



# Member News

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

December 2010

## Annual Report Summary Year Ending June 30, 2010

This issue of the 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, 2010. 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, in PDF format, on the SPTRFA website. Members may request a printed copy.

## 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 \$39 million, while our net investment income (including realized and unrealized gains) was \$99 million.

Benefits paid to retirees, disabilitants and survivors in this fiscal year totaled \$95 million, while refunds to members who left the Association were just over \$1 million. Administrative expenses were about one-half of one percent of total expenditures.

Net assets held in trust for future benefit payments grew from \$773 million to \$815 million over the fiscal year. The \$42 million increase was primarily due to investment returns.

### Investment Activity

Investment performance for the fiscal year exceeded our actuarial target. The total fund return for the twelve months ending June 30, 2010, was 13.1% net of fees; 4.6% more than our statutorily-required actuarial 8.5% target. Our five-year annualized rate of return was 2.9%, which is 5.6% less than the 8.5% long-term expected return on assets. This means that while fiscal year returns were moving the Fund in a positive direction, we have much work to do to

move our five-year annualized rate of return of 2.9% closer toward our 8.5% statutory target.

Our fiscal year 2010 investment performance placed the SPTRFA in the 40<sup>th</sup> percentile within the Callan Public Funds Universe.

### Member Services

The number of retirees, disabilitants, and survivors receiving benefits was 3,044. New retirements totaled 166 during the year, while 74 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 \$3,300. There were 3,837 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 is a constant 25-year amortization period. The actuarial report for the plan year commencing July 1, 2011, reflects a funded ratio of 68.0%, down 4.2% from the previous year. The fund has a contribution deficiency of 4.2% of payroll or \$10.6 million.

The SPTRFA has taken steps to fill the contribution deficiency and funding ratio gaps by shared sacrifice of major stakeholders in the Fund, as described in the Legislation section below.

### Legislation

The 2010 Session Omnibus Pension Bill had provisions that affected the SPTRFA: For our active members, statutory employer and employee contributions will increase by one-quarter of one percent increments over four years, with the first contribution increase effective for salary earned on or after July 1, 2011.

For our retirees, a one-year COLA suspension for January 1, 2011 was passed in the 2010 Legislative Session. This means that the second year of our post-retirement benefit increase pilot (COLA) project for our retirees was

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suspended. The only consoling news is that had the suspension not occurred, our retirees still would not have seen a pension benefit increase. This is because our COLA law limited retiree benefit increases to those paid by the U.S. Social Security Administration up to a maximum of 5%. The COLA to be paid by the U.S. Social Security Administration will be 0% for January 1, 2011.

For all members, while the SPTRFA is not directly involved, the executive directors of the three statewide retirement systems (the Minnesota State Retirement System, the Minnesota Public Employees Retirement Association, and the Minnesota Teachers Retirement Association) were directed by law to jointly conduct a study of defined benefit, defined contribution and other alternative retirement plans for Minnesota public employees. The report is due to the Legislature by June 1, 2011. This report may have direct relevance not only for the future of the three statewide plans, but also the future of the SPTRFA. Therefore, we will continue to attend stakeholder meetings as the study progresses. More information on this study is available at: [www.sptrfa.org/about/links.asp](http://www.sptrfa.org/about/links.asp) - see "Study of Alternative Retirement Plans for Minnesota Public Employees."

### 2011 Cost of Living Adjustment (COLA)

As mentioned in the Legislation section above, SPTRFA annuitants will not receive an increase on January 1, 2011, due to suspension of the SPTRFA COLA for 2011.

### 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.

## What's Going on at the SPTRFA? Join us at the Annual Meeting to Find Out!

The SPTRFA Annual Meeting of the Members is scheduled for 4:00 p.m. on Thursday, January 20, 2011. The meeting will be held at the SPPS District Headquarters in Auditoriums E & F (main level) at 360 Colborne Street in St. Paul.

The agenda for the meeting includes, but is

not limited to, the election of trustees, reports on membership, revenues and expenditures, an investment manager presentation, and a Committee of Nine report.

## Retiring this Year?

### Monthly Pension Benefit - Administered by the SPTRFA

If you are planning to retire and draw your SPTRFA pension benefit this year, please call our office at 651-642-2550 to schedule a pension benefit counseling appointment. Scheduling your appointment at least 60 days prior to retiring will give you the greatest appointment scheduling flexibility.

Your appointment will include a review of your estimated pension amounts and options, along with a discussion of the pension application process and any other pension-related decisions to be made before you apply.



### Early notification bonus, severance pay, and post-retirement insurance coverage - Administered by SPPS

Please direct questions on the early notification bonus, severance pay, and post-retirement insurance coverage to the SPPS Benefits Department at (651) 767-8212.

Please note that it is not necessary to have an SPTRFA counseling appointment or to complete your SPTRFA pension application paperwork before the SPPS early notification deadline. However, even if you have already notified SPPS of your intent to retire, you must still notify the SPTRFA of your intent to draw your pension so that you may obtain and complete the necessary paperwork to begin receiving your monthly pension.

## Member Benefit Estimate Changes

If you received a SPTRFA Member Estimate as of June 30, 2010, you will likely notice a decrease in projected future monthly pension benefits. Why? The trend in recent contract salary settlements has been lower than the 2.5% previously estimated, so the SPTRFA has modified the annual salary increase assumption to 1.5% for estimating future benefits. Your *actual* benefit will be based on your *actual* salary at the time of retirement.

## Statement of Plan Net Assets

### Financial Summary for the Fiscal Year Ended June 30, 2010

<b>Assets</b>		Securities Lending Collateral	\$ 12,286,262
Cash	\$ 4,535,622	Furniture and Fixtures	24,801
Receivables	4,544,911	<b>Total Assets</b>	\$ 829,842,108
Investments (Fair Value)		<b>Liabilities</b>	
U.S. Government Securities	\$ 1,000,000	Accounts Payable	\$ 1,163,923
Corporate Bonds	62,727	Security Purchase Payable	1,084,801
Corporate Stocks	129,425,717	Securities Lending Collateral	12,286,262
Commingled Investment Funds	600,489,255	<b>Total Liabilities</b>	\$ 14,534,986
Private Equity	9,565,201		
Real Estate Trusts	67,907,612		
<b>Total Investments</b>	\$ 808,450,512	<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 815,307,122</b>

## Statement of Changes in Plan Net Assets

### Financial Summary for the Fiscal Year Ended June 30, 2010

<b>Additions</b>			
Contributions		Securities Lending Income	145,110
Employer	\$ 21,017,889	Less: Borrower Rebates	45,570
Members	13,831,670	Less: Management Fees	(56,857)
State of Minnesota	4,108,442	Total Securities Lending Expense	(\$ 11,287)
Total Contributions	\$ 38,958,001	Net Income From Securities Lending Activity	133,823
Investment Income/(Loss):		Total Net Investment Income/(Loss)	100,053,970
Net realized gain/(loss)	\$ 36,938,065	<b>Total Additions</b>	\$ 138,011,970
Net changes: unrealized gain/(loss)	59,750,096	<b>Deductions</b>	
Total Appreciation in Fair Value	\$ 96,688,161	Benefits to Participants	\$ 95,299,300
Interest	508,461	Withdrawals and Refunds	1,062,532
Dividends	2,961,141	Total Benefits, Withdrawals & Refunds	\$ 96,361,832
Other	4,357,067	Administrative Expenses	602,001
Total Investing Activity		<b>Total Deductions</b>	(\$ 99,963,833)
Income/(Loss)	\$ 104,514,830	Net Increase (Decrease)	42,048,137
Less: Investing Activity Expense	(4,594,683)	<b>Net Assets Held in Trust for Pension Benefits:</b>	
Net Income/(Loss) From Investing Activity	\$ 99,920,147	Beginning of the Year	773,258,985
		<b>End of the Year</b>	<b>\$ 815,307,122</b>

## Required Contributions and Funding Ratios

*Actuarial Valuation Summary Data as of July 1, 2010*

	2009	2010
<b>A. Contributions % of Payroll</b>		
1. Statutory Contributions - Chapter 354A	15.64%	15.60%
2. Required Contributions - Chapter 356	18.40%	19.84%
3. Sufficiency / (Deficiency)	(2.76%)	(4.24%)
<b>B. Funding Ratios</b>		
1. Accrued Liability Funding Ratio *		
a. Current Assets	\$ 1,049,954	\$ 1,001,444
b. Actuarially Accrued Liability	1,454,314	1,471,630
c. Funding Ratio	72.20%	68.05%
2. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	\$ 1,552,760	\$ 1,579,825
b. Current and Expected Future Benefit Obligations	1,668,532	1,684,504
c. Funding Ratio	93.06%	93.79%

\* Ratio most frequently used

## Reconciliation of Members

*Actuarial Valuation Summary Data as of July 1, 2010*

	Members Not Yet Retired		
	Active Members **	Deferred Retirement	Other Non-Vested
Total on June 30, 2009	3,940	1,823	1,451
Total on June 30, 2010	3,837	1,863	1,419
	Members Receiving a Benefit		
	Retirement	Disability	Survivor
Total on June 30, 2009	2,615	25	293
Total on June 30, 2010	2,721	23	300

\*\* Includes members on leave of absence