



Member News

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

June 2009

2009 Legislative Session

Friday, May 22, 2009, Governor Pawlenty signed into law the Omnibus Pension Bill. Several of the provisions in this sweeping piece of legislation affect how benefits are paid to our members and how your pension fund is administered.

Sections of the bill (Chapter 169 / SF0191) affecting the St. Paul teachers most directly were authored by Senator Sandra Pappas. Her advocacy, with the studied consideration and support of senior Pension Commission members (in particular Senator Don Betzold and Representative Mary Murphy) were critical in securing passage of legislation important to the SPTRFA. Governor Pawlenty helped all pension funds by removing from the outset any cuts to retirement plans as part of the budget cutting deliberations. Special thanks are owed to each.

KEY PROVISIONS

POST RETIREMENT COST-OF-LIVING-ADJUSTMENT (COLA)

The post-retirement benefit increase pilot project for our retirees has been extended for another two years (2010 and 2011) per Article 7 of the Omnibus Bill. There is a significant change from the first pilot authorized for the 2008 and 2009 calendar increases.

Retiree COLA increases will continue to match those paid by the U.S. Social Security Administration up to a maximum of 5%. However, under the new law, no investment performance test will be associated with that calculation. This is a significant improvement over previous law.

STATE AMORTIZATION AID INCREASED

State assistance in paying off the unfunded liabilities of the SPTRFA comes annually through several different appropriations. Article 8 of the Omnibus bill increases the

Separating from Service

If, at the end of the school year, you find yourself terminating service with Saint Paul Public Schools (SPPS) you have several options to consider for your pension.

Draw Your Retirement Benefit

If you are vested (at least three years of retirement service credit), are at least 55 years old, or any age with 30 years of service you can begin drawing your lifetime monthly retirement benefit. Early retirement reductions may apply.

Defer Your Benefit

You may defer commencement of your monthly benefit until you are age 55 or older if you are vested. Your benefit will be augmented each year until you begin drawing your benefit. Early retirement reductions may apply.

Take a Refund of Your Contributions

A refund forfeits all rights to a future benefit from the SPTRFA. Federal tax law mandates that 20% of the refund must be withheld for federal income tax unless the total of contributions and interest is less than \$200.00. If you are under age 59 ½ at the time of the refund you may be subject to an additional 10% penalty when you file your federal income tax return. You may avoid the tax withholding and penalty by rolling the refund into a tax-deferred account (e.g., 403(b), IRA).

Combined Service

If you plan to work or have worked in the State of Minnesota under public employment, you may be or have been covered by another defined benefit Minnesota public pension fund. As a result, you may be eligible to use the combined service law (a form of benefit portability). This law allows one to combine all allowable service in all covered Minnesota public pension funds for purposes of benefit eligibility and calculation.

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amount allocated to the SPTRFA under Minn. Stat. 423A.02 by about \$250,000 per year beginning in 2010.

Obtaining even marginal increases in State funding in the budget slashing 2009 Session is no small accomplishment. Special thanks are due to the Committee of Nine and their lobbyist, Brian Rice.

IRS CONFORMITY PROVISIONS

State Statutes affecting the SPTRFA were modified to conform with U.S. Internal Revenue Service (IRS) laws and regulations. These changes are necessary from time-to-time in order to maintain our status as a “qualified” (tax-exempt) pension fund. Two significant updates needed this year are related to maximum covered salaries and maximum benefit amounts allowed by the IRS for qualified plans. Our members are not near the IRS limits, but the plan documents must include them all the same.

Interim Study on Consolidation Funding

The Legislature requested a study of the feasibility of establishing a statewide fund to facilitate the consolidation of local pension funds into one of the three large statewide systems. This report, due in February 2010, could have direct relevance for the future of the SPTRFA. We will monitor its development and recommendations very closely.

The original Pension Omnibus bill included a major benefit increase proposal for all teachers, championed by Representative Paul Thissen. Due to cost concerns, however, the benefit improvements were removed in the final days of the 2009 Session.

Overall, 2009 was not a momentous Legislative Session, but we accomplished more than was on the list of necessary changes, and did not get drawn into the budget-cutting process—a most successful year indeed.

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If you have questions about separating from service with SPPS, more information can be found in your Pension Facts booklet (available on our website) or you may contact us with your specific question(s) at: (651) 642-2550 or info@sptrfa.org.

Navigating in a Storm

If you were born after 1940, you can safely say that this is the worst economy you have ever seen. Real gross domestic product (GDP) fell at an annual rate of 6.3% in the fourth quarter of 2008 and 6.1% in the first quarter of 2009. Unemployment is now at 8.5%, and is expected to hit 10% before the economy turns the corner. There are signs of hope from net exports and consumer spending on durable goods. The federal bailout of the financial industry and fiscal stimulus initiatives may have averted what might have been a much worse situation. Whether we can ultimately afford this medicine remains to be seen.

For the quarter ending March 31st, the fund suffered an 8.3% loss. The trailing 12-month decline was 29.7%. Equity markets were the source of our woes, with U.S. stocks down 11% for the quarter, and 38% for the year. International stocks were down 10% and 41% over the same periods. Bonds were an anchor against the equity gales; though slightly negative in the first quarter of 2009, they returned 1.9% over the trailing 12-months. This is the role they are expected to play in the portfolio overall. The chart on the top of page three shows very clearly why bonds must be part of a diversified pension fund. While stocks have swung between a positive and negative 40% since 1999, bonds have held within a zero to 10% range.

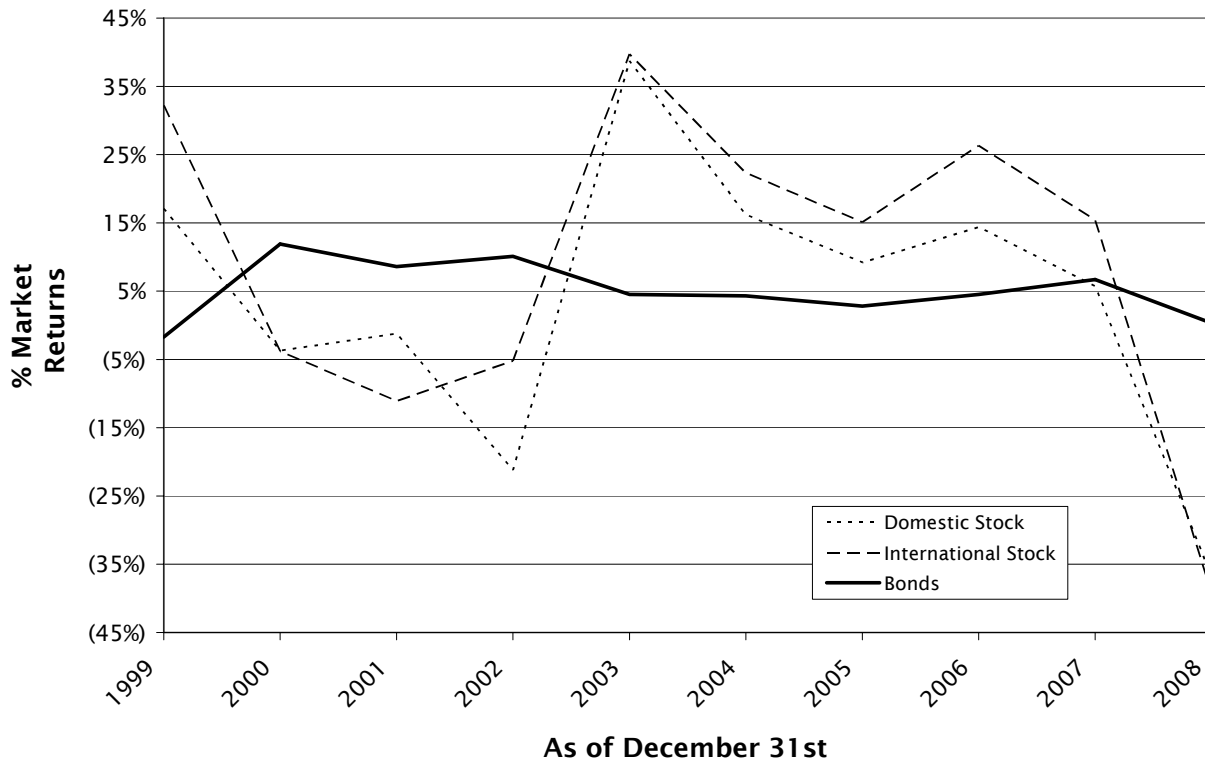
We cannot predict what markets will do in the short term. That is why the Board sets investment allocations based on long-term return patterns and rebalances the fund back to those targets whenever market storms throw our ship off course.

Summer Holidays & Office Hours

From Monday June 15, 2009,
to Friday August 14, 2009,
SPTRFA Office hours will be:
7:30 a.m. to 4:00 p.m.

The SPTRFA office will be closed for the **Independence Day** holiday on Friday, July 3, 2009 and the **Labor Day** holiday on Monday, September 7, 2009.

Historical Percentage Market Returns



SPTRFA — Returns for Periods ending March 31, 2009	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	(10.7%)	(37.6%)	(13.82%)	(3.6%)
S&P 500 Index Benchmark	(11.0%)	(38.1%)	(13.1%)	(4.8%)
Domestic Fixed Income	(0.9%)	(1.8%)	3.8%	3.0%
BC Aggregate Index Benchmark	0.1%	3.1%	5.8%	4.1%
International Equity	(10.0%)	(41.0%)	(10.1%)	0.96
MSCI EAFE Index Benchmark	(13.9%)	(46.5%)	(14.5%)	(2.2%)
Real Estate	(12.5%)	(23.8%)	(1.4%)	-
NCREIF Total Index Benchmark	(7.3%)	(14.7%)	4.2	-
Total Fund	(8.3%)	(29.7%)	(7.7%)	0.0%
Composite Benchmark	(9.6%)	(31.1%)	(7.9%)	(0.5%)

Please note: Figures in parenthesis denote negative numbers. All bold figures are statistics for SPTRFA. Regular type denotes benchmark figures. SPTRFA returns by asset class are gross of fees. The Total Fund return is net of manager fees and all transaction costs.

School Visits: We are there for you!

Throughout the school year I visited over 75% of the schools in the district. I spoke with many educators who asked great questions and provided wonderful feedback.



Katy Smithson

Next year I will be out visiting the schools again. When I visit your school that is *your time*; I am there for you. During a school visit anyone is welcome to ask questions or discuss the pension fund/pension benefits; it is not just for those who are close to retirement. The earlier you start to think about retirement, the better off you will be in the long run.

If you would like to help coordinate a school visit at your school in the Fall, please contact me at (651) 642-2550 or ksmithson@sptrfa.org.

Have a wonderful summer!

Extreme Makeover

Over the summer the SPTRFA website will be receiving a makeover. Next year members can look forward to an updated format with easily accessible links, documents and forms for both active and retired members. You will also find a new bulletin board on the main page which will highlight important news, upcoming events and items of special interest. Be sure to check back in the fall to see the fresh new look!



Summer Reading

Throughout the school year the SPTRFA has been sending out electronic editions of Pensions 101, an educational newsletter through which members have the opportunity to read about various topics pertaining to the pension fund and pension benefits. If you missed an edition or want to re-read an edition you can find all of them on our website at:

www.sptrfa.org/publications/pensions101.htm

All editions are available in HTML and PDF versions.

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