



Annuitant News

www.sptrfa.org

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

September 2009

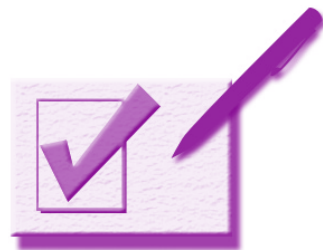
Board of Trustees Call for Nominations

Three seats are up for election this year at the Annual Meeting of the Members on January 21, 2010.

The members holding the three-year seats are Feryle Borgeson, John R. Kunz, and Eugene R. Waschbusch.

Candidates for the position of trustee must be nominated by ten members of the St. Paul Teachers' Retirement Fund Association (SPTRFA). Nomination forms are available at the SPTRFA office. To request a form, stop in or call 651-642-2550.

The names of nominated candidates appear on the voting proxy. The proxy will be mailed to all members in December. Additional nominations may be made from the floor at the Annual Meeting of the Members in January.



Properly completed nomination forms must be received at the SPTRFA office no later than the close of business at 4:30 p.m. on Friday, November 13, 2009.

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.



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

Celebrating 100 Years!



On October 1, 2009, the SPTRFA will be celebrating 100 years of serving the licensed teachers and administrators of the St. Paul school district.

In 1909, under authority granted by the

Laws of Minnesota, Chapter 343, the SPTRFA was founded.

The fund's first Executive Director, Florence Rood, oversaw a much different fund than the one we know today. At that time, membership was voluntary, dues were 1% of salary and there were no deductions from payroll. The first



Florence Rood

benefits were paid one year later, in 1910, to 15 members at \$30 per month. Increases came slowly over the next several decades.

Over the years, the SPTRFA has undergone some significant changes. In 1955, the fund began reserving assets for future benefits for the first time. In 1975, contributions were set in state law at a level insufficient to fully pre-fund future retirement benefits. Unfunded liabilities created at that time remain our greatest funding challenge over 30 years later.

Through good times and bad, the SPTRFA has been here for its members and looks forward to providing excellent service for years to come.

In Memoriam

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

- | | |
|--------------------|-------------------|
| Dorothy Blackstone | Bertha M. Jensen |
| Barbara L. Chase | Albert G. Kellner |
| Gerald E. Fontaine | Darrell S. Larson |
| Mary M. Griffith | David A. Magnuson |
| Eleanor C. Heck | Beatrice Morrall |
| Laura M. Hueller | Robert T. Ryan |

Diane R. Spangler

SPTRFA — Returns for Periods ending June 30, 2009	Annualized Rates of Return vs. Benchmarks			
	Last Quarter	One Year	3 Years	5 Years
Domestic Equity	18.1%	(25.4%)	(7.9%)	(0.7%)
S&P 500 Index Benchmark	15.9%	(26.2%)	(8.2%)	(2.2%)
Domestic Fixed Income	2.7%	2.6%	4.7%	4.1%
BC Aggregate Index Benchmark	1.8%	6.1%	6.4%	5.0%
International Equity	24.2%	(25.7%)	(3.2%)	5.8%
MSCI EAFE Index Benchmark	25.4%	(31.4%)	(8.0%)	2.3%
Real Estate	(3.8%)	(25.8%)	(3.5%)	-
NCREIF Total Index Benchmark	(5.2%)	(19.6%)	1.0%	-
Total Fund	13.4%	(19.1%)	(3.3%)	3.6%
Composite Benchmark	14.3%	(19.8%)	(3.6%)	2.2%

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.

From the Investment Front

The quarter ending June 30, 2009, provided the highest single quarter total return the pension fund has had recently. Returns in every major asset class but real estate were positive, and some by an extremely comfortable margin; most notable was International Equities where the broad market gain was 24%. Emerging markets rose 34% in the quarter. U.S. Stocks returned 18%. Credit markets warmed up in the second quarter as well with corporate bonds out-performing Treasuries.

To be sure, it's nice to see numbers that aren't red for a change. But the picture looking back several years in the rear view mirror remains an unmixed catastrophe; one from which the Fund will need a considerable string of good quarters to recover.

Our one-year total fund loss remains at about negative 20%, and the five-year overall return is a meager 3.6%. Compared to our assumed return of 8.5%, this is about a 5% actuarial loss relative to the SPTRFA's long-term funding goal. Another string of such dismal returns would raise serious concerns for the long-term sustainability of defined benefit plans nationwide. Investment returns are expected to produce 70% of resources to satisfy retirement benefit commitments. Markets such as the protracted recession underway present potentially serious funding hurdles. And, macroeconomic trends do not lend support to recent investor enthusiasm:

- ① gross domestic product is still declining
- ② productive capacity is at low utilization levels
- ③ producer planned purchasing indices remain weak
- ④ housing prices down 15% with perhaps another 15% to fall
- ⑤ consumers are deleveraging themselves, and consumption is not picking up
- ⑥ unemployment is expected to exceed 10%

Asset valuations are up. Investors are becoming less risk averse. Liquidity appears to have thawed, allowing securities to trade closer to intrinsic value. Our returns in the most recent quarter were very high, and our fund is again above \$800 million in market value. These are all good things, but they are floating on the surface of an economy that is far from the pacific calm and stability that drives long-term, sustainable positive returns. Expect more news in the quarters ahead - both kinds.

Public Pension and Economic Security

Amidst all the present financial and funding adversities of late, a recent report of the National Institute for Retirement Security (NIRS) provided some very encouraging news (see the following two studies).

State and local public pension plans are key to the financial health of our aging society, and prevent many from slipping into indigent status after their working years. Public pension benefits also support jobs for young adults, stabilize communities, state economies overall, and the tax base on which public services depend.

The Pension Factor: A Study by NIRS

Source: www.nirsonline.org

The National Institute on Retirement Security has released a research report entitled *The Pension Factor: Assessing the Role of Defined Benefit Plans in Reducing Elder Hardships*. The report analyzes U.S. Census Bureau data to find that defined benefit pension income plays a unique and critical role in reducing the risk of poverty and hardship among older Americans.

This "pension factor" is particularly powerful for improving the economic security of vulnerable older households - women and members of racial/ethnic minority groups. The analysis finds that pensions reduce - and in some cases eliminate - the greater risk of poverty and public assistance dependence that women and minority populations otherwise would face.

The Pension Factor finds that pensions have helped substantial numbers of older Americans avoid material hardships associated with inadequate food, shelter, and health care, and also avoid reliance on public assistance. For 2006, pension income among older American households in 2006 was associated with:

- 560,000 fewer households experiencing a food hardship
- 380,000 fewer households experiencing a shelter hardship
- 320,000 fewer households experiencing a health care hardship

The study calculates for 2006 a savings of \$7.3 billion in public assistance expenditures and 4.7 million fewer households in poverty or "near-poverty" attributable to pension income.

Pensionomics: A Study by NIRS

Source: www.nirsonline.org

Expenditures made by retirees of state and local government provide a steady economic stimulus to Minnesota communities and the state economy. In 2006, 151,602 residents of Minnesota received a total of \$3.11 billion in pension benefits from state and local pension plans, with \$3.05 billion paid from plans within the state and the remainder originating from plans in other states.

Retiree expenditures stemming from state and local pension plan benefits supported 31,274 jobs in the state. Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Minnesota.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect. Expenditures stemming from state and local pensions support:

- 31,274 jobs that paid \$1.8 billion in wages and salaries
- \$4.5 billion in total economic output
- \$738.3 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.43 in total economic activity in Minnesota. Each dollar "invested" by Minnesota taxpayers in these plans supported \$10.17 in total economic activity in the state.

A New Look!

Over the summer the SPTRFA website has been under a major renovation. In the coming weeks you will see the transition into the new and improved site. Members can look forward to an updated format with easily accessible links, documents and forms for members.

The main page will feature a bulletin board which will highlight important news, upcoming events and items of special interest.

Be sure to stay tuned to the website for these exciting updates: www.sptrfa.org

 **Office Closed** 

November 26 & 27, 2009
December 25, 2009
January 1, 2010

St. Paul Teachers' Retirement Fund Association

1619 Dayton Avenue, Room 309

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Return Service Requested

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

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The Member 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 Member News can be provided in an alternate format.