



Annuitant News

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

June 2009

2009 Legislative Session

Friday, May 22, 2009, Governor Pawlenty signed into law the Omnibus Pension Bill. Several of the provisions in this sweeping piece of legislation affect how benefits are paid to our members and how your pension fund is administered.

Sections of the bill (Chapter 169 / SF0191) affecting the St. Paul teachers most directly were authored by Senator Sandra Pappas. Her advocacy, with the studied consideration and support of senior Pension Commission members (in particular Senator Don Betzold and Representative Mary Murphy) were critical in securing passage of legislation important to the SPTRFA. Governor Pawlenty helped all pension funds by removing from the outset any cuts to retirement plans as part of the budget cutting deliberations. Special thanks are owed to each.

KEY PROVISIONS

POST RETIREMENT COST-OF-LIVING-ADJUSTMENT (COLA)

The post-retirement benefit increase pilot project for our retirees has been extended for another two years (2010 and 2011) per Article 7 of the Omnibus Bill. There is a significant change from the first pilot authorized for the 2008 and 2009 calendar increases.

Retiree COLA increases will continue to match those paid by the U.S. Social Security Administration up to a maximum of 5%. However, under the new law, no investment performance test will be associated with that calculation. This is a significant improvement over previous law.

STATE AMORTIZATION AID INCREASED

State assistance in paying off the unfunded liabilities of the SPTRFA comes annually through several different appropriations.

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2009 Federal Income Tax Withholding and Your SPTRFA Benefit

In the recently enacted "Making Work Pay" federal income tax credit, the IRS issued updated federal income tax withholding tables that, for any given choice on the previous income tax withholding tables, would withhold less federal income tax from your SPTRFA monthly pension benefit. While having extra money would be nice now, you would have to pay the piper at tax time, as, in the IRS's own words, "Pensioners do not qualify for the Making Work Pay credit."

To protect the 40% percent of our annuitants who use the federal income tax table withholding option from having to come up with extra money for a payment to the IRS at tax time (and potentially pay a penalty for under-withholding), the SPTRFA currently has not adopted the new federal income tax withholding tables. Remember that withholding table rates (amount withheld based on gross taxable monthly SPTRFA benefit) and actual tax rates (the amount that is owed to the IRS on all of your taxable income less allowable deductions) are not the same thing.

You are not affected by changes to income tax tables if you have chosen to withhold federal income taxes from your SPTRFA benefit under the other withholding options: flat dollar amount, a specified percentage, or no withholding. Regarding Minnesota income taxes, the "Making Work Pay" federal income tax credit has no effect on Minnesota income tax withholding tables.

As always, if you would like to have your federal income tax withholding adjusted to a new amount, you may obtain a federal tax withholding form from our website at: www.sptrfa.org/forms/fedwf.pdf, or request the form via either email at info@sptrfa.org or by phone at (651) 642-2550.

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Article 8 of the Omnibus bill increases the amount allocated to the SPTRFA under Minn. Stat. 423A.02 by about \$250,000 per year beginning in 2010.

Obtaining even marginal increases in State funding in the budget slashing 2009 Session is no small accomplishment. Special thanks are due to the Committee of Nine and their lobbyist, Brian Rice.

IRS CONFORMITY PROVISIONS

State Statutes affecting the SPTRFA were modified to conform with U.S. Internal Revenue Service (IRS) laws and regulations. These changes are necessary from time-to-time in order to maintain our status as a “qualified” (tax-exempt) pension fund. Two significant updates needed this year are 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.

Interim Study on Consolidation Funding

The Legislature requested a study of 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, due in February 2010, could have direct relevance for the future of the SPTRFA. We will monitor its development and recommendations very closely.

The original bill included a major benefit increase proposal for all teachers, championed by Representative Paul Thissen. Due to cost concerns, however, the benefit improvements were removed in the final days of the 2009 Session.

Overall, 2009 was not a momentous Legislative Session, but we accomplished more than was on the list of necessary changes, and did not get drawn into the budget-cutting process—a most successful year indeed.

The SPTRFA office will be closed for the **Independence Day** holiday on Friday, July 3, 2009 and the **Labor Day** holiday on Monday, September 7, 2009.

Navigating in a Storm

If you were born after 1940, you can safely say that this is the worst economy you have ever seen. Real gross domestic product (GDP) fell at an annual rate of 6.3% in the fourth quarter of 2008 and 6.1% in the first quarter of 2009. Unemployment is now at 8.5%, and is expected to hit 10% before the economy turns the corner. There are signs of hope from net exports and consumer spending on durable goods. The federal bailout of the financial industry and fiscal stimulus initiatives may have averted what might have been a much worse situation. Whether we can ultimately afford this medicine remains to be seen.

For the quarter ending March 31st, the fund suffered an 8.3% loss. The trailing 12-month decline was 29.7%. Equity markets were the source of our woes, with U.S. stocks down 11% for the quarter, and 38% for the year. International stocks were down 10% and 41% over the same periods. Bonds were an anchor against the equity gales; though slightly negative in the first quarter of 2009, they returned 1.9% over the trailing 12-months. This is the role they are expected to play in the portfolio overall. The chart on the top of page three shows very clearly why bonds must be part of a diversified pension fund. While stocks have swung between a positive and negative 40% since 1999, bonds have held within a zero to 10% range.

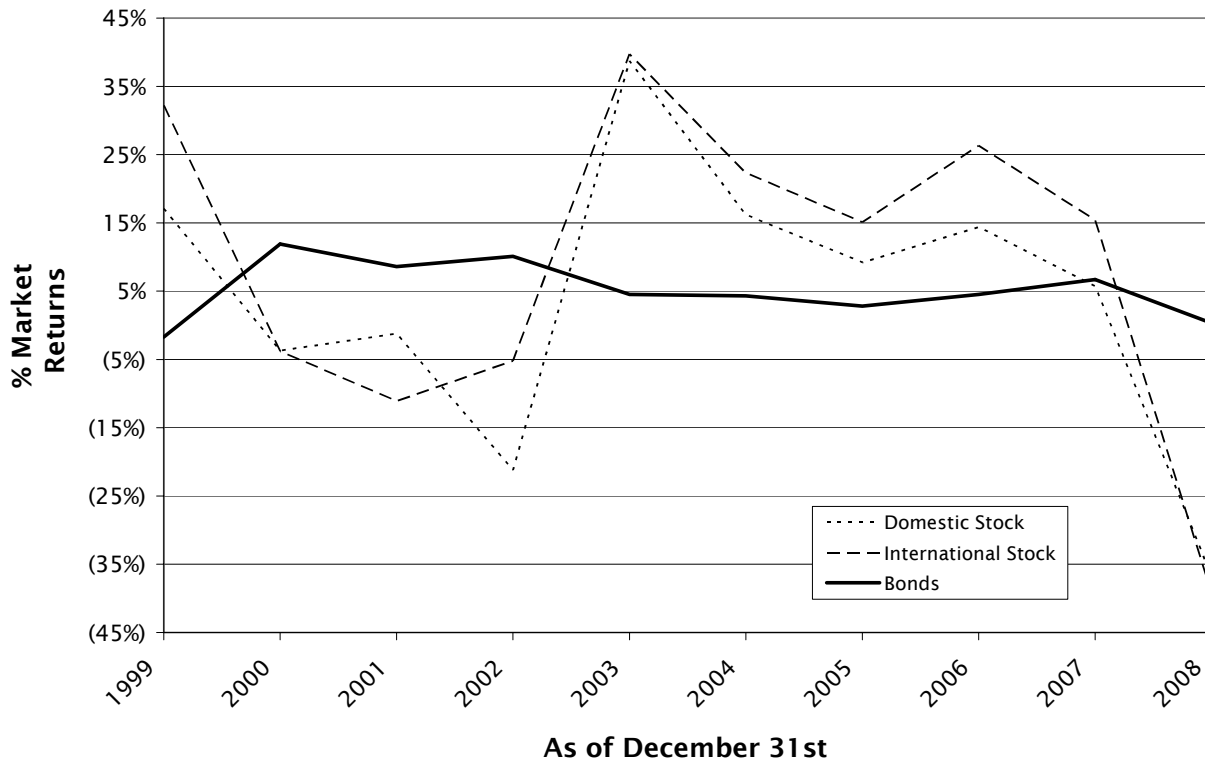
We cannot predict what markets will do in the short term. That is why the Board sets investment allocations based on long-term return patterns and rebalances the fund back to those targets whenever market storms throw our ship off course.

Tom Conlon Farewell Event

School Board Member, Tom Conlon, is leaving Saint Paul and extends his invitation to retired educators to his farewell event on Sunday, June 14, 2009, 5:00 p.m. to 8:00 p.m., at the Church of the Good Shepherd, 1849 Marshall Avenue, St. Paul.

Refreshments will be served, children are welcome.

Historical Percentage Market Returns



SPTRFA — Returns for Periods ending March 31, 2009	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	(10.7%)	(37.6%)	(13.82%)	(3.6%)
S&P 500 Index Benchmark	(11.0%)	(38.1%)	(13.1%)	(4.8%)
Domestic Fixed Income	(0.9%)	(1.8%)	3.8%	3.0%
BC Aggregate Index Benchmark	0.1%	3.1%	5.8%	4.1%
International Equity	(10.0%)	(41.0%)	(10.1%)	0.96
MSCI EAFE Index Benchmark	(13.9%)	(46.5%)	(14.5%)	(2.2%)
Real Estate	(12.5%)	(23.8%)	(1.4%)	-
NCREIF Total Index Benchmark	(7.3%)	(14.7%)	4.2	-
Total Fund	(8.3%)	(29.7%)	(7.7%)	0.0%
Composite Benchmark	(9.6%)	(31.1%)	(7.9%)	(0.5%)

Please note: Figures in parenthesis denote negative numbers. All bold figures are statistics for SPTRFA. Regular type denotes benchmark figures. SPTRFA returns by asset class are gross of fees. The Total Fund return is net of manager fees and all transaction costs.

Change in Statement Mailings

Beginning June 2009, the SPTRFA is changing when we mail pension statements of income (pay stubs). You will receive a pay stub from the SPTRFA:

- **January**—your 1099-R for taxes
Reflects your pension income for the prior calendar year.
- **June**—mid-year statement
Reflects pension income for both June and calendar year-to-date.
- **December**—annual increase letter
Notifies you of pension income for January of the upcoming year.

You will also receive a pay stub whenever there is a change in your deposit.

Changing Your Withholding

You may change your federal or Minnesota income tax withholding at any time during the year. Withholding forms may be obtained:

- 1) From our website:
Federal: www.sptrfa.org/forms/fedwf.pdf
Minnesota: www.sptrfa.org/forms/mnwf.pdf
- 2) Via email request to info@sptrfa.org
- 3) Calling the pension office: (651) 642-2550

If you change your income tax withholding and it affects the amount of your deposit, you will receive a pay stub reflecting the new deposit amount.



Dates for Electronic Deposit of Pension

If you have electronic deposit of your monthly pension benefit, it is deposited to your account on the first business day of the month.

June 1, 2009	December 1, 2009
July 1, 2009	January 4, 2010
August 3, 2009	February 1, 2010
September 1, 2009	March 1, 2010
October 1, 2009	April 1, 2010
November 2, 2009	May 3, 2010



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.

David W. Bole	Donald J. Lieb
Ruth E. Bulka	Judith M. Neff
Thomas R. Byrne	Harland V. Ramberg
Elizabeth J. Davis	Eleanore A. Sayre
Ramon S. Firnstahl	Judith M. Schommer
Shirley A. Hall	James P. Voight
Lucille L. Hittner	Jordan S. Wheeler
Joseph B. Hreha	Jean Willems
Osa Kappus	

Rest In Peace.

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The *Annuitant 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 *Annuitant News* can be provided in an alternate format.