

ELECTED OFFICIALS' RETIREMENT PLAN

A PENSION TRUST FUND OF THE STATE OF ARIZONA

TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2002

This report was prepared by the staff of the EORP

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**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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INTRODUCTORY SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for
Excellence in Financial Reporting

The Retirement Board and
Administrative Organization

Organizational Chart

Summary of Plan Provisions
(See Note 1 in Notes to Financial Statements)

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

1020 East Missouri Avenue
Phoenix, Arizona 85014-2613

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

TELEPHONE: (602) 255-5575
FAX: (602) 255-5572

James A. Nielsen, C.P.A., J.D.
Assistant Administrator

September 13, 2002

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

Dear Governor Hull:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Twenty-First Comprehensive Annual Financial Report of the Elected Officials' Retirement Plan for the fiscal year ended June 30, 2002.

We are pleased to report that despite the volatile stock market, the Plan is still in excellent financial and actuarial condition. In fact, the Plan is 125.5% funded, one of the best funded plans in the country. Set forth below are some of the highlights for the fiscal year ended June 30, 2002.

Benefits paid to retired Elected Officials and their beneficiaries increased from \$16,802,302 to \$19,529,287. The average employer contribution rate as a percentage of gross payroll decreased from a high of 16.83% for the 1992/93 fiscal year to 7.55% for the 2002/03 fiscal year.

For the current year, the Plan had a total rate of return of -15.3%. However, the Plan continues to perform well against the market indexes (S&P 500/NYSE stock and Shearson Lehman Government/Corporate bond) on a long-term basis. The 5-year and 10-year total rates of return, which includes realized as well as unrealized gains and losses, for the entire fund was 2.54% and 8.11%, respectively. The 5-year rate of return for the stock portfolio and bond portfolios were -0.18% and 7.55%, respectively. The 10-year rate of return for the stock portfolio and bond portfolios were 8.58% and 7.68%, respectively. The net effective yield, which takes into account only realized gains and losses, was 2.37%.

Total administrative and investment expenses increased from \$82,871 to \$100,134. Costs have increased 82% during the past seventeen years. This increase is incredibly low since the assets managed have increased 390% and the Plan membership has increased over 90%.

We sincerely appreciate the opportunity of serving the State of Arizona, its political subdivisions, and its elected officials and judges.

Respectfully submitted,

DON DE MENT/sig.

Don De Ment, Chairman

PAT CANTELME/sig.

Pat Cantelme, Member

BETSEY BAYLESS/sig.

Betsey Bayless, Member

RON SNODGRASS/sig.

Ron Snodgrass, Member

WENDY HANCOCK/sig.

Wendy Hancock, Member

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

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James A. Nielsen, C.P.A., J.D.
Assistant Administrator

September 13, 2002

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

Gentlemen:

There is presented, herewith, the Twenty-First Comprehensive Annual Financial Report of the operations and financial conditions of the Elected Officials' Retirement Plan for the fiscal year ended June 30, 2002. Incorporated in this report are the audited financial statements and other financial data from the June 30, 2002, report of Barrows & Schatza, P.L.C., Certified Public Accountants and auditors for the Plan. Also included is the Actuarial Certification Statement and the Actuarial Balance Sheet from the June 30, 2002, Actuarial Valuation prepared by the Plan's actuary, Rodwan & Nichols, Consulting Actuaries.

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

FINANCIAL INFORMATION

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

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

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

REVENUES

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

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2001/2002 Administrative and Investment Expenses of the Administrative Office increased to \$100,134 compared to \$82,871 for the prior year. This is only 82% higher than the total for fiscal year 1984/1985. This is a compounded annual

rate of increase of 3.58% over the last seventeen years. This rate of increase is consistent with the rate of inflation and the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs extremely low for the past seventeen years even though inflation, membership and assets managed have increased substantially during this same period (over 60%, over 90% and nearly 400%, respectively).

INVESTMENTS

Since the Plan is well funded, the management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio was made up of 14.21% U. S. Government Securities, 17.17% Corporate Bonds, 3.98% Corporate Notes, 2.89% Other Investments, 0.09% insured Money Market Funds and 61.66% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in twelve of the last sixteen years and the equity portfolio has outperformed the applicable Index (NYSE until 98/99, then S&P 500) nine of the last sixteen years. The Plan's performance resulted in a net effective yield of 2.37% and a 10-year total rate of return of 8.11%. Graphs depicting the Plan's extraordinary performance since 1987, the year the current Administrator took over the portfolio management, can be found in the Investment Section.

ECONOMIC OUTLOOK

The economy appears to be bottoming out. It is likely the economy will continue to improve this fall and into early 2003. With interest rates so low, it may be difficult to continue to outperform the Plan's 9% assumed rate of investment return over the next couple of years.

ACTUARIAL AND FUNDING INFORMATION

Funding a retirement plan on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the Plan.

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2002, is 125.5%, which is well ahead of schedule.

The Plan is funded through a member contribution of 7% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. State and county employers receive credit for a portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals, and the Supreme Court. Currently, these fees are enough to provide all of the state and county employer costs. This is expected to continue through fiscal year 2002/2003 when the city employer rate will be 6.97%.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors. The increases are effective July 1 of each year and based on benefits received on the preceding June 30. The maximum amount of the increase is 4% and contingent upon sufficient excess investment earnings for the fund.

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

July 1, 1990 – 4.0%
July 1, 1991 – 4.0%
July 1, 1992 – 2.0%
July 1, 1993 – 3.5%
July 1, 1994 – 2.0%
July 1, 1995 – no benefit allowed by law

July 1, 1996 – no benefit allowed by law
July 1, 1997 – 1.5%
July 1, 1998 – 1.2%
July 1, 1999 – 4.0%
July 1, 2000 – 4.0%
July 1, 2001 – 4.0%
July 1, 2002 – 4.0%
July 1, 2003 – 4.0%

This is a compounded increase of over 40%.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the EORP for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the eighth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

SUMMARY

The Plan's actuary, Rodwan & Nichols, summarized the results of the latest Actuarial Valuation as of June 30, 2002, as follows:

The results of the valuations indicate that Retirement Plan benefit obligations are being funded as incurred. Favorable economic experience over the last decade has significantly accelerated the funding progress. Current assets are 125.5% of actuarial accrued liability. We believe the assumptions produce a reasonable estimate of costs likely to emerge in the operation of the Retirement Plan.

The Plan has experienced great change during the past seventeen years. The Plan's accrual rate was raised to 4% of pay for each year of credited service. Members can now take normal retirement with twenty years of credited service regardless of age and they can take a reduced early retirement with five or more years of credited service with no age limit. The Plan now provides for disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies. Funding has increased to 125.5%. Over just the past seventeen years, membership has grown dramatically and total assets of the Plan have increased more than six times. I am proud to have been a part of the Plan's management team and I look forward to the Plan's continued success in the future.

Respectfully submitted,



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Elected Officials' Retirement Plan, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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.



Imelda Gruwe
President

Jeffrey L. Essler
Executive Director

**STATE OF ARIZONA
ELECTED OFFICIAL'S RETIREMENT PLAN
THE RETIREMENT BOARD AND ADMINISTRATIVE ORGANIZATION**

THE FUND MANAGER

		<u>Term Expires</u>
Don De Ment Retired City Clerk City of Tucson	Chairman	January 2003
Pat Cantelme Retired Firefighter City of Phoenix	Member	January 2005
Ron Snodgrass Police Officer City of Phoenix	Member	January 2004
Betsey Bayless Secretary of State State of Arizona	Member	January 2003
Wendy Hancock Public Member	Member	January 2005

PROFESSIONAL ADVISORS

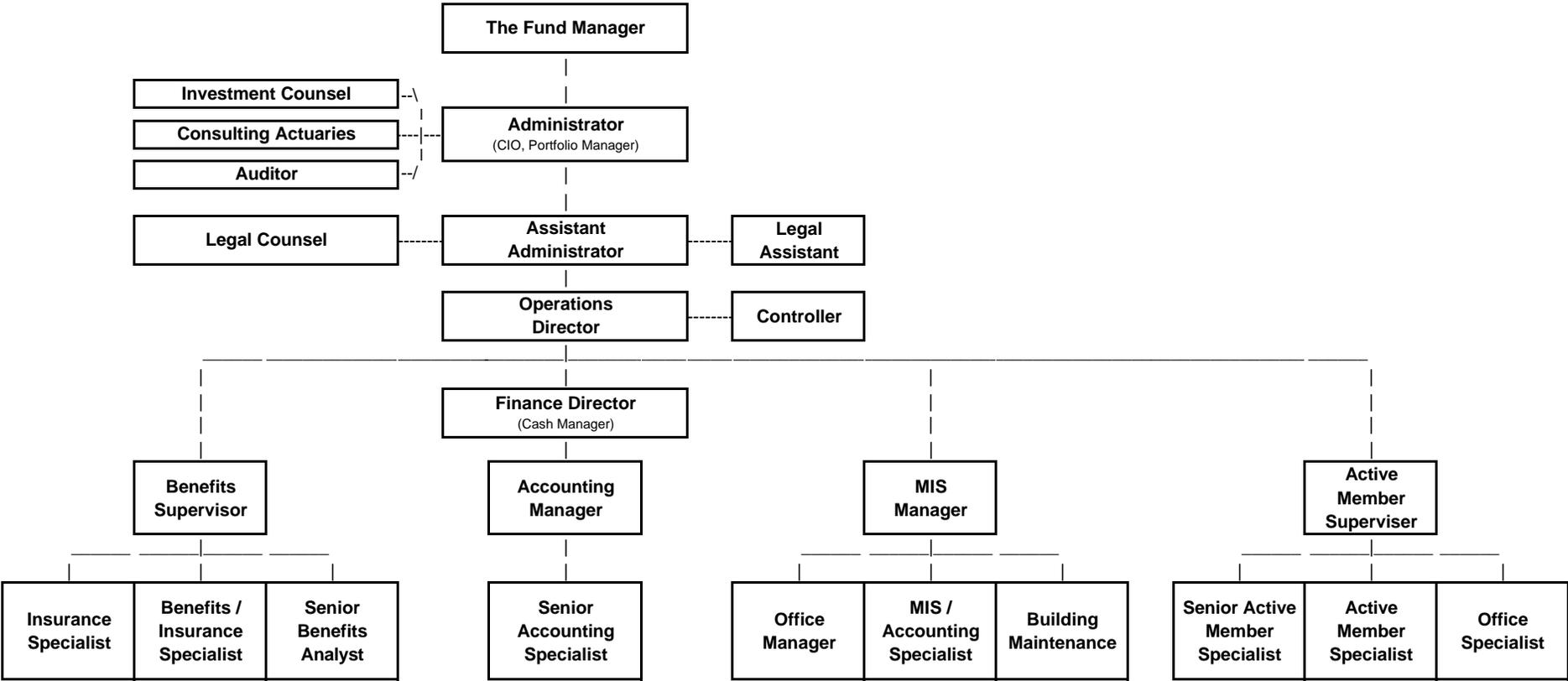
Standard & Poor's Securities, Inc.	Investment Counsel
Rodwan & Nichols	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

Jack M. Cross, CPA, CFA	Administrator
James A. Nielsen, CPA, JD	Assistant Administrator
Tracey D. Peterson, CPA, CFE	Operations Director
Jared A. Smout	Finance Director
Karen L. Lewis, CPA	Controller
Donald B. Mineer	MIS Manager
Alliene Jonas	Benefits/Insurance Specialist
Annette L. Jorgensen	Insurance Specialist
D. Steven Williams	Legal Assistant
Deborah S. Irwin	Senior Active Member Specialist
Eric T. Ellsworth	Building Maintenance
Joann L. Lowey	Senior Benefits Analyst
Kathleen A. Mattoon	Office Specialist
LaDawn M. Snodgrass	Active Member Supervisor
Lilian L. Leung	Senior Accounting Specialist
Lori A. Boyle	Office Manager
Scott D. Willard	MIS/Accounting Specialist
Sheryl D. Saltsman	Benefits Supervisor
Tiffani M. Wright	Active Member Specialist

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**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
ORGANIZATION CHART
JUNE 30, 2002**



FINANCIAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Independent Auditor's Report
Management's Discussion and Analysis
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statements
Schedule of Funding Progress
Schedule of Employer Contributions
Supporting Schedule of Changes
In Fund Balance Reserves
Supporting Schedule of
Administrative and Investment Expenses
Supporting Schedule of Payments to Consultants
Supplemental Schedule of
Cash Receipts and Cash Disbursements

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of plan net assets of the **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended, appearing on pages 17 and 18, respectively. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** as of June 30, 2002 and 2001, and the results of its operations and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the **STATE OF ARIZONA ELECTED OFFICIALS' RETIREMENT PLAN** adopted the provisions of the Governmental Accounting Standards Board Statements No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments-Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* for fiscal year ended June 30, 2002.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 27 to 29, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary and additional information. However, we did not audit this information and express no opinion on it.

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

September 6, 2002

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2002 AND 2001**

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 2002 are as follows:

- As of the close of the fiscal year 2002, the Future Benefit Increase Reserve was \$23,400,088. This will enable another 4% increase for qualifying retirees or their survivors for the seventh consecutive year.
- Retirement benefits paid totaled \$19,529,287 for the current fiscal year, compared to \$16,802,302 for the previous year. This represents a 17% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and cost of living adjustments (COLAs) paid to the retirees or their survivors of the Plan.

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 Supplemental Information

The basic financial statements are followed by a section of required supplemental 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 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.

Other Supplemental Information

The Other Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Payments to Consultants, and a Supplemental Schedule of Cash Receipts and

Cash Disbursements. The total columns and information provided on these schedules carry forward to the applicable financial statement.

Financial Analysis

Net Assets

The Plan's Net Assets totaled \$265,566,712 at the close of the fiscal year 2002, compared to \$326,159,456 at the close of the previous fiscal year. This is a 19% decrease from the prior year. The majority of the decrease is the direct result of the recent declines in the stock market.

ELECTED OFFICIALS' RETIREMENT PLAN NET ASSETS

	<u>2002</u>		<u>2001</u>	
	<u>Book Cost*</u>	<u>Market Value</u>	<u>Book Cost*</u>	<u>Market Value</u>
Current Assets	\$ 1,813,939	\$ 1,813,939	\$ 2,211,211	\$ 2,211,211
Investments	<u>369,674,905</u>	<u>347,522,134</u>	<u>387,246,630</u>	<u>419,940,645</u>
Total Assets	<u>371,488,844</u>	<u>349,336,073</u>	<u>389,457,841</u>	<u>422,151,856</u>
Other Liabilities	<u>83,111,845</u>	<u>83,769,361</u>	<u>95,979,484</u>	<u>95,992,400</u>
Total Liabilities	<u>83,111,845</u>	<u>83,769,361</u>	<u>95,979,484</u>	<u>95,992,400</u>
Total Net Assets	<u>\$ 288,376,999</u>	<u>\$ 265,566,712</u>	<u>\$ 293,478,357</u>	<u>\$ 326,159,456</u>

*Cost information is provided for reference only.

The largest portion of the Plan's Net Assets (62%) are invested in Equity Securities; 17% is invested in high quality Corporate Bonds; 14% is invested in Government Securities; 4% is invested in Cash or cash equivalents; and, the remaining 3% is invested in Other investments.

Changes in Net Assets

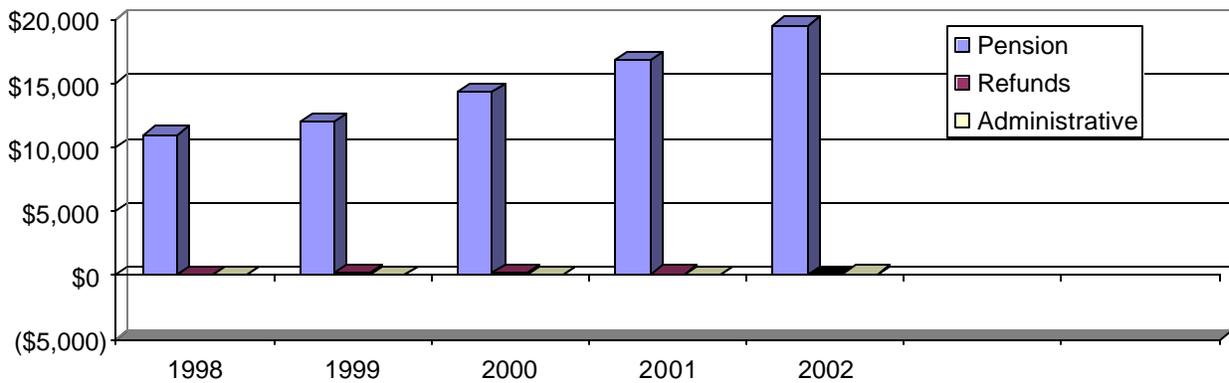
The recent volatility in the stock market has attributed to the majority of the decrease in net assets, as noted earlier. Additional key elements of this decrease are as follows:

ELECTED OFFICIALS' RETIREMENT PLAN CHANGES IN NET ASSETS

	<u>2002</u>	<u>2001</u>
Additions:		
Contributions	\$ 7,252,336	\$ 7,700,164
Net Investment (Loss) Income	<u>(48,685,393)</u>	<u>(67,059,808)</u>
Total Additions	<u>(41,433,057)</u>	<u>(59,359,644)</u>
Deductions:		
Pension Benefits	19,529,287	16,802,302
Terminated Members Refunds	(6,518)	133,561
Administrative Expenses	70,983	58,796
Transfers	<u>(434,065)</u>	<u>(269,738)</u>
Total Deductions	<u>19,159,687</u>	<u>16,724,921</u>
Change in Net Assets	(60,592,744)	(76,084,565)
Net Assets, Beginning of Year	<u>326,159,456</u>	<u>402,244,021</u>
Net Assets, End of Year	<u>\$ 265,566,712</u>	<u>\$ 326,159,456</u>

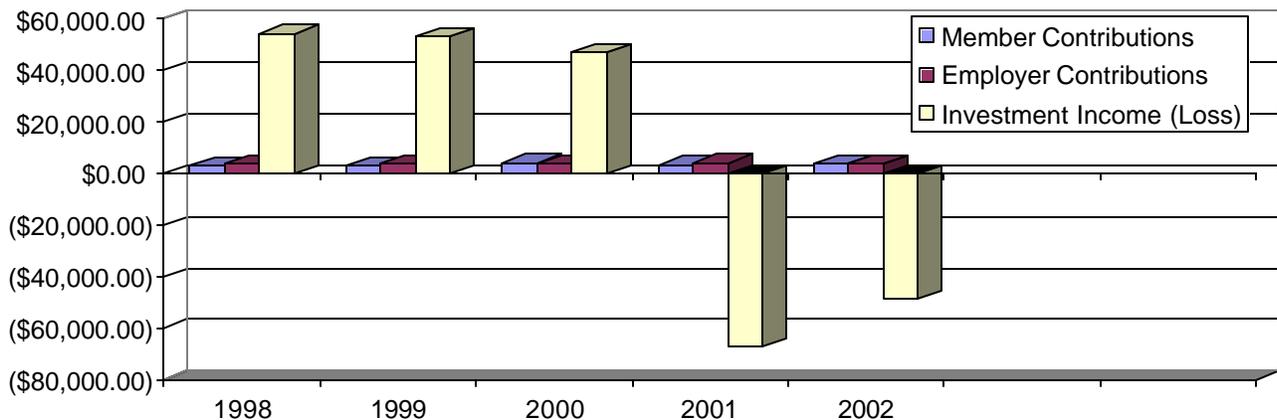
Pension benefits and administrative expenses increased from the previous fiscal year. Pension benefits, to include health insurance subsidies and cost of living adjustments, rose 17% and administrative expenses rose 21% during the year.

Trend in Expenses – by Type
(Pension Benefits, Refunds and Administrative Expenses) (in 000's)



Member contribution rates are set by Statute and were unchanged from the previous fiscal year. Employer contributions were reduced by \$474,858 as a result of the state and counties employer contribution rates going from 0.73% in the previous fiscal year to 0.00%.

Trend in Revenues – by Type
(Member and Employer Contributions, Investment Income (Loss) (in 000's)



Economic Factors and Employer Rates

Revenues to the Plan are derived from three sources: member contributions, employer contributions and investment income. Member contribution rates are set by Statute and will remain unchanged at 7.00%. Employer contribution rates are determined annually by an actuarial valuation. The valuation encompasses the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits.

Investment gains and losses are smoothed over a four-year period to stabilize the employer contribution rates from year to year. The investment loss suffered last year was the first substantial loss the Plan had suffered in 14 years. The investment loss from the current fiscal year, in conjunction with the investment loss from the previous year, will have a negative impact on the current actuarial valuations. It is anticipated that employer contribution rates will increase to sustain the funding level.

Requests 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, Operations Director, 1020 E. Missouri, Phoenix, AZ 85014.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2002 AND 2001**

ASSETS	2002	2001
Receivables		
Members' Contributions	\$ 84,518	\$ 122,223
Employers' Contributions	4,167	19,087
Court Fees	288,613	288,265
Interest and Dividends	1,436,641	1,781,636
Total Receivables	1,813,939	2,211,211
	<i>[Book Cost - For Reference Only]</i>	<i>[Book Cost - For Reference Only]</i>
Investments at Fair value (Note 2):		
U.S. Government Securities	\$ 34,169,572	\$ 46,007,836
Corporate Bonds	46,297,202	43,552,118
Corporate Notes	10,494,805	2,998,918
Corporate Stocks	187,762,407	190,250,496
Other Investments	7,612,230	8,113,706
Money Market Account	226,844	344,072
Collateral Held in Trust for Securities on Loan	83,111,845	95,979,484
Total Investments	\$ 369,674,905	\$ 387,246,630
Total Plan Assets	349,336,073	422,151,856
Liability- Collateral Subject to Return to Borrower	(83,769,361)	(95,992,400)
Net Assets Held in Trust for Pension Benefits	265,566,712	326,159,456
Net Asset Reserves		
Refundable Members' Reserve	\$ 25,853,543	\$ 24,060,967
Employers' Reserve	216,313,081	267,662,327
Future Benefit Increase Reserve	23,400,088	34,436,162
Total Net Asset Reserves	\$ 265,566,712	\$ 326,159,456

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	2002	2001
Additions		
Contributions		
Member Contributions (Notes 1 and 3)	\$ 3,595,732	\$ 3,544,290
Employer Contributions (Notes 1 and 3)	171,945	646,803
Court Fees	3,484,659	3,509,071
Total Contributions	7,252,336	7,700,164
Net (Depreciation) Appreciation in Fair Value of Investments (Note 2)	(57,507,423)	(75,726,825)
Interest	7,540,509	7,337,278
Dividends	1,143,973	1,238,447
Securities Lending Activities		
Securities Lending Income	\$ 2,447,776	\$ 5,433,400
Borrower rebates	(2,191,327)	(5,255,919)
Agents Share of Income	(89,750)	(62,114)
Net Securities Lending Income (Note 2)	166,699	115,367
	(48,656,242)	(67,035,733)
Less Investment Expense	(29,151)	(24,075)
Net Investment Income	(48,685,393)	(67,059,808)
Amounts Transferred from Other State- Sponsored Pension Plans--Net	434,065	269,738
Total Additions	(40,998,992)	(59,089,906)
Deductions		
Pension and Insurance Benefits (Note 1)	19,529,287	16,802,302
Refunds to Terminated Members (Note 1)	(6,518)	133,561
Administrative Expenses	70,983	58,796
Total Deductions	19,593,752	16,994,659
Net (Decrease) Increase	(60,592,744)	(76,084,565)
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	326,159,456	402,244,021
Ending of Year - June 30	\$ 265,566,712	\$ 326,159,456

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

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 Plan is administered by the Fund Manager of the Public Safety Personnel Retirement System (PSPRS).

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

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

The Fund Manager of the EORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Corrections Officer Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the EORP. 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, 2002 and 2001, the number of participating local government employer groups was:

	<u>2002</u>	<u>2001</u>
Cities	16	16
Counties	15	15
State Agencies	1	1
Total Employers	32	32

All state and county elected officials and judges are members of the Plan. Any city in the State of Arizona may elect to have its' elected officials covered by the EORP. At June 30, 2002 and 2001, statewide EORP membership consisted of:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries currently receiving benefits	659	647
Terminated vested employees	165	165
Current employees		
Vested	444	409
Non-vested	294	328
Total Members	1,562	1,549

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

SUMMARY OF BENEFITS

Purpose (A.R.S. §38-810.02.B)

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

Eligibility (A.R.S. §38-801 and §38-804.A)

All elected officials are members of the Plan, except that an elected official who is subject to term limits may elect not to participate in the Plan for that specific term of office. An elected official means every elected official of this state, every elected official of each county of this state, every justice of the supreme court, every judge of the court of appeals, every

judge of the superior court, every full-time superior court commissioner, the administrator of the fund manager if the administrator is a natural person and each elected official of an incorporated city or town whose employer has executed a proper joinder agreement for coverage of its elected officials.

Contributions (A.R.S. §38-810.A)

Each member shall contribute 7.00% of salary to the Plan on a pre-tax basis. Each employer shall contribute the following:

For state and county employers, a designated portion of certain fees collected by the Clerks of the Superior Courts, Courts of Appeals and the Supreme Court plus additional contributions as determined by actuarial valuation to ensure proper funding for the Plan, but not less than 2% of salary. (A.R.S. §38-810)

For incorporated city or town employers, a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan but not less than 2% of salary. (A.R.S. §38-810)

Credited Service (A.R.S. §38-801, ¶ 3)

Means the number of whole and fractional years of a member's service as an elected official after the elected official's effective date of participation for which member and employer contributions are on deposit with the fund, plus credited service as an elected official transferred to the Plan from another retirement system or plan for public employees of this state, plus service as an elected official before the elected official's effective date of participation which is being funded pursuant to a joinder agreement or which was redeemed pursuant to §38-816.

Average Yearly Salary (A.R.S. §38-801, ¶ 2)

Means the highest average total salary over a period of three consecutive years within the last ten completed years of credited service which was paid to the elected official at the time of death or retirement or at the time the elected official ceases to hold office.

Normal Retirement (No Reduction for Age) (A.R.S. Sections 38-805.A and 38-808.B, ¶ 1)

An elected official may retire upon meeting one of the following age and service requirements:

1. Age sixty-five years, with five or more years of credited service.
2. Age sixty-two years, with ten or more years of credited service.
3. Twenty or more years of credited service regardless of age.

The amount of a normal retirement pension is four percent (4%) of the member's average yearly salary multiplied by the years of the member's credited service. Maximum is eighty percent (80%) of the member's average yearly salary.

Early Retirement (Reduction for Age) (A.R.S. §38-805.B and §38-808.B, ¶ 1)

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%.

Vested Termination (Deferred Retirement)

An elected official with five or more years of credited service retains entitlement to deferred pension, upon ceasing to be an elected official, if the elected official's accumulated contributions are left on deposit in the retirement plan. The amount of pension is determined in the same manner as a normal or early pension, whichever is applicable.

Disability Retirement (A.R.S. §38-806 and §38-808.B, ¶ 2)

The Fund Manager may retire an elected official who becomes incapacitated for the purpose of performing the duties of the member's office based on a certification by a board of physicians that the member is mentally or physically incapacitated and qualifies for a disability retirement. The amount of pension is eighty percent (80%) of member's average yearly salary if the elected official has ten (10) or more years of credited service or forty percent (40%) of the member's average yearly salary if the elected official has five (5) but less than ten (10) years of credited service or twenty percent (20%) of the member's average yearly salary if the elected official has fewer than five (5) years of credited service.

Survivor Pension (A.R.S. §38-807)

Payable to the eligible beneficiary of a retired member or an active or inactive member who dies before retirement. An eligible beneficiary is a surviving spouse who was married to the retired or active or inactive member for at least two years; or, if there is no eligible spouse, then to a minor child. A surviving spouse's pension terminates upon death. A surviving child's pension terminates upon marriage, adoption or death or upon attainment of age 18 years, unless the child is a full-time student under the age of 23 or the child is under a disability which began before the child attained the age of 23. The

amount of a surviving spouse's pension is three-fourths of the pension being paid the deceased retired elected official or three-fourths of the pension which the member would have received assuming he had retired under a disability. The amount of a surviving child's pension is an equal share of the amount of a surviving spouse's pension.

Death Benefit (A.R.S. §38-807.E)

If a member dies and no pension is payable on account of the member's death, the deceased member's accumulated contributions shall be paid to the beneficiary named by the member.

Termination Refund (A.R.S. §38-804.B)

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

- 5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-810.A
- 10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-810.A plus interest at 3% if left on deposit after 30 days.

Reemployment And Repayment Of Contributions (A.R.S. §38-804.F)

An elected official who terminates membership in the Plan and takes a refund of his contributions and is later re-employed as an elected official may restore prior service credits, if the elected official signs a written election within ninety days after re-employment to reimburse the Plan within one year after the date of re-employment. The reimbursement will equal the amount previously withdrawn plus interest from the date of withdrawal to the date of repayment at the rate of 9% compounded annually.

Reemployment After Retirement (A.R.S. §38-804.G and §38-804.H)

If a retired member subsequently becomes an elected official, contributions shall not be made to the Plan nor additional years of credited service accrued. Additionally, if a retired member, by reason of election or reelection, becomes an elected official of the same office from which the member retired within a time period that is less than one full term for that office, the member shall not receive a pension until the member ceases to hold the same office.

Redemption Of Prior Service (A.R.S. §38-816)

Active members who had previous service in this state as an elected official with an employer now covered by the Plan before the effective date of participation and who received a refund of accumulated contributions from the applicable retirement system upon termination or who was not covered by a retirement system or plan during the elected official's prior elected official service may elect to redeem any part of the prior service by paying into the Plan the amounts required in A.R.S. §38-816.B.

Purchase Of Prior Active Military Service (A.R.S. §38-820)

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

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

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

Cola Benefit Increases (A.R.S. §38-818)

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

July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

Health Insurance Premium Subsidy (A.R.S. §38-817)

For EORP retirees who have elected group health and accident insurance coverage provided and administered by the state or another EORP employer and who had 8 or more years of credited service, the EORP will pay up to the following amounts:

Single		Family		
Not Medicare Eligible	Medicare Eligible	All Not Medicare Eligible	All Medicare Eligible	One with Medicare
\$150.00	\$100.00	\$260.00	\$170.00	\$215.00

Those retired members who had between 5 and 8 years of credited service would receive a proportionate share of the full subsidy.

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

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

State Taxation Of EORP Benefits (A.R.S. §38-811 and §43-1022)

Effective tax year commencing January 1, 1989, all EORP retirement benefits in excess of \$2500 annually will be subject to Arizona state tax.

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 as revenues in the period in which employee services are performed. Benefits due are paid in arrears on the last working day of each month. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture and equipment purchases, which are not material in amount, are expensed in the year of purchase. Investment income net of administrative and investment expenses is allocated to each employer group based on the average relative fund size for each employer group for that year.

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

The Plan implemented GASB Statement No. 34 for the Fiscal Year End 2002. The purpose of Statement No. 34 is to enhance the understandability and usefulness of state and local government financial reports. To accomplish this, Statement No. 34 requires supplemental information titled Management's Discussion and Analysis (MDA) that precedes the basic financial statements. The MDA will provide an analytical overview of the government's financial activities.

Other GASB Statements were required to be implemented in conjunction with GASB Statement No. 34. Therefore, the Plan has also implemented the following GASB Statements in the current fiscal year: Statement No. 37 – Basic Financial Statements – and MDA for State and Local Governments-Omnibus; and, Statement No. 38 – Certain Financial Statement Note Disclosures.

By state statute, this Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gain (Loss) used in this calculation totaled \$(2,016,036) for FYE 2002 and \$8,601,335 for FYE 2001.

Investments

EORP investments are reported at Fair Value. Fair Values are determined as follows: Short-term investments are reported

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

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

- 1) That not more than seventy per cent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five per cent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five per cent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
 - a) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
 - b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
 - c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
 - d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten per cent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

A.R.S. §38-848.D

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

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

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

Money Market Account

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

Securities Lending Income

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2002 and 2001 the fair value of securities on loan was \$81,493,029 (consisting of Stocks-\$38,003,099, Corporate Bonds-\$8,563,980 and Treasuries and Agencies-\$34,925,950) and \$91,481,670 (consisting of Stocks-\$47,705,918, Corporate Bonds-\$9,303,338 and Treasuries and Agencies-

\$34,472,414), respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool. Either the pool participants or the borrower can terminate all securities loans on demand. All term loans have a matched collateral investment. 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 average maturity, using the reset date as the maturity date, of not more than 45 days. And, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with maturity of 7 days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 2002 are not matched in maturity and have a weighted average maturity of 17 days, 9 days as of June 30, 2001. The Plan has no credit risk exposure to borrowers, because the amounts the Plan owes to the borrowers exceed the amounts the borrowers owe the Plan. Under this program, the Plan has not experienced any defaults or losses on these loans.

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period. Beginning with fiscal year 2001-2002, the employer contribution rate shall not be less than two per cent of salary.

During the year ended June 30, 2002, contributions totaling \$7,252,336 (\$3,656,604 employer and \$3,595,732 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2000. The employer contributions consisted of approximately \$8,573,252 for normal cost less (\$4,916,648) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 6.97% of covered payroll. [16.69% for normal costs and (9.72)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

During the year ended June 30, 2001, contributions totaling \$7,700,164 (\$4,155,874 employer and \$3,544,290 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1999. The employer contributions consisted of approximately \$7,611,766 for normal cost less (\$3,455,892) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 8.94% of covered payroll. [16.49% for normal costs and (7.55)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 7.00% of covered payroll and are attributable to normal costs.

NOTE 4 – REQUIRED SCHEDULES

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)²	Actuarial Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-82	\$ 13,162	\$ 18,357	\$ 5,195	71.7%	\$ 7,444	69.8%
6-30-83	\$ 15,350	\$ 19,013	\$ 3,663	80.7%	\$ 8,087	45.3%
6-30-84	\$ 17,694	\$ 19,694	\$ 2,000	89.8%	\$ 8,113	24.7%
6-30-85 ^{*3}	\$ 49,900	\$ 48,969	\$ (931)	101.9%	\$ 17,691	-5.3%
6-30-86	\$ 58,757	\$ 53,427	\$ (5,330)	110.0%	\$ 17,842	-29.9%
6-30-87 ¹	\$ 65,818	\$ 66,642	\$ 824	98.8%	\$ 20,409	4.0%
6-30-88 ¹	\$ 73,993	\$ 77,908	\$ 3,915	95.0%	\$ 21,444	18.3%
6-30-89 ^{*1}	\$ 84,258	\$ 90,951	\$ 6,693	92.6%	\$ 24,605	27.2%
6-30-90 ^{*1}	\$ 92,421	\$ 100,433	\$ 8,012	92.0%	\$ 25,776	31.1%
6-30-91 ^{*1}	\$ 103,570	\$ 109,650	\$ 6,080	94.5%	\$ 27,838	21.8%
6-30-92 ^{*1}	\$ 115,869	\$ 115,098	\$ (771)	100.7%	\$ 27,777	-2.8%
6-30-93 [*]	\$ 127,984	\$ 127,478	\$ (506)	100.4%	\$ 29,708	-1.7%
6-30-94 ¹	\$ 140,145	\$ 138,322	\$ (1,823)	101.3%	\$ 29,633	-6.2%
6-30-95 ¹	\$ 159,111	\$ 149,366	\$ (9,745)	106.5%	\$ 30,324	-32.1%
6-30-96 [*]	\$ 181,754	\$ 158,126	\$ (23,628)	114.9%	\$ 29,967	-78.8%
6-30-97 [*]	\$ 214,035	\$ 169,593	\$ (44,442)	126.2%	\$ 33,896	-131.1%
6-30-98	\$ 241,884	\$ 199,662	\$ (42,222)	121.1%	\$ 40,441	-104.4%
6-30-99	\$ 283,337	\$ 227,100	\$ (56,237)	124.8%	\$ 43,087	-130.5%
6-30-00	\$ 329,777	\$ 253,478	\$ (76,299)	130.1%	\$ 45,382	-168.1%
6-30-01	\$ 355,768	\$ 250,987	\$ (104,781)	141.7%	\$ 48,669	-215.3%
6-30-02	\$ 351,349	\$ 279,947	\$ (71,402)	125.5%	\$ 48,729	-146.5%

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

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

AAL is calculated using the entry-age normal method. Significant assumptions used in determining AAL include: (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually; (b) projected salary increases of 6.5% per year compounded annually, attributable to an assumed inflation rate of 5.5% and other across-the-board factors of 1.5%; and (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$3,048,190	100.0%
1991	\$4,141,666	100.0%
1992	\$4,830,326	100.0%
1993	\$4,941,470	100.0%
1994	\$5,555,890	100.0%
1995	\$5,224,545	100.0%
1996	\$4,886,479	100.0%
1997	\$4,934,939	100.0%
1998	\$3,668,144	100.0%
1999	\$3,941,018	100.0%
2000	\$4,126,694	100.0%
2001	\$4,155,874	100.0%
2002	\$3,656,604	100.0%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2000	\$ 24,038,167	\$ 331,297,268	\$ 46,908,586
Distribution of Revenues and Expenses			
Members' Contributions	3,544,290		
Employers' Contributions		4,155,874	
Earnings on Investments Net of Investment Expenses		(67,059,808)	
Pension Benefits		(16,802,302)	
Refunds to Terminated Members	(132,118)	(1,443)	
Administrative Expenses		(58,796)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings on Excess Investment Earnings Account Assets		7,953,820	(7,953,820)
Amount Utilized by Benefit Increases Granted		4,518,604	(4,518,604)
Net Transfers from Other State-Sponsored Pension Plans	154,128	115,610	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(3,543,500)	3,543,500	
Balance - June 30, 2001	\$ 24,060,967	\$ 267,662,327	\$ 34,436,162
Distribution of Revenues and Expenses			
Members' Contributions	3,595,732		
Employers' Contributions		3,656,604	
Earnings (Loss) on Investments Net of Investment Expenses		(48,685,392)	
Pension Benefits		(19,529,287)	
Refunds to Terminated Members	(30,636)	37,153	
Administrative Expenses		(70,983)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		5,234,297	(5,234,297)
Amount Utilized by Benefit Increases Granted		5,801,777	(5,801,777)
Net Transfers from Other State-Sponsored Pension Plans	156,613	277,452	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(1,929,133)	1,929,133	
Balance - June 30, 2002	\$ 25,853,543	\$ 216,313,081	\$ 23,400,088

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
SUPPORTING SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2002**

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 4,850	\$ -	\$ 4,850
Actuarial Services	12,800	-	12,800
Computer Equipment	1,007	493	1,500
Contractual Services	3,463	896	4,359
Educational Expenses	1,408	2,457	3,865
Furniture and Equipment	338	166	504
Occupancy Expenses	1,655	271	1,926
Office Supplies	581	213	794
Payroll Taxes and Fringe Benefits	5,573	2,936	8,509
Postage Expense	1,761	173	1,934
Printing, Publications and Subscriptions	7,491	151	7,642
Professional Services	2,674	239	2,913
Salaries and Wages	26,612	20,731	47,343
Telephone Expense	639	166	805
Travel Expense	131	259	390
	\$ 70,983	\$ 29,151	\$ 100,134

Consultants

Consultants	Fees Paid
Standard & Poor's Securities, Inc. - Investment Counsel	\$ (1)
Rodwan & Nichols - Consulting Actuaries	12,800
Barrows & Schatza, P.L.C. - Auditors	4,850
Lieberman, Dodge, Gerding, Kothe & Anderson Ltd. - Legal Counsel	2,913
	\$ 20,563

(1) This service was provided to the Plan without charge by Standard & Poor's Securities, Inc.
The value of their services is approximately \$7,500.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
RECEIPTS		
Members' Contributions	\$ 3,627,191	\$ 3,525,605
Employers' Contributions	186,865	640,996
Court Fees	3,484,311	3,537,287
Interest	7,825,250	7,765,749
Dividends	1,143,059	1,248,232
Securities Lending Income	167,127	111,529
Amounts Transferred from Other		
State-Sponsored Pension Plans	522,745	419,338
Maturities and Sales of		
U.S. Government Securities	14,827,952	4,033,350
Corporate Bonds	6,798,498	3,029,229
Corporate Notes	678,172,923	728,948,269
Other Investments	1,853,132	1,220,372
Common Stock	33,118,720	67,105,521
Net Decrease in Money Market Funds	117,228	612,216
Total Receipts	751,845,001	822,197,693
DISBURSEMENTS		
Pension Benefits	19,529,287	16,802,302
Refunds to Terminated Members	(6,518)	133,561
Investment and Administrative Expenses	93,887	89,117
Amounts Transferred to Other		
State-Sponsored Pension Plans	88,681	149,600
Acquisitions of:		
U.S. Government Securities	2,989,688	11,731,449
Corporate Bonds	9,113,875	5,152,069
Corporate Notes	685,668,810	728,952,022
Other Investments	1,252,715	2,472,636
Common Stock	33,114,576	56,714,937
Net Increase in Money Market Fund	-	-
Total Disbursements	751,845,001	822,197,693
DECREASE IN CASH	-	-
BEGINNING CASH BALANCE - July 1	-	-
ENDING CASH BALANCE - June 30	\$ -	\$ -

INVESTMENT SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

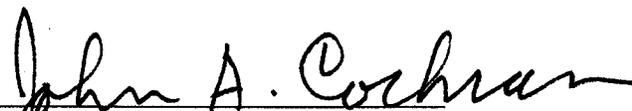
Detailed List of Sales and Redemption of Investments

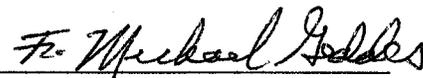
Detailed List of Investments Owned

FUND OBJECTIVES

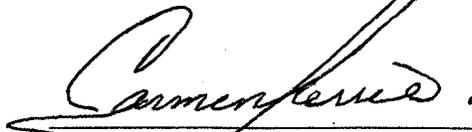
1. The intent of the Public Safety Personnel Retirement System, the Elected Official's Retirement Plan and the Corrections Officer Retirement Plan (herein after referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona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

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


John A. Cochran, Ph.D., Chairman


F. Michael Geddes, Member


Donald L. De Ment, Member

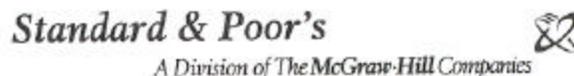

Carmen Torrie, Member


Tony West, Member

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

55 Water Street
New York, NY 10041
Tel 212 438 9546
Fax 212 438 9512
Kenneth_shea@sandp.com

Kenneth A. Shea
Managing Director
Director of Equity Research



August 19, 2002

The Fund Manager
Elected Officials' Retirement Plan
of the State of Arizona
1020 East Missouri Avenue
Phoenix, Arizona 85014

Dear Sirs:

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

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

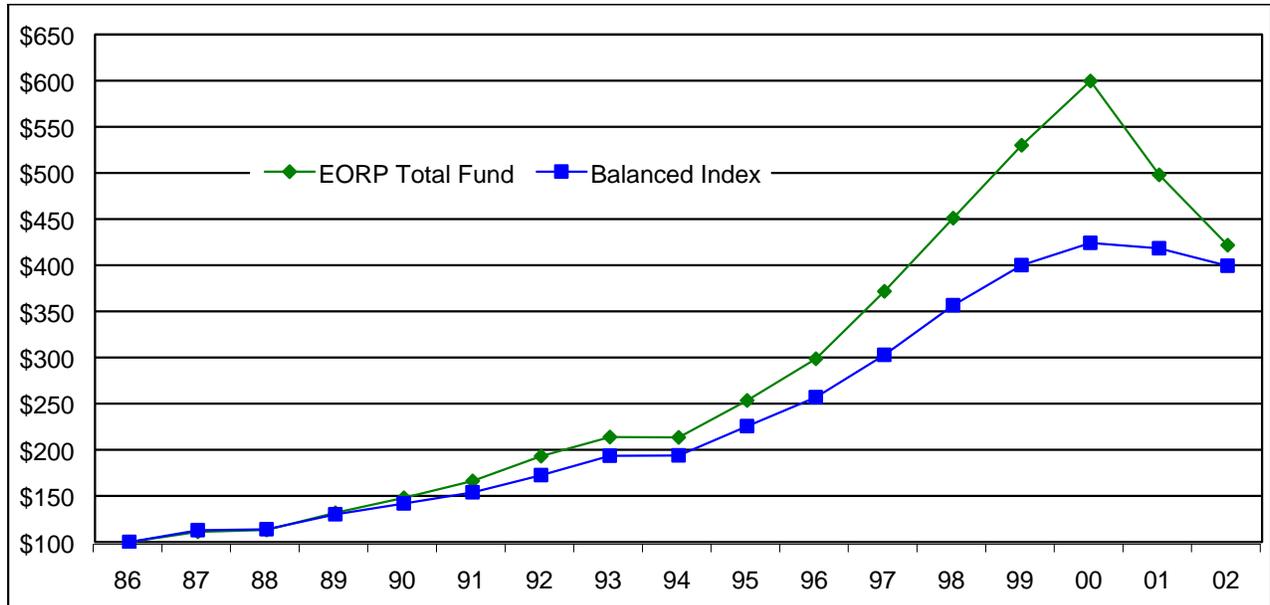
Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio outperformed the Lehman Government/Credit Index. The overall fund underperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion. The overall fund has attained a rate of return over the past sixteen years (since inception) that compares favorably with this custom index.

Sincerely,

Kenneth Shea/sig

Kenneth Shea
Managing Director-Global Equity Research

**Investment Performance Data
Cumulative Return - Total Fund
Elected Officials' Retirement Plan**



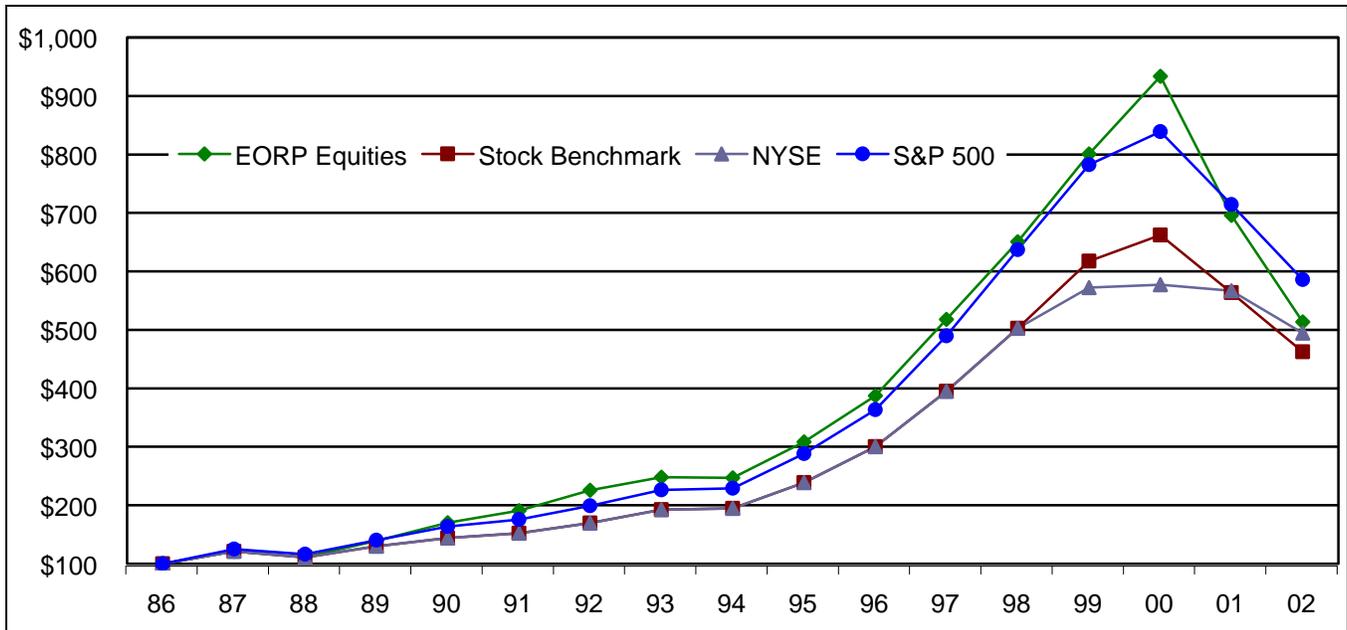
FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-02	\$ 263,752,773	\$ (11,539,231)	-15.36%	-4.50%
06-30-01	\$ 323,948,245	\$ (8,619,538)	-16.96%	-1.40%
06-30-00	\$ 399,600,916	\$ (3,551,579)	13.20%	6.02%
06-30-99	\$ 356,162,525	\$ (5,775,793)	17.51%	12.23%
06-30-98	\$ 308,491,389	\$ (3,624,820)	21.26%	17.66%
06-30-97	\$ 257,721,510	\$ (2,741,757)	24.59%	17.87%
06-30-96	\$ 209,379,157	\$ (2,779,807)	17.70%	13.98%
06-30-95	\$ 180,418,272	\$ (1,649,899)	18.78%	16.30%
06-30-94	\$ 153,422,862	\$ 54,156	-0.19%	0.25%
06-30-93	\$ 153,665,647	\$ (794,301)	10.70%	12.26%
06-30-92	\$ 139,529,010	\$ 844,693	16.29%	12.12%
06-30-91	\$ 119,192,732	\$ 625,797	12.31%	8.32%
06-30-90	\$ 105,498,890	\$ 420,839	12.26%	9.21%
06-30-89	\$ 93,578,548	\$ 1,095,348	16.61%	13.98%
06-30-88	\$ 79,125,721	\$ 1,018,730	1.80%	1.19%
06-30-87	\$ 76,655,143	\$ 554,007	11.01%	12.61%
06-30-86	\$ 68,508,067			
Annualized Returns		5-year	2.54%	5.68%
		10-year	8.11%	8.77%
		16-year	9.41%	9.04%

*The Balanced Index is calculated using the following formula: 45% Stock Benchmark + 45% Lehman Government/Credit + 10% 91 Day T-bill.

Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter. The Lehman Government/Credit bond index includes more than 5,000 publicly traded bond issues of \$25 million or more rated Baa or better for a total market value of more than \$2 trillion.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data
Cumulative Return - Domestic Equities
Elected Officials' Retirement Plan**

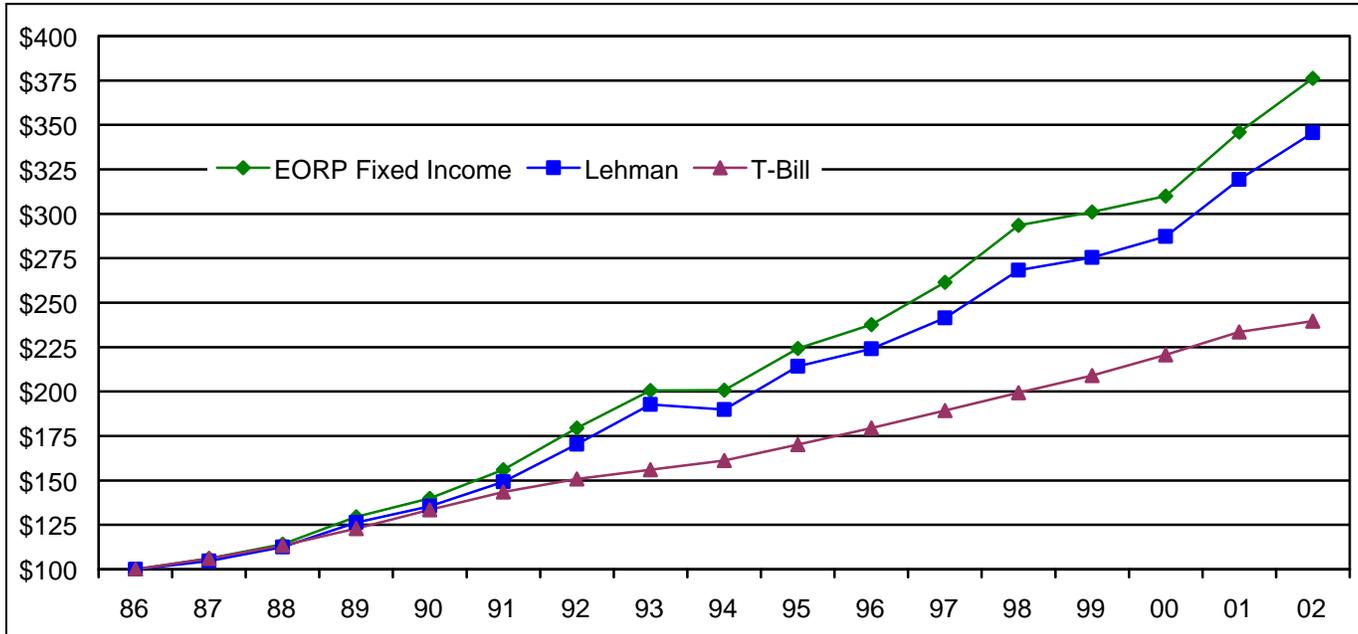


FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500	
06-30-02	\$ 162,637,827	\$ (1,087,377)	-26.20%	-17.99%	-12.80%	-17.99%	
06-30-01	\$ 221,189,751	\$ (11,629,031)	-25.47%	-14.83%	-1.77%	-14.83%	
06-30-00	\$ 310,309,992	\$ (2,522,218)	16.58%	7.25%	0.84%	7.25%	
06-30-99	\$ 268,364,567	\$ (2,803,445)	23.05%	22.76%	13.86%	22.76%	
06-30-98	\$ 219,970,996	\$ 3,973,823	25.61%	27.29%	27.29%	30.16%	
06-30-97	\$ 172,058,639	\$ (1,803,251)	33.72%	31.51%	31.51%	34.71%	
06-30-96	\$ 130,754,134	\$ 2,472,037	25.69%	25.91%	25.91%	26.00%	
06-30-95	\$ 100,984,922	\$ (4,284,646)	24.88%	22.40%	22.40%	26.06%	
06-30-94	\$ 84,956,830	\$ 858,704	-0.41%	1.24%	1.24%	1.23%	
06-30-93	\$ 84,488,875	\$ 9,068,166	9.90%	13.32%	13.32%	13.52%	
06-30-92	\$ 68,365,688	\$ 6,044,772	18.05%	11.59%	11.59%	13.45%	
06-30-91	\$ 52,650,675	\$ 9,161,349	12.20%	5.50%	5.50%	7.39%	
06-30-90	\$ 37,844,300	\$ 5,083,288	22.43%	11.25%	11.25%	16.44%	
06-30-89	\$ 26,506,185	\$ (3,016,405)	24.94%	16.81%	16.81%	20.53%	
06-30-88	\$ 24,034,290	\$ (805,321)	-8.16%	-8.57%	-8.57%	-6.92%	
06-30-87	\$ 27,185,325	\$ 4,220,210	21.22%	21.46%	21.46%	25.08%	
06-30-86	\$ 18,284,450						
Annualized Returns			5-year	-0.18%	3.20%	4.59%	3.66%
			10-year	8.58%	10.53%	11.28%	11.40%
			16-year	10.77%	10.04%	10.51%	11.68%

*Our investment universe is the New York Stock Exchange (NYSE) prior to July 21, 1997. Prior to FYE June 30, 1998, the Fund's stock benchmark was the NYSE Composite. S&P 500 is the stock benchmark for each FYE thereafter.

Prior to 1990, the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

**Investment Performance Data
Cumulative Return - Fixed Income
Elected Officials' Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Lehman*	91-Day T-Bill
06-30-02	\$ 101,114,946	\$ (10,451,854)	8.73%	8.24%	2.57%
06-30-01	\$ 102,758,495	\$ 3,009,493	11.58%	11.14%	5.89%
06-30-00	\$ 89,290,924	\$ (1,029,361)	2.97%	4.29%	5.53%
06-30-99	\$ 87,797,958	\$ (2,972,348)	2.56%	2.69%	4.90%
06-30-98	\$ 88,520,393	\$ (7,598,643)	12.29%	11.08%	5.28%
06-30-97	\$ 85,666,634	\$ (938,506)	9.98%	7.76%	5.43%
06-30-96	\$ 78,625,023	\$ (5,251,844)	6.02%	4.65%	5.52%
06-30-95	\$ 79,433,350	\$ 2,634,747	11.67%	12.75%	5.52%
06-30-94	\$ 68,466,032	\$ (804,548)	0.08%	-1.45%	3.37%
06-30-93	\$ 69,176,772	\$ (9,862,467)	11.75%	13.15%	3.37%
06-30-92	\$ 71,163,322	\$ (5,200,079)	15.01%	14.17%	5.19%
06-30-91	\$ 66,542,057	\$ (8,535,552)	11.55%	10.21%	7.55%
06-30-90	\$ 67,654,590	\$ (4,662,449)	8.06%	7.11%	8.50%
06-30-89	\$ 67,072,363	\$ 4,111,753	13.40%	12.33%	8.47%
06-30-88	\$ 55,091,431	\$ 1,824,079	7.61%	7.47%	6.75%
06-30-87	\$ 49,469,818	\$ (3,666,202)	6.12%	4.68%	6.17%
06-30-86	\$ 50,223,617				
Annualized Returns	5-year		7.55%	7.43%	4.83%
	10-year		7.68%	7.33%	4.73%
	16-year		8.63%	8.06%	5.61%

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

Prior to 1990 the weightings in each asset class were calculated using the fiscal year-end market values. Since 1990, the asset class weightings have been calculated using the average weightings of the quarter's beginning and ending market values.

Our Fixed Income is comprised of all Bonds, Notes, Other Investments and Money Market securities.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 2002**

Broker	Number of Shares Traded	Average Commission	Commissions
Dain Rauscher	143,000	0.050	\$ 7,150.00
Greenberg Financial Group	24,000	0.050	\$ 1,200.00
Investors Capital Corporation	18,000	0.050	\$ 900.00
ISI Group	125,000	0.050	\$ 6,250.00
Merrill Lynch	206,680	0.020	\$ 4,100.00
Morgan Stanley Dean Witter	109,000	0.050	\$ 5,450.00
Pin Oak Partners, Inc.	50,000	0.050	\$ 2,500.00
Salomon Smith Barney (Phoenix)	198,800	0.016	\$ 3,240.00
Salomon Smith Barney (Scottsdale)	170,186	0.026	\$ 4,359.30
Standard & Poor's Securities	288,000	0.050	\$ 14,400.00
U. S. Securities and Futures	245,000	0.050	\$ 12,250.00
UBS Paine Webber	215,765	0.029	\$ 6,238.25
Wells Fargo / Van Kasper	257,000	0.050	\$ 12,850.00
Total Commissions	2,050,431	0.039	\$ 80,887.55

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

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Description	Percent at Fair Value	Balance June 30, 2001		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2002		Percent at Fair Value
		Fair Value	Book Value				Fair Value	Book Value	
U.S. Treasury Obligations	3.9%	12,767,960.00	10,968,450.14	-	6,000,956.52	(1,733.07)	6,620,010.00	4,965,760.55	1.7%
Federal Agency Obligations	11.2%	36,149,168.77	35,039,386.40	2,989,687.50	8,825,262.16		30,867,401.60	29,203,811.74	10.2%
Total U.S. Government Securities	15.1%	48,917,128.77	46,007,836.54	2,989,687.50	14,826,218.68	(1,733.07)	37,487,411.60	34,169,572.29	11.9%
Corporate Bonds	13.1%	42,384,669.63	43,552,117.80	9,113,874.59	6,354,101.93	(14,688.43)	45,293,654.94	46,297,202.03	16.2%
Total Bond Portfolio	28.2%	91,301,798.40	89,559,954.34	12,103,562.09	21,180,320.61	(16,421.50)	82,781,066.54	80,466,774.32	28.1%
Corporate Notes	0.9%	2,998,918.34	2,998,918.34	685,668,809.74	678,172,923.09	-	10,494,804.99	10,494,804.99	3.6%
Common Stock	68.3%	221,189,750.55	190,250,495.59	33,114,575.55	35,602,664.13	-	162,637,826.77	187,762,407.01	65.6%
Other Investments	2.5%	8,113,706.13	8,113,706.13	1,252,714.97	1,754,191.10	-	7,612,230.00	7,612,230.00	2.7%
Money Market Account	0.1%	344,071.93	344,071.93		117,227.60	-	226,844.33	226,844.33	0.0%
Total Portfolio	100.0%	323,948,245.35	291,267,146.33	732,139,662.35	736,827,326.53	(16,421.50)	263,752,772.63	286,563,060.65	100.0%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002**

BONDS ACQUIRED

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
<i>FEDERAL AGENCY OBLIGATIONS</i>									
GNMA Pool #552514	6.500	04/15/2032	99.65625	3,000,000.00	2,989,687.50	10,312.50	9,208.33	2,998,895.83	6.52%
TOTAL FEDERAL AGENCY OBLIGATIONS				3,000,000.00	2,989,687.50	10,312.50	9,208.33	2,998,895.83	6.52%
<i>CORPORATE BONDS</i>									
AT&T CORPORATES	6.500	03/15/2029	86.76000	500,000.00	433,800.00	66,200.00	14,354.17	448,154.17	7.49%
DELTA AIRLINES SERIES 01-1B	7.711	09/18/2011	99.47900	500,000.00	497,395.00	2,605.00	1,178.07	498,573.07	7.75%
FORD HOLDINGS INC	9.375	03/01/2020	112.48500	500,000.00	562,425.00	(62,425.00)	10,546.88	572,971.88	8.33%
FORD MOTOR COMPANY	7.450	07/16/2031	91.86000	500,000.00	459,300.00	40,700.00	18,107.64	477,407.64	8.11%
FORD MOTOR CREDIT	7.250	10/25/2011	101.76200	500,000.00	508,810.00	(8,810.00)	4,934.03	513,744.03	7.12%
LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	94.09000	1,000,000.00	940,900.00	59,100.00	29,750.00	970,650.00	8.37%
NATIONAL RURAL UTILITIES	8.000	03/01/2032	101.04500	1,000,000.00	1,010,450.00	(10,450.00)	-	1,010,450.00	7.92%
NORTHWEST AIRLINES	7.935	04/01/2019	109.25000	927,506.67	1,013,301.04	(85,794.37)	15,946.16	1,029,247.20	7.26%
STANDARD CHARTERED BANK	8.000	05/30/2031	104.67800	1,000,000.00	1,046,780.00	(46,780.00)	13,333.33	1,060,113.33	7.64%
UNION CARBIDE CORP	7.875	04/01/2023	96.66500	627,000.00	606,089.55	20,910.45	6,309.19	612,398.74	8.15%
WORLDCOM INC.	8.250	05/15/2031	102.16240	1,000,000.00	1,021,624.00	(21,624.00)	18,562.50	1,040,186.50	8.08%
ZURICH CAPITAL TRUST I	8.376	06/01/2037	101.30000	1,000,000.00	1,013,000.00	(13,000.00)	23,499.33	1,036,499.33	8.27%
TOTAL CORPORATE BONDS				9,054,506.67	9,113,874.59	(59,367.92)	156,521.30	9,270,395.89	7.89%
TOTAL BONDS PURCHASED				12,054,506.67	12,103,562.09	(49,055.42)	165,729.63	12,269,291.72	7.55%

**STATE OF ARIZONA
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SHORT TERM INVESTMENTS MATURED

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Description	Cost	Amount of Interest	Maturity Value
AEGON FUNDING CORP	1,499,567.50	432.50	1,500,000.00
ALLMERICA FINANCIAL CORP	999,401.11	598.89	1,000,000.00
ALLSTATE CORPORATION	1,248,819.10	1,180.90	1,250,000.00
AMGEN INC	1,748,906.74	1,093.26	1,750,000.00
AMSTEL FUNDING	999,770.00	230.00	1,000,000.00
AMSTERDAM FUNDING CORP	8,246,024.17	3,975.83	8,250,000.00
ASSET ONE SECURITIZATION	6,497,024.30	2,975.70	6,500,000.00
ASSET SECURT. COOPERATIVE	999,893.61	106.39	1,000,000.00
AUTOBAHN FUNDING CORP	79,805,628.57	19,371.43	79,825,000.00
BANK OF IRELAND	2,024,318.81	681.19	2,025,000.00
BANNER HEALTH SYSTEMS	999,655.56	344.44	1,000,000.00
BARTON CAPITAL CORP	1,999,167.50	832.50	2,000,000.00
BAVARIA FINANCE FUNDING	3,996,519.44	3,480.56	4,000,000.00
BBL NORTH AMERICA FUNDING	999,261.11	738.89	1,000,000.00
BEETHOVEN FUNDING CORPORATION	17,194,207.04	5,792.96	17,200,000.00
BELFORD FUNDING COMPANY LLC	999,639.17	360.83	1,000,000.00
BROADWAY CAPITAL	1,998,475.28	1,524.72	2,000,000.00
BRYANT PARK FUNDING LLC	1,499,325.00	675.00	1,500,000.00
CARGILL INC	999,667.50	332.50	1,000,000.00
CATHOLIC HEALTHCARE PARTNERS	1,548,915.00	1,085.00	1,550,000.00
CDC COMMERCIAL PAPER PROGRAM	2,999,525.55	474.45	3,000,000.00
CHECK POINT CHARLIE INC	4,399,690.72	309.28	4,400,000.00
CINTAS CORPORATION NO. 2	999,104.44	895.56	1,000,000.00
CLIPPER RECEIVABLES	2,998,545.27	1,454.73	3,000,000.00
COCA COLA COMPANY	999,266.67	733.33	1,000,000.00
CONCORD MINUTEMAN CAPITAL	5,223,190.02	1,809.98	5,225,000.00
COOPERATIVE ASSN OF TRACTOR DEALERS	23,318,590.65	6,409.35	23,325,000.00
COUNTRYWIDE HOME LOANS	2,249,325.00	675.00	2,250,000.00
CROWN POINT CAPITAL	3,172,839.02	2,160.98	3,175,000.00
CVS CORPORATION	999,615.56	384.44	1,000,000.00
CXC INC	999,711.67	288.33	1,000,000.00
DAKOTA NOTES	3,499,443.61	556.39	3,500,000.00
DEALERS CAPITAL ACCEPTANCE	3,174,131.38	868.62	3,175,000.00
DEALERS CAPITAL ACCESS TRUST INC.	21,994,133.19	5,866.81	22,000,000.00
DELAWARE FUNDING CORP	999,758.33	241.67	1,000,000.00
DOW CHEMICAL COMPANY	1,499,794.44	205.56	1,500,000.00
DUKE ENERGY CORP	999,255.00	745.00	1,000,000.00
EAGLE FUNDING CAPITAL	16,890,623.17	9,376.83	16,900,000.00
EDISON ASSET SECURITIZATION	1,998,050.83	1,949.17	2,000,000.00
EMINENT FUNDING	10,295,819.31	4,180.69	10,300,000.00
ERASMUS CAPITAL CORP	999,511.94	488.06	1,000,000.00
EXXON PROJECT	3,796,636.12	3,363.88	3,800,000.00
EXXON PROJECT INVESTMENT	2,999,654.17	345.83	3,000,000.00
FALCON ASSET SECURITIZATION	3,499,155.55	844.45	3,500,000.00
FLORDIA POWER AND LIGHT	999,583.33	416.67	1,000,000.00
FORRESTAL FUNDING MASTER TRUST	999,849.17	150.83	1,000,000.00
FOUR WINDS FUNDING CORP	13,998,524.70	1,475.30	14,000,000.00
FPL FUELS, INC.	999,444.44	555.56	1,000,000.00
GALLEON CAPITAL	46,493,594.08	6,405.92	46,500,000.00
GE CAPITAL CORP	3,398,766.58	1,233.42	3,400,000.00
GENERAL ELECTRIC COMPANY	999,570.00	430.00	1,000,000.00
GIRO FUNDING (US)	4,498,731.81	1,268.19	4,500,000.00

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Description	Cost	Amount of Interest	Maturity Value
GIRO MULTI-FUNDING US CORP	999,090.00	910.00	1,000,000.00
GOTHAM FUNDING	1,549,123.82	876.18	1,550,000.00
GRAND FUNDING CORP	1,499,572.64	427.36	1,500,000.00
HALOGEN CAPITAL COMPANY	3,997,872.50	2,127.50	4,000,000.00
HANNOVER FUNDING	15,197,382.57	2,617.43	15,200,000.00
HOLDENBY CAPITAL COMPANY LLC	999,949.72	50.28	1,000,000.00
HOLLAND LIMITED SECURITIZATION	24,987,082.12	12,917.88	25,000,000.00
INDIANA GAS COMPANY	999,788.33	211.67	1,000,000.00
K2 (USA) LLC	499,976.39	23.61	500,000.00
KITTY HAWK FUNDING CORP	3,024,097.88	902.12	3,025,000.00
LEXINGTON PARKER CAPITAL CORP	3,498,227.22	1,772.78	3,500,000.00
LIBERTY STREET FUNDING	2,999,064.72	935.28	3,000,000.00
LONG LANE MASTER TRUST	998,872.22	1,127.78	1,000,000.00
LONG LANE MASTER TRUST IV	499,408.33	591.67	500,000.00
MARKET STREET FUNDING	6,497,994.59	2,005.41	6,500,000.00
MARSH & MCLENNAN	3,498,043.89	1,956.11	3,500,000.00
MEDTRONIC	1,499,713.33	286.67	1,500,000.00
MIDAMERICAN ENERGY CO	499,873.61	126.39	500,000.00
MOAT FUNDING	3,998,129.16	1,870.84	4,000,000.00
MONTAUK FUNDING CORP	4,598,303.17	1,696.83	4,600,000.00
NEPTUNE FUNDING	11,344,363.42	5,636.58	11,350,000.00
NESS LLC	1,999,587.50	412.50	2,000,000.00
NESTLE CAPITAL CORP	1,999,901.67	98.33	2,000,000.00
OLD LINE FUNDING	2,898,515.55	1,484.45	2,900,000.00
ORANGE & ROCKLAND UTILITY	999,687.50	312.50	1,000,000.00
PARADIGM FUNDING	5,547,737.81	2,262.19	5,550,000.00
PEOPLES ENERGY CORPORATION	999,901.94	98.06	1,000,000.00
PREFERRED RECEIVABLES FUNDING CORP	2,898,556.56	1,443.44	2,900,000.00
QUESTAR CORP	999,300.00	700.00	1,000,000.00
QUINCY CAPITAL CORPORATION	999,655.56	344.44	1,000,000.00
REGENCY MARKETS NO. 1	7,021,224.05	3,775.95	7,025,000.00
REVOLVING COMMITMENT VEHICLE	999,086.39	913.61	1,000,000.00
SOUTHERN COMPANY FUNDING CORP	1,499,416.67	583.33	1,500,000.00
SPECIAL PURPOSE ACCTS. REC.	3,046,702.50	3,297.50	3,050,000.00
STARBIRD FUNDING CORPORATION	21,792,661.53	7,338.47	21,800,000.00
STEAMBOAT FUNDING	7,746,998.88	3,001.12	7,750,000.00
SUNBELT FUNDING CORP	24,989,529.18	10,470.82	25,000,000.00
SUNFLOWERS FUNDING CO	5,499,392.10	607.90	5,500,000.00
SUPERIOR FUNDING CAPITAL CORP	999,385.83	614.17	1,000,000.00
SWEDBANK	999,480.00	520.00	1,000,000.00
SYDNEY CAPITAL CORP	3,996,709.45	3,290.55	4,000,000.00
TEXTRON INC	999,337.78	662.22	1,000,000.00
THAMES ASSET GLOBAL SECURITIZATION	499,418.61	581.39	500,000.00
THREE CROWNS FUNDING	78,029,051.80	20,948.20	78,050,000.00
THUNDER BAY FUNDING	9,997,771.38	2,228.62	10,000,000.00
TOTAL FINA ELF SA	1,499,426.67	573.33	1,500,000.00
TRANSAMERICA ASSET FUNDING	7,748,339.99	1,660.01	7,750,000.00
TRIDENT CAPITAL FINANCE	999,222.22	777.78	1,000,000.00
TRIPLE A-1 FUNDING	4,498,249.57	1,750.43	4,500,000.00
UBS AMERICAS INC	19,497,604.78	2,395.22	19,500,000.00
UBS FINANCE (DELAWARE)	4,999,436.39	563.61	5,000,000.00
UNITED TECH CORP	999,562.50	437.50	1,000,000.00

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Description	Cost	Amount of Interest	Maturity Value
USAA CAPITAL CORP	999,761.11	238.89	1,000,000.00
VECTREN UTILITY HOLDING CORP	2,999,729.99	270.01	3,000,000.00
VISTAONE METAFOLIO LLC	6,997,467.23	2,532.77	7,000,000.00
WELLS FARGO & COMPANY	5,547,029.44	2,970.56	5,550,000.00
WGL HOLDINGS	1,999,499.16	500.84	2,000,000.00
WINDMILL FUNDING CORPORATION	3,796,830.83	3,169.17	3,800,000.00
WISCONSIN PUBLIC SERVICE	999,191.11	808.89	1,000,000.00
WORLD OMNI VEHICLE LEASING	3,749,010.00	990.00	3,750,000.00
TOTALS	678,172,923.09	227,076.91	678,400,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
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COMMON STOCK ACQUIRED

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Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ALBERTO CULVER CO	14,000	0.36	5,040.00	0.66%	54.32	760,447.26
AMERICAN STANDARD COMPANY INC	11,000	-	-	-	76.56	842,207.68
BELLSOUTH CORPORATION	29,000	0.76	22,040.00	1.90%	40.08	1,162,315.50
BROADWING INC.	22,000	-	-	-	21.41	471,109.30
CANADIAN NATIONAL RAILWAY	25,000	0.55	13,670.00	1.16%	47.16	1,179,064.40
CHEVRON CORPORATION	14,000	2.80	39,200.00	3.35%	83.70	1,171,759.20
CHOICEPOINT INCORPORATED	29,000	-	-	-	52.53	1,523,421.20
DAL-TILE INTERNATIONAL	14,000	-	-	-	17.30	242,179.20
ELECTRONICS BOUTIQUE HOLDINGS CORP.	40,000	-	-	-	36.74	1,469,763.76
FORTUNE BRANDS, INC.	11,000	1.00	11,000.00	1.92%	52.20	574,201.10
GENZYME CORPORATION	29,000	-	-	-	57.59	1,670,056.65
HEALTHSOUTH CORP	14,000	-	-	-	15.03	210,383.60
JACOBS ENGINEERING GROUP INC.	11,000	-	-	-	60.47	665,126.40
JOHNSON & JOHNSON CO	14,000	0.82	11,480.00	1.52%	53.85	753,905.60
LANDSTAR SYSTEMS, INC	6,800	-	-	-	105.54	717,661.60
LENNAR CORPORATION	15,000	0.05	750.00	0.11%	43.60	653,925.40
MBNA CORP	12,000	0.40	4,800.00	1.06%	37.87	454,442.40
MICROCHIP TECHNOLOGY INC.	14,000	-	-	-	38.79	543,008.00
MOHAWK INDUSTRIES	11,000	-	-	-	69.04	759,405.10
MOODY'S CORPORATION	14,000	0.18	2,520.00	0.46%	38.96	545,478.67
OXFORD HEALTH PLANS, INC.	14,000	-	-	-	26.29	368,068.30
P.F. CHANG'S CHINA BISTRO	59,000	-	-	-	39.80	2,348,438.34
PACTIV CORPORATION	13,000	-	-	-	16.00	207,950.10
PEPSICO INC.	36,000	0.60	21,600.00	1.23%	48.65	1,751,229.57
PFIZER INC.	15,000	0.52	7,800.00	1.27%	41.01	615,204.00
QUALCOMM INCORPORATED	15,000	-	-	-	45.70	685,428.00
QUEST DIAGNOSTIC	11,000	-	-	-	87.08	957,889.90
SCP POOL CORPORATION	38,000	-	-	-	35.76	1,358,846.62
SEARS, ROEBUCK AND COMPANY	14,000	0.92	12,880.00	1.63%	56.37	789,158.88
SEI INVESTMENTS COMPANY	15,000	0.24	3,600.00	0.61%	39.18	587,731.50
SIEBEL SYSTEMS	44,000	-	-	-	34.90	1,535,404.60
SPRINT CORPORATION (PCS GROUP)	43,000	-	-	-	26.72	1,148,860.80
ST. JUDE MEDICAL	22,000	-	-	-	81.57	1,794,435.30
TENET HEALTHCARE CORPORATION	11,000	0.04	440.00	0.07%	61.06	671,706.60
VISHAY INTERTECHNOLOGY INC	15,000	-	-	-	23.12	346,774.50
WALGREEN COMPANY	14,000	0.15	2,032.80	0.37%	39.62	554,686.60
WATERS CORPORATION	14,000	-	-	-	34.30	480,179.00
WHIRLPOOL CORP	7,000	1.36	9,520.00	1.75%	77.53	542,720.92
TOTAL COMMON STOCK BOUGHT			168,372.80	0.51%		33,114,575.55

STATE OF ARIZONA
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OTHER INVESTMENTS ACQUIRED

Name	Coupon	Maturity	Book Cost
<i>BRIDGE FINANCIAL</i>			
BRIDGE FINANCIAL-DYNAMITE MTN. RANCH	12.750	4/30/2002	31,089.97
BRIDGE FINANCIAL-GRAND INN	12.500	9/25/2000	10,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED			41,089.97
<i>PIVOTAL EQUITY</i>			
CENTURY PLAZA HOTEL			213,750.00
NEWS I, LLC			9,000.00
PROMONTORY			562,500.00
PROMONTORY-LOANS			360,000.00
SPA AT RED CANYON			66,375.00
TOTAL PIVOTAL EQUITY ACQUIRED			1,211,625.00
TOTAL OTHER INVESTMENTS ACQUIRED			1,252,714.97

**STATE OF ARIZONA
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SALES AND REDEMPTION OF INVESTMENTS
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BONDS SOLD

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
US TREASURY OBLIGATIONS									
US TREASURY BOND	14.250	2/15/2002	5,000,000.00	100.00	-	4,999,973.61	4,999,973.61	-	4,999,973.61
US TREASURY NOTE	7.500	11/15/2001	1,000,000.00	100.10	-	1,000,982.91	1,000,982.91	-	1,000,982.91
TOTAL US TREASURY OBLIGATIONS			6,000,000.00		-	6,000,956.52	6,000,956.52	-	6,000,956.52
FEDERAL AGENCY OBLIGATIONS									
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.									
TOTAL FEDERAL AGENCY OBLIGATIONS							8,825,262.16		
CORPORATE BONDS									
ANTHEM INSURANCE COMPANAY	9.125	4/1/2010	1,000,000.00	92.32	28,895.83	1,047,500.00	923,246.24	124,253.76	952,142.07
AUTO BOND RECEIVABLE TRUST	6.400	4/15/2001	20,238.64	100.00	-	20,238.64	20,238.64	-	20,238.64
AXA SA	8.600	12/15/1930	500,000.00	108.38	3,105.56	568,120.00	541,920.77	26,199.23	545,026.33
FORD MOTOR COMPANY	7.450	7/16/1931	500,000.00	91.94	13,037.50	474,550.00	459,719.71	14,830.29	472,757.21
LEHMAN BROTHERS HOLDINGS	8.750	5/15/2002	1,000,000.00	100.06	-	1,000,609.00	1,000,609.00	-	1,000,609.00
NATIONAL RURAL UTILITIES	8.000	3/1/1932	1,000,000.00	101.04	22,666.67	1,125,570.00	1,010,363.87	115,206.13	1,033,030.54
OHIO NATIONAL LIFE INSURANCE	8.500	5/15/2026	1,000,000.00	99.82	8,500.00	1,058,790.00	998,179.71	60,610.29	1,006,679.71
OKLAHOMA GAS & ELECTRIC	6.500	4/15/2028	815,000.00	83.67	588.61	745,545.70	681,923.74	63,621.96	682,512.35
SECURITY NATIONAL MORTGAGE	7.870	8/25/1930	265,746.42	100.00	-	265,746.42	265,746.42	-	265,746.42
TYCO INTERNATIONAL GROUP	6.875	1/15/2029	500,000.00	90.43	1,527.78	477,140.00	452,153.83	24,986.17	453,681.61
TOTAL CORPORATE BONDS			6,600,985.06		78,321.95	6,783,809.76	6,354,101.93	429,707.83	6,432,423.88
TOTAL BONDS SOLD			12,600,985.06		78,321.95	12,784,766.28	21,180,320.61	429,707.83	12,433,380.40

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SALES AND REDEMPTION OF INVESTMENTS
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COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
3COM SECURITIES LITIGATION	-	-	-	-	-	-	60,740.54	0.00%
AES CORPORATION	14,000	12.82	179,464.60	705.99	178,758.61	702,056.60	(523,297.99)	-74.54%
ALLTEL CORPORATION	11,000	60.58	666,429.80	572.22	665,857.58	711,026.39	(45,168.81)	-6.35%
AMERICAN EXPRESS	31,000	37.09	1,149,743.50	1,567.25	1,148,176.25	1,083,822.41	64,353.84	5.94%
AMERICAN INT'L GROUP	33,765	76.29	2,575,795.10	1,755.89	2,574,039.21	792,105.20	1,781,934.01	224.96%
AMGEN	19,000	58.59	1,113,286.00	37.11	1,113,248.89	737,340.14	375,908.75	50.98%
BELLSOUTH CORPORATION	29,000	32.34	937,764.30	1,478.23	936,286.07	1,162,315.50	(226,029.43)	-19.45%
BIOGEN INC	35,000	54.33	1,901,532.40	778.54	1,900,753.86	1,730,555.99	170,197.87	9.83%
BJ'S WHOLESALE CLUB, INC.	19,000	42.35	804,588.60	974.23	803,614.37	769,792.29	33,822.08	4.39%
BROADWING INC.	15,000	3.34	50,104.50	751.51	49,352.99	368,755.05	(319,402.06)	-86.62%
CHARTER COMMUNICATIONS, INC	15,000	11.70	175,503.00	5.86	175,497.14	333,346.50	(157,849.36)	-47.35%
CHOICEPOINT	-	-	-	-	-	-	30.65	0.00%
CISCO SYSTEMS	37,000	19.75	730,799.50	24.37	730,775.13	320,846.46	409,928.67	127.76%
CORNING INCORPORATED	45,000	9.80	440,811.00	2,264.70	438,546.30	3,126,229.40	(2,687,683.10)	-85.97%
DEVON ENERGY CORPORATION	11,000	33.01	363,136.40	562.11	362,574.29	632,261.15	(269,686.86)	-42.65%
ECHOSTAR COMMUNICATIONS 'A'	29,000	23.05	668,566.00	22.29	668,543.71	1,380,089.56	(711,545.85)	-51.56%
EL PASO CORPORATION	29,000	21.92	635,633.60	1,469.14	634,164.46	1,683,906.50	(1,049,742.04)	-62.34%
EMC CORP	43,000	13.69	588,719.00	2,165.39	586,553.61	485,357.31	101,196.30	20.85%
ENRON CORPORATION	80,000	20.14	1,611,408.50	1,853.72	1,609,554.78	1,445,951.00	163,603.78	11.31%
EXPRESS SCRIPTS	12,000	44.30	531,659.70	7.99	531,651.71	239,853.11	291,798.60	121.66%
GUIDANT CORPORATION	14,000	32.10	449,400.00	714.98	448,685.02	914,021.20	(465,336.18)	-50.91%
HELLER FINANCIAL, INC.	11,000	53.09	584,008.70	569.47	583,439.23	289,263.21	294,176.02	101.70%
HOME DEPOT	16,000	50.46	807,398.40	812.12	806,586.28	163,164.49	643,421.79	394.34%
INTEL CORPORATION	55,000	23.12	1,271,654.50	42.40	1,271,612.10	1,191,572.91	80,039.19	6.72%
INTERNATIONAL BUSINESS MACH.	41,000	108.85	4,463,026.20	2,177.93	4,460,848.27	1,177,848.25	3,283,000.02	278.73%
JABIL CIRCUIT	15,000	32.91	493,698.00	766.46	492,931.54	343,426.45	149,505.09	43.53%
LEXMARK INTERNATIONAL GROUP	21,000	57.24	1,202,019.00	1,068.04	1,200,950.96	1,561,303.00	(360,352.04)	-23.08%
MCI Group	4,180	15.27	63,844.48	2.13	63,842.35	133,783.82	(69,941.47)	-52.28%
MOHAWK (Fractional Shares)	0.2	-	-	-	-	-	11.71	0.00%
MOHAWK/DAL-TILE MERGER CASH	-	-	-	-	-	-	154,000.00	0.00%
NEWS CORPORATION	58,000	28.20	1,635,828.40	2,933.94	1,632,894.46	1,258,212.58	374,681.88	29.78%
NOKIA CORPORATION	87,000	18.08	1,572,957.20	4,385.60	1,568,571.60	1,564,224.38	4,347.22	0.28%
NORTEL NETWORKS CORP	19,000	7.85	149,150.00	954.98	148,195.02	299,416.88	(151,221.86)	-50.51%
OFFICEMAX INC.	185,000	3.08	569,698.51	9,269.11	560,429.40	2,544,169.95	(1,983,740.55)	-77.97%
PFIZER INC.	15,000	39.93	598,906.50	769.97	598,136.53	361,673.03	236,463.50	65.38%
PLANTRONICS, INC.	15,000	20.30	304,460.10	760.17	303,699.93	414,683.23	(110,983.30)	-26.76%
QUANTA SERVICES, INC.	14,000	13.98	195,694.04	702.96	194,991.08	475,131.20	(280,140.12)	-58.96%
RAINBOW MEDIA GROUP	14,000	19.95	279,305.60	709.32	278,596.28	223,129.22	55,467.06	24.86%
SCHERING-PLOUGH CORP	35,000	36.93	1,292,575.80	1,793.10	1,290,782.70	597,413.25	693,369.45	116.06%

**STATE OF ARIZONA
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SALES AND REDEMPTION OF INVESTMENTS
JULY 1, 2001 THROUGH JUNE 30, 2002**

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COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
SEITEL, INC	28,000	5.53	154,729.85	1,402.55	153,327.30	523,473.17	(370,145.87)	-70.71%
SUN MICROSYSTEMS, INC	29,000	17.08	495,322.90	1,466.52	493,856.38	1,197,633.46	(703,777.08)	-58.76%
TARGET CORP	13,000	31.46	408,929.30	663.64	408,265.66	373,689.19	34,576.47	9.25%
WILLIAMS COMMUNICATIONS GROUP	36,186	2.13	77,138.41	1,811.89	75,326.52	154,760.93	(79,434.41)	-51.33%
WORLDCOM INC.	67,500	10.37	700,197.75	918.57	699,279.18	2,135,059.77	(1,435,780.59)	-67.25%
TOTAL STOCK SOLD	1,300,631		32,894,889.14	51,692.39	32,843,196.75	35,602,664.13	(2,544,684.48)	-7.15%

**STATE OF ARIZONA
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SALES AND REDEMPTIONS OF INVESTMENTS
JULY 1, 2001 THROUGH JUNE 30, 2002**

OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Book Cost	Capital Gains (Loss)
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-15 E. MONROE	12.500	1/5/2001	61,500.00	-
BRIDGE FINANCIAL-BEAVER CREEK	13.000	8/3/2001	46,000.00	-
BRIDGE FINANCIAL-DYNAMITE MTN. RANCH	12.750	6/30/2002	6,195.00	-
BRIDGE FINANCIAL-LAKE PLEASANT	14.000	9/15/2001	-	1,267.66
BRIDGE FINANCIAL-VILLAGE AT HASSAYAMPA	12.000	11/11/2001	19,937.00	-
TOTAL BRIDGE FINANCIAL SOLD			133,632.00	1,267.66
<i>PIVOTAL</i>				
PIVOTAL PROMONTORY			247,500.00	-
PIVOTAL PROMONTORY-LOANS			360,000.00	-
TOTAL PIVOTAL SOLD			607,500.00	-
<i>DESERT TROON</i>				
DESERT TROON EQUITY-LA JOLLA			760,000.00	96,292.40
DESERT TROON EQUITY-TORREON			-	1,381.06
TOTAL DESERT TROON SOLD			760,000.00	97,673.46
<i>MISCELLANEOUS</i>				
PEBBLECREEK PROPERTIES	10.000	4/1/2005	253,059.10	-
TOTAL MISCELLANEOUS SOLD			253,059.10	-
TOTAL OTHER INVESTMENTS SOLD			1,754,191.10	98,941.12

**STATE OF ARIZONA
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INVESTMENTS OWNED
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BOND PORTFOLIO

Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
U.S. TREASURY OBLIGATIONS											
1,000,000	U.S. TREASURY BOND	7.500	11/15/2016	965,760.55	96.57606	120.34400	1,203,440.00	237,679.45	75,000.00	7.77	5.45
2,000,000	U.S. TREASURY BOND	9.125	5/15/2018	2,000,000.00	100.00000	138.21900	2,764,380.00	764,380.00	182,500.00	9.13	5.50
1,000,000	U.S. TREASURY BOND	9.000	11/15/2018	1,000,000.00	100.00000	137.31300	1,373,130.00	373,130.00	90,000.00	9.00	5.52
1,000,000	U.S. TREASURY BOND	8.000	11/15/2021	1,000,000.00	100.00000	127.90600	1,279,060.00	279,060.00	80,000.00	8.00	5.63
5,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			4,965,760.55	99.31521		6,620,010.00	1,654,249.45	427,500.00	8.61	5.52
FEDERAL AGENCY OBLIGATIONS											
1,711.78	GNMA Pool #007766	8.500	2/15/2006	538.86	31.47951	105.21200	1,801.00	1,262.14	145.50	27.00	3.68
32,026.79	GNMA Pool #143093	9.000	6/15/2016	31,055.98	96.96876	109.93800	35,209.61	4,153.63	2,882.41	9.28	3.84
24,547.42	GNMA Pool #148408	9.000	5/15/2016	23,580.86	96.06248	110.40700	27,102.07	3,521.21	2,209.27	9.37	3.84
102,317.55	GNMA Pool #157733	9.000	5/15/2016	94,835.58	92.68750	110.40700	112,965.74	18,130.16	9,208.58	9.71	3.84
308,876.55	GNMA Pool #158992	9.000	6/15/2016	307,235.63	99.46875	110.40700	341,021.33	33,785.70	27,798.89	9.05	3.84
109,410.17	GNMA Pool #163336	9.000	7/15/2016	106,093.71	96.96878	110.40700	120,796.49	14,702.78	9,846.92	9.28	3.84
113,251.63	GNMA Pool #165863	9.000	8/15/2016	108,279.18	95.60938	110.40700	125,037.73	16,758.55	10,192.65	9.41	3.84
53,512.18	GNMA Pool #168530	9.000	8/15/2016	52,291.37	97.71863	110.40700	59,081.19	6,789.82	4,816.10	9.21	3.84
64,479.06	GNMA Pool #181945	9.000	4/15/2020	61,597.63	95.53122	109.40600	70,543.96	8,946.33	5,803.12	9.42	3.84
25,284.86	GNMA Pool #182127	9.000	11/15/2016	24,783.37	98.01664	110.40700	27,916.26	3,132.89	2,275.64	9.18	3.84
203,205.63	GNMA Pool #207671	9.000	7/15/2018	192,283.32	94.62500	110.40700	224,353.24	32,069.92	18,288.51	9.51	3.84
22,210.17	GNMA Pool #208705	9.000	5/15/2020	20,822.05	93.75007	109.40600	24,299.26	3,477.21	1,998.92	9.60	3.84
35,831.71	GNMA Pool #227210	9.000	9/15/2017	34,006.51	94.90619	110.40700	39,560.72	5,554.21	3,224.85	9.48	3.84
61,478.46	GNMA Pool #229798	9.000	10/15/2017	60,018.35	97.62501	110.40700	67,876.52	7,858.17	5,533.06	9.22	3.84
19,858.56	GNMA Pool #230557	9.000	4/15/2018	18,986.64	95.60935	110.40700	21,925.24	2,938.60	1,787.27	9.41	3.84
26,686.88	GNMA Pool #234695	10.000	12/15/2017	26,570.14	99.56256	112.87500	30,122.82	3,552.68	2,668.69	10.04	8.86
109,981.18	GNMA Pool #235280	9.000	4/15/2018	103,588.53	94.18751	110.40700	121,426.92	17,838.39	9,898.31	9.56	3.84
44,314.42	GNMA Pool #247096	9.000	5/15/2018	41,877.13	94.50001	110.40700	48,926.22	7,049.09	3,988.30	9.52	3.84
50,498.75	GNMA Pool #247310	9.000	4/15/2018	48,510.31	96.06240	110.40700	55,754.15	7,243.84	4,544.89	9.37	3.84
44,430.50	GNMA Pool #250933	9.000	6/15/2018	43,180.91	97.18754	110.40700	49,054.38	5,873.47	3,998.75	9.26	3.84
48,571.27	GNMA Pool #251643	9.000	4/15/2018	47,205.20	97.18749	110.40700	53,626.08	6,420.88	4,371.41	9.26	3.84
40,495.91	GNMA Pool #252138	9.000	10/15/2018	38,717.87	95.60933	110.40700	44,710.32	5,992.45	3,644.63	9.41	3.84
31,486.53	GNMA Pool #252306	9.000	4/15/2018	29,085.68	92.37499	110.40700	34,763.33	5,677.65	2,833.79	9.74	3.84
72,912.27	GNMA Pool #252538	9.000	5/15/2018	70,861.64	97.18754	110.40700	80,500.25	9,638.61	6,562.10	9.26	3.84
30,069.24	GNMA Pool #255161	9.000	3/15/2019	27,663.68	91.99993	110.40700	33,198.55	5,534.87	2,706.23	9.78	3.84
44,314.57	GNMA Pool #262845	9.000	3/15/2020	42,278.85	95.40621	109.40600	48,482.80	6,203.95	3,988.31	9.43	3.84
20,211.70	GNMA Pool #305689	9.000	4/15/2021	20,211.70	100.00000	109.53100	22,138.08	1,926.38	1,819.05	9.00	3.84
472,620.75	GNMA Pool #377589	7.500	8/15/2025	471,291.47	99.71874	106.43700	503,043.35	31,751.88	35,446.56	7.52	4.10
377,507.58	GNMA Pool #390014	7.000	6/15/2024	354,326.25	93.85937	104.37500	394,023.54	39,697.29	26,425.53	7.46	5.28
1,781,714.44	GNMA Pool #391992	7.000	3/15/2024	1,667,153.60	93.57019	104.37500	1,859,664.45	192,510.85	124,720.01	7.48	5.28
465,703.31	GNMA Pool #398831	8.000	8/15/2026	464,975.64	99.84375	107.00000	498,302.54	33,326.90	37,256.26	8.01	3.62
188,569.17	GNMA Pool #403979	8.500	10/15/2024	185,357.60	98.29687	107.93700	203,535.91	18,178.31	16,028.38	8.65	3.68

**STATE OF ARIZONA
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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
276,867.49	GNMA Pool #406811	7.500	1/15/2026	276,521.44	99.87501	106.43700	294,689.45	18,168.01	20,765.06	7.51	4.10
581,059.05	GNMA Pool #427558	7.500	4/15/2026	579,334.04	99.70313	106.28100	617,555.37	38,221.33	43,579.43	7.52	4.10
426,947.81	GNMA Pool #432701	8.000	6/15/2026	426,947.81	100.00000	107.00000	456,834.16	29,886.35	34,155.82	8.00	3.62
1,568,877.46	GNMA Pool #434237	6.000	3/15/2029	1,452,927.58	92.60937	100.28100	1,573,286.01	120,358.43	94,132.65	6.48	6.06
122,543.50	GNMA Pool #439645	8.000	9/15/2026	122,466.92	99.93751	107.00000	131,121.55	8,654.63	9,803.48	8.01	3.62
812,028.23	GNMA Pool #441619	7.500	11/15/2029	808,856.24	99.60937	105.46900	856,438.05	47,581.81	60,902.12	7.53	4.10
476,738.72	GNMA Pool #458918	7.000	8/15/2028	468,097.83	98.18750	103.93700	495,507.92	27,410.09	33,371.71	7.13	5.28
1,221,938.82	GNMA Pool #472997	7.000	6/15/2029	1,215,447.26	99.46875	103.81200	1,268,519.13	53,071.87	85,535.72	7.04	5.28
540,547.24	GNMA Pool #486761	7.000	12/15/2028	529,905.21	98.03125	104.11000	562,763.73	32,858.52	37,838.31	7.14	5.28
1,871,668.19	GNMA Pool #499907	7.000	5/15/2029	1,794,169.43	95.85938	104.06800	1,947,807.65	153,638.22	131,016.77	7.30	5.28
1,413,410.75	GNMA Pool #507496	7.000	6/15/2029	1,370,125.05	96.93750	103.81200	1,467,289.97	97,164.92	98,938.75	7.22	5.28
1,764,884.35	GNMA Pool #510958	7.000	5/15/2029	1,752,199.24	99.28125	103.81200	1,832,161.74	79,962.50	123,541.90	7.05	5.28
619,299.15	GNMA Pool #513367	7.000	8/15/2029	592,978.92	95.75000	104.06800	644,492.24	51,513.32	43,350.94	7.31	5.28
1,877,064.63	GNMA Pool #530611	6.500	5/15/2031	1,875,451.53	99.91406	102.00000	1,914,605.92	39,154.39	122,009.20	6.51	5.95
3,144,804.16	GNMA Pool #530631	6.500	6/15/2031	3,130,800.36	99.55470	102.00000	3,207,700.24	76,899.88	204,412.27	6.53	5.95
2,258,469.29	GNMA Pool #539629	6.500	4/15/2031	2,250,000.03	99.62500	102.00000	2,303,638.68	53,638.65	146,800.50	6.52	5.95
1,760,605.72	GNMA Pool #548963	6.500	3/15/2031	1,756,204.20	99.75000	102.00000	1,795,817.83	39,613.63	114,439.37	6.52	5.95
2,994,185.73	GNMA Pool #552514	6.500	4/15/2032	2,983,893.21	99.65625	102.00000	3,054,069.44	70,176.23	194,622.07	6.52	5.95
998,532.26	GNMA Pool #780220	7.500	8/15/2025	998,220.20	99.96875	106.39000	1,062,338.47	64,118.27	74,889.92	7.50	4.10
29,758,563.54	TOTAL FEDERAL AGENCY OBLIGATIONS			29,203,811.74	98.13582		30,867,401.60	1,663,589.86	2,071,018.88	7.09	
CORPORATE BONDS											
1,000,000.00	AGL CAPITAL TRUST	8.170	6/1/2037	1,017,704.12	101.77041	97.72500	977,250.00	(40,454.12)	81,700.00	8.03	8.37
1,500,000.00	AMERICAN UNITED LIFE INS CO	7.750	3/30/2026	1,423,922.73	94.92818	87.70200	1,315,530.00	(108,392.73)	116,250.00	8.16	9.01
2,750,000.00	ANTHEM INSURANCE COMPANY INC	9.000	4/1/2027	2,907,159.67	105.71490	111.00900	3,052,747.50	145,587.83	247,500.00	8.51	7.98
500,000.00	AT&T CORPORATES	8.350	1/15/2025	507,104.49	101.42090	76.17700	380,885.00	(126,219.49)	41,750.00	8.23	11.29
500,000.00	AT&T CORPORATES	6.500	3/15/2029	435,848.95	87.16979	65.13900	325,695.00	(110,153.95)	32,500.00	7.46	10.39
38,018.85	AUTO BOND RECEIVABLE TRUST	6.400	4/15/2001	38,018.85	100.00000	99.87500	37,971.33	(47.52)	2,433.21	6.40	-
1,000,000.00	BANC ONE CORP	8.000	4/29/2027	1,025,190.26	102.51903	112.09300	1,120,930.00	95,739.74	80,000.00	7.80	6.97
1,000,000.00	BANKERS TRUST CORP 144A	8.090	12/1/2026	1,000,000.00	100.00000	104.01700	1,040,170.00	40,170.00	80,900.00	8.09	7.72
500,000.00	DELTA AIRLINES SERIES 01-1B	7.711	9/18/2011	497,648.89	99.52978	103.85400	519,270.00	21,621.11	38,555.00	7.75	7.12
1,000,000.00	FARMERS INSURANCE EXCHANGE	8.625	5/1/2024	928,680.84	92.86808	93.52400	935,240.00	6,559.16	86,250.00	9.29	9.32
1,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	7/1/2027	1,052,895.96	105.28960	105.69400	1,056,940.00	4,044.04	83,430.00	7.92	7.82
500,000.00	FIRST UNION CAPITAL II	7.950	11/15/2029	453,169.83	90.63397	107.82600	539,130.00	85,960.17	39,750.00	8.77	7.29
500,000.00	FORD HOLDINGS INC	9.375	3/1/2020	561,847.00	112.36940	114.09800	570,490.00	8,643.00	46,875.00	8.34	7.88
1,000,000.00	FORD MOTOR COMPANY	9.500	9/15/2011	999,622.17	99.96222	113.07200	1,130,720.00	131,097.83	95,000.00	9.50	7.48
500,000.00	FORD MOTOR CREDIT	7.250	10/25/2011	508,732.04	101.74641	99.93700	499,685.00	(9,047.04)	36,250.00	7.13	7.26
1,000,000.00	GENERAL AMERICAN LIFE INSURANCE	7.625	1/15/2024	894,186.05	89.41861	103.25400	1,032,540.00	138,353.95	76,250.00	8.53	7.32
1,000,000.00	GOODRICH CORPORATION	7.100	11/15/2027	910,102.27	91.01023	94.56000	945,600.00	35,497.73	71,000.00	7.80	7.59
920,000.00	GTE CORPORATION	7.900	2/1/2027	898,562.48	97.66983	94.97300	873,751.60	(24,810.88)	72,680.00	8.09	8.39
500,000.00	HUNTINGTON BANKS SUB NTS	6.600	6/15/2018	458,452.82	91.69056	97.26200	486,310.00	27,857.18	33,000.00	7.20	6.88

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BOND PORTFOLIO

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
2,000,000.00	JOHN HANCOCK MUTUAL LIFE INS CO	7.375	2/15/2024	1,887,045.31	94.35227	104.45500	2,089,100.00	202,054.69	147,500.00	7.82	6.97
1,000,000.00	JPM CAPITAL TRUST II	7.950	2/1/2027	1,040,641.26	104.06413	103.46200	1,034,620.00	(6,021.26)	79,500.00	7.64	7.64
2,000,000.00	KEY CORP CAPITAL III	7.750	7/15/2029	1,911,172.09	95.55860	99.60300	1,992,060.00	80,887.91	155,000.00	8.11	7.79
1,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.800	3/1/2015	1,093,791.06	109.37911	117.21200	1,172,120.00	78,328.94	88,000.00	8.05	6.74
1,000,000.00	LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	941,690.64	94.16906	91.95800	919,580.00	(22,110.64)	78,750.00	8.36	8.67
3,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	7/1/2026	3,412,662.00	113.75540	90.88100	2,726,430.00	(686,232.00)	274,500.00	8.04	10.17
1,000,000.00	MERRILL LYNCH & COMPANY	8.000	6/1/2007	1,000,000.00	100.00000	112.28000	1,122,800.00	122,800.00	80,000.00	8.00	5.18
2,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	2/15/2024	1,903,828.61	95.19143	96.35200	1,927,040.00	23,211.39	150,000.00	7.88	7.85
927,506.67	NORTHWEST AIRLINES	7.935	4/1/2019	1,012,880.48	109.20466	105.92500	982,461.44	(30,419.04)	73,597.65	7.27	7.32
1,000,000.00	PMI CAPITAL	8.309	2/1/2027	1,028,796.97	102.87970	93.08300	930,830.00	(97,966.97)	83,090.00	8.08	9.01
1,000,000.00	PRINCIPAL MUTUAL LIFE INSURANCE C	7.875	3/1/2024	956,864.54	95.68645	103.70100	1,037,010.00	80,145.46	78,750.00	8.23	7.53
1,000,000.00	ROCKWELL INTERNATIONAL	6.700	1/15/2028	911,104.15	91.11042	95.48100	954,810.00	43,705.85	67,000.00	7.35	7.09
1,500,000.00	SAFECO CAPITAL TRUST	8.072	7/15/2037	1,509,228.49	100.61523	94.86000	1,422,900.00	(86,328.49)	121,080.00	8.02	8.54
1,000,000.00	SEARS ROEBUCK & CO.	9.375	11/1/2011	1,000,000.00	100.00000	119.05300	1,190,530.00	190,530.00	93,750.00	9.38	6.64
1,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/2016	1,098,869.73	109.88697	102.40000	1,024,000.00	(74,869.73)	93,750.00	8.53	9.07
1,000,000.00	SECURITY NATIONAL MORTGAGE 99-1	8.353	9/25/2030	1,000,000.00	100.00000	102.68000	1,026,800.00	26,800.00	83,530.00	8.35	8.11
727,490.88	SECURITY NATIONAL MORTGAGE LOAN	7.870	8/25/2030	727,490.88	100.00000	105.98400	771,023.93	43,533.05	57,253.53	7.87	7.37
1,000,000.00	SOUTHERN COMPANY CAPITAL TRUST	8.190	2/1/2037	1,073,834.32	107.38343	101.93000	1,019,300.00	(54,534.32)	81,900.00	7.63	8.02
1,000,000.00	STANDARD CHARTERED BANK	8.000	5/30/2031	1,045,339.80	104.53398	102.61100	1,026,110.00	(19,229.80)	80,000.00	7.65	7.77
627,000.00	UNION CARBIDE CORP	7.875	4/1/2023	606,254.19	96.69126	98.08200	614,974.14	8,719.95	49,376.25	8.14	8.07
1,000,000.00	UNION CENTRAL LIFE	8.200	11/1/2026	1,010,951.76	101.09518	100.80300	1,008,030.00	(2,921.76)	82,000.00	8.11	8.12
500,000.00	US WEST COMMUNICATIONS	7.500	6/15/2023	477,466.55	95.49331	70.19000	350,950.00	(126,516.55)	37,500.00	7.85	11.22
1,000,000.00	USF&G CAPITAL II, SERIES B	8.470	1/10/2027	1,094,590.00	109.45900	100.50500	1,005,050.00	(89,540.00)	84,700.00	7.74	8.42
1,000,000.00	WORLDCOM INC.	8.250	5/15/2031	1,020,971.26	102.09713	15.75000	157,500.00	(863,471.26)	82,500.00	8.08	52.38
1,000,000.00	ZURICH CAPITAL TRUST I	8.376	6/1/2037	1,012,878.52	101.28785	94.67700	946,770.00	(66,108.52)	83,760.00	8.27	8.87
45,990,016.40	TOTAL CORPORATE BONDS			46,297,202.03	100.66794		45,293,654.94	(1,003,547.09)	3,748,860.64	8.10	8.15
80,748,579.94	BOND PORTFOLIO TOTALS			80,466,774.32	99.65101		82,781,066.54	2,314,292.22	6,247,379.52	7.76	6.88

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002**

CORPORATE NOTES

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
6/24/2002	TRANSAMERICA ASSET FUNDING	1.810	7/1/2002	2,499,120.14	879.86	2,500,000.00
6/28/2002	EMINENT FUNDING	2.100	7/1/2002	499,912.50	87.50	500,000.00
6/26/2002	NEPTUNE FUNDING	1.860	7/2/2002	499,845.00	155.00	500,000.00
6/27/2002	STARBIRD FUNDING CORPORATION	1.930	7/2/2002	1,999,463.89	536.11	2,000,000.00
6/24/2002	BEETHOVEN FUNDING CORPORATION	1.830	7/8/2002	2,498,220.83	1,779.17	2,500,000.00
6/25/2002	WORLD OMNI VEHICLE LEASING	1.840	7/9/2002	999,284.44	715.56	1,000,000.00
6/25/2002	THUNDER BAY FUNDING	1.820	7/9/2002	999,292.22	707.78	1,000,000.00
6/27/2002	THREE CROWNS FUNDING	1.850	7/10/2002	499,665.97	334.03	500,000.00
TOTALS				10,494,804.99	5,195.01	10,500,000.00

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002**

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
74,000	ABBOTT LABORATORIES	0.94	11.3534	840,149.75	37.6500	2,786,100.00	69,560.00	1,945,950.25
52,000	ADOBE SYSTEMS	0.05	34.2924	1,783,207.10	28.5000	1,482,000.00	2,600.00	(301,207.10)
14,000	ALBERTO CULVER CO	0.36	54.3177	760,447.26	47.8000	669,200.00	5,040.00	(91,247.26)
63,000	ALLSTATE CORPORATION	0.84	22.2783	1,403,533.34	36.9800	2,329,740.00	52,920.00	926,206.66
37,000	ALLTEL CORPORATION	1.36	64.6388	2,391,634.21	47.0000	1,739,000.00	50,320.00	(652,634.21)
59,000	AMERICAN EXPRESS	0.32	34.9620	2,062,758.79	36.3200	2,142,880.00	18,880.00	80,121.21
82,000	AMERICAN INT'L GROUP	0.19	23.4594	1,923,667.30	68.2300	5,594,860.00	15,580.00	3,671,192.70
11,000	AMERICAN STANDARD COMPANY INC	-	76.5643	842,207.68	75.1000	826,100.00	-	(16,107.68)
89,000	AMGEN	-	38.8074	3,453,856.43	41.8800	3,727,320.00	-	273,463.57
48,000	ANALOG DEVICES, INC.	-	77.9262	3,740,455.90	29.7000	1,425,600.00	-	(2,314,855.90)
85,800	APACHE CORPORATION	0.40	48.4493	4,156,953.00	57.4800	4,931,784.00	34,320.00	774,831.00
216,000	APPLIED MATERIALS	-	8.7613	1,892,430.00	19.0200	4,108,320.00	-	2,215,890.00
29,000	BIOGEN INC	-	49.4445	1,433,889.25	41.4300	1,201,470.00	-	(232,419.25)
110,000	BJ SERVICES COMPANY	-	38.0749	4,188,241.00	33.8800	3,726,800.00	-	(461,441.00)
55,000	BJ'S WHOLESALE CLUB, INC.	-	40.5154	2,228,346.10	38.5000	2,117,500.00	-	(110,846.10)
65,000	BROADWING INC.	-	24.5837	1,597,938.55	2.6000	169,000.00	-	(1,428,938.55)
82,000	CABLEVISION SYSTEMS CORP	-	44.9040	3,682,129.50	9.4600	775,720.00	-	(2,906,409.50)
25,000	CANADIAN NATIONAL RAILWAY	0.55	47.1626	1,179,064.40	51.8000	1,295,000.00	13,750.00	115,935.60
14,000	CHEVRONTXACO CORP	2.80	83.6971	1,171,759.20	88.5000	1,239,000.00	39,200.00	67,240.80
38,666	CHOICEPOINT INCORPORATED	-	39.3995	1,523,421.20	45.4700	1,758,143.02	-	234,721.82
222,000	CISCO SYSTEMS	-	8.6715	1,925,078.75	13.9500	3,096,900.00	-	1,171,821.25
138,833	CITIGROUP, INC.	0.72	43.1824	5,995,141.68	38.7500	5,379,778.75	99,959.76	(615,362.93)
143,000	COMCAST CORP.	-	32.4440	4,639,486.28	23.8400	3,409,120.00	-	(1,230,366.28)
15,000	CONSTELLATION ENERGY GROUP INC	0.96	43.8045	657,067.50	29.3400	440,100.00	14,400.00	(216,967.50)
185,500	COVAD COMMUNICATIONS GROUP	-	42.1745	7,823,364.85	1.1800	218,890.00	-	(7,604,474.85)
108,000	CYTYC CORPORATION	-	16.7000	1,803,602.40	7.6200	822,960.00	-	(980,642.40)
40,000	ELECTRONICS BOUTIQUE HOLDINGS CORP.	-	36.7441	1,469,763.76	29.3000	1,172,000.00	-	(297,763.76)
117,000	EMC CORP	-	11.2874	1,320,623.39	7.5500	883,350.00	-	(437,273.39)
88,000	EXPRESS SCRIPTS	-	19.9878	1,758,922.85	50.1100	4,409,680.00	-	2,650,757.15
131,928	EXXON MOBIL CORP	0.92	31.4279	4,146,224.99	40.9200	5,398,493.76	121,373.76	1,252,268.77
29,000	FLEETBOSTON FINANCIAL CORPORATION	1.40	37.8054	1,096,357.40	32.3500	938,150.00	40,600.00	(158,207.40)
11,000	FORTUNE BRANDS, INC.	1.00	52.2001	574,201.10	56.0000	616,000.00	11,000.00	41,798.90
15,000	GENENTECH, INC.	-	45.0459	675,688.50	33.5000	502,500.00	-	(173,188.50)
29,000	GENZYME CORPORATION	-	57.5882	1,670,056.65	19.2400	557,960.00	-	(1,112,096.65)
42,000	GLOBALSANTAFE CORP	0.13	34.5314	1,450,316.80	27.3500	1,148,700.00	5,460.00	(301,616.80)
14,000	HEALTHSOUTH CORP	-	15.0274	210,383.60	12.7900	179,060.00	-	(31,323.60)
107,000	HOME DEPOT	0.20	10.1978	1,091,162.52	36.7300	3,930,110.00	21,400.00	2,838,947.48

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002**

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
117,000	INTEL CORPORATION	0.08	21.6650	2,534,800.53	18.2700	2,137,590.00	9,360.00	(397,210.53)
29,000	INTERNATIONAL BUSINESS MACH.	0.60	28.7280	833,112.19	72.0000	2,088,000.00	17,400.00	1,254,887.81
59,000	JABIL CIRCUIT	-	22.8951	1,350,810.68	21.1100	1,245,490.00	-	(105,320.68)
22,000	JACOBS ENGINEERING GROUP INC.	-	30.2330	665,126.40	34.7800	765,160.00	-	100,033.60
81,000	JDS UNIPHASE CORPORATION	-	71.3331	5,777,980.25	2.6700	216,270.00	-	(5,561,710.25)
14,000	JOHNSON & JOHNSON CO	0.82	53.8504	753,905.60	52.2600	731,640.00	11,480.00	(22,265.60)
60,000	JP MORGAN CHASE & CO	1.36	52.0203	3,121,220.00	33.9200	2,035,200.00	81,600.00	(1,086,020.00)
44,000	KIMBERLY-CLARK CORPORATION	1.20	52.0765	2,291,364.27	62.0000	2,728,000.00	52,800.00	436,635.73
29,000	KINDER MORGAN, INC.	0.20	54.0719	1,568,085.80	38.0200	1,102,580.00	5,800.00	(465,505.80)
6,800	LANDSTAR SYSTEMS, INC	-	105.5385	717,661.60	106.8500	726,580.00	-	8,918.40
25,000	LENNAR CORPORATION	0.05	43.6233	1,090,583.40	61.2000	1,530,000.00	1,250.00	439,416.60
37,000	LEXMARK INTERNATIONAL GROUP	-	74.3478	2,750,867.20	54.4000	2,012,800.00	-	(738,067.20)
97,000	LSI LOGIC	-	37.8078	3,667,355.00	8.7500	848,750.00	-	(2,818,605.00)
120,750	MBNA CORP	0.28	11.6355	1,404,991.51	33.0700	3,993,202.50	33,810.00	2,588,210.99
27,000	MEDIMMUNE, INC.	-	58.2863	1,573,731.00	26.4000	712,800.00	-	(860,931.00)
21,000	MICROCHIP TECHNOLOGY INC.	-	25.8575	543,008.00	27.4300	576,030.00	-	33,022.00
74,000	MICROSOFT CORPORATION	-	78.7175	5,825,098.10	54.7000	4,047,800.00	-	(1,777,298.10)
14,098	MOHAWK INDUSTRIES	-	71.0444	1,001,584.30	61.5300	867,449.94	-	(134,134.36)
29,000	MOODY'S CORPORATION	0.18	35.8629	1,040,025.07	49.7500	1,442,750.00	5,220.00	402,724.93
44,000	NABORS INDUSTRIES, LTD	-	54.5717	2,401,155.17	35.3000	1,553,200.00	-	(847,955.17)
26,000	NATIONAL-OILWELL, INC.	-	38.4161	998,819.20	21.0500	547,300.00	-	(451,519.20)
18,000	NEWS CORPORATION	0.05	21.6933	390,479.77	22.9300	412,740.00	900.00	22,260.23
51,000	NOBLE CORPORATION	-	44.8905	2,289,416.04	38.6000	1,968,600.00	-	(320,816.04)
29,000	OXFORD HEALTH PLANS, INC.	-	26.9898	782,702.80	46.4600	1,347,340.00	-	564,637.20
88,000	P.F. CHANG'S CHINA BISTRO	-	26.6868	2,348,438.34	31.4200	2,764,960.00	-	416,521.66
13,000	PACTIV CORPORATION	-	15.9962	207,950.10	23.8000	309,400.00	-	101,449.90
36,000	PEPSICO INC.	0.60	48.6453	1,751,229.57	48.2000	1,735,200.00	21,600.00	(16,029.57)
71,500	PFIZER INC.	0.52	27.6574	1,977,505.76	35.0000	2,502,500.00	37,180.00	524,994.24
30,000	PHARMACEUTICAL PRODUCT DEVELOPMENT	-	24.0344	721,032.30	26.3400	790,200.00	-	69,167.70
51,000	PLANTRONICS, INC.	-	27.6455	1,409,922.97	19.0100	969,510.00	-	(440,412.97)
15,000	QUALCOMM INCORPORATED	-	45.6952	685,428.00	27.4900	412,350.00	-	(273,078.00)
11,000	QUEST DIAGNOSTIC	-	87.0809	957,889.90	86.0500	946,550.00	-	(11,339.90)
120,000	SAFEWAY INC	-	32.1511	3,858,130.50	29.1900	3,502,800.00	-	(355,330.50)
164,000	SANMINA CORP.	-	26.3013	4,313,410.36	6.3100	1,034,840.00	-	(3,278,570.36)
83,000	SCHOLASTIC CORPORATION	-	26.1145	2,167,501.80	37.9000	3,145,700.00	-	978,198.20
50,500	SCP POOL CORPORATION	-	26.9079	1,358,846.62	27.7600	1,401,880.00	-	43,033.38
14,000	SEARS, ROEBUCK AND COMPANY	0.92	56.3685	789,158.88	54.3000	760,200.00	12,880.00	(28,958.88)

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED
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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
51,000	SEI INVESTMENTS COMPANY	0.12	39.3668	2,007,704.40	28.1700	1,436,670.00	6,120.00	(571,034.40)
37,000	SEITEL, INC	-	18.6955	691,732.40	1.0000	37,000.00	-	(654,732.40)
44,000	SIEBEL SYSTEMS	-	34.8956	1,535,404.60	14.2200	625,680.00	-	(909,724.60)
89,000	SOLECTRON	-	42.7172	3,801,831.20	6.1500	547,350.00	-	(3,254,481.20)
43,000	SPRINT CORPORATION (PCS GROUP)	-	26.7177	1,148,860.80	4.4700	192,210.00	-	(956,650.80)
22,000	ST. JUDE MEDICAL	-	81.5652	1,794,435.30	73.8500	1,624,700.00	-	(169,735.30)
158,000	SYMANTEC CORPORATION	-	25.1844	3,979,131.40	32.8500	5,190,300.00	-	1,211,168.60
40,000	T. ROWE PRICE GROUP INC	0.64	39.5794	1,583,176.90	32.8800	1,315,200.00	25,600.00	(267,976.90)
59,000	TARGET CORP	0.24	28.7453	1,695,974.03	38.1000	2,247,900.00	14,160.00	551,925.97
33,000	TENET HEALTHCARE CORPORATION	-	46.5472	1,536,056.60	71.5500	2,361,150.00	-	825,093.40
37,000	TXU CORP	2.40	41.1039	1,520,844.71	51.5500	1,907,350.00	88,800.00	386,505.29
145,480	TYCO INTERNATIONAL LTD.	0.05	32.2399	4,690,260.12	13.5100	1,965,434.80	7,274.00	(2,724,825.32)
9,000	UNITED RENTALS, INC	-	21.7481	195,732.90	21.8000	196,200.00	-	467.10
13,000	VALERO ENERGY CORPORATION	0.40	50.0294	650,382.20	37.4200	486,460.00	5,200.00	(163,922.20)
73,000	VISHAY INTERTECHNOLOGY INC	-	26.0956	1,904,976.40	22.0000	1,606,000.00	-	(298,976.40)
149,000	VODAFONE GROUP PLC	0.22	20.7764	3,095,682.56	13.6500	2,033,850.00	32,780.00	(1,061,832.56)
47,000	WALGREEN COMPANY	0.15	14.9566	702,958.99	38.6300	1,815,610.00	7,050.00	1,112,651.01
52,000	WAL-MART STORES	0.30	54.1842	2,817,577.20	55.0100	2,860,520.00	15,600.00	42,942.80
14,000	WATERS CORPORATION	-	34.2985	480,179.00	26.7000	373,800.00	-	(106,379.00)
7,000	WHIRLPOOL CORP	1.36	77.5316	542,720.92	65.3600	457,520.00	9,520.00	(85,200.92)
44,000	WILLIAMS COMPANIES, INC.	0.80	39.3771	1,732,593.36	5.9900	263,560.00	35,200.00	(1,469,033.36)
37,000	WORLDCOM INC.	-	31.6305	1,170,329.06	0.8300	30,710.00	-	(1,139,619.06)
COMMON STOCK PORTFOLIO TOTALS				187,762,407.01		162,637,826.77	1,154,947.52	(25,124,580.24)

STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002

OTHER INVESTMENTS PORTFOLIO

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
BRIDGE FINANCIAL LOANS							
BRIDGE FINANCIAL--Dynamite Mtn. Ranch	12.750	6/30/2002	133,805.00	133,805.00	-	17,060.14	12.8%
BRIDGE FINANCIAL--Grand Inn	12.500	9/25/2000	110,000.00	110,000.00	-	13,750.00	12.5%
TOTAL BRIDGE FINANCIAL LOANS			243,805.00	243,805.00	-	30,810.14	12.6%
MISCELLANEOUS							
PEBBLECREEK PROPERTIES	10.000	4/1/2005	10,000.00	10,000.00		1,000.00	10.0%
TOTAL MISCELLANEOUS			10,000.00	10,000.00	-	1,000.00	10.0%
TOTAL BEFORE LLC			253,805.00	253,805.00	-	31,810.14	12.5%
LLC							
Desert Troon, LLC			1,240,000.00	1,240,000.00			
Pivotal X, LLC			6,118,425.00	6,118,425.00			
TOTAL LLC			7,358,425.00	7,358,425.00			
TOTAL OTHER INVESTMENTS			7,612,230.00	7,612,230.00			

ACTUARIAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2002

Summary of Valuation Methods and Assumptions

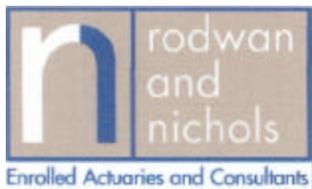
Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



August 28, 2002

The Fund Manager
Arizona Public Elected Officials' Retirement Plan
1020 East Missouri
Phoenix, Arizona 85014-2613

Attention: Jack Cross, Administrator

The purpose of the annual actuarial valuations of the Arizona Elected Officials' Retirement Plan is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2002 annual actuarial valuations were made in accordance with recognized actuarial methods.

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

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

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

On the basis of the June 30, 2002 valuation, it is our opinion that the liabilities of the Retirement Plan are being funded as incurred in accordance with sound actuarial principles. The excellent funded condition reflects the very favorable investment returns experienced by the Retirement Plan earlier over the past decade.

Respectfully submitted,

Joseph A. Nichols/sig

Sandra W. Rodwan/sig

Joseph A. Nichols

Sandra W. Rodwan

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**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
AGGREGATE ACTUARIAL BALANCE SHEET
JUNE 30, 2002**

Actuarial Assets

Accrued Assets			
Member Accumulated contributions	\$	25,853,543	
Employer and benefit payment reserves		285,923,544	
Funding value adjustment		62,971,779	
Total accrued assets*		<u>62,971,779</u>	\$ 374,748,866
Prospective assets (computed value)			
Member contributions	\$	24,797,370	
Employer normal costs		71,026,014	
Employer unfunded actuarial accrued liability		(71,401,742)	
Total prospective assets		<u>(71,401,742)</u>	\$ 24,421,642
Total Actuarial Assets			<u>\$ 399,170,508</u>

**Includes \$23,400,088 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$351,348,778.*

Actuarial Present Values (Liability)

Pensions in payment status			
Service pensions	\$	132,335,855	
Disability pensions		8,234,335	
Survivor pensions		24,099,960	
Health insurance		9,909,871	
Total Benefit values		<u>9,909,871</u>	\$ 174,580,021
Prospective pension payments (future retirements)			193,559,464
Prospective health insurance payments (future retirements)			6,861,483
Prospective refunds of member contributions			769,452
Reserve for future pension increases			<u>\$ 23,400,088</u>
Total Actuarial Present Values (Liability)			<u>\$ 399,170,508</u>

SUMMARY OF PLAN PROVISIONS

See Note 1 in the Notes to Financial Statements.

SUMMARY OF VALUATION METHODS

Normal Cost. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- ❖ The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- ❖ Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

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

Active member payroll was assumed to increase % annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

SUMMARY OF VALUATION ASSUMPTIONS

Economic Assumptions:

The rate of investment return used was 9.0 percent a year, compounded annually. The assumption consists of 3.5% for assuming maturity and principal risks and 5.5% in recognition of inflation. These components, adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1989 annual valuation.

This assumption is used to discount the value of future payments.

The rates of salary increase used are in accordance with the following table. The assumption is used to project current salaries to those upon which pension amounts will be based. These components, adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1989 annual valuation.

Sample Ages	Percent Increase in Salary During Following Year		
	Inflation	Other	Total
20	5.50%	1.5%	7.00%
25	5.50%	1.5%	7.00%
30	5.50%	1.5%	7.00%
35	5.50%	1.5%	7.00%
40	5.50%	1.5%	7.00%
45	5.50%	1.5%	7.00%
50	5.50%	1.5%	7.00%
55	5.50%	1.5%	7.00%
60	5.50%	1.5%	7.00%
65	5.50%	1.5%	7.00%

Demographic Assumptions:

- ❖ **Non-Disability Mortality rates:** 1971 Group Annuity Mortality Table Projected to 2000 (Male), female ages set back six years (first used for June 30, 1999 valuation).
- ❖ **Disability Mortality Rates:** 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back six years.

Sample Ages	Single Life Retirement Values							
	Non-Disability Table		Disability Table		Non-Disability Table		Disability Table	
	Present Value of \$100 Monthly For Life		Present Value of \$100 Monthly For Life		Future Life Expectancy (Years)		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women	Men	Women
20					56.86	62.72	55.98	61.84
25					51.98	57.83	51.12	56.96
30					47.12	52.95	46.27	52.09
35					42.29	48.09	41.46	47.24
40	\$12,930	\$13,272	\$12,861	\$13,225	37.51	43.25	36.69	42.42
45	12,522	12,997	12,430	12,933	32.80	38.46	32.01	37.64
50	11,997	12,613	11,879	12,526	28.28	33.73	27.53	32.93
55	11,342	12,112	11,199	11,999	23.98	29.17	23.28	28.40
60	10,513	11,485	10,346	11,347	19.90	24.82	19.27	24.11
65	9,490	10,694	9,308	10,532	16.09	20.70	15.55	20.05
70	8,326	9,710	8,145	9,530	12.69	16.82	12.25	16.27
75	7,124	8,564	6,963	8,382	9.82	13.32	9.49	12.87
80	5,879	7,371	5,748	7,206	7.39	10.36	7.17	10.02
85	4,791	6,120	4,696	5,983	5.57	7.83	5.43	7.59
90	3,864	4,994	3,796	4,893	4.19	5.89	4.10	5.74

Termination of Employment: Service-related rates for first five years of employment and age-related rates after first five years of employment. The sample rates are as follows:

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Disabled Within the Year
All	0	8.0%	(all years of service)
	1	8.0	
	2	8.0	
	3	8.0	
	4	8.0	
25	5 and over	6.0	0.04%
30		6.0	0.04
35		6.0	0.04
40		6.0	0.10
45		6.0	0.13
50		6.0	0.25
55	6.0	0.45	
60	6.0	0.71	

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

**Percent of Active Members Retiring within Year
Following Attainment of Indicated Retirement Age**

Age	Percent of Active Members Retiring During Next Year
45 to 54	8%
55 to 59	5
60	15
61	10
62	25
63	15
64	10
65	20
66	20
67	20
69	20
69	20
70	100

Active members with at least 40 years of service are assumed to retire within the year. Members who do not acquire 20 years of service prior to age 62 are assumed to retire upon first eligibility following attainment of age 62.

These rates adopted by the Fund Manager, as recommended by the Plan's actuary, were first used for the June 30, 1999 valuation.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SOLVENCY TEST**

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

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

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

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

Valuation Date	<u>Aggregate Accrued Liabilities for</u>			Valuation Assets Available for Benefits (2)	<u>Portion of Accrued Liabilities Covered by Net Assets Available for Benefits</u>		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6-30-85 ^{*3}	\$ 5,583	\$ 16,396	\$ 26,990	\$ 49,900	100.0%	100.0%	100.0%
6-30-86	\$ 6,268	\$ 19,653	\$ 27,506	\$ 58,757	100.0%	100.0%	100.0%
6-30-87 ¹	\$ 6,866	\$ 23,660	\$ 36,116	\$ 65,856	100.0%	100.0%	83.8%
6-30-88 ¹	\$ 8,258	\$ 25,046	\$ 44,604	\$ 73,993	100.0%	100.0%	91.2%
6-30-89 ^{*1}	\$ 9,120	\$ 34,565	\$ 47,266	\$ 84,316	100.0%	100.0%	86.0%
6-30-90 ^{*1}	\$ 10,772	\$ 38,246	\$ 51,415	\$ 92,748	100.0%	100.0%	85.1%
6-30-91 ^{*1}	\$ 11,876	\$ 44,222	\$ 53,552	\$ 103,570	100.0%	100.0%	88.6%
6-30-92 ^{*1}	\$ 13,232	\$ 47,775	\$ 54,091	\$ 115,869	100.0%	100.0%	100.0%
6-30-93 [*]	\$ 13,308	\$ 61,992	\$ 52,178	\$ 127,984	100.0%	100.0%	100.0%
6-30-94 ¹	\$ 14,978	\$ 63,403	\$ 59,941	\$ 140,145	100.0%	100.0%	100.0%
6-30-95 ¹	\$ 15,731	\$ 73,797	\$ 59,838	\$ 159,111	100.0%	100.0%	100.0%
6-30-96 [*]	\$ 16,931	\$ 78,507	\$ 62,688	\$ 181,754	100.0%	100.0%	100.0%
6-30-97 [*]	\$ 17,979	\$ 86,361	\$ 65,253	\$ 214,035	100.0%	100.0%	100.0%
6-30-98	\$ 20,703	\$ 91,187	\$ 87,772	\$ 241,885	100.0%	100.0%	100.0%
6-30-99	\$ 21,506	\$ 109,582	\$ 96,013	\$ 283,337	100.0%	100.0%	100.0%
6-30-00	\$ 24,038	\$ 126,895	\$ 102,545	\$ 329,777	100.0%	100.0%	100.0%
6-30-01	\$ 24,061	\$ 151,590	\$ 75,336	\$ 355,768	100.0%	100.0%	100.0%
6-30-02	\$ 25,854	\$ 174,580	\$ 79,513	\$ 351,349	100.0%	100.0%	100.0%

See notes on page 25.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF ACTIVE MEMBER DATA**

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 738 active members in the Plan as of June 30, 2002, compared to 737 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
20 - 24	1							1	\$ 47,900
25 - 29	4	1						5	\$ 51,600
30 - 34	10	5						15	\$ 456,697
35 - 39	18	5	3					26	\$ 1,611,466
40 - 44	36	22	6	2				66	\$ 4,278,212
45 - 49	66	52	19	4	2			143	\$ 10,307,049
50 - 54	64	53	27	26	6	1	1	178	\$ 13,670,162
55 - 59	43	43	37	10	5	1		139	\$ 9,881,412
60 - 69	44	39	19	17	15	5		139	\$ 7,659,869
70 - 79	6	5	6	3	1	2		23	\$ 751,242
80+	2					1		3	\$ 13,580
Totals	294	225	117	62	29	10	1	738	\$ 48,729,189

Listed below is a Comparative Schedule of the changes in active members since 6-30-82:

COMPARATIVE SCHEDULE

Fiscal Year Ended	Active Members	Total Payroll (+000)	Averages*			
			Age (years)	Service (years)	Pay	Increase in Avg Pay
6-30-82	379	\$ 7,444	51.4	7.8	\$19,641	
6-30-83	372	\$ 8,087	51.0	6.6	\$21,739	10.7%
6-30-84	372	\$ 8,113	52.0	7.2	\$21,809	0.3%
** 6-30-85	525	\$ 17,691	51.0	7.5	\$33,697	54.5%
6-30-86	517	\$ 17,842	51.3	7.9	\$34,511	2.4%
6-30-87	526	\$ 20,409	51.2	7.7	\$38,800	12.4%
*** 6-30-88	583	\$ 21,444	52.1	7.6	\$36,782	-5.2%
6-30-89	596	\$ 24,605	52.5	7.6	\$41,284	12.2%
6-30-90	624	\$ 25,776	52.0	8.0	\$41,308	0.1%
6-30-91	671	\$ 27,838	51.6	7.6	\$41,487	0.4%
6-30-92	658	\$ 27,777	52.2	8.1	\$42,214	1.8%
6-30-93	713	\$ 29,708	51.8	7.2	\$41,666	-1.3%
6-30-94	710	\$ 29,633	52.2	7.8	\$41,737	0.2%
6-30-95	725	\$ 30,324	51.7	7.5	\$41,826	0.2%
6-30-96	684	\$ 29,967	52.7	7.8	\$43,811	4.7%
6-30-97	726	\$ 33,896	51.8	7.5	\$46,689	6.6%
6-30-98	713	\$ 40,441	52.4	7.9	\$56,719	21.5%
6-30-99	709	\$ 43,087	52.6	7.7	\$60,772	7.1%
6-30-00	720	\$ 45,382	53.0	8.0	\$63,031	3.7%
6-30-01	737	\$ 48,669	52.4	7.2	\$66,037	4.8%
6-30-02	738	\$ 48,729	52.9	7.8	\$66,028	0.0%

* 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,

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA
SCHEDULE OF RETIRANTS AND BENEFICIARIES**

As of June 30, 2002, there were 165 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					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
20 - 29						-
30 - 39	7	6				13
40 - 44	14	11				25
45 - 49	10	12	3			25
50 - 54	10	17	7	3		37
55 - 59	9	15	8	4		36
60 - 69	8	13	3	1	1	26
70+	2		1			3
Totals	60	74	22	8	1	165

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Pensions	Percent Increase	Average Pension
6/30/1992	17	27	375	\$ 5,980,662	8.1%	\$ 15,948
6/30/1993	19	65	421	\$ 7,541,157	26.1%	\$ 17,912
6/30/1994	19	31	433	\$ 7,936,942	5.2%	\$ 18,330
6/30/1995	19	52	466	\$ 9,005,617	13.5%	\$ 19,325
6/30/1996	23	29	472	\$ 9,567,636	6.2%	\$ 20,270
6/30/1997	22	46	496	\$ 10,442,249	9.1%	\$ 21,053
6/30/1998	20	37	513	\$ 11,143,500	6.7%	\$ 21,722
6/30/1999	20	54	547	\$ 13,122,722	17.8%	\$ 23,990
6/30/2000	21	63	589	\$ 15,096,774	15.0%	\$ 25,631
6/30/2001	26	84	647	\$ 17,729,482	17.4%	\$ 27,403
6/30/2002	26	38	659	\$ 19,606,416	10.6%	\$ 29,752

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SCHEDULE OF EXPERIENCE GAIN/(LOSS)
YEAR ENDED JUNE 30, 2002**

DERIVATION

(1) UAAL* at start of year	\$ (104,780,547)
(2) Normal cost for year	13,627,450
(3) Funding Method Contribution	(7,252,336)
(4) Interest accrued on (1), (2) and (3)	(9,143,369)
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]	(107,548,802)
(6) Effect of assumption changes***	3,153,000
(7) Effect of cost method changes	None
(8) Expected UAAL after changes	(104,395,802)
(9) Actual UAAL	(71,401,742)
(10) Gain/(Loss) (9)-(10)	\$ (32,994,060)
(11) As % of AAL** at beginning of year	13.1%

- * Unfunded actuarial accrued liability
- ** Actuarial accrued liability
- *** Estimated

STATISTICAL SECTION

ELECTED OFFICIALS' RETIREMENT PLAN
TWENTY-FIRST COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Summary of Growth of the Plan

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE**

REVENUES					
Fiscal Year	Member* Contributions	Employer Contributions	Percent of Annual Covered Payroll	Net Investment Income**	Total
1993	\$2,237,986 11%	\$4,941,470 26%	16.55%	\$12,082,441 63%	\$19,261,897 100%
1994	\$2,184,269 12%	\$5,555,890 30%	15.62%	\$10,926,793 58%	\$18,666,952 100%
1995	\$2,237,578 13%	\$5,224,545 31%	16.01%	\$9,446,871 56%	\$16,908,994 100%
1996	\$2,358,224 6%	\$4,886,479 13%	15.76%	\$31,728,664 81%	\$38,973,367 100%
1997	\$2,579,869 5%	\$4,934,939 8%	14.76%	\$51,065,604 87%	\$58,580,412 100%
1998	\$3,294,906 5%	\$3,668,144 6%	12.64%	\$54,378,360 89%	\$61,341,410 100%
1999	\$2,970,123 5%	\$3,941,018 6%	8.90%	\$53,424,808 89%	\$60,335,949 100%
2000	\$4,164,166 8%	\$4,126,694 7%	10.22%	\$46,966,837 85%	\$55,257,697 100%
2001	\$3,544,290 -6%	\$4,155,875 -7%	8.94%	(\$67,059,808) 113%	(\$59,359,642) 100%
2002	\$3,595,732 -9%	\$3,656,604 -9%	6.97%	(\$48,685,392) 118%	(\$41,433,056) 100%

EXPENSES				
FYE	Benefits	Administrative Expenses***	Refunds	Total
1993	\$6,986,604 94%	\$66,053 1%	\$346,352 5%	\$7,399,009 100%
1994	\$7,877,312 98%	\$65,965 1%	\$62,396 1%	\$8,005,673 100%
1995	\$8,718,621 97%	\$73,903 1%	\$197,465 2%	\$8,989,989 100%
1996	\$9,448,702 98%	\$52,053 1%	\$105,309 1%	\$9,606,064 100%
1997	\$10,177,471 98%	\$50,643 0%	\$193,296 2%	\$10,421,410 100%
1998	\$10,963,879 99%	\$59,967 1%	\$30,960 0%	\$11,054,806 100%
1999	\$11,991,654 98%	\$60,307 0%	\$168,690 2%	\$12,220,651 100%
2000	\$14,347,496 98%	\$59,577 0%	\$182,114 2%	\$14,589,187 100%
2001	\$16,802,302 99%	\$58,796 0%	\$133,561 1%	\$16,994,660 100%
2002	\$19,529,287 100%	\$70,983 0%	(\$6,518) 0%	\$19,593,752 100%

NOTE: *The member contribution rate is 7% of covered payroll.

**Prior to fiscal year 1996, Investment Income included only realized gains and losses. See Note 2.

***Prior to fiscal year 1996, Investment Expenses were not broken out from Administrative and Investment Expenses. However, for the fiscal years 1996, 1997, 1998, 1999, 2000 and 2001, Investment Expenses were \$22,642, \$22,269, \$19,556, \$22,122, \$23,133 and \$27,164, respectively. These amounts are now shown net in Investment Income as opposed to inclusion with Administrative Expenses as in prior reports.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SCHEDULE OF BENEFIT EXPENSES BY TYPE**

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Totals
1987	\$2,176,893 78%	\$199,226 7%	\$404,621 15%	-	\$2,780,740 100%
1988	\$2,409,666 79%	\$227,055 7%	\$436,170 14%	-	\$3,072,891 100%
1989	\$2,958,726 80%	\$253,715 7%	\$482,157 13%	-	\$3,694,598 100%
1990	\$3,727,158 81%	\$282,133 6%	\$557,753 12%	\$10,369 1%	\$4,577,413 100%
1991	\$4,148,012 80%	\$350,850 7%	\$607,950 11%	\$90,400 2%	\$5,197,212 100%
1992	\$4,825,146 81%	\$318,524 6%	\$668,752 11%	\$124,846 2%	\$5,937,268 100%
1993	\$5,756,503 82%	\$326,01 85%	\$762,516 11%	\$141,567 2%	\$6,986,604 100%
1994	\$6,399,006 81%	\$443,818 6%	\$878,193 11%	\$156,295 2%	\$7,877,312 100%
1995	\$6,947,365 80%	\$523,623 6%	\$1,081,329 12%	\$166,304 2%	\$8,718,621 100%
1996	\$7,526,049 80%	\$597,617 6%	\$1,154,800 12%	\$170,236 2%	\$9,448,702 100%
1997	\$8,074,010 80%	\$546,535 5%	\$1,350,387 13%	\$206,539 2%	\$10,177,471 100%
1998	\$8,593,838 78%	\$625,855 6%	\$1,516,198 14%	\$227,988 2%	\$10,963,879 100%
1999	\$9,265,167 77%	\$698,545 6%	\$1,786,989 15%	\$240,953 2%	\$11,991,654 100%
2000	\$10,966,775 76%	\$657,755 5%	\$2,459,882 17%	\$263,084 2%	\$14,347,496 100%
2001	\$13,051,530 78%	\$752,464 4%	\$2,680,089 16%	\$318,219 2%	\$16,802,302 100%
2002	\$14,747,855 75%	\$788,587 4%	\$3,079,725 16%	\$913,120 5%	\$19,529,287 100%

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF RETIRED MEMBER AND SURVIVOR DATA**

The following summary presents an analysis of the benefit changes that have taken place during the past 16 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 5.8% and 13.4% over the last five years.

COMPARATIVE SCHEDULE

Year Ended June 30	Retired			Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors Totals			
1982	150		9	\$ 844,914	\$ 5,314	2.4 to 1
1983	168		13	\$ 1,011,021	\$ 5,586	2.1 to 1
1984	175		14	\$ 1,120,441	\$ 5,928	2.0 to 1
1985	196	4	47	\$ 2,142,900	\$ 8,676	2.1 to 1
1986	206	5	51	\$ 2,564,083	\$ 9,787	2.0 to 1
1987	225	6	50	\$ 3,056,235	\$ 10,876	1.9 to 1
1988	232	7	52	\$ 3,238,986	\$ 11,131	2.0 to 1
1989	267	9	56	\$ 4,236,583	\$ 12,761	1.8 to 1
1990	272	10	61	\$ 4,830,530	\$ 14,083	1.8 to 1
1991	293	10	62	\$ 5,532,233	\$ 15,157	1.8 to 1
1992	301	8	66	\$ 5,980,662	\$ 15,948	1.8 to 1
1993	342	10	69	\$ 7,541,157	\$ 17,912	1.7 to 1
1994	346	12	75	\$ 7,936,942	\$ 18,330	1.6 to 1
1995	368	16	82	\$ 9,005,617	\$ 19,325	1.6 to 1
1996	368	15	89	\$ 9,567,636	\$ 20,270	1.4 to 1
1997	382	13	101	\$ 10,442,249	\$ 21,053	1.5 to 1
1998	386	18	109	\$ 11,143,500	\$ 21,722	1.4 to 1
1999	408	16	123	\$ 13,122,722	\$ 23,990	1.3 to 1
2000	444	15	130	\$ 15,096,774	\$ 25,631	1.2 to 1
2001	495	16	136	\$ 17,729,482	\$ 27,403	1.1 to 1
2002	500	18	141	\$ 19,606,416	\$ 29,752	0 to 1

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

SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2002

Pensions Being Paid	Number	Annual Pensions	Average Pensions
Retired Members - Service Pensions	500	\$ 15,460,464	\$ 30,921
- Disability Pensions	18	\$ 958,728	\$ 53,263
Totals	518	\$ 16,419,192	\$ 31,697
Survivors of Members - Spouses	140	\$ 3,157,884	\$ 22,556
- Children with Guardians*	1	\$ 29,340	\$ 29,340
Totals	141	\$ 3,187,224	\$ 22,604
Total Pensions Being Paid	659	\$ 19,606,416	\$ 29,752

*Does not include pensions payable to children whose parent is being paid a survivor pension

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	70.9	15.8	62.9
Disability retired members	63.2	12.7	56.2
Spouse beneficiaries	73.8	14.1	59.3

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

State law provides for an annual benefit increase for retirees or their survivors who are over age sixty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on part of the assets of the Plan and are limited to four percent of the average benefit being paid to retirees and their survivors. This program expired after the July 1, 1994 increase. The following schedule summarizes the statutorily-designed process of calculating the monthly benefit increases effective each July 1st and the increases granted:

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap***	Lesser of Two Increase Awarded
6/30/1989	3.62%	\$ 34,564,836	<u>\$ 1,251,247</u>			
		Investment earnings on balance	118,118			
		Amount utilized: 7-1-90 increase	(888,720)	5.0%	4.0%	4.0%
6/30/1990	0.44%	\$ 38,245,692	<u>\$ 168,281</u>			
		Amount available: 7-1-91 increase	648,926	4.0%	4.0%	4.0%
		Investment earnings on balance	75,275			
		Amount utilized: 7-1-91 increase	(1,143,432)			
6/30/1991	2.60%	\$ 44,222,354	<u>\$ 1,149,781</u>			
		Amount available: 7-1-92 increase	730,550	2.0%	4.0%	2.0%
		Investment earnings on balance	83,502			
		Amount utilized: 7-1-92 increase	(610,536)			
6/30/1992	2.43%	\$ 47,775,043	<u>\$ 1,160,934</u>			
		Amount available: 7-1-93 increase	1,364,450	3.5%	4.0%	3.5%
		Investment earnings on balance	140,675			
		Amount utilized: 7-1-93 increase	(1,167,612)			
6/30/1993	1.31%	\$ 60,856,776	<u>\$ 797,224</u>			
		Amount available: 7-1-94 increase	1,134,737	2.0%	4.0%	2.0%
		Investment earnings on balance	95,999			
		Amount utilized: 7-1-94 increase	(868,428)			

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES**

During the 1996 legislative session, House Bill 2483 was passed and approved by the Governor on April 17, 1996. This bill reinstated this program but with two new limits. The first limit is a 3% maximum. The second limit is 1/2 of the percentage change in the all items component of the Consumer Price Index for all urban consumers as published by the United States Department of Labor, Bureau of Labor Statistics, for the calendar year preceding the year for which the increase is being computed. This bill also lowered the age requirement to 55. There were no excess earnings in fiscal year 1994/1995 so the first increase was based on excess earnings for fiscal year 1995/1996 and was effective in July of 1997. Below is a schedule showing the calculation process.

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap***	Lesser of Two Increase Awarded
6/30/1996	1.75%	\$ 77,021,628	<u>\$ 1,347,878</u>			
	Amount available:	7-1-97 increase	1,347,878	1.5%	1.7%	1.5%
6/30/1997	3.97%	\$ 84,334,344	<u>\$ 3,348,073</u>			
	Investment earnings on balance		174,820			
	Amount utilized:	7-1-97 increase	(1,040,868)			
	Amount available:	7-1-98 increase	3,829,903	4.5%	1.2%	1.2%
6/30/1998	12.23%	\$ 88,885,855	<u>\$ 10,870,740</u>			
	Investment earnings on balance		813,088			
	Amount utilized:	7-1-98 increase	(888,283)			
	Amount Transferred by HB 2496		15,136,519			
	Amount available:	7-1-99 increase	29,761,967	34.5%	4.0%	4.0%
6/30/1999	8.52%	\$ 107,153,382	<u>\$ 9,129,468</u>			
	Investment earnings on balance		5,214,297			
	Amount utilized:	7-1-99 increase	(3,623,737)			
	Amount available:	7-1-00 increase	40,481,995	38.5%	4.0%	4.0%
6/30/2000	4.20%	\$ 124,211,100	<u>\$ 5,216,866</u>			
	Investment earnings on balance		5,343,623			
	Amount utilized:	7-1-00 increase	(4,133,898)			
	Amount available:	7-1-01 increase	46,908,586	37.5%	4.0%	4.0%
6/30/2001	0.00%	\$ -	<u>\$ -</u>			
	Investment earnings on balance		(7,953,820)			
	Amount utilized:	7-1-01 increase	(4,518,604)			
	Amount available:	7-1-02 increase	34,436,162	23.0%	4.0%	4.0%
6/30/2002	0.00%	\$ -	<u>\$ -</u>			
	Investment earnings on balance		(5,234,297)			
	Amount utilized:	7-1-02 increase	(5,801,777)			
	Amount available:	7-1-03 increase	23,400,088	14.0%	4.0%	4.0%

*Net effective yield less actuarial yield per statute of 9%. Beginning 6/30/98, total return less actuarial yield per statute of 9%.

** Amount equal to retired reserves.

***Prior to 7/1/99, maximum was the lower of 3% or 1/2 of CPI.

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
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 TEMPE
CITY OF TOLLESON
CITY OF TUCSON
CITY OF YUMA
TOWN OF THATCHER

**STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
SUMMARY OF GROWTH OF THE PLAN**

FUND ASSETS, EARNINGS AND INVESTMENT YIELD

Listed below is a table setting forth the growth of the Plan in some of the major areas since it was started July 1, 1981.

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield
Assets				
Transferred	\$ 10,990,215	\$ 838,550	7.50%	8.20%
1981-82	\$ 13,161,720	\$ 1,588,590	8.50%	13.96%
1982-83	\$ 15,349,948	\$ 1,749,184	8.50%	13.09%
1983-84	\$ 17,694,262	\$ 2,049,062	9.00%	13.23%
1984-85 ¹	\$ 49,900,086	\$ 5,987,944	9.00%	14.02%
1985-86	\$ 58,757,374	\$ 7,724,090	9.00%	15.32%
1986-87 ²	\$ 65,818,230	\$ 6,419,259	9.00%	10.87%
1987-88 ³	\$ 73,993,374	\$ 7,031,174	9.00%	10.60%
1988-89 ⁴	\$ 84,315,654	\$ 9,391,304	9.00%	12.62%
1989-90 ⁵	\$ 92,748,274	\$ 7,980,677	9.00%	9.44%
1990-91 ⁶	\$ 104,300,471	\$ 10,845,435	9.00%	11.60%
1991-92 ⁷	\$ 117,233,179	\$ 12,081,541	9.00%	11.54%
1992-93	\$ 129,118,529	\$ 12,082,441	9.00%	10.31%
1993-94	\$ 140,145,022	\$ 10,926,793	9.00%	8.46%
1994-95	\$ 148,159,074	\$ 9,446,871	9.00%	6.77%
1995-96	\$ 161,523,416	\$ 15,800,154	9.00%	10.75%
1996-97	\$ 179,812,810	\$ 20,807,444	9.00%	12.97%
1997-98	\$ 209,247,828	\$ 32,818,266	9.00%	18.41%
1998-99	\$ 258,049,796	\$ 54,086,027	9.00%	26.15%
1999-00	\$ 285,234,761	\$ 31,431,378	9.00%	12.27%
2000-01	\$ 293,478,357	\$ 17,402,311	9.00%	6.19%
2001-02	\$ 288,376,999	\$ 6,835,146	9.00%	2.37%

1. Reflects the 1985 amendment consolidating the Judges' Retirement Plan and the Elected Officials' Retirement Plan.

2. Reflects the 1987 amendment which increased the formula factor to 4% from 3-1/3%.

3. Reflects the 1988 amendment which bases the reduction for early retirement on the normal retirement age rather than age 65 and provided a 3% cost-of-living increase for retired members and survivors.

4. Reflects changes in the estimates of future experience (actuarial assumptions) and the 1989 amendment which provided a 3% increase in the pensions of retired members and survivors.

5. Includes the 1990 amendment which provides a subsidy for post-retirement health insurance, and a 3% increase in pensions with effective dates between September 15, 1989, and September 15, 1990.

6. Includes the 1991 amendment which provides a 3% increase in pensions with effective dates between September 15, 1990, and September 15, 1991, and the 1991 amendment increasing benefits for future duty-related deaths.

7. Includes the 1992 amendment which provides a 3% increase in pensions with effective dates between September 15, 1991, and October 31, 1992.