



Annuitant News

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

March 2008

Annual Meeting Results

The SPTRFA Annual Meeting of the Members was held on January 17, 2008, at 4:00 p.m. in Auditoriums A & B of the Saint Paul Public Schools District Headquarters.



ELECTION FOR THREE-YEAR TERM:

Carol A. Adams, Matt Bogenschultz and Chong Thao were elected for three-year terms to the Board of Trustees. Election results were:

Candidates	Number of Votes
Carol A. Adams	(elected) 1,222
Matt Bogenschultz	(elected) 1,168
Chong Thao	(elected) 1,036
Stephanie J. Pignato	508

Lori Borgeson received 5 votes. Other candidates receiving one vote each were Feryle Borgeson, Daniel Brink, Yang Koua, Al Kuaal, Mike Gorman, Janet Magnuson, Emily Martin, Mike McCollor, Erma McGuire, John Mueller.

Eugene Waschbusch, Secretary-Treasurer, reported that total revenues for the fiscal year ending June 30, 2007 were \$117 million, while expenditures were about \$85 million. There was a net gain in operating revenues of approximately \$32 million.

Total fund investment returns were very strong, closing the fiscal year at 20.1%.

Mr. Waschbusch also reported that as of June 30, 2007, there were 3,841 active members, 1,538 non-vested terminated members, 1,693 vested terminated members, 141 members on leave of absence, and 2,738 pensioners, survivors and beneficiaries. Members drawing benefits increased by 114 over the previous year, whereas the active employee count declined by 220, including members on leave of absence.

Members heard a presentation by Amy Denn and Jon Fisher of Fifth Third Asset Management. Fifth Third manages a regional equities strategy for the SPTRFA. Also presenting was Bridget Tompkins, James Norungolo and John Huber of Voyageur Asset Management. Voyageur manages a fixed income strategy for the SPTRFA.

Matt Bogenschultz, Trustee and Committee of Nine (C-9) Chair, reviewed with attendees the legislative priorities of the Committee, which focus on benefit improvements and funding adequacy.

Brian Rice, partner for the law firm Rice, Michels & Walther, and lobbyist for the C-9, provided a recap of significant action in the 2007 Session. He also shared his views on the environment public pension funds are likely to encounter in the upcoming 2008 Session.

Mr. Rice noted that the post-retirement cost-of-living adjustment (COLA) changed in 2008, and savings to the fund relative to the old formula were about \$3 million. There was considerable discussion about the new COLA and its effect on retirees and overall plan funded status. The Legislature is scheduled to review the new COLA in 2009 and will decide to retain, modify it, or revert to the pre-2008 methodology.

Association Officers Election: John Kunz, President

The Board of Trustees annually reviews officer positions and committee structures, and makes changes when advisable.

For 2008, the trustees re-elected John Kunz as SPTRFA President. Erma McGuire was re-elected Vice-President of the Association. Eugene Waschbusch was re-elected as Secretary-Treasurer.

Standing committee appointments for 2008 were discussed and approved.

Matt Bogenschultz was reappointed to represent the Association on the Committee of Nine for 2008.

2008 Legislative Session

The 2008 Session is well underway as of this writing. The SPTRFA is requesting supplemental state funding of \$5 million per year. Spending initiatives may face considerable resistance, however, as resolving a large forecasted deficit for the State is expected to dominate discussion. We also have an administrative proposal before the legislature, which may have better odds of success. Senator Sandra Pappas is championing a bill again this session to extend our amortization target date in law, and to improve laws regarding the hiring of actuarial consultants by public pension plans generally.

Investment Performance

Calendar 2007 was a rollercoaster ride. Returns for the first half of the year were up and up, and we closed the fiscal year on June 30 with an annual return of 19.8% net of fees. Gravity had its way, however, and investor anxiety eroded away much of the gain. Turmoil was driven by the end of a housing market bubble, as prices declined, and pressure on consumption leveraged against home equity led to accelerating delinquency and bankruptcy rates.

A correction that might, in other times, have been limited to the banking sector, spilled over into nearly every other investment arena, as structured mortgage debt instruments, collateralized by the devalued housing stock and not properly rated for the risk they carried, severely affected large investment banks, institutional and other investors. The ripple effects were broad and deep, and hit at the same time that inflation and employment trends were causing apprehensions about a possible recession in 2008.

Returns for 4Q07 were almost uniformly negative, with real estate and non-mortgage fixed income being the only exceptions. First half momentum, however, kept the total fund return for the calendar year at 8.9%; better than our actuarial target, but below the composite benchmark by almost 1%, and placing the SPTRFA in the 80th

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.

Charlotte Brady	Gladys O. Mays
Lucille J. Guss	Carola L. Russell
Robert H. Johnson	Everette M. Schaefer
Dennis L. Juairé	Orville J. Vincent
Richard M. Kayser	Raymond C. Wirth
Agnes L. Liesenfeld	William Young
Wesley E. Madsen	Francis J. Zucco

Rest In Peace.

percentile of the Callan Public Funds Universe. The longer term track record remains more positive, with a five-year return of 15.0%, placing the SPTRFA in the top decile among the same group of public funds. The markets are probably in for a siege by volatility until the credit market correction has worked itself out more completely. The ride back up, may be a ways off.

SPTRFA — Returns for Periods ending December 31, 2007	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	(3.1%)	5.7%	9.7%	16.3%
S&P 500 Index Benchmark	(3.3%)	5.5%	8.6%	12.8%
Domestic Fixed Income	2.6%	6.7%	4.7%	4.6%
LB Aggregate Index Benchmark	3.0%	7.0%	4.6%	4.4%
International Equity	(0.0%)	15.4%	18.8%	23.5%
MSCI EAFE Index Benchmark	(1.8%)	11.2%	16.8%	21.6%
Real Estate	(0.2%)	9.0%	16.2%	-
NCREIF Total Index Benchmark	3.2%	15.9%	17.5%	-
Total Fund	(1.1%)	8.9%	11.5%	15.0%
Composite Benchmark	(1.2%)	9.8%	11.5%	14.7%

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.

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.