ELECTED OFFICIALS'

RETIREMENT PLAN

SUMMARY ANNUAL FINANCIAL REPORT

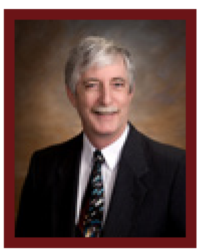
A PENSION TRUST FUND OF THE STATE OF ARIZONA

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

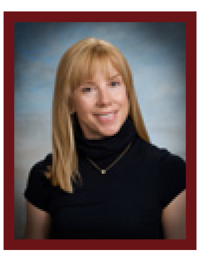
Carter Olson
Chairman

Billy Shields
Vice Chairman

Mike Galloway
Member



Tim Dunne
Member



Lori Roediger
Member

Brian Delfs
Advisor

Fund Manager Highlights

• Carter Olson, Esq., a board member since 2003, was first elected to the position of Chairman at the September 20, 2005, meeting of the Fund Manager and reelected to the position in September, 2006. Carter is the former Pinal County Attorney and is currently a Superior Court Judge in Pinal County.

• Billy Shields, former President of the United Firefighters Association and a retired City of Phoenix Fire Captain, was first elected to the position of Vice Chairman at the September 20, 2005 Fund Manager meeting and then reelected in September, 2006. Billy has been a member of the Fund Manager for 4 years and is involved in numerous nonprofit boards and organizations. He represents members of the System.

• Mike Galloway, who was appointed as a member of the Fund Manager in July of 2007, founded Galloway Asset Management, LLC to serve the financial needs of Police Officers and Firefighters. Prior to becoming a financial planner, he served in the United States Marine Corp and is a retired lieutenant from the Mesa AZ Police Department.

• Tim Dunne, a financial advisor with UBS Financial Services in Tucson, was appointed as a member of the Fund Manager in December of 2007. He earned a BS degree in Psychology and taught the emotionally disturbed for over two years in New York. He established a private counseling agency and later changed to the financial services industry upon achieving a securities license.

• Lori Roediger, a graduate of the University of Arizona with a BS in Business Administration was appointed as a member of the Fund Manager in February of 2008. She moved to San Francisco to pursue a career in finance. She became the Senior Investment Officer for the Federal Home Loan Bank and was later hired by JP Morgan where she was the first salesperson to be made a partner in the history of the firm.

• Brian Delfs, a City of Tucson Fire Captain and entrepreneur, is currently serving in an advisory capacity to the Fund Manager. Brian is pursuing a Masters of Public Administration degree. He is a member of the Industrial Commission and also sits on several government regulatory boards.

Fiscal Year 2008 Highlights

• The Elected Officials' Retirement Plan (EORP) had a total rate of return of (7.59)% this year. Our equity portfolio had a return of (12.11)%, which underperformed the equity benchmark by 153 basis points. Our fixed income portfolio had a return of 3.08%, which underperformed the fixed income benchmark by 416 basis points.

• As of the close of the fiscal year 2008, the Future Benefit Increase Reserve was $18 million. This will enable another post-retirement adjustment of 4% for qualifying retirees or their survivors beginning July 1, 2009.

• Retirement benefits paid totaled $32.5 million for the current year, compared to $28.7 for the previous year. This represents a 13% increase from the prior year.

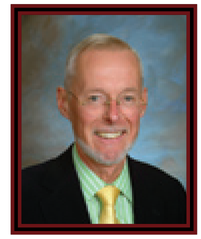
• During fiscal year 2008, the EORP Board continued its strategic initiative that will change the way in which the Plan's assets are managed and invested. In addition, there were other developments and initiatives that strengthened Plan governance, increased administrative efficiency and productivity or improved controls.

• IT Assessment: An independent IT consulting firm, Torus Business Group, was retained to do a complete assessment of the PSPRS IT systems environment and database development. The firm was also asked to set forth options to address unmet needs, especially with respect to disaster recovery and business continuity capability. The report was released in February 2008 and many of its recommendations were reflected in the strategic plan and administrative budget for system FY'09.

• Investment Unitization Reporting: The accounting firm of Ernst & Young was retained to resolve any GAAP, GASB, reporting or accounting issues that may be associated with the commingling of the assets of the PSPRS System's three Plans, which includes EORP, in a single trust vehicle for purposes of investment.

• Historical Asset Management: In December 2007, a spokesman from Cost Effective Measurement presented to the Board a thorough evaluation of the System's historical asset management cost effectiveness in relation to the returns generated and relative to the System's peer group. The CEM evaluation corroborated the findings contained in an earlier FY'07 report from the investment firm of Ennis, Knupp & Associates.

Plan Administrator



Jim Hacking
Administrator

Dear Members,

I am pleased to present the EORP Summary Annual Financial Report for the fiscal year ended June 30, 2008. This report provides financial information about the Plan's financial status, investment performance, and highlights significant changes that occurred during the year. The information in this report is derived from the Comprehensive Annual Financial Report (CAFR). To view the full CAFR, please refer to the last page of this report.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement system on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the Plan. The Plan is funded through a statutory member contribution of 7.00% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and reset annually, depending on the results of the Plan's actuarial valuation, judicial filing fees and the realized and unrealized returns on the invested assets of the Plan.

The current contribution rate for participating employers is 28.00% of covered payroll. The rate that will take effect as of July 1, 2009 will be 26.25%. This new and lower aggregate rate is the result of an increase in the EORP's FY'08 funding ratio. The judicial filing fees that the EORP annually receives subsidize the contribution rate that the state and counties pay with respect to their EORP participants. The subsidized rate that will take effect July 1, 2009 for state and counties will be 14.26% of payroll.

There is no single all-encompassing test to measure a retirement system's funding progress and current status. A traditional measure is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the PSPRS Plan had been declining for six consecutive years and was 74.6% as of June 30, 2007. However, as of June 30, 2008, the ratio improved slightly to 76.6%, despite the fact that the System had a negative rate of return (7.59%) on its invested assets.

Although the 2000-2002 asset value losses have been by far the major cause of the Plan's funding ratio erosion from FY'02 through FY'07, other factors also contributed. These include, in descending order of importance: 1) actuarial demographic assumption and methodology changes, made necessary by FY'07 actuarial audits, that increased the Plan's unfunded liability and reduced its funding ratio; 2) a decrease in the actuarial rate of return from 9.0% to 8.5%; and 3) the increased liability associated with certain legislated benefit increases.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These increases are limited to four percent per year by state law. These post retirement increases are funded from a portion of the investment returns in excess of 9% that are accumulated in the Plan's Reserve for Future Benefit Increases. These reserves are invested along with all other assets of the Plan. The reserve balance, after subtracting the $10.3 million needed to fund the July 1, 2008 post retirement increase, was $18.2 million. Because no new assets flowed into the Reserve in FY'08 due to the Plan's negative rate of investment return, the reserve balance is now only sufficient to fund one more year's adjustment at the statutory maximum of 4%.

FUTURE FINANCIAL STATUS EXPECTATIONS

At the conclusion of FY'09, the asset value loss that the Plan sustained in FY'02 will drop out of the actuarial value of assets. Given that, and if FY'09 turns out to be a reasonably good year for the financial markets which admittedly seems remote at this time, and if the System is able to achieve or exceed its actuarial assumed rate of return of 8.5%, the PSPRS Plan should continue to experience gradual improvement in its funding ratio. As that happens, the aggregate PSPRS employer contribution rate should continue to decline. The further implementation, and ultimately completion, of the System's asset management restructuring process that began in FY'07 should serve to accelerate and magnify the expected positive funding ratio and employer rate trends.

There are, however, risks, both realized and potential, that could delay or even reverse the expected improvement. These are: a sharp and sustained downturn in the U.S. and global economies and financial markets that would cause the System to fall short of achieving rate of return expectations; and having to reduce the actuarial rate of return assumption from 8.5% to 8.0% as was recommended by the actuarial auditing firms that conducted the System's actuarial audits in FY'07.

As we have moved into FY'09, and especially during September and October, the U.S. and global economies have weakened and the financial markets, expecially the equity markets, have become sharply negative and volatile. Whether these trends will continue or whether economic and financial trends will improve cannot be predicted with any certainty. But, at the moment, the prospect of our meeting or exceeding our rate of return expectations appears remote. However, we shall simply have to wait and see how things turn out as of June 30, 2009.

Respectfully submitted,

James M. Hacking
Administrator

Net Assets are the resources available to pay pension benefits in the future. Net assets decreased $37,775,392 in fiscal year 2008 due to negative market conditions.

Summary Statement of Plan Net Assets

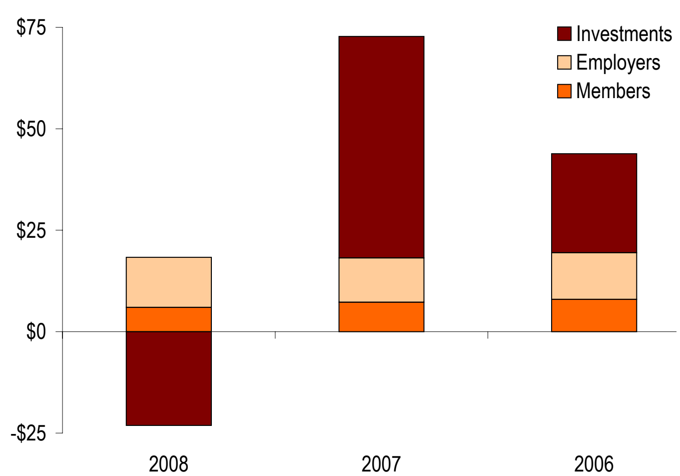
	Year Ended June 30, 2008	Year Ended June 30, 2007	Amount of Change	Percent Change
Cash and Equivalents	5,973,514	285,869	5,687,645	1989.60
Total Receivables	8,727,518	3,257,498	5,470,020	167.92
Total Investments	320,660,224	370,388,553	(49,728,329)	(13.43)
Securities on Loan	61,810,213	103,894,449	(42,084,236)	(40.51)
Net Capital Assets	277,681	274,898	2,783	1.01
Total Assets	**397,449,150**	**478,101,267**	**(80,652,119)**	**(16.87)**
Accrued Accounts Payable	481,965	359,857	122,108	33.93
Investment Purch Payable	3091,720	4,006,316	(914,596)	(22.83)
Securities Lending Collateral	61,810,213	103,894,449	(42,084,236)	(40.51)
Total Liabilities	**65,383,898**	**108,260,622**	**(42,876,724)**	**(39.61)**
Net Assets	**332,065,253**	**369,840,645**	**(37,775,392)**	**(10.21)**

Changes in Net Assets summarize the income and expense components of the plan. Net Investment Income decreased 142.40% in fiscal year 2008 due to negative market conditions.

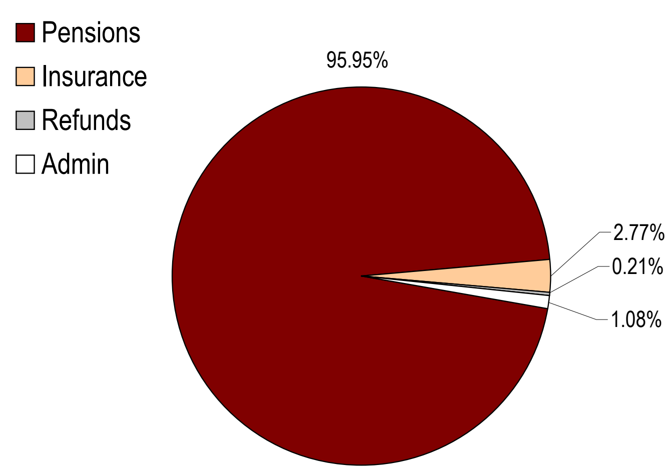
Summary Statement of Change in Plan Net Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007	Amount of Change	Percent Change
Total Contributions	17,744,324	16,955,955	788,369	4.65
Net Investment Income	(23,150,918)	54,598,524	(77,749,442)	(142.40)
Transfer from Other Plans	573,261	1,190,489	(617,228)	(51.85)
Total Additions	**(4,833,333)**	**72,744,968**	**(77,578,301)**	**(106.64)**
Benefits	32,518,978	29,568,462	2,950,516	9.98
Service Transfers and Refunds	67,792	147,906	(80,114)	(54.17)
Administrative Expenses	355,290	339,875	15,415	4.54
Total Deductions	**32,942,060**	**30,056,243**	**2,885,817**	**9.60**
Net Increase (Decrease)	(37,775,392)	42,688,724	(80,464,116)	(188.49)
Beginning of Year Net Assets	369,840,645	327,151,921	42,688,724	13.05
End of Year Net Assets	**332,065,253**	**369,840,645**	**(37,775,392)**	**(10.21)**

Revenues By Source



Expenses By Type



Asset Management Restructuring

STRATEGY DIVERSIFICATION

After the devastating losses the fund suffered at the end of the "dot com" valuation bubble, the EORP Board, staff and consultants began the process of expanding the EORP investment core strategy. That process has been ongoing and has involved the Fund Manager members who have served at various times since then, a variety of external consultants and the professional investmen staff. The chief objectives of the changing EORP investment strategy have been to:

- Diversify the portfolio away from extreme dependence upon publicly traded U.S. large and mid cap equities;
- Diversify the deployment of system assets to obtain global market exposures;
- Diversify the portfolio away from what had been an almost completely internally managed strategy;
- Diversify the portfolio into attractive alternative investments on an opportunistic basis; and
- Increase internal staff's capabilities and expertise.

CUSTODY AND UNITIZATION

Two of the structural foundations for a more diversified asset allocation and financial market exposure are: 1) a custodian bank with truly global reach in all custody services; and 2) a unitized structure. In FY'08, EORP completed the transfer of its Plans' assets to BNY Mellon, which was selected as the Plan's new custodian bank.

In April 2008, the Plan secured the enactment of legislation that gives the System's Fund Manager the explicit authority to use external asset managers and to commingle the assets of the System's three Plans so as to reduce investment related costs. The Plan's assets were pre-positioned to be moved into a unitized trust structure after fiscal year end.

EXPANDING CAPABILITIES

In addition to expanding the Investment Department staff, and enhancing internal "due dilligence" capabilities, the System added the services of three specialist external consulting groups: ORG Real Property, Albourne America LLC, and StepStone Group LLC. These consulting firms, which specialize in the sourcing and due dilligence review of domestic and international private equity, real estate, and alternative investment opportunities, are an important complement to the System's Investment Department staff and to the Fund Manager's generalist investment advisor.

Investment Returns

	1 Year	3 Year	5 Year
Total Fund	(7.59)%	5.27%	8.01%
Rank [1]	85	75	65
Benchmark [2]	(5.73)%	3.97%	5.31%
Median Public Fund	(4.44)%	6.76%	8.94%
Peer Comparison			
ASRS [3]	(7.60)%	6.10%	5.50%
COPERS [4]	(5.55)%	6.04%	8.69%

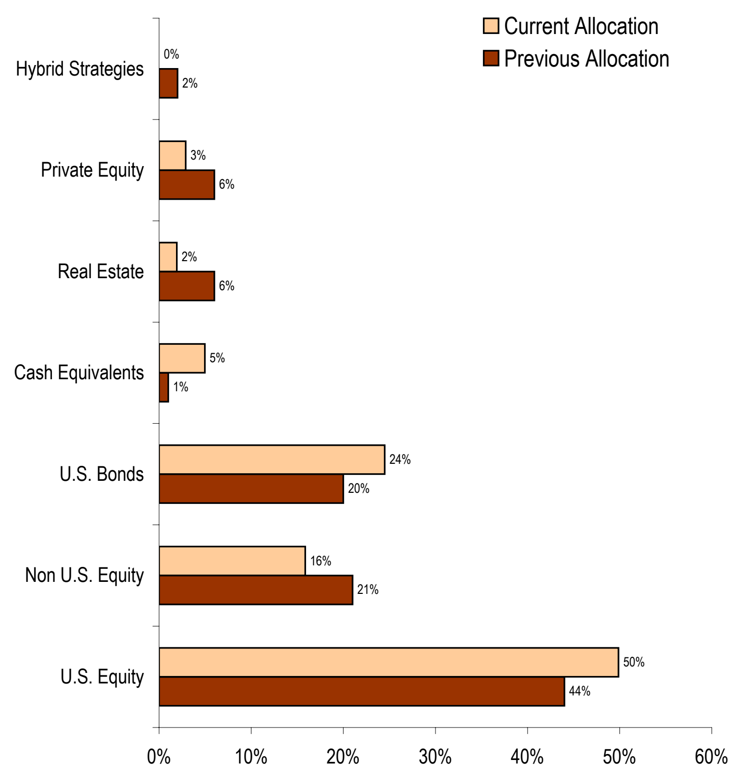
[1] Rank and Median Fund returns are obtained from a universe of public funds provided by Mellon Analytical Services (Rank 1 = Best, Rank 100 = Worst)

[2] Total Fund Benchmark consists of 50% S&P 500 Index, 10% S&P 400 Index, 5% S&P 600 Index, 20% Lehman Govt/Credit Bond Index, 5% 90-Day T-Bill, 10% alternative investments assumed to earn 8% annually.

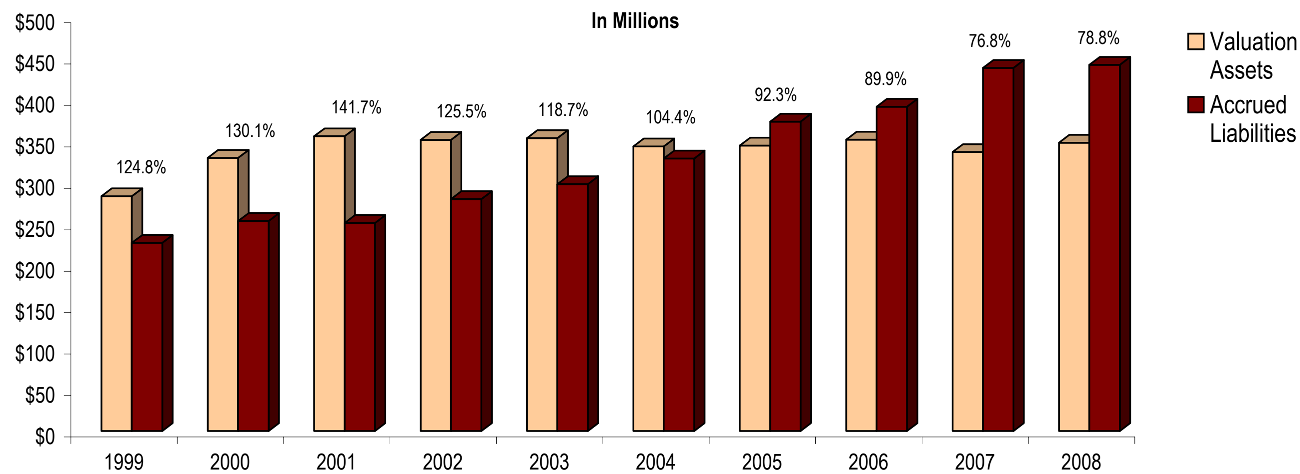
[3] Arizona State Retirement System

[4] City Of Phoenix Employees Retirement System

Asset Allocation



Funding Progress



Summary of Experience Gain (Loss)

The Unfunded Actuarial Accrued Liability decreased by $11,294,924 during fiscal year 2008.

	2008	2007	2006	2005	2004
UAAL Start Of Year	114,582,583	39,702,483	16,153,749	(14,454,659)	(55,571,906)
Normal Cost	11,317,429	13,546,764	12,834,061	15,525,435	14,848,962
Funding Method Contributions	(17,744,324)	16,955,955	15,291,146	12,284,333	(10,966,971)
Interest Accrual	9,466,397	3,229,820	1,268,642	(1,122,984)	(4,826,783)
Expected UAAL Before Changes	117,622,085	39,648,224	14,965,306	(12,336,541)	(55,516,698)
Change From Amendments	None	None	None	None	None
Change From Assumption Revision	None	27,734,802	12,582,745	10,205,338	6,000,000
Expected UAAL After Changes	117,622,085	67,383,026	27,548,051	(2,131,203)	(50,516,698)
Actual UAAL	106,327,161	114,582,583	39,702,483	16,153,749	(14,454,659)
Gain (Loss)	11,294,924	(47,199,557)	(12,154,432)	(18,284,952)	(36,062,039)
Percent of Actuarial Accrued Liability at beginning of year	2.5%	(12.1%)	(3.4%)	(5.6%)	(12.1%)

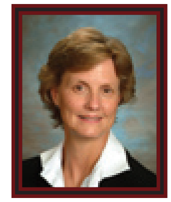
Historical Trends (+000)

As the funding ratio of the plan has declined, the aggregate employer contribution rate has escalated. The employer rate is set in accordance with the results of the annual actuarial valuation. The employee rate is fixed by statute and is currently 7.00%.

Fiscal Year Ended	Actuarial Asset Value	Actuarial Liabilities	Actuarial Funded Ratio	Market Value *	Funded Ratio
1999	$283,337	$227,100	124.8%	$319,010	140.5%
2000	$329,777	$253,478	130.1%	$355,335	140.2%
2001	$355,768	$250,987	141.7%	$291,723	116.2%
2002	$351,349	$279,947	125.5%	$242,723	86.5%
2003	$353,463	$297,892	118.7%	$251,019	84.3%
2004	$343,376	$328,921	104.4%	$268,214	81.5%
2005	$344,604	$373,340	92.3%	$287,882	77.1%
2006	$351,701	$391,403	89.9%	$310,629	79.4%
2007	$336,717	$451,299	74.6%	$339,013	75.1%
2008	$348,013	$454,340	76.6%	$363,880	80.1%

** Market Value does not include Future Benefit Increase Reserve assets.*

Statistical Data



Tracey Peterson
Assistant Administrator
Chief Operations Officer

Active Members

Fiscal Year Ended	Active Members	Valuation Payroll (+000)	Average Salary	Aggregate Employer Rate
1999	709	$43,087	$60,711	8.90%
2000	720	$45,382	$63,030	10.22%
2001	737	$48,669	$66,037	8.94%
2002	738	$48,729	$66,029	6.97%
2003	751	$49,351	$65,714	7.55%
2004	767	$50,624	$66,003	13.49%
2005	781	$53,450	$68,436	14.54%
2006	800	$54,696	$68,370	20.54%
2007	813	$61,308	$75,409	18.55%
2008	824	$62,184	$75,474	20.21%
2009	-	-	-	28.00%
2010	-	-	-	26.25%

Active membership increased by 1.4% during fiscal year 2008.

Retired Member & Survivor Data

Fiscal Year Ended	Normal	Disability	Survivors	Totals	Annual Pensions	Average Pension	Ratio Of Active To Retired
1999	408	16	123	547	$13,122,722	$23,990	1.3 to 1
2000	444	15	130	589	$15,096,774	$25,631	1.2 to 1
2001	495	16	136	647	$17,729,482	$27,403	1.1 to 1
2002	500	18	141	659	$19,606,416	$29,752	1.1 to 1
2003	546	19	144	709	$22,308,359	$31,465	1.1 to 1
2004	565	20	145	730	$23,854,186	$32,677	1.1 to 1
2005	600	18	151	769	$26,112,301	$33,956	1.0 to 1
2006	615	19	163	797	$28,044,340	$35,187	1.0 to 1
2007	651	20	155	826	$30,380,250	$36,780	1.0 to 1
2008	688	16	168	872	$32,850,340	$37,672	1.1 to 1

Summary Of Benefit Increases

Fiscal Year Ended	Excess Yield Per Statute	Excess Earnings	Utilized	Excess Earnings Available	Benefit Increase 4% Cap
1999	8.52%	9,129,468	(3,623,737)	40,481,995	4.00%
2000	4.20%	5,216,866	(4,133,898)	46,908,586	4.00%
2001	-	-	(4,518,604)	34,436,162	4.00%
2002	-	-	(5,801,777)	23,400,088	4.00%
2003	-	-	(6,375,994)	18,591,900	4.00%
2004	6.02%	12,292,877	(5,958,472)	27,718,251	4.00%
2005	.56%	1,271,696	(8,027,464)	23,611,516	4.00%
2006	-	-	(8,946,622)	16,523,120	4.00%
2007	8.01%	20,868,734	(9,392,556)	30,827,881	4.00%
2008	-	-	(10,302,702)	18,184,418	4.00%

Retired members are eligible for a post retirement adjustment if they are at least 55 years of age on the effective date and retired for one year.

Increases to pensions are dependent upon an available balance in the Plan's excess earnings reserve. Excess earnings are accrued when the investment return is greater than 9.0%.

Vision

Invest, secure and manage responsibly the retirement funds of its members in accordance with all legal, investment and financial requirements and in a manner consistent with the quality to which its members have become accustomed.

Mission

- To be a low cost, highly personalized quality service provider of funds management and benefit services.
- To manage long-term investments with the goal of consistently outperforming over time the composite weighted market return benchmark net of all investment-related costs so as to assure the financial integrity of the funds and the security of the benefits these funds provide.

Values

- Do what's best for our members and financial health and integrity of the System.
- Proactive
- Committed to high quality, uniform, sustainable service.
- Innovative and cost effective in Plan administration and services.
- Use best practices in Human Resource management.

This booklet provides a summary of the data contained in the EORP Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The booklet doesn't contain all the information and schedules necessary to be in conformance with Generally Accepted Accounting Principles (GAAP). However, the CAFR is produced in conformity with GAAP and can be obtained by visiting our WEB site at www.psprs.com.

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

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