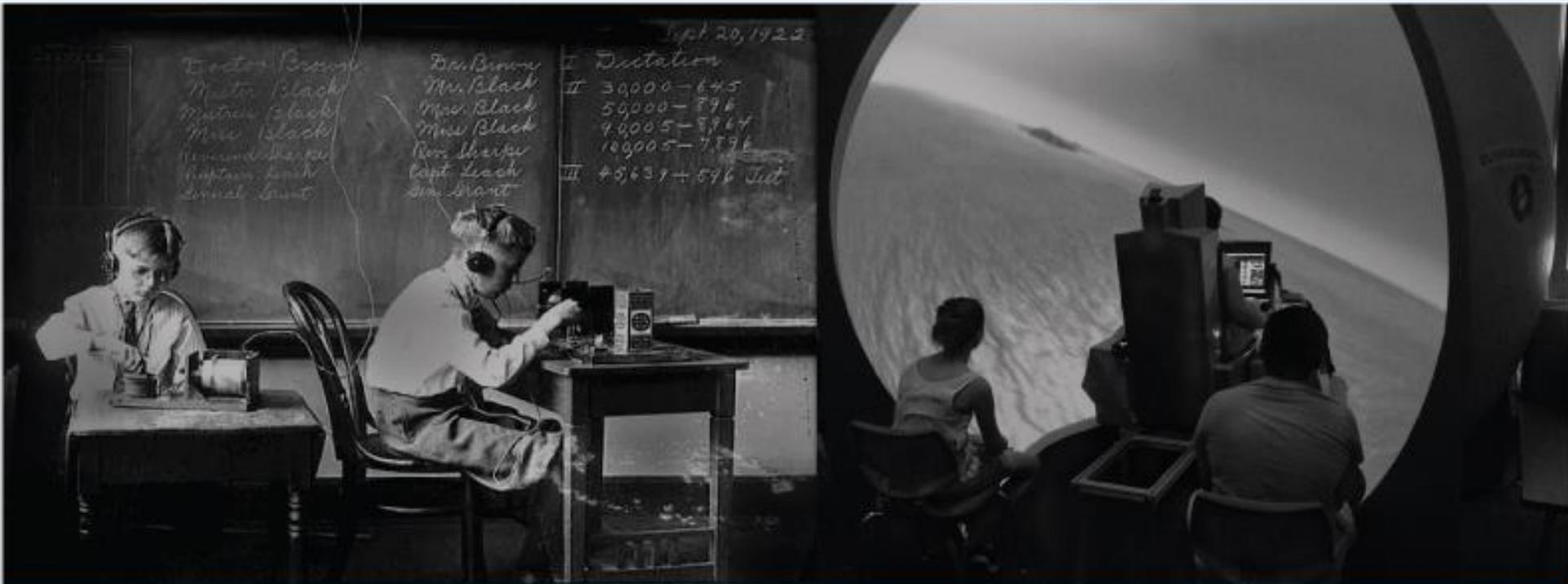


St. Paul Teachers' Retirement Fund Association

Serving the retirement needs of St. Paul Teachers since 1909



The Radio Operators – Horace Mann 1922

Aeronautics Training – Johnson Sr. High 2014

January 12, 2018 LCPR Meeting

FY '18 Legislative Objectives & Proposal

OBJECTIVES

- Address the cost of mortality
- Lower investment return assumption to 7.5%
- Correct current/historic employer contribution shortfall
- Accelerate funded ratio improvement to secure long-term stability
- Protect core benefits for current and future generations of St. Paul teachers

PROPOSAL: Enact relevant provisions contained in 2017 Omnibus Pension Bill (S.F. 3), which

- **Facilitated Important Plan Structural Changes**
 - 7.5% return assumption
 - Updated mortality assumptions
- **Provided Required Funding**
 - 2.5% ER increase over 4 years
 - \$5M in direct state funding
 - 0.25% EE increase in 5th year
- **Included Significant Cost Saving Measures**
 - COLA modifications
 - Modified Early Retirement Factors
 - Eliminated Deferred Augmentation
 - Reset Amortization Period
- **Result: Fund projected to reach *full funding* within amortization period**

Fiscal Stewardship

Responsibly Balancing Assets, Liabilities and Benefit Decisions

Board action has led to meaningful improvements

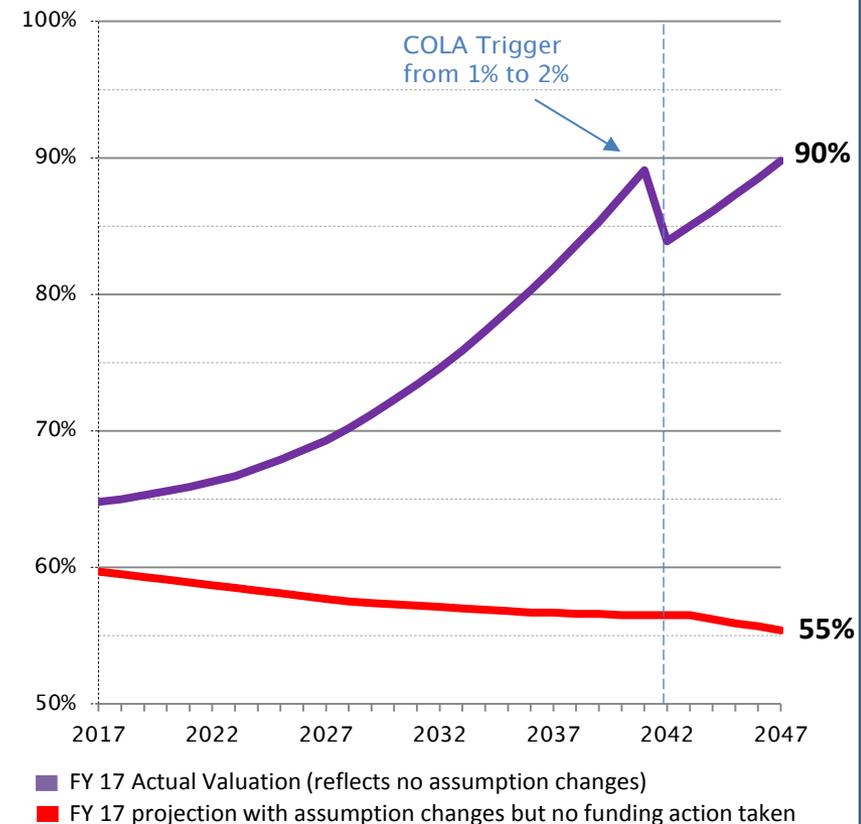
Contribution Deficiency reduced from (6.4%) in 2012 to only (0.5%) in 2017

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)%
2017	(0.52)%	(0.66)%

... but after the increased cost of mortality and 7.5%:

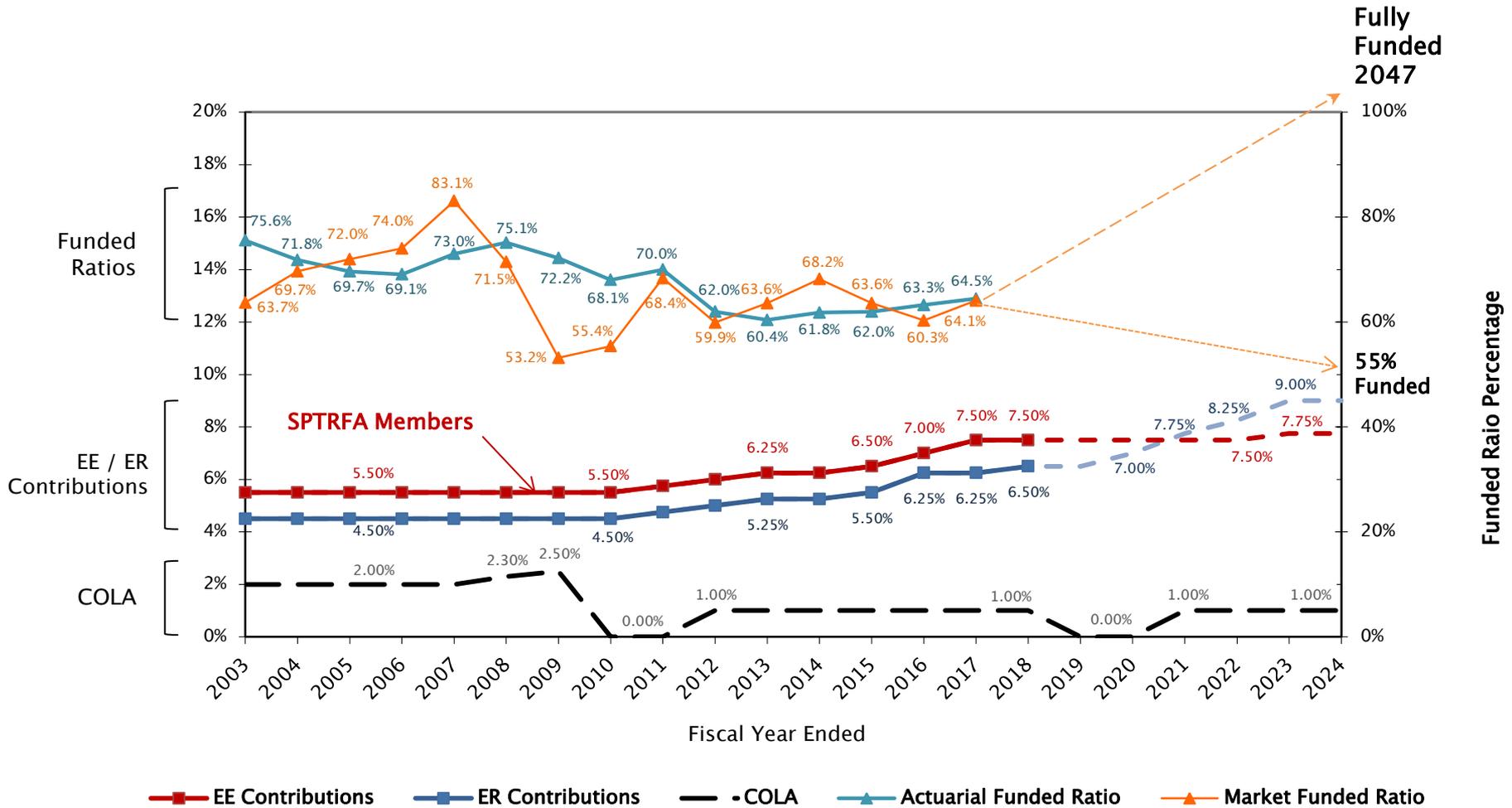
2017 (pro forma)	(4.2)%	(4.4)%
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The combination of assumption changes and underfunding requires action . . .



January 12, 2018 LCPR Meeting

Stats: Funded Ratios, EE & ER Contributions & COLA



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

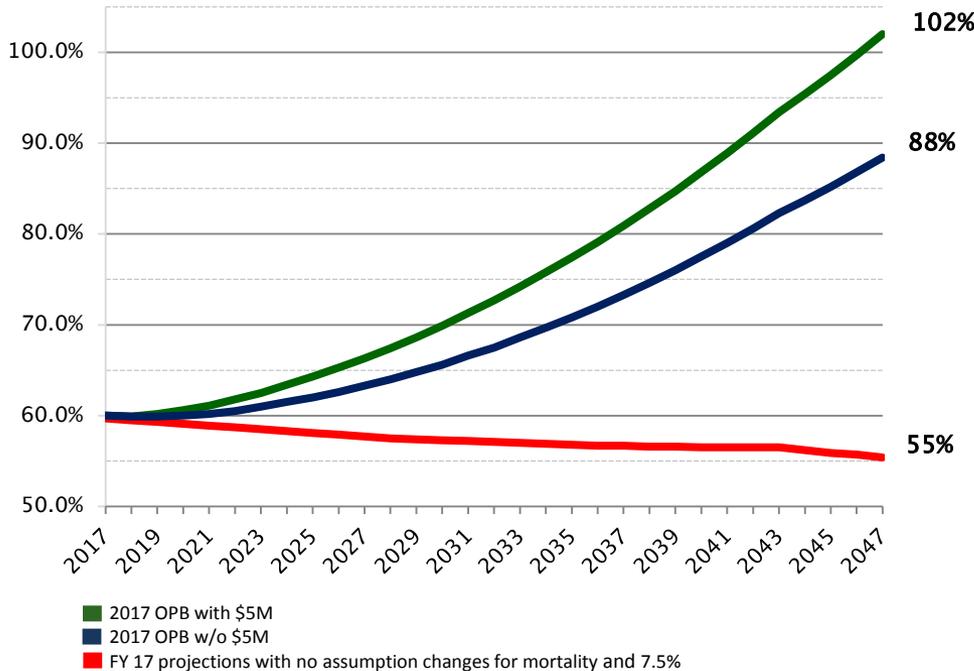
2017 Omnibus Pension Bill (SF 3)

Updated for 2018 Legislative Session

ER Funding Phased-in Over 4 Yrs

(6.5% to 9.0%: 0.5%, 0.75%, 0.5%, 0.75%)

FY 19	FY 20	FY 21	FY 22
\$1.3M	\$3.25M	\$4.55M	\$6.5M
Direct State Allocation: \$5M			
EE Contribution Increase from 7.5% to 7.75% in FY 23			



FY17 Deficiency (Market Value)	(0.7)%
Costs: Experience Study Changes, Including Mortality and 7.5%	(3.7)%
Savings: Eliminate COLA Triggers..... 0.7 COLA begins at NRA 0.2 (except 62/30 & Rule of 90) Remove Aug. from ERF 0.3 (except 62/30 & 5 yr. phase-in) Remove Deferred Aug. 0.2 Refund Interest: 4% to 3% ... 0.1 Reduce COLA for 2 years 0.4 Reset Amortization from 1.5 2042 to 2047	3.3%

APPENDIX

	ACTUARIAL		MARKET	
	2016 Actual	2017 Actual	2016 Actual	2017 Actual
Actuarial Accrued Liability (000s)	\$ 1,592,570	\$ 1,611,208	\$ 1,592,570	\$ 1,611,208
Value of Assets (000s)	1,007,360	1,038,467	960,000	1,032,249
Unfunded Actuarial Accrued Liability (000s)	585,210	572,741	632,900	579,000
Funded Ratio	63.25%	64.45%	60.26%	64.07%
Total Statutory Contribution	21.52%	21.64%	21.52%	21.64%
Normal Cost Plus Expenses	9.14%	9.26%	9.14%	9.26%
Amortization of Unfunded Liability	13.30%	12.90%	14.39%	13.04%
Total Required Contribution	22.44%	22.16%	23.53%	22.30%
Contribution Sufficiency/(Deficiency)	(0.92)%	(0.52)%	(2.01)%	(0.66)%

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.