

CORRECTIONS OFFICER RETIREMENT PLAN

A PENSION TRUST FUND OF THE STATE OF ARIZONA

SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2002

This report was prepared by the staff of the PSPRS

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

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INTRODUCTORY SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Fund Managers' Report

Letter of Transmittal

Certificate of Achievement for
Excellence in Financial Reporting

The Retirement Board and
Administrative Organization

Organizational Chart

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

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

1020 East Missouri Avenue
Phoenix, Arizona 85014-2613

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

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

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

September 13, 2002

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

Dear Governor Hull:

The Fund Manager of the Public Safety Personnel Retirement System respectfully submits the Sixteenth Comprehensive Annual Financial Report of the Corrections Officer Retirement Plan for the fiscal year ended June 30, 2002. We are pleased to report that despite the volatile stock market, the Plan is still in excellent financial and actuarial condition.

The Plan has continued to improve its funding level—even while dramatically improving benefits—including the change to a straight 20-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 fifteen years, the Plan funding has improved from 69% to 123.8%. This is one of the best funded plans in the country. Set forth below are some of the highlights for the fiscal year ended June 30, 2002.

Benefits paid to retired corrections officers and their beneficiaries for the fiscal year totaled \$17,576,451 compared to \$13,433,499 for the prior year. The average employer contribution rate as a percentage of gross payroll decreased from a high of 6.97% to 1.15% for the current fiscal year.

For the current year, the Plan had a total rate of return of -14.7%. However, the Plan continues to perform well against the market indexes (S&P 500/NYSE stock and Shearson Lehman Government/Corporate bond) on a long-term basis. The 5-year and 10-year total rates of return, which includes realized as well as unrealized gains and losses, for the entire fund were 2.76% and 7.45%, respectively. The 5-year rate of return for the stock portfolio and bond portfolios were 0.26% and 7.06%, respectively. The 10-year rate of return for the stock portfolio and bond portfolios were 7.94% and 7.34%, respectively. The net effective yield, which takes into account only realized gains and losses, was 1.84%.

Total administrative and investment expenses increased from \$417,408 last year to \$463,464 this year. Costs have increased only 110% during the past fifteen years. This increase is incredibly low since the assets managed have increased 756% and the Plan membership has increased 106% during this period.

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

Respectfully submitted,

DON DE MENT/sig.

Don De Ment, Chairman

PAT CANTELME/sig.

Pat Cantelme, Member

BETSEY BAYLESS/sig.

Betsey Bayless, Member

RON SNODGRASS/sig.

Ron Snodgrass, Member

WENDY HANCOCK/sig.

Wendy Hancock, Member

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
CORRECTIONS OFFICER RETIREMENT PLAN
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FAX: (602) 255-5572

James A. Nielsen, CPA, JD
Assistant Administrator

September 13, 2002

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

Gentlemen:

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

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

TRANSFER OF ASSETS

House Bill 2310 was passed by the 37th Legislature during the second regular session of 1986. This bill created the Corrections Officer Retirement Plan, provided for the transfer of assets into the new Plan, made the Fund Manager of the Public Safety Personnel Retirement System responsible for the investment and administration of the Plan and made all of its provisions effective July 1, 1986. The bill required the transfer of member account balances plus the matching employer account balance from the Arizona State Retirement System for all new members of the Plan. The bill did not require the transfer of unallocated investment earnings or employer contributions made on behalf of terminated employees and still on deposit in the Arizona State Retirement System. This caused the Plan to start at a distinct disadvantage (only 69% funded), but through prudent investment over several years, this problem has been overcome (we are now 123.8% funded).

FINANCIAL INFORMATION

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

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

The Plan uses the accrual basis of accounting for both revenues and expenses. Contributions to the Plan are based on principles of level-cost financing with current service financed as a level percent of payroll on a current

basis and prior service amortized as a level percent of payroll over a rolling twenty (20) year period.

REVENUES

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

ADMINISTRATIVE AND INVESTMENT EXPENSES

The 2002/2001 Administrative and Investment Expenses of the Administrative Office totaled \$463,464 compared to \$417,408 for the prior year. Costs have risen 110% during the past fifteen years, which is a compounded annual rate of increase of 5.45%. This rate of increase is well below the rate of growth of the Plan. A dedicated staff and constantly improving internal expertise has allowed management to keep costs minus inflation very low for the past fifteen years even though membership and assets managed have increased substantially during this same period (over 105% and over 756%, respectively).

INVESTMENTS

Since the Plan is well funded, management takes a moderately conservative approach to investing. The Plan invests primarily in bonds rated A or better and blue chip common stock. A detailed summary of the investment portfolio and all investment transactions is presented in the Investment Section. At year-end, the investment portfolio was made up of 14.37% U. S. Government Securities, 17.75% Corporate Bonds, 5.06% Corporate Notes, 3.92% Other Investments, 0.27% insured Money Market Funds and 58.63% Common Stocks. All investments are held in trust by the Arizona subsidiary of one of the largest banks in the world.

Even with this relatively conservative investment philosophy, the fixed income portfolio has outperformed the Lehman Government/Corporate Bond Index in nine of the last fifteen years and the equity portfolio has outperformed the applicable Index (NYSE until 98/99, S&P 500 thereafter) in nine of the past fifteen years. The Plan's performance resulted in a net effective yield of 1.84% and a 10-year total rate of return of 7.45%. 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 appears to be bottoming out. It is likely the economy will continue to improve this fall and into early 2003. With interest rates so low, it may be difficult to continue to outperform the Plan's 9% assumed rate of investment return over the next couple of years.

ACTUARIAL AND FUNDING INFORMATION

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

There is no single all-encompassing test to measure a retirement plan's funding progress and current status. A traditional measure is the ratio of assets to unfunded accumulated normal costs, often referred to as the "percent funded." The percent funded for the Plan at June 30, 2002, is 123.8%, 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 8.50% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll and a distribution of the net earnings of the Plan. While each employer has a different contribution rate, the average for the entire Plan for the 2002/2003 fiscal year would be 1.71% of gross payroll, however employer contributions cannot fall below 2% as a result of 2000 legislation. Of the 12 groups that make up the Plan, all twelve employers will pay less than the 8.50% that the employees pay.

POST RETIREMENT BENEFIT INCREASES

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

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

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

July 1, 1993 - \$	5.00
July 1, 1996 - \$	10.00
July 1, 1997 - \$	15.00
July 1, 1998 - \$	25.00
July 1, 1999 - \$	32.41
July 1, 2000 - \$	38.96
July 1, 2001 - \$	39.79
Cumulative total - \$	166.16
July 1, 2002 -	4.0%
July 1, 2003 -	4.0%

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

CERTIFICATE OF ACHIEVEMENT

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

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

SUMMARY

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

The results of the actuarial valuations of the Arizona Corrections Officer Retirement Plan indicate that benefit obligations are being funded as incurred. Valuation assets are 123.8% of actuarial accrued liability. This excellent level of accrued funding is primarily attributable to favorable investment returns.

The Plan has made excellent progress during the past sixteen years. Funding has increased from 69% to 123.8%. Investment and administrative expenses increased only 110% during the past sixteen years while total assets and membership were up 756% and 105% respectively. Employer contribution rates have dropped to less than 2% on average. All this was accomplished even while improving benefits to members. The service multiplier has been increased from 2% to 2.5%; members can now retire after 20 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., CFA
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corrections Officer
Retirement Plan, Arizona

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

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



Imelda Gruwe
President

Jeffrey L. Essler
Executive Director

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

THE FUND MANAGER

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

PROFESSIONAL ADVISORS

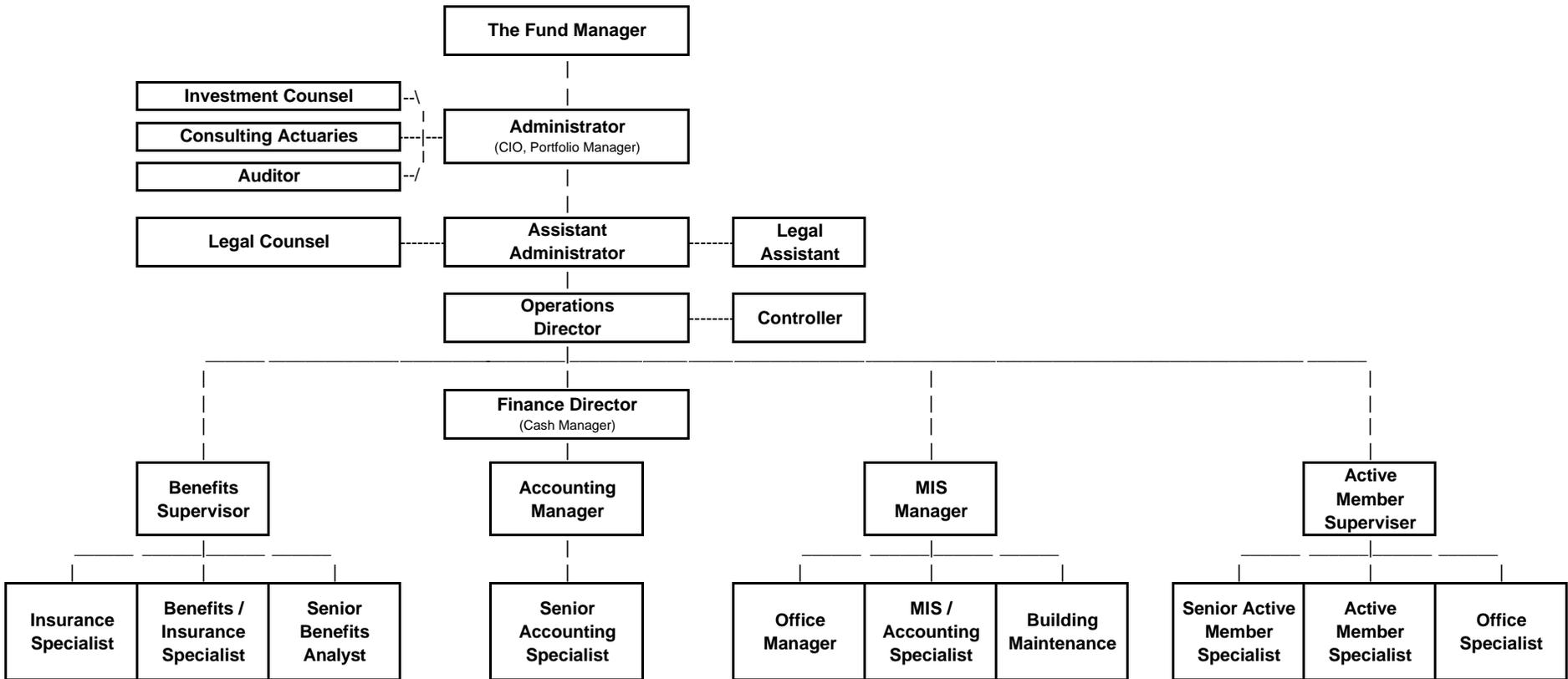
Standard & Poor's Securities, Inc.	Investment Counsel
Rodwan & Nichols	Consulting Actuaries
Barrows & Schatza, P.L.C.	Auditors
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd.	Legal Counsel

ADMINISTRATIVE STAFF

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

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**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
ORGANIZATION CHART
JUNE 30, 2002**



FINANCIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Independent Auditor's Report
Management's Discussion and Analysis
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statements
Schedule of Funding Progress
Schedule of Employer Contributions
Supporting Schedule of Changes In Fund Balance Reserves
Supporting Schedule of Administrative and Investment Expenses
Supporting Schedule of Payments to Consultants
Supplemental Schedule of Cash Receipts and Cash Disbursements
Schedule of Changes in Employers' Reserve – Year Ended June 30, 2002, and Unfunded Accrued Normal Costs at June 30, 2001
Schedule of Changes in Refundable Member Reserves Fiscal Year Ended June 30, 2002
Earnings Distribution, Fiscal Year Ended June 30, 2002

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, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended, appearing on pages 17 and 18, respectively. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions, are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Also, the accompanying additional information, contained on pages 28 to 33, are not required disclosures under Governmental Accounting Standards Board (GASB) statement No. 25 and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary and additional information. However, we did not audit this information and express no opinion on it.

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

September 6, 2002

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

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

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

Financial Highlights

Key financial highlights for 2002 are as follows:

- As of the close of the fiscal year 2002, the Future Benefit Increase Reserve was \$34,452,064. This will enable another 4% increase for qualifying retirees or their survivors for the eighth consecutive year.
- Retirement benefits paid totaled \$17,576,451 for the current fiscal year, compared to \$13,433,499 for the previous year. This represents a 31% increase from the prior year. The majority of this increase is the result of increased health insurance benefits and cost of living adjustments (COLAs) paid to the retirees or their survivors of the Plan.

Using this Comprehensive Annual Financial Report (CAFR)

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

The Statement of Net Assets and The Statement of Changes in Net Assets

These statements include all assets and liabilities of the Plan using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the Plan's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of the *financial health* of the Plan.

Notes to the Financial Statements

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

Required Supplemental Information

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

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

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

Other Supplemental Information

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

Reserves, and Schedule of Earnings Distribution. The total columns and information provided on these schedules carry forward to the applicable financial statement.

Financial Analysis

Net Assets

The Plan's Net Assets totaled \$586,328,473 at the close of the fiscal year 2002, compared to \$683,192,443 at the close of the previous fiscal year. This is a 15% decrease from the prior year. The majority of the decrease is the direct result of the recent declines in the stock market.

CORRECTIONS OFFICER RETIREMENT PLAN NET ASSETS

	<u>2002</u>		<u>2001</u>	
	<u>Book Cost*</u>	<u>Market Value</u>	<u>Book Cost*</u>	<u>Market Value</u>
Current Assets	\$ 3,638,271	\$ 3,638,271	\$ 3,619,605	\$ 3,619,605
Investments	<u>815,183,172</u>	<u>756,240,172</u>	<u>810,846,382</u>	<u>862,532,504</u>
Total Assets	<u>818,821,443</u>	<u>759,878,443</u>	<u>814,465,987</u>	<u>866,152,109</u>
Other Liabilities	<u>171,959,641</u>	<u>173,549,970</u>	<u>182,847,899</u>	<u>182,959,666</u>
Total Liabilities	<u>171,959,641</u>	<u>173,549,970</u>	<u>182,847,899</u>	<u>182,959,666</u>
Total Net Assets	<u>\$ 646,861,802</u>	<u>\$ 586,328,473</u>	<u>\$ 631,618,088</u>	<u>\$ 683,192,443</u>

*Cost information is provided for reference only.

The largest portion of the Plan's Net Assets (59%) are invested in Equity Securities; 18% is invested in high quality Corporate Bonds; 14% is invested in Government Securities; 5% is invested in Cash or cash equivalents; and, the remaining 4% is invested in Other investments.

Changes in Net Assets

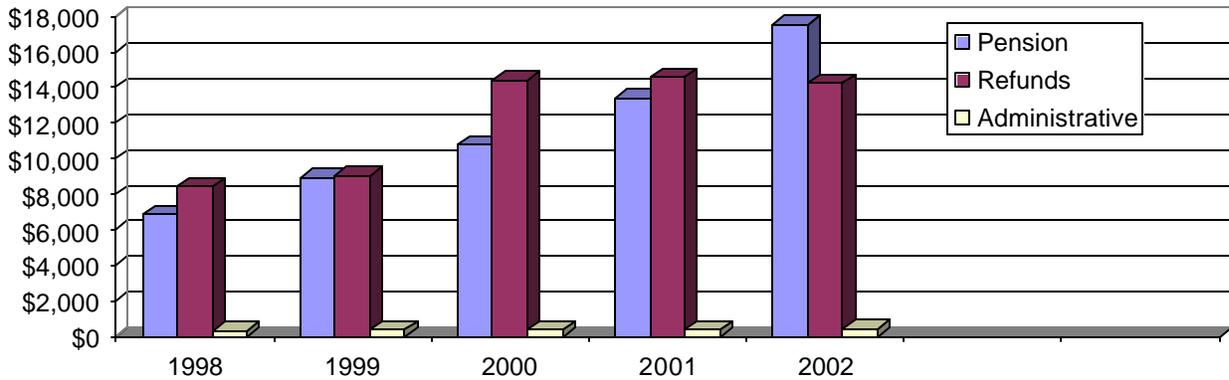
The recent volatility in the stock market has attributed to the majority of the decrease in net assets, as noted earlier. Additional key elements of this decrease are as follows:

CORRECTIONS OFFICER RETIREMENT PLAN CHANGES IN NET ASSETS

	<u>2002</u>	<u>2001</u>
Additions:		
Contributions	\$ 36,633,478	\$ 43,893,558
Net Investment (Loss) Income	<u>(100,518,025)</u>	<u>(138,559,756)</u>
Total Additions	(63,884,547)	(94,666,198)
Deductions:		
Pension Benefits	17,576,451	13,433,499
Terminated Members Refunds	14,271,104	14,609,539
Administrative Expenses	397,110	365,742
Transfers	<u>734,758</u>	<u>1,498,459</u>
Total Deductions	<u>32,979,423</u>	<u>29,907,239</u>
Change in Net Assets	(96,863,970)	(124,573,437)
Net Assets, Beginning of Year	<u>683,192,443</u>	<u>807,765,880</u>
Net Assets, End of Year	<u>\$ 586,328,473</u>	<u>\$ 683,192,443</u>

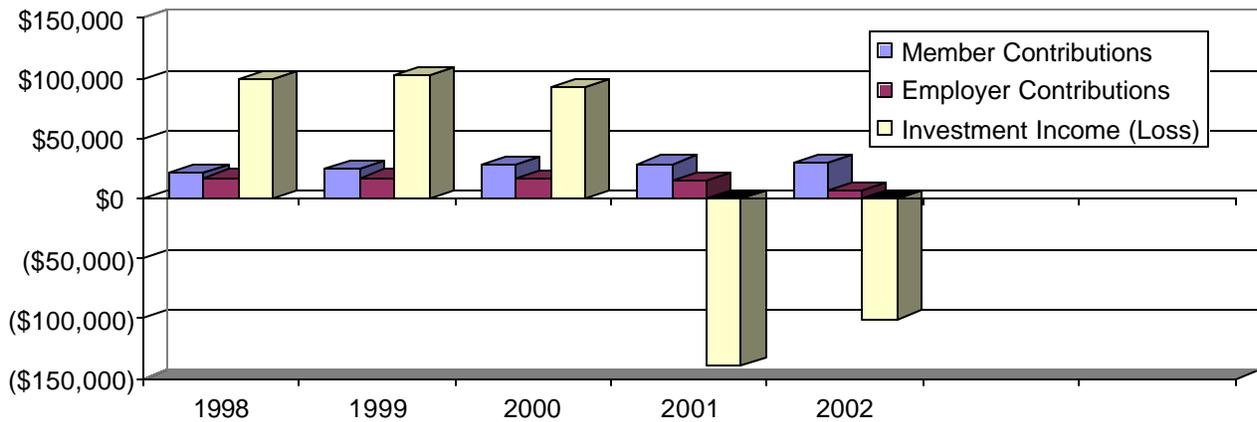
Pension benefits and administrative expenses increased from the previous fiscal year. Pension benefits, to include health insurance subsidies, 20-year retirement, and cost of living adjustments, rose 31% and administrative expenses rose 9% during the year. Refunds paid to members who terminated employment during the year were relatively unchanged.

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



Member contribution rates are set by Statute and were unchanged from the previous fiscal year. Employer contributions were reduced by \$7,826,284 as a result of the average contribution rate going from 5.14% in the previous fiscal year to 2.00%.

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



Economic Factors and Employer Rates

Revenues to the Plan are derived from three sources: member contributions, employer contributions and investment income. Member contribution rates are set by Statute and will remain unchanged at 8.50%. Employer contribution rates are determined annually by an actuarial valuation. The valuation encompasses the rate of investment earnings and the accumulation of substantial reserves to guarantee payment of promised benefits.

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

Requests for Information

This report is designed to provide a general overview of the Corrections Officer Retirement Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Corrections Officer Retirement Plan, Operations Director, 1020 E. Missouri, Phoenix, AZ 85014.

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2002 AND 2001**

ASSETS	2002	2001
Receivables		
Members' Contributions	\$ 212,464	\$ 234,809
Employers' Contributions	51,302	27,797
Interest and Dividends	3,374,505	3,356,999
Total Receivables	3,638,271	3,619,605
	<i>[Book Cost - For Reference Only]</i>	<i>[Book Cost - For Reference Only]</i>
Investments at Fair Value (Note 2)		
U.S. Government Securities	\$ 77,651,963	\$ 87,474,972
Corporate Bonds	108,644,665	94,381,334
Corporate Notes	29,485,869	17,000,409
Corporate Stocks	403,055,869	403,522,265
Other Investments	22,816,690	23,815,000
Money Market Account	1,568,476	1,804,503
Collateral Held in Trust for Securities on Loan	171,959,641	182,847,899
Total Investments	\$ 815,183,173	\$ 810,846,382
Total Plan Assets	759,878,443	866,152,109
Liability- Collateral Subject to Return to Borrower	(173,549,970)	(182,959,666)
Net Assets Held in Trust for Pension Benefits	\$ 586,328,473	\$ 683,192,443
Net Asset Reserves		
Refundable Members' Reserve	\$ 142,887,876	\$ 132,404,039
Employers' Reserve	408,988,533	504,968,350
Future Benefit Increase Reserve	34,452,064	45,820,054
Total Net Asset Reserves	\$ 586,328,473	\$ 683,192,443

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

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

	<u>2002</u>	<u>2001</u>
Additions		
Contributions		
Members' Contributions (Notes 1 and 3)	\$ 29,532,366	\$ 28,966,162
Employers' Contributions (Notes 1 and 3)	7,101,112	14,927,396
Total Contributions	<u>36,633,478</u>	<u>43,893,558</u>
Net (Depreciation) Appreciation		
in Fair Value of Investments (Note 2)	(118,846,900)	(155,800,969)
Interest	15,650,221	14,478,535
Dividends	2,405,209	2,581,913
Securities Lending Activities		
Securities Lending Income	\$ 5,046,809	\$ 10,705,439
Borrower Rebates	(4,524,055)	(10,347,861)
Agents Share of Income	<u>(182,955)</u>	<u>(125,147)</u>
Net Securities Lending Income (Note 2)	<u>339,799</u>	<u>232,431</u>
	(100,451,671)	(138,508,090)
Less Investment Expense	<u>(66,354)</u>	<u>(51,666)</u>
Net Investment Income	<u>(100,518,025)</u>	<u>(138,559,756)</u>
Total Additions	<u>(63,884,547)</u>	<u>(94,666,198)</u>
Deductions		
Pension and Insurance Benefits (Note 1)	17,576,451	13,433,499
Refunds to Terminated Members (Note 1)	14,271,104	14,609,539
Administrative Expenses	397,110	365,742
Amounts Transferred to Other State- Sponsored Pension Plans--Net	<u>734,758</u>	<u>1,498,459</u>
Total Deductions	<u>32,979,423</u>	<u>29,907,239</u>
Net (Decrease) Increase	(96,863,970)	(124,573,437)
Net Assets Held In Trust for Pension Benefits		
Beginning of Year - July 1	<u>683,192,443</u>	<u>807,765,880</u>
End of Year - June 30	<u>\$ 586,328,473</u>	<u>\$ 683,192,443</u>

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

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE 1 - PLAN DESCRIPTION

Organization

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

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

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

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

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

At June 30, 2002 and 2001, the number of participating local government employer groups was:

	2002	2001
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, 2002 and 2001, statewide CORP membership consisted of:

	2002	2001
Retirees and beneficiaries currently receiving benefits	1,218	1,040
Terminated vested employees	125	146
Current employees		
Vested	2,205	2,357
Non-vested	8,259	8,690
Total Members	11,807	12,233

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

SUMMARY OF BENEFITS

Purpose (A.R.S. § 38-900.01.B)

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

Eligibility (A.R.S. §38-881)

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

Contributions (A.R.S. §38-891)

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

Credited Service (A.R.S. §38-881)

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

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

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

Salary (A.R.S. §38-881)

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

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

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

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

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

For retirement with less than twenty years of credited service, 2½% of average monthly salary times the member's years of credited service. (A.R.S. §38-885.C, ¶ 2)

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

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

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

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

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

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

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

Survivor Pension

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

Surviving spouse of retired member; Four-fifths (80%) of retired member's pension at time of death. Requires two years of marriage at time of death. Terminates on death of surviving spouse. (A.R.S. §38-887)

Surviving spouse of a non-retired member; 40% of deceased member's average monthly salary. Requires two years of marriage at time of death. Terminates on death of surviving spouse. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation. (A.R.S. §38-888)

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

Death Benefits (A.R.S. §38-904)

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

Termination Refund (A.R.S. §38-884.C)

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

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

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

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

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

A member who terminates and takes a refund of his contributions may elect only upon reemployment within two years with

the same employer in a designated position, to recover the prior credited service if the member submits a written election to reinstate the forfeited credited service within 90 days after reemployment and reimburses the Plan within one year. The amount required to reinstate the credited service is the amount previously withdrawn plus interest at the rate of 9% compounded annually from the date of withdrawal to the date of repayment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Accounting

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

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

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

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

By state statute, this Plan is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains (Losses) used in this calculation totaled \$(6,739,215) for FYE 2002 and \$12,185,084 for FYE 2001.

Investments

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

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

- 1) That not more than seventy per cent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
- 2) That not more than five per cent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
- 3) That not more than five per cent of the voting stock of any one corporation shall be owned.
- 4) That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
 - a) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);

- b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
- c) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
- d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten per cent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

A.R.S. §38-848.D

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

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

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

Money Market Account

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

Securities Lending Income

The Plan is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The Plan requires collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2002 and 2001 the fair value of securities on loan was \$168,900,191 (consisting of Stocks-\$69,902,309, Corporate Bonds-\$19,004,357, and Treasuries and Agencies-\$79,993,525) and \$175,474,394 (consisting of Stocks-\$82,473,991, Corporate Bonds-\$20,992,417 and Treasuries and Agencies-\$72,007,986), 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. The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity), will have a maximum average maturity, using the reset date as the maturity date, of not more than 45 days. And, at least 20% of total collateral investments must be invested on an overnight basis and at least 30% of total collateral investments must be invested with 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, 2002 are not matched in maturity and have a weighted average maturity of 17 days, 9 days as of June 30, 2001. The Plan has no credit risk exposure to borrowers, because the amounts the Plan owes to the borrowers exceed the amounts the borrowers owe the Plan. Under this program, the Plan has not experienced any defaults or losses on these loans.

NOTE 3 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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

During the year ended June 30, 2002, contributions totaling \$36,633,478 (\$7,101,112 employer and \$29,532,366 member) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of

June 30, 2000. The employer contributions consisted of approximately \$17,024,540 for normal cost less (\$9,923,428) for amortization of the assets in excess of the actuarial accrued liability in aggregate. Employer contributions represented 2.09% of covered payroll. [4.90% for normal costs and (2.81)% for amortization of assets in excess of the actuarial accrued liability in aggregate.] Member contributions represented 8.50% of covered payroll and are attributable to normal costs.

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

NOTE 4 – REQUIRED SCHEDULES

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)²	Actuarial Liability (AAL) at Entry Age (b)	Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-87	\$ 47,550	\$ 68,932	\$ 21,382	69.0%	\$ 102,910	20.8%
6-30-88	\$ 69,842	\$ 76,884	\$ 7,042	90.8%	\$ 117,234	6.0%
6-30-89 ¹	\$ 88,756	\$ 99,113	\$ 10,357	89.6%	\$ 134,520	7.7%
6-30-90 ¹	\$ 108,973	\$ 122,578	\$ 13,605	88.9%	\$ 136,693	10.0%
6-30-91 ¹	\$ 138,901	\$ 146,300	\$ 7,399	94.9%	\$ 153,351	4.8%
6-30-92	\$ 168,553	\$ 163,640	\$ (4,913)	103.0%	\$ 156,257	-3.1%
6-30-93 *	\$ 198,692	\$ 184,299	\$ (14,393)	107.8%	\$ 166,831	-8.6%
6-30-94 ¹	\$ 223,902	\$ 221,487	\$ (2,415)	101.1%	\$ 177,717	-1.4%
6-30-95	\$ 265,006	\$ 254,189	\$ (10,817)	104.3%	\$ 198,603	-5.4%
6-30-96 *	\$ 319,255	\$ 290,518	\$ (28,737)	109.9%	\$ 224,686	-12.8%
6-30-97 ¹	\$ 393,904	\$ 355,590	\$ (38,314)	110.8%	\$ 249,203	-15.4%
6-30-98	\$ 484,956	\$ 410,531	\$ (74,425)	118.1%	\$ 261,700	-28.4%
6-30-99	\$ 592,152	\$ 443,676	\$ (148,476)	133.5%	\$ 305,478	-48.6%
6-30-00	\$ 704,991	\$ 501,323	\$ (203,668)	140.6%	\$ 339,440	-60.0%
6-30-01	\$ 776,177	\$ 554,387	\$ (221,790)	140.0%	\$ 339,783	-65.3%
6-30-02	\$ 782,446	\$ 632,238	\$ (150,208)	123.8%	\$ 330,428	-45.5%

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

1. Reflects significant Plan amendments or assumption changes.

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

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

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

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contributions	Percentage Contributed
1990	\$8,250,984	100.00%
1991	\$9,764,220	100.00%
1992	\$9,492,656	100.00%
1993	\$10,099,143	100.00%
1994	\$10,032,668	100.00%
1995	\$10,565,831	100.00%
1996	\$14,371,254	100.00%
1997	\$16,704,445	100.00%
1998	\$17,063,015	100.00%
1999	\$17,109,704	100.00%
2000	\$16,876,163	100.00%
2001	\$14,927,396	100.00%
2002	\$7,101,112	100.00%

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

	Refundable Members' Reserve	Employers' Reserve	Future Benefit Increase Reserve
Balance - June 30, 2000	\$119,562,020	\$ 628,418,971	\$ 59,784,889
Distribution of Revenues and Expenses			
Members' Contributions	28,966,162		
Employers' Contributions		14,927,396	
Earnings (Loss) on Investments Net of Investment Expenses		(138,559,756)	
Pension Benefits		(13,433,499)	
Refunds to Terminated Members	(11,491,724)	(3,117,815)	
Administrative Expenses		(365,742)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		10,202,889	(10,202,889)
Amount Utilized by Benefit Increases Granted		3,761,946	(3,761,946)
Net Transfers to Other State-Sponsored Pension Plans	(538,336)	(960,123)	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	290,320	(290,320)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(4,384,403)	4,384,403	
Balance - June 30, 2001	\$132,404,039	\$ 504,968,350	\$ 45,820,054
Distribution of Revenues and Expenses			
Members' Contributions	29,532,366		
Employers' Contributions		7,101,112	
Earnings (Loss) on Investments Net of Investment Expenses		(100,518,025)	
Pension Benefits		(17,576,451)	
Refunds to Terminated Members	(11,196,107)	(3,074,997)	
Administrative Expenses		(397,110)	
Distribution of Transfers			
Excess Investment Earnings to be used for Future Benefit Increases		-	-
Earnings (Loss) on Excess Investment Earnings Account Assets		6,717,220	(6,717,220)
Amount Utilized by Benefit Increases Granted		4,650,770	(4,650,770)
Net Transfers to Other State-Sponsored Pension Plans	(74,444)	(660,314)	
Inter-System Transfers -- Employer Account Balances Transferred for Refund Interest	121,462	(121,462)	
Inter-System Transfers -- Member Account Balances Transferred to Employers' Reserve due to Retirement	(7,899,440)	7,899,440	
Balance - June 30, 2002	\$142,887,876	\$ 408,988,533	\$ 34,452,064

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

	Administrative	Investment	Total
Accounting and Auditing Services	\$ 5,250	\$ -	\$ 5,250
Actuarial Services	20,725	-	20,725
Computer Equipment	8,485	1,085	\$ 9,570
Contractual Services	24,865	3,661	\$ 28,525
DC ER Match	7,675	1,472	\$ 9,147
Educational Expenses	8,446	5,464	\$ 13,910
Furniture and Equipment	2,849	364	\$ 3,213
Occupancy Expenses	13,957	595	\$ 14,552
Office Supplies	5,149	515	\$ 5,664
Payroll Taxes and Fringe Benefits	33,658	6,456	\$ 40,114
Postage Expense	9,063	403	\$ 9,466
Printing, Publications and Subscriptions	7,753	690	\$ 8,443
Professional Services	12,315	522	\$ 12,837
Salaries and Wages	229,968	44,108	\$ 274,076
Telephone Expense	5,384	364	\$ 5,749
Travel Expense	1,566	655	\$ 2,222
	\$ 397,110	\$ 66,354	\$ 463,464

Consultants

	Fees Paid
Standard & Poor's Securities, Inc. - Investment Counsel	\$ (1)
Rodwan & Nichols - Consulting Actuaries	20,725
Barrows & Schatza, P.L.C. - Auditors	5,250
Lieberman, Dodge, Gerding, Kothe & Anderson, Ltd. - Legal Counsel	12,837
	\$ 38,812

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

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

	<u>2002</u>	<u>2001</u>
RECEIPTS		
Members' Contributions	\$ 29,515,623	\$ 29,359,220
Employers' Contributions	7,077,607	15,254,818
Interest	15,525,850	14,802,434
Dividends	2,397,604	2,591,694
Securities Lending Income	344,065	222,654
Amounts Transferred from Other		
State-Sponsored Pension Plans	1,325,465	147,192
Maturities and Sales of		
U.S. Government Securities	22,778,322	9,577,850
Corporate Bonds	14,438,688	2,335,129
Corporate Notes	2,242,731,375	1,907,303,821
Other Investments	5,053,278	3,664,358
Common Stock	65,923,488	131,108,149
Net Decrease in Money Market Fund	236,027	-
Total Receipts	2,407,347,392	2,116,367,319
DISBURSEMENTS		
Pension Benefits	17,576,451	13,433,499
Refunds to Terminated Members	14,271,104	14,609,539
Investment and Administrative Expenses	435,653	456,496
Amounts Transferred to Other		
State-Sponsored Pension Plans	2,060,223	1,645,651
Acquisitions of		
U.S. Government Securities	12,955,313	28,470,161
Corporate Bonds	27,652,322	13,051,370
Corporate Notes	2,255,216,836	1,915,315,644
Other Investments	3,758,145	7,417,905
Common Stock	73,421,346	121,320,068
Net Increase in Money Market Fund	-	646,986
Total Disbursements	2,407,347,392	2,116,367,319
DECREASE IN CASH	-	-
BEGINNING CASH BALANCE - July 1	-	-
ENDING CASH BALANCE - June 30	\$ -	\$ -

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN EMPLOYER RESERVES - YEAR ENDED JUNE 30, 2002
AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2001**

Sys No.	System	Balance June 30, 2001 (at cost)	Reserve Transfers	Contributions Received	Pension Payment	Enhanced Refunds	Distribution of Earnings	Balance June 30, 2002 (at cost)	Unfunded Accrued Normal Costs at June 30, 2001
500	Dept. of Corrections	\$ 356,283,110.55	\$ 6,067,699.99	\$ 4,954,734.44	\$ (13,130,285.36)	\$ (2,493,413.69)	\$ 7,993,915.95	\$ 359,675,761.88	\$ (159,274,966.00)
501	Dept. of Juv. Correc.	\$ 33,374,637.45	\$ 269,288.74	\$ 819,775.80	\$ (1,037,771.39)	\$ (104,399.60)	\$ 778,012.05	\$ 34,099,543.05	\$ (13,945,053.00)
505	Maricopa County	\$ 68,187,009.11	\$ 703,938.66	\$ 704,556.19	\$ (2,151,992.46)	\$ (252,352.69)	\$ 1,499,150.45	\$ 68,690,309.26	\$ (28,427,814.00)
510	Yuma County	\$ 5,238,988.90	\$ (46,711.32)	\$ 89,290.43	\$ (40,240.44)	\$ (28,768.48)	\$ 117,660.27	\$ 5,330,219.36	\$ (3,531,592.00)
515	Pima County	\$ 23,781,609.45	\$ 75,557.90	\$ 273,551.11	\$ (760,694.70)	\$ (103,855.17)	\$ 527,864.33	\$ 23,794,032.92	\$ (8,875,747.00)
520	Apache County	\$ 495,614.68	\$ -	\$ 11,921.83	\$ -	\$ -	\$ 11,887.30	\$ 519,423.81	\$ (348,316.00)
525	Cochise County	\$ 2,610,494.15	\$ 75,959.07	\$ 31,853.93	\$ (136,865.22)	\$ (21,703.62)	\$ 56,425.62	\$ 2,616,163.93	\$ (1,553,888.00)
530	Coconino County	\$ 1,064,693.56	\$ (49,655.39)	\$ 71,859.78	\$ (13,486.92)	\$ -	\$ 28,479.76	\$ 1,101,890.79	\$ (711,242.00)
535	Mohave County	\$ 2,601,884.97	\$ (19,355.16)	\$ 31,661.88	\$ (55,697.46)	\$ (22,796.56)	\$ 54,700.38	\$ 2,590,398.05	\$ (2,090,329.00)
540	Santa Cruz County	\$ 850,516.53	\$ (73,393.75)	\$ 7,572.29	\$ (12,234.64)	\$ -	\$ 17,870.61	\$ 790,331.04	\$ (730,061.00)
545	Navajo County	\$ 962,579.16	\$ 783.41	\$ 17,101.03	\$ (27,688.34)	\$ -	\$ 21,247.75	\$ 974,023.01	\$ (731,240.00)
550	Yavapai County	\$ 3,762,909.60	\$ 113,551.62	\$ 87,232.86	\$ (209,494.13)	\$ (47,707.56)	\$ 85,335.70	\$ 3,791,828.09	\$ (1,570,107.00)
TOTAL		\$ 499,214,048.11	\$ 7,117,663.77	\$ 7,101,111.57	\$ (17,576,451.06)	\$ (3,074,997.37)	\$ 11,192,550.17	\$ 503,973,925.19	\$ (221,790,355.00)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF CHANGES IN REFUNDABLE MEMBER RESERVES
FISCAL YEAR ENDED JUNE 30, 2002**

Sys No.	System	Balance June 30, 2001	Reserve Transfers	Contributions Received	Withdrawn Members	Balance June 30, 2002
500	Dept. of Corrections	\$ 95,205,046.81	\$ (6,079,577.14)	\$ 21,353,237.63	\$ (8,579,980.14)	\$ 101,898,727.16
501	Dept. of Juv. Correc.	\$ 10,034,590.21	\$ (160,745.35)	\$ 2,503,191.49	\$ (1,069,338.85)	\$ 11,307,697.50
505	Maricopa County	\$ 16,638,854.32	\$ (1,164,483.56)	\$ 3,090,624.13	\$ (757,385.38)	\$ 17,807,609.51
510	Yuma County	\$ 1,346,984.65	\$ (65,257.86)	\$ 392,899.99	\$ (151,886.46)	\$ 1,522,740.32
515	Pima County	\$ 6,005,150.42	\$ (191,882.19)	\$ 1,177,165.58	\$ (252,323.49)	\$ 6,738,110.32
520	Apache County	\$ 155,791.83	\$ -	\$ 48,095.72	\$ (17,476.48)	\$ 186,411.07
525	Cochise County	\$ 587,607.88	\$ (53,336.07)	\$ 135,386.54	\$ (36,866.16)	\$ 632,792.19
530	Coconino County	\$ 470,026.33	\$ (20,633.61)	\$ 227,913.26	\$ (66,837.54)	\$ 610,468.44
535	Mohave County	\$ 511,285.54	\$ (12,831.84)	\$ 134,549.32	\$ (85,797.32)	\$ 547,205.70
540	Santa Cruz County	\$ 213,227.65	\$ (51,050.25)	\$ 32,183.14	\$ (3,785.39)	\$ 190,575.15
545	Navajo County	\$ 232,348.29	\$ (783.41)	\$ 72,679.01	\$ (45,815.07)	\$ 258,428.82
550	Yavapai County	\$ 1,003,125.50	\$ (51,840.62)	\$ 364,440.32	\$ (128,614.23)	\$ 1,187,110.97
TOTAL		\$ 132,404,039.43	\$ (7,852,421.90)	\$ 29,532,366.13	\$ (11,196,106.51)	\$ 142,887,877.15

**STATE OF ARIZONA
CORRECTIONS OFFICERS RETIREMENT PLAN
EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2002**

Sys No.	System	Employer Reserve June 30, 2001	Employer Reserve June 30, 2002	Member Reserve June 30, 2001	Member Reserve June 30, 2002	Combined Reserves	Mean Balance	Factor	Investment Earnings
500	Dept. of Corrections	\$ 335,577,700.67	\$ 351,681,845.93	\$ 95,205,046.81	\$ 101,898,727.16	\$ 884,363,320.57	\$ 442,181,660.29	71.4218%	\$ 7,993,915.95
501	Dept. of Juv. Correc.	\$ 31,407,302.45	\$ 33,321,531.00	\$ 10,034,590.21	\$ 11,307,697.50	\$ 86,071,121.16	\$ 43,035,560.58	6.9512%	\$ 778,012.05
505	Maricopa County	\$ 64,212,715.26	\$ 67,191,158.81	\$ 16,638,854.32	\$ 17,807,609.51	\$ 165,850,337.90	\$ 82,925,168.95	13.3942%	\$ 1,499,150.45
510	Yuma County	\$ 4,934,418.64	\$ 5,212,559.09	\$ 1,346,984.65	\$ 1,522,740.32	\$ 13,016,702.70	\$ 6,508,351.35	1.0512%	\$ 117,660.27
515	Pima County	\$ 22,387,964.18	\$ 23,266,168.59	\$ 6,005,150.42	\$ 6,738,110.32	\$ 58,397,393.51	\$ 29,198,696.76	4.7162%	\$ 527,864.33
520	Apache County	\$ 465,347.34	\$ 507,536.51	\$ 155,791.83	\$ 186,411.07	\$ 1,315,086.75	\$ 657,543.38	0.1062%	\$ 11,887.30
525	Cochise County	\$ 2,462,202.58	\$ 2,559,738.31	\$ 587,607.88	\$ 632,792.19	\$ 6,242,340.96	\$ 3,121,170.48	0.5041%	\$ 56,425.62
530	Coconino County	\$ 996,797.32	\$ 1,073,411.03	\$ 470,026.33	\$ 610,468.44	\$ 3,150,703.12	\$ 1,575,351.56	0.2545%	\$ 28,479.76
535	Mohave County	\$ 2,457,290.72	\$ 2,535,697.67	\$ 511,285.54	\$ 547,205.70	\$ 6,051,479.63	\$ 3,025,739.82	0.4887%	\$ 54,700.38
540	Santa Cruz County	\$ 800,755.73	\$ 772,460.43	\$ 213,227.65	\$ 190,575.15	\$ 1,977,018.96	\$ 988,509.48	0.1597%	\$ 17,870.61
545	Navajo County	\$ 907,077.81	\$ 952,775.26	\$ 232,348.29	\$ 258,428.82	\$ 2,350,630.18	\$ 1,175,315.09	0.1898%	\$ 21,247.75
550	Yavapai County	\$ 3,543,920.89	\$ 3,706,492.39	\$ 1,003,125.50	\$ 1,187,110.97	\$ 9,440,649.75	\$ 4,720,324.88	0.7624%	\$ 85,335.70
TOTAL		\$ 470,153,493.59	\$ 492,781,375.02	\$ 132,404,039.43	\$ 142,887,877.15	\$ 1,238,226,785.19	\$ 619,113,392.60	100.00%	\$ 11,192,550.17

INVESTMENT SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Fund Objectives

Investment Performance Data

Supporting Schedule of Commissions Paid to Brokers

Summary of Changes in Investment Portfolio

Detailed List of Investments Acquired

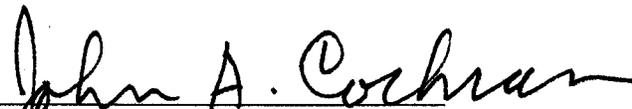
Detailed List of Sales
and Redemption of Investments

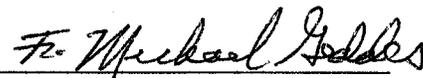
Detailed List of Investments Owned

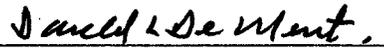
FUND OBJECTIVES

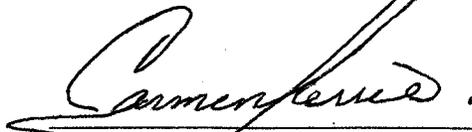
1. The intent of the Public Safety Personnel Retirement System, the Elected Official's Retirement Plan and the Corrections Officer Retirement Plan (herein after referred to as the Plan) is to provide the Plan participants benefits as defined in Title 38, chapter 5, articles 3, 4 and 6 of the Arizona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

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


John A. Cochran, Ph.D., Chairman


F. Michael Geddes, Member


Donald L. De Ment, Member

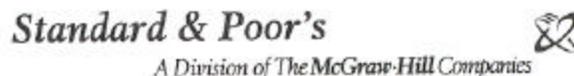

Carmen Torrie, Member


Tony West, Member

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

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

Kenneth A. Shea
Managing Director
Director of Equity Research



August 19, 2002

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

Dear Sirs:

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

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

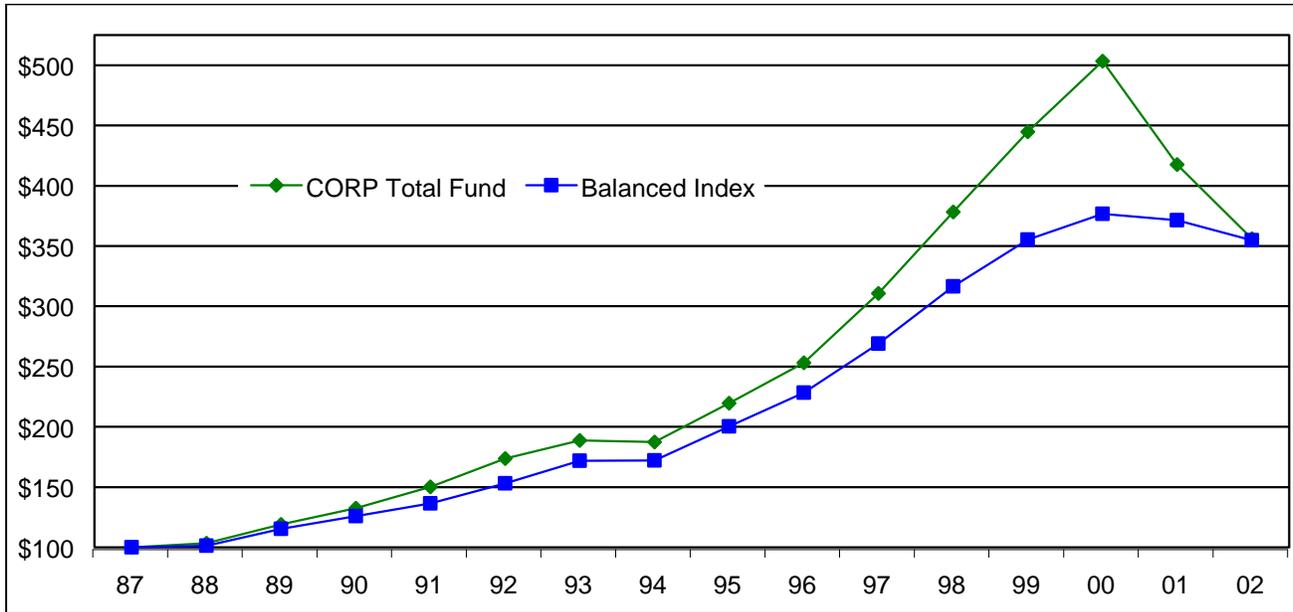
Based on the foregoing, during the past fiscal year, the stock portfolio underperformed the NYSE and S&P 500 indices, while the bond portfolio underperformed the Lehman Government/Credit Index. The overall fund underperformed a custom benchmark, using bond and stock indices weighted in a fixed proportion.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

Sincerely,

Kenneth Shea/sig

Kenneth Shea
Managing Director-Global Equity Research

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



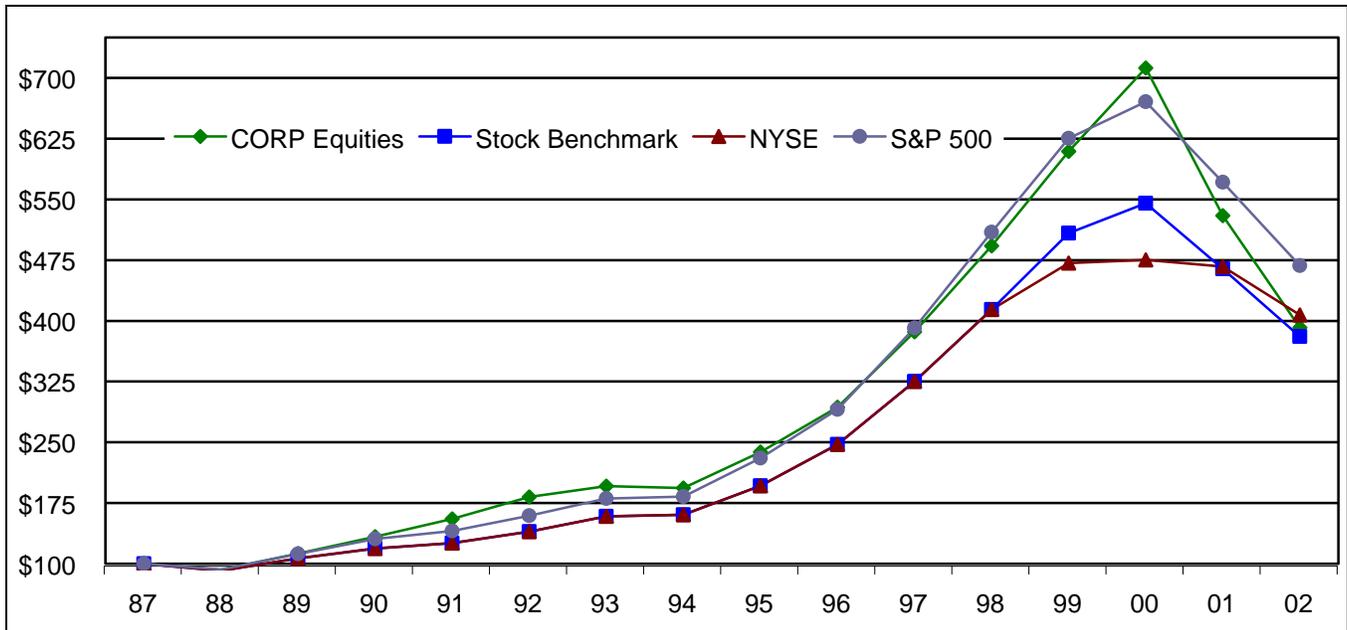
FYE	Fair Value	Contribution	Total Return	Balanced Index*
06-30-02	\$ 582,690,201	\$ 3,569,034	-14.73%	-4.50%
06-30-01	\$ 679,572,838	\$ 15,092,575	-17.07%	-1.40%
06-30-00	\$ 803,140,980	\$ 20,812,944	13.22%	6.02%
06-30-99	\$ 689,508,750	\$ 19,793,597	17.60%	12.23%
06-30-98	\$ 567,501,186	\$ 22,020,935	21.68%	17.66%
06-30-97	\$ 446,443,126	\$ 21,510,046	22.74%	17.87%
06-30-96	\$ 344,052,534	\$ 17,224,177	15.30%	13.98%
06-30-95	\$ 282,566,544	\$ 13,323,271	17.11%	16.30%
06-30-94	\$ 228,725,251	\$ 12,344,638	-0.70%	0.25%
06-30-93	\$ 218,076,361	\$ 14,234,677	8.79%	12.26%
06-30-92	\$ 186,696,553	\$ 14,047,050	15.67%	12.12%
06-30-91	\$ 148,567,837	\$ 18,448,295	13.23%	8.32%
06-30-90	\$ 113,343,482	\$ 12,540,673	11.24%	9.21%
06-30-89	\$ 90,034,663	\$ 11,245,876	15.21%	13.98%
06-30-88	\$ 67,462,178	\$ 17,014,108	3.40%	1.19%
06-30-87	\$ 48,123,723			
Annualized Returns		5-year	2.76%	5.68%
		10-year	7.45%	8.77%
		15-year	8.83%	8.81%

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

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

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

Investment Performance Data
Cumulative Return - Domestic Equities
Corrections Officer Retirement Plan

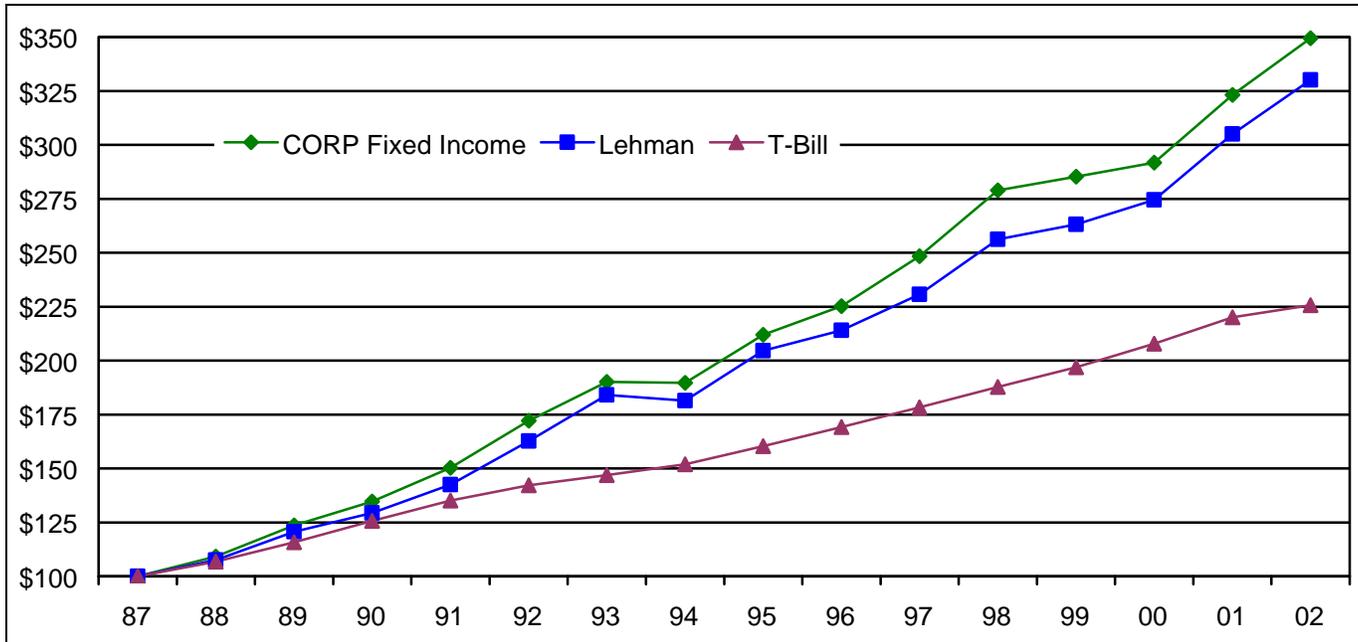


FYE	Fair Value	Contribution	Total Return	Stock* Benchmark	NYSE Index	S&P 500	
06-30-02	\$ 341,648,828	\$ 5,214,130	-26.10%	-17.99%	-12.80%	-17.99%	
06-30-01	\$ 455,399,449	\$ (12,369,993)	-25.59%	-14.83%	-1.77%	-14.83%	
06-30-00	\$ 626,591,339	\$ 28,405,378	16.94%	7.25%	0.84%	7.25%	
06-30-99	\$ 509,408,904	\$ 17,401,223	23.69%	22.76%	13.86%	22.76%	
06-30-98	\$ 393,669,809	\$ 33,176,239	27.37%	27.29%	27.29%	30.16%	
06-30-97	\$ 282,295,331	\$ 24,635,056	31.78%	31.51%	31.51%	34.71%	
06-30-96	\$ 192,410,171	\$ 19,911,538	23.35%	25.91%	25.91%	26.00%	
06-30-95	\$ 136,792,031	\$ (8,954,375)	22.83%	22.40%	22.40%	26.06%	
06-30-94	\$ 120,009,219	\$ 9,254,903	-1.14%	1.24%	1.24%	1.23%	
06-30-93	\$ 112,232,875	\$ 35,940,119	7.38%	13.32%	13.32%	13.52%	
06-30-92	\$ 88,979,250	\$ 19,472,103	17.42%	11.59%	11.59%	13.45%	
06-30-91	\$ 58,385,625	\$ 13,099,368	16.47%	5.50%	5.50%	7.39%	
06-30-90	\$ 38,044,750	\$ 12,336,990	18.39%	11.25%	11.25%	16.44%	
06-30-89	\$ 21,228,125	\$ (430,650)	21.75%	16.81%	16.81%	20.53%	
06-30-88	\$ 17,925,000	\$ 4,678,349	-7.46%	-8.57%	-8.57%	-6.92%	
06-30-87	\$ 14,739,500						
Annualized Returns			5-year	0.26%	3.20%	4.59%	3.66%
			10-year	7.94%	10.53%	11.28%	11.40%
			15-year	9.53%	9.32%	9.81%	10.84%

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

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

**Investment Performance Data
Cumulative Return - Fixed Income
Corrections Officer Retirement Plan**



FYE	Fair Value	Contribution	Total Return	Lehman*	91-Day T-Bill	
06-30-02	\$ 241,041,374	\$ (1,645,095)	8.10%	8.24%	2.57%	
06-30-01	\$ 224,173,388	\$ 27,462,568	10.78%	11.14%	5.89%	
06-30-00	\$ 176,549,641	\$ (7,592,434)	2.28%	4.29%	5.53%	
06-30-99	\$ 180,099,846	\$ 2,392,374	2.25%	2.69%	4.90%	
06-30-98	\$ 173,831,382	\$ (11,155,304)	12.30%	11.08%	5.28%	
06-30-97	\$ 164,147,795	\$ (3,125,010)	10.32%	7.76%	5.43%	
06-30-96	\$ 151,642,363	\$ (2,687,361)	6.26%	4.65%	5.52%	
06-30-95	\$ 145,774,513	\$ 22,277,646	11.71%	12.75%	5.52%	
06-30-94	\$ 108,716,032	\$ 3,089,735	-0.21%	-1.45%	3.37%	
06-30-93	\$ 105,843,386	\$ (7,458,392)	10.45%	13.15%	3.37%	
06-30-92	\$ 97,717,303	\$ (5,425,053)	14.54%	14.17%	5.19%	
06-30-91	\$ 90,182,212	\$ (5,348,927)	11.55%	10.21%	7.55%	
06-30-90	\$ 75,298,732	\$ 203,683	9.01%	7.11%	8.50%	
06-30-89	\$ 68,806,538	\$ 11,676,526	13.18%	12.33%	8.47%	
06-30-88	\$ 49,537,189	\$ 12,335,759	9.18%	7.47%	6.75%	
06-30-87	\$ 33,384,223					
Annualized Returns			5-year	7.06%	7.43%	4.83%
			10-year	7.34%	7.33%	4.73%
			15-year	8.70%	8.29%	5.58%

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

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

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

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SUPPORTING SCHEDULE OF COMMISSIONS PAID TO BROKERS
FISCAL YEAR ENDED JUNE 30, 2002**

Broker	Number of Shares Traded	Average Commission	Commissions
Dain Rauscher	289,000	0.050	\$ 14,450.00
Greenberg Financial Group	52,000	0.050	\$ 2,600.00
Investors Capital Corporation	38,500	0.050	\$ 1,925.00
ISI Group, Inc.	263,000	0.050	\$ 13,150.00
Merrill Lynch	465,580	0.022	\$ 10,300.00
Morgan Stanley Dean Witter	229,000	0.050	\$ 11,450.00
Pin Oak Partners, Inc.	101,000	0.050	\$ 5,050.00
Salomon Smith Barney--Phoenix	409,200	0.017	\$ 7,110.00
Salomon Smith Barney--Scottsdale	338,483	0.027	\$ 9,274.15
Standard & Poor's Securities	609,000	0.050	\$ 30,450.00
U. S. Securities and Futures	526,000	0.050	\$ 26,300.00
UBS/Paine Webber	422,096	0.030	\$ 12,604.80
Wells Fargo / Van Kasper	594,000	0.050	\$ 29,700.00
Total Commissions	4,336,859	0.040	\$ 174,363.95

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

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

Description	Percent at Fair Value	Balance June 30, 2001		Acquisitions	Maturities and Sales	(Premium) Discount	Balance June 30, 2002		Percent at Fair Value
		Fair Value	Book Value				Fair Value	Book Value	
U.S. Treasury Obligations	2.3%	15,428,720.00	12,977,273.45	-	2,001,965.82	(6,629.21)	13,645,950.00	10,968,678.42	2.3%
Federal Agency Obligations	11.3%	76,723,558.51	74,497,699.09	12,955,312.50	20,769,726.90	-	70,121,863.61	66,683,284.69	12.0%
Total U.S. Government Securities	13.6%	92,152,278.51	87,474,972.54	12,955,312.50	22,771,692.72	(6,629.21)	83,767,813.61	77,651,963.11	14.3%
Corporate Bonds	13.2%	89,401,198.47	94,381,333.96	27,652,322.11	13,339,781.09	(49,210.01)	103,402,524.81	108,644,664.97	17.7%
Total Bond Portfolio	26.8%	181,553,476.98	181,856,306.50	40,607,634.61	36,111,473.81	(55,839.22)	187,170,338.42	186,296,628.08	32.0%
Corporate Notes	2.4%	17,000,408.49	17,000,408.49	2,255,216,835.99	2,242,731,375.38	-	29,485,869.10	29,485,869.10	5.1%
Common Stock	67.0%	455,399,449.26	403,522,264.96	73,421,345.74	73,887,742.02	-	341,648,827.89	403,055,868.68	58.6%
Other Investments	3.5%	23,815,000.17	23,815,000.17	3,758,144.96	4,756,455.12	-	22,816,690.01	22,816,690.01	3.9%
Money Market Account	0.3%	1,804,502.67	1,804,502.67	-	236,026.70	-	1,568,475.97	1,568,475.97	0.4%
Total Portfolio	100.0%	679,572,837.57	627,998,482.79	2,373,003,961.30	2,357,723,073.03	(55,839.22)	582,690,201.39	643,223,531.84	100.0%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002**

BONDS ACQUIRED

Security	Coupon	Maturity	Purchase Price	Par Value	Principal	(Premium) Discount	Accrued Interest	Total Amount	Book Yield
<i>FEDERAL AGENCY OBLIGATIONS</i>									
GNMA Pool #552514	6.500	4/15/2032	99.65625	13,000,000.00	12,955,312.50	44,687.50	39,902.78	12,995,215.28	6.52%
TOTAL FEDERAL AGENCY OBLIGATIONS				13,000,000.00	12,955,312.50	44,687.50	39,902.78	12,995,215.28	6.52%
<i>CORPORATE BONDS</i>									
AT&T CORPORATES	6.500	3/15/2029	86.76000	1,000,000.00	867,600.00	132,400.00	28,708.33	896,308.33	7.49%
DELTA AIRLINES SERIES 01-1B	7.711	9/18/2011	99.47900	2,000,000.00	1,989,580.00	10,420.00	4,712.28	1,994,292.28	7.75%
FORD HOLDINGS INC	9.375	3/1/2020	112.48500	1,000,000.00	1,124,850.00	(124,850.00)	21,093.75	1,145,943.75	8.33%
FORD MOTOR COMPANY	7.450	7/16/2031	91.86000	1,000,000.00	918,600.00	81,400.00	36,215.28	954,815.28	8.11%
FORD MOTOR CREDIT	7.250	10/25/2011	101.76200	1,000,000.00	1,017,620.00	(17,620.00)	9,868.06	1,027,488.06	7.12%
LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	94.09000	2,430,000.00	2,286,387.00	143,613.00	72,292.50	2,358,679.50	8.37%
NATIONAL RURAL UTILITIES	8.000	3/1/2032	101.04500	3,000,000.00	3,031,350.00	(31,350.00)	-	3,031,350.00	7.92%
NORTHWEST AIRLINES	7.935	4/1/2019	109.25000	2,782,520.01	3,039,903.11	(257,383.10)	47,838.48	3,087,741.59	7.26%
ROYAL & SUN ALLIANCE INSURANCE	8.950	10/15/2029	109.54000	2,000,000.00	2,190,800.00	(190,800.00)	71,102.78	2,261,902.78	8.17%
STANDARD CHARTERED BANK	8.000	5/30/2031	104.94867	3,000,000.00	3,148,460.00	(148,460.00)	41,555.56	3,190,015.56	7.62%
UNION CARBIDE CORP	7.875	4/1/2023	96.66500	2,000,000.00	1,933,300.00	66,700.00	20,125.00	1,953,425.00	8.15%
WORLDCOM INC.	8.250	5/15/2031	102.16240	3,000,000.00	3,064,872.00	(64,872.00)	55,687.50	3,120,559.50	8.08%
ZURICH CAPITAL TRUST 1	8.376	6/1/2037	101.30000	3,000,000.00	3,039,000.00	(39,000.00)	70,498.00	3,109,498.00	8.27%
TOTAL CORPORATE BONDS				27,212,520.01	27,652,322.11	(439,802.10)	479,697.52	28,132,019.63	7.91%
TOTAL BONDS ACQUIRED				40,212,520.01	40,607,634.61	(395,114.60)	519,600.30	41,127,234.91	7.47%

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002
SHORT TERM INVESTMENTS MATURED**

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Description	Cost	Amount of Interest	Maturity Value
AEGON FUNDING CORP	7,796,076.70	3,923.30	7,800,000.00
AIR LIQUIDE US	2,998,261.11	1,738.89	3,000,000.00
ALLMERICA FINANCIAL CORP	1,998,802.22	1,197.78	2,000,000.00
ALLSTATE CORPORATION	6,996,034.72	3,965.28	7,000,000.00
AMGEN INC	3,997,501.11	2,498.89	4,000,000.00
AMSTEL FUNDING	1,999,540.00	460.00	2,000,000.00
AMSTERDAM FUNDING CORP	36,237,705.55	12,294.45	36,250,000.00
ASSET ONE SECURITIZATION	20,988,928.40	11,071.60	21,000,000.00
ASSET PORTFOLIO FUNDING	1,999,791.67	208.33	2,000,000.00
ASSET SECURT. COOPERATIVE	3,998,037.22	1,962.78	4,000,000.00
ATLANTIS ONE FUNDING	5,998,416.11	1,583.89	6,000,000.00
AUTOBAHN FUNDING CORP	190,406,809.80	54,190.20	190,461,000.00
BANK OF IRELAND	4,498,486.25	1,513.75	4,500,000.00
BANNER HEALTH SYSTEMS	1,999,311.11	688.89	2,000,000.00
BARTON CAPITAL CORP	15,491,505.70	8,494.30	15,500,000.00
BAVARIA FINANCE FUNDING	19,980,988.88	19,011.12	20,000,000.00
BBL NORTH AMERICA FUNDING	1,998,522.22	1,477.78	2,000,000.00
BEETHOVEN FUNDING CORPORATION	48,281,933.14	18,066.86	48,300,000.00
BELFORD FUNDING COMPANY LLC	1,999,278.33	721.67	2,000,000.00
BROADWAY CAPITAL	9,007,071.91	4,928.09	9,012,000.00
BRYANT PARK FUNDING LLC	8,497,874.16	2,125.84	8,500,000.00
CARGILL GLOBAL FUNDING PLC	1,999,385.00	615.00	2,000,000.00
CARGILL INC	10,497,302.09	2,697.91	10,500,000.00
CATERPILLAR FINANCIAL SERVICES	1,999,792.78	207.22	2,000,000.00
CATHOLIC HEALTHCARE PARTNERS	3,697,410.00	2,590.00	3,700,000.00
CDC COMMERCIAL PAPER PROGRAM	23,995,583.34	4,416.66	24,000,000.00
CHECK POINT CHARLIE INC	16,898,406.84	1,593.16	16,900,000.00
CINTAS CORPORATION NO. 2	1,998,208.89	1,791.11	2,000,000.00
CLIPPER RECEIVABLES	20,994,252.78	5,747.22	21,000,000.00
COCA COLA COMPANY	3,997,066.67	2,933.33	4,000,000.00
COMPUTER SCIENCE CORP	3,998,075.00	1,925.00	4,000,000.00
CONCORD MINUTEMAN CAPITAL	15,792,439.51	7,560.49	15,800,000.00
COOPERATIVE ASSN OF TRACTOR DEALERS	72,228,863.34	21,136.66	72,250,000.00
COUNTRYWIDE HOME LOANS	4,748,575.00	1,425.00	4,750,000.00
CROWN POINT CAPITAL	19,840,853.85	9,146.15	19,850,000.00
CVS CORPORATION	4,998,746.67	1,253.33	5,000,000.00
CXC INC	1,999,423.33	576.67	2,000,000.00
DAKOTA NOTES	6,998,631.67	1,368.33	7,000,000.00
DEALERS CAPITAL ACCEPTANCE	9,847,643.02	2,356.98	9,850,000.00
DEALERS CAPITAL ACCESS TRUST INC.	68,979,605.57	20,394.43	69,000,000.00
DELAWARE FUNDING CORP	3,997,036.67	2,963.33	4,000,000.00
DOW CHEMICAL COMPANY	9,998,550.54	1,449.46	10,000,000.00
DUKE ENERGY CORP	5,998,092.78	1,907.22	6,000,000.00
EAGLE FUNDING CAPITAL	51,478,207.91	27,792.09	51,506,000.00
EDISON ASSET SECURITIZATION	5,994,861.67	5,138.33	6,000,000.00
EMINENT FUNDING	37,082,655.29	17,344.71	37,100,000.00
ENTERPRISE FUNDING CORPORATION	1,999,576.67	423.33	2,000,000.00
ERASMUS CAPITAL CORP	3,997,079.45	2,920.55	4,000,000.00
ESTEE LAUDER COMPANIES	1,999,608.89	391.11	2,000,000.00
EW SCRIPPS COMPANY	1,499,843.75	156.25	1,500,000.00
EXXON PROJECT	9,492,080.00	7,920.00	9,500,000.00
EXXON PROJECT INVESTMENT	5,999,308.33	691.67	6,000,000.00

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002
SHORT TERM INVESTMENTS MATURED**

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Description	Cost	Amount of Interest	Maturity Value
FALCON ASSET SECURITIZATION	7,998,069.45	1,930.55	8,000,000.00
FLORIDA POWER AND LIGHT	1,999,166.67	833.33	2,000,000.00
FORD MOTOR CREDIT CO	1,998,750.00	1,250.00	2,000,000.00
FORRESTAL FUNDING MASTER TRUST	4,998,970.83	1,029.17	5,000,000.00
FORTIS FUNDING	1,999,319.44	680.56	2,000,000.00
FOUR WINDS FUNDING CORP	35,995,912.52	4,087.48	36,000,000.00
FPL FUELS, INC.	6,995,742.22	4,257.78	7,000,000.00
GALLEON CAPITAL	125,633,068.93	16,931.07	125,650,000.00
GE CAPITAL CORP	15,090,921.06	9,078.94	15,100,000.00
GENERAL ELECTRIC COMPANY	2,998,710.00	1,290.00	3,000,000.00
GENERAL MOTORS CORPORATION	1,998,346.67	1,653.33	2,000,000.00
GIRO FUNDING (US)	13,497,062.22	2,937.78	13,500,000.00
GIRO MULTI-FUNDING US CORP	2,997,485.56	2,514.44	3,000,000.00
GOTHAM FUNDING	3,697,908.47	2,091.53	3,700,000.00
GRAND FUNDING CORP	3,998,860.56	1,139.44	4,000,000.00
HALOGEN CAPITAL COMPANY	10,995,587.78	4,412.22	11,000,000.00
HANNOVER FUNDING	48,597,830.61	6,169.39	48,604,000.00
HERTZ CORPORATION	3,997,738.89	2,261.11	4,000,000.00
HOLDENBY CAPITAL COMPANY LLC	16,498,108.47	1,891.53	16,500,000.00
HOLLAND LIMITED SECURITIZATION	81,959,769.18	40,230.82	82,000,000.00
IBM CORPORATION	1,999,505.00	495.00	2,000,000.00
IBM CREDIT CORPORATION	1,499,243.75	756.25	1,500,000.00
INDIANA GAS COMPANY	4,498,657.78	1,342.22	4,500,000.00
INTERNATIONAL LEASE FINANCE	1,998,203.33	1,796.67	2,000,000.00
INTREPID FUNDING	1,999,023.89	976.11	2,000,000.00
JMG FUNDING LP	1,499,765.00	235.00	1,500,000.00
JOHN HANCOCK FINANCIAL SERVICES INC	1,999,444.44	555.56	2,000,000.00
K2 (USA) LLC	1,999,905.56	94.44	2,000,000.00
KITTY HAWK FUNDING CORP	12,494,643.19	5,356.81	12,500,000.00
LEXINGTON PARKER CAPITAL CORP	11,493,368.89	6,631.11	11,500,000.00
LIBERTY STREET FUNDING	25,994,912.78	5,087.22	26,000,000.00
LONG LANE MASTER TRUST	15,488,063.06	11,936.94	15,500,000.00
MANHATTAN ASSET	4,492,759.30	7,240.70	4,500,000.00
MARKET STREET FUNDING	30,987,289.73	12,710.27	31,000,000.00
MARSH & MCLENNAN	10,493,595.28	6,404.72	10,500,000.00
MAXIMILIAN CAPITAL CORP	1,999,586.67	413.33	2,000,000.00
MDU RESOURCES GROUP INC	1,998,328.89	1,671.11	2,000,000.00
MEDTRONIC	6,298,458.78	1,541.22	6,300,000.00
MIDAMERICAN ENERGY CO	2,999,087.78	912.22	3,000,000.00
MOAT FUNDING	11,895,020.11	4,979.89	11,900,000.00
MONTAUK FUNDING CORP	17,591,319.56	8,680.44	17,600,000.00
NCI FUNDING, INC	3,999,300.00	700.00	4,000,000.00
NEPTUNE FUNDING	40,376,704.50	23,295.50	40,400,000.00
NESS LLC	10,995,638.48	4,361.52	11,000,000.00
NESTLE CAPITAL CORP	5,999,140.00	860.00	6,000,000.00
NEW JERSEY NATURAL GAS	1,999,327.22	672.78	2,000,000.00
OLD LINE FUNDING	11,095,146.40	4,853.60	11,100,000.00
ORANGE & ROCKLAND UTILITY	1,999,375.00	625.00	2,000,000.00
PARADIGM FUNDING	20,441,758.32	8,241.68	20,450,000.00
PEOPLES ENERGY CORPORATION	1,999,803.89	196.11	2,000,000.00
PREFERRED RECEIVABLES FUNDING CORP	9,095,265.67	4,734.33	9,100,000.00
QUESTAR CORP	5,995,091.66	4,908.34	6,000,000.00

**STATE OF ARIZONA
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JULY 1, 2001 THROUGH JUNE 30, 2002
SHORT TERM INVESTMENTS MATURED**

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Description	Cost	Amount of Interest	Maturity Value
QUINCY CAPITAL CORPORATION	1,999,311.11	688.89	2,000,000.00
REGENCY MARKETS NO. 1	22,485,739.72	14,260.28	22,500,000.00
REVOLVING COMMITMENT VEHICLE	3,995,623.34	4,376.66	4,000,000.00
SIGMA FINANCE	3,999,579.45	420.55	2,000,000.00
SOUTHERN COMPANY FUNDING CORP	7,996,941.11	3,058.89	8,000,000.00
SPECIAL PURPOSE ACCTS. REC.	8,691,551.67	8,448.33	8,700,000.00
STARBIRD FUNDING CORPORATION	65,476,196.83	23,803.17	65,500,000.00
STEAMBOAT FUNDING	29,985,799.17	14,200.83	30,000,000.00
SUNBELT FUNDING CORP	68,228,757.25	29,242.75	68,258,000.00
SUNFLOWERS FUNDING CO	21,495,578.61	4,421.39	21,500,000.00
SUPERIOR FUNDING CAPITAL CORP	3,998,563.34	1,436.66	4,000,000.00
SVENSKA HANDELSBANKEN INC	1,999,497.22	502.78	2,000,000.00
SWEDBANK	5,998,651.11	1,348.89	6,000,000.00
SYDNEY CAPITAL CORP	7,993,418.89	6,581.11	8,000,000.00
TEXTRON INC	1,998,675.56	1,324.44	2,000,000.00
THAMES ASSET GLOBAL SECURITIZATION	6,495,605.14	4,394.86	6,500,000.00
THREE CROWNS FUNDING	191,601,803.68	48,196.32	191,650,000.00
THUNDER BAY FUNDING	29,491,100.84	8,899.16	29,500,000.00
TOTAL FINA ELF SA	2,998,853.33	1,146.67	3,000,000.00
TRANSAMERICA ASSET FUNDING	29,242,233.06	7,766.94	29,250,000.00
TRIDENT CAPITAL FINANCE	2,997,666.67	2,333.33	3,000,000.00
TRIPLE A-1 FUNDING	24,489,471.41	10,528.59	24,500,000.00
UBN DELAWARE INC	1,998,972.22	1,027.78	2,000,000.00
UBS AMERICAS INC	56,742,107.44	7,892.56	56,750,000.00
UBS FINANCE (DELAWARE)	18,997,906.68	2,093.32	19,000,000.00
UNITED AIR FUNDING	1,998,950.00	1,050.00	2,000,000.00
UNITED TECH CORP	7,496,479.72	3,520.28	7,500,000.00
US CENTRAL CREDIT UNION	1,998,606.67	1,393.33	2,000,000.00
USAA CAPITAL CORP	1,999,522.22	477.78	2,000,000.00
VECTREN UTILITY HOLDING CORP	7,999,316.67	683.33	8,000,000.00
VISTAONE METAFOLIO LLC	22,990,088.05	9,911.95	23,000,000.00
WASHINGTON GAS LIGHT COMPANY	999,378.33	621.67	1,000,000.00
WELLS FARGO & COMPANY	16,988,972.23	11,027.77	17,000,000.00
WGL HOLDINGS	14,496,986.95	3,013.05	14,500,000.00
WINDMILL FUNDING CORPORATION	15,987,765.56	12,234.44	16,000,000.00
WISCONSIN ELECTRIC FUEL TRUST	1,999,327.22	672.78	2,000,000.00
WISCONSIN PUBLIC SERVICE	1,998,382.22	1,617.78	2,000,000.00
WORLD OMNI VEHICLE LEASING	10,996,304.31	3,695.69	11,000,000.00
WPS RESOURCES CORP	1,499,583.33	416.67	1,500,000.00
	2,242,731,375.38	809,624.62	2,241,541,000.00

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002**

COMMON STOCK ACQUIRED

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Company	No. Shares	Dividend Rate	Annual Income	Book Yield	Average Cost	Book Cost
ALBERTO CULVER CO	32,000	0.36	11,520.00	0.66%	54.32	1,738,172.71
AMERICAN STANDARD COMPANY INC	24,000	0.00	-	0.00%	76.56	1,837,451.75
BELLSOUTH CORPORATION	63,000	0.19	11,970.00	0.47%	40.11	2,527,123.70
BROADWING INC.	43,000	0.00	-	0.00%	21.42	920,860.55
CANADIAN NATIONAL RAILWAY	54,000	0.55	29,700.00	1.17%	47.15	2,546,230.04
CHEVRON CORPORATION	31,000	2.80	86,800.00	3.35%	83.70	2,594,661.20
CHOICEPOINT INCORPORATED	62,000	0.00	-	0.00%	52.02	3,225,282.80
DAL-TILE INTERNATIONAL	33,000	0.00	-	0.00%	17.30	570,852.36
ELECTRONICS BOUTIQUE HOLDINGS CORP.	86,000	0.00	-	0.00%	36.47	3,136,188.60
FORTUNE BRANDS, INC.	25,000	1.00	25,000.00	1.92%	52.06	1,301,538.40
GENZYME CORPORATION	64,000	0.00	-	0.00%	57.57	3,684,187.80
HEALTHSOUTH CORP	33,000	0.00	-	0.00%	15.03	495,904.20
JACOBS ENGINEERING GROUP INC.	24,000	0.00	-	0.00%	60.46	1,451,042.40
JOHNSON & JOHNSON CO	32,000	0.82	26,240.00	1.52%	53.85	1,723,212.80
LANDSTAR SYSTEMS, INC	18,200	0.00	-	0.00%	105.27	1,915,860.00
LENNAR CORPORATION	28,000	0.05	1,400.00	0.11%	43.61	1,221,017.64
MBNA CORP	65,000	0.28	18,200.00	0.74%	37.87	2,461,563.00
MICROCHIP TECHNOLOGY INC.	32,000	0.00	-	0.00%	38.79	1,241,156.50
MOHAWK INDUSTRIES	24,000	0.00	-	0.00%	69.04	1,656,914.40
MOODY'S CORPORATION	32,000	0.18	5,760.00	0.46%	38.96	1,246,793.98
OXFORD HEALTH PLANS, INC.	31,000	0.00	-	0.00%	26.28	814,690.48
P.F. CHANG'S CHINA BISTRO	124,000	0.00	-	0.00%	39.67	4,918,602.64
PACTIV CORPORATION	32,000	0.00	-	0.00%	16.00	512,060.80
PEPSICO INC.	78,000	0.60	46,800.00	1.23%	48.65	3,794,362.30
PFIZER INC.	30,000	0.52	15,600.00	1.27%	41.01	1,230,408.00
QUALCOMM INCORPORATED	31,000	0.00	-	0.00%	45.70	1,416,551.20
QUEST DIAGNOSTIC	24,000	0.00	-	0.00%	87.08	2,089,941.60
SCP POOL CORPORATION	81,000	0.00	-	0.00%	35.63	2,886,050.61
SEARS, ROEBUCK AND COMPANY	31,000	0.92	28,520.00	1.63%	56.36	1,747,036.98
SEI INVESTMENTS COMPANY	32,000	0.12	3,840.00	0.31%	39.21	1,254,663.00
SIEBEL SYSTEMS	94,000	0.00	-	0.00%	34.90	3,280,381.40
SPRINT CORPORATION (PCS GROUP)	94,000	0.00	-	0.00%	26.67	2,506,826.20
ST. JUDE MEDICAL	47,000	0.00	-	0.00%	81.51	3,830,992.90
TENET HEALTHCARE CORPORATION	22,000	0.00	-	0.00%	61.06	1,343,241.70
VISHAY INTERTECHNOLOGY INC	30,000	0.00	-	0.00%	23.12	693,549.00
WALGREEN COMPANY	32,000	0.15	4,800.00	0.38%	39.62	1,267,912.80
WATERS CORPORATION	32,000	0.00	-	0.00%	34.30	1,097,552.00
WHIRLPOOL CORP	16,000	1.36	21,760.00	1.75%	77.53	1,240,507.30
TOTAL COMMON STOCK ACQUIRED			337,910.00	0.46%		73,421,345.74

STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS ACQUIRED
JULY 1, 2001 THROUGH JUNE 30, 2002
OTHER INVESTMENTS ACQUIRED

Name	Coupon	Maturity	Purchase Price	Book Cost
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-DYNAMITE MTN. RANCH	12.750	4/30/2002	100.00	93,269.96
BRIDGE FINANCIAL-GRAND INN	12.000	11/11/2001	100.00	30,000.00
TOTAL BRIDGE FINANCIAL ACQUIRED				123,269.96
<i>PIVOTAL</i>				
PIVOTAL NEWS I, LLC				27,000.00
PIVOTAL PROMONTORY				1,687,500.00
PIVOTAL PROMONTORY-LOANS				1,080,000.00
TOTAL PIVOTAL ACQUIRED				2,794,500.00
<i>MISCELLANEOUS</i>				
CENTURY PLAZA HOTEL				641,250.00
SPA AT RED CANYON				199,125.00
TOTAL MISCELLANEOUS ACQUIRED				840,375.00
TOTAL OTHER INVESTMENTS ACQUIRED				3,758,144.96

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

BONDS SOLD

Security	Coupon	Maturity	Par Value	Sale Price	Accrued Interest	Principal	Amortized Cost	Gain or (Loss)
<i>U.S. TREASURY OBLIGATIONS</i>								
U.S. TREASURY NOTE	7.500	11/15/2001	2,000,000.00	100.09829	-	2,001,965.82	2,001,965.82	-
TOTAL U.S. TREASURY OBLIGATIONS						2,001,965.82	2,001,965.82	
<i>FEDERAL AGENCY OBLIGATIONS</i>								
Detailed information for the redemptions of Federal Agency Obligations are too lengthy to include in this report; therefore, only totals are given.								
TOTAL FEDERAL AGENCY OBLIGATIONS						20,769,726.90	20,769,726.90	
<i>CORPORATE BONDS</i>								
AMERICAN SAVINGS MORTGAGE CORP	8.450	5/25/2008	227,920.79	99.02956	-	225,708.95	225,708.95	-
ANTHEM INSURANCE COMPANY	9.125	4/1/2010	3,000,000.00	104.75000	86,687.50	3,142,500.00	2,769,738.60	372,761.40
AUTO BOND RECEIVABLE TRUST	6.400	4/15/2001	40,477.28	100.00000	-	40,477.28	40,477.28	-
AXA SA	8.600	12/15/2030	1,000,000.00	113.62400	6,211.11	1,136,240.00	1,083,841.52	52,398.48
FORD MOTOR COMPANY	7.450	7/16/2031	1,000,000.00	94.91000	26,075.00	949,100.00	919,439.39	29,660.60
LEHMAN BROTHERS HOLDINGS	8.750	5/15/2002	1,000,000.00	100.06090	-	1,000,609.00	1,000,609.00	-
NATIONAL RURAL UTILITIES	8.000	3/1/2032	3,000,000.00	112.55700	68,000.00	3,376,710.00	3,031,091.61	345,618.30
OHIO NATIONAL LIFE INSURANCE	8.500	5/15/2026	2,000,000.00	105.87900	17,000.00	2,117,580.00	1,996,359.39	121,220.60
OKLAHOMA GAS & ELECTRIC	6.500	4/15/2028	1,000,000.00	91.47800	722.22	914,780.00	836,715.81	78,064.19
SECURITY NATIONAL MORTGAGE	7.870	8/25/2030	531,492.84	100.00000	-	531,492.84	531,492.84	-
TYCO INTERNATIONAL GROUP	6.875	1/15/2029	1,000,000.00	95.42800	3,055.56	954,280.00	904,306.70	49,973.30
TOTAL CORPORATE BONDS			13,799,890.91		207,751.39	14,389,478.07	13,339,781.09	1,049,696.87
TOTAL BONDS SOLD			13,799,890.91		207,751.39	37,161,170.79	36,111,473.81	1,049,696.87

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

COMMON STOCK SOLD

Page 1 of 2

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
AES CORPORATION	31,000	12.8189	397,385.90	1,563.25	395,822.65	1,554,553.90	(1,158,731.25)	-74.54%
ALLTEL CORPORATION	21,000	60.5852	1,272,288.75	1,092.42	1,271,196.33	1,332,984.95	(61,788.62)	-4.64%
AMERICAN EXPRESS	61,000	37.0885	2,262,398.50	3,083.94	2,259,314.56	2,147,768.62	111,545.94	5.19%
AMERICAN INT'L GROUP	49,096	75.1448	3,689,310.69	2,542.57	3,686,768.12	1,923,175.49	1,763,592.63	91.70%
AMGEN	38,000	58.5940	2,226,572.00	74.22	2,226,497.78	1,485,309.84	741,187.94	49.90%
BELLSOUTH CORPORATION	63,000	32.3367	2,037,212.10	3,211.33	2,034,000.77	2,527,123.70	(493,122.93)	-19.51%
BIOGEN INC	65,000	54.2760	3,527,940.10	1,552.93	3,526,387.17	3,407,367.50	119,019.67	3.49%
BJ'S WHOLESALE CLUB, INC.	37,000	42.3431	1,566,696.54	1,897.17	1,564,799.37	1,478,466.40	86,332.97	5.84%
BROADWING INC.	30,000	3.3403	100,209.00	1,503.02	98,705.98	741,158.99	(642,453.01)	-86.68%
CHARTER COMMUNICATIONS, INC	30,000	11.7002	351,006.00	11.71	350,994.29	666,693.00	(315,698.71)	-47.35%
CHOICEPOINT	-	-	-	-	-	-	30.65	0.00%
CISCO SYSTEMS	60,000	19.7198	1,183,188.00	39.45	1,183,148.55	520,831.76	662,316.79	127.17%
CORNING INCORPORATED	93,000	9.7958	911,009.40	4,680.37	906,329.03	6,491,949.70	(5,585,620.67)	-86.04%
DAL-TILE/MOHAWK MERGER CASH	-	-	-	-	-	70.35	362,982.36	0.00%
DEVON ENERGY CORPORATION	24,000	33.0124	792,297.60	1,226.41	791,071.19	1,379,485.30	(588,414.11)	-42.65%
ECHOSTAR COMMUNICATIONS 'A'	60,000	23.0540	1,383,240.00	46.11	1,383,193.89	2,852,422.73	(1,469,228.84)	-51.51%
EL PASO CORPORATION	61,000	21.9184	1,337,022.40	3,090.25	1,333,932.15	3,505,925.20	(2,171,993.05)	-61.95%
EMC CORP	84,000	13.6838	1,149,438.00	4,229.84	1,145,208.16	784,140.50	361,067.66	46.05%
ENRON CORPORATION	220,000	25.8639	5,690,050.41	6,539.66	5,683,510.75	4,142,668.00	1,540,842.75	37.19%
EXPRESS SCRIPTS	16,000	44.3052	708,883.65	10.65	708,873.00	337,164.65	371,708.35	110.25%
GUIDANT CORPORATION	32,000	32.1000	1,027,200.00	1,634.24	1,025,565.76	2,089,215.60	(1,063,649.84)	-50.91%
HELLER FINANCIAL, INC.	25,000	53.0917	1,327,292.50	1,294.25	1,325,998.25	657,415.50	668,582.75	101.70%
HOME DEPOT	32,000	50.4624	1,614,796.80	1,624.23	1,613,172.57	412,729.01	1,200,443.56	290.86%
INTEL CORPORATION	103,000	22.9150	2,360,240.80	78.69	2,360,162.11	2,198,309.26	161,852.85	7.36%
INTERNATIONAL BUSINESS MACH.	69,000	109.2220	7,536,316.60	3,659.53	7,532,657.07	2,280,953.12	5,251,703.95	230.24%
JABIL CIRCUIT	30,000	32.9132	987,396.00	1,532.92	985,863.08	621,857.40	364,005.68	58.54%
LEXMARK INTERNATIONAL GROUP	38,000	57.2390	2,175,082.00	1,932.63	2,173,149.37	2,770,836.52	(597,687.15)	-21.57%
MCI Group	8,580	15.2738	131,049.20	4.37	131,044.83	285,784.41	(154,739.58)	-54.15%
NEWS CORPORATION	116,500	28.3118	3,298,322.90	5,890.93	3,292,431.97	2,642,186.35	650,245.62	24.61%
NOKIA CORPORATION	180,000	18.1111	3,259,990.00	9,072.77	3,250,917.23	3,237,490.14	13,427.09	0.41%
NORTEL NETWORKS CORP	43,000	7.8500	337,550.00	2,161.26	335,388.74	677,630.32	(342,241.58)	-50.51%
OFFICEMAX INC.	385,000	3.0810	1,186,185.61	19,289.66	1,166,895.95	5,303,134.59	(4,136,238.64)	-78.00%
PFIZER INC.	28,000	39.9271	1,117,958.80	1,437.27	1,116,521.53	573,281.10	543,240.43	94.76%
PLANTRONICS, INC.	32,000	20.2439	647,805.37	1,621.62	646,183.75	858,231.81	(212,048.06)	-24.71%
QUANTA SERVICES, INC.	34,000	14.0273	476,929.16	1,707.17	475,221.99	1,152,685.24	(677,463.25)	-58.77%
RAINBOW MEDIA GROUP	32,000	19.9504	638,412.80	1,621.29	636,791.51	520,110.69	116,680.82	22.43%
SCHERING-PLOUGH CORP	80,000	36.9686	2,957,491.20	4,098.60	2,953,392.60	1,088,212.15	1,865,180.45	171.40%
SEITEL, INC	58,000	5.3736	311,671.58	2,905.14	308,766.44	1,084,273.67	(775,507.23)	-71.52%
SUN MICROSYSTEMS, INC	64,000	17.0801	1,093,126.40	3,236.44	1,089,889.96	2,639,765.36	(1,549,875.40)	-58.71%

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

COMMON STOCK SOLD

Page 2 of 2

Company	Shares Sold	Sale Price	Amount	Commission + SEC Fee	Net Amount	Book Cost	Gain (Loss) on Sale	% Gain on Sale
3M CORP CLASS ACTION LAWSUIT	-	-	-	-	-	-	121,481.08	0.00%
TARGET CORP	27,000	31.4561	849,314.70	1,378.32	847,936.38	776,389.38	71,547.00	9.22%
WILLIAMS COMMUNICATIONS GROUP	76,483	2.1314	163,016.00	3,829.59	159,186.41	327,010.62	(167,824.21)	-51.32%
WORLDCOM INC.	134,000	10.0193	1,342,587.30	2,036.34	1,340,550.96	4,410,979.20	(3,070,428.24)	-69.61%
TOTAL STOCK SOLD	2,670,659		65,425,884.76	108,442.56	65,317,442.20	73,887,742.02	(8,085,735.38)	-10.94%

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

OTHER INVESTMENTS SOLD

Name	Coupon	Maturity	Book Cost	Gain (Loss)
<i>BRIDGE FINANCIAL</i>				
BRIDGE FINANCIAL-15 E. Monroe	12.500	1/5/2001	184,500.00	-
BRIDGE FINANCIAL-Beaver Creek G.C.	13.000	8/3/2001	138,000.00	-
BRIDGE FINANCIAL-Dynamite Mtn Ranch II	12.750	6/30/2002	18,585.00	-
BRIDGE FINANCIAL-Village at Hassayampa	12.000	11/11/2001	59,811.02	-
TOTAL BRIDGE FINANCIAL SOLD			400,896.02	-
<i>PIVOTAL</i>				
PIVOTAL PROMONTORY			742,500.00	-
PIVOTAL PROMONTORY-LOANS	10.000		1,080,000.00	-
TOTAL PIVOTAL SOLD			1,822,500.00	-
<i>DESERT TROON</i>				
DESERT TROON EQUITY-TORREON			-	4,143.18
DESERT TROON EQUITY-LA JOLLA			2,280,000.00	288,877.20
TOTAL PIVOTAL SOLD			2,280,000.00	293,020.38
<i>MISCELLANEOUS</i>				
LAKE PLEASANT	14.000	9/15/2001	-	3,802.99
PEBBLECREEK PROPERTIES	10.000	4/1/2005	253,059.10	-
TOTAL MISCELLANEOUS SOLD			253,059.10	3,802.99
TOTAL OTHER INVESTMENTS SOLD			4,756,455.12	296,823.37

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002**

BOND PORTFOLIO

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Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
U.S. TREASURY OBLIGATIONS											
\$4,000,000.00	U.S. TREASURY BOND	9.125	5/15/2009	\$4,001,539.18	100.03848	111.37500	\$4,455,000.00	\$453,460.82	\$365,000.00	9.120	7.040
\$1,000,000.00	U.S. TREASURY BOND	7.500	11/15/2016	\$965,569.27	96.55693	120.34400	\$1,203,440.00	\$237,870.73	\$75,000.00	7.770	5.450
\$3,000,000.00	U.S. TREASURY BOND	9.125	5/15/2018	\$3,000,000.00	100.00000	138.21900	\$4,146,570.00	\$1,146,570.00	\$273,750.00	9.130	5.500
\$2,000,000.00	U.S. TREASURY BOND	8.125	8/15/2019	\$2,001,569.97	100.07850	128.09400	\$2,561,880.00	\$560,310.03	\$162,500.00	8.120	5.550
\$1,000,000.00	U.S. TREASURY BOND	8.000	11/15/2021	\$1,000,000.00	100.00000	127.90600	\$1,279,060.00	\$279,060.00	\$80,000.00	8.000	5.630
\$11,000,000.00	TOTAL U.S. TREASURY OBLIGATIONS			\$10,968,678.42			\$13,645,950.00	\$2,677,271.58	\$956,250.00	8.718	
FEDERAL AGENCY OBLIGATIONS											
\$199,837.89	GNMA Pool #173878	9.000	8/15/2016	\$197,714.59	98.93749	110.40700	\$220,635.02	\$22,920.43	\$17,985.41	9.100	3.840
\$179,884.45	GNMA Pool #174481	9.000	7/15/2016	\$174,206.84	96.84375	110.40700	\$198,605.02	\$24,398.18	\$16,189.60	9.290	3.840
\$383,097.45	GNMA Pool #176431	9.000	8/15/2016	\$370,886.25	96.81251	110.40700	\$422,966.40	\$52,080.15	\$34,478.77	9.300	3.840
\$152,252.27	GNMA Pool #184656	9.000	12/15/2016	\$147,446.82	96.84376	110.40700	\$168,097.16	\$20,650.34	\$13,702.70	9.290	3.840
\$153,177.05	GNMA Pool #185289	9.000	9/15/2019	\$149,060.42	97.31250	110.03100	\$168,542.24	\$19,481.82	\$13,785.93	9.250	3.840
\$86,306.40	GNMA Pool #190095	9.000	12/15/2016	\$81,910.17	94.90625	110.40700	\$95,288.31	\$13,378.14	\$7,767.58	9.480	3.840
\$87,445.08	GNMA Pool #202505	9.000	10/15/2019	\$85,504.89	97.78125	110.03100	\$96,216.70	\$10,711.81	\$7,870.06	9.200	3.840
\$132,957.69	GNMA Pool #217956	10.000	11/15/2017	\$131,466.83	98.87870	113.95700	\$151,514.59	\$20,047.76	\$13,295.77	10.110	8.780
\$105,850.06	GNMA Pool #226529	9.000	6/15/2018	\$97,415.13	92.03125	110.40700	\$116,865.88	\$19,450.75	\$9,526.51	9.780	3.840
\$26,831.34	GNMA Pool #232237	9.000	1/15/2020	\$26,118.62	97.34370	110.03100	\$29,522.79	\$3,404.17	\$2,414.82	9.250	3.840
\$42,407.11	GNMA Pool #234937	9.000	3/15/2018	\$39,173.59	92.37505	110.40700	\$46,820.42	\$7,646.83	\$3,816.64	9.740	3.840
\$172,643.49	GNMA Pool #238600	10.000	11/15/2017	\$171,510.55	99.34377	113.95700	\$196,739.34	\$25,228.79	\$17,264.35	10.070	8.780
\$46,315.46	GNMA Pool #238840	9.000	5/15/2018	\$42,928.64	92.68750	110.40700	\$51,135.51	\$8,206.87	\$4,168.39	9.710	3.840
\$35,227.99	GNMA Pool #248951	9.000	5/15/2018	\$33,290.48	94.50008	110.40700	\$38,894.17	\$5,603.69	\$3,170.52	9.520	3.840
\$24,009.69	GNMA Pool #252056	9.000	6/15/2018	\$23,334.44	97.18759	110.40700	\$26,508.38	\$3,173.94	\$2,160.87	9.260	3.840
\$199,945.77	GNMA Pool #256195	9.000	8/15/2018	\$189,198.71	94.62501	110.40700	\$220,754.13	\$31,555.42	\$17,995.12	9.510	3.840
\$45,591.46	GNMA Pool #263385	9.000	11/15/2018	\$43,589.73	95.60942	110.40700	\$50,336.16	\$6,746.43	\$4,103.23	9.410	3.840
\$64,910.82	GNMA Pool #285597	9.000	3/15/2020	\$61,949.28	95.43752	109.40600	\$71,016.33	\$9,067.05	\$5,841.97	9.430	3.840
\$227,288.17	GNMA Pool #285803	9.000	3/15/2020	\$217,131.23	95.53125	109.40600	\$248,666.90	\$31,535.67	\$20,455.94	9.420	3.840
\$30,337.00	GNMA Pool #298952	9.000	4/15/2021	\$30,337.00	100.00000	109.53100	\$33,228.42	\$2,891.42	\$2,730.33	9.000	3.840
\$23,581.19	GNMA Pool #303324	9.000	4/15/2021	\$23,581.19	100.00000	109.53100	\$25,828.71	\$2,247.52	\$2,122.31	9.000	3.840
\$42,879.35	GNMA Pool #304625	9.000	3/15/2021	\$42,865.95	99.96875	109.53100	\$46,966.18	\$4,100.23	\$3,859.14	9.000	3.840
\$108,346.96	GNMA Pool #305187	9.000	6/15/2021	\$108,313.09	99.96874	109.53100	\$118,673.51	\$10,360.42	\$9,751.23	9.000	3.840
\$496,673.15	GNMA Pool #330725	8.000	7/15/2022	\$493,413.74	99.34375	107.87500	\$535,786.16	\$42,372.42	\$39,733.85	8.050	3.620
\$1,764,632.81	GNMA Pool #375887	7.000	5/15/2024	\$1,651,034.56	93.56250	104.37500	\$1,841,835.50	\$190,800.94	\$123,524.30	7.480	5.280
\$708,932.12	GNMA Pool #377589	7.500	8/15/2025	\$706,938.25	99.71875	106.43700	\$754,566.08	\$47,627.83	\$53,169.91	7.520	4.100
\$844,246.40	GNMA Pool #386038	7.000	6/15/2024	\$792,404.38	93.85937	104.37500	\$881,182.18	\$88,777.80	\$59,097.25	7.460	5.280
\$526,838.23	GNMA Pool #389845	8.000	9/15/2024	\$517,453.91	98.21875	107.62400	\$567,004.38	\$49,550.47	\$42,147.06	8.150	3.620
\$1,164,261.54	GNMA Pool #398831	8.000	8/15/2026	\$1,162,442.38	99.84375	107.00000	\$1,245,759.85	\$83,317.47	\$93,140.92	8.010	3.620
\$471,417.85	GNMA Pool #403979	8.500	10/15/2024	\$463,388.98	98.29687	107.93700	\$508,834.28	\$45,445.30	\$40,070.52	8.650	3.680
\$669,005.89	GNMA Pool #421711	7.500	4/15/2026	\$668,169.64	99.87500	106.28100	\$711,026.15	\$42,856.51	\$50,175.44	7.510	4.100
\$827,179.07	GNMA Pool #427556	7.500	3/15/2026	\$824,723.46	99.70313	106.28100	\$879,134.19	\$54,410.73	\$62,038.43	7.520	4.100
\$1,707,803.05	GNMA Pool #432701	8.000	6/15/2026	\$1,707,803.05	100.00000	107.00000	\$1,827,349.26	\$119,546.21	\$136,624.24	8.000	3.620
\$1,812,755.46	GNMA Pool #434101	7.000	12/15/2028	\$1,777,066.83	98.03125	103.93700	\$1,884,123.64	\$107,056.81	\$126,892.88	7.140	5.280
\$784,438.70	GNMA Pool #434237	6.000	3/15/2029	\$726,463.76	92.60937	100.28100	\$786,642.97	\$60,179.21	\$47,066.32	6.480	6.060

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Par Value	Security	Cpn	Maturity	Book Cost	Book Price	Current Price	Current Value	Gain or (Loss)	Annual Income	Book Yield	YTM
\$245,088.45	GNMA Pool #439645	8.00	9/15/2026	\$244,935.28	99.93750	107.00000	\$262,244.64	\$17,309.36	\$19,607.08	8.010	3.620
\$812,028.23	GNMA Pool #441619	7.50	11/15/2029	\$808,856.24	99.60937	105.46900	\$856,438.05	\$47,581.81	\$60,902.12	7.530	4.100
\$1,906,961.78	GNMA Pool #458918	7.00	8/15/2028	\$1,872,398.10	98.18750	103.93700	\$1,982,038.87	\$109,640.77	\$133,487.32	7.130	5.280
\$1,760,663.17	GNMA Pool #475872	7.00	7/15/2028	\$1,746,357.79	99.18750	103.93700	\$1,829,980.48	\$83,622.69	\$123,246.42	7.060	5.280
\$4,848,100.39	GNMA Pool #499876	7.00	6/15/2029	\$4,822,344.85	99.46875	103.81200	\$5,032,909.98	\$210,565.13	\$339,367.03	7.040	5.280
\$3,195,084.84	GNMA Pool #499905	7.00	5/15/2029	\$3,172,120.14	99.28125	103.81200	\$3,316,881.47	\$144,761.33	\$223,655.94	7.050	5.280
\$2,495,556.32	GNMA Pool #499907	7.00	5/15/2029	\$2,392,224.69	95.85937	104.06800	\$2,597,075.55	\$204,850.86	\$174,688.94	7.300	5.280
\$1,431,666.80	GNMA Pool #507496	7.00	6/15/2029	\$1,387,822.00	96.93750	103.81200	\$1,486,241.94	\$98,419.94	\$100,216.68	7.220	5.280
\$588,293.11	GNMA Pool #510958	7.00	5/15/2029	\$584,064.74	99.28125	103.81200	\$610,718.84	\$26,654.10	\$41,180.52	7.050	5.280
\$385,720.83	GNMA Pool #512888	7.00	7/15/2029	\$373,908.13	96.93750	103.81200	\$400,424.51	\$26,516.38	\$27,000.46	7.220	5.280
\$1,238,599.38	GNMA Pool #513367	7.00	8/15/2029	\$1,185,958.93	95.75000	104.06800	\$1,288,985.60	\$103,026.67	\$86,701.96	7.310	5.280
\$3,754,129.27	GNMA Pool #530611	6.50	5/15/2031	\$3,750,903.09	99.91406	102.00000	\$3,829,211.86	\$78,308.77	\$244,018.40	6.510	5.950
\$5,431,934.42	GNMA Pool #530631	6.50	6/15/2031	\$5,407,746.03	99.55470	102.00000	\$5,540,573.11	\$132,827.08	\$353,075.74	6.530	5.950
\$1,806,325.13	GNMA Pool #539629	6.50	4/15/2031	\$1,799,551.42	99.62500	102.00000	\$1,842,451.63	\$42,900.21	\$117,411.13	6.520	5.950
\$880,302.98	GNMA Pool #548963	6.50	3/15/2031	\$878,102.24	99.75000	102.00000	\$897,909.04	\$19,806.80	\$57,219.69	6.520	5.950
\$1,592,356.03	GNMA Pool #549915	6.50	5/15/2031	\$1,586,384.69	99.62500	102.00000	\$1,624,203.15	\$37,818.46	\$103,503.14	6.520	5.950
\$12,974,804.83	GNMA Pool #552514	6.50	4/15/2032	\$12,930,203.94	99.65625	102.00000	\$13,234,300.93	\$304,096.99	\$843,362.31	6.520	5.950
\$2,891,227.63	GNMA Pool #560189	6.50	4/15/2031	\$2,883,921.31	99.74729	102.23600	\$2,955,875.48	\$71,954.17	\$187,929.80	6.520	5.950
\$2,596,489.59	GNMA Pool #780076	8.00	2/15/2025	\$2,549,897.20	98.20556	107.62400	\$2,794,445.96	\$244,548.76	\$207,719.17	8.150	3.620
\$1,497,801.34	GNMA Pool #780220	7.50	8/15/2025	\$1,497,315.40	99.96756	106.39000	\$1,593,510.85	\$96,195.45	\$112,335.10	7.500	4.100
\$845,103.05	GNMA Pool #780896	7.00	11/15/2028	\$828,031.10	97.97990	103.93700	\$878,374.76	\$50,343.66	\$59,157.21	7.140	5.280
\$67,527,545.98	TOTAL FEDERAL AGENCY OBLIGATIONS			\$66,683,284.69	98.74975		\$70,121,863.61	\$3,438,578.92	\$4,723,924.47	7.084	
CORPORATE BONDS											
\$2,500,000.00	AGL CAPITAL TRUST	8.17	6/1/2037	\$2,544,259.74	101.77039	97.72500	\$2,443,125.00	(\$101,134.74)	\$204,250.00	8.030	8.370
\$1,530,000.00	AMERICAN UNITED LIFE INS CO	7.75	3/30/2026	\$1,492,820.03	97.56994	87.70200	\$1,341,840.60	(\$150,979.43)	\$118,575.00	7.940	9.010
\$8,000,000.00	ANTHEM INSURANCE COMPANY INC	9	4/1/2027	\$8,535,182.87	106.68979	111.00900	\$8,880,720.00	\$345,537.13	\$720,000.00	8.440	7.980
\$1,000,000.00	AT&T CORPORATES	8.35	1/15/2025	\$1,014,208.98	101.42090	76.17700	\$761,770.00	(\$252,438.98)	\$83,500.00	8.230	11.290
\$1,000,000.00	AT&T CORPORATES	6.5	3/15/2029	\$871,697.82	87.16978	65.13900	\$651,390.00	(\$220,307.82)	\$65,000.00	7.460	10.390
\$76,037.67	AUTO BOND RECEIVABLE TRUST	6.4	4/15/2001	\$76,037.67	100.00000	99.87500	\$75,942.62	(\$95.05)	\$4,866.41	6.400	-
\$1,000,000.00	BANC ONE CORP	8	4/29/2027	\$1,025,190.25	102.51903	112.09300	\$1,120,930.00	\$95,739.75	\$80,000.00	7.800	6.970
\$2,000,000.00	BANKERS TRUST CORP 144A	8.09	12/1/2026	\$2,000,000.00	100.00000	104.01700	\$2,080,340.00	\$80,340.00	\$161,800.00	8.090	7.720
\$1,500,000.00	COUNTRYWIDE CAPITAL I	8	12/15/2026	\$1,500,000.00	100.00000	98.88300	\$1,483,245.00	(\$16,755.00)	\$120,000.00	8.000	8.110
\$2,000,000.00	DELTA AIRLINES SERIES 01-1B	7.711	9/18/2011	\$1,990,595.58	99.52978	103.85400	\$2,077,080.00	\$86,484.42	\$154,220.00	7.750	7.120
\$1,000,000.00	DISCOVER CREDIT	9.1	4/13/2012	\$1,000,000.00	100.00000	118.76100	\$1,187,610.00	\$187,610.00	\$91,000.00	9.100	6.520
\$5,250,000.00	FARMERS INSURANCE EXCHANGE	8.625	5/1/2024	\$4,915,364.92	93.62600	93.52400	\$4,910,010.00	(\$5,354.92)	\$452,812.50	9.210	9.320
\$2,000,000.00	FIRST EMPIRE CAPITAL TRUST I	8.234	2/1/2027	\$2,149,969.87	107.49849	103.75400	\$2,075,080.00	(\$74,889.87)	\$164,680.00	7.660	7.890
\$3,000,000.00	FIRST HAWAIIAN CAPITAL TRUST	8.343	7/1/2027	\$3,158,686.88	105.28956	105.69400	\$3,170,820.00	\$12,133.12	\$250,290.00	7.920	7.820
\$500,000.00	FIRST UNION CAPITAL II	7.95	11/15/2029	\$453,169.83	90.63397	107.82600	\$539,130.00	\$85,960.17	\$39,750.00	8.770	7.290
\$1,000,000.00	FORD HOLDINGS INC	9.375	3/1/2020	\$1,123,693.98	112.36940	114.09800	\$1,140,980.00	\$17,286.02	\$93,750.00	8.340	7.880
\$1,000,000.00	FORD MOTOR COMPANY	9.5	9/15/2011	\$999,622.17	99.96222	113.07200	\$1,130,720.00	\$131,097.83	\$95,000.00	9.500	7.480
\$1,000,000.00	FORD MOTOR CREDIT	7.25	10/25/2011	\$1,017,464.07	101.74641	99.93700	\$999,370.00	(\$18,094.07)	\$72,500.00	7.130	7.260
\$2,500,000.00	GENERAL AMERICAN LIFE INSURANCE CO	7.625	1/15/2024	\$2,235,466.88	89.41868	103.25400	\$2,581,350.00	\$345,883.12	\$190,625.00	8.530	7.320

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\$1,000,000.00	GOLDMAN SACHS GROUP INC.	8	3/1/2013	\$997,245.05	99.72451	111.19000	\$1,111,900.00	\$114,654.95	\$80,000.00	8.020	6.510
\$5,000,000.00	GOODRICH CORPORATION	7.1	11/15/2027	\$4,550,511.20	91.01022	94.56000	\$4,728,000.00	\$177,488.80	\$355,000.00	7.800	7.590
\$1,000,000.00	HUNTINGTON BANKS SUB NTS	6.6	6/15/2018	\$916,902.02	91.69020	97.26200	\$972,620.00	\$55,717.98	\$66,000.00	7.200	6.880
\$3,000,000.00	JOHN HANCOCK MUTUAL LIFE INS CO	7.375	2/15/2024	\$2,834,150.07	94.47167	104.45500	\$3,133,650.00	\$299,499.93	\$221,250.00	7.810	6.970
\$4,000,000.00	JPM CAPITAL TRUST II	7.95	2/1/2027	\$4,162,562.27	104.06406	103.46200	\$4,138,480.00	(\$24,082.27)	\$318,000.00	7.640	7.640
\$1,000,000.00	KEY CORP CAPITAL III	7.75	7/15/2029	\$955,585.56	95.55856	99.60300	\$996,030.00	\$40,444.44	\$77,500.00	8.110	7.790
\$2,000,000.00	LEHMAN BROTHERS HOLDINGS INC	8.8	3/1/2015	\$2,187,582.04	109.37910	117.21200	\$2,344,240.00	\$156,657.96	\$176,000.00	8.050	6.740
\$2,430,000.00	LIBERTY MUTUAL INSURANCE	7.875	10/15/2026	\$2,288,308.24	94.16906	91.95800	\$2,234,579.40	(\$53,728.84)	\$191,362.50	8.360	8.670
\$6,000,000.00	LUMBERMANS MUTUAL CASUALTY CO	9.15	7/1/2026	\$6,825,324.96	113.75542	90.88100	\$5,452,860.00	(\$1,372,464.96)	\$549,000.00	8.040	10.170
\$1,000,000.00	MERRILL LYNCH & COMPANY	8	6/1/2007	\$1,000,000.00	100.00000	112.28000	\$1,122,800.00	\$122,800.00	\$80,000.00	8.000	5.180
\$3,000,000.00	NATIONWIDE MUTUAL INS CO	7.5	2/15/2024	\$2,883,566.17	96.11887	96.35200	\$2,890,560.00	\$6,993.83	\$225,000.00	7.800	7.850
\$2,782,520.01	NORTHWEST AIRLINES	7.935	4/1/2019	\$3,038,641.43	109.20466	105.92500	\$2,947,384.32	(\$91,257.11)	\$220,792.96	7.270	7.320
\$2,000,000.00	PMI CAPITAL	8.309	2/1/2027	\$2,057,591.15	102.87956	93.08300	\$1,861,660.00	(\$195,931.15)	\$166,180.00	8.080	9.010
\$2,000,000.00	PRINCIPAL MUTUAL LIFE INSURANCE CO	7.875	3/1/2024	\$1,913,729.11	95.68646	103.70100	\$2,074,020.00	\$160,290.89	\$157,500.00	8.230	7.530
\$1,000,000.00	PRUDENTIAL INSURANCE CO OF AMERICA	8.3	7/1/2025	\$981,900.64	98.19006	109.61400	\$1,096,140.00	\$114,239.36	\$83,000.00	8.450	7.420
\$3,000,000.00	ROCKWELL INTERNATIONAL	6.7	1/15/2028	\$2,733,312.49	91.11042	95.48100	\$2,864,430.00	\$131,117.51	\$201,000.00	7.350	7.090
\$2,000,000.00	ROYAL & SUN ALLIANCE INSURANCE	8.95	10/15/2029	\$2,188,521.80	109.42609	107.70000	\$2,154,000.00	(\$34,521.80)	\$179,000.00	8.180	8.240
\$2,500,000.00	SAFECO CAPITAL TRUST	8.072	7/15/2037	\$2,515,380.58	100.61522	94.86000	\$2,371,500.00	(\$143,880.58)	\$201,800.00	8.020	8.540
\$1,000,000.00	SEARS ROEBUCK & CO.	9.375	11/1/2011	\$1,000,000.00	100.00000	119.05300	\$1,190,530.00	\$190,530.00	\$93,750.00	9.380	6.640
\$2,000,000.00	SECURITY MUTUAL LIFE NEW YORK	9.375	12/15/2016	\$2,197,740.37	109.88702	102.40000	\$2,048,000.00	(\$149,740.37)	\$187,500.00	8.530	9.070
\$1,454,981.76	SECURITY NATIONAL MORTGAGE LOAN	7.87	8/25/2030	\$1,454,981.76	100.00000	105.98400	\$1,542,047.87	\$87,066.11	\$114,507.06	7.870	7.370
\$1,000,000.00	SOUTHERN COMPANY CAPITAL TRUST	8.19	2/1/2037	\$1,073,834.32	107.38343	101.93000	\$1,019,300.00	(\$54,534.32)	\$81,900.00	7.630	8.020
\$3,000,000.00	STANDARD CHARTERED BANK	8	5/30/2031	\$3,143,923.60	104.79745	102.61100	\$3,078,330.00	(\$65,593.60)	\$240,000.00	7.630	7.770
\$2,000,000.00	UNION CARBIDE CORP	7.875	4/1/2023	\$1,933,825.20	96.69126	98.08200	\$1,961,640.00	\$27,814.80	\$157,500.00	8.140	8.070
\$2,000,000.00	UNION CENTRAL LIFE	8.2	11/1/2026	\$2,021,935.78	101.09679	100.80300	\$2,016,060.00	(\$5,875.78)	\$164,000.00	8.110	8.120
\$1,000,000.00	US WEST COMMUNICATIONS	7.5	6/15/2023	\$954,933.14	95.49331	70.19000	\$701,900.00	(\$253,033.14)	\$75,000.00	7.850	11.220
\$2,000,000.00	USF&G CAPITAL II, SERIES B	8.47	1/10/2027	\$2,189,168.01	109.45840	100.50500	\$2,010,100.00	(\$179,068.01)	\$169,400.00	7.740	8.420
\$3,000,000.00	WORLDCOM INC.	8.25	5/15/2031	\$3,062,913.78	102.09713	15.75000	\$472,500.00	(\$2,590,413.78)	\$247,500.00	8.080	52.380
\$3,275,000.00	XEROX CAPITAL TRUST I CAP SEC.	8	7/1/2027	\$3,438,527.17	104.99320	42.00000	\$1,375,500.00	(\$2,063,027.17)	\$262,000.00	7.620	19.320
\$3,000,000.00	ZURICH CAPITAL TRUST I	8.376	6/1/2037	\$3,038,635.52	101.28785	94.67700	\$2,840,310.00	(\$198,325.52)	\$251,280.00	8.270	8.870
107,298,539.44	TOTAL CORPORATE BONDS			108,644,664.97	101.25456		103,402,524.81	(\$5,242,140.16)	\$8,755,341.43	8.059	
185,826,085.42	BOND PORTFOLIO TOTALS			186,296,628.08	100.25322		187,170,338.42	873,710.34	14,435,515.90	7.749	

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENT OWNED
JUNE 30, 2002**

CORPORATE NOTES

Date Acquired	Description	Interest Rate	Maturity Date	Cost	Amount of Interest	Maturity Value
6/24/2002	TRANSAMERICA ASSET FUNDING	1.81	7/1/2002	5,248,152.29	1,847.71	5,250,000.00
6/28/2002	EMINENT FUNDING	2.10	7/1/2002	999,825.00	175.00	1,000,000.00
6/26/2002	NEPTUNE FUNDING	1.86	7/2/2002	5,998,140.00	1,860.00	6,000,000.00
6/27/2002	STARBIRD FUNDING CORPORATION	1.93	7/2/2002	2,999,195.83	804.17	3,000,000.00
6/27/2002	FORTIS FUNDING	1.83	7/5/2002	1,999,186.67	813.33	2,000,000.00
6/24/2002	BEETHOVEN FUNDING CORPORATION	1.83	7/8/2002	5,246,263.75	3,736.25	5,250,000.00
6/25/2002	WORLD OMNI VEHICLE LEASE	1.84	7/9/2002	2,498,211.11	1,788.89	2,500,000.00
6/25/2002	THUNDER BAY FUNDING	1.82	7/9/2002	2,498,230.56	1,769.44	2,500,000.00
6/27/2002	THREE CROWNS FUNDING	1.85	7/10/2002	1,998,663.89	1,336.11	2,000,000.00
TOTAL CORPORATE NOTES				29,485,869.10	14,130.90	29,500,000.00

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
AS OF JUNE 30, 2002**

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
154000	ABBOTT LABORATORIES	0.94	29.64	4,564,582.15	37.65	5,798,100.00	144,760.00	1,233,517.85
106000	ADOBE SYSTEMS	0.05	34.15	3,620,406.40	28.50	3,021,000.00	5,300.00	(599,406.40)
32000	ALBERTO CULVER CO	0.36	54.32	1,738,172.71	47.80	1,529,600.00	11,520.00	(208,572.71)
131000	ALLSTATE CORPORATION	0.84	30.12	3,945,857.11	36.98	4,844,380.00	110,040.00	898,522.89
78000	ALLTEL CORPORATION	1.36	63.48	4,951,086.95	47.00	3,666,000.00	106,080.00	(1,285,086.95)
124000	AMERICAN EXPRESS	1.28	35.21	4,365,955.88	36.32	4,503,680.00	158,720.00	137,724.12
170000	AMERICAN INT'L GROUP	0.19	39.17	6,659,194.90	68.23	11,599,100.00	32,300.00	4,939,905.10
24000	AMERICAN STANDARD COMPANY INC	-	76.56	1,837,451.75	75.10	1,802,400.00	-	(35,051.75)
184000	AMGEN	-	39.09	7,192,026.57	41.88	7,705,920.00	-	513,893.43
100000	ANALOG DEVICES, INC.	-	77.78	7,777,626.20	29.70	2,970,000.00	-	(4,807,626.20)
178200	APACHE CORPORATION	0.40	48.33	8,612,950.00	57.48	10,242,936.00	71,280.00	1,629,986.00
438000	APPLIED MATERIALS	-	8.77	3,839,389.94	19.02	8,330,760.00	-	4,491,370.06
63000	BIOGEN INC	-	52.42	3,302,525.41	41.43	2,610,090.00	-	(692,435.41)
230000	BJ SERVICES COMPANY	-	38.20	8,787,004.51	33.88	7,792,400.00	-	(994,604.51)
116000	BJ'S WHOLESALE CLUB, INC.	-	39.96	4,635,191.94	38.50	4,466,000.00	-	(169,191.94)
139000	BROADWING INC.	-	24.71	3,434,036.66	2.60	361,400.00	-	(3,072,636.66)
170000	CABLEVISION SYSTEMS CORP	-	45.79	7,784,872.96	9.46	1,608,200.00	-	(6,176,672.96)
54000	CANADIAN NATIONAL RAILWAY	0.55	47.15	2,546,230.04	51.80	2,797,200.00	29,700.00	250,969.96
31000	CHEVRONTXACO CORP	2.80	83.70	2,594,661.20	88.50	2,743,500.00	86,800.00	148,838.80
82666	CHOICEPOINT INCORPORATED	-	39.02	3,225,282.80	45.47	3,758,823.02	-	533,540.22
460000	CISCO SYSTEMS	-	8.68	3,993,043.47	13.95	6,417,000.00	-	2,423,956.53
285333	CITIGROUP, INC.	0.72	43.32	12,359,485.18	38.75	11,056,653.75	205,439.76	(1,302,831.43)
290000	COMCAST CORP.	-	32.64	9,465,307.56	23.84	6,913,600.00	-	(2,551,707.56)
31000	CONSTELLATION ENERGY GROUP INC	0.96	43.80	1,357,939.50	29.34	909,540.00	29,760.00	(448,399.50)
410500	COVAD COMMUNICATIONS GROUP	-	38.66	15,871,207.45	1.18	484,390.00	-	(15,386,817.45)
228000	CYTYC CORPORATION	-	16.40	3,739,091.20	7.62	1,737,360.00	-	(2,001,731.20)
86000	ELECTRONICS BOUTIQUE HOLDINGS CORP.	-	36.47	3,136,188.60	29.30	2,519,800.00	-	(616,388.60)
246000	EMC CORP	-	9.34	2,296,411.47	7.55	1,857,300.00	-	(439,111.47)
184000	EXPRESS SCRIPTS	-	21.07	3,877,393.41	50.11	9,220,240.00	-	5,342,846.59
275294	EXXON MOBIL CORP	0.92	36.93	10,167,645.16	40.92	11,265,030.48	253,270.48	1,097,385.32
62000	FLEETBOSTON FINANCIAL CORPORATION	1.40	37.91	2,350,477.80	32.35	2,005,700.00	86,800.00	(344,777.80)
25000	FORTUNE BRANDS, INC.	1.00	52.06	1,301,538.40	56.00	1,400,000.00	25,000.00	98,461.60
31000	GENENTECH, INC.	-	45.05	1,396,422.90	33.50	1,038,500.00	-	(357,922.90)
64000	GENZYME CORPORATION	-	57.57	3,684,187.80	19.24	1,231,360.00	-	(2,452,827.80)
98000	GLOBALSANTAFE CORP	0.13	34.58	3,389,123.50	27.35	2,680,300.00	12,740.00	(708,823.50)
33000	HEALTHSOUTH CORP	-	15.03	495,904.20	12.79	422,070.00	-	(73,834.20)
222000	HOME DEPOT	0.20	12.90	2,863,307.49	36.73	8,154,060.00	44,400.00	5,290,752.51

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
AS OF JUNE 30, 2002**

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
246000	INTEL CORPORATION	0.08	21.34	5,250,330.85	18.27	4,494,420.00	19,680.00	(755,910.85)
61000	INTERNATIONAL BUSINESS MACH.	0.60	33.06	2,016,494.78	72.00	4,392,000.00	36,600.00	2,375,505.22
124000	JABIL CIRCUIT	-	20.73	2,570,343.92	21.11	2,617,640.00	-	47,296.08
48000	JACOBS ENGINEERING GROUP INC.	-	30.23	1,451,042.40	34.78	1,669,440.00	-	218,397.60
170000	JDS UNIPHASE CORPORATION	-	70.58	11,999,266.90	2.67	453,900.00	-	(11,545,366.90)
32000	JOHNSON & JOHNSON CO	0.82	53.85	1,723,212.80	52.26	1,672,320.00	26,240.00	(50,892.80)
138000	JP MORGAN CHASE & CO	1.36	35.29	4,870,314.10	33.92	4,680,960.00	187,680.00	(189,354.10)
92000	KIMBERLY-CLARK CORPORATION	1.20	53.23	4,897,193.98	62.00	5,704,000.00	110,400.00	806,806.02
61000	KINDER MORGAN, INC.	0.40	54.09	3,299,641.00	38.02	2,319,220.00	24,400.00	(980,421.00)
18200	LANDSTAR SYSTEMS, INC	-	105.27	1,915,860.00	106.85	1,944,670.00	-	28,810.00
54000	LENNAR CORPORATION	0.05	43.64	2,356,328.44	61.20	3,304,800.00	2,700.00	948,471.56
77000	LEXMARK INTERNATIONAL GROUP	-	72.92	5,614,589.78	54.40	4,188,800.00	-	(1,425,789.78)
197000	LSI LOGIC	-	38.06	7,498,339.90	8.75	1,723,750.00	-	(5,774,589.90)
255000	MBNA CORP	0.28	19.26	4,911,670.06	33.07	8,432,850.00	71,400.00	3,521,179.94
60000	MEDIMMUNE, INC.	-	59.46	3,567,406.00	26.40	1,584,000.00	-	(1,983,406.00)
48000	MICROCHIP TECHNOLOGY INC.	-	25.86	1,241,156.50	27.43	1,316,640.00	-	75,483.50
154000	MICROSOFT CORPORATION	-	80.73	12,433,158.01	54.70	8,423,800.00	-	(4,009,358.01)
31302	MOHAWK INDUSTRIES	-	71.17	2,227,696.41	61.53	1,926,012.06	-	(301,684.35)
62000	MOODY'S CORPORATION	0.18	36.09	2,237,441.82	49.75	3,084,500.00	11,160.00	847,058.18
92000	NABORS INDUSTRIES, LTD	-	54.57	5,020,324.92	35.30	3,247,600.00	-	(1,772,724.92)
53000	NATIONAL-OILWELL, INC.	-	38.80	2,056,240.40	21.05	1,115,650.00	-	(940,590.40)
38500	NEWS CORPORATION	0.05	22.68	873,168.88	22.93	882,805.00	1,925.00	9,636.12
108000	NOBLE CORPORATION	-	44.90	4,849,413.68	38.60	4,168,800.00	-	(680,613.68)
63000	OXFORD HEALTH PLANS, INC.	-	26.97	1,699,244.08	46.46	2,926,980.00	-	1,227,735.92
186000	P.F. CHANG'S CHINA BISTRO	-	26.44	4,918,602.64	31.42	5,844,120.00	-	925,517.36
32000	PACTIV CORPORATION	-	16.00	512,060.80	23.80	761,600.00	-	249,539.20
78000	PEPSICO INC.	0.60	48.65	3,794,362.30	48.20	3,759,600.00	46,800.00	(34,762.30)
147750	PFIZER INC.	0.52	24.64	3,641,259.78	35.00	5,171,250.00	76,830.00	1,529,990.22
62000	PHARMACEUTICAL PRODUCT DEVELOPMENT, I	-	24.05	1,491,164.60	26.34	1,633,080.00	-	141,915.40
109000	PLANTRONICS, INC.	-	26.82	2,923,352.10	19.01	2,072,090.00	-	(851,262.10)
31000	QUALCOMM INCORPORATED	-	45.70	1,416,551.20	27.49	852,190.00	-	(564,361.20)
24000	QUEST DIAGNOSTIC	-	87.08	2,089,941.60	86.05	2,065,200.00	-	(24,741.60)
220000	SAFEWAY INC	-	33.71	7,415,701.60	29.19	6,421,800.00	-	(993,901.60)
338000	SANMINA CORP.	-	26.00	8,786,737.98	6.31	2,132,780.00	-	(6,653,957.98)
171000	SCHOLASTIC CORPORATION	-	28.62	4,894,244.90	37.90	6,480,900.00	-	1,586,655.10
108500	SCP POOL CORPORATION	-	26.60	2,886,050.61	27.76	3,011,960.00	-	125,909.39
31000	SEARS, ROEBUCK AND COMPANY	0.92	56.36	1,747,036.98	54.30	1,683,300.00	28,520.00	(63,736.98)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
AS OF JUNE 30, 2002**

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COMMON STOCK PORTFOLIO

Shares	Description	Div Rate	Book Cost per Share	Book Cost	Market Price	Market Value	Annual Income	Gain or (Loss) Amount
109000	SEI INVESTMENTS COMPANY	0.12	39.38	4,291,880.30	28.17	3,070,530.00	13,080.00	(1,221,350.30)
80000	SEITEL, INC	-	18.69	1,495,549.90	1.00	80,000.00	-	(1,415,549.90)
94000	SIEBEL SYSTEMS	-	34.90	3,280,381.40	14.22	1,336,680.00	-	(1,943,701.40)
185000	SOLETRON	-	41.43	7,664,567.78	6.15	1,137,750.00	-	(6,526,817.78)
94000	SPRINT CORPORATION (PCS GROUP)	-	26.67	2,506,826.20	4.47	420,180.00	-	(2,086,646.20)
47000	ST. JUDE MEDICAL	-	81.51	3,830,992.90	73.85	3,470,950.00	-	(360,042.90)
320000	SYMANTEC CORPORATION	-	24.76	7,921,722.00	32.85	10,512,000.00	-	2,590,278.00
87000	T. ROWE PRICE GROUP INC	0.64	39.60	3,445,415.80	32.88	2,860,560.00	55,680.00	(584,855.80)
123000	TARGET CORP	0.24	28.76	3,536,884.98	38.10	4,686,300.00	29,520.00	1,149,415.02
69000	TENET HEALTHCARE CORPORATION	-	45.45	3,135,716.70	71.55	4,936,950.00	-	1,801,233.30
77000	TXU CORP	2.40	41.09	3,163,685.74	51.55	3,969,350.00	184,800.00	805,664.26
290958	TYCO INTERNATIONAL LTD.	0.05	33.70	9,804,606.19	13.51	3,930,842.58	14,547.90	(5,873,763.61)
26000	UNITED RENTALS, INC	-	21.75	565,450.60	21.80	566,800.00	-	1,349.40
33000	VALERO ENERGY CORPORATION	0.40	50.03	1,650,970.20	37.42	1,234,860.00	13,200.00	(416,110.20)
154000	VISHAY INTERTECHNOLOGY INC	-	26.63	4,101,625.30	22.00	3,388,000.00	-	(713,625.30)
306000	VODAFONE GROUP PLC	0.22	20.63	6,311,524.18	13.65	4,176,900.00	67,320.00	(2,134,624.18)
102000	WALGREEN COMPANY	0.15	16.15	1,646,919.02	38.63	3,940,260.00	15,300.00	2,293,340.98
105000	WAL-MART STORES	0.30	55.20	5,796,154.20	55.01	5,776,050.00	31,500.00	(20,104.20)
32000	WATERS CORPORATION	-	34.30	1,097,552.00	26.70	854,400.00	-	(243,152.00)
16000	WHIRLPOOL CORP	1.36	77.53	1,240,507.30	65.36	1,045,760.00	21,760.00	(194,747.30)
93000	WILLIAMS COMPANIES, INC.	0.80	39.36	3,660,928.83	5.99	557,070.00	74,400.00	(3,103,858.83)
80500	WORLDCOM INC.	-	32.92	2,649,879.29	0.83	66,815.00	-	(2,583,064.29)
TOTAL COMMON STOCK				403,055,868.68		341,648,827.89	2,579,353.14	(61,407,040.79)

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
INVESTMENTS OWNED
JUNE 30, 2002**

OTHER INVESTMENTS PORTFOLIO

Security	Coupon	Maturity	Book Cost	Current Value	Gain or Loss	Annual Income	Book Yield
BRIDGE FINANCIAL LOANS							
BRIDGE FINANCIAL--Dynamite Mtn. Ranch	12.750	6/30/2002	401,415.01	401,415.01	-	51,180.41	12.8%
BRIDGE FINANCIAL--Grand Inn	12.500	9/25/2000	330,000.00	330,000.00	-	41,250.00	12.5%
TOTAL BRIDGE FINANCIAL LOANS			731,415.01	731,415.01	-	92,430.41	12.6%
MISCELLANEOUS							
PEBBLECREEK PROPERTIES	10.00	4/1/2005	10,000.00	10,000.00	-	1,000.00	10.0%
TOTAL MISCELLANEOUS			10,000.00	10,000.00	-	1,000.00	10.0%
TOTAL BEFORE LLC			741,415.01	741,415.01	-	93,430.41	12.6%
LLC							
DESERT TROON, LLC			3,720,000.00	3,720,000.00			
PIVOTAL X, LLC			18,355,275.00	18,355,275.00			
TOTAL LLC			22,075,275.00	22,075,275.00			
TOTAL OTHER INVESTMENTS			22,816,690.01	22,816,690.01			

ACTUARIAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Actuarial Certification Statement

Aggregate Actuarial Balance Sheet, June 30, 2002

Summary of Valuation Methods and Assumptions

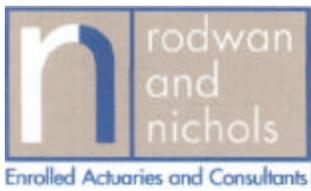
Solvency Test

Summary of Active Member Data

Summary of Inactive Member Data

Schedule of Retirants and Beneficiaries

Schedule of Experience Gain / (Loss)



August 28, 2002

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

Attention: Jack Cross, Administrator

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

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

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

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

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

Respectfully submitted,

Joseph A. Nichols/sig

Sandra W. Rodwan/sig

Joseph A. Nichols

Sandra W. Rodwan

Members, American Academy of Actuaries

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Summary of Plan Provisions

See Note 1 in the Notes to the Financial Statements.

Summary of Valuation Methods

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

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

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

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

Summary of Valuation Assumptions

Economic Assumptions

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

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

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

Sample Annual Rates of Salary Increase

Age	Across-the-Board	Merit and Longevity	Other	Total
20 to 25	5.5%	3.0%	1.0%	9.5%
30	5.5	2.6	1.0	9.1
35	5.5	1.1	1.0	7.6
40 to 50	5.5	0.2	1.0	6.7
55	5.5	0.1	1.0	6.6
60	5.5	-	1.0	6.5
65	5.5	-	1.0	6.5

Demographic Assumptions

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

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

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

Sample Ages	Years of Service	Percent of Active Members	
		Separating Within the Year	Disabled Within the Year
All	0	30.0%	(all years of service)
	1	25.0	
	2	20.0	
	3	15.0	
	4	12.0	
25	5 and over	7.0	0.08%
30		7.0	0.10
35		7.0	0.12
40		6.0	0.25
45		6.0	0.33
50		5.0	0.40
55		5.0	0.47
60		5.0	0.50

Rates first used for June 30, 1999 valuation

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

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

Age	Percent of Active Members Retiring During Next Year
40 to 59	25%
60 to 61	30
62 to 64	40
65	100

Active members are eligible to retire at any age with 20 years of service, at age 62 with 10 years of service or when the sum of age and service equals at least 80.

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

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

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

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

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

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

Valuation Date	Aggregate Accrued Liabilities for			Valuation Assets Available for Benefits (2)	Portion of Accrued Liabilities Covered by Net Assets Available for Benefits		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6-30-87	\$ 21,780	\$ 982	\$ 46,170	\$ 47,550	100.0%	100.0%	100.0%
6-30-88	\$ 29,173	\$ 3,062	\$ 44,649	\$ 69,842	100.0%	100.0%	100.0%
6-30-89 ¹	\$ 33,509	\$ 5,473	\$ 60,131	\$ 88,756	100.0%	100.0%	100.0%
6-30-90 ¹	\$ 38,021	\$ 7,177	\$ 77,380	\$ 108,973	100.0%	100.0%	96.4%
6-30-91 ¹	\$ 45,827	\$ 11,457	\$ 89,016	\$ 138,901	100.0%	100.0%	95.0%
6-30-92	\$ 51,610	\$ 16,527	\$ 95,503	\$ 168,553	100.0%	100.0%	98.7%
6-30-93 [*]	\$ 57,143	\$ 21,924	\$ 105,232	\$ 198,692	100.0%	100.0%	100.0%
6-30-94 ¹	\$ 62,219	\$ 26,556	\$ 133,072	\$ 223,847	100.0%	100.0%	100.0%
6-30-95	\$ 67,694	\$ 34,141	\$ 152,354	\$ 265,006	100.0%	100.0%	100.0%
6-30-96 [*]	\$ 74,927	\$ 41,777	\$ 173,814	\$ 319,255	100.0%	100.0%	100.0%
6-30-97 ^{*1}	\$ 82,948	\$ 52,028	\$ 220,614	\$ 393,904	100.0%	100.0%	100.0%
6-30-98	\$ 93,758	\$ 66,343	\$ 250,430	\$ 484,956	100.0%	100.0%	100.0%
6-30-99	\$ 106,390	\$ 95,116	\$ 242,170	\$ 592,152	100.0%	100.0%	100.0%
6-30-00	\$ 119,562	\$ 107,650	\$ 274,111	\$ 704,991	100.0%	100.0%	100.0%
6-30-01	\$ 132,404	\$ 133,492	\$ 288,491	\$ 776,177	100.0%	100.0%	100.0%
6-30-02	\$ 143,888	\$ 185,594	\$ 303,756	\$ 782,446	100.0%	100.0%	100.0%

See notes on page 26.

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

Listed below is a summary of Active Members by age group, years of service and annual compensation. The summary points out that there were 10,464 members in the Plan as of June 30, 2001, compared to 11,047 for the prior year.

Attained Age	Years of Service to Valuation Date							Totals	
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.	Valuation Payroll
< 20	28							28	\$ 726,462
20 - 24	791	3						794	\$ 20,877,851
25 - 29	1,495	242						1,737	\$ 48,449,300
30 - 34	1,176	528	114		1			1,819	\$ 54,115,828
35 - 39	740	404	274		76			1,494	\$ 47,214,259
40 - 44	652	330	238		166	29	4	1,419	\$ 46,961,035
45 - 49	455	253	178		168	61	5	1,120	\$ 38,035,192
50 - 54	340	221	157		179	67	13	978	\$ 34,912,740
55 - 59	223	168	137		126	33	11	700	\$ 25,325,346
60 - 69	108	97	70		72	17	4	368	\$ 13,579,399
70+	4	1	1					7	\$ 230,388
Totals	6,012	2,247	1,169		788	207	37	4	\$ 330,427,800

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

COMPARATIVE SCHEDULE

Fiscal Year Ended	Employer Units	Active Members	Total Payroll (+000)	Averages			
				Age (years)	Service (years)	Pay	Increase in Average Pay
6-30-87	11	4,936	\$ 102,910	38.0	3.5	\$20,849	
6-30-88	11	5,702	\$ 117,234	37.6	3.4	\$20,560	-1.4%
6-30-89	11	6,246	\$ 134,520	37.4	4.0	\$21,537	4.8%
6-30-90	11	6,478	\$ 136,693	37.8	4.4	\$21,101	-2.0%
6-30-91	11	6,867	\$ 153,351	38.0	4.6	\$22,332	5.8%
6-30-92	11	7,091	\$ 156,257	38.1	5.0	\$22,036	-1.3%
6-30-93	12	7,550	\$ 166,831	38.2	5.2	\$22,097	0.3%
6-30-94	12	7,828	\$ 177,717	38.3	5.3	\$22,703	2.7%
6-30-95	12	8,365	\$ 198,603	38.2	5.3	\$23,742	4.6%
6-30-96	12	8,945	\$ 224,686	38.0	5.2	\$25,119	5.8%
6-30-97	12	9,728	\$ 249,203	38.1	5.3	\$25,617	2.0%
6-30-98	12	9,571	\$ 261,700	38.2	5.5	\$27,343	6.7%
6-30-99	12	10,901	\$ 305,478	37.8	5.2	\$28,023	2.5%
6-30-00	12	11,290	\$ 339,440	38.1	5.3	\$30,066	7.3%
6-30-01	12	11,047	\$ 339,783	38.1	6.6	\$30,758	2.3%
6-30-02	12	10,464	\$ 330,428	38.7	6.0	\$31,578	2.7%

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

INACTIVE MEMBERS

Attained Age	Years of Service to Valuation Date					Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20+	
< 20	3					3
20 - 29	287	13				300
30 - 39	264	21	11			296
40 - 44	82	20	5	5	1	113
45 - 49	70	13	11	7		101
50 - 54	57	19	19	8		103
55 - 59	59	9	16	9	4	97
60 - 69	28	6	20	7	2	63
70+	3					3
Totals	853	101	82	36	7	1,079

RETIRANTS AND BENEFICIARIES

Valuation Date	Number Removed From Roles	Number Added to Roles	Totals	Annual Pensions	Percent Increase	Average Pension
6/30/1992	2	70	226	\$ 1,631,420	41.5%	\$ 17,606
6/30/1993	5	74	295	\$ 2,203,198	35.0%	\$ 19,182
6/30/1994	4	65	356	\$ 2,710,269	23.0%	\$ 20,707
6/30/1995	8	87	435	\$ 3,456,705	27.5%	\$ 21,608
6/30/1996	12	81	504	\$ 4,274,602	23.7%	\$ 22,541
6/30/1997	12	106	598	\$ 5,305,705	24.1%	\$ 23,508
6/30/1998	15	125	708	\$ 6,884,614	29.8%	\$ 24,584
6/30/1999	21	138	825	\$ 9,642,797	40.1%	\$ 26,211
6/30/2000	25	125	925	\$ 11,042,151	14.5%	\$ 11,937
6/30/2001	40	155	1,040	\$ 13,446,069	21.8%	\$ 12,929
6/30/2002	30	208	1,218	\$ 17,660,064	31.3%	\$ 14,499

**STATE OF ARIZONA
CORRECTIONS OFFICER RETIREMENT PLAN
SCHEDULE OF EXPERIENCE GAIN/(LOSS)
YEAR ENDED JUNE 30, 2002**

DERIVATION

(1) UAAL* at start of year	\$ (221,790,354)
(2) Normal cost for year	48,554,947
(3) Funding Method Contribution	(36,633,478)
(4) Interest accrued on (1), (2) and (3)	(19,424,666)
(5) Expected UAAL before changes [(1)+(2)-(3)+(4)]	(229,293,551)
(6) Effect of assumption changes***	11,677,000
(7) Effect of cost method changes	None
(8) Expected UAAL after changes	(217,616,551)
(9) Actual UAAL	(150,208,099)
(10) Gain/(Loss) (9)-(10)	\$ (67,408,452)
(11) As % of AAL** at beginning of year	12.2%

* Unfunded actuarial accrued liability

** Actuarial accrued liability

*** Estimated

STATISTICAL SECTION

CORRECTIONS OFFICER RETIREMENT PLAN
SIXTEENTH COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Schedule of Revenues by Source and Expenses by Type

Schedule of Benefit Expenses by Type

Summary of Retired Member and Survivor Data

Summary of Benefit Increases

Participating Employers

Summary of Growth of the System

Earnings Distribution – Fiscal Year Ended June 30, 2002

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

FYE	<u>REVENUES</u>		Net Investment Income***	Total
	Member ** Contributions	Employer Contributions* % of Annual Covered Payroll		
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 20%	\$44,235,782 60%	\$73,063,317 100%
1997	\$16,052,492 14%	\$16,704,445 15%	\$80,841,733 71%	\$113,598,670 100%
1998	\$21,647,490 16%	\$17,063,015 12%	\$99,003,314 72%	\$137,713,819 100%
1999	\$24,808,816 17%	\$17,109,704 12%	\$102,169,586 71%	\$144,088,106 100%
2000	\$28,009,210 21%	\$16,876,163 12%	\$92,772,177 67%	\$137,657,550 100%
2001	\$28,966,162 -31%	\$14,927,396 -15%	(\$138,559,756) 146%	(\$94,666,198) 100%
2002	\$29,532,366 -46%	\$7,101,112 -11%	(\$100,518,025) 157%	(\$63,884,547) 100%

FYE	<u>EXPENSES</u>			Total
	Benefits	Administrative Expenses****	Refunds	
1993	\$2,292,052 35%	\$252,855 4%	\$4,008,570 61%	\$6,553,477 100%
1994	\$2,834,598 35%	\$245,568 3%	\$5,024,767 62%	\$8,104,933 100%
1995	\$3,390,108 36%	\$285,989 3%	\$5,779,554 61%	\$9,455,651 100%
1996	\$4,312,487 41%	\$281,224 3%	\$5,979,772 56%	\$10,573,483 100%
1997	\$5,280,996 42%	\$292,893 2%	\$6,918,704 56%	\$12,492,593 100%
1998	\$6,883,596 44%	\$329,550 2%	\$8,416,350 54%	\$15,629,496 100%
1999	\$8,917,450 49%	\$348,302 2%	\$9,043,573 49%	\$18,309,325 100%
2000	\$10,777,009 42%	\$344,542 2%	\$14,385,327 56%	\$25,506,878 100%
2001	\$13,433,499 47%	\$365,742 2%	\$14,609,539 51%	\$28,408,780 100%
2002	\$17,576,451 55%	\$397,110 2%	\$14,271,104 43%	\$32,244,665 100%

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

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

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

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

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

Fiscal Year	Normal Benefits	Disability Benefits	Survivor Benefits	Insurance Benefits	Totals
1988	\$158,461	\$4,382	\$65,620	-	\$228,463
	69%	2%	29%		100%
1989	\$314,249	\$19,611	\$132,143	-	\$466,003
	68%	4%	28%		100%
1990	\$455,345	\$31,387	\$210,017	-	\$696,749
	65%	5%	30%		100%
1991	\$685,114	\$44,941	\$347,457	\$62,366	\$1,139,878
	60%	4%	31%	5%	100%
1992	\$1,031,785	\$55,783	\$479,846	\$125,620	\$1,693,034
	61%	3%	28%	8%	100%
1993	\$1,390,554	\$77,305	\$661,349	\$162,844	\$2,292,052
	61%	3%	29%	7%	100%
1994	\$1,727,201	\$165,818	\$745,568	\$196,011	\$2,834,598
	61%	6%	26%	7%	100%
1995	\$2,182,356	\$220,204	\$747,598	\$239,950	\$3,390,108
	64%	7%	22%	7%	100%
1996	\$2,831,205	\$273,769	\$915,429	\$292,084	\$4,312,487
	66%	6%	21%	7%	100%
1997	\$3,561,512	\$353,098	\$1,014,073	\$352,313	\$5,280,996
	67%	7%	19%	7%	100%
1998	\$4,713,170	\$481,804	\$1,223,055	\$465,567	\$6,883,596
	68%	7%	18%	7%	100%
1999	\$5,957,350	\$614,275	\$1,801,580	\$544,245	\$8,917,450
	67%	7%	20%	6%	100%
2000	\$7,416,745	\$706,266	\$2,013,181	\$640,817	\$10,777,009
	69%	6%	19%	6%	100%
2001	\$9,266,426	\$849,350	\$2,587,972	\$729,751	\$13,433,499
	69%	6%	19%	6%	100%
2002	\$12,301,106	\$986,621	\$2,494,885	\$1,793,839	\$17,576,451
	70%	6%	14%	10%	100%

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

The following summary presents an analysis of the benefit changes that have taken place during the past 16 years. The number of retired members and the amount of annual pensions has increased at compounded annual rates of 15.3% and 27.2% over the last five years.

COMPARATIVE SCHEDULE

Year Ended June 30	Retired			Annual Pensions	Average Pension	Ratio of Active to Retired
	Normal	Disability	Survivors Totals			
1987	10		5	\$103,522	\$6,901	329.1 to 1
1988	34		14	\$325,835	\$6,788	118.8 to 1
1989	61		24	\$571,541	\$6,724	73.5 to 1
1990	78	4	33	\$765,738	\$6,659	56.3 to 1
1991	111	5	42	\$1,152,673	\$7,295	43.5 to 1
1992	163	5	58	\$1,631,420	\$7,219	31.4 to 1
1993	214	9	72	\$2,203,198	\$7,468	25.6 to 1
1994	255	17	84	\$2,710,269	\$7,613	22.0 to 1
1995	312	23	100	\$3,456,750	\$7,947	19.2 to 1
1996	365	24	115	\$4,274,602	\$8,481	17.7 to 1
1997	430	32	136	\$5,305,705	\$8,872	16.3 to 1
1998	516	42	150	\$6,884,614	\$9,724	13.5 to 1
1999	599	49	177	\$9,642,797	\$11,688	13.2 to 1
2000	672	55	198	\$11,042,151	\$11,937	12.2 to 1
2001	748	64	228	\$13,446,069	\$12,929	10.6 to 1
2002	903	68	247	\$17,660,064	\$14,499	8.6 to 1

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

SUMMARY OF RETIRED MEMBERS AND SURVIVORS - JUNE 30, 2002

Pensions Being Paid	Number	Annual Pensions	Average Pensions
Retired Members - Service Pensions	903	\$ 14,103,900	\$ 15,619
- Disability Pensions	68	\$ 1,010,628	\$ 14,862
Totals	971	\$ 15,114,528	\$ 15,566
Survivors of Members - Spouses	228	\$ 2,369,700	\$ 10,393
- Children with Guardians	19	\$ 175,836	\$ 9,255
Totals	247	\$ 2,545,536	\$ 10,306
Total Pensions Being Paid	1,218	\$ 17,660,064	\$ 14,499

	Average Age	Average Service (yrs)	Average Age at Retirement (yrs)
Normal retired members	65.2	17.9	60.4
Disability retired members	50.7	10.2	45.6
Spouse beneficiaries	58.9	11.0	51.2

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

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

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
6/30/1991	0.50%	\$ 11,456,784	<u>\$ 57,284</u>			
	Amount available:	7-1-92 increase	57,284	None	\$24.64	None
	Investment earnings on balance		5,322			
	Amount utilized:	7-1-92 increase	-			
6/30/1992	0.29%	\$ 16,527,313	<u>\$ 47,929</u>			
	Amount available:	7-1-93 increase	110,535	\$5	\$24.06	\$5.00
	Investment earnings on balance		9,992			
	Amount utilized:	7-1-93 increase	(93,840)			
6/30/1993	0.04%	\$ 21,923,868	<u>\$ 8,770</u>			
	Amount available:	7-1-94 increase	35,457	None	\$24.89	None
	Investment earnings on balance		2,177			
	Amount utilized:	7-1-94 increase	-			
6/30/1994	0.00%	\$ 26,556,396	<u>\$ -</u>			
	Amount available:	7-1-95 increase	37,634	None	\$25.38	None
	Investment earnings on balance		3,880			
	Amount utilized:	7-1-95 increase	-			
6/30/1995	1.31%	\$ 34,140,660	<u>\$ 447,241</u>			
	Amount available:	7-1-96 increase	488,755	\$10	\$26.49	\$10.00
	Investment earnings on balance		53,519			
	Amount utilized:	7-1-96 increase	(397,082)			
6/30/1996	1.95%	\$ 38,930,508	<u>\$ 759,145</u>			
	Amount available:	7-1-97 increase	904,337	\$15	\$28.27	\$15.00
	Investment earnings on balance		100,562			
	Amount utilized:	7-1-97 increase	(674,496)			
6/30/1997	2.12%	\$ 48,380,789	<u>\$ 1,025,673</u>			
	Amount available:	7-1-98 increase	1,356,076	25	\$78.36	\$25.00
	Investment earnings on balance		296,303			
	Amount utilized:	7-1-98 increase	(1,391,471)			
	Amount Transferred by HB 2496		7,310,486			
6/30/1998	12.85%	\$ 61,782,309	<u>\$ 7,939,027</u>			
	Amount available:	7-1-99 increase	15,510,421	\$125.00	\$32.41	\$32.41
	Investment earnings on balance		2,729,834			
	Amount utilized:	7-1-99 increase	(2,369,795)			

BENEFIT INCREASE SCHEDULE

Fiscal Year Ended	Excess Yield per Statute*	Excess Earnings Assets**	Excess Earnings	Monthly Benefit Increase Fundable	Maximum per Statutory 4% Cap	Lesser of Two Increase Awarded
6/30/1999	8.60%	\$ 309,115,721	<u>\$ 26,583,952</u>			
	Amount available: 7-1-00 increase		42,454,412	\$550.00	\$38.96	\$38.96
	Investment earnings on balance		5,612,473			
	Amount utilized: 7-1-00 increase		(3,253,379)			
6/30/2000	4.22%	\$ 354,772,102	<u>\$ 14,971,383</u>			
	Amount available: 7-1-01 increase		59,784,889	\$680.00	\$39.79	\$39.79
	Investment earnings on balance		(10,202,889)			
	Amount utilized:		(3,761,946)			
6/30/2001	0.00%	\$ 342,836,483	<u>\$ -</u>			
	Amount available: 7-1-02 increase		45,820,054	36.5%	4.0%	4.0%
	Investment earnings on balance		(6,717,220)			
	Amount utilized:		(4,650,770)			
6/30/2002	0.00%	\$ 294,470,202	<u>\$ -</u>			
	Amount available: 7-1-03 increase		34,452,064	20.5%	4.0%	4.0%

2. Amount equal to retired reserves until 6-30-98 when the assets to be used was changed to one-half of the average net total assets as published in the annual report.

3. Effective 7/1/02, Benefit increases are limited to a maximum of 4% of the benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund.

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

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

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

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

Fiscal Year	Total Assets at Book	Realized Earnings from Investments	Assumed Actuarial Yield	Net Effective Yield	Average Employer Cost
Assets					
Transferred	\$ 35,898,096				
1986-87	\$ 47,550,266	\$ 2,591,092	9.00%	12.57%	6.00%
1987-88	\$ 69,842,267	\$ 4,829,032	9.00%	8.69%	6.00%
1988-89	\$ 88,759,811	\$ 6,981,352	9.00%	9.27%	6.00%
1989-90	\$ 109,000,881	\$ 7,969,987	9.00%	8.44%	6.00% ¹
1990-91	\$ 138,958,392	\$ 11,171,749	9.00%	9.50%	6.35% ²
1991-92	\$ 168,663,770	\$ 15,081,978	9.00%	10.35%	6.16% ^{2,3}
1992-93	\$ 198,727,336	\$ 15,833,256	9.00%	9.04%	6.22%
1993-94	\$ 223,939,998	\$ 12,564,499	9.00%	6.14%	5.83%
1994-95	\$ 261,475,094	\$ 23,730,177	9.00%	10.31%	5.54%
1995-96	\$ 309,150,409	\$ 29,543,144	9.00%	10.95%	6.66% ²
1996-97	\$ 365,414,374	\$ 35,445,750	9.00%	11.12%	6.93% ⁴
1997-98	\$ 426,352,295	\$ 38,356,983	9.00%	10.21%	6.63%
1998-99	\$ 519,862,471	\$ 70,754,167	9.00%	16.23%	5.98% ²
1999-00	\$ 588,205,472	\$ 49,627,757	9.00%	9.39%	5.14%
2000-01	\$ 631,618,088	\$ 29,491,487	9.00%	4.96%	1.88%
2001-02	\$ 646,861,802	\$ 11,656,015	9.00%	1.84%	1.15%
2002-03					1.71%

1. Before changes in benefit provisions.

2. After change in benefit provisions

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

4. After changes in benefit provisions and assumptions

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