



Member News

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A Newsletter From The St. Paul Teachers' Retirement Fund Association

December 2007

Annual Report Summary Year Ending June 30, 2007

This annual issue of Member News is focused primarily on the financial status of the St. Paul Teachers' Retirement Fund Association (SPTRFA) for the fiscal year ended June 30, 2007, summarizing financial and actuarial information included in the full Annual Report, copies of which are distributed to the administrative office of each school or location where members work. It is also available to members upon request.

If you are planning to retire this year, please see the related article on page two.

The Year In Review

Revenues & Expenditures

Reserves required to finance benefits come from employee and employer contributions, state aid and investment gains. During the fiscal year, contributions totaled \$37,555,739. Net investment income including unrealized market appreciation was \$197,682,714 for the same period.

Benefits to retirees, disabilitants and survivors paid in this fiscal year totaled \$82,809,201. Refunds to members who left the Association totaled \$1,461,575. Administrative expenses were \$695,700.

Net assets held in trust on June 30, 2007 were \$1,156,017,206; a gain of \$150,271,977 over the same period the previous year.

Investment Activity

Investment performance for the year was very positive, as the total fund return for the twelve months ending June 30, 2007 was 19.8% net of fees; 11.3% more than our actuarial 8.5% target. Strong performance by active equity managers, domestic and international, helped to place the SPTRFA among the top 2% of funds in the Callan Public Fund Universe for the year. Total returns exceeded our composite index benchmark by 1.3%.

The five year annualized rate of return was 13.1%, which a full 4.6% over the 8.5% long-term expected or "break-even" performance level on assets.

Member Services

The number of retirees, disabilitants, and survivors receiving benefits was 2,738. New retirements totaled 138 during the year, while 62 retired members and survivors passed away. The average monthly benefit for a typical full career retiree (with St. Paul service from 25 to 35 years) was \$3,643.

There were 3,982 active teaching members of the Association. The SPTRFA sent detailed benefit estimates to each active, vested member over age 40 who work at least 40% FTE. All other members received a statement of account status.

Funding

The actuary for the Association forecasts liability exposures and asset accumulation for the fund through the full-funding target date set in law, presently June 30, 2021.

The actuarial report for the plan year commencing July 1, 2007 reflects a funded ratio of 73%, an improvement of 4% over the previous year. The aforementioned excess investment returns for the year provided the fuel from the asset side, while a refinement in the treatment of service record data provided a positive adjustment on the liability side.

The fund continued to show a contribution deficiency of 8% of payroll, or \$18 million. Windfalls from excess investment returns and service credit data reconciliations have helped the fund, but they will not resolve an ongoing shortfall of such magnitude.

Legislation

The 2007 Session Omnibus Pension Bill had provisions that affected SPTRFA:

- A two-year pilot program establishing a COLA formula closely matched with that applied by Social Security.
- Repeal of the conditional administrative expense surcharge assessed to members (Minn. Stat. 354A.12, Subd. 3(d)).

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2008 Cost of Living Adjustment

The Laws of Minnesota 2007, chapter 134, article 7, section 1 authorized a pilot program for SPTRFA COLA increases effective January 1, 2008 and 2009. Increases under the new method will closely match those provided each year by the Social Security Administration. This COLA will reduce the impact of inflation on pension benefits.

Members retired for at least one year will receive an increase of 2.3% on January 1, 2008. Members who commenced receiving benefits in 2007 will receive a *pro rata* COLA based on full calendar quarters in benefit payment status.

The new COLA formula was, in part, an SPTRFA legislative initiative as response to the blanket 5% cap placed on increases by the 2006 Legislature. The SPTRFA proposed a resolution to problems raised by the 2006 action which respected the 5% cap. It also converted the post-retirement increase formula to a true cost-of-living adjustment. The two year pilot was applied to give the Legislature a chance to review our program after the state pension funds bring forth a proposal expected to have similar objectives, but a different structure.

Professional Services

Our Association is audited each year by the Office of the State Auditor. Actuarial data is provided by the Segal Company, who produce the official valuations for all Minnesota defined benefit public pension funds. Special actuarial services are provided by our consultant, Gabriel, Roeder, and Smith. Legal services were provided by the firm of Oppenheimer, Wolff & Donnelly, LLP. Investment performance information is from our General Investment Consultant, Callan Associates.



Staff Vacancy

The pension office has an opening for a full-time Communications and Benefits Education Specialist. This person will be primarily responsible for special publications targeting active members. It also consists of regular on-site informational presentations throughout the year. Members wishing to learn more about this opportunity may obtain a copy of the position announcement through:

- Website: www.sptrfa.org
- Phone: 651-642-2550

Retiring in June 2008?

For members planning to retire in at the end of the school year, please call the SPTRFA office to schedule a retirement counseling appointment. Scheduling your appointment at least 60 days prior to retiring will give you the greatest scheduling flexibility.

Some topics covered during your appointment include application, direct deposit of benefit and income tax withholding.

Items to bring to your appointment are photocopies of:

- Your birth certificate, and, if applicable:
 - Your spouse's birth certificate, and
 - Your marriage certificate, and
 - If any, a copy of a marriage dissolution orders

Please note that these items can also be submitted when you send in your retirement paperwork.

To be included in the early notification incentive, you need to notify the Saint Paul Public Schools (SPPS) by March 1, 2008 of your intention to retire at the end of the school year. However, it is not necessary to have an appointment with the SPTRFA before March 1, 2008.

Questions on severance, insurance and early notification should be directed to the SPPS Benefits Department at (651) 767-8212.

Even if you have already notified the Saint Paul Public Schools of your intent to retire in June 2008, you must still notify SPTRFA to complete the necessary retirement paperwork to begin your monthly benefit.



Annual Meeting

The Annual Meeting of the Members is scheduled for 4:00 p.m. on Thursday, January 17, 2008. The meeting will be held at the Saint Paul Public Schools District Headquarters in Auditoriums A & B (main level) at 360 Colborne Street in Saint Paul.

The agenda for the meeting includes, but is not limited to the election of trustees, reports on membership, revenues and expenditures, presentations by investment managers, and a Committee of Nine report.

Statement of Plan Net Assets

Financial Summary for the Fiscal Year Ended June 30, 2007

Assets			
Cash	3,605,645	Securities Lending Collateral	76,161,448
Receivables	26,668,122	Furniture and Fixtures	17,515
Investments (Fair Value):		Total Assets	1,258,661,393
U.S. Government Securities	30,664,839	Liabilities	
TBA Mortgage-backed Securities	21,325,779	Accounts Payable	1,019,188
Corporate Bonds	51,265,856	Security Purchases Payable	25,463,551
Common Stocks	199,875,336	Securities Lending Collateral	76,161,448
Commingled Investment Funds	741,190,895	Total Liabilities	102,644,187
Alternative Investments	13,187,663	Net Assets Held in Trust for Pension Benefits	1,156,017,206
Real Estate	94,698,295		
Total Investments	1,152,208,663		

Statement of Changes in Plan Net Assets

Financial Summary for the Fiscal Year Ended June 30, 2007

Additions		Net Income From Securities Lending Activity	206,822
Contributions:		Total Net Investment Income/(Loss)	197,682,714
Employer	20,466,200	Total Additions	235,238,453
Employee	13,438,323	Deductions	
State of Minnesota	3,651,216	Benefits to Participants	82,809,201
Total Contributions	37,555,739	Withdrawals and Refunds	1,461,575
Investment Income:		Total Benefits, Withdrawals and Refunds	84,270,776
Appreciation in Fair Value	187,919,225	Administrative Expenses	695,700
Interest	5,467,842	Total Deductions	84,966,476
Dividends	4,333,320	Net Increase (Decrease)	150,271,977
Other	4,820,217	Net Assets Held in Trust for Pension Benefits:	
Total Investing Activity Income/(Loss)	202,540,604	Beginning of the Year	1,005,745,229
Less: Investing Activity Expense	(5,064,712)	End of the Year	1,156,017,206
Net Income/(Loss) From Investing Activity	197,475,892		
Securities Lending Income	4,956,080		
Less: Borrower Rebates	4,661,390		
Less: Management Fees	87,868		
Total Securities Lending Expense	4,749,258		

Required Contributions and Funding Ratios

Actuarial Valuation Summary Data as of July 1, 2007 — In Thousands

	2006	2007
A. Contributions % of Payroll		
1. Statutory Contributions - Chapter 354A	16.33%	16.07%
2. Required Contributions - Chapter 356	25.03%	24.10%
3. Sufficiency / (Deficiency)	(8.70%)	(8.03%)
B. Funding Ratios		
1. Accrued Benefit Funding Ratio		
a. Current Assets	938,919	1,015,722,034
b. Current Benefit Obligations	1,305,809	1,345,611,315
c. Funding Ratio	71.90%	75.48%
2. Accrued Liability Funding Ratio		
a. Current Assets	938,919	1,015,722,034
b. Actuarial Accrued Liability	1,358,620	1,391,297,918
c. Funding Ratio	69.11%	73.01%
3. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	1,328,442	1,392,647,697
b. Current and Expected Future Benefit Obligations	1,577,289	1,605,847,494
c. Funding Ratio	84.22%	86.72%

Reconciliation of Members

Actuarial Valuation Summary Data as of July 1, 2007

	Members Not Yet Retired		
	Active Members *	Deferred Retirement	Other Non-Vested
Total on June 30, 2006	4,202	1,447	1,671
Total on June 30, 2007	3,982	1,693	1,538
	Members Receiving a Benefit		
	Retired	Disabled	Survivors
Total on June 30, 2006	2,302	25	297
Total on June 30, 2007	2,413	24	301

* Includes members on leave of absence