



Member News

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

March 2007

Annual Meeting Results

The SPTRFA Annual Meeting of the Members was held on January 18, 2007, at 4:00 p.m. in the band room of Highland Park Senior High School.



ELECTION FOR THREE-YEAR TERM:

Eugene R. Waschbusch, John R. Kunz, Feryle W. Borgeson were elected for three-year terms to the Board of Trustees. Election results were:

Candidates	Number of Votes
Eugene R. Waschbusch	(elected) 1,411
John R. Kunz	(elected) 1,389
Feryle W. Borgeson	(elected) 1,362

Other candidates receiving two votes each were Stephanie J. Pignato and Richard J. Wasko. Receiving one vote each were Carol J. Adams, Matt Bogenschultz, Daniel Hegman, John Mueller, Gloria Rosso-White and Barb Wencl.



ELECTION FOR ONE-YEAR TERM:

Carol Adams was elected for a one-year term to the Board of Trustees. Election results were:

Candidates	Number of Votes
Carol J. Adams	(elected) 1,009
Stephanie J. Pignato	320
Michael J. Coffey	143

Receiving one vote each were Lori Borgeson and Pamela Petrosino.

Eugene Waschbusch, Secretary-Treasurer, reported that total revenues for the fiscal year ending June 30, 2006 were \$110 million, while expenditures were about \$80 million. There was a net gain in operating revenues of approximately \$30 million.

Total net fund investment returns were very strong, closing the fiscal year at 12.6%.

Mr. Waschbusch also reported that as of June 30, 2006, there were 4,052 active members, 1,671 non-vested terminated members, 1,447 vested terminated members, 150 members on leave of absence, and 2,624 pensioners, survivors and beneficiaries. Members drawing benefits increased by 119 over the previous year, whereas the active employee count declined by 147, including members on leave of absence.

Members heard a presentation by Elizabeth O'Hara and Gregory Johnsen of Wellington Asset

Management. Wellington manages a domestic small cap growth strategy for the SPTRFA. Also presenting was William Baumel of RWI Ventures. RWI manages a venture capital partnership in which the SPTRFA participates.

Matt Bogenschultz, Committee of Nine Chair, reminded members that the Committee is an affiliated organization that lobbies on behalf of St. Paul educators on pension matters. He reviewed the legislative priorities of the Committee for 2007.

Association Officers Election: John Kunz, President

The Board of Trustees annually reviews officer positions and committee structures, and changes are made when advisable.

This year, the trustees re-elected John Kunz as SPTRFA President. Erma McGuire was re-elected Vice-President of the Association. Eugene Waschbusch was re-elected as Secretary-Treasurer.

Standing committee appointments for 2007 were also approved.

Matt Bogenschultz was reappointed to represent the Association on the Committee of Nine.



SPTRFA Extra! New Online Publication

On Friday, February 23, 2007, as an active member, you received an email linking to your first edition of the SPTRFA Extra!

This publication is designed to provide you with both deeper and broader information on your pension plan and retirement issues.

The SPTRFA Extra! will include topics spanning benefits legislation and pension policy trends, with an emphasis on timely issue analyses or featured benefits-related subjects.

All editions will be available on our website: www.sptrfa.org with notice of availability through an email sent to active members.

2007 Legislation

The SPTRFA's goals for the 2007 Legislative Session have been defined as the **Three R's**:

Reverse the effects of long-term insufficient contributions

When the State of Minnesota turned responsibility for employer contributions back over to the school districts, the supplemental contributions needed to retire then existing unfunded liabilities were not established for local Coordinated teacher plans, though they were for the State TRA.

Our unfunded liabilities are primarily due to insufficient contributions for an extended period of time - contributions that are set by the Legislature. The SPTRFA requests assistance from the State in the form of additional amortization aid and supplemental payroll contributions.

Measures of funding status show a flat or mildly improving ratio last year.

Funded Ratio (percent)	2006	2005
With 5-year asset smoothing	69.11	69.65
Assets @ market value	74.03	71.91

Restructure the financing of the unfunded liabilities

The SPTRFA has a full-funding target date of June 30, 2021. That is 14 ½ years from now, which may seem a long way, though in actuarial terms, it is right around the corner. The compressed timeline assigns a narrow subgroup of members and taxpayers responsibility to resolve a funding deficiency that has been 30 or more years in the making.

Annual Contribution Deficiency (Percent of payroll)	2006	2005
Closed Amortization Method (2021)	8.7 %	7.3 %
Open 30 Year Amortization	2.8 %	2.3 %

An open, 30-year amortization schedule is the most equitable and rational way to distribute those past, under-funded costs. It is a more manageable and more fair way to distribute the resolution of those costs.

Replace the current formula with a true cost-of-living adjustment

The SPTRFA proposed in 2006 that our post-retirement benefit be redesigned to match increases granted by the Social Security program, the companion benefit program to our Coordinated Plan. We are offering the same cost control measure this year, which caps any future COLA at 5%.

Past Cost of Living Adjustments (As of January 1)

	SPTRFA	Social Security
2006	2.0	3.3
2005	2.0	4.1
2004	2.0	2.7
2003	2.0	2.1
2002	3.7	1.4
2001	7.7	2.6

Marriage Dissolution

Divorce is difficult enough on many levels and it is not pleasant to deal with all the related issues. Dividing up assets previously held in common is one of those issues, and pension benefits are sometimes one of those assets.

While a divorce, recent or long past, is a personal and sensitive matter, the SPTRFA is required to review any final dissolution orders before commencing benefit payments to any member so affected, whether or not the divorce explicitly references a member's pension. If a member is in the process of getting a divorce, it is always better if the SPTRFA reviews drafted filings before they are submitted to a judge.

Pension benefits can be divided as part of a divorce settlement, but only if any such division of benefits is structured in a way that is consistent with the pension benefit program administered by the SPTRFA. This is important, because this retirement fund is very different from private sector defined benefit or defined contribution programs, and attorneys drafting dissolution orders often do not fully understand the distinctions.

Division of Assets

The SPTRFA must determine that any dissolution involving the division of pension fund assets is compatible with statutes and

Marriage Dissolution continued on Page 4

Investment Performance

News from the investment front is quite positive.

The total fund rate of return for calendar 2006, net of investment manager fees, was 15.8%, placing the SPTRFA in the top 2% of the Callan Public Fund Universe. Net of fees, the three-year annualized return was 13.2%, and the five-year figure was 10.7%, and relative to the same public fund group, the SPTRFA also finished in the 2nd percentile for the five-year period.

Calendar 2006 brought several turnarounds in the domestic equity markets, with small cap and large cap stocks trading off as leaders during the year. Value stocks, in most sectors, outperformed growth stocks for most of the year.

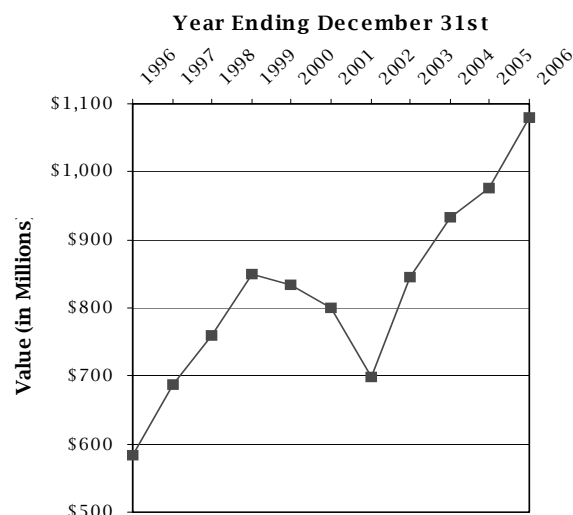
The EAFE Index (foreign, developed market stocks), was 26.3% for calendar 2006. Emerging markets returned 36.5%. Compared to most public funds, the SPTRFA has a larger allocation to international and emerging market equities (25%); a strategy that contributed significantly to performance for the year.

Rising interest rates held returns to domestic bonds at 4.5% for the year. However, the SPTRFA has allocated less than most public funds to this asset class (19%) and that has also helped overall performance. Our active fixed income manager, Voyageur, managed to outpace the Lehman

Aggregate by three-fourths of one percent over the period (a significant spread in the current environment).

As can be seen in the chart below, performance has overcome the bear market of 2000-02, and assets have appreciated dramatically.

Market Value Of Assets



SPTRFA — Returns for Periods ending December 31, 2006	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	7.5%	14.4%	13.2%	9.7%
S&P 500 Index Benchmark	6.7%	15.8%	10.4%	6.2%
Domestic Fixed Income	1.6%	4.5%	3.9%	5.2%
LB Aggregate Index Benchmark	1.2%	4.3%	3.7%	5.1%
International Equity	10.5%	26.3%	21.2%	18.7%
MSCI EAFE Index Benchmark	10.4%	26.3%	19.9%	15.0%
Real Estate	6.0%	19.7%	-	-
NCREIF Total Index Benchmark	4.5%	16.6%	-	-
Total Fund	7.0%	15.8%	13.2%	10.7%
Composite Benchmark	6.6%	16.5%	12.8%	10.5%

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.

Member News

Marriage Dissolution continued from Page 2

Association bylaws before any disbursement can be made to a member or alternate payee. Please provide the SPTRFA with a copy of the Summons and Petition, final Dissolution Decree (and Domestic Relations Order, if any) when available. The documentation must be provided prior to commencing your monthly benefit when you retire.

You may request information from the SPTRFA about your pension plan, an estimation of your benefits (if you are not yet retired), and other relevant considerations. Pension information is provided to both the petitioner and the respondent in the dissolution case after receipt of the Summons and Petition. As our member, you receive a copy of any information the SPTRFA provides.

Please note that under Minnesota law, a dissolution or domestic relations order may provide for a pension division, but it may not modify the underlying pension value, form of your benefit, nor mandate when you must retire (either by a specific date or age).

The SPTRFA provides sample language for your attorney to reference if a dissolution occurs and any encumbrance on your pension benefits is to be considered.

Other important considerations are:

1. SPTRFA is exempt from the Qualified Domestic Relations Order provisions of the

1984 Retirement Equity Act because the 1974 ERISA law relates only to private sector pension plans (See 29 U.S.C. 1003 and 1051).

2. The provisions of Minn. Stat. § 518.58, subdivision 3, provide that ". . . If liquid or readily liquidated marital property other than property representing vested pension benefits or rights is available, the court, so far as possible, shall divide the property representing vested pension benefits or rights by the disposition of an equivalent amount of the liquid or readily liquidated property."
3. The provisions of Minn. Stat. § 518.58, Subdivision 4, Points 1, 2 & 5, in conjunction with the SPTRFA bylaws allow that if the court were to direct SPTRFA to name a former spouse as an alternate payee entitled to a portion of your benefit, such payments can only begin when the you elect to retire, and are payable only so long as a benefit is payable to you or on your behalf. A former spouse is not, under most circumstances, eligible to receive a survivor annuity.

The SPTRFA office will be closed for the **Memorial Day** holiday on Monday, May 28, 2007

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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.