

Look Inside the Boardroom

Portfolio Investment Performance: For Quarter Ending March 31, 2012

The St. Paul Teachers' Retirement Fund Association (SPTRFA) Investment Portfolio enjoyed a very strong quarter ending March 31. The total fund gained 9.9% which placed it in the top 5% of peers according to Callan Associates. This marks two quarters of significant gains following one of the Fund's worst performance quarters (July -September) to start this fiscal year. As of March 31, the portfolio is ahead about 3.5% for the fiscal year. The Fund has a target investment return of 8.5% and will be reduced to 8% the next fiscal year.

Drilling down somewhat into the returns, domestic equity was up nearly 13.5% while non-US equities (including emerging markets and global strategies) generally enjoyed comparable levels of gain. The portfolio's lone global portfolio did disappoint for the quarter, but still rose over 8%. Fixed income markets struggled to breakeven in the quarter. Our fully passive (indexed) portfolio rose 0.2%. St. Paul based Advantus, which manages a portfolio of publicly traded real estate investment trust securities (REITs) enjoyed a strong quarter. The real estate portfolio, which currently represents nearly 10% of the Fund, is ahead about 12% for the past twelve months, but lags its benchmark by 2%.

Overall, the top performer for the fiscal year to-date (nine months) is the domestic large cap growth category at 10%, while real estate stands up 7%, bonds about 6% and the non-US holdings are in negative territory for the period.

The portfolio will need to enjoy another strong quarter (thru June 30) to end the fiscal year at or near its annual target return of 8.5%. However, the spring-summer period is often a more challenging one for stocks in particular.

This year may be tougher for fixed income as well, which has enjoyed a decade long, and some may argue almost a two decade long, bull market of gradually declining rates.

Board of Trustee Summer Workshop

The SPTRFA Board of Trustees has set the dates of August 1-2 to hold its annual "workshop". The two-day session this year provides the Board opportunity to discuss broader policy issues outside of the formal structure of Board meetings. Output from these sessions will then be presented at subsequent board sessions.

This year, the primary topics will be investments, board training, policy considerations, and possible legislative initiatives. The Board is looking at developing a plan for the implementation of the proposed asset mix which was included with

the earlier adopted Asset Liability Study (February). The new mix would give more focus to global markets (equity and fixed), expand the commitment to private equity; diversify the existing commitment to inflation hedged assets (such as real estate, commodities, Treasury inflation protected bonds) among other areas.

The Board also plans to devote a major portion of the two-day session looking at its existing rules and regulations along with its Plan operating guidelines. These "workshops" also provide the time to more fully explore topics of interest and training. ■

This article was written by the Executive Director, Mr. Doane. You can read "News from the Director," online at www.sptrfa.org.

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From the
Director

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Member Notice: SPTRFA Board of Trustees Nomination Form

This is a notice to all members who wish to become a member of the Board of Trustees. Please call or visit us during normal business hours to request a nomination form. A completed form must be received at the SPTRFA office by close of business on November 9, 2012. Copies or facsimiles will not be accepted. For more information call: 651-642-2550.