



# Member News

www.sptrfa.org

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

December 2008

## Annual Report Summary Year Ending June 30, 2008

This issue of Annuitant News is focused primarily on the financial status of the St. Paul Teachers' Retirement Fund Association (SPTRFA) for the fiscal year ended June 30, 2008. The explanation here summarizes financial and actuarial information included in the full Annual Report, a copy of which is distributed to the administrative office of each school or location where members work and is also available on the SPTRFA website. Members may request a printed copy.

For those of you planning to retire this year, please see the 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 \$37,926,873. The net investment loss (realized and unrealized) was \$79,802,528 for the same period.

Benefits to retirees, disabilitants and survivors paid in this fiscal year totaled \$88,273,233. Refunds to members who left the Association totaled \$1,537,577. Administrative expenses were \$691,157.

Net assets held in trust on June 30, 2008, were \$1,023,639,594; a loss of \$132,377,612 from the same period in the previous year.

### Investment Activity

Investment performance for the fiscal year was negative, driven by the credit and mortgage crises. The total fund return for the twelve months ending June 30, 2008 was (6.6%) net of fees; 15.1% less than our actuarial 8.5% target. Equity markets were down by more than 20% across the board. Bonds were also down, still reeling from the liquidity problems spawned by the mortgage loan strains that commenced last year.

The five year annualized rate of return was 11.0%, a full 2.5% over the 8.5% long-term expected performance level on assets.

### Member Services

The number of retirees, disabilitants, and survivors receiving benefits was 2,851. New retirements totaled 122 during the year, while 72 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 \$3,700.

There were 4,121 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, which changed as of the 2008 Legislative Session to a rolling 25-year amortization.

The actuarial report for the plan year commencing July 1, 2008, reflects a funded ratio of 75.1%, an improvement of 1.5% over the previous year. The improvement is in part an artifact of asset smoothing, giving greater weight to prior positive years, and less weight to losses in our most recent year. The fund has a contribution deficiency of 1.9% of payroll or \$4.7 million.

### Legislation

The 2008 Session Omnibus Pension Bill had provisions that affected SPTRFA:

- ◆ The SPTRFA target date for full funding has been changed to a 25-year 'rolling' amortization cycle for actuarial valuations of funded status. This change will more clearly measure our funded status, required contributions, and will spread unfunded liability more fairly among succeeding cohorts of members and taxpayers, reflecting our status as an open plan.
- ◆ The SPTRFA now has the authority to contract with *one* actuary, hired by the SPTRFA Board of Trustees rather than two,

*Year in Review continued on Page 2*

*Year in Review continued from Page 1*

one of which was under a joint contract with other funds.

- ◆ The post-retirement excess earnings offset threshold increased from the annual amount set by the Social Security Administration (SSA) to \$46,000.
- ◆ Married members in our Coordinated Plan are now required to obtain a notarized spousal consent on annuity option elections other than a *50% or greater* joint and survivor benefit. SPTRFA policy has been to obtain a notarized spousal signature for whichever option is selected by the member.
- ◆ A mandated study by the Legislative Commission on Pensions and Retirement is due in January 2009 to evaluate the new COLA.

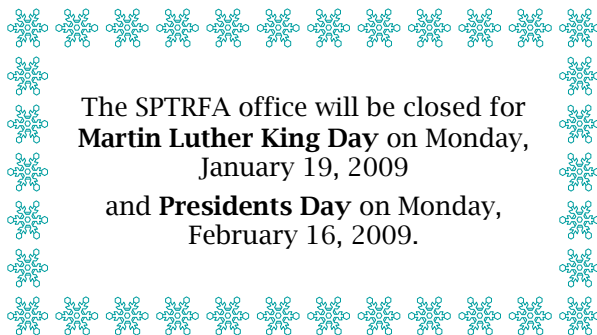
**2009 Cost of Living Adjustment (COLA)**

Members retired for at least one year will receive an increase of 2.5% on January 1, 2009. Members who commenced receiving benefits in 2008 will receive a *pro rata* COLA based on full calendar quarters in benefit payment status.

This is the second year of the SPTRFA COLA increase pilot program authorized by the Laws of Minnesota 2007, chapter 134, article 7, section 1. Increases under the new method relate to those provided each year by the SSA.

**Professional Services**

Our Association is audited each year by the Office of the State Auditor. Actuarial data is provided by Gabriel Roeder Smith & Company. Legal services were provided by the firm of Oppenheimer, Wolff & Donnelly, LLP. Investment performance information is from our general investment consultant, Callan Associates.


  
 The SPTRFA office will be closed for **Martin Luther King Day** on Monday, January 19, 2009  
 and **Presidents Day** on Monday, February 16, 2009.

**Retiring in June 2009?**

For members planning to retire 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.

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

You may bring photocopies of the following to your appointment:

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

These items may also be submitted when you send in your pension benefit paperwork.

To be included in the next early notification incentive, you need to notify the Saint Paul Public Schools (SPPS) by February 1, 2009, 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 February 1, 2009.

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 SPPS of your intent to retire in June 2009, 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 15, 2009. The meeting will be held at the SPPS District Headquarters Auditoriums E & F (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, 2008

<b>Assets</b>			
Cash	\$ 3,656,588	Securities Lending Collateral	\$ 62,579,497
Receivables	\$ 8,261,364	Furniture and Fixtures	34,073
Investments (Fair Value):		<b>Total Assets</b>	<u>\$ 1,089,666,262</u>
U.S. Government Securities	\$ 52,794,589	<b>Liabilities</b>	
TBA Mortgage-backed Securities	540,281	Accounts Payable	\$ 1,155,074
Corporate Bonds	51,063,287	Security Purchases Payable	2,292,095
Common Stocks	158,436,379	Securities Lending Collateral	62,579,497
Commingled Investment Funds	656,167,971	<b>Total Liabilities</b>	<u>\$ 66,026,666</u>
Alternative Investments	7,411,946	<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 1,023,639,594</u>
Real Estate	88,720,287		
Total Investments	<u>\$ 1,015,134,740</u>		

## Statement of Changes in Plan Net Assets

### Financial Summary for the Fiscal Year Ended June 30, 2008

<b>Additions</b>			
Contributions:		Securities Lending Income	\$ 3,608,395
Employer	\$ 20,775,392	Less: Borrower Rebates	(3,129,488)
Members	13,642,161	Less: Management Fees	(143,003)
State of Minnesota	3,509,320	Total Securities Lending Expense	<u>(\$ 3,272,491)</u>
Total Contributions	<u>\$ 37,926,873</u>	Net Income From Securities Lending Activity	335,904
Investment Income/(Loss):		Total Net Investment Income/(Loss)	<u>( 79,802,528)</u>
Net realized gain/(loss)	\$ 35,274,036	<b>Total Additions</b>	<u>(\$ 41,875,655)</u>
Net change: unrealized gain/(loss)	(127,960,087)	<b>Deductions</b>	
Total Depreciation in Fair Value	<u>(\$ 92,686,051)</u>	Benefits to Participants	\$ 88,273,233
Interest	6,194,504	Withdrawals and Refunds	<u>1,537,577</u>
Dividends	6,614,376	Total Benefits, Withdrawals & Refunds	\$ 89,810,800
Other	4,506,041	Administrative Expenses	691,157
Total Investing Activity Income/(Loss)	(\$ 75,371,130)	<b>Total Deductions</b>	<u>\$ 90,501,957</u>
Less: Investing Activity Expense	(4,767,302)	Net Increase (Decrease)	(132,377,612)
Net Income/(Loss) From Investing Activity	<u>(\$ 80,138,432)</u>	<b>Net Assets Held in Trust for Pension Benefits:</b>	
		Beginning of the Year	1,156,017,206
		<b>End of the Year</b>	<u>\$ 1,023,639,594</u>

## Required Contributions and Funding Ratios

*Actuarial Valuation Summary Data as of July 1, 2008 — In Thousands*

	2007	2008
<b>A . Contributions % of Payroll</b>		
1. Statutory Contributions - Chapter 354A	16.07%	15.73%
2. Required Contributions - Chapter 356	24.10%	17.63%
3. Sufficiency / (Deficiency)	(8.03%)	(1.90%)
<b>B . Funding Ratios</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets	\$ 1,015,722	\$ 1,075,951
b. Current Benefit Obligations	1,345,611	1,384,463
c. Funding Ratio	75.48%	77.72%
2. Accrued Liability Funding Ratio *		
a. Current Assets	\$ 1,015,722	\$ 1,075,951
b. Actuarial Accrued Liability	1,391,298	1,432,040
c. Funding Ratio	73.01%	75.13%
3. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	\$ 1,392,648	\$ 1,565,414
b. Current and Expected Future Benefit Obligations	1,605,847	1,643,226
c. Funding Ratio	86.72%	95.26%

\* Ratio most frequently referenced.

## Reconciliation of Members

*Actuarial Valuation Summary Data as of July 1, 2008*

	Members Not Yet Retired		
	Active Members **	Deferred Retirement	Other Non-Vested
Total on June 30, 2007	3,982	1,693	1,538
Total on June 30, 2008	4,121	1,695	1,403
	Members Receiving a Benefit		
	Retirement	Disability	Survivor
Total on June 30, 2007	2,413	24	301
Total on June 30, 2008	2,535	26	290

\*\* Includes members on leave of absence