,492	0.011%	59,093
BUCKEYE FIRE DEPARTMENT	5,888,874	6,683,465	2,910,152	3,404,840	18,887,330	4,721,833	0.188%	1,009,170
BUCKEYE POLICE DEPARTMENT	7,066,984	7,409,539	2,624,457	2,897,535	19,998,514	4,999,628	0.199%	1,068,541
BUCKEYE VALLEY FIRE DISTRICT	3,301,434	3,848,568	1,616,846	2,034,496	10,801,344	2,700,336	0.107%	577,127
BUCKSKIN FIRE DISTRICT	1,137,427	1,031,872	347,496	418,384	2,935,179	733,795	0.029%	156,830
BULLHEAD CITY FIRE DEPARTMENT	16,478,820	16,666,155	4,299,437	4,773,059	42,217,472	10,554,368	0.420%	2,255,724
BULLHEAD CITY POLICE DEPARTMENT	13,612,632	13,125,469	4,142,781	4,369,091	35,249,973	8,812,493	0.351%	1,883,443
CAMP VERDE FIRE DISTRICT	2,464,106	2,622,831	817,933	974,270	6,879,140	1,719,785	0.068%	367,560
CAMP VERDE MARSHALL'S	1,904,235	2,100,485	582,378	362,373	4,949,471	1,237,368	0.049%	264,455
CASA GRANDE FIRE DEPARTMENT	7,084,440	7,195,962	2,680,248	3,106,354	20,067,005	5,016,751	0.200%	1,072,201
CASA GRANDE POLICE DEPARTMENT	10,551,987	9,906,504	3,524,649	3,804,604	27,787,745	6,946,936	0.277%	1,484,728
CAVE CREEK MARSHALS	88,365	100,119	41,187	49,557	279,227	69,807	0.003%	14,919
CENTRAL AZ. COLLEGE POLICE DEPT.	334,151	355,375	94,982	120,265	904,773	226,193	0.009%	48,343

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
CENTRAL YAVAPAI FIRE DISTRICT	14,851,136	14,577,635	4,452,148	4,873,228	38,754,148	9,688,537	0.386%	2,070,675
CHANDLER FIRE DEPARTMENT	41,316,357	41,132,627	13,317,912	14,572,744	110,339,640	27,584,910	1.098%	5,895,562
CHANDLER POLICE DEPARTMENT	60,569,373	61,176,913	21,234,840	23,096,354	166,077,480	41,519,370	1.653%	8,873,693
CHINO VALLEY FIRE DISTRICT	4,569,969	4,655,481	1,600,179	1,598,386	12,424,015	3,106,004	0.124%	663,828
CHINO VALLEY POLICE DEPARTMENT	2,677,791	2,607,542	840,973	828,646	6,954,952	1,738,738	0.069%	371,610
CHRISTOPHER-KOHL'S FIRE DISTRICT	202,455	210,785	75,027	81,118	569,385	142,346	0.006%	30,423
CITY OF MARICOPA - FIRE	4,214,253	4,802,584	2,272,374	2,702,507	13,991,718	3,497,929	0.139%	747,592
CITY OF MARICOPA (POLICE DEPT.)	3,136,459	3,588,785	1,489,495	1,704,231	9,918,969	2,479,742	0.099%	529,981
CLARKDALE FIRE DISTRICT	269,654	405,987	225,784	309,910	1,211,335	302,834	0.012%	64,723
CLARKDALE POLICE DEPARTMENT	1,352,029	1,251,683	226,280	231,056	3,061,048	765,262	0.030%	163,555
CLIFTON FIRE DEPARTMENT	146,928	117,932	0	0	264,860	66,215	0.003%	14,152
CLIFTON POLICE DEPARTMENT	407,956	413,138	81,492	92,132	994,718	248,679	0.010%	53,149
COCHISE COUNTY SHERIFF'S DEPT	8,850,338	8,602,866	3,202,644	3,012,681	23,668,528	5,917,132	0.236%	1,264,634
COCONINO COUNTY SHERIFF'S DEPT	7,603,166	6,856,497	2,083,206	2,053,611	18,596,480	4,649,120	0.185%	993,629
COOLIDGE FIRE DEPARTMENT	138,837	157,540	67,142	58,821	422,339	105,585	0.004%	22,566
COOLIDGE POLICE DEPARTMENT	3,244,685	3,410,436	1,052,857	1,137,051	8,845,028	2,211,257	0.088%	472,599
CORONA DE TUCSON FIRE DISTRICT	913,885	1,032,544	383,142	466,392	2,795,963	698,991	0.028%	149,391
COTTONWOOD FIRE DEPARTMENT	2,287,494	2,379,517	796,757	922,604	6,386,372	1,596,593	0.064%	341,231
COTTONWOOD POLICE DEPARTMENT	2,628,207	2,540,149	927,585	1,099,783	7,195,723	1,798,931	0.072%	384,475
DAISY MOUNTAIN FIRE DISTRICT	8,961,936	9,605,461	4,345,799	4,828,246	27,741,442	6,935,361	0.276%	1,482,254
DEPARTMENT OF EMER & MILITARY AFF	5,171,831	5,007,499	1,402,888	1,569,198	13,151,416	3,287,854	0.131%	702,694
DEPARTMENT OF PUBLIC SAFETY	329,494,681	301,693,422	29,000,877	30,485,991	690,674,971	172,668,743	6.874%	36,903,485
DESERT HILLS FIRE DEPARTMENT	635,673	782,713	340,779	427,070	2,186,235	546,559	0.022%	116,813
DOUGLAS FIRE DEPARTMENT	2,980,198	2,521,629	787,391	851,614	7,140,832	1,785,208	0.071%	381,542
DOUGLAS POLICE DEPARTMENT	4,823,195	4,391,264	1,343,207	1,450,912	12,008,578	3,002,144	0.120%	641,631
DREXEL HEIGHTS FIRE DISTRICT	10,160,273	10,424,143	3,418,533	3,757,127	27,760,076	6,940,019	0.276%	1,483,250
EAGAR POLICE DEPARTMENT	1,267,101	1,197,216	355,153	382,528	3,201,998	800,500	0.032%	171,086
EL MIRAGE FIRE DEPARTMENT	2,014,310	2,141,604	789,231	947,537	5,892,681	1,473,170	0.059%	314,852
EL MIRAGE POLICE DEPARTMENT	3,434,681	3,706,107	1,752,209	1,947,727	10,840,724	2,710,181	0.108%	579,231
ELOY FIRE DISTRICT	1,639,489	1,914,809	687,963	861,917	5,104,177	1,276,044	0.051%	272,722

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
ELOY POLICE DEPARTMENT	3,595,737	3,649,461	1,105,131	1,306,919	9,657,249	2,414,312	0.096%	515,997
FLAGSTAFF FIRE DEPARTMENT	21,518,053	19,274,963	4,763,031	5,166,693	50,722,740	12,680,685	0.505%	2,710,169
FLAGSTAFF POLICE DEPARTMENT	15,603,391	14,441,282	4,784,262	4,889,626	39,718,561	9,929,640	0.395%	2,122,204
FLORENCE FIRE DEPARTMENT	1,133,591	1,274,367	601,648	693,059	3,702,665	925,666	0.037%	197,837
FLORENCE POLICE DEPARTMENT	2,775,701	2,714,351	697,036	748,701	6,935,788	1,733,947	0.069%	370,586
FORT MCDOWELL TRIBAL FIRE DEPT.	951,024	1,059,824	433,291	516,698	2,960,837	740,209	0.029%	158,201
FORT MCDOWELL TRIBAL POLICE DEPT.	1,972,746	2,209,882	870,799	984,586	6,038,014	1,509,503	0.060%	322,617
FORT MOJAVE MESA FIRE DISTRICT	5,526,481	5,393,899	1,261,613	1,404,720	13,586,713	3,396,678	0.135%	725,952
FORT MOJAVE TRIBAL POLICE DEPT.	1,084,084	1,282,000	487,401	631,534	3,485,019	871,255	0.035%	186,208
FREDONIA MARSHALS	395,177	428,436	114,064	68,234	1,005,912	251,478	0.010%	53,747
FRY FIRE DISTRICT	5,440,728	5,381,524	1,569,023	1,691,786	14,083,062	3,520,766	0.140%	752,473
GAME AND FISH DEPARTMENT	22,986,717	20,074,163	6,345,564	6,585,766	55,992,209	13,998,052	0.557%	2,991,722
GILA COUNTY SHERIFF'S DEPARTMENT	4,591,981	4,204,254	1,256,645	1,372,097	11,424,977	2,856,244	0.114%	610,448
GILA RIVER FIRE DEPARTMENT	4,749,321	5,199,525	2,277,581	2,515,965	14,742,392	3,685,598	0.147%	787,701
GILA RIVER POLICE DEPARTMENT	7,476,439	7,574,202	3,480,755	3,836,813	22,368,210	5,592,053	0.223%	1,195,157
GILBERT FIRE DEPARTMENT	19,587,746	21,225,395	10,008,743	11,590,329	62,412,213	15,603,053	0.621%	3,334,750
GILBERT POLICE DEPARTMENT	27,414,167	28,703,330	11,709,843	12,950,994	80,778,334	20,194,584	0.804%	4,316,071
GLENDALE FIRE DEPARTMENT	54,834,068	54,064,153	16,093,234	17,608,353	142,599,808	35,649,952	1.419%	7,619,257
GLENDALE POLICE DEPARTMENT	63,920,579	63,003,611	22,116,598	24,385,616	173,426,404	43,356,601	1.726%	9,266,354
GLOBE FIRE DEPARTMENT	2,344,659	2,207,753	748,672	720,879	6,021,963	1,505,491	0.060%	321,760
GLOBE POLICE DEPARTMENT	2,466,743	2,406,048	735,811	785,099	6,393,702	1,598,425	0.064%	341,622
GOLDEN SHORES FIRE DISTRICT	517,854	560,970	214,127	250,188	1,543,138	385,785	0.015%	82,451
GOLDEN VALLEY FIRE DISTRICT	1,990,094	2,064,581	582,333	701,190	5,338,198	1,334,550	0.053%	285,226
GOLDER RANCH FIRE DISTRICT	12,535,244	13,536,691	4,887,301	5,585,719	36,544,954	9,136,239	0.364%	1,952,635
GOODYEAR FIRE DEPARTMENT	9,582,109	10,367,144	4,554,581	5,256,741	29,760,575	7,440,144	0.296%	1,590,139
GOODYEAR POLICE DEPARTMENT	10,638,571	11,090,856	4,007,632	4,539,705	30,276,764	7,569,191	0.301%	1,617,719
GRAHAM COUNTY ATTORNEY INVEST.	49,882	(184)	0	0	49,697	12,424	0.000%	2,655
GRAHAM COUNTY SHERIFF'S DEPT.	1,888,829	2,048,413	761,513	810,939	5,509,693	1,377,423	0.055%	294,389
GREEN VALLEY FIRE DISTRICT	8,601,326	8,977,092	2,366,262	2,640,490	22,585,171	5,646,293	0.225%	1,206,749
GREENLEE CNTY ATTY INVESTIGATORS	39,517	39,517	0	0	79,034	19,759	0.001%	4,223

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
GREENLEE COUNTY SHERIFF'S DEPT.	2,119,914	2,103,080	480,767	553,406	5,257,167	1,314,292	0.052%	280,896
GROOM CREEK FIRE DISTRICT	304,008	345,200	156,574	177,341	983,123	245,781	0.010%	52,529
GUADALUPE FIRE DEPARTMENT	360,960	369,555	224,886	249,925	1,205,326	301,331	0.012%	64,402
HARQUAHALA FIRE DISTRICT	511,012	599,314	234,399	302,768	1,647,492	411,873	0.016%	88,027
HAYDEN POLICE DEPARTMENT	777,683	860,201	72,196	114,223	1,824,303	456,076	0.018%	97,474
HEBER-OVERGAARD FIRE DISTRICT	881,412	995,683	331,585	362,610	2,571,290	642,823	0.026%	137,387
HELLSGATE FIRE DISTRICT	794,811	865,161	292,902	332,154	2,285,028	571,257	0.023%	122,091
HIGHLANDS FIRE DISTRICT	2,213,198	2,440,998	888,606	1,008,491	6,551,294	1,637,823	0.065%	350,042
HOLBROOK POLICE DEPARTMENT	1,289,422	1,181,606	481,107	484,036	3,436,171	859,043	0.034%	183,598
HUACHUCA CITY POLICE DEPARTMENT	87,060	132,209	20,698	44,191	284,159	71,040	0.003%	15,183
HUALAPAI INDIAN TRIBE POLICE DEPT	534,548	615,649	268,018	324,764	1,742,979	435,745	0.017%	93,129
JEROME POLICE DEPARTMENT	172,663	198,331	46,127	78,542	495,662	123,916	0.005%	26,484
KEARNY POLICE DEPARTMENT	924,535	1,086,985	301,187	286,188	2,598,894	649,724	0.026%	138,862
KINGMAN FIRE DEPARTMENT	9,018,174	8,857,051	2,580,053	2,791,061	23,246,339	5,811,585	0.231%	1,242,076
KINGMAN POLICE DEPARTMENT	7,737,096	7,442,234	2,161,021	2,383,288	19,723,639	4,930,910	0.196%	1,053,855
LA PAZ COUNTY ATTY. INVESTIGATORS	193,099	203,764	67,421	0	464,285	116,071	0.005%	24,807
LA PAZ COUNTY SHERIFF'S DEPT.	4,242,774	3,819,894	1,240,908	981,742	10,285,318	2,571,329	0.102%	549,555
LAKE HAVASU CITY FIRE DEPARTMENT	14,421,936	13,469,780	3,457,385	3,626,642	34,975,744	8,743,936	0.348%	1,868,791
LAKE HAVASU CITY POLICE DEPT.	13,462,067	13,067,291	4,391,355	4,536,622	35,457,334	8,864,334	0.353%	1,894,522
LAKE MOHAVE RANCHOS FIRE DISTRICT	726,629	723,019	160,719	157,635	1,768,002	442,000	0.018%	94,466
LAKESIDE FIRE DISTRICT	1,750,904	1,893,875	790,239	894,039	5,329,058	1,332,264	0.053%	284,737
LINDEN FIRE DISTRICT	376,863	432,742	162,447	206,263	1,178,316	294,579	0.012%	62,959
MAMMOTH POLICE DEPARTMENT	203,921	190,540	103,279	79,391	577,130	144,282	0.006%	30,837
MARANA POLICE DEPARTMENT	8,065,372	8,436,087	2,964,019	3,260,604	22,726,080	5,681,520	0.226%	1,214,278
MARICOPA CNTY ATTY INVESTIGATORS	2,691,085	2,735,138	589,336	686,693	6,702,253	1,675,563	0.067%	358,108
MARICOPA COUNTY PARK RANGERS	37,279	(144,651)	24,132	24,132	(59,108)	(14,777)	-0.001%	(3,158)
MARICOPA COUNTY SHERIFF'S OFFICE	127,608,921	119,118,651	37,065,357	39,579,316	323,372,244	80,843,061	3.218%	17,278,117
MAYER FIRE DISTRICT	1,494,585	1,532,469	507,708	660,731	4,195,493	1,048,873	0.042%	224,170
MESA FIRE DEPARTMENT	110,678,939	106,672,750	28,836,776	30,973,241	277,161,706	69,290,426	2.758%	14,809,039
MESA POLICE DEPARTMENT	182,494,742	176,411,650	49,679,295	52,672,136	461,257,822	115,314,456	4.591%	24,645,487



## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
MIAMI FIRE DEPARTMENT - GONE	329,988	(1,219)	0	0	328,768	82,192	0.003%	17,566
MIAMI POLICE DEPARTMENT	497,539	483,610	138,067	143,146	1,262,361	315,590	0.013%	67,449
MOHAVE COUNTY SHERIFF'S DEPT.	12,648,424	12,279,232	3,612,842	3,921,386	32,461,884	8,115,471	0.323%	1,734,472
MOHAVE VALLEY FIRE DISTRICT	3,475,350	3,751,870	1,244,481	1,318,441	9,790,143	2,447,536	0.097%	523,098
MONTEZUMA RIMROCK FIRE DISTRICT	784,168	702,624	303,172	291,757	2,081,721	520,430	0.021%	111,229
MOUNT LEMMON FIRE DISTRICT	332,394	366,371	117,107	144,623	960,496	240,124	0.010%	51,320
NAU CAMPUS POLICE	2,360,175	2,207,951	706,713	781,036	6,055,874	1,513,969	0.060%	323,572
NAVAJO COUNTY ATTY'S INVESTIGATOR	95,760	62,619	0	0	158,379	39,595	0.002%	8,462
NAVAJO COUNTY SHERIFF'S DEPT.	3,986,467	3,512,124	1,091,831	1,332,850	9,923,271	2,480,818	0.099%	530,211
NOGALES FIRE DEPARTMENT	5,297,203	5,175,414	1,946,413	2,170,762	14,589,793	3,647,448	0.145%	779,548
NOGALES POLICE DEPARTMENT	7,394,091	7,663,835	2,374,751	2,591,285	20,023,963	5,005,991	0.199%	1,069,901
NORTHERN AZ. CONSOLIDATED FD #1	2,262,956	2,373,291	905,398	1,021,638	6,563,283	1,640,821	0.065%	350,683
NORTHWEST FIRE DISTRICT	23,785,999	25,329,375	9,100,789	9,966,799	68,182,962	17,045,741	0.679%	3,643,087
ORACLE FIRE DISTRICT	187,166	234,330	102,000	121,567	645,063	161,266	0.006%	34,466
ORO VALLEY POLICE DEPT.	13,034,466	13,205,999	4,962,571	5,552,262	36,755,297	9,188,824	0.366%	1,963,874
PAGE FIRE DEPARTMENT	867,621	921,121	387,387	462,575	2,638,704	659,676	0.026%	140,989
PAGE POLICE DEPARTMENT	2,644,630	2,550,903	764,816	848,118	6,808,467	1,702,117	0.068%	363,784
PALOMINAS FIRE DISTRICT	222,082	242,043	52,187	55,705	572,017	143,004	0.006%	30,563
PARADISE VALLEY POLICE DEPARTMENT	5,193,162	4,720,204	1,734,026	2,022,858	13,670,250	3,417,562	0.136%	730,416
PARKER POLICE DEPARTMENT	1,320,084	1,321,002	393,557	451,856	3,486,499	871,625	0.035%	186,287
PASCUA YAQUI TRIBE FIRE DEPT.	1,742,446	1,989,062	722,370	864,857	5,318,735	1,329,684	0.053%	284,186
PASCUA YAQUI TRIBE POLICE DEPT.	2,245,094	2,423,029	955,239	1,074,797	6,698,159	1,674,540	0.067%	357,890
PATAGONIA MARSHALS	501,762	450,928	43,532	49,583	1,045,805	261,451	0.010%	55,878
PAYSON FIRE DEPARTMENT	3,368,710	3,354,601	1,128,774	1,170,918	9,023,003	2,255,751	0.090%	482,108
PAYSON POLICE DEPARTMENT	3,513,274	3,187,139	1,162,815	1,075,224	8,938,451	2,234,613	0.089%	477,591
PEORIA FIRE DEPARTMENT	25,835,634	26,450,574	8,608,128	9,557,281	70,451,617	17,612,904	0.701%	3,764,304
PEORIA POLICE DEPARTMENT	30,446,798	30,900,750	9,034,148	9,999,042	80,380,738	20,095,184	0.800%	4,294,827
PHOENIX FIRE DEPARTMENT	466,815,645	445,339,021	121,947,118	131,791,153	1,165,892,936	291,473,234	11.603%	62,294,878
PHOENIX POLICE DEPARTMENT	822,436,076	783,198,799	223,679,091	240,155,384	2,069,469,349	517,367,337	20.596%	110,573,909
PICTURE ROCKS FIRE DISTRICT	2,376,570	2,490,710	605,110	584,118	6,056,507	1,514,127	0.060%	323,606

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
PIMA COUNTY ATTORNEY INVESTIGATOR	1,206,415	1,232,461	185,895	200,402	2,825,173	706,293	0.028%	150,952
PIMA COUNTY COMM. COLLEGE POLICE	3,211,396	3,227,677	813,457	892,468	8,144,999	2,036,250	0.081%	435,196
PIMA COUNTY SHERIFF'S DEPARTMENT	109,459,716	103,498,857	15,090,658	16,498,146	244,547,377	61,136,844	2.434%	13,066,422
PIMA POLICE DEPARTMENT	238,927	255,558	57,396	69,746	621,626	155,407	0.006%	33,214
PINAL COUNTY SHERIFF'S DEPARTMENT	26,769,576	26,329,963	8,518,333	9,047,567	70,665,439	17,666,360	0.703%	3,775,728
PINE-STRAWBERRY FIRE DISTRICT	2,271,884	2,155,246	885,760	936,282	6,249,172	1,562,293	0.062%	333,900
PINETOP FIRE DISTRICT	2,384,885	2,508,909	967,302	1,109,574	6,970,671	1,742,668	0.069%	372,450
PINETOP-LAKESIDE POLICE DEPT.	1,175,470	1,070,267	335,565	420,479	3,001,781	750,445	0.030%	160,388
PINEWOOD FIRE DISTRICT	1,072,418	1,125,137	450,961	523,100	3,171,617	792,904	0.032%	169,463
PRESCOTT FIRE DEPARTMENT	12,738,184	11,728,297	3,340,655	3,698,564	31,505,700	7,876,425	0.314%	1,683,382
PRESCOTT POLICE DEPARTMENT	8,247,488	7,439,502	3,116,336	2,973,540	21,776,866	5,444,216	0.217%	1,163,561
PRESCOTT VALLEY POLICE DEPARTMENT	7,384,534	7,619,998	2,618,722	2,887,105	20,510,360	5,127,590	0.204%	1,095,890
QUARTZSITE FIRE DISTRICT	451,429	500,158	212,402	219,879	1,383,868	345,967	0.014%	73,942
QUARTZSITE POLICE DEPARTMENT	1,719,076	1,829,944	638,204	518,694	4,705,919	1,176,480	0.047%	251,442
QUEEN CREEK FIRE DEPARTMENT	754,785	941,463	573,721	819,123	3,089,092	772,273	0.031%	165,053
QUEEN VALLEY FIRE DISTRICT	84,839	104,525	46,103	57,916	293,382	73,346	0.003%	15,676
RINCON VALLEY FIRE DISTRICT	1,760,682	2,054,752	862,719	963,702	5,641,855	1,410,464	0.056%	301,450
RIO RICO FIRE DISTRICT	1,498,486	1,653,555	802,400	853,637	4,808,078	1,202,020	0.048%	256,901
RIO VERDE FIRE DISTRICT	1,941,501	2,179,135	791,651	897,095	5,809,381	1,452,345	0.058%	310,401
SAFFORD POLICE DEPARTMENT	2,868,023	2,768,944	1,022,546	1,109,811	7,769,323	1,942,331	0.077%	415,123
SAHUARITA POLICE DEPARTMENT	3,506,898	3,893,816	1,417,099	1,543,089	10,360,903	2,590,226	0.103%	553,594
SALT RIVER PIMA-MARICOPA FIRE	10,700,559	11,455,558	3,823,730	4,139,731	30,119,579	7,529,895	0.300%	1,609,321
SALT RIVER PIMA-MARICOPA POLICE	9,517,218	10,121,916	4,444,545	4,837,726	28,921,406	7,230,351	0.288%	1,545,301
SAN CARLOS TRIBAL POLICE DEPT.	1,184,259	1,460,991	401,283	556,862	3,603,395	900,849	0.036%	192,533
SAN LUIS FIRE DEPARTMENT	1,699,706	1,925,847	737,839	812,956	5,176,347	1,294,087	0.052%	276,578
SAN LUIS POLICE DEPARTMENT	2,879,071	2,863,734	991,870	1,064,065	7,798,740	1,949,685	0.078%	416,695
SANTA CRUZ COUNTY SHERIFF'S DEPT.	3,548,355	3,469,628	1,448,607	1,627,019	10,093,610	2,523,402	0.100%	539,312
SCOTTSDALE FIRE DEPARTMENT	22,047,759	24,358,878	15,328,485	16,519,139	78,254,260	19,563,565	0.779%	4,181,207
SCOTTSDALE POLICE DEPARTMENT	90,190,702	88,256,803	26,704,156	28,808,472	233,960,133	58,490,033	2.328%	12,500,734
SEDONA FIRE DISTRICT	9,329,118	9,646,788	3,418,842	3,626,513	26,021,261	6,505,315	0.259%	1,390,343

## OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
SEDONA POLICE DEPARTMENT	3,579,168	3,576,703	942,018	1,027,950	9,125,839	2,281,460	0.091%	487,603
SHOW LOW FIRE DISTRICT	2,395,508	2,753,116	1,239,095	1,219,698	7,607,417	1,901,854	0.076%	406,472
SHOW LOW POLICE DEPARTMENT	3,886,392	3,757,611	1,347,534	1,181,190	10,172,726	2,543,181	0.101%	543,539
SIERRA VISTA FIRE DEPARTMENT	8,984,550	8,774,198	1,978,906	2,281,080	22,018,733	5,504,683	0.219%	1,176,484
SIERRA VISTA POLICE DEPARTMENT	9,672,471	9,049,033	2,497,185	2,741,712	23,960,401	5,990,100	0.238%	1,280,229
SNOWFLAKE POLICE DEPARTMENT	1,210,308	1,203,466	426,240	407,491	3,247,505	811,876	0.032%	173,518
SOMERTON FIRE DEPARTMENT	1,311,340	1,371,805	523,539	584,920	3,791,604	947,901	0.038%	202,589
SOMERTON POLICE DEPARTMENT	1,849,968	1,892,388	653,019	684,929	5,080,305	1,270,076	0.051%	271,446
SONOITA ELGIN FIRE DEPARTMENT	260,660	321,429	146,432	179,947	908,468	227,117	0.009%	48,540
SOUTH TUCSON FIRE DEPARTMENT	1,122,755	1,055,915	329,121	286,637	2,794,427	698,607	0.028%	149,309
SOUTH TUCSON POLICE DEPARTMENT	34,422	(176,984)	418,871	443,713	720,023	180,006	0.007%	38,472
SPRINGVILLE POLICE DEPARTMENT	1,102,054	1,108,772	280,674	221,791	2,713,290	678,323	0.027%	144,974
ST. JOHNS POLICE DEPARTMENT	688,425	673,700	148,453	170,793	1,681,372	420,343	0.017%	89,837
SUMMIT FIRE DISTRICT	4,066,935	4,312,829	1,658,662	1,814,020	11,852,446	2,963,111	0.118%	633,289
SUN CITY FIRE DISTRICT	10,692,745	10,686,302	5,067,339	5,261,429	31,707,815	7,926,954	0.316%	1,694,182
SUN CITY WEST FIRE DISTRICT	8,931,481	8,883,900	3,110,298	3,445,234	24,370,913	6,092,728	0.243%	1,302,163
SUN LAKES FIRE DISTRICT	7,150,421	7,378,982	2,115,113	2,442,401	19,086,917	4,771,729	0.190%	1,019,834
SUN SITES PEARCE FIRE DISTRICT	176,766	209,471	106,410	136,201	628,848	157,212	0.006%	33,600
SUPERIOR POLICE DEPARTMENT	636,451	620,271	170,186	180,976	1,607,885	401,971	0.016%	85,911
SURPRISE FIRE DEPARTMENT	12,799,007	13,972,045	5,402,876	6,250,596	38,424,524	9,606,131	0.382%	2,053,062
SURPRISE POLICE DEPARTMENT	12,780,556	13,283,402	5,371,360	5,896,101	37,331,419	9,332,855	0.372%	1,994,657
TEMPE FIRE DEPARTMENT	52,305,439	50,021,046	11,364,683	12,475,725	126,166,893	31,541,723	1.256%	6,741,229
TEMPE POLICE DEPARTMENT	65,636,004	63,504,776	20,703,141	22,822,362	172,666,283	43,166,571	1.718%	9,225,740
THATCHER POLICE DEPARTMENT	1,650,426	1,589,633	444,632	526,341	4,211,032	1,052,758	0.042%	225,000
THREE POINTS FIRE DISTRICT	1,144,489	1,205,332	374,005	469,573	3,193,399	798,350	0.032%	170,627
TOHONO O'ODHAM NATION FIRE DEPT.	3,122,675	3,410,915	1,033,046	1,204,936	8,771,572	2,192,893	0.087%	468,674
TOHONO O'ODHAM NATION POLICE DEPT	10,158,959	10,625,827	1,881,644	2,121,423	24,787,852	6,196,963	0.247%	1,324,441
TOLLESON FIRE DEPARTMENT	3,852,437	3,990,672	1,950,302	2,153,607	11,947,018	2,986,755	0.119%	638,342
TOLLESON POLICE DEPARTMENT	2,754,961	2,654,513	1,169,071	1,211,323	7,789,868	1,947,467	0.078%	416,221
TOMBSTONE MARSHAL'S DEPARTMENT	480,326	503,660	176,289	194,047	1,354,322	338,581	0.013%	72,363

OPERATING INFORMATION

**SCHEDULE OF CHANGES IN EMPLOYER EARNINGS DISTRIBUTION**  
FISCAL YEAR ENDED JUNE 30, 2013

SYSTEM	2012 EMPLOYER RESERVE	2013 EMPLOYER RESERVE	2012 MEMBER RESERVE	2013 MEMBER RESERVE	COMBINED RESERVES	MEAN BALANCE	FACTOR	INVESTMENT EARNINGS
TONOPAH VALLEY FIRE DISTRICT	313,450	367,607	142,121	177,660	1,000,838	250,210	0.010%	53,476
TOWN OF SUPERIOR (FIRE DEPT)	248,808	277,638	101,197	105,241	732,885	183,221	0.007%	39,159
TRI-CITY FIRE DISTRICT	1,025,314	1,139,489	513,016	579,479	3,257,298	814,325	0.032%	174,041
TUBAC FIRE DISTRICT	2,198,878	2,395,477	905,567	1,055,108	6,555,030	1,638,757	0.065%	350,242
TUCSON AIRPORT AUTHORITY FIRE DPT	3,510,783	3,200,147	687,740	866,176	8,264,845	2,066,211	0.082%	441,599
TUCSON AIRPORT AUTHORITY POLICE	2,563,375	2,436,238	972,702	1,160,943	7,133,258	1,783,314	0.071%	381,137
TUCSON FIRE	140,805,248	126,548,755	28,855,196	30,819,172	327,028,371	81,757,093	3.255%	17,473,467
TUCSON POLICE	232,354,726	213,459,951	43,195,295	46,109,281	535,119,253	133,779,813	5.326%	28,591,981
U OF A CAMPUS POLICE DEPARTMENT	7,124,367	6,934,736	2,634,845	2,927,056	19,621,004	4,905,251	0.195%	1,048,371
VERDE VALLEY FIRE DISTRICT	3,540,465	3,712,031	1,243,864	1,252,504	9,748,864	2,437,216	0.097%	520,892
WELLTON POLICE	425,881	466,208	76,560	159,040	1,127,688	281,922	0.011%	60,254
WHETSTONE FIRE DISTRICT	134,322	164,863	79,016	102,762	480,963	120,241	0.005%	25,698
WICKENBURG FIRE DEPARTMENT	415,386	489,651	190,903	236,881	1,332,821	333,205	0.013%	71,214
WICKENBURG POLICE DEPARTMENT	1,470,596	1,531,626	548,175	532,738	4,083,134	1,020,784	0.041%	218,166
WILLCOX POLICE DEPARTMENT	1,270,439	1,296,206	359,808	328,344	3,254,796	813,699	0.032%	173,907
WILLIAMS POLICE DEPARTMENT	1,039,532	1,008,401	171,538	193,599	2,413,069	603,267	0.024%	128,933
WILLIAMSON VALLEY FIRE DISTRICT	153,919	177,910	89,612	109,857	531,298	132,824	0.005%	28,388
WINSLOW FIRE DEPARTMENT	4,874,376	4,727,288	167,607	195,712	9,964,984	2,491,246	0.099%	532,439
WINSLOW POLICE DEPARTMENT	3,471,142	3,401,377	1,007,852	1,113,839	8,994,211	2,248,553	0.090%	480,570
WITTMANN FIRE DISTRICT	278,711	347,810	159,327	211,248	997,095	249,274	0.010%	53,276
YAVAPAI CNTY ATTRNY INVESTIGATORS	47,364	16,299	0	0	63,662	15,916	0.001%	3,402
YAVAPAI COUNTY SHERIFF'S DEPT.	12,599,625	12,357,858	5,039,029	5,238,573	35,235,085	8,808,771	0.351%	1,882,647
YAVAPAI PRESCOTT TRIBAL POLICE	343,074	367,371	194,960	197,901	1,103,305	275,826	0.011%	58,951
YOUNGTOWN POLICE DEPARTMENT	735,881	587,270	194,319	124,653	1,642,124	410,531	0.016%	87,740
YUMA COUNTY SHERIFF'S DEPARTMENT	9,802,726	9,384,116	3,147,901	3,259,343	25,594,086	6,398,522	0.255%	1,367,519
YUMA FIRE DEPARTMENT	19,369,116	18,126,092	6,075,069	6,238,368	49,808,646	12,452,161	0.496%	2,661,328
YUMA POLICE DEPARTMENT	29,541,067	27,810,184	7,205,885	7,566,064	72,123,201	18,030,800	0.718%	3,853,618
<b>TOTALS</b>	<b>3,988,077,331</b>	<b>3,837,608,173</b>	<b>1,067,750,716</b>	<b>1,154,573,232</b>	<b>10,048,009,453</b>	<b>2,512,002,364</b>	<b>100.000%</b>	<b>536,875,642</b>

\*See Note 14.

OPERATING INFORMATION

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 PD PSPRS LOCAL BOARD  
 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 MARSHALL'S  
 CASA GRANDE FIRE DEPARTMENT  
 CASA GRANDE POLICE DEPARTMENT  
 CAVE CREEK MARSHALS  
 CENTRAL AZ. COLLEGE POLICE DEPT.  
 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 - FIRE  
 CITY OF MARICOPA (POLICE DEPT.)  
 CLARKDALE FIRE DISTRICT  
 CLARKDALE POLICE DEPARTMENT

PARTICIPATING EMPLOYERS

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  
 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  
 HELLSGATE FIRE DISTRICT  
 HIGHLANDS FIRE DISTRICT  
 HOLBROOK POLICE DEPARTMENT  
 HUACHUCA CITY POLICE DEPARTMENT  
 HUALAPAI INDIAN TRIBE POLICE DEPT  
 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  
 MAYER FIRE DISTRICT  
 MESA FIRE DEPARTMENT  
 MESA POLICE DEPARTMENT

OPERATING INFORMATION

PARTICIPATING EMPLOYERS

MIAMI FIRE DEPARTMENT - GONE  
 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  
 NORTHERN AZ. CONSOLIDATED FD #1  
 NORTHWEST FIRE DISTRICT  
 ORACLE FIRE DISTRICT  
 ORO VALLEY POLICE DEPT.  
 PAGE FIRE DEPARTMENT  
 PAGE POLICE DEPARTMENT  
 PALOMINAS FIRE DISTRICT  
 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.  
 PINWOOD 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 DEPT.  
 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  
 SPRINGVILLE POLICE DEPARTMENT  
 ST. JOHNS POLICE DEPARTMENT  
 SUMMIT FIRE DISTRICT  
 SUN CITY FIRE DISTRICT  
 SUN CITY WEST FIRE DISTRICT  
 SUN LAKES FIRE DISTRICT  
 SUN SITES PEARCE 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 DEPT.  
 TOHONO O'ODHAM NATION POLICE DEPT  
 TOLLESON FIRE DEPARTMENT  
 TOLLESON POLICE DEPARTMENT  
 TOMBSTONE MARSHAL'S DEPARTMENT  
 TONOPAH VALLEY 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  
 TUCSON POLICE  
 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  
 WITTMANN 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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