



Member News

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

December 2009

2009 Annual Report Summary

This issue of 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, 2009. The explanation here summarizes financial and actuarial information included in the full Annual Report. A copy of the report is distributed to the administrative office of each school or location where members work and is also available on the SPTRFA website. Members may request a printed copy.

The Year In Review

Revenues & Expenditures

Reserves required to finance benefits come from employee and employer contributions, state aid, and investment gains. During the fiscal year, contributions totaled \$38 million. The net investment loss (realized and unrealized) was \$195 million for the same period.

Benefits to retirees, disabilitants and survivors paid in this fiscal year totaled \$92 million, while refunds to members who left the Association were just under \$1 million. Administrative expenses were about one-half of one percent of total outlays.

Net assets held in trust fell from \$1 billion to \$773 million over the fiscal year. The net loss of \$250 million was due to the extreme investment market downturn.

Investment Activity

Investment performance for the fiscal year continued to be driven by the credit and mortgage crises of the prior year, leading to a more general financial and economic downturn. The total fund return for the twelve months ending June 30, 2009, was (19.1%) net of fees; 27.6% less than our actuarial 8.5% target. Equity markets were down by more than 23% across the board. Bonds were slightly positive at 2%. The five year annualized rate of return was 3.0%, which is 5.5% less than the 8.5% long-term expected performance level on assets.

Fiscal year end return statistics were most discouraging. However, the early months of this year provided a very different and positive picture. For the quarter ending September 30, 2009, the fund posted a blistering 13.6% overall gain. That performance placed the SPTRFA in the top 5th percentile within the Callan Public Funds Universe for the quarter and the most recent five-year period.

One reason why performance was so strong is that we remained disciplined in approach. Assets were moved into the declining market to rebalance targets, even as prices were still falling. That discipline paid off when the equity markets turned around this summer and fall.

With the overall economy still looking rather anemic by most indicators, it is hard to put faith in the sustainability of recent returns, but any good news at this point, in this extended recession, is most welcome.

Member Services

The number of retirees, disabilitants, and survivors receiving benefits was 2,933. New retirements totaled 114 during the year, while 65 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 \$3,410. There were 3,940 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.

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.



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The actuarial report for the plan year commencing July 1, 2009, reflects a funded ratio of 72.2%, down 2.9% from the previous year. The fund has a contribution deficiency of 2.8% of payroll or \$7 million.

Legislation

The 2009 Session Omnibus Pension Bill had provisions that affected SPTRFA:

The post-retirement benefit increase pilot project for our retirees has been extended for another two years (2010 and 2011). Retiree benefit increases will continue to match those paid by the U.S. Social Security Administration up to a maximum of 5%. However, under this new law, no investment performance test will be associated with that calculation.

State aid allocated to the SPTRFA under Minn. Stat. 423A.03 was increased by about \$250,000 beginning in 2010.

State Statutes affecting the SPTRFA were modified to conform with U.S. Internal Revenue Service (IRS) laws and regulations. These technical changes are necessary from time-to-time in order to maintain "qualified" (tax-exempt) status for the Fund. Two significant updates needed this year related to maximum covered salaries and maximum benefit amounts allowed by the IRS for qualified plans. Our members are not near the IRS limits, but the plan documents must include them all the same.

A mandated study by the Legislature is due in February 2010 on the feasibility of establishing a statewide fund to facilitate the consolidation of local pension funds into one of the three large statewide systems. This report could have direct relevance for the future of the SPTRFA. We will monitor its development closely.

2010 Cost of Living Adjustment (COLA)

Retired members will not receive an increase on January 1, 2010. The ratio of the third quarter average CPI-w (2009 over 2008) was a negative 2.1%. State Law stipulates that the COLA cannot be less than zero, therefore there will be no change in retiree benefits for 2010.

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

Annual Meeting Notice

The Annual Meeting of the Members is scheduled for 4:00 p.m. on Thursday, January 21, 2010. The meeting will be held at the Saint Paul Public Schools (SPPS) District Headquarters Auditoriums A & B (main level) at 360 Colborne Street in Saint Paul.

The agenda for the meeting includes, but is not limited to, the election of trustees, reports on membership, revenues and expenditures, presentations by investment managers and a Committee of Nine report.

Retiring in June 2010?

For members planning to retire at the end of the school year, please call the SPTRFA office to schedule a pension benefit counseling appointment. Scheduling your appointment at least 60 days prior to retiring will give you the greatest scheduling flexibility.

Topics covered during your appointment include pension application process, direct deposit of benefit and income tax withholding. You may bring photocopies of the following to your appointment:

- ◆ Your birth certificate, and, if applicable:
- ◆ Your spouse's birth certificate, and
- ◆ Your marriage certificate, and
- ◆ If any, marriage dissolution orders

These items may also be submitted when you send in your pension benefit paperwork.

To be included in the next early notification incentive, you need to notify the SPPS by your contract deadline, of your intention to retire at the end of the school year. However, it is not necessary to have an appointment or complete your pension application documents with the SPTRFA before your early notification incentive deadline.

Questions on severance, insurance and early notification should be directed to the SPPS Benefits Department at (651) 767-8212.

Even if you have already notified SPPS of your intent to retire in June 2010, you must still notify SPTRFA to complete the necessary pension benefit paperwork to begin your monthly pension.

Office Closed

January 1, 2010

January 18, 2010

February 15, 2010

Statement of Plan Net Assets
Financial Summary for the Fiscal Year Ended June 30, 2009

Assets			
Cash	\$ 7,946,033	Securities Lending Collateral	\$ 63,110,212
Receivables	10,124,908	Furniture and Fixtures	26,366
Investments (Fair Value)		Total Assets	<u>\$ 844,542,608</u>
U.S. Government Securities	\$ 3,593,671	Liabilities	
Corporate Bonds	20,618,301	Accounts Payable	\$ 1,031,492
Corporate Stocks	137,532,998	Security Purchase Payable	7,141,919
Commingled Investment Funds	534,265,428	Securities Lending Collateral	63,110,212
Alternative Investments	5,575,146	Total Liabilities	<u>\$ 71,283,623</u>
Real Estate	61,749,546		
Total Investments	<u>\$ 763,335,089</u>	Net Assets Held in Trust for Pension Benefits	<u>\$ 773,258,985</u>

Statement of Changes in Plan Net Assets
Financial Summary for the Fiscal Year Ended June 30, 2009

Additions			
Contributions		Securities Lending Income	1,150,226
Employer	\$ 21,501,237	Less: Borrower Rebates	(631,989)
Members	13,863,565	Less: Management Fees	(154,739)
State of Minnesota	3,343,013	Total Securities Lending Expense	<u>(\$ 786,728)</u>
Total Contributions	<u>\$ 38,707,815</u>	Net Income From Securities Lending Activity	363,498
Investment Income/(Loss):		Total Net Investment Income/(Loss)	<u>(195,459,472)</u>
Net realized gain/(loss)	(\$ 2,087,795)	Total Additions	<u>(\$ 156,751,657)</u>
Net changes: unrealized gain/(loss)	(203,467,281)	Deductions	
Total Depreciation in Fair Value	<u>(\$ 205,555,076)</u>	Benefits to Participants	\$ 92,137,480
Interest	5,017,773	Withdrawals and Refunds	886,750
Dividends	3,829,079	Total Benefits, Withdrawals & Refunds	<u>\$ 93,024,230</u>
Other	4,521,216	Administrative Expenses	604,724
Total Investing Activity		Total Deductions	<u>(\$ 93,628,954)</u>
Income/(Loss)	(\$ 192,187,008)	Net Increase (Decrease)	(250,380,611)
Less: Investing Activity Expense	(3,635,962)	Net Assets Held in Trust for Pension Benefits:	
Net Income/(Loss) From Investing Activity	<u>(\$ 195,822,970)</u>	Beginning of the Year	<u>1,023,639,596</u>
		End of the Year	<u>\$ 773,258,985</u>

Required Contributions and Funding Ratios

Actuarial Valuation Summary Data as of July 1, 2009

	2008	2009
A. Contributions % of Payroll		
1. Statutory Contributions - Chapter 354A	15.73%	15.64%
2. Required Contributions - Chapter 356	17.63%	18.40%
3. Sufficiency / (Deficiency)	(1.90%)	(2.76%)
B. Funding Ratios		
1. Accrued Benefit Funding Ratio		
a. Current Assets	\$ 1,075,951	\$ 1,049,954
b. Current Benefit Obligations	1,384,463	1,404,677
c. Funding Ratio	77.72%	74.75%
2. Accrued Liability Funding Ratio *		
a. Current Assets	\$ 1,075,951	\$ 1,049,954
b. Actuarially Accrued Liability	1,432,040	1,454,314
c. Funding Ratio	75.13%	72.20%
3. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	\$ 1,565,414	\$ 1,552,760
b. Current and Expected Future Benefit Obligations	1,643,226	1,668,532
c. Funding Ratio	95.26%	93.06%

* *Ratio most frequently used*

Reconciliation of Members

Actuarial Valuation Summary Data as of July 1, 2009

	Members Not Yet Retired		
	Active Members **	Deferred Retirement	Other Non-Vested
Total on June 30, 2008	4,121	1,695	1,403
Total on June 30, 2009	3,940	1,823	1,451
	Members Receiving a Benefit		
	Retirement	Disability	Survivor
Total on June 30, 2008	2,535	26	290
Total on June 30, 2009	2,615	25	293

** *Includes members on leave of absence*

The Member News is published by the St. Paul Teachers' Retirement Fund Association (SPTRFA), 1619 Dayton Avenue - Room 309, Saint Paul, Minnesota 55104-6206, telephone 651-642-2550. Its purpose is to provide timely 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 can be provided in an alternate format.