

St. Paul Teachers Retirement Fund Association

SPTRFA NEWS

Democracy depends on Education – Education depends on Teachers

FALL 2015



The Radio Operators – Horace Mann 1922 | Aeronautics Training – Johnson Sr. High 2014

MEMO TO OUR MEMBERS FROM The Team at SPTRFA

Photo credits: Kid's Radio courtesy of MN Historical Society, Aeronautics Training courtesy of SPPS.

It was a busy and gratifying summer season for the SPTRFA retirement team - we welcomed the newest cohort of teachers into your membership ranks and assisted 175 of your colleagues into the retirement phase of their careers. Now as we (and you) become immersed in FY 2016, we wanted to take a moment and share with you some of our key areas of focus.

Service, Counseling and Education. We continue our efforts to ensure that you have access to outstanding retirement counseling, service, and education. To that end, we have extended our counseling hours to include evening and early morning sessions to better align our availability with yours (details inside). We'll also be visiting a number of SPPS buildings for in-person presentations, and will continue to present recommended retirement information and resources in newsletters, email blasts, and on our website.

Superior Long-Term Investment Returns. (More details regarding the portfolio on the following page.)

Fiscal Discipline and Retirement Security. We expect to be active at the Legislative Commission on Pensions and Retirement (LCPR) this fall, representing the interests of our members and the long-term interest of your Fund. This means we will focus on both the benefits and liabilities side of the equation, as they are equal in terms of their importance. To that end, this past session, we worked with two of the MN State Pension Plans (PERA and MSRS) and the Legislature

Serving the retirement needs of St. Paul Teachers since 1909

Board of Trustees:

John R. Kunz, Jr., President
Mike McCollor, V. President
Eugene R. Waschbusch, Sec.-Treas.
W. Matthew Bogenschultz
Feryle W. Borgeson
Lori Borgeson
Jean O'Connell
Karen Odegard
James Paddock
Stephanie Pignato

Executive Director:

Jill E. Schurtz

to proactively reduce our interest rate assumption from 8.5% to 8% (MN was one of only 4 states in the country remaining above the 8% mark). This was important to ensure that our Fund's basic assumptions reflect realistic, market-based factors and more accurately reflect the level of benefits MN's Public Pension Plans can truly afford to pay.

This year we will begin the important conversation about the "MN Halo Effect" – that is, the fact that MN ranks second only to Hawaii in terms of *longevity*. While this is another fantastic reason to live here, it also means that your Fund must pay more in retirement benefits for longer than ever before. As new actuarial tables start to reflect this news, we can expect that our liabilities will increase. Knowing that these changes are coming, we believe the right approach is to begin to take action now. Again, we are stewards of your Fund for the benefit of all generations of St. Paul Teachers – fiscal discipline, fairness, and intergenerational equity must always be a part of our conversation.

Operating Costs. The cost of running your retirement plan is important. We are very pleased that, notwithstanding increased actuarial and audit costs (not areas we can control), we maintained a "flat to prior year" operating budget. This is an excellent result and will remain a key area of focus for our entire team.

Thank you for your continued trust and support. It's an honor to be of service.

Recommended Financial Reading List

“Improving Your Finances”

by Christine Benz at
Morningstar.com



Excellent and
FREE...
a wonderful and
rare combination.
Morningstar — a

well-respected, independent source of financial information, also provides extremely useful personal finance advice — including how to navigate saving and investing for retirement. In particular we highlight the work of Christine Benz — Morningstar’s Director of Personal Finance. Ms. Benz writes Morningstar’s weekly column, “Improving Your Finances,” which advises individual investors on every aspect of the financial-planning process. She also contributes frequently to other Morningstar collections, including “Retirement Planning” and “Improving Your Retirement.” She is widely quoted in the media, including the Wall Street Journal, The New York Times, and MarketWatch, and has been a frequent guest on CNBC, PBS’ Nightly Business Report, and Fox Business News.

Her most recent columns include:

- “4 Retirement Withdrawal Strategies”
- “50 Must-Know Statistics About Long-Term Care”
- “Check These 7 Retirement Blind Spots”
- “A Conservative Retirement Saver Portfolio”

We highly recommend adding this resource to your routine financial reading.

Portfolio Update: Volatility “Made in China,” Global Uncertainty, and an “O.K.” U.S. Economy

As we have written previously, volatility returned to the markets in FY ‘15/16, with returns swinging meaningfully from week to week. A number of factors contributed to this current state of affairs. Domestically, we’ve witnessed an unprecedented period of market intervention by the Fed, including interest rates lower for longer than ever before. And, U.S. growth has been “good to o.k.,” but not overly impressive. On the global front, turmoil in the EU; growing concern regarding China’s growth path; the dramatic collapse of oil and commodity prices; and substantial weakness in emerging markets, are just a few of the issues the market has had to face. The combination of these issues likely means that we will continue to experience bouts of volatility for at least the near term.

Against that backdrop, your portfolio generated positive performance for FY 2015 and handily beat its internal policy benchmark. With a return of approximately 3% (unaudited), however, it fell below our 8% annual target. While this return is consistent with national averages, we don’t really like being average. As fiduciaries of capital that is intended to last in perpetuity, however, we maintain an intense focus on managing your retirement fund to produce superior investment returns over the long-term. With that in mind, we view our investment returns as a function of our long-term asset allocation and our results in terms of full market cycles. Accordingly, during times of market volatility, we don’t abandon investments in which we have conviction — forced sellers are rarely rewarded. Instead, we seek opportunities in the dislocations the market presents, hold slightly more cash to avoid selling good positions at bad prices, and ensure that we have a few more defensive positions in the portfolio than we might otherwise. Following this “patient capital” approach has benefited the portfolio over many market cycles and led to excellent long-term returns for your Fund (13.9% and 18.5% for FY ‘13 and ‘14, respectively, and over 11% for the past 3 and 5 year periods). As we continue to navigate choppy waters through FY 2016, these principles will continue to serve as our guide.

“How a Harvard Economist Screwed Up—and Then Saved—Her Retirement”

Alicia Munnell, the director of *Boston College’s Center for Retirement Research*, has a Ph.D in economics from Harvard and has held numerous top-level economics positions, but admits to having made **serious mistakes** in preparing for retirement during her earlier working years. Most of her mistakes she attributes to **using her retirement savings for current lifestyle needs**, including taking a refund from a now “rare and coveted” defined benefit pension plan, which she notes “would have turned into a meaningful amount” if she’d simply left it in place. Fortunately, she put her financial house in order in her early 50s and is determined to help people learn from her mistakes by talking about them as often as possible ...

[Read the complete article online.](#)

THREE QUESTIONS FOR YOU

1. Are you saving enough for your future?

According to the *Employee Benefit Research Institute's Retirement Confidence Survey*, "28% percent of workers said they had less than \$1,000 in savings and investments excluding the value of their primary residence or defined benefit plan assets." Financial industry experts recommend workers in their 40's have 2-3 times their salary in retirement savings. Source: www.nirsonline.org

Financial industry experts recommend workers in their 40s have 2-3 times their salary in retirement savings.

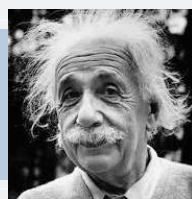
2. Are you taking advantage of all saving opportunities?

We encourage you to take full advantage of additional saving and investment opportunities provided by SPPS. So we ask, ***are you enrolled in the MN Deferred Compensation Plan 457 (MNDCP) and 403(b) plans offered by SPPS?*** Employee contributions to these plans are made pre-tax, through payroll deductions. You can learn more about the SPPS MNDCP program at hr.spps.org/MNDCP.html, and enroll in the Deferred Compensation Plan by completing an SPPS Enrollment Form found online, hr.spps.org/tsa.

Also, consider opening a traditional IRA or Roth IRA. There are differences between the two and you should make sure you understand the applicable contribution rules and limitations. If you already have one or both types of IRA accounts, consider setting up an automatic monthly deduction to achieve yearly limits and maximize investments. Know that the earlier you begin to save for retirement the better, because compounded investment returns grow exponentially over time. For example, money growing at 6 percent per year will double in about 12 years, and will be worth *four times* as much in 24 years.

"Compounding... is the eighth wonder of the world."

Albert Einstein



3. Are you missing out on free retirement money?

You may also be eligible for a free employer contribution (match) from SPPS. ***Enrollment is not automatic, you must submit SPPS required forms found at <http://hr.spps.org/tsa>***

Please note that information presented in this letter is intended as educational only - the SPTRFA cannot offer individual investment or financial advice. To find out how to select the right investment advisor or financial advisor, please review these tips provided by the [U.S. Securities Exchange Commission](http://www.sec.gov) and [Consumer Financial Protection Bureau](http://www.consumerfinance.gov).

The Importance of your beneficiary election

If you pass away prior to your retirement and have no living spouse or named beneficiaries, your employee contributions will be paid to your estate. If you haven't updated your beneficiary form recently, please check and make sure your designated beneficiaries reflect the people who are important in your life currently.

To make a beneficiary change

- Contact SPTRFA by phone at (651) 642-2550 or
- Download the form online at www.sptra.org under "Forms"
- New beneficiary election forms must be signed, dated, and witnessed by someone other than a named beneficiary.

Secondary beneficiaries may be named to receive any remaining benefits if there are no surviving primary beneficiaries.

Helpful Tools

If you would like a structured guide to saving and setting budgetary goals, there are a series of helpful worksheets provided by [MorningStar.com](http://www.morningstar.com) - ranging from "family finance" and "investing basics." Some can help guide you through a questionnaire to determine if you should choose a Roth vs. Traditional IRA or save income for specific short time and long term goals.

Follow us on Twitter

@SPTRFA for more resources and see how retirement ready you are.



Notice to all members who wish to become a Trustee

The SPTRFA Board of Trustees oversees the Fund's investments and operations, with the assistance of an Executive Director and six staff. Three SPTRFA Board seats are up for election this year. They are held by, Feryle Borgeson, John Kunz, Jr., and Eugene Waschbusch. Candidates for the position of trustee must be nominated by ten members of SPTRFA.

To request a nomination form, call or visit during normal office hours, Monday - Friday 8:00-4:30. Completed forms must be received by close of business, November 13, 2015. Copies or facsimiles will not be accepted. Nominations submitted by the deadline will appear on the voting proxy.

The Retirement Class of 2015

- New retirements totaled 175 members
- 76 retirees and survivors passed away
- Youngest retiree was 55
- Oldest retiree was 80
- Retiree with lowest service: 0.5
- Retiree with greatest service: 37.2
- Male to female ratio: 49 to 126

Averages for Coordinated Plan Members

Monthly benefit: \$1,795

Retirement age: 62.7

Average years of service: 17.87

Please call us to meet with one of our retirement counselors.
No time to come in? Feel free to set up a telephone session!

Monday

8:00 am – 4:00 pm

Tuesday - Late Day

8:00 am – 5:30 pm

Wednesday

8:00 am – 4:00 pm

Thursday - Early Day

7:30 am – 4:00 pm

All appointments are offered in half hour sessions.

Annual Meeting of the Members

SPTRFA's annual meeting is scheduled for Thursday, January 21, 2016 at 4:00 p.m. In auditoriums J&K at Saint Paul Public School District HQ, 360 Colborne St, St. Paul, MN.

The agenda includes the election of Trustees, reports on membership, revenues and expenditures, investments, and Board of Trustee Committees.

Important Dates

- **Member Annual Statements** to be mailed in lieu of *Member Annual Estimates*, in Dec. 2015.
- **Member Annual Estimates** should be mailed June of 2016, if you are vested, at least 40 years of age, and working >40 FTE.
- **Annual Meeting of the Members**
January 21, 2016
- **The Retirement Office will be Closed**
NOVEMBER 26 – 27
DECEMBER 24, 25, 31
JANUARY 1ST 2016

Stay in Touch



651-642-2550



info@sptrfa.org

www.sptrfa.org



[@SPTRFA](https://twitter.com/SPTRFA)