

## Fund Overview

### FYE Ending June 30, 2012 Member Service Highlights

- The number of retirees, disabilitants, and survivors receiving benefits: 3,292.
- New retirements totaled 141 members.
- 95 retirees and survivors passed away.
- The average monthly benefit for a full career retiree was \$3,366.
- There were 3,880 active members.

The SPTRFA sent detailed benefit estimates to each active and vested member over age 40 who work at least 40% FTE. All other members received a statement of account.

### Professional Services

Our Association is audited each year by the Office of the State Auditor. Actuarial data is provided by Gabriel Roeder Smith & Co. Legal services are provided by the firm of Oppenheimer, Wolff & Donnelly, LLP. Investment performances provided by investment consultant, Asset Consulting Group.

### Annual Meeting of the Members

The St. Paul Teachers' Retirement Fund Association's Annual Meeting is scheduled for **Thursday, January 17, 2013, 4:00p.m.** Location: Auditoriums A & B at the St. Paul Public School District HQ at 360 Colborne Street, St. Paul, MN. The agenda for the meeting includes the election of Trustees, reports on membership, revenues and expenditures, investments, and Board of Trustee committees. Please note that the SPTRFA office will close at 3:30 p.m on this day to allow for staff to attend the annual meeting.

## Investment Portfolio Update

Ending 2012 and starting anew

Heading into the end of 2012, SPTRFA's Investment Portfolio is in position to generate a performance return meaningfully above its target of 8%. Through November 30, the year to date return was nearly 12%. The Fund does operate on a fiscal year basis, with July 1 marking the start of the current operating period, which has recorded an approximate 5% return for the first five months. Annualized, the return projects to a similar return as the calendar year, 12%. For the prior fiscal year, the Fund returned a flat, zero percent. Given the uncertainties within the domestic and global markets, the rebounding markets are very welcomed. Total portfolio value as of November 30, was put at \$884 million, which represents a slight recovery from the beginning of the fiscal year. The Association will pay out over \$100 million in benefits from the Fund during the current year.



Looking more closely at the portfolio, domestic equity, the portfolio's largest asset area (40%) was ahead by 13% calendar year to date, through November. The passive (indexed) portion of the portfolio has slightly outperformed the actively managed group over the past twelve months, although active small cap value manager, Dimensional Fund Advisors, was the Fund's top performer year to date, generating nearly 18% return for the first 11 months of the year. The non-US portion of the portfolio showed improvement in the latter half and produced 14% returns with 10% of that coming in the current fiscal year period, starting July 1.

On the fixed income side, bonds began to show their much anticipated slowing of performance amidst concerns about rising interest rates, climbing just under 5% for the eleven months since last December 31. Real estate assets and private equity were higher by 7%.

During the year, the Board has continued to gravitate the portfolio toward a greater commitment to global assets (combining the domestic and non-US marketplaces) thereby broadening manager mandates. It is expected that over time, this widened latitude will permit managers to take better advantage of timely investment opportunities. The Fund also has made new commitments into the private equity space, with plans to eventually expand this class of assets to 9-10%. Currently, less than 2% is committed to private market investment. Another portfolio addition is an indexed TIPS (Treasury Inflation Protected Securities) portfolio within the Fund's inflation hedged category of assets. Overall, the gradual changes being made to the portfolio are intended to improve diversification, away from the over-reliance on domestic equities, and thereby dampening portfolio volatility without adversely impacting returns.

You can read "News from the Director," online at <http://www.sptrfa.org>.



# Legislative Update



On January 8, the newly elected Legislature will be sworn in and formally start business for the 2013 session. The Session is expected to continue into late May. For the first time in a generation, the Governorship and both Legislative houses will be controlled by the DFL. The Legislative Commission on Pensions and Retirement (LCPR) is the primary vehicle for dealing with public pension matters. It is expected to be mid-January before this Commission's makeup is formalized. However, important and largely favorable changes are ahead. The Commission is expanding from 10 to 14 members, with the addition of two new House and two Senate members. The Chair will be a DFL Senator. It is expected to be the former LCPR ranking Senate member, Sandy Pappas from Saint Paul. Senator Pappas, recently named both the Senate President and Chair of the Senate Governmental Operations Committee, has a long standing record of support for the SPTRFA. In addition, it is expected that Representatives Mary Murphy and Phyllis Kahn will be expected to be reappointed, along with DFL Senate member Scott Dibble. The makeup of the GOP side is more wide open. Former members Representative Steve Smith was not re-elected, former Chairman Morrie Lanning retired and Representative Mary Kiffmeyer has moved to the Senate, where she may become one of the Senate LCPR designees. Among the past year's Senate membership, Senator Julie Rosen will be returning, as will Roger Chamberlain. However, Senate GOP LCPR member Ted Daley was not re-elected. One other key committee area that would deal with the SPTRFA's Legislative initiatives would be the House Ways and Means and its upper house counterpart, Senate Finance. In the upcoming session, these will be headed by Saint Paul Senator Richard Cohen, with Representative Lyn Carlson, Sr. of Crystal, chairing on the House side.

## Reconciliation of Members

*Actuarial Valuation Summary Data as of July 1, 2012*

### Members Not Yet Retired

	Active Members*	Deferred Retirement	Other Non- Vested
Total on June 30, 2011	3,578	1,880	1,698
Total on June 30, 2012	3,880	1,833	1,427

### Members Receiving a Benefit

	Retirement	Disability	Survivor
Total on June 30, 2011	2,864	29	319
Total on June 30, 2012	2,942	29	321

\* Includes members on leave of absence

A summary of the 2012 financial and actuarial information and the 2012 SPTRFA Annual Report in its entirety will be made available to view, print, or download online at the SPTRFA website, <http://www.sptrfa.org>; printed copies by request only.

## Medicare

### Changes soon to come?

With all the talk at year end about the infamous "fiscal cliff" and Congressional negotiations about steps to protect the important Federal entitlement programs, Social Security and Medicare, in particular, it may be helpful to offer a few background features about Medicare.

- Medicare has approximately fifty million enrollees and is the nation's primary provider of health care related services to older Americans.
- The basics of Medicare are that it's a single payer system of two essential parts (Part A, the Hospital Trust Fund and Part B, providing for traditional medical services). Part A is funded through the payroll tax (by the nation's work force) and Part B is paid in part by withdrawals from monthly Social Security checks.
- Ongoing talk about Medicare going "bankrupt" is referring to the status of the Hospital Trust Fund portion. Part A is projected to run at a deficit in 2024, due to insufficient revenue from the workforce payroll tax to cover the rapidly growing number of retirees (i.e., baby boomers). Part B is less clear. Part D, another element of the program related to prescription drug benefits, is also at issue as to its sustainability.
- The total Federal Budget for Medicare currently stands at \$530 billion annually, and is projected to cost the Federal Budget \$7 trillion over the next ten years.

Needless to say, there will be plenty of rhetoric expended in the short term aimed at building a program that remains financially sound. It will require changes longer term as in its present configuration, the Medicare program will overwhelm the nation's budget in future years.

The SPTRFA is not associated with Medicare. To stay current with changes to Medicare go online to, <http://www.medicare.gov>