

***Arizona Corrections Officer
Retirement Plan***

Actuarial Valuation as of June 30, 2008

December 4, 2008

The Fund Manager
Arizona Corrections Officer Retirement Plan
Phoenix, Arizona

Re: Arizona Corrections Officer Retirement Plan

This report contains the consolidated results of the June 30, 2008 actuarial valuation of the Arizona Corrections Officer Retirement Plan. The valuations determine the 2009/2010 Fiscal Year employer contribution requirements and the June 30, 2008 actuarial present values associated with the Plan.

Participant data was provided by your Administrator. This data has been reviewed for reasonableness, but no attempt has been made to audit such information. Financial information was taken from the June 30, 2008 information submitted by your Administrator.

The valuations were based on the provisions of the Arizona Corrections Officer Retirement Plan as amended through June 30, 2008. The valuations were made in accordance with generally accepted actuarial principals and practices.

Respectfully submitted,



Sandra W. Rodwan
Member, American Academy of Actuaries

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Section One:
Valuation Summary



Purpose of Valuation

The purpose of the annual actuarial valuation of the Arizona Corrections Officer Retirement Plan as of June 30, 2008 is to:

- ❖ Compute the liabilities associated with benefits likely to be paid on behalf of current retired and active members. This information is contained on page 9.
- ❖ Compare accrued assets with accrued liabilities to assess the funded condition. This information is contained on pages 8, 9 and 11.
- ❖ Compute the employers' recommended contribution rates for the Fiscal Year beginning July 1, 2009. This information is contained on page 6 and 12.

This objective is stated in Article 4, Chapter 5, Title 38, Sections 843B and 848N of the Arizona Revised Statutes.

Liabilities and Funded Condition of Retirement Plan

Accrued liabilities of the Retirement Plan as of June 30, 2008, were computed to be \$1,390,363,342. The funding value of accrued assets was \$1,207,026,191. The ratio of the funding value of accrued assets to accrued liabilities was 86.8%.

Funding Value of Assets

A smoothed market value of assets was used for the June 30, 2008 valuation. This method spreads the difference between actual and expected investment return over seven years. Prior to the June 30, 2003 valuation, the difference was spread over four years.

Aggregate Computed Contribution Rate

Contribution rates are computed individually for each participating unit. In the aggregate, the normal cost contribution rate was computed to be 14.51% of member payroll. Deducting member contributions of 8.41% of payroll resulted in an aggregate employer normal cost of 6.10% of payroll.

The excess of accrued liabilities over accrued assets produced a 28-year level percent of payroll amortization payment of 1.39% of payroll.

The aggregate net employer contribution for FY 2009/2010 was therefore computed to be 7.49% of payroll. After the application of the minimum contribution required for each unit by Statute, the aggregate net employer contribution is 8.38% of payroll.

Retirement Plan Experience

Experience of the Retirement Plan during the year ended June 30, 2008 was less favorable than assumed. The primary sources of unfavorable experience were the recognized rate of investment return (based on the smoothed market value of assets) which was less than assumed, salary increases which were greater than assumed, and the rates of retirement during the year.

Benefit Provision Changes

The ordinary disability benefit was extended to non-dispatchers pursuant to HB 2117 of 2008. Effective with the first pay period ending after 9/26/2008, non-dispatcher members contribute 8.41% until the Plan is 100% funded. When 100% funded, the contribution rate goes back to 7.96% for non-dispatchers.

Assumption and Method Changes

There were no changes in assumptions or actuarial cost methods in this valuation.

Participant Data

| | <u>6/30/2008</u> | <u>6/30/2007</u> |
|----------------------------|------------------|------------------|
| Active Members | 14,716 | 12,780 |
| Active Member Payroll | \$642,621,478 | \$515,427,641 |
| Retirees and Beneficiaries | 2,428 | 2,123 |
| Annual Pensions | \$51,062,647 | \$42,666,000 |

Financial Data

| | <u>6/30/2008</u> | <u>6/30/2007</u> |
|---------------------------|------------------|------------------|
| Smoothed Valuation Assets | \$1,247,659,869* | \$1,000,552,139* |
| Market Value of Assets | \$1,141,587,845 | \$1,012,937,536 |

** The net smoothed value of assets used for the valuation after deducting the Future Benefit Increase Reserve was \$1,207,026,191 in 2008 and \$940,126,078 in 2007.*

Comments, Recommendations and Conclusion

Comment 1: This report contains the consolidated results of the individual actuarial valuations of the 24 units in the Arizona Corrections Officer Retirement Plan as of June 20, 2008. The aggregate results are indicative of the overall condition of the Retirement Plan. The condition of each unit, however, is dependent upon its particular experience and characteristics.

Of the 24 units, 8 had accrued valuation assets in excess of actuarial accrued liabilities. The amount of this excess was amortized over a period of 20 years and applied as a temporary credit to the employer normal cost contribution rate. In the remaining 16 units, unfunded actuarial accrued liabilities were amortized over a 28-year period and added to the normal cost to produce the total employer contribution rate.

There were three new units included in this valuation. The addition of the Office of the Courts Probation Officers added 2,257 active members plus 80 members who retired during FY 2007/2008. The total aggregate employer contribution rate excluding this group would have been 8.57% instead of 7.49%, and the total aggregate employer contribution rate with the statutory minimum would have been 8.87% instead of 8.38%.

Comment 2: The aggregate experience of the Retirement System during the year ended June 30, 2008, was less favorable than expected based upon the long-term assumptions. Salary increases were greater than assumed and the rate of retirements was greater than assumed. The negative investment experience during the year was partially offset by the drop-off of the large carry-forward of negative experience from FY 2000/2001 in the smoothed funding value of assets.

Comment 3: The smoothed market value used for the valuation spreads differences between the assumed and actual investment return over 7 years. This method is unchanged from last year. Carry-forwards of the FY 2007/2008 investment loss will be recognized annually through FY 2013/2014.

Comment 4: It is important to note that the funding credits are not expected to continue indefinitely and are likely to decrease over the short term. ***For long-term budgeting, the employer normal cost should be viewed as the minimum annual cost.*** The normal cost is computed separately for each unit. In the aggregate, the employer normal cost has been computed to be 6.10% of payroll.

Comment 5: The June 30, 2008 annual actuarial valuation includes the Stabilization Reserve Account established by legislation enacted in 2006 and included for the first time in the June 30, 2007 valuation. One-half of increases (if any) in the excess of accrued assets over accrued liabilities for an employer are allocated to the Stabilization Reserve Account for that employer to be available to offset a portion of any future unfunded actuarial accrued liability. Five units had a Stabilization Reserve Account as of June 30, 2008. The total amount was \$12,348,702. The Stabilization Reserve Accounts were excluded from the computation of the employer contribution rates.

Conclusion: The decrease in the computed aggregate contribution rate and the increase in the funded ratio are largely attributable to the addition of a large new group. It is important to note that in the absence of investment return in excess of the assumed rate or favorable experience in other areas such as rates of salary increase or retirements, it is likely that employer contribution rates will increase in the future.



Section Two:
***Actuarial Calculations –
Funding***



Contribution Requirements – 2009/2010 Fiscal Year

Member: 8.41% of covered compensation in the aggregate.

Employer: The aggregate computed contribution rate before application of the statutory minimum was 7.49% of covered compensation, consisting of 6.10% for normal cost, 1.39% for amortization of unfunded actuarial accrued liability as a level percent of payroll.*

Components of Computed Normal Cost

| | Percents of Covered Compensation |
|---|---|
| Normal cost requirement | |
| Service pensions | 10.65% |
| Disability pensions | 0.69 |
| Survivors of active members | 1.15 |
| Refunds of members' accumulated contributions | 1.59 |
| Health insurance | <u>0.43</u> |
| Total normal cost requirement | 14.51% |
| Less member contribution | <u>8.41</u> |
| Employer normal cost requirement | 6.10% |

**In the aggregate, actuarial accrued liability, \$1,390,363,342, exceeded the funding value of accrued assets, \$1,207,026,191. Of the 24 units, 8 had assets in excess of accrued liabilities and 16 had unfunded accrued liabilities. The excess was amortized as a level percent of payroll over 20 years and applied as a credit to the employer normal cost. The unfunded actuarial accrued liabilities were amortized over 28 years and added to the employer normal cost.*

These contribution rates are prior to the minimum rate established for each unit by the State Legislature. The total aggregate computed contribution after application of the minimum is 8.38 % of payroll. Please refer to the note on page 7.

Note: The normal cost should be viewed as the minimum long-term ongoing cost.

Computed Employer Contribution Requirements

| Valuation Date: <u>June 30</u> | <u>Normal Cost</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Total</u> |
|---|---------------------------|--|---------------------|
| 1990 | 5.74% | 0.42% | 6.16% |
| 1995 | 7.18 | (0.25) | 6.93 |
| 1996 | 7.23 | (0.60) | 6.63 |
| 1997 | 6.94 | (0.96) | 5.98 |
| 1998 | 6.92 | (1.78) | 5.14 |
| 1999 | 4.92 | (3.04) | 1.88 |
| 2000* | 4.90 | (3.75) | 1.15 |
| 2001* | 5.79 | (4.08) | 1.71 |
| 2002* | 6.79 | (2.84) | 3.95 |
| 2003* | 5.74 | (1.67) | 4.07 |
| 2004* | 6.05 | (0.58) | 5.47 |
| 2005* | 6.53 | 0.48 | 7.01 |
| 2005# | 4.64 | (0.18) | 4.46 |
| 2006* | 6.07 | 0.65 | 6.72 |
| 2007(b) | 5.92 | 1.51 | 7.43 |
| 2007(a) | 7.10 | 1.55 | 8.65 |
| 2008 | 6.10 | 1.39 | 7.49 |

* *The computed contribution rates are before application of the minimum rates established by the Legislature.*

The minimum rate is 2% for fiscal years beginning with 2001/2002, 4% for the 2005/2006 fiscal year 5% for the 2006/2007 fiscal years beginning and 6% for the fiscal years beginning with 2007/2008. For any employer whose actual contribution rate is less than 5% for the 2006/2007 Fiscal Year, that employer's contribution rate will not be subject to the 6% minimum. Instead, such an employer's contribution rate for the 2006/2007 Fiscal Year, and for each year thereafter, shall be at least 5% and not more than that employer's actual contribution rate.

Revised pursuant to changes enacted by the 2006 Legislature and the CORP Fund Manager.

(b) *Before changes in actuarial assumptions and methods.*

(a) *After changes in actuarial assumptions and methods.*

Actuarial Accrued Liability

The total contribution is made up of two parts, the normal cost and the amortization of the unfunded actuarial accrued liability. For 8 of the participating units, the valuation assets exceed the actuarial accrued liability so they have a credit against the normal cost. The remaining 16 units have a contribution greater than the normal cost to pay for a portion of the past service liability. The Legislature has established a policy of amortizing, or funding, the unfunded actuarial accrued liability as a level percent of payroll over a period of 30 years, 28 years remaining as of June 30, 2008. The excess was amortized over 20 years as a level percent of payroll and applied as a credit.

The aggregate actuarial accrued liability exceeds the valuation assets by \$183,337,151.

| | <u>June 30, 2008</u> |
|--|-----------------------------|
| Actuarial Accrued Liability | |
| Retired members and survivors | \$504,461,874 |
| Former members with vested benefits | 12,618,412 |
| Active members | <u>873,283,056</u> |
| Total | \$1,390,363,342 |
| Valuation Assets* | \$1,207,026,191 |
| Unfunded Actuarial Accrued Liability | 183,337,151 |
| Stabilization Reserve | 12,348,702 |
| Net Unfunded Actuarial Accrued Liability | \$195,685,853 |

** This amount excludes the \$40,633,678 in investment income reserve held for future pension increases pursuant to state statute.*

History of Assets and Accrued Liabilities

| Valuation Date <u>June 30</u> | Valuation <u>Assets</u> | Actuarial Accrued <u>Liabilities</u> | Funded <u>Ratio</u> | Unfunded Actuarial Accrued <u>Liabilities</u> | Financing <u>Period</u> |
|--|------------------------------------|---|--------------------------------|--|------------------------------------|
| 1987 | \$47,550 | \$68,932 | 69% | \$21,382 | 40 yrs |
| 1990 | 108,973 | 122,578 | 88.9 | 13,605 | 40 |
| 1995 | 265,006 | 254,189 | 104.3 | (10,817) | 34 |
| 1996 | 319,255 | 290,518 | 109.9 | (28,737) | 33 |
| 1997 | 393,904 | 355,590 | 110.8 | (38,314) | 20 |
| 1998 | 484,956 | 410,531 | 118.1 | (74,425) | 20 |
| 1999 | 592,152 | 443,676 | 133.5 | (148,476) | 20 |
| 2000 | 704,991 | 501,323 | 140.6 | (203,668) | 20 |
| 2001 | 776,177 | 554,387 | 140.0 | (221,790) | 20 |
| 2002 | 782,446 | 632,238 | 123.8 | (150,208) | 20 |
| 2003 | 811,791 | 709,298 | 114.4 | (102,493) | 20 |
| 2004 | 833,621 | 795,775 | 104.8 | (37,946) | 20 |
| 2005 | 872,981 | 906,025 | 96.4 | 33,044 | 20 |
| 2005# | 872,981 | 863,791 | 101.1 | (9,190) | 20 |
| 2006 | 919,868 | 981,208 | 93.7 | 61,340 | 30 |
| 2007(b) | 940,126 | 1,107,772 | 84.9 | 167,596 | 29 |
| 2007(a) | 940,126 | 1,110,801 | 84.6 | 170,675 | 29 |
| 2008 | 1,207,026 | 1,390,363 | 86.8 | 183,337 | 28 |

Dollar amounts in \$000.

Results shown throughout this report for years prior to 2001 were prepared by the previous actuarial firm.

Revised pursuant to changes enacted by the 2006 Legislature and the CORP Fund Manager.

(b) Before changes in actuarial assumptions and methods.

(a) After changes in actuarial assumptions and methods.

Aggregate Gain/Loss

| | <u>Year Ended June 30, 2008</u> |
|--|--|
| (1) UAAL ^a at start of year | \$170,674,932 |
| (2) Normal cost | 77,607,436 |
| (3) Funding method contributions | 97,632,464 |
| (4) Interest accrual | 13,656,305 |
| (5) Expected UAAL before changes | 164,306,209 |
| (6) Change from amendments (est.) | 10,000,000 |
| (7) Change from assumption and method revisions | None |
| (8) Expected UAAL after changes | 174,306,209 |
| (9) Actual UAAL | 183,337,151 |
| (9) Gain(Loss) | (9,030,942) |
| (10) Percent of AAL ^b | (0.8)% |

^a Unfunded Actuarial Accrued Liability

^b Actuarial Accrued Liability at beginning of year.

In the aggregate, the experience during the year produced a net loss of \$9,030,942. The following are estimates of some of the gains and losses by source. It is important to note that these are estimates only. The absence of individual identifiers (e.g. social security numbers) in last year's data precluded tracking the actual experience by individual during the year.

Sources of gains/(losses):

| | |
|-------------------|----------------|
| Investment Return | \$(7,521,008) |
| Salary Increases | (2,005,408) |
| Other | <u>495,474</u> |
| Total | \$(9,030,942) |

Aggregate Actuarial Balance Sheet June 30, 2008

Actuarial Assets

| | | |
|---|--------------------|--------------------------------|
| Accrued Assets | | |
| Member accumulated contributions | \$296,317,101 | |
| Employer and benefit payment reserves | 885,904,422 | |
| Funding value adjustment | <u>65,438,346</u> | |
| Total accrued assets* | | \$1,247,659,869 |
| Prospective assets (computed value) | | |
| Member contributions | 340,013,233 | |
| Employer normal costs | 394,673,798 | |
| Employer unfunded actuarial accrued liability | <u>195,685,853</u> | |
| Total prospective assets | | <u>930,372,884</u> |
| Total Actuarial Assets | | <u><u>\$ 2,178,032,753</u></u> |

* Includes \$40,633,678 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$1,207,026,191.

Actuarial Present Values (Liability)

| | | |
|---|-------------------|-------------------------------|
| Pensions in payment status | | |
| Service pensions | \$422,968,684 | |
| Disability pensions | 16,481,065 | |
| Survivor pensions | 45,154,919 | |
| Health insurance | <u>19,857,206</u> | |
| Total benefit values | | \$504,461,874 |
| Prospective pension payments and refunds (future retirements) | | 1,564,172,541 |
| Prospective health insurance payments (future retirements) | | 56,415,958 |
| Reserve for future pension increases | | 40,633,678 |
| Stabilization reserve account | | <u>12,348,702</u> |
| Total Actuarial Present Values (Liability) | | <u><u>\$2,178,032,753</u></u> |

**Employer Contribution Requirements
2009/2010 Fiscal Year
Expressed as Percents of Covered Compensation**

| <u>Employer</u> | <u>Normal Cost</u> | <u>Amort of Unf. Act. Acc. Liab. UAAL*</u> | <u>Total Computed Emp. Contrib.</u> | <u>Total Required Emp. Contrib.</u> |
|---|------------------------|--|---|---|
| Administrative Office of the Courts Probation Officers | 2.04% | (1.35)% | 0.69% | 6.00% |
| Apache County Corrections Officers | 7.66 | 0.81 | 8.47 | 8.47 |
| Cochise County Corrections Officers | 6.33 | 0.96 | 7.29 | 7.29 |
| Coconino County Corrections Officers | 7.11 | (0.33) | 6.78 | 6.78 |
| Department of Corrections | 7.10 | 2.09 | 9.19 | 9.19 |
| Department of Juvenile Corrections | 7.11 | 1.30 | 8.41 | 8.41 |
| Gila County Corrections Officers | 6.90 | 0.11 | 7.01 | 7.01 |
| Gila County Dispatchers | 4.23 | 1.38 | 5.61 | 5.61 |
| Graham County Corrections Officers | 6.67 | (0.14) | 6.53 | 6.53 |
| Graham County Dispatchers | 3.86 | (2.22) | 1.64 | 5.00 |
| Maricopa County Corrections Officers | 6.63 | 2.02 | 8.65 | 8.65 |
| Mohave County Corrections Officers | 6.56 | (2.80) | 3.76 | 5.00 |
| Navajo County Corrections Officers | 7.21 | (0.25) | 6.96 | 6.96 |
| Pima County Corrections Officers | 6.87 | 2.78 | 9.65 | 9.65 |
| Pinal County Corrections Officers | 6.18 | 0.66 | 6.84 | 6.84 |
| Pinal County Dispatchers | 4.92 | 1.92 | 6.84 | 6.84 |
| Santa Cruz County Corrections Officers | 5.75 | (3.47) | 2.28 | 5.00 |
| Somerton Dispatchers | 4.25 | 4.80 | 9.05 | 9.05 |
| Town of Marana Dispatchers | 3.74 | 0.81 | 4.55 | 5.00 |
| Town of Oro Valley Dispatchers | 5.27 | 4.25 | 9.52 | 9.52 |
| Wickenburg Dispatchers | 9.11 | 3.19 | 12.30 | 12.30 |
| Yavapai County Corrections Officers | 6.52 | 1.41 | 7.93 | 7.93 |
| Yavapai County Dispatchers | 5.09 | 0.35 | 5.44 | 6.00 |
| Yuma County Corrections Officers | 6.47 | (0.56) | 5.91 | 5.91 |
| Totals | 6.10% | 1.39% | 7.49% | 8.38% |

* Twenty-eight years from July 1, 2008 (20 years credit).

Total Actuarial Accrued Liability – Valuation Assets

| Employer | (1) Actuarial Value of Assets | (2) Actuarial Acc. Liability | (3) Percent Funded (1)/(2) | (4) Unfunded AAL (2)-(1) | (5) Annual Covered Payroll | (4)/(5) |
|--|--|---|---|---|---|----------------|
| Administrative Office of the Courts | | | | | | |
| Probation Officers | \$205,281,974 | \$181,051,909 | 113.4% | \$(24,230,065) | \$110,623,732 | 0.0% |
| Apache County Corrections Officers | 1,189,066 | 1,322,708 | 89.9% | 133,642 | 798,548 | 16.7% |
| Cochise County Corrections Officers | 4,578,474 | 4,972,094 | 92.1% | 393,620 | 2,035,605 | 19.3% |
| Coconino County Corrections Officers | 4,030,514 | 3,854,127 | 104.6% | (176,387) | 3,230,049 | 0.0% |
| Department of Corrections | 688,803,228 | 833,803,459 | 82.6% | 145,000,231 | 341,320,153 | 42.5% |
| Department of Juvenile Corrections | 66,755,407 | 76,134,503 | 87.7% | 9,379,096 | 35,498,846 | 26.4% |
| Gila County Corrections Officers | 1,846,700 | 1,896,083 | 97.4% | 49,383 | 2,189,021 | 2.3% |
| Gila County Dispatchers | 1,214,315 | 1,415,791 | 85.8% | 201,476 | 755,451 | 26.7% |
| Graham County Corrections Officers | 1,207,810 | 1,191,203 | 101.4% | (16,607) | 711,404 | 0.0% |
| Graham County Dispatchers | 318,814 | 176,561 | 180.6% | (142,253) | 390,402 | 0.0% |
| Maricopa County Corrections Officers | 144,634,516 | 182,084,991 | 79.4% | 37,450,475 | 90,038,577 | 41.6% |
| Mohave County Corrections Officers | 4,581,742 | 3,278,559 | 139.7% | (1,303,183) | 2,876,277 | 0.0% |
| Navajo County Corrections Officers | 2,100,462 | 2,029,249 | 103.5% | (71,213) | 1,743,730 | 0.0% |
| Pima County Corrections Officers | 45,956,905 | 58,323,169 | 78.8% | 12,366,264 | 21,455,360 | 57.6% |
| Pinal County Corrections Officers | 11,063,981 | 12,745,535 | 86.8% | 1,681,554 | 12,229,488 | 13.7% |
| Pinal County Dispatchers | 945,198 | 1,335,706 | 70.8% | 390,508 | 980,770 | 39.8% |
| Santa Cruz County Corrections Officers | 1,898,222 | 1,422,552 | 133.4% | (475,670) | 831,787 | 0.0% |
| Somerton Dispatchers | 230,998 | 533,526 | 43.3% | 302,528 | 301,852 | 100.2% |
| Town of Marana Dispatchers | 351,435 | 440,578 | 79.8% | 89,143 | 536,422 | 16.6% |
| Town of Oro Valley Dispatchers | 1,026,134 | 1,666,353 | 61.6% | 640,219 | 729,262 | 87.8% |
| Wickenburg Dispatchers | 278,971 | 439,878 | 63.4% | 160,907 | 245,980 | 65.4% |
| Yavapai County Corrections Officers | 8,396,376 | 10,391,822 | 80.8% | 1,995,446 | 6,839,698 | 29.2% |
| Yavapai County Dispatchers | 445,714 | 488,821 | 91.2% | 43,107 | 598,257 | 7.2% |
| Yuma County Corrections Officers | 9,889,235 | 9,364,165 | 105.6% | (525,070) | 5,660,807 | 0.0% |
| Totals | \$1,207,026,191 | \$1,390,363,342 | 86.8% | \$183,337,151 | \$642,621,478 | 28.5% |

*Twenty-eight years from July 1, 2008 (20 years credit).



Section Three:

***Retirement Plan
Benefit Provisions***



Summary of Plan Provisions Valued and/or Considered

Normal Retirement (no reduction for age). A corrections officer may retire upon meeting one of the following age and service requirements:

- a) Any age with 20 (25 for dispatchers) or more years of credited service (effective August 9, 2001);
- b) Age 62 years with 10 or more years of credited service;
- c) A combination of age and credited service equal to 80 (effective July 1, 1995).

The amount of normal pension at 20 years of credited service is 50% of average monthly salary with 2% increments for every year over 20 years of credited service up to 25 years of credited service. With 25 or more years of credited service the accrual rate is 2.5% for each year. Maximum is 80% of average monthly salary.

Early Retirement: (reduction for age). No provision.

Vested Termination (deferred retirement): A member may be eligible for deferred retirement after completion of 10 or more years of credited service if member contributions are left on deposit in the plan. The amount of deferred pension is determined in the same manner as a normal retirement pension based on credited service, compensation and benefit provisions at the time of termination.

Disability Retirement. A member who is injured in the performance of his duties which totally and permanently prevent him from performing a reasonable range of duties in his department and was the result of either physical contact with an inmate, responding to a confrontational situation with an inmate or a job-related motor vehicle accident may be retired under accidental disability. A corrections officer who becomes incapacitated for any gainful employment, as the direct and proximate result of performance of duty as a corrections officer, may be retired by the fund manager under a total and permanent disability. The amount of pension for both types of disability is 50 percent of average monthly salary.

A member who has a total and permanent disability that prevents the performance of a reasonable range of duties in his department may be retired by the fund manager under an ordinary disability (non-duty related). The amount of the pension is a percentage of normal retirement benefit. The percentage based on credited service divided by 20 (25 for dispatchers).

Survivor Pensions: Payable to the eligible beneficiary of a retired corrections officer or an active corrections officer. An eligible beneficiary is a surviving spouse who was married to the retired or active corrections officer for at least two years. A surviving spouse's pension terminates upon death. The amount of a surviving spouse's pension is 80% of the pension being paid the deceased retired corrections officer and 40% (100% if duty-related) of the average monthly salary of the deceased active corrections officer. Eligible surviving children are paid equal shares of the pension which would have been payable to a surviving spouse if a surviving spouse pension is not being paid. If no pension is payable because of the death of an active member, a refund of twice the member's accumulated contributions is paid to the beneficiary.

Other Terminations. The member is paid a refund of accumulated member contributions, plus an additional amount if the member has at least five years of service credit. The additional amount is a percent, based on service credit, of the member contribution amount, ranging from 25% (with five years of service credit) to 100% (with 10 or more years of service credit).

Post-Retirement Adjustments. Pensions payable to retirees or beneficiaries who have been on the retirement rolls for at least two years or are age 55 or older and were on the retirement rolls on June 30 of the previous year may receive pension increases up to 4%. Increases are subject to the level of investment income earned.

Post-Retirement Health Insurance Subsidy: Payable on behalf of retired members and survivors who elect coverage provided by the state or participating employer. The amounts cannot exceed:

| Member Only | | With Dependents | | |
|-----------------------|-------------------|---------------------------|-----------------------|-------------------|
| Not Medicare Eligible | Medicare Eligible | All Not Medicare Eligible | All Medicare Eligible | One With Medicare |
| \$150 | \$100 | \$260 | \$170 | \$215 |

Member Contributions. 8.50 % of base salary. For Fiscal Years 2007/2008 and 2008/2009, the member contribution rate is 7.96% pursuant to legislation adopted in 2005. Effective after 9/26/2008, non-dispatcher members contribute 8.41% until the Plan is 100% funded.

Employer Contributions. Level percent of payroll normal cost plus 29 year amortization of unfunded actuarial accrued liability (20 year amortization for accrued assets in excess of accrued liabilities). The minimum employer contribution rate is 6% for fiscal years beginning with FY 2007/2008 (5% for units under 5% as of June 30, 2005 valuation).

Section Four:

***Actuarial Assumptions
And Methods***



Summary of Valuation Assumptions

Economic Assumptions

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.00% for inflation and 0.50% for other across-the-board increases, plus age-related merit and longevity.

Sample Annual Rates of Salary Increase

| Age | Across-the-Board | Merit and Longevity | Other | Total |
|------------|-------------------------|----------------------------|--------------|--------------|
| 20 | 5.00% | 3.0% | 0.5% | 8.50% |
| 25 | 5.00 | 3.0 | 0.5 | 8.50 |
| 30 | 5.00 | 2.6 | 0.5 | 8.10 |
| 35 | 5.00 | 1.1 | 0.5 | 6.60 |
| 40 | 5.00 | 0.2 | 0.5 | 5.70 |
| 45 | 5.00 | 0.2 | 0.5 | 5.70 |
| 50 | 5.00 | 0.2 | 0.5 | 5.70 |
| 55 | 5.00 | 0.1 | 0.5 | 5.60 |
| 60 | 5.00 | - | 0.5 | 5.50 |
| 65 | 5.00 | - | 0.5 | 5.50 |

Demographic Assumptions

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

Active Member Non-Disability Mortality Rates: RP 2000 Employees Mortality Table, male ages set forward 3 years and female ages set forward 3 years (first used for June 30, 2007 valuation).

| Sample Ages | Single Life Retirement Values | | | | | | | |
|-------------|---|----------|---|----------|--------------------------------|-------|--------------------------------|-------|
| | Retirees | | Active Members | | Retirees | | Active Members | |
| | Present Value of \$100 Monthly For Life | | Present Value of \$100 Monthly For Life | | Future Life Expectancy (Years) | | Future Life Expectancy (Years) | |
| | Men | Women | Men | Women | Men | Women | Men | Women |
| 20 | \$14,470 | \$14,548 | \$14,500 | \$14,563 | 57.08 | 60.55 | 59.11 | 63.24 |
| 25 | 14,353 | 14,456 | 14,399 | 14,478 | 52.19 | 55.61 | 54.22 | 58.30 |
| 30 | 14,181 | 14,321 | 14,253 | 14,357 | 47.29 | 50.67 | 49.34 | 53.38 |
| 35 | 13,945 | 14,134 | 14,060 | 14,191 | 42.45 | 45.78 | 44.52 | 48.50 |
| 40 | 13,618 | 13,870 | 13,795 | 13,961 | 37.65 | 40.92 | 39.75 | 43.67 |
| 45 | 13,153 | 13,504 | 13,431 | 13,650 | 32.90 | 36.12 | 35.03 | 38.90 |
| 50 | 12,585 | 13,012 | 12,929 | 13,225 | 28.39 | 31.42 | 30.38 | 34.20 |
| 55 | 11,927 | 12,377 | 12,239 | 12,648 | 24.16 | 26.89 | 25.81 | 29.61 |
| 60 | 11,028 | 11,578 | 11,317 | 11,875 | 20.00 | 22.58 | 21.38 | 25.14 |
| 65 | 9,924 | 10,610 | 10,072 | 10,821 | 16.09 | 18.55 | 17.11 | 20.81 |
| 70 | 8,634 | 9,454 | 8,570 | 9,552 | 12.54 | 14.82 | 13.29 | 16.93 |
| 75 | 7,206 | 8,156 | 7,305 | 8,485 | 9.42 | 11.50 | 10.57 | 14.13 |
| 80 | 5,741 | 6,748 | 6,284 | 7,613 | 6.81 | 8.62 | 8.77 | 12.22 |
| 85 | 4,394 | 5,348 | 6,095 | 7,438 | 4.80 | 6.27 | 8.42 | 11.69 |
| 90 | 3,338 | 4,221 | 6,084 | 7,341 | 3.43 | 4.64 | 8.30 | 11.30 |

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

Termination of Employment: Service-related rates,

Disability Rates: Age related rates.

The sample rates are as follows:

| Sample Ages | Years of Service | Percent of Active Members | |
|-------------|------------------|----------------------------|--------------------------|
| | | Separating Within the Year | Disabled Within the Year |
| All | 0 | 25.0% | (all years of service) |
| | 1 | 20.0 | |
| | 2 | 18.0 | |
| | 3 | 15.0 | |
| | 4 | 14.0 | |
| | 5-10 | 10.0 | |
| | 10 Plus | 4.0 | |
| 25 | All | | 0.04% |
| 30 | | | 0.04 |
| 35 | | | 0.05 |
| 40 | | | 0.07 |
| 45 | | | 0.08 |
| 50 | | | 0.10 |
| 55 | | | 0.10 |
| 60 | | | 0.15 |

Rates first used for June 30, 2007 valuation

Married assumption: 90%

Health subsidy utilization assumption: 80%

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

**Percent of Active Members Retiring Within Year
Following Attainment of Indicated service**

| Service | Percent of Active Members Retiring During Next Year |
|----------------|--|
| 20 | 30% |
| 21 | 30 |
| 22 | 25 |
| 23 | 25 |
| 24 | 25 |
| 25 | 40 |
| 26 | 40 |
| 27 | 30 |
| 28 | 15 |
| 29 | 15 |
| 30 | 30 |
| 31 | 30 |
| 32 | 65 |
| 33 | 65 |
| 34 | 100 |

Active members are eligible to retire at any age with 20 (25 for dispatchers) years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

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

Actuarial Method Used for the Valuation

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

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is the portion of the actuarial present value allocated to the current year. The normal cost is expected to increase as accrued service increases.

Actuarial Accrued Liability. The actuarial accrued liability is the portion of actuarial present value allocated to service rendered prior to the valuation date, including experience gains and losses. The actuarial accrued liability was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount would be amortized as level percent of payroll over a period of 28 years. If accrued valuation assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.



Section Five:
Valuation Data



Derivation of Funding Value of Pension Fund Assets
Values as of June 30

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------------|---------------|---------------|---------------|-----------------|
| Beginning of Year | | | | | |
| (1) Book Value | \$587,318,350 | \$615,695,876 | \$662,258,326 | \$744,246,872 | \$840,093,978 |
| (2) Market Value | 622,938,516 | 719,235,235 | 788,873,785 | 861,782,725 | 1,012,937,536 |
| (3) Funding Value* | 842,500,476 | 879,533,619 | 914,396,008 | 953,160,640 | 1,000,552,139 |
| End of Year | | | | | |
| (4) Market Value | 719,235,235 | 788,873,785 | 861,782,725 | 1,012,937,536 | 1,141,587,845 |
| (5) Net Addition to Assets, Excluding Investment Income | 5,408,517 | 3,792,355 | 8,710,956 | 6,304,716 | 196,100,356 |
| (6) Total Net Investment Income = (4) - (2) - (5) | 90,888,202 | 65,846,195 | 64,197,984 | 144,850,095 | (67,450,047) |
| (7) Projected Net Rate of Return | 9.00% | 8.75% | 8.50% | 8.50% | 8.50% |
| (8) Projected Investment Income = (7) x[(3) + .5 x (5)] | 76,068,426 | 77,125,107 | 78,093,876 | 81,286,605 | 93,381,197 |
| (9) Investment Income in Excess of Proj. | 14,819,776 | (11,278,912) | (13,895,892) | 63,563,490 | (160,831,244) |
| (10) Excess Investment Income Recognized* | | | | | |
| (10a) From Current Year =(9)/7 in 2003 and after | 2,117,111 | (1,611,273) | (1,985,127) | 9,080,499 | (22,975,892) |
| (10b) From One Year Prior | (5,079,052) | 2,117,111 | (1,611,273) | (1,985,127) | 9,080,499 |
| (10c) From Two Years Prior | (21,920,087) | (5,079,052) | 2,117,111 | (1,611,273) | (1,985,127) |
| (10d) From Three Years Prior | (20,801,893) | (21,920,087) | (5,079,052) | 2,117,111 | (1,611,273) |
| (10e) From Four Years Prior | 1,240,121 | (20,801,893) | (21,920,087) | (5,079,052) | 2,117,111 |
| (10 f) From Five Years Prior | | 1,240,121 | (20,801,893) | (21,920,087) | (5,079,052) |
| (10g) From Six Years Prior | | | 1,240,121 | (20,801,893) | (21,920,089) |
| (11) Change in Funding Value =(5) + (8) + (10) [a..g] | 37,033,143 | 34,862,389 | 38,764,632 | 47,391,499 | 247,107,730 |
| End of Year Values | | | | | |
| (12) Book Value | \$615,695,876 | \$662,258,326 | \$744,246,872 | \$840,093,978 | \$1,161,524,203 |
| (4) Market Value | 719,235,235 | 788,873,785 | 861,782,725 | 1,012,937,536 | 1,141,587,845 |
| (13) Preliminary Funding Value (3) + (11) | 879,533,619 | 914,396,008 | 953,160,640 | 1,000,552,139 | 1,247,659,869 |
| (14) Future Benefit Increase Reserve | 45,912,625 | 41,415,092 | 33,292,645 | 60,426,061 | 40,633,678 |
| (15) Funding Value (13) - (14) | 833,620,994 | 872,980,916 | 919,867,995 | 940,126,078 | 1,207,026,191 |
| (16) Funding Value Adjustment (15) - (12) | 217,925,118 | 210,722,590 | 175,621,123 | 100,032,100 | 45,501,988 |

* Four year recognition through June 30, 2002. Beginning with the June 30, 2003 valuation, seven year recognition was used for the current year. The remaining amount from the prior year is recognized over 6 years, from the second prior year over 5 years, from the third prior year over 4 years, from the fourth prior year over 3 years, from the fifth prior year over 2 years, and from the sixth prior year over 1 year.

Participant Summary

| <u>Pensions Being Paid</u> | <u>Number</u> | <u>Annual Pensions</u> | <u>Average Pensions</u> |
|----------------------------------|---------------|------------------------|-------------------------|
| Retired Members | | | |
| Service Pensions | 1,949 | \$43,829,121 | \$22,488 |
| Disability Pensions | <u>89</u> | <u>1,682,001</u> | 18,899 |
| Totals | 2,038 | 45,511,122 | 22,331 |
| Survivors | | | |
| Spouses | 351 | 5,073,011 | 14,453 |
| Children with Guardians* | <u>39</u> | <u>478,514</u> | 12,270 |
| Totals | 390 | 5,551,525 | 14,235 |
| Total Pensions Being Paid | 2,428 | \$51,062,647 | \$21,031 |

Averages

| | <u>Average Age</u> | <u>Average Service (Years)</u> | <u>Average Retirement Age</u> |
|--------------------|--------------------|--------------------------------|-------------------------------|
| Service | 63.1 | 19.1 | 57.2 |
| Disability | 53.6 | 9.6 | 44.8 |
| Spouse Beneficiary | 62.6 | 11.3 | 51.7 |

**Summaries of Retired Members and Survivors
June 30, 2008
Tabulated by Attained Age of Recipient**

| Attained Age | Service Annual No. Pensions | Disability Annual No. Pensions | Survivors Annual No. Pensions | Totals Annual No. Pensions |
|--------------------------|-----------------------------------|--------------------------------------|-------------------------------------|----------------------------------|
| Children w/ Guardians | \$ - | \$ - | 39 \$478,514 | 39 \$478,514 |
| 25-29 | | 2 32,036 | 3 40,054 | 5 72,090 |
| 30-34 | | 1 18,250 | 6 85,741 | 7 103,991 |
| 35-39 | 2 37,057 | 7 126,321 | 11 162,507 | 20 325,885 |
| 40-44 | 50 1,159,114 | 8 138,685 | 16 233,565 | 74 1,531,364 |
| 45-49 | 168 4,254,277 | 12 228,685 | 26 390,502 | 206 4,873,464 |
| 50-54 | 220 6,105,733 | 19 352,352 | 27 395,358 | 266 6,853,443 |
| 55-59 | 257 7,708,439 | 17 350,051 | 43 741,165 | 317 8,799,655 |
| 60-64 | 352 9,465,049 | 11 222,014 | 60 936,938 | 423 10,624,001 |
| 65-69 | 400 7,399,598 | 4 57,685 | 54 756,090 | 458 8,213,373 |
| 70-74 | 292 4,824,648 | 5 107,687 | 48 654,330 | 345 5,586,665 |
| 75-79 | 149 2,100,740 | 3 48,235 | 32 387,142 | 184 2,536,117 |
| 80 and Over | 59 774,466 | | 25 289,619 | 84 1,064,085 |
| Totals | 1,949 \$43,829,121 | 89 \$1,682,001 | 390 \$5,551,525 | 2,428 \$51,062,647 |

Pensions Being Paid

| Valuation Date June 30 | No. | Annual Pensions | % Incr. in Annual Pensions | Average Pension | Present Value of Pensions | |
|---------------------------------------|--------------|----------------------------|---|----------------------------|----------------------------------|----------------|
| | | | | | Total | Average |
| 1987 | 15 | \$ 103,522 | - % | \$6,901 | \$982,116 | \$65,474 |
| 1990 | 115 | 765,738 | 34.0 | 6,659 | 7,150,080 | 62,175 |
| 1995 | 435 | 3,456,705 | 27.5 | 7,946 | 34,140,660 | 78,484 |
| 1996 | 504 | 4,274,602 | 23.7 | 8,481 | 41,777,424 | 82,892 |
| 1997 | 598 | 5,305,705 | 24.1 | 8,872 | 52,028,400 | 87,004 |
| 1998 | 708 | 6,884,614 | 29.8 | 9,724 | 66,342,827 | 93,705 |
| 1999 | 825 | 9,642,797 | 40.1 | 11,688 | 89,514,713 | 108,503 |
| 2000 | 925 | 11,042,151 | 14.5 | 11,937 | 107,650,253 | 116,379 |
| 2001 | 1,040 | 13,446,069 | 21.8 | 12,929 | 124,247,094 | 119,468 |
| 2002 | 1,218 | 17,660,064 | 31.3 | 14,499 | 166,073,532 | 136,349 |
| 2003 | 1,363 | 21,653,042 | 22.6 | 15,886 | 201,489,450 | 147,828 |
| 2004 | 1,536 | 26,261,143 | 21.3 | 17,097 | 255,272,652 | 166,193 |
| 2005 | 1,733 | 31,329,225 | 19.3 | 18,078 | 332,199,210 | 191,690 |
| 2006 | 1,955 | 37,272,183 | 19.0 | 19,065 | 384,512,841 | 196,682 |
| 2007 | 2,123 | 42,666,000 | 14.5 | 20,097 | 430,172,373 | 202,625 |
| 2008 | 2,428 | 51,062,647 | 19.7 | 21,031 | 504,461,674 | 207,768 |

Retired Members and Survivors – By Employer

| <u>Employer</u> | <u>Retired Members</u> | | | | <u>Survivors</u> | | | <u>Totals</u> | |
|--|------------------------|------------------------|-------------------|------------------------|------------------|---------------|----------------------|---------------|------------------------|
| | <u>No.</u> | <u>Service</u> | <u>Disability</u> | | <u>No.</u> | <u>Child</u> | | <u>No.</u> | <u>Annual Pensions</u> |
| | | <u>Annual Pensions</u> | <u>No.</u> | <u>Annual Pensions</u> | | <u>Spouse</u> | <u>with Guardian</u> | | |
| Administrative Office of the Courts | 81 | \$3,083,375 | | | 1 | | | 82 | \$3,096,245 |
| Apache County Corrections Officers | 1 | 28,657 | 1 | \$14,267 | | | | 2 | 42,924 |
| Cochise County Corrections Officers | 17 | 209,517 | | | 4 | | 30,330 | 21 | 239,847 |
| Coconino County Corrections Officers | 1 | 19,200 | 1 | 17,747 | | | | 2 | 36,947 |
| Department of Corrections | 1,366 | 29,128,302 | 39 | 732,395 | 263 | 35 | 4,277,516 | 1,703 | 34,138,213 |
| Department of Juvenile Corrections | 113 | 2,881,459 | 2 | 26,326 | 24 | 1 | 345,681 | 140 | 3,253,466 |
| Gila County Corrections Officers | | | 1 | 15,123 | | | | 1 | 15,123 |
| Gila County Dispatchers | | | | | | | | - | - |
| Graham County Corrections Officers | 3 | 52,290 | | | | | | 3 | 52,290 |
| Maricopa County Corrections Officers | 223 | 5,176,548 | 20 | 398,534 | 35 | | 501,278 | 278 | 6,076,360 |
| Mohave County Corrections Officers | 5 | 73,335 | 2 | 30,492 | 2 | | 19,449 | 9 | 123,276 |
| Navajo County Dispatchers | 2 | 30,603 | | | | 1 | 10,428 | 3 | 41,031 |
| Pima County Corrections Officers | 90 | 2,146,912 | 19 | 375,966 | 13 | 1 | 208,809 | 123 | 2,731,687 |
| Pinal County Corrections Officers | 3 | 80,537 | | | | 1 | 13,306 | 4 | 93,843 |
| Pinal County Dispatchers | 2 | 46,902 | | | | | | 2 | 46,902 |
| Santa Cruz County Corrections Officers | 4 | 92,576 | | | | | | 4 | 92,576 |
| City of Somerton Dispatchers | | | | | | | | | |
| Town of Marana Dispatchers | | | | | | | | - | - |
| Town of Oro Valley Dispatchers | 2 | 61,392 | | | | | | 2 | 61,392 |
| Wickenburg Dispatchers | | | | | | 1 | 14,914 | 1 | 14,914 |
| Yavapai County Corrections | 21 | 362,229 | 3 | 52,464 | 5 | 1 | 94,220 | 30 | 508,913 |
| Yavapai Dispatchers | | | | | | | | | |
| Yuma County Corrections Officers | 15 | 355,287 | 1 | 18,687 | 1 | 1 | 22,724 | 18 | 396,698 |
| Totals | 1,949 | \$43,829,121 | 89 | \$1,682,001 | 351 | 39 | \$5,551,525 | 2,428 | \$51,062,647 |

Active Members Included in Valuation

Historical Schedule

| Valuation Date | Partic. Units | Active Members | Valuation Payroll (+000) | Average | | | |
|----------------|---------------|----------------|--------------------------|-------------|----------------|---------------|------------------------|
| | | | | Age (Yrs.) | Service (Yrs.) | Pay | % Increase in Avg. Pay |
| 6-30-87 | | 4,936 | \$102,910 | 38.0 | 3.5 | \$ 20,849 | - % |
| 6-30-90 | 11 | 6,478 | 136,693 | 37.8 | 4.4 | 21,101 | (2.0) |
| 6-30-95 | 12 | 8,365 | 198,603 | 38.2 | 5.3 | 23,742 | 4.6 |
| 6-30-96 | 12 | 8,945 | 224,686 | 38.0 | 5.2 | 25,119 | 5.8 |
| 6-30-97 | 12 | 9,728 | 249,203 | 38.1 | 5.3 | 25,617 | 2.0 |
| 6-30-98 | 12 | 9,571 | 261,700 | 38.2 | 5.5 | 27,343 | 6.7 |
| 6-30-99 | 12 | 10,901 | 305,478 | 37.8 | 5.2 | 28,023 | 2.5 |
| 6-30-00 | 12 | 11,290 | 339,440 | 38.1 | 5.3 | 30,066 | 7.3 |
| 6-30-01 | 12 | 11,047 | 339,783 | 38.1 | 5.6 | 30,758 | 2.3 |
| 6-30-02 | 12 | 10,464 | 330,428 | 38.7 | 6.0 | 31,578 | 2.7 |
| 6-30-03 | 15 | 10,964 | 358,161 | 38.8 | 6.0 | 32,667 | 3.4 |
| 6-30-04 | 18 | 11,583 | 381,942 | 38.7 | 6.0 | 32,974 | 0.9 |
| 6-30-05 | 19 | 11,752 | 404,156 | 39.6 | 6.0 | 34,390 | 4.3 |
| 6-30-06 | 21 | 11,914 | 437,744 | 39.3 | 6.2 | 36,742 | 6.8 |
| 6-30-07 | 21 | 12,780 | 515,428 | 39.0 | 6.0 | 40,331 | 9.8 |
| 6-30-08 | 24 | 14,716 | 642,621 | 39.6 | 7.0 | 43,668 | 8.3 |

**Active Members – June 30, 2008
Age and Service Distribution**

| Attained Age | Service | | | | | | | No. | Valuation Payroll |
|-----------------|--------------|--------------|--------------|--------------|------------|------------|-----------|---------------|----------------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | Over 30 | | |
| Under 20 | 70 | | | | | | | 70 | \$2,410,968 |
| 20-24 | 1,231 | 10 | | | | | | 1,241 | 44,828,679 |
| 25-29 | 1,838 | 364 | 4 | | | | | 2,206 | 85,604,003 |
| 30-34 | 1,288 | 807 | 201 | 2 | | | | 2,298 | 96,171,443 |
| 35-39 | 966 | 688 | 480 | 124 | 1 | | | 2,259 | 100,529,946 |
| 40-44 | 661 | 495 | 361 | 345 | 64 | 1 | | 1,927 | 88,720,845 |
| 45-49 | 537 | 374 | 295 | 264 | 170 | 18 | | 1,658 | 77,558,062 |
| 50-54 | 402 | 343 | 216 | 194 | 149 | 40 | 10 | 1,354 | 64,537,474 |
| 55-59 | 278 | 236 | 178 | 182 | 97 | 33 | 18 | 1,022 | 49,247,331 |
| 60-64 | 108 | 143 | 126 | 89 | 54 | 13 | 3 | 536 | 26,096,392 |
| 65-69 | 26 | 42 | 23 | 13 | 9 | 2 | | 115 | 5,496,357 |
| 70-74 | 12 | 3 | 2 | 4 | 3 | | | 24 | 1,179,083 |
| 75-79 | 1 | 2 | 1 | | | | 1 | 5 | 207,718 |
| 80-84 | | 1 | | | | | | 1 | 33,176 |
| Totals | 7,418 | 3,508 | 1,887 | 1,217 | 547 | 108 | 31 | 14,716 | \$642,621,477 |

Group Averages:

Age: 39.6 years
Service: 7.0 years
Annual Pay: \$43,668

Inactive Members as of June 30, 2008

| Attained Age | Service | | | | | | Total |
|-----------------|--------------|------------|------------|-----------|----------|-------|--------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | |
| Under 20 | 10 | | | | | | 10 |
| 20-24 | 270 | | | | | | 270 |
| 25-29 | 361 | 11 | | | | | 372 |
| 30-34 | 245 | 33 | 2 | | | | 280 |
| 35-39 | 206 | 23 | 13 | | | | 242 |
| 40-44 | 133 | 14 | 12 | 4 | | | 163 |
| 45-49 | 129 | 13 | 12 | 4 | 2 | | 160 |
| 50-54 | 95 | 8 | 26 | 5 | 2 | | 136 |
| 55-59 | 83 | 16 | 23 | 12 | 1 | | 135 |
| 60-64 | 56 | 7 | 15 | 7 | 1 | | 86 |
| 65-69 | 15 | 3 | 3 | | | | 21 |
| 70-74 | 4 | | | 1 | | | 5 |
| 75-79 | 1 | | | | | | 1 |
| Totals | 1,608 | 128 | 106 | 33 | 6 | | 1,881 |

Active Members – By Employer

| <u>Employer</u> | <u>No.</u> | <u>Annual Compensation</u> | Average Compensation | | Average | |
|---|-------------------|-----------------------------------|-----------------------------|------------------------|--------------------------|------------------------------|
| | | | <u>Amount</u> | <u>% Change</u> | <u>Age (Yrs.)</u> | <u>Service (Yrs.)</u> |
| Administrative Office of the Courts Probation Officers | 2,257 | \$110,623,732 | \$49,014 | | 40.9 | 9.8 |
| Apache County Corrections Officers | 24 | 798,548 | 33,273 | 22.0 | 38.9 | 5.3 |
| Cochise County Corrections Officers | 62 | 2,035,605 | 32,832 | 10.0 | 38.7 | 6.4 |
| Coconino County Corrections Officers | 87 | 3,230,049 | 37,127 | 5.0 | 33.5 | 4.4 |
| Department of Corrections | 7,889 | 341,320,153 | 43,265 | 6.1 | 40.7 | 7.0 |
| Department of Juvenile Corrections | 871 | 35,498,846 | 40,756 | 4.0 | 10.3 | 5.6 |
| Gila County Corrections Officers | 63 | 2,189,021 | 34,746 | 9.3 | 44.2 | 3.7 |
| Gila County Dispatchers | 21 | 755,451 | 35,974 | 16.2 | 42.7 | 7.8 |
| Graham County Corrections Officers | 20 | 711,404 | 11,292 | (0.3) | 36.5 | 4.8 |
| Graham County Dispatchers | 13 | 390,402 | 30,031 | 5.2 | 31.1 | 3.2 |
| Maricopa County Corrections Officers | 2,052 | 90,038,577 | 43,878 | 5.7 | 36.5 | 5.8 |
| Mohave County Corrections Officers | 85 | 2,876,277 | 33,839 | 4.5 | 35.6 | 3.8 |
| Navajo County Corrections | 56 | 1,743,730 | 31,138 | 4.5 | 40.5 | 4.1 |
| Pima County Corrections Officers | 515 | 21,455,360 | 41,661 | 1.9 | 35.3 | 6.2 |
| Pinal County Corrections Officers | 258 | 12,229,488 | 47,401 | 16.6 | 37.5 | 4.8 |
| Pinal County Dispatchers | 27 | 980,770 | 36,325 | 1.5 | 36.8 | 4.4 |
| Santa Cruz County Corrections Officers | 25 | 831,787 | 33,271 | (0.3) | 32.3 | 3.2 |
| Somerton Dispatchers | 10 | 301,852 | 30,185 | | 28.7 | 6.8 |
| Town of Marana Dispatchers | 12 | 536,422 | 44,702 | 6.8 | 40.3 | 5.6 |
| Town of Oro Valley Dispatchers | 16 | 729,262 | 45,579 | (0.2) | 40.5 | 6.9 |
| Wickenburg Dispatchers | 6 | 245,980 | 40,997 | 10.8 | 53.2 | 5.4 |
| Yavapai County Corrections | 178 | 6,839,698 | 38,425 | 4.2 | 39.1 | 4.2 |
| Yavapai County Dispatchers | 17 | 598,257 | 35,192 | | 31.8 | 3.2 |
| Yuma County Corrections Officers | 152 | 5,660,807 | 37,242 | 5.3 | 31.2 | 4.3 |
| Totals | 14,716 | \$642,621,478 | \$43,668 | 8.3 | 39.6 | 7.0 |

Section Six:
Accounting Disclosures



GASB Statement No. 25 Supplementary Information

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

| | |
|--------------------------------|---|
| Valuation Date: | June 30, 2008 |
| Actuarial Cost Method: | Projected Unit Credit |
| Amortization method: | Level Percent closed |
| Remaining amortization period: | 28 years for unfunded actuarial accrued liability, 20 years for excess. |
| Asset valuation method: | Smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 8.50% |
| Projected salary increases | 5.50-9.00% |
| Includes inflation at | 5.00% |

Membership data as of June 30, 2008, is indicated in Section Five of this report.

Analysis of Funding Progress

| Valuation Date <u>June 30</u> | (1) Valuation Value of <u>Assets</u> | (2) Actuarial Accrued <u>Liability</u> | (3) Percent Funded <u>(1)/(2)</u> | (4) Unfunded AAL <u>(2)-(1)</u> | (5) Annual Covered <u>Payroll</u> | (6) UAAL As a % Of <u>Covered</u> <u>Payroll</u> |
|--|---|---|--|--|--|---|
| 1998 | \$484,955,951 | \$410,530,787 | 118.1% | \$(74,425,164) | \$261,700,318 | - |
| 1999 | 592,151,804 | 443,675,999 | 133.5 | (148,475,805) | 305,477,946 | - |
| 2000 | 704,990,577 | 501,322,987 | 140.6 | (203,667,590) | 339,439,892 | - |
| 2001 | 776,177,208 | 554,386,854 | 140.0 | (221,790,354) | 339,782,697 | - |
| 2002 | 782,445,913 | 632,237,814 | 123.8 | (150,208,099) | 330,427,800 | - |
| 2003 | 811,791,293 | 709,297,998 | 114.4 | (102,493,295) | 358,160,933 | - |
| 2004 | 833,620,994 | 795,774,862 | 104.8 | (37,846,132) | 381,942,220 | - |
| 2005 | 872,980,916 | 906,025,039 | 96.4 | 33,044,123 | 404,155,903 | 8.18 |
| 2006 | 919,867,995 | 981,207,708 | 93.7 | 61,339,713 | 437,743,658 | 14.01 |
| 2007 | 940,126,081 | 1,110,801,013 | 84.6 | 170,674,932 | 515,427,641 | 33.11 |
| 2008 | 1,207,026,191 | 1,336,662,478 | 90.3 | 129,636,287 | 642,621,478 | 20.17 |

**Required Supplementary Information
Schedule of Employer Contributions**

| Year Ended June 30 | Annual Required Contribution | Percent Contributed |
|-------------------------------|---|--------------------------------|
| 1992 | \$ 9,492,656 | 100.0 |
| 1993 | 10,099,143 | 100.0 |
| 1994 | 10,032,668 | 100.0 |
| 1995 | 10,565,831 | 100.0 |
| 1996 | 14,371,254 | 100.0 |
| 1997 | 16,704,445 | 100.0 |
| 1998 | 17,063,015 | 100.0 |
| 1999 | 17,109,704 | 100.0 |
| 2000 | 16,876,163 | 100.0 |
| 2001 | 14,927,396 | 100.0 |
| 2002 | 7,101,111 | 100.0 |
| 2003 | 7,397,596 | 100.0 |
| 2004 | 14,555,335 | 100.0 |
| 2005 | 16,291,914 | 100.0 |
| 2006 | 24,028,050 | 100.0 |
| 2007 | 24,622,693 | 100.0 |
| 2008 | 45,932,170 | 100.0 |
| 2009 | 58,657,464 | |

Actual required contribution dollar amount will be based on the recommended contribution rate and the actual pensionable payroll for the period.

Trend Information

| Year Ended June 30 | Annual Pension Cost | Percent Contributed | Net Pension Obligation |
|-------------------------------|--------------------------------|----------------------------|-----------------------------------|
| 1995 | \$10,565,831 | 100.0 | 0 |
| 1996 | 14,371,254 | 100.0 | 0 |
| 1997 | 16,704,445 | 100.0 | 0 |
| 1998 | 17,063,015 | 100.0 | 0 |
| 1999 | 17,109,704 | 100.0 | 0 |
| 2000 | 16,897,163 | 100.0 | 0 |
| 2001 | 14,927,396 | 100.0 | 0 |
| 2002 | 7,101,111 | 100.0 | 0 |
| 2003 | 7,397,596 | 100.0 | 0 |
| 2004 | 14,555,335 | 100.0 | 0 |
| 2005 | 16,291,914 | 100.0 | 0 |
| 2006 | 24,028,050 | 100.0 | 0 |
| 2007 | 24,622,693 | 100.0 | 0 |
| 2008 | 45,932,170 | 100.0 | |

GASB Statement 45 Supplementary Information

The following information is presented concerning the post-retirement health insurance subsidy.

The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement 25.

Actuarial Accrued Liability

| Valuation Date <u>June 30</u> | (1) Valuation Value of <u>Assets</u> | (2) Actuarial Accrued <u>Liability</u> | (3) Percent Funded <u>(1)/(2)</u> | (4) Unfunded AAL <u>(2)-(1)</u> | (5) Annual Covered <u>Payroll</u> | (6) UAAL As a % Of Covered <u>Payroll</u> |
|--|---|---|--|--|--|--|
| 2006 | \$0 | \$45,454,331 | 0.00% | \$45,454,331 | \$437,743,658 | 10.4% |
| 2007 | 0 | 48,990,212 | 0.00% | 48,990,212 | 515,427,641 | 9.5 |
| 2008 | 0 | 53,700,864 | 0.00% | 53,700,864 | 642,621,478 | 8.4 |

Annual Required Contribution

| Fiscal Year Ended <u>June 30</u> | Valuation Date <u>June 30</u> | (1) Normal <u>Cost</u> | (2) Actuarial Accrued <u>Liability</u> | (3) Total <u>(1) + (2)</u> | (4) <u>Dollar Amount</u> |
|---|--|---|---|---|---|
| 2007 | 2005 | 0.59% | 0.59% | 1.18% | \$5,742,051 |
| 2008 | 2006 | 0.43 | 0.41 | 0.84 | \$5,398,020 |

Health Insurance Subsidy Payments Reported for FY 07/08: \$2,073,245.

Note: GASB Statement No. 45 Supplementary Information is shown individually in the separate reports for each participating unit.