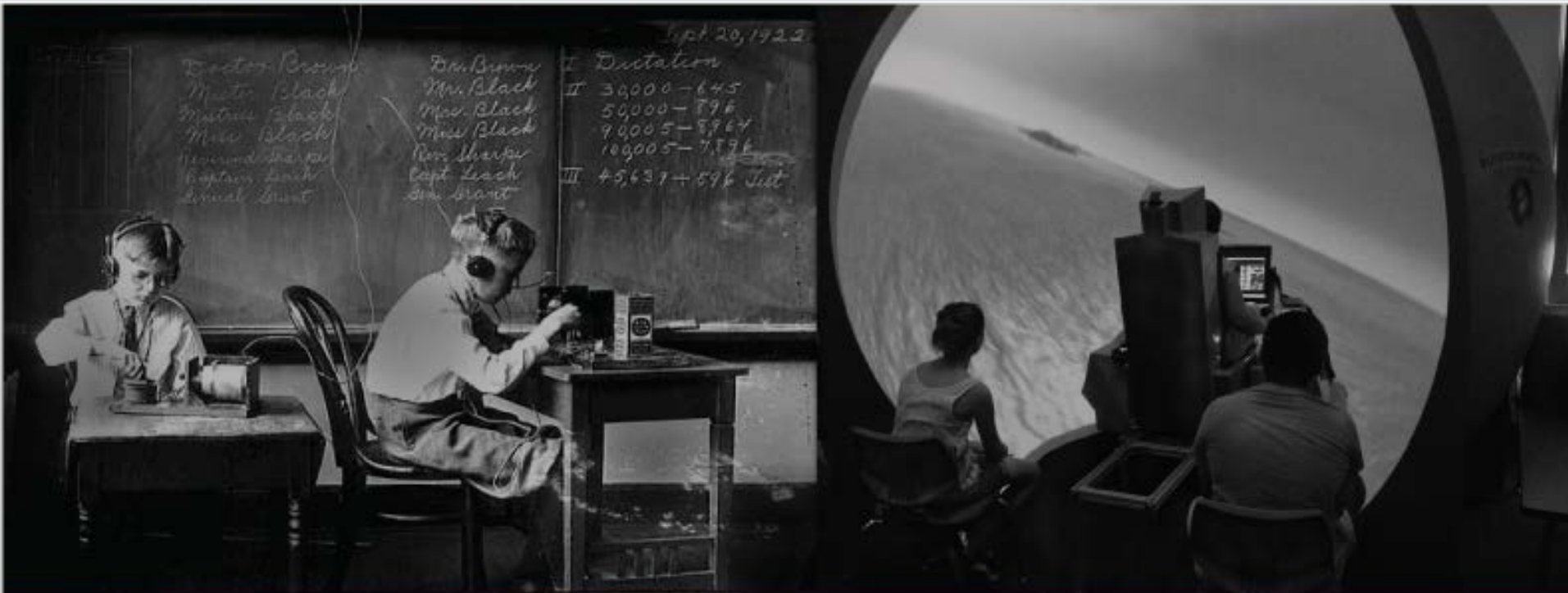


St. Paul Teachers' Retirement Fund Association

Serving the retirement needs of St. Paul Teachers since 1909

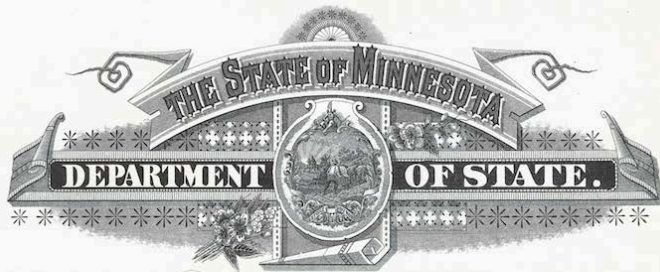


The Radio Operators – Horace Mann 1922

Aeronautics Training – Johnson Sr. High 2014

2017 Legislative Overview

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.

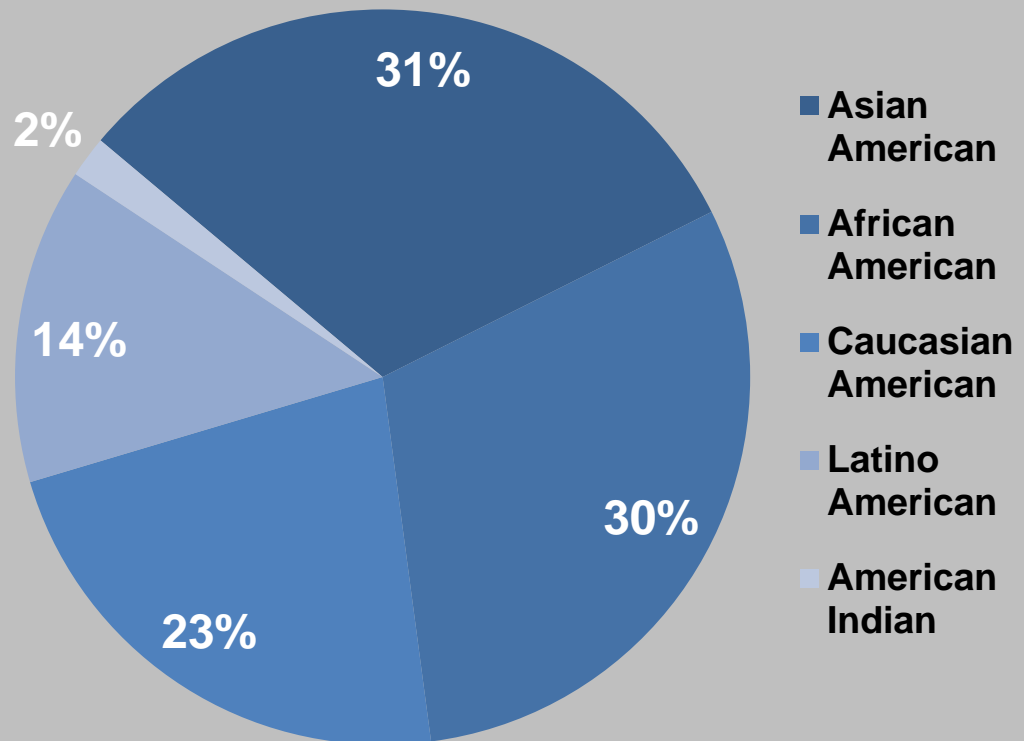
- **Governed by a Board of Trustees** consisting of nine elected active and retired members, and one *ex-officio* member appointed by the Board of the Saint Paul Public Schools.
- **Subject to oversight by the MN Legislature and the LCPR.**
- **Audited annually by the Office of the State Auditor.**
- **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*	8,469	75%	25%	0.1%	99.9%
Retirees**	3,723	70%	30%	51%	49%
Total Members	12,192	73%	27%	16%	84%

*Actives includes deferred members

**Retirees includes disabilitants and survivors

- Average Active Member Age: 45
- Average Retirement Age: 64

Their Retirement Benefits

	Average SPTRFA Benefit Payments	
	Monthly	Annual
Coordinated	\$1,552	\$18,621
Basic*	\$3,543	\$42,518

- * 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

- ***Proactively Reduced*** investment return assumption from 8.5% to 8% (with no additional funding)
- ***Significantly Reduced*** postretirement cost of living adjustments
- ***Increased Employee and Employer contribution rates***
- ***Adopted higher reductions for early retirement and lowered assumed salary growth***

These changes have led to meaningful improvements

Sufficiency/Deficiency metrics have gone from (6.4%) in 2012 to only (0.67%) 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*	(0.67)	(1.76)

* Reflects 0.25% ER contribution increase eff. July 1, 2017

FY '17 Legislative Proposals

Mortality and Investment Return Assumption

Objectives

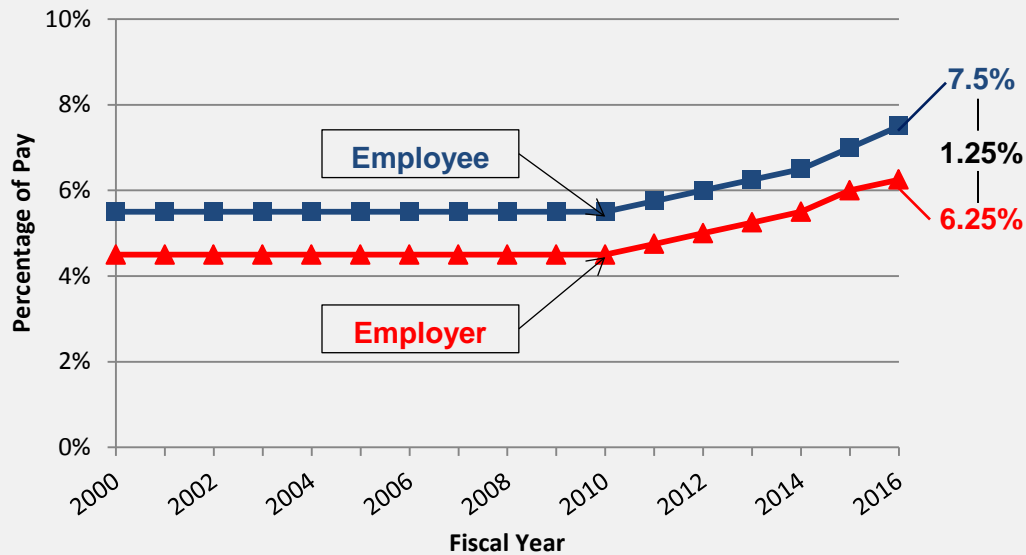
- Address the cost of mortality
- Correct current/historic employer contribution shortfall
- Accelerate funded ratio improvement
- Lower investment return assumption to 7.5%

Recommended Actions

- Increase ER contribution rates to 9.5%
- Receive additional direct state funding of \$5M
- Eliminate COLA triggers
- Update CSA Load Factors
- Reset amortization period from 2042 to 2047

Current SPTRFA Contribution Rates

- Employee regular contribution rates are **higher** than the Employer and the National Average
- Employer regular contribution rates are **lower** than the National Average

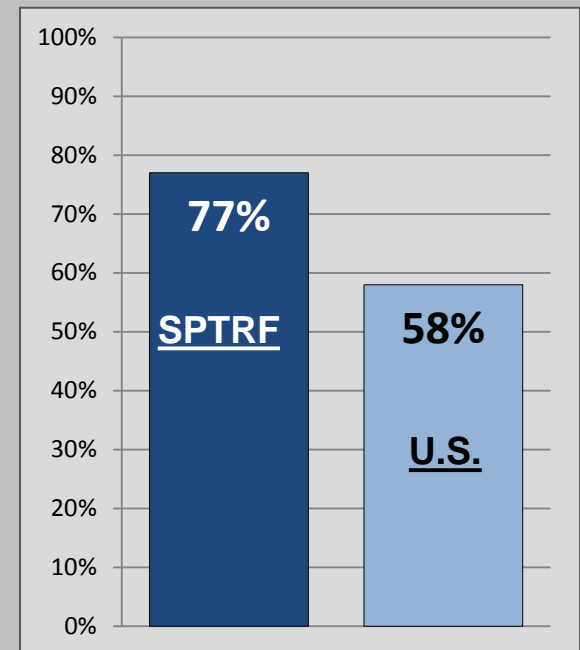


* The Employer also pays a Supplemental Amount of 3.84% and \$800,000 annually to address certain past underfunding.

National Median Contribution Rates

EMPLOYEE	EMPLOYER
6.0%	12.9%

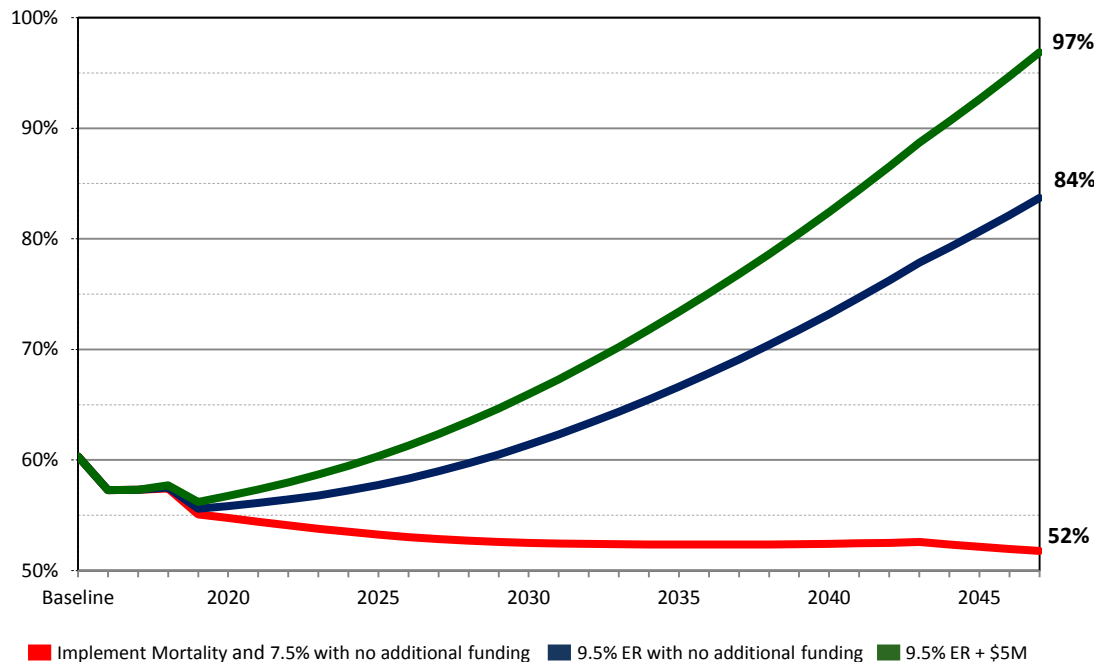
Employee Portion of Normal Costs of Benefits



Actions Required to Address the Impact of Mortality and 7.5% Return Assumption

Funding Phased-in Over Four Years

FY 18	FY 19	FY 20	FY 21
\$2.6M (1.0%)	\$4.5M (1.75%)	\$5.8M (2.25%)	\$7.8M (3.0%)
Direct State Allocation: \$5M			



FY16 Deficiency (Market Value)*	(1.76)%
Costs:	
Mortality (Adds \$60M to liabilities)	(1.49)%
7.5% Assumption (Adds \$70M to liabilities)	(2.18)%
Savings:	
Eliminate COLA Triggers	0.31%
Update CSA Load Factors	0.77%
Reset Amortization	1.17%
Funding:	
Increase ER Contributions to 9.5% (\$7.8M)	3.00%
	(0.18)%

* Reflects 0.25% ER contribution increase eff. July 1, 2017

St. Paul Teachers' Retirement Fund Association

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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	2016 Actual	2015 Actual	2016 Actual
Actuarial Accrued Liability (000s)	\$ 1,596,770	\$ 1,592,570	\$ 1,596,770	\$ 1,592,570
Value of Assets (000s)	999,736	1,007,360	1,014,969	960,000
Unfunded Actuarial Accrued Liability (000s)	597,034	585,210	581,801	632,900
Funded Ratio	62.60%	63.25%	63.60%	60.26%
Total Statutory Contribution	20.66%	21.52%	20.66%	21.52%
Required Contribution				
Normal Cost Plus Expenses	9.40%	9.14%	9.40%	9.14%
Amortization of Unfunded Liability	12.86%	13.30%	12.54%	14.39%
Total Required Contribution	22.26%	22.44%	21.94%	23.53%
Contribution Sufficiency/(Deficiency)	(1.60)%	(0.92)%	(1.28)%	(2.01)%
Statutory Future Contribution Increase <i>From 2013 Legislation (phased-in)</i>	1.00%	0.25%	1.00%	0.25%
Contribution Sufficiency/(Deficiency) <i>Reflecting 2013 Legislative Contribution Increase</i>	(0.60)%	(0.67)%	(0.28)%	(1.76)%