



# Annuitant News

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

June 2008

## 2008 Legislative Session

### Special Thanks

The SPTRFA would like to extend a special thanks to Sen. **Sandra Pappas**, Sen. **Dan Larson**, Rep. **Paul Thissen**, and Rep. **Phyllis Kahn**, the chief authors of the our 2008 legislative initiatives. Their advice and advocacy helped us to accomplish a number of goals.

Appreciation is also due to Rep. **Mary Murphy** and Sen. **Don Betzold**, who gave thoughtful consideration to our concerns. Through House and Senate hearings, they led the discussions that helped to refine and improve on our proposals at each turn.

### Session Overview

Overall, the 2008 legislative session went well for the SPTRFA. Provisions of interest to our Association were included in a sweeping bill affecting all public pension plans: the Omnibus Pension Bill (HF 3082/Murphy).

After action in committees, the bill was modified substantially in the House of Representatives. On the evening of Thursday, May 15, the bill was taken up in conference committee. Negotiations centered on the cost of House changes, which included several benefit enhancements for teachers but for which there was no funding. The final bill recommended by conferees was nearly identical to the Senate version, which was close to the original bill of the joint Legislative Commission on Pensions and Retirement (LCPR).

The SPTRFA requested supplemental funding to reduce unfunded liabilities (almost \$400 million now) but neither the Governor nor the Legislature were able to help in this budget-cutting year.

As of the writing of this article, the bill is pending signature by Governor Pawlenty. If it is signed by Governor, the following changes will become law for the SPTRFA:

- ◆ a 25-year 'rolling' amortization cycle for actuarial valuations of funded status
- ◆ the authority to contract *one* actuary, hired by the SPTRFA Board of Trustees
- ◆ the post-retirement excess earnings offset threshold increases from \$13,560 per year to \$46,000

- ◆ spousal consent on annuity option elections
- ◆ mandated LCPR study due in January 2009, comparing teacher pension benefits with those in other states

### How Will Our Members Be Affected?

#### *25-Year Rolling Amortization*

The SPTRFA target date for full funding will be changed from 2021 (a stationary date) to a fixed 25-year cycle, reset each year. This change will more clearly measure our funded status, required contributions, and will reflect more accurate costs or savings from proposed changes on a percentage of payroll basis.

#### *Contracting Authority for Actuarial Services*

Currently, the six major defined benefit plans are required to jointly hire one actuary to produce annual funding status forecasts for all plans. This change would allow each fund to contract with their own actuary, eliminating duplication, speeding up the audit and annual report processes, and result in better alignment of accountability. The Legislature will hire their own actuary to assure compliance with standards and audit our reports on a regular basis.

#### *Earnings for Re-employed Annuitants – Higher Earnings Offset Threshold*

Educators who retire and return to work in Saint Paul Public Schools (SPPS) are subject to a partial offset to their pension if they earn over the Social Security Administration's Excess Earnings limit in any year. The 2008 threshold is \$13,560. The bill would change how SPTRFA pensions (not Social Security) are adjusted. Retirees will be able return to work at SPPS and earn up to \$46,000 in each calendar year before the offset of \$1 for every \$3 over the limit will apply to SPTRFA benefits.

#### *Default Annuity Options*

Married members in our Coordinated Plan will be required to obtain a notarized spousal consent to choose an annuity benefit other than a *50% or greater* joint & survivor benefit. Current law only requires spousal notification.

## Don't Forget Us!

As Spring comes to an end and we begin another much anticipated summer there are a few Spring cleaning items at the pension fund that you should be aware of.

To ensure that your file at the pension office is up to date, we ask that if any of the following information has changed that you notify us as soon as possible.

- ◆ Address
- ◆ Marital Status
- ◆ Name
- ◆ Direct Deposit Account (need to complete form)
- ◆ Federal or MN Withholding (need forms)

Feel free to contact the SPTRFA office by phone at 651-642-2550, or email at [info@sptrfa.org](mailto:info@sptrfa.org) to request forms and make updates. Changes can also be made by visiting our office.

## New Communications and Member Education Specialist

Katy Smithson joined the SPTRFA staff on April 2, 2008 as the Communications and Member Education Specialist.



Though her initial contacts have been with retirees at the April and May Retired Teachers Inc. meetings, Katy's focus will be primarily on active member communications and education. This Summer she will be preparing for upcoming school visits during the 2008-09 school year. Beginning in the Fall, Katy will be writing electronic publications providing information of interest to our active members.

## In Memoriam

We offer our sympathies to the families and friends of the retired teachers who have passed away since our last newsletter was published.

Marion N. Almquist	Jan E. Manchester
Oliver J. Courtemanche	Patrick D. McQuillan
Frederick O. Glasoe	Bruce G. Wilson
Wesley E. Madsen	David J. Wnuk

Rest In Peace.

Investment Returns Periods ending March 31, 2008	Annualized Rates of Return vs. Benchmarks		
	Last Quarter	1 Year	5 Years
<b>Domestic Equity</b>	<b>(9.6%)</b>	<b>(6.6%)</b>	<b>14.9%</b>
S&P 500 Index Benchmark	(9.4%)	(5.0%)	11.4%
<b>Domestic Fixed Income</b>	<b>1.2%</b>	<b>6.3%</b>	<b>4.5%</b>
LB Aggregate Index Benchmark	2.2%	7.7%	4.7%
<b>International Equity</b>	<b>(7.4%)</b>	<b>3.0%</b>	<b>23.7%</b>
MSCI EAFE Index Benchmark	(8.9%)	(2.7%)	21.4%
<b>Real Estate</b>	<b>1.5%</b>	<b>6.8%</b>	-
NCREIF Total Index Benchmark	1.6%	13.6%	-
<b>Total Fund</b>	<b>(6.1%)</b>	<b>(0.3%)</b>	<b>14.2%</b>
Composite Benchmark	(6.5%)	0.8%	13.7%

## On the Investment Front

Returns were down 6% for the first calendar quarter of 2008, though net of fees, the fund stayed slightly ahead of the composite benchmark. Performance on a trailing 12 month basis was flat; against the current, one must paddle very hard just to stay in place!

Signs of slowing consumer spending, rising unemployment and accelerating inflation, in the wake of the 'credit crunch' in the bond markets drove domestic and international equity markets down almost 10%. Government bonds and (the less leveraged) commercial real estate markets (up 6.3% and 6.8% respectively), helped to stabilize returns that might have been worse. The five-year return stands at 14.2%, which is encouraging.

As volatile as things seem, the fundamental laws of economics remain quite intact. Those who stick to reasonable, prudent, long-term investment strategies will be rewarded when credit and equity markets regain their balance. This year, the SPTRFA Board is working with Callan Associates, our General Consultant, to update the fund's five-year investment allocation plan. Against times that might tempt one to overreact, good planning is the most effective tonic.