

Board of Trustees Say "No" to Merger

Prefers to remain separate from the State Teacher Retirement Association

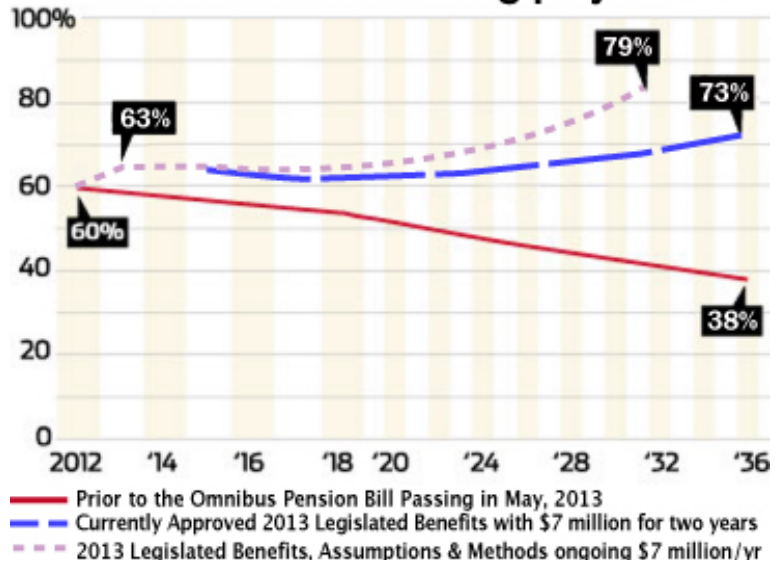
SPTRFA's Board of Trustees has gone on record at its September Board meeting in favor of remaining a separate Plan and not merging into the State Teacher Retirement Association (TRA). The Board's vote was part of an on-going study by the three Minnesota Teachers' Plans, the State, and cities of Saint Paul and Duluth, to examine the merits of a merger of all three systems. The Report, to the Legislative Commission on Pensions and Retirement, is due on January 6, 2014. While St. Paul's Board indicated its preference to remain outside TRA, on the same day, Duluth Teachers' Board voted to merge. While opposite, both Boards votes were unanimous. The demographics facing the two boards considering merging into TRA are quite different and were the critical factors in both decisions. While both plans have similar funded levels (approximately 62%), circumstances are more positive in St. Paul. St. Paul enjoys a growing school enrollment, expanding teacher work force, a larger number of active workforce compared to retired members, and a financial situation where the growth in contributions now exceeds the annual growth in the retiree payroll. All of these factors are reversed in the Duluth situation. The TRA Board will now determine the funding and operational circumstances under which the Duluth Plan could merge. It is expected that the TRA Board will insist that any merged Plan be 100% funded to avoid a situation where TRA would be asked to subsidize the incoming System.

When Minneapolis Teachers merged into TRA in 2006, its funded status was a more exigent circumstance and there was not time to achieve a full funding arrangement. Through a combination of State, school district employer and the City of Minneapolis, a financing plan was cobbled together.

Over past several Legislative sessions, St. Paul has taken important steps to improve its financial sustainability, including raising contribution rates, reducing operational program costs and securing interim State supplemental funding. The SPTRFA plans to approach the Legislature in 2014 with an appeal to make

the \$7 million supplemental payment, due to expire next year, a permanent commitment from the State to make up for the decades of past employer and State under funding. The Board's decision is largely based on the many unknowns that exist under any arrangement, with the funding scheme the most apparent. Presently SPTRFA, with built-in Plan adjustments, is slated to realize a funding sufficiency, with a continuation of the supplemental State aid package. SPTRFA's current 1% COLA would remain in place.

St. Paul teachers' funding projections



Remaining independent would be a less expensive option for the State according to actuarial studies, which is part of next January's Consolidation Report. The Board does not want to take action on merging that would potentially require further contribution requirements of the active membership or greater payments from the School District or City of St. Paul. Because it is not known how the Legislature expects to finance any proposed merger, which will be a significant cost, SPTRFA believes the proper course is to wait and monitor how Duluth fares and where the cost impacts occur. SPTRFA is not under any financial crunch that requires hasty action. Read "News from the Director," and view complete data from the Projected Funding Ratio completed by SPTRFA Actuaries GRS online at www.sptrfa.org.

NEWS
From the
Director

What's News

SPTRFA Board of Trustees Nomination Form

SPTRFA Office Remodel

The Legislative Commission on Pensions and Retirement (LCPR) has recently been engaged in a Statewide Public Pension consolidation study, meetings will be held in late October. Follow developments online: lcpr.leg.mn

Notice to all members who wish to become a Trustee, please visit us during normal office hours, Monday - Friday 8:00-4:30, to request a nomination form. Completed forms must be received at the SPTRFA office by close of business, November 8, 2013. Copies or facsimiles will not be accepted. Three seats up for election are held by, Matt Bogenschultz, James Paddock, and Stephanie Pignato.

The SPTRFA entrance door has recently relocated due to a slight remodel. The office is located on the third floor of 1619 Dayton Avenue, Room 309. Park on the south side of the building to take the elevator to the third floor, after departing the elevator exit through double doors, and the new entrance is directly ahead and to the left.



Have a question? Refer to the *Frequently Asked Questions* page on our website underneath, "Forms" or, email us at: info@sptrfa.org, and a Member Benefits SPTRFA staff member will be in contact with you soon. Providing a phone number where you may be reached during the day may speed up this process.

As a reminder your Annual Member Statement will be mailed out to you in December 2013. Please notify us of address changes as quickly as possible.

First Quarter FY 2014 Performance

A strong July trend was nearly erased by the August swoon. Since July and the start of a new fiscal year, the Fund's portfolio is up about 1.4% (net of fees) but slightly trails its benchmark return of 1.9%. In August, the portfolio fell 2.3%, following July's strong 3.7% advance. The portfolio's annual target return stands at 8%. The Fiscal Year's first quarter, through September 30, often sets the tone for the ensuing twelve month period.

A look at the portfolio indicates that domestic and non-US equities generally added value. However, emerging markets and real estate stocks were lower. On the fixed income front, the Plan's high yield portfolio rose 1%, while investment grade global (US and non-US) bonds fell slightly over 1% for the two month period. Alternative holdings were mixed. Over the longer term, the three year return has generated a 12% return and the 10-year number stands at 9.1%. Total portfolio assets at the end of August were approximately \$930 million.

[Read more from this article online at www.sptrfa.org](http://www.sptrfa.org)

SPTRFA is now live on Twitter and soon to be on Facebook! Follow us for pension and financial news.

<https://twitter.com/SPTRFA>

Recent tweets from SPTRFA

"A history of the financial health of MN's public employee pensions, www.twincities.com/pensions"



Tweet & Follow @SPTRFA
Tell us what you are thinking!

Published by the SPTRFA, 1619 Dayton Ave. Rm. 309, St. Paul, MN 55104. Its purpose is to provide information to members about their retirement system. Newsletters are online at www.sptrfa.org