SPTRFA

Member News

www.sptrfa.org

A Newsletter From The St. Paul Teachers' Retirement Fund Association *June 2010*

2010 Legislative Update

Sometimes life is what happens to us while we are making other plans. When the 2010 Session began, Senator Sandra Pappas offered legislation on behalf of Saint Paul educators to try to fix the following problems.

- Increase State contributions to help resolve an ongoing underfunding gap.
- Amend a state aid sunset that could have lessened state aid to the SPTRFA.
- Increase the benefit formula for future active service from 1.7% to 1.9% per year.
- Update and clarify statutory investment constraints.

The funding crisis facing the state, however, made it necessary to change strategy, and address our funding needs differently. On May 15th, Governor Pawlenty signed the 2010 Omnibus Pension Bill (Chapter 359), which reflects compromises on funding objectives, but includes other provisions as originally proposed. Included in the final bill are the following:

- A 1% contribution increase for Saint Paul Public Schools (SPPS), phased in by ¼ percent increases over four years commencing July 1, 2011.
- The same contribution increase for active members, likewise phased in over the same four year period.
- A one-year freeze on retiree cost-of-living adjustments, effective for calendar 2011.
- Removal of the sunset provision (mentioned above) that could have cost the SPTRFA $2.8 million in State aid.
- A study of investment-related statutes affecting local plans such as the SPTRFA.

Austerity measures to constrain benefit liabilities and increase contributions were adopted in the bill for all Minnesota public pension plans in an attempt to repair damage caused by the market implosion that came with the Great Recession of 2008-09. Corrective actions for other funds are more severe than those required for the SPTRFA.

We hope the fixes ultimately adopted this Session will be sufficient to carry us to better market and funding circumstances.

Sincere thanks to Senator Pappas for her wise leadership and strong advocacy of SPTRFA's legislative needs at every turn of a long, rugged road to enactment.

Summer Hours and Dates

The SPTRFA office will begin Summer hours on June 21st and return to regular hours on September 2nd. Summer hours of operation will be **7:30 a.m. to 4:00 p.m.**

The SPTRFA office will be closed the following dates in observance of national holidays:

July 5, 2010 & September 6, 2010

Summer 2010 Retirement?

If you are planning to retire at the end of the school year please be aware that our counseling policy has changed for the remainder of the school year until September, when regular counseling policies will resume. We are not accepting counseling appointments during this period of time for any member who qualifies for the school district's Special Retirement Incentive (SRI), due to the large number of qualifying candidates. There simply is not enough time to meet one-on-one with each candidate. Individual estimates were sent out to each qualifying member the week of May 10th. The estimate contained similar information that would have been received at a counseling appointment in our office.

If you have already notified SPPS that you will be retiring please remember that you must also contact the SPTRFA to obtain and complete the necessary retirement application documents to begin receiving your monthly pension benefit payments. In addition to those documents we will also need: your birth certificate, and if applicable, your spouse's birth certificate, your marriage certificate, and if applicable, any marriage dissolution (divorce) decree(s) that occured after your first employment date with SPPS.

Investments and Fund Status

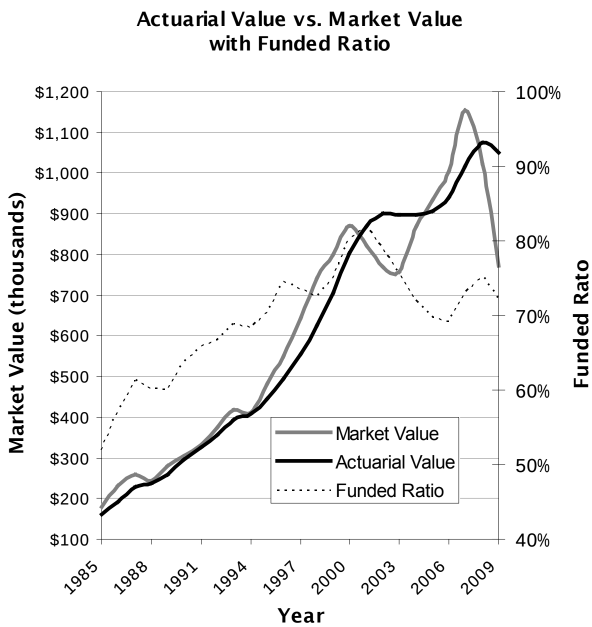
Last year our Fiscal Services Specialist, Susan Nystrom, reported that assets on the fund balance statement were $780 million as of June 30, 2009. On the same date, our actuary, James Koss, advised the SPTRFA that current assets were $1 billion. Each of these expert reports were audited, and the data they provided was determined to be quite accurate. We thanked each of them for their valuable and reliable information.

And the reader is probably convinced at this point that we are a bit confused. How can the experts be $220 million apart, and both correct? The answer is that they are measuring similar but quite different things.

From one fiscal year to the next, asset levels can be quite variable. However, the baseline assets used to project our funding status 25 years into the future must be a more stable statistic than the, date specific market value we report in our financial statements. Actuarially required contributions are driven by long-term measures. If fund contributions were set based on annual market mased measures, contributions would jump up and down with the markets making budgeting for you and the district nearly impossible.

To set contributions at a level adequate to finance future benefits over a long period of time, a less volatile measure of assets available for investment is needed. A measure that smooths out distortions to the long-range picture that year-to-year fluctuations in the investment markets would render if we used simple June 30 market value figures is needed.

Referring to the chart labeled "Actuarial Value vs. Market Value" one can readily see how much smoother the trendline is for the actuarial value of the fund; because assets are valued over a five-year window. In turn, one can see very clearly how budgetary whiplash would occur if instead we measured our funded ratio and set contributions according to the market value of the fund at the closing date of each year.



Serious problems would also occur if we valued pension funds on a market basis. However, this very idea is being debated by people who should know better. The Government Accounting Standards Board (GASB) is deliberating whether to measure pension fund health by using "market-based" figures.

We think the arguments against doing that are very compelling, and hope that GASB will come to understand why reliance on short-term market value measures of long-term funded status would be extremely counter-productive. Defined benefit pension plans such as ours would come under strong pressure to fold up and give way to defined contribution plans that force employees to bear entirely too much market risk in their retirement savings plans.

SPTRFA — Returns for Periods ending March 31, 2010	**Annualized Rates of Return vs. Benchmarks**			
	Last Quarter	**One Year**	**3 Years**	**5 Years**
Domestic Equity	**6.9%**	**57.3%**	**(2.8%)**	**3.6%**
S&P 500 Index Benchmark	5.4%	50.1%	(4.0%)	2.0%
Domestic Fixed Income	**1.7%**	**8.3%**	**4.2%**	**4.4%**
BC Aggregate Index Benchmark	1.8%	7.7%	6.1%	5.4%
International Equity	**1.3%**	**55.6%**	**(1.8%)**	**7.3%**
MSCI EAFE Index Benchmark	0.9%	54.4%	(7.0%)	3.8%
Real Estate	**2.6%**	**(3.7%)**	(7.8%)	2.4%
NCREIF Total Index Benchmark	0.8%	(9.6%)	(4.3%)	4.2%
Total Fund	**3.8%**	**38.6%**	**(1.0%)**	**5.0%**
Composite Benchmark	3.5%	37.6%	(1.5%)	4.5%

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.

St. Paul Teachers' Retirement Fund Association
1619 Dayton Avenue, Room 309
Saint Paul, Minnesota 55104-6206

A Newsletter From The St. Paul Teachers' Retirement Fund Association *June 2010*

The Member News is published by the St. Paul Teachers' Retirement Fund Association (SPTRFA), 1619 Dayton Avenue - Room 309, Saint Paul, Minnesota 55104-6206, telephone 651-642-2550. Its purpose is to provide timely and accurate information to SPTRFA members about their retirement system. SPTRFA's office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday, with the exception of designated holidays. The Member News can be provided in an alternate format.