



Member News

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

October 2011

ASSOCIATION SPECIAL MEETING OCTOBER 26

The Board of Trustees has called a special meeting of the Association membership for **October 26th, at 4:00 p.m.** in the cafeteria of the School Administration Building at 360 Colborne Street, St. Paul.

The purpose of the meeting is to approve two By-law changes. One is the result of Legislative action at this year's Special Session. The other involves inserting certain language at the suggestion of the IRS during its periodic review of the Plan documents.

The Legislature, as part of the 2011 Omnibus Pension Bill, authorized a schedule that would link future Basic Plan COLAs (postretirement benefit increases) to the funded status of the Plan. Starting in January, a 1% COLA will be in effect. When the funded status, currently under 70%, achieves 80%, the COLA is slated to increase to 2% annually. At 90%, the COLA will be based on the CPI inflation index and capped at 5%.

The second item for action involves language that would incorporate the mortality tables which the Fund employs to determine certain benefit payments, based on a member's years of service and age, at retirement. As part of the periodic review by the IRS for retaining Plan status as tax qualified, it was determined that inclusion of these actuarial tables, or incorporating them by reference, was a necessary step.

At the September meeting the Board acted to recommend approval of these steps that will help ensure the fiscal soundness of the Plan and its important tax qualified status.

AT THE CAPITOL

The St. Paul Teachers' Retirement Fund Association (SPTRFA) System scored a major success in the Legislature's Special Session when the passage of the Omnibus Pension Bill received overwhelming bipartisan support. It was critically important to the SPTRFA to get the bill approved in 2011, saving some \$100 million with a reduction in the unfunded liability as a result of the cost savings included in the bill.

Brian Rice, lobbyist for the Committee of Nine, provided outstanding leadership ensuring that Governor Dayton included the Pension Bill in his agenda for the post legislative special session and was instrumental in unifying broad bipartisan support. It was one of only two such special bills to accomplish that feat.

Within the package that became law this past summer, there was a provision that established a schedule for future postretirement benefit increases (i.e. COLAs), with the rate pegged at 1% until the Fund becomes 80% funded, when the COLA will rise. There were also reductions in the interest rate credited annually to deferred retirement augmentation and return to work excess earnings balances.

However, no sooner is one Legislative victory realized when the next challenge looms. Such is the case with the planned meetings of the Legislative Commission on Pension & Retirement (LCPR). This fall the LCPR scheduled meetings in September, October and November.



LCPR Chairman, Morrie Lanning (R-Morehead), has earlier indicated that he is looking at a thorough review of all aspects of Minnesota's public pension plans with a view toward best insuring their continued sustainability and affordability in the wake of one of the most turbulent of investment decades ever.

Defined benefit plans that were fully or near fully funded when markets climbed dramatically in the last decade of the 20th century, have witnessed a retreat from those levels amidst global market struggles. The result has been to take meaningful steps, by boards, such as your SPTRFA Board, to better manage benefits while decreasing Plan costs. The LCPR will be examining the expected impact of these changes and considering whether additional action may be appropriate.

LCPR Fall Meetings

October

Wed. 19th 1:00-5:00
Thurs. 20th 9:00-1:00

November

Wed. 9th 1:00-5:00
Thurs. 10th 9:00-1:00



SPTRFA HIGHLIGHTS

The Board is, administratively, staying current with the times. It is in the process of upgrading its network systems, including new software and hardware, to continue to better serve its members. We are hopeful that this “seamless” conversion will be completed later this year.

- The Board is also in the process of shifting to an electronic meeting concept that will, once fully implemented, realize further cost savings and efficiencies while enhancing the security of information. These system upgrades will include improved firewalls, disaster recovery strategies and offsite secure storage of information that will allow the Fund to continue to operate in the case of unexpected interruptions.

- Several Board members will be attending the annual National Council on Teacher Retirement Conference (NCTR) which this year is being held in Baltimore over the Columbus Day holiday weekend, October 8-12. The conference is an opportunity for trustees to participate in workshops and seminars, to hear and share ideas with fellow trustees throughout the nation. Additionally, the conference provides a forum for updates on national, including Federal and state legislative issues, which may impact retirement plans. This year’s meeting will include presentations on investment topics such as emerging markets, bonds, and private equity, along with panels on actuarial topics and the future of retirement security.

The SPTRFA has undergone some limited but important re-modeling to better accommodate the needs of our members, especially the growing number of retiree members. We now offer a private conference space for member counseling along with improved staff work and storage space.

BOARD OF TRUSTEES CALL FOR NOMINATIONS

Board election time is rapidly approaching! Every year, three Board seats come up for election (there are 10 board members, nine are elected for three year terms with one member, the ex-officio as an appointee of the St. Paul Public School Board). Each elected trustee serves a three-year term. The Board members serve as fiduciaries on behalf of SPTRFA members, survivors and beneficiaries.

Generally, the Board meets monthly during the school year, with one summer workshop, and other special meetings as required. Opportunities exist for Board members to attend national conferences with fellow trustees throughout the nation.

Any current member of the SPTRFA is eligible to serve on the Board. Candidates for the position must be nominated by ten members of the SPTRFA. Properly completed nomination papers are due by November 11, 2011. Ballots are sent out late December. Additional nominations may be made from the floor at the Annual Meeting of the Members in January.

Board members whose terms are expiring in 2012 include: Mike McCollor, Erma E. McGuire, and Karen Odegard. If interested, please contact the SPTRFA office for information, including dates and forms at 651-642-2550.

SPTRFA STATE AUDIT REVIEW

Each year the trustees and staff of the SPTRFA prepare the Annual Financial Report for the prior fiscal year. The purpose of the report is to provide readers with information about the financial condition, fiscal activities, actuarial status, investment performance, and legal compliance of the Fund. The contents of the report must be audited by the Office of the State Auditor, a process which involves numerous reconciliations, calculations and year end entries performed by the SPTRFA staff.

Auditors review the SPTRFA financial statements, fiscal operations and ongoing compliance with laws affecting our operations. In addition to verifying the Fund’s investment portfolio and reconciling account transactions, the audit staff closely reviews all of the expenditures made by the Fund. They perform a random sampling of payments made to retirees, and refunds made to active members, to ensure that benefits were calculated correctly.

Beginning in September, the state auditors spend approximately two weeks on site at the SPTRFA office working with the staff to gather required information. The audit continues for another two to three months off-site, verifying data and finalizing reports. During this time SPTRFA staff works closely with an audit team, answering questions and supplying supplemental data.

The SPTRFA Annual Financial Report is provided to member schools. As a public document, it will be available by request upon completion.



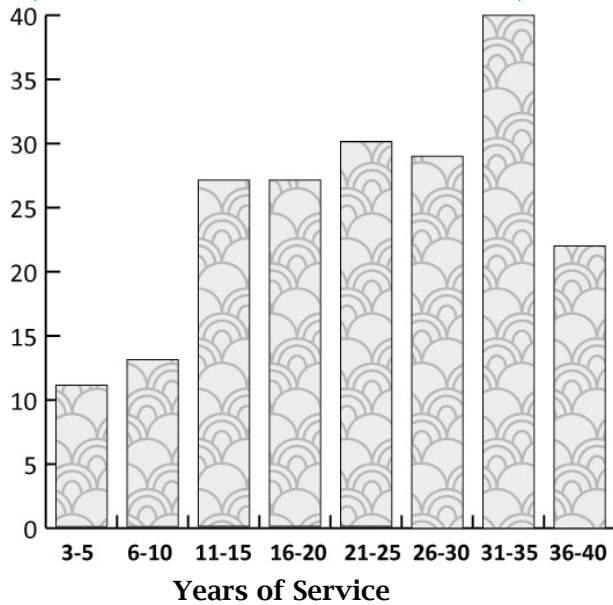
CONGRATULATIONS RETIREMENT CLASS OF 2011!



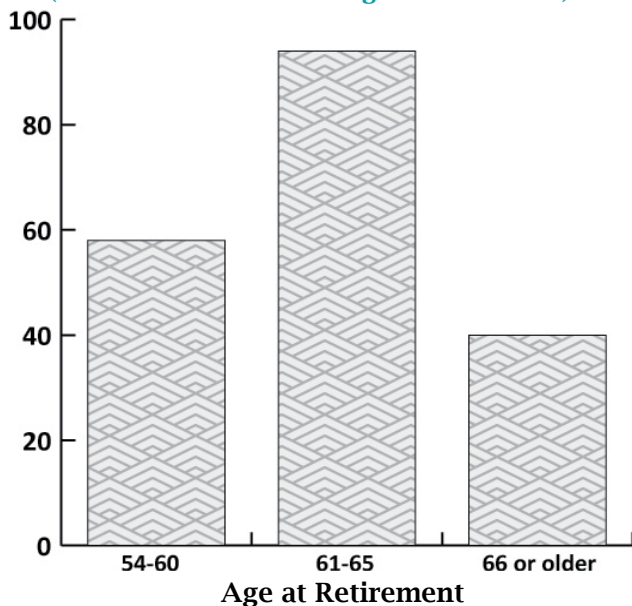
Throughout the 2010 - 2011 school year, the SPTRFA retired a record number of 192 St. Paul Public Schools (SPPS) members from the Association, thanks to the well received Early Retirement Incentive (ERI), offered by SPPS in May 2011. The SPTRFA was able to satisfactorily and timely administer the larger than expected number of newly retired members this summer, with benefits calculated and processed in time for the August 1 payment. The following are statistics and graphs about the retiring class.

SPPS Retirement Class of 2011

Retiree Years of Service
(Number of Retirees vs. Years of Service)



Retiree Ages
(Number of Retirees vs. Age at Retirement)



Total Retirees	192
Basic Plan Members	37
Coordinated Plan Members	155
Youngest Retiree	54*
Oldest Retiree	77
Least Years of Service	3
Most Years of Service	46
Male	40
Female	152

* Coordinated Member with 30 years of service

Electronic Deposit Calendar

Your pension benefit is electronically deposited to your account on the first business day of the month.

October 3, 2011
November 1, 2011
December 1, 2011
January 3, 2012
February 1, 2012
March 1, 2012
April 2, 2012
May 1, 2012
June 1, 2012
July 3, 2012
August 1, 2012
September 3, 2012



IN MEMORIAM

We offer our sympathies to the families and friends of the SPTRFA members who have passed away since our last newsletter. Our apologies for any name inadvertently missed.

Auck, Eugene B	Karbon, Margaret Lee
Couture, James A.	Lundeen, Elwood J
Dewall, Arline M.	Mastbaum, Mildred L.
Ellsworth, Nancy Ann	McCarthy, Mary E.
Elstad, Tennie M.	McCoy, Willie P
Erickson, Gregory	Miller, Celia
Garnett, Esther H	Moeller, Roy N.
Golden, Mona M.	Nelson, Kenneth
Grant, Gordon A.	Perry, Lawrence V.
Grossman, John E.	Rindal, Michael C
Hallman, Christian J.	Robinson, Richard A
Hedlund, Susanne L.	Thelander, Betty J.
Jahn, Milton W	Trautman, Elsie D.
Johnson, Frank W.	Weisz, Elaine R

BOARD OF TRUSTEES

Officers

John R. Kunz, President
Mike McCollor, Vice President
Eugene R. Waschbusch, Secretary-Treasurer

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Matt Bogenschultz
Feryle W. Borgeson
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Karen Odegard
James Paddock
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Nancy Langer
Susan Nystrom
Janet Williams
Tamera Zielinski

Legal Counsel — Oppenheimer Wolff & Donnelly, LLP
Investment Performance Consultant — Callan Associates, Inc.
Auditor — Office of the Minnesota State Auditor
Actuarial Services — Gabriel, Roeder, Smith & Co.

YEAR IN REVIEW

The St. Paul Teachers' Retirement Fund Association enjoyed very successful investment performance for the Fiscal Year ended June 30 with a gain of just over 25%! That number is among the best years in recent memory, placing the Fund among the top performers nationally within the public fund universe. At the end of the Fiscal Year, the portfolio had a market value of just under \$940 million.

The primary drivers of the past year's strong performance were the smaller and mid-sized domestic companies that produced annual return numbers in the 42-44% range. The larger capitalized US companies were solid as well, with returns in the low-mid 30% levels. Non-US equities were just slightly lower. The largest drag on performance, over the past twelve months, were the portfolio's bond holdings at just under 4%. However, this fixed income asset class traditionally performs an important diversification and risk dampening role in a portfolio. Currently, bonds represent about 18% of total assets.

Overall, the past ten-year period has proven challenging and volatile for investments, especially for stocks. The ten-year return through June 30 stands at 6.9%, slightly below the Fund's longer term target. However, over a more standard, long term measurement, 20-25 years, the portfolio has achieved its 8.5%+ annual investment goals. The Board expects to review this long term target return this Fall, given the lowered expectations from various asset classes by most investment observers.

Struggling global economies, especially in parts of Europe, and the lack of strong fiscal leadership from Washington, have created huge uncertainties, a climate that unnerves investors and promotes market volatility. With an eye to the future, it is important to remember that the SPTRFA invests for the long term, and while sensitive to shorter term events, the Fund seeks to avoid becoming preoccupied by day-to-day events that drive the markets.

**“IN THESE MATTERS THE
 ONLY CERTAINTY IS THAT
 NOTHING IS CERTAIN.”**

— Pliny the Elder
 (23 AD - 79 AD)

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.