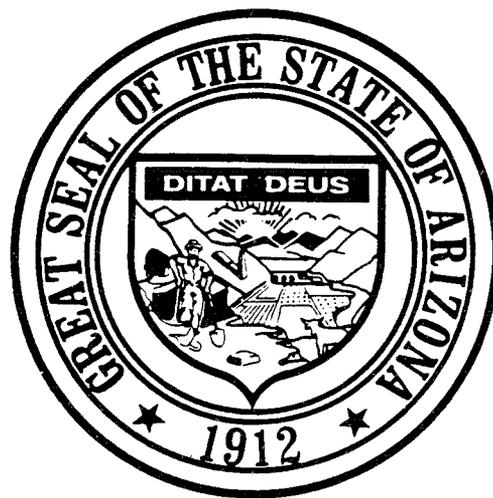
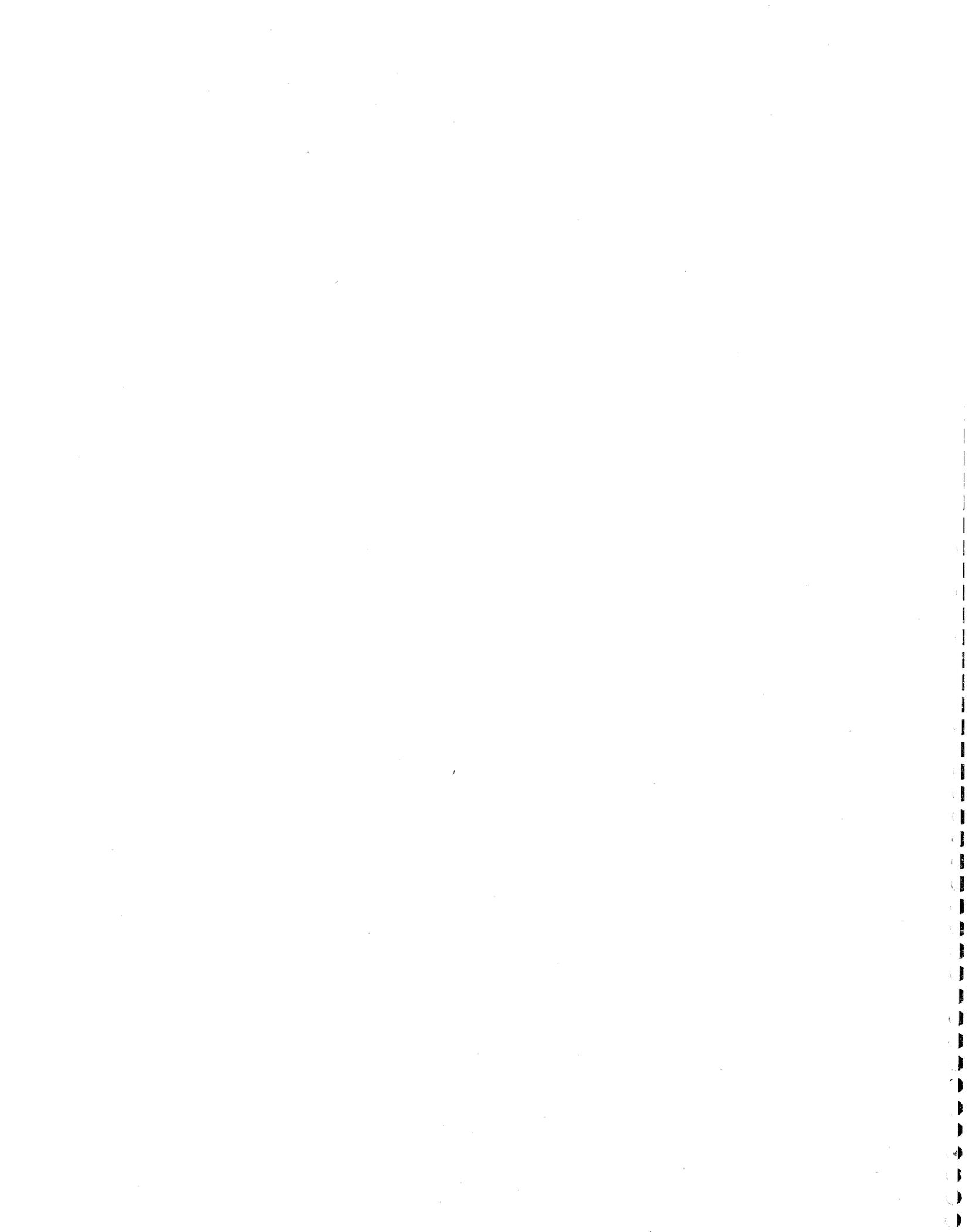


CORRECTIONS OFFICER RETIREMENT PLAN

OF THE
STATE OF ARIZONA



ELEVENTH ANNUAL
COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997



CORRECTIONS OFFICER RETIREMENT PLAN

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

This report was prepared by the staff of the CORP

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INTRODUCTORY SECTION

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

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

Michael H. Ong, J.D.
Assistant Administrator

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

October 8, 1997

Dear Governor Hull:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Eleventh Annual Report of the Corrections Officer Retirement Plan for the year ended June 30, 1997. We are pleased to report that the Plan is in excellent financial and actuarial condition. Set forth below are some of the record-breaking highlights for the fiscal year ending June 30, 1997.

The Plan has continued to improve its funding level—even while dramatically improving benefits—including the change to a straight 25-year retirement plan, the addition of a substantial health insurance subsidy and the increase in the accrual rate from 2% of pay per year of credited service to 2.5%. In fact, in just the past ten years, the Plan funding has improved from 69% to over 110%.

During the last year, total plan assets increased from \$347,932,076 to \$449,637,296—an increase of 29%. The fair value of the total Plan assets was more than 23% above cost. Benefits paid to retired Corrections Officers and their beneficiaries for the fiscal year totaled \$5,280,996 compared to \$4,312,487 for the prior year. The net investment income totaled \$80,841,733 the best total on record and nearly twice last year's total of \$44,235,782. The earnings provided 69% of the total cost of the Plan compared to 14% provided by the members and only 17% provided by the employers.

The total rate of return, which includes realized as well as unrealized gains and losses, for the entire fund was 22.73%. The individual rates of return for the stock portfolio and the bond portfolio were 31.78% and 10.31%, respectively. The Plan continues to outperform the market indexes on a short-term and on a long-term basis. The net effective yield, which takes into account only realized gains and losses, was 11.12%, the second best on record.

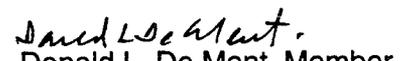
Total administrative and investment expenses increased about 4% from \$324,397 last year to \$338,165 this year. Costs have increased only 53% during the past nine years. This increase is incredibly low since the assets managed have increased 555% and the Plan membership has increased 121% during this period.

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

Respectfully submitted,


John A. Cochran, Ph.D., Chairman


F. Michael Geddes, Member


Donald L. De Ment, Member


Carmen Torrie, Member


Tony West, Member

**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.
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Michael H. Ong, J.D.
Assistant Administrator

September 30, 1997

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

Gentlemen:

There is presented, herewith, the Eleventh Annual Report of the operation of the Corrections Officer Retirement Plan, State of Arizona, for the fiscal year ended June 30, 1997. Incorporated in the report are the audited financial statements from the June 30, 1997, report on examination of Barrows & Schatza, P.L.C., Certified Public Accountants. Also included is some of the data of the June 30, 1997, Actuarial Valuation prepared by the Plan's Consulting Actuaries, Gabriel, Roeder, Smith & Company.

TRANSFER OF ASSETS

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

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 Statement of Revenues by Source included with the financial statements later in this report, the investment earnings totaled a record high of \$80,887,005 during the 1996/1997 fiscal year and provided 69% of the total funding of the Plan. Member contributions made up 14% of total revenue and employer contributions made up 17% of the total revenues.

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 1996/1997 Administrative and Investment Expenses of the Administrative Office totaled \$338,165 compared to \$324,397 for the prior year. This is a compounded annual rate of increase of less than 5% over the last nine years. This rate of increase is well below the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs minus inflation nearly flat for the past ten years even though membership and assets managed have increased substantially during this same period (over 121% and over 555%, 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 22.4% U. S. Government Securities, 11.2% Corporate Bonds, 2.8% Corporate Notes, .2% Other Investments, .2% insured Money Market Funds and 63.2% 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 eight of the last ten years and the equity portfolio has outperformed the S & P 500 Index over the past nine years. This extraordinary performance resulted in a net effective yield of 11.12% and a total rate of return of 22.73% for the 1996/1997 fiscal year. Graphs depicting the fund's extraordinary performance since 1986, the year internal staff took over the portfolio management, can be found in the Investment Section.

ECONOMIC OUTLOOK

The economy seems to be improving. It is likely the economy will continue its moderate growth. 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, 1997, is 110.8% which is well ahead of schedule. All twelve participating units have fully-funded actuarial accrued liabilities.

The Plan is funded through a member contribution of 6.65% of gross payroll (8.50% effective 7-1-97), an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. While each employer has a different contribution rate, the average for the entire Plan for the 1997-1998 fiscal year is 5.98% of gross payroll. Of the 12 groups that make up the Plan, all twelve employers will pay less than the 8.50% which the employees pay.

POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors who are over age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on a portion of the system's assets and are limited to four percent of the average benefit being paid.

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

July 1, 1993 - \$ 5.00

July 1, 1996 - \$10.00

July 1, 1997 - \$15.00

July 1, 1998 - \$25.00

Cumulative Total - \$55.00

A benefit increase schedule showing how these amounts were calculated can be found in the Statistical Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the CORP for its comprehensive annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial 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 report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the Government Finance Officers Association.

SUMMARY

The System's Actuary, Gabriel, Roeder, Smith & Company, summarized the results of the latest Actuarial Valuation as of June 30, 1997, as follows:

The results of the valuations indicate that Retirement Plan benefit obligations are being funded as incurred. Current assets are 110.8% of actuarial accrued liabilities. This is an excellent level of accrued funding and well ahead of schedule. Superior investment returns, over an extended period, have made possible the excellent actuarial condition of the Retirement Plan, improved benefits for members retiring in the future, cost-of-living increases to retired members and their beneficiaries without substantial increases in contribution requirements.

The Plan has made excellent progress in its first ten years. Funding has increased from 69% to 110.8%. Investment and administrative expenses increased less than 53% during the past nine years while total assets and membership were up 555% and 121% respectively. Employer contribution rates have remained low. All this was accomplished even while improving benefits to members. The service multiplier has been increased from 2% to 2.5%; members can now retire after 25 years of credited service at any age or if the sum of their age and years of credited service equals 80; survivor and disability benefits have been improved and a substantial health insurance subsidy has been added.

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

Respectfully submitted,



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corrections Officer
Retirement Plan,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

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.



Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

**CORRECTIONS OFFICER RETIREMENT PLAN
STATE OF ARIZONA**

THE FUND MANAGER

		<u>Term Expires</u>
John A. Cochran, Ph.D., Tempe Retired Professor of Economics Arizona State University	Chairman	January 1999
F. Michael Geddes, Phoenix President Geddes & Company	Member	January 1999
Donald L. De Ment, Tucson Retired City Clerk City of Tucson	Member	January 1997
Carmen Torrie, Prescott Sergeant Department of Public Safety	Member	January 1998
Tony West, Phoenix Treasurer State of Arizona	Member	January 2000

PROFESSIONAL ADVISORS

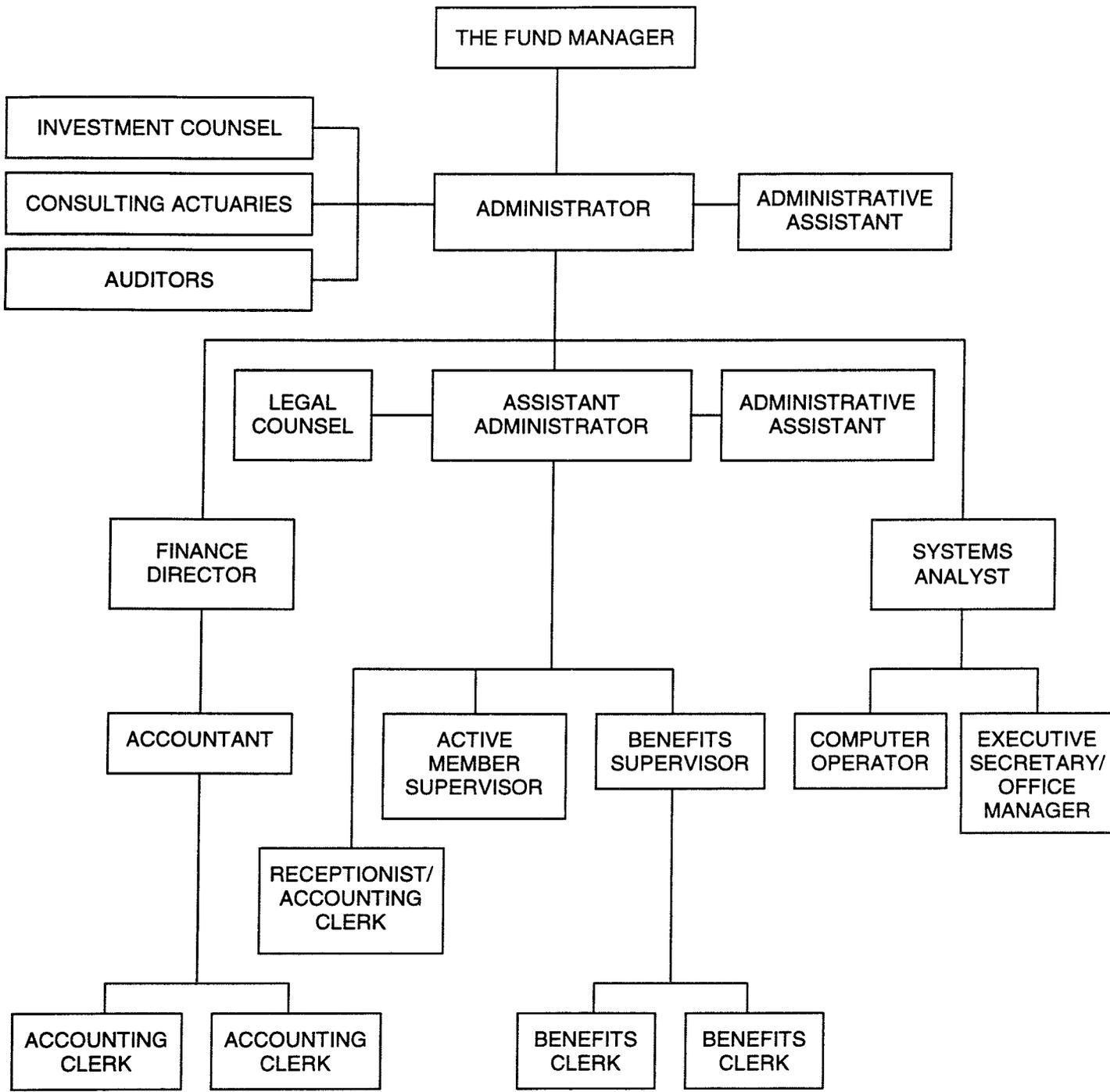
Standard & Poor's	Investment Counsel
Gabriel, Roeder, Smith & Company	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge & Sendrow, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

Jack M. Cross, C.P.A., C.F.A.	Administrator
Michael H. Ong, J.D.	Assistant Administrator
William F. Mulholland, C.P.A.	Finance Director
Donald B. Mineer	Systems Analyst
Jared A. Smout	Administrative Assistant
Kathleen A. Mattoon	Executive Secretary/Office Manager
Nancee J. McCorkle	Active Member Supervisor
Sheryl D. Saltsman	Benefits Supervisor
Annette L. Jorgensen	Administrative Assistant
LaDawn M. Snodgrass	Computer Operator
Joann L. Lowey	Accountant
Lori A. Boyle	Receptionist/Accounting Clerk
Deborah S. Irwin	Accounting Clerk
April Fyffe	Accounting Clerk
Lilian L. Leung	Benefits Clerk
Alice Sievers	Benefits Clerk

1020 East Missouri
Phoenix, Arizona 85014
Telephone (602) 255-5575
Facsimile (602) 255-5572

CORRECTIONS OFFICER RETIREMENT PLAN
 ORGANIZATIONAL CHART
 JUNE 30, 1997



FINANCIAL SECTION

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

Independent Auditor's Report
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statements
Required Supplementary Information
Supporting Schedule of Changes In Fund Balance Reserves
Supporting Schedule of Administrative and Investment Expenses
Supplemental Schedule of Cash Receipts and Cash Disbursements
Supporting Schedule of Commissions Paid to Brokers
Schedule of Changes in Employers' Reserve – Year Ended June 30, 1997, and Unfunded Accrued Normal Costs at June 30, 1996
Statement of Changes in Refundable Member Reserves Fiscal Year Ended June 30, 1997

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 CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 1997 and 1996, and the related statements of changes in plan net assets for the years then ended, appearing on pages 19 and 20, 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 the **STATE OF ARIZONA CORRECTIONS OFFICER RETIREMENT PLAN** as of June 30, 1997 and 1996, and the results of its operations and the changes in fund balances for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, contained on pages 27 and 28, schedule of funding progress and schedule of employer contributions, are required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. Also, the accompanying supplementary information, contained on pages 29 to 32, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. The accompanying additional information described above has been subjected to the auditing procedures applied in our audit of the 1997 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Barrows & Schatza, P.L.C.

October 15, 1997

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 1997 AND 1996

	1997		Restated (Note 2) 1996	
	Book Cost	See Note 2	Book Cost	See Note 2
ASSETS				
Cash		\$ 6,017		\$ 12,475
Receivables:				
Members' Contributions		103,565		595,527
Employers' Contributions		111,481		595,884
Interest and Dividends		2,979,123		2,688,131
Total Receivables		<u>3,194,169</u>		<u>3,879,542</u>
Investments at Fair value (Note 2):				
U.S. Government Securities	\$ 95,291,498	100,177,674	\$ 98,151,639	101,510,370
Corporate Bonds	48,191,452	49,993,446	38,615,422	39,551,719
Corporate Notes	11,954,589	11,954,589	7,982,217	7,982,217
Corporate Stocks	204,760,579	282,295,331	157,923,533	192,410,171
Other Investments	1,000,000	1,000,000	1,190,000	1,190,000
Money Market Account	1,016,070	1,016,070	1,395,582	1,395,582
Total Investments	<u>\$ 362,214,188</u>	<u>446,437,110</u>	<u>\$ 305,258,393</u>	<u>344,040,059</u>
Total Plan Assets		<u>449,637,296</u>		<u>347,932,076</u>
Collateral Held in Trust for Securities on Loan		120,305,638		59,275,120
Liability- Collateral Subject to Return to Borrower		<u>(120,305,638)</u>		<u>(59,275,120)</u>
Net Assets Held in Trust for Pension Benefits:		<u>\$ 449,637,296</u>		<u>\$ 347,932,076</u>
Net Asset Reserves				
Refundable Members' Reserve		82,948,061		74,927,199
Employers' Reserve		365,333,159		272,100,540
Future Benefit Increase Reserve		1,356,076		904,337
Total Net Asset Reserves		<u>\$ 449,637,296</u>		<u>\$ 347,932,076</u>

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

	1997	Restated (Note 2) 1996
Additions:		
Contributions		
Members' Contributions (Notes 1 and 4)	\$ 16,052,492	\$ 14,456,281
Employers' Contributions (Notes 1 and 4)	16,704,445	14,371,254
Total Contributions	32,756,937	28,827,535
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments (Note 2)	62,459,581	28,687,826
Interest	13,109,823	10,847,749
Dividends	5,195,841	4,698,024
Securities Lending Activities		
Securities Lending Income	\$ 6,338,544	\$ 1,924,147
Borrower rebates	(6,151,233)	(1,849,185)
Agents Share of Income	(65,551)	(29,606)
Net Securities Lending Income (Note 2)	121,760	45,356
	80,887,005	44,278,955
Less Investment Expense	(45,272)	(43,173)
Net Investment Income	80,841,733	44,235,782
Total Additions	113,598,670	73,063,317
Deductions:		
Pension and Insurance Benefits (Note 1)	5,280,996	4,312,487
Refunds to Terminated Members (Note 1)	6,918,704	5,979,772
Administrative Expenses	292,893	281,224
Total Deductions	12,492,593	10,573,483
Net Increase Before Transfers	101,106,077	62,489,834
Amounts Transferred from Other State- Sponsored Pension Plans--Net	599,143	(78,708)
Net Increase	101,705,220	62,411,126
Net Assets Held in Trust for Pension Benefits		
Beginning of Year, July 1	347,932,076	285,520,950
Ending of Year, June 30	\$ 449,637,296	\$ 347,932,076

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

NOTE 1 - PLAN DESCRIPTION

Organization

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer public employee retirement system established by Title 38, Chapter 5, Article 6 of the Arizona Revised Statutes, to provide benefits for prison and jail employees of certain state and local governments. The plan is jointly administered by the Fund Manager of the Public Safety Personnel Retirement System (PSPRS) and 12 Local Boards.

The Fund Manager is a five-member board. Three members are appointed by the Governor and two members are appointed by the state legislature. All members serve a fixed three-year term. The Fund Manager is responsible for the investment of the plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the plan, setting up records, setting up accounts for each member and each Local Board, and the general protection and administration of the Plan.

Each employer participating in the Plan has a five-member Local Board. Three members are appointed by the chief elected official of the organization and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. All costs associated with the administration of the Local Boards are paid by the various governing bodies.

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

The Fund Manager of the CORP is also responsible for the investment and general administration of two other statewide retirement plans—the Public Safety Personnel Retirement System and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the CORP. Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 1997 and 1996, the number of participating local government employer groups was:

	1997	1996
Counties	10	10
State Agencies	2	2
Total Employers	12	12

Any county or city in the State of Arizona may elect to have its eligible employees (generally, prison or jail personnel who have direct inmate contact) covered by the CORP. At June 30, 1997 and 1996, statewide CORP membership consisted of:

	1997	1996
Retirees and beneficiaries currently receiving benefits	598	504
Terminated vested employees	54	68
Current employees		
Vested	1,804	1,802
Non-vested	7,924	7,143
Total Members	10,380	9,517

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

Summary of Benefits

Eligibility

- A. For a county, a county detention officer or, a nonuniformed employee of a sheriff's department whose primary duties require direct inmate contact.
- B. For the State Department of Corrections, Correctional Service Officers, State Correctional Program Officers and certain other designated positions within the department which are prescribed by statute.
- C. For the State Department of Juvenile Corrections, Youth Corrections Officers, Youth Program Officers and certain other designated positions within the department which are prescribed by statute.
- D. For a city or town, a city or town detention officer.
(A.R.S. Section 38-881, Paragraph 7)

Credited Service

Service in a designated position for which member contributions have been made to the Plan or transferred to the Plan from another retirement system for public employees of this state. (A.R.S. Section 38-881, Paragraph 6)

Salary

The base salary or base wages, shift differential pay and holiday pay paid to a member in a designated position for personal services rendered to a participating employer. Salary does not include any remuneration or reimbursement other than as prescribed in this paragraph. (A.R.S. Section 38-881, Paragraph 20)

Average Monthly Salary

One thirty-sixth (1/36) of total salary paid a member during the highest three consecutive years out of the last ten years of service. (A.R.S. Section 38-881, Paragraph 3)

Normal Retirement

First day of month following completion of twenty-five years of service, following sixty-second birthday and completion of ten years of service or when the sum of the member's age and years of credited service equals at least eighty. (A.R.S. Section 38-885, Subsection B)

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

Two and two-tenths percent (2.2%) of the member's average monthly salary multiplied by the member's credited service to a maximum of thirty-four (34) years. The amount of a member's pension shall not exceed seventy-five percent (75%) of the member's average monthly salary. Beginning July 21, 1997, the benefit accrual rate was increased to two and one-half percent (2.5%). (A.R.S. Section 38-885, Subsections C and D)

Accidental Disability Retirement

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

Eligibility shall be based on medical evidence and determination by the Local Board. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Accidental disability pension terminates if the Local Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. Section 38-886)

Total and Permanent Disability Retirement

A physical or mental condition which totally and permanently prevents a member from engaging in any gainful employment, is the direct and proximate result of the member's performance of his duty as an employee and is not the result of a physical or mental condition or injury that existed or occurred before the member's date of membership in the Plan. Eligibility shall be based on medical evidence and determination by the Local Board. No credited service requirement. The monthly pension is fifty percent (50%) of the member's average monthly salary. The Local Board may require periodic medical re-evaluations until the member reaches age 62. Total and permanent disability pension terminates if the Local

Board finds the retired member no longer meets the requirements for the disability pension. (A.R.S. Section 38-886)

Survivor Pension

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

Surviving Spouse of Retired Member

Two-thirds of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. Section 38-887)

Surviving Spouse of a Non-Retired Active Member

One-third of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. Section 38-888)

Both surviving spouse pensions commence on first day of month following death of member.

Death Benefits

1. If an active or inactive member dies and no pension is payable, the member's beneficiary is entitled to receive two times his contributions to the CORP. (A.R.S. Section 38-904, Subsection A)
2. If there is no eligible surviving spouse or if the pension of the surviving spouse is terminated, surviving unmarried children of a deceased retired or active member are entitled to a pension until age 18, or age 22 if a full-time student. A disabled child is also entitled to a pension if the disability began before age 18. The amount of the pension is an equal share of the surviving spouse's pension. (A.R.S. Section 38-904, Subsection B)

Termination Refund

On termination of employment, for any reason other than death or retirement, a member with less than 10 years of credited service under the Plan is entitled to receive a lump-sum payment equal to his accumulated member contributions as of the date of termination, less any benefits paid or any amounts owed to the Plan. A member with 10 or more years of credited service is entitled to receive his contributions plus interest compounded annually at a rate set by the Fund Manager. The refund will be paid within 20 days after filing written application with the Fund Manager. A member forfeits all membership rights and credited service in the Plan upon receipt of refund of contributions. (A.R.S. Section 38-884, Subsections C and E)

Reemployment and Repayment of Contributions

A member who terminates and takes a refund of his contributions may elect, upon reemployment in a designated position with the same employer within two years after his termination date, to recover his prior credited service provided he submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburses the Plan within one year. The amount required to reinstate the credited service is the amount previously withdrawn plus compound interest, at the rate of the Plan's net effective yield, from the date of withdrawal to the date of repayment. (A.R.S. Section 38-884, Subsection F)

A retired member who becomes an employee in a designated position subsequent to retirement shall have his pension suspended during his reemployment in a designated position and shall not make contributions to the Plan nor accrue credited service during such reemployment. (A.R.S. Section 38-884, Subsection G)

Transfer into or out of Plan

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

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

A member who begins employment with a participating employer in this Plan and who has credited service from a different state retirement system may transfer or redeem his prior service to this Plan pursuant to the requirements for transfer between state retirement systems. (A.R.S. Section 38-901, Subsection B)

Transfer of Contributions

A member who terminates employment with an employer and accepts a position with the same, or another employer participating in the Plan, shall have his credited service transferred to his record with the new employer, provided he leaves his accumulated contributions on deposit with the Fund. The termination of employment shall not constitute a break in service. However, the period not employed shall not be considered as service. (A.R.S. Section 38-908)

Transfer between State Retirement Systems

Members of any of the four Arizona state retirement systems or plans who have credited service under another state retirement system may transfer or redeem the credited service to their current state retirement system by paying or transferring the full actuarial present value of the credited service into their current retirement system 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 system or plan. (A.R.S. Sections 38-921 and 38-922)

COLA Benefit Increases

Effective July 1 of each year, all CORP retirees or survivors who are 55 years of age or older and all disability retirees regardless of age, who were receiving benefits on or before June 30 of the previous year, may be entitled to a permanent benefit increase in their base benefit in the maximum amount of four percent (4%) of the average normal CORP benefit being received on the preceding June 30 contingent upon sufficient excess investment earnings for the fund. (A.R.S. Section 38-905)

Health Insurance Premium Subsidy

For CORP retirees who have group health and accident insurance coverage provided and administered by the state or another CORP employer, the CORP will pay up to \$95 per month for part of the premium for the retirees' individual coverage and up to \$175.00 per month for part of the premium for family health and accident insurance coverage. If the person is eligible for Medicare, the subsidy is \$65 plus \$50 for dependent coverage. (A.R.S. Section 38-906)

State taxation of CORP Benefits

Effective tax year commencing January 1, 1989, all CORP retirement benefits in excess of \$2500 annually are subject to Arizona state tax. (A.R.S. Sections 38-896 and 43-1022)

Contributions

Each member shall contribute 6.65 percent of his salary to the Plan (A.R.S. Section 38-891, Subsection B) and each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the Plan. Beginning July 21, 1997, the member contribution rate increased to eight and one-half percent (8.50%) of salary. (A.R.S. Section 38-891, Subsection A)

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

Basis of Accounting

CORP financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed. Furniture and equipment purchases, which are not significant 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 Number 25 of the Governmental Accounting Standards Board for Fiscal Year End 1997. As such, prior year's financial statements were restated to comply with the new requirement to report assets on a Fair Value Basis rather than the Cost Basis previously reported. Certain cost information is provided to comply with statutory requirements.

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 Realized Gain and Losses used in this calculation totaled \$17,018,326 for FYE 1997 and \$13,952,015 for FYE 1996.

Investments

CORP investments are reported at Fair Value and at Cost. Fair values are determined as follows. Short-term investments

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

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the "Prudent Man" rule. The Fund Manager is not limited to so-called "Legal Investments for Trustees." In making every investment, the Fund Manager shall exercise the judgement 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 sixty 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 stocks eligible for purchase shall be restricted to stocks which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the federal securities and exchange commission or its successors.

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

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

All investments of the Plan (other than those held by broker-dealers under the security loan program and those investments categorized as "Other Investments") meet the criteria of Category 1. "Other Investments" are not considered securities for purpose 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 a deposit with an Arizona bank. Deposits are insured by federal depository insurance.

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

Securities Lending Income

The Plan is party to a securities lending program. 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 market-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 market value of the loaned U.S. Government or corporate security. Securities on loan are carried at market value. As of June 30, 1997 and 1996 the market value of securities on loan was \$117,154,202 and \$57,740,098, respectively. The Plan receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent. The Plan participates in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. All term loans have a matched collateral investment. Cash collateral received for open loans is invested for longer term, however, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with a maturity of 7 days or less. Additionally, no more than 20% of the total collateral investments will be invested in instruments maturing in over 91 days. In lending securities, investments of cash collateral for open loans as of June 30, 1997 are not matched in maturity and have a weighted average maturity of 23 days, 20 days as of June 30, 1996. The Plan has no credit risk under this program and has experienced no default or losses on these loans.

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Retirement Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a rolling twenty (20) year period.

During the year ended June 30, 1997, contributions totaling \$35,756,937 (\$19,704,445 employer and \$16,052,492 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1995. The employer contributions consisted of \$20,415,284 for normal cost less (\$710,839) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 6.93% of covered payroll. [7.18% for normal costs and (.25)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 6.65% of covered payroll and is all attributable to normal costs.

During the year ended June 30, 1996, contributions totaling \$28,827,535 (\$14,371,254 employer and \$14,456,281 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 1994. The employer contributions consisted of \$14,500,725 for normal cost less (\$129,471) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 6.66% of covered payroll. [6.72% for normal costs and (.06)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 6.65% of covered payroll and is all attributable to normal costs.

NOTE 4 – REQUIRED SCHEDULES

The Schedule of Funding Progress and the Schedule of Employer Contributions and Revenues and Expenses by Type is presented immediately following the notes to the financial statements.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

While not any one or two numeric indices can fully describe the financial condition of a retirement system, 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 system'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 Accrued Liability (AAL) —Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-87	\$ 47,550	\$ 68,932	\$ 21,382	69.0%	\$ 102,910	20.8%
6-30-88	69,842	76,884	7,042	90.8	117,234	6.0
6-30-89 ¹	88,756	99,113	10,357	90.0	134,520	7.7
6-30-90 ¹	108,973	122,578	13,605	88.9	136,693	10.0
6-30-91 ¹	138,901	146,300	7,399	94.9	153,351	4.8
6-30-92	168,553	163,640	(4,913)	103.0	156,257	(3.1)
6-30-93*	198,692	184,299	(14,393)	107.8	166,831	(8.6)
6-30-94 ¹	223,902	221,487	(2,415)	101.1	177,717	(1.4)
6-30-95	265,006	254,189	(10,817)	104.3	198,603	(5.4)
6-30-96*	319,255	290,518	(28,737)	109.9	224,686	(12.8)
6-30-97* ¹	\$ 393,904	\$ 355,590	\$ (38,314)	110.8%	\$ 249,203	(15.4)%

* 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 over age fifty-five are dependent upon excess earnings created by the Fund.

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 inflation and other across-the-board factors, (c) additional projected salary increases ranging from 0.0% to 3.0% per year, depending on age, attributable to seniority/merit.

CORRECTIONS OFFICER RETIREMENT PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 REVENUES BY SOURCE AND EXPENSES BY TYPE

REVENUES

Fiscal Year	Member ** Contributions	Employer * Contributions	Investment Income***	Total
1987	\$ 5,244,336 40%	\$ 5,244,069 40%	\$ 2,591,092 20%	\$ 13,079,497 100%
1988	6,809,506 37%	6,809,481 37%	4,829,032 26%	18,448,019 100%
1989	7,814,417 34%	7,814,462 35%	6,981,352 31%	22,610,231 100%
1990	8,275,274 34%	8,250,984 34%	7,969,987 32%	24,496,245 100%
1991	10,114,753 33%	9,764,220 31%	11,171,749 36%	31,050,722 100%
1992	10,230,782 30%	9,492,656 27%	15,081,978 43%	34,805,416 100%
1993	10,864,248 30%	10,099,143 27%	15,833,256 43%	36,796,647 100%
1994	11,466,654 34%	10,032,668 29%	12,564,499 37%	34,063,821 100%
1995	12,759,059 27%	10,565,831 23%	23,730,177 50%	47,055,067 100%
1996	14,456,281 20%	14,371,254 19%	44,278,955 61%	73,106,490 100%
1997	16,052,492 14%	16,704,445 15%	80,887,005 71%	113,643,942 100%

EXPENSES

Fiscal Year	Benefits	Admin & Invest Expenses	Refunds	Total
1987	\$ 56,383 4%	\$ 167,631 12%	\$ 1,203,313 84%	\$ 1,427,327 100%
1988	228,463 9%	220,488 9%	2,114,119 82%	2,563,070 100%
1989	466,003 14%	209,927 6%	2,779,556 80%	3,455,486 100%
1990	696,749 17%	216,133 5%	3,275,538 78%	4,188,420 100%
1991	1,139,878 26%	223,242 5%	3,008,355 69%	4,371,475 100%
1992	1,693,034 32%	243,730 5%	3,287,556 63%	5,224,320 100%
1993	2,292,052 35%	252,855 4%	4,008,570 61%	6,553,477 100%
1994	2,834,598 35%	245,568 3%	5,024,767 62%	8,104,933 100%
1995	3,390,108 36%	285,989 3%	5,779,554 61%	9,455,651 100%
1996	4,312,487 41%	324,397 3%	5,979,772 56%	10,616,656 100%
1997	5,280,996 42%	338,165 3%	6,918,704 55%	12,537,865 100%

NOTE: * Contributions were made in accordance with actuarially determined contribution requirements.
 100% of annual required employer contributions were made by the employer.

** The member contribution rate is 6.65% of covered payroll.

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF CHANGES IN FUND BALANCE RESERVES
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance -- June 30, 1995	\$ 67,694,383	\$ 217,337,812	\$ 488,755
Distribution of Revenues and Expenses:			
Members' Contributions	14,456,281		
Employers' Contributions		14,371,254	
Earnings on Investments		44,278,955	
Pension Benefits		(4,312,487)	
Refunds to Terminated Members	(5,979,772)		
Investment and Administrative Expenses		(324,397)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(759,145)	759,145
Earnings on Excess Investment Earnings Acct Assets		(53,519)	53,519
Amount Utilized by Benefit Increases Granted		397,082	(397,082)
Net Transfers from Other State-Sponsored Pension Plans	(40,602)	(38,106)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(1,203,091)	1,203,091	
Balance -- June 30, 1996	\$ 74,927,199	\$ 272,100,540	\$ 904,337
Distribution of Revenues and Expenses:			
Members' Contributions	16,052,492		
Employers' Contributions		16,704,445	
Earnings on Investments		80,887,005	
Pension Benefits		(5,280,996)	
Refunds to Terminated Members	(6,918,704)		
Investment and Administrative Expenses		(338,165)	
Distribution of Transfers:			
Excess Investment Earnings to be used for Future Benefit Increases		(1,025,673)	1,025,673
Earnings on Excess Investment Earnings Acct Assets		(100,562)	100,562
Amount Utilized by Benefit Increases Granted		674,496	(674,496)
Net Transfers from Other State-Sponsored Pension Plans	293,984	305,159	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(1,406,910)	1,406,910	
Balance -- June 30, 1997	<u>\$ 82,948,061</u>	<u>\$ 365,333,159</u>	<u>\$ 1,356,076</u>

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	<u>Administrative</u>	<u>Investment</u>	<u>Total</u>
Accounting and Auditing Services	\$ 4,100	\$ 0	\$ 4,100
Actuarial Services	14,500	0	14,500
Contractual Services	10,690	0	10,690
Educational Expenses	1,480	0	1,480
Furniture and Equipment	19,585	0	19,585
Investment Equipment	0	859	859
Investment Services	0	11,101	11,101
Occupancy Expenses	10,311	1,691	12,002
Office Supplies	5,205	300	5,505
Payroll Taxes and Fringe Benefits	25,621	4,201	29,822
Postage Expense	9,207	335	9,542
Printing, Publications and Subscriptions	8,378	96	8,474
Professional Services	28,547	1,040	29,587
Salaries and Wages	148,390	24,331	172,721
Telephone Expense	2,626	152	2,778
Travel Expense	4,253	1,166	5,419
	<u>\$ 292,893</u>	<u>\$ 45,272</u>	<u>\$ 338,165</u>

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPLEMENTAL SCHEDULE OF
CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
RECEIPTS:		
Members' Contributions	16,544,454	14,291,881
Employers' Contributions	17,188,847	14,136,934
Interest	12,946,184	10,430,076
Dividends	5,076,362	4,589,490
Securities Lending Income	113,884	45,150
Amounts Transferred from Other		
State-Sponsored Pension Plans	848,211	133,429
Maturities and Sales of:		
U.S. Government Securities	9,792,326	9,913,952
Corporate Bonds	2,004,199	1,399,077
Corporate Notes	460,211,639	400,406,372
Other Investments	190,000	390,000
Common Stock	60,643,296	51,979,836
Net Decrease in Money Market Fund	379,513	406,709
Total Receipts:	<u>585,938,915</u>	<u>508,122,906</u>
DISBURSEMENTS:		
Pension Benefits	5,280,996	4,312,487
Refunds to Terminated Members	6,918,704	5,979,772
Investment and Administrative Expenses	338,165	324,397
Amounts Transferred to Other		
State-Sponsored Pension Plans	249,068	212,138
Acquisitions of:		
U.S. Government Securities	6,921,028	23,075,155
Corporate Bonds	11,569,888	11,147,341
Corporate Notes	464,184,012	386,498,478
Other Investments	0	0
Common Stock	90,483,512	76,590,279
Net Increase in Money Market Fund	0	0
Total Disbursements:	<u>585,945,373</u>	<u>508,140,047</u>
INCREASE (DECREASE) IN CASH	(6,458)	(17,141)
BEGINNING CASH BALANCES, July 1	<u>12,475</u>	<u>29,616</u>
ENDING CASH BALANCES, June 30	<u>\$ 6,017</u>	<u>\$ 12,475</u>

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 1997

<u>Broker</u>	<u>Amount</u>
Covato Lipsitz	\$ 9,428
ISI, Branch 704	8,117
J.W.Garrett	8,681
Merrill Lynch	14,341
Paine Webber	16,987
Prudential Securities	18,378
Smith Barney--Phoenix	10,239
Smith Barney--Scottsdale	7,082
Principal Financial Securities	<u>19,931</u>
Total Commissions	<u><u>\$ 113,184</u></u>

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYERS' RESERVE - YEAR ENDED JUNE 30, 1997
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 1996

System Number	System	Balances 6/30/96	Reserve Transfers	Contributions Received	Pension Payment	Distribution of Earnings	Balances 6/30/97	Unfunded Accrued Normal Costs at 6-30-96
500	DEPT OF CORRECTIONS	168,553,395.46	1,317,366.04	11,578,863.19	(4,008,754.81)	25,068,748.32	202,509,618.20	(23,854,752.00)
501	D. Y. T. R.	12,366,107.72	65,310.92	1,366,344.75	(205,867.92)	2,021,717.58	15,613,613.05	114,149.00
505	MARICOPA COUNTY C.O.R.P.	33,166,965.07	151,150.75	2,216,450.95	(591,727.21)	4,996,929.77	39,939,769.33	(2,063,596.00)
510	YUMA COUNTY C.O.R.P.	2,374,232.90	(18,296.61)	207,419.79	(6,021.96)	363,197.56	2,920,531.68	(541,290.00)
515	PIMA COUNTY C.O.R.P.	12,135,998.72	102,975.58	801,776.05	(299,393.04)	1,839,524.30	14,580,881.61	(1,190,005.00)
520	APACHE COUNTY C.O.R.P.	198,639.49	0.00	21,620.22	0.00	32,874.22	253,133.93	(40,916.00)
525	COCHISE COUNTY C.O.R.P.	1,307,123.13	13,884.69	92,599.13	(53,221.31)	179,530.29	1,539,915.93	(263,329.00)
530	COCONINO COUNTY C.O.R.P.	290,066.03	(3,482.66)	65,955.46	0.00	49,000.21	401,539.04	(93,686.00)
535	MOHAVE COUNTY C.O.R.P.	1,352,621.79	2,324.00	117,977.63	(43,178.84)	185,922.34	1,615,666.92	(481,830.00)
540	SANTA CRUZ COUNTY CORP	360,456.80	0.00	32,125.65	0.00	54,322.73	446,905.18	(154,998.00)
545	NAVAJO COUNT C.O.R.P.	423,346.33	15,949.82	52,757.45	(6,674.64)	66,615.76	551,994.72	(104,411.00)
550	YAVAPAI COUNTY C.O.R.P.	1,694,255.80	64,886.61	150,554.71	(66,156.64)	249,202.52	2,092,743.00	(62,212.00)
	EXCESS EARNINGS	(1,356,076.00)	0.00	0.00	0.00	0.00	(904,337.00)	0.00
	TOTAL	232,867,133.24	1,712,069.14	16,704,444.98	(5,280,996.37)	35,107,585.60	281,561,975.59	(28,736,876.00)

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
STATEMENT OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 1997

System Number	System	Balances 30-Jun-96	Reserve Transfers	Contributions Received	Withdrawn Members	30-Jun-97
500	DEPT OF CORRECTIONS	52,480,742.63	(534,366.80)	11,310,875.64	(5,075,105.18)	58,182,146.29
501	D.Y.T.R.	5,114,432.69	(199,727.28)	1,169,474.42	(394,523.11)	5,689,656.72
505	MARICOPA COUNTY C.O.R.P.	10,849,720.51	(189,237.75)	2,059,697.62	(645,717.37)	12,074,463.01
510	YUMA COUNTY C.O.R.P.	790,747.79	17,521.61	211,619.18	(131,267.71)	888,620.87
515	PIMA COUNTY C.O.R.P.	4,165,463.11	(104,201.58)	792,386.23	(381,123.46)	4,472,524.30
520	APACHE COUNTY C.O.R.P.	84,757.74	0.00	19,325.34	(10,349.79)	93,733.29
525	COCHISE COUNTY C.O.R.P.	282,763.22	(13,343.69)	84,535.47	(33,948.71)	320,006.29
530	COCONINO COUNTY C.O.R.P.	120,308.43	(4,235.34)	66,292.58	(57,550.16)	124,815.51
535	MOHAVE COUNTY C.O.R.P.	296,499.44	(2,324.00)	116,141.34	(103,235.70)	307,081.08
540	SANTA CRUZ COUNTY CORP	117,979.62	0.00	36,170.75	(36,714.02)	117,436.35
545	NAVAJO COUNT C.O.R.P.	142,658.07	(15,949.82)	50,264.96	(18,215.88)	158,757.33
550	YAVAPAI COUNTY C.O.R.P.	481,126.04	(67,061.61)	135,708.58	(30,952.99)	518,820.02
	TOTAL	74,927,199.29	(1,112,926.26)	16,052,492.11	(6,918,704.08)	82,948,061.06

INVESTMENT SECTION

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

Investment Performance Data

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

**Detailed List of Sales
and Redemption of Investments**

Detailed List of Investments Owned



September 25, 1997

The Fund Manager
Corrections Officers' Retirement Fund

Dear Sirs:

The attached charts and tables depict the investment performance for the Corrections Officers' Retirement Fund of the State of Arizona. This performance data includes realized and unrealized capital gains and losses as well as interest and dividend income earned by the fund.

The Total Fund has attained a rate of return over the past decade that compares favorably with a Custom Index using the major security indices in the same ratios in which the fund was invested during the period. The stock portfolio outperformed the New York Stock Exchange Index during the past fiscal year and the bond portfolio also posted a superior return in comparison to the Lehman Government/Corporate Index.

Sincerely,

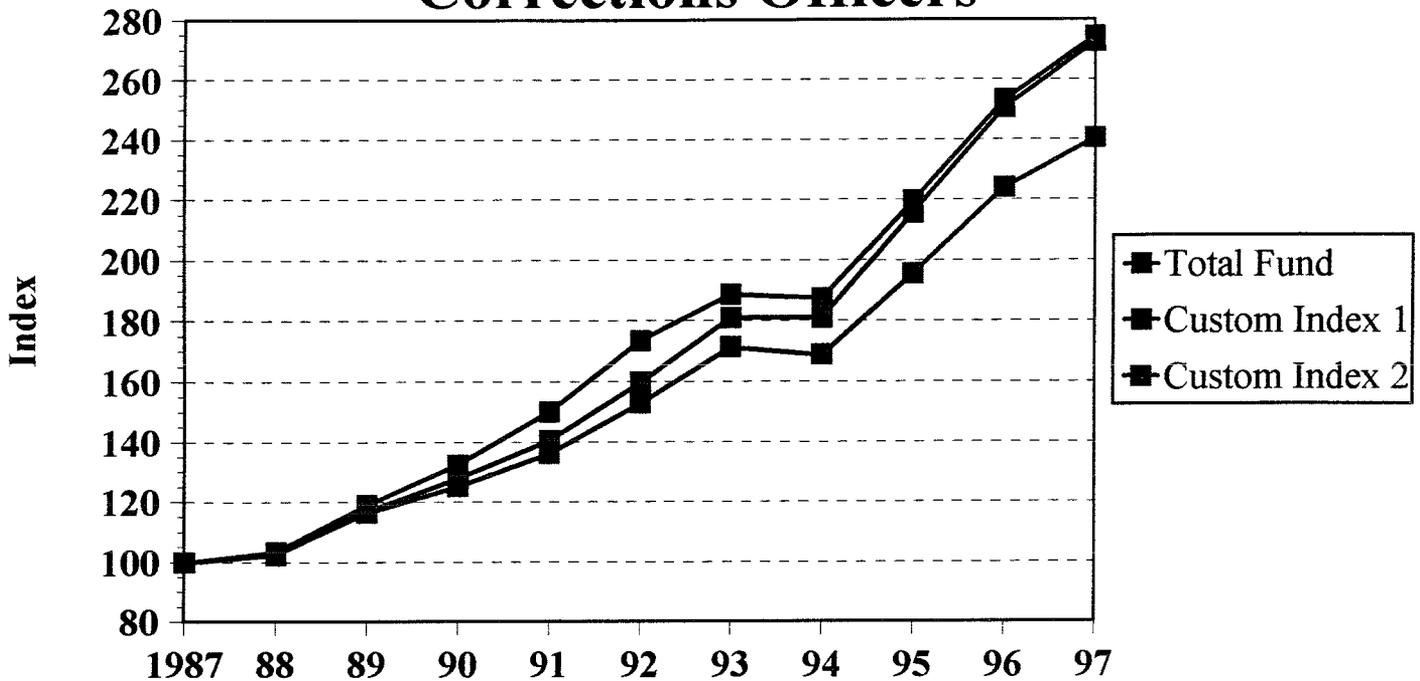
A handwritten signature in cursive script, appearing to read "J.T. Stephens".

J.T. (Rick) Stephens, CFA
Senior Vice President

JTS:bat

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Cumulative Return - Total Fund Corrections Officers



	Market Value	Contribution	Total Return	Custom Index 1 *	Custom Index 2**
6-30-97	\$446,443,126	\$21,485,918	22.73%	19.95%	23.18%
6-30-96	344,052,534	17,199,563	15.30	16.08	14.58
6-30-95	282,566,544	13,323,271	17.11	19.24	15.90
6-30-94	228,725,251	12,344,638	-0.70	-0.04	-1.52
6-30-93	218,076,361	14,434,677	8.80	13.32	12.09
6-30-92	186,696,553	14,047,050	15.68	13.75	12.33
6-30-91	148,567,837	18,448,295	13.23	9.78	8.68
6-30-90	113,343,482	12,540,673	11.24	9.41	7.61
6-30-89	90,034,663	11,245,876	15.21	14.25	13.01
6-30-88	67,462,178	17,014,108	3.40	2.41	2.92
6-30-87	48,123,723				

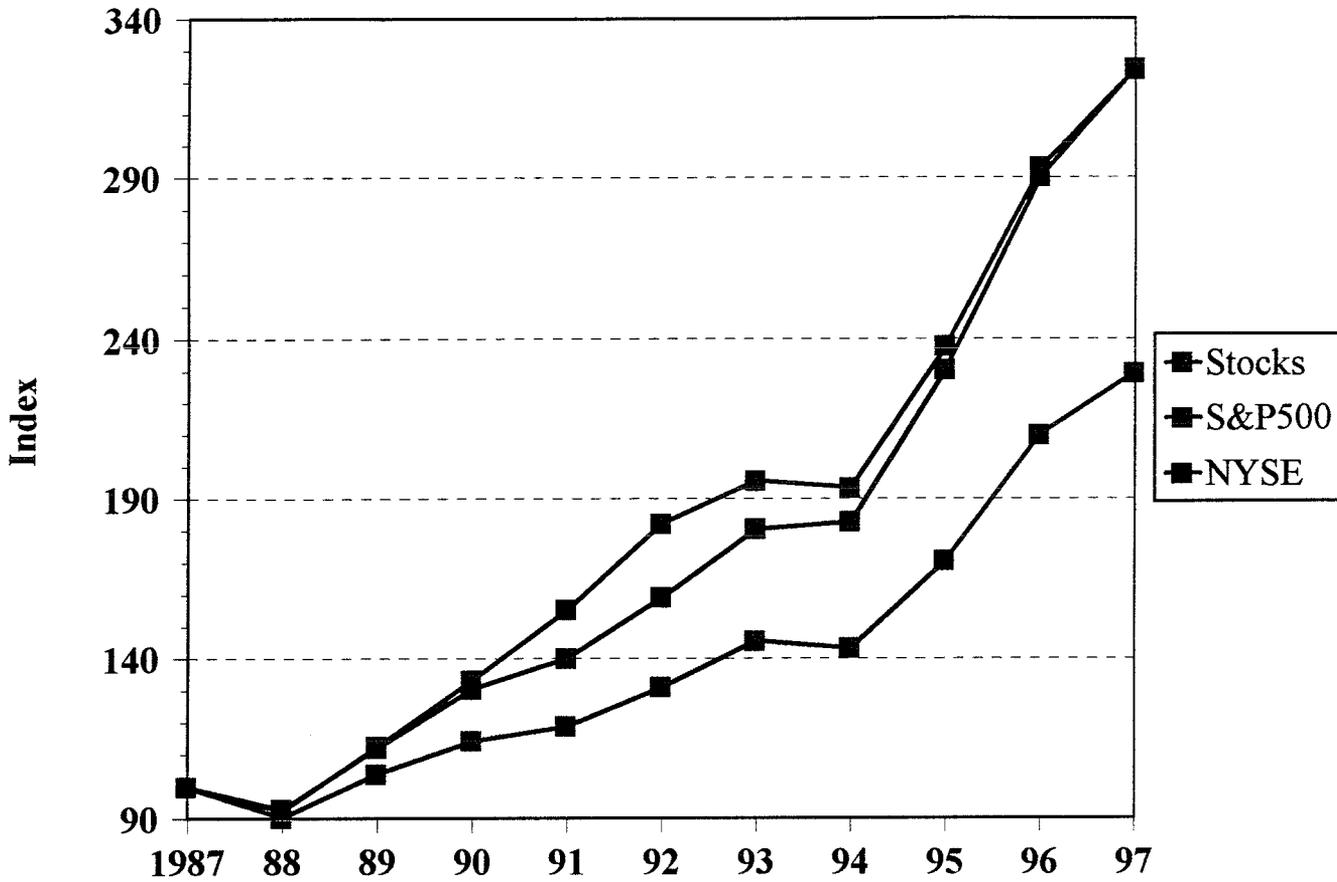
* Custom Index 1 is the average percentage in bonds times Lehman Govt/Corp Bond index plus average percentage in stocks times S&P 500 Index.

**Custom Index 2 substitutes the NYSE Index for the S&P 500. Our investment universe is the New York Stock Exchange (NYSE).

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

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

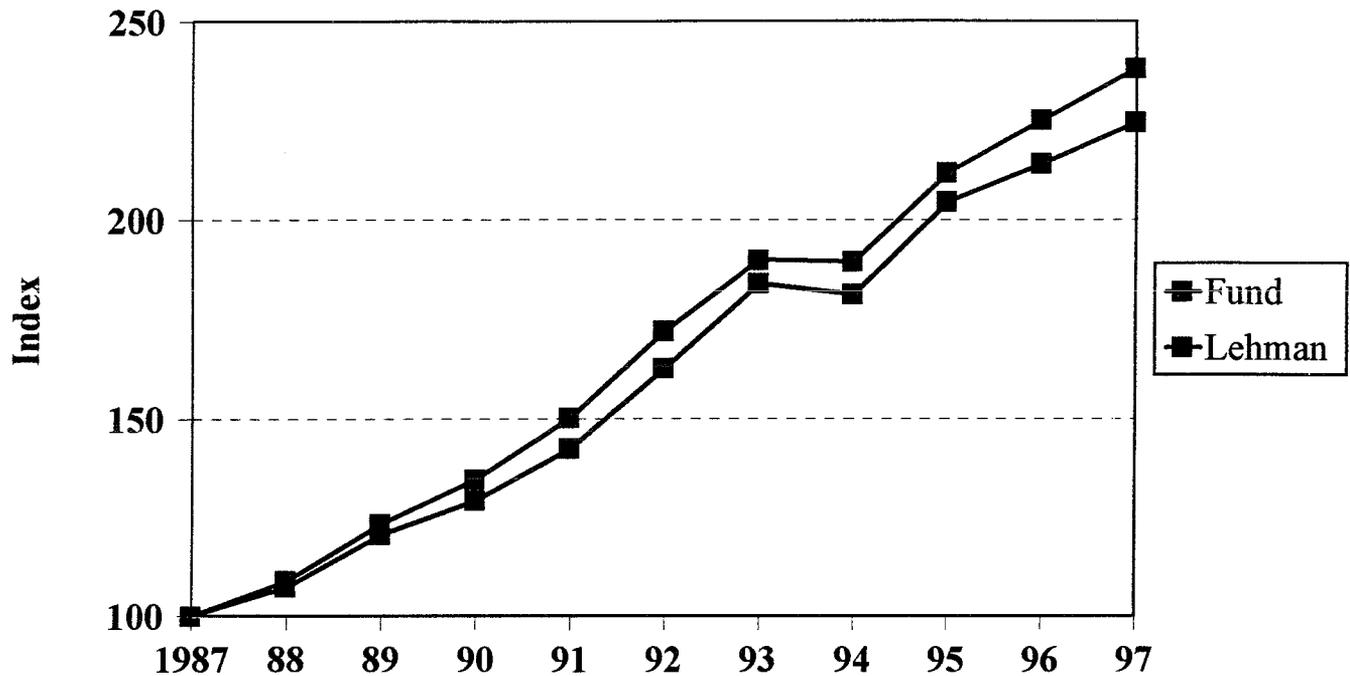
Cumulative Return - Stocks Corrections Officers



	Market Value	Contribution	Total Return	NYSE Index*	S&P 500
6-30-97	\$282,295,331	\$24,625,056	31.78%	28.48%	34.69%
6-30-96	192,410,171	19,911,739	23.35	23.08	26.00
6-30-95	136,792,031	(8,954,375)	22.83	19.04	26.06
6-30-94	120,009,219	9,254,903	-1.14	-1.58	1.23
6-30-93	112,232,875	35,940,119	7.37	11.04	13.52
6-30-92	88,979,250	19,472,103	17.41	10.25	13.45
6-30-91	58,385,625	13,099,368	16.48	4.09	7.39
6-30-90	38,044,750	12,336,990	18.39	9.88	16.44
6-30-89	21,228,125	(430,650)	21.75	15.17	20.54
6-30-88	17,925,000	4,678,349	-7.46	-9.70	-6.97
6-30-87	14,739,500				

* Our investment universe is the New York Stock Exchange (NYSE).

Cumulative Return - Bonds Corrections Officers



	Market Value	Contribution	Total Return	Lehman*
6-30-97	\$164,147,795	(\$3,139,138)	10.31%	7.75%
6-30-96	151,642,363	(2,712,176)	6.26	4.65
6-30-95	145,774,513	22,277,646	11.71	12.75
6-30-94	108,716,032	3,089,735	-0.21	-1.45
6-30-93	105,843,486	(7,458,392)	10.46	13.15
6-30-92	97,717,303	(5,425,053)	14.54	14.17
6-30-91	90,182,212	(5,348,927)	11.54	10.21
6-30-90	75,298,732	203,683	9.02	7.11
6-30-89	68,806,538	11,676,526	13.18	12.34
6-30-88	49,537,189	12,335,759	9.18	7.48
6-30-87	33,384,223			

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

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

DESCRIPTION	BALANCE JUNE 30, 1996		ACQUISITIONS	MATURITIES AND SALES	(PREMIUM) DISCOUNT	BALANCE JUNE 30, 1997	
	MARKET VALUE	BOOK VALUE				BOOK VALUE	MARKET VALUE
U.S. TREASURY OBLIGATIONS	33,100,085.00	31,679,505.00	0.00	3,488,843.00	-52,070.00	28,138,592.00	29,756,690.00
FEDERAL AGENCY OBLIGATIONS	68,410,285.47	66,472,133.71	6,921,028.13	6,240,256.06	0.00	67,152,905.78	70,420,983.66
TOTAL GOVERNMENT SECURITIES	101,510,370.47	98,151,638.71	6,921,028.13	9,729,099.06	-52,070.00	95,291,497.78	100,177,673.66
CORPORATE BONDS	39,551,719.20	38,615,422.12	11,569,888.00	2,014,921.37	21,063.00	48,191,451.75	49,993,445.51
CORPORATE NOTES	7,982,216.67	7,982,216.67	464,184,011.51	460,211,638.73	0.00	11,954,589.45	11,954,589.45
OTHER INVESTMENTS	1,190,000.00	1,190,000.00	0.00	190,000.00	0.00	1,000,000.00	1,000,000.00
TOTAL BOND PORTFOLIO	150,234,306.34	145,939,277.50	482,674,927.64	472,145,659.16	-31,007.00	156,437,538.98	163,125,708.62
COMMON STOCK	192,410,170.50	157,923,532.74	90,483,512.20	43,646,465.84	0.00	204,760,579.10	282,295,330.69
TOTAL PORTFOLIO	342,644,476.84	303,862,810.24	573,158,439.84	515,792,125.00	-31,007.00	361,198,118.08	445,421,039.31

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BONDS PURCHASED 1996 - 97

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(PREMIUM) DISCOUNT	Accrued Interest	Total Amount	Yield
FEDERAL AGENCY OBLIGATIONS									
GNMA POOL #398831	8.000	08/15/26	99.84375	4,950,000.00	4,942,265.63	7,734.37	19,800.00	4,962,065.63	8.01%
GNMA POOL #439645	8.000	09/15/26	99.93750	1,980,000.00	1,978,762.50	1,237.50	7,480.00	1,986,242.50	8.01%
TOTAL FEDERAL AGENCY OBLIGATIONS				6,930,000.00	6,921,028.13	8,971.87	27,280.00	6,948,308.13	8.01%
CORPORATE BONDS									
ANTHEM INSURANCE	9.000	04/01/27	99.31000	3,000,000.00	2,979,300.00	20,700.00	9,750.00	2,989,050.00	9.06%
LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	111.20000	2,000,000.00	2,224,000.00	(224,000.00)	23,891.67	2,247,891.67	8.23%
PMI CAPITAL	8.309	02/01/27	103.47020	2,000,000.00	2,069,404.00	(69,404.00)	62,779.11	2,132,183.11	8.03%
SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	113.53520	2,000,000.00	2,270,704.00	(270,704.00)	31,770.83	2,302,474.83	8.26%
UNION CENTRAL LIFE	8.200	11/01/26	101.32400	2,000,000.00	2,026,480.00	(26,480.00)	21,866.67	2,048,346.67	8.09%
TOTAL CORPORATE BONDS				11,000,000.00	11,569,888.00	(569,888.00)	150,058.28	11,719,946.28	8.39%
TOTAL BONDS PURCHASED				17,930,000.00	18,490,916.13	(560,916.13)	177,338.28	18,668,254.41	8.25%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES
6/30/97

SHORT TERM INVESTMENTS MATURED

Page 1 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
06/25/96	OMNIBUS FUNDING	5.450	07/08/96	1,996,063.89	3,936.11	2,000,000.00
06/25/96	DIXIE PIPELINE CO	5.420	07/08/96	1,996,085.56	3,914.44	2,000,000.00
06/25/96	TRIPLE A-1 FUNDING	5.410	07/15/96	1,993,988.89	6,011.11	2,000,000.00
06/26/96	AT&T CAPITAL	5.430	07/09/96	1,996,078.33	3,921.67	2,000,000.00
07/08/96	OMNIBUS FUNDING	5.380	07/16/96	1,997,608.89	2,391.11	2,000,000.00
07/08/96	MERRILL LYNCH	5.380	07/23/96	1,995,516.67	4,483.33	2,000,000.00
07/09/96	RED BUD FUNDING	5.280	07/11/96	1,999,413.33	586.67	2,000,000.00
07/09/96	DYNAMIC FUNDING	5.500	07/22/96	998,013.89	1,986.11	1,000,000.00
07/10/96	BRIDGESTONE/FIRESTONE	5.380	07/17/96	998,953.89	1,046.11	1,000,000.00
07/11/96	HARTZ 667	5.430	08/12/96	2,000,298.40	9,701.60	2,010,000.00
07/15/96	SHINHAN BANK	5.530	08/14/96	1,990,783.33	9,216.67	2,000,000.00
07/15/96	ANCHOR FUNDING	5.380	07/22/96	1,997,907.78	2,092.22	2,000,000.00
07/16/96	JOHN HANCOCK CAPITAL	5.280	07/17/96	1,999,706.67	293.33	2,000,000.00
07/17/96	AETNA LIFE & CASUALTY	5.380	07/31/96	1,995,815.55	4,184.45	2,000,000.00
07/17/96	CENTRAL & SOUTHWEST	5.540	08/13/96	1,991,690.00	8,310.00	2,000,000.00
07/22/96	DYNAMIC FUNDING	5.350	07/29/96	998,959.73	1,040.27	1,000,000.00
07/22/96	CSC ENTERPRISES	5.330	08/02/96	1,996,742.78	3,257.22	2,000,000.00
07/23/96	DYNAMIC FUNDING	5.350	07/29/96	1,998,216.67	1,783.33	2,000,000.00
07/31/96	AMERICAN FOODS	5.680	08/01/96	1,999,684.44	315.56	2,000,000.00
07/31/96	US WEST CAPITAL	5.620	08/01/96	1,999,687.77	312.23	2,000,000.00
07/31/96	BRIDGESTONE/FIRESTONE	5.520	08/07/96	1,997,853.33	2,146.67	2,000,000.00
08/01/96	AETNA LIFE & CASUALTY	5.380	08/16/96	1,995,516.67	4,483.33	2,000,000.00
08/01/96	PROGRESS FUNDING	5.450	08/29/96	1,991,522.22	8,477.78	2,000,000.00
08/02/96	MERRILL LYNCH	5.410	08/05/96	1,999,098.33	901.67	2,000,000.00
08/12/96	BRIDGESTONE/FIRESTONE	5.350	08/19/96	1,997,919.44	2,080.56	2,000,000.00
08/12/96	MERRILL LYNCH	5.250	08/19/96	1,997,958.33	2,041.67	2,000,000.00
08/13/96	ANCHOR FUNDING	5.420	08/26/96	1,996,085.56	3,914.44	2,000,000.00
08/13/96	MERRILL LYNCH	5.300	08/16/96	1,999,116.67	883.33	2,000,000.00
08/14/96	TRIPLE A-1 FUNDING	5.300	08/19/96	1,998,527.78	1,472.22	2,000,000.00
08/15/96	NYNEX CREDIT CORP	5.450	08/20/96	1,998,486.11	1,513.89	2,000,000.00
08/16/96	AMADA LEASING	5.380	08/30/96	1,995,815.56	4,184.44	2,000,000.00
08/16/96	PROGRESS FUNDING CORP	5.350	08/30/96	1,995,838.89	4,161.11	2,000,000.00
08/20/96	WESTERN FINANCIAL SAV	5.150	08/21/96	2,499,642.36	357.64	2,500,000.00
08/20/96	MERRILL LYNCH & CO	5.120	08/22/96	999,715.56	284.44	1,000,000.00
08/21/96	DYNAMIC FUNDING CO.	5.320	08/26/96	1,856,627.14	1,372.86	1,858,000.00
08/21/96	MARSH MCLENNAN	5.080	08/22/96	999,858.89	141.11	1,000,000.00
08/26/96	FIAT FINANCE USA, INC.	5.400	08/30/96	4,497,300.00	2,700.00	4,500,000.00
08/29/96	MERRILL LYNCH & CO, INC	5.290	09/04/96	2,997,355.00	2,645.00	3,000,000.00
08/30/96	DYNAMIC FUNDING CORP	5.400	09/30/96	995,350.00	4,650.00	1,000,000.00
08/30/96	SANWA BUSINESS CREDIT	5.360	09/06/96	3,995,831.11	4,168.89	4,000,000.00
08/30/96	BRIDGESTONE/FIRESTONE	5.420	09/13/96	997,892.22	2,107.78	1,000,000.00
08/30/96	PROGRESS FUNDING CORP	5.420	09/13/96	1,995,784.45	4,215.55	2,000,000.00
09/04/96	COUNTRYWIDE HOME LOANS	5.350	09/18/96	997,919.45	2,080.55	1,000,000.00
09/04/96	AGA CAPITAL INC	5.350	09/18/96	1,995,838.89	4,161.11	2,000,000.00
09/06/96	MERRILL LYNCH & CO, INC	5.150	09/09/96	3,998,283.33	1,716.67	4,000,000.00
09/09/96	TRIPLE A-1 FUNDING	5.270	09/16/96	1,997,950.56	2,049.44	2,000,000.00
09/11/96	SANWA BUSINESS CREDIT	5.370	09/18/96	998,955.83	1,044.17	1,000,000.00
09/13/96	INGERSOLL-RAND CO	5.300	09/20/96	2,996,908.33	3,091.67	3,000,000.00
09/16/96	COLUMBIA/HCA HEALTHCARE	5.450	09/17/96	1,999,697.22	302.78	2,000,000.00
09/17/96	AT&T CAPITAL CORP	5.270	09/24/96	1,997,950.56	2,049.44	2,000,000.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
CORPORATE NOTES
6/30/97

SHORT TERM INVESTMENTS MATURED

Page 2 of 5

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
09/17/96	STUDENT LOAN CORP	5.250	09/24/96	998,979.17	1,020.83	1,000,000.00
09/18/96	OYSTER CREEK FUEL CO	5.230	09/26/96	1,997,675.55	2,324.45	2,000,000.00
09/20/96	SANWA BUSINESS CREDIT	5.280	09/25/96	1,998,533.33	1,466.67	2,000,000.00
09/20/96	GENERAL ELECTRIC CREDIT	5.250	09/25/96	1,998,541.67	1,458.33	2,000,000.00
09/24/96	BARTON CAPITAL CORP	5.460	09/26/96	2,999,090.00	910.00	3,000,000.00
09/25/96	INGERSOL-RAND CO	5.380	09/27/96	1,999,402.22	597.78	2,000,000.00
09/25/96	AT&T CAPITAL CORP	5.350	09/30/96	1,998,513.89	1,486.11	2,000,000.00
09/26/96	INDUSTRIAL FUNDING CORP	5.400	10/10/96	997,900.00	2,100.00	1,000,000.00
09/26/96	US WEST CAPITAL CORP	5.430	10/03/96	1,997,888.33	2,111.67	2,000,000.00
09/26/96	OMNIBUS FUNDING CORP	5.330	10/03/96	1,997,927.22	2,072.78	2,000,000.00
09/26/96	BELL ATLANTIC NETWORK	5.320	10/02/96	1,998,226.67	1,773.33	2,000,000.00
09/27/96	AMERICAN HOME FOOD PRO	5.350	10/04/96	1,997,919.44	2,080.56	2,000,000.00
10/01/96	DYNAMIC FUNDING CORP	5.420	10/07/96	999,096.66	903.34	1,000,000.00
10/01/96	INDUSTRIAL FUNDING CORP	5.400	10/31/96	995,500.00	4,500.00	1,000,000.00
10/02/96	MERRILL LYNCH & CO INC	5.280	10/07/96	2,997,800.00	2,200.00	3,000,000.00
10/03/96	AMERICAN HOME FOOD PRO	5.240	10/11/96	998,835.56	1,164.44	1,000,000.00
10/03/96	PITNEY BOWES CREDIT COR	5.220	10/11/96	1,997,680.00	2,320.00	2,000,000.00
10/04/96	FRANCE TELECOM	5.200	10/09/96	1,998,555.55	1,444.45	2,000,000.00
10/07/96	HYUNDAI MOTOR FINANCE	5.250	10/11/96	1,998,833.33	1,166.67	2,000,000.00
10/07/96	DIXIE PIPELINE CO.	5.250	10/11/96	1,998,833.33	1,166.67	2,000,000.00
10/09/96	CAISSE DES DEPOT ET CON	5.360	10/10/96	1,999,702.22	297.78	2,000,000.00
10/10/96	MERRILL LYNCH & CO, INC	5.250	10/16/96	1,998,250.00	1,750.00	2,000,000.00
10/10/96	GTE NORTH	5.220	10/17/96	998,985.00	1,015.00	1,000,000.00
10/11/96	TEXAS INSTRUMENTS CORP	5.280	10/17/96	2,497,800.00	2,200.00	2,500,000.00
10/11/96	CSC ENTERPRISES	5.250	10/17/96	2,497,812.50	2,187.50	2,500,000.00
10/11/96	MORGAN(J.P.) & CO., INC	5.210	10/18/96	1,997,973.89	2,026.11	2,000,000.00
10/15/96	US WEST CAPITAL FUNDING	5.320	10/21/96	999,113.33	886.67	1,000,000.00
10/16/96	US WEST CAPITAL FUNDING	5.280	10/24/96	998,826.67	1,173.33	1,000,000.00
10/16/96	TIMES MIRROR CO	5.250	10/24/96	1,997,666.67	2,333.33	2,000,000.00
10/17/96	BILTMORE CAPITAL CORP	5.280	10/24/96	1,997,946.67	2,053.33	2,000,000.00
10/17/96	OMNIBUS FUNDING CORP	5.220	10/24/96	1,997,970.00	2,030.00	2,000,000.00
10/17/96	RECEIVABLES CAPITAL COR	5.210	10/24/96	998,986.94	1,013.06	1,000,000.00
10/18/96	HUDSON FINANCE INC.	5.270	10/22/96	2,998,243.33	1,756.67	3,000,000.00
10/22/96	SHINHAN BANK, NY BRANCH	5.430	11/21/96	1,990,950.00	9,050.00	2,000,000.00
10/24/96	MERRILL LYNCH & CO INC.	5.250	10/29/96	1,998,541.67	1,458.33	2,000,000.00
10/24/96	BARTON CAPITAL CORP	5.270	11/04/96	1,996,779.44	3,220.56	2,000,000.00
10/24/96	GREENTREE FINANCIAL	5.330	11/07/96	1,995,854.45	4,145.55	2,000,000.00
10/24/96	TEXAS INSTRUMENTS INC	5.270	11/12/96	1,994,437.22	5,562.78	2,000,000.00
10/24/96	OAK FUNDING CORP	5.300	11/25/96	995,288.89	4,711.11	1,000,000.00
10/28/96	RECEIVABLES CAPITAL	5.270	10/31/96	999,560.83	439.17	1,000,000.00
10/29/96	ASTRO FUNDING CORP	5.300	11/27/96	995,730.56	4,269.44	1,000,000.00
10/29/96	MERRILL LYNCH & CO,INC.	5.280	11/04/96	999,120.00	880.00	1,000,000.00
10/31/96	CENTERIOR FUEL	5.350	11/06/96	999,108.33	891.67	1,000,000.00
11/04/96	DYNAMIC FUNDING C,SER B	5.370	11/12/96	998,806.67	1,193.33	1,000,000.00
11/04/96	MERRILL LYNCH & CO,INC.	5.350	11/05/96	2,999,554.17	445.83	3,000,000.00
11/05/96	MERRILL LYNCH & CO,INC.	5.280	11/14/96	2,996,040.00	3,960.00	3,000,000.00
11/05/96	CSC ENTERPRISES	5.270	11/12/96	998,975.28	1,024.72	1,000,000.00
11/06/96	SANWA BUSINESS CREDIT C	5.300	11/13/96	998,959.72	1,040.28	1,000,000.00
11/07/96	COUNTRYWIDE HOME LOANS	5.280	11/19/96	1,996,480.00	3,520.00	2,000,000.00
11/12/96	ANCHOR FUNDING CORP	5.350	11/21/96	1,997,325.00	2,675.00	2,000,000.00

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11/12/96	DYNAMIC FUNDING C:SER A	5.350	12/03/96	1,993,758.33	6,241.67	2,000,000.00
11/13/96	MERRILL LYNCH & CO,INC.	5.290	12/03/96	997,061.11	2,938.89	1,000,000.00
11/14/96	WALT DISNEY CO.	5.350	11/18/96	2,998,216.67	1,783.33	3,000,000.00
11/15/96	PROGRESS FUNDING C:SE A	5.480	11/27/96	1,996,346.67	3,653.33	2,000,000.00
11/18/96	MERRILL LYNCH INTL AUST	5.370	11/19/96	2,999,552.50	447.50	3,000,000.00
11/19/96	WALT DISNEY CO.	5.150	11/20/96	2,999,570.83	429.17	3,000,000.00
11/19/96	MERRILL LYNCH & CO,INC.	5.250	11/22/96	1,999,125.00	875.00	2,000,000.00
11/21/96	WALT DISNEY CO.	5.200	11/26/96	1,998,555.56	1,444.44	2,000,000.00
11/22/96	MOBIL AUSTRALIA FINANCE	5.250	12/31/96	994,312.50	5,687.50	1,000,000.00
11/25/96	COUNTRYWIDE HOME LOANS	5.280	12/02/96	998,973.33	1,026.67	1,000,000.00
11/26/96	TRIPLE A-1 FUNDING	5.320	12/05/96	998,670.00	1,330.00	1,000,000.00
11/27/96	PROGRESS FUND. C.,SER A	5.430	12/13/96	2,992,760.00	7,240.00	3,000,000.00
12/03/96	SHINHAN BANK,N Y BRANCH	5.650	01/02/97	1,990,583.33	9,416.67	2,000,000.00
12/03/96	MERRILL LYNCH & CO,INC.	5.400	12/09/96	3,996,400.00	3,600.00	4,000,000.00
12/05/96	TRIDENT CAPITAL FININCI	5.450	01/02/97	995,761.11	4,238.89	1,000,000.00
01/06/97	OAK FUNDING CORP	5.550	01/06/97	1,991,366.67	8,633.33	2,000,000.00
12/09/96	MERRILL LYNCH & CO,INC.	5.230	12/12/96	1,999,128.33	871.67	2,000,000.00
12/12/96	AETNA FINANCIAL SERVICE	5.300	12/20/96	998,822.22	1,177.78	1,000,000.00
12/12/96	GREENTREE FINANCIAL COR	5.330	12/18/96	999,111.66	888.34	1,000,000.00
12/13/96	OMNIBUS FUND CORP,SER G	5.300	12/23/96	2,995,583.33	4,416.67	3,000,000.00
12/16/96	COUNTRYWIDE HOME LOANS	5.550	12/19/96	999,537.50	462.50	1,000,000.00
12/18/96	USAA CAPITAL	5.410	12/23/96	1,998,497.22	1,502.78	2,000,000.00
12/19/96	DYNAMIC FUND CORP,SER A	6.050	01/03/97	997,479.17	2,520.83	1,000,000.00
12/23/96	COUNTRYWIDE HOME LOANS	5.950	01/07/97	997,520.83	2,479.17	1,000,000.00
12/26/96	TRIPLE A-1 FUNDING	6.270	01/02/97	998,780.83	1,219.17	1,000,000.00
01/02/97	ATT-COMPANY	5.380	01/09/97	2,996,861.67	3,138.33	3,000,000.00
01/02/97	MERRILL LYNCH & CO,INC.	5.370	01/16/97	2,993,735.00	6,265.00	3,000,000.00
01/06/97	TRIDENT CAPITAL FINANCE	5.350	01/31/97	996,284.72	3,715.28	1,000,000.00
01/06/97	TRIPLE A-1 FUNDING	5.320	01/17/97	1,996,748.89	3,251.11	2,000,000.00
01/07/97	PROGRESS FUND COR,SER A	5.380	01/21/97	997,907.78	2,092.22	1,000,000.00
01/09/97	DYNAMIC FUND CORP,SER B	5.330	01/16/97	2,996,890.83	3,109.17	3,000,000.00
01/14/97	PROGRESS FUND COR,SER A	5.420	02/03/97	996,988.89	3,011.11	1,000,000.00
01/15/97	RIVER FUEL TRUST #1	5.400	01/31/97	997,600.00	2,400.00	1,000,000.00
01/16/97	EMBARCADERO CEN VEN (3)	5.400	01/22/97	1,998,200.00	1,800.00	2,000,000.00
01/16/97	HMO FUNDING, INC.	5.280	01/22/97	2,997,360.00	2,640.00	3,000,000.00
01/16/97	MERRILL LYNCH & CO,INC.	5.250	01/24/97	998,833.33	1,166.67	1,000,000.00
01/17/97	PROGRESS FUND COR,SER A	5.400	02/03/97	1,994,900.00	5,100.00	2,000,000.00
01/21/97	FP FUNDING CORP	5.390	02/18/97	1,991,615.56	8,384.44	2,000,000.00
01/22/97	OYSTER CREEK FUEL CORP	5.250	01/27/97	2,997,812.50	2,187.50	3,000,000.00
01/22/97	MERRILL LYNCH & CO,INC.	5.250	01/29/97	1,997,958.34	2,041.66	2,000,000.00
01/24/97	TMI-1 FUEL CORP	5.170	01/27/97	999,569.16	430.84	1,000,000.00
01/29/97	AC ACQUISITION HOLDING	5.550	01/30/97	1,999,691.67	308.33	2,000,000.00
01/29/97	ENTERPRISE FUNDING CORP	5.390	02/06/97	4,994,011.11	5,988.89	5,000,000.00
01/31/97	MERRILL LYNCH & CO,INC.	5.500	02/03/97	2,998,625.00	1,375.00	3,000,000.00
02/03/97	ANCHOR FUNDING CORP	5.400	02/12/97	3,994,600.00	5,400.00	4,000,000.00
02/03/97	CENTAURI (CC USA)	5.350	02/19/97	2,992,866.67	7,133.33	3,000,000.00
02/06/97	MERRILL LYNCH & CO,INC.	5.280	02/28/97	996,773.33	3,226.67	1,000,000.00
02/06/97	SHINHAN BANK,N Y BRANCH	5.500	03/07/97	3,982,277.78	17,722.22	4,000,000.00
02/11/97	COUNTRYWIDE HOME LOANS	5.280	02/14/97	999,560.00	440.00	1,000,000.00
02/12/97	MERRILL LYNCH INTL AUST	5.300	02/13/97	2,999,558.34	441.66	3,000,000.00

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02/12/97	MERRILL LYNCH & CO,INC.	5.290	02/13/97	2,999,559.17	440.83	3,000,000.00
02/12/97	COUNTRYWIDE HOME LOANS	5.330	02/14/97	999,703.89	296.11	1,000,000.00
02/14/97	COUNTRYWIDE HOME LOANS	5.240	02/20/97	1,998,253.33	1,746.67	2,000,000.00
02/19/97	TRIPLE A-1 FUNDING	5.200	02/20/97	2,999,566.67	433.33	3,000,000.00
02/19/97	EXXON ASSET MGMT. CO.	5.190	02/25/97	1,998,270.00	1,730.00	2,000,000.00
02/20/97	TIMES MIRROR CO.	5.150	02/21/97	999,856.94	143.06	1,000,000.00
02/20/97	FORD MOTOR CREDIT CO.	5.120	02/25/97	2,997,866.66	2,133.34	3,000,000.00
02/20/97	TRIPLE A-1 FUNDING	5.220	02/27/97	2,055,911.13	2,088.87	2,058,000.00
02/25/97	PROGRESS FUND COR,SER A	5.300	02/28/97	2,998,675.00	1,325.00	3,000,000.00
02/27/97	MERRILL LYNCH INTL AUST	5.220	02/28/97	1,999,710.00	290.00	2,000,000.00
02/28/97	MERRILL LYNCH INTL AUST	5.380	03/03/97	2,998,655.00	1,345.00	3,000,000.00
02/28/97	ANCHOR FUNDING CORP	5.380	03/27/97	995,965.00	4,035.00	1,000,000.00
02/28/97	BRIDGESTONE/FIRESTONE F	5.420	03/06/97	3,996,386.67	3,613.33	4,000,000.00
02/28/97	BANNER RECEIVABLES CORP	5.360	03/12/97	2,994,640.00	5,360.00	3,000,000.00
03/03/97	WESTERN FIN. SAV. BANK	5.350	03/06/97	1,999,108.33	891.67	2,000,000.00
03/06/97	MITSUBISHI INTERN. CORP	5.300	03/31/97	1,992,638.89	7,361.11	2,000,000.00
03/06/97	DYNAMIC FUND CORP,SER B	5.500	04/11/97	2,983,500.00	16,500.00	3,000,000.00
03/07/97	OGLETHORPE POWER CORP.	5.300	03/19/97	1,996,466.67	3,533.33	2,000,000.00
03/07/97	GOTHAM FUNDING CORP	5.430	04/07/97	1,990,648.33	9,351.67	2,000,000.00
03/11/97	OAK FUNDING CORP	5.350	03/31/97	997,027.78	2,972.22	1,000,000.00
03/12/97	SHINHAN BANK NY BRANCH	5.620	04/11/97	3,981,266.66	18,733.34	4,000,000.00
03/13/97	MERRILL LYNCH & CO, INC	5.250	03/18/97	1,998,541.67	1,458.33	2,000,000.00
03/17/97	SHINHAN BANK NY BRANCH	5.650	04/16/97	995,291.67	4,708.33	1,000,000.00
03/18/97	PROGRESS FUND COR,SER A	5.550	04/04/97	1,994,758.33	5,241.67	2,000,000.00
03/19/97	BRIDGESTONE/FIRESTONE	5.600	04/18/97	1,990,666.67	9,333.33	2,000,000.00
03/20/97	PROGRESS FUND COR,SER A	5.600	04/16/97	995,800.00	4,200.00	1,000,000.00
03/21/97	ASSET SECURITIZATION CO	5.500	04/30/97	993,888.89	6,111.11	1,000,000.00
03/25/97	OAK FUNDING CORP	5.780	04/07/97	1,995,825.56	4,174.44	2,000,000.00
03/26/97	CONAG FINANCE	5.780	04/11/97	997,431.11	2,568.89	1,000,000.00
03/27/97	SIGMA FINANCE	6.000	04/01/97	999,166.66	833.34	1,000,000.00
03/27/97	RIVER FUEL TRUST #1	6.000	04/04/97	1,997,333.33	2,666.67	2,000,000.00
03/31/97	TRIPLE A-1 FUNDING	6.770	04/01/97	1,999,623.89	376.11	2,000,000.00
04/01/97	MERRILL LYNCH & CO,INC.	5.750	04/02/97	3,999,361.11	638.89	4,000,000.00
04/02/97	MERRILL LYNCH & CO,INC.	5.570	04/07/97	3,996,286.66	3,106.67	3,999,393.33
04/04/97	MARSH & MCLENNAN 4(20	5.480	04/10/97	2,997,260.00	2,740.00	3,000,000.00
04/08/97	NEW ZEALAND (GOV'T OF)	5.480	04/10/97	999,695.56	304.44	1,000,000.00
04/09/97	OGLETHORPE POWER CORP.	5.560	04/16/97	998,918.89	1,081.11	1,000,000.00
04/10/97	OGLETHORPE POWER CORP.	5.610	05/01/97	1,993,455.00	6,545.00	2,000,000.00
04/10/97	GTE CORP.	5.500	04/23/97	998,013.89	1,986.11	1,000,000.00
04/11/97	AGA CAPITAL INC.	5.470	04/18/97	3,995,745.56	4,254.44	4,000,000.00
04/11/97	FORD MOTOR CREDIT CO.	5.380	04/16/97	2,997,758.33	2,241.67	3,000,000.00
04/15/97	INGERSOLL-RAND CO.	5.580	04/18/97	999,535.00	465.00	1,000,000.00
04/16/97	OAK FUNDING CORP	5.600	04/21/97	2,997,666.67	2,333.33	3,000,000.00
04/18/97	SHINHAN BANK, NY BRANCH	5.800	05/19/97	2,985,016.67	14,983.33	3,000,000.00
04/18/97	PROGRESS FUND CO.,SER A	5.600	05/05/97	997,355.56	2,644.44	1,000,000.00
04/18/97	BRIDGESTONE/FIRESTONE	5.420	04/21/97	2,998,645.00	1,355.00	3,000,000.00
04/21/97	RECEIVABLES CAPITAL COR	5.450	04/23/97	5,998,183.33	1,816.67	6,000,000.00
04/22/97	ALLOMON FUNDING CORP	5.510	04/28/97	999,081.67	918.33	1,000,000.00
04/28/97	TEXAS INSTRUMENTS INC	5.530	04/29/97	999,846.39	153.61	1,000,000.00
04/29/97	AMERICAN HOME PRODUCTS	5.480	04/30/97	1,999,695.55	304.45	2,000,000.00

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04/30/97	INGERSOLL-RAND CO.	5.630	05/02/97	999,687.22	312.78	1,000,000.00
05/01/97	BRIDGESTONE/FIRESTONE	5.520	05/06/97	1,998,466.67	1,533.33	2,000,000.00
05/01/97	SOUTH WESTERN ELECTRIC	5.630	05/22/97	1,993,431.67	6,568.33	2,000,000.00
05/02/97	KOREA DEVELOPMENT BANK	5.550	05/30/97	995,683.34	4,316.66	1,000,000.00
05/02/97	IRIS PARTNERS, L.P.	5.600	05/20/97	997,200.00	2,800.00	1,000,000.00
05/05/97	DYNAMIC FUND CORP,SER A	5.550	05/08/97	999,537.50	462.50	1,000,000.00
05/06/97	SANWA BUSINESS CREDIT	5.580	05/27/97	2,990,235.00	9,765.00	3,000,000.00
05/08/97	KZH HOLDING CORP	5.580	05/15/97	998,915.00	1,085.00	1,000,000.00
05/09/97	OGLETHORPE POWER CORP	5.600	05/27/97	997,200.00	2,800.00	1,000,000.00
05/15/97	ANCHOR FUNDING CORP	5.650	05/30/97	1,995,291.67	4,708.33	2,000,000.00
05/15/97	SHINHAN BANK, NY BRANCH	5.800	06/16/97	1,989,688.89	10,311.11	2,000,000.00
05/15/97	DYNAMIC FUND CORP,SER A	5.700	06/06/97	1,993,033.33	6,966.67	2,000,000.00
05/19/97	INDUSTRIAL FUNDING CORP	5.700	06/12/97	1,992,400.00	7,600.00	2,000,000.00
05/19/97	SHINHAN BANK, NY BRANCH	5.850	06/18/97	995,125.00	4,875.00	1,000,000.00
05/20/97	PROGRESS FUND COR,SER A	5.800	06/23/97	994,522.22	5,477.78	1,000,000.00
05/22/97	SOUTHWESTERN ELECTRIC P	5.630	06/05/97	997,810.56	2,189.44	1,000,000.00
05/22/97	PROGRESS FUND COR,SER A	5.630	06/23/97	1,989,991.11	10,008.89	2,000,000.00
05/27/97	JAL CAPITAL CORPORATION	5.800	06/24/97	1,990,977.78	9,022.22	2,000,000.00
05/27/97	KOREA MERCHANT BANKING	5.630	06/16/97	1,993,744.44	6,255.56	2,000,000.00
05/28/97	KOREA MERCHANT BANKING	5.630	06/23/97	995,933.89	4,066.11	1,000,000.00
05/30/97	BTM CAPITAL CORP	5.650	06/30/97	1,990,269.44	9,730.56	2,000,000.00
06/03/97	KOREA ASSOC. SECURITIES	5.650	06/23/97	996,861.11	3,138.89	1,000,000.00
06/05/97	TOTAL CFP	5.550	06/09/97	999,383.33	616.67	1,000,000.00
06/06/97	BAYSTATE HEALTH SYSTEMS	5.450	06/10/97	1,998,788.89	1,211.11	2,000,000.00
06/10/97	KZH HOLDING CORP	5.550	06/17/97	1,798,057.50	1,942.50	1,800,000.00
06/12/97	OGLETHORPE POWER CORP	5.550	06/18/97	2,197,965.00	2,035.00	2,200,000.00
06/16/97	TRIPLE A-1 FUNDING	5.720	06/17/97	2,999,523.33	476.67	3,000,000.00
06/16/97	WOOD STREET FUNDING COR	5.720	06/17/97	2,999,523.33	476.67	3,000,000.00
06/17/97	TRIBUNE CO. 4(2)	5.650	06/20/97	2,998,587.50	1,412.50	3,000,000.00
06/17/97	THREE RIVERS FUND. CORP	5.580	06/19/97	2,999,070.00	930.00	3,000,000.00
06/18/97	SANWA BUSINESS CREDIT	5.570	06/19/97	2,999,535.83	464.17	3,000,000.00
06/20/97	ANCHOR FUNDING CORP	5.500	06/26/97	999,083.33	916.67	1,000,000.00
06/23/97	PHH CORPORATION	5.500	06/24/97	999,847.22	152.78	1,000,000.00
06/24/97	WALT DISNEY CO	5.400	06/26/97	999,700.00	300.00	1,000,000.00
TOTALS				460,211,638.73	713,754.60	460,925,393.33

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COMMON STOCK ACQUIRED

Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ABBOTT LABORATORIES	100,000	1.08	108,000.00	1.93%	55.88	5,587,500.00
ALLSTATE CORPORATION	50,000	0.96	48,000.00	1.25%	76.52	3,825,750.00
AMERICAN INT'L GROUP	10,000	0.40	4,000.00	0.32%	124.05	1,240,500.00
AMOCO CORPORATION	25,000	2.80	70,000.00	3.25%	86.18	2,154,375.00
AUTOMATIC DATA PROCESSING	20,000	0.46	9,200.00	1.10%	41.93	838,500.00
BANC ONE CORPORATION	55,000	1.52	83,600.00	3.36%	45.19	2,485,250.00
BELL ATLANTIC	30,000	2.96	88,800.00	4.86%	60.92	1,827,615.00
BOEING CO.	41,500	0.56	23,240.00	0.59%	94.30	3,913,496.00
CENTRAL & SOUTHWEST CORP	60,000	1.74	104,400.00	6.79%	25.62	1,537,448.80
DEERE & CO	43,000	0.80	34,400.00	1.91%	41.83	1,798,651.30
DISNEY CO. (WALT)	9,000	0.53	4,770.00	0.64%	82.18	739,575.00
ELECTRONIC DATA SYSTEMS	10,000	0.60	6,000.00	1.27%	47.30	473,000.00
EMERSON ELECTRIC	10,000	1.08	10,800.00	1.08%	100.41	1,004,110.00
EXXON CORPORATION	50,000	1.64	82,000.00	1.59%	103.36	5,168,125.00
GENERAL ELECTRIC	20,000	1.04	20,800.00	1.01%	103.18	2,063,500.00
GENERAL MOTORS COMPANY, INC	37,000	2.00	74,000.00	3.26%	61.43	2,272,966.30
GTE CORP	43,000	1.88	80,840.00	4.26%	44.18	1,899,525.00
H.J. HEINZ COMPANY	37,500	1.16	43,500.00	2.91%	39.93	1,497,187.50
HEWLETT PACKARD	30,000	0.56	16,800.00	1.18%	47.55	1,426,500.00
HOME DEPOT	14,000	0.30	4,200.00	0.56%	53.18	744,450.00
IBM	10,000	0.80	8,000.00	0.58%	138.43	1,384,250.00
JOHNSON & JOHNSON CO	115,000	0.88	101,200.00	1.39%	63.26	7,274,880.00
KIMBERLY-CLARK CORPORATION	5,000	0.96	4,800.00	0.93%	103.05	515,225.00
LILLY, ELI	52,500	1.44	75,600.00	1.55%	93.00	4,882,312.50
MCDONALDS CORPORATION	20,000	0.33	6,600.00	0.69%	47.93	958,500.00
MERCK & CO.	55,000	1.68	92,400.00	1.84%	91.53	5,034,125.00
MOBIL CORPORATION	21,000	2.12	44,520.00	1.65%	128.78	2,704,289.00
MOTOROLA, INC.	15,000	0.48	7,200.00	0.73%	65.79	986,820.00
PEPSICO	81,000	0.50	40,500.00	1.60%	31.26	2,532,300.00
PFIZER INC.	73,000	1.36	99,280.00	1.70%	80.06	5,844,662.50
PPG INDUSTRIES	55,000	1.32	72,600.00	2.48%	53.30	2,931,500.00
PROCTER & GAMBLE CO.	39,000	1.80	70,200.00	1.48%	121.30	4,730,739.90
ROYAL DUTCH PETROLEUM	25,000	5.78	144,500.00	3.29%	175.50	4,387,500.00
SAFeway INC	46,000	0.00	0.00	0.00%	46.13	2,121,883.40
SCHERING-PLOUGH CORP	10,000	0.76	7,600.00	1.00%	76.05	760,500.00
WALGREEN COMPANY	20,000	0.48	9,600.00	1.03%	46.80	936,000.00
TOTAL COMMON STOCK			<u>1,701,950.00</u>	<u>1.88%</u>		<u>90,483,512.20</u>

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BONDS SOLD 1996 - 97

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)	Amount Due
U.S. TREASURY OBLIGATIONS									
U.S. TREASURY NOTE	8.500	05/15/97	3,500,000.00	100.00000	148,750.00	3,500,000.00	3,488,843.00	11,157.00	3,648,750.00
TOTAL U.S. TREASURY OBLIGATIONS			3,500,000.00		148,750.00	3,500,000.00	3,488,843.00	11,157.00	3,648,750.00
CORPORATE BONDS									
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	50,889.40	100.00000	12,262.07	50,889.40	50,163.83	725.57	63,151.47
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	57,898.45	100.00000	11,904.35	57,898.45	57,072.94	825.51	69,802.80
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	30,589.50	100.00000	11,496.02	30,589.50	30,153.36	436.14	42,085.52
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	32,896.60	100.00000	11,280.62	32,896.60	32,427.57	469.03	44,177.22
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	25,527.70	100.00000	11,048.97	25,527.70	25,163.73	363.97	36,576.67
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	52,729.85	100.00000	10,869.21	52,729.85	51,978.04	751.81	63,599.06
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	34,680.90	100.00000	10,497.91	34,680.90	34,186.43	494.47	45,178.81
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	34,909.70	100.00000	10,253.70	34,909.70	34,411.96	497.74	45,163.40
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	29,116.55	100.00000	10,007.87	29,116.55	28,701.41	415.14	39,124.42
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	52,065.52	100.00000	9,802.85	52,065.52	51,323.18	742.34	61,868.37
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	57,257.45	100.00000	9,436.22	57,257.45	56,441.08	816.37	66,693.67
AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	28,908.35	100.00000	9,033.03	28,908.35	28,530.77	377.58	37,941.38
AMERICAN UNITED LIFE INS CO	7.750	03/30/26	0.00	0.00000	68,839.37	0.00	0.00	0.00	68,839.37
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	21,543.58	100.00000	4,157.54	21,543.58	21,543.58	0.00	25,701.12
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	32,043.90	100.00000	4,042.64	32,043.90	32,043.90	0.00	36,086.54
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	0.00	0.00000	3,871.74	0.00	0.00	0.00	3,871.74
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	36,444.50	100.00000	0.00	36,444.50	36,444.50	0.00	36,444.50
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	22,631.80	100.00000	0.00	22,631.80	22,631.80	0.00	22,631.80
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	27,373.65	100.00000	3,556.67	27,373.65	27,373.65	0.00	30,930.32
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	34,526.26	100.00000	3,410.68	34,526.26	34,526.26	0.00	37,936.94
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	29,403.15	100.00000	3,226.54	29,403.15	29,403.15	0.00	32,629.69
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	26,905.28	100.00000	3,069.72	26,905.28	26,905.28	0.00	29,975.00
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	21,126.09	100.00000	2,926.22	21,126.09	21,126.09	0.00	24,052.31
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	19,490.84	100.00000	2,813.55	19,490.84	19,490.84	0.00	22,304.39
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	25,087.35	100.00000	2,709.60	25,087.35	25,087.35	0.00	27,796.95
AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	21,215.47	100.00000	2,575.80	21,215.47	21,215.47	0.00	23,791.27
CITICORP	8.500	02/01/17	220,000.00	100.00000	9,350.00	220,000.00	211,175.20	8,824.80	229,350.00
GMAC	8.375	05/01/97	1,000,000.00	100.00000	41,875.00	1,000,000.00	1,005,400.00	(5,400.00)	1,041,875.00
TOTAL CORPORATE BONDS			2,025,261.84		284,317.89	2,025,261.84	2,014,921.37	10,340.47	2,309,579.73
TOTAL BONDS SOLD			5,525,261.84		433,067.89	5,525,261.84	5,503,764.37	21,497.47	5,958,329.73

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS SOLD 07/01/96 TO 06/30/97

COMMON STOCK SOLD

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
ABBOTT LABORATORIES	105,000	58.20	6,110,626.00	5,453.70	6,105,172.30	2,829,471.85	3,275,700.45	115.77%
ALBERTSON'S	30,000	32.62	978,529.00	1,532.62	976,996.38	1,145,250.00	(168,253.62)	-14.69%
ALLSTATE CORP.	45,000	64.75	2,913,750.00	2,347.13	2,911,402.87	1,680,922.89	1,230,479.98	73.20%
AMERICAN INT'L GROUP	22,500	145.02	3,263,024.25	1,233.77	3,261,790.48	1,631,953.42	1,629,837.06	99.87%
AMERITECH	75,000	60.13	4,509,375.00	3,900.32	4,505,474.68	4,418,335.50	87,139.18	1.97%
AMOCO CORPORATION	25,000	80.50	2,012,500.00	1,317.09	2,011,182.91	1,996,562.50	14,620.41	0.73%
BARNETT BANKS, INC	40,000	43.06	1,722,500.00	2,057.42	1,720,442.58	1,146,000.00	574,442.58	50.13%
BELL ATLANTIC	25,000	59.63	1,490,625.00	1,299.69	1,489,325.31	1,406,661.67	82,663.64	5.88%
DONNELLEY (RR) & SONS	60,000	30.84	1,850,625.00	3,061.71	1,847,563.29	2,260,170.00	(412,606.71)	-18.26%
DUN & BRADSTREET	60,000	60.20	3,612,213.00	3,120.41	3,609,092.59	3,627,469.50	(18,376.91)	-0.51%
ETHYL CORPORATION	50,000	9.13	456,250.00	2,515.21	453,734.79	603,513.82	(149,779.03)	-24.82%
FOOTSTAR INC	21,592	23.50	507,412.00	1,096.52	506,315.48	442,222.94	64,092.54	14.49%
FORD MOTOR COMPANY	40,000	31.83	1,273,125.00	2,042.45	1,271,082.55	942,148.66	328,933.89	34.91%
GENERAL ELECTRIC	50,000	105.20	5,259,793.00	2,675.34	5,257,117.66	3,160,095.66	2,097,022.00	66.36%
IMATION CORP	5,000	29.00	145,000.00	254.84	144,745.16	95,412.72	49,332.44	51.70%
J.P. MORGAN CO., INC	6,000	104.63	627,750.00	320.93	627,429.07	434,175.00	193,254.07	44.51%
JOHNSON & JOHNSON	35,000	58.38	2,043,125.00	1,818.11	2,041,306.89	1,866,015.20	175,291.69	9.39%
MBNA CORP	62,500	30.88	1,929,687.50	3,189.33	1,926,498.17	1,025,694.44	900,803.73	87.82%
MINNESOTA MNG & MFG	25,000	89.04	2,226,051.00	1,324.21	2,224,726.79	1,162,807.73	1,061,919.06	91.32%
NCR CORPORATION	3,125	39.13	122,265.63	160.33	122,105.30	89,750.09	32,355.21	36.05%
PENNEY (J.C.) COMPANY	25,000	46.28	1,156,924.25	1,288.57	1,155,635.68	1,283,000.00	(127,364.32)	-9.93%
PPG INDUSTRIES	90,000	54.50	4,905,000.00	4,663.50	4,900,336.50	2,742,102.00	2,158,234.50	78.71%
ROYAL DUTCH PETRO.	30,000	178.56	5,356,737.00	1,678.56	5,355,058.44	3,606,667.00	1,748,391.44	48.48%
SMITHKLINE BEECHAM	60,000	73.96	4,437,883.50	3,147.95	4,434,735.55	2,689,231.50	1,745,504.05	64.91%
TELEFONOS DE MEXICO	35,000	43.02	1,505,781.50	1,800.20	1,503,981.30	1,149,886.06	354,095.24	30.79%
US WEST MEDIA GROUP	15,000	18.72	280,801.50	759.37	280,042.13	210,945.69	69,096.44	32.76%
TOTAL STOCK SOLD	1,040,717		60,697,354.13	54,059.28	60,643,294.85	43,646,465.84	16,996,829.01	38.94%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS SOLD 07/01/96 TO 06/30/97

OTHER INVESTMENTS SOLD

<u>Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Sale Price</u>	<u>Book Cost</u>
<i>MISCELLANEOUS</i>				
TRANSOCCIDENTAL PROPERTIES	10.000	05/01/00	100.00	190,000.00
TOTAL MISCELLANEOUS SOLD				190,000.00
TOTAL OTHER INVESTMENTS				190,000.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BOND PORTFOLIO

06/30/97

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Par Value	Security	Coupon	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	Book YTM
U.S. TREASURY OBLIGATIONS											
1,000,000.00	U.S. TREASURY BOND	7.500	11/15/16	953,855.00	95.38550	106.85900	1,068,590.00	114,735.00	75,000.00	7.86	7.0
1,000,000.00	U.S. TREASURY BOND	8.000	11/15/21	1,000,000.00	100.00000	113.12500	1,131,250.00	131,250.00	80,000.00	8.00	7.1
2,000,000.00	U.S. TREASURY BOND	8.125	08/15/19	2,002,018.00	100.10090	114.07800	2,281,560.00	279,542.00	162,500.00	8.12	7.1
4,000,000.00	U.S. TREASURY BOND	9.125	05/15/09	4,002,634.00	100.06585	113.56200	4,542,480.00	539,846.00	365,000.00	9.12	8.0
3,000,000.00	U.S. TREASURY BOND	9.125	05/15/18	3,000,000.00	100.00000	124.89100	3,746,730.00	746,730.00	273,750.00	9.13	7.3
1,000,000.00	U.S. TREASURY NOTE	5.125	02/28/98	1,000,441.00	100.04410	99.62500	996,250.00	(4,191.00)	51,250.00	5.12	5.1
3,000,000.00	U.S. TREASURY NOTE	5.125	12/31/98	3,004,644.00	100.15480	98.81200	2,964,360.00	(40,284.00)	153,750.00	5.12	5.2
4,000,000.00	U.S. TREASURY NOTE	5.500	04/15/00	4,003,922.00	100.09805	98.17200	3,926,880.00	(77,042.00)	220,000.00	5.49	5.6
2,000,000.00	U.S. TREASURY NOTE	5.750	10/31/97	1,999,000.00	99.95000	100.07800	2,001,560.00	2,560.00	115,000.00	5.75	5.7
2,000,000.00	U.S. TREASURY NOTE	6.000	11/30/97	2,000,588.00	100.02940	100.17200	2,003,440.00	2,852.00	120,000.00	6.00	6.0
1,000,000.00	U.S. TREASURY NOTE	6.000	10/15/99	1,010,172.00	101.01720	99.79700	997,970.00	(12,202.00)	60,000.00	5.94	6.0
2,000,000.00	U.S. TREASURY NOTE	6.375	01/15/99	2,022,036.00	101.10180	100.57800	2,011,560.00	(10,476.00)	127,500.00	6.31	6.3
2,000,000.00	U.S. TREASURY NOTE	7.500	11/15/01	2,139,282.00	106.96410	104.20300	2,084,060.00	(55,222.00)	150,000.00	7.01	7.2
28,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			28,138,592.00	100.49497		29,756,690.00	1,618,098.00	1,953,750.00	6.9%	6.6%
FEDERAL AGENCY OBLIGATIONS											
85,900.09	GNMA POOL #136472	9.000	04/15/16	82,517.76	0.96000	107.37400	92,234.36	9,716.60	7,731.01	9.37	8.4
69,442.84	GNMA POOL #148586	9.000	04/15/16	66,708.51	0.96000	107.37400	74,563.56	7,855.05	6,249.86	9.37	8.4
101,614.17	GNMA POOL #152344	9.000	04/15/16	94,183.64	0.93000	107.37400	109,107.20	14,923.56	9,145.28	9.71	8.4
1,355,949.09	GNMA POOL #173878	9.000	08/15/16	1,341,542.12	0.99000	107.37400	1,455,936.78	114,394.66	122,035.42	9.10	8.4
1,114,261.43	GNMA POOL #174481	9.000	07/15/16	1,079,092.46	0.97000	107.37400	1,196,427.07	117,334.61	100,283.53	9.29	8.4
1,102,138.55	GNMA POOL #176431	9.000	08/15/16	1,067,007.88	0.97000	107.37400	1,183,410.25	116,402.37	99,192.47	9.30	8.4
790,537.17	GNMA POOL #184656	9.000	12/15/16	765,585.85	0.97000	107.37400	848,831.38	83,245.53	71,148.35	9.29	8.4
877,541.26	GNMA POOL #185289	9.000	09/15/19	853,957.28	0.97000	107.37400	942,251.15	88,293.87	78,978.71	9.25	8.4
145,004.08	GNMA POOL #186088	9.000	08/15/17	141,560.21	0.98000	107.37400	155,696.68	14,136.47	13,050.37	9.22	8.4
324,283.51	GNMA POOL #190095	9.000	12/15/16	307,765.32	0.95000	107.37400	348,196.18	40,430.86	29,185.52	9.48	8.4
438,413.45	GNMA POOL #202505	9.000	10/15/19	428,686.13	0.98000	107.37400	470,742.06	42,055.93	39,457.21	9.20	8.4
33,703.48	GNMA POOL #202778	9.000	02/15/17	31,870.70	0.95000	107.37400	36,188.77	4,318.07	3,033.31	9.52	8.4
328,388.72	GNMA POOL #214690	9.000	07/15/17	320,593.05	0.98000	107.37400	352,604.10	32,011.05	29,554.98	9.22	8.4
930,234.55	GNMA POOL #217956	10.000	11/15/17	919,803.74	0.99000	110.10600	1,024,244.05	104,440.31	93,023.46	10.11	9.1
136,231.15	GNMA POOL #225662	9.000	01/15/19	125,843.51	0.92000	107.37400	146,276.84	20,433.33	12,260.80	9.74	8.4
416,859.44	GNMA POOL #226529	9.000	06/15/18	383,640.95	0.92000	107.37400	447,598.66	63,957.71	37,517.35	9.78	8.4
104,609.65	GNMA POOL #232237	9.000	01/15/20	101,830.98	0.97000	107.37400	112,323.57	10,492.59	9,414.87	9.25	8.4

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BOND PORTFOLIO

06/30/97

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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
138,314.38	GNMA POOL #234937	9.000	03/15/18	127,767.92	0.92000	107.37400	148,513.68	20,745.76	12,448.29	9.74	8.4
714,072.76	GNMA POOL #238600	10.000	11/15/17	709,386.66	0.99000	110.10600	786,236.95	76,850.29	71,407.28	10.07	9.1
228,243.62	GNMA POOL #238840	9.000	05/15/18	211,553.33	0.93000	107.37400	245,074.30	33,520.97	20,541.93	9.71	8.4
160,346.83	GNMA POOL #248951	9.000	05/15/18	151,527.76	0.95000	107.37400	172,170.81	20,643.05	14,431.21	9.52	8.4
169,165.33	GNMA POOL #252056	9.000	06/15/18	164,407.57	0.97000	107.37400	181,639.58	17,232.01	15,224.88	9.26	8.4
806,126.40	GNMA POOL #256195	9.000	08/15/18	762,797.15	0.95000	107.37400	865,570.16	102,773.01	72,551.38	9.51	8.4
75,072.68	GNMA POOL #257823	9.000	11/15/18	71,776.57	0.96000	107.37400	80,608.54	8,831.97	6,756.54	9.41	8.4
278,865.97	GNMA POOL #263385	9.000	11/15/18	266,622.02	0.96000	107.37400	299,429.55	32,807.53	25,097.94	9.41	8.4
142,327.07	GNMA POOL #274245	9.000	04/15/19	130,985.40	0.92000	107.37400	152,822.27	21,836.87	12,809.44	9.78	8.4
96,543.18	GNMA POOL #277836	9.000	09/15/19	90,509.21	0.94000	107.37400	103,662.27	13,153.06	8,688.89	9.60	8.4
527,964.84	GNMA POOL #285597	9.000	03/15/20	503,876.50	0.95000	107.37400	566,896.97	63,020.47	47,516.84	9.43	8.4
526,323.76	GNMA POOL #285803	9.000	03/15/20	502,803.66	0.96000	107.37400	565,134.87	62,331.21	47,369.14	9.42	8.4
154,016.86	GNMA POOL #298952	9.000	04/15/21	154,016.86	1.00000	107.37400	165,374.06	11,357.20	13,861.52	9.00	8.4
241,534.15	GNMA POOL #303324	9.000	04/15/21	241,534.15	1.00000	107.37400	259,344.88	17,810.73	21,738.07	9.00	8.4
180,897.19	GNMA POOL #304625	9.000	03/15/21	180,840.66	1.00000	107.37400	194,236.55	13,395.89	16,280.75	9.00	8.4
425,660.57	GNMA POOL #305187	9.000	06/15/21	425,527.51	1.00000	107.37400	457,048.78	31,521.27	38,309.45	9.00	8.4
3,750,829.32	GNMA POOL #330725	8.000	07/15/22	3,726,214.52	0.99000	102.31200	3,837,548.49	111,333.97	300,066.35	8.05	7.8
4,330,475.84	GNMA POOL #375887	7.000	05/15/24	4,051,701.44	0.94000	98.59400	4,269,589.35	217,887.91	303,133.31	7.48	7.1
2,779,461.64	GNMA POOL #377589	7.500	08/15/25	2,771,644.38	1.00000	102.28100	2,842,861.16	71,216.78	208,459.62	7.52	7.5
1,730,943.18	GNMA POOL #386038	7.000	06/15/24	1,624,652.45	0.94000	98.59400	1,706,606.12	81,953.67	121,166.02	7.46	7.1
2,248,606.64	GNMA POOL #389845	8.000	09/15/24	2,208,553.33	0.98000	102.31200	2,300,594.43	92,041.10	179,888.53	8.15	7.8
4,840,063.12	GNMA POOL #398831	8.000	08/15/26	4,832,500.51	1.00000	102.31200	4,951,965.38	119,464.87	387,205.05	8.01	7.8
3,128,517.71	GNMA POOL #403979	8.500	10/15/24	3,075,235.05	0.98000	104.18800	3,259,540.03	184,304.98	265,924.01	8.65	8.2
1,977,710.05	GNMA POOL #421711	7.500	04/15/26	1,975,237.92	1.00000	102.28100	2,022,821.62	47,583.70	148,328.25	7.51	7.5
3,920,185.21	GNMA POOL #427556	7.500	03/15/26	3,908,547.17	1.00000	102.28100	4,009,604.63	101,057.46	294,013.89	7.52	7.5
7,606,543.28	GNMA POOL #432701	8.000	06/15/26	7,606,543.28	1.00000	102.31200	7,782,406.56	175,863.28	608,523.46	8.00	7.8
1,923,323.21	GNMA POOL #439645	8.000	09/15/26	1,922,121.13	1.00000	102.31200	1,967,790.44	45,669.31	153,865.86	8.01	7.8
11,470,013.10	GNMA POOL #780076	8.000	02/15/25	11,271,976.09	0.98000	102.31200	11,735,199.80	463,223.71	917,601.05	8.14	7.8
5,371,534.08	GNMA POOL #780220	7.500	08/15/25	5,369,855.49	1.00000	102.28100	5,494,058.77	124,203.28	402,865.06	7.50	7.5
68,298,794.60	TOTAL FEDERAL AGENCY OBLIGATIONS			67,152,905.78	98.32224		70,420,983.66	3,268,077.88	5,497,336.51	8.2%	7.8%
CORPORATE BONDS											
1,253,888.85	AMERICAN SAVINGS MORTGAGE CORP	8.450	05/25/08	1,237,511.55	98.69388	103.51500	1,297,963.04	60,451.49	105,953.61	8.56	8.2
1,530,000.00	AMERICAN UNITED LIFE INS CO	7.750	03/30/26	1,484,991.00	97.05824	96.61000	1,478,133.00	(6,858.00)	118,575.00	7.98	8.1

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
BOND PORTFOLIO

06/30/97

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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
3,000,000.00	ANTHEM INSURANCE	9.000	04/01/27	2,979,444.00	99.31480	103.34000	3,100,200.00	120,756.00	270,000.00	9.06	8.7
461,747.40	AUTO BOND RECEIVABLES TRUST	6.400	04/15/99	461,747.40	100.00000	100.40200	463,603.62	1,856.22	29,551.83	6.40	6.4
1,000,000.00	CAJUN ELECTRIC CO-OP UTILITY	9.520	03/15/19	1,000,000.00	100.00000	106.81900	1,068,190.00	68,190.00	95,200.00	9.52	8.9
871,000.00	CITICORP	8.500	02/01/17	837,758.80	96.18356	101.38500	883,063.35	45,304.55	74,035.00	8.84	8.4
1,000,000.00	DISCOVER CREDIT	9.100	04/13/12	1,000,000.00	100.00000	115.99300	1,159,930.00	159,930.00	91,000.00	9.10	7.8
5,250,000.00	FARMERS INSURANCE EXCHANGE	8.625	05/01/24	4,840,295.00	92.19610	102.22700	5,366,917.50	526,622.50	452,812.50	9.36	8.4
1,000,000.00	FORD CAPITAL BV	10.125	11/15/00	1,009,185.00	100.91850	109.70100	1,097,010.00	87,825.00	101,250.00	10.03	9.2
1,000,000.00	FORD MOTOR COMPANY	9.500	09/15/11	999,417.00	99.94170	118.51000	1,185,100.00	185,683.00	95,000.00	9.51	8.0
1,000,000.00	FUND AMERICA ENTERPRISE	7.750	02/01/03	1,008,467.00	100.84670	103.23300	1,032,330.00	23,863.00	77,500.00	7.68	7.5
2,500,000.00	GENERAL AMERICAN LIFE INS	7.625	01/15/24	2,174,056.00	86.96224	93.91500	2,347,875.00	173,819.00	190,625.00	8.77	8.2
1,000,000.00	GOLDMAN SACHS GROUP INC.	8.000	03/01/13	995,954.00	99.59540	102.36300	1,023,630.00	27,676.00	80,000.00	8.03	7.8
3,000,000.00	J HANCOCK MUTUAL LIFE INS CO	7.375	02/15/24	2,795,796.00	93.19320	95.32800	2,859,840.00	64,044.00	221,250.00	7.91	7.7
1,000,000.00	LEHMAN BROS HOLDINGS, INC.	8.750	05/15/02	1,031,500.00	103.15000	106.65800	1,066,580.00	35,080.00	87,500.00	8.48	8.2
1,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.500	05/01/07	1,057,638.00	105.76380	107.65200	1,076,520.00	18,882.00	85,000.00	8.04	7.9
2,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.150	07/01/26	2,221,140.00	111.05700	109.71100	2,194,220.00	(26,920.00)	183,000.00	8.24	8.3
1,000,000.00	MERRILL LYNCH & COMPANY	8.000	06/01/07	1,000,000.00	100.00000	106.00400	1,060,040.00	60,040.00	80,000.00	8.00	7.5
3,000,000.00	NATIONWIDE MUTUAL INS CO	7.500	02/15/24	2,856,642.00	95.22140	94.51000	2,835,300.00	(21,342.00)	225,000.00	7.88	7.9
2,000,000.00	OHIO NATIONAL LIFE INSURANCE	8.500	05/15/26	1,995,612.00	99.78060	101.74600	2,034,920.00	39,308.00	170,000.00	8.52	8.3
1,000,000.00	PAINTE WEBBER GROUP INC.	7.000	03/01/00	998,953.00	99.89530	100.68100	1,006,810.00	7,857.00	70,000.00	7.01	7.0
2,000,000.00	PMI CAPITAL	8.309	02/01/27	2,069,306.00	103.46530	100.00000	2,000,000.00	(69,306.00)	166,180.00	8.03	8.3
1,000,000.00	POTOMAC CAPITAL INV CORP	7.100	03/09/00	1,000,000.00	100.00000	99.58200	995,820.00	(4,180.00)	71,000.00	7.10	7.1
2,000,000.00	PRINCIPAL MUTUAL LIFE INS CO	7.875	03/01/24	1,893,820.00	94.69100	95.98800	1,919,760.00	25,940.00	157,500.00	8.32	8.2
3,000,000.00	PRUDENTIAL INSUR CO OF AMERICA	8.300	07/01/25	2,933,897.00	97.79657	102.62000	3,078,600.00	144,703.00	249,000.00	8.49	8.1
1,000,000.00	SALOMON INC.	7.125	08/01/99	1,015,734.00	101.57340	100.74200	1,007,420.00	(8,314.00)	71,250.00	7.01	7.1
1,000,000.00	SEARS ROEBUCK & CO.	9.375	11/01/11	1,000,000.00	100.00000	118.14500	1,181,450.00	181,450.00	93,750.00	9.38	7.9
2,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/16	2,266,145.00	113.30725	110.07700	2,201,540.00	(64,605.00)	187,500.00	8.27	8.3
2,000,000.00	UNION CENTRAL LIFE	8.200	11/01/26	2,026,442.00	101.32210	98.53400	1,970,680.00	(55,762.00)	164,000.00	8.09	8.3
48,866,636.25	TOTAL CORPORATE BONDS			48,191,451.75	98.61831		49,993,445.51	1,801,993.76	4,063,432.94	8.4%	8.1%
145,165,430.85	BOND PORTFOLIO TOTALS			143,482,949.53	98.84099		150,171,119.17	6,688,169.64	11,514,519.45	8.0%	7.7%

STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
COMMERCIAL PAPER

06/30/97

DATE ACQUIRED	DESCRIPTION	INTEREST RATE	MATURITY DATE	COST	AMOUNT OF INTEREST	MATURITY VALUE
06/23/97	BANC ONE FUNDING	5.580	07/31/97	\$994,110.00	\$5,890.00	\$1,000,000.00
06/23/97	BROADWAY CAPITAL CORP	5.650	07/11/97	\$997,175.00	\$2,825.00	\$1,000,000.00
06/24/97	AGA CAPITAL, INC	5.610	07/11/97	\$997,350.83	\$2,649.17	\$1,000,000.00
06/24/97	KOREA ASSOC. SECURITIES	5.650	07/10/97	\$997,488.89	\$2,511.11	\$1,000,000.00
06/30/97	EAGLE FUNDING	5.750	07/11/97	\$998,243.06	\$1,756.94	\$1,000,000.00
				<u>\$4,984,367.78</u>	<u>\$15,632.22</u>	<u>\$5,000,000.00</u>

STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED AS OF 06/30/97

COMMON STOCK

Page 1 of 2

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
70,000	ABBOTT LABORATORIES	1.08	22.7068	1,589,472.50	66.7500	4,672,500.00	75,600.00	3,083,028.00
45,000	ALLSTATE CORPORATION	0.96	37.0053	1,665,240.00	73.0000	3,285,000.00	43,200.00	1,619,760.00
60,000	AMERICAN HOME PRODUCTS	1.64	29.4734	1,768,403.91	76.5000	4,590,000.00	98,400.00	2,821,596.00
22,500	AMERICAN INT'L GROUP	0.40	58.8630	1,324,417.50	149.3750	3,360,937.50	9,000.00	2,036,520.00
14,000	AMOCO CORPORATION	2.80	53.3690	747,166.00	86.9375	1,217,125.00	39,200.00	469,959.00
50,000	AMP INC	1.04	37.7624	1,888,119.50	41.7500	2,087,500.00	52,000.00	199,381.00
40,000	AT&T CORP	1.32	36.5459	1,461,834.07	35.0625	1,402,500.00	52,800.00	(59,334.00)
8,525	AUTOLIV, INC.	0.00	26.9896	230,086.67	39.1250	333,540.63	0.00	103,454.00
70,000	AUTOMATIC DATA PROCESSING	0.46	30.4068	2,128,472.50	47.0000	3,290,000.00	32,200.00	1,161,528.00
66,550	BANC ONE	1.52	22.5253	1,499,060.00	48.4375	3,223,515.63	101,156.00	1,724,456.00
18,000	BELL ATLANTIC	2.96	60.9205	1,096,569.00	75.8750	1,365,750.00	53,280.00	269,181.00
85,000	BOEING CO.	0.56	47.2735	4,018,247.00	53.0625	4,510,312.50	47,600.00	492,066.00
75,000	CENTRAL & SOUTHWEST CORP	1.74	26.8177	2,011,326.00	21.2500	1,593,750.00	130,500.00	(417,576.00)
35,000	CPC INTERNATIONAL INC.	0.64	45.7807	1,602,325.00	92.3125	3,230,937.50	22,400.00	1,628,613.00
30,000	DISNEY CO. (WALT)	0.53	55.9250	1,677,750.00	80.2500	2,407,500.00	15,900.00	729,750.00
20,000	DUKE POWER COMPANY	2.12	36.5625	731,250.00	47.9375	958,750.00	42,400.00	227,500.00
65,000	ELECTRONIC DATA SYSTEMS	0.60	35.9108	2,334,200.00	41.1875	2,677,187.50	39,000.00	342,988.00
50,000	EMERSON ELECTRIC	1.08	19.6862	984,308.33	55.0625	2,753,125.00	54,000.00	1,768,817.00
40,000	ENRON CORPORATION	0.90	36.1488	1,445,951.00	40.8125	1,632,500.00	36,000.00	186,549.00
75,000	ETHYL CORPORATION	0.50	11.9875	899,062.50	9.2500	693,750.00	37,500.00	(205,313.00)
90,000	EXXON CORPORATION	1.64	26.1550	2,353,950.00	61.2500	5,512,500.00	147,600.00	3,158,550.00
36,200	FIRST CHICAGO NBD CORP	1.60	25.6787	929,570.00	60.5000	2,190,100.00	57,920.00	1,260,530.00
35,000	FPL GROUP, INC.	1.92	45.5500	1,594,250.00	46.0625	1,612,187.50	67,200.00	17,938.00
20,000	GANNETT CO.	1.44	53.5500	1,071,000.00	98.7500	1,975,000.00	28,800.00	904,000.00
90,000	GENERAL ELECTRIC	1.04	15.1947	1,367,522.68	65.0000	5,850,000.00	93,600.00	4,482,477.00
25,000	GENERAL MOTORS COMPANY, INC	2.00	61.3190	1,532,975.50	55.7500	1,393,750.00	50,000.00	(139,226.00)
30,000	GENERAL TEL & ELECTRONICS	1.88	30.7673	923,019.23	43.8750	1,316,250.00	56,400.00	393,231.00
25,000	GEORGIA PACIFIC CORPORATION	2.00	72.6415	1,816,038.00	85.3750	2,134,375.00	50,000.00	318,337.00
35,000	H.J. HEINZ COMPANY	1.16	33.5500	1,174,250.00	46.1250	1,614,375.00	40,600.00	440,125.00
40,000	HEWLETT PACKARD	0.56	50.0500	2,002,000.00	56.0000	2,240,000.00	22,400.00	238,000.00
40,000	HOME DEPOT	0.30	45.8900	1,835,600.50	69.0000	2,760,000.00	12,000.00	924,400.00
60,000	ILLINOIS TOOL WORKS	0.48	26.9829	1,618,976.10	49.9375	2,996,250.00	28,800.00	1,377,274.00
40,000	INT'L BUSINESS MACHINES	0.80	57.4560	2,298,240.50	90.2500	3,610,000.00	32,000.00	1,311,760.00
20,000	INT'L FLAVORS & FRAGRANCES	1.44	52.0126	1,040,251.00	50.5000	1,010,000.00	28,800.00	(30,251.00)

STATE OF ARIZONA
ELECTED OFFICIALS' RETIREMENT PLAN
INVESTMENTS OWNED AS OF 06/30/97

COMMON STOCK

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
65,000	JOHNSON & JOHNSON CO	0.88	62.1905	4,042,381.00	64.3750	4,184,375.00	57,200.00	141,994.00
80,000	KIMBERLY-CLARK CORPORATION	0.96	22.1064	1,768,510.00	49.7500	3,980,000.00	76,800.00	2,211,490.00
12,963	LUCENT TECHNOLOGIES INC.	0.30	46.0287	596,670.25	72.0625	934,146.19	3,889.00	337,476.00
24,000	MARSH & MCLENNAN COMPANIES	2.00	43.4083	1,041,800.00	71.3750	1,713,000.00	48,000.00	671,200.00
75,000	MBNA CORP	0.48	19.6665	1,474,990.00	36.6250	2,746,875.00	36,000.00	1,271,885.00
56,000	MCDONALDS CORPORATION	0.33	18.6636	1,045,162.50	48.3125	2,705,500.00	18,480.00	1,660,338.00
58,000	MERCK & CO.	1.68	32.6037	1,891,015.43	102.3125	5,934,125.00	97,440.00	4,043,110.00
40,000	MINNESOTA MINING & MFG.	2.12	36.2995	1,451,979.81	102.2500	4,090,000.00	84,800.00	2,638,020.00
74,000	MOBIL CORPORATION	2.12	25.3806	1,878,167.39	69.8750	5,170,750.00	156,880.00	3,292,583.00
25,000	MORTON INTERNATIONAL CORP	0.48	23.3867	584,667.83	30.1875	754,687.50	12,000.00	170,020.00
57,500	MOTOROLA, INC.	0.48	27.2499	1,566,869.37	76.1250	4,377,187.50	27,600.00	2,810,318.00
70,000	NATIONAL CITY CORP	1.64	29.8794	2,091,555.00	52.5000	3,675,000.00	114,800.00	1,583,445.00
37,500	PACIFIC CECTURY FINANCIAL CORP	1.20	28.3733	1,064,000.00	46.2500	1,734,375.00	45,000.00	670,375.00
110,000	PEPSICO INC.	0.50	22.4234	2,466,575.00	37.5625	4,131,875.00	55,000.00	1,665,300.00
30,000	PFIZER INC.	0.68	55.7125	1,671,375.00	59.8750	1,796,250.00	20,400.00	124,875.00
25,000	PITNEY BOWES, INC.	1.60	39.6830	992,075.00	69.5000	1,737,500.00	40,000.00	745,425.00
50,000	PNC BANK CORPORATION	1.48	21.7805	1,089,025.00	41.7500	2,087,500.00	74,000.00	998,475.00
50,000	PPG INDUSTRIES, INC.	1.32	26.3256	1,316,279.17	58.1250	2,906,250.00	66,000.00	1,589,971.00
40,000	PROCTER & GAMBLE CO.	1.80	30.8694	1,234,777.41	141.2500	5,650,000.00	72,000.00	4,415,223.00
30,000	SAFEWAY INC	0.00	46.1279	1,383,837.00	46.1250	1,383,750.00	0.00	(87.00)
80,000	SARA LEE CORP.	0.84	29.6620	2,372,961.00	41.6250	3,330,000.00	67,200.00	957,039.00
100,000	SCHERING-PLOUGH CORP	0.76	34.1379	3,413,790.00	47.8750	4,787,500.00	76,000.00	1,373,710.00
30,000	SCHLUMBERGER	1.50	60.0300	1,800,900.00	125.0000	3,750,000.00	45,000.00	1,949,100.00
80,000	TECO ENERGY INC.	1.18	5.8188	465,504.82	25.5625	2,045,000.00	94,400.00	1,579,495.00
15,000	TELEFONOS DE MEXICO	1.31	38.7520	581,280.00	47.8750	718,125.00	19,650.00	136,845.00
30,000	UNION PACIFIC CORP	1.72	43.0331	1,290,993.59	69.8125	2,094,375.00	51,600.00	803,381.00
25,408	UNION PACIFIC RESOURCES GROUP	0.20	24.7554	628,984.98	24.8750	632,024.00	5,082.00	3,039.00
140,000	WALGREEN COMPANY	0.48	17.9724	2,516,137.50	53.6250	7,507,500.00	67,200.00	4,991,363.00
	TOTALS			96,383,169.04		172,058,638.95	3,230,677.00	75,675,476.00

STATE OF ARIZONA
 ELECTED OFFICIALS' RETIREMENT PLAN
 OTHER INVESTMENT PORTFOLIO

06/30/97

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
<i>MISCELLANEOUS</i>							
PEBBLECREEK PROPERTIES L.P.	10.000	02/19/02	1,000,000.00	1,000,000.00	0.00	100,000.00	10.0%
TOTAL MISCELLANEOUS			1,000,000.00	1,000,000.00	0.00	100,000.00	10.0%
OTHER INVESTMENT TOTALS			1,000,000.00	1,000,000.00	0.00	100,000.00	10.0%

ACTUARIAL SECTION

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

Actuarial Certification Statement

Actuarial Balance Sheet – All Employees

Summary of Valuation Methods and Assumptions

Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data



GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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October 31, 1997

The Fund Manager
Arizona Public Safety Personnel
Retirement System
1020 East Missouri
Phoenix, Arizona 85014

Attention: Jack Cross, Administrator

We hereby certify that the June 30, 1997 annual actuarial valuation of the Arizona Corrections Officer Retirement Plan, determining the June 30, 1997 actuarial assets and liabilities were made in accordance with generally recognized actuarial methods.

Actuarial assets are computed on a smoothed market basis which spreads differences between actual and assumed investment return over a four year period. The data, submitted by the Administrator, was checked for completeness and year to year consistency but was not otherwise audited.

It is our opinion that the actuarial information contained in the valuation report is complete and accurate, being based on risk experience assumptions which are in the aggregate related to the experience of the Plan and are our best estimate of an anticipated future experience. The actuarial assumptions were adopted by the Fund Manager based on the recommendation of the Plan's actuary.

The results of the valuations indicate that the contribution rates are funding the obligations of the Plan as incurred on a level percent of payroll basis. Actuarial accrued liabilities are fully covered by accrued assets as of June 30, 1997.

Respectfully submitted,

Sandra W. Rodwan
Member, American Academy of Actuaries

SWR/alv
Enclosure

Actuarial Balance Sheet June 30, 1997

Actuarial Assets

Accrued assets		
Member accumulated contributions	\$ 82,948,061	
Employer and benefit payment reserves	282,466,313	
Funding value adjustment	<u>29,846,000</u>	
Total accrued assets*		\$395,260,374
Prospective assets (computed value)		
Member contributions	211,154,385	
Employer normal costs	167,538,422	
Employer unfunded actuarial accrued liability	<u>(38,314,171)</u>	
Total prospective assets		<u>340,378,636</u>
Total Actuarial Assets		<u>\$735,639,010</u>

* Includes \$1,356,076 reserve for payment of ad hoc pension increases. The net funding value of assets is \$393,904,298.

Actuarial Present Values (Liability)

Pensions in payment status		
Service pensions	\$ 35,371,248	
Disability pensions	4,019,820	
Survivor pensions	8,989,716	
Health insurance	<u>3,647,616</u>	
Total benefit values		\$ 52,028,400
Prospective pension payments for future retirements		646,894,555
Prospective health insurance payments for future retirements		21,217,025
Prospective refunds of members contributions		14,142,954
Reserve for ad hoc pension increases		<u>1,356,076</u>
Total Actuarial Present Values (Liability)		<u>\$735,639,010</u>

Summary of Valuation Methods

Normal cost contributions were computed as follows:

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

Actuarial accrued liability was computed and financed as follows:

The actuarial accrued liability, associated with service rendered prior to the valuation date, was computed using the investment return, mortality and other factors outlined on the following pages. The difference between the computed actuarial accrued liability and Plan assets were financed as a level percent of payroll over a period of 33 years.

Summary of Valuation 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 were first used for the June 30, 1987 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, were first used for the June 30, 1987 annual valuation.

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

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

Summary of Valuation Assumptions (continued)

The Mortality table used was the 1971 Group Annuity Mortality Table Projected to 1984 (Male), female ages set back 6 years. (First used for June 30, 1995 valuation.)

Sample Ages	Deaths per 1,000		Single Life Retirement Values			
			Present Value of \$100 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women	Men	Women
20	0.5	0.5			55.98	61.84
25	0.7	0.5			51.12	56.96
30	0.9	0.7			46.27	52.09
35	1.2	0.8			41.46	47.24
40	1.8	1.1	\$12,861	\$13,224	36.69	42.42
45	3.2	1.7	12,430	12,933	32.01	37.64
50	5.8	2.8	11,879	12,526	27.53	32.93
55	9.3	5.2	11,199	11,999	23.28	28.41
60	13.9	8.5	10,346	11,347	19.27	24.11
65	21.8	12.8	9,308	10,532	15.55	20.05
70	35.1	19.7	8,145	9,530	12.25	16.27
75	57.0	32.1	6,963	8,382	9.50	12.87
80	93.9	51.9	5,748	7,206	7.17	10.02
85	143.5	85.1	4,696	5,983	5.43	7.59
90	200.6	132.2	3,796	4,893	4.10	5.74

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

Summary of Valuation Assumptions (continued)

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

Age	Percent of Active Members Retiring During Next Year
45	25%
46	25
47	25
48	25
49	25
50	25
51	25
52	25
53	25
54	25
55	25
56	25
57	20
58	20
59	20
60	20
61	20
62	20
63	20
64	30
65	100

Active members are eligible to retire at any age with 25 years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

These rates were first used for the June 30, 1995 valuations.

Summary of Valuation Assumptions (continued)

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

These rates were first used for the June 30, 1995 valuations. Rates do not apply to members eligible to retire and do not include separation on account of death. This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Becoming Disabled Within the Year
ALL	0	25.00%	(all years of service)
	1	20.0	
	2	18.0	
	3	15.0	
	4	12.0	
25	5 & Over	7.0	0.15%
30		5.5	0.20
35		4.3	0.25
40		3.0	0.50
45		2.3	0.65
50		1.5	0.80
55		1.5	0.95
60		1.5	1.00

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SOLVENCY TEST

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

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

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

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

Aggregate Accrued Liabilities For

Valuation Date	Aggregate Accrued Liabilities For			Valuation Assets Available for Benefits (2)	Portion Of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
	6-30-87	\$ 21,780	\$ 982		\$ 46,170	\$ 47,550	100%
6-30-88	\$ 29,173	\$ 3,062	\$ 44,649	\$ 69,842	100%	100%	84.2%
6-30-89	\$ 33,509	\$ 5,473	\$ 60,131	\$ 88,756	100%	100%	82.8%
6-30-90	\$ 38,021	\$ 7,177	\$ 77,380	\$108,973	100%	100%	82.4%
6-30-91	\$ 45,827	\$ 11,457	\$ 89,016	\$138,901	100%	100%	91.7%
6-30-92	\$ 51,610	\$ 16,527	\$ 95,503	\$168,553	100%	100%	100.0%
6-30-93	\$ 57,143	\$ 21,924	\$105,232	\$198,692	100%	100%	100.0%
6-30-94	\$ 62,219	\$ 26,556	\$133,072	\$223,847	100%	100%	100.0%
6-30-95	\$ 67,694	\$ 34,141	\$152,354	\$265,006	100%	100%	100.0%
6-30-96	\$ 74,927	\$ 41,777	\$173,814	\$319,255	100%	100%	100.0%
6-30-97	\$ 82,948	\$ 52,028	\$220,614	\$393,904	100%	100%	100.0%

See notes on page 27.

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

ACTIVE MEMBERSHIP

As of June 30, 1997, there were 9,727 active members in the Plan, broken down by attained age and years of service as follows:

SUMMARY OF ACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date							T O T A L S	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
Under 20	10							10	\$ 219,650
20 - 24	814	6						820	17,545,429
25 - 29	1,704	178	1					1,883	42,470,942
30 - 34	1,069	432	82					1,583	37,964,063
35 - 39	748	388	224	39	2			1,401	36,073,583
40 - 44	568	270	228	94	23			1,183	32,536,063
45 - 49	470	246	219	105	38	9		1,087	30,897,581
50 - 54	355	189	176	80	32	20		852	24,840,880
55 - 59	177	155	143	68	22	4	1	570	16,439,478
60 - 64	67	60	112	43	9	2		293	8,731,618
65 - 69	5	11	12	8	2		1	39	1,283,813
70 & Over		2	2		2	1		7	200,273
Totals	5,987	1,937	1,199	437	130	36	2	9,728	\$ 249,203,373

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

COMPARATIVE SCHEDULE

Fiscal Year Ended	Participating Units	Active Members	Total Payroll (+000)	A V E R A G E			
				Age	Service	Pay	Percentage Increase in Average Pay
6-30-87	11	4,936	\$ 102,910	38.0 yrs	3.5 yrs	\$20,849	- %
6-30-88	11	5,702	117,234	37.6	3.4	20,560	(1.4)
6-30-89	11	6,246	134,520	37.4	4.0	21,537	4.8
6-30-90	11	6,478	136,693	37.8	4.4	21,101	(2.0)
6-30-91	11	6,867	153,351	38.0	4.6	22,332	5.8
6-30-92	11	7,091	156,257	38.1	5.0	22,036	(1.3)
6-30-93	12	7,550	166,831	38.2	5.2	22,097	0.3
6-30-94	12	7,828	177,717	38.3	5.3	22,703	2.7
6-30-95	12	8,365	198,603	38.2	5.3	23,742	4.6
6-30-96	12	8,945	224,686	38.0	5.2	25,119	5.8
6-30-97	12	9,728	\$ 249,203	38.1 yrs	5.3 yrs	\$25,617	2.0%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF INACTIVE MEMBER DATA

INACTIVE MEMBERS

As of June 30, 1997, there were 328 inactive members in the Plan who had not withdrawn their accumulated 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:

SUMMARY OF INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date						Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 29	30 Plus	
Under 20							
20 - 24	17						17
25 - 29	53	3					56
30 - 34	36	5					41
35 - 39	25	8	2	1			36
40 - 44	26	9	7	2			44
45 - 49	21	6	9	3			39
50 - 54	23	7	10		2		42
55 - 59	10	3	7	1	2		23
60 & Over	16	6	7	1			30
Totals	227	47	42	8	3	1	328

STATISTICAL SECTION

**ELEVENTH ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 1997**

Summary of Growth of the System

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Earnings Distribution – Fiscal Year Ended June 30, 1997

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

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, 1986.

<u>Fiscal Year</u>	<u>Total Assets at Book</u>	<u>Percent Increase</u>	<u>Net Realized Investment Earnings</u>	<u>Percent Increase</u>	<u>Net Effective Yield</u>
Assets Transferred	\$ 35,898,096				
6-30-87	47,550,266	32.46%	\$ 2,591,092		12.57%
6-30-88	69,842,267	46.88	4,829,032	86.37%	8.69
6-30-89	88,759,811	27.09	6,981,352	44.57	9.27
6-30-90	109,000,881	22.80	7,969,987	14.16	8.44
6-30-91	138,958,392	27.48	11,171,749	40.17	9.50
6-30-92	168,663,770	21.37	15,081,978	35.00	10.35
6-30-93	198,727,336	17.82	15,833,256	4.98	9.04
6-30-94	223,939,998	12.69	12,564,499	-20.64	6.14
6-30-95	261,475,094	16.76	23,730,177	88.87	10.31
6-30-96	309,150,409	18.23	29,543,144	24.50	10.95
6-30-97	\$ 365,414,374	18.20%	\$ 35,445,750	19.98%	11.12%

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
TEN-YEAR SCHEDULE OF BENEFIT EXPENSES BY TYPE

<u>Fiscal Year</u>	<u>Normal Benefits</u>	<u>Disability Benefits</u>	<u>Survivor Benefits</u>	<u>Insurance Benefits</u>	<u>Totals</u>
1988	\$ 158,461 69%	\$4,382 2%	\$65,620 29%	-	\$228,463 100%
1989	\$314,249 68%	\$19,611 4%	\$132,143 28%	-	\$466,003 100%
1990	\$455,345 65%	\$31,387 5%	\$210,017 30%	-	\$696,749 100%
1991	\$685,114 60%	\$44,941 4%	\$347,457 31%	\$62,366 5%	\$1,139,878 100%
1992	\$1,031,785 61%	\$55,783 3%	\$479,846 28%	\$125,620 8%	\$1,693,034 100%
1993	\$1,390,554 61%	\$77,305 3%	\$661,349 29%	\$162,844 7%	\$2,292,052 100%
1994	\$1,727,201 61%	\$165,818 6%	\$745,568 26%	\$196,011 7%	\$2,834,598 100%
1995	\$2,182,356 64%	\$220,204 7%	\$747,598 22%	\$239,950 7%	\$3,390,108 100%
1996	\$2,831,205 66%	\$273,769 6%	\$915,429 21%	\$292,084 7%	\$4,312,487 100%
1997	\$3,561,512 67%	353,098 7%	1,014,073 19%	352,313 7%	5,280,996 100%

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

The following statement presents an analysis of the benefit changes that have taken place during the past ten years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 7.2% and 14.1% over the last five years.

COMPARATIVE SCHEDULE

<u>Year Ended</u>	<u>Retired</u>				<u>Annual Pensions</u>	<u>Average Pension</u>	<u>Ratio of Active to Retired</u>
	<u>Normal</u>	<u>Disability</u>	<u>Survivors</u>	<u>Totals</u>			
6-30-87	10		5	15	\$ 103,522	\$ 6,901	329:1
6-30-88	34		14	48	325,835	6,788	119:1
6-30-89	61		24	85	571,541	6,724	73:1
6-30-90	78	4	33	115	765,738	6,659	56:1
6-30-91	111	5	42	158	1,152,673	7,295	43:1
6-30-92	163	5	58	226	1,631,420	7,219	31:1
6-30-93	214	9	72	295	2,203,198	7,468	25:1
6-30-94	255	17	84	356	2,710,269	7,613	22:1
6-30-95	312	23	100	435	3,456,750	7,946	19:1
6-30-96	365	24	115	504	4,274,602	8,481	18:1
6-30-97	430	32	136	598	5,305,705	8,872	16:1

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

SUMMARIES OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 1996

<u>Pensions Being Paid</u>		<u>Number</u>	<u>Annual Pensions</u>	<u>Average Pensions</u>
Retired Members	- Service Pensions	430	\$ 3,925,066	\$ 9,128
	- Disability Pensions	32	398,332	12,448
	TOTALS	462	\$ 4,323,398	\$ 9,278
Survivors of Members	- Spouses	121	\$ 930,301	\$ 7,688
	- Children with Guardians	15	52,006	3,467
	TOTALS	136	\$ 982,307	\$ 7,223
	TOTAL PENSIONS BEING PAID	598	\$ 5,305,705	\$ 8,872

	<u>Average Age</u>	<u>Average Service</u>	<u>Average Age at Retirement</u>
Service retired members:	65.7 yrs	14.2 yrs	6.8 yrs
Disability retired members:	53.2 yrs	8.2 yrs	50.1 yrs
Spouse beneficiaries:	54.9 yrs	8.3 yrs	49.4 yrs

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUMMARY OF BENEFIT INCREASES

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

BENEFIT INCREASE SCHEDULE

<u>Fiscal Year Ended</u>	<u>Excess Yield per Statute*</u>	<u>Excess Earnings Assets</u>	<u>Excess Earnings</u>	<u>Monthly Benefit Increase Fundable</u>	<u>Maximum per Statutory 4% Cap</u>	<u>Lesser of Two - Increase Awarded</u>
6-30-91	.50%	\$ 11,456,784	<u>\$ 57,284</u>			
	Amount available:	7-1-92 increase	\$ 57,284	None	\$ 24.64	None
		Investment earnings on balance	5,322			
	Amount utilized:	7-1-92 increase	0			
6-30-92	.29%	\$16,527,313	<u>\$ 47,929</u>			
	Amount available:	7-1-93 increase	\$ 110,535	\$ 5.00	\$ 24.06	\$ 5.00
		Investment earnings on balance	9,992			
	Amount utilized:	7-1-93 increase	(93,840)			
6-30-93	.04%	\$ 21,923,868	<u>\$ 8,770</u>			
	Amount available:	7-1-94 increase	\$ 35,457	None	\$ 24.89	None
		Investment earnings on balance	2,177			
	Amount utilized:	7-1-94 increase	0			
6-30-94	.00%	\$ 26,556,396	<u>0</u>			
	Amount available:	7-1-95 increase	\$ 37,634	None	\$ 25.38	None
		Investment earnings on balance	3,880			
	Amount utilized:	7-1-95 increase	0			
6-30-95	1.31%	\$34,140,660	<u>\$ 447,241</u>			
	Amount available:	7-1-96 increase	\$ 488,755	\$ 10.00	\$ 26.49	\$ 10.00
		Investment earnings on balance	53,519			
	Amount utilized:	7-1-96 increase	(397,082)			
6-30-96	1.95%	\$38,930,508	<u>\$ 759,145</u>			
	Amount available:	7-1-97 increase	\$ 904,337	\$ 15.00	\$ 28.27	\$ 15.00
		Investment earnings on balance	100,562			
	Amount utilized:	7-1-97 increase	(674,496)			
6-30-97	2.12%	\$48,380,789	<u>\$1,025,673</u>			
	Amount available:	7-1-98 increase	\$1,356,076	\$25.00	\$29.57	\$25.00

*Net effective yield less actuarial yield per statute of 9%.

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
PARTICIPATING EMPLOYERS

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

STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 1997

Sys No.	System	Employer Reserve 6/30/96	Employer Reserve 6/30/97	Member Reserve 6/30/96	Member Reserve 6/30/97	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	DEPT OF CORRECTIONS	147,640,079.65	177,440,869.88	52,480,742.63	58,182,146.29	435,743,838.45	217,871,919.23	71.4055%	25,068,748.33
501	D.Y.T.R.	10,745,417.75	13,591,895.47	5,114,432.69	5,689,656.72	35,141,402.63	17,570,701.32	5.7586%	2,021,717.58
505	MARICOPA CNTY CORP	28,989,381.92	34,942,839.56	10,849,720.51	12,074,463.01	86,856,405.00	43,428,202.50	14.2332%	4,996,929.77
510	YUMA CNTY CORP	2,076,380.67	2,557,334.12	790,747.79	888,620.87	6,313,083.45	3,156,541.73	1.0345%	363,197.56
515	PIMA CNTY CORP	10,595,182.68	12,741,357.31	4,165,463.11	4,472,524.30	31,974,527.40	15,987,263.70	5.2397%	1,839,524.30
520	APACHE CNTY CORP	172,667.47	220,259.71	84,757.74	93,733.29	571,418.21	285,709.11	0.0936%	32,874.22
525	COCHISE CNTY CORP	1,157,432.16	1,360,385.64	282,763.22	320,006.29	3,120,587.31	1,560,293.66	0.5114%	179,530.29
530	COCONINO CNTY CORP	254,056.67	352,538.83	120,308.43	124,815.51	851,719.44	425,859.72	0.1396%	49,000.21
535	MOHAVE CNTY CORP	1,198,368.58	1,429,744.58	296,499.44	307,081.08	3,231,693.68	1,615,846.84	0.5296%	185,922.34
540	SANTA CRUZ CNTY CORP	316,236.87	392,582.45	117,979.62	117,436.35	944,235.29	472,117.65	0.1547%	54,322.73
545	NAVAJO CNTY CORP	371,117.72	485,378.96	142,658.07	158,757.33	1,157,912.08	578,956.04	0.1897%	66,615.76
550	YAVAPAI CNTY CORP	1,488,140.26	1,843,540.48	481,126.04	518,820.02	4,331,626.80	2,165,813.40	0.7098%	249,202.52
	TOTAL	205,004,462.40	247,358,726.99	74,927,199.29	82,948,061.06	610,238,449.74	305,119,224.87	100.00%	35,107,585.61