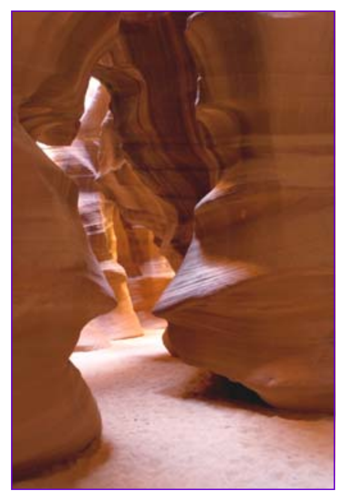
CORRECTIONS OFFICER RETIREMENT PLAN

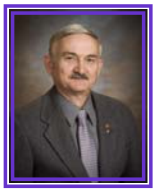
SUMMARY ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Brian Tobin
Chairman



Gregory Ferguson
Trustee

Photo Not Available

Lauren Kingry
Trustee

Alan Maguire
Trustee

Photo Not Available

Jeff McHenry
Trustee

Richard Petrenka
Trustee

Randy Stein
Trustee

BOARD OF TRUSTEES HIGHLIGHTS (BOARD AS OF JUNE 30, 2011)

- Brian Tobin, Chairman, was hired as a Phoenix Firefighter in 1983. He was elected to the United Phoenix Fire Fighters Association as a trustee in 1987. He has been elected to the Phoenix Fire Fighters Pension Board three times. He became Fire Captain in 1994, Battalion Chief in 2004, and Deputy Chief in 2007. *Term expires January 2013.*
- Greg Ferguson is a graduate of Arizona Western College and Northern Arizona University. He retired from the United States Marine Corps in 1994 after 26 years of service, including a tour in Vietnam. He has performed environmental work with the Yuma Proving Ground and the Arizona Department of Environmental Quality. He is currently serving on the Yuma County Board of Supervisors, where he has served as Chairman and Vice Chairman. *Term expires January 2012.*
- Lauren Kingry is the current Superintendent of the Arizona Department of Financial Institutions. He has also previously held CEO positions at Liberty Bank & Trust, Bank of Scottsdale and Valley Capital Bank. *Term expires January 2016.*
- Alan Maguire is a graduate of Arizona State University. He is the President and Principal Economist of The Maguire Company. He is past Chairman of the Arizona Town Hall, past chairman of the Arizona State Retirement System and previously served as the Economic Advisor to the Arizona State Senate. *Term expires January 2012.*
- Jeff McHenry has been a Tempe Police Officer since 1993, and a Police Sargeant since 2004. He is currently assigned to Patrol and is the President of the Tempe Officers Association. *Term expires January 2016.*
- Richard Petrenka is a graduate of Fairleigh Dickinson University. He served as Arizona Deputy State Treasurer for 16 years. He has also sat on the Boards of the State Water Infrastructure Finance Authority and Greater Arizona Development Authority. *Term expires January 2016.*
- Randie Stein, a graduate of the University of Arizona, has served as a member of the Senate Staff from 1989-1998. She also served as the Acting Executive Director of the Arizona School Facilities Board and was responsible for the initial implementation of the Students FIRST law. *Term expires January 2013.*

FISCAL YEAR HIGHLIGHTS

- The Corrections Officer Retirement Plan (CORP) had a total rate of return of 17.37% this year, which outperformed the benchmark by 1 basis point. Our equity portfolio had a return of 29.98%, which underperformed the equity benchmark by 131 basis points. Our fixed income portfolio had a return of 4.20%, which outperformed the fixed income benchmark by 30 basis points.
- As of June 30, 2011 the Future Benefit Increase Reserve was sufficient to enable a post-retirement adjustment of 3.43% for qualifying retirees or their survivors beginning on July 1, 2011. After this adjustment, the Reserve has been depleted.
- Retirement benefits paid totaled $76.4 million for the current year, compared to $64.0 for the previous year. This represents a 19.2% increase from the prior year.
- Although the FY2011 actual level of administrative spending exceeded the budgeted amount, the excess was the result of the cost of unexpected actuarial projection work that had to be done to facilitate the passage of SB 1609, the cost for replacement of air-conditioning units, and the costs associated with a number of lawsuits, including one involving the System's former Administrator whose pension benefit payments have significantly exceeded what the System's administration believes was allowable.
- The System's IT Program Development staff in conjunction with the System's Finance and Accounting staff worked closely with Wells Fargo Bank to plan for a smooth transition of the monthly benefit payroll process from in-house to the Bank, using the Wells Fargo Payment Manager Plus function. The Program Development staff has also been developing programming and processing changes associated with the Plan benefit changes and modifications made necessary by SB 1609.
- The System's IT Operations staff has continued to reduce the number of physical servers through increased use of "virtualization" in the System's production environment. The IT Operations staff also implemented a new switching infrastructure that has increased performance and the stability of the System's network and will facilitate a smooth implementation of a new phone system.

NEW INITIATIVES FOR FY2012

- Filling a number of new or vacant staffing positions, including one for a Deputy Administrator and an in-house Investment Counsel.
- Preparing the GRS actuaries and staff in case any of SB 1609's provisions are successfully challenged in court and the System has to refund contributions to members or "undo" actions taken in conformance with the new law's requirements.
- Completing, through the Wells Fargo Payment Manager Plus capability, the out-sourcing of the monthly PSPRS beneficiary payroll and planning for the assumption by Wells Fargo of other processes such as the refund and year-end 1099 processes.

MESSAGE FROM THE ADMINISTRATOR

Jim Hacking
Administrator

Dear Members,

I am pleased to present the CORP Summary Annual Financial Report for the fiscal year ended June 30, 2011. This report provides financial information about the Plan's financial status, investment performance, and highlights significant changes that occurred during the year. The information in this report is derived from the Comprehensive Annual Financial Report (CAFR). To view the full CAFR, please refer to the last page of this report.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement system on a sound actuarial reserve basis involves the accumula-tion 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 CORP is funded by a statutory participant contribution rate of 8.41% of gross payroll for those participants to whom was extended ordinary disability benefit protection in FY2008 and a contribution rate of 7.96 % for all other participants in the Plan. The Plan's additional funding comes primarily from employer contributions, expressed as a level percent of gross payroll and is reset annually, depending on the results of the Plan's actuarial valuation and from 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 CORP had been declining for six out of the last seven years through FY2007. Following modest improvement in FY2008, the funding ratio started to deteriorate again in FY2009; this trend continued during FY2010 and FY2011, with the ratio falling to 73.0%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY2008 and FY2009 negative rates of return are yet to be reflected in the funding ratio of the CORP; therefore, the expectation is that the funding ratio will deteriorate further in the future.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the current aggregate rate for the contributing employers is 9.50%. The aggregate rate that will take effect on July 1, 2012 will be 11.31%. Further decline in the Plan's funding ratio will cause employer rates to rise even further.

ENACTED LESISLATION

During FY2011, the State Legislature approved, and the Governor signed, two bills that were of significance; one was of great significance. The first was SB 1317 which made many administrative, technical and clarifying changes to the PSPRS, CORP and EORP statutes. These include provisions that reconcile all the different local board reporting requirements, including Title 12, with Title 38 to ensure consistency with notification requirements to the System.

The second bill, SB1609, made many changes to current PSPRS, CORP and EORP statutes; these changes are intended to strengthen the financial status of the underfunded Plans. Among other things, SB 1609 prohibited any new in-flows of assets to the Reserves of the Plans administered by PSPRS. It also replaced the old post-retirement adjustment formulas for the Plans with a new one (effective July 1, 2013) that will provide adjustments only periodically, not annually. Finally, it reduced benefits for "new hires" in all three Plans.

SUMMARY

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

Respectfully submitted,

James M. Hacking
Administrator

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

Net assets are the resources available to pay pension benefits in the future. Net assets increased $191.0 million in fiscal year 2011.

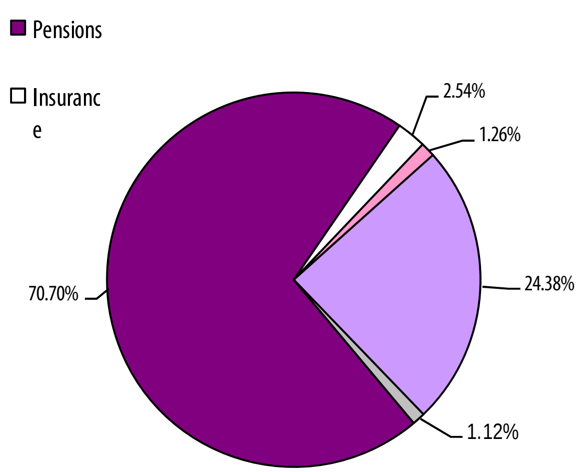
ASSET CATEGORY	YEAR ENDED JUNE 30, 2011	YEAR ENDED JUNE 30, 2010	AMOUNT OF CHANGE	PERCENT CHANGE
Cash and Short-Term Investments	$ 29,168,545	$ 12,494,835	$ 16,673,710	133.44%
Total Receivables	5,620,985	18,943,401	(13,322,416)	(70.33)%
Total Investments	1,278,722,303	1,092,448,589	186,273,714	17.05%
Securities Lending Collateral	90,201,160	120,324,821	(30,123,661)	(25.04)%
Net Capital Assets	646,649	675,362	(28,713)	(4.25)%
Total Plan Assets	**1,404,359,642**	**1,244,887,008**	**159,472,634**	**12.81%**
Accrued Accounts Payable	1,833,212	1,813,876	19,336	1.07%
Investment Purchases Payable	8,527,478	9,959,008	(1,431,530)	(14.37)%
Securities Lending Collateral	90,201,160	120,324,821	(30,123,661)	(25.04)%
Total Plan Liabilities	**100,561,850**	**132,097,705**	**(31,535,855)**	**(23.87)%**
Net Assets	**$ 1,303,797,792**	**$ 1,112,789,303**	**$ 191,008,489**	**17.16%**

SUMMARY COMPARATIVE STATEMENTS OF CHANGE IN PLAN NET ASSETS

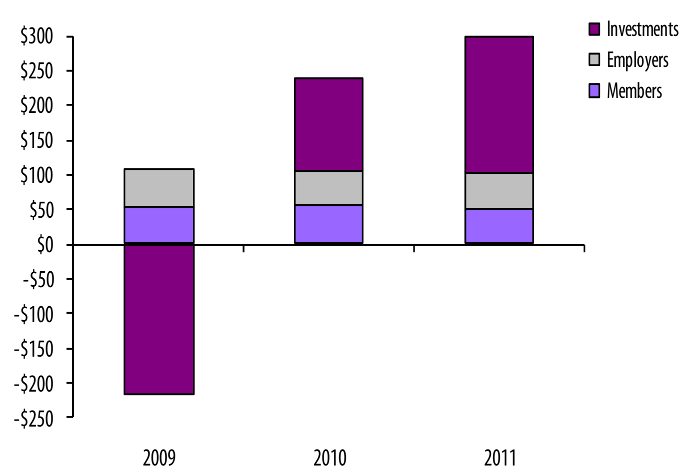
Changes in Net Assets summarize the income and expense components of the plan. Net Investment income increased $63.9 million in fiscal year 2011.

ASSET CATEGORY	YEAR ENDED JUNE 30, 2011	YEAR ENDED JUNE 30, 2010	AMOUNT OF CHANGE	PERCENT CHANGE
Total Contributions	$ 103,670,637	$ 107,279,216	$ (3,608,579)	(3.36)%
Net Investment Income (Loss)	193,212,289	129,267,190	63,945,099	49.47%
Transfers IN and Service Purchases	241,548	542,806	(301,258)	(55.50)%
Total Additions (Reductions)	**297,124,474**	**237,089,212**	**60,035,262**	**25.32%**
Benefits	79,058,398	64,039,674	15,018,724	23.45%
Transfers OUT and Refunds	25,872,830	20,360,973	5,511,857	27.07%
Administrative Expenses	1,184,757	915,378	269,379	29.43%
Total Deductions	**106,115,985**	**85,316,025**	**20,799,960**	**24.38%**
Net Increase (Decrease)	**191,008,489**	**151,773,187**	**39,235,302**	**25.85%**
Beginning of Year Net Assets	**1,112,789,303**	**961,016,116**	**151,773,187**	**15.79%**
End of Year Net Assets	**$ 1,303,797,792**	**$ 1,112,789,303**	**$ 191,008,489**	**17.16%**

EXPENSES BY TYPE



REVENUES BY SOURCE



Ryan Parham
Chief Investment Officer

NOTES FROM THE CHIEF INVESTMENT OFFICER

PERFORMANCE COMPUTATION STANDARDS

The investment performance rates of return are calculated on a total return basis, using time-weighted rates of return, based upon market values. Investment amounts are reflected at Fair Market Value. Real Estate, Private Equity, Credit Opportunities and Real Assets are valued on a quarter lag basis adjusted for cash flows.

Performance is calculated on an accrual basis provided that the accrual information is available from the custodian or record-keeper. The rates of return are generated by asset class and include cash holdings.

STATUS

In 2002 the portfolio was invested only in the United States and in just four asset classes. (see Asset Allocations below) Today it is invested in ten asset classes with a truly global exposure. Recent efforts by the Board, Staff and the PSPRS Consultants have been designed to diversify the portfolio creating new areas of return that will protect the portfolio from downturns and yet give good returns when markets are up. The results we have worked for are starting to be demonstrated in the portfolio. For example, Opportunistic credit investments which often do better than equities when markets are down, returned 18.36% in FY 2011. Global tactical investments which do not rely exclusively on the U.S. economy returned 21.21% in FY 2011. Real Assets which have strong downside protection and also serve to protect against inflation, returned a respectable 6.83% in 2011. These new asset classes contributed to the strong overall return but helped the portfolio generate the return with approximately one half of the risk of the S&P 500 stock index. The new portfolio construction also helps to buffer the downside volatility of extreme events. While the portfolio was in its early stages of diversification in 2009, equities in the FY were down about 27% and the portfolio was only down 17.73%. This is the PSPRS "Holy Grail," i.e. a portfolio that protects against the downside while still capturing a significant portion of the upside in rising markets.

The Fund now has positive returns in 7 of the last 10 years. Its ten year average return has improved from last years' 0.36% to approximately 3.88% this year. We continue to improve against a backdrop of extremely volatile and uncertain global markets and with the continued drag of our legacy Arizona Real Estate portfolio. As Arizonans are aware, some Arizona real estate assets including homes are currently selling for as little as 30% of their 2007 valuations. Because the PSPRS Trust invested heavily in Arizona real estate in the 1990's and early 2000's the system's returns have been severely impacted by those losses. A "plain vanilla" diversified real estate portfolio would have held up better and improved returns in 2011 from 17.4% to approximately 20%. It would also have moved our three year average ranking to peers from about middle of the pack to the top quarter of retirement plans.

CONCLUSION

We continue to make significant progress in building a high performing and resilient portfolio. Greater stability achieving our expected return will over time improve the funding ratios of the plan. Accomplishing these goals in extremely turbulent economic environments is difficult but has helped to demonstrate the greater downside protection of the portfolio.

INVESTMENT RETURNS

	1 YEAR	3 YEAR	5 YEAR
PSPRS Trust Total Fund*	17.37%	2.98%	3.46%
*Balanced Index ** *	*17.36%*	*1.24%*	*2.40%*
PSPRS Trust Equity*	29.98%	4.91%	4.19%
*Equity Benchmark **** *	*31.29%*	*2.79%*	*3.10%*
PSPRS Trust Fixed Income*	4.20%	5.26%	5.26%
*Fixed Income Index ***** *	*3.90%*	*6.46%*	*6.52%*

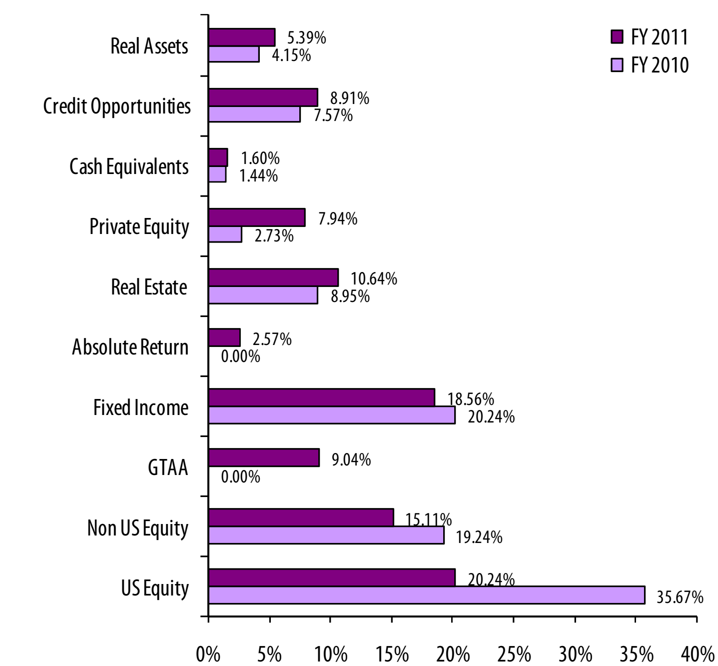
* Time weighted rate of return based on the market rate of return.

** Benchmark: 20% Russell 3000, 15% MSCI World Ex-US Net, 8% 3-Month LIBOR + 300 bps, 20% BC Aggregate, 4% 91-Day T-Bill + 200 bps, 9% ML US High Yield BB-B Constrained, 8% Russell 3000 + 100 bps, 6% CPI + 200 bps, 8% NCREIF NPI and 2% 91-Day T-Bill.

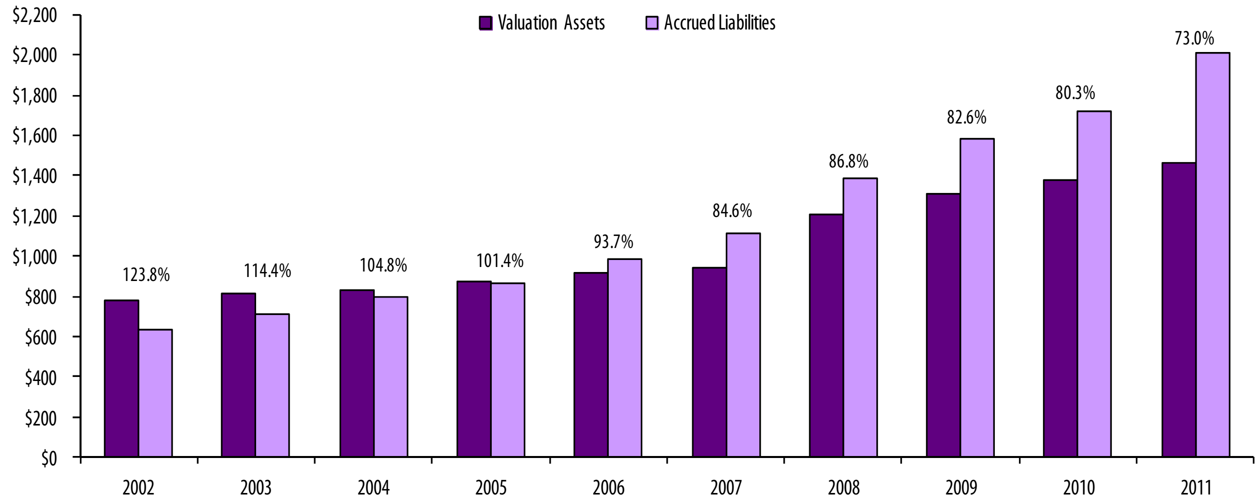
*** Benchmark: 57.14% Russell 3000, and 42.86% MSCI World Ex-US.

**** Benchmark: 100% BC Aggregate.

ASSET ALLOCATION



FUNDING PROGRESS
(IN MILLIONS)



SUMMARY OF EXPERIENCE GAIN (LOSS)

The Unfunded Actuarial Accrued Liability (UAAL) decreased by $4.2 million during fiscal year 2011.

CATEGORY	2011	2010	2009	2008	2007
UAAL Start of Year	339,861,626	$ 275,169,309	$ 183,337,151	$ 170,674,932	$ 61,339,713
Normal Cost	92,997,730	92,401,214	91,532,707	77,607,436	65,035,651
Funding Method Contributions	103,670,636	(109,651,320)	(106,905,385)	(97,632,464)	(65,977,600)
Interest Accrual	28,434,638	22,656,261	14,930,319	13,656,305	5,173,842
Expected UAAL Before Changes	357,623,358	280,575,464	182,894,792	164,306,209	65,571,606
Change From Benefit Increases	21,989,010	21,264,230	18,197,108	10,00,000	None
Change in Actuary Methods	186,735,447	None	78,118,530	None	3,079,263
Change in Future Benefit Increase Reserve	(20,327,235)	2,324,213	(28,133,467)	None	None
Expected UAAL After Changes	546,020,580	304,163,907	251,076,963	174,306,209	68,650,869
Actual UAAL	541,819,905	339,861,626	275,169,309	183,337,151	170,674,932
Gain (Loss)	4,200,675	(35,697,719)	(24,092,346)	(9,030,942)	(102,024,063)

HISTORICAL TRENDS (+000)

As the unfunded ratio of the plan has declined, the aggregate employer contribution rate has escalated. The employer rate is set in accordance with the results of the annual actuarial valuation. The employee rate is fixed by statute.

The employee rate for dispatchers remains 7.96%.

VALUATION JUNE 30,	FISCAL YEAR	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO	EMPLOYER RATE (AVG)	EMPLOYEE RATE
2002	2004	782,446	(150,208)	632,238	123.8%	3.95%	8.50%
2003	2005	811,791	(102,493)	709,298	114.4%	4.07%	8.50%
2004	2006	833,621	(37,846)	795,775	104.8%	5.47%	8.50%
2005	2007	872,981	(9,190)	863,791	101.1%	4.46%	8.50%
2006	2008	919,867	61,340	981,207	93.7%	6.72%	8.50%
2007	2009	940,126	170,675	1,110,801	84.6%	8.65%	7.96%
2008	2010	1,207,015	183,348	1,390,363	86.8%	8.38%	7.96%
2009	2011	1,309,124	275,169	1,584,293	82.6%	8.57%	8.41%
2010	2012	1,382,144	339,862	1,722,006	80.3%	9.50%	8.41%
2011	2013	1,466,750	541,820	2,008,569	73.0%	11.31%	8.41%

STATISTICAL DATA

Jared Smout
Deputy Administrator

ACTIVE MEMBER DATA

FISCAL YEAR ENDED	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVG. PAY	INCREASE IN AVG. PAY
2002	10,464	330,428	38.7	6.0	31,578	2.7%
2003	10,964	358,161	38.8	6.0	32,667	3.4%
2004	11,583	381,942	38.7	6.0	32,974	0.9%
2005	11,752	404,156	39.6	6.0	34,390	4.3%
2006	11,914	437,744	39.3	6.2	36,742	6.8%
2007	12,780	515,428	39.0	6.0	40,331	9.8%
2008	14,716	642,621	39.6	7.0	43,668	8.3%
2009	14,580	630,825	40.2	7.4	43,266	-0.9%
2010	14,319	616,481	40.3	7.8	43,053	-0.5%
2011	14,565	609,243	40.1	7.7	41,829	

Active membership increased slightly during fiscal year 2011.

RETIRED MEMBER AND SURVIVOR DATA

FISCAL YEAR ENDED	NORMAL	DISABILITY	SURVIVORS	TOTALS	ANNUAL PENSIONS	AVERAGE PENSION	RATIO OF ACTIVE TO RETIRED
2002	903	68	247	1,218	17,660,064	14,499	8.6 to 1
2003	1,029	70	264	1,363	21,653,042	15,886	8.1 to 1
2004	1,138	107	291	1,536	26,261,143	17,097	7.5 to 1
2005	1,339	80	314	1,733	31,329,225	18,078	6.8 to 1
2006	1,528	82	345	1,955	37,272,182	19,065	6.1 to 1
2007	1,698	85	340	2,123	42,666,000	20,097	6.0 to 1
2008	1,949	89	390	2,428	51,062,647	21,031	6.1 to 1
2009	2,090	93	408	2,591	59,089,591	22,806	5.6 to 1
2010	2,363	97	448	2,908	69,769,056	23,992	5.0 to 1
2011	2,688	105	463	3,256	81,637,650	25,073	4.5 to 1

Does not include DROP.

SUMMARY OF BENEFIT INCREASES

FISCAL YEAR ENDED	EXCESS YIELD PER STATUTE	EXCESS EARNINGS	RESERVE UTILIZED	EXCESS EARNINGS AVAILABLE	BENEFIT INCREASE 4% CAP
2002	-	-	(4,650,770)	34,452,064	4.00%
2003	-	-	(5,878,909)	30,709,183	4.00%
2004	5.77%	18,478,098	(7,810,709)	45,912,625	4.00%
2005	0.23%	810,817	(9,545,626)	41,415,092	4.00%
2006	-	-	(11,506,060)	33,292,645	4.00%
2007	7.77%	35,123,022	(13,572,783)	60,426,061	4.00%
2008	-	-	(15,533,554)	40,633,678	4.00%
2009	-	-	(18,197,108)	15,124,946	4.00%
2010	4.47%	22,836,733	(21,264,230)	18,734,779	4.00%
2011	-	-	(21,989,010)	-	4.00%

Benefit increases are dependent upon an available balance in the Plan's excess earnings reserve.

VISION	MISSION	VALUES
• 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.	• 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.	• 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.

This booklet provides a summary of the data contained in the CORP Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The booklet does not contain all the information and schedules necessary to be in conformance with Generally Accepted Accounting Principles (GAAP). However, the CAFR is produced in conformity with GAAP and can be obtained by visiting our website at www.psprs.com.

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
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