

CORRECTIONS OFFICER RETIREMENT PLAN

A PENSION TRUST FUND OF THE STATE OF ARIZONA

FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2001

This report was prepared by the staff of the PSPRS

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**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

1020 East Missouri Avenue
Phoenix, Arizona 85014-2613

Jack M. Cross, C.P.A., C.F.A.
Administrator

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Michael H. Ong, J.D.
Assistant Administrator

September 14, 2001

The Honorable Jane Dee Hull
Governor of the State of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Hull:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Fifteenth Comprehensive Annual Financial Report of the Corrections Officer Retirement Plan for the fiscal year ended June 30, 2001. We are pleased to report that the Plan is in excellent financial and actuarial condition.

The Plan has continued to improve its funding level—even while dramatically improving benefits—including the change to a straight 25-year retirement plan, the addition of a substantial health insurance subsidy and the increase in the accrual rate from 2% of pay per year of credited service to 2.5%. In fact, in just the past fourteen years, the Plan funding has improved from 69% to 140.0%. This is one of the best funded plans in the country. Set forth below are some of the record-breaking highlights for the fiscal year ended June 30, 2001.

Benefits paid to retired corrections officers and their beneficiaries for the fiscal year totaled \$13,433,499 compared to \$10,777,009 for the prior year. The average employer contribution rate as a percentage of gross payroll decreased from a high of 6.97% to 1.88% for the current fiscal year. The Fair Market Value of the Plan's assets were 8% higher than the book value of the assets.

The 5-year and 10-year total rates of return, which includes realized as well as unrealized gains and losses, for the entire fund were 10.52% and 10.78%, respectively. The 5-year rate of return for the stock portfolio and bond portfolios were 12.53% and 7.49%, respectively. The 10-year rate of return for the stock portfolio and bond portfolios were 13.04% and 7.96%, respectively. The Plan continues to perform well against the market indexes (S&P 500/NYSE stock and Shearson Lehman Government/Corporate bond) on a long-term basis. The net effective yield, which takes into account only realized gains and losses, was 4.96%.

Total administrative and investment expenses increased about 7% from \$391,651 last year to \$417,408 this year. Costs have increased only 89% during the past fourteen years. This increase is incredibly low since the assets managed have increased 897% and the Plan membership has increased 113% during this period.

We sincerely appreciate the opportunity of serving the State and County Corrections Officers.

Respectfully submitted,

DONALD L. DE MENT/sig

Don De Ment, Chairman

PAT CANTELME/sig

Pat Cantelme, Member

BETSEY BAYLESS/sig

Betsey Bayless, Member

RON SNODGRASS/sig

Ron Snodgrass, Member

WENDY HANCOCK/sig

Wendy Hancock, Member

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
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Michael H. Ong, J.D.
Assistant Administrator

September 14, 2001

The Fund Manager
Public Safety Personnel Retirement System
State of Arizona
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Fifteenth Comprehensive Annual Financial Report of the operations and financial conditions of the Corrections Officer Retirement Plan, State of Arizona, for the fiscal year ended June 30, 2001. Incorporated in this report are the audited financial statements and other financial data from the June 30, 2001, report of Barrows & Schatza, P.L.C., Certified Public Accountants and auditors for the Plan. Also included are the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2000, Actuarial Valuation prepared by the Plan's actuary, Rodwan & Nichols, Consulting Actuaries.

This report has been organized into five sections: (1) the Introductory Section containing general information regarding the operations of the Corrections Officer Retirement Plan; (2) the Financial Section containing the financial reports and schedules of the funds administered by the Corrections Officer Retirement Plan; (3) the Investment Section containing detailed lists of the investment transactions and portfolios of the Plan, along with investment performance; (4) the Actuarial Section containing actuarial information regarding the funding of the pension trusts; and, (5) the Statistical Section containing statistical data pertaining to the benefits paid by the Corrections Officer Retirement Plan and growth of the Plan.

TRANSFER OF ASSETS

House Bill 2310 was passed by the 37th Legislature during the second regular session of 1986. This bill created the Corrections Officer Retirement Plan, provided for the transfer of assets into the new Plan, made the Fund Manager of the Public Safety Personnel Retirement System responsible for the investment and administration of the Plan and made all of its provisions effective July 1, 1986. The bill required the transfer of member account balances plus the matching employer account balance from the Arizona State Retirement System for all new members of the Plan. The bill did not require the transfer of unallocated investment earnings or employer contributions made on behalf of terminated employees and still on deposit in the Arizona State Retirement System. This caused the Plan to start at a distinct disadvantage (only 69% funded), but through prudent investment over several years, this problem has been overcome (we are now 140% funded).

FINANCIAL INFORMATION

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the Plan. 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 Plan's policy to maintain a control-conscious environment through an effective system of accounting controls. These 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 control based on the recognition that the costs of such plans should be related to the benefits to be derived. Management believes the Plan's controls provide this appropriate balance.

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan 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 rolling twenty (20) year period.

REVENUES

Revenues to the Plan are derived from three sources: member contributions, employer contributions, and investment income. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan suffered an investment loss this fiscal year that was offset by member contributions, and employer contributions. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2000/2001 Administrative and Investment Expenses of the Administrative Office totaled \$417,408 compared to \$391,651 for the prior year. Costs have risen 89% during the past fourteen years, which is a compounded annual rate of increase of 5.03%. This rate of increase is well below the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs minus inflation very low for the past fourteen years even though membership and assets managed have increased substantially during this same period (over 113% and over 897%, respectively).

INVESTMENTS

Since the Plan is well funded, management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue-chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio was made up of 13.6% U. S. Government Securities, 13.2% Corporate Bonds, 2.5% Corporate Notes, 3.5% Other Investments, 0.2% insured Money Market Funds and 67.0% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in nine of the last thirteen years and the equity portfolio has outperformed the applicable Index (NYSE until 98/99, S&P 500 thereafter) in nine of the past thirteen years. The Plan's performance resulted in a net effective yield of 4.96% and a 10-year total rate of return of 10.78%. Graphs depicting the fund's extraordinary performance since 1986, the year internal staff took over the portfolio management, can be found in the Investment Section.

ECONOMIC OUTLOOK

The economy seems to be bottoming out. It is likely the economy will restart this fall or early 2002. With interest rates so low, it may be difficult to continue to outperform the Plan's 9% assumed rate of investment return over the next couple of years.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement plan 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.

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2001, is 140.0% which is well ahead of schedule. All twelve participating units have fully-funded actuarial accrued liabilities.

The Plan is funded through a member contribution of 8.50% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. While each employer has a different contribution rate, the average for the entire Plan for the 2001/2002 fiscal year would be 1.88% of gross payroll, however employer contributions cannot fall below 2% as a result of 2000 legislation. Of the 12 groups that make up the Plan, all twelve employers will pay less than the 8.50% which the employees pay.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors either two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These

increases are dependent upon the production of excess earnings on a portion of the Plan's assets and are limited to four percent of the average benefit being paid.

Below is a schedule of the increase in monthly benefits granted since this program began:

July 1, 1993 - \$	5.00
July 1, 1996 - \$	10.00
July 1, 1997 - \$	15.00
July 1, 1998 - \$	25.00
July 1, 1999 - \$	32.41
July 1, 2000 - \$	38.96
July 1, 2001 - \$	39.79
Cumulative total - \$	166.16
July 1, 2002 -	4.0%

Effective July 1, 2002, benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and contingent upon sufficient excess investment earnings for the fund. A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CORP for its comprehensive annual financial report for the fiscal year ended June 30, 2000. This was the seventh consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

SUMMARY

The Plan's actuary, Rodwan & Nichols, summarized the results of the latest Actuarial Valuation as of June 30, 2001, as follows:

The results of the actuarial valuations of the Arizona Corrections Officer Retirement Plan indicate that benefit obligations are being funded as incurred. Valuation assets are 140.0% of actuarial accrued liability. This excellent level of accrued funding is primarily attributable to favorable investment returns.

The Plan has made excellent progress during the past fourteen years. Funding has increased from 69% to 140.0%. Investment and administrative expenses increased only 89% during the past fourteen years while total assets and membership were up 897% and 113% respectively. Employer contribution rates have dropped to less than 2% on average. All this was accomplished even while improving benefits to members. The service multiplier has been increased from 2% to 2.5%; members can now retire after 25 years of credited service at any age or if the sum of their age and years of credited service equals 80; survivor and disability benefits have been improved and a substantial health insurance subsidy has been added.

I am proud to have been part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,

JACK M. CROSS/sig

Jack M. Cross, C.P.A., CFA
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corrections Officer
Retirement Plan, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION**

THE FUND MANAGER

		<u>Term Expires</u>
Don De Ment Retired City Clerk City of Tucson	Chairman	January 2003
Pat Cantelme Retired Firefighter City of Phoenix	Member	January 2002
Ron Snodgrass Police Officer City of Phoenix	Member	January 2004
Betsey Bayless Secretary of State State of Arizona	Member	January 2003
Wendy Hancock Public Member	Member	January 2002

PROFESSIONAL ADVISORS

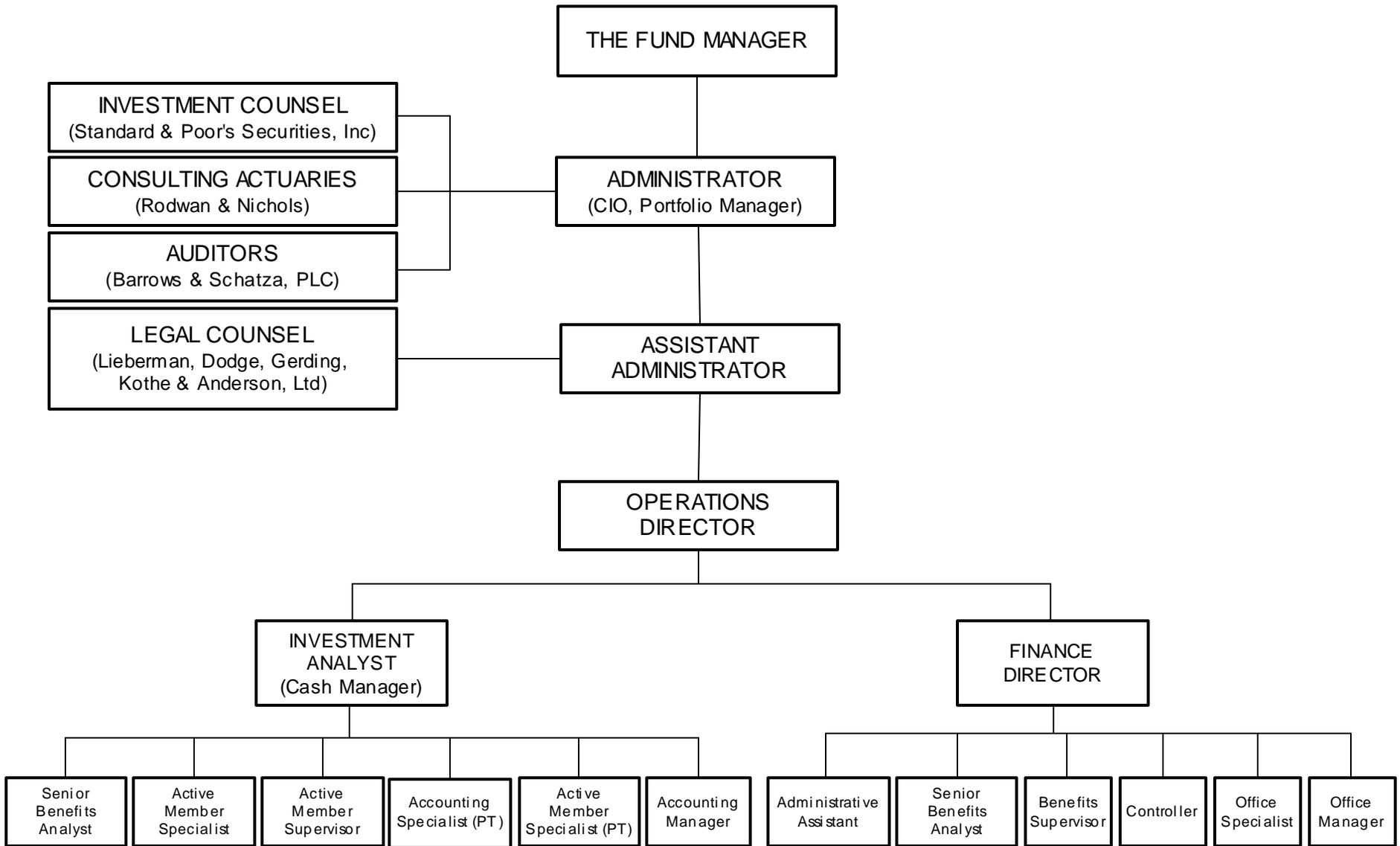
Standard & Poor's Securities, Inc.	Investment Counsel
Rodwan & Nichols	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

Jack M. Cross, CPA, CFA	Administrator
Michael H. Ong, JD	Assistant Administrator
Donald B. Mineer	Operations Director
Tracey D. Peterson, CPA, CFE	Finance Director
Jared A. Smout	Investment Analyst
Karen L. Lewis, CPA	Controller
Lori A. Boyle	Office Manager
LaDawn M. Snodgrass	Active Member Supervisor
Sheryl D. Saltsman	Benefits Supervisor
Annette L. Jorgensen	Administrative Assistant
Lilian L. Leung	Senior Benefits Analyst
Joann L. Lowey	Benefits Specialist
Kathleen A. Mattoon	Office Specialist
Deborah S. Irwin	Active Member Specialist
Scott D. Willard	Accounting Specialist
D. Steven Williams	Active Member Specialist

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**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
ORGANIZATIONAL CHART**



FINANCIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

Independent Auditor's Report
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statements
Schedule of Funding Progress
Schedule of Employer Contributions
Supporting Schedule of Changes In Fund Balance Reserves
Supporting Schedule of Administrative and Investment Expenses
Supporting Schedule of Payments to Consultants
Supplemental Schedule of Cash Receipts and Cash Disbursements
Schedule of Changes in Employers' Reserve – Year Ended June 30, 2001, and Unfunded Accrued Normal Costs at June 30, 2000
Schedule of Changes in Refundable Member Reserves Fiscal Year Ended June 30, 2001
Earnings Distribution, Fiscal Year Ended June 30, 2001

INDEPENDENT AUDITOR'S REPORT

**FUND MANAGER
STATE OF ARIZONA PUBLIC SAFETY
PERSONNEL RETIREMENT SYSTEM
PHOENIX, ARIZONA**

We have audited the accompanying statements of system net assets of the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2001 and 2000, and the related statements of changes in system net assets for the years then ended, appearing on pages 14 and 15, respectively. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 2001 and 2000, and the results of its operations and the changes in system net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, contained on pages 23 and 24, schedule of funding progress and schedule of employer contributions, are required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 25 to 30, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The accompanying additional information described above has been subjected to the auditing procedures applied in our audit of the 2001 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

BARROWS & SCHATZA, P.L.C./sig

September 7, 2001

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2001 AND 2000**

	2001		2000	
	Book Cost	See Note 2	Book Cost	See Note 2
ASSETS				
Receivables				
Members' Contributions		\$ 234,809		\$ 588,778
Employers' Contributions		27,797		355,220
Interest and Dividends		3,356,999		3,680,902
Total Receivables		<u>3,619,605</u>		<u>4,624,900</u>
Investments at Fair Value (Note 2)				
U.S. Government Securities	\$ 87,474,972	92,152,279	\$ 68,582,662	71,209,574
Corporate Bonds	94,381,334	89,401,198	83,594,145	75,241,080
Corporate Notes	17,000,409	17,000,409	8,988,586	8,988,586
Corporate Stocks	403,522,265	455,399,449	401,304,778	626,591,339
Other Investments	23,815,000	23,815,000	19,952,884	19,952,884
Money Market Account	1,804,503	1,804,503	1,157,517	1,157,517
Total Investments	<u>\$ 627,998,483</u>	<u>679,572,838</u>	<u>\$ 583,580,572</u>	<u>803,140,980</u>
Total Plan Assets		<u>683,192,443</u>		<u>807,765,880</u>
Collateral Held in Trust for Securities on Loan		182,959,666		188,485,150
Liability- Collateral Subject to Return to Borrower		<u>(182,959,666)</u>		<u>(188,485,150)</u>
Net Assets Held in Trust for Pension Benefits		<u>\$ 683,192,443</u>		<u>\$ 807,765,880</u>
Net Asset Reserves				
Refundable Members' Reserve		\$ 132,404,039		\$ 119,562,020
Employers' Reserve		504,968,350		628,418,971
Future Benefit Increase Reserve		45,820,054		59,784,889
Total Net Asset Reserves		<u>\$ 683,192,443</u>		<u>\$ 807,765,880</u>

A schedule of funding progress is presented immediately following the notes to the financial statements. The accompanying notes are an integral part of these financial statements.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	2001	2000
Additions		
Contributions		
Members' Contributions (Notes 1 and 3)	\$ 28,966,162	\$ 28,009,210
Employers' Contributions (Notes 1 and 3)	14,927,396	16,876,163
Total Contributions	43,893,558	44,885,373
Net (Depreciation) Appreciation		
in Fair Value of Investments (Note 2)	(155,800,969)	75,734,971
Interest	14,478,535	13,548,170
Dividends	2,581,913	3,322,117
Securities Lending Activities		
Securities Lending Income	\$ 10,705,439	\$ 9,548,155
Borrower Rebates	(10,347,861)	(9,218,889)
Agents Share of Income	(125,147)	(115,238)
Net Securities Lending Income (Note 2)	232,431	214,028
	(138,508,090)	92,819,286
Less Investment Expense	(51,666)	(47,109)
Net Investment Income	(138,559,756)	92,772,177
Total Additions	(94,666,198)	137,657,550
Deductions		
Pension and Insurance Benefits (Note 1)	13,433,499	10,777,009
Refunds to Terminated Members (Note 1)	14,609,539	14,385,327
Administrative Expenses	365,742	344,542
Amounts Transferred to Other State- Sponsored Pension Plans--Net	1,498,459	616,142
Total Deductions	29,907,239	26,123,020
Net (Decrease) Increase	(124,573,437)	111,534,530
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	807,765,880	696,231,350
End of Year - June 30	\$ 683,192,443	\$ 807,765,880

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

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000**

NOTE 1 - PLAN DESCRIPTION

Organization

The Corrections Officer Retirement Plan (CORP)), 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 6 of the Arizona Revised Statutes, to provide benefits for prison and jail employees of certain state, county and local governments. The Plan is jointly administered by the Fund Manager of the Public Safety Personnel Retirement System (PSPRS) and 12 Local Boards.

The Fund Manager is a five-member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the plan, setting up records, setting up accounts for each member and each Local Board, paying benefits and the general protection and administration of the Plan.

Each employer participating in the Plan has a five-member Local Board. Three members are appointed by the chief elected official of the organization 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, timing of benefit payments, and the amount of benefits for its eligible group of employees. All costs associated with the administration of the Local Boards are paid by the various governing bodies.

The addition or deletion of eligible groups does not require the approval of the other participating employers. New eligible groups are approved for participation by the Fund Manager. The CORP is not reported as a component unit of any other organization. The Local Boards are reported as component units of their respective sponsoring organization.

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the CORP. 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, 2001 and 2000, the number of participating local government employer groups was:

	2001	2000
Counties	10	10
State Agencies	2	2
Total Employers	12	12

Any county or city in the State of Arizona may elect to have its eligible employees (generally, prison or jail personnel who have direct inmate contact) covered by the CORP. At June 30, 2001 and 2000, statewide CORP membership consisted of:

	2001	2000
Retirees and beneficiaries currently receiving benefits	1,040	925
Terminated vested employees	146	164
Current employees		
Vested	2,357	4,193
Non-vested	8,690	7,097
Total Members	12,233	12,379

CORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after 10 years of credited service. A summary of benefits and Plan provisions follows:

SUMMARY OF BENEFITS

Purpose (A.R.S. § 38-900.01.B)

To provide a uniform, consistent and equitable statewide program for those eligible corrections officers as defined by the Plan.

Eligibility (A.R.S. §38-881)

- A. For a county, a county detention officer or a non-uniformed employee of a sheriff's department whose primary duties require direct inmate contact, if the county elects to join the Plan.
- B. For the State Department of Corrections, correctional service officers, state correctional program officers and certain other designated positions within the department that are prescribed by statute.
- C. For the State Department of Juvenile Corrections, youth corrections officers, youth program officers and certain other designated positions within the department that are prescribed by statute.
- D. For a city or town, a city or town detention officer, if the city or town elects to join the Plan.
- E. For an employer in the Public Safety Personnel Retirement System, full-time dispatchers, if the employer elects to join the Plan.

Contributions (A.R.S. §38-891)

Each member shall contribute 8.5% of salary to the Plan on a pre-tax basis by payroll deduction. Each employer shall contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 2% of salary.

Credited Service (A.R.S. §38-881)

Service in a designated position for which member contributions have been made to the Plan or transferred to the Plan from another retirement system for public employees of this state.

Average Monthly Salary (A.R.S. §38-881)

One thirty-sixth (1/36) of aggregate salary paid a member during the highest three consecutive years out of the last ten years of service.

Salary (A.R.S. §38-881)

The base salary, base wages, shift differential pay and holiday pay paid to a member in a designated position for personal services rendered to a participating employer that is paid on a regular monthly, semimonthly or biweekly payroll basis.

Normal Retirement Date (A.R.S. § 38-885.B)

Commences first day of month following completion of twenty years of service, except that for a full-time dispatcher, upon completion of twenty-five years of service, a member's sixty-second birthday and completion of ten years of service, or the month where the sum of the member's age and years of credited service equals eighty.

The amount of monthly normal pension is based on credited service and average monthly salary as follows:

For retirement with twenty years of credited service but less than twenty-five years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2% of average monthly salary for each year of credited service between twenty and twenty-five. (A.R.S. §38-885.C, ¶ 1)

For retirement with less than twenty years of credited service, 2-1/2 % of average monthly salary times the member's years of credited service. (A.R.S. §38-885.C, ¶ 2)

For retirement with twenty-five or more years of credited service, 50% of average monthly salary for the first twenty years of credited service, plus 2-1/2% of average monthly salary for each year of credited service above twenty years, up to a maximum of 80% of average monthly salary. (A.R.S. §38-885.C, ¶ 1)

Accidental Disability Retirement (A.R.S. §38-881, ¶ 1)

A physical or mental condition which totally and permanently prevents an employee from performing a reasonable range of duties within the employee's department, was incurred in the performance of the employee's duties and was the result of either physical contact with inmates, responding to a confrontational situation with inmates or a job-related motor vehicle accident and was not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

Total And Permanent Disability Retirement (A.R.S. §38-881, ¶ 22)

A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, is the direct and proximate result of the member's performance of their duty as an employee and is not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan.

The Local Board shall base eligibility for an accidental disability or a total and permanent disability on medical evidence and determination that such a disability exists. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability or a total and permanent disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. §38-886)

Survivor Pension

The surviving spouse of a member who dies in service or after retirement is eligible for benefits as follows:

Surviving spouse of retired member; Three-fourths of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. §38-887)

Surviving spouse of a non-retired member; 37.5% of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. §38-888)

The surviving spouse pension commences on first day of month following death of member.

Death Benefits (A.R.S. §38-904)

1. If an active or inactive member dies and no pension is payable, the member's beneficiary is entitled to receive two times the member's contributions to the CORP.
2. If there is no eligible surviving spouse or if the pension of the surviving spouse is terminated, surviving unmarried children of a deceased retired or active member are entitled to a pension until age 18, or age 23 if a full-time student. A disabled child is also entitled to a pension if the disability began before age 23. The amount of the pension is an equal share of the surviving spouse's pension.

Termination Refund (A.R.S. §38-884.C)

Upon termination of employment, for any reason other than death or retirement, a member shall, within twenty days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has 5 or more years of credited service upon termination they shall receive an additional amount according to the schedule below.

- 5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-891.B
- 6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-891.B
- 7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-891.B
- 8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-891.B
- 9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-891.B
- 10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-891.B, plus interest at 3% if left on deposit after 30 days.

Transfer Of Contributions (A.R.S. §38-908)

A member who terminates employment with an employer and accepts a position with the same or another employer participating in the Plan shall have their credited service transferred to their record with the new employer if they leave their accumulated contributions on deposit with the Plan. The period not employed shall not be considered as credited service.

Reemployment And Repayment Of Contributions (A.R.S. §38-884.H)

A member who terminates and takes a refund of his contributions may elect only upon reemployment within two years with the same employer in a designated position, to recover the prior credited service if the member submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburses the Plan within one year. 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.

Reemployment After Retirement (A.R.S. §38-884.J)

A retired member who becomes an employee in a designated position subsequent to retirement shall have the pension suspended during reemployment in a designated position and shall not make contributions to the Plan nor accrue credited service during such reemployment.

Transfer Into Or Out Of Plan (A.R.S. §38-901)

A member who changes employment or transfers or is assigned to a non-eligible position, because of a change in duties or otherwise, may elect one of the following options:

1. Leave service credits and contributions on account with the CORP.
2. Apply for a refund of accumulated member contributions (forfeiting all service credits and membership rights).
3. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems.

A member who begins employment with a participating employer in this Plan and who has credited service from a different Arizona state retirement system may transfer or redeem prior service to this Plan pursuant to the requirements for transfer between Arizona state retirement systems.

Redemption Of Prior Service (A.R.S. §38-884.I)

Active members who previously contributed to the Plan but who refunded their contributions thereby forfeiting credited service under the Plan may redeem some or all of this credited service. The member must pay the actuarial present value of the increase of credited service resulting from the purchase of forfeited time in order to redeem this service.

Purchase Of Prior Active Military Service (A.R.S. §38-907)

A member may purchase up to four years of prior active military time that is not on account with any other retirement system. The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

Transfer Between State Retirement Systems (A.R.S. §38-921 and §38-922)

Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the full actuarial present value of the credited service into their current Arizona retirement system or plan with approval of the Fund Manager or retirement boards involved. 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 or plan.

Cola Benefit Increases (A.R.S. §38-905)

Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Health Insurance Premium Subsidy (A.R.S. §38-906)

For CORP retirees or survivors who have elected group health and accident insurance coverage provided and administered by the state or another CORP employer, the CORP will pay up the following amounts:

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

Until June 30, 2003, a retiree or survivor who lives in a nonservice area receives up to the following amounts in addition to the subsidy listed above. A nonservice area is defined as an area in this state where the state retiree group insurance program or employer's retiree health insurance program does not provide or administer a health maintenance organization (HMO) for which the member or survivor is eligible. The subsidy consists of up to the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$300.00	\$170.00	\$600.00	\$350.00	\$470.00

State Taxation Of Corp Benefits (A.R.S. §38-896 and §43-1022)

Effective tax year commencing January 1, 1989, all CORP retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

CORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits due are paid in arrears on the last working day of each month. 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 and equipment purchases, which are not material in amount, are expensed in the year of purchase. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

The Plan implemented Statement No. 25 of the Governmental Accounting Standards Board for Fiscal Year End 1997. As such, the Plan reports assets on a Fair Value Basis. Certain cost information is provided to comply with state law.

By state statute, this Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains used in this calculation totaled \$12,185,084 for FYE 2001 and \$32,543,442 for FYE 2000.

The System will implement Statement Number 34 of the Governmental Accounting Standards Board next Fiscal Year End. This Standard requires a Management's Discussion & Analysis (MD&A) letter to precede the Statement of Net Assets and Statement of Changes in Net Assets. The purpose of the MD&A letter is a narrative overview and analysis of the financial activities for the year and to highlight areas of interest for the readers of the Annual Report.

Investments

CORP investments are reported at Fair Value and at Cost. Fair Values are determined as follows: Short-term investments are reported at Fair Value, which approximates Cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees." (A.R.S. §38-848.D) In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

- 1) That not more than seventy per cent of the pension fund 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 per cent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five per cent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, 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 §7811);
- 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 §7811);
- c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
- 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 ten per cent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

A.R.S. §38-848.D

The Plan's investment portfolio is in compliance with state law.

Statement No. 3 of the GASB requires government entities to categorize investments for the purpose of giving an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the Plan or its agent in the name of the Plan. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Plan's name.

All investments of the Plan (other than those held by broker/dealers under the security loan program and those investments categorized as "Other Investments") meet the criteria of Category 1. "Other Investments", which primarily consists of loans and real estate investments, are not considered securities for purposes of credit risk classification. Substantially all investments are held in the name of the Plan by its custodian bank.

Money Market Account

The money market account is on deposit with an Arizona bank. These deposits are insured by federal depository insurance. The money market account is subject to the general depository laws of the State of Arizona which require deposits to be either insured by the Federal Deposit Insurance Corporation or collateralized by certain securities including U.S. Government obligations and first mortgages.

Securities Lending Income

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2001 and 2000 the fair value of securities on loan was \$175,474,394 (consisting of Stocks-\$82,473,991, Corporate Bonds-\$20,992,417 and Treasuries and Agencies-\$72,007,986) and \$164,666,187 (consisting of Stocks-\$111,287,529, Corporate Bonds-\$4,948,120 and Treasuries and Agencies-\$48,430,538), respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. All term loans have a matched collateral investment. Cash collateral received for open loans is invested for longer term, however, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with a maturity of 7 days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 2001 are not matched in maturity and have a weighted average maturity of 9 days, 7 days as of June 30, 2000. The Plan has no credit risk under this program and has experienced no default or losses on these loans.

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement Plan'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 an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with Fiscal Year 2001-2002, the employer contribution rate shall not be less than two percent of compensation.

During the year ended June 30, 2001, contributions totaling \$43,893,558 (\$14,927,396 employer and \$28,966,162 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1999. The employer contributions consisted of approximately \$16,766,296 for normal cost less (\$1,838,900) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 1.88% of covered payroll. [4.92% for normal costs and (3.04)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are all attributable to normal costs.

During the year ended June 30, 2000, contributions totaling \$44,885,373 (\$16,876,163 employer and \$28,009,210 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1998. The employer contributions consisted of \$22,720,437 for normal cost less (\$5,844,274) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 5.14% of covered payroll. [6.92% for normal costs and (1.78)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are all attributable to normal costs.

NOTE 4 – REQUIRED SCHEDULES

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

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

While not any one or two numeric indices can fully describe the financial condition of a retirement plan, the ratio of unfunded actuarial accrued liabilities to active member payroll is significant. The ratio of unfunded actuarial accrued liabilities to member payroll is a relative index of condition where inflation is present in both items. Observation of the ratio over a period of years gives an indication of funding achievement. The smaller the index, the stronger the plan's condition. Shown below is a Comparative Schedule (\$ in thousands) since legislation was enacted in 1987, setting up a 40-year amortization schedule. Effective June 30, 1997, Unfunded (Excess) Actuarial Accrued Liabilities are being amortized on a level percent method over a rolling twenty (20) year period.

Actuarial Valuation Date	Actuarial Value of Assets (a)²	Actuarial Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-87	\$ 47,550	\$ 68,932	\$ 21,382	69.0%	\$102,910	20.8%
6-30-88	\$ 69,842	\$ 76,884	\$ 7,042	90.8%	\$117,234	6.0%
6-30-89 ¹	\$ 88,756	\$ 99,113	\$ 10,357	89.6%	\$134,520	7.7%
6-30-90 ¹	\$ 108,973	\$ 122,578	\$ 13,605	88.9%	\$136,693	10.0%
6-30-91 ¹	\$ 138,901	\$ 146,300	\$ 7,399	94.9%	\$153,351	4.8%
6-30-92	\$ 168,553	\$ 163,640	\$ (4,913)	103.0%	\$156,257	-3.1%
6-30-93 *	\$ 198,692	\$ 184,299	\$ (14,393)	107.8%	\$166,831	-8.6%
6-30-94 ¹	\$ 223,902	\$ 221,487	\$ (2,415)	101.1%	\$177,717	-1.4%
6-30-95	\$ 265,006	\$ 254,189	\$ (10,817)	104.3%	\$198,603	-5.4%
6-30-96 *	\$ 319,255	\$ 290,518	\$ (28,737)	109.9%	\$224,686	-12.8%
6-30-97 ¹	\$ 393,904	\$ 355,590	\$ (38,314)	110.8%	\$249,203	-15.4%
6-30-98	\$ 484,956	\$ 410,531	\$ (74,425)	118.1%	\$261,700	-28.4%
6-30-99	\$ 592,152	\$ 443,676	\$ (148,476)	133.5%	\$305,478	-48.6%
6-30-00	\$ 704,991	\$ 501,323	\$ (203,668)	140.6%	\$339,440	-60.0%
6-30-01	\$ 776,177	\$ 554,387	\$ (221,790)	140.0%	\$339,783	-65.3%

* One-time cost-of-living adjustments for retired members and survivors, effective July 1 were included in this valuation. Future increases for retirees and their survivors are dependent upon excess earnings created by the System.

1. Reflects significant Plan amendments or assumption changes.
2. Excludes the amount held in reserve for future benefit increases. Beginning 6-30-95, includes an amount for partial recognition of the difference between market value and book value of Plan assets amortized over a four-year period.

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually; (b) projected salary increases of 6.5% per year compounded annually, attributable to an assumed inflation rate of 5.5% and other across-the-board factors of 1.0%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$8,250,984	100.00%
1991	\$9,764,220	100.00%
1992	\$9,492,656	100.00%
1993	\$10,099,143	100.00%
1994	\$10,032,668	100.00%
1995	\$10,565,831	100.00%
1996	\$14,371,254	100.00%
1997	\$16,704,445	100.00%
1998	\$17,063,015	100.00%
1999	\$17,109,704	100.00%
2000	\$16,876,163	100.00%
2001	\$14,927,396	100.00%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 1999	\$106,390,221	\$ 547,386,717	\$ 42,454,412
Distribution of Revenues and Expenses			
Members' Contributions	28,009,210		
Employers' Contributions		16,876,163	
Earnings on Investments Net of Investment Expenses		92,772,177	
Pension Benefits		(10,777,009)	
Refunds to Terminated Members	(10,900,555)	(3,484,772)	
Administrative Expenses		(344,542)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		(14,971,383)	14,971,383
Earnings on Excess Investment Earnings Account Assets		(5,612,473)	5,612,473
Amount Utilized by Benefit Increases Granted		3,253,379	(3,253,379)
Net Transfers to Other State-Sponsored Pension Plans	(288,498)	(327,644)	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	91,921	(91,921)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(3,740,279)	3,740,279	
Balance - June 30, 2000	\$119,562,020	\$ 628,418,971	\$ 59,784,889
Distribution of Revenues and Expenses			
Members' Contributions	28,966,162		
Employers' Contributions		14,927,396	
Earnings (Loss) on Investments Net of Investment Expenses		(138,559,756)	
Pension Benefits		(13,433,499)	
Refunds to Terminated Members	(11,491,724)	(3,117,815)	
Administrative Expenses		(365,742)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		10,202,889	(10,202,889)
Amount Utilized by Benefit Increases Granted		3,761,946	(3,761,946)
Net Transfers to Other State-Sponsored Pension Plans	(538,336)	(960,123)	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	290,320	(290,320)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(4,384,403)	4,384,403	
Balance - June 30, 2001	\$132,404,039	\$ 504,968,350	\$ 45,820,054

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2001**

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 4,100	\$ -	\$ 4,100
Actuarial Services	20,150	-	20,150
Contractual Services	5,195	-	5,195
Educational Expenses	5,890	4,639	10,529
Furniture and Equipment	16,593	-	16,593
Occupancy Expenses	19,168	785	19,953
Office Supplies	3,688	329	4,017
Payroll Taxes and Fringe Benefits	32,676	6,022	38,698
Postage Expense	12,771	523	13,294
Printing, Publications and Subscriptions	15,206	138	15,344
Professional Services	18,470	757	19,227
Salaries and Wages	205,594	37,892	243,486
Telephone Expense	4,395	286	4,681
Travel Expense	1,846	295	2,141
	\$ 365,742	\$ 51,666	\$ 417,408

Consultants	Fees Paid
Standard & Poor's Securities, Inc. - Investment Counsel	\$ (1)
Gabriel, Roeder, Smith & Company - Consulting Actuaries	20,150
Barrows & Schatza, P.L.C. - Auditors	4,100
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. - Legal Counsel	19,227
	\$ 43,477

(1) This service was provided to the Plan without charge by Standard & Poor's Securities, Inc.
The value of their services is approximately \$22,500

*Effective 7/1/01, Contract awarded to Rodwan & Nichols-Consulting Actuaries

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
RECEIPTS		
Members' Contributions	\$ 29,359,220	\$ 28,644,655
Employers' Contributions	15,254,818	16,979,776
Interest	14,802,433	13,503,965
Dividends	2,591,694	4,732,083
Securities Lending Income	222,654	206,908
Amounts Transferred from Other		
State-Sponsored Pension Plans	147,192	226,271
Maturities and Sales of		
U.S. Government Securities	9,577,850	12,532,793
Corporate Bonds	2,335,129	9,407,574
Corporate Notes	1,907,303,821	1,134,606,073
Other Investments	3,664,358	3,457,965
Common Stock	131,108,149	143,736,316
Net Decrease in Money Market Fund	-	-
Total Receipts	<u>2,116,367,319</u>	<u>1,368,034,379</u>
DISBURSEMENTS		
Pension Benefits	13,433,499	10,777,009
Refunds to Terminated Members	14,609,539	14,385,327
Investment and Administrative Expenses	456,496	391,651
Amounts Transferred to Other		
State-Sponsored Pension Plans	1,645,651	842,413
Acquisitions of		
U.S. Government Securities	28,470,161	12,534,925
Corporate Bonds	13,051,370	7,220,598
Corporate Notes	1,915,315,644	1,136,601,570
Other Investments	7,417,905	9,126,225
Common Stock	121,320,068	175,463,810
Net Increase in Money Market Fund	646,986	690,851
Total Disbursements	<u>2,116,367,319</u>	<u>1,368,034,379</u>
DECREASE IN CASH	-	-
BEGINNING CASH BALANCE - July 1	-	-
ENDING CASH BALANCE - June 30	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2001
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2000**

Sys No.	System	Balance June 30, 2000	Reserve Transfers	Contributions Received	Pension Payment	Enhanced Refunds	Distribution of Earnings	Balance June 30, 2001	Unfunded Accrued Normal Costs at June 30, 2000
500	Dept. of Corrections	\$ 332,376,296.42	\$ 2,688,430.95	\$ 12,206,693.95	\$ (9,670,727.87)	\$ (2,022,992.78)	\$ 20,705,409.88	\$ 356,283,110.55	\$ (141,753,067.00)
501	Dept. of Juv. Correc.	\$ 30,221,400.74	\$ 299,776.85	\$ 2,002,218.68	\$ (889,744.20)	\$ (226,349.62)	\$ 1,967,335.00	\$ 33,374,637.45	\$ (11,076,396.00)
505	Maricopa County	\$ 66,147,160.58	\$ 171,723.43	\$ 259,873.69	\$ (1,785,260.56)	\$ (580,781.88)	\$ 3,974,293.85	\$ 68,187,009.11	\$ (30,611,469.00)
510	Yuma County	\$ 4,996,084.13	\$ (56,718.70)	\$ 50,764.46	\$ (28,551.96)	\$ (27,159.29)	\$ 304,570.26	\$ 5,238,988.90	\$ (3,470,706.00)
515	Pima County	\$ 23,095,977.05	\$ (7,748.96)	\$ 169,086.41	\$ (663,849.69)	\$ (205,500.63)	\$ 1,393,645.27	\$ 23,781,609.45	\$ (10,042,541.00)
520	Apache County	\$ 474,612.28	\$ 22,337.74	\$ 12,924.86	\$ (44,527.54)	\$ -	\$ 30,267.34	\$ 495,614.68	\$ (304,427.00)
525	Cochise County	\$ 2,525,889.44	\$ 17,375.56	\$ 32,717.16	\$ (93,131.76)	\$ (20,647.82)	\$ 148,291.57	\$ 2,610,494.15	\$ (1,365,456.00)
530	Coconino County	\$ 939,718.57	\$ (262.61)	\$ 73,186.18	\$ (13,009.44)	\$ (2,835.38)	\$ 67,896.24	\$ 1,064,693.56	\$ (558,096.00)
535	Mohave County	\$ 2,508,868.10	\$ (982.36)	\$ 4,721.71	\$ (52,685.64)	\$ (2,631.09)	\$ 144,594.25	\$ 2,601,884.97	\$ (1,799,077.00)
540	Santa Cruz County	\$ 813,131.15	\$ (4,602.73)	\$ 0.00	\$ -	\$ (7,772.69)	\$ 49,760.80	\$ 850,516.53	\$ (688,136.00)
545	Navajo County	\$ 929,376.58	\$ (13,294.04)	\$ 14,436.43	\$ (23,441.16)	\$ -	\$ 55,501.35	\$ 962,579.16	\$ (624,271.00)
550	Yavapai County	\$ 3,614,936.38	\$ 17,925.52	\$ 100,772.41	\$ (168,569.38)	\$ (21,144.04)	\$ 218,988.71	\$ 3,762,909.60	\$ (1,373,948.00)
TOTAL		\$ 468,643,451.42	\$ 3,133,960.65	\$ 14,927,395.94	\$ (13,433,499.20)	\$ (3,117,815.22)	\$ 29,060,554.52	\$ 499,214,048.11	\$ (203,667,590.00)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2001**

Sys No.	System	Balance June 30, 2000	Reserve Transfers	Contributions Received	Withdrawn Members	Balance June 30, 2001
500	Dept. of Corrections	\$ 85,070,230.64	\$ (3,385,136.94)	\$ 20,990,378.75	\$ (7,470,425.64)	\$ 95,205,046.81
501	Dept. of Juv. Correc.	\$ 8,842,845.69	\$ (348,313.73)	\$ 2,626,760.25	\$ (1,086,702.00)	\$ 10,034,590.21
505	Maricopa County	\$ 16,045,840.71	\$ (506,240.33)	\$ 2,892,500.28	\$ (1,793,246.34)	\$ 16,638,854.32
510	Yuma County	\$ 1,214,252.45	\$ (101,050.14)	\$ 370,714.73	\$ (136,932.39)	\$ 1,346,984.65
515	Pima County	\$ 5,696,019.69	\$ (201,615.04)	\$ 1,133,662.13	\$ (622,916.36)	\$ 6,005,150.42
520	Apache County	\$ 144,995.18	\$ (22,193.74)	\$ 44,123.16	\$ (11,132.77)	\$ 155,791.83
525	Cochise County	\$ 506,881.15	\$ (16,001.56)	\$ 133,014.19	\$ (36,285.90)	\$ 587,607.88
530	Coconino County	\$ 363,443.11	\$ (324.39)	\$ 222,172.68	\$ (115,265.07)	\$ 470,026.33
535	Mohave County	\$ 451,395.35	\$ (1,576.64)	\$ 129,474.40	\$ (68,007.57)	\$ 511,285.54
540	Santa Cruz County	\$ 211,889.72	\$ (7,423.27)	\$ 51,521.21	\$ (42,760.01)	\$ 213,227.65
545	Navajo County	\$ 204,856.37	\$ (11,695.96)	\$ 70,933.43	\$ (31,745.55)	\$ 232,348.29
550	Yavapai County	\$ 809,370.40	\$ (30,847.52)	\$ 300,907.24	\$ (76,304.62)	\$ 1,003,125.50
TOTAL		\$ 119,562,020.46	\$ (4,632,419.26)	\$ 28,966,162.45	\$ (11,491,724.22)	\$ 132,404,039.43

**STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2001**

Sys No.	System	Employer Reserve June 30, 2000	Employer Reserve June 30, 2001	Member Reserve June 30, 2000	Member Reserve June 30, 2001	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	Dept. of Corrections	\$ 297,475,697.08	\$ 335,577,700.67	\$ 85,070,230.64	\$ 95,205,046.81	\$ 813,328,675.20	\$ 406,664,337.60	71.2492%	\$ 20,705,409.88
501	Dept. of Jun. Correc.	\$ 26,994,096.93	\$ 31,407,302.45	\$ 8,842,845.69	\$ 10,034,590.21	\$ 77,278,835.28	\$ 38,639,417.64	6.7698%	\$ 1,967,335.00
505	Maricopa County	\$ 59,216,724.43	\$ 64,212,715.26	\$ 16,045,840.71	\$ 16,638,854.32	\$ 156,114,134.72	\$ 78,057,067.36	13.6759%	\$ 3,974,293.85
510	Yuma County	\$ 4,468,160.71	\$ 4,934,418.64	\$ 1,214,252.45	\$ 1,346,984.65	\$ 11,963,816.45	\$ 5,981,908.23	1.0481%	\$ 304,570.26
515	Pima County	\$ 20,654,609.75	\$ 22,387,964.18	\$ 5,696,019.69	\$ 6,005,150.42	\$ 54,743,744.04	\$ 27,371,872.02	4.7957%	\$ 1,393,645.27
520	Apache County	\$ 422,796.09	\$ 465,347.34	\$ 144,995.18	\$ 155,791.83	\$ 1,188,930.44	\$ 594,465.22	0.1042%	\$ 30,267.34
525	Cochise County	\$ 2,268,345.82	\$ 2,462,202.58	\$ 506,881.15	\$ 587,607.88	\$ 5,825,037.43	\$ 2,912,518.72	0.5103%	\$ 148,291.57
530	Coconino County	\$ 836,763.78	\$ 996,797.32	\$ 363,443.11	\$ 470,026.33	\$ 2,667,030.54	\$ 1,333,515.27	0.2336%	\$ 67,896.24
535	Mohave County	\$ 2,259,831.96	\$ 2,457,290.72	\$ 451,395.35	\$ 511,285.54	\$ 5,679,803.57	\$ 2,839,901.79	0.4976%	\$ 144,594.25
540	Santa Cruz County	\$ 728,780.06	\$ 800,755.73	\$ 211,889.72	\$ 213,227.65	\$ 1,954,653.16	\$ 977,326.58	0.1712%	\$ 49,760.80
545	Navajo County	\$ 835,864.84	\$ 907,077.81	\$ 204,856.37	\$ 232,348.29	\$ 2,180,147.31	\$ 1,090,073.66	0.1910%	\$ 55,501.35
550	Yavapai County	\$ 3,245,673.38	\$ 3,543,920.89	\$ 809,370.40	\$ 1,003,125.50	\$ 8,602,090.17	\$ 4,301,045.09	0.7536%	\$ 218,988.71
TOTAL		\$ 419,407,344.83	\$ 470,153,493.59	\$ 119,562,020.46	\$ 132,404,039.43	\$ 1,141,526,898.31	\$ 570,763,449.16	100.00%	\$ 29,060,554.52

INVESTMENT SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

Detailed List of Sales
and Redemption of Investments

Detailed List of Investments Owned

FUND OBJECTIVES

1. The intent of the Public Safety Personnel Retirement System, the Elected Official's Retirement Plan and the Corrections Officer Retirement Plan (herein after referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes.
2. The Fund Manager and the Administrator will discharge their duties with respect to the Plan solely in the interest of the Plan participants, beneficiaries and employer sponsors. In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided these investments are made in conformity with all applicable laws.
3. The intention of the Plan is to maintain the benefit level 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 Arizona State Legislature. In order to maintain this benefit level the Plan will annually adjust the employer contribution rate based on the recommendations made by the annual actuarial valuations. The Plan's funding goal is for the Plan assets to be equal to Plan liabilities within any twenty-year period.
4. It is the intent of the Plan to level off or reduce the employer contribution rate to the Plan as well as to provide the opportunity for increased benefits for retirees as the legislature may from time to time enact, through the systematic growth of the investments of the fund.
5. The primary objective of the investment program of the Plan is a reasonable, long-range total rate of return. Inherent in this goal is the preservation and enhancement of capital through effective management of the portfolio in order to take advantage of attractive opportunities various market sectors have to offer.

Adopted this 17th day of June, 1998, by the Fund Manager.

John A. Cochran/sig

John A. Cochran, Ph.D., Chairman

F. Michael Geddes/sig

F. Michael Geddes, Member

Donald L. De Ment/sig

Donald L. De Ment, Member

Carmen Torrie/sig

Carmen Torrie, Member

Tony West/sig

Tony West, Member

Added 11-57-92
Revised 11-55-97
Revised 06-45-98

S&P Investment Advisory Services LLC
55 Water Street, 44th Floor
New York, NY 10041
Tel 212 438 3737
Fax 212 438 3929

Standard & Poor's
A Division of The McGraw-Hill Companies 

August 31, 2001

The Fund Manager
State of Arizona
Corrections Officer Retirement Plan
1020 East Missouri Avenue
Phoenix, Arizona 85014

Dear Sirs:

The attached charts and tables depict the investment performance for the Corrections Officer Retirement Plan of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund. We believe these computations were performed in accordance with accepted AIMR procedures.

Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio equaled the Lehman Government/Credit Index. The overall fund underperformed two custom benchmarks, each using bond and stock indices weighted in the same proportion as the investments in the overall fund. The overall fund has attained a rate of return over the past decade that compares favorably with these custom benchmarks.

Sincerely,

Kenneth Shea/sig

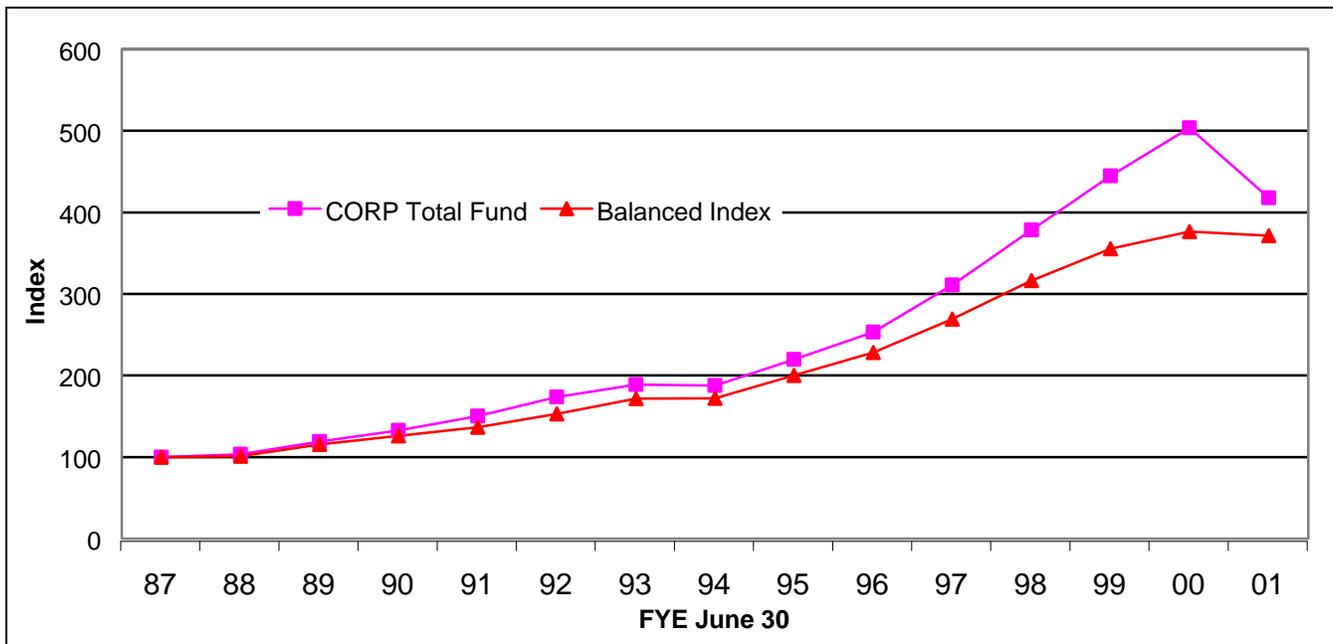
Kenneth Shea
Vice President
Director of Equity Research

KS/rt

Enclosures

tgletters/Arizona 8/01

**Investment Performance Data
Cumulative Return - Total Fund
Corrections Officer Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-01	\$ 679,572,838	\$ 15,092,575	-17.07%	-1.40%
06-30-00	\$ 803,140,980	\$ 20,812,944	13.22%	6.02%
06-30-99	\$ 689,508,750	\$ 19,793,597	17.60%	12.23%
06-30-98	\$ 567,501,186	\$ 22,020,935	21.70%	17.66%
06-30-97	\$ 446,443,126	\$ 21,510,046	22.73%	17.87%
06-30-96	\$ 344,052,534	\$ 17,224,177	15.30%	13.98%
06-30-95	\$ 282,566,544	\$ 13,323,271	17.11%	16.30%
06-30-94	\$ 228,725,251	\$ 12,344,638	-0.70%	0.25%
06-30-93	\$ 218,076,361	\$ 14,234,677	8.80%	12.26%
06-30-92	\$ 186,696,553	\$ 14,047,050	15.68%	12.12%
06-30-91	\$ 148,567,837	\$ 18,448,295	13.23%	8.32%
06-30-90	\$ 113,343,482	\$ 12,540,673	11.24%	9.21%
06-30-89	\$ 90,034,663	\$ 11,245,876	15.21%	13.98%
06-30-88	\$ 67,462,178	\$ 17,014,108	3.40%	1.19%
06-30-87	\$ 48,123,723			

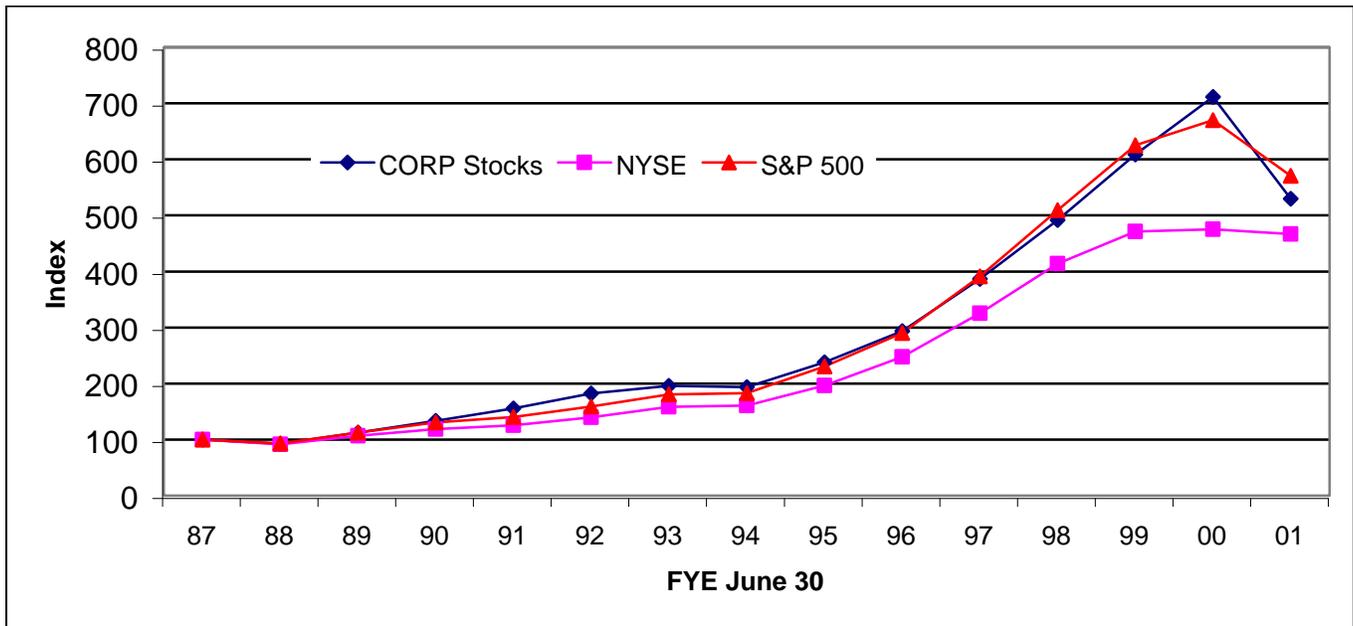
*Balanced Index is 45% NYSE + 45% Lehman Government/Corporate Bond + 10% 91 day T-bill. Beginning FY 98/99, S&P 500 replaces NYSE.

Prior to 1990 the weightings in each asset class were calculated using the fiscal year-end market values.

Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning & ending market values.

Annualized Returns		
	Total Fund	Balanced Index
3-year	3.36%	5.47%
5-year	10.52%	10.23%
10-year	10.78%	10.53%

**Investment Performance Data
Cumulative Return - Stocks
Corrections Officer Retirement Plan**

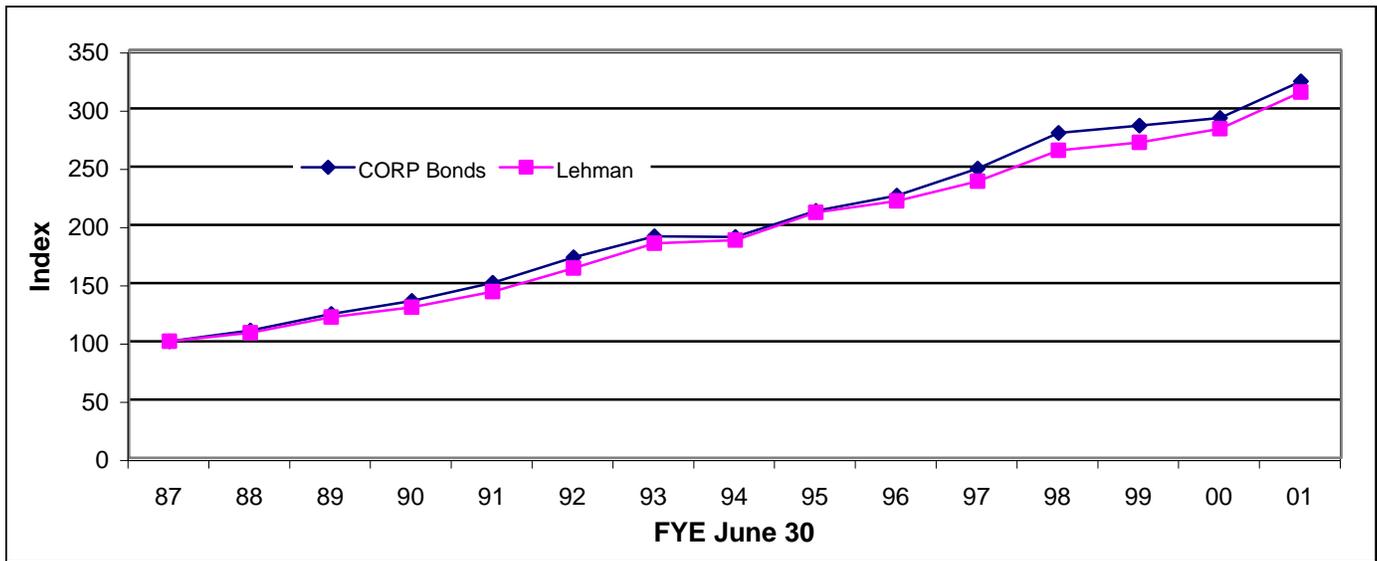


FYE	Fair Value	Contribution	Total Return	NYSE Index	S&P 500
06-30-01	\$ 455,399,449	\$ (12,369,993)	-25.58%	-1.77%	-14.83%
06-30-00	\$ 626,591,339	\$ 28,405,378	16.94%	0.84%	7.25%
06-30-99	\$ 509,408,904	\$ 17,401,223	23.69%	13.86%	22.76%
06-30-98	\$ 393,669,809	\$ 33,176,239	27.23%	27.28%	30.16%
06-30-97	\$ 282,295,331	\$ 24,635,056	31.78%	31.51%	34.69%
06-30-96	\$ 192,410,171	\$ 19,911,538	23.35%	25.91%	26.00%
06-30-95	\$ 136,792,031	\$ (8,954,375)	22.83%	22.40%	26.06%
06-30-94	\$ 120,009,219	\$ 9,254,903	-1.14%	1.24%	1.23%
06-30-93	\$ 112,232,875	\$ 35,940,119	7.37%	13.32%	13.52%
06-30-92	\$ 88,979,250	\$ 19,472,103	17.41%	11.59%	13.45%
06-30-91	\$ 58,385,625	\$ 13,099,368	16.48%	5.50%	7.39%
06-30-90	\$ 38,044,750	\$ 12,336,990	18.39%	11.25%	16.44%
06-30-89	\$ 21,228,125	\$ (430,650)	21.75%	16.81%	20.54%
06-30-88	\$ 17,925,000	\$ 4,678,349	-7.46%	-8.57%	-6.97%
06-30-87	\$ 14,739,500				

*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997.

Annualized Returns			
	Total Stocks	NYSE	S&P 500
3-year	2.48%	4.09%	3.89%
5-year	12.53%	13.55%	14.47%
10-year	13.04%	14.05%	15.07%

Investment Performance Data
Cumulative Return - Bonds, Notes, Other Investments and Money Market
Corrections Officer Retirement Plan



FYE	Fair Value	Contribution	Total Return	Lehman*
06-30-01	\$ 224,173,388	\$ 27,462,568	10.78%	11.14%
06-30-00	\$ 176,549,641	\$ (7,592,434)	2.28%	4.29%
06-30-99	\$ 180,099,846	\$ 2,392,374	2.26%	2.69%
06-30-98	\$ 173,831,382	\$ (11,155,304)	12.28%	11.08%
06-30-97	\$ 164,147,795	\$ (3,125,010)	10.31%	7.75%
06-30-96	\$ 151,642,363	\$ (2,687,361)	6.26%	4.65%
06-30-95	\$ 145,774,513	\$ 22,277,646	11.71%	12.75%
06-30-94	\$ 108,716,032	\$ 3,089,735	-0.21%	-1.45%
06-30-93	\$ 105,843,386	\$ (7,458,392)	10.46%	13.15%
06-30-92	\$ 97,717,303	\$ (5,425,053)	14.54%	14.17%
06-30-91	\$ 90,182,212	\$ (5,348,927)	11.54%	10.21%
06-30-90	\$ 75,298,732	\$ 203,683	9.02%	7.11%
06-30-89	\$ 68,806,538	\$ 11,676,526	13.18%	12.34%
06-30-88	\$ 49,537,189	\$ 12,335,759	9.18%	7.48%
06-30-87	\$ 33,384,223			

*The Lehman Government/Corporate bond index includes more than 5,000 public traded bond issues of \$25 million or more rated Baa or better for a total fair value of more than \$2 trillion.

Annualized Returns		
	Total Bonds	Lehman
3-year	5.03%	5.98%
5-year	7.49%	7.34%
10-year	7.96%	7.91%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 2001**

Broker	Number of Shares Traded	Average Commission	Commissions
Covato Lipsitz	218,000	0.050	\$ 10,900.00
Dain Rauscher	116,000	0.039	\$ 4,500.00
ISI Group	225,000	0.050	\$ 11,250.00
J.W.Garrett	209,000	0.050	\$ 10,450.00
Merrill Lynch	609,706	0.034	\$ 20,735.30
Paine Webber	614,500	0.046	\$ 27,975.00
Prudential Securities	479,000	0.026	\$ 12,500.00
Simon Securities	146,800	0.050	\$ 7,340.00
Smith Barney--Phoenix	534,000	0.028	\$ 14,750.00
Smith Barney--Scottsdale	654,000	0.026	\$ 17,000.00
Standard & Poor's Securities	1,532,006	0.050	\$ 76,600.30
U. S. Securities and Futures	165,000	0.050	\$ 8,250.00
Wells Fargo / Van Kasper	207,000	0.050	\$ 10,350.00
Total Commissions	5,710,012	0.041	\$ 232,600.60

The Plan typically pays \$.05 per share traded plus SEC charges on sale transactions. Over the Counter stocks are typically traded net of commissions. The firms with an average commission of less than \$.05 have traded Over the Counter net of commissions for the Plan.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Description	Percent at Fair Value	Balance June 30, 2000		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2001		Percent at Fair Value
		Fair Value	Book Value				Book Value	Fair Value	
U.S. Treasury Obligations	1.9%	15,052,680.00	13,008,488.00	-	-	(31,214.55)	12,977,273.45	15,428,720.00	2.3%
Federal Agency Obligations	7.0%	56,156,893.72	55,574,173.73	28,470,161.14	9,546,635.78	-	74,497,699.09	76,723,558.51	11.3%
Total U.S. Government Securities	8.9%	71,209,573.72	68,582,661.73	28,470,161.14	9,546,635.78	(31,214.55)	87,474,972.54	92,152,278.51	13.6%
Corporate Bonds	9.4%	75,241,079.95	83,594,145.17	13,051,370.00	2,225,023.79	(39,157.42)	94,381,333.96	89,401,198.47	13.2%
Total Bond Portfolio	18.3%	146,450,653.67	152,176,806.90	41,521,531.14	11,771,659.57	(70,371.97)	181,856,306.50	181,553,476.98	26.8%
Corporate Notes	1.1%	8,988,585.84	8,988,585.84	1,915,315,643.93	1,907,303,821.28	-	17,000,408.49	17,000,408.49	2.5%
Common Stock	78.0%	626,591,339.25	401,304,777.88	121,320,068.37	119,102,581.29	-	403,522,264.96	455,399,449.26	67.0%
Other Investments	2.4%	19,952,884.10	19,952,884.10	7,417,905.05	3,555,788.98	-	23,815,000.17	23,815,000.17	3.5%
Money Market Account	0.2%	1,157,517.17	1,157,517.17	646,985.50	-	-	1,804,502.67	1,804,502.67	0.2%
Total Portfolio	100.0%	803,140,980.03	583,580,571.89	2,086,222,133.99	2,041,733,851.12	(70,371.97)	627,998,482.79	679,572,837.57	100.0%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2000 THROUGH JUNE 30, 2001**

BONDS ACQUIRED

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
FEDERAL AGENCY OBLIGATIONS									
GNMA Pool #434101	7.000	12/15/2028	98.03125	2,538,981.05	2,488,994.86	49,986.19	10,861.20	2,499,856.06	7.14%
GNMA Pool #458918	7.000	8/15/2028	98.18750	4,000,000.33	3,927,500.33	72,500.00	17,111.11	3,944,611.44	7.13%
GNMA Pool #475872	7.000	7/15/2028	99.18750	2,999,999.97	2,975,624.97	24,375.00	11,083.33	2,986,708.30	7.06%
GNMA Pool #530611	6.500	5/15/2031	99.91406	4,000,000.00	3,996,562.50	3,437.50	14,444.44	4,011,006.94	6.51%
GNMA Pool #530631	6.500	6/15/2031	99.55470	5,700,000.00	5,674,617.90	25,382.10	19,554.17	5,694,172.07	6.53%
GNMA Pool #539629	6.500	4/15/2031	99.62500	1,999,700.88	1,992,202.00	7,498.88	7,221.14	1,999,423.14	6.52%
GNMA Pool #548963	6.500	3/15/2031	99.75000	999,900.75	997,401.00	2,499.75	3,971.83	1,001,372.83	6.52%
GNMA Pool #549915	6.500	5/15/2031	99.62500	2,000,300.00	1,992,798.88	7,501.12	7,223.30	2,000,022.18	6.52%
GNMA Pool #560189	6.500	4/15/2031	99.75000	2,999,703.00	2,992,203.74	7,499.26	11,915.49	3,004,119.23	6.52%
GNMA Pool #780896	7.000	11/15/2028	98.03125	1,461,018.77	1,432,254.96	28,763.81	6,249.91	1,438,504.87	7.14%
TOTAL FEDERAL AGENCY OBLIGATIONS				28,699,604.75	28,470,161.14	229,443.61	109,635.92	28,579,797.06	6.75%
CORPORATE BONDS									
ANTHEM INSURANCE COMPANY	9.125	4/1/2010	91.43900	3,000,000.00	2,743,170.00	256,830.00	78,322.92	2,821,492.92	9.98%
AT&T CORPORATES	8.350	1/15/2025	101.50000	1,000,000.00	1,015,000.00	(15,000.00)	17,395.83	1,032,395.83	8.23%
AXA SA	8.600	12/15/2030	108.62500	1,000,000.00	1,086,250.00	(86,250.00)	25,083.33	1,111,333.33	7.92%
GOODRICH CORPORATION	7.100	11/15/2027	90.64700	5,000,000.00	4,532,350.00	467,650.00	36,486.11	4,568,836.11	7.83%
ROCKWELL INTERNATIONAL	6.700	1/15/2028	90.74500	3,000,000.00	2,722,350.00	277,650.00	82,633.33	2,804,983.33	7.38%
US WEST COMMUNICATIONS	7.500	6/15/2023	95.22500	1,000,000.00	952,250.00	47,750.00	22,291.67	974,541.67	7.88%
TOTAL CORPORATE BONDS				14,000,000.00	13,051,370.00	948,630.00	262,213.19	13,313,583.19	8.23%
TOTAL BONDS ACQUIRED				42,699,604.75	41,521,531.14	1,178,073.61	371,849.11	41,893,380.25	7.21%

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AEGON FUNDING CORP	1,999,778.33	221.67	2,000,000.00
AEP CREDIT INC	7,989,831.11	10,168.89	8,000,000.00
AI CREDIT CORP	1,998,841.67	1,158.33	2,000,000.00
AIG FUNDING INC.	3,995,706.11	4,293.89	4,000,000.00
ALLERGAN, INC	998,911.67	1,088.33	1,000,000.00
ALLMERICA FINANCIAL CORP	999,845.83	154.17	1,000,000.00
ALLSTATE CORPORATION	5,998,637.22	1,362.78	6,000,000.00
ALLTEL CORP	3,995,913.33	4,086.67	4,000,000.00
AMERICAN HOME PRODUCTS	9,991,344.45	8,655.55	10,000,000.00
AML LEASING TRUST	5,997,002.78	2,997.22	6,000,000.00
AMSTEL FUNDING	10,987,184.45	12,815.55	11,000,000.00
AMSTERDAM FUNDING CORP	26,974,332.78	25,667.22	27,000,000.00
ANC RENTAL FUNDING CORP	7,995,421.68	4,578.32	8,000,000.00
ARIESONE METAFOLIO	1,998,906.67	1,093.33	2,000,000.00
ARTESIA NORTH AMERICA	1,997,568.89	2,431.11	2,000,000.00
ASSET ONE SECURITIZATION	8,991,729.44	8,270.56	9,000,000.00
ASSET PORTFOLIO FUNDING	3,494,689.59	5,310.41	3,500,000.00
ASSET SECURT. COOPERATIVE	999,814.44	185.56	1,000,000.00
AT&T CORP	2,997,643.06	2,356.94	3,000,000.00
ATLANTIS ONE FUNDING	3,498,497.50	1,502.50	3,500,000.00
AUTOBAHN FUNDING CORP	137,269,085.48	42,914.52	137,312,000.00
BANQUE ET CAISSE D'EPARGNE DE L'ETAT	3,994,897.78	5,102.22	4,000,000.00
BARTON CAPITAL CORP	16,487,132.65	12,867.35	16,500,000.00
BAVARIA FINANCE FUNDING	1,996,241.67	3,758.33	2,000,000.00
BEETHOVEN FUNDING CORPORATION	11,489,798.61	10,201.39	11,500,000.00
BELFORD FUNDING COMPANY LLC	4,997,655.01	2,344.99	5,000,000.00
BELLSOUTH TELEPHONE	1,997,491.67	2,508.33	2,000,000.00
BOEING CAPITAL CORPORATION	1,999,555.56	444.44	2,000,000.00
BRADFORD & BINGLEY BUILDING SOCIETY	1,999,742.78	257.22	2,000,000.00
BROADWAY CAPITAL	1,997,205.56	2,794.44	2,000,000.00
CAISSE CENTRALE DESJARDINS DU QUEBEC	999,860.83	139.17	1,000,000.00
CARDINAL HEALTH	3,997,891.67	2,108.33	4,000,000.00
CARGILL ASIA PACIFIC LTD	3,999,062.22	937.78	4,000,000.00
CARGILL GLOBAL FUNDING PLC	3,997,856.11	2,143.89	4,000,000.00
CATERPILLAR FINANCIAL SERVICES	1,999,283.33	716.67	2,000,000.00
CBA(DELAWARE) FINANCE INC	5,999,045.00	955.00	6,000,000.00
CDC COMMERCIAL PAPER PROGRAM	9,998,242.22	1,757.78	10,000,000.00
CENTENNIAL ENERGY HOLD	7,989,455.00	10,545.00	8,000,000.00
CENTERIOR FUEL	1,996,020.56	3,979.44	2,000,000.00
CENTRICA PLC	1,996,360.00	3,640.00	2,000,000.00
CHECK POINT CHARLIE INC.	3,499,598.33	401.67	3,500,000.00
CINTAS CORPORATION NO. 2	1,498,113.75	1,886.25	1,500,000.00
CINTAS EXECUTIVE SERVICES	1,997,833.33	2,166.67	2,000,000.00
COMPUTER SCIENCE CORPORATION	1,997,850.00	2,150.00	2,000,000.00
CONCORD MINUTEMAN CAP.	11,997,730.84	2,269.16	12,000,000.00
CONSOLIDATED EDISON COMPANY	17,995,819.45	4,180.55	18,000,000.00
CONSOLIDATED NATURAL GAS	5,998,158.06	1,841.94	6,000,000.00
CONSTELLATION ENERGY	11,988,412.77	11,587.23	12,000,000.00
COOP. ASSN. OF TRACTOR DEALERS	115,962,662.56	37,337.44	116,000,000.00
COUNTRYWIDE HOME LOANS	35,975,001.37	24,998.63	36,000,000.00
CROWN POINT CAPITAL	9,998,021.68	1,978.32	10,000,000.00
CVS CORPORATION	5,996,045.55	3,954.45	6,000,000.00

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CXC INC.	499,564.44	435.56	500,000.00
DAIRY INVESTMENTS(BERMUDA) LTD	1,997,480.00	2,520.00	2,000,000.00
DEALERS CAPITAL ACCEPTANCE	11,997,742.78	2,257.22	12,000,000.00
DEALERS CAPITAL ACCESS TRUST INC.	134,475,089.36	24,910.64	134,500,000.00
DELAWARE FUNDING CORP	5,994,583.33	5,416.67	6,000,000.00
DIAGEO CAPITAL PLC	5,997,838.33	2,161.67	6,000,000.00
DIXIE PIPELINE CO	1,999,053.33	946.67	2,000,000.00
DOW CHEMICAL COMPANY	11,997,075.00	2,925.00	12,000,000.00
DUKE CAPITAL CORP	38,983,250.01	16,749.99	39,000,000.00
DUKE ENERGY CORP	9,998,413.35	1,586.65	10,000,000.00
EAGLE FUNDING CAPITAL	11,490,957.92	9,042.08	11,500,000.00
EATON CORPORATION	6,997,647.23	2,352.77	7,000,000.00
EDISON ASSET SECURITIZATION	3,996,160.56	3,839.44	4,000,000.00
EKSPORT FINANS	1,997,260.00	2,740.00	2,000,000.00
EMINENT FUNDING	9,105,574.20	7,425.80	9,113,000.00
ENTERPRISE FUNDING CORPORATION	1,999,276.67	723.33	2,000,000.00
ERASMUS CAPITAL CORP	5,015,727.80	4,272.20	5,020,000.00
ESTEE LAUDER COMPANIES	999,818.06	181.94	1,000,000.00
EW SCRIPPS COMPANY	3,499,518.61	481.39	3,500,000.00
EXPORT DEVELOPMENT CORP	1,999,697.22	302.78	2,000,000.00
EXXON PROJECT INVESTMENT	3,496,320.83	3,679.17	3,500,000.00
EXXONMOBIL AUSTRALIA PROPERTY	24,969,757.24	30,242.76	25,000,000.00
FAIRWAY FINANCE CORP	10,993,241.39	6,758.61	11,000,000.00
FALCON ASSET SECURITIZATION	10,990,121.12	9,878.88	11,000,000.00
FORD MOTOR CREDIT CO.	3,988,815.56	11,184.44	4,000,000.00
FORRESTAL FUNDING MASTER TRUST	1,998,205.56	1,794.44	2,000,000.00
FORTIS FUNDING	1,499,258.33	741.67	1,500,000.00
FOUR WINDS FUNDING CORP	33,994,726.67	5,273.33	34,000,000.00
FPL FUELS, INC.	7,992,083.90	7,916.10	8,000,000.00
FRANCE TELECOM	5,997,123.90	2,876.10	6,000,000.00
GENERAL MOTORS ACCEPTANCE CORP	1,997,850.00	2,150.00	2,000,000.00
GILLETTE COMPANY	1,999,643.89	356.11	2,000,000.00
GIRO FUNDING (US)	3,996,785.56	3,214.44	4,000,000.00
GIRO MULTI-FUNDING U.S. CORP	9,482,346.96	17,653.04	9,500,000.00
GRAND FUNDING CORP	1,997,468.33	2,531.67	2,000,000.00
GREYHAWK FUNDING LLC	5,998,028.33	1,971.67	6,000,000.00
HALOGEN CAPITAL COMPANY	4,998,979.86	1,020.14	5,000,000.00
HANNOVER FUNDING	13,612,583.09	11,416.91	13,624,000.00
HERTZ CORPORATION	5,994,266.12	5,733.88	6,000,000.00
HOLLAND LIMITED SECURITIZATION	29,976,144.86	23,855.14	30,000,000.00
HOMESIDE LENDING	5,994,983.89	5,016.11	6,000,000.00
HONEYWELL INTERNATIONAL	1,999,773.89	226.11	2,000,000.00
IBM CREDIT CORPORATION	1,999,798.89	201.11	2,000,000.00
INDIANA GAS COMPANY	15,678,276.47	11,723.53	15,690,000.00
INTERNATIONAL NEDERLANDEN	1,997,476.11	2,523.89	2,000,000.00
JOHNSON & JOHNSON	1,998,568.89	1,431.11	2,000,000.00
KANSAS CITY POWER & LIGHT	1,999,625.00	375.00	2,000,000.00
KEYSPAN CORPORATION	9,996,652.78	3,347.22	10,000,000.00
KITTY HAWK FUNDING CORP	17,488,664.99	11,335.01	17,500,000.00
LEXINGTON PARKER CAPITAL CORP.	17,489,634.16	10,365.84	17,500,000.00
LIBERTY MUTUAL CAPITAL	12,986,279.45	13,720.55	13,000,000.00
LIBERTY STREET FUNDING	19,494,716.53	5,283.47	19,500,000.00

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LONG LANE MASTER TRUST	3,497,228.33	2,771.67	3,500,000.00
LONG LANE MASTER TRUST IV	4,993,408.05	6,591.95	5,000,000.00
L'OREAL USA INC.	999,846.39	153.61	1,000,000.00
MARKET STREET FUNDING	33,984,119.45	15,880.55	34,000,000.00
MARSH USA INC	1,998,769.45	1,230.55	2,000,000.00
MAXIMILIAN CAPITAL CORPORATION	499,025.83	974.17	500,000.00
MERRILL LYNCH & CO, INC.	5,997,195.00	2,805.00	6,000,000.00
METROPOLITAN EDISON COMPANY	5,995,643.89	4,356.11	6,000,000.00
MICHIGAN CONSOLIDATED GAS	999,818.06	181.94	1,000,000.00
MIDAMERICAN ENERGY CO	3,997,874.45	2,125.55	4,000,000.00
MOAT FUNDING	10,994,500.01	5,499.99	11,000,000.00
MONSANTO CORPORATION	4,998,004.17	1,995.83	5,000,000.00
MONTAUK FUNDING CORP	27,987,468.34	12,531.66	28,000,000.00
NATIONAL GRID USA	5,998,914.45	1,085.55	6,000,000.00
NATIONAL RURAL UTILITIES CFC	1,999,111.11	888.89	2,000,000.00
NEPTUNE FUNDING	23,984,511.51	24,488.49	24,009,000.00
NESS LLC	27,487,278.62	12,721.38	27,500,000.00
NESTLE CAPITAL CORP	11,991,556.11	8,443.89	12,000,000.00
NESTLE HOLDINGS UK PLC	1,998,920.00	1,080.00	2,000,000.00
NEW ENGLAND POWER COMPANY	3,997,833.34	2,166.66	4,000,000.00
NIKE INC.	1,999,640.56	359.44	2,000,000.00
OGE ENERGY CORP	2,997,865.55	2,134.45	3,000,000.00
OGLE THORPE POWER	3,998,508.89	1,491.11	4,000,000.00
OLD LINE FUNDING	3,997,094.44	2,905.56	4,000,000.00
ORANGE & ROCKLAND UTILITY	21,995,531.69	4,468.31	22,000,000.00
PARADIGM FUNDING	5,495,272.64	4,727.36	5,500,000.00
PENNSYLVANIA ELECTRIC COMPANY	5,995,321.66	4,678.34	6,000,000.00
PREFERRED RECEIVABLES FUNDING CORP	1,996,103.33	3,896.67	2,000,000.00
QUESTAR CORP	1,997,977.78	2,022.22	2,000,000.00
QUINCY CAPITAL CORPORATION	5,997,645.56	2,354.44	6,000,000.00
RECEIVABLES CAPITAL CORP	1,999,243.33	756.67	2,000,000.00
REPSOL INTERNATIONAL BV	3,993,668.89	6,331.11	4,000,000.00
REVOLVING COMMITMENT VEHICLE	3,999,330.56	669.44	4,000,000.00
RIVER FUEL TRUST #1	2,998,361.11	1,638.89	3,000,000.00
ROCKWELL INTERNATIONAL	2,998,789.44	1,210.56	3,000,000.00
SCHERING CORPORATION	1,999,086.67	913.33	2,000,000.00
SIEFUNDS CORPORATION	1,499,312.50	687.50	1,500,000.00
SIGMA FINANCE	7,997,771.67	2,228.33	8,000,000.00
SPECIAL PURPOSE ACCTS. REC.	8,294,464.00	5,536.00	8,300,000.00
STARBIRD FUNDING CORPORATION	34,989,092.79	10,907.21	35,000,000.00
STEAMBOAT FUNDING	5,993,960.56	6,039.44	6,000,000.00
SUNBELT FUNDING CORP	45,379,748.42	30,251.58	45,410,000.00
SUNFLOWERS FUNDING CO	1,996,300.00	3,700.00	2,000,000.00
SWEDBANK	1,999,011.67	988.33	2,000,000.00
SWEETWATER CAPITAL	11,995,228.07	4,771.93	12,000,000.00
SYDNEY CAPITAL CORP	1,998,194.44	1,805.56	2,000,000.00
THREE CROWNS FUNDING	126,718,823.03	31,176.97	126,750,000.00
THREE RIVERS FUNDING	14,487,486.67	12,513.33	14,500,000.00
THUNDER BAY FUNDING	24,586,298.80	13,701.20	24,600,000.00
TOTAL FINA ELF SA	3,999,465.56	534.44	4,000,000.00
TRANSAMERICA ASSET FUNDING	25,987,529.46	12,470.54	26,000,000.00
TRIBUNE COMPANY	3,988,841.67	11,158.33	4,000,000.00

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TRIDENT CAPITAL FINANCE	7,992,850.00	7,150.00	8,000,000.00
TRIGON HEALTHCARE	3,498,768.61	1,231.39	3,500,000.00
TRIPLE A-1 FUNDING	41,971,211.96	28,788.04	42,000,000.00
TULIP FUNDING	2,998,441.67	1,558.33	3,000,000.00
UBS AMERICAS, INC	9,994,168.34	5,831.66	10,000,000.00
UBS FINANCIAL(DELAWARE)	21,993,898.32	6,101.68	22,000,000.00
UNITED HEALTHCARE	5,997,458.06	2,541.94	6,000,000.00
UNITED PARCEL SERVICE	3,996,272.78	3,727.22	4,000,000.00
US CENTRAL CREDIT UNION	1,998,222.22	1,777.78	2,000,000.00
USA GROUP SECOND	2,997,661.39	2,338.61	3,000,000.00
USAA CAPITAL CORP	2,997,518.34	2,481.66	3,000,000.00
VECTREN UTILITY HOLDING CORP	8,994,618.62	5,381.38	9,000,000.00
VERMONT AMERICAN CORP	1,997,840.00	2,160.00	2,000,000.00
VISTAONE METAFOLIO L.L.C.	24,479,699.72	20,300.28	24,500,000.00
W.W. GRAINGER INC.	1,999,692.78	307.22	2,000,000.00
WALT DISNEY CO.	999,820.83	179.17	1,000,000.00
WASHINGTON GAS LIGHT COMPANY	8,997,859.73	2,140.27	9,000,000.00
WESTPAC TRUST NZ	3,999,387.22	612.78	4,000,000.00
WGL HOLDINGS	3,998,002.78	1,997.22	4,000,000.00
WISCONSIN ELECTRIC FUEL TRUST	1,997,764.44	2,235.56	2,000,000.00
WISCONSIN PUBLIC SERVICE	1,998,253.33	1,746.67	2,000,000.00
WOOD STREET FUNDING	1,999,641.11	358.89	2,000,000.00
WORLD OMNI VEH. LEASING	15,492,559.02	7,440.98	15,500,000.00
YORKSHIRE BUILDING SOCIETY	10,991,548.89	8,451.11	11,000,000.00
	1,907,303,821.28	1,024,178.72	1,908,328,000.00

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Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
AES CORPORATION	31,000	-	-	0.00%	50.15	1,554,553.90
ALLSTATE CORPORATION	26,000	0.76	19,760.00	2.07%	36.80	956,800.00
ALLTEL CORPORATION	37,000	1.32	48,840.00	2.54%	51.92	1,921,039.20
AMGEN	33,000	-	-	0.00%	59.97	1,979,082.60
APACHE CORPORATION	55,000	0.14	7,700.00	0.24%	58.15	3,198,047.90
BJ SERVICES COMPANY	115,000	-	-	0.00%	76.41	8,787,004.51
BJ'S WHOLESALE CLUB, INC.	120,000	-	-	0.00%	42.41	5,089,008.34
BROADWING INC.	126,000	0.40	50,400.00	1.55%	25.83	3,254,335.10
CHARTER COMMUNICATIONS, INC	30,000	-	-	0.00%	22.22	666,693.00
CITIGROUP, INC.	57,000	0.56	31,920.00	0.80%	70.00	3,989,982.18
CONSTELLATION ENERGY GROUP INC	31,000	0.48	14,880.00	1.10%	43.80	1,357,939.50
COVAD COMMUNICATIONS GROUP	90,000	-	-	0.00%	4.40	395,847.00
CYTYC CORPORATION	28,000	-	-	0.00%	61.00	1,708,000.00
DEVON ENERGY CORPORATION	24,000	0.20	4,800.00	0.35%	57.48	1,379,485.30
EL PASO CORPORATION	28,000	0.85	23,800.00	1.32%	64.17	1,796,776.00
EXXON MOBIL CORP	69,000	0.08	5,520.00	0.09%	88.96	6,138,156.40
FLEETBOSTON FINANCIAL CORPORATION	62,000	1.32	81,840.00	3.48%	37.91	2,350,477.80
GENENTECH, INC.	31,000	-	-	0.00%	45.05	1,396,422.90
GUIDANT CORPORATION	32,000	-	-	0.00%	65.29	2,089,215.60
HELLER FINANCIAL, INC.	25,000	0.40	10,000.00	1.52%	26.30	657,415.50
JDS UNIPHASE CORPORATION	170,000	-	-	0.00%	70.58	11,999,266.90
KIMBERLY-CLARK CORPORATION	62,000	1.12	69,440.00	1.66%	67.63	4,192,956.65
KINDER MORGAN, INC.	61,000	0.20	12,200.00	0.37%	54.09	3,299,641.00
LENNAR CORPORATION	26,000	0.01	260.00	0.02%	43.67	1,135,310.80
MEDTRONIC, INC.	60,000	-	-	0.00%	51.50	3,090,276.20
MOODY'S CORPORATION	30,000	0.04	1,200.00	0.12%	33.02	990,647.84
NABORS INDUSTRIES, INC.	92,000	0.24	22,080.00	0.44%	54.57	5,020,324.92
NATIONAL-OILWELL, INC.	53,000	-	-	0.00%	38.80	2,056,240.40
NOBLE DRILLING CORPORATION	108,000	-	-	0.00%	44.90	4,849,413.68
OXFORD HEALTH PLANS, INC.	32,000	-	-	0.00%	27.64	884,553.60
PHARMACEUTICAL PRODUCT DEVELOPMENT, INC	31,000	-	-	0.00%	48.10	1,491,164.60
QUAKER OATS COMPANY	23,000	-	-	0.00%	71.80	1,651,386.30
QUALCOMM INCORPORATED	31,000	-	-	0.00%	75.50	2,340,500.00
QUANTA SERVICES, INC.	34,000	-	-	0.00%	33.90	1,152,685.24
SANTA FE INTERNATIONAL CORPORATION	98,000	0.13	12,740.00	0.38%	34.58	3,389,123.50
SCHOLASTIC CORPORATION	55,000	-	-	0.00%	41.41	2,277,546.90
SEI INVESTMENTS COMPANY	54,000	0.10	5,400.00	0.18%	56.24	3,037,217.30
SEITEL, INC	138,000	-	-	0.00%	18.69	2,579,823.57
SOLECTRON	54,000	-	-	0.00%	41.95	2,265,537.40
SYMANTEC CORPORATION	40,000	-	-	0.00%	56.58	2,263,120.00
TENET HEALTHCARE CORPORATION	47,000	-	-	0.00%	38.14	1,792,475.00
TXU CORP	77,000	2.40	184,800.00	5.84%	41.09	3,163,685.74
UNITED RENTALS, INC	26,000	-	-	0.00%	21.75	565,450.60
VALERO ENERGY CORPORATION	33,000	0.32	10,560.00	0.64%	50.03	1,650,970.20
VISHAY INTERTECHNOLOGY INC	99,000	-	-	0.00%	22.63	2,240,340.30
WILLIAMS COMPANIES, INC.	30,000	0.60	18,000.00	1.41%	42.47	1,274,127.00
TOTAL COMMON STOCK ACQUIRED			636,140.00	0.01		121,320,068.37

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2000 THROUGH JUNE 30, 2001
OTHER INVESTMENTS ACQUIRED

Name	Coupon	Maturity	Purchase Price	Book Cost
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-DYNAMITE MTN. RANCH	12.750	04/30/02	100.00	101,130.05
BRIDGE FINANCIAL-LAKE PLEASANT	14.000	09/15/01	100.00	396,000.00
BRIDGE FINANCIAL-LAKE PLEASANT HEIGHTS	12.000	11/11/01	100.00	264,000.00
BRIDGE FINANCIAL-VILLAGE AT HASSAYAMPA	12.000	11/11/01	100.00	303,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED				1,064,130.05
<i>MISCELLANEOUS</i>				
CENTURY PLAZA HOTEL				2,882,250.00
NXTV, LLC				364,500.00
PIVOTAL 650, LLC				1,471,500.00
PIVOTAL PROMONTORY				1,417,500.00
SPA AT RED CANYON				218,025.00
TOTAL MISCELLANEOUS ACQUIRED				6,353,775.00
TOTAL OTHER INVESTMENTS ACQUIRED				7,417,905.05

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2000 THROUGH JUNE 30, 2001**

BONDS SOLD

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
FEDERAL AGENCY OBLIGATIONS									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
TOTAL FEDERAL AGENCY OBLIGATIONS						9,546,635.78	9,546,635.78		
CORPORATE BONDS									
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	167,526.39	100.00000	-	167,526.39	167,526.39	-	167,526.39
FUND AMERICA ENTERPRISES	7.750	02/01/03	1,000,000.00	100.39180	16,361.00	1,003,918.00	1,041,520.00	37,602.00	1,020,279.00
LEHMAN BROTHERS HOLDINGS	8.500	05/01/07	1,000,000.00	104.00540	16,055.56	1,040,054.00	1,073,400.00	33,346.00	1,056,109.56
SECURITY NATIONAL MORTGAGE	7.870	08/25/30	13,525.40	100.00000	-	13,525.40	13,525.40	-	13,525.40
TOTAL CORPORATE BONDS			2,181,051.79		32,416.56	2,225,023.79	2,295,971.79	70,948.00	2,257,440.35
TOTAL BONDS SOLD			2,181,051.79		32,416.56	11,771,659.57	11,842,607.57	70,948.00	2,257,440.35

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2000 THROUGH JUNE 30, 2001**

COMMON STOCK SOLD

Page 1 of 2

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABBOTT LABORATORIES	19,000	49.12	933,226.80	981.11	932,245.69	563,162.73	369,082.96	65.54%
AMERICA ONLINE	80,000	53.39	4,271,007.20	4,142.38	4,266,864.82	3,089,155.49	1,177,709.33	38.12%
AMERICAN EXPRESS	70,000	44.05	3,083,238.70	3,602.80	3,079,635.90	2,464,652.50	614,983.40	24.95%
AMGEN	30,000	70.51	2,115,384.00	70.52	2,115,313.48	1,172,613.03	942,700.45	80.39%
AOL TIME WARNER	115,000	43.52	5,004,755.90	5,916.83	4,998,839.07	5,265,272.04	(266,432.97)	-5.06%
APPLIED MATERIALS	11,000	69.43	763,676.20	25.47	763,650.73	192,846.06	570,804.67	295.99%
AT&T CORP	90,000	31.01	2,790,830.00	4,593.05	2,786,236.95	3,732,683.10	(946,446.15)	-25.36%
BANK OF AMERICA CORPORATION	78,000	49.60	3,868,935.67	4,028.99	3,864,906.68	4,766,268.30	(901,361.62)	-18.91%
BESTFOODS	30,000	69.50	2,085,000.00	1,569.50	2,083,430.50	1,160,884.29	922,546.21	79.47%
BP AMOCO PLC	124,400	51.27	6,377,505.86	6,432.61	6,371,073.25	6,748,595.70	(377,522.45)	-5.59%
BRISTOL-MYERS SQUIBB CO.	130,000	54.73	7,114,376.60	6,737.16	7,107,639.44	7,136,333.04	(28,693.60)	-0.40%
CITIGROUP	1	18.74	18.74	-	18.74	-	18.74	0.00%
COMPUTER ASSOCIATES INTL. INC	50,706	24.05	1,219,352.81	2,575.95	1,216,776.86	1,619,278.50	(402,501.64)	-24.86%
COSTCO WHOLESALE CORP	272,000	36.21	9,849,327.88	328.38	9,848,999.50	9,263,684.88	585,314.62	6.32%
ECHOSTAR COMMUNICATIONS 'A'	109,000	27.49	2,995,892.96	2,349.89	2,993,543.07	5,181,901.27	(2,188,358.20)	-42.23%
EMC CORP	58,000	87.20	5,057,374.80	3,068.59	5,054,306.21	553,553.16	4,500,753.05	813.07%
GENENTECH, INC.	32,000	62.57	2,002,192.00	1,666.74	2,000,525.26	2,174,844.80	(174,319.54)	-8.02%
HOME DEPOT	31,000	44.87	1,390,929.70	1,596.37	1,389,333.33	399,831.23	989,502.10	247.48%
IBP, INC.	198,000	25.66	5,081,291.54	10,069.42	5,071,222.12	3,239,446.50	1,831,775.62	56.55%
IMS HEALTH, INC.	60,000	17.51	1,050,427.60	3,035.04	1,047,392.56	1,888,014.78	(840,622.22)	-44.52%
INTEL CORPORATION	21,000	64.70	1,358,693.70	45.29	1,358,648.41	448,198.97	910,449.44	203.14%
JABIL CIRCUIT	16,000	28.61	457,772.80	815.26	456,957.54	331,657.28	125,300.26	37.78%
MCDATA CORP CLASS A	12,147	26.52	322,152.50	618.04	321,534.46	68,974.63	252,559.83	366.16%
MEDTRONIC, INC.	154,000	44.21	6,808,679.54	7,926.99	6,800,752.55	7,658,181.10	(857,428.55)	-11.20%
MICROSOFT CORPORATION	65,000	57.41	3,731,453.67	1,474.41	3,729,979.26	5,247,761.49	(1,517,782.23)	-28.92%
NOKIA CORPORATION	56,000	43.28	2,423,954.80	2,880.81	2,421,073.99	1,007,219.16	1,413,854.83	140.37%
NORTEL NETWORKS CORP	201,000	14.63	2,940,414.85	10,148.04	2,930,266.81	3,167,527.79	(237,260.98)	-7.49%
PFIZER INC.	90,000	43.23	3,891,034.80	4,629.71	3,886,405.09	1,842,689.26	2,043,715.83	110.91%
PPG INDUSTRIES	45,000	38.41	1,728,574.60	2,307.63	1,726,266.97	2,450,202.46	(723,935.49)	-29.55%
QUAKER OATS COMPANY	23,000	97.00	2,231,096.60	1,224.37	2,229,872.23	1,651,386.30	578,485.93	35.03%
QUALCOMM INCORPORATED	31,000	62.26	1,929,979.40	64.34	1,929,915.06	2,340,500.00	(410,584.94)	-17.54%
RAINBOW MEDIA GROUP	53,000	22.96	1,216,860.46	2,690.58	1,214,169.88	861,433.35	352,736.53	40.95%
ROPER INDUSTRIES, INC.	56,000	28.12	1,574,568.45	2,852.51	1,571,715.94	1,992,132.24	(420,416.30)	-21.10%
SANMINA CORP.	40,000	48.22	1,928,798.99	64.31	1,928,734.68	1,299,813.32	628,921.36	48.39%
SBC COMMUNICATIONS INC.	72,500	42.24	3,062,753.75	3,727.10	3,059,026.65	3,909,953.50	(850,926.85)	-21.76%
SCHERING-PLOUGH CORP	65,000	37.71	2,451,463.30	3,331.73	2,448,131.57	884,172.36	1,563,959.21	176.88%
SUN MICROSYSTEMS, INC	90,000	15.88	1,428,878.00	3,247.64	1,425,630.36	3,712,170.04	(2,286,539.68)	-61.60%
TARGET CORP	44,000	38.60	1,698,545.20	2,256.62	1,696,288.58	1,265,227.14	431,061.44	34.07%
TEXACO INC.	110,000	68.63	7,549,190.80	5,751.66	7,543,439.14	7,025,570.50	517,868.64	7.37%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2000 THROUGH JUNE 30, 2001**

COMMON STOCK SOLD

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Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
UNIVISION COMMUNICATIONS	41,800	89.42	3,737,665.74	2,214.62	3,735,451.12	1,286,104.40	2,449,346.72	190.45%
VERIZON COMMUNICATIONS	52,460	43.78	2,296,736.95	2,699.58	2,294,037.37	1,899,525.00	394,512.37	20.77%
VODAFONE GROUP PLC	47,000	35.32	1,660,098.80	2,405.34	1,657,693.46	969,417.11	688,276.35	71.00%
WALGREEN COMPANY	22,000	31.58	694,846.40	1,123.17	693,723.23	119,116.24	574,606.99	482.39%
WILLIAMS COMMUNICATION GROUP	1	0.45	0.45	-	0.45	0.45	-	0.00%
XIRCOM, INC.	120,000	25.00	3,000,000.00	-	3,000,000.00	4,154,020.50	(1,154,020.50)	-27.78%
ZEBRA TECHNOLOGIES A	100,000	40.58	4,057,864.98	1,385.29	4,056,479.69	2,896,605.30	1,159,874.39	40.04%
TOTAL STOCK SOLD	3,216,015		131,236,824.49	128,675.84	131,108,148.65	119,102,581.29	12,005,567.36	10.08%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2000 THROUGH JUNE 30, 2001**

OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Sale Price	Book Cost
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-DESERT MIRAGE GC	11.500	12/10/00	100.00	234,000.00
BRIDGE FINANCIAL-HAWTHORN SUITES	12.500	07/11/01	100.00	480,000.00
BRIDGE FINANCIAL-LAKE PLEASANT	14.000	09/15/01	100.00	1,896,000.00
BRIDGE FINANCIAL-LAKE PLEASANT HEIGHTS	12.000	11/11/01	100.00	264,000.00
BRIDGE FINANCIAL-SUN VALLEY II (SPURLOCK)	13.125	09/17/99	100.00	342,600.00
BRIDGE FINANCIAL-VILLAGE AT HASSAYAMPA	12.000	11/11/01	100.00	339,188.98
TOTAL BRIDGE FINANCIAL SOLD				3,555,788.98
TOTAL OTHER INVESTMENTS SOLD				3,555,788.98

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2001**

BOND PORTFOLIO

Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
U.S. TREASURY OBLIGATIONS											
4,000,000.00	U.S. TREASURY BOND	9.125	05/15/09	4,001,743.12	100.04358	111.59400	4,463,760.00	462,016.88	365,000.00	9.12	7.19
1,000,000.00	U.S. TREASURY BOND	7.500	11/15/16	963,392.68	96.33927	116.50000	1,165,000.00	201,607.32	75,000.00	7.78	5.87
3,000,000.00	U.S. TREASURY BOND	9.125	05/15/18	3,000,000.00	100.00000	134.56200	4,036,860.00	1,036,860.00	273,750.00	9.13	5.88
2,000,000.00	U.S. TREASURY BOND	8.125	08/15/19	2,001,653.23	100.08266	124.51500	2,490,300.00	488,646.77	162,500.00	8.12	5.90
1,000,000.00	U.S. TREASURY BOND	8.000	11/15/21	1,000,000.00	100.00000	124.56200	1,245,620.00	245,620.00	80,000.00	8.00	5.92
2,000,000.00	U.S. TREASURY NOTE	7.500	11/15/01	2,010,484.42	100.52422	101.35900	2,027,180.00	16,695.58	150,000.00	7.46	0.00
13,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			12,977,273.45	99.82518		15,428,720.00	2,451,446.55	1,106,250.00	8.52	
FEDERAL AGENCY OBLIGATIONS											
47,252.66	GNMA Pool #136472	9.000	04/15/16	45,392.07	96.06247	107.77300	50,925.61	5,533.54	4,252.74	9.37	7.74
62,943.47	GNMA Pool #148586	9.000	04/15/16	60,465.06	96.06248	108.12400	68,057.00	7,591.94	5,664.91	9.37	7.68
494,837.19	GNMA Pool #173878	9.000	08/15/16	489,579.51	98.93749	108.12400	535,037.76	45,458.25	44,535.35	9.10	7.70
267,723.40	GNMA Pool #174481	9.000	07/15/16	259,273.37	96.84375	108.12400	289,473.25	30,199.88	24,095.11	9.29	7.70
599,416.75	GNMA Pool #176431	9.000	08/15/16	580,310.37	96.81250	108.12400	648,113.37	67,803.00	53,947.51	9.30	7.70
238,579.80	GNMA Pool #184656	9.000	12/15/16	231,049.65	96.84376	108.12400	257,962.02	26,912.37	21,472.18	9.29	7.73
238,868.53	GNMA Pool #185289	9.000	09/15/19	232,448.93	97.31250	107.74900	257,378.45	24,929.52	21,498.17	9.25	7.91
29,955.37	GNMA Pool #186088	9.000	08/15/17	29,243.95	97.62507	108.12400	32,388.94	3,144.99	2,695.98	9.22	7.76
128,417.38	GNMA Pool #190095	9.000	12/15/16	121,876.12	94.90625	108.12400	138,850.01	16,973.89	11,557.56	9.48	7.73
119,496.79	GNMA Pool #202505	9.000	10/15/19	116,845.44	97.78124	107.74900	128,756.60	11,911.16	10,754.71	9.20	7.92
186,480.69	GNMA Pool #217956	10.000	11/15/17	184,389.67	98.87869	111.00000	206,993.57	22,603.90	18,648.07	10.11	8.32
145,003.05	GNMA Pool #226529	9.000	06/15/18	133,448.12	92.03125	108.12400	156,783.10	23,334.98	13,050.27	9.78	7.81
39,088.97	GNMA Pool #232237	9.000	01/15/20	38,050.67	97.34375	107.74900	42,117.97	4,067.30	3,518.01	9.25	7.93
43,531.95	GNMA Pool #234937	9.000	03/15/18	40,212.65	92.37503	108.12400	47,068.49	6,855.84	3,917.88	9.74	7.79
256,897.05	GNMA Pool #238600	10.000	11/15/17	255,211.17	99.34375	111.00000	285,155.73	29,944.56	25,689.71	10.07	8.32
48,077.65	GNMA Pool #238840	9.000	05/15/18	44,561.99	92.68754	108.12400	51,983.48	7,421.49	4,326.99	9.71	7.80
49,461.68	GNMA Pool #248951	9.000	05/15/18	46,741.33	94.50009	108.12400	53,479.95	6,738.62	4,451.55	9.52	7.80
36,948.00	GNMA Pool #252056	9.000	06/15/18	35,908.86	97.18756	108.12400	39,949.66	4,040.80	3,325.32	9.26	7.81
287,361.48	GNMA Pool #256195	9.000	08/15/18	271,915.82	94.62501	108.12400	310,706.73	38,790.91	25,862.53	9.51	7.82
46,799.87	GNMA Pool #263385	9.000	11/15/18	44,745.09	95.60943	108.12400	50,601.89	5,856.80	4,211.99	9.41	7.83
24,586.72	GNMA Pool #274245	9.000	04/15/19	22,627.47	92.03127	107.74900	26,491.94	3,864.47	2,212.80	9.78	7.90
25,671.87	GNMA Pool #277836	9.000	09/15/19	24,067.39	93.75005	107.74900	27,661.18	3,593.79	2,310.47	9.60	7.91
66,269.70	GNMA Pool #285597	9.000	03/15/20	63,246.15	95.43751	107.12400	70,990.75	7,744.60	5,964.27	9.43	8.01
252,202.50	GNMA Pool #285803	9.000	03/15/20	240,932.20	95.53125	107.12400	270,169.41	29,237.21	22,698.23	9.42	8.01
30,909.58	GNMA Pool #298952	9.000	04/15/21	30,909.58	100.00000	107.24900	33,150.22	2,240.64	2,781.86	9.00	8.03
38,807.44	GNMA Pool #303324	9.000	04/15/21	38,807.44	100.00000	107.24900	41,620.59	2,813.15	3,492.67	9.00	8.03

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2001**

BOND PORTFOLIO

Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
47,793.21	GNMA Pool #304625	9.000	03/15/21	47,778.30	99.96880	107.24900	51,257.74	3,479.44	4,301.39	9.00	8.03
170,687.98	GNMA Pool #305187	9.000	06/15/21	170,634.62	99.96874	107.24900	183,061.15	12,426.53	15,361.92	9.00	8.04
844,627.94	GNMA Pool #330725	8.000	07/15/22	839,085.08	99.34375	104.84300	885,533.27	46,448.19	67,570.24	8.05	7.39
2,294,531.95	GNMA Pool #375887	7.000	05/15/24	2,146,821.43	93.56250	101.37500	2,326,081.76	179,260.33	160,617.24	7.48	6.84
1,156,184.30	GNMA Pool #377589	7.500	08/15/25	1,152,932.54	99.71875	102.68700	1,187,250.97	34,318.43	86,713.82	7.52	7.20
1,035,587.87	GNMA Pool #386038	7.000	06/15/24	971,996.29	93.85937	101.37500	1,049,827.20	77,830.91	72,491.15	7.46	6.84
857,523.32	GNMA Pool #389845	8.000	09/15/24	842,248.67	98.21875	104.21900	893,702.23	51,453.56	68,601.87	8.15	7.50
1,619,819.69	GNMA Pool #398831	8.000	08/15/26	1,617,288.71	99.84375	103.71800	1,680,044.59	62,755.88	129,585.58	8.01	7.58
720,598.08	GNMA Pool #403979	8.500	10/15/24	708,325.33	98.29687	105.25000	758,429.48	50,104.15	61,250.84	8.65	7.87
942,895.61	GNMA Pool #421711	7.500	04/15/26	941,717.00	99.87500	102.65600	967,938.92	26,221.92	70,717.17	7.51	7.20
1,473,013.09	GNMA Pool #427556	7.500	03/15/26	1,468,640.18	99.70313	102.65600	1,512,136.32	43,496.14	110,475.98	7.52	7.20
2,376,916.63	GNMA Pool #432701	8.000	06/15/26	2,376,916.63	100.00000	103.71800	2,465,290.39	88,373.76	190,153.33	8.00	7.58
2,361,486.91	GNMA Pool #434101	7.000	12/15/28	2,314,995.13	98.03125	100.90600	2,382,881.98	67,886.85	165,304.08	7.14	6.91
888,165.64	GNMA Pool #434237	6.000	03/15/29	822,524.65	92.60938	96.78100	859,575.59	37,050.94	53,289.94	6.48	6.32
456,373.07	GNMA Pool #439645	8.000	09/15/26	456,087.84	99.93750	103.71800	473,341.02	17,253.18	36,509.85	8.01	7.58
1,805,513.68	GNMA Pool #441619	7.500	11/15/29	1,798,460.89	99.60937	102.53100	1,851,211.23	52,750.34	135,413.53	7.53	7.24
3,455,037.25	GNMA Pool #458918	7.000	08/15/28	3,392,414.70	98.18750	100.90600	3,486,339.89	93,925.19	241,852.61	7.13	6.91
2,722,111.31	GNMA Pool #475872	7.000	07/15/28	2,699,994.16	99.18750	100.90600	2,746,773.64	46,779.48	190,547.79	7.06	6.91
7,114,586.66	GNMA Pool #499876	7.000	06/15/29	7,076,790.41	99.46875	100.87500	7,176,839.29	100,048.88	498,021.07	7.04	6.91
4,847,217.67	GNMA Pool #499905	7.000	05/15/29	4,812,378.27	99.28125	100.87500	4,889,630.82	77,252.55	339,305.24	7.05	6.91
3,528,747.46	GNMA Pool #499907	7.000	05/15/29	3,382,635.26	95.85937	100.95600	3,562,482.29	179,847.03	247,012.32	7.30	6.90
2,592,381.18	GNMA Pool #507496	7.000	06/15/29	2,512,989.49	96.93750	100.87500	2,615,064.52	102,075.03	181,466.68	7.22	6.91
806,215.33	GNMA Pool #510958	7.000	05/15/29	800,420.66	99.28125	100.87500	813,269.71	12,849.05	56,435.07	7.05	6.91
791,130.79	GNMA Pool #512888	7.000	07/15/29	766,902.42	96.93750	100.87500	798,053.18	31,150.76	55,379.16	7.22	6.91
1,765,025.00	GNMA Pool #513367	7.000	08/15/29	1,690,011.45	95.75000	100.95600	1,781,898.64	91,887.19	123,551.75	7.31	6.90
3,995,589.68	GNMA Pool #530611	6.500	05/15/31	3,992,155.97	99.91406	98.90600	3,951,877.93	(40,278.04)	259,713.33	6.51	6.61
5,700,000.00	GNMA Pool #530631	6.500	06/15/31	5,674,617.90	99.55470	98.90600	5,637,642.00	(36,975.90)	370,500.00	6.53	6.61
1,997,424.66	GNMA Pool #539629	6.500	04/15/31	1,989,934.32	99.62500	98.90600	1,975,572.83	(14,361.49)	129,832.60	6.52	6.61
998,082.69	GNMA Pool #548963	6.500	03/15/31	995,587.49	99.75000	98.90600	987,163.67	(8,423.82)	64,875.37	6.52	6.61
1,997,638.42	GNMA Pool #549915	6.500	05/15/31	1,990,147.28	99.62500	98.90600	1,975,784.26	(14,363.02)	129,846.50	6.52	6.61
2,993,384.67	GNMA Pool #560189	6.500	04/15/31	2,985,901.21	99.75000	98.99500	2,963,301.15	(22,600.06)	194,570.00	6.52	6.60
3,960,260.01	GNMA Pool #780076	8.000	02/15/25	3,891,883.57	98.27344	104.21900	4,127,343.38	235,459.81	316,820.80	8.14	7.51
2,277,783.94	GNMA Pool #780220	7.500	08/15/25	2,277,072.16	99.96875	102.84300	2,342,541.34	65,469.18	170,833.80	7.50	7.18
1,231,392.05	GNMA Pool #780896	7.000	11/15/28	1,207,149.01	98.03125	100.90600	1,242,548.46	35,399.45	86,197.44	7.14	6.91
75,631,317.28	TOTAL FEDERAL AGENCY OBLIGATIONS			74,497,699.09	98.50113		76,723,558.51	2,225,859.42	5,432,056.28	7.29	

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
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BOND PORTFOLIO

Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
CORPORATE BONDS											
227,921.46	AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	225,762.57	99.05279	102.76700	234,228.05	8,465.48	19,259.36	8.53	7.92
116,514.95	AUTO BOND RECEIVABLE TRUST	6.400	04/15/01	116,514.95	100.00000	99.87500	116,369.31	(145.64)	7,456.96	6.40	0.00
2,500,000.00	AGL CAPITAL TRUST	8.170	06/01/37	2,545,524.06	101.82096	92.84400	2,321,100.00	(224,424.06)	204,250.00	8.02	8.83
1,530,000.00	AMERICAN UNITED LIFE INS CO	7.750	03/30/26	1,491,258.56	97.46788	88.47300	1,353,636.90	(137,621.66)	118,575.00	7.95	8.91
3,000,000.00	ANTHEM INSURANCE COMPANY	9.125	04/01/10	2,769,738.60	92.32462	100.15600	3,004,680.00	234,941.40	273,750.00	9.88	9.10
8,000,000.00	ANTHEM INSURANCE COMPANY INC	9.000	04/01/27	8,556,750.44	106.95938	92.42400	7,393,920.00	(1,162,830.44)	720,000.00	8.41	9.81
1,000,000.00	AT&T CORPORATES	8.350	01/15/25	1,014,790.20	101.47902	101.36000	1,013,600.00	(1,190.20)	83,500.00	8.23	8.22
1,000,000.00	AXA SA	8.600	12/15/30	1,085,282.93	108.52829	109.85310	1,098,531.00	13,248.07	86,000.00	7.92	7.75
1,000,000.00	BANC ONE CORP	8.000	04/29/27	1,026,202.40	102.62024	107.56700	1,075,670.00	49,467.60	80,000.00	7.80	7.34
2,000,000.00	BANKERS TRUST CORP 144A	8.090	12/01/26	2,000,000.00	100.00000	99.72400	1,994,480.00	(5,520.00)	161,800.00	8.09	8.12
1,500,000.00	COUNTRYWIDE CAPITAL I	8.000	12/15/26	1,500,000.00	100.00000	98.94300	1,484,145.00	(15,855.00)	120,000.00	8.00	8.10
1,000,000.00	DISCOVER CREDIT	9.100	04/13/12	1,000,000.00	100.00000	113.63300	1,136,330.00	136,330.00	91,000.00	9.10	7.28
5,250,000.00	FARMERS INSURANCE EXCHANGE	8.625	05/01/24	4,901,423.08	93.36044	102.15300	5,363,032.50	461,609.42	452,812.50	9.24	8.41
2,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.234	02/01/27	2,156,052.35	107.80262	95.55400	1,911,080.00	(244,972.35)	164,680.00	7.64	8.67
3,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	07/01/27	3,165,018.68	105.50062	98.20900	2,946,270.00	(218,748.68)	250,290.00	7.91	8.52
500,000.00	FIRST UNION CAPITAL II	7.950	11/15/29	451,463.17	90.29263	101.48100	507,405.00	55,941.83	39,750.00	8.80	7.82
1,000,000.00	FORD MOTOR COMPANY	9.500	09/15/11	999,581.40	99.95814	116.20500	1,162,050.00	162,468.60	95,000.00	9.50	7.20
2,500,000.00	GENERAL AMERICAN LIFE INSURANCE CO	7.625	01/15/24	2,223,224.35	88.92897	99.84300	2,496,075.00	272,850.65	190,625.00	8.57	7.64
1,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	03/01/13	996,988.04	99.69880	107.57900	1,075,790.00	78,801.96	80,000.00	8.02	7.03
5,000,000.00	GOODRICH CORPORATION	7.100	11/15/27	4,533,825.24	90.67650	89.47900	4,473,950.00	(59,875.24)	355,000.00	7.83	8.07
1,000,000.00	HUNTINGTON BANKS SUB NTS	6.600	06/15/18	911,718.08	91.17181	90.66000	906,600.00	(5,118.08)	66,000.00	7.24	7.59
3,000,000.00	JOHN HANCOCK MUTUAL LIFE INS CO	7.375	02/15/24	2,826,498.12	94.21660	100.16000	3,004,800.00	178,301.88	221,250.00	7.83	7.36
4,000,000.00	JPM CAPITAL TRUST II	7.950	02/01/27	4,169,155.40	104.22889	102.00000	4,080,000.00	(89,155.40)	318,000.00	7.63	7.77
1,000,000.00	KEY CORP CAPITAL III	7.750	07/15/29	953,949.16	95.39492	95.95000	959,500.00	5,550.84	77,500.00	8.12	8.12
1,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.750	05/15/02	1,005,192.14	100.51921	103.53000	1,035,300.00	30,107.86	87,500.00	8.70	5.09
2,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.800	03/01/15	2,202,340.50	110.11703	112.76900	2,255,380.00	53,039.50	176,000.00	7.99	7.30
6,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	6,859,617.36	114.32696	90.89800	5,453,880.00	(1,405,737.36)	549,000.00	8.00	10.16
1,000,000.00	MERRILL LYNCH & COMPANY	8.000	06/01/07	1,000,000.00	100.00000	108.53900	1,085,390.00	85,390.00	80,000.00	8.00	6.27
3,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	02/15/24	2,878,194.20	95.93981	90.85200	2,725,560.00	(152,634.20)	225,000.00	7.82	8.41
2,000,000.00	OHIO NATIONAL LIFE INSURANCE	8.500	05/15/26	1,996,220.68	99.81103	96.88200	1,937,640.00	(58,580.68)	170,000.00	8.52	8.81
1,000,000.00	OKLAHOMA GAS & ELECTRIC	6.500	04/15/28	835,170.54	83.51705	85.85800	858,580.00	23,409.46	65,000.00	7.78	7.76
2,000,000.00	PMI CAPITAL	8.309	02/01/27	2,059,926.92	102.99635	94.89400	1,897,880.00	(162,046.92)	166,180.00	8.07	8.82
2,000,000.00	PRINCIPAL MUTUAL LIFE INSURANCE CO	7.875	03/01/24	1,909,761.76	95.48809	95.57200	1,911,440.00	1,678.24	157,500.00	8.25	8.31
1,000,000.00	PRUDENTIAL INSURANCE CO OF AMERICA	8.300	07/01/25	981,116.27	98.11163	106.40000	1,064,000.00	82,883.73	83,000.00	8.46	7.71
3,000,000.00	ROCKWELL INTERNATIONAL	6.700	01/15/28	2,723,220.38	90.77401	90.65200	2,719,560.00	(3,660.38)	201,000.00	7.38	7.52
2,500,000.00	SAFECO CAPITAL TRUST	8.072	07/15/37	2,515,817.82	100.63271	83.19100	2,079,775.00	(436,042.82)	201,800.00	8.02	9.77

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BOND PORTFOLIO

Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
1,000,000.00	SEARS ROEBUCK & CO.	9.375	11/01/11	1,000,000.00	100.00000	114.46100	1,144,610.00	144,610.00	93,750.00	9.38	7.37
2,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	2,211,364.39	110.56822	102.40000	2,048,000.00	(163,364.39)	187,500.00	8.48	9.08
1,986,474.60	SECURITY NATIONAL MORTGAGE LOAN	7.870	08/25/30	1,986,474.60	100.00000	103.13400	2,048,730.71	62,256.11	156,335.55	7.87	7.60
1,000,000.00	SOUTHERN COMPANY CAPITAL TRUST	8.190	02/01/37	1,075,963.16	107.59632	94.43100	944,310.00	(131,653.16)	81,900.00	7.61	8.70
1,000,000.00	TYCO INTERNATIONAL GROUP	6.875	01/15/29	902,545.48	90.25455	93.03000	930,300.00	27,754.52	68,750.00	7.62	7.48
2,000,000.00	UNION CENTRAL LIFE	8.200	11/01/26	2,022,834.68	101.14173	87.08600	1,741,720.00	(281,114.68)	164,000.00	8.11	9.56
1,000,000.00	US WEST COMMUNICATIONS	7.500	06/15/23	952,790.57	95.27906	93.22600	932,260.00	(20,530.57)	75,000.00	7.87	8.17
2,000,000.00	USF&G CAPITAL II, SERIES B	8.470	01/10/27	2,196,844.32	109.84222	101.63200	2,032,640.00	(164,204.32)	169,400.00	7.71	8.32
3,275,000.00	XEROX CAPITAL TRUST I CAP SEC.	8.000	07/01/27	3,445,216.41	105.19745	44.00000	1,441,000.00	(2,004,216.41)	262,000.00	7.60	18.42
93,885,911.01	TOTAL CORPORATE BONDS			94,381,333.96	100.52769		89,401,198.47	(4,980,135.49)	7,697,114.37	8.16	
182,517,228.29	BOND PORTFOLIO TOTALS			181,856,306.50	99.63789		181,553,476.98	(302,829.52)	14,235,420.65	7.83	

**STATE OF ARIZONA
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CORPORATE NOTES

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
6/27/2001	TRANSAMERICA ASSET FUNDING	3.79	7/2/2001	1,998,947.22	1,052.78	2,000,000.00
6/29/2001	NEPTUNE FUNDING	4.35	7/2/2001	1,999,275.00	725.00	2,000,000.00
6/29/2001	BELFORD FUNDING COMPANY LLC	4.33	7/2/2001	1,999,278.33	721.67	2,000,000.00
6/29/2001	DEALERS CAPITAL ACCEPTANCE	4.30	7/2/2001	1,999,283.33	716.67	2,000,000.00
6/29/2001	NESTLE CAPITAL CORP	3.98	7/2/2001	1,999,336.67	663.33	2,000,000.00
6/29/2001	LONG LANE MASTER TRUST	4.27	7/2/2001	1,999,288.33	711.67	2,000,000.00
6/29/2001	SUNBELT FUNDING CORP	4.33	7/2/2001	1,007,636.28	363.72	1,008,000.00
6/29/2001	AIR LIQUIDE US	4.05	7/5/2001	1,998,650.00	1,350.00	2,000,000.00
6/29/2001	EXXON PROJECT	3.86	7/5/2001	1,998,713.33	1,286.67	2,000,000.00
TOTAL CORPORATE NOTES				17,000,408.49	7,591.51	17,008,000.00

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
154,000	ABBOTT LABORATORIES	0.84	29.640	4,564,582.15	48.0000	7,392,000.00	129,360.00	2,827,417.85
106,000	ADOBE SYSTEMS	0.05	34.155	3,620,406.40	47.0000	4,982,000.00	5,300.00	1,361,593.60
31,000	AES CORPORATION	-	50.147	1,554,553.90	43.0500	1,334,550.00	-	(220,003.90)
131,000	ALLSTATE CORPORATION	0.76	30.121	3,945,857.11	43.9900	5,762,690.00	99,560.00	1,816,832.89
99,000	ALLTEL CORPORATION	1.32	63.475	6,284,071.90	61.2600	6,064,740.00	130,680.00	(219,331.90)
185,000	AMERICAN EXPRESS	0.32	35.209	6,513,724.50	38.8000	7,178,000.00	59,200.00	664,275.50
74,000	AMERICAN GENERAL CORPORATION	0.96	38.669	2,861,502.50	46.4500	3,437,300.00	71,040.00	575,797.50
176,250	AMERICAN INT'L GROUP	0.15	32.459	5,720,867.89	85.0100	14,983,012.50	26,085.00	9,262,144.61
222,000	AMGEN	-	39.087	8,677,336.41	60.6800	13,470,960.00	-	4,793,623.59
100,000	ANALOG DEVICES, INC.	-	77.776	7,777,626.20	43.2500	4,325,000.00	-	(3,452,626.20)
162,000	APACHE CORPORATION	0.14	53.166	8,612,950.00	50.7500	8,221,500.00	22,680.00	(391,450.00)
219,000	APPLIED MATERIALS	-	17.531	3,839,389.94	49.1000	10,752,900.00	-	6,913,510.06
128,000	BIOGEN INC	-	52.421	6,709,892.91	54.3600	6,958,080.00	-	248,187.09
230,000	BJ SERVICES COMPANY	-	38.204	8,787,004.51	29.0000	6,670,000.00	-	(2,117,004.51)
153,000	BJ'S WHOLESALE CLUB, INC.	-	39.959	6,113,658.34	53.2600	8,148,780.00	-	2,035,121.66
126,000	BROADWING INC.	0.40	25.828	3,254,335.10	24.4500	3,080,700.00	50,400.00	(173,635.10)
170,000	CABLEVISION SYSTEMS CORP	-	45.793	7,784,872.96	58.5000	9,945,000.00	-	2,160,127.04
30,000	CHARTER COMMUNICATIONS, INC	-	22.223	666,693.00	23.3500	700,500.00	-	33,807.00
520,000	CISCO SYSTEMS	-	8.681	4,513,875.23	18.2000	9,464,000.00	-	4,950,124.77
285,333	CITIGROUP, INC.	0.56	43.316	12,359,485.18	52.8400	15,076,995.72	159,786.48	2,717,510.54
290,000	COMCAST CORP.	-	32.639	9,465,307.56	43.4000	12,586,000.00	-	3,120,692.44
31,000	CONSTELLATION ENERGY GROUP INC	0.48	43.805	1,357,939.50	42.6000	1,320,600.00	14,880.00	(37,339.50)
93,000	CORNING INCORPORATED	0.24	69.806	6,491,949.70	16.7100	1,554,030.00	22,320.00	(4,937,919.70)
410,500	COVAD COMMUNICATIONS GROUP	-	38.663	15,871,207.45	1.0100	414,605.00	-	(15,456,602.45)
228,000	CYTYC CORPORATION	-	16.400	3,739,091.20	23.0500	5,255,400.00	-	1,516,308.80
24,000	DEVON ENERGY CORPORATION	0.20	57.479	1,379,485.30	52.5000	1,260,000.00	4,800.00	(119,485.30)
60,000	ECHOSTAR COMMUNICATIONS 'A'	-	47.540	2,852,422.73	32.4200	1,945,200.00	-	(907,222.73)
61,000	EL PASO CORPORATION	0.85	57.474	3,505,925.20	52.5400	3,204,940.00	51,850.00	(300,985.20)
330,000	EMC CORP	-	9.335	3,080,551.97	29.2500	9,652,500.00	-	6,571,948.03
220,000	ENRON CORPORATION	0.50	18.830	4,142,668.00	49.1000	10,802,000.00	110,000.00	6,659,332.00
200,000	EXPRESS SCRIPTS	-	21.073	4,214,558.06	55.0300	11,006,000.00	-	6,791,441.94
137,647	EXXON MOBIL CORP	0.08	73.868	10,167,645.16	87.3500	12,023,465.45	11,011.76	1,855,820.29
62,000	FLEETBOSTON FINANCIAL CORPORATION	1.32	37.911	2,350,477.80	39.4500	2,445,900.00	81,840.00	95,422.20
31,000	GENENTECH, INC.	-	45.046	1,396,422.90	55.1000	1,708,100.00	-	311,677.10
32,000	GUIDANT CORPORATION	-	65.288	2,089,215.60	36.0000	1,152,000.00	-	(937,215.60)
25,000	HELLER FINANCIAL, INC.	0.40	26.297	657,415.50	40.0000	1,000,000.00	10,000.00	342,584.50
254,000	HOME DEPOT	0.16	12.898	3,276,036.50	46.5500	11,823,700.00	40,640.00	8,547,663.50

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
349,000	INTEL CORPORATION	0.08	21.343	7,448,640.11	29.2500	10,208,250.00	27,920.00	2,759,609.89
130,000	INTERNATIONAL BUSINESS MACH.	0.56	33.057	4,297,447.90	113.0000	14,690,000.00	72,800.00	10,392,552.10
154,000	JABIL CIRCUIT	-	20.729	3,192,201.32	30.8600	4,752,440.00	-	1,560,238.68
170,000	JDS UNIPHASE CORPORATION	-	70.584	11,999,266.90	12.5000	2,125,000.00	-	(9,874,266.90)
138,000	JP MORGAN CHASE & CO	1.36	35.292	4,870,314.10	44.6000	6,154,800.00	187,680.00	1,284,485.90
92,000	KIMBERLY-CLARK CORPORATION	1.12	53.230	4,897,193.98	55.9000	5,142,800.00	103,040.00	245,606.02
61,000	KINDER MORGAN, INC.	0.20	54.092	3,299,641.00	50.2500	3,065,250.00	12,200.00	(234,391.00)
26,000	LENNAR CORPORATION	0.01	43.666	1,135,310.80	41.7000	1,084,200.00	260.00	(51,110.80)
115,000	LEXMARK INTERNATIONAL GROUP	-	72.917	8,385,426.30	67.2500	7,733,750.00	-	(651,676.30)
197,000	LSI LOGIC	-	38.063	7,498,339.90	18.8000	3,703,600.00	-	(3,794,739.90)
190,000	MBNA CORP	0.36	12.895	2,450,107.06	33.0000	6,270,000.00	68,400.00	3,819,892.94
8,580	MCI Group	-	33.308	285,784.41	16.1000	138,138.00	-	(147,646.41)
60,000	MEDIMMUNE, INC.	-	59.457	3,567,406.00	47.2000	2,832,000.00	-	(735,406.00)
154,000	MICROSOFT CORPORATION	-	80.735	12,433,158.01	73.0000	11,242,000.00	-	(1,191,158.01)
30,000	MOODY'S CORPORATION	0.04	33.022	990,647.84	33.5000	1,005,000.00	1,200.00	14,352.16
92,000	NABORS INDUSTRIES, INC.	0.24	54.569	5,020,324.92	37.2000	3,422,400.00	22,080.00	(1,597,924.92)
53,000	NATIONAL-OILWELL, INC.	-	38.797	2,056,240.40	26.8000	1,420,400.00	-	(635,840.40)
155,000	NEWS CORPORATION	0.06	22.680	3,515,355.23	37.1500	5,758,250.00	8,742.00	2,242,894.77
108,000	NOBLE DRILLING CORPORATION	-	44.902	4,849,413.68	32.7500	3,537,000.00	-	(1,312,413.68)
180,000	NOKIA CORPORATION	0.21	17.986	3,237,490.14	22.1900	3,994,200.00	37,962.00	756,709.86
43,000	NORTEL NETWORKS CORP	0.15	15.759	677,630.32	9.0300	388,290.00	6,467.20	(289,340.32)
385,000	OFFICEMAX INC.	-	13.774	5,303,134.59	3.6900	1,420,650.00	-	(3,882,484.59)
32,000	OXFORD HEALTH PLANS, INC.	-	27.642	884,553.60	28.6000	915,200.00	-	30,646.40
145,750	PFIZER INC.	0.58	20.474	2,984,132.88	40.0500	5,837,287.50	84,118.74	2,853,154.62
62,000	PHARMACEUTICAL PRODUCT DEVELOPMENT,	-	24.051	1,491,164.60	30.5100	1,891,620.00	-	400,455.40
141,000	PLANTRONICS, INC.	-	26.820	3,781,583.91	23.1500	3,264,150.00	-	(517,433.91)
34,000	QUANTA SERVICES, INC.	-	33.903	1,152,685.24	22.0400	749,360.00	-	(403,325.24)
32,000	RAINBOW MEDIA GROUP	-	16.253	520,110.69	25.8000	825,600.00	-	305,489.31
220,000	SAFeway INC	-	33.708	7,415,701.60	48.0000	10,560,000.00	-	3,144,298.40
338,000	SANMINA CORP.	-	25.996	8,786,737.98	23.4100	7,912,580.00	-	(874,157.98)
98,000	SANTA FE INTERNATIONAL CORPORATION	0.13	34.583	3,389,123.50	29.8600	2,926,280.00	12,740.00	(462,843.50)
80,000	SCHERING-PLOUGH CORP	1.28	13.603	1,088,212.15	36.2400	2,899,200.00	102,400.00	1,810,987.85
171,000	SCHOLASTIC CORPORATION	-	28.621	4,894,244.90	45.0000	7,695,000.00	-	2,800,755.10
77,000	SEI INVESTMENTS COMPANY	0.10	39.444	3,037,217.30	47.4000	3,649,800.00	7,700.00	612,582.70
138,000	SEITEL, INC	-	18.694	2,579,823.57	13.1000	1,807,800.00	-	(772,023.57)
185,000	SOLECTRON	-	41.430	7,664,567.78	18.3000	3,385,500.00	-	(4,279,067.78)
64,000	SUN MICROSYSTEMS, INC	-	41.246	2,639,765.36	15.7200	1,006,080.00	-	(1,633,685.36)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
AS OF JUNE 30, 2001**

Page 3 of 3

COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
160,000	SYMANTEC CORPORATION	-	49.511	7,921,722.00	43.6900	6,990,400.00	-	(931,322.00)
87,000	T. ROWE PRICE GROUP INC	0.60	39.602	3,445,415.80	37.3900	3,252,930.00	52,200.00	(192,485.80)
150,000	TARGET CORP	0.22	28.755	4,313,274.36	34.6000	5,190,000.00	33,000.00	876,725.64
47,000	TENET HEALTHCARE CORPORATION	-	38.138	1,792,475.00	51.6000	2,425,200.00	-	632,725.00
77,000	TXU CORP	2.40	41.087	3,163,685.74	48.1900	3,710,630.00	184,800.00	546,944.26
290,958	TYCO INTERNATIONAL LTD.	0.05	33.698	9,804,606.19	54.5100	15,860,120.58	14,547.90	6,055,514.39
26,000	UNITED RENTALS, INC	-	21.748	565,450.60	25.9500	674,700.00	-	109,249.40
33,000	VALERO ENERGY CORPORATION	0.32	50.029	1,650,970.20	36.7800	1,213,740.00	10,560.00	(437,230.20)
124,000	VISHAY INTERTECHNOLOGY INC	-	27.484	3,408,076.30	23.0000	2,852,000.00	-	(556,076.30)
306,000	VODAFONE GROUP PLC	0.23	20.626	6,311,524.18	22.3500	6,839,100.00	69,823.69	527,575.82
70,000	WALGREEN COMPANY	0.14	5.414	379,006.22	34.4600	2,412,200.00	9,800.00	2,033,193.78
105,000	WAL-MART STORES	0.28	55.201	5,796,154.20	48.8000	5,124,000.00	29,400.00	(672,154.20)
76,483	WILLIAMS COMMUNICATIONS GROUP		4.276	327,010.62	2.9700	227,154.51	-	(99,856.11)
93,000	WILLIAMS COMPANIES, INC.	0.60	39.365	3,660,928.83	32.9500	3,064,350.00	55,800.00	(596,578.83)
214,500	WORLDCOM INC.	-	32.918	7,060,858.49	14.2000	3,045,900.00	-	(4,014,958.49)
TOTAL COMMON STOCK				403,522,264.96		455,399,449.26	2,317,074.77	51,877,184.30

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2001**

OTHER INVESTMENTS PORTFOLIO

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
BRIDGE FINANCIAL LOANS							
BRIDGE FINANCIAL--15 E. Monroe	12.500	01/05/01	184,500.00	184,500.00	-	23,062.50	12.5%
BRIDGE FINANCIAL--Beaver Creek G.C.	13.000	08/03/01	138,000.00	138,000.00	-	17,940.00	13.0%
BRIDGE FINANCIAL--Dynamite Ranch II	12.750	04/30/02	326,730.05	326,730.05	-	41,658.08	12.8%
BRIDGE FINANCIAL--Grand Inn	12.500	09/25/00	300,000.00	300,000.00	-	37,500.00	12.5%
BRIDGE FINANCIAL--Villages at Hassayampa	12.000	11/11/01	59,811.02	59,811.02	-	7,177.32	12.0%
TOTAL BRIDGE FINANCIAL LOANS			1,009,041.07	1,009,041.07	-	127,337.90	12.6%
MISCELLANEOUS							
PEBBLECREEK PROPERTIES	10.00	02/19/02	263,059.10	263,059.10	-	26,305.91	10.0%
TOTAL MISCELLANEOUS			263,059.10	263,059.10	-	26,305.91	10.0%
TOTAL BEFORE LLC			1,272,100.17	1,272,100.17	-	153,643.81	12.1%
LLC							
DESERT TROON, LLC			6,000,000.00	6,000,000.00			
PIVOTAL X, LLC			16,542,900.00	16,542,900.00			
TOTAL LLC			-	22,542,900.00			
TOTAL OTHER INVESTMENTS			1,272,100.17	23,815,000.17			

ACTUARIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2001

Summary of Valuation Methods and Assumptions

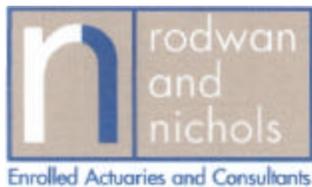
Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



September 5, 2001

The Fund Manager
Arizona Corrections Officer Retirement Plan
1020 East Missouri
Phoenix, Arizona 85014-2613

Attention: Jack Cross, Administrator

The purpose of the annual actuarial valuations of the Arizona Corrections Officer Retirement Plan is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2001 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year to year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 1998. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) are amortized as level percents of payroll over 20 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a four year period.

On the basis of the June 30, 2001 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles. The excellent funded condition reflects the very favorable investment returns experienced by the Retirement Plan over the past decade.

Respectfully submitted,

Sandra Rodwan/sig

Sandra W. Rodwan
Member, American Academy of Actuaries

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**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
AGGREGATE ACTUARIAL BALANCE SHEET**

Actuarial Assets

Accrued Assets			
Member Accumulated contributions	\$	132,404,040	
Employer and benefit payment reserves		545,034,102	
Funding value adjustment		144,559,120	
Total accrued assets*		<u>144,559,120</u>	\$ 821,997,262
Prospective assets (computed value)			
Member contributions	\$	226,721,728	
Employer normal costs		92,192,621	
Employer unfunded actuarial accrued liability		(221,790,354)	
Total prospective assets		<u>(221,790,354)</u>	\$ 97,123,995
Total Actuarial Assets			<u>\$ 919,121,257</u>

**Includes \$45,820,054 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$776,177,208.*

Actuarial Present Values (Liability)

Pensions in payment status			
Service pensions	\$	93,964,213	
Disability pensions		9,539,301	
Survivor pensions		20,743,580	
Health insurance		9,244,987	
Total Benefit values		<u>9,244,987</u>	\$ 133,492,081
Prospective pension payments (future retirements)			654,962,150
Prospective health insurance payments (future retirements)			37,211,147
Prospective refunds of member contributions			47,635,825
Reserve for future pension increases			<u>\$ 45,820,054</u>
Total Actuarial Present Values (Liability)			<u>\$ 919,121,257</u>

Summary of Plan Provisions

See Note 1 in the Notes to the Financial Statements.

Summary of Valuation Methods

Normal cost contributions were computed as follows:

1. Service pensions (including potential survivors pensions). The series of contributions, payable from date of employment, sufficient to accumulate at time of retirement the discounted value of each member's projected pension and potential survivors pension was computed, using the assumptions summarized on the following pages, so that each contribution in the series is a constant percentage of the member's year by year projected compensation (entry age normal cost).
2. Disability and pre-retirement survivor pensions. Same as service pensions.
3. Post-retirement health insurance subsidy. Same as service pensions. No increase was assumed in the flat dollar amounts of subsidy.

Actuarial accrued liability was computed and financed as follows:

1. Retirants and beneficiaries. The discounted value of pensions likely to be paid retired members and their potential survivors was computed using the investment return and mortality assumptions. The computed amount was fully funded by applicable accrued assets.
2. Active members and former members. The actuarial accrued liability associated with service rendered prior to the valuation date was computed using the investment return, mortality and other factors outlined on the following pages. Applicable accrued assets exceeded the computed actuarial accrued liability. The difference, including actuarial gains (losses), was amortized as a level percent of payroll over an open period of 20 years and applied as a credit to the computed employer normal cost.

Summary of Valuation Assumptions

The rate of investment return (net of expenses) used was 9.0 percent a year, compounded annually. The assumption consists of 3.5% for assuming maturity and principal risks and 5.5% in recognition of inflation.

This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, is used to discount the value of future payments, and was first used for the June 30, 1987 annual valuation.

The rates of salary increase used are in accordance with the following table. The assumption is used to project current salaries to those upon which pension amounts will be based. This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, was first used for the June 30, 1987 annual valuation.

Sample Ages	Percent Increase in Salary During Following Year		
	Base Inflation	Other	Promotion and Longevity Total
20	5.50%	1.00%	3.00%
25	5.50%	1.00%	3.00%
30	5.50%	1.00%	2.60%
35	5.50%	1.00%	1.10%
40	5.50%	1.00%	0.20%
45	5.50%	1.00%	0.20%
50	5.50%	1.00%	0.20%
55	5.50%	1.00%	0.10%
60	5.50%	1.00%	-
65	5.50%	1.00%	-

No increase was assumed in the flat dollar amounts of post-retirement health insurance subsidies.

Summary of Valuation Assumptions (continued)

The Mortality table used was the 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back 6 years.

Sample Ages	Deaths per 1,000		Single Life Retirement Values			
			Present Value of \$100 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women	Men	Women
20	0.4	0.3			56.86	62.72
25	0.5	0.4			51.98	57.83
30	0.7	0.5			47.12	52.95
35	0.9	0.6			42.29	48.09
40	1.4	0.9	\$12,930	\$13,272	37.51	43.25
45	2.4	1.2	12,522	12,997	32.80	38.46
50	4.4	2.1	11,997	12,613	28.28	33.73
55	7.1	3.9	11,342	12,112	23.98	29.17
60	10.9	6.5	10,513	11,485	19.90	24.82
65	17.7	9.9	9,490	10,694	16.09	20.70
70	30.7	15.9	8,326	9,710	12.69	16.82
75	48.4	27.4	7,124	8,564	9.82	13.32
80	78.7	44.6	5,879	7,371	7.39	10.36
85	120.6	71.4	4,791	6,120	5.57	7.83
90	171.3	111.7	3,864	4,994	4.19	5.89

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

This table, adopted by the Fund Manager, as recommended by the Plan's actuary, was first used for the June 30, 1999 annual valuation.

Summary of Valuation Assumptions (continued)

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Age	Percent of Active Members Retiring During Next Year
45	25%
46	25%
47	25%
48	25%
49	25%
50	25%
51	25%
52	25%
53	25%
54	25%
55	25%
56	25%
57	25%
58	25%
59	25%
60	30%
61	30%
62	40%
63	40%
64	40%
65	100%

Active members are eligible to retire at any age with 20 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, was first used for the June 30, 1999 annual valuation.

Summary of Valuation Assumptions (continued)

The *rates of separation for active membership* were as follows:

These rates were first used for the June 30, 1995 valuations. Rates do not apply to members eligible to retire and do not include separation on account of death. This assumption, adopted by the Fund Manager, as recommended by the Plan's actuary, measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Becoming Disabled Within the Year
ALL	0	30.00%	(all years of service)
	1	25.0%	
	2	20.0%	
	3	15.0%	
	4	12.0%	
25	5 & Over	7.0%	0.08%
30		7.0%	0.10%
35		7.0%	0.12%
40		6.0%	0.25%
45		6.0%	0.33%
50		5.5%	0.40%
55		5.0%	0.47%
60	5.0%	0.50%	

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SOLVENCY TEST**

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.

Valuation Date	Aggregate Accrued Liabilities for			Valuation Assets Available for Benefits (2)	Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6-30-87	\$ 21,780	\$ 982	\$ 46,170	\$ 47,550	100.0%	100.0%	100.0%
6-30-88	\$ 29,173	\$ 3,062	\$ 44,649	\$ 69,842	100.0%	100.0%	100.0%
6-30-89 ¹	\$ 33,509	\$ 5,473	\$ 60,131	\$ 88,756	100.0%	100.0%	100.0%
6-30-90 ¹	\$ 38,021	\$ 7,177	\$ 77,380	\$ 108,973	100.0%	100.0%	96.4%
6-30-91 ¹	\$ 45,827	\$ 11,457	\$ 89,016	\$ 138,901	100.0%	100.0%	95.0%
6-30-92	\$ 51,610	\$ 16,527	\$ 95,503	\$ 168,553	100.0%	100.0%	98.7%
6-30-93 [*]	\$ 57,143	\$ 21,924	\$ 105,232	\$ 198,692	100.0%	100.0%	100.0%
6-30-94 ¹	\$ 62,219	\$ 26,556	\$ 133,072	\$ 223,847	100.0%	100.0%	100.0%
6-30-95	\$ 67,694	\$ 34,141	\$ 152,354	\$ 265,006	100.0%	100.0%	100.0%
6-30-96 [*]	\$ 74,927	\$ 41,777	\$ 173,814	\$ 319,255	100.0%	100.0%	100.0%
6-30-97 ^{**1}	\$ 82,948	\$ 52,028	\$ 220,614	\$ 393,904	100.0%	100.0%	100.0%
6-30-98	\$ 93,758	\$ 66,343	\$ 250,430	\$ 484,956	100.0%	100.0%	100.0%
6-30-99	\$ 106,390	\$ 95,116	\$ 242,170	\$ 592,152	100.0%	100.0%	100.0%
6-30-00	\$ 119,562	\$ 107,650	\$ 274,111	\$ 704,991	100.0%	100.0%	100.0%
6-30-01	\$ 132,404	\$ 133,492	\$ 288,491	\$ 776,177	100.0%	100.0%	100.0%

See notes on page 23.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF ACTIVE MEMBER DATA**

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 11,047 members in the Plan as of June 30, 2001, compared to 11,269 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 Plus	No.	Valuation Payroll
< 20	32							32	\$ 826,608
20 - 24	990	1						991	\$ 25,509,515
25 - 29	1,582	328	7					1,917	\$ 52,490,450
30 - 34	1,198	537	145	3				1,883	\$ 54,625,137
35 - 39	795	410	278	95	1			1,579	\$ 48,573,586
40 - 44	658	316	233	180	49	4		1,440	\$ 46,533,332
45 - 49	440	282	178	172	80	12		1,164	\$ 39,181,132
50 - 54	326	231	159	185	85	18	2	1,006	\$ 35,833,545
55 - 59	229	160	119	122	49	9	1	689	\$ 23,984,832
60 - 69	86	83	74	74	18	3		338	\$ 11,951,934
70+	5	1				1	1	8	\$ 272,626
Totals	6,341	2,349	1,193	831	282	47	4	11,047	\$ 339,782,697

Listed below is a Comparative Schedule of the changes in active members since 6-30-87:

COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			
				Age (years)	Service (years)	Pay	Increase in Average Pay
6-30-87	11	4,936	\$ 102,910	38.0	3.5	\$20,849	
6-30-88	11	5,702	\$ 117,234	37.6	3.4	\$20,560	-1.4%
6-30-89	11	6,246	\$ 134,520	37.4	4.0	\$21,537	4.8%
6-30-90	11	6,478	\$ 136,693	37.8	4.4	\$21,101	-2.0%
6-30-91	11	6,867	\$ 153,351	38.0	4.6	\$22,332	5.8%
6-30-92	11	7,091	\$ 156,257	38.1	5.0	\$22,036	-1.3%
6-30-93	12	7,550	\$ 166,831	38.2	5.2	\$22,097	0.3%
6-30-94	12	7,828	\$ 177,717	38.3	5.3	\$22,703	2.7%
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	6.6	\$30,758	2.3%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA
SCHEDULE OF RETIRANTS AND BENEFICIARIES**

INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
< 20	3					3
20 - 29	277	3	1			281
30 - 39	248	13	12	1		274
40 - 44	79	19	7	5	2	112
45 - 49	59	14	16	3	3	95
50 - 54	65	14	11	6	2	98
55 - 59	40	8	19	5	2	74
60 - 69	29	6	19	8		62
70+	3					3
Totals	803	77	85	28	9	1,002

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Pensions	Percent Increase	Average Pension
06/30/92	2	70	226	\$ 1,631,420	41.5%	\$ 17,606
06/30/93	5	74	295	\$ 2,203,198	35.0%	\$ 19,182
06/30/94	4	65	356	\$ 2,710,269	23.0%	\$ 20,707
06/30/95	8	87	435	\$ 3,456,705	27.5%	\$ 21,608
06/30/96	12	81	504	\$ 4,274,602	23.7%	\$ 22,541
06/30/97	12	106	598	\$ 5,305,705	24.1%	\$ 23,508
06/30/98	15	125	708	\$ 6,884,614	29.8%	\$ 24,584
06/30/99	21	138	825	\$ 9,642,797	40.1%	\$ 26,211
06/30/00	25	125	925	\$ 11,042,151	14.5%	\$ 11,937
06/30/01	40	155	1,040	\$ 13,446,069	21.8%	\$ 12,929

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF EXPERIENCE GAIN/(LOSS)
YEAR ENDED JUNE 30, 2001**

DERIVATION

(1) UAAL* at start of year	\$	(203,667,590)
(2) Normal cost for year		36,659,508
(3) Funding Method Contribution		(43,893,558)
(4) Interest accrued on (1), (2) and (3)		(18,655,615)
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]		(229,557,255)
(6) Effect of assumption changes***		41,000,000
(7) Effect of cost method changes		None
(8) Expected UAAL after changes		(188,557,255)
(9) Actual UAAL		(221,790,354)
(10) Gain/(Loss) (9)-(10)	\$	33,233,099
(11) As % of AAL** at beginning of year		6.6%

* Unfunded actuarial accrued liability

** Actuarial accrued liability

*** Estimated

Aggregate experience of the Plan was significantly more favorable than expected based on assumptions concerning long-term expected experience. Investment income was the primary source of favorable experience. The decrease in the employer contribution rates and the increase in the funded ratio reflect the experience gain.

STATISTICAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
FIFTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Summary of Growth of the System

Earnings Distribution – Fiscal Year Ended June 30, 2001

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE**

FYE	<u>REVENUES</u>		Employer		Net Investment Income***	Total
	Member ** Contributions	Contributions*	% of Annual Covered Payroll			
1991	\$10,114,753 33%	\$9,764,220 31%	6.35%		\$11,171,749 36%	\$31,050,722 100%
1992	\$10,230,782 30%	\$9,492,656 27%	6.16%		\$15,081,978 43%	\$34,805,416 100%
1993	\$10,864,248 30%	\$10,099,143 27%	6.22%		\$15,833,256 43%	\$36,796,647 100%
1994	\$11,466,654 34%	\$10,032,668 29%	5.83%		\$12,564,499 37%	\$34,063,821 100%
1995	\$12,759,059 27%	\$10,565,831 23%	5.54%		\$23,730,177 50%	\$47,055,067 100%
1996	\$14,456,281 20%	\$14,371,254 20%	6.66%		\$44,235,782 60%	\$73,063,317 100%
1997	\$16,052,492 14%	\$16,704,445 15%	6.93%		\$80,841,733 71%	\$113,598,670 100%
1998	\$21,647,490 16%	\$17,063,015 12%	6.63%		\$99,003,314 72%	\$137,713,819 100%
1999	\$24,808,816 17%	\$17,109,704 12%	5.98%		\$102,169,586 71%	\$144,088,106 100%
2000	\$28,009,210 21%	\$16,876,163 12%	5.14%		\$92,772,177 67%	\$137,657,550 100%
2001	\$28,966,162 -31%	\$14,927,396 -15%	1.88%		(\$138,559,756) 146%	(\$94,666,198) 100%

FYE	<u>EXPENSES</u>			Total
	Benefits	Administrative Expenses****	Refunds	
1991	\$1,139,878 26%	\$223,242 5%	\$3,008,355 69%	\$4,371,475 100%
1992	\$1,693,034 32%	\$243,730 5%	\$3,287,556 63%	\$5,224,320 100%
1993	\$2,292,052 35%	\$252,855 4%	\$4,008,570 61%	\$6,553,477 100%
1994	\$2,834,598 35%	\$245,568 3%	\$5,024,767 62%	\$8,104,933 100%
1995	\$3,390,108 36%	\$285,989 3%	\$5,779,554 61%	\$9,455,651 100%
1996	\$4,312,487 41%	\$281,224 3%	\$5,979,772 56%	\$10,573,483 100%
1997	\$5,280,996 42%	\$292,893 2%	\$6,918,704 56%	\$12,492,593 100%
1998	\$6,883,596 44%	\$329,550 2%	\$8,416,350 54%	\$15,629,496 100%
1999	\$8,917,450 49%	\$348,302 2%	\$9,043,573 49%	\$18,309,325 100%
2000	\$10,777,009 42%	\$344,542 2%	\$14,385,327 56%	\$25,506,878 100%
2001	\$13,433,499 47%	\$365,742 2%	\$14,609,539 51%	\$28,408,780 100%

NOTE: *Contributions were made in accordance with actuarially determined contribution requirements.

**The member contribution rate is 6.65% of covered payroll, 8.5% after 7/21/98.

***Prior to fiscal year 1996, Investment income includes only realized gains and losses. See note 2.

****Prior to fiscal year 1996, Investment Expenses were not broken out from Administrative and Investment Expenses. However, for the fiscal years 1996, 1997, 1998, 1999, 2000 and 2001, Investment expenses were are now shown net in Investment Income as opposed to inclusion with Administrative Expenses as in prior reports.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF BENEFIT EXPENSES BY TYPE**

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Totals
1988	\$158,461 69%	\$4,382 2%	\$65,620 29%	-	\$228,463 100%
1989	\$314,249 68%	\$19,611 4%	\$132,143 28%	-	\$466,003 100%
1990	\$455,345 65%	\$31,387 5%	\$210,017 30%	-	\$696,749 100%
1991	\$685,114 60%	\$44,941 4%	\$347,457 31%	\$62,366 5%	\$1,139,878 100%
1992	\$1,031,785 61%	\$55,783 3%	\$479,846 28%	\$125,620 8%	\$1,693,034 100%
1993	\$1,390,554 61%	\$77,305 3%	\$661,349 29%	\$162,844 7%	\$2,292,052 100%
1994	\$1,727,201 61%	\$165,818 6%	\$745,568 26%	\$196,011 7%	\$2,834,598 100%
1995	\$2,182,356 64%	\$220,204 7%	\$747,598 22%	\$239,950 7%	\$3,390,108 100%
1996	\$2,831,205 66%	\$273,769 6%	\$915,429 21%	\$292,084 7%	\$4,312,487 100%
1997	\$3,561,512 67%	\$353,098 7%	\$1,014,073 19%	\$352,313 7%	\$5,280,996 100%
1998	\$4,713,170 68%	\$481,804 7%	\$1,223,055 18%	\$465,567 7%	\$6,883,596 100%
1999	\$5,957,350 67%	\$614,275 7%	\$1,801,580 20%	\$544,245 6%	\$8,917,450 100%
2000	\$7,416,745 69%	\$706,266 6%	\$2,013,181 19%	\$640,817 6%	\$10,777,009 100%
2001	\$9,266,426 69%	\$849,350 6%	\$2,587,972 19%	\$729,751 6%	\$13,433,499 100%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA**

The following summary presents an analysis of the benefit changes that have taken place during the past 15 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 15.6% and 25.8% over the last five years.

COMPARATIVE SCHEDULE

Year Ended June 30	Retired			Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors Totals			
1987	10		5	\$103,522	\$6,901	329.1 to 1
1988	34		14	\$325,835	\$6,788	118.8 to 1
1989	61		24	\$571,541	\$6,724	73.5 to 1
1990	78	4	33	\$765,738	\$6,659	56.3 to 1
1991	111	5	42	\$1,152,673	\$7,295	43.5 to 1
1992	163	5	58	\$1,631,420	\$7,219	31.4 to 1
1993	214	9	72	\$2,203,198	\$7,468	25.6 to 1
1994	255	17	84	\$2,710,269	\$7,613	22.0 to 1
1995	312	23	100	\$3,456,750	\$7,947	19.2 to 1
1996	365	24	115	\$4,274,602	\$8,481	17.7 to 1
1997	430	32	136	\$5,305,705	\$8,872	16.3 to 1
1998	516	42	150	\$6,884,614	\$9,724	13.5 to 1
1999	599	49	177	\$9,642,797	\$11,688	13.2 to 1
2000	672	55	198	\$11,042,151	\$11,937	12.2 to 1
2001	748	64	228	\$13,446,069	\$12,929	10.6 to 1

Set forth below is a summary of pensions being paid to retired members and survivors:

SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2001

Pensions Being Paid	Number	Annual Pensions	Average Pensions
Retired Members - Service Pensions	748	\$ 10,239,384	\$ 13,689
- Disability Pensions	64	\$ 924,606	\$ 14,447
Totals	812	\$ 11,163,990	\$ 13,749
Survivors of Members - Spouses	211	\$ 2,131,135	\$ 10,100
- Children with Guardians	17	\$ 150,944	\$ 8,879
Totals	228	\$ 2,282,079	\$ 10,009
Total Pensions Being Paid	1,040	\$ 13,446,069	\$ 12,929

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	66.0	16.0	61.0
Disability retired members	50.7	9.3	46.2
Spouse beneficiaries	57.8	50.6	10.0

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Fund and are limited to four percent of the average benefit being paid to retirees and their survivors. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st.

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
06/30/91	0.50%	\$ 11,456,784	<u>\$ 57,284</u>			
	Amount available:	7-1-92 increase	57,284	None	\$24.64	None
	Investment earnings on balance		5,322			
	Amount utilized:	7-1-92 increase	-			
06/30/92	0.29%	\$ 16,527,313	<u>\$ 47,929</u>			
	Amount available:	7-1-93 increase	110,535	\$5	\$24.06	\$5.00
	Investment earnings on balance		9,992			
	Amount utilized:	7-1-93 increase	(93,840)			
06/30/93	0.04%	\$ 21,923,868	<u>\$ 8,770</u>			
	Amount available:	7-1-94 increase	35,457	None	\$24.89	None
	Investment earnings on balance		2,177			
	Amount utilized:	7-1-94 increase	-			
06/30/94	0.00%	\$ 26,556,396	<u>\$ -</u>			
	Amount available:	7-1-95 increase	37,634	None	\$25.38	None
	Investment earnings on balance		3,880			
	Amount utilized:	7-1-95 increase	-			
06/30/95	1.31%	\$ 34,140,660	<u>\$ 447,241</u>			
	Amount available:	7-1-96 increase	488,755	\$10	\$26.49	\$10.00
	Investment earnings on balance		53,519			
	Amount utilized:	7-1-96 increase	(397,082)			
06/30/96	1.95%	\$ 38,930,508	<u>\$ 759,145</u>			
	Amount available:	7-1-97 increase	904,337	\$15	\$28.27	\$15.00
	Investment earnings on balance		100,562			
	Amount utilized:	7-1-97 increase	(674,496)			
06/30/97	2.12%	\$ 48,380,789	<u>\$ 1,025,673</u>			
	Amount available:	7-1-98 increase	1,356,076	25	\$78.36	\$25.00
	Investment earnings on balance		296,303			
	Amount utilized:	7-1-98 increase	(1,391,471)			
	Amount Transferred by HB 2496		7,310,486			
06/30/98	12.85%	\$ 61,782,309	<u>\$ 7,939,027</u>			
	Amount available:	7-1-99 increase	15,510,421	\$125.00	\$32.41	\$32.41
	Investment earnings on balance		2,729,834			
	Amount utilized:	7-1-99 increase	(2,369,795)			

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
06/30/99	8.60%	\$ 309,115,721	<u>\$ 26,583,952</u>			
	Amount available: 7-1-00 increase		42,454,412	\$550.00	\$38.96	\$38.96
	Investment earnings on balance		5,612,473			
	Amount utilized: 7-1-00 increase		(3,253,379)			
06/30/00	4.22%	\$ 354,772,102	<u>\$ 14,971,383</u>			
	Amount available: 7-1-01 increase		59,784,889	\$680.00	\$39.79	\$39.79
	Investment earnings on balance		(10,202,889)			
	Amount utilized:		(3,761,946)			
06/30/01	0.00%	\$ 342,836,483	<u>\$ -</u>			
	Amount available: 7-1-02 increase		45,820,054	36.5%	4.0%	4.0%

1. Net effective yield less actuarial yield per statute of 9%. Beginning 6/30/98, total return less actuarial yield per statute of 9%.
2. Amount equal to retired reserves until 6-30-98 when the assets to be used was changed to one-half of the average net total assets as published in the annual report.
3. Effective 7/1/02, Benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
PARTICIPATING EMPLOYERS**

APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF JUVENILE CORRECTIONS
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY
PIMA COUNTY
SANTA CRUZ COUNTY
YAVAPAI COUNTY
YUMA COUNTY

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF GROWTH OF THE PLAN**

Listed below is a table setting forth the growth of the System in some of the major areas since it was started July 1, 1986.

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
Assets					
Transferred	\$ 35,898,096				
1986-87	\$ 47,550,266	\$ 2,591,092	9.00%	12.57%	6.00%
1987-88	\$ 69,842,267	\$ 4,829,032	9.00%	8.69%	6.00%
1988-89	\$ 88,759,811	\$ 6,981,352	9.00%	9.27%	6.00%
1989-90	\$ 109,000,881	\$ 7,969,987	9.00%	8.44%	6.00% ¹
1990-91	\$ 138,958,392	\$ 11,171,749	9.00%	9.50%	6.35% ²
1991-92	\$ 168,663,770	\$ 15,081,978	9.00%	10.35%	6.16% ^{2,3}
1992-93	\$ 198,727,336	\$ 15,833,256	9.00%	9.04%	6.22%
1993-94	\$ 223,939,998	\$ 12,564,499	9.00%	6.14%	5.83%
1994-95	\$ 261,475,094	\$ 23,730,177	9.00%	10.31%	5.54%
1995-96	\$ 309,150,409	\$ 29,543,144	9.00%	10.95%	6.66% ²
1996-97	\$ 365,414,374	\$ 35,445,750	9.00%	11.12%	6.93% ⁴
1997-98	\$ 426,352,295	\$ 38,356,983	9.00%	10.21%	6.63%
1998-99	\$ 519,862,471	\$ 70,754,167	9.00%	16.23%	5.98% ²
1999-00	\$ 588,205,472	\$ 49,627,757	9.00%	9.39%	5.14%
2000-01	\$ 631,618,088	\$ 29,491,487	9.00%	4.96%	1.88%

1. Before changes in benefit provisions.

2. After change in benefit provisions

3. Pursuant to 1990 legislation, the employer contribution rates are determined individually in the annual actuarial valuation rather than fixed by statute as a single rate.

4. After changes in benefit provisions and assumptions

5. A detailed Schedule of Revenues by Source and Expenses by Type can be found in the Statistical Section.