

Fund Overview

Member Service Announcement - Teachers get ready for retirement!



Starting in the new year all active SPPS teachers will be sent email blasts from **SPTRFA** as we are in the process of implementing a member outreach program where we will be making school visits to meet with you and to answer questions. Details of the program to be announced. Continue to read email blasts for updates. Our goal is to help you understand how your retirement plan works so that you can “plan now and benefit later”. If you have questions about the program or the emails contact us at, info@sptrfa.org, Subject line: **Member Outreach**

Member Benefits Facts FYE 2013

- New retirements totaled 164 members.
- 83 retirees and survivors passed away.
- The avg. monthly benefit for a Coordinated Plan Member \$1,972.83
Avg. years of service credit was 20, and average retiree age was 62.

Annual Meeting of the Members

The SPTRFA's Annual Meeting is scheduled for **Thursday, January 16, 2014, 4:00p.m.** Location: Auditoriums E & F at St. Paul Public School District HQ, 360 Colborne Street, St. Paul, MN. The agenda includes election of Trustees, reports on membership, revenues and expenditures, investments, and Board of Trustee committees.

Professional Services

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

Future Obligations

Addressing concerns over the future of MN Pension Plans

Some anxiety and concerns have been raised resulting from the City of Detroit's experience. First let me assure you that St. Paul is not Detroit, a city victimized by out-migration of the tax base and declining population. Secondly, there are over 2000 municipal pension plans of various shapes and sizes of which the vast bulk are sound, sustainable and providing monthly retirement benefits for millions of public sector annuitants. Detroit is clearly an exception. In fact, there have been only 63 municipalities to declare bankruptcy in the past sixty years. None on the scale of Detroit's \$18 billion, obviously.

SPTRFA's Board of Trustees has taken some very important steps over the past several years to best ensure the sustainability of the Plan. We enjoy a stable school work force, a respectable ratio of active members to retirees, and a strong awareness of the need to make sufficient annual contributions to meet future obligations. This has not always been the case in the Plan's over 100 years of existence.

To be sure, our current funded level, edging above 65%, could be better. But more importantly is the outlook for the fund and what mechanisms and policies are in place to best meet its future obligations to its members. In this regard, SPTRFA is on very sound footing under the leadership of a dedicated governing body and with supportive public leaders to ensure that pension promises are met. An improving economy and sound financial markets also are positive contributors to this effort.

Clearly there will be hiccups and challenges going forward. However, there were just as serious problems during the past 100 years and the Plan has met every obligation. The Board's recent actions increasing contribution rates for employees and employer, reducing cost of operations within certain programs, successfully preserving and strengthening State aid, linking future cost-of-living adjustments to the Plan's financial soundness, and selectively modifying benefits in areas such as credited interest and early retirement reduction tables, have been undertaken with the goal of strengthening the Plan's foundation.

The latest actuarial studies for the Plan, incorporating all of the modifications mentioned above, indicate that SPTRFA is positioned to steadily and gradually improve with the goal of achieving full funding inside of its proposed 30 year targeted amortization date. The Board, however, is not content to merely sit back and watch. It remains ever diligent and mindful of its fiduciary role and statutory commitment to its members, the City of Saint Paul and the taxpayers of Minnesota.



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

Merger Study Update

In January, the three MN teacher systems' Report assessing the merits of consolidation will be submitted to the Legislature's Commission on Pensions and Retirement (LCPR). The three Boards voted to endorse the report at their respective December Board meetings. The St. Paul Board endorsed its preference to remain as a separate retirement system while the Duluth Board seeks to combine with MN TRA, the State-wide Teachers' Retirement Association. Concerns that a merger could be more costly and potentially incur further contribution increases, over those already built in, on active members and the St. Paul School District, were among the leading reasons behind the Board's decision to not seek joining with TRA at this time. The Board will ask the Legislature in 2014 to make permanent, or until achieving full funding, an annual supplemental State aid of \$7 million which expires October 2014. This payment along with other operational savings and approved contribution increases will place the SPTRFA on a path to achieve full funding according to its actuary. The current COLA of 1% is slated to increase to 2% upon the Plan achieving an 80% funded level. Presently, the funded ratio stands at 64%.

SPTRFA Data FYE Overview

Summary as of July 30, 2013

	Total Members	Basic Members	Coordinated Members
Active Members	4,061	21	4,040
Retiree Members	3,047	1,750	1,330
Vested-terminated	1,788	22	1,766
Non-vested	1,435	9	1,426
Disabled	29	7	22
Survivor/Beneficiaries	327	275	52
Total:	10,688	2,062	8,626

	SPTRFA Contributions		Benefit Amounts Paid FYE
Employee	\$ 15,163,538	Retiree	\$ 92,955,144
Employer	22,779,713	Disability	658,110
State Aid	3,664,607	Survivor	9,624,615
Total:	\$ 41,607,858	Total:	\$ 103,237,869

The difference in the two totals above was more than made up by the \$109.5 M FY 2013 Investment gains.

A summary of the 2013 financial and actuarial information and the 2013 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.

SPTRFA Investment Portfolio Update

Financial markets, especially within most equity area, continue to perform nicely. November results evidenced a continuing rebound to the economy with housing and manufacturing activity indicating important new found strength and unemployment and domestic output continuing to show gains.

For the fiscal year, the portfolio is ahead by over 10%, with seven months remaining. Obviously anything can happen, but this is well ahead of last year at this point. Assets stand at approximately \$990 million and have improved by approximately \$60 million since June 30.

That's a Good Question!

Why does my projected benefit estimate continue to change?

There are two reasons you may notice a change. **Firstly**, estimates were at one time projected on future salary increase assumptions of 3.5%. Currently we use a 1.0% increase which reflects the actual contracted salary increase. **Secondly**, the new Early Retirement Factors (ERF) approved and signed by the Governor on May 23, 2013, became effective on and after 7-1-2013. The ERF adjusted benefit amounts in favor of career teachers who retire after 62 with 30 or more years of service.

Every month we will answer, **Good Questions!** submitted to us from our members. Submit questions by email to, info@sprfa.org. Q&A will be available to review online.