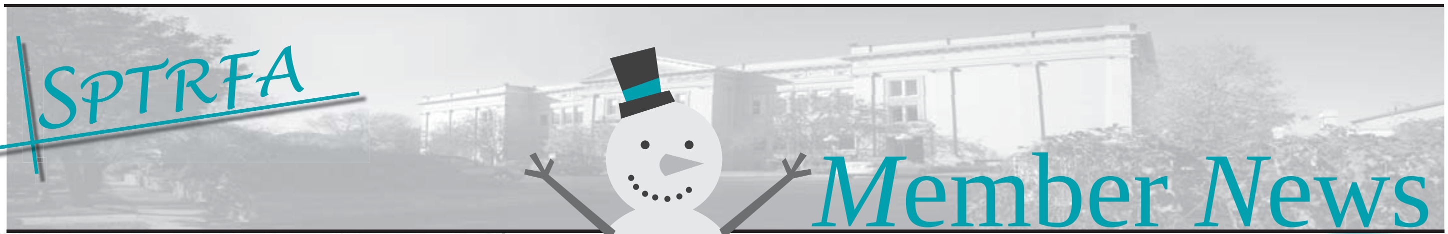


SPTRFA Member News

2011 Year in Review

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, 2011. **Inside is a summary of the financial and actuarial information included in the SPTRFA 2011 Annual Report. A copy of the Annual Report will be provided to the administrative offices where members work and will be available on the SPTRFA website: www.sptrfa.org;** print copies by request.

Legislation Update

For our retirees, July 2011 legislation set a schedule for Post Retirement Adjustments, with a 1% increase effective annually starting January 2012 until the Fund attains an 80% level of coverage of its future liabilities. At that point, the legislation calls for an additional 1% increase in the COLA. For first-year retirees, COLAs are pro-rated based on full calendar quarters in pension payment status, as of January 1.

For our active members, 2010 legislation set statutory employer and employee contributions to increase by one percent (increments stretched over four years), with the first contribution increase effective for salary earned on or after July 1, 2011.

2010 Legislation required the three statewide retirement plans (the Minnesota State Retirement System, the Minnesota Public Employees Retirement Association, and the Minnesota Teachers Retirement Association) to conduct a study of defined benefit, defined contribution and other alternative retirement plans for Minnesota public employees. This report may impact not only the future of the three statewide plans, but also the future of the SPTRFA. Full results of this study are available at: www.msrs.state.mn.us/pdf/Study6-1-2011web.pdf

Investment Activity

Investment performance for the fiscal year far exceeded our statutory actuarial target rate of return of 8.5%. The total fund return for the twelve months ending June 30, 2011, was just under 25.0%. This resulted in the second straight fiscal year in which we out-performed the target return number and helped to eliminate the remaining carry forward loss, under our five year asset smoothing procedure, experienced in 2008. Our five-year annualized rate of return nearly doubled but remained below the return objective. However, the longer term returns, 20+ years, remained above target. This means that while recent fiscal year returns have continued to move the Fund in a positive direction, further work remains. Our fiscal year 2011 investment performance placed SPTRFA in the 13th percentile within Callan's Public Funds Universe, out-performing nearly 9/10's of our peers in FY 2011.

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 $195 million. Benefits paid to retirees, disabilitants and survivors in this fiscal year totaled $97 million, while refunds to members who left the Association were just under $1 million. Administrative expenses were about three-quarters of one percent of total expenditures. Net assets held in trust for future benefit payments grew from $815 million to $950 million over the fiscal year. The $135 million increase was primarily due to investment returns.

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 an actuarial funded ratio of 70.0%, up approximately 2% from the previous year. The fund will have a contribution deficiency of 0.8% of payroll, with the contribution increases approved in 2010 fully implemented. This represents an important and significant reduction in the funding deficiency over prior year. The SPTRFA will continue to seek ways to address remaining funding ratio gaps as did 2011 legislation which involved shared sacrifices by the major stakeholders in the Fund, as described in the Legislation section.

Year In Review Continued on Page 4

Statement of Plan Net Assets

Financial Summary for the Fiscal Year Ended June 30, 2011

Assets

Cash	$	11,558,206
Receivables	$	3,437,600
Investments (Fair Value)		
U.S. Government Securities	$	–
Corporate Bonds		–
Corporate Stocks		164,992,883
Real Estate Securities		16,178,954
Private Equity		10,959,283
Real Estate		67,386,153
Commingled Investment Funds		677,130,301
Total Investments	$	936,647,574
Securities Lending Collateral	$	6,748,804
Furniture and Fixtures	$	20,125
Total Assets	**$**	**958,412,309**

Liabilities

Accounts Payable	$	1,116,140
Security Purchases Payable		426,376
Securities Lending Collateral		6,748,804
Total Liabilities	**$**	**8,291,320**

Net Assets Held in Trust for Pension Benefits:

Total Assets	**$**	**958,412,309**
Total Liabilities	**$**	**8,291,320**
	$	**950,120,989**

Statement of Changes in Plan Net Assets

Financial Summary for the Fiscal Year Ended June 30, 2011

Additions

Contributions		
Employer	$	21,013,360
Members		13,745,038
State of Minnesota		4,077,140
Total Contributions	$	38,835,538
Investment Income/(Loss)		
Net realized gain/(loss)	$	38,533,165
Net changes: unrealized gain/(loss)		153,154,134
Total Appreciation in Fair Value	$	191,687,299
Interest		65,053
Dividends		3,348,069
Other		4,242,838
Total Investing Activity Income/(Loss)	$	199,323,259
Less: Investing Activity Expense		(4,483,067)
Net Investing Activity Income/(Loss)	$	194,860,192
Securities Lending Income $34,290		
Securities Lending Expense[1] $36,057		
Net Income From Securities Lending	$	70,347
Total Net Investment Income/(Loss)		194,930,539
Total Additions	**$**	**233,766,077**

Deductions

Benefits to Participants	$	97,287,055
Withdrawals and Refunds		942,757
Total Benefits, Withdrawals & Refunds	$	98,229,812
Administrative Expenses		722,397
Total Deductions	**($**	**98,952,209)**

Net Assets Held in Trust for Pension Benefits:

Beginning of the Year	$	815,307,121
Total Additions	**$**	**233,766,077**
Total Deductions	**($**	**98,952,209)**
End of the Year		**$950,120,989**

Footnote:

1. Securities Lending Expense is positive due to net difference in Borrower Rebates and Management Fees

Reconciliation of Members

Actuarial Valuation Summary Data as of July 1, 2011

Members Not Yet Retired

	Active Members*	Deferred Retirement	Other Non-Vested
Total on June 30, 2010	3,837	1,863	1,419
Total on June 30, 2011	**3,578**	**1,880**	**1,698**

Members Receiving a Benefit

	Retirement	Disability	Survivor
Total on June 30, 2010	2,721	23	300
Total on June 30, 2011	**2,864**	**29**	**319**

* Includes members on leave of absence

Required Contributions and Funding Ratios

Actuarial Valuation Summary Data as of July 1, 2011

	2010	2011
A. Contributions % of Payroll		
1. Statutory Contributions – Chapter 354A	15.60%	16.10%
2. Required Contributions – Chapter 356	19.84%	18.37%
3. Sufficiency / (Deficiency)	(4.24%)	(2.27%)
B. Funding Ratios		
1. Accrued Liability Funding Ratio*		
a. Current Assets	$ 1,001,444	$ 972,718
b. Actuarial Accrued Liability	1,471,630	1,389,875
c. Funding Ratio	68.05%	69.99%
2. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	$ 1,579,825	$ 1,543,568
b. Current and Expected Future Benefit Obligations	1,684,504	1,581,075
c. Funding Ratio	93.79%	97.63%

* Ratio most frequently used

Year In Review Continued from Page 1

Member Services

The number of retiree, disability, and survivor benefits for fiscal year ending June 30, 2011 was 3,212. New retirements totaled 233 during the year, while 108 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 $3,450. There were 3,578 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.

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 are provided by the firm of Oppenheimer, Wolff & Donnelly, LLP. Investment performance information is from our general investment consultant, Callan Associates.

Retirement Planning

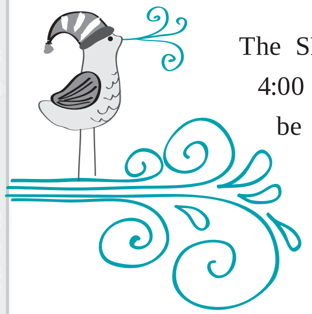
If you are planning to retire and draw your SPTRFA pension benefit within the next few years, please contact our office to schedule a pension benefit counseling appointment. Your meeting will include a review of your estimated pension and benefit options, along with a discussion of the application process, forms review, and any other pension-related decisions to be made before you apply.

For information on resignation, health insurance, severance, vacation or sick leave pay, contact St. Paul Public Schools (SPPS), Employee Benefits at 651-767-8212.

SPTRFA Website Survey

We invite you to participate in our web survey as we plan to upgrade and enhance member services at: www.sptrfa.org.

Election of Trustees & Annual Meeting of the Members



The SPTRFA Annual Meeting of the Members is scheduled for 4:00 p.m. on Thursday, January 19, 2012. 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 the election of Trustees, reports on membership, revenues and expenditures, investments, and various SPTRFA committees.

The SPTRFA office will close at 3:30 to allow staff to attend the annual meeting.

Social Security COLA Calculation

Social Security & COLA Adjustments

Under the latest Statutory change regarding COLAs, SPTRFA retirees will receive a 1% increase annually until the Fund achieves an 80% funded ratio on an actuarial basis at which time it will rise to 2%. When the Fund achieves 90%, the COLA will mirror Social Security's use of the Consumer Price Index (CPI) increase up to a maximum of 5% per year.

That raises the question, "How does Social Security figure its COLA adjustments?" If you're thinking, "prices are going up, therefore, so will next year's COLA", you're not exactly correct. The answer, naturally, is a bit more complicated.

Social Security COLAs are based on the Urban Wage Earners and Clerical Workers (CPI-W), which is determined by the Bureau of Labor Statistics (BLS) on a monthly basis.

The formula used by the BLS focuses on the average CPI-W during the third calendar quarter of each year. For a COLA to be paid, the average CPI-W during that 3rd quarter must be GREATER than the average CPI-W for the third quarter of the last year that triggered a COLA! (The last quarter increase that actually triggered a COLA was back in the third quarter of 2008, with no Social Security COLAs paid in 2010 or 2011.)

The next step is to compare the 3rd Quarter average from 2008 with the 3rd Quarter BLS determined average in 2011 (July, August and September). The results, in this comparison, are that prices did increase from that last measurement period. Therefore, Social Security will be paying an approximate 3% COLA for 2012.

With regard to the SPTRFA, it may be some time before the SPTRFA's funded ratio achieves 90%. We will need the markets to rally in the second half of 2011 to avoid losing ground during the 2012 fiscal year. Currently, returns during the first, and into the second quarter, produced disappointing returns, down about 5%. On the upside, November's last minute rally helped to slow the downward drift of markets that set in this past May.

The Member News is published by the St. Paul Teachers' Retirement Fund Association (SPTRFA), 1619 Dayton Avenue - Room 309, St. Paul, Minnesota 55104-6206, telephone 651-642-2550. Its purpose is to provide relevant 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 is also available online at www.sptrfa.org.