

Arlington Senior High, Harding Senior High, Central Senior, Johnson Senior, Area Learning Center-Secondary, Humboldt Senior, Como Park Senior, Webster Magnet, Como Park Elementary & Special, Hubbs Center, Area Learning Center - Elementary, Highland Park Senior, Battle Creek Middle School, Washington Middle School, Crossroads, Highland Park Junior, Phalen Lake, Frost Lake Magnet, Hancock Magnet, Paul & Sheila Wellstone Elementary, Bruce Vento, Professional Development, Capitol Hill Magnet, Roosevelt Magnet, Murray Junior High, Hazel Park Middle, Battle Creek Elementary, Mississippi Magnet, Expo Magnet, Monroe Community, Highwood Hills Montessori, District Service Facility, Daytons Bluff Elementary, Parkway, North End Elementary, Cleveland Quality Middle, Ramsey Junior High, Saint Paul College, Maxfield Magnet, Longfellow Magnet, Benjamin Mays Magnet; District Headquarters, Adams Spanish Immersion, Cherokee Heights Magnet, Farnsworth Magnet, Humboldt Junior, John A. Johnson School, Jackson Magnet, Bandana Square Site, Franklin Magnet, Hayden Heights, J J Hill, Montessori Magnet, Nokomis Montessori, Eastern Heights, Bridgeview, Focus Beyond, Galtier Magnet, American Indian Magnet, Chelsea Heights, Groveland Elementary, Riverview Magnet, Open School, World Cultures Magnet, Linwood A+, Museum Magnet, Wilson Middle, Randolph Heights, Homecroft Elementary, Prosperity Heights, St. Anthony Park, Highland Park Elementary, Ames Elementary, Sheridan Elementary, Mann, Four Seasons A+, Student Placement Center, St. Paul French Immersion, AGAPE, Family Education, Wheelock Early Education, Boys Totem Town, Riverside Learning, Eastside Workplace Kindergarten, Bush Memorial, Brown House, Arlington House, Juvenile Detention Center, Creative Arts School, Transition Plus / Focus Beyond, Childrens/Family Service/Riverside, Belwin Project, Frogtown Family Resource Center, Downtown Kindergarten, St. Paul Connections, Payne/Family Resource Center, LEAP English Academy, BESTT Program, Project LEAD

## St. Paul Teachers' Retirement Fund Association

Annual Report of the  
Board of Trustees  
for the  
Fiscal Year Ended  
June 30, 2007

Arlington Senior High, Harding Senior High, Central Senior, Johnson Senior, Area Learning Center–Secondary, Humboldt Senior, Como Park Senior, Webster Magnet, Como Park Elementary & Special, Hubbs Center, Area Learning Center – Elementary, Highland Park Senior, Battle Creek Middle School, Washington Middle School, Crossroads, Highland Park Junior, Phalen Lake, Frost Lake Magnet, Hancock Magnet, Paul & Sheila Wellstone Elementary, Bruce Vento, Professional Development, Capitol Hill Magnet, Roosevelt Magnet, Murray Junior High, Hazel Park Middle, Battle Creek Elementary, Mississippi Magnet, Expo Magnet, Monroe Community, Highwood Hills Montessori, District Service Facility, Daytons Bluff Elementary, Parkway, North End Elementary, Cleveland Quality Middle, Ramsey Junior High, Saint Paul College, Maxfield Magnet, Longfellow Magnet, Benjamin Mays Magnet, District Headquarters, Adams Spanish Immersion, Cherokee Heights Magnet, Farnsworth Magnet, Humboldt Junior, John A. Johnson School, Jackson Magnet, Bandana Square Site, Franklin Magnet, Hayden Heights, J J Hill, Montessori Magnet, Nokomis Montessori, Eastern Heights, Bridgeview, Focus Beyond, Galtier Magnet, American Indian Magnet, Chelsea Heights, Groveland Elementary, Riverview Magnet, Open School, World Cultures Magnet, Linwood A+, Museum Magnet, Wilson Middle, Randolph Heights, Homecroft Elementary, Prosperity Heights, St. Anthony Park, Highland Park Elementary, Ames Elementary, Sheridan Elementary, Mann, Four Seasons A+, Student Placement Center, St. Paul French Immersion, AGAPE, Family Education, Wheelock Early Education, Boys Totem Town, Riverside Learning, Eastside Workplace Kindergarten, Bush Memorial, Brown House, Arlington House, Juvenile Detention Center, Creative Arts School, Transition Plus / Focus Beyond, Childrens/Family Service/Riverside, Belwin Project, Frogtown Family Resource Center, Downtown Kindergarten, St. Paul Connections, Payne/Family Resource Center, LEAP English Academy, BESTT Program, Project LEAD

## St. Paul Teachers' Retirement Fund Association

Annual Report of the  
Board of Trustees  
for the  
Fiscal Year Ended  
June 30, 2007



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## **Mission Statement**

### **The Mission of St. Paul Teachers' Retirement Fund Association is to:**

- Provide our members and their beneficiaries with retirement, survivor and disability benefits as specified in law and the Association Articles and Bylaws.
- Assist our members in planning a secure retirement by providing friendly, high quality, consumer oriented service, pre-retirement education and information in a professional and cost effective manner.
- Invest the assets of the fund to provide the optimum return while preserving principal by controlling the portfolio risk.

# St. Paul Teachers' Retirement Fund Association

## Board of Trustees



**John R. Kunz**  
President

**Feryle W. Borgeson**  
Trustee



**Erma E. McGuire**  
Vice President

**John Brodrick**  
Ex-Officio Trustee



**Eugene R. Waschbusch**  
Secretary-Treasurer

**Mike McCollor**  
Trustee



**Carol J. Adams**  
Trustee

**Karen A. Odegard**  
Trustee



**Matthew Bogenschultz**  
Trustee

**Chong Thao**  
Trustee



# *St. Paul Teachers' Retirement Fund Association*

## TRUSTEES & OFFICERS

Carol J. Adams	Mike McCollor	John R. Kunz.....	President	1619 Dayton Avenue, Room 309
W. Matthew Bogenschultz	Karen Odegard	Erma E. McGuire.....	Vice President	Saint Paul, MN 55104-6206
Feryle W. Borgeson	Chong Thao	Eugene R. Waschbusch.....	Secretary-Treasurer	Phone (651) 642-2550
John Brodrick		Phillip Kapler.....	Executive Director	Fax (651) 642-2553

### **Members of the Association :**

The trustees and staff of the St. Paul Teachers' Retirement Fund Association (SPTRFA) submit herewith the Annual Financial Report for the fiscal year ended June 30, 2007, in accordance with the provisions of Minnesota Statutes 356.20.

The purpose of this Report is to provide members, policymakers, regulatory entities, business partners and other interested parties information that accurately depicts the fiscal and actuarial status of the retirement fund as of the report date. Readers will find within sufficient information to make informed assessments of the financial condition, fiscal activities, actuarial status, investment performance, or compliance with laws, regulations, bylaws and policies.

This is the complete Annual Report of the Association, a copy of which is provided to each school or other facility where members work. This Report is also available to anyone who requests it from the SPTRFA office.

A summary of the information in this report has been mailed to each member, along with detailed individual benefit estimates to each active, vested member over the age of 40, who also work at least on a 40% full-time equivalent basis. All other members not yet retired received a statement of account status, retirement service credit and contributions of record.

Major sections of this report and their content are as follows:

#### **• Introduction**

Mission Statement, information on the structure of the organization, the board, staff and professional service relationships

#### **• Financial Section**

Independent Auditor's Report, Management's Discussion and Analysis (MD&A), financial statements and associated notes

#### **• Actuarial Section**

Actuary's Certification Letter, portions of the actuarial valuation which assess long-term funded status and the adequacy of revenues for the pension fund

#### **• Investment Section**

Fund investment returns, portfolio structure, security holdings, and investment advisors under contract with the Association

#### **• Benefits Section**

Summary information on the types of benefits offered, calculation of benefits are calculated, and the application process

This Report has been prepared in conformity with standards established by the Governmental Accounting and Standards Board. Internal controls are intended to provide the highest level of assurance within reasonable constraints on cost, that the funds of the Association are secure, and transactions undertaken are at all times consistent with law and general norms of sound, prudent management of the organization.

The SPTRFA Board and staff are responsible for the safekeeping of Association assets, the prudent investment of those assets, making sure benefits are calculated properly and paid timely. Administrative costs are budgeted at a level sufficient to meet service needs of the members. While we strive to be service providers of the first order, our administrative costs remain the lowest of any public pension program in Minnesota.

The Board and staff of the SPTRFA serve as fiduciaries on behalf of our members, survivors and beneficiaries. We endeavor to manage the assets entrusted to our care in concert with the Prudent Person Standard in Minn. Stat. § 356A.04, subd. 2, and within the constraints prescribed in Minn. Stat. § 356A.06, subd. 7.

Fulfilling the SPTRFA's mission requires assistance from a number of valued consultants, advisors and regulators:

**The Office of the State Auditor** has audited the financial statements of the SPTRFA, and issued an unqualified opinion on the accuracy and reliability of the information provided by the statements contained in this Report. That is the highest assessment that can be obtained from the Auditor.

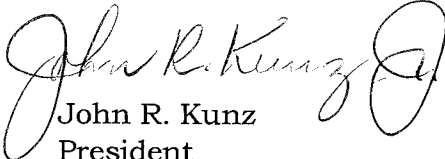
**The Segal Company**, Englewood, Colorado, performed the actuarial valuation for the Association this year. Key portions of their valuation, reflecting our funding status and adequacy of contributions over a long-term funding horizon, are included.

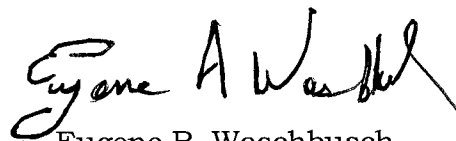
**Oppenheimer Wolff & Donnelly, LLP**, Minneapolis, Minnesota, serves as Legal Counsel to the Board and staff, providing advice, representation, and as a monitor of ongoing legal and regulatory developments.


**Callan Associates**, Chicago, Illinois, serves as our General Investment Consultant. The firm monitors our investments and appraises the trustees and staff of changes in the investment markets or in asset management practices generally. Callan assists with investment policy and asset allocation decisions, and monitors externally managed assets.

As the SPTRFA enters its 99<sup>th</sup> year of operation, we pledge on behalf of the trustees and staff to continue to administer the affairs of this Association with the utmost diligence and efficiency.

**Respectfully submitted,**

  
John R. Kunz  
President

  
Eugene R. Waschbusch  
Secretary-Treasurer

  
Phillip G. Kapler  
Executive Director



# St. Paul Teachers' Retirement Fund Association

## MEMBERS: Active, Retired, Survivors & Beneficiaries

BOARD OF TRUSTEES			
John R. Kunz, President	Carol J. Adams	John Brodrick	
Erma E. McGuire, Vice President	W. Matthew Bogenschultz	F. Michael McCollor	
Eugene R. Waschbusch, Secretary-Treasurer	Feryle W. Borgeson	Karen A. Odegard	
		Chong Thao	

Board Committees: Executive, Annuities, Investments, Refunds, Personnel

**ADMINISTRATION**

Phillip Kapler, Executive Director  
 Christine MacDonald, Retirement Counselor & Technology  
 Sean Pfeiffer, Accountant  
 Nancy Langer, Member Records & Accounting  
 Tamara Zielinski, Information Clerk  
 Sara Anderson, Communications & Member Education Specialist

**BENEFITS ADMINISTRATION**

Active Member Services  
 Retired Member Services  
 Records Management  
 Member Counseling

**OPERATIONS**

Business Administration  
 Accounting/Reporting  
 Investment Mgmt & Reporting  
 Payroll  
 Budget Administration  
 Publications  
 Information Systems

**PROFESSIONAL TECHNICAL SERVICES**

Legal Counsel, *Oppenheimer, Wolff & Donnelly*  
 Actuary, *Gabriel, Roeder, Smith & Company*  
 Medical Advisor, *Dr. Ronald Vessey M.D.*  
 Medical Advisor, *Dr. David Johnson M.D.*  
 Investment Consultant, *Callan Associates*  
 Investment Managers, *(Various)*

**GOVERNMENTAL RELATIONS**

Minnesota State Auditor  
 Legislative Commission on Pensions & Retirement  
 Minnesota Dept. of Revenue  
 Minnesota Dept. of Finance  
 Minnesota Campaign Finance & Public Disclosure Board  
 U.S. Department of the Treasury

# **St. Paul Teachers' Retirement Fund Association**

## **Professional Listing** *(as of June 30, 2007)*

### **Actuaries**

Segal Company  
Gabriel, Roeder, Smith & Company

### **Auditor**

Office of the State Auditor

### **Investment Counsel**

Advantus Capital Management  
Barclays Global Investors  
Barrow, Hanley, Mewhinney & Strauss, Inc.  
The Boston Company Asset Management  
Capital Guardian International, Inc.  
The Clifton Group  
Dimensional Fund Advisors, Inc.  
Fifth Third Asset Management  
JPMorgan Asset Management  
Morgan Stanley Asset Management  
RWI Ventures  
UBS Realty Investors, LLC  
Voyageur Asset Management  
Wellington Management Company, LLP

### **Investment Consultant**

Callan Associates

### **Legal Counsel**

Oppenheimer, Wolff & Donnelly, LLP



# Financial Section

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REBECCA OTTO  
STATE AUDITOR

**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
St. Paul Teachers' Retirement Fund Association

We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the St. Paul Teachers' Retirement Fund Association as of June 30, 2007, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis and other required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Handwritten signature of Rebecca Otto in black ink.

REBECCA OTTO  
STATE AUDITOR

Handwritten signature of Greg Hierlinger in black ink.

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

February 15, 2008

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007  
(Unaudited)

This section summarizes key information drawn from more detailed sections elsewhere in this report. It includes a brief overview of the financial performance and actuarial status of the St. Paul Teachers' Retirement Fund Association (hereinafter "SPTRFA," "Association," or "Fund") for the fiscal year ended June 30, 2007.

The following principle schedules are referenced throughout:

- (1) Fund basic financial statements
  - (a) Statement of Plan Net Assets
  - (b) Statement of Changes in Plan Net Assets
- (2) Notes to the financial statements
- (3) Required supplementary schedules of contributions and funding progress

### **ORGANIZATIONAL STRUCTURE**

The SPTRFA is a non-profit organization formed in 1909, incorporated under Minn. Stat. ch. 317A. At the direction and oversight of a ten-member Board of Trustees, Association staff manage two tax-qualified, defined benefit pension programs covering licensed personnel for a single employer, Independent School District (ISD) No. 625, central administrative body for public schools within the City of St. Paul.

Basic Plan members do not participate in Social Security through their employment with ISD No. 625. The Coordinated Plan, commenced in 1978, provides retirement benefits for members who do participate in Social Security.

Under state law, payroll contributions to the Fund are a direct operating obligation of the school district and members. While the Association provides an employment-based benefit, the terms are not collectively negotiated, nor are they administered through the District Benefits Division. The Association is not a component unit of St. Paul Public Schools; neither are the Fund's assets or liabilities included in District financial statements.

## INVESTMENT PERFORMANCE

Defined benefit pension plans rely heavily on the performance of invested assets. For every dollar ultimately paid out in benefits, about 30 cents will come from employee and employer contributions; 70 cents will derive from investment earnings on those contributions over time. The level of supportable benefits and the long-term health of the Fund depend on the efficient and prudent investment of contributions from members, employers, and taxpayers. In this regard, the Association has performed very well in recent years.

Our statutory, actuarial assumed return is 8.5 percent per year; an absolute standard of investment performance. Over any five-year window, annualized returns below this absolute target will cause unfunded liabilities to increase. Excess returns add to the actuarial balance sheet and reduce the unfunded liabilities of the plan, *ceteris paribus*.

Performance against an absolute target provides a check on whether asset accumulation has, in a sense, avoided falling behind the pace of liability accumulations. That is important information. However, we also want some assurance that the assets are being deployed efficiently, that we have not neglected the opportunity for potential gain (given our risk constraints and prevailing market conditions). To make such assessments, we compare our returns to other public pension funds. Another relative investment measure is how returns compare to that of a hypothetical, composite benchmark return; that is, how performance would have looked if, given asset class targets, the entire fund had been invested in passive, index-matching investment vehicles.

### Comparison of Annualized Returns (%)

	1-Year	3-Year	5-Year
Actual performance (net of fees)	19.8	14.7	13.1
Indexed benchmark	18.5	13.9	12.9
Actuarial target	8.5	8.5	8.5
Actual versus indexed benchmark	+ 1.3	+ 0.8	+ 0.2
Actual versus actuarial target	+ 11.3	+ 6.2	+ 4.6

### Absolute Basis of Assessment

The 2007 total fund return (net of fees) rose to 19.8 percent, or about 11.3 percent more than the absolute actuarial target required to meet projected “normal cost,” or the annual rate of liability accumulation (assuming no other sources of underfunding). This is very positive news, especially on the heels of a 12.6 percent return in 2006. In fiscal and actuarial terms, the expected return on assets was \$83 million. The Fund actually gained \$197 million, which resulted in an unadjusted gain of \$114 million in 2007. When adjusted for “asset smoothing” purposes, the gain recognized for actuarial forecasting purposes was \$46 million.

(Unaudited)

### Relative Basis of Assessment

Net-of-fees, the Association finished in the top two percent of public funds tracked by Callan Associates, our general investment consultant. The overall return on fund assets exceeded the Indexed Benchmark by 1.3 percent, which, though it may seem to be marginal in effect, is significant for two reasons: (1) it indicates that active management of assets added value overall, implying that the selection and monitoring of investment managers proved efficacious; and (2) the bar established by the Indexed Benchmark is higher than that of the typical public pension plan, because the Association has a relatively aggressive asset allocation. Getting over that bar takes more effort and skill.

Admittedly, June 30 proved an auspicious time to measure performance, as the sub-prime credit woes in ensuing months dampened not only fixed income returns, but produced adverse effects in the normally uncorrelated domestic and international equity markets as well. A longer-term view is warranted, and an assessment of investment performance over the 1, 3, and 5-year periods proves likewise encouraging. Returns exceeded absolute and relative targets by significant margins. In recent years, the asset allocation has proved successful, and active managers appear to be adding value (net of fees), even within the more demanding mandates with which they have been assigned.

Compared to most public pension funds, the Association has a large allocation to international equities (25 percent), an overweight to small cap and value-style equity markets, and a somewhat larger allocation to real estate. The weighting of international equities and real estate reflect long-term commitments that the Trustees and their consultant regard as prudent and necessary. The real estate portfolio is conservative in structure, with a goal of generating equity-like returns with less volatility than stocks. Real estate has supplanted what has, in the past, been a larger allocation to fixed income investments. Bonds (now 19 percent of the targeted allocation overall) are usually employed to dampen portfolio volatility. Substituting real estate is expected to add somewhat to year-over-year volatility.

Each of these strategic allocations is understood to incur more short-term risk (understood as volatility rather than loss of principal). The expectation is that they will also contribute to higher long-term rates of return on fund assets. Recent experience indicates that the strategy is working. The small cap/value-style equity overweight within the portfolio was dampened through rebalancing efforts through the most recent year. This bias, however, remains a characteristic of the portfolio. The consensus expectation among consultants at the close of the fiscal year was that growth-oriented portfolios should expect to outperform value-oriented equity accounts. If that is the case, the out-performance of Association assets, in relative terms, may be reversed if overall value tilt of the Fund is not more aggressively treated.

(Unaudited)



In order of priority, the goals of investing fund assets are to:

- pre-fund promised benefits,
- maintain the purchasing power of deferred earnings,
- offset long-term program costs,
- reduce any historical unfunded liabilities, and
- accelerate progress against the full-funding target.

The purposes for investing all imply measurable outcomes that should manifest themselves as positive effects on the fiscal and actuarial status of the program. Investment performance alone does not provide a complete picture. Two annual reports, the financial statements and the actuarial valuation, provide a more comprehensive picture of progress in meeting the Association's near and long-term goals, as outlined above.

### SUMMARY OF THE FUND FINANCIAL STATEMENTS AND ACTUARIAL REPORT

The next two tables summarize data found later in this report. Detailed information can be found in schedules with corresponding names under the Financial Section of this annual report.

**Plan Net Assets  
(in Thousands of Dollars)**

	June 30	
	2007	2006
Assets		
Cash	\$ 3,606	\$ 13,179
Receivables	26,668	6,396
Investments at fair value	1,152,209	992,064
Securities lending collateral	76,161	87,924
Capital assets, less depreciation	17	27
<b>Total Assets</b>	<b>\$ 1,258,661</b>	<b>\$ 1,099,590</b>
Liabilities		
Accounts payable	\$ 1,019	\$ 1,119
Securities purchases payable	25,464	4,802
Securities lending collateral	76,161	87,924
<b>Total Liabilities</b>	<b>\$ 102,644</b>	<b>\$ 93,845</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 1,156,017</b>	<b>\$ 1,005,745</b>

(Unaudited)

**Changes in Plan Net Assets**  
**(in Thousands of Dollars)**

	Year Ended June 30	
	2007	2006
<b>Additions</b>		
Employer and employee contributions	\$ 33,904	\$ 34,068
State of Minnesota amortization aids	3,651	3,400
Investment activity, less management fees	197,476	113,572
Net securities lending income	207	196
<b>Total Additions</b>	<b>\$ 235,238</b>	<b>\$ 151,236</b>
<b>Deductions</b>		
Benefits, withdrawals, and refunds	\$ 84,271	\$ 79,567
Administrative expenses	695	591
<b>Total Deductions</b>	<b>\$ 84,966</b>	<b>\$ 80,158</b>
<b>Net Increase (Decrease)</b>	<b>\$ 150,272</b>	<b>\$ 71,078</b>
Net Assets in Trust for Benefits - Beginning of the Year	1,005,745	934,667
Net Assets in Trust for Benefits - End of the Year	<b>\$ 1,156,017</b>	<b>\$ 1,005,745</b>

Two important observations can be drawn from the Statement of Changes in Plan Net Assets:

- (1) investments had a very positive effect on the Fund's bottom line, generating approximately \$150 million in additional assets; and
- (2) the SPTRFA operates a "mature" defined benefit program, for which annual benefit expenditures typically exceed payroll contributions by a significant amount.

Annual benefit expenditures are more than double the level of annual contributions. This is not unusual for a defined benefit plan. That spread, however, cannot be larger than the level deemed tolerable by actuarial forecasts. The importance of monitoring the adequacy of payroll contributions and modifying them when needed is discussed later in this section of the report.

The difference between annual benefit outlays and contributions carries a potential "structural erosion" for the asset base. Any year in which the targeted absolute return of 8.5 percent is missed (all else remaining the same) implies that returns must exceed the assumed return by some amount of greater magnitude in a subsequent year.

(Unaudited)

Administrative costs are a small part of program expenditures. The Board of Trustees nevertheless must be diligent to monitor and control those costs, since any dollar spent to administer the program affects the total assets available to pay benefits. The Association's operating expenditures are relatively low compared to other public plans in the state. Investment expenses, as a percent of assets, were slightly above average, due in part to a relatively larger allocation to active asset management.

### **Notes to the Basic Financial Statements**

The notes provide supplementary information essential to understanding the data provided in the basic financial statements. Below is a brief description of those notes, listed in numerical order:

- (1) describes accounting policies applied in the development of the basic financial statements;
- (2) provides a description of the plans administered by the SPTRFA, including coverage, classes of membership, and benefits;
- (3) describes the laws and policies governing the deposit and investment of Association assets and also describes other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk;
- (4) explains the securities lending program in which the SPTRFA participates through its custodian, the Bank of New York--by state law, securities on loan must be at least 100 percent collateralized at all times;
- (5) describes how funds are accumulated through contributions; and
- (6) describes the risk management policies of the Association with respect to losses related to torts, loss of assets, injuries to employees, and natural disasters.

### **Actuarial Valuation Summary**

The financial statements provide information about the fiscal status of the Fund as an operating concern over relatively short time frames. To assess whether assets and current financing mechanisms are adequate to satisfy long-term liabilities associated with promised plan benefits, however, other information is required. An actuarial valuation, modeling the future through stochastic projections, is needed to supplement accounting-based measures of funded status.

The July 1, 2007, valuation is a forecast that may be relied upon by policymakers if the model and key assumptions driving the forecast results are valid. An experience study is conducted periodically in order to test whether important assumptions are consistent with recent historical data over time. The Association recently commissioned such a study by the consulting actuary, Gabriel Roeder Smith, analyzing data for the period 2000 through 2006. Results indicate that several demographic and economic assumptions may need adjustment. Changes recommended

(Unaudited)

by the actuary will be reviewed by the 2008 Legislature. Collectively, however, those changes are not expected to have a significant effect on the funded status of the plans. Below are summary comparative statistics from the July 1, 2007, valuation:

**Summary of Actuarial Valuation**

	Plan Year Beginning July 1		Change
	2006	2007	
Covered payroll	\$ 226,350,763	\$ 229,172,337	+ 1.25%
Statutory contributions (Ch. 354A)	16.33%	16.07%	- 0.26%
Required (Ch. 356)	25.03%	24.10%	- 0.93%
<b>Sufficiency/(Deficiency) to 2021</b>	<b>- 8.70%</b>	<b>- 8.03%</b>	<b>- 0.67%</b>
Market value of assets	\$ 1,005,745,229	\$ 1,156,017,206	+ 14.94%
Actuarial value of assets	938,919,005	1,015,722,034	+ 8.18%
Actuarial accrued liability	1,358,619,906	1,391,297,918	+ 2.41%
<b>Unfunded liability</b>	<b>419,700,901</b>	<b>375,575,884</b>	<b>- 10.51%</b>
<b>Funded ratio</b>	<b>69.11%</b>	<b>73.01%</b>	<b>+ 3.90%</b>

The 2007 actuarial valuation reflects a significant year-over-year improvement in the funded ratio. There were two key factors responsible for this improvement: excess investment earnings and adjustments to active life liabilities. Excess returns, even when “smoothed” for actuarial purposes, produced a net gain of \$46 million. As part of the experience study discussed above, the actuaries determined that active life liabilities have been overstated in the past due to misinterpretation of service credit data. The Association tracks members’ accruals under the combined service laws of Minnesota. Such “outside” service may affect how a benefit is calculated, but it is not an isometric factor in the SPTRFA’s benefit liability *per se*.

Discussion and analysis revealed that past valuations included those years entirely as part of the estimated liabilities for members with combined service credit under other plans. Correcting this error by the actuaries reduced active life liabilities by \$26 million, or approximately four percent, of the total present value of benefits for active and deferred members.

The funded ratio for the plan improved almost four percent. That gain would have had been greater if contributions to the Association been sufficient relative to actuarial requirements. While the deficiency in annual contributions improved, it remains at a level that could impair the future fiscal health of the Fund. Contributions to the Fund in the 2007-08 year are forecast to fall \$18.4 million short of that required to amortize all unfunded liabilities by the statutory target date of June 30, 2021.

(Unaudited)

The unfunded liability was reduced this year by ten percent, but it will certainly grow in future years if contributions remain insufficient. Investment returns have been considerably higher than required of late, but to assume such outperformance will continue would be foolish. In the game of chess, gambits are often necessary, sometimes beneficial. To fiduciaries charged with managing a long-term pension financing program, they are never a legitimate option.

The valuation methodology applied under Minnesota law, and the required use of fixed full-funding target dates, are policies that distort, in sometimes important ways, the true financial picture. Fixed amortization windows are an inferior basis for assessing the funding needs of an open pension plan.

If our unfunded liability were amortized over a typical full career service cycle, say 30 years, the annual deficiency would not be eight percent of payroll, but two percent instead. An eight percent deficiency rate cannot, as a practical matter, be managed by changing regular payroll deductions. With the amortization term now at 14 years, less than half the full cycle, an immediate and significant infusion of cash is needed to supplement regular payroll contributions.

With an extended term or open amortization window, the annual deficiency would be two percent. That shortfall, while still significant, would be very manageable from a budgetary and fiscal perspective. In a report issued in 2006, the Legislative Auditor recommended that funding to the SPTRFA be increased as soon as possible. The SPTRFA Board has asked the Minnesota Legislature to modify the amortization target in law and to provide increased supplemental contributions.

In 2007, the SPTRFA proposed legislation to modify postretirement increases, substituting a more straightforward and less costly cost-of-living formula similar to that applied by the U.S. Social Security Administration. The new formula will help to reduce future liabilities, while protecting the purchasing power of annuity payments over time. The effect of this change will be reflected in future valuations.

\* \* \* \* \*

Collectively, the schedules, accompanying notes, and discussions in this report provide comprehensive information as of June 30, 2007, regarding the benefit plans administered by the Association, the asset and liability structure of the Fund, the financial and actuarial status of the SPTRFA, and key policies and procedures of the Association.

(Unaudited)

Information compiled for this report conforms with generally accepted accounting principles and Governmental Accounting Standards Board Statements 25, 28, 34, and 40. At all times, the objective has been to provide an accurate and balanced portrayal of the financial and actuarial condition of the retirement program established and administered on behalf of educators in St. Paul. Questions about the information in this report should be directed to:

Phillip Kapler, Executive Director  
St. Paul Teachers' Retirement Fund Association  
1619 Dayton Avenue, Room 309  
St. Paul, Minnesota 55104-6206

Phone .....(651) 642-2550  
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(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

**STATEMENT OF PLAN NET ASSETS**  
**JUNE 30, 2007**

<u>Assets</u>	
<b>Cash</b>	<b>\$ 3,605,645</b>
<b>Receivables</b>	
Employer and employee contributions	\$ 2,303,436
Interest	858,762
Dividends	224,975
Sales of securities	23,280,949
<b>Total receivables</b>	<b>\$ 26,668,122</b>
<b>Investments, at fair value</b>	
U.S. government securities	\$ 30,664,839
TBAs	21,325,779
Corporate bonds	51,265,856
Corporate stocks	199,875,336
Commingled investment funds	
Pooled international equity trust	127,448,303
Government/credit bond index fund	98,916,606
Equity index fund	204,789,267
Extended equity index fund	69,745,021
Russell 2000 equity index fund	10,883,092
International emerging markets growth fund	61,592,511
Mutual fund	34,567,380
International corporate stock fund	123,839,336
Money market funds	9,409,379
Limited partnership	13,187,663
Real estate securities	94,698,295
<b>Total investments, at fair value</b>	<b>\$ 1,152,208,663</b>
<b>Invested securities lending collateral</b>	<b>\$ 76,161,448</b>
<b>Furniture and fixtures (at cost, less accumulated depreciation of \$79,272)</b>	<b>\$ 17,515</b>
<b>Total Assets</b>	<b>\$ 1,258,661,393</b>
<u>Liabilities</u>	
Accounts payable	\$ 1,019,188
Security purchases payable	25,463,551
Securities lending collateral	76,161,448
<b>Total Liabilities</b>	<b>\$ 102,644,187</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 1,156,017,206</b>
<b>(A schedule of funding progress is presented on page 30.)</b>	

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**JUNE 30, 2007**

<b>Additions</b>	
<b>Contributions</b>	
Employer	\$ 20,466,200
Members	13,438,323
Other sources	
State of Minnesota	<u>3,651,216</u>
<b>Total contributions</b>	<b><u>\$ 37,555,739</u></b>
<b>Investment income (loss)</b>	
<b>From investing activity</b>	
Net appreciation (depreciation) in fair value of investments	\$ 187,919,225
Interest	5,467,842
Dividends	4,333,320
Other	<u>4,820,217</u>
<b>Total investing activity income (loss)</b>	<b><u>\$ 202,540,604</u></b>
Less: investing activity expense	
External	\$ (4,852,729)
Internal	<u>(211,983)</u>
<b>Total investing activity expense</b>	<b><u>\$ (5,064,712)</u></b>
<b>Net income (loss) from investing activity</b>	<b><u>\$ 197,475,892</u></b>
<b>From securities lending activity</b>	
Securities lending income	<u>\$ 4,956,080</u>
Less: securities lending expense	
Borrower rebates	\$ (4,661,390)
Management fees	<u>(87,868)</u>
<b>Total securities lending expense</b>	<b><u>\$ (4,749,258)</u></b>
<b>Net income from securities lending activity</b>	<b><u>\$ 206,822</u></b>
<b>Net investment income (loss)</b>	<b><u>\$ 197,682,714</u></b>
<b>Total Additions</b>	<b><u>\$ 235,238,453</u></b>

The notes to the financial statements are an integral part of this statement.



**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

(Continued)

**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**JUNE 30, 2007**

<b>Deductions</b>	
Benefits to participants	
Retirement	\$ 74,687,758
Disability	764,047
Survivor	7,313,180
Dependent children	44,216
Withdrawals and refunds	<u>1,461,575</u>
<b>Total benefits, withdrawals, and refunds</b>	<b>\$ <u>84,270,776</u></b>
Administrative expenses	
Staff compensation	\$ 429,459
Professional services	131,012
Office lease and maintenance	29,952
Communication-related expenses	33,040
Other expense	<u>72,237</u>
<b>Total administrative expenses</b>	<b>\$ <u>695,700</u></b>
<b>Total Deductions</b>	<b>\$ <u>84,966,476</u></b>
<b>Net Increase (Decrease)</b>	<b>\$ 150,271,977</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	
<b>Beginning of Year</b>	<u>1,005,745,229</u>
<b>End of Year</b>	<b>\$ <u><u>1,156,017,206</u></u></b>

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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1. Summary of Significant Accounting Policies

Reporting Entity

The St. Paul Teachers' Retirement Fund (Fund) is a single-employer defined benefit pension fund administered by the St. Paul Teachers' Retirement Fund Association (Association), pursuant to the Association's bylaws and Minn. Stat. chs. 354A and 356. The Fund's membership consists of eligible employees of Independent School District No. 625, St. Paul, employees formerly employed by Independent School District No. 625, charter schools, and the employees of the Association. The Association is governed by a ten-member Board of Trustees.

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and with Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

Basis of Accounting

The basis of accounting is the method by which additions and deductions to plan net assets are recognized in the accounts and reported in the financial statements. The Association uses the accrual basis of accounting. Under the accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at the last reported sales price at current exchange rates. Market values of investments in limited partnerships are determined by reference to published financial information of the partnership. Investments that do not have an established market are reported at estimated fair value.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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1. Summary of Significant Accounting Policies

Investments (Continued)

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

The Association participates in a securities lending program. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, investments lent under the program are reported as assets on the balance sheet, and collateral received on those investments is reported as an asset and a liability.

Derivative Investments

The Association may invest in futures contracts using a static asset allocation investment strategy.

Upon entering into a futures contract, each party is required to deposit with the broker an amount, referred to as the initial margin, equal to a percentage of the purchase price indicated by the futures contract. In lieu of a cash initial margin, certain investments are held for the broker as collateral. Subsequent deposits, referred to as variation margins, are received or paid each day by each party equal to the daily fluctuations in the fair value of the contract. These amounts are recorded by each party as unrealized gains or losses. When a contract is closed, each party records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts involve, to varying degrees, credit and market risks. The Association may enter into contracts only on exchanges or boards of trade where the exchange or board of trade acts as the counterparty to the transactions. Thus, credit risk on such transactions is limited to the failure of the exchange or board of trade. Losses in value may arise from changes in the value of the underlying instruments or if there is an illiquid secondary market for the contracts.

The Association invests in TBA, or "to-be-announced," mortgage-backed securities. TBA mortgage-backed securities transactions are a basic mechanism for trading federal agency mortgage pass-through securities on a delayed delivery and settlement basis. They do not represent a separate type or class of mortgage-backed securities. A TBA transaction is a purchase or sale of mortgage pass-through securities with settlement agreed upon for some future date. The purchase of pass-throughs on a TBA basis creates a long position in the underlying security on the trade date with associated market risk in the position. The securities

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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1. Summary of Significant Accounting Policies

Derivative Investments (Continued)

to be delivered are described in general detail at the time of trade but are not specifically identified until shortly prior to settlement. TBA transactions may involve newly-issued or existing agency mortgage pass-throughs.

Investment Income

Interest income is recognized when earned on an accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions

Member employee contributions are recognized when withheld or when paid directly by the member employee. Employer contributions are recognized as a percentage of covered payroll as earned. Direct state-aid and state amortization aid are recognized pursuant to state statute.

Benefits and Refunds

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Furniture and Fixtures

Furniture and fixtures are carried at cost, less accumulated depreciation. Depreciation has been provided using the straight-line method over estimated useful lives of five years.

2. Description of Plans

The following brief description of the plans is provided for general information purposes only. Participants should refer to the plan agreements for more complete information.

The plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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2. Description of Plans (Continued)

General

The Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering teachers in the St. Paul public school system.

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota statutes (the Coordinated Plan). Teachers who become members of the Association subsequent to June 30, 1978, automatically become members of the Coordinated Plan. Members' contributions and benefits under the Coordinated Plan have been adjusted to reflect contributions to and benefits from Social Security. Teachers who were members of the Association prior to July 1, 1978, are generally covered under the Basic Plan, which provides all retirement benefits for its members.

Membership

At June 30, 2007, the Association's membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,738
Terminated employees entitled to but not yet receiving benefits	1,693
Terminated, non-vested	1,538
Current active plan members (including members on leave)	<u>3,982</u>
Total Membership	<u>9,951</u>

Pension Benefits

Members who satisfy required length-of-service and minimum age requirements are entitled to annual pension benefits equal to a certain percentage of final average salary (as defined in each plan) multiplied by the number of years of accredited service.

Disability Benefits

Active members who become totally and permanently disabled and satisfy required length-of-service requirements are entitled to receive annual disability benefits as calculated under each plan.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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2. Description of Plans (Continued)

Other Benefits

Limited service pensions, deferred pensions, survivor benefits, and family benefits are available to qualifying members and their survivors.

3. Deposits and Investments

A. Deposits

Authority

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees.

Custodial Credit Risk

The custodial credit risk for deposits of the Association describes the potential for partial or total loss of cash or near-cash holdings in the event of a depository failure. Minnesota statutes require that assets held in depository accounts be insured by the Federal Deposit Insurance Corporation (FDIC), or exclusively pledged collateral of 110 percent of the uninsured amount on deposit. Balances in the Association's checking account at US Bank can vary dramatically over short periods of time, as this account holds short-term deposits and transfers necessary to meet not only general operating expenses, but large monthly benefit payments totaling \$7 million or more per month. Association deposits at US Bank are fully collateralized by pledged U.S. Treasury or federal agency notes on deposit with the Federal Reserve Bank of Boston.

B. Investments

Authority

The Association's investments are authorized by state law and its own investment policy. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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3. Deposits and Investments

B. Investments (Continued)

Custodial Credit Risk

Custodial credit risk for investments is generally defined as an assessment of the potential that loaned securities of the Association may be insufficiently collateralized, or that a counterparty to any loan of Association securities might be either undercollateralized or fail to deliver loaned securities in time to satisfy current security trading needs.

According to Association policy, all securities purchased by the Association are held by a third-party safekeeping agent appointed as a custodian who is also the lending agent/counterparty. The securities lending agreement in place between the Association and its custodian is also consistent with this policy.

The Association has no custodial credit risk for investments at June 30, 2007, other than that related to the invested securities lending collateral, as described in Note 4.

Interest Rate Risk

Interest rate risk for investments consists of assessing the potential for adverse effects on the market value of debt securities held as a result of interest rate changes.

The Association participates in fixed income markets through both "active" and "passive" or indexed investment manager accounts, as listed below.

<u>Mandate</u>	<u>Management Firm</u>	<u>Market Value</u>
Active	Voyageur Asset Management	\$ 106,885,788
Indexed	Barclays Global Investors	\$ 98,916,606

The Association has, relative to peers, a small allocation to fixed income assets as part of its investment policy. At June 30, 2007, the targeted allocation was 19 percent of total Fund assets. The actual share of total Fund assets was 17.9 percent.

The active fixed portfolio has a shorter overall weighted duration than the Lehman Aggregate Index benchmark. All else being equal, this would be expected to reduce the account's risk to adverse effects from rising interest rates.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

3. Deposits and Investments

B. Investments

Interest Rate Risk (Continued)

The index account manager, Barclays Global Investors (BGI), has as part of its mandate, the explicit objective of matching, as closely as possible, the overall weighted direction of the Lehman Government/Credit Bond Index. Here, the fixed income strategy is indifferent to changes in the near-term changes in rates of interest.

The following table shows weighted overall durations of each investment account and the associated benchmark as of June 30, 2007:

<u>Account</u>	<u>Average Duration in Years</u>	<u>Average Duration of Benchmark</u>
Voyageur Asset Management	4.87	4.70
BGI	5.08	5.08
Bank of NY - Cash Collateral	0.05	None

Liquidity needs of the Association are not a factor in the structure of the fixed income, or any other asset class in which the Fund participates. The allocation of assets and the structure of investment accounts are optimized relative to long-term investment objectives and capital asset pricing models. The Association attempts to match asset allocations to policy targets and draws down accounts to meet short-term liquidity needs by targeting accounts that are, relative to targets, overfunded. This, in effect, rules out considerations about changes to interest rates, security duration, or portfolio term structures.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minn. Stat. § 356A.06, subd. 7(c), limits fixed income holdings to investment grade securities. Government-issued debt securities, while broadly defined in law, must be backed by the full faith and credit of the issuing domestic government or agency or rated among the top four quality rating categories by a nationally recognized rating agency, with principal and interest payable in U.S. dollars.

Corporate fixed securities are limited to those either issued by companies domiciled in the United States or the Dominion of Canada. In all cases, securities must be rated among the top four categories of a nationally recognized rating agency.



**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

3. Deposits and Investments

B. Investments

Credit Risk (Continued)

The following table provides the range of security types and credit ratings (where applicable) for the Association's fixed income holdings.

Debt Investment Type	Market Value	Quality Ratings (Standard and Poor's)				
		AAA	AA	A	BBB	Unrated
Asset-backed securities	\$ 38,471,129	\$ 31,935,787	\$ 3,770,858	\$ 817,752	\$ 1,333,391	\$ 613,341
Bank note	10,014,196	3,007,093	7,007,103	-	-	-
BGI - Government/Credit Bond Index Fund	98,916,606	-	-	-	-	98,916,606
Certificate of deposit floating rate	23,050,150	-	17,031,486	4,011,231	2,007,433	-
Collateralized mortgage obligations	15,012,580	15,012,580	-	-	-	-
Corporate bonds	20,268,958	-	1,178,714	6,638,873	12,451,371	-
Corporate floating rate	19,636,792	4,052,354	4,003,600	7,038,148	4,542,690	-
Federal Home Loan Mortgage Corporation Federal National Mortgage Association	16,697,749	16,697,749	-	-	-	-
Government bonds	9,594,178	9,140,098	-	-	84,529	369,551
Government National Mortgage Association	378,310	378,310	-	-	-	-
Other fixed income	1,428,794	-	1,092,435	336,359	-	-
Pooled funds and mutual funds	9,409,379	-	-	-	-	9,409,379
Reverse repurchase agreement	16,136,291	-	-	-	-	16,136,291
State and local obligations	4,799,219	3,418,197	722,501	658,521	-	-
<b>Total</b>	<b>\$ 288,064,051</b>	<b>\$ 87,891,888</b>	<b>\$ 34,806,697</b>	<b>\$ 19,500,884</b>	<b>\$ 20,419,414</b>	<b>\$ 125,445,168</b>

Concentration of Credit Risk

Concentration of credit risk relates to the adequacy of policy and practice in limiting the risk of loss due to insufficient diversification of holdings and could be measured on the basis of holdings from several aspects, such as asset class, region, sector, industry, or company size. The Investment Policy of the Association incorporates the Modern Portfolio Theory approach to capital market pricing, which holds that risk is inevitable for the institutional investor, but it can be reasonably estimated from historical return dispersion patterns and "budgeted" in allocating assets in a manner most likely to earn a targeted long-term rate of return on the overall portfolio.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

3. Deposits and Investments

B. Investments

Concentration of Credit Risk (Continued)

A good investment policy defines what types of risks will be assumed, how they will be managed, and that each incremental addition to portfolio risk should carry a corresponding and proportional opportunity for gain. The Association's policy is that the standard deviation of quarterly returns should not exceed 120 percent of the same measure for the asset category benchmark. Minn. Stat. § 356A.06, subd. 7, specifies that equity investment holdings may not exceed 5.0 percent of the outstanding shares of any one corporation. Association policy also limits exposure to any one company's securities at 1.5 percent of the total fund. Further, no more than 15.0 percent of the Fund assets may be invested in any one sector, and the maximum allocation to any single active investment manager is 12.5 percent of the total Fund.

The following tables indicate these risk control policies were reflected in portfolio holdings as of June 30, 2007. The investment in the Capital International Emerging Markets account operates like other commingled, unit share portfolios, except that SPTRFA participation in that trust is, technically, that of a shareholder. The account represented 5.4 percent of the investments as of June 30, 2007 (see table, Note 3.B.). While it could be argued that this is an exception to the policy limit, the "security interest" is distinct from, and not subject to the volatility of, any of the genuine securities in the portfolio.

Total Holdings of the Ten Largest Issuers - Percent of Net Assets as of June 30, 2007

Issuer	Fair Value	Percent of Net Assets (%)
Federal National Mortgage Association	\$ 21,506,051	1.86
U.S. Treasury	10,378,230	0.90
Federal Home Loan Mortgage Corporation	5,634,257	0.49
Illinois Tool Works, Inc.	3,652,406	0.32
Imperial Tobacco Group	3,495,517	0.30
Banc America	3,331,579	0.29
Government National Mortgage Association	3,245,068	0.28
Wellpoint, Inc.	3,217,149	0.28
AT&T, Inc.	3,104,200	0.27
ConocoPhillips	3,077,200	0.27
	<u>\$ 60,641,657</u>	<u>5.26</u>

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

3. Deposits and InvestmentsB. InvestmentsConcentration of Credit Risk (Continued)

Assets by Investment Account as of June 30, 2007		
Investment Manager - Account	Total Assets Under Management (Market Value)	Percent of Total (%)
Advantus	\$ 14,706,646	1.3
Alliance Capital - Large Cap Growth	1,590	-
Bank of New York - Cash Flow	66,738	-
Barclays - Equity Index Fund	204,789,266	17.7
Barclays - Extended Equity Market Fd	69,745,021	6.1
Barclays - Govt/Credit Bond Index Fd	98,916,606	8.6
Barclays - Russell 2000 Equity Index	10,883,092	0.9
Barrow Hanley - Large Cap Value	81,169,339	7.1
Boston Company - Small Value	30,981,303	2.7
Capital Intl. - Emerging Mkts Gr	61,592,511	5.4
Clifton Group - Index Futures	2,929,374	0.3
Dimensional Fund Advisors	34,567,380	3.0
Fifth Third Advisors - Large Cap	54,336,508	4.7
JP Morgan - International	123,839,336	10.8
Morgan Stanley - Intl. Equity	127,448,303	11.0
RWI Ventures I	4,491,698	0.4
RWI Ventures II	8,695,965	0.8
Smith Barney	314,529	-
Turin Networks	1,634,260	0.1
UBS Realty Investors	80,033,943	7.0
Voyageur - Fixed Income	99,399,949	8.6
Wellington - Sm/Mid Cap Growth	40,566,441	3.5
Total Assets by Investment Account	<u>\$ 1,151,109,798</u>	<u>100.0</u>

The total assets under management at market value are classified as follows on Exhibit 1.

Receivables	
Interest	\$ 858,762
Dividends	224,975
Sales of securities	23,280,949
Investments	1,152,208,663
Less: securities purchases payable	<u>(25,463,551)</u>
Total Assets Under Management, Market Value	<u>\$ 1,151,109,798</u>

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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3. Deposits and Investments

B. Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar adversely affects the fair value of an investment or a deposit.

As the U.S. share of global economic output continues to diminish, and the returns to broad U.S. equity markets continue to deliver among the lowest of those for major developed and developing markets globally, it becomes increasingly difficult for any institutional investing entity to justify a fiduciary posture on investments that does not include a significant international component.

However, because the liabilities of any public pension plan are due and payable in U.S. dollars ultimately, all foreign holdings must, at some point, be converted into U.S. dollar liquidity at some point. Owning securities and currencies of other countries, therefore, adds another level and type of risk, which occurs with each movement in the rate of exchange between the U.S. dollar and the relevant currency of trade.

As of June 30, 2007, the Investment Policy of the Association included a dedication of 25 percent of the total Fund as the international equity component of the total portfolio. International positions are held in pooled or commingled investment funds, which render the exposure to foreign currencies to a derivative risk, as the Fund's interest is limited in all cases to a unit valuation expressed in U.S. dollars. The actual allocation was \$304 million, or 26.4 percent, of total invested assets. This allocation resulted in derivative exposures to international markets as detailed in the following chart.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

3. Deposits and InvestmentsB. InvestmentsForeign Currency Risk (Continued)

Assets Held in Non-U.S. Securities by Currency as of June 30, 2007

Country	Currency	Equity	Fixed Income	Cash and Cash Equivalents	Total
Argentina	Argentine Peso	\$ 61,592	\$ 123,185	\$ -	\$ 184,777
Australia	Australian Dollar	3,459,829	-	-	3,459,829
Brazil	Brazilian Real	11,290,405	123,185	-	11,413,590
Canada	Canadian Dollar	1,070,521	-	123,185	1,193,706
Chile	Chilean Peso	246,370	-	-	246,370
China	Chinese Yuan	6,159,251	-	-	6,159,251
Egypt	Egyptian Pound	1,972,269	-	-	1,972,269
European Union	Euro	83,684,946	-	123,185	83,808,131
Hong Kong	Hong Kong Dollar	6,249,634	-	-	6,249,634
Hungary	Hungarian Forint	61,592	-	-	61,592
India	Indian Rupee	3,325,995	-	-	3,325,995
Indonesia	Indonesian Rupiah	1,293,443	-	-	1,293,443
Israel	Israeli Shekel	1,231,850	-	-	1,231,850
Japan	Japanese Yen	52,656,938	-	-	52,656,938
Kazakhstan	Kazakhstanian Tenge	369,555	-	-	369,555
Korea	Korean Won	7,209,596	-	-	7,209,596
Malaysia	Malaysian Ringgit	2,648,478	-	-	2,648,478
Mexico	Mexican Peso	4,190,908	-	-	4,190,908
Morocco	Moroccan Dirham	61,593	-	-	61,593
Norway	Norwegian Krone	395,090	-	123,185	518,275
Pakistan	Pakistani Rupee	61,592	-	-	61,592
Philippines	Philippine Peso	739,110	-	-	739,110
Poland	Polish Zloty	123,185	-	-	123,185
Republic of Columbia	Columbian Peso	246,370	-	-	246,370
Russian Federation	Russian Ruble	4,188,291	-	-	4,188,291
Singapore	Singapore Dollar	938,809	-	-	938,809
South Africa	South African Rand	4,865,808	-	-	4,865,808
Sri Lanka	Sri Lankan Rupee	123,185	-	-	123,185
Sultanate of Oman	Omani Rial	184,778	-	-	184,778
Sweden	Swedish Krona	4,803,123	-	-	4,803,123
Switzerland	Swiss Franc	23,665,480	-	-	23,665,480
Taiwan	Taiwanese New Dollar	7,579,805	-	61,592	7,641,397
Thailand	Thai Baht	800,703	-	-	800,703
Turkey	Turkish New Lira	1,662,998	184,778	-	1,847,776
United Arab Emirates	Emirati Dirham	61,593	-	-	61,593
United Kingdom	British Pound	64,892,338	-	677,518	65,569,856
Totals		\$ 302,577,023	\$ 431,148	\$ 1,108,665	\$ 304,116,836

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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4. Securities Lending

The Association participates in a securities lending program. On June 30, 2007, 25 percent of its U.S. government securities, corporate bonds, and corporate stocks were loaned out.

Minn. Stat. § 356A.06, subd. 7, permits the Association to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. Qualifications of borrowers and the fiscal status of such entities are monitored on a continuing basis. The Association's securities custodian is the agent in lending the Association's securities for collateral of at least 102 percent of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100 percent of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102 percent of the current market value. Collateral may be provided in securities or cash.

In the event of failure by the borrowing party to deliver the securities at all, the Association should be at least 100 percent collateralized in order to recover the market value equivalent of securities not returned.

The Association's contract with the Bank of New York also specifies that the custodian will indemnify the Association for any "fails," or loss of securities by failure of borrowers to return securities.

As of June 30, 2007, the fair value of cash collateral received was \$76,161,448, which is included in the Statement of Plan Net Assets both as an asset and offsetting liability. Of the cash collateral, \$36,975,007 was invested in corporate obligations; \$23,050,150 was invested in certificates of deposit; and \$16,136,291 was invested in repurchase agreements, which have an average weighted maturity of 19 days. The Association also received non-cash collateral of \$1,950,835 in asset-backed securities. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company requires the trust company to indemnify the Association if borrowers fail to return the loaned securities, requiring delivery of collateral up to the market value of the loaned securities to the Association. All securities loans may be terminated on demand by either the Association or the borrower.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
ST. PAUL, MINNESOTA**

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5. Contributions

Funding

Benefit and contribution provisions are established by state law and may be amended only by the State of Minnesota Legislature.

Minn. Stat. § 354A.12 sets the rate for employee and employer contributions expressed as a percentage of annual covered payroll. The requirement to reach full funding by the year 2021 is set in Minn. Stat. § 356.215, subd. 11. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a “required” contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses. At June 30, 2007, the difference between the statutory and actuarially required contributions is a deficiency of 8.03 percent of payroll.

Employer and Employee Contributions

For the fiscal year ended June 30, 2007, the contribution rates required by statute were as follows:

	Percentage of Members' Salaries	
	Basic Plan	Coordinated Plan
Employee contribution	8.00%	5.50%
Employer contribution	11.64%	8.34%

Other Contributions

Minn. Stat. § 354A.12 requires the state to annually provide the Association with direct aid until it reaches the same funded status as the Minnesota Teachers' Retirement Association. The direct state-aid contribution was \$2,967,000 for fiscal year 2007.

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$684,216 for fiscal year 2007. Beginning in fiscal year 1998, the School District must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid. The School District contributed \$800,000 for fiscal year 2007.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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5. Contributions (Continued)

Reserve

At June 30, 2007, \$10,883,092 of the net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining post-retirement benefit increases. This is considered to be fully funded.

6. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. To cover its liabilities, the Association purchases commercial insurance. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.



**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

*Schedule 1*

**SCHEDULE OF FUNDING PROGRESS**  
**(IN THOUSANDS OF DOLLARS)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) ((b-a)/c)
2002	\$ 899,572	\$ 1,141,300	\$ 241,728	78.82	\$ 201,456	119.99
2003	898,760	1,189,361	290,601	75.57	205,655	141.31
2004	898,860	1,251,460	352,600	71.82	221,685	159.05
2005	905,293	1,299,832	394,539	69.65	223,762	176.32
2006	938,919	1,358,620	419,701	69.11	226,351	185.42
2007	1,015,722	1,391,298	375,576	73.01	229,172	163.88

(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

*Schedule 2*

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES**  
**(IN THOUSANDS OF DOLLARS)**

Fiscal Year	Annual Required Contributions	Employer Contributions	Employer Percentage Contributed (%)	State Contributions	State Percentage Contributed (%)
2002	\$ 17,382	\$ 20,958	120.58	\$ 3,258	18.74
2003	23,948	19,986	83.46	3,384	14.13
2004	30,828	20,378	66.10	3,393	11.01
2005	34,724	20,435	58.85	3,398	9.79
2006	40,373	20,615	51.06	3,400	8.42
2007	43,924	20,466	46.59	3,651	8.31

**Note:**

The annual required contributions are actuarially determined. The employer and state are required by statute to make contributions, all of which have been made.

(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

NOTES TO SCHEDULE 1 AND SCHEDULE 2  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007  
(Unaudited)

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I. Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on July 1. Significant methods and assumptions are as follows:

- The most recent actuarial valuation date is July 1, 2007.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year is used to pay the unfunded actuarial accrued liability.
- The amortization period is determined each year by the legislatively-appointed actuary.
- The remaining amortization period at July 1, 2007, is 14 years.
- The actuarial value of assets is determined using market value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. Unrecognized asset return is the difference between actual net return on market value of assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 actuarial valuation of the fiscal year).
- Actuarial assumptions:
  - Investment rate of return is 8.5 percent.
  - Inflation and projected salary increases are based on a ten-year select and ultimate rate table with rates ranging from 5.0 to 6.9 percent.
  - Post-retirement cost of living adjustments under a two-year pilot program are 2.7 percent for the years effective for the January 1, 2008, and January 1, 2009, benefit increases, and 2.0 percent for all years thereafter.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

I. Actuarial Methods and Assumptions (Continued)

- Pre-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back seven years for males and five years for females.
- Post-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back three years for males and one year for females.
- Post-disability mortality assumptions are based on the 1977 Railroad Retirement Board Mortality Table for Disabled Annuitants.

II. Significant Plan Provision and Actuarial Methods and Assumption Changes

2002

The following actuarial assumptions changed:

Assumptions	Prior	Revised
Salary Increases	Merit table that ranges from 7.25% at age 20 down to 5.25% at age 70	Ten-year select and ultimate table. During the select period, $0.3\% \times (10-T)$ where T is completed years of service is added to the ultimate rate. Ultimate table ranges from 6.9% at age 20 down to 5.0% at age 60 and over.
Male Pre-Retirement Mortality	1983 GAM (Male - 5)	1983 GAM (Male - 7)
Female Pre-Retirement Mortality	1983 GAM (Female - 3)	1983 GAM (Female - 5)
Separation Decrement	Graded rates	Select and ultimate table. Ultimate rates are generally lower than prior rates.
Disability Decrement	Graded rates	Graded rates. Revised rates are lower than prior rates.
Form of Annuity Selected - Male	85% married 15% elect 50% J&S option 50% elect 100% J&S option	85% married 10% elect 50% J&S option 45% elect 100% J&S option
Form of Annuity Selected - Female	60% married 10% elect 50% J&S option 10% elect 100% J&S option	60% married 10% elect 50% J&S option 10% elect 100% J&S option
Combined Service Annuity Load Factor	None assumed	7.0% load on liabilities for active members and 30% load on liabilities for former members.

(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**  
**ST. PAUL, MINNESOTA**

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II. Significant Plan Provision and Actuarial Methods and Assumption Changes

2002 (Continued)

The following plan provisions changed:

- Effective July 1, 2002, 359 charter school teachers are no longer covered by this Fund. Active charter school teachers retain their rights to benefits earned in this Fund through June 30, 2002, as if they were former members with a termination of employment on June 30, 2002. They may not, however, draw a refund of contributions as long as they remain employed by the same school they were employed with on June 30, 2002. Effective July 1, 2002, these 359 charter school members were transferred to the Minnesota Teachers' Retirement Association.
- While not a formal change in provisions, a change in the expected amount of state-aid has occurred with the Fund. Since the Duluth Teachers' Retirement Fund accrued liability funding ratio exceeded the Minnesota Teachers' Retirement Fund accrued liability funding ratio as of July 1, 2001, the state-aid normally provided to Duluth shall be re-allocated to the other first class city teachers' fund. This results in a marginal increase in the amount of state-aid for this Fund.

2006

- Post-retirement benefit increases were capped, such that the combination of the guaranteed two percent and excess rate of return factors cannot exceed five percent, effective July 1, 2010. The other change is the deferred augmentation rate for post-June 30, 2006, hires, which is 2.5 percent for all years.

2007

- Post-retirement benefits were changed in the 2007 Legislative Session. The old increase formula provided a guaranteed 2.0 percent increase each year for any member in pay status for one full year as of June 30 in the calendar year prior to the next January 1 increase. In addition, if the Fund net investment return on a five-year annualized basis exceeded 8.5 percent, the difference was added to the 2.0 percent guaranteed increase.

(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
ST. PAUL, MINNESOTA**

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II. Significant Plan Provision and Actuarial Methods and Assumption Changes

2007 (Continued)

- Under a two-year pilot program, commencing with increases for calendar year 2008, the St. Paul Teachers' Retirement Fund Association will instead pay a cost-of-living adjustment (COLA) similar to that of the U.S. Social Security Administration. The full COLA amount will be equal to current year average third quarter Consumer Price Index for Urban Wage Earners and Clerical Workers over the same figure for the prior year. Members with less than one full year in pay status will receive a pro-rated COLA based on full calendar quarters.
  
- The administrative expense assessment process under Minn. Stat. § 354A.12, subd. 3d, was repealed.

(Unaudited)

# Actuarial Section

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THE SEGAL COMPANY  
101 North Wacker Drive, Suite 500 Chicago, IL 60606-1724  
T 312.984.8500 F 312.984.8590 www.segalco.com

November 29, 2007

Mr. Phillip Kapler  
St. Paul Teachers' Retirement Fund Association  
1619 Dayton Avenue, Room 309  
Saint Paul, MN 55104-6206

Dear Mr. Kapler:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the Fund and the financial information was provided by the Fund. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

Sincerely,

THE SEGAL COMPANY

By:

Thomas D. Levy, FSA, FCIA, MAAA, EA  
Senior Vice President and Chief Actuary

Andre Latia, FSA, MAAA, EA  
Senior Vice President and Consulting Actuary

Susan M. Hogarth, MAAA, EA  
Consulting Actuary

- cc: Legislative Commission on Pensions and Retirement (3 copies)
- Minnesota Legislative Reference Library (6 copies)
- Minnesota Department of Finance (2 copies)
- Office of the State Auditor (2 copies)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Summary of Key Valuation Results**

	<b>2007</b>	<b>2006</b>
<b>Contributions (% of payroll) for plan year beginning July 1:</b>		
Statutory – Chapter 354A	16.07%	16.33%
Required – Chapter 356	24.10%	25.03%
Sufficiency/(Deficiency)	(8.03%)	(8.70%)
<b>Funding elements for plan year beginning July 1:</b>		
Normal cost	\$ 21,099,816	\$ 21,575,645
Market value of assets	1,156,017,206	1,005,745,229
Actuarial value of assets (AVA)	1,015,722,034	938,919,005
Actuarial accrued liability (AAL)	1,391,297,918	1,358,619,906
Unfunded/(Overfunded) actuarial accrued liability	375,575,884	419,700,901
<b>Funded ratios:</b>		
<u>Accrued Benefit Funded Ratio</u>	75.48%	71.90%
Current assets (AVA)	\$ 1,015,722,034	\$ 938,919,005
Current benefit obligations	1,345,611,315	1,305,809,497
<u>Projected Benefit Funded Ratio</u>	86.54%	84.22%
Current and expected future assets	\$ 1,389,721,823	\$ 1,328,442,124
Current and expected future benefit obligations (Present Value of Benefits)	1,605,847,494	1,577,289,001
<b>GASB 25/27 for plan year beginning July 1:</b>		
Annual required employer contributions	\$ 43,923,513	\$ 40,373,190
Accrued Liability Funded Ratio (AVA/AAL)	73.01%	69.11%
Covered actual payroll	\$ 229,172,337	\$ 226,350,763
<b>Demographic data for plan year beginning July 1:</b>		
Number of pensioners and beneficiaries	2,738	2,624
Number of vested terminated members	1,693	1,447
Number of other non-vested terminated members	1,538	1,671
Number of active members	3,841	4,052
Number of members on leave of absence*	141	150
Total projected payroll**	\$ 233,099,133	\$ 234,213,344
Average annual compensation (projected dollars)**	58,538	55,739

\* *Members on leave of absence treated as active members*

\*\* *Calculated as covered actual payroll, projected one year with salary scale. Also, includes members on leaves of absence.*



**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**FINANCIAL INFORMATION**

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

**Determination of Actuarial Value of Assets for Year Ended June 30, 2007**

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

1. Market value of assets available for benefits			\$ 1,156,017,206
	<u>Original Amount</u>	<u>% Not Recognized</u>	
2. Calculation of unrecognized return			
(a) Year ended June 30, 2007	\$ 114,209,326	80%	\$ 91,367,461
(b) Year ended June 30, 2006	36,135,488	60%	21,681,293
(c) Year ended June 30, 2005	26,860,009	40%	10,744,004
(d) Year ended June 30, 2004	82,512,072	20%	16,502,414
(e) Total unrecognized return			<u>\$ 140,295,172</u>
3. Actuarial value of assets: (1) - (2e) ("Current Assets")			<u>\$ 1,015,722,034</u>
4. Actuarial value as a percent of market value			<u><u>87.86%</u></u>

## ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

## Accounting Balance Sheet for Year Ended June 30, 2007

	Market Value	Cost Value
<b>Assets</b>		
Cash, equivalents, short-term securities	\$ 3,605,645	\$ 3,605,645
Investments:		
Fixed income	\$ 211,582,459	\$ 176,995,935
Equity	832,740,246	511,622,065
Real estate	94,698,295	72,342,059
Alternative	13,187,663	6,707,288
Other assets*	<u>26,685,637</u>	<u>26,685,637</u>
Total assets	\$ 1,182,499,945	\$ 797,958,629
<b>Amounts currently payable</b>	\$ 26,482,739	\$ 26,482,739
<b>Assets available for benefits</b>		
Member reserves	\$ 131,352,390	\$ 131,352,390
Employer reserves	<u>1,024,664,816</u>	<u>640,123,500</u>
Total assets available for benefits	\$ 1,156,017,206	\$ 771,475,890
<b>Total amounts currently payable and assets available for benefits</b>	<u>\$ 1,182,499,945</u>	<u>\$ 797,958,629</u>
<b>Net assets at Market/Cost value</b>	<u>\$ 1,182,499,945</u>	<u>\$ 797,958,629</u>

\* Other Assets:

Accounts Receivable:

Employer contribution	\$ 2,205,743
Employee contribution	97,693
Interest receivable	858,762
Dividend receivable	224,975
Sale of securities	<u>23,280,949</u>
Total accounts receivable	\$ 26,668,122
Fixed assets	<u>17,515</u>
Total other assets	\$ 26,685,637

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Change in Assets Available for Benefits for Year Ended June 30, 2007**

	<b>Market Value</b>	<b>Cost Value</b>
A. Assets available at beginning of period (BOY)	\$ 1,005,745,229	\$ 740,961,588
B. Operating revenues		
1. Member contributions	\$ 13,438,323	\$ 13,438,323
2. Employer contributions	19,666,200	19,666,200
3. Supplemental contributions	4,451,216	4,451,216
4. Investment income	14,828,201	14,828,201
5. Investment expenses	(5,064,712)	(5,064,712)
6. Net realized gain/(loss)	68,161,550	68,161,550
7. Other	-	-
8. Net change in unrealized gain/(loss)	<u>119,757,675</u>	<u>-</u>
9. Total operating revenues	\$ 235,238,453	\$ 115,480,778
C. Operating expenses:		
1. Service retirements	\$ 74,687,758	\$ 74,687,758
2. Disability benefits	764,047	764,047
3. Survivor benefits	7,357,396	7,357,396
4. Refunds	1,461,575	1,461,575
5. Administrative expenses	<u>695,700</u>	<u>695,700</u>
6. Total operating expenses	\$ 84,966,476	\$ 84,966,476
D. Change in accounting method	-	-
E. Assets available at end of period (EOY)	\$ 1,156,017,206	\$ 771,475,890
F. Determination of current year gross asset return		
1. Average balance:		
(a) Assets available at BOY: (A)		\$ 1,005,745,229
(b) Assets available at EOY: (E)		1,156,017,206
(c) Average balance [(a) + (b) – Net Investment Income] / 2		982,039,861
[Net Investment Income: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)]		
2. Expected return: 8.50% x (F.1)		\$ 83,473,388
3. Actual return: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)		<u>197,682,714</u>
4. Current year gross asset return: (F.3) – (F.2)		\$ 114,209,326

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

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**Actuarial Balance Sheet**

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A. Current Assets				\$ 1,015,722,034
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions			\$	159,450,213
2. Present Value of Future Normal Costs				<u>214,549,576</u>
3. Total Expected Future Assets			\$	373,999,789
C. Total Current and Expected Future Assets				\$ 1,389,721,823
D. Current Benefit Obligations		<b><u>Non-Vested</u></b>	<b><u>Vested</u></b>	<b><u>Total</u></b>
1. Benefit recipients:				
(a) Retirement annuities	-	\$ 837,459,005	\$	837,459,005
(b) Disability benefits	-	6,947,875		6,947,875
(c) Beneficiaries	-	61,049,596		61,049,596
2. Vested terminated members	-	47,601,410		47,601,410
3. Other non-vested terminated members	-	1,772,091		1,722,091
4. Active members:				
(a) Retirement benefits	\$ 2,074,683	\$ 361,207,087	\$	363,281,770
(b) Disability benefits	74,091	6,764,937		6,839,028
(c) Death benefits	74,441	6,198,118		6,272,559
(d) Withdrawal benefits	<u>526,161</u>	<u>13,911,820</u>		<u>14,437,981</u>
5. Total Current Benefit Obligations	\$ 2,749,376	\$ 1,342,861,939	\$	1,345,611,315
E. Expected Future Benefit Obligations				<u>\$ 260,236,179</u>
F. Total Current and Expected Future Benefit Obligations – Present Value of Benefits: (D.5 + E)				\$ 1,605,847,494
G. Current Unfunded Actuarial Liability (D.5 - A)				\$ 329,889,281
H. Current and Future Unfunded Actuarial Liability (F - C)				\$ 216,125,671

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**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Summary of Actuarial Valuation Results**

	<b>Actuarial Present Value of Projected Benefits</b>	<b>Actuarial Present Value of Future Normal Costs</b>	<b>Actuarial Accrued Liability</b>
<b>A. Determination of Actuarial Accrued Liability</b>			
1. Active members:			
(a) Retirement benefits	\$ 602,193,391	\$ 180,273,537	\$ 421,919,854
(b) Disability benefits	12,147,257	5,495,142	6,652,115
(c) Death benefits	11,617,201	5,064,308	6,552,893
(d) Withdrawal benefits	<u>25,109,668</u>	<u>23,716,589</u>	<u>1,393,079</u>
(e) Total	\$ 651,067,517	\$ 214,549,576	\$ 436,517,941
2. Vested terminated members	\$ 47,601,410	-	\$ 47,601,410
3. Other non-vested terminated members	1,722,091	-	1,722,091
4. Annuitants	<u>905,456,476</u>	<u>-</u>	<u>905,456,476</u>
5. Total	\$ 1,605,847,494	\$ 214,549,576	\$ 1,391,297,918
<b>B. Determination of Unfunded Actuarial Accrued Liability</b>			
1. Actuarial Accrued Liability		\$ 1,391,297,918	
2. Actuarial Value of Assets		<u>1,015,722,034</u>	
3. Unfunded Actuarial Accrued Liability: (B.1) – (B.2)		\$ 375,575,884	
<b>C. Determination of Supplemental Contribution Rate (Statutory Amortization Date)</b>			
1. Present value of future payrolls through the amortization date of June 30, 2021		\$ 2,545,687,468	
2. Supplemental contribution rate: (B.3) / (C.1)			14.75%
<b>D. Determination of Supplemental Contribution Rate (Amortization period of 30 years)</b>			
1. Present value of future payrolls through the amortization date of June 30, 2036		\$ 4,329,516,832	
2. Supplemental contribution rate: (B.3) / (D.1)			8.67%

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

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**Development of Unfunded/(Overfunded) Actuarial Accrued Liability  
for Year Ended June 30, 2007**

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1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		\$ 419,700,901
2. Normal cost at beginning of year, including expenses		22,271,345
3. Total contributions		37,555,739
4. Interest		
(a) For whole year on (1) + (2)	\$ 37,567,641	
(b) For half year on (3)	<u>1,596,119</u>	
(c) Total interest: (4a) – (4b)		<u>35,971,522</u>
5. Expected unfunded/(overfunded) actuarial accrued liability: (1) + (2) – (3) + (4(c))		\$ 440,388,029
6. Changes due to (gain)/loss from:		
(a) Investments	(\$ 46,420,607)	
(b) Service data reported	(26,652,749)	
(c) Demographics*	<u>(3,032,578)</u>	
(d) Total changes due to (gain)/loss		<u>(\$ 76,105,934)</u>
7. Changes due to assumption changes		<u>\$ 11,293,789</u>
8. Unfunded/(Overfunded) actuarial accrued liability at end of year		<u>\$ 375,575,884</u>

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\* Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Determination of Contribution Sufficiency – Total**

			<b>July 1, 2007</b>	
<b>A. Statutory Contributions – Chapter 354A</b>	<b>Percent of Payroll</b>	<b>Dollar Amount</b>		
1. Employee contributions	5.64%	\$ 13,139,595		
2. Employer contributions	8.52	19,861,736		
3. Supplemental contributions				
(a) 1996 Legislation	0.64	1,484,216		
(b) 1997 Legislation	<u>1.27</u>	<u>2,967,000</u>		
4. Total	<u>16.07%</u>	<u>\$ 37,452,547</u>		
<b>B. Required Contributions – Chapter 356</b>				
1. Normal Cost:				
(a) Retirement	7.73%	\$ 18,022,376		
(b) Disability	0.22	513,197		
(c) Death	0.20	459,141		
(d) Withdrawal	<u>0.90</u>	<u>2,105,102</u>		
(e) Total	<u>9.05%</u>	<u>\$ 21,099,816</u>		
2. Supplemental contribution amortization	14.75%	\$ 34,382,122		
3. Allowance for administrative expenses	<u>0.30</u>	<u>699,297</u>		
4. Total	<u>24.10%</u>	<u>\$ 56,181,235</u>		
<b>C. Contribution Sufficiency / (Deficiency):</b>	(8.03%)	(\$ 18,728,688)		
<b>(A.5) – (B.4)</b>				
<b>Projected annual payroll for fiscal year beginning on the valuation date</b>		\$ 233,099,133		

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:***Healthy Pre-Retirement:*

- Male: 1983 Group Annuity Mortality Table for males set back 7 years  
 Female: 1983 Group Annuity Mortality Table for females set back 5 years

*Healthy Post-Retirement:*

- Male: 1983 Group Annuity Mortality Table for males set back 3 years  
 Female: 1983 Group Annuity Mortality Table for females set back 1 year

*Disability:*

- Male: 1977 Railroad Retirement Board Mortality Table for Disabled Lives  
 Female: 1977 Railroad Retirement Board Mortality Table for Disabled Lives

**Salary Increases:**

Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rate table below. During a ten-year select period,  $0.30\% \times (10-T)$  where T is completed years of service is added to the ultimate rate.

Age	Ultimate Rate of Annual Salary Increases
Less than 22	6.90%
25	6.75
30	6.50
35	6.25
40	6.00
45	5.75
50	5.50
55	5.25
60 & Over	5.00



## ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

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### Retirement Age:

<i>Active Members:</i>	Active members are assumed to retire according to the graded rates shown in the rate table. Rates are applied beginning at the participant's first early retirement age.
<i>Deferred Members:</i>	Basic members are assumed to retire at age 60. Coordinated members are assumed to retire at age 63. If over the assumed retirement age, one year from valuation date.
<i>Other Non-Vested Members:</i>	Return of contributions is assumed to occur immediately.

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### Unknown Data for Members:

The submitted participant data has been reviewed for reasonableness and consistency with data submitted for prior valuations. We have not audited this data, and the results of this valuation may change based on the accuracy of the underlying data. In cases where submitted data was missing or incomplete, the following assumptions were applied:

Date of Birth:	July 1, 1961 (vested terminated members) July 1, 1935 (pensioners, survivors and beneficiaries)
Deferred Benefit:	Calculate estimate using service at termination date. Salary at termination is estimated based on assumed termination date if not available.

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### Percent Married:

85% of male members and 60% of female members are assumed to be married. Married members are assumed to have two children.

### Age of Spouse:

Female four years younger than male.

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### Net Investment Return:

<i>Pre-Retirement:</i>	8.50% per annum
<i>Post-Retirement:</i>	8.50% per annum

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### Administrative Expenses:

Prior year administrative expenses (excluding investment expenses) expressed as a percentage of prior year payroll.

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### Allowance for Combined Service Annuity:

7.00% load on liabilities for active members and 30.00% load on liabilities for former members.

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### Return of Contributions:

All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.

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**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**


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**Benefit Increases After Retirement (COLA):** 2.70% per annum, effective for January 1, 2008 and January 1, 2009 COLA increases.  
2.00% per annum, for all years thereafter.

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**Optional Benefit Forms:** Married members assumed to elect the following forms of benefit:

	<u>Males</u>	<u>Females</u>
Life Annuity Option	45%	80%
50% J&S Option	10%	10%
100% J&S Option	45%	10%

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**Asset Valuation Method:** Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).

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**Actuarial Cost Method:** Entry Age Normal Cost Method. Entry age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

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**Payment on the Unfunded Actuarial Accrued Liability:** The Unfunded Actuarial Accrued Liability is amortized as level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5.00% per annum.

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**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION**

**Supplemental Contributions:**

The St. Paul School District and the State of Minnesota are scheduled to make the following supplemental contributions to the plan.

*1996 Legislation:*

Supplemental contributions according to the following schedule:

<u>Year</u>	<u>State</u>	<u>School</u>
06/30/2007	\$684,216	\$800,000

*1997 Legislation:*

Annual supplemental contributions of \$2,967,000 made on October 1.

**Changes in Actuarial Assumptions and Cost Methods:**

There have been no changes made to the cost methods since the prior valuation.

The only change to the actuarial assumptions since the prior valuation is to the assumption for the benefit increases after retirement (cost of living adjustment – COLA). The current COLA assumption of 2.00% annual automatic increase and periodic investment-gain-funded adjustment based on 5-year average rates of return performance results, is replaced with a two-year pilot program of an adjustment equal to the increase in the federal Consumer Price Index up to 2.50% annually if the fund fails to earn at least 8.5%. This assumption is estimated to be 2.70% for two years effective with the January 1, 2008 and January 1, 2009 benefit increases, and 2.00% for all years thereafter.

# Investment Section

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**St. Paul Teachers' Retirement Fund Association**  
**Investment Returns for FYE June 30, 2007**

	<b>Assets Under Management (Market Value)</b>	<b>Investment Performance</b>
<b>Domestic Equity</b>	<b>\$ 527,039,961</b>	<b>20.8 %</b>
Alliance Capital	1,590	
Barclays Global Investors—S & P 500 Index	204,789,287	20.6
Barclays Global Investors—Russell 2000 Index	10,883,092	16.4
Barclays Global Investors—Extended Market Index	69,745,021	19.4
Barrow, Hanley, Mewhinney & Strauss, Inc.	81,169,339	23.8
The Boston Company Asset Management	30,981,303	29.6
Dimensional Fund Advisors, Inc.	34,567,380	18.2
Fifth Third Asset Management	54,336,508	17.6
Wellington Management Company, LLP	40,566,441	26.9
<b>International Equity</b>	<b>\$ 312,880,150</b>	<b>29.9%</b>
Capital International, Inc.—Emerging Market (Net)	61,592,511	52.1
JPMorgan Asset Management—EAFE	123,839,336	23.4
Morgan Stanley Asset Management	127,448,303	26.0
<b>Fixed Income</b>	<b>\$ 198,316,555</b>	<b>6.7%</b>
Barclays Global Investors—Government/Corp Index	98,916,606	6.1
Voyageur Asset Management	99,399,949	7.4
<b>Real Estate</b>	<b>\$ 94,740,589</b>	<b>18.4%</b>
Advantus	14,706,646	9.7
UBS Realty Advisors LLC—RESA	80,033,943	19.3
<b>Alternative</b>	<b>\$ 13,203,456</b>	<b>(15.0%)</b>
RWI Ventures I ( <i>formerly RWI Group</i> )	2,873,231	(18.0)
RWI Ventures II *	8,695,965	(8.7)
Turin Network †	1,634,260	-
<b>Cash Equitization (Overlay Account)</b>	<b>\$ 2,929,374</b>	<b>49.4%</b>
Clifton Group	2,929,374	49.4
<b>Cash</b>	<b>\$ 3,763,719</b>	<b>15.3%</b>
In-House Cash & Cash Equivalents	66,738	5.2
Cash – U.S. Bank	3,696,981	-
<b>Total Fund</b>	<b>\$ 1,152,873,804</b>	<b>20.1%</b>

† Direct equity investment – not publicly traded security: Market = Cost

\* Management for less than one year.

\*\* note: values in (parenthesis) are negative.

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	Quantity <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	Accrued <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
<b>Alternatives</b>					
RWI Group - Ventures I Capital Ltd Partnership	-	\$ 2,462,857	\$ 4,491,698	-	\$ 4,491,698
RWI Group - Ventures II Capital Ltd Partnership	-	4,244,431	8,695,965	-	8,695,965
Turin Networks - Series F Preferred Restricted	2,208,459	1,634,260	1,634,260	-	1,634,260
Subtotal - Alternatives - Venture Private Equity	<u>2,208,459</u>	<u>\$ 8,341,548</u>	<u>\$ 14,821,923</u>	<u>\$ -</u>	<u>\$ 14,821,923</u>
<b>Cash or Equivalents</b>					
Imprest Cash	-	\$ 500	\$ 500	-	\$ 500
U.S. Bank Interest Bearing Checking Acct	-	3,605,145	3,605,145	-	3,605,145
Custodian Short Term Investment Pool	9,409,379	9,409,379	9,409,379	34,852	9,444,231
Subtotal - Cash or Equivalents	<u>9,409,379</u>	<u>\$ 13,015,024</u>	<u>\$ 13,015,024</u>	<u>\$ 34,852</u>	<u>\$ 13,049,876</u>
<b>Domestic Equity Securities</b>					
Abbott Laboratories	21,000	1,000,532	1,124,550	-	1,124,550
Affiliated Managers Group Inc	6,900	693,793	888,444	-	888,444
Akamai Technologies Inc	11,400	503,629	554,496	-	554,496
Alberto-Culver Co	14,770	331,930	350,344	-	350,344
Alberto-Culver Co	34,000	655,869	806,480	-	806,480
Alliance Data Systems Corp	7,500	325,351	579,600	-	579,600
Alliant Techsystems Inc	8,500	852,527	842,775	-	842,775
Allstate Corp	35,900	1,289,984	2,208,209	13,642	2,221,851
Allstate Corp	14,000	819,310	861,140	5,320	866,460
Alpharma Inc	12,820	302,552	333,448	-	333,448
Altria Group Inc	29,800	810,555	2,090,172	20,562	2,110,734
Ambac Financial Group Inc	4,850	422,421	422,872	-	422,872
Amdocs Limited	3,830	136,906	152,511	-	152,511
Amedisys Inc	8,280	283,344	300,812	-	300,812
Amedisys Inc	9,000	279,909	326,970	-	326,970
American Eagle Outfitters Inc	2,000	51,171	51,320	-	51,320
American Express Co	13,700	771,455	838,166	-	838,166
American International Group Inc	33,400	1,956,515	2,339,002	-	2,339,002
American Medical Systems	16,250	309,821	293,150	-	293,150
Ameriprise Financial Inc	10,000	660,753	635,700	-	635,700
Amphenol Corp	25,400	679,710	905,510	434	905,944
AngioDynamics Inc	12,400	213,959	223,324	-	223,324
AngioDynamics Incom	29,070	605,881	523,551	-	523,551
Anixter International Inc	12,000	645,564	902,520	-	902,520
Apache Corporation	8,000	669,978	652,720	-	652,720
Apogee Enterprises Inc	4,300	61,893	119,626	-	119,626
Apple Inc	8,700	637,542	1,061,748	-	1,061,748
Applied Micro Circuits Corp	179,850	512,828	449,625	-	449,625
Argonaut Group Inc	10,450	346,190	326,145	17,243	343,387
Ariba Inc	35,520	348,411	352,003	-	352,003
Arkansas Best Corp	3,990	157,371	155,490	-	155,490
Aspreva Pharmaceuticals Corp	31,300	626,067	541,490	-	541,490
Associated Banc Corp	26,000	787,800	850,200	-	850,200
Assured Guaranty Ltd	9,240	238,910	273,134	-	273,134
AT&T Inc	50,800	1,854,083	2,108,200	-	2,108,200
AT&T Inc	24,000	884,259	996,000	-	996,000
Atwood Oceanics Inc	7,400	361,558	507,788	-	507,788
Autodesk Inc	10,000	381,306	470,800	-	470,800
Bank Of Amer Corp	35,228	1,319,893	1,722,297	-	1,722,297
Bankatlantic Bancorp Inc	39,990	460,756	344,314	1,640	345,953
Bankrate Inc	3,250	153,311	155,740	-	155,740
Barclays Bank Plc	368,000	364,670	336,359	-	336,359
Barr Pharmaceuticals Inc	10,300	501,357	517,369	-	517,369

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

<u>Asset Class / Security Type / Issuer</u>	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Baxter International Inc	28,700	769,196	1,616,958	5,930	1,622,888
Baxter International Inc	23,500	1,048,864	1,323,990	3,936	1,327,926
Bear Stearns	5,700	820,079	798,000	-	798,000
Beckman Coulter Inc	4,100	269,016	265,188	-	265,188
Benchmark Electronics Inc	24,800	588,048	560,976	-	560,976
Berkley W R Corp	23,500	785,026	764,690	1,325	766,015
Boeing Company	11,000	911,255	1,057,760	-	1,057,760
BP Plc - Sponsored ADR	23,300	1,163,571	1,680,862	-	1,680,862
Bristol Myers Squibb Co	44,800	1,574,966	1,413,888	-	1,413,888
Brookdale Senior Living Inc	1,000	42,656	45,570	500	46,070
Brookfield Properties Corp	22,350	368,860	543,329	-	543,329
Burlington Northern Santa Fe Corp	20,500	680,705	1,745,370	5,125	1,750,495
Cameron International Corp	11,000	602,629	786,170	-	786,170
Capital One Financial Corp	16,600	1,365,919	1,302,104	-	1,302,104
Cardinal Health Inc	9,000	651,115	635,760	1,080	636,840
Carlisle Companies	2,400	113,291	111,624	-	111,624
Carnival Corp	40,200	1,242,225	1,960,554	-	1,960,554
Carter Inc	26,400	658,906	684,816	-	684,816
Castle A M & Company	4,530	152,902	162,672	-	162,672
Cato Corp	4,040	92,674	88,638	-	88,638
CB Richard Ellis Group	1,600	36,057	58,400	-	58,400
Cephalon Inc	8,100	487,096	651,159	-	651,159
Champion Enterprise Inc	26,090	304,682	256,465	-	256,465
Checkfree Corp	5,740	209,606	230,748	-	230,748
Cheesecake Factory Inc	10,890	305,030	267,023	-	267,023
Chevron Corp	10,100	338,836	850,824	-	850,824
Chevron Corporation	11,000	724,690	926,640	-	926,640
Chico's FAS Inc	8,200	219,871	199,588	-	199,588
China Techfaith Wirelesscomm Tech Ltd	14,300	141,077	79,794	-	79,794
Circuit City Stores Inc	9,570	150,226	144,316	383	144,698
Cisco Systems Inc	37,500	793,470	1,044,375	-	1,044,375
Citigroup Inc	43,300	1,977,984	2,220,857	-	2,220,857
Citrix Systems Inc	3,550	103,366	119,529	-	119,529
Clearwire Corp	7,610	179,775	185,912	-	185,912
CMS Energy Corp	19,430	280,645	334,196	-	334,196
CNX Gas Corp	14,340	375,764	438,804	-	438,804
Cogent Communications Group	25,220	238,722	753,321	-	753,321
Cognizant Technology Solutions Corp	3,600	159,409	270,324	-	270,324
Coldwater Creek Inccom	9,850	222,359	228,816	-	228,816
Complete Production Services	25,800	527,352	666,930	-	666,930
Computer Programs & Systems Inc	5,840	186,760	180,923	-	180,923
Conocophillips	31,200	931,968	2,449,200	-	2,449,200
Conocophillips	8,000	312,711	628,000	-	628,000
Cooper Tire & Rubber Company Com	3,460	55,477	95,565	-	95,565
Cott Corp	9,550	157,220	137,425	-	137,425
Covanta Holdings Corp	16,830	371,685	414,860	-	414,860
Coventry Health Care Inc	9,750	368,641	562,088	-	562,088
Cree Inc	15,810	269,389	408,689	-	408,689
Crown Castle International Corp	1,400	47,770	50,778	-	50,778
Cutera Inc	25,700	645,734	640,444	-	640,444
Cypress Semiconductor Corp Com	4,160	70,623	96,886	-	96,886
CYTEC Industries	9,420	534,286	600,713	-	600,713
D R Horton Inc	24,330	552,342	484,897	-	484,897
Deere & Company	7,300	550,101	881,402	3,212	884,614
Devon Energy Corporation	11,000	785,222	861,190	-	861,190
Dexcom	38,404	359,447	314,529	-	314,529
Diageo Plc - Sponsored ADR	11,900	674,447	991,389	-	991,389

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

<u>Asset Class / Security Type / Issuer</u>	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Dominion Res Inc Va Newcom	18,100	1,356,035	1,562,211	-	1,562,211
DPL Inc	17,980	521,615	509,553	-	509,553
Dreamworks Animation Inc	20,000	561,053	576,800	-	576,800
Dryships Inc	1,050	26,288	45,549	-	45,549
DST Systems Inc	5,800	316,806	459,418	-	459,418
Duke Energy Holdings Corp	41,600	463,624	761,280	-	761,280
E I Du Pont De Nemours & Co	30,800	1,284,751	1,565,872	-	1,565,872
E Trade Financial Corp	19,800	270,858	437,382	-	437,382
Embraer-Empresa Brasileira De aeronautica	4,930	188,307	237,675	584	238,259
Emerson Electric Company	30,400	907,829	1,422,720	-	1,422,720
Endurance Speciality Holdings	9,100	357,827	364,364	2,000	366,364
Entergy Corp	21,400	801,387	2,297,290	-	2,297,290
Federal Home Ln Mtg Corp	12,300	819,490	746,610	-	746,610
Fidelity National Information Services	2,811	115,518	152,581	-	152,581
First Advantage Corp	9,430	216,357	216,984	-	216,984
First American Corp	4,110	212,094	203,445	904	204,349
First Consulting Group Inc	31,930	308,484	303,335	-	303,335
First Horizon National Corp	3,800	149,662	148,200	1,710	149,910
Fleetwood Enterprises Inc Common	51,250	453,647	463,813	-	463,813
FLIR Systems Inc	13,200	364,097	610,500	-	610,500
Forest City Enterprises Inc	3,300	125,116	202,884	-	202,884
Foundry Networks Inc	26,300	378,706	438,158	-	438,158
Franklin Resources Inc	6,400	802,660	847,808	960	848,768
Gamestop Corp	1,510	48,623	59,041	-	59,041
Gannett Co	22,500	1,724,104	1,236,375	6,975	1,243,350
Gildan Activewear Inc	15,400	453,120	528,066	-	528,066
Goodrich Pete Corp	13,740	396,117	475,816	-	475,816
Google Inc	1,200	502,248	628,056	-	628,056
Graco Inc	18,000	673,827	725,040	-	725,040
Great Atlantic & Pacific Tea	13,410	346,286	449,771	-	449,771
Group 1 Automotive Inc	4,810	193,312	194,035	-	194,035
H & R Block Inc	13,800	322,518	322,506	2,322	324,828
Hanover Insurance Group	2,800	137,482	136,612	-	136,612
Health Net Inc	16,900	715,818	892,320	-	892,320
Hercules Offshore Inc	7,600	247,740	246,088	-	246,088
Hilton Hotels Corporation	5,900	154,134	197,473	-	197,473
HNI Corp	6,330	304,997	259,530	-	259,530
Hologic Inc	6,900	332,064	381,639	-	381,639
Home Depot Inc	21,000	811,264	826,350	-	826,350
Honeywell International Inc	33,200	1,141,997	1,868,496	-	1,868,496
Hormel Foods Corp	21,000	732,376	784,350	-	784,350
Hospira Inc	5,510	208,462	215,110	-	215,110
Hospira Inc	16,100	590,896	628,544	-	628,544
Hub Group Inc	16,800	535,278	590,688	-	590,688
Ilex Corp	26,000	921,842	1,002,040	-	1,002,040
Illinois Tool Works Inc	47,400	1,960,879	2,568,606	9,954	2,578,560
Illinois Tool Works Inc	20,000	954,522	1,083,800	4,200	1,088,000
Imperial Tobacco Group Plc	37,900	991,110	3,495,517	-	3,495,517
Intel Corporation	27,000	653,940	641,520	-	641,520
IntercontinentalExchange Inc	3,400	349,776	502,690	-	502,690
Interface Inc	11,250	217,076	212,175	-	212,175
Intervoice Inc	33,340	222,213	277,722	-	277,722
INVESCO Plc - Sponsored ADR	15,700	377,756	405,845	-	405,845
Invitrogen Corp	7,400	452,715	545,750	-	545,750
JDSU Corp	56,720	802,621	761,750	-	761,750
Johnson & Johnson	12,000	743,939	739,440	-	739,440
Johnson & Johnson Com	13,100	812,918	807,222	-	807,222



**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

<u>Asset Class / Security Type / Issuer</u>	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Johnson Controls Inc	9,500	881,386	1,099,815	-	1,099,815
JoS. A. Bank Clothiers Inc	11,300	390,697	468,611	-	468,611
Joy Global Inc	8,300	312,404	484,139	-	484,139
Kellogg Company	20,000	939,404	1,035,800	-	1,035,800
Kemet Corp	50,370	419,287	355,109	-	355,109
Knight Capital Group	26,190	414,425	434,754	-	434,754
Komag Inc	8,700	267,770	277,443	-	277,443
Kroger Company	36,000	921,638	1,012,680	-	1,012,680
L-3 Communications Holdings Inc	18,100	1,454,619	1,762,759	-	1,762,759
Lam Resh Corp	17,600	698,257	904,640	-	904,640
Lattice Semiconductor Corpcom	37,450	211,793	214,214	-	214,214
Leap Wireless International Inc	5,600	447,333	473,200	-	473,200
Lincoln National Corp	12,000	701,095	851,400	-	851,400
Live Nation Inc	19,750	449,316	442,005	-	442,005
M.D.C. Holdings Inc	4,130	190,757	199,727	-	199,727
Macquarie Corp LP	1,500	61,485	62,220	-	62,220
Manitowoc Co	10,000	521,114	803,800	-	803,800
Manpower Inc	8,500	575,782	784,040	-	784,040
Manpower Inc	9,300	592,824	857,832	-	857,832
Marriott International Inc	1,300	41,766	56,212	98	56,310
Marshall & Ilsley Corp	19,000	874,631	904,970	-	904,970
Mastec Inc	12,690	143,111	200,756	-	200,756
Mc Donalds Corporation	22,000	711,260	1,116,720	-	1,116,720
MDS Inc	6,520	114,161	132,617	-	132,617
Medtronic Inc	15,000	683,837	777,900	-	777,900
MEMC Electronic Materials Inc	5,000	177,285	305,600	-	305,600
Merck & Company	17,000	674,982	846,600	6,460	853,060
Mercury Computer Systems	10,400	128,180	126,880	-	126,880
Meritage Homes Corp	12,670	513,952	338,923	-	338,923
MGIC Investment Corp	5,000	305,589	284,300	-	284,300
MGIC Investment Corp	9,000	617,169	511,740	-	511,740
Microsemi Corp	17,640	357,097	422,478	-	422,478
Microsoft Corp	42,000	1,216,194	1,237,740	-	1,237,740
Miller Herman Inc	20,400	713,600	644,640	1,769	646,409
Mindspeed Technologies Inc	76,220	147,656	168,446	-	168,446
Monsanto Co	14,000	729,630	945,560	-	945,560
Murphy Oil Corp	9,200	468,912	546,848	-	546,848
Navios Maritime Holdings Inc	34,630	266,684	418,330	-	418,330
NCR Corp	11,000	571,629	577,940	-	577,940
News Corp	25,000	607,895	573,500	-	573,500
Nighthawk Radiology Holdings Inc	13,400	236,607	241,870	-	241,870
Noble Corp	7,600	538,190	741,152	-	741,152
Noble Energy Inc	5,200	219,023	324,428	-	324,428
Nokia Corp - Sponsored ADR	49,900	788,049	1,402,689	-	1,402,689
Northern Trust Corp	17,000	662,475	1,092,080	4,250	1,096,330
nTelos Holdings Corp	25,820	343,638	713,665	3,873	717,538
Nuveen Investments Inc	2,860	134,594	177,749	-	177,749
Nuveen Investments Inc	10,800	485,005	671,220	-	671,220
Nuveen Investments Inc	16,000	822,457	994,400	-	994,400
O Reilly Automotive Inc	15,700	409,419	573,835	-	573,835
Occidental Petroleum Corporation Common	44,000	470,659	2,546,720	9,680	2,556,400
Office Depot Inc	24,400	828,398	739,320	-	739,320
Olympic Stl Inc	2,900	84,237	83,114	-	83,114
Option Care Inc	8,180	110,333	125,972	-	125,972
optionsXpress Holdings Inc	10,000	254,656	256,600	-	256,600
Oracle Corporation	43,000	628,234	847,530	-	847,530
Oshkosh Truck Corp	12,400	535,381	780,208	-	780,208

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

<u>Asset Class / Security Type / Issuer</u>	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Panera Bread Co	4,400	236,540	202,664	-	202,664
Partner RE Holdings Ltd	2,040	140,152	158,100	-	158,100
Partners Trust Finanacial Group	19,800	229,994	207,900	-	207,900
Peoples Utd Financial Inc	19,009	375,160	337,030	-	337,030
Pepsico Inc	12,500	761,549	810,625	-	810,625
Perot Systems Corp	12,050	202,687	205,332	-	205,332
Perot Systems Corp	25,200	439,867	429,408	-	429,408
Petrohawk Energy Corp	12,500	173,948	198,250	-	198,250
Pfizer Inc	87,400	2,465,912	2,234,818	-	2,234,818
Pike Electric Corp	18,290	303,898	409,330	-	409,330
Polycom Inc	11,600	301,803	389,760	-	389,760
Portland General Electric Company	15,120	396,514	414,893	2,735	417,628
PRA International	12,470	309,055	315,491	-	315,491
Precision Castparts Corp	6,000	218,057	728,160	201	728,361
Priceline	14,900	584,805	1,024,226	-	1,024,226
Pride International Inc	9,200	254,292	344,632	-	344,632
Procter & Gamble Co	19,000	1,086,416	1,162,610	-	1,162,610
Protective Life Corp	12,260	578,567	586,151	-	586,151
Psychiatric Solutions Inc	8,400	302,800	304,584	-	304,584
Pulte Homes Inc	5,250	143,908	117,863	210	118,073
QLogic Corp	36,300	644,898	604,395	-	604,395
Quidel Corp	25,470	277,790	447,253	-	447,253
Range Resources Corp	8,230	266,239	307,884	-	307,884
Rare Hospitality International Inc	12,500	378,656	334,625	-	334,625
Resources Connection Inc	7,700	199,845	255,486	-	255,486
Robert Half International Inc	13,150	452,976	479,975	-	479,975
Robert Half International Inc	13,800	505,285	503,700	-	503,700
Rogers Corp	4,130	154,703	152,810	-	152,810
Ross Stores Inc	3,880	120,372	119,504	440	119,944
Ryland Group Inc	3,520	152,920	131,542	-	131,542
Schlumberger Limited Com	13,000	849,391	1,104,220	2,275	1,106,495
Scotts Miracle-Gro Company	18,000	810,700	772,920	-	772,920
SLM Corp	41,100	1,455,972	2,366,538	-	2,366,538
Snap On Inc	11,000	571,461	555,610	-	555,610
Sonosite Inc	11,210	325,553	352,330	-	352,330
Sonus Networks Inc	10,760	77,365	91,675	-	91,675
Spectra Energy Corp	20,800	345,633	539,968	-	539,968
St Mary Land & Exploration Co	7,800	299,027	285,636	-	285,636
Stanley Works Common	39,800	1,306,672	2,415,860	-	2,415,860
Starwood Hotels & Resortsworldwide Inc	3,300	153,761	221,331	-	221,331
Steelcase Inc	9,380	183,229	173,530	-	173,530
Steiner Leisure Ltd	12,300	504,077	604,176	-	604,176
Stericycle Inc	18,000	591,904	800,280	-	800,280
Sunoco Inc	4,600	311,710	366,528	-	366,528
Sunstone Hotel Investments Inc	3,700	93,197	105,043	1,312	106,355
Supervalu Inc	16,300	713,346	755,016	-	755,016
Take-Two Interactive Software	22,300	347,088	445,331	-	445,331
Target Corp	13,000	571,019	826,800	-	826,800
TCF Financial Corporation	10,740	281,079	298,572	-	298,572
Terex Corp	8,000	364,079	650,400	-	650,400
Texas Instruments Inc	21,000	744,847	790,230	-	790,230
The Hartford Financial Services Group Inc	14,500	917,288	1,428,395	7,250	1,435,645
Thomas & Betts Corp	10,500	588,985	609,000	-	609,000
Timken Co	10,520	331,760	379,877	-	379,877
TODCO	7,100	324,681	335,191	-	335,191
Toro Company	15,000	762,664	883,350	1,800	885,150
Triumph Group Inc	3,000	194,465	196,410	-	196,410

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	Quantity <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	Accrued Interest or <u>Dividends</u>	<u>Mkt + Accrued</u>
True Religion Apparel Inc	16,550	323,318	336,462	-	336,462
Tween Brands Inc	8,200	327,486	365,720	-	365,720
U S Airways Group Inc	2,680	95,999	81,124	-	81,124
United Health Group Inc	45,600	2,174,617	2,331,984	-	2,331,984
US Bancorp	27,500	863,690	906,125	11,000	917,125
UST Inc	18,600	467,294	999,006	-	999,006
Varian Semiconductor Equipment Associates	11,525	264,656	461,692	-	461,692
Varian Semiconductor Equipment Associates	15,000	344,326	600,900	-	600,900
Verizon Communications Inc	49,700	1,730,563	2,046,149	-	2,046,149
W W Grainger Inc	10,000	794,538	930,500	-	930,500
Wabash National Corp	5,340	98,853	78,124	398	78,522
Wal Mart Stores Inc	30,600	1,390,574	1,472,166	-	1,472,166
Waters Corp	9,800	445,013	581,728	-	581,728
Wellpoint Inc	40,300	1,486,146	3,217,149	-	3,217,149
Wells Fargo & Co	50,400	1,370,261	1,772,568	-	1,772,568
Westfield Financial Inc	22,620	232,116	225,521	-	225,521
Whitney Holding Corporation	8,870	295,330	266,987	2,572	269,559
Winn Dixie Stores Inc	19,480	412,958	570,764	-	570,764
Wisconsin Energy Corp	19,000	766,327	840,370	-	840,370
WMS Industries Inc	27,000	760,233	779,220	-	779,220
Wyeth	37,300	1,679,077	2,138,782	-	2,138,782
Xcel Energy Inc	33,000	804,841	675,510	7,590	683,100
XI Capital Ltd	19,000	1,429,429	1,601,510	-	1,601,510
Zimmer Holdings Inc	12,000	844,627	1,018,680	-	1,018,680
Zumiez Inc	7,600	250,379	287,128	-	287,128
<b>Subtotal - Domestic Equity Securities</b>	<b>5,471,327</b>	<b>\$ 159,260,720</b>	<b>\$ 199,870,971</b>	<b>\$ 173,852</b>	<b>\$ 200,044,823</b>
<b>Domestic Equity Commingled Accounts</b>					
BGI - Equity Index Fund	467,188	121,071,499	204,789,266	-	204,789,266
BGI - Extended Equity Market Fd	317,247	33,067,265	69,745,021	-	69,745,021
BGI - Russell 2000 Equity Index Fund	458,479	5,727,469	10,883,092	-	10,883,092
Dimensional Fund Advisors	26,685	8,903,319	34,567,380	-	34,567,380
<b>Subtotal - Domestic Equity Commingled</b>	<b>1,269,598</b>	<b>\$ 168,769,552</b>	<b>\$ 319,984,759</b>	<b>\$ -</b>	<b>\$ 319,984,759</b>
<b>Fixed Income Securities</b>					
Alameda County California	460,000	380,461	404,851	-	404,851
American General Financial Services	340,000	341,940	341,659	1,658	343,317
American International Group Inc	413,000	412,988	390,496	7,744	398,239
Ametek Inc	292,000	305,955	294,789	9,694	304,483
Banc Amer Funding Corp	1,130,000	1,154,827	1,135,018	5,560	1,140,578
Banc Amer Funding Corp	280,000	262,643	268,305	951	269,256
Bank Amer Mortgage Securities Inc	1,035,000	658,129	643,804	2,274	646,078
Bank Amer Mortgage Securities Inc	500,000	466,520	472,288	1,749	474,037
Bank Amer Mortgage Securities Inc	796,000	612,242	613,342	2,375	615,717
Bank Amer Mortgage Securities Inc	635,000	466,684	467,127	1,833	468,959
Bank Of Amer Corp	250,000	250,000	249,100	472	249,572
BB&T Capital Trust	395,000	385,255	391,836	1,422	393,258
Bear Stearns	1,640,000	724,400	725,848	3,044	728,892
Bear Stearns	1,000,000	994,609	951,973	4,334	956,307
Bear Stearns	441,000	441,285	439,038	6,364	445,402
Bensenville Illinois	650,000	650,000	651,541	9,019	660,559
Boardwalk Pipelines LP	349,000	348,372	340,278	2,620	342,898
Bunge Ltd Finance Corp	340,000	345,189	334,444	661	335,106
CBA Capital Inc	371,000	359,562	364,845	60	364,905
Chase Capital	282,000	274,129	270,548	3,151	273,699
Chase Capital	233,000	229,719	224,833	1,173	226,006

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	Quantity <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	Accrued <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Chase Mortgage Financial Trust	1,200,000	1,188,000	1,197,067	6,000	1,203,067
Citigroup Mortgage Loan Trust	440,000	340,600	341,433	1,367	342,800
Corn Products International	219,000	218,660	214,230	2,957	217,187
CPG Partners	331,000	312,582	320,143	3,411	323,554
Credit Suisse	312,000	312,354	300,600	2,336	302,936
Credit Suisse First Boston Mortgage Corp	395,000	241,340	244,048	1,037	245,085
CSX Corp	283,000	282,725	271,782	3,191	274,973
CVS Caremark Corp	401,000	398,938	388,549	2,506	391,055
Cwalt Inc	750,000	591,487	586,214	2,705	588,919
Cwalt Inc	1,013,000	1,012,965	971,436	4,194	975,630
Cwalt Inc	580,000	488,443	485,532	2,419	487,951
Cwheq Home Equity Loan Trust	1,000,000	1,004,592	975,063	4,816	979,878
Cwheq Inc	300,000	299,992	295,644	1,399	297,044
Cwmbs Inc	1,140,000	370,355	371,709	1,467	373,177
Cwmbs Inc	1,192,000	608,416	607,543	2,437	609,980
Diageo Financial	342,000	341,641	336,651	4,703	341,354
DLJ Commercial Mortgage Corp	775,000	16,458	14,456	86	14,542
Duke Capital Corp	81,000	85,696	84,208	1,519	85,727
Duke Realty Limited Partnership	380,000	378,917	379,156	8,075	387,231
Energy East Corp	421,000	424,110	436,169	13,104	449,272
Equifax Inc	329,000	328,273	329,463	173	329,635
Fannie Mae Grantor Trust	565,000	550,698	537,969	2,115	540,083
Fed Home Loan Mtge Corp Grp # 1B2721	950,000	628,804	615,333	2,282	617,614
Fed Home Loan Mtge Corp Grp # A58102	725,000	699,948	693,381	3,717	697,098
Fed Home Loan Mtge Corp Grp # C01050	3,070,001	31,005	32,676	196	32,872
Fed Home Loan Mtge Corp Grp # C01197	2,715,000	112,947	116,950	621	117,571
Fed Home Loan Mtge Corp Grp # C41471	3,000,000	32,198	34,113	204	34,318
Fed Home Loan Mtge Corp Grp # C50907	1,300,000	34,314	35,050	210	35,260
Fed Home Loan Mtge Corp Grp # G00541	2,192,682	56,708	57,408	324	57,732
Fed Home Loan Mtge Corp Grp # G00853	2,387,999	75,453	76,498	432	76,929
Fed Home Loan Mtge Corp Grp # G11771	1,300,000	756,462	754,066	3,749	757,815
Fed Home Loan Mtge Corp Grp # G12045	341,000	251,786	252,593	1,338	253,931
Fed Home Loan Mtge Corp Grp # J03251	1,113,000	1,045,470	1,032,885	5,141	1,038,027
Fed Home Loan Mtge Corp Grp # J06070	680,000	556,261	548,766	2,544	551,310
Federal Home Ln Mtge Corp	544,000	528,275	531,951	2,267	534,218
Federal Home Ln Mtge Corp	955,000	843,388	852,585	3,922	856,507
Federal Natl Mortgage Assn Pool # 501210	896,160	64,225	68,609	364	68,974
Federal Natl Mtge Assn	570,000	529,388	501,455	1,900	503,355
Federal Natl Mtge Assn	4,180,000	4,209,391	4,134,281	7,663	4,141,945
Federal Natl Mtge Assn	750,000	739,688	741,328	813	742,141
Federal Natl Mtge Assn Gtd	930,000	110,013	110,143	100	110,244
Federal Natl Mtge Assn Gtd	870,000	960,263	898,254	4,727	902,981
Federal Natl Mtge Assn Gtd	1,100,000	666,867	656,565	2,175	658,740
Federal Natl Mtge Assn Gtd	460,000	464,708	427,940	2,074	430,014
Federal Natl Mtge Assn Gtd	890,000	797,813	800,247	2,807	803,055
Federal Natl Mtge Assn Pool # 254764	2,205,000	978,833	938,812	4,401	943,213
Federal Natl Mtge Assn Pool # 256219	860,000	733,744	731,789	3,499	735,288
Federal Natl Mtge Assn Pool # 256576	1,300,000	1,228,774	1,219,456	5,830	1,225,286
Federal Natl Mtge Assn Pool # 256776	1,200,000	1,156,795	1,148,487	5,491	1,153,978
Federal Natl Mtge Assn Pool # 575832	500,000	20,743	21,250	113	21,363
Federal Natl Mtge Assn Pool # 576329	400,000	6,801	5,821	37	5,858
Federal Natl Mtge Assn Pool # 580982	3,500,000	215,202	219,565	1,167	220,731
Federal Natl Mtge Assn Pool # 608780	4,185,000	456,143	451,942	2,246	454,188
Federal Natl Mtge Assn Pool # 620407	1,911,688	215,223	209,843	1,257	211,099
Federal Natl Mtge Assn Pool # 625030	2,650,899	381,548	383,162	2,036	385,198
Federal Natl Mtge Assn Pool # 641093	1,771,652	440,146	436,882	2,025	438,906
Federal Natl Mtge Assn Pool # 708870	551,221	311,629	294,951	1,161	296,112

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

<u>Asset Class / Security Type / Issuer</u>	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Federal Natl Mtge Assn Pool # 724254	1,780,000	692,162	685,862	2,225	688,087
Federal Natl Mtge Assn Pool # 725187	1,155,000	455,653	438,040	1,722	439,762
Federal Natl Mtge Assn Pool # 735023	570,000	308,813	304,661	1,174	305,835
Federal Natl Mtge Assn Pool # 800165	480,000	308,660	298,183	1,275	299,458
Federal Natl Mtge Assn Pool # 810896	920,000	512,155	501,268	2,032	503,300
Federal Natl Mtge Assn Pool # 841068	1,505,000	964,339	969,952	3,414	973,366
Federal Natl Mtge Assn Pool # 885632	1,150,000	1,111,545	1,098,335	5,892	1,104,227
Federal Natl Mtge Assn Pool # 912523	776,500	784,086	779,481	4,145	783,626
Federal Natl Mtge Assn Pool # 919201	610,000	615,052	615,789	3,304	619,093
Federal Natl Mtge Assn Remic	1,050,000	871,100	875,730	4,039	879,769
Federal Realty Investment Trust	252,000	282,613	270,624	1,838	272,462
Federal Realty Investment Trust	87,000	87,000	84,529	392	84,921
Fiserv Inc	176,000	175,406	173,927	1,486	175,413
Flagstar Home Equity Trust	730,000	729,987	725,284	3,507	728,791
Frost National Bank	245,000	269,233	255,948	7,018	262,967
Govt National Mtge Assn Pool # 557300	700,939	37,824	38,875	206	39,081
Govt National Mtge Assn Pool # 781231	887,739	43,408	44,176	247	44,423
Govt Natl Mtge Assn Gtd	475,000	351,903	336,553	1,449	338,002
Govt Natl Mtge Assn Gtd Remic	645,000	648,729	623,479	2,584	626,063
Govt Natl Mtge Assn Gtd Remic	630,000	625,013	594,955	2,702	597,657
Govt Natl Mtge Assn Gtd Remic	545,000	553,345	531,011	1,925	532,936
Govt Natl Mtge Assn Pool # 491145	2,483,000	134,925	136,914	726	137,640
Govt Natl Mtge Assn Pool # 781176	3,338,512	155,551	158,345	886	159,231
Govt Natl Mtge Assn Remic	805,000	821,100	780,760	3,307	784,067
GS Mortgage Security Corp	900,000	750,583	751,267	2,909	754,176
GS Mortgage Security Corp	1,000,000	963,866	966,535	3,758	970,293
Healthcare Realty Trust	193,000	212,779	207,651	2,614	210,264
Home Depot Inc	514,000	511,065	495,799	1,124	496,924
Home Equity Loan Trust	400,000	261,595	261,398	238	261,636
Home Equity Loan Trust	685,000	611,291	611,198	553	611,751
Homebanc Mortgage Trust	845,000	844,845	839,053	4,170	843,223
Hudson County New Jersey	280,000	272,706	258,941	7,350	266,291
Ilex Corp	262,000	277,086	263,855	6,805	270,660
Indiana Bd Bk	225,000	225,000	215,199	5,457	220,656
Indymac Mbs Inc	917,000	479,276	468,333	2,116	470,449
Ing Capital Funding Trust	555,000	630,292	602,441	23,548	625,990
J P Morgan Mortgage Trust	575,000	568,172	557,783	2,486	560,269
J P Morgan Mortgage Trust	440,000	278,605	270,548	1,105	271,652
J P Morgan Mortgage Trust	509,000	335,675	332,543	1,441	333,984
Joy Global Incsr Nt	341,000	347,155	337,846	2,614	340,460
Kinder Morgan Energy Partners	230,000	229,547	221,242	6,271	227,512
Laboratory Corp	276,000	265,975	265,893	6,325	272,218
LB-UBS Commercial Mortgage Trust	435,000	437,149	402,206	1,055	403,261
LB-UBS Commercial Mortgage Trust	1,000,000	1,004,982	966,775	3,017	969,792
Liberty Property LP	397,000	394,146	381,505	970	382,476
Lilly Industries Inc	255,000	258,917	256,795	1,647	258,442
Los Angeles California Community Redevel Agency	415,000	414,793	387,017	8,162	395,178
Merrill Lynch Mortgage Investments Inc	1,940,000	1,275,223	1,276,038	4,874	1,280,912
Merrill Lynch Mortgage Investments Inc	1,090,000	1,050,098	1,056,928	4,427	1,061,355
Merrill Lynch Mortgage Investments Inc	1,300,000	242,797	243,222	228	243,450
Metlife Inc	420,000	398,877	389,067	1,195	390,262
Missouri State Development Finance Board	465,000	465,000	460,341	8,913	469,253
Monumental Global Funding	250,000	250,000	250,008	416	250,424
Morgan Stanley Capital Trust	1,135,000	1,126,665	1,090,412	5,031	1,095,443
Morgan Stanley Capital Trust	565,000	565,000	562,514	3,686	566,200
MSCC HELOC Trust	1,420,000	1,401,673	1,402,021	1,266	1,403,287
National Westminster Band	485,000	512,412	503,939	8,942	512,881

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	Quantity <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	Accrued Interest or <u>Dividends</u>	<u>Mkt + Accrued</u>
Navigators Group Inc	361,000	361,734	361,419	4,212	365,630
NB Capital Trust	596,000	579,062	584,453	7,431	591,883
New Jersey Economic Development Authority	210,000	210,000	207,062	1,812	208,874
New York State Electricity & Gas Corp	249,000	247,157	247,882	1,392	249,274
News America Holdings Inc	235,000	257,819	259,999	3,066	263,065
Nomura Asset Acceptance Corp	578,000	74,994	75,128	71	75,199
North Fork Bancorporation Inc	517,000	526,067	516,628	9,766	526,393
Oakland California	880,000	913,836	886,732	2,703	889,435
Pemex Financial Limited	566,000	266,926	267,117	3,154	270,270
Pemex Financial Limited	412,000	342,919	329,391	3,565	332,956
Peoples Bank of Bridgeport Connecticut	457,000	524,270	515,553	15,043	530,596
Popular North America Inc	331,000	331,989	330,788	3,948	334,736
Potash Corporation of Saskatchewan	298,000	326,233	319,512	1,989	321,501
Prospect Heights Illinois	215,000	182,991	198,181	-	198,181
Public Service Co	275,000	274,908	274,890	7,047	281,937
Rabobank Capital Funding Trust	498,000	494,145	477,582	13,170	490,752
RBS Capital Trust	511,000	521,594	491,127	7,198	498,325
Realty Income Corp	448,000	446,942	442,655	7,849	450,504
Residential Accredited Loans Inc	1,900,000	229,488	223,673	1,125	224,798
Residential Asset Mtge Products Inc	180,000	102,880	104,618	598	105,216
Residential Funding Mortgage Securities Inc	1,116,000	735,406	733,284	2,910	736,194
Rialto California Redevelopment Agency	295,000	291,460	277,601	4,523	282,124
Rogers Cable Inc	284,000	311,398	307,084	3,728	310,811
San Antonio Texas Convention Center	450,000	450,000	422,226	10,583	432,809
San Diego California Metro Transit Dev Board	135,000	135,000	128,423	480	128,903
Selective Insurance Group Inc	338,000	334,638	323,135	3,774	326,909
Sequoia Mortgage Trust	785,000	196,628	194,681	145	194,826
Sequoia Mortgage Trust	420,000	222,727	221,244	1,209	222,454
Small Business Admin Gtd Dev	337,000	293,342	278,492	2,366	280,858
Small Business Admin Gtd Devpartn	328,000	270,651	258,458	2,200	260,658
Small Business Admin Gtd Devpartn	737,000	637,215	619,293	8,140	627,433
Small Business Admin Gtd Devpartn	684,000	630,295	597,598	14,969	612,568
Small Business Admin Gtd Devpartn	355,000	306,648	292,657	7,452	300,109
Small Business Admin Gtd Partn	1,250,000	1,244,527	1,233,248	11,784	1,245,032
Small Business Admin Gtd Partn	685,000	681,655	655,880	2,862	658,742
Small Business Admin Gtd Partn	750,000	593,510	565,163	4,578	569,741
Structured Asset Securities Corp	500,000	495,363	496,042	462	496,504
Suntrust Acquisition Closed-End Seconds Trust	995,000	966,159	967,831	908	968,739
Tele Communications Inc	425,000	529,447	490,556	17,354	507,910
Texas Eastern Transmission Corp	401,000	432,006	421,808	2,439	424,247
Thermo Electron Corp	476,000	466,417	440,267	1,983	442,250
Thornburg Mortgage Securities	815,000	671,635	670,920	609	671,529
Trenton New Jersey Parking Authority	125,000	125,000	122,504	1,703	124,207
Tucson Arizona	90,000	90,131	87,060	1,935	88,995
Tucson Arizona	95,000	95,266	91,543	2,161	93,704
U S Treasury Bonds	1,615,000	1,606,730	1,626,103	10,829	1,636,932
U S Treasury Bonds	1,372,000	1,608,603	1,523,455	32,215	1,555,671
U S Treasury Bonds	1,525,000	1,692,319	1,664,633	34,376	1,699,008
U S Treasury Bonds	2,696,000	2,888,128	2,768,455	54,441	2,822,896
U S Treasury Notes - Strip Principal Payment	5,200,000	1,559,956	1,557,452	-	1,557,452
Unitrin Inc	474,000	466,063	464,188	3,851	468,039
US Treasury Bills	375,000	370,347	369,551	3,668	373,219
US Treasury Inflation Index	2,795,000	2,796,966	2,795,584	31,386	2,826,970
Valspar Corp	157,000	156,818	154,995	1,815	156,810
Wachovia Capital Trust	647,000	630,412	630,786	8,109	638,896
Washington Mutual Mortgage Securities	441,000	422,094	426,965	1,396	428,361
Washington Mutual Mortgage Securities	1,000,000	934,411	923,594	4,257	927,851

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	Quantity <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	Accrued Interest or <u>Dividends</u>	<u>Mkt + Accrued</u>
Wells Fargo	600,000	570,933	579,837	2,098	581,935
Wells Fargo & Co	453,000	434,432	425,675	4,423	430,098
Willis North America Inc	359,000	358,925	351,529	5,750	357,279
Xerox Corp	373,000	392,239	387,010	9,688	396,698
<b>Subtotal - Fixed Income Securities</b>	<b>162,621,992</b>	<b>104,917,805</b>	<b>103,240,258</b>	<b>823,910</b>	<b>104,064,168</b>
<b>Fixed Commingled Accounts</b>					
BGI - Govt/Credit Bond Index Fund	416,509	62,616,663	98,916,606	-	98,916,606
<b>Subtotal - Fixed Commingled</b>	<b>416,509</b>	<b>62,616,663</b>	<b>98,916,606</b>	<b>-</b>	<b>98,916,606</b>
<b>International Equity Commingled Accounts</b>					
Capital International Emerging Mkts Growth Fund	3,618,831	45,557,698	61,592,511	-	61,592,511
JP Morgan Chase Eafe Plus	5,580,862	82,320,362	123,839,336	-	123,839,336
Morgan Stanley - International Equity Trust	602,875	55,308,271	127,448,303	-	127,448,303
<b>Subtotal - International Equity Commingled</b>	<b>9,802,568</b>	<b>183,186,331</b>	<b>312,880,150</b>	<b>-</b>	<b>312,880,150</b>
<b>Real Estate Securities</b>					
Acadia Realty Trust	2,600	59,754	67,470	520	67,990
Alexandria Real Estate Equities Inc	1,900	146,869	183,958	1,444	185,402
AMB Property Corp	4,900	269,653	260,778	-	260,778
American Campus Communitys Inc	6,200	139,559	175,398	-	175,398
American Finanical Realty Trust	3,500	39,253	36,120	798	36,918
Archstone-Smith Trust	10,200	467,955	602,922	-	602,922
Ashford Hospitality Trust	4,400	51,700	51,744	924	52,668
Associated Estates Realty Corp	3,300	49,774	51,447	-	51,447
AvalonBay Communities Inc	3,900	337,213	463,632	3,315	466,947
Biomed Realty Trust	10,473	234,217	263,082	3,247	266,328
Boston Properties Inc	5,800	502,004	592,354	3,876	596,230
Brandywine Realty	9,500	271,817	271,510	-	271,510
Camden Property Trust	4,800	232,379	321,456	3,312	324,768
Corporate Office Propertys Trust	5,000	224,722	205,050	1,550	206,600
DCT Industrial Trust	12,600	156,916	135,576	-	135,576
Developers Diversified Realty Corp	6,200	266,976	326,802	3,960	330,762
Digital Realty Trust	4,000	150,057	150,720	1,116	151,836
Douglas Emmett Inc	1,300	32,344	32,162	-	32,162
Eastgroup Propertys Inc	1,500	75,147	65,730	-	65,730
Equity Inns Inc	2,800	45,192	62,720	725	63,445
Equity Lifestyle Propertys Inc	2,300	100,259	120,037	345	120,382
Equity Residential	12,500	499,795	570,375	5,735	576,110
Essex Property Trust	1,900	220,133	220,970	1,767	222,737
Extra Space Storage Inc	3,900	74,468	64,350	-	64,350
Federal Realty Investment Trust	2,900	253,863	224,054	1,668	225,722
First Potomac Realty Trust	1,700	42,971	39,593	-	39,593
General Growth Propertys Inc	7,200	263,454	381,240	-	381,240
Hersha Hospitality Trust	4,200	49,020	49,644	756	50,400
Home Propertys Inc	2,000	82,701	103,860	-	103,860
Hospitality Properties Trust	1,300	57,876	53,937	-	53,937
Host Hotels & Resorts Inc	26,807	545,002	619,778	5,361	625,139
Kilroy Realty Corp	2,400	168,480	170,016	1,332	171,348

**St. Paul Teachers' Retirement Fund Association**  
**Holdings by Asset Class, Security Type and Issuer**  
as of June 30, 2007

Asset Class / Security Type / Issuer	<u>Quantity</u> <u>Shares or Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued</u> <u>Interest or</u> <u>Dividends</u>	<u>Mkt + Accrued</u>
Kimco Realty Corp	10,300	292,999	392,121	-	392,121
Kite Realty Group Trust	4,500	68,135	85,590	-	85,590
Lasalle Hotel Propertys	1,600	67,505	69,472	272	69,744
Liberty Property Trust	4,300	185,093	188,899	2,666	191,565
Macerich Co	3,600	274,091	296,712	-	296,712
Maguire Propertys Inc	6,400	184,428	219,712	2,560	222,272
MFA Mortgage Investments Inc	34,300	260,672	249,704	-	249,704
Mid-Amer Apartment Communities Inc	1,800	98,674	94,464	-	94,464
Prologis Trust	15,200	611,692	864,880	-	864,880
PS Business Parks	1,600	111,109	101,392	-	101,392
Public Storage Inc	6,800	491,491	522,376	-	522,376
Regency Centers Corp	3,200	180,362	225,600	-	225,600
Simon Property Group Inc	11,000	758,470	1,023,440	-	1,023,440
SL Green Realty Corp	3,500	382,406	433,615	2,450	436,065
Tanger Factory Outlet Centers Inc	2,300	95,380	86,135	-	86,135
Taubman Centers Inc	3,900	172,754	193,479	1,425	194,904
UDR Inc	3,328	78,821	87,526	-	87,526
Ventas Inc	4,500	127,131	163,125	-	163,125
Vornado Realty Trust	6,400	616,676	702,976	-	702,976
Weingarten Realty Investors	2,700	113,410	110,970	-	110,970
<b>Subtotal - Real Estate Securities</b>	<u>305,208</u>	<u>11,282,820</u>	<u>13,050,673</u>	<u>51,124</u>	<u>13,101,797</u>
<b>Real Estate Commingled</b>					
UBS Investors - Commingled	59,882,527	59,882,527	80,033,943	-	80,033,943
<b>Subtotal - Real Estate - Commingled</b>	<u>59,882,527</u>	<u>59,882,527</u>	<u>80,033,943</u>	<u>-</u>	<u>80,033,943</u>
<b>Total Fund</b>	<u>251,387,568</u>	<u>771,272,990</u>	<u>1,155,814,308</u>	<u>1,083,737</u>	<u>1,156,898,045</u>





# Benefits Section

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## Pre-Retirement Topics

<b>Allowable Service Credit</b>	A full year's service credit equals 170 days worked. Partial years are calculated based on the ratio of days worked to 170 days. No more than one year of service credit is allowable during any fiscal year.
<b>Definition of Salary</b>	Minnesota Statutes Section 354A and the Association Articles and Bylaws define salary. Salary is the entire compensation upon which member contributions are required and made.
<b>Refund of Contributions</b>	In lieu of a monthly retirement benefit, a member who resigns from the place of their employment may apply for a refund of employee contributions, plus interest of 6% compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members must be ineligible for a pension to receive a refund of contributions.
<b>Repaying a Refund of Contributions</b>	A member who received a refund may reinstate previous Saint Paul service by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was taken. The repayment can only be made after the member has accumulated at least two years of allowable service since the last refund was taken.
<b>Leaves of Absence &amp; Purchasing Service</b>	<p>Certain approved leaves of absence may allow members to acquire retirement service credit for the leave period. Among these are:</p> <ul style="list-style-type: none"><li>• Sabbatical</li><li>• Parental</li><li>• Medical</li><li>• Military</li><li>• Mobility</li><li>• Family Medical</li></ul> <p>The terms and conditions for each are different. Members should contact the pension office for detailed information. As of January 1, 2002, active members are allowed to use tax-sheltered money to purchase retirement service credit in SPTRFA from their 403(b) Tax Shelter Account, 457 Deferred Compensation Account, 401(k) Account, Individual Retirement Account (IRA), or from another plan qualified under 401(a).</p>
<b>Beneficiary</b>	A beneficiary is the person or persons designated to receive a refund of employee contributions plus interest upon the death of the member if no survivor or family benefit is payable. If no valid beneficiary designation form is on file for a member, a refund of contributions plus interest, if applicable, will be paid to the member's estate.
<b>Marriage Dissolution</b>	Minnesota Statutes Section 518 covers marriage dissolutions and requires that SPTRFA receive a copy of the petition and summons, as well as a copy of the affidavit of service before information will be released. In the event that the court orders that future pension benefits be divided, a formula for splitting the benefit should be put into the dissolution order(s). All inquires are kept confidential.

## Retirement Topics

### **Basic and Coordinated Plans**

Basic Plan members are those hired prior to July 1, 1978, who do not contribute to Social Security. Basic Plan members are vested once they have five years of retirement service credit.

Coordinated Plan members are those hired since July 1, 1978 and contribute both to SPTRFA and Social Security. Coordinated Plan members are vested once they have three years of retirement service credit.

### **Steps to Retirement**

When planning to retire, members should contact SPTRFA to set up an appointment to apply for pension benefits. All inquiries are kept confidential.

A member may apply for retirement benefits up to 90 days after the last date of employment provided that the member has not returned to employment. The retirement benefits would be retroactive to the first eligible retirement date after the termination of employment.

### **Deferred Pension**

A deferred pension is available to members who terminate employment after they are vested. A deferred benefit may begin to be paid at age 55.

The benefit is computed by applying the normal retirement formula at the time of termination. It will be augmented by 3% each year until the member is age 55 and augmented by 5% each year thereafter starting from the January 1 after age 55. This augmentation continues until the member chooses to begin receiving his/her monthly benefit. If the member begins to receive a benefit before normal retirement age, applicable discounts will apply.

### **Combined Service**

The Combined Service Law provides for the combination of a member's service in most public funds in Minnesota to determine benefits at the time of retirement, as long as the member has at least one half of one year of retirement service credit with each eligible retirement fund.

The total credited years of service in all funds will be considered when determining eligibility for benefits. Benefit payments will be made by each fund in which the member has credited service. Benefits are, in most aspects, calculated as if all service had been rendered under one plan.

## Retirement Topics, Continued

### **Disability Benefit**

A disability benefit is payable to members who become totally and permanently disabled. Members must be vested to be eligible for a disability benefit. Members may not have more than 60 sick days remaining at the time of application for the benefit, and they must have used all sick days prior to beginning the benefit.

A Basic Plan member's disability benefit is calculated to be 75% of the member's earnings for the last full year of service, less any benefits received from Workers' Compensation or Social Security.

In the Coordinated Plan, the disability benefit is calculated as the unreduced pension benefit amount using the member's years of service and final average salary at the time of the disability, less any benefits received from Workers' Compensation. The member may also apply for a disability benefit from Social Security.

### **Basic Plan Retirement Options**

Basic Plan members receive a formula benefit payable for life. An automatic survivor benefit is based on the ages of the member and spouse at the time of retirement. The survivor benefit does not cause a reduction in the member's benefit.

### **Coordinated Plan Retirement Options**

At the time of retirement, Coordinated Plan members select one from the five benefit annuity options below:

- |            |                                  |  |
|------------|----------------------------------|--|
| <b>C-1</b> | <b>No Refund</b>                 | Monthly benefit payable for life to the member with no refund payable to a beneficiary.  |
| <b>C-2</b> | <b>Guaranteed Refund</b>         | Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced benefit payments to the member and a guaranteed refund of the remaining balance plus interest to the designated beneficiary (or if none, their estate).   |
| <b>C-3</b> | <b>15-Year Certain</b>           | Monthly benefit reduced by use of actuarial tables to provide reduced benefit payments payable for life to the member with the guarantee that payments will be made for at least 15 years. If the member dies before receiving payments for the guaranteed 15 years, the designated beneficiary (or if none, their estate) will be paid the same monthly annuity for the remaining years of the guarantee. |
| <b>C-4</b> | <b>100% Joint &amp; Survivor</b> | Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide the same monthly benefit amount payable to the survivor for life with no refund.  |
| <b>C-5</b> | <b>50% Joint &amp; Survivor</b>  | Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced payments for life to the member and 50% of the reduced amount payable to the survivor for life with no refund.  |

If a Coordinated Member elects a joint and survivor option, and the spouse dies before the member, the member benefit will be increased to the C-1 amount.

## Post-Retirement Topics

### **Teaching After Retirement**

Prior to age 65, if a retired member of SPTRFA is reemployed by Saint Paul Public Schools (SPPS) or by Saint Paul College (SPC), earnings are limited to the amount that causes a reduction in the primary Social Security benefit for that calendar year. If the retiree earns more than the allowable amount, the following year's pension will be reduced by one dollar for every three dollars the member earns over the limit. The amount of the reduction will be placed into a savings account for the retiree, earning 6% interest compounded annually. When the retiree has terminated service for one year or reaches age 65, whichever is later, the retiree will receive the amount in the savings account, including interest.

After age 65, retired members can be reemployed by SPPS or SPC without an earnings limitation.

Retired members can work for any other employer without losing pension benefits.

### **Period of Separation**

A member of SPTRFA shall not be considered to be retired until there exists a complete and continuous separation from employment for a covered employer as a "Teacher" for a period of not less than 30 calendar days.

### **Post- Retirement Increase**

The post-retirement increase benefits were changed in the 2007 Legislative Session. The old increase formula provided a guaranteed 2.0% increase each year for any member receiving a benefit for one full year as of June 30 in the calendar year prior to the next January 1st increase. In addition, if the fund net investment return on a five-year annualized basis exceeded 8.5%, the difference was added to the 2.0% guaranteed increase.

Under a two-year pilot program, the SPTRFA will instead pay a cost-of-living adjustment (COLA) similar to that of the U.S. Social Security Administration. The full COLA amount will be equal to current year average third quarter using CPI-w.

Members must be receiving a benefit for at least one full calendar year to receive a full COLA increase on January 1, 2008 and 2009. Members who commence receiving their benefits in 2007 & 2008 for less than one full year will receive a pro rata COLA based on full calendar quarters in benefit payment status.

### **Pre-78 Supplemental Bonus Incorporated into Monthly Benefit in 2002**

The annual supplemental bonus payment paid to retirees who retired before July 1, 1978 is no longer paid as an annual lump sum but is divided by 12 (months) and incorporated into the monthly payments of eligible members as of January 1, 2002.

## Basic Plan - Summary of Tier Benefits

Vested members of the Basic Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (**FAS**), Years of Service (**YOS**) and a Percentage Multiplier.

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	
<b>Tier 1</b>			
Unreduced	Rule of 90		
	60	25	FAS x YOS x 2.0%
Reduced	55	5	Reduced by 0.25% for each month a member's age is under 65.
	55	25	Reduced by 0.25% for each month a member's age is under 60.
<b>Tier 2</b>			
Unreduced	65	5	FAS x YOS x 2.5%
Reduced	55	5	Formula reduced by the use of actuarial tables.
<b>Deferred Retirement</b>			
	55	5	Annual Benefit (see above). Augmented by 3% per year from date of resignation to age 55, then 5% per year starting from the January 1 after age 55 to date of retirement.

Formula Key:

FAS: Final Average Salary

YOS: Years of Service

2.0% or 2.5%: Percentage Multiplier

## Coordinated Plan - Summary of Tier Benefits

Vested members of the Coordinated Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (**FAS**), Years of Service (**YOS**) and a Percentage Multiplier. Members first hired after June 30, 1989 are only eligible for Tier II benefits.

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	
<b>Tier 1</b>			
Unreduced	Rule of 90		(FAS x First 10 YOS x 1.2%)
	62	30	+
	65	3	(FAS x YOS greater than 10 x 1.7%)
Reduced	55	3	Reduced by a 0.25% discount for each month a member's age is under 65.
	Any Age	30	Reduced by a 0.25% discount for each month a member's age is under 62.
<b>Tier 2</b>			
Unreduced	If first employed before July 1, 1989:		
	65	3	FAS x YOS x 1.7%
	If first employed on or after July 1, 1989:		
	65-66	3	FAS x YOS x 1.7%
Reduced	55	3	Reduced by the use of actuarial tables.
	Any Age	30	Reduced by the use of actuarial tables.
<b>Deferred Retirement</b>			
	55	3	Annual Benefit (see above).
	Any Age	30	Augmented by 3% per year from date of resignation to age 55, then 5% per year starting from the January 1 after age 55 to date of retirement.

### Formula Key:

FAS: Final Average Salary

YOS: Years of Service

1.2% or 1.7%: Percentage Multiplier



## Retirement History Record

<b>Fiscal Year Ending</b>	<b>Pensions Granted</b>	<b>Persons On Payroll</b>	<b>Benefits Paid (\$)</b>	<b>Fiscal Year Ending</b>	<b>Pensions Granted</b>	<b>Persons On Payroll</b>	<b>Benefits Paid (\$)</b>
June 1910	15	13	\$ 4,860	December 1975	52	778	\$ 3,765,322
June 1931	8	125	69,024	December 1976	77	883	4,393,513
June 1932	8	130	72,961	December 1977	63	919	5,050,507
June 1933	2	126	74,190	December 1978	48	946	5,523,548
June 1934	6	127	74,120	December 1979	40	946	6,240,309
June 1935	9	131	74,001	December 1980	47	963	6,623,804
June 1936	14	135	75,864	December 1981	47	981	7,139,037
June 1937	19	151	80,747	December 1982	61	996	7,725,617
June 1938	17	160	89,709	December 1983	72	1,042	8,555,099
June 1939	11	161	93,184	December 1984	64	1,061	9,466,664
June 1939 to				January 1985 to			
December 1939	0	158	23,870	June 1985	59	1,103	5,324,727
December 1940	71	222	170,685	June 1986	66	1,134	11,267,144
December 1941	35	246	210,257	June 1987	117	1,191	12,478,180
December 1942	27	266	234,217	June 1988	70	1,210	14,690,455
December 1943	38	286	253,031	June 1989	67	1,236	15,506,957
December 1944	34	311	282,299	June 1990	67	1,270	17,382,410
December 1945	56	350	308,113	June 1991	80	1,309	18,811,677
December 1946	51	378	337,512	June 1992	83	1,357	20,509,335
December 1947	28	387	360,571	June 1993	120	1,426	22,763,806
December 1948	42	413	375,912	June 1994	92	1,469	25,044,494
December 1949	42	441	419,618	June 1995	113	1,539	26,792,534
December 1950	30	461	450,641	June 1996	119	1,595	29,446,215
December 1951	27	476	472,670	June 1997	179	1,720	32,056,967
December 1952	28	486	508,923	June 1998	129	1,789	37,852,099
December 1953	32	487	525,959	June 1999	114	1,861	41,724,751
December 1954	10	482	529,429	June 2000	144	1,964	47,121,179
December 1955	38	509	666,994	June 2001	130	2,050	53,851,893
December 1956	46	529	750,146	June 2002	127	2,136	58,738,724
December 1957	59	560	840,883	June 2003	126	2,248	63,357,052
December 1958	41	579	1,019,502	June 2004	141	2,361	67,941,921
December 1959	30	585	1,084,506	June 2005	192	2,505	72,448,201
December 1960	38	600	1,144,380	June 2006	146	2,624	78,420,222
December 1961	39	611	1,230,715	June 2007	138	2,744	82,809,201
December 1962	49	624	1,352,779				
December 1963	42	647	1,467,461				
December 1964	33	653	1,545,252				
December 1965	40	668	1,631,554				
December 1966	43	676	1,770,083				
December 1967	36	682	1,862,249				
December 1968	45	695	1,969,760				
December 1969	53	726	2,319,186				
December 1970	31	719	2,385,868				
December 1971	47	731	2,522,350				
December 1972	51	745	2,742,660				
December 1973	36	744	3,039,253				
December 1974	46	754	3,372,453				

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