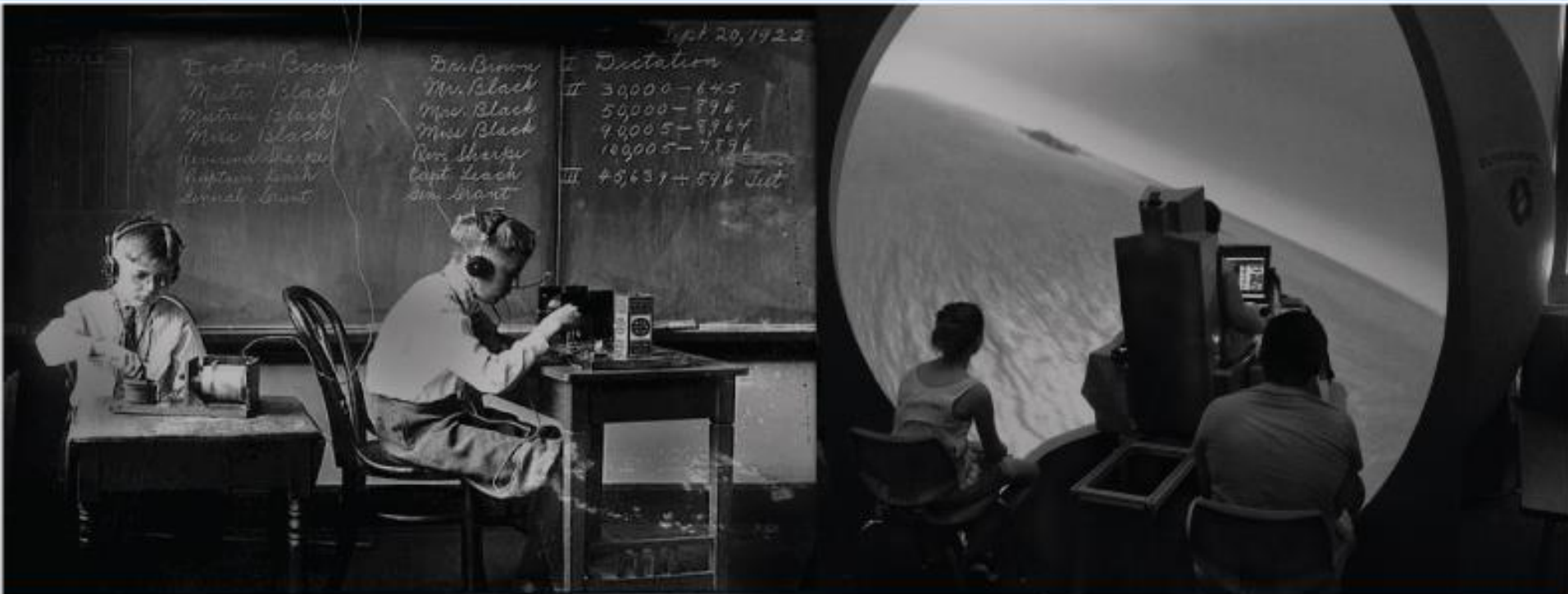


St. Paul Teachers' Retirement Fund Association

Serving the retirement needs of St. Paul Teachers since 1909



The Radio Operators – Horace Mann 1922

Aeronautics Training – Johnson Sr. High 2014

2018 Legislative Overview

Jill E. Schurtz
Executive Director

Christine MacDonald
Deputy Director

FY '18 Legislative Objectives & Proposal

OBJECTIVES

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

PROPOSAL: Enact S.F. 2620 / H.F. 3053, which

- **Facilitates Important Plan Structural Changes**
 - 7.5% return assumption
 - Updated mortality assumptions
- **Provides Required Funding**
 - 2.5% ER increase over 6 years
 - \$5M in direct state funding
 - 0.25% EE increase
- **Includes Significant Cost Saving Measures**
 - COLA modifications
 - Modifies Early Retirement Factors
 - Eliminates Deferred Augmentation
 - Resets Amortization Period
- **Result: Fund projected to reach *full funding* within amortization period**

Fiscal Stewardship

Responsibly Balancing Assets, Liabilities and Benefit Decisions

Board action has led to meaningful improvements

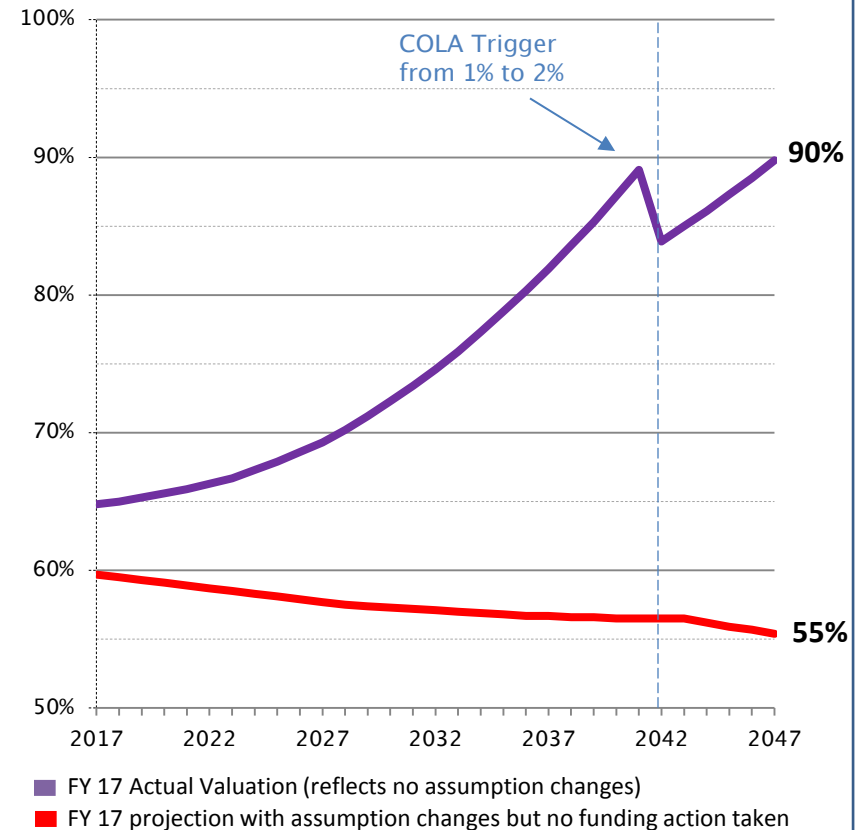
Contribution Deficiency reduced from (6.4%) in 2012 to only (0.5%) in 2017

| FY | Actuarial | Market |
|------|-----------|---------|
| 2012 | (6.40)% | (7.16)% |
| 2013 | (2.80)% | (1.67)% |
| 2014 | (2.19)% | 0.00% |
| 2015 | (1.60)% | (1.28)% |
| 2016 | (0.92)% | (2.01)% |
| 2017 | (0.52)% | (0.66)% |

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

| | | |
|-------------------------|---------------|---------------|
| 2017 (pro forma) | (4.2)% | (4.4)% |
|-------------------------|---------------|---------------|

The combination of assumption changes and underfunding requires action . . .

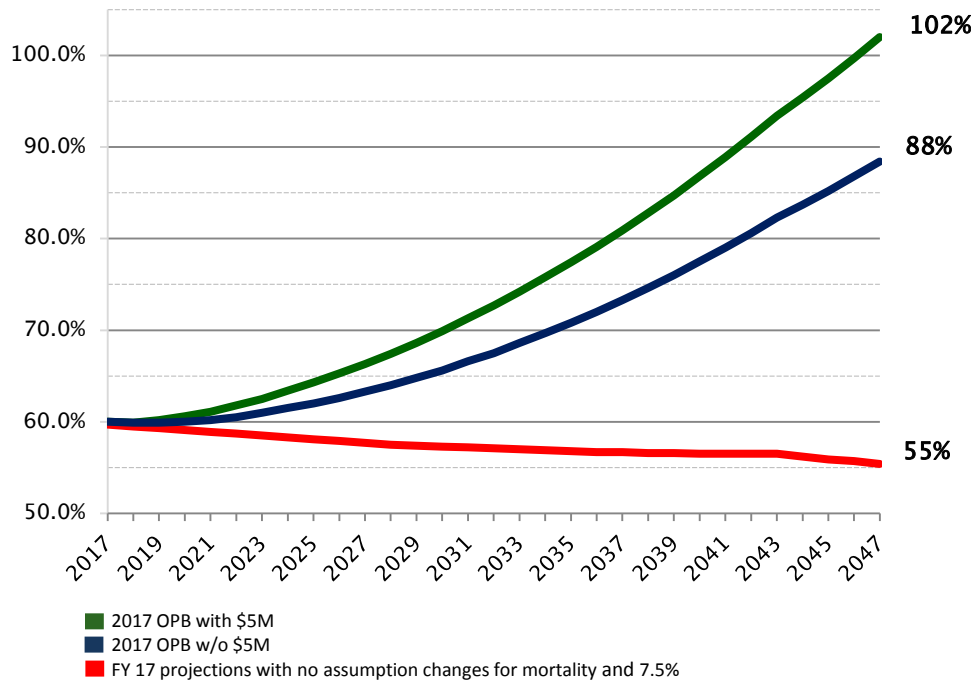


2018 Omnibus Pension Bill (SF 2620)

ER Funding Phased-in Over 6 Yrs

(6.5% to 9.0%: 0.835%, 0.835%, 0.21%, 0.21%, 0.21%, 0.20%)

| FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 |
|--|--------|--------|--------|--------|--------|
| \$2.2M | \$4.3M | \$4.9M | \$5.4M | \$5.9M | \$6.5M |
| Direct State Allocation: \$5M | | | | | |
| EE Contribution Increase from 7.5% to 7.75% in FY 23 | | | | | |



| | |
|---|---------------|
| FY17 Deficiency (Market Value) | (0.7)% |
| Costs: Experience Study Changes, Including Mortality and 7.5% | (3.7)% |
| Savings: Eliminate COLA Triggers..... 0.7 COLA begins at NRA 0.2 (except 62/30 & Rule of 90) Remove Aug. from ERF 0.3 (except 62/30 & 5 yr. phase-in) Remove Deferred Aug. 0.2 Refund Interest: 4% to 3% ... 0.1 Reduce COLA for 2 years 0.4 Reset Amortization from 1.5 2042 to 2048 | 3.3% |