



Annuitant News

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

March 2009

Annual Meeting Results

The SPTRFA Annual Meeting of the Members was held on January 15, 2009, at 4:00 p.m. in Auditoriums E & F of the Saint Paul Public Schools District Headquarters.

ELECTION FOR THREE-YEAR TERM

Mike McCollor, Erma McGuire and Karen Odegard were elected for three-year terms to the Board of Trustees. Election results were:

Candidates	Number of Votes
Mike McCollor	(elected) 1,098
Erma McGuire	(elected) 1,096
Karen Odegard	(elected) 890
James Paddock	838

Other candidates receiving one vote each were Lori Borgeson, Dorothy Levin, Tom Noud, John Pickala.

Eugene Waschbusch, Secretary-Treasurer, reported that total revenues for the fiscal year ending June 30, 2008 were \$86 million, while expenditures were about \$91 million. There was a net loss in operating revenues of approximately \$5 million.

Total fund investment returns were negative, closing the fiscal year at (6.6%).

Mr. Waschbusch also reported that as of June 30, 2008, there were 4,121 active members, 102 members on leave of absence, 1,695 vested terminated members, 1,403 non-vested terminated members, and 2,851 pensioners, survivors and beneficiaries. Members drawing benefits increased by 113 over the previous year. The active member count decreased by 241 (including members on leave of absence).

Members heard a presentation by Tim Leask of JPMorgan Asset Management. JPMorgan manages an international value equities strategy for the SPTRFA. Also presenting was Ron Lanier of UBS Trumbull Real Estate Partnership—a real estate 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 stable financing and benefit improvements.

Brian Rice, partner for the law firm Rice, Michels & Walther, and lobbyist for the C-9, provided a recap of significant action in the 2008 Session. He

also shared his views on the environment public pension funds are likely to encounter in the upcoming 2009 Session.

Mr. Rice noted that the Legislature is scheduled to review the cost-of-living adjustment (COLA) pilot program 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 2009, the trustees re-elected:

- President: John Kunz
- Vice-President: Erma McGuire
- Secretary-Treasurer: Eugene Waschbusch

Standing committee appointments for 2009 were discussed and approved.

Matt Bogenschultz was reappointed to the C-9 for 2009.

2009 Legislative Session

Resolving the budget deficit facing the State is the Legislature's first order of business this session. A bill to increase future benefits for teachers (SF506/HF592) has been introduced, but the fiscal climate implies that any such bill will face strong headwinds in 2009.

The SPTRFA has legislation (SF686) to make permanent the pilot program for COLA adjustments that applied to retiree increase in the most recent two years. Senator Sandra Pappas of Saint Paul has agreed to author this important measure on our members' behalf.

Other legislative initiatives are being pursued that are technical and administrative in nature, but none with significant implications for benefits or plan operations.

Bragging Rights

Someday we will be able to boast of having survived the market meltdowns of 2008 . . . *someday*. A recession commenced in December of 2007 with the collapse of home prices. That was a catalyst for a painful and large-scale

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de-leveraging of bonds and the financial markets generally, both here and abroad. The adversities facing the real and financial economies are likely to persist through most of 2009.

Investment Performance

Real Gross Domestic Product (GDP) fell 3.8% in the 4th quarter of 2008. Stocks recorded their worst declines since the Great Depression. Our fund, net of fees, lost 15% in 4Q08 alone.

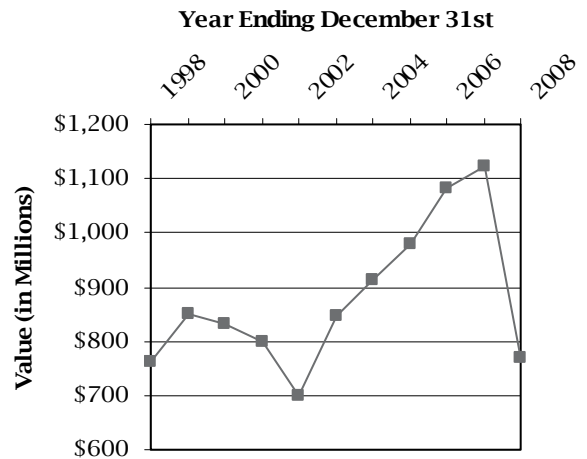
The only bright spots in our portfolio were bonds and cash. Bonds are expected to insulate the fund from stock market volatility, and one-half of our fixed income allocation did just that, with our index account returning 5.7% in calendar 2008. Our actively managed bond account, alas, did not fare as well, returning a negative 5.4% for the period. So the asset class that we rely on primarily to soften the market blows in times such as these provided little comfort, with net returns on bonds being a wash.

Groucho Marx once insulted a dinner host by declaring upon his departure, "I've had a wonderful evening . . . but this wasn't it." The same could be said for our investment experience in 2008, with the total fund market value being down 28%, and our ranking in the Callan Public Funds Universe falling from our usual top decile status to the bottom quartile.

Asset Allocation—Portfolio Rebalancing

The SPTRFA has a large allocation to international equities relative to other public funds, which hurt us in 2008, but will help returns over the long term. International equities have produced double-digit gains in the last five years since the 2003 asset allocation. Presently, the Board is rebalancing the fund among asset classes, moving money from fixed income and real estate into attractive stocks. Intuitively, that may seem ill-advised, but the fund will be well-positioned when the markets ultimately rebound.

Market Value Of SPTRFA Assets



SPTRFA — Returns for Periods ending December 31, 2008	Annualized Rates of Return vs. Benchmarks		
	One Year	3 Years	5 Years
Domestic Equity	(36.8%)	(8.6%)	(0.6%)
S&P 500 Index Benchmark	(37.0%)	(8.4%)	(2.2%)
Domestic Fixed Income	0.3%	3.9%	3.7%
* BC Aggregate Index Benchmark	5.2%	5.5%	4.7%
International Equity	(39.2%)	(3.9%)	4.6%
MSCI EAFE Index Benchmark	(43.4%)	(7.4%)	1.7%
Real Estate	(11.6%)	4.9%	-
NCREIF Total Index Benchmark	(6.5%)	8.1%	-
Total Fund	(28.0%)	3.2%	2.6%
Composite Benchmark	(28.7%)	3.1%	2.3%

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. * Note: Name change ~ Barclays Capital acquired Lehman Brothers.

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.

- Elizabeth S. Andrews
- Leona C. Chirpich
- Ronalda A. Condiff
- H. Lucille Forslund
- Goldie M. Hoff
- David D. Irwin
- Charles R. Kemp
- Ann H. Lindquist
- Ida M. Noll
- Gerald T. O'Connor
- Elaine B. Rogers
- Terilyn C. Turner

Rest In Peace.

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.