



Annuitant News

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

June 2010

2010 Legislative Update

Sometimes life is what happens to us while we are making other plans. When the 2010 Session began, Senator Sandra Pappas offered legislation on behalf of Saint Paul educators to try to fix the following problems.

- ◆ Increase State contributions to help resolve an ongoing underfunding gap.
- ◆ Amend a state aid sunset that could have lessened state aid to the SPTRFA.
- ◆ Increase the benefit formula for future active service from 1.7% to 1.9% per year.
- ◆ Update and clarify statutory investment constraints.

The funding crisis facing the state, however, made it necessary to change strategy, and address our funding needs differently. On May 15th, Governor Pawlenty signed the 2010 Omnibus Pension Bill (Chapter 359), which reflects compromises on funding objectives, but includes other provisions as originally proposed. Included in the final bill are the following:

- ◆ A 1% contribution increase for Saint Paul Public Schools (SPPS), phased in by ¼ percent increases over four years commencing July 1, 2011.
- ◆ The same contribution increase for active members, likewise phased in over the same four year period.
- ◆ A one-year freeze on retiree cost-of-living adjustments, effective for calendar 2011.
- ◆ Removal of the sunset provision (mentioned above) that could have cost the SPTRFA \$2.8 million in State aid.
- ◆ A study of investment-related statutes affecting local plans such as the SPTRFA.

Austerity measures to constrain benefit liabilities and increase contributions were adopted in the bill for all Minnesota public pension plans in an attempt to repair damage caused by the market implosion that came with the Great Recession of 2008-09. Corrective actions for other funds are more severe than those required for the SPTRFA.

We hope the fixes ultimately adopted this

Session will be sufficient to carry us to better market and funding circumstances.

Sincere thanks to Senator Pappas for her wise leadership and strong advocacy of SPTRFA's legislative needs at every turn of a long, rugged road to enactment.

Summer Hours and Dates




The SPTRFA office will begin Summer hours on June 21st and return to regular hours on September 2nd. Summer hours of operation will be **7:30 a.m. to 4:00 p.m.**

The SPTRFA office will be closed the following dates in observance of national holidays:

July 5, 2010 & September 6, 2010

Withholding Changes?

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

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1. Our website: www.sptrfa.org/retired/forms.asp
 2. Email: info@sptrfa.org
 3. Our 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.

Investments and Fund Status

Last year our Fiscal Services Specialist, Susan Nystrom, reported that assets on the fund balance statement were \$780 million as of June 30, 2009. On the same date, our actuary, James Koss, advised the SPTRFA that current assets were \$1 billion. Each of these expert reports were audited, and the data they provided was determined to be quite accurate. We thanked each of them for their valuable and reliable information.

And the reader is probably convinced at this point that we are a bit confused. How can the experts be \$220 million apart, and both correct? The answer is that they are measuring similar but quite different things.

From one fiscal year to the next, asset levels can be quite variable. However, the baseline assets used to project our funding status 25 years into the future must be a more stable statistic than the, date specific market value we report in our financial statements. Actuarially required contributions are driven by long-term measures. If fund contributions were set based on annual market mased measures, contributions would jump up and down with the markets making budgeting for you and the district nearly impossible.

To set contributions at a level adequate to finance future benefits over a long period of time, a less volatile measure of assets available for investment is needed. A measure that smooths out distortions to the long-range picture that year-to-year fluctuations in the investment markets would render if we used simple June 30 market value figures is needed.

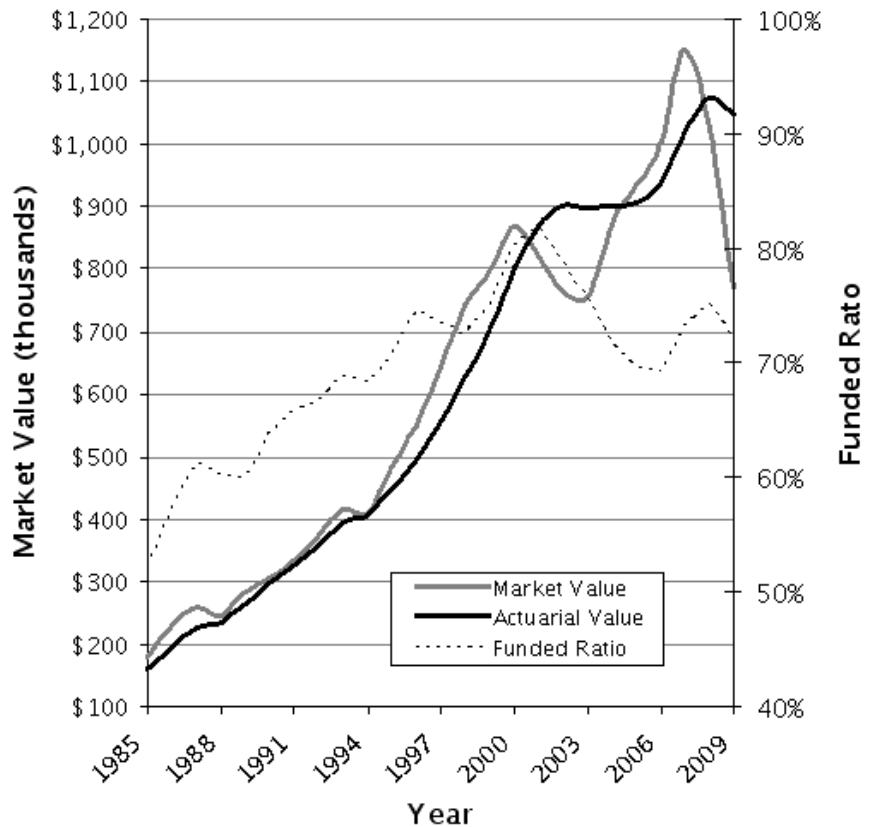
Referring to the chart labeled "Actuarial Value vs. Market Value" one can readily see how much smoother the trendline is for the actuarial value of the fund; because assets are valued over a five-year window. In turn, one can see very clearly how budgetary whiplash would occur if instead we measured our funded ratio and set contributions according to the market value of

the fund at the closing date of each year.

Serious problems would also occur if we valued pension funds on a market basis. However, this very idea is being debated by people who should know better. The Government Accounting Standards Board (GASB) is deliberating whether to measure pension fund health by using "market-based" figures.

We think the arguments against doing that are very compelling, and hope that GASB will come to understand why reliance on short-term market value measures of long-term funded status would be extremely counter-productive. Defined benefit pension plans such as ours would come under strong pressure to fold up and give way to defined contribution plans that force employees to bear entirely too much market risk in their retirement savings plans.

**Actuarial Value vs. Market Value
with Funded Ratio**



SPTRFA — Returns for Periods ending March 31, 2010	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	6.9%	57.3%	(2.8%)	3.6%
S&P 500 Index Benchmark	5.4%	50.1%	(4.0%)	2.0%
Domestic Fixed Income	1.7%	8.3%	4.2%	4.4%
BC Aggregate Index Benchmark	1.8%	7.7%	6.1%	5.4%
International Equity	1.3%	55.6%	(1.8%)	7.3%
MSCI EAFE Index Benchmark	0.9%	54.4%	(7.0%)	3.8%
Real Estate	2.6%	(3.7%)	(7.8%)	2.4%
NCREIF Total Index Benchmark	0.8%	(9.6%)	(4.3%)	4.2%
Total Fund	3.8%	38.6%	(1.0%)	5.0%
Composite Benchmark	3.5%	37.6%	(1.5%)	4.5%

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.

In Memoriam

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

Grace S. Bellesen	Barbara B. Mayer
Patricia M. Berres	Mary Jo Minton
Allen H. Dewall	Jean Ogle
Peter B. Grams	Doris C. Olseen
Marlene E. Huenecke	Marie L. Rhodes
George P. Katz	Sylvia S. Stucinski

Rest in Peace.

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, 2010
 July 1, 2010
 August 2, 2010
 September 1, 2010
 October 1, 2010
 November 1, 2010
 December 1, 2010
 January 3, 2011
 February 1, 2011
 March 1, 2011
 April 1, 2011
 May 2, 2011

What About the Cost of Living Adjustment (COLA)?



As noted in the Legislative Update article, our retirees will not see a benefit increase on January 1, 2011. The Minnesota State Teachers' Retirement

Association (TRA) retirees will see no increase for two years. Why only one year for St. Paul? The simple answer is, we did not increase benefits in 2010. In addition, our immediate funding challenges are not as severe as TRA. Without paying a COLA in 2010 or 2011, actuarial savings to the plan will be about \$35 million.

After 2011, we expect to return to the Social Security based formula applied in 2008 and 2009. That formula, however, remains in "pilot project" status until the legislature acts to make it permanent law. The SPTRFA will work to get that done next session after the Board of Trustees resolves on how we will deal with negative inflation periods such as when the 2010 COLA was calculated.

Stay Up to Date!

In addition to our usual methods of communication, publications and U.S. mail correspondence, the SPTRFA posts new and important information on the Association's website. Our website is just another method for you to stay in touch with us and for us to stay just a click away from our active and retired members.

St. Paul Teachers' Retirement Fund Association

1619 Dayton Avenue, Room 309

Saint Paul, Minnesota 55104-6206

Return Service Requested

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

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Staff

Phillip G. Kapler, Executive Director
Chris MacDonald, Assistant Director & Counselor
Nancy Langer, Member Records & Accounting
Susan Nystrom, Fiscal Services Specialist
Katy Smithson, Communications Specialist
Tamera Zielinski, Administrative Assistant

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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.