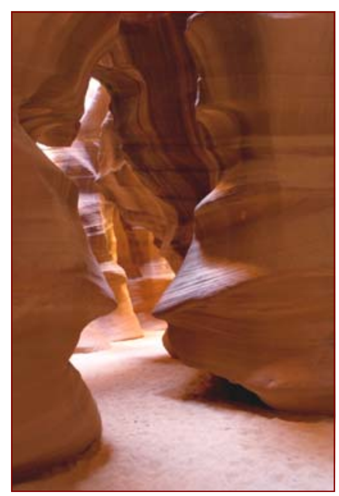
ELECTED OFFICIALS' RETIREMENT PLAN

29th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Our Vision, Mission & Values

VISION

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

MISSION

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

VALUES

- Do what is best for our members and financial health and integrity of the System.
- Be proactive.
- Committed to high quality, uniform, sustainable service.
- Innovative and cost effective in Plan administration and services.
- Use best practices in HR management.

Elected Officials' Retirement Plan

A Pension Trust Fund of the State of Arizona

Twenty-Ninth
Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2010

Prepared by the Staff of PSPRS

Public Safety Personnel Retirement System
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Phoenix, AZ 85016
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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arizona Elected Officials' Retirement Plan

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009

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.

President

Executive Director

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
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James M. Hacking
Administrator

Ryan Parham
Chief Investment Officer

Tracey D. Peterson
Assistant Administrator-COO

December 3, 2010

The Honorable Janice K Brewer
Governor of the State of Arizona
Executive Tower
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Brewer:

The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Twenty-ninth Comprehensive Annual Financial Report (CAFR) for the Elected Officials Retirement Plan (EORP) for the fiscal year ended June 30, 2010 (FY'10), in accordance with the provisions of A.R.S. Section 38-803.

The EORP's Funding Ratio

As of fiscal year-end, the financial status of the EORP, as reflected in its funding ratio, decreased from 71.3% at June 30, 2009 to 66.7% at June 30, 2010. This decrease continues the funding ratio erosion that resumed last year following a modest improvement in FY'08 that interrupted seven consecutive years of funding status decline. This negative trend in the financial condition of the EORP is due in large part to the asset value losses and negative rates of return that the Plan experienced in FY'01 and FY'02 and again in FY'08 and FY'09. Those losses were largely the result of a lack of diversification in the deployment of the Plan's assets for investment purposes.

The funding ratio decrease this fiscal year occurred despite the fact that the EORP had an FY'10 rate of return (13.47%) that was well in excess of its actuarial assumed rate of return (8.5%). (For further information on the Plan's net assets and changes in net assets, please refer to the subsequent Management's Discussion and Analysis section of this Comprehensive Annual Financial Report (CAFR) which begins on page 20 .)

Because the EORP uses a seven-year averaging process ("smoothing") to determine its fiscal year-end actuarial value of assets, only one-seventh of any fiscal year's investment gain or loss is reflected in that year's results. The remaining six-sevenths are rolled forward and reflected in the results over the next six fiscal years. That means that only one-seventh of the positive return that the Plan experienced in FY'10 is reflected in this fiscal year's results. That was more than offset by factoring into the FY'10 results, one-seventh portions of the -7.19% and -17.45% returns that the EORP experienced during FY'08 and FY'09 respectively. Those negative returns were due to the collapse of the U.S. housing market and the intense recession that followed. Because the remainder of the FY'08 and FY'09 investment losses will be factored into the EORP's financial status results over the next several fiscal years, the expectation is that the EORP's funding ratio will continue to deteriorate unless this trend is offset by several consecutive years of much better-than-expected rates of return or changes in the EORP's employee contribution rate and benefit structure or both.

If the EORP's funding ratio were calculated using fiscal year-end market value (rather than actuarial value) of assets, the Plan's funded status would be only 52%, rather than 66.7%. How to move the Plan, within a ten to twenty year time period, back to a state of financial soundness with an 80% funding ratio or better, calculated using market value, is clearly the principal challenge facing the PSPRS Board of Trustees.

Although the investment losses that the EORP sustained in FY'08 and FY'09 have taken, and will continue to take, their toll on the financial status of the Plan, the principal structural impediment to restoring the EORP to a state of financial soundness in a reasonable period of time is the post retirement adjustment structure. Current EORP statutes require that in any year in which the Plan generates an investment return in excess of 9%, one-half of the excess return over 9% must be diverted into the EORP's Reserve for Future Benefit Increases ("The Reserve"). These Reserve assets are used to finance the cost of the post-retirement adjustments payable to eligible beneficiaries of the Plan. However, these Reserve assets are not taken into account for funding ratio and employer contribution rate calculations. The Board of Trustees at their meeting on September 15, 2010 were told by the System's actuaries from Gabriel, Roeder, Smith & Co. (GRS) that this diversion of excess return in good investment return years makes the PSPRS-administered Plans "unsustainable."

Employer Contribution Rates

Any change in the EORP's fiscal year-end funding ratio impacts the employer contribution rate two fiscal years later. For example, a funding ratio change in the Plan's FY'10 will affect the employer contribution requirement during employer FY'12.

When times were good and the EORP was over-funded, the EORP employers' contribution rates were abnormally low. For example, early in the current decade the unsubsidized employer contribution rate that municipalities pay on behalf of their EORP participants was only 7.55% of payroll.

But as the EORP's funding ratio eroded, the employer contribution requirement rose in large year-over-year increments until employer FY'09 when the unsubsidized rate crested at 28.0% of payroll. Although this employer rate declined modestly in employer FY'10, it is currently at 29.79%. Based on the EORP's FY'10 results, the unsubsidized employer contribution rate is projected to increase to 32.99%, effective July 1, 2011 (i.e., the beginning of FY'12).

The subsidized rate, which is a rate reduced by judicial filing fee revenue and which is paid by the state and counties on behalf of their EORP participants, will increase from the current rate of 17.42% of payroll to 17.96%. With further erosion in the EORP's funding status expected to occur over the next several years, the forecast is that the employer rates will continue to increase unless significant Plan changes are made.

As we move further into this new fiscal year, the Board of Trustees and the System's Administrator will consult with representatives of the System's constituency groups and the contributing employers in an attempt to create a consensus for a combination of legislative changes that will reverse the present funding ratio/employer contribution rate trends and restore the EORP to a state of financial soundness within a reasonable period of time. But even if our efforts to achieve a consensus fail or fall short, the PSPRS Board members, in our capacity as fiduciaries, will propose to the Legislature changes designed to assure the sustainability to the Plan.

FY'10 Investment Results

The FY'10 net of fee rate of investment return for the EORP was 13.47%. The return was 1.37% higher than the Plan's weighted composite rate of return benchmark, which was 12.10%. In addition, on a "peer group" basis, the return was good enough to place the EORP in the second quartile (rank 32) of the public funds included in the ICC Public Fund Universe of 100 public retirement systems.

Clearly, the FY'10 investment result was much higher than the Plan's 8.5% actuarial assumed rate of return. However, because the return was in excess of 9%, one-half of the return in excess of 9% -- a total of $15.3 million -- was diverted to the Plan's Reserve and, therefore, will not be available to help improve the Plan's funding ratio/employer contribution rate situation described above.

Clearly, the FY'10 in-flow of new assets to the Plan's Reserve was significant. It was greater than the $12.37 million that was withdrawn from the Reserve to fully fund the post-retirement increase that was paid at the statutory maximum of 4% to all of the Plan's eligible benefit recipients on July 1, 2010. That excess of income over out-go left a Reserve balance of $7.1 million. However, absent an infusion of new assets at June 30, 2011, the Reserve balance would only be sufficient to finance a partial post-retirement adjustment as of July 1, 2011. Moreover, as the number of eligible beneficiaries increases and the average benefit payable rises, the out-go from the EORP's Reserve will continue to increase. Therefore, it is expected that, at some point, the Reserve's balance will no longer be able to finance annual adjustments at the statutory 4% maximum.

The Strategy to Improve the Plan's Funding Ratio and Decrease Employer Contribution Requirements

To help improve the EORP's funded status and reduce employer contribution rates, the System must generate, on a consistent basis, annual rates of return that meet or exceed the EORP's return expectations. In pursuit of that goal, PSPRS has been, for the last four fiscal years, going through a complete restructuring of the way in which the System manages and invests its Plans' assets with a view to dramatically increasing asset allocation diversification and diversification within asset classes. In the process, the EORP's over-weight reliance on equities has declined considerably and so has the total Fund's volatility.

Unfortunately, according to our GRS actuaries, we have a five percent or less probability of our being able to invest our way back to an 80% or higher funding status within ten to twenty years. Therefore, in advance of the 2011 legislative session, the PSPRS Board of Trustees intends to put forward a variety of legislative changes that will, in the aggregate, give us a seventy-five percent or higher probability of achieving our stated funding goal within our stated time-frame and we shall seek the support of our constituency groups and the System's employers and their organizations in this effort.

Conclusion

As members of the PSPRS Board of Trustees, we intend to continue our efforts to assure the financial integrity of the System and its Plans and to faithfully serve the interests of the Plan's participants and beneficiaries.

We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its EORP stakeholders and we look forward to continuing to serve as members of the Board of Trustees for this System.

Respectfully submitted,

Brian Tobin
Chairman

Lori Roediger
Vice Chairperson

Tim Dunne
Trustee

Gregory Ferguson
Trustee

Alan Maguire
Trustee

Jeff McHenry
Trustee

Randie Stein
Trustee

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James M. Hacking
Administrator

Ryan Parham
Chief Investment Officer

Tracey D. Peterson
Assistant Administrator-COO

December 3, 2010

The Members of the Board of Trustees
Public Safety Personnel Retirement System (PSPRS)
3010 E. Camelback Road, Suite 200
Phoenix, Arizona 85016

Members:

Here is the Twenty-ninth Comprehensive Annual Financial Report (CAFR) of the operations and financial condition of the Arizona Elected Officials Retirement Plan (EORP). This report is for the fiscal year ended June 30, 2010. The Plan is a uniform statewide retirement system that provides retirement, disability and survivor benefits, post-retirement adjustments and health insurance subsidies for judges and state, county and local elected officials of participating governmental employer units.

Arizona Revised Statutes Title 38 requires the Fund Manager to transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited financial statements, management's discussion and analysis, and other financial data from the June 30, 2010 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2010 actuarial valuation prepared by the System's actuary, Gabriel, Roeder, Smith & Co (GRS).

Financial Information Reporting

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the System. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans. Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the System's policy to have and maintain an effective system of accounting controls. We believe our controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal controls based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes the System's controls provide this appropriate balance.

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a period of at least twenty but not more than thirty years.

Revenues

Revenues for the Plan are derived from four sources: member contributions, employer contributions, judicial filing fees and realized and unrealized returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the Plan had an investment gain of $34.6 million this fiscal year. That was supplemented by revenue from member contributions of $4.6 million, direct employer contributions of $8.8 million, judicial filing fees of $9.5 million and insurance premium taxes of $884.2 thousand. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

Administrative and Investment Expenses

The EORP's FY'10 administrative and investment-related expenses totaled $1.3 million, down from $1.6 million the year before. Administrative and investment expenses were approximately 49 basis points of the total assets managed. This is reasonable when compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets are being outsourced to external portfolio managers and service needs have escalated due to increasing numbers of participants and beneficiaries.

Investments

The total rate of return on the EORP assets for the fiscal year was 13.47% on a net of fees basis. This return was well in excess of the System's 8.5% actuarial assumed rate of return and also well in excess of the 9% statutory "threshold" that causes a new in-flow of assets ($15.3 million) to the Plan's Reserve for Future Benefit Increases. The Investment Section of this Report contains, among other things, graphs depicting the Plan's performance, a detailed summary of the investment portfolio, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by BNY Mellon, the System's custodian bank.

Enacted Legislation

During FY'10, the State Legislature approved, and the Governor signed, two bills that were of significance. The first was HB2068 which made many administrative, technical and clarifying changes to the EORP statutes. The second bill, SB1006, changed the name of the Fund Manager to Board of Trustees, added two new Governor-appointed members to the Board (bringing the total to seven) and extended the terms of office for newly appointed Board members from three to five years.

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 EORP is funded through a statutory participant contribution rate of 7.0% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and is reset annually, depending on the Plan's actuarial valuation results, judicial filing fees and the realized and unrealized returns on the invested assets of the Plan.

The current unsubsidized contribution rate that is paid by participating cities and towns on behalf of their EORP participants is 29.79%. That unsubsidized rate is projected to increase to 32.99% as of July 1, 2011.

The judicial filing fees that the EORP annually receives subsidize the contribution rate that the state and the counties pay with respect to their EORP participants. The current subsidized rate is 17.42% of payroll. That rate is expected to increase to 17.96% next July 1st.

The most commonly used measure of a retirement system's funding progress is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the EORP had declined steadily for six consecutive years through FY'07. At that point in time, the Plan's funding ratio was 74.6%. Following modest improvement in FY'08, the funding ratio started to deteriorate again in FY'09; this trend continued during FY'10 with the ratio falling to 66.7%. Given the System's seven year averaging of investment results (actuarial "smoothing"), much of the effect of the FY'08 and FY'09 negative rates of return are yet to be reflected in the funding ratio of the Plan; therefore, the expectation is that the funding ratio will deteriorate further in the future. Further decline in the Plan's funding ratio will cause employer rates to rise even further.

Post Retirement Benefit Increases

State law provides for an annual benefit increase for EORP 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 a maximum of four percent. A benefit increase schedule can be found in the Statistical Section of this CAFR.

These benefit adjustments are fully funded on a present value basis from the assets that are accumulated in the EORP's Reserve for Future Benefit Increases. In any year in which the Plan generates a return in excess of 9%, one-half of the return in excess of 9% is diverted to the Reserve. (The Plan's FY'10 13.47% return resulted in a $15.3 million flow of new assets into the Reserve.) These reserve assets are invested along with all other assets of the Plan.

The current Reserve balance, after subtracting the $12.37 million needed to fund the present value of the July 1, 2010 post retirement increase, is $7.1 million. Absent an infusion of new assets into the EORP Reserve during FY'11, the Reserve's balance would only be sufficient to finance a partial post-retirement adjustment as of July 1, 2011.

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the EORP's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the fifteenth 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 CAFR. 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 FY'10 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 a certificate.

New Developments and Management Initiatives

During this past fiscal year, the PSPRS Board of Trustees continued its strategic initiative that has changed the way in which the Plan's assets are managed and invested. (See the Board of Trustees' transmittal letter to the Governor that begins on page 7). In addition, there were other developments and initiatives that are worthy of note. These included the following:

- The FY'10 actual level of administrative spending was kept significantly below the budgeted amount and the FY'11 budget that was approved by the Board came in at less than 95% of the FY'10 actual level of spending.
- The Internal Auditor/Compliance Officer developed and received approval for her annual audit plan and continued her monthly investments compliance review. In addition, the Auditor took over responsibility for approving capital calls made with respect to investment commitments approved by the Board.
- The System's multi-year document imaging (i.e., scanning) project continued to progress. Once the project is completed, a new "Work Flow" project will be initiated in accordance with the System's Strategic Plan.
- The System's IT Program Development staff created and implemented a new Members Only web site that enables members to view their account information, including their monthly bank deposit information.
- The Program Development staff also implemented a one thousand concurrent user "GoToMeeting.com" capability for Board of Trustee meetings and other meetings.
- A new once-a-day online database backup capability through Ibackup.com was implemented; this is in addition to our hourly backup to our secondary Denver site.
- The System's Disaster Recovery/Business Continuity capability was augmented by creating Disaster Recovery plans for the database application, the timing of the pension payroll process and key employee availability following a disaster.
- The T1 line connection between the Phoenix headquarters and the PSPRS Denver backup facility was replaced with a microwave connection and the bandwidth to the Denver facility was substantially increased to better accommodate our file transfer needs.

New Initiatives for System FY'11

As we have moved through the first four months of the new fiscal year (FY'11), some new initiatives are underway and still others are planned. These include:

- Completing the RFP process for legal services that the Board requested and conducting an RFP process for external audit services after completion of the current audit cycle;
- Keeping administrative expenses significantly under the FY'11 budgeted levels and holding the recommended FY'12 administrative budget to a level not to exceed 95% of FY'11 actual expenditures;
- Discontinuing the practice of mailing monthly bank deposit notices to beneficiaries following our educating them as to how to access their monthly payment information on-line via the Members Only website;
- Continuing to reduce the number of payment checks PSPRS issues monthly by converting more of them to ACH transfers and initiating the use of "pay cards;" and
- Securing the enactment of legislative proposals to restructure and redesign provisions of the PSPRS Plans, including EORP, to restore them to a state of financial soundness within a reasonable period of time and reduce employer contribution requirements in the process.

Summary

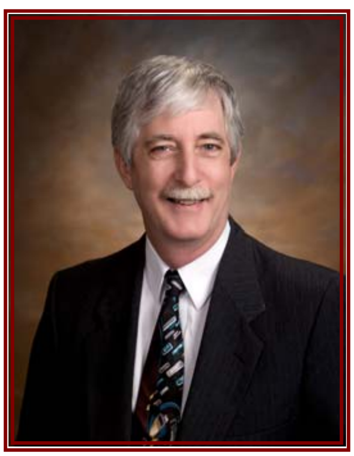
This EORP CAFR is a product of the collective efforts of the staff, under the direction of the System's Board of Trustees. It is intended to provide complete and reliable information that will facilitate the management decision process and it serves as a means for determining compliance with the System's governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member constituency groups. We hope all recipients of this report find it informative and useful.

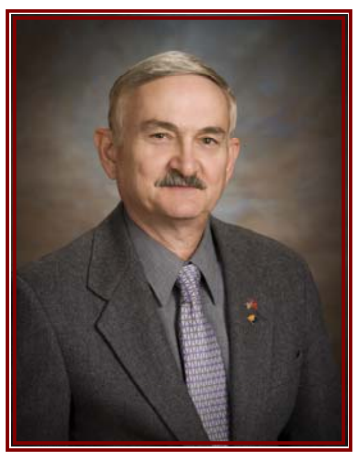
I would like to take this opportunity to express my gratitude to the members of the Board of Trustees, the staff, the System's advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward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

Respectfully submitted,

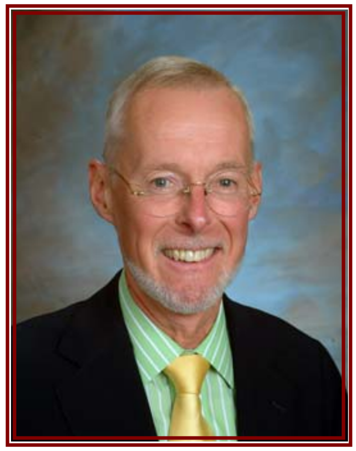
James M. Hacking
Administrator

BOARD OF TRUSTEES
(AS OF JUNE 30, 2010)





EXECUTIVE STAFF AND ORGANIZATIONAL CHART



James M. Hacking

Administrator

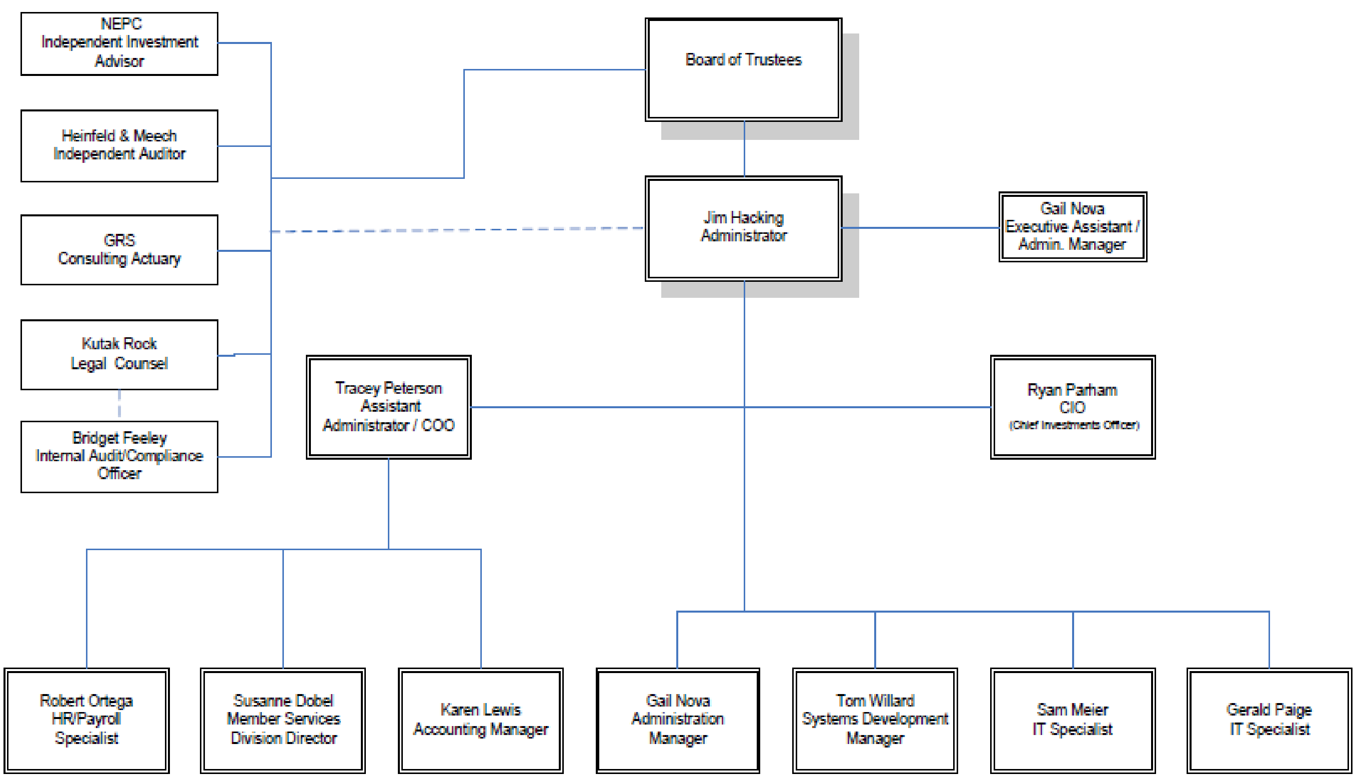
Ryan Parham

Chief Investment Officer

Tracey D. Peterson

Assistant Administrator

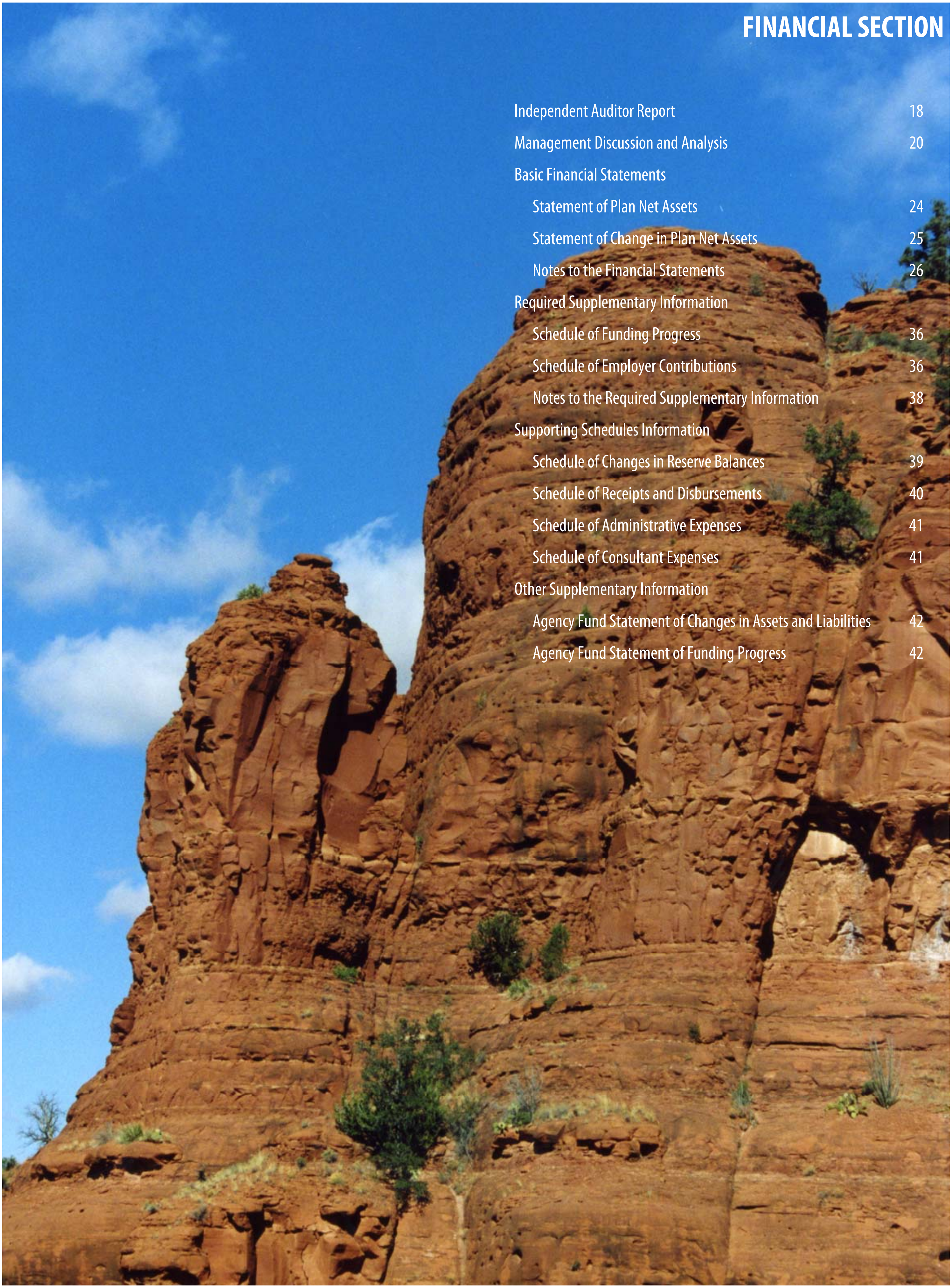
Chief Operations Officer



PROFESSIONAL ADVISORS

Albourne America, LLC	International Alternative Investment Consultant
Bank of New York Mellon	Custodian
Gabriel, Roeder, Smith & Company	Actuary
Heinfeld Meech & Co., P.C.	Independent Auditors
HighGround, Inc.	Legislative Liaison
Kutak Rock, LLP	General Counsel
McLagan Partners, Inc.	Human Resource Consultant
NEPC, LLC	Independent Investment Advisor
Public Policy Partners	Legislative Liaison
ORG Portfolio Management, LLC	Real Estate Consultant
Step Stone Group, LLC	Alternative Investment Consultant

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



FINANCIAL SECTION

HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10120 N. Oracle Road
Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Public Safety Personnel Retirement System

We have audited the accompanying Statement of Plan Net Assets of the Elected Officials Retirement Plan (EORP) as of and for the year ended June 30, 2010, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of EORP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals as of and for the year ended June 30, 2009, presented in the basic financial statements are included for additional analysis only. Our audit report dated December 1, 2009, expressed an unqualified opinion on those financial statements; however, we have not performed any auditing procedures on this information since the date of our report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Elected Officials Retirement Plan, as of June 30, 2010, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Elected Officials Retirement Plan implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2010, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the Elected Officials Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 23 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EORP's financial statements. The Introductory Section, Supporting Schedules Information, Other Supplementary Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supporting Schedules Information and Other Supplementary Information, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 3, 2010

EORP MANAGEMENT DISCUSSION & ANALYSIS

The Elected Officials' Retirement Plan's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, identify changes in the Plan's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- The Elected Officials' Retirement Plan (EORP) had a total net of fees rate of return of 13.47% this year. Our total portfolio outperformed the target fund benchmark by 137 basis points. This is a significant improvement over the prior year that had a total rate of return of -17.75%.
- As of the close of the fiscal year 2010, the Future Benefit Increase Reserve was $7.1 million. The infusion of new assets into the Reserve was sufficient to finance a full 4% post-retirement adjustment as of July 1, 2010. However, payment of a post-retirement adjustment for July 1, 2011 will again depend on an additional infusion of new assets into the Reserve.
- Retirement benefits paid totaled $36.9 million for the current year, compared to $34.2 for the previous year. This represents an 7.9% increase from the prior year. The majority of this increase is the result of the cost of post-retirement adjustments paid to the retirees or their survivors of the Plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using this Comprehensive Annual Financial Report (CAFR)
This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Plan as an operating entity. The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and The Statement of Changes in Net Assets
These statements include all assets and liabilities of the Plan using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. These two statements report the Plan's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the financial health, or financial position. Over time, increases or decreases in the net assets are one indicator of the financial health of the Plan.

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

Required Supplementary Information
The basic financial statements are followed by a section of required supplementary information. This section includes the Schedule of Funding Progress and the Schedule of Employer Contributions.

The Schedule of Funding Progress
Shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the financial strength of the Plan. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial accrued liability to payroll is decreasing.

The Schedule of Employer Contributions
Shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the Plan's funding status over time.

Supporting Schedules and Supplementary Information
The Supporting Schedules and Supplementary Information Section include the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, the Supplementary Schedule of Cash Receipts and Cash Disbursements and the Agency Fund Statement of Changes in Assets and Liabilities (See Note 7). The total columns and information provided on these schedules carry forward to the applicable financial statement.

FINANCIAL ANALYSIS OF THE PLAN

The following schedules present comparative summary financial statements of the Plan for FY10 and FY09. Following each schedule is a brief summary of the significant changes noted in these schedules.

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of 06/30/2010	As of 06/30/2009	Change	% Change
Cash and Short-Term Investments	$ 3,234,584	$ 4,535,563	$ (1,300,979)	(28.68)%
Total Receivables	5,146,288	1,807,867	3,338,421	184.66
Total Investments	273,888,768	252,903,599	20,985,169	8.30
Securities Lending Collateral	30,153,285	39,597,501	(9,444,216)	(23.85)
Net Capital Assets	255,964	263,115	(7,151)	(2.72)
Total Plan Assets	**312,678,890**	**299,107,645**	**13,571,245**	**4.54**
Accrued Accounts Payable	486,070	630,433	(144,363)	(22.90)
Investment Purchases Payable	2,495,718	546,607	1,949,111	356.58
Securities Lending Collateral	30,153,285	39,597,501	(9,444,216)	(23.85)
Total Plan Liabilities	**33,135,072**	**40,774,540**	**(7,639,468)**	**(18.74)**
Net Assets	**$279,543,818**	**$258,333,105**	**$21,210,713**	**8.21 %**

Summary Comparative Statements of Plan Net Assets Analysis

The total plan net assets held in trust for benefits at June 30, 2010 were $279.5 million, a 8.21% increase from $258.3 million at June 30, 2009. The increase in net assets is primarily due to favorable financial markets during the fiscal year. The decrease or increase in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. EORP is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the Plan's investment portfolio is included in the investment section of this report. The decrease in security lending collateral is due to normal fluctuations in the lending program as well as an increase in exposure to other alternative investments. The investment of the collateral fluctuated in a similar manner.

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	2010	2009	Change	% Change
ADDITIONS				
Total Contributions	$ 23,842,557	$ 22,343,167	$ 1,499,390	6.71%
Net Investment Income (Loss)	34,583,592	(61,526,963)	96,110,555	156.21
Transfers and Service Purchases	40,961	283,226	(242,265)	(85.54)
Total Additions (Reductions)	**58,467,110**	**(38,900,569)**	**97,367,679**	**250.30**
DEDUCTIONS				
Benefits	36,884,844	34,178,410	2,706,434	7.92
Service Transfers and Refunds	126,426	131,663	(5,237)	(3.98)
Administrative Expenses	245,127	521,507	(276,380)	(53.00)
Total Deductions	**37,256,397**	**34,831,579**	**2,424,818**	**6.96**
Net Increase (Decrease)	**21,210,713**	**(73,732,148)**	**94,942,861**	**128.77**
Balance Beginning of Year - July 1	**258,333,105**	**332,065,253**	**(73,732,148)**	**(22.20)**
Balance End of Year - June 30	**$279,543,818**	**$258,333,105**	**$21,210,713**	**8.21%**

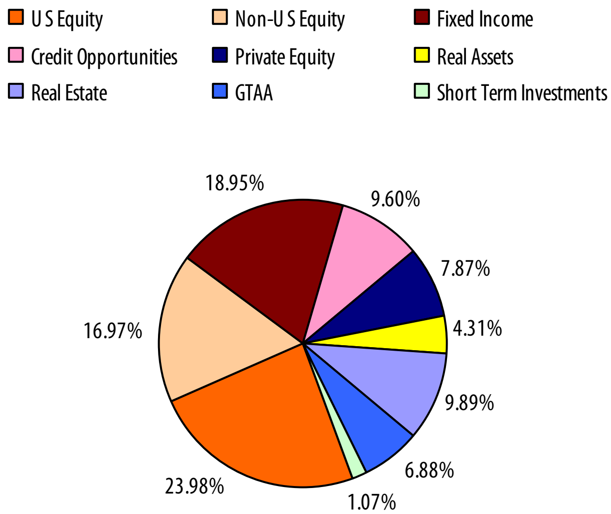
Summary Comparative Statements of Changes in Plan Net Assets Analysis

Employer and employee contributions increased $1.5 million due almost entirely to additional court fees credited to the Elected Officials' Retirement Plan during the fiscal year 2010. Additionally, there was a $512 thousand increase in members' service purchases.

For FY 2010, EORP recognized a net investment gain of $34.6 million which compares to a $61.5 million loss in the previous year. This 156.2% increase in income was due to the more positive returns in the financial markets during the fiscal year.

Deductions from the EORP net assets held in trust for benefits consist primarily of pension, disability, survivor benefits, member refunds and administrative expenses. For FY 2010, these deductions totaled $37.3 million, an increase of 6.96% from the $34.8 million paid during FY 2009. The total benefit payments increase is due to a net increase in the number of benefit recipients plus post-retirement adjustments provided to existing benefit recipients. Details of these changes can be found on pages 65 and 66 of the *Actuarial Section* of this report. Refunds decreased slightly by 4.0% ($5.0 thousand). Refunds represent a return of contributions held on account when a member leaves office without qualifying for retirement. Administrative expenses decreased substantially from the prior year mainly due to a decrease in professional services expenses.

INVESTMENT ACTIVITIES

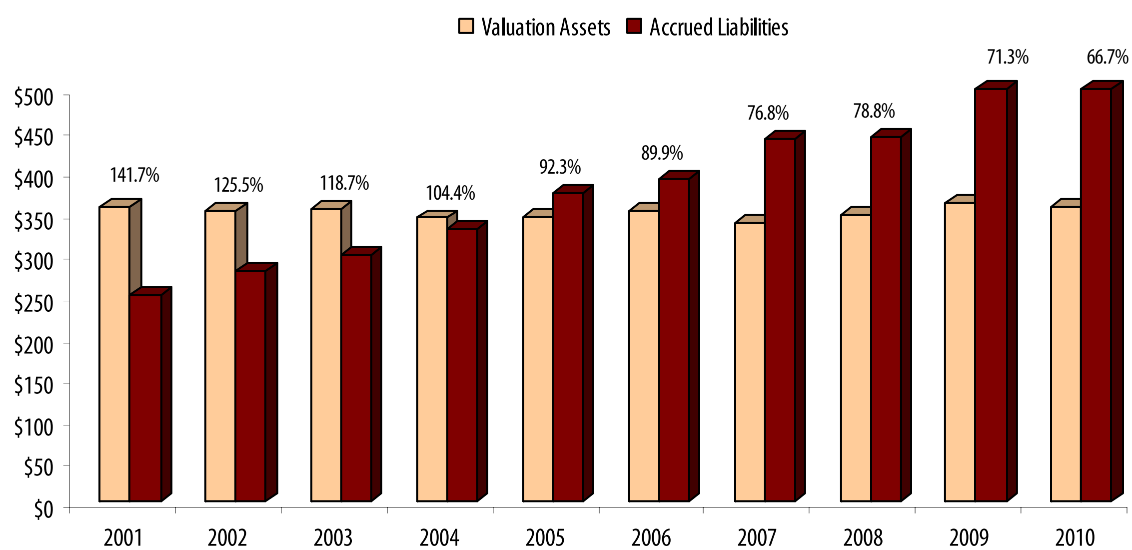


During 2007 the Board of Trustees adopted a more diversified asset allocation policy and began an asset management restructuring that has been deployed over the past three years. As illustration, at the end of FY07, 72.8% of the entire investment portfolio was invested in equities versus 41.2% at the end of FY10. Fixed income has remained about 19% of the entire portfolio. However, alternative investments have increased from 3.4% in FY 07 to 39.8% in FY10.

At June 30, 2010, EORP held $114.0 million in equities. The FY 2010 rate of return for EORP total equities was 13.73% versus a benchmark rate of return of 13.66%. At June 30, 2010, EORP held $52.7 million in fixed income securities. The FY 2010 rate of return for EORP fixed income securities was 13.84% versus a benchmark rate of return of 9.50%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the Plan's investment portfolio can be found in the investment section of this report. Additionally, a more thorough discussion of the diversification of the asset allocation policy can be found in the Introductory Section of this report in the transmittal letter.

EORP earns additional income by lending investment securities to brokers. This is done on a pooled basis by our custodial bank, BNY Mellon. The brokers provide collateral and generally use the borrowed securities to cover short trades and failed trades.

HISTORICAL TRENDS



Accounting standards require that the "Statement of Plan Assets" reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the "Schedule of Funding Progress." The asset value stated in the "Schedule of Funding Progress" is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed over a seven year period. Actuarial valuations of the EORP assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2010.

At June 30, 2010, the total funded status of the EORP decreased to 66.7% from 71.3% at FYE 2009. Although EORP had positive investment returns during the past fiscal year, this decrease in funded status is related primarily to investment losses in investment losses from prior years being fully reflected. The market value smoothing techniques used in this valuation of the Plan recognize both past and present investment gains and losses. A more detailed discussion of the funding status can be found in the Administrator's Letter of Transmittal in the Introductory Section of this report.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the Elected Officials' Retirement Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Elected Officials' Retirement Plan, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

STATEMENT OF PLAN NET ASSETS

JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	JUNE 30, 2010	JUNE 30, 2009
ASSETS		
Cash and Short-Term Investments	$ 3,234,584	$ 4,535,563
RECEIVABLES		
Member Contributions	133,829	161,060
Employer Contributions	282,420	334,034
Court Fees	871,735	832,747
Interest and Dividends	319,325	445,121
Investment Sales	3,518,712	-
Other	20,267	34,905
Total Receivables	**5,146,288**	**1,807,867**
INVESTMENTS AT FAIR VALUE (NOTES 2 AND 3)		
U.S. Equity	66,708,288	89,332,496
Non U.S. Equity	47,199,392	49,436,152
GTAA	19,135,513	-
Fixed Income	52,728,837	48,814,352
Credit Opportunities	26,740,325	19,463,055
Private Equity	21,892,825	9,241,747
Real Assets	11,983,011	10,601,475
Real Estate	27,500,577	26,014,322
Total Investments	**273,888,768**	**252,903,599**
Securities Lending Collateral	30,153,285	39,597,501
CAPITAL ASSETS (NOTE 4)		
Land	33,145	33,145
Building	238,510	233,969
Furniture, Fixtures & Equipment	55,798	52,135
Total Capital Assets	**327,453**	**319,249**
Accumulated Depreciation	(71,489)	(56,134)
Net Capital Assets	**255,964**	**263,114**
TOTAL PLAN ASSETS	**312,678,890**	**299,107,645**
LIABILITIES		
Accrued Accounts Payable	486,070	630,433
Investment Purchases Payable	2,495,718	546,607
Securities Lending Collateral	30,153,285	39,597,501
Total Plan Liabilities	**33,135,072**	**40,774,540**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$279,543,818**	**$258,333,105**
NET ASSET RESERVES		
Refundable Members' Reserve	42,942,264	42,072,605
Employers' Reserve	229,538,201	212,622,829
Future Benefit Increase Reserve	7,063,353	3,637,670
Total Net Asset Reserves	**$279,543,818**	**$258,333,105**

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

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED 2010 WITH COMPARATIVE TOTALS FOR 2009

	2010	2009
ADDITIONS		
Contributions		
Members' Contributions (NOTES 2,5)	$ 4,611,179	$ 4,436,652
Employers' Contributions (NOTES 2,5)	8,803,518	9,528,861
Court Fees	9,538,094	8,000,231
Members' Service Purchase	889,766	377,424
Total Contributions	**23,842,557**	**22,343,167**
Investment Income		
From Investing Income		
Net Appreciation (Depreciation) in Fair Value of Investments (NOTES 2,3)	30,340,510	(67,630,322)
Interest	1,571,296	1,384,471
Dividends	3,383,248	5,271,959
Other Income	182,434	14
From Securities Lending Activities		
Securities Lending Activities (NOTE 3)		
Securities Lending Income	155,213	748,175
Borrower Rebates	70,526	(138,107)
Agents Share of Income	(33,379)	(91,508)
Net Securities Lending Income	**192,360**	**518,560**
Total Investment Income (Loss)	**35,669,848**	**(60,455,317)**
Less Investment Expense	(1,086,256)	(1,071,646)
Net Investment Income (Loss)	**34,583,592**	**(61,526,963)**
Transfers Into System	40,961	283,226
Total Additions (Reductions)	**58,467,110**	**(38,900,569)**
DEDUCTIONS		
Pension Benefits (NOTE 2)	36,884,844	34,178,410
Refunds To Terminated Members (NOTE 2)	126,426	131,663
Administrative Expenses	245,127	521,507
Transfers Out of System	-	-
Total Deductions	**37,256,397**	**34,831,579**
NET INCREASE (DECREASE)	**21,210,713**	**(73,732,148)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year, July 1	258,333,105	332,065,253
End of Year, June 30	**$279,543,818**	**$258,333,105**

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

EORP NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: PLAN DESCRIPTION

ORGANIZATION

The Elected Officials' Retirement Plan (EORP), a pension trust fund of the State of Arizona, is a cost sharing multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes, to provide benefits for elected officials and judges of certain state, county and local governments. The Board of Trustees (formerly Fund Manager) of the Public Safety Personnel Retirement System (PSPRS) administers the EORP Plan.

Effective April 28, 2010 SB 1006 was passed that changed the name of the Fund Manager to Board of Trustees and expanded the size of the Board from five to seven. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Board of Trustees. SB 1006 also increased the term from three to five years. There will be a transitional period during which the terms of office may vary. The Board of Trustees is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Substantial investment experience is required for the member of the Board that represents the state as an employer and the two public members of the Board.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Board of Trustees approves new eligible groups for participation. The EORP is reported as a component unit of the State of Arizona.

The Board of Trustees of the EORP is also responsible for the investment and general administration of two other statewide retirement plans-the Corrections Officer Retirement Plan and the Public Safety Personnel Retirement System. The investments and expenses of these plans were held and accounted for separately from those of the EORP until September 1, 2008. Arizona Revised Statutes Section 38-848 was amended by Laws 2008, Ch. 286, § 22 to authorize the Board of Trustees to commingle the assets of the fund and the assets of all other plans entrusted to its management. Accordingly, the assets of these plans have been unitized but all receipts and earnings are credited and charges of payments are made to the appropriate employer, system or plan.

Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2010 and 2009, the number of participating local government employer groups was:

GROUP	2010	2009
Cities and Towns	21	21
Counties	15	15
State Agencies	1	1
Total Employers	**37**	**37**

All state and county elected officials and judges are members of the Plan. Any city or town in the state of Arizona may elect to have its' elected officials covered by EORP. At June 30, 2010 and 2009, statewide EORP membership consisted of:

	RETIREMENT PLAN		INSURANCE SUBSIDY	
MEMBERSHIP TYPE	2010	2009	2010	2009
Retirees	921	905	525	505
Terminated Vested	146	119	0	0
Current Vested	539	512	0	0
Current Non-Vested	288	345	0	0
Total Members	**1,894**	**1,881**	**525**	**505**

EORP provides retirement benefits as well as death and disability benefits. Generally, all benefits vest after five years of credited service. A summary of benefit and plan provisions follows:

SUMMARY OF BENEFITS

PURPOSE

To provide a uniform, consistent, and equitable statewide program for those eligible elected officials as defined by the Plan. A.R.S. §38-810.02.B

AVERAGE MONTHLY BENEFIT

An average of your highest 36 consecutive months within the last 10 completed years of credited service as an elected official that yield the highest average. If an employee does not have three consecutive years of credited service as an elected official, the considered period is the employee's last consecutive period of employment with a plan employer immediately before retirement. A.R.S. § 38-801(5).

BENEFIT INCREASE / COST OF LIVING ADJUSTMENT (COLA)

Contingent upon the excess investment earnings, effective July 1 of each year, eligible retired members or survivors may be entitled to a permanent benefit increase in their base benefit. To be eligible for the increase, the retired member or survivor must be either age 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year, or the retired member or survivor has been receiving benefits on or before July 31 of the previous two years. The maximum amount of the increase is 4% of the average normal benefit being received on the preceding June 30. A.R.S. § 38-818.

CONTRIBUTIONS

Each member shall contribute 7.0% of salary to the Plan on a pre-tax basis. The EORP employers shall contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan (but not less than 10% of salary). In addition, the EORP will receive contributions from certain employers pursuant to A.R.S. §§ 12-119.01(B)(2), 12-120.31(D)(2), 12-284.03(A)(6), 22-281(C)(3) and 41-178 as stated in A.R.S. § 38-810.

Members are eligible to receive credited service limited to 60 months if called to active duty while working for the current employer. A.R.S. § 38-907.

CREDITED SERVICE

Service for which contributions have been made, or transferred to the Plan from another retirement system for public employees of this state. A.R.S. § 38-801(6).

DEATH BENEFIT

An automatic death benefit for an active, inactive or retired member will be paid as follows:

Spouse's Pension. If the member or inactive member was married to the surviving spouse for at least two years, the surviving spouse will receive 75% of the members pension benefit based on the calculation for a disability benefit. A.R.S. § 38-807, OR

Guardian Benefit. If there is no surviving spouse, or the pension of the surviving spouse is terminated, the benefit (75% of the members pension benefit based on the calculation for a disability benefit) may be paid to the guardian of the surviving unmarried child(ren) until the child turns 18, or until the age of 23 if the attending full-time school between the ages of 18 and 23. If a guardian benefit is paid to a disabled child (the child's disability occurred prior to the age of 23) and remains a dependent of the guardian, the benefit is payable for the lifetime of the child. A.R.S. § 38-807(D), OR

Balance of Contributions. If there is no surviving spouse or eligible child(ren), the member's named beneficiary on file will receive the balance of the member's accumulated contributions. A.R.S. § 38-807(E).

DISABILITY

A member who becomes permanently mentally or physically incapacitated for the purpose of performing the duties of the member's office if the majority of the board of physicians certifies that the member is mentally or physically incapacitated and is expected to be for an indefinite duration. A.R.S. § 38-806.

The disability benefit is 20% of the member's average yearly salary with 4.99 or less years of credited service, or 40% of the member's average yearly salary with 5 but less than 9.99 years of credited service, or 80% of member's average yearly salary with 10 or more years of credited service. A.R.S. § 38-808(B)(2).

ELIGIBILITY

All elected officials are members of the Plan (except a state elected official who is subject to term limits may not participate in the Plan for that specific term of office). A.R.S. §§ 38-801(14) and 38-804(A).

HEALTH INSURANCE

For EORP retirees, survivors and their eligible dependents with 8 or more years of credited service* that elect group health insurance and/or accident insurance coverage administered by EORP or another state recognized employer plan, the EORP will pay up to the following subsidy amount. A.R.S. §§ 38-817, 38-651.01 and 38-782.

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

* Members with 5 to 7.99 years of credited service will receive a proportionate share of the subsidy stated above.

JOINDERS
Elected officials of an incorporated city or town may participate in the EORP if the governing body enters into a joinder agreement in accordance with the provisions of the Plan. Assets under any existing public employee defined benefit retirement program shall be transferred to the EORP within 60 days after the employer's effective date. A.R.S. § 38-815.

REFUNDS
Pursuant to A.R.S. § 38-804(B), upon termination of employment (for any reason other than death or retirement) within 20 days after filing an application with the EORP, a member shall receive a lump-sum payment of accumulated contributions (less any benefits paid or any amounts owed to the Plan). The member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. If the member has five or more years of credited service, an additional percentage of contributions will be refunded to the member according to the member's years of service as stated below:

5 to 5.9 years of service = 25% of member contributions.
6 to 6.9 years of service = 40% of member contributions.
7 to 7.9 years of service = 55% of member contributions.
8 to 8.9 years of service = 70% of member contributions.
9 to 9.9 years of service = 85% of member contributions.
10 or more years of service = 100% of member contributions plus 3% interest if left on deposit after 30 days.

RETIREMENT ELIGIBILITY AND CALCULATION
The amount of a normal retirement pension is 4% of the member's average yearly salary multiplied by the years of the member's credited service. Maximum is 80% of the member's average yearly salary. A.R.S. §§ 38-805 and 38-808.

Early Retirement (Reduction for Age). An elected official who has five or more years of credited service may retire before meeting the age or service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age as noted above. The maximum reduction is 30%. A.R.S. §§ 38-805(B) and 38-808(B)(1).

*Normal Retirement***.** An elected official may retire with normal retirement based the following age and service requirements:
- Age 65 years, with 5 or more years of credited service.
- Age 62 years, with 10 or more years of credited service.
- Twenty or more years of credited service regardless of age.

RETURN TO WORK AFTER RETIREMENT
If a retired member subsequently becomes an elected official, contributions shall not be made to the Plan nor shall additional years of credited service accrue. However, if a retired member subsequently becomes, by reason of election or reelection, an elected official of the same office from which the member retired, within a time period following the member's retirement that is less than one full term for that office, the member shall not receive a pension. A.R.S. § 38-804(G)(H).

If the elected official ceases to hold the same office, the elected official is entitled to receive the same pension the elected official was receiving when the elected official's pension was discontinued. A.R.S. § 38-804 does not prohibit a retired judge from receiving a retirement benefit if called by the supreme court to active duties. A.R.S. §§ 38-804(H) and 38-813.

SERVICE PURCHASE
Purchase of Prior Active Military Service. Members may purchase up to 48 months of credited service for periods of active military service performed before employment with their current employer (even if the member receives a military pension). A.R.S. § 38-820. Additionally, members can receive credited service limited to 60 months if called to active duty while working for the current employer. For more information, contact your employer. A.R.S. § 38-820.

Purchase of Prior Service from an Out-of-State Agency. Active members that have previous service with an agency of the U.S. Government, a state of the U.S., or a political subdivision of a state of the U.S. as may elect to redeem any part of the prior service if the prior service is not on account with any other retirement system. A.R.S. § 38-816.

Purchase of Prior Forfeited Service as an Elected Official. If a former elected official terminates membership in the Plan and takes a refund of contributions and is later re-employed as an elected official may elect to purchase all of the previously forfeited credited service if the elected official signs a written election within 90 days after re-employment to reimburse the Plan within one year after the date of re-employment. 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. A.R.S. § 38-804(F).

If the statutory requirements above are not met, the elected official may still purchase some or all of the previously forfeited credited service or of elected official service not covered by the Plan. The calculation is based on an amount computed by the Plan's actuary to equal the actuarial present value. A.R.S. § 38-816(B).

Purchase of Service Between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may redeem the credited service to their current Arizona state retirement System/Plan by paying the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the PSPRS or governing board. A.R.S. § 38-922.

TAXATION OF RETIREMENT BENEFITS

Effective tax year commencing January 1, 1989, all EORP retirement benefits in excess of $2500 annually will be subject to Arizona state tax. A.R.S. §§ 38-811 and 43-1022.

TRANSFERS

Transfer of Service Between the Arizona Retirement Plans/Systems. Members of any of the four Arizona state retirement System/Plans that have credited service under another Arizona state retirement System/Plan may transfer the credited service to their current Arizona state retirement System/Plan by transferring the full actuarial present value of the credited service into the current Arizona retirement System/Plan with the approval of the EORP or governing board. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state System/Plan. A.R.S. §§ 38-921 and 38-922.

Transfer of Service Between City Retirement Plans. A member of a charter city retirement system who is an elected official may apply for a transfer of service credits from the charter city retirement system to the EORP based on the actuarial present value of the service (with the member paying the difference), or the member may elect a reduced service amount to be transferred based on the actuarial present value. A.R.S. § 38-821.

This is not an official version of the Arizona Revised Statutes. If there are any differences or discrepancies, the official version will prevail.

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

BASIS OF ACCOUNTING

EORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension and Health Insurance subsidy benefits are recognized when due and payable in accordance with the terms of the Plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

Furniture, fixtures and equipment purchases costing $10,000 or more, when acquired, are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the 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 (Losses) used in this calculation totaled $(83,746) for FYE 2010 and $(43,712,004) for FYE 2009. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

The Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* for the year ended June 30, 2010. Statement No. 53 addresses the recognition, measurement, and disclosures regarding derivative instruments entered into by the Plan.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2010. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

CASH

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan's deposits may not be returned. The deposits are held in two financial institutions with a balance of up to $250,000 (permanently guaranteed as of July 21, 2010) insured by the Federal Deposit Insurance Corporation (FDIC). The Plan mitigates custodial credit risk for deposits by requiring the financial institutions to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of EORP, Wells Fargo pledged the following securities to EORP, Public Safety Personnel Retirement System, and the Corrections Officer Retirement Plan on June 30, 2010, as collateral:

Description	CPN	Maturity	Market Value
FED NATL MTG ASSN POOL #257449	6.00	11/1/2038	$ 6,302,267
FED NATL MTG ASSN POOL #885515	6.00	7/1/2036	2,798,720
FED NATL MTG ASSN POOL #911370	6.00	2/1/2037	2,150,459
FED NATL MTG ASSN POOL #930769	6.00	3/1/2039	4,802,040
FED NATL MTG ASSN POOL #950981	6.00	10/1/2037	6,864,700
TOTAL			**$22,918,186**

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state. Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2010:

	REPORTED AMOUNT	BANK BALANCE
Pension Trust Fund	$ 2,962,381	$ 2,962,381
Operating Fund	272,203	272,203
Total Deposits	**$3,234,584**	**$3,234,584**

INVESTMENTS

EORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported at cost which approximates fair value. 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 fixed-income broker/dealers. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Board of Trustees to make investments in accordance with the "Prudent Man" rule. The Board of Trustees is not limited to so-called "Legal Investments for Trustees." In making every investment, the board 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 eighty percent of the combined assets of the system or other plans that the board manages shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
2) That not more than five percent of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the United States government or corporate stock issued by a bank or insurance company.
3) That not more than five percent of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.
4) That corporate stocks and exchange traded funds eligible for purchase shall be restricted to stocks and exchange traded funds that, except for bank stocks, insurance stocks and membership interests in limited liability companies, are either:
   a) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §78ll);
   b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange A, Act of 1934, as amended (15 United States Code §78a through §78ll).
   c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state.
   d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than twenty per cent of the combined assets of the system and other plans that the board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation.
   e) An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code Section 80a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

A.R.S. § 38-848.B as amended in 2008 authorized the Board of Trustees to commingle the assets of all the plans entrusted to its management, subject to the crediting of receipts and earnings and charging of payments to the appropriate employer, system or plan. As a result, the various assets of the Public Safety Retirement System, Elected Officials' Retirement Plan, and the Corrections Officer Retirement Plan were unitized beginning September 1, 2008 into the PSPRS Trust. Investments for each fund are allocated daily via a constant dollar unitization methodology. Realized and unrealized gains are allocated monthly using the same methodology.

At June 30, 2010, the fair market value of the PSPRS Trust and the allocation for each system and plan was as follows:

PLAN	UNITIZED	PERCENT
PSPRS	$ 4,553,738,626	76.66%
CORP	1,108,804,113	18.67%
EORP	277,865,254	4.68%
TRUST TOTAL	**$5,940,407,993**	**100.00%**

A small portion of the assets (cash and real estate) remain outside the comingled funds, representing less than 2 basis points of the total.

CUSTODIAL CREDIT RISK

Custodial Credit Risk is the risk that EORP will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterpart to the investment or deposit transaction fails. As of June 30, 2010, EORP has no fund or deposits that were not covered by depository insurance or collateralized with securities held by our banks' trust department or agent. Nor does EORP have any investments that are not registered in the name of EORP, or the PSPRS Trust and are either held by the counterpart or the counterpart's trust department or agent.

CREDIT RISK

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Plan. As of June 30, 2010, the Plan's fixed income assets that were not government guaranteed represented 94.0% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB– at the time of purchase. The portion of the bond portfolio in securities rated Baa3/BBB– through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio.

Included in the fixed income portfolio are cash equivalents or commercial paper. Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase.

Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

AVERAGE CREDIT QUALITY AND EXPOSURE LEVELS OF NON-GOVERNMENT GUARANTEED SECURITIES

FIXED SECURITY TYPE	FAIR VALUE JUNE 30, 2010	% OF ALL FIXED INCOME ASSETS	WEIGHTED AVG. CREDIT
Corporate Bonds	$ 47,030,307	94.80%	AA
Mortgages	522,724	1.10%	Below BB
CBO	1,309,450	2.60%	A
CDO	720,251	1.50%	A
Total	**$49,582,732**	**100.00%**	**AA**

RATINGS DISPERSION DETAIL

CREDIT RATING LEVEL	CORPORATE BONDS	MORTGAGES	CBO	CDO
AAA	$ -	$ 32,280	$ -	$ -
AA	43,590,030	-	-	-
A	1,744,846	-	1,088,087	720,251
BBB	1,625,103	-	-	-
Below BBB	70,329	490,444	221,363	-
Total	**$47,030,308**	**$522,724**	**$1,309,450**	**$720,251**

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The Plan does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the Plan's fixed income assets.

SEGMENTED TIME DISTRIBUTION BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY	<1	1-5	6-10	11-15	16-20	>20
Corporate	$-	$ 235,389	$ 1,351,431	$ 541,943	$ 289,218	$ 45,135,051
Agencies	-	-	1,194,107	774,750	577,262	599,986
CBO	-	-	576,308	-	-	733,141
CDO	-	-	-	-	-	720,251
Total	**$-**	**$235,389**	**$3,121,846**	**$1,316,693**	**$866,480**	**$47,188,429**

CALLABLE BONDS BY SECURITY TYPE
(INCLUDING GOVERNMENT GUARANTEED SECURITIES)

FIXED INCOME SECURITY TYPE	FAIR VALUE JUNE 30, 2010	% OF ALL FIXED INCOME ASSETS
Corporate	$ 490,542	0.99%
Agencies	-	0.00%
Total	**$490,542**	**0.99%**

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment. The PSPRS is allowed to invest part of its assets in foreign investments. According to Arizona state statutes, no more than twenty per cent of the combined assets of the system and other plans that the board manages shall be invested in foreign securities.

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

FOREIGN CURRENCY RISK

CURRENCY TYPE	HOLDINGS	FAIR VALUE
Australian Dollar	2,705	$ 2,285
British Pound Sterling	6,723	10,058
Canadian Dollar	6,626	6,236
Danish Krone	5,576	917
Euro Currency Unit	3,859	4,727
Hong Kong Dollar	14,031	1,802
Israeli Shekel	13,867	3,573
Japanese Yen	3,815,519	43,118
New Zealand Dollar	471	324
Norwegian Krone	12,087	1,859
Singapore Dollar	1,628	1,166
Swedish Krona	9,892	1,271
Swiss Franc	1,865	1,730
Total Market Value		**$79,066**

DERIVATIVES

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, options contracts, and forward foreign currency exchange. The Board of Trustees has adopted a derivative policy that specifically authorizes external investment managers to enter into certain derivative contracts based on an analysis that the use of such derivatives will have a positive impact on the Trust's ability to manage its underlying assets and liabilities. The PSPRS Trust investment program, indirectly through its external managers, holds investments in futures contracts. The external money managers enter into these certain derivative instruments primarily to enhance the performance and reduce the volatility of the PSPRS portfolio, to gain or hedge exposure to certain markets, and to manage interest rate risk. The external managers are required to follow certain controls, documentation and risk management procedures when employing these financial instruments.

The fair value exposure associated with these derivative instruments was recorded on the financial statements as a portion of the unrealized gains and losses related to U.S. Equity and Fixed Income. The total of unrealized losses for EORP was $805,617 at June 30, 2010 consisting of U.S. Equity (loss of $807,470) and Fixed Income (gain of $1,853). Interest risk associated with these investments are included in the tables on page 31.

SECURITY LENDING PROGRAM

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, 2010 the fair value of securities on loan was $29,368,027 and the collateral was $30,153,285 for the Elected Officials Retirement Plan. 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 may be terminated on demand by either the lender or the borrower. All matched loans shall have matched collateral investments.

The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2009, the weighted average maturity was 36 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan.

Prior to the current fiscal year, under this program, the Plan has not experienced any defaults or losses on these loans. However, in November 2008 EORP was informed that due to recent market events one or more securities lending collateral vehicles that held assets have been impaired. This potential liability will be realized upon settlement of the recovery process or if there becomes a liquidity issue with the collateral pool. A liability of $527,453 has been recorded as the EORP's share.

ASSET CLASS	OUT ON LOAN	TOTAL AVAILABLE TO LOAN	% OF AVAILABLE TO LOAN
Equities	$ 27,615,416	$ 113,907,681	24.24%
Agencies	-	1,425,514	0.00%
Treasuries	245,498	1,720,591	14.27%
Exchange Traded	1,507,113	158,655,143	0.95%
Totals	**$29,368,027**	**$275,708,929**	**10.65%**

NOTE 4: CAPITAL ASSETS

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2010 was $15,355.

The following table is a schedule of the capital asset account balances as of June 30, 2010, and June 30, 2009, and changes to those account balances during the year ended June 30, 2010.

SCHEDULE OF CAPITAL ASSET ACCOUNT BALANCES

	LAND	BUILDING AND IMPROVEMENTS	FURNITURE, FIXTURES AND EQUIPMENT	TOTAL CAPITAL ASSETS
CAPITAL ASSETS				
Balance June 30, 2009	$ 33,145	$ 233,970	$ 52,135	$ 319,249
Additions	-	4,541	3,663	8,204
Deletions	-	-	-	-
Balance June 30, 2010	**33,145**	**238,510**	**55,798**	**327,453**
ACCUMULATED DEPRECIATION				
Balance June 30, 2009	-	(27,845)	(28,290)	(56,134)
Additions	-	(6,359)	(8,996)	(15,355)
Deletions	-	-	-	-
Balance June 30, 2010	-	(34,204)	(37,286)	(71,489)
Net Capital Assets	**$33,145**	**$204,307**	**$18,512**	**$255,964**

NOTE 5: CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using Projected Unit Credit Cost method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a closed period 30 year period. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 10%.

During the year ended June 30, 2010, contributions totaling $23,837,016 ($9,687,743 employer [$8,431,988 pension and $1,255,755 health insurance subsidy contributions in excess of benefits paid] $9,538,094 court fees and $4,611,179 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2008. The employer contributions, including court fees, consisted of approximately $12,700,039 for normal cost [$12,135,282 pension and $564,757 health insurance subsidy] plus $6,525,798 for amortization of the unfunded actuarial accrued liability in aggregate [$5,834,800 pension and $690,998 health insurance subsidy]. Employer contributions including court fees represented 26.25% of covered payroll [17.34% for normal costs (16.49% pension and 0.85% health insurance) and 8.91% for amortization of the unfunded actuarial accrued liability in aggregate (7.87% pension and 1.04% health insurance subsidy)]. Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

NOTE 6: OTHER BENEFITS

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Board of Trustees, PSPRS, the EORP and the Corrections Officer Retirement Plan. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the Employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the Employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

Less than one year of service	0%
One year but less than two	20%
Two years but less than three	40%
Three years but less than four	60%
Four years but less than five	80%
Five years or more	100%

PSPRS administers the supplemental defined contribution plan through Nationwide Retirement Solutions. All contributions are sent directly to the third party administrator from the participating employer groups.

NOTE 7: HEALTH INSURANCE PREMIUM SUBSIDY-AGENCY FUND

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2 and 5. The health insurance premium subsidy provided by A.R.S. §38-817 consists of a fixed dollar amount set by statute and paid by the Plan on behalf of eligible retired members. The subsidized health benefits are provided and administered by the Arizona State Retirement System, Arizona Department of Administration or the participating employer of the retired member. According to Governmental Accounting Standards Board (GASB) Statement No. 43, the health insurance subsidy paid by the Plan represents other post employment benefits. The Plan does not administer a separate healthcare plan as defined under IRC §401(h) or an equivalent arrangement. In addition, the Plan is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the Plan are available to pay both pension benefits and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type.

Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '10, contributions collected for the health insurance subsidy amounted to $1,255,755 and the health benefit subsidy payments were $884,225. The excess contributions of $371,530 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

NOTE 8: PLAN TERMINATION

EORP and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3016.18. The plans are scheduled to terminate on July 1, 2016.

NOTE 9: CONTINGENCIES

Some of our real estate partners in the investments categorized as "other investments" have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Board of Trustees, whichever is less. In management's opinion, any realized loss due to current economic conditions will not have a material effect on the financial statements.

As stated in Note 3 – Cash and Investments (under the Security Lending Program Heading), the System was notified in November 2008 of a situation involving one or more security lending collateral vehicles that held assets which have been impaired as a result of recent market events. An estimate of the unrealized loss is approximately 11.3 million dollars for all three plans and has been recorded as a liability. Management is still pursuing options regarding recoveries, if any, of the liability.

NOTE 10: FUNDING STATUS AND PROGRESS

The Plan's funded status (not including health insurance subsidy) as of the most recent valuation data is as follows (in thousands):

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (B)	UNFUNDED AAL(UAAL) (B-A)	FUNDED RATIO (A/B)	ANNUAL COVERED PAYROLL (C)	UAAL AS A % OF COVERED PAYROLL ((B-A)/C)
06/30/10	$357,342	$523,756	$166,414	68.2%	$66,442	250.5%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial methods and assumptions used for the pension benefits are as follows:

Valuation Date:	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Closed
Remaining Amortization Period:	26 years closed for unfunded accrued actuarial liability, 20 years open for excess
Asset Valuation Method:	7-Year Smoothed Market Value
Investment Rate of Return:	8.5%
Projected Salary Increases:	5.00% which includes inflation at 5.00%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation. These benefits are described in Note 1 under "Summary of Benefits".

NOTE 11: REQUIRED SCHEDULES

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A) *	ACTUARIAL ACCRUED LIABILITY (AAL) AT ENTRY AGE (B) *	UNFUNDED AAL (EXCESS) (UAAL) (B-A) *	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C))
06-30-01	$355,768	$250,987	$(104,781)	141.7%	$48,669	(215.3)%
06-30-02	351,349	279,947	(71,402)	125.5%	48,729	(146.5)%
06-30-03	353,463	297,891	(55,572)	118.7%	49,351	(112.6)%
06-30-04	343,376	328,921	(14,455)	104.4%	50,624	(28.6)%
06-30-05	344,604	373,341	28,737	92.3%	53,449	53.8 %
06-30-06	351,701	391,403	39,702	89.9%	54,696	72.6 %
06-30-07	336,717	438,229	101,512	76.8%	61,308	165.6 %
06-30-08	348,013	441,886	93,873	78.8%	62,184	151.0 %
06-30-09	360,950	494,437	133,486	73.0%	67,777	196.9 %
06-30-10	357,342	523,756	166,414	68.2%	66,442	250.5%

** Entry Age Normal Cost method through 6-30-04. Projected Unit Credit method from 6-30-06 to the present.*
** Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy were included, the funded ratio would be 74.6% for 6-30-07, 76.6% for 6-30-08, 71.3% for 6-30-09 and 66.7% for 6-30-10.*
** See Notes to the Schedules of Required Supplementary Information.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FISCAL YEAR ENDED JUNE 30,	EMPLOYER CONTRIBUTIONS ANNUAL REQUIRED CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
2001	3,163,111	100.00%
2002	3,656,604	100.00%
2003	3,755,629	100.00%
2004	6,976,772	100.00%
2005	6,809,136	100.00%
2006	11,479,967	100.00%
2007	10,057,915	107.10% *
2008	11,431,128	104.30% *
2009	17,529,092	102.60% *
2010	18,341,612	102.03% *

** Total Employer Contributions received during FY'07 were $10,908,830. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $1,523,119. The benefits paid for the health insurance subsidy were $850,915. The difference between the calculated annual required contributions and the benefits paid of $672,204 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 107.1%for the retirement plan.*
** Total Employer Contributions received during FY'08 were $12,343,051. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $1,380,478. The benefits paid for the health insurance subsidy were $911,923. The difference between the calculated annual required contributions and the benefits paid of $468,555 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 104.3% for the retirement plan.*

** Total Employer Contributions received during FY'09 were $18,446,377. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $1,355,533. The benefits paid for the health insurance subsidy were $917,286. The difference between the calculated annual required contributions and the benefits paid of $438,247 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 102.6% for the retirement plan.*

** Total Employer Contributions received during FY'10 were $19,225,839. GASB reporting requires discretely reporting the health insurance subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance subsidy were calculated to be $1,255,755. The benefits paid for the health insurance subsidy were $884,225. The difference between the calculated annual required contributions and the benefits paid of $371,530 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 102.0% for the retirement plan.*

** See Notes to the Schedules of Required Supplementary Information.*

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

ACTUARIAL METHODS AND ASSUMPTIONS FOR VALUATIONS PERFORMED JUNE 30, 2010

The projected unit credit actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 20-year amortization period for excess and a closed 26-year amortization period were used for the June 30, 2010 valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 7-year period. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). Projected salary increase assumptions are based on 5.0% which include a price inflation assumption of 5.0% per year.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2010 were determined by actuarial valuations as of June 30, 2008.

SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	REFUNDABLE MEMBERS' RESERVE	EMPLOYERS' RESERVE	FUTURE BENEFIT INCREASE RESERVE
BALANCE AS OF JUNE 30, 2008	**$41,963,744**	**$271,917,091**	**$18,184,418**
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	4,436,652		
Employers' Contributions		18,446,377	
Earnings (Loss) on Investments Net of Investment Expenses		(61,487,238)	
Pension and Insurance Benefits		(35,095,696)	
Refunds to Terminated Members	(119,830)	(11,833)	
Administrative Expenses		(561,231)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases			
Earnings (Loss) on Excess Investment Earnings Account Assets		3,227,552	(3,227,552)
Amount Utilized by Benefit Increases Granted		11,319,196	(11,319,196)
Net Transfers In (Out) and Purchase of Service Credits	501,740	158,911	
Balances Transferred to Employers' Reserve due to Retirement	(4,709,700)	4,709,700	
BALANCE AS OF JUNE 30, 2009	**$42,072,606**	**$212,622,829**	**$3,637,670**
DISTRIBUTION OF REVENUES AND EXPENSES			
Members' Contributions	4,611,179		
Employers' Contributions		19,225,839	
Earnings (Loss) on Investments Net of Investment Expenses		34,583,592	
Pension and Insurance Benefits		(37,769,069)	
Refunds to Terminated Members	(123,176)	(3,250)	
Administrative Expenses		(245,127)	
DISTRIBUTION OF TRANSFERS			
Excess Investment Earnings to be used for Future Benefit Increases		(15,303,603)	15,303,603
Earnings (Loss) on Excess Investment Earnings Account Assets		(489,994)	489,994
Amount Utilized by Benefit Increases Granted		12,367,914	(12,367,914)
Net Transfers In (Out) and Purchase of Service Credits	921,245	9,481	
Balances Transferred to Employers' Reserve due to Retirement	(4,539,589)	4,539,589	
BALANCE AS OF JUNE 30, 2010	**$42,942,265**	**$229,538,201**	**$7,063,353**

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECEIPTS		
Members' Contributions	$ 4,638,410	$ 4,428,949
Employers' Contributions	9,774,261	10,364,971
Court Fees	9,499,106	7,529,463
Interest	1,785,297	1,647,901
Dividends	3,295,043	5,794,696
Other Income	182,434	12,050
Securities Lending Income	192,360	518,560
Transfer In	40,960	283,226
Service Purchase	889,766	377,424
Maturities and Sales of:		
Short-Term Investment	-	-
U S Equity	127,517,316	272,293,848
Non-U s Equity	97,959,605	95,157,644
GTAA	9,389,553	-
Fixed Income	16,916,736	173,275,064
Credit Opportunities	11,670,276	13,085,387
Private Equity	2,884,697	6,012,928
Real Assets	13,056,227	3,057,898
Real Estate	5,611,085	25,388,548
Total Receipts	**315,303,132**	**619,228,557**
DISBURSEMENTS		
Pension Benefits	37,769,069	35,095,696
Refunds to Terminated Members	126,426	131,663
Investment and Administrative Expenses	1,453,957	520,070
Acquisitions of:		
Short-Term Investment	-	-
U S Equity	93,922,385	240,533,303
Non-U s Equity	92,586,138	102,720,072
GTAA	28,083,869	-
Fixed Income	13,490,840	161,504,986
Credit Opportunities	12,918,188	24,910,038
Private Equity	12,021,582	11,528,625
Real Assets	13,944,857	11,684,659
Real Estate	10,286,801	32,037,396
Total Disbursements	**316,604,111**	**620,666,508**
INCREASE (DECREASE) IN CASH	(1,300,979)	(1,437,951)
BEGINNING CASH BALANCE - July 1	4,535,563	5,973,514
ENDING CASH BALANCE - June 30	**$ 3,234,584**	**$ 4,535,563**

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

EXPENSE CATEGORY	ADMINISTRATIVE	INVESTMENT	TOTAL
Accounting and Auditing Services	$ 5,500	$ -	$ 5,500
Actuarial Services	12,708	-	12,708
Building Expense	7,153	-	7,153
Communications	670	-	670
Computer Related Expense	8,894	3,687	12,581
Contractual Services	2,752	-	2,752
Depreciation Expense	11,485	-	11,485
Fund Manager Initiatives	1,230	-	1,230
Furniture and Equipment	191	-	191
Investment Services	-	902,336	902,336
Legal Services	28,832	45,863	74,695
Local Board Training	2,982	-	2,982
Payroll Taxes and Fringe Benefits	43,764	16,422	60,186
Postage Expenses	4,602	-	4,602
Printing and Publications	2,843	-	2,843
Professional Services	20,660	80,402	101,062
Salaries and Wages	88,834	33,197	122,031
Supplies and Services	1,207	-	1,207
Training Expenses	99	1,767	1,865
Travel Expense	722	2,582	3,304
TOTAL	**$245,127**	**$1,086,256**	**$1,331,383**

SCHEDULE OF CONSULTANT EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

CONSULTANT	SERVICE PROVIDED	FEES PAID
Albourne America, LLC	International Alternative Investment Consultant	$ 31,008
Alliance Resource Consulting, LLC	Executive Recruitment	610
BNY Mellon Asset Servicing	Independent Investment Advisor	11,766
Brazen Technology, Inc.	IT Consultant	7,751
CB Richard Ellis	Real Estate Consultant	2,264
Cortex Applied Research, Inc.	Governance Advisor	795
Cushman & Wakefield	Real Estate Consultant	2,448
Gabriel Roeder Smith & Company	Actuary	12,026
Heinfeld, Meech & Co.	Independent Auditors	5,500
Highground, Inc.	Legislative Liaison	5,508
Kutak Rock LLP	General Counsel	74,695
Light Stone Solutions, LLC	Due Diligence	17,249
NEPC, LLC	Independent Investment Advisor	28,458
ORG Portfolio Management LLC	Real Estate Consultant	22,185
OSAM, Inc.	IT Consultant	1,195
Page, Gerald	IT Consultant	2,034
Public Policy Partners	Legislative Liaison	7,346
Rodwan Consulting Company	Actuary	682
Sherwood Systems	Accounting Consultant	728
Smout, Jared	Accounting Consultant	1,836
Stepstone Group LLC	Alternative Investment Consultant	21,420
TOTAL		**$257,502**

HEALTH INSURANCE PREMIUM SUBSIDY
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
FOR YEAR ENDED JUNE 30, 2010

HEALTH INSURANCE PREMIUM SUBSIDY	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
ASSETS				
Cash	$ 0	$ 884,225	$ 884,225	$ 0
Total Assets	**$ 0**	**884,225**	**884,225**	**$ 0**
LIABILITIES				
Benefits Payable	$ 0	884,225	884,225	$ 0
Total Liabilities	**$ 0**	**$884,225**	**$884,225**	**$ 0**

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS $ (A)	ACTUARIAL ACCRUED LIABILITY $ (B)	UNFUNDED AAL(UAAL) $ (B-A)	FUNDED RATIO (A/B)	ANNUAL COVERED PAYROLL $ (C)	UAAL AS A % OF COVERED PAYROLL ((B-A)/C)
06/30/07	0	13,070	13,070	0.0%	61,308	21.3%
06/30/08	0	12,454	12,454	0.0%	62,184	20.0%
06/30/09	0	11,754	11,754	0.0%	67,777	17.3%
06/30/10	0	12,015	12,015	0.0%	66,442	18.08%

** GASB reporting requires discreetly reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the health insurance premium subsidy with the retirement plan, the funded ratio for 2007, 2008, 2009 and 2010 would be 74.6%, 76.6%, 71.3% and 66.7% respectively.*

INVESTMENT SECTION

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
ELECTED OFFICIALS' RETIREMENT PLAN
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
www.psprs.com
TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

James M. Hacking
Administrator

Ryan Parham
Chief Investment Officer

Tracey D. Peterson
Assistant Administrator-COO

December 3, 2010

Dear Members:

As the Chief Investment Officer of the Public Safety Personnel Retirement System ("PSPRS") during the fiscal year beginning July 1, 2009 and ending June 30, 2010, I submit the following comments and observations for your consideration and for the consideration of the respective parties in interest of the plan:

HISTORY

Until recently the investment activities of PSPRS focused on internally managed domestic public securities (stocks and bonds), with some allocations to Arizona real estate. As with "baskets and eggs" this created concentrations of risks, particularly a concentration in U.S. large cap growth stocks. When U.S. domiciled equities did well, so did the Fund. When U.S. equities performed poorly, so did the Fund with a corresponding erosion in our funding ratios. While each of the PSPRS plans has slightly different liabilities and slightly different funding ratios, the trend in funding ratios has been down over the last several years. While it might be argued that going up high in good years offsets going down low in bad years; a simple illustration demonstrates the continuing problems of this volatility.

Assume that a fund begins a year with $100.00 and during that year suffers a 20% loss, ending with a balance of $80.00. In the next year assume that the markets recover and the fund increases in value 20%. This new return brings the fund back to only $96.00. Over this two year period the fund's net return is negative. In the case of retirement funds with demographics similar to ours, during this two year period the liabilities of the fund would continue to grow unabated while the funding ratio would decline.

Our historic performance with large concentrations in U.S. equities has been extremely volatile, including the information technology "Dot Com" decline early in the decade and the most recent economic calamities. This volatility over our last ten years corresponds precisely with the above illustration as follows:

FY	Return %	FY	Return%
2010	13.47	2005	9.56
2009	-17.75	2004	15.02
2008	-7.59	2003	6.69
2007	17.01	2002	-15.36
2006	7.89	2001	-16.96

This return distribution has six positive years and four negative years. The average return per year is about 1.20% with an arithmetic return of +11.98%. But that arithmetic return is deceiving. Due to the compounding effects of returns, the EORP 10 year cumulative return is really +0.28%. Our liabilities compounded to an amount greater than that, thus reducing our funding ratios. During this period EORP investment managers consistently outperformed their respective benchmarks. That relative outperformance was outpaced by the negative effects of the volatility of the portfolio driven by its extreme reliance on domestic equities. In the universe of public pension plans, manager outperformance generally cannot overcome asset allocation deficiencies. Asset allocation usually accounts for more than 85% of total fund performance.

2008 TO THE PRESENT

Recognizing these problems the PSPRS Administrator and the PSPRS Board of Trustees began a program to broadly diversify the Fund's asset allocation and manager concentrations. There was significant progress to this end in 2008-2009 which has continued through fiscal year 2009-2010. U.S. equity exposure has been reduced from about 65% in 2007 to about 24% in 2010. Total equities have been reduced from about 73% of the portfolio in 2007 to about 41% in 2010. Within equities the Fund currently enjoys exposures to domestic, developed international, emerging and frontier market equities. Current asset allocation targets will reduce our total equity exposures to about 35% of the total portfolio with true global diversity.

The large historic equities exposure has been replaced with allocations to Credit Opportunities, Real Assets (e.g. Timber, Commodities, Infrastructure), Global Tactical Asset Allocation ("GTAA") strategies, Private Equity, Real Estate and Absolute Return strategies. The specific purpose of this diversification is to generate returns from multiple asset classes, geographies and strategies. This means that we will not "live or die" by one asset class, one geography nor by one strategy. Our eggs are distributed widely in different baskets many of which go up when others go down or are largely uninfluenced by events which "spoil a basket" in another area.

In the fiscal year 2008-2009 the effect of this diversification proved immediately valuable. While the Fund was down more than 17% in that time frame, we would have been down much more if we had maintained our historic equity allocation. Many of our peers were down significantly more than 20%.

In this fiscal year 2009-2010 equities mounted an epic recovery. We participated in that recovery and returned 13.47% net of fees. However, consistent with our strategy our participation was not solely dependent upon equities. For example, our credit opportunities portfolio of approximately one half of a billion dollars returned 33.85% during this time period. That return was generated in positions higher in the capital structure than equities, with significantly more downside protection than equities.

The Fund's fiduciary consultant New England Pension Consultants has recently confirmed investment staff's assessment that our current asset allocation delivers a higher probability of reaching our assumed earnings rate of return of 8.25% with significantly less volatility risk. In all likelihood, we will continue to participate in most of the market's upside but should have significantly less participation in the market's downside.

CONCLUSION

The continued diversification of the Fund will continue to generate better risk adjusted returns than the PSPRS historic allocations and will help to protect funding ratios from the effects of exaggerated volatility. When combined with expected continued manager outperformance, this diversification should in the mid and long term, improve PSPRS funding ratios and enhance the stability of our system.

Respectfully Submitted,

Ryan P. Parham

Ryan Parham

FUND INVESTMENT OBJECTIVES

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

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

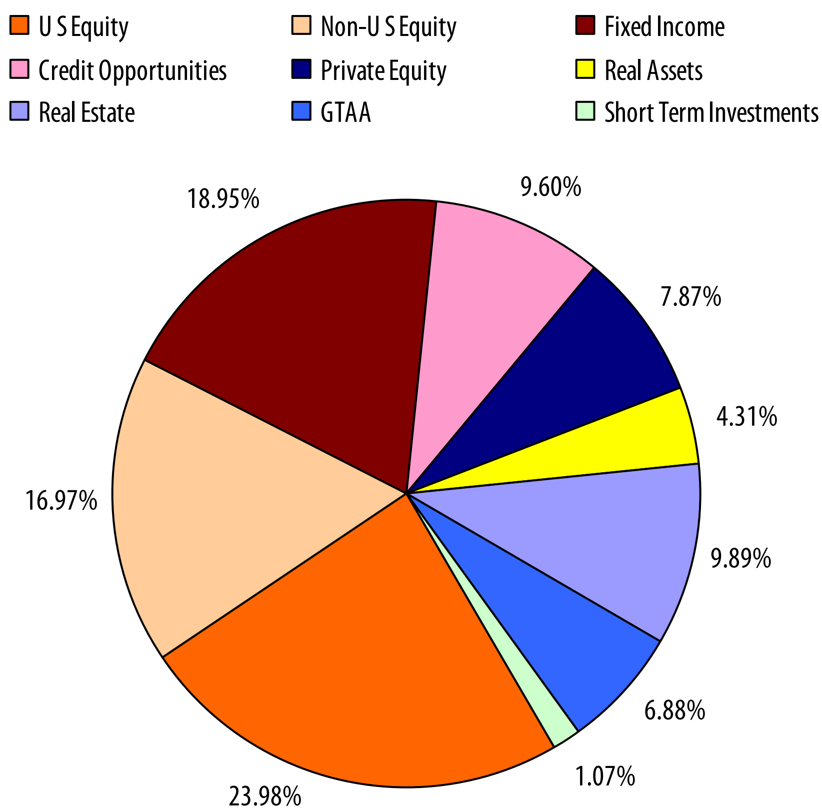
Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real (after inflation) investment returns recognizing established risk (volatility) parameters and the need to preserve capital by:

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

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

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

ASSET ALLOCATION
JUNE 30, 2010



ANNUALIZED RATES OF RETURN
JUNE 30, 2010

Description	1 Year	3 Years	5 Years	10 Years
EORP - Total Fund	13.47%	-4.81%	1.72%	0.28%
Target Fund Benchmark	*12.10%*	*-5.89%*	*-0.13%*	*1.43%*
Total Equity	13.73%	-7.89%	0.09%	
Target Equity Benchmark	*13.66%*	*-9.56%*	*-0.73%*	
U.S. Equity	16.95%	N/A	N/A	
Russell 3000	*15.72%*	*-9.47%*	*-0.48%*	
Non-U.S. Equity	8.99%	N/A	N/A	
MSCI ACWI Ex-US Net	*10.43%*	*-10.70%*	*3.38%*	
Fixed Income	13.84%	4.83%	4.08%	
BC Aggregate	*9.50%*	*7.55%*	*5.54%*	
Credit Opportunities	33.85%	N/A	N/A	
ML US High Yield BB-B Constrained	21.65%	5.60%	6.11%	
Private Equity	26.68%	-5.50%	N/A	
Russell 3000 + 100 bps	*16.72%*	*-8.47%*	*0.52%*	
Real Assets	5.85%	N/A	N/A	
CPI + 200 bps	*2.92%*	*3.52%*	*4.27%*	
Real Estate	-12.63%	-1.38%	N/A	
NCREIF NPI	*-1.48%*	-4.71%	3.78%	
Short Term Investments	0.28%	1.86%	3.08%	
ML Treasury 91 day Actual	*0.16%*	*1.57%*	*2.76%*	

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

Target Fund Benchmarks (Effective Dates)

April 1, 2009 - June 30, 2010: 30% Russell 3000, 20% MSCI World Ex-US Net, 20% BC Aggregate, 8% NCREIF NPI, 8% Russell 3000 + 100 bps, 8% ML US High Yield BBB Constrained, 5% CPI + 200 bps and 1% 91-Day T-Bill

July 1, 2007 - March 31, 2009: 46% Wilshire 5000, 21% MSCI World Ex-US Net, 20% BC Gov/Cred, 6% NCREIF NPI, 6% Wilshire 5000 +300 bps and 1% 91-Day T-Bill

July 1, 2006 - June 30, 2007: 50% S&P 500, 10% S&P 400, 5% S&P 600, 20% BC Gov/Cred, 10% Expected Annual Return for Real Estate of 8.00% and 5% 91-Day T-Bill

July 1, 2002 - June 30, 2006: 45% S&P 500, 45% BC Gov/Cred and 10% 91-Day T-Bill

Target Equity Benchmarks (Effective Dates)

April 1, 2009 - June 30, 2010: 60% Russell 3000 and 40% MSCI World Ex-US Net

July 1, 2007 - March 31, 2009: 67.69% Wilshire 5000 and 32.31% MSCI World Ex-US Net

July 1, 2006 - June 30, 2007: 76.92% S&P 500, 15.39% S&P 400 and 7.69% S&P 600

July 1, 2002 - June 30, 2006: 100% S&P 500

EQUITY PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2010

Description	Shares	Fair Value
VANGUARD INSTL INDEX FD TOTAL	487,265	$11,270,446
CRESTLINE CS 3000 FUND L.P.	6,211,972	6,211,972
ISHARES MSCI EMERGING MARKETS	151,875	5,667,991
FRONTPOINT MULTI-STRATEGY FUND	4,569,173	4,569,173
VANGUARD INTL EQUITY INDEX FD	115,584	4,436,102
GAM TRADING STRATEGY	3,508,159	3,508,159
VANGUARD EMERGING MARKETS ETF	72,820	2,766,443
VANGUARD STAR FD DEVELOPED MKT	247,856	2,027,465
BGI FRONTIER MARKETS FUND	316,593	1,764,939
ETF VANGUARD PACIFIC ETF	30,033	1,428,379

FIXED INCOME PORTFOLIO TOP 10 HOLDINGS
JUNE 30, 2010

Description	Shares	Fair Value
BGI CORE ACTIVE BOND FUND	1,696,223	$34,863,709
VANGUARD BD INDEX FD INC TOTAL	100,013	8,139,037
SECURITY MUT LIFE INS CO 144A	701,632	732,624
U S TREASURY NOTE	608,081	636,393
CBO HLDGS III 04-3 CL A 144A	579,328	576,308
PREFERRED CPO A / B 144A	500,100	556,635
CBO HLDGS III 1A 04-1 C-2 144A	489,830	511,778
U S TREASURY NOTE	467,755	469,546
SPDR BARCLAYS CAPITAL INTL	7,807	419,637
U S TREASURY NOTE	374,204	375,843

SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
JUNE 30, 2010
(IN THOUSANDS)

	JUNE 30, 2009 BALANCE					JUNE 30, 2010 BALANCE		
DESCRIPTION	PERCENT AT FAIR VALUE	FAIR VALUE	BOOK VALUE	ACQUIRED	MATURED AND SOLD	FAIR VALUE	BOOK VALUE	PERCENT AT FAIR VALUE
U. S. Equity	35.32%	$ 89,332	$ 107,212	$ 94,150	$ 134,591	$ 66,708	$ 66,771	24.82%
Non U. S. Equity	19.55%	49,436	47,461	92,630	92,477	47,199	47,614	17.70%
GTAA	0.00%	-	-	28,084	9,374	19,136	18,710	6.95%
Fixed Income	19.30%	48,814	52,135	15,286	18,804	52,729	48,617	18.07%
Credit Opportunities	7.70%	19,463	21,128	12,919	9,863	26,740	24,184	8.99%
Private Equity	3.65%	9,242	10,902	12,022	1,520	21,892	21,404	7.96%
Real Assets	4.19%	10,601	10,374	13,970	12,726	11,983	11,618	4.32%
Real Estate	10.29%	26,014	29,114	10,287	9,263	27,501	30,138	11.20%
Total Portfolio	**100.00%**	**$252,902**	**$278,326**	**$279,348**	**$288,618**	**$273,888**	**$269,056**	**100.00%**

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2010

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
ABN AMRO BANK NV, LONDON	59,129	0.0004	$ 24
BARCLAYS CAPITAL LE, JERSEY CITY	87,250	0.0016	143
BLOOMBERG TRADEBOOK LLC, NEW YORK	6,659,795	0.0002	1,443
BNY BROKERAGE, NEW YORK	28,513	0.0009	25
BROCKHOUSE AND COOPER, MONTREAL	32,034	0.0004	13
CIBC WORLD MKTS INC, TORONTO	2,672	0.0003	1
CITATION GROUP/BCC CLRG, NEW YORK	426,308	0.0006	244
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	3,786	0.0005	2
CITIGROUP GBL MKTS INC, NEW YORK	37,282	0.0009	34
CITIGROUP GBL MKTS SINGAPORE SEC PVT LTD	9,679	0.0005	5
CITIGROUP GBL MKTS/SALOMON, NEW YORK	55,036	0.0005	27
CITIGROUP GLOBAL MARKETS LTD, LONDON	771,303	0.0003	216

SCHEDULE OF COMMISSIONS PAID TO BROKERS
YEAR ENDED JUNE 30, 2010

BROKER	NUMBER OF SHARES TRADED	AVERAGE COMMISSION	TOTAL COMMISSIONS
CITIGROUP GLOBAL MARKETS U.K., LONDON	373,101	0.0003	$ 103
CREDIT SUISSE (EUROPE), LONDON	195,860	0.0003	54
CREDIT SUISSE, NEW YORK	33,721	0.0004	13
DEUTSCHE BK INTL EQ, LONDN	31,985	0.0003	11
DEUTSCHE BK SECS INC, NY	22,932	0.0005	11
GOLDMAN SACHS & CO, NY	78,568	0.0005	39
GOLDMAN SACHS INTL, LONDON	341,014	0.0003	118
INSTINET AUSTRALIA CLEARING SERV, SYDNEY	4,437	0.0005	2
INSTINET EUROPE LIMITED, LONDON	14,493	0.0004	6
INVESTMENT TECHNOLOGY GROUP, NEW YORK	531,108	0.0005	278
ITG (EUROPE) LTD, DUBLIN	114,219	0.0004	50
ITG CANADA CORP, TORONTO	101,713	0.0005	55
ITG HONG KONG LIMITED, HONG KONG	518,632	0.0004	209
ITG/POSIT, NEW YORK	4,967	0.0004	2
J P MORGAN SEC, SYDNEY	10,709	0.0005	5
JP MORGAN SECS ASIA PACIFIC, HONG KONG	21,313	0.0004	9
KNIGHT SEC BROADCORT, JERSEY CITY	327	0.0086	3
MERRILL LYNCH INTL LONDON EQUITIES	16,336	0.0003	6
MERRILL LYNCH PIERCE FENNER SMITH INC NY	28,984	0.0011	33
MERRILL LYNCH PIERCE FENNER, WILMINGTON	10,630	0.0009	9
MORGAN STANLEY & CO INC, NY	177,123	0.0004	70
NOMURA INTERNATIONAL LTD, HONG KONG	647	0.0005	0
NOMURA SECS INTL, LONDON	18,437	0.0004	8
PENSON FINANCIAL SERVICES INC, DALLAS	28,477,865	0.0001	2,160
RBC DOMINION SECS INC, TORONTO	178,009	0.0004	79
STATE STREET BANK ASSET MGMT DIV, BOSTON	135,255	0.0002	29
STATE STREET BK & TR CO (SEC), LONDON	1,843,814	0.0004	829
STATE STREET GLOBAL MARKETS LLC, BOSTON	38,607,053	0.0003	11,382
UBS EQUITIES, LONDON	16,683	0.0003	6
UBS FINANCIAL SERVICES INC, WEEHAWKEN	5,402,670	0.0001	650
UBS WARBURG ASIA LTD, HONG KONG	65,348	0.0005	33
TOTAL COMMISSIONS	**85,550,742**	**0.0002**	**$18,436**

U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2010

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
1,636,687	RUSSELL 3000 SECURITIES	$ 41,712,784	$ 41,956,017	$ 243,233
16	RUSSELL 2000 MINI IND FUTURES	-	(91,531)	(91,531)
10	S & P MID 400 EMINI FUTURES	-	(68,587)	(68,587)
157	S&P 500 EMINI INDEX FUTURES	-	(647,360)	(647,360)
6,211,972	CRESTLINE CS 3000 FUND L.P.	6,221,135	6,211,971	(9,164)
4,569,173	FRONTPOINT MULTI-STRATEGY FUND	4,677,545	4,569,173	(108,372)
3,508,159	GAM TRADING STRATEGY	3,508,159	3,508,159	-
487,265	VANGUARD INSTL INDEX FD TOTAL	10,651,402	11,270,446	619,044
16,413,439	**TOTAL U.S. EQUITY PORTFOLIO**	**$66,771,025**	**$66,708,288**	**$(62,737)**

NON-U.S. EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2010

SHARES	DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
3,380,797	MSCI WORLD EX-US INDEX	$ 31,119,262	$ 28,666,017	$ (2,453,245)
247,856	VANGUARD STAR FD DEVELOPED MKT	2,408,456	2,027,465	(380,991)
17,775	ISHARES MSCI CDA INDEX FD	469,692	442,056	(27,636)
151,876	ISHARES MSCI EMERGING MARKETS	4,009,799	5,667,991	1,658,192
115,584	VANGUARD INTL EQUITY INDEX FD	4,632,076	4,436,102	(195,974)
72,820	VANGUARD EMERGING MARKETS ETF	1,985,775	2,766,443	780,668
30,033	ETF VANGUARD PACIFIC ETF	1,585,090	1,428,379	(156,711)
316,593	BGI FRONTIER MARKETS FUND	1,403,356	1,764,939	361,583
4,333,334	**TOTAL NON-U.S. EQUITY PORTFOLIO**	**$47,613,506**	**$47,199,392**	**$(414,114)**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2010

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
133,118	FHLMC POOL #H1-0069	6.00%	11/01/2036	$ 133,266	$ 144,151
126,754	FHLMC POOL #H1-5010	6.00%	11/01/2036	126,895	137,259
2,598	GNMA POOL #0153415	9.00%	04/15/2016	2,709	2,875
692	GNMA POOL #0156462	9.00%	07/15/2016	723	767
1,521	GNMA POOL #0157733	9.00%	05/15/2016	1,587	1,683
1,114	GNMA POOL #0158992	9.00%	06/15/2016	1,151	1,234
1,302	GNMA POOL #0159801	9.00%	09/15/2019	1,377	1,488
807	GNMA POOL #0160350	9.00%	05/15/2016	835	894
2,762	GNMA POOL #0161684	9.00%	07/15/2016	2,886	3,057
2,416	GNMA POOL #0164501	9.00%	08/15/2016	2,523	2,674
4,745	GNMA POOL #0164681	9.00%	10/15/2016	4,960	5,253
1,806	GNMA POOL #0164924	9.00%	09/15/2016	1,883	1,999
2,010	GNMA POOL #0165172	9.00%	06/15/2016	2,098	2,225
956	GNMA POOL #0165863	9.00%	08/15/2016	998	1,058
1,718	GNMA POOL #0168283	9.00%	08/15/2016	1,795	1,902
592	GNMA POOL #0172800	9.00%	08/15/2016	618	656
1,352	GNMA POOL #0173847	9.00%	09/15/2016	1,410	1,497
2,087	GNMA POOL #0173878	9.00%	08/15/2016	2,176	2,310
912	GNMA POOL #0174829	9.00%	09/15/2016	951	1,010
2,634	GNMA POOL #0176431	9.00%	08/15/2016	2,753	2,916
1,036	GNMA POOL #0178234	9.00%	11/15/2016	1,084	1,147
630	GNMA POOL #0181945	9.00%	04/15/2020	668	723
105	GNMA POOL #0182127	9.00%	11/15/2016	110	117
684	GNMA POOL #0182491	9.00%	12/15/2016	716	757
318	GNMA POOL #0182914	9.00%	10/15/2016	332	352
1,801	GNMA POOL #0183553	9.00%	08/15/2017	1,889	2,008
1,105	GNMA POOL #0183715	9.00%	11/15/2016	1,156	1,223
6,794	GNMA POOL #0183733	9.00%	01/15/2017	7,115	7,575
336	GNMA POOL #0185639	9.00%	11/15/2016	350	372
2,087	GNMA POOL #0187705	9.00%	01/15/2017	2,183	2,327
2,438	GNMA POOL #0190921	9.00%	12/15/2016	2,549	2,699
1,538	GNMA POOL #0191648	9.00%	05/15/2017	1,612	1,714
1,030	GNMA POOL #0191943	9.00%	07/15/2018	1,085	1,174
2,148	GNMA POOL #0194468	9.00%	12/15/2016	2,244	2,377
141	GNMA POOL #0202505	9.00%	10/15/2019	147	146
1,774	GNMA POOL #0206683	9.00%	04/15/2020	1,878	2,035
1,674	GNMA POOL #0207671	9.00%	07/15/2018	1,762	1,907
254	GNMA POOL #0208705	9.00%	05/15/2020	269	286
1,879	GNMA POOL #0210798	9.00%	07/15/2018	1,978	2,141
1,372	GNMA POOL #0216520	9.00%	05/15/2017	1,439	1,530
689	GNMA POOL #0217956	10.00%	11/15/2017	735	774
2,484	GNMA POOL #0221509	9.00%	12/15/2016	2,592	2,749
2,310	GNMA POOL #0223282	9.00%	05/15/2018	2,433	2,632
798	GNMA POOL #0223307	9.00%	04/15/2018	840	909

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2010

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
2,201	GNMA POOL #0226529	9.00%	06/15/2018	$ 2,316	$ 2,507
677	GNMA POOL #0227210	9.00%	09/15/2017	710	755
662	GNMA POOL #0228184	9.00%	05/15/2018	697	754
891	GNMA POOL #0228233	9.00%	05/15/2018	933	1,015
1,719	GNMA POOL #0229731	9.00%	07/15/2017	1,803	1,917
1,473	GNMA POOL #0234450	9.00%	04/15/2018	1,549	1,679
70	GNMA POOL #0234695	10.00%	12/15/2017	76	79
1,324	GNMA POOL #0234937	9.00%	03/15/2018	1,393	1,509
956	GNMA POOL #0235280	9.00%	04/15/2018	1,006	1,089
1,842	GNMA POOL #0236041	10.00%	11/15/2017	1,953	2,064
951	GNMA POOL #0236835	10.00%	11/15/2017	1,009	1,068
152	GNMA POOL #0236939	9.00%	04/15/2018	160	173
4,249	GNMA POOL #0237138	10.00%	10/15/2017	4,564	4,772
613	GNMA POOL #0237195	9.00%	06/15/2018	643	680
149	GNMA POOL #0238133	9.00%	04/15/2018	156	166
1,464	GNMA POOL #0238600	10.00%	11/15/2017	1,550	1,644
698	GNMA POOL #0247506	9.00%	01/15/2020	739	801
420	GNMA POOL #0248951	9.00%	05/15/2018	442	478
4,511	GNMA POOL #0249621	9.00%	05/15/2018	4,748	5,140
705	GNMA POOL #0250933	9.00%	06/15/2018	742	803
1,624	GNMA POOL #0252052	9.00%	06/15/2018	1,690	1,851
4,386	GNMA POOL #0252055	9.00%	06/15/2018	4,620	4,997
353	GNMA POOL #0252306	9.00%	04/15/2018	371	402
466	GNMA POOL #0252538	9.00%	05/15/2018	490	531
461	GNMA POOL #0257869	9.00%	09/15/2019	488	527
185	GNMA POOL #0262845	9.00%	03/15/2020	195	212
2,921	GNMA POOL #0266545	9.00%	01/15/2019	3,080	3,338
2,840	GNMA POOL #0271090	9.00%	10/15/2019	3,001	3,246
1,036	GNMA POOL #0273548	9.00%	09/15/2019	1,096	1,184
2,097	GNMA POOL #0274140	9.00%	09/15/2019	2,217	2,396
527	GNMA POOL #0277907	9.00%	11/15/2019	557	602
809	GNMA POOL #0284420	9.00%	02/15/2020	856	928
666	GNMA POOL #0285593	9.00%	02/15/2020	706	764
2,126	GNMA POOL #0286371	9.00%	02/15/2020	2,246	2,412
85	GNMA POOL #0286427	9.00%	04/15/2020	87	97
1,129	GNMA POOL #0287851	9.00%	04/15/2020	1,197	1,295
1,081	GNMA POOL #0290000	9.00%	04/15/2020	1,144	1,240
943	GNMA POOL #0290057	9.00%	06/15/2020	1,000	1,082
903	GNMA POOL #0298952	9.00%	04/15/2021	958	1,041
381	GNMA POOL #0303324	9.00%	04/15/2021	403	439
325	GNMA POOL #0304625	9.00%	03/15/2021	345	374
847	GNMA POOL #0305187	9.00%	06/15/2021	900	976
1,351	GNMA POOL #0319521	8.00%	02/15/2022	1,429	1,557
1,921	GNMA POOL #0330725	8.00%	07/15/2022	2,037	2,215

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2010

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
9,677	GNMA POOL #0337419	7.00%	06/15/2023	$ 10,148	$ 10,918
7,011	GNMA POOL #0345731	8.00%	05/15/2024	7,449	8,121
1,486	GNMA POOL #0352219	8.00%	04/15/2023	1,576	1,718
9,814	GNMA POOL #0352964	7.00%	05/15/2024	10,292	11,086
16,887	GNMA POOL #0366756	7.00%	03/15/2024	17,711	19,077
10,524	GNMA POOL #0371734	7.00%	04/15/2024	11,036	11,888
15,469	GNMA POOL #0375887	7.00%	05/15/2024	16,225	17,475
23,818	GNMA POOL #0377589	7.50%	08/15/2025	25,100	27,057
8,111	GNMA POOL #0386030	7.00%	05/15/2024	8,507	9,163
3,784	GNMA POOL #0386038	7.00%	06/15/2024	3,968	4,274
2,131	GNMA POOL #0390014	7.00%	06/15/2024	2,235	2,407
12,538	GNMA POOL #0391992	7.00%	03/15/2024	13,150	14,163
14,971	GNMA POOL #0398831	8.00%	08/15/2026	15,941	17,315
2,096	GNMA POOL #0402544	7.50%	04/15/2026	2,210	2,380
15,811	GNMA POOL #0403979	8.50%	10/15/2024	16,824	18,341
9,264	GNMA POOL #0405618	7.50%	04/15/2026	9,769	10,521
1,311	GNMA POOL #0406811	7.50%	01/15/2026	1,382	1,488
2,158	GNMA POOL #0417666	7.50%	08/15/2025	2,274	2,451
9,525	GNMA POOL #0421711	7.50%	04/15/2026	10,043	10,817
523	GNMA POOL #0427556	7.50%	03/15/2026	552	594
2,272	GNMA POOL #0427558	7.50%	04/15/2026	2,396	2,580
5,017	GNMA POOL #0429356	7.50%	03/15/2026	5,289	5,697
4,030	GNMA POOL #0430384	8.00%	08/15/2026	4,276	4,662
12,460	GNMA POOL #0432701	8.00%	06/15/2026	13,265	14,411
7,143	GNMA POOL #0433892	7.00%	07/15/2028	7,484	8,114
4,809	GNMA POOL #0434101	7.00%	12/15/2028	5,038	5,462
13,563	GNMA POOL #0434237	6.00%	03/15/2029	13,775	15,009
1,710	GNMA POOL #0438772	8.00%	08/15/2026	1,821	1,978
1,797	GNMA POOL #0438778	8.00%	08/15/2026	1,914	2,078
3,309	GNMA POOL #0439645	8.00%	09/15/2026	3,523	3,827
6,601	GNMA POOL #0450368	7.00%	08/15/2028	6,916	7,498
3,274	GNMA POOL #0458918	7.00%	08/15/2028	3,430	3,719
10,803	GNMA POOL #0464692	7.00%	07/15/2028	11,319	12,271
6,840	GNMA POOL #0466888	7.00%	07/15/2028	7,166	7,769
17,177	GNMA POOL #0469797	7.00%	12/15/2028	17,997	19,511
12,041	GNMA POOL #0470493	7.00%	06/15/2029	12,615	13,685
8,720	GNMA POOL #0472997	7.00%	06/15/2029	9,135	9,910
2,689	GNMA POOL #0475872	7.00%	07/15/2028	2,817	3,054
1,734	GNMA POOL #0478875	7.50%	11/15/2029	1,831	1,974
8,779	GNMA POOL #0478881	7.50%	11/15/2029	9,271	9,997
9,859	GNMA POOL #0482784	7.00%	10/15/2028	10,330	11,199
4,280	GNMA POOL #0485451	6.50%	05/15/2031	4,402	4,794
9,147	GNMA POOL #0486539	7.00%	09/15/2028	9,583	10,390
2,066	GNMA POOL #0486761	7.00%	12/15/2028	2,164	2,346

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2010

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
U.S. GOVERNMENT SECURITIES					
2,331	GNMA POOL #0487221	7.00%	05/15/2029	$ 2,443	$ 2,650
6,133	GNMA POOL #0487222	7.00%	05/15/2029	6,425	6,971
9,569	GNMA POOL #0493996	7.00%	07/15/2029	10,026	10,876
19,731	GNMA POOL #0499876	7.00%	06/15/2029	20,673	22,426
12,577	GNMA POOL #0499905	7.00%	05/15/2029	13,178	14,295
10,311	GNMA POOL #0499907	7.00%	05/15/2029	10,804	11,720
11,165	GNMA POOL #0500931	7.00%	06/15/2029	11,783	12,690
56,325	GNMA POOL #0503019	6.00%	03/15/2029	57,203	62,333
34,931	GNMA POOL #0505728	7.00%	06/15/2029	36,598	39,702
7,752	GNMA POOL #0506075	7.00%	11/15/2029	8,122	8,810
9,320	GNMA POOL #0507496	7.00%	06/15/2029	9,765	10,593
4,019	GNMA POOL #0509328	7.00%	06/15/2029	4,210	4,568
1,518	GNMA POOL #0510100	7.00%	07/15/2029	1,590	1,725
1,789	GNMA POOL #0510302	7.00%	08/15/2029	1,874	2,033
8,636	GNMA POOL #0510958	7.00%	05/15/2029	9,048	9,815
1,997	GNMA POOL #0510983	7.00%	06/15/2029	2,092	2,269
10,152	GNMA POOL #0512888	7.00%	07/15/2029	10,637	11,539
12,417	GNMA POOL #0512915	7.00%	07/15/2029	13,009	14,112
5,743	GNMA POOL #0513367	7.00%	08/15/2029	6,018	6,528
1,245	GNMA POOL #0520045	6.50%	06/15/2031	1,280	1,394
12,102	GNMA POOL #0530203	6.50%	04/15/2031	12,561	13,555
25,608	GNMA POOL #0530611	6.50%	05/15/2031	26,579	28,682
19,808	GNMA POOL #0530631	6.50%	06/15/2031	20,559	22,186
4,835	GNMA POOL #0539629	6.50%	04/15/2031	5,018	5,416
11,533	GNMA POOL #0541464	6.50%	06/15/2031	11,861	12,918
6,354	GNMA POOL #0548963	6.50%	03/15/2031	6,535	7,117
4,030	GNMA POOL #0549889	6.50%	05/15/2031	4,144	4,513
27,744	GNMA POOL #0552514	6.50%	04/15/2032	28,527	30,918
71,198	GNMA POOL #0552518	6.50%	04/15/2032	73,207	79,344
9,325	GNMA POOL #0557424	6.50%	05/15/2031	9,590	10,445
5,956	GNMA POOL #0557467	6.50%	05/15/2031	6,125	6,671
20,560	GNMA POOL #0560189	6.50%	04/15/2031	21,144	23,028
45,629	GNMA POOL #0780076	8.00%	02/15/2025	48,461	52,772
51,127	GNMA POOL #0780220	7.50%	08/15/2025	54,975	58,139
1,834	GNMA POOL #0780896	7.00%	11/15/2028	1,922	2,083
7,133	GNMA POOL #0781129	7.00%	11/15/2028	7,473	8,100
608,083	U S TREASURY NOTE	3.50%	05/15/2020	630,954	636,400
233,877	U S TREASURY NOTE	2.75%	05/31/2017	234,969	238,810
374,204	U S TREASURY NOTE	2.50%	06/30/2017	375,782	375,843
467,755	U S TREASURY NOTE	1.88%	06/30/2015	469,626	469,546
11,795,318	**TOTAL U.S. GOVERNMENT SECURITIES**			**$3,030,001**	**$3,146,105**

FIXED INCOME PORTFOLIO
YEAR ENDED JUNE 30, 2010

PAR VALUE	DESCRIPTION	COUPON RATE	MATURITY	COST	FAIR VALUE
CORPORATE BONDS					
103,456	ACA ABS LTD 144A	VAR	06/10/2041	$ 17,735	$ 1
93,551	ANADARKO FIN CO SR NT	7.50%	05/01/2031	96,955	78,677
140,326	ASSOC CORP NA BDS	6.95%	11/01/2018	130,923	143,644
8,892	AUTO BD RECEIVABLES TR 94-A			8,892	-
93,551	AXA SA US$ SUB NT	8.60%	12/15/2030	90,204	105,665
93,551	BANC ONE CORP DEBS	8.00%	04/29/2027	91,624	115,339
93,551	BANK AMER CORP SR NT	5.75%	12/01/2017	84,576	97,020
1,696,220	BGI CORE ACTIVE BOND FUND			30,915,421	34,863,708
93,551	BURLINGTON RESOURCES FINANCE	7.40%	12/01/2031	86,390	116,977
579,328	CBO HLDGS III 04-3 CL A 144A	1.00%	06/01/2019	576,308	576,308
489,830	CBO HLDGS III 1A 04-1 C-2 144A	7.00%	02/10/2038	511,778	511,778
233,877	CHASEPEAKE & POTOMAC TEL CO MD	7.15%	05/01/2023	232,891	250,312
93,551	CITIGROUP INC	6.13%	05/15/2018	84,970	97,637
70,163	CNF INC SR DEB	6.70%	05/01/2034	59,033	70,071
40,040	CONAGRA INC NTS	9.75%	03/01/2021	46,483	54,594
236,216	CONTINENTAL AIRLS 01-1 CL A 2	6.50%	06/15/2011	228,110	235,389
93,551	CORNING INC NT	7.25%	08/15/2036	93,859	104,726
2,765	DELTA FDG HM EQ LN TR 99-3 M-2	VAR	01/15/2030	525	6
233,877	DEUTSCHE BK CAYMAN 2001-3 144A	VAR	04/30/2030	55,541	39,883
31,380	J P MORGAN RESI 02-R2 CL 3A1	6.00%	04/28/2026	31,761	32,280
233,877	MACQUARIE GROUP LTD 144A	6.00%	01/14/2020	232,532	237,037
223,599	MID OCEAN CBO CL A 144A	6.56%	11/05/2036	223,999	221,363
41,160	MORGAN STANLEY ABS 03 NC10 M2	VAR	10/25/2033	26,770	18,831
30,160	MORGAN STANLEY ABS 04-NC1 M2	VAR	11/25/2033	26,044	25,059
11,023	MORGAN STANLEY ABS 04-NC2 M2	VAR	12/25/2033	9,112	5,846
187,102	MORGAN STANLEY SR MEDIUM TERM	5.95%	12/28/2017	164,468	189,471
122,786	MURPHY OIL CORP NT	7.05%	05/01/2029	123,132	141,599
93,551	NATIONAL RURAL UTILITIES COOPE	8.00%	03/01/2032	105,410	120,611
93,551	NEXEN INC NT	6.40%	05/15/2037	84,523	97,556
187,102	NORTH STREET REFERENCED LINKED	VAR	08/30/2030	166,692	166,692
226,861	PACIFIC BELL	7.38%	07/15/2043	230,103	240,230
204,768	PACIFIC SHORES CDO C 144A 3C7	VAR	07/03/2037	191,890	20
500,100	PREFERRED CPO A / B 144A	8.95%	07/26/2030	384,729	556,635
164,506	PREFERRED CPO A / B 144A	8.95%	07/26/2030	163,616	163,616
245,571	PREMIUM ASSET TR ACA 144A			245,571	-
30,418	SBA LOAN NESTING FEATHERS			30,418	30,418
701,632	SECURITY MUT LIFE INS CO 144A	9.38%	12/15/2016	732,624	732,624
140,326	SHELL INTL FIN B V GTD NT	6.38%	12/15/2038	154,470	167,648
7,807	SPDR BARCLAYS CAPITAL INTL			463,160	419,637
467,755	TRAINER WORTHAM FIRST A3L 144A	VAR	04/10/2037	323,752	323,752
93,551	UNITED UTILS PLC NT	4.55%	06/19/2018	85,103	91,035
100,013	VANGUARD BD INDEX FD INC TOTAL			7,974,859	8,139,037
34,431,281	**TOTAL CORPORATE BONDS**			**$45,586,956**	**$49,582,732**
46,226,599	**TOTAL FIXED INCOME PORTFOLIO**			**$48,616,957**	**$52,728,837**

CREDIT OPPORTUNITIES PORTFOLIO
YEAR ENDED JUNE 30, 2010

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK MORTGAGE INVESTORS	$ 3,453,149	$ 3,895,694	$ 442,545
CENTERBRIDGE	1,309,713	1,702,013	392,300
COMMERCE STREET INCOME PARTNER	1,758,855	2,050,600	291,745
GS CREDIT OPPS FUND 2008	5,049,164	5,696,225	647,061
NISSWA FIXED INCOME FUND LP	1,403,263	1,437,924	34,661
OHA STRATEGIC CREDIT	962,279	1,250,794	288,515
PSPRS PNMAC MORTGOPP	6,080,808	6,242,569	161,761
PSPRS-APOLLO EUR NPL	2,080,921	2,308,303	227,382
TENNENBAUM DIP	214,682	228,513	13,831
WATERSTONE MARKET NEUTRAL	1,871,018	1,927,690	56,672
TOTAL CREDIT OPPORTUNITIES PORTFOLIO	**$24,183,852**	**$26,740,325**	**$2,556,473**

PRIVATE EQUITY PORTFOLIO
YEAR ENDED JUNE 30, 2010

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ABRY PARTNERS	$ 1,194,506	$ 2,369,486	$ 1,174,979
APOLLO INVESTMENT FUND VII	1,215,003	1,473,954	258,950
BLACKSTONE CAPITAL PARTNERS V	866,956	869,327	2,371
CASTLE CREEK	695,143	807,846	112,703
CHARLESBANK EQUITY FUND VII	183,521	178,026	(5,495)
DAG VENTURES II CO-INVEST	885,122	313,725	(571,397)
DAG VENTURES II DIRECT	246,309	193,599	(52,710)
DAG VENTURES III CO-INVEST	588,569	562,739	(25,830)
DAG VENTURES III DIRECT	566,095	524,641	(41,454)
DAG VENTURES IV CO-INVEST LP	878,690	875,916	(2,775)
DAG VENTURES IV LP	515,429	559,916	44,487
DFJ MERCURY II	233,877	233,877	-
DRUG RYLTY II CO=INV	135,818	149,120	13,302
DRUG RYLTY II DIRECT	151,659	138,620	(13,039)
INSIGHT EQUITY II	13,106	11,345	(1,761)
INSIGHT EQUITY MEZZANINE I	10,746	11,026	280
ISHARES RUSSELL 2000 INDEX FUN	8,124,420	8,119,799	(4,621)
LADDER	902,559	1,033,804	131,246
LITTLEJOHN FUND IV	86,056	86,056	-
LONGWORTH VP III	154,827	112,616	(42,211)
MESIROW CAPITAL PARTNERS IX	733,976	638,403	(95,573)
MIDOCEAN PARTNER III CO-INVEST	58,469	31,761	(26,709)
MIDOCEAN PARTNER III DIRECT	830,512	475,385	(355,127)
MILLENNIUM TECHNOLOGY	46,775	46,775	-
PENINSULA EQUITY PARTNERS	153,224	126,192	(27,033)
PROSPECTOR EQUITY CAPITAL	154,819	107,121	(47,698)
STEPSTONE AZ SECONDARY	781,104	835,316	54,212
STERLING GROUP PARTNERS III	2,550	2,550	-
TOWERBROOK INVESTORS III	444,021	557,614	113,593
TRIDENT V LP	120,494	120,494	-
VALLEY VENTURES III	329,804	252,549	(77,255)
VALLEY VENTURES III ANNEX	99,582	73,228	(26,354)
TOTAL PRIVATE EQUITY PORTFOLIO	**$21,403,742**	**$21,892,825**	**$489,083**

REAL ASSETS PORTFOLIO
YEAR ENDED JUNE 30, 2010

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALTERNA I	$ 406,727	$ 443,546	$ 36,819
BLUEGOLD CAPITAL FUND LTD	561,305	510,117	(51,188)
CONSERVATION FORESTRY FUND I	961,453	955,467	(5,986)
CONSERVATN FOREST II	580,859	550,330	(30,529)
GEOSPHERE	935,509	934,344	(1,165)
HAWKER CAPITAL HARRIER FUND	935,509	875,799	(59,710)
HELIOS SUNBEAM OPPORTUNITIES	935,509	900,824	(34,685)
JP MORGAN AIRRO FUND	407,200	395,542	(11,658)
MACQUARIE EUR INFRASTRUCT III	807,608	761,469	(46,139)
MACQUARIE INFRASTRUCTURE II US	553,604	579,067	25,463
ORG SECONDARY - REAL ASSETS	971,358	1,540,418	569,060
SPDR SER TR DB INTL GOVT	693,433	627,912	(65,521)
US 10YR NOTE FUTURES	-	8,363	8,363
US 5YR TREAS NTS FUTURES	-	(1,323)	(1,323)
US TREAS BD FUTURES	-	(3,423)	(3,423)
US TREAS-CPI INFLAT	732,740	760,522	27,782
US TREAS-CPI INFLATION INDEX	1,574,047	1,593,250	19,203
US ULTRA BOND (CBT)	-	(1,763)	(1,763)
VIRIDIAN FUND LTD	561,305	552,550	(8,755)
TOTAL REAL ASSETS PORTFOLIO	**$11,618,166**	**$11,983,011**	**$364,845**

REAL ESTATE PORTFOLIO
YEAR ENDED JUNE 30, 2010

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
ALCION II	$ 49,648	$ 49,648	$ -
APEX FUND I	2,741,249	3,092,431	351,182
APEX FUND II	458,101	526,748	68,647
BREP VI	1,406,804	909,265	(497,539)
CLSA FUDO CAP II	140,003	142,016	2,013
COLGATE WILLOW SPRINGS	327,962	327,962	-
DESERT TROON	14,597,057	13,104,055	(1,493,002)
HARRISON ST RE	2,881,368	2,720,142	(161,226)
HARRISON ST RE COINV	350,816	426,524	75,708
ORG SECONDARY FUND	296,223	282,494	(13,729)
OWH BERKANA DEV	228,705	228,705	-
OWH BERKANA HLD	473,284	334,377	(138,907)
PEBBLECREEK	1,791,500	1,791,500	-
PIVOTAL EQUITY	116,939	132,141	15,202
PSPRS-CATALYST EURO	353,056	25,562	(327,494)
PSPRS-IRONPOINTRE	1,614,894	1,506,283	(108,611)
PSPRS-MOUNT GRANGE	373,561	215,870	(157,691)
PSPRS-WALTONMEXICO	584,693	333,192	(251,501)
WALTON FUND V	4,008	4,008	-
WHISP CANYON OWC	1,347,654	1,347,654	-
TOTAL REAL ESTATE PORTFOLIO	**$30,137,525**	**$27,500,577**	**$(2,636,948)**

GTAA SECURITIES PORTFOLIO
YEAR ENDED JUNE 30, 2010

DESCRIPTION	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
BLACKROCK GLOBAL ASCENT L	$ 9,355,090	$ 9,009,537	$ 345,553)
BRIDGEWATER PURE ALPHA	9,355,090	10,125,976	770,886
TOTAL GTAA SECURITIES PORTFOLIO	**$18,710,180**	**$19,135,513**	**$425,333**

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ACTUARIAL SECTION

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October 29, 2010

The Fund Manager
Arizona Elected Officials' Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416

Re: Arizona Elected Officials' Retirement Plan Actuarial Valuation as of June 30, 2010

Ladies and Gentlemen:

The results of the June 30, 2010 annual actuarial valuations of members covered by the Arizona Elected Officials' Retirement Plan (EORP) are presented in this report. The purpose of the valuations is to measure EORP's funding progress and to establish contribution rates for the 2011-2012 fiscal year.

The valuations are based upon current plan provisions of the Arizona Elected Officials' Retirement Plan. All promised benefits are included in the actuarially calculated contribution rates. These provisions are summarized in Section F.

In preparing this report we relied, without audit, on information (some oral and some written) supplied by the State Retirement System. This information includes, but is not limited to, statutory provisions, employee and retiree census, and financial information. In our examination of this data, we have found it to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

GRS's work product was prepared exclusively for the Arizona Elected Officials' Retirement Plan for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses System data, which GRS has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of GRS's work product who desires professional guidance should not rely upon GRS's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be provided in its entirety including this cover letter, unless prior written consent is obtained from GRS.

The valuations were completed by qualified actuaries in accordance with accepted actuarial procedures prescribed by the Actuarial Standards Board. All of the actuaries submitting this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of our knowledge, this report is complete and accurate and the actuarial methods and assumptions produced results that are reasonable.

Respectfully submitted,

Brian B. Murphy, F.S.A., M.A.A.A.   Mark Buis, F.S.A, M.A.A.A   Cathy Nagy, F.S.A., M.A.A.A.

BBM/CN/MB:sc

AGGREGATE ACTUARIAL BALANCE SHEET
YEAR ENDED JUNE 30, 2010

ACTUARIAL ASSETS	**2010**
ACCRUED ASSETS	
Member Accumulated Contributions	$ 42,942,264
Employer and Benefit Payment Reserves	236,601,554
Funding Value Adjustment	84,861,408
Total Accrued Assets	**364,405,226**
PROSPECTIVE ASSETS	
Member Contributions	23,712,126
Employer Normal Costs	73,510,321
Employer Unfunded Actuarial Accrued Liability	178,428,708
Total Prospective Assets	**275,651,155**
Total Actuarial Assets	**$640,056,381**

ACTUARIAL PRESENT VALUES (LIABILITY)	**2010**
PENSIONS IN PAYMENT STATUS	
Pensions in payment status	$ 349,416,888
PROSPECTIVE PAYMENTS	
Retirement Payments	275,480,177
Health Insurance Payments	7,472,963
Member Contribution Refunds	623,000
Pension Increase Reserve	7,063,353
Total Prospective Payments	**290,639,493**
Total Actuarial Present Values (Liabilities)	**$640,056,381**

SUMMARY OF VALUATION ASSUMPTIONS

ECONOMIC ASSUMPTIONS
Interest Rate: 8.50% (net of expenses)
Salary Increases: 5.00% for inflation

DEMOGRAPHIC ASSUMPTIONS
Retired Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set back 2 years and female ages set back 1 year.
Active Member Non-Disability Mortality Rates: RP2000 Health Annuitant Mortality Table, male ages set back 2 years and female ages set back 1 year.

HEALTHY MORTALITY TABLES
This assumption is used to measure the probabilities of each benefit payment being made after retirement.
For disabled members, non-disability rates with a five year set forward were used.

MORTALITY RATES AND LIFE EXPECTANCY
RETIRED MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.19%	.16%	31.96	34.22
55	.57%	.32%	27.50	29.59
60	.69%	.55%	23.31	25.14
65	1.10%	.94%	19.19	20.93
70	1.82%	1.52%	15.35	17.02
75	3.04%	2.55%	11.88	13.44
80	5.21%	4.15%	8.86	10.30

MORTALITY RATES AND LIFE EXPECTANCY
ACTIVE MEMBERS

SAMPLE AGES	PROBABILITY OF DYING NEXT YEAR		FUTURE LIFE EXPECTANCY (YEARS)	
	MEN	WOMEN	MEN	WOMEN
50	.19%	.16%	35.00	37.87
55	.26%	.23%	30.35	33.19
60	.40%	.36%	25.78	28.62
65	.65%	.54%	21.36	24.18
70	.91%	.73%	17.08	19.86
75	3.04%	2.55%	13.26	16.22
80	5.21%	4.15%	10.53	13.55

Retirement Rates: Service related rates based on the following schedule:

PERCENT OF ACTIVE MEMBERS RETIRING
FOLLOWING ATTAINMENT OF INDICATED YEARS OF SERVICE

SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR	SERVICE IN YEARS	% RETIRING NEXT YEAR
5	4%	**14**	5%	**23**	15%
6	4%	**15**	5%	**24**	15%
7	4%	**16**	15%	**25**	45%
8	8%	**17**	5%	**26**	45%
9	8%	**18**	6%	**27**	15%
10	8%	**19**	7%	**28**	15%
11	8%	**20**	40%	**29**	15%
12	15%	**21**	30%	**30**	100%
13	5%	**22**	20%		

Active members are eligible to retire early at any age within 5 years of service, or normally at any age with 20 years of service, at age 62 with 10 years of service, or at age 65 with 5 years of service. Pensions were assumed to be decreased 3/12 of 1% for each month the age at early retirement precedes normal retirement age, with a maximum reduction of 30%.

These rates adopted by the Board of Trustees, as recommended by the Plan's actuary, were first used for the June 30, 2007 valuation.

SUMMARY OF VALUATION ASSUMPTIONS
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

MARRIAGE ASSUMPTION
90% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

PAY INCREASE TIMING
Six months after the evaluation date.

DECREMENT TIMING
Decrements of all types are assumed to occur mid-year.

ELIGIBILITY TESTING
Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

DECREMENT RELATIVITY
Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

DECREMENT OPERATION
Disability and turnover decrements do not operate during retirement eligibility.

SERVICE CREDIT ACCRUALS
It is assumed that members accrue one year of service credit per year.

INCIDENCE OF CONTRIBUTIONS
Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

NORMAL FORM OF BENEFIT
A straight life payment is the assumed normal form of benefit for members who are not married, and the 75% Joint and Survivor form of payment with no reduction, for married members. 90% of members are assumed to be married at time of retirement.

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

NORMAL COST PERCENTAGE
For the purposes of calculating the Normal Cost as a percent of payroll under the Projected Unit Credit Cost Method, the Normal Cost was projected with interest to the applicable Fiscal Year and divided by the Payroll projected with wage base to the applicable Fiscal Year.

HEALTH CARE UTILIZATION
80% of future retirees are expected to utilize health care. 90% of those are assumed to be married.

SOLVENCY TEST

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

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

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

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

	AGGREGATE ACCRUED LIABILITIES				PORTION OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE FOR BENEFITS		
YEAR ENDED JUNE 30,	ACTIVE MEMBER CONT. $ (1)	RETIRANTS AND BENEFICIARIES $ (2)	ACTIVE MEMBERS (ER PORTION) $ (3)	VALUATION ASSETS AVAILABLE FOR BENEFITS $ (2)	(1)	(2)	(3)
2001	24,061	151,590	75,336	355,768	100.0%	100.0%	100.0%
2002	25,854	174,580	79,513	351,349	100.0%	100.0%	100.0%
2003	27,466	192,979	77,446	328,811	100.0%	100.0%	100.0%
2004	29,226	214,647	85,048	343,376	100.0%	100.0%	100.0%
2005	30,671	240,470	89,617	344,604	100.0%	100.0%	82.0%
2006	36,639	248,357	106,407	351,701	100.0%	100.0%	62.3%
2007	39,760	277,278	134,261	336,717	100.0%	100.0%	14.7%
2008	41,964	285,634	126,743	348,013	100.0%	100.0%	16.1%
2009	40,924	324,200	141,067	360,950	100.0%	99.0%	0.0%
2010	43,283	349,417	143,071	357,342	100.0%	90.0%	0.0%

See Schedule of Funding Progress in the Required Supplementary Information.

AGE AND SERVICE DISTRIBUTION

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 827 active members in the Plan as of June 30, 2010, compared to 857 for the prior year.

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE 0-4	5-9	10-14	15-19	20-24	25-29	30+	TOTALS NO.	AVG. SALARY
< 25									
25-29	5							5	50,580
30-34	15	1	1	1				18	37,571
35-39	25	13						38	50,878
40-44	33	14	4					51	76,568
45-49	52	29	20	7				108	93,748
50-54	50	50	30	14		2		146	87,999
55-59	39	50	36	39	6	1		171	91,246
60-64	43	38	42	26	7	3	2	161	83,342
65+	26	44	31	18	5	4	1	129	59,540
Total	**288**	**239**	**164**	**105**	**18**	**10**	**3**	**827**	**80,341**

COMPARATIVE SCHEDULE

YEAR ENDED JUNE 30,	ACTIVE MEMBERS	PAYROLL +000	AGE (YEARS)	SERVICE (YEARS)	AVERAGE SALARY	INCREASE IN AVG. PAY
2001	737	48,669	52.4	7.2	66,037	4.8%
2002	738	48,729	52.9	7.0	66,028	0.0%
2003	751	49,351	53.0	7.6	65,714	-0.5%
2004	767	50,624	53.5	8.0	66,003	0.4%
2005	781	53,450	53.8	7.8	68,436	3.7%
2006	800	54,696	54.3	8.3	68,370	-0.1%
2007	813	61,308	54.4	8.3	75,409	10.3%
2008	824	62,184	54.6	8.4	75,474	0.1%
2009	857	67,777	54.6	8.1	79,086	4.8%
2010	827	66,442	55.1	8.5	80,341	1.6%

Group averages are not used in the actuarial computations but are computed and shown because of their general interest.
Reflects the 1985 amendment consolidating the Judges' Retirement System and the Elected Officials' Retirement Plan.
Includes participating municipalities pursuant to a 1987 amendment beginning with the June 30, 1988, valuation.

SUMMARY OF RETIREES AND INACTIVE MEMBERS

RETIREES AND BENEFICIARIES

YEAR ENDED JUNE 30,	NUMBER REMOVED FROM ROLES	NUMBER ADDED TO ROLES	TOTALS	ANNUAL ALLOWANCES REMOVED FROM ROLES*	ANNUAL ALLOWANCES ADDED TO ROLES*	ANNUAL PENSIONS	PERCENT INCREASE	AVERAGE PENSION
2001	26	84	647	$ N/A	$ N/A	$17,729,482	17.4%	$27,403
2002	26	38	659	N/A	N/A	19,606,416	10.6%	29,752
2003	15	65	709	N/A	N/A	22,308,359	13.8%	31,465
2004	31	52	730	936,369	2,482,196	23,854,186	6.9%	32,677
2005	33	72	769	817,929	3,076,044	26,112,301	9.5%	33,956
2006	20	48	797	1,188,444	2,482,196	28,044,340	7.4%	35,187
2007	29	58	826	842,516	3,178,426	30,380,250	8.3%	36,780
2008	29	75	872	668,820	3,138,910	32,850,340	8.1%	37,672
2009	47	80	905	987,408	4,399,639	36,262,571	10.4%	40,069
2010	25	41	921	666,409	3,740,863	39,337,025	8.5%	42,711

**Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.*

As of June 30, 2010, there were 146 inactive members in the Plan who had not withdrawn their accumulated member contributions. It is assumed that these inactive members are waiting to meet the age requirements for service retirement. They are broken down by attained age and years of service as follows:

INACTIVE MEMBERS

ATTAINED AGE	YEARS OF SERVICE TO VALUATION DATE 0-4	5-9	10-14	15-19	20+	TOTAL
< 30						
30-39	5	5				10
40-44	4	8				12
45-49	14	5	2			21
50-54	13	14	4	2	1	34
55-59	9	17	5	2	1	34
60-69	10	12	4	5		31
70+	2	1			1	4
Total	**57**	**62**	**15**	**9**	**3**	**146**

SCHEDULE OF EXPERIENCE GAIN (LOSS)
YEAR ENDED JUNE 30, 2010

(1)	UAAL* at start of year	$145,240,148
(2)	Normal cost for year	17,194,500
(3)	Funding Method Contribution	(23,883,518)
(4)	Interest accrued on (1), (2) and (3)	12,061,129
(5)	Expected UAAL before changes [(1)+(2)-(3)+(4)]	150,612,259
(6)	Changes from benefit increases	12,367,914
(7)	Changes from actuarial methods & actuary	None
(8)	Change in Reserve for future pension increases	3,116,481
(9)	Expected UAAL after changes: (5)+(6)+(7)+(8)	166,096,654
(10)	Actual UAAL at end of year	178,428,708
(11)	Experience Gain (Loss): (9)-(10)	$(12,332,054)

** Unfunded Actuarial Accrued Liability*

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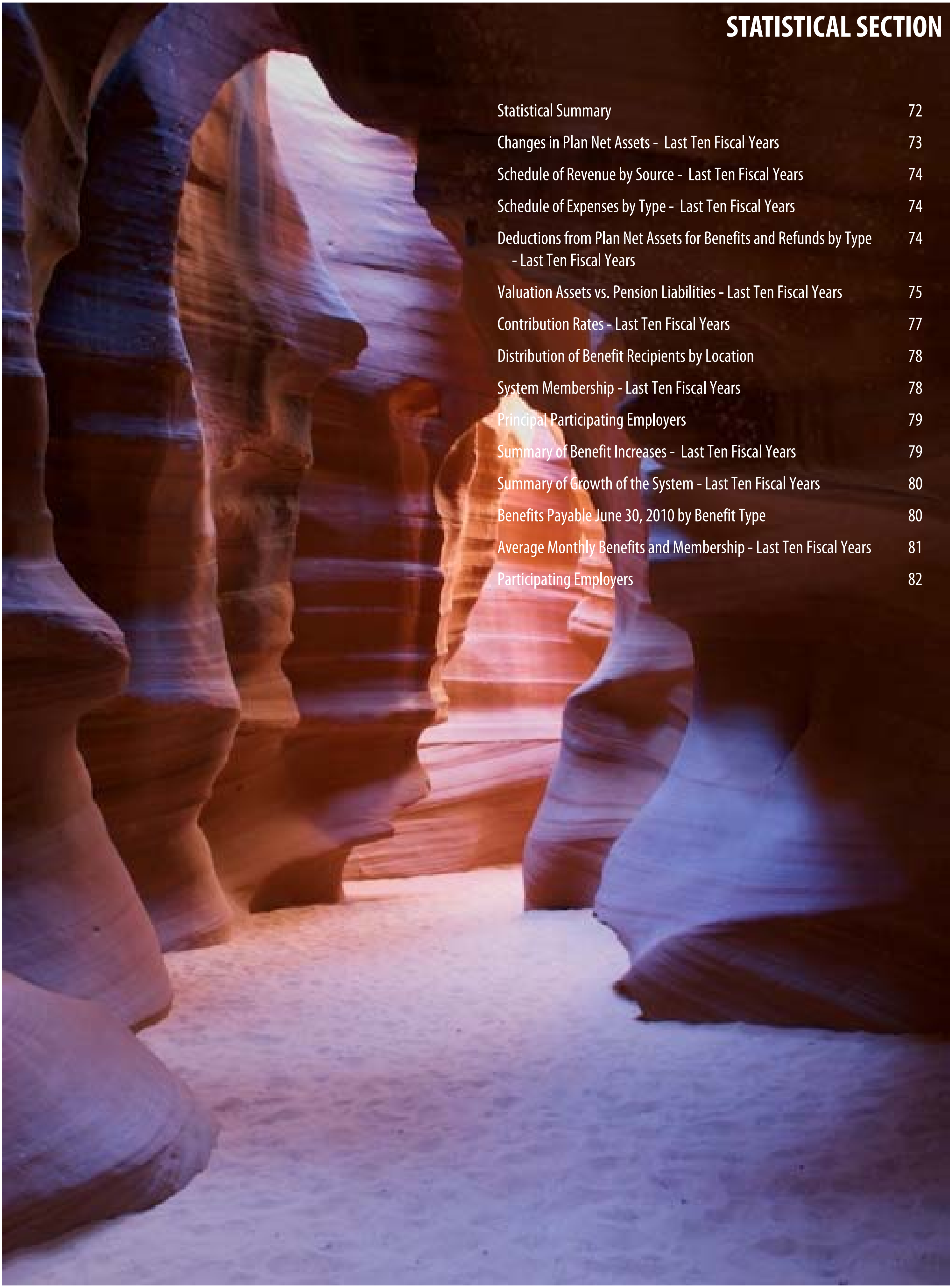


STATISTICAL SECTION

FINANCIAL TRENDS

SUMMARY

The Statistical Section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to the financial statements and required supplemental information to understand and assess the economic condition of EORP.

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position over time. Schedules and charts presenting financial trend information are Schedule of Changes in Net Assets, Schedule of Revenue by Source, Schedule of Expenses by Type, Deductions from Net Assets for Benefits and Refunds by Type, Valuation Assets vs. Pension Liabilities, and Contribution Rates.

Operating information is intended to provide contextual information about the operations and resources of EORP to assist readers in using financial statement information to understand and assess the economic condition. Schedules and charts presenting operating information are Membership in the Retirement Plan*, Benefit Recipients by Location, Principal Participating Employers, Summary of the Growth of the Plan, Benefits Payable*, Average Monthly Benefit Amounts*, Summary of Benefit Increases*, and Participating Employers.

Schedules and information are derived from EORP internal sources unless otherwise indicated.
* Schedules and data are provided by actuarial consultant Gabriel Roeder Smith & Company.

CHANGES IN NET ASSETS LAST 10 FISCAL YEARS
INCLUDING HEALTH SUBSIDY
(IN THOUSANDS)

	2010	2009	2008	2007	2006
ADDITIONS					
Member Contributions	4,611	4,437	4,356	4,090	3,811
Employer Contributions	9,688	10,446	8,188	6,931	7,625
Court Fees	9,538	8,000	4,155	3,978	3,855
Net Investment Gain (Loss)	34,584	(61,527)	(23,151)	54,599	24,408
Member Service Purchase	889	377	1,045	1,957	2,430
Transfers IN	41	283	573	1,190	1,703
Total Additions (Reductions)	**59,351**	**(37,984)**	**(4,834)**	**72,745**	**43,833**
DEDUCTIONS					
Pension & Insurance Benefits	37,769	35,095	32,519	29,569	27,909
Refunds To Terminated Members	126	132	64	128	7
Administrative Expenses	245	521	355	340	248
Transfers OUT	-	-	4	20	11
Total Deductions	**38,140**	**35,748**	**32,942**	**30,056**	**28,175**
NET INCREASE (DECREASE)	**21,211**	**(73,732)**	**(37,776)**	**42,689**	**15,658**
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	258,333	332,065	369,841	327,152	311,494
End of Fiscal Year, June 30	**279,544**	**258,333**	**332,065**	**369,841**	**327,152**

	2005	2004	2003	2002	2001
ADDITIONS					
Member Contributions	3,617	3,499	4,356	3,596	3,544
Employer Contributions	3,305	3,363	188	172	647
Court Fees	3,793	3,614	3,568	3,485	3,509
Net Investment Gain (Loss)	27,407	39,279	16,378	(48,685)	(67,060)
Member Service Purchase	-	-	-	-	-
Transfers IN	3,647	651	1,880	434	270
Total Additions (Reductions)	**41,769**	**50,406**	**26,369**	**(40,999)**	**(59,090)**
DEDUCTIONS					
Pension & Insurance Benefits	25,746	23,754	21,930	19,529	16,802
Refunds To Terminated Members	83	117	115	(7)	134
Administrative Expenses	132	89	72	71	59
Transfers OUT	246	124	207	-	-
Total Deductions	**26,207**	**24,084**	**22,325**	**19,594**	**16,995**
NET INCREASE (DECREASE)	**15,562**	**26,321**	**4,044**	**(60,593)**	**(76,085)**
NET ASSETS HELD IN TRUST					
Beginning of Fiscal Year, July 1	295,932	269,611	265,567	326,159	402,244
End of Fiscal Year, June 30	**311,494**	**295,932**	**269,611**	**265,567**	**326,159**

SCHEDULE OF REVENUE BY SOURCE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS

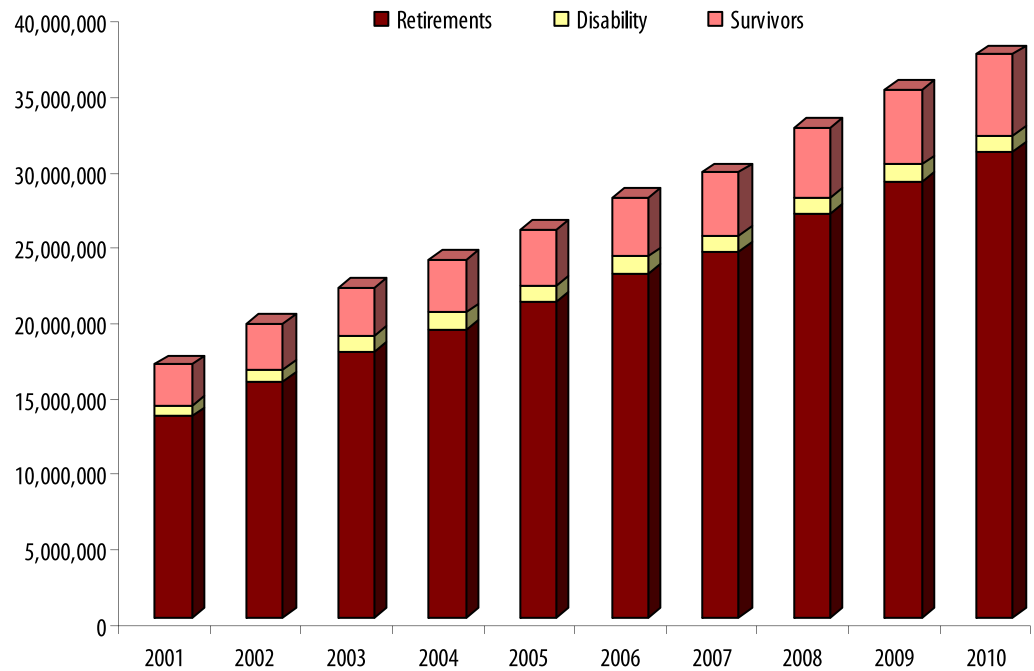
YEAR ENDING JUNE 30,	MEMBER CONT.	EMPLOYER CONT.	COURT FEES	% OF COVERED PAYROLL	INVESTMENT INCOME (LOSS)	TRANSFERRED IN FROM OTHER PLANS	TOTAL
2001	3,544,290	646,803	3,509,072	8.94%	(67,059,808)	269,738	(59,089,905)
2002	3,595,732	171,945	3,484,659	6.97%	(48,685,392)	434,065	(40,998,992)
2003	4,355,934	187,758	3,567,872	7.55%	16,377,295	1,879,878	26,368,737
2004	3,498,926	3,362,947	3,613,825	13.49%	39,279,246	650,880	50,405,824
2005	3,617,383	3,304,513	3,792,729	14.54%	27,407,259	3,646,744	41,768,628
2006	3,811,179	7,624,960	3,855,007	20.54%	24,408,222	4,133,169	43,832,537
2007	4,089,699	6,931,090	3,977,740	18.55%	54,598,524	3,147,915	72,744,968
2008	4,355,999	8,187,703	4,155,348	20.21%	(23,150,918)	1,618,535	(4,833,333)
2009	4,436,652	10,446,147	8,000,231	28.00%	(61,526,963)	660,650	(37,983,283)
2010	4,611,179	9,687,743	9,538,094	26.25%	34,583,592	930,727	59,351,335

SCHEDULE OF EXPENSES BY TYPE (ALL PLANS COMBINED)
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	BENEFITS	ADMIN. EXPENSES	REFUNDS	TRANSFERRED TO OTHER PLANS	TOTAL
2001	16,802,302	58,796	133,561	-	16,994,659
2002	19,529,287	70,983	(6,518)	-	19,593,752
2003	21,929,828	72,479	115,349	207,196	22,324,852
2004	23,753,913	89,041	117,255	124,119	24,084,328
2005	25,745,717	131,655	83,007	246,091	26,206,470
2006	27,908,934	247,594	7,246	11,093	28,174,867
2007	29,568,461	339,875	127,738	20,169	30,056,243
2008	32,518,978	355,290	63,958	3,834	32,942,060
2009	35,095,696	521,507	131,663	-	35,748,866
2010	37,769,069	245,127	126,426	-	38,140,622

DEDUCTIONS FROM NET ASSETS FOR BENEFITS AND REFUNDS BY TYPE
LAST TEN FISCAL YEARS

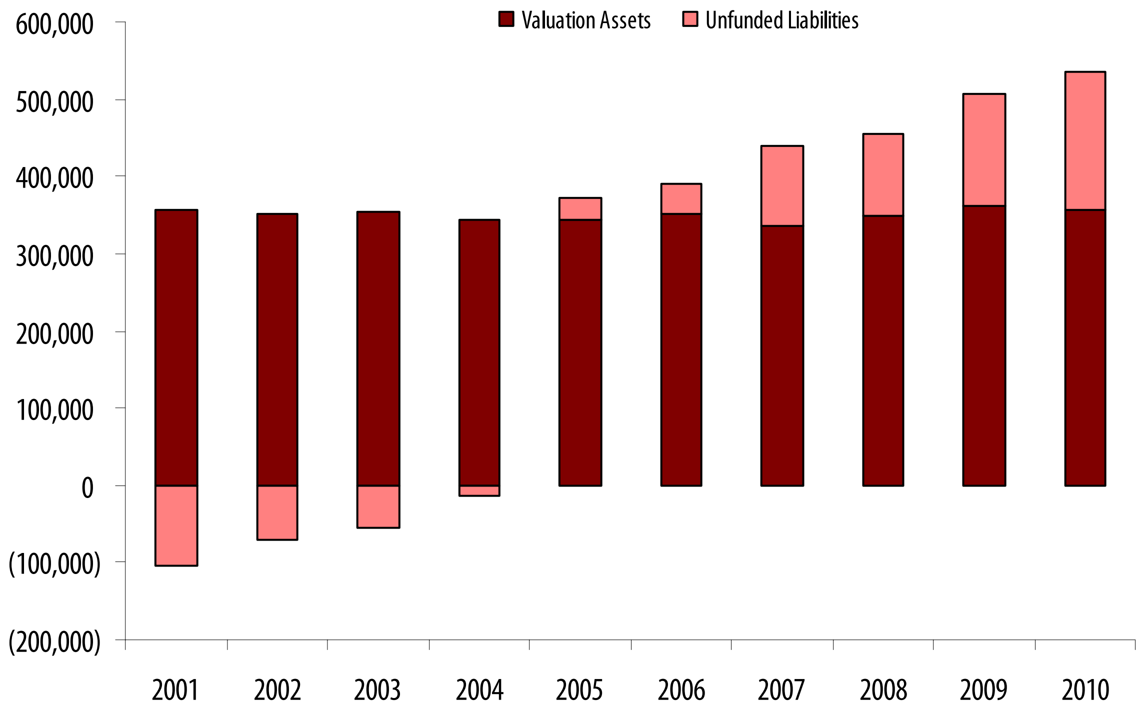
YEAR ENDING JUNE 30,	NORMAL BENEFITS	SURVIVOR BENEFITS	DISABILITY BENEFITS	HEALTH INSURANCE SUBSIDY	TOTAL BENEFITS	REFUNDS
2001	13,051,530	2,680,089	752,464	318,219	16,802,302	133,561
2002	14,747,855	3,079,725	788,587	913,120	19,529,287	(6,518)
2003	16,492,733	3,213,764	1,052,910	1,170,421	21,929,828	115,349
2004	18,094,413	3,471,324	1,109,342	1,078,834	23,753,913	117,255
2005	19,824,610	3,671,914	1,073,453	1,175,740	25,745,717	83,007
2006	21,986,931	3,935,206	1,083,693	903,104	27,908,934	7,246
2007	23,435,322	4,231,772	1,050,452	850,915	29,568,461	127,738
2008	25,967,062	4,637,432	1,002,561	911,923	32,518,978	63,958
2009	28,020,876	5,007,588	1,149,946	917,286	35,095,696	131,663
2010	30,411,785	5,379,358	1,093,701	884,225	37,769,069	126,426

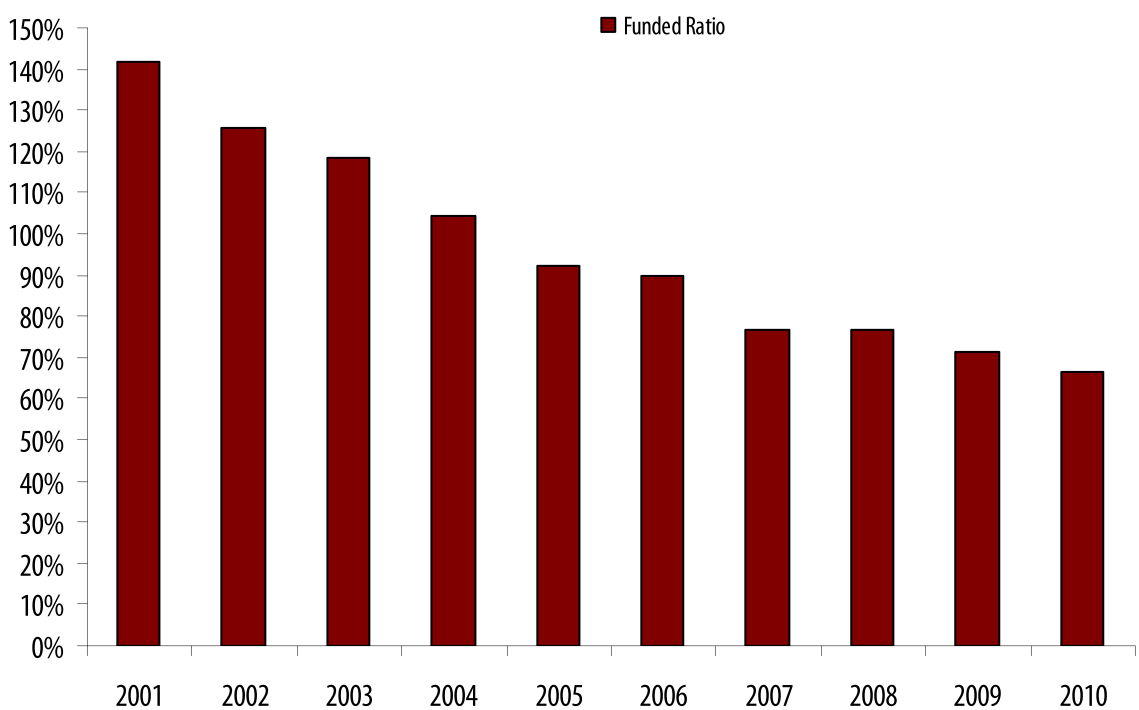


VALUATION ASSETS vs. PENSION LIABILITIES
INCLUDES HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(IN THOUSANDS)

YEAR ENDING JUNE 30,	VALUATION ASSETS	UNFUNDED LIABILITIES	ACCRUED LIABILITIES	FUNDED RATIO
2001	355,768	(104,781)	250,987	141.7%
2002	351,349	(71,402)	279,947	125.5%
2003	353,463	(55,572)	297,891	118.7%
2004	343,376	(14,455)	328,921	104.4%
2005	344,604	16,154	360,758	95.5%
2006	351,701	39,702	391,403	89.9%
2007	336,717	114,582	451,299	74.6%
2008	348,013	106,327	454,341	76.6%
2009	360,950	145,240	506,190	71.3%
2010	357,342	178,429	535,771	66.7%

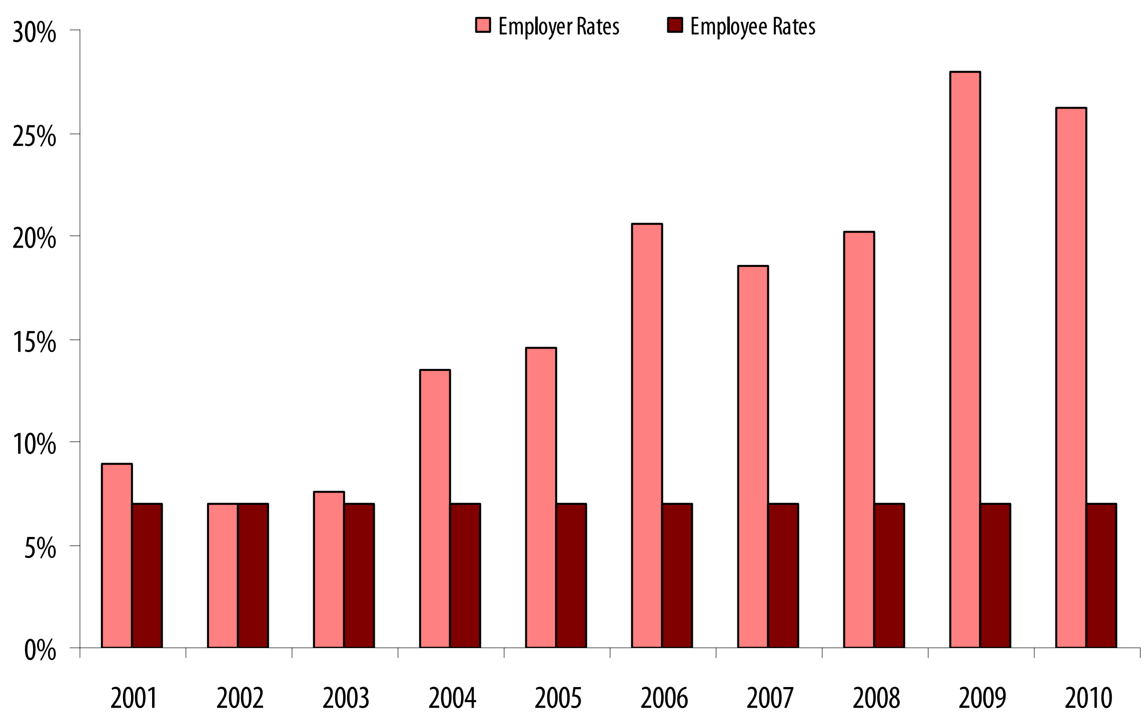
(IN THOUSANDS)





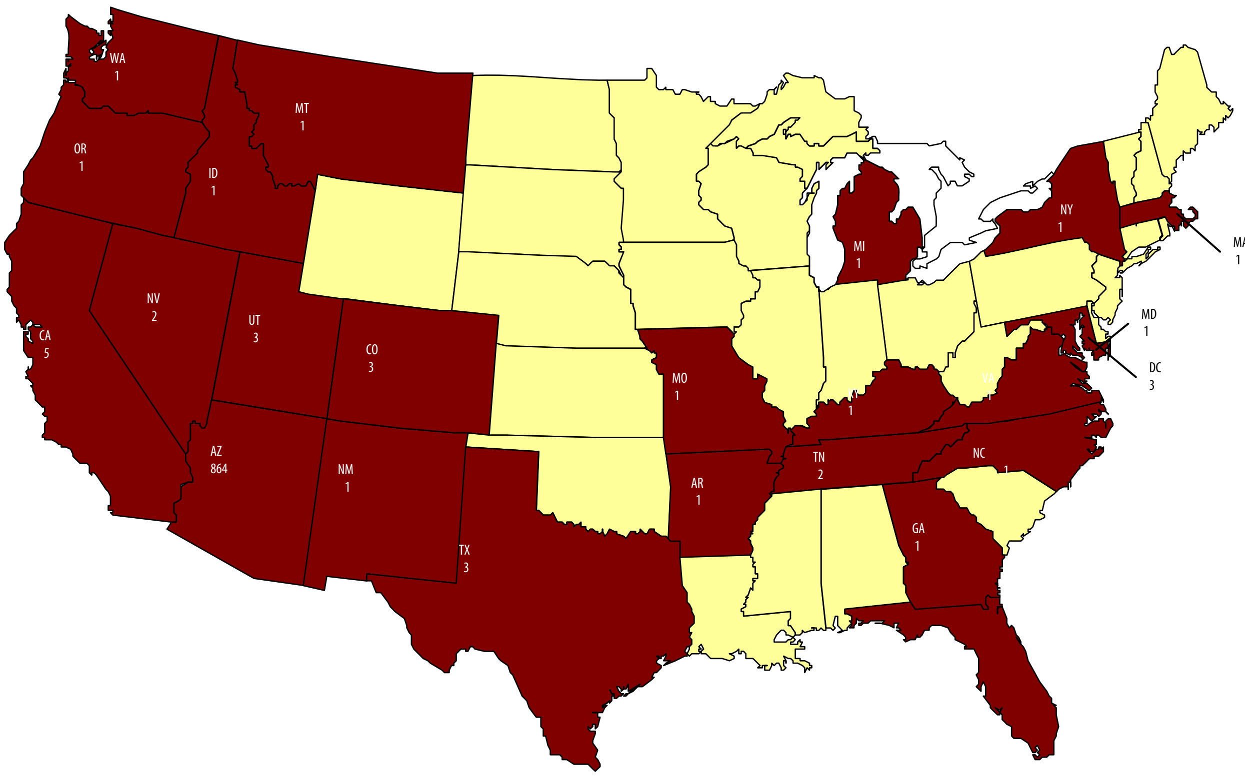
CONTRIBUTION RATES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	AVERAGE EMPLOYER RATE	EMPLOYEE RATE
2001	8.94%	7.00%
2002	6.97%	7.00%
2003	7.55%	7.00%
2004	13.49%	7.00%
2005	14.54%	7.00%
2006	20.54%	7.00%
2007	18.55%	7.00%
2008	20.21%	7.00%
2009	28.00%	7.00%
2010	26.25%	7.00%



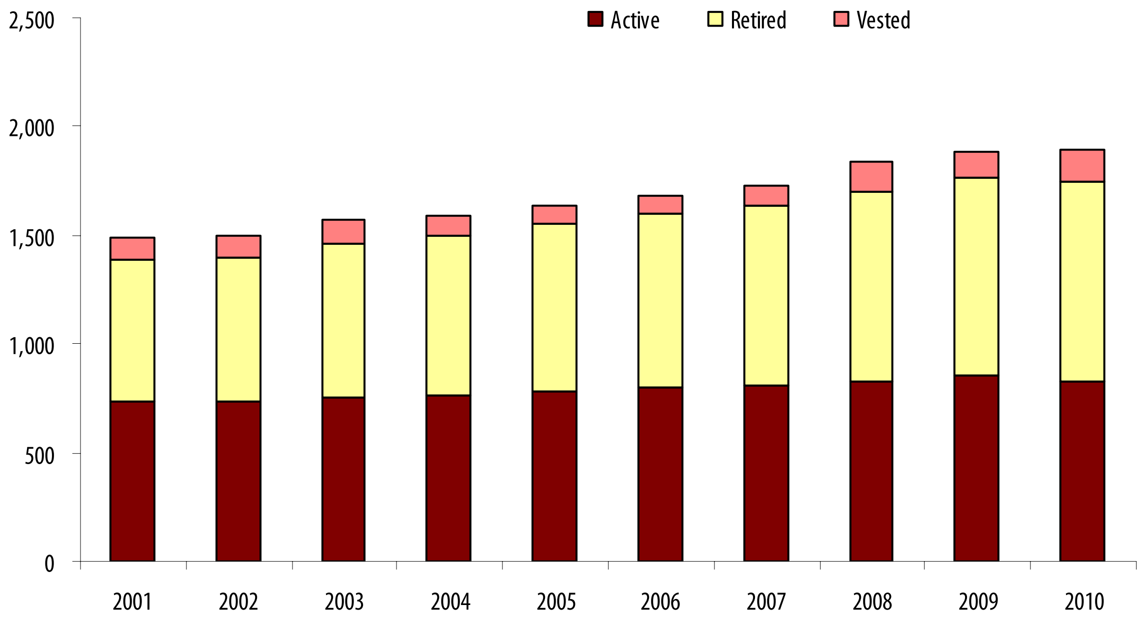
OPERATING INFORMATION

DISTRIBUTION OF BENEFIT RECIPIENTS BY LOCATION



MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	ACTIVE	BENEFICIARY RETIRED	TERMINATED VESTED	TOTAL
2001	737	647	101	1,485
2002	738	659	105	1,502
2003	751	709	112	1,572
2004	767	730	93	1,590
2005	781	769	88	1,638
2006	800	797	85	1,682
2007	813	826	86	1,725
2008	824	872	88	1,784
2009	857	905	119	1,881
2010	827	921	146	1,894



PRINCIPAL PARTICIPATING EMPLOYERS
LAST TEN FISCAL YEARS

	2010			2001		
EMPLOYER	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP	COVERED EMPLOYEES	RANK	% OF MEMBERSHIP
State & Counties	674	1	81.50%	619	1	83.99%
City of Yuma	9	2	1.09%	7	t4	0.95%
City of Phoenix	8	t3	0.97%	9	2	1.23%
City of Tucson	8	t3	0.97%	7	t4	0.95%
City of Flagstaff	8	t3	0.97%	7	t4	0.95%
All Others	120		14.51%	88		11.93%
Total	**827**		**100.00%**	**737**		**100.00%**

SUMMARY OF BENEFIT INCREASES
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	EXCESS YIELD PER STATUTE	EXCESS EARNINGS	UTILIZED TO FUND COLA	EXCESS EARNINGS AVAILABLE	BENEFIT INCREASE 4% CAP
2001	0.00%	-	(4,518,604)	34,436,162	4.00%
2002	0.00%	-	(5,801,777)	23,400,088	4.00%
2003	0.00%	-	(6,375,994)	18,591,900	4.00%
2004	6.02%	12,292,877	(5,958,472)	27,718,251	4.00%
2005	0.56%	1,271,696	(8,027,464)	23,611,516	4.00%
2006	0.00%	-	(8,946,622)	16,523,120	4.00%
2007	8.01%	20,886,734	(9,392,556)	30,827,881	4.00%
2008	0.00%	-	(10,302,702)	18,184,418	4.00%
2009	0.00%	-	(11,319,196)	3,637,670	4.00%
2010	4.47%	15,303,603	(12,367,914)	7,063,353	4.00%

SUMMARY OF GROWTH OF THE SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,	TOTAL ASSETS AT BOOK	INVESTMENT REALIZED EARNINGS	ASSUMED ACTUARIAL YIELD	NET EFFECTIVE YIELD	AVERAGE EMPLOYER RATE
2001	293,478,357	17,402,311	9.00%	6.19%	8.94%
2002	288,376,999	6,835,146	9.00%	2.37%	6.97%
2003	247,792,779	(28,220,028)	9.00%	-9.98%	7.55%
2004	246,307,539	11,508,119	9.00%	4.76%	13.49%
2005	253,313,875	18,899,017	8.75%	7.85%	14.54%
2006	275,729,455	31,226,907	8.50%	12.53%	20.54%
2007	299,238,103	37,306,895	8.50%	13.85%	18.55%
2008	324,245,532	51,421,361	8.50%	17.56%	20.21%
2009	284,301,733	(43,712,004)	8.50%	-12.05%	28.00%
2010	275,228,597	(83,746)	8.50%	1.48%	26.25%

BENEFITS PAYABLE JUNE 30, 2010
BY TYPE OF BENEFIT

PENSIONS BEING PAID	NO.	ANNUAL PENSIONS	AVERAGE PENSIONS
RETIRED MEMBERS			
Service Pensions	723	32,570,029	45,048
Disability Pensions	16	1,252,619	78,289
Total Retired Members	**739**	**33,822,648**	**45,768**
SURVIVORS OF MEMBERS			
Spouses	179	5,442,822	30,407
Children w/Guardians	3	71,555	23,852
Total Survivors of Members	**182**	**5,514,377**	**30,299**
TOTAL PENSIONS BEING PAID	**921**	**39,337,025**	**42,711**

	AVERAGE AGE	AVERAGE SERVICE	AVG. AGE AT RETIREMENT
Normal retired members	70.6	14.5	61.0
Disability retired members	69.4	11.6	57.6
Spouse beneficiaries	76.0	13.3	57.8

AVERAGE MONTHLY BENEFIT AND MEMBERSHIP IN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDING JUNE 30,		YEARS OF CREDITED SERVICE BY CATEGORY <5	5-10	10-15	15-20	20-25	25-30	30+	ALL MEMBERS
2001	Average monthly benefit								2,284
	Average final average salary								5,273
	Number of retirees								647
2002	Average monthly benefit								2,479
	Average final average salary								5,419
	Number of retirees								659
2003	Average monthly benefit								2,622
	Average final average salary								5,494
	Number of retirees								709
2004	Average monthly benefit								2,723
	Average final average salary								5,493
	Number of retirees								730
2005	Average monthly benefit								2,830
	Average final average salary								5,560
	Number of retirees								769
2006	Average monthly benefit								2,932
	Average final average salary								5,634
	Number of retirees								797
2007	Average monthly benefit								3,065
	Average final average salary								5,895
	Number of retirees								826
2008	Average monthly benefit	1,181	1,060	2,320	4,030	6,293	5,843	3,706	3,139
	Average final average salary								6,090
	Number of retirees	16	245	253	143	154	47	14	872
2009	Average monthly benefit	1,161	1,113	2,437	4,196	6,724	5,911	3,802	3,339
	Average final average salary								6,388
	Number of retirees	12	257	255	149	167	50	15	905
2010	Average monthly benefit	1,208	1,156	2,565	4,428	7,116	6,083	3,956	3,559
	Average final average salary								6,525
	Number of retirees	12	255	257	156	177	50	14	921

** Detailed information not available prior to fiscal year ending June 30, 2008.*

PARTICIPATING EMPLOYERS

STATE OF ARIZONA
APACHE COUNTY
COCHISE COUNTY
COCONINO COUNTY
GILA COUNTY
GRAHAM COUNTY
GREENLEE COUNTY
LA PAZ COUNTY
MARICOPA COUNTY
MOHAVE COUNTY
NAVAJO COUNTY
PIMA COUNTY
PINAL COUNTY
SANTA CRUZ COUNTY
YAVAPAI COUNTY
YUMA COUNTY

CITY OF APACHE JUNCTION
CITY OF AVONDALE
CITY OF CHANDLER
CITY OF FLAGSTAFF
CITY OF GLENDALE
CITY OF GLOBE
CITY OF MESA
CITY OF PEORIA
CITY OF PHOENIX
CITY OF SAFFORD
CITY OF SCOTTSDALE
CITY OF SOUTH TUCSON
CITY OF SURPRISE
CITY OF TEMPE
CITY OF TOLLESON
CITY OF TUCSON
CITY OF YUMA
TOWN OF GILBERT
TOWN OF MARANA
TOWN OF SAHUARITA
TOWN OF THATCHER