

St. Paul Teachers' Retirement Fund Association

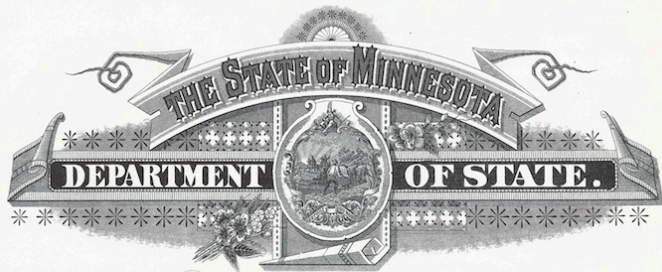
Serving the retirement needs of St. Paul Teachers since 1909



The Radio Operators – Horace Mann 1922

Aeronautics Training – Johnson Sr. High 2014

Organization, Governance and Oversight



Be it known, that whereas

Daniel W. Lawler, Louis Betz, Otto Bremer, Sylvanus L. Hester, Charles W.

Gordon, Mary A. Cunningham, Lillian C. Flint, M.A. Stapleton, Janie MacMillan

Florence Rood and Lisbeth M. Butler

Have associated themselves, with the intention of forming a corporation under the name of

Teachers Retirement Fund Association

for the purpose of receiving property and funds for paying annual pensions to retired city school teachers of St. Paul, Minnesota,

with a capital of _____ Dollars, and have complied with the statutes of this State in such case made and provided, as appears from the articles of incorporation and the affidavit of proof of publication, filed in this office.

Now, therefore, I, Julius A. Schwall, Secretary of State of Minnesota, do hereby certify that said above named incorporators, their associates and successors, are legally organized as, and are hereby made, an existing corporation under the name of

Teachers Retirement Fund Association

with the powers, rights and privileges and subject to the limitations, duties and restrictions which by law appertain thereto.

Witness my official signature hereunto subscribed and the seal of the State of Minnesota hereunto affixed this twenty-third *day of* October *in the year of our Lord* one thousand nine hundred and nine.

Julius A. Schwall
Secretary of State.

The St. Paul Teachers Retirement Fund has been providing pension benefits to the teachers of St. Paul since 1909.

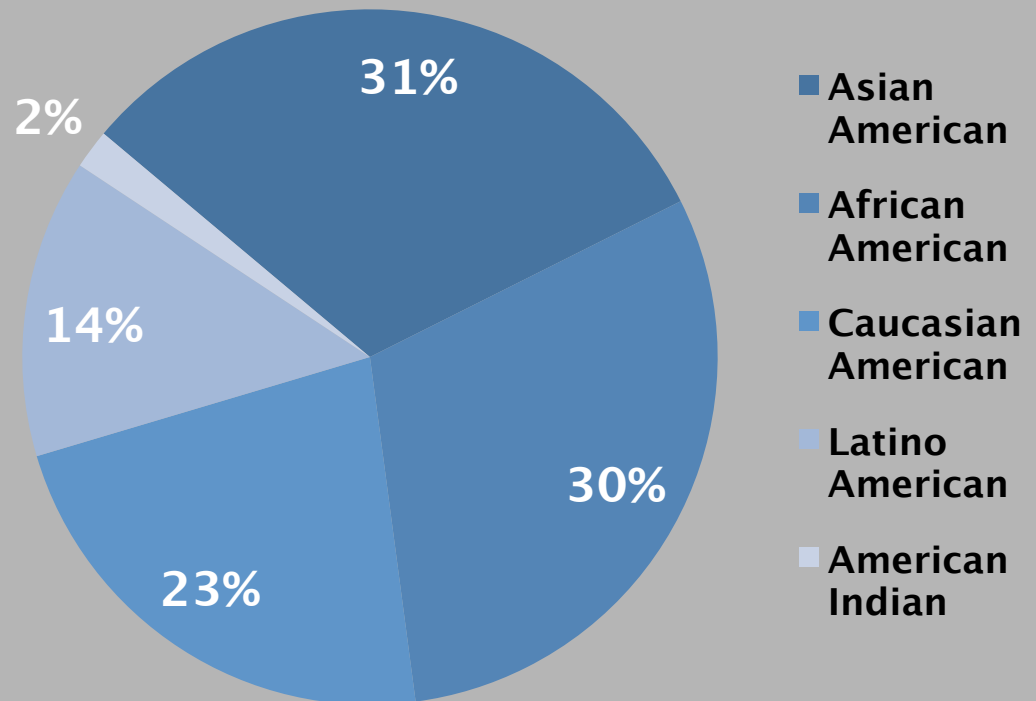
- **Governed by a Board of Trustees** consisting of nine elected active and retired members, and one *ex-officio* member appointed by the Board of the Saint Paul Public Schools.
- **Subject to oversight by the MN Legislature and the LCPR.**
- **Audited annually by the Office of the State Auditor.**
- **Actuarial and funding calculations performed by a nationally recognized, independent firm, Gabriel Roeder Smith.**
- **Professionally managed by an experienced leadership team (biographies attached) and staff.**

Our Members Serve where Minnesota Needs Them the Most

They serve the students of St. Paul Public Schools – One of the largest districts in the state.

Their students are among the most diverse in MN

- **Speak more than 100 languages and dialects**
- **34% are English language learners**
- **16% require special education services**
- **72% are eligible for free or reduced price lunch**



Our Members Are

- 73% Women, 27% Men
- 20% Non-Caucasian
- Solidly Middle Class
 - Average salaries fall in the lower to middle range for a “middle class income” definition
- Diehard Minnesotans
 - 88% of SPTRFA benefit dollars *remain in MN (in 59 different counties)* and continue to contribute meaningfully to the fiscal health of the our economy through *spending* and *tax revenue*

Demographic Data

Our Membership

		Women	Men	Basic	Coord.
Actives*	7,629	75%	25%	.2%	99.8%
Retirees**	3,633	69%	31%	53%	47%
Total Members	11,262	73%	27%	17%	83%

*Actives includes deferred members

**Retirees includes disabilitants and survivors

- Average Active Member Age: 44
- Average Retirement Age: 62.7

Their Retirement Benefits

	Average SPTRFA Benefit Payments	
	Monthly	Annual
Coordinated	\$1,553	\$18,636
Basic*	\$3,520	\$42,244

- * Basic Plan Members receive **no Social Security benefits** and paid higher contributions during their active careers.

Proven Fiscal Stewardship

Responsibly Balancing Assets, Liabilities and Benefit Decisions

- **Significantly *Reduced*** postretirement cost of living adjustments
 - Base rate reduced from a variable formula to 1%
 - Eliminated CPI based adjustment provisions
 - Traditionally most conservative COLA structure of MN Plans
- ***Increased Employee and Employer contribution rates***
- ***Proactively Reduced*** investment return assumption from 8.5% to 8%
- Converted from rolling amortization period to fixed
- Adopted higher reductions for early retirement and lowered assumed salary growth
- Adopted cost saving re-employed annuitant rules
- Lowered interest rates on refunds and other pension payments

Meaningful Structural Improvements

These changes have led to significant improvements

- Sufficiency/Deficiency metrics have gone from (6.4%) in 2012 to only (0.6%) when current full statutory rate increases take effect in 2017.

FY	Actuarial	Market
2012	(6.40)	(7.16)
2013	(2.80)	(1.67)
2014	(2.19)	0.00
2015	(1.60)	(1.28)
2016 – 2018 (est.)	(0.60)	(0.28)

- And, for the 3rd consecutive year, the growth of contributions has outpaced the growth of benefit payments

Mortality – the Minnesota Halo Effect

Minnesota ranks second only to Hawaii for longevity

(even in a City that prides itself on being home to Saints *and* Sinners)

- The Society of Actuaries released new mortality tables in October 2014 that incorporate these longer life expectancies and future improvements.
- On average, Minnesota pension beneficiaries are living 2 full years longer than expected.

Current SPTRFA Contribution Rates

Contribution After June 30,	Member Regular	Employer* Regular
2012 (FY13)	6.00%	5.00%
2013 (FY14)	6.25%	5.25%
2014 (FY15)	6.50%	5.50%
2015 (FY16)	7.00%	6.00%
2016 (FY17)**	7.50%	6.25%
2017 (FY18)**	7.50%	6.50%
Proposed 2017 (FY18)	7.50%	7.50%
2018 (FY19)	7.50%	8.00%

National Median Contribution Rates

NATIONAL	EMPLOYEE	EMPLOYER
FY14	6.0%	11.5%

Other MN Public Plans

TRA		
	EE	ER
Current	7.5%	7.5%
Prop.	7.5%	8.5%

MSRS		
	EE	ER
Current	5.5%	5.5%
Prop.	6.0%	7.0%

PERA		
	EE	ER
Current	6.5%	7.5%
Prop.	6.5%	7.5%

* The Employer also pays a Supplemental Amount of **3.84%** and **\$800,000 annually** to address certain past underfunding

** Statutory Contribution Increases from 2013 Legislation (phased-in)

Actions Required to Address the Impact of Mortality

Deficiency after Mortality	(3.10)%
Remaining 2013 Statutory Increases (phased-in through FY 18)	1.00%
	(2.10)%
Savings from Eliminating Future COLA Increase Triggers	0.60%
ER Contributions	1.50%
	0.00%

- Eliminate current COLA triggers *(which preserve automatic increases but add to accrued liabilities)*
- Hold COLA at flat 1%
- Increase ER Contributions

St. Paul Teachers' Retirement Fund Association

Serving the retirement needs of St. Paul Teachers since 1909

Jill E. Schurtz

Executive Director

Ms. Schurtz is the Executive Director and CEO of the St. Paul Teachers' Retirement Fund Association, where she oversees investments and pension benefits administration. Prior to serving in this role, she was the CEO of Robeco-Sage, a NY based asset management firm. Jill is a graduate of the United States Military Academy, West Point and served seven years in the U.S. Army, where she attained the rank of Captain. Following her military service, she received her J.D. from Columbia University School of Law. Her other professional affiliations include practicing law at Skadden, Arps; investment banking at U.S. Bancorp Piper Jaffray; and the technical research group at Knight Equity Markets. She serves on a number of non-profit boards and investment committees, including the United States Military Academy Investment Committee.

Christine MacDonald

Deputy Director

Ms. MacDonald serves as the Deputy Director of the St. Paul Teachers' Retirement Fund Association. She joined SPTRFA in 2003 after a ten year career with the Minnesota Office of the State Auditor (OSA), where she was the Director of Public Pension Oversight. In that role she had significant public pension plan responsibilities. During her tenure at OSA she was also responsible for auditing and financial/legal oversight for cities, counties, and tax increment financing districts in Minnesota. With her experience in public pension regulation, she is involved in all aspects of SPTRFA management, including statutory and regulatory interpretation covering investment and administrative requirements. She also works closely with all other Minnesota public retirement funds to ensure appropriate coordination and continuity. Ms. MacDonald is a graduate of the University of Minnesota's Carlson School of Management, where she earned a B.S.B. in Accounting with High Distinction, finishing top 3% of her class.

	ACTUARIAL		MARKET	
	2015 Actual	2015 With Impact of Mortality	2015 Actual	2015 With Impact of Mortality
Actuarial Accrued Liability (000s)	\$ 1,596,770	\$ 1,648,614	\$ 1,596,770	\$ 1,648,614
Value of Assets (000s)	999,736	999,736	1,014,969	1,014,969
Unfunded Actuarial Accrued Liability (000s)	597,034	648,878	581,801	633,645
Funded Ratio	62.60%	60.60%	63.60%	61.60%
Total Statutory Contribution	20.66%	20.66%	20.66%	20.66%
Required Contribution				
Normal Cost Plus Expenses	9.40%	9.78%	9.40%	9.78%
Amortization of Unfunded Liability	12.86%	13.98%	12.54%	13.65%
Total Required Contribution	22.26%	23.76%	21.94%	23.43%
Contribution Sufficiency/(Deficiency)	(1.60)%	(3.10)%	(1.28)%	(2.77)%
Statutory Future Contribution Increase <i>From 2013 Legislation (phased-in)</i>	1.00%	1.00%	1.00%	1.00%
Contribution Sufficiency/(Deficiency) <i>Reflecting 2013 Legislative Contribution Increase</i>	(0.60)%	(2.10)%	(0.28)%	(1.77)%