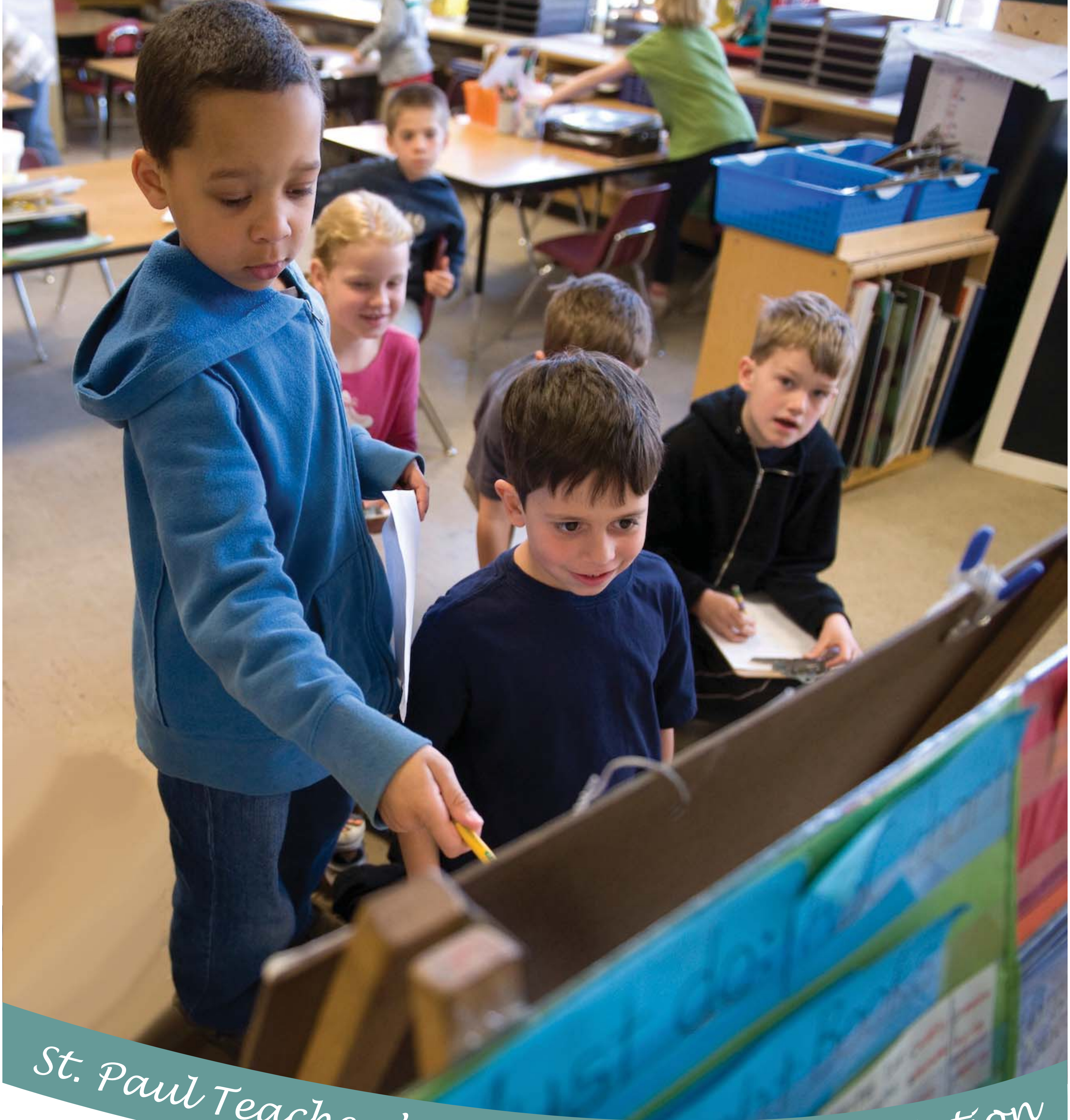
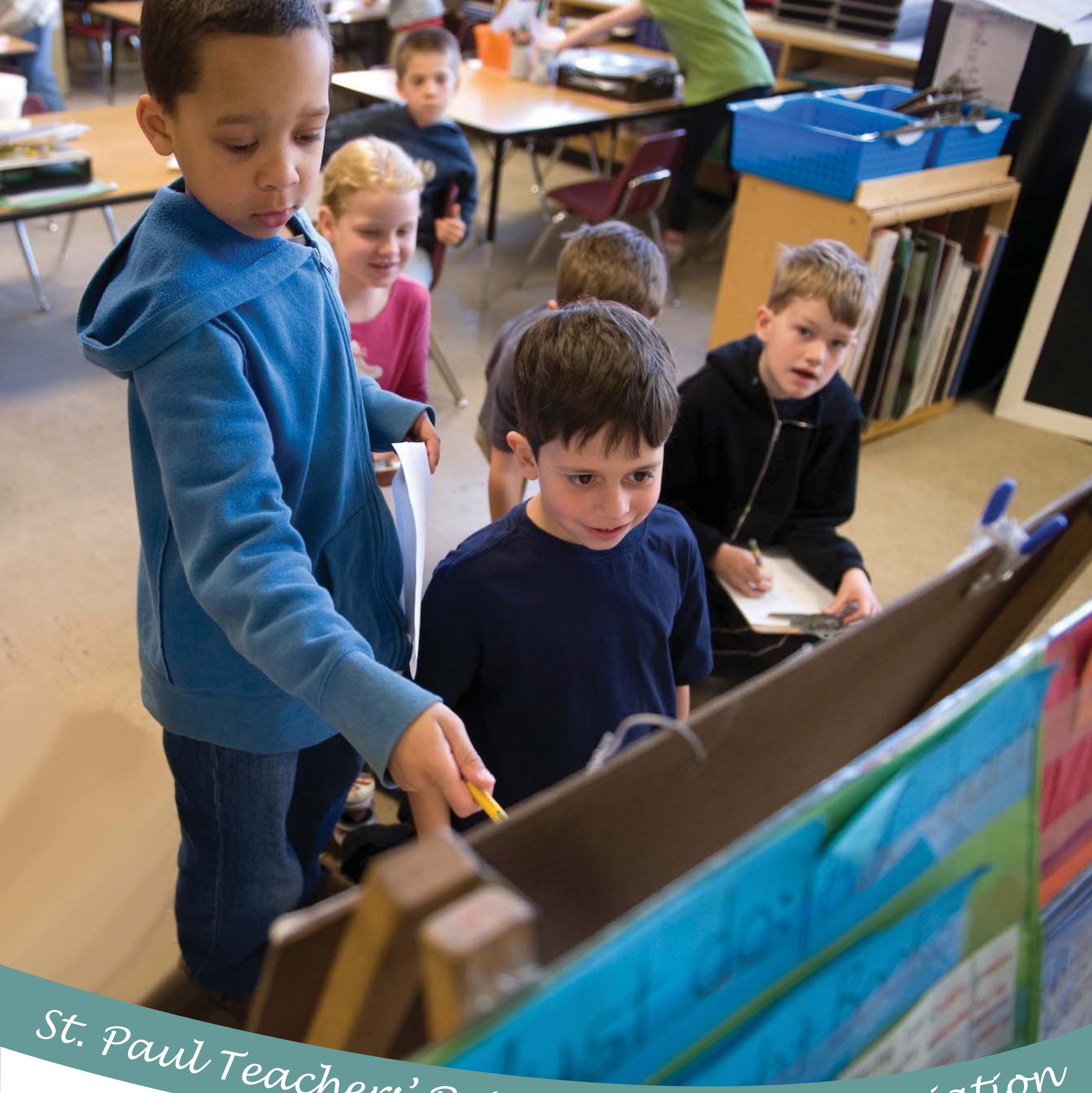


St. Paul Teachers' Retirement Fund Association

2011 Annual Report



St. Paul Teachers' Retirement Fund Association

Student photographs courtesy of Saint Paul Public Schools.

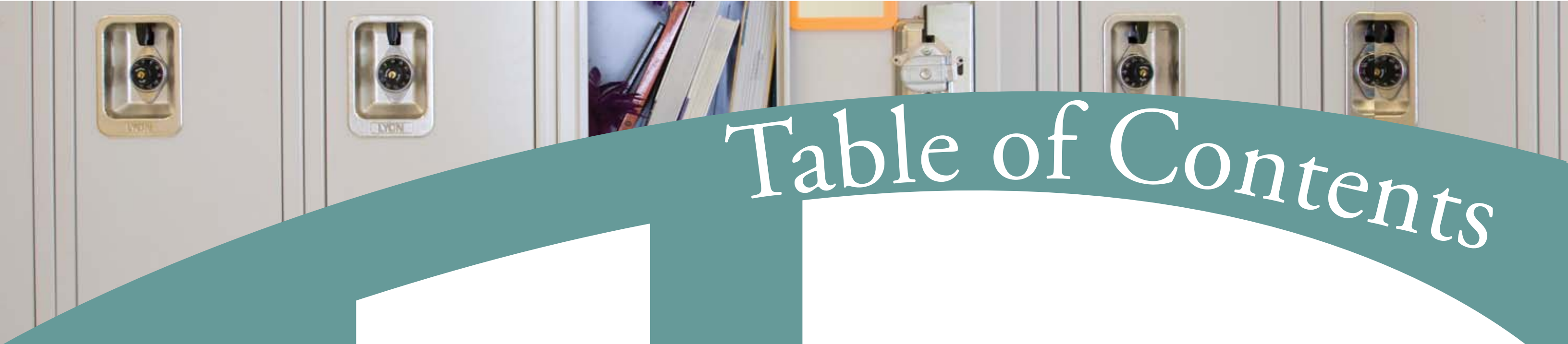


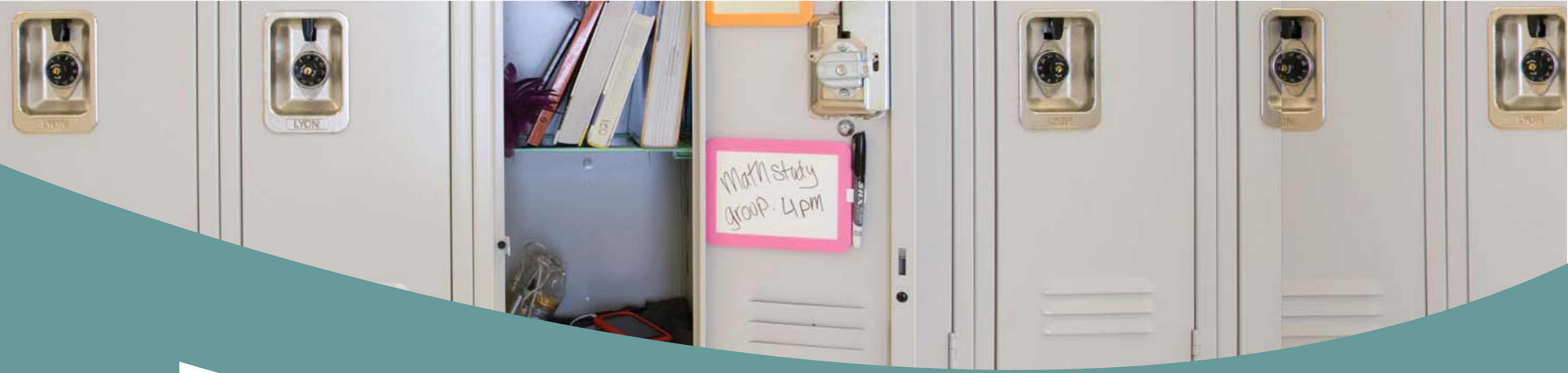
Table of Contents

1

Introduction

2

Financial



3 Actuarial

4 Investments

5 Benefits

1 Introduction

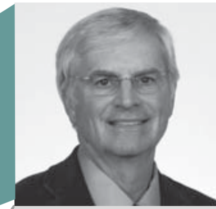
Our Mission

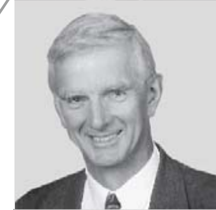
Provide our members and their beneficiaries with retirement, survivor and disability benefits as specified in law and the Association Articles and Bylaws.

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.

Board of Trustees





St. Paul Teachers' Retirement Fund Association

1619 Dayton Avenue, Room 309
Saint Paul, MN 55104-6206
Phone (651) 642-2550
Fax (651) 642-2553

Members of the Association:

The trustees and staff of the St. Paul Teachers' Retirement Fund Association (SPTRFA) present the Annual Financial Report for the fiscal year ended June 30, 2011, in accordance with the provisions of Minnesota Statutes § 356.20.

This report is intended to provide readers with sufficient information to make informed assessments about the financial condition, fiscal activities, actuarial status, investment performance, and compliance with laws, regulations, bylaws and policies.

This is the complete Annual Report of the Association. This report may be found at the Fund's website, www.sptrfa.org, and 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 on at least a 40% full-time equivalent basis. All other members not yet retired received a statement of account status which includes 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, and professional service relationships
- **Financial Section**
  Management's Discussion and Analysis, financial statements and associated notes - the Independent Auditor's Report is not included as it was pending as of the date this report went to print
- **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, the application process and methods of benefit calculation

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. We strive to be service providers of the first order and our administrative costs remain the most efficient.

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 as specified under 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 audits the financial statements of the SPTRFA.

Gabriel Roeder Smith & Company, Southfield, Michigan, performs the actuarial valuation for the Association. Key portions of its 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 apprises the trustees and staff of changes in the investment markets or in asset management practices generally. Callan assists with asset allocation and reports on asset manager performance.

With over 100 years of service to our members, the SPTRFA trustees and staff remain committed to administering the affairs of the Association with the highest degree of diligence and efficiency.

Respectfully submitted,

John R. Kunz, Jr.

John R. Kunz, Jr.	Eugene R. Waschbusch	Paul V. Doane
President	Secretary-Treasurer	Executive Director

Professional Listing as of June 30, 2011

Actuary
Gabriel Roeder Smith & Company

Auditor
Minnesota Office of the State Auditor

Investment Managers
Advantus Capital Management
BlackRock Institutional Trust Co.
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
Lazard Global Thematic Equity Trust
Morgan Stanley Asset Management
North Sky Private Equity Partners IV
RWI Ventures I
RWI Ventures II
UBS Trumbull Property Fund
Wellington Management Company, LLP

Investment Consultant
Callan Associates

Legal Counsel
Oppenheimer Wolff & Donnelly LLP

Organizational Chart

MEMBERS

ACTIVE | **RETIRED** | **SURVIVORS** | **BENEFICIARIES**

BOARD OF TRUSTEES

ADMINISTRATION

Paul Doane, Executive Director
Christine MacDonald, Assistant Director
Nancy Langer, Member Records & Benefits Administration
Susan Nystrom, Fiscal Services
Janet Williams, Member Counseling & Communications Specialist
Tamera Zielinski, Administrative Assistant

BENEFITS ADMINISTRATION

Active Member Services
Retired Member Services
Records Management
Member Counseling
Benefit Payments & Reporting

OPERATIONS

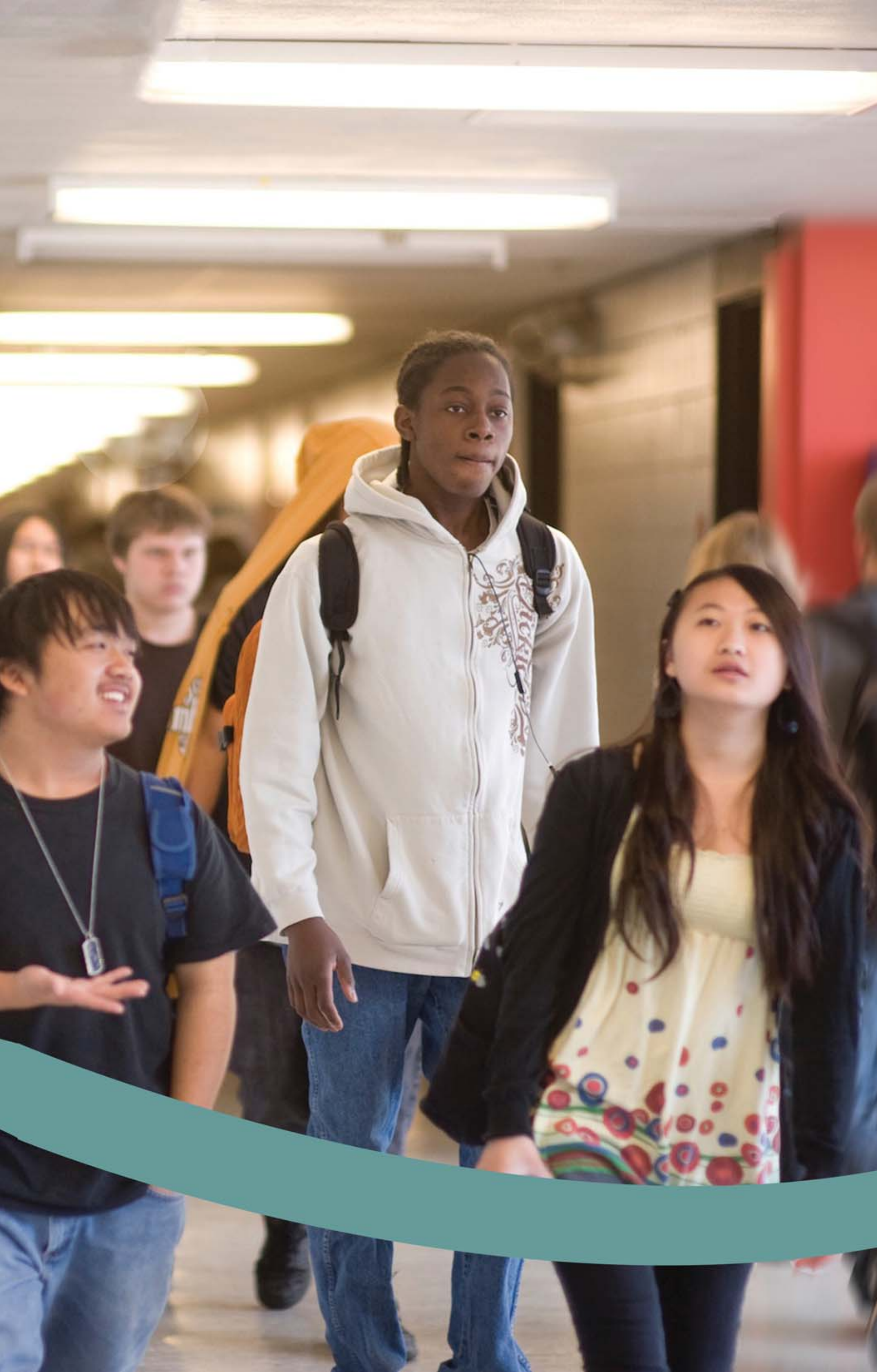
Business Administration
Accounting/Reporting
Office Payroll & Benefits
Budget Administration
Investment Mgmt. & Reporting
Publications
Information Systems

PROFESSIONAL TECHNICAL SERVICES

Legal Counsel,
Oppenheimer Wolff & Donnelly LLP
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, *(Pg. 6)*

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



Financial

2

The following discussion and analysis provides an overview of the financial performance and actuarial status of the St. Paul Teachers' Retirement Fund Association (hereinafter "SPTRFA," "Plan," "System," or "Fund") for the fiscal year ended June 30, 2011, is to assist the reader in understanding the financial statements and to provide an overall review of the financial activities during the past year.

Financial Highlights

+ Net assets of the Plan, which measures the amount of funds available to pay current and future pension benefits, increased by $134.8 million during the fiscal year to a total of $950.1 million. This increase came on top of the $42 million improvement in net assets in 2010, both resulting from the strong investment returns. This solid back-to-back years' performance, in 2010 and 2011, has served to considerably strengthen the financial status of the Fund.

+ The Plan realized a 25.1% (gross of fees) investment rate of return for the fiscal year, marking one of the strongest fiscal year periods in the recent history of this 102 year-old Plan. This strongly positive performance raised the trailing 10 year return for the Fund to 6.93%, after one of the most challenging decades for investment performance. The trailing 15 year return for the Fund is 8.02%. The longer term return of 20 years was 9.12%. The Fund has a long-term investment return objective of 8.5%, which it has achieved over its history.

+ The actuarial (smoothed over a rolling five year period) funded ratio of the Plan, which compares the actuarial value of assets against the actuarial accrued liability, climbed to 70% as of June 30, 2011, up 2% from the prior fiscal year. The past two years average returns have served to overcome much of the actuarial carry-forward losses from FYs 2008 and 2009. The Plan's funded ratio on a market value basis, which does not involve any smoothing factor, climbed to 68% from the prior year's 55% on the strength of the realized investment gain.

+ In addition to the investment portfolio's performance and supplemental aid from the State of Minnesota, a further source of funding for the Plan is represented by employer and employee contributions. During FY 2011, this source of contributions, based on fixed percentages of the St. Paul School District's covered payroll, experienced a decline from the prior year projected covered payroll by nearly $11 million, or approximately 4%, to $239.5 million. While this number fluctuates from year to year, (i.e. the covered payroll number actually rose slightly from FY 2008 to FY 2009), it is important to remain sensitive to this total and its direction. Reductions in the number of employees, resulting from various cost savings initiatives, early retirement incentives and replacing higher salaried senior teachers with more junior professionals, translate, over time, into lower contributions from the workforce and thereby placing a greater burden on realized gains from the investment portfolio to make up any difference. Conversely, retiree payrolls, i.e., outflow from the Fund, are increasing steadily. For FY 2011, total benefits paid approached $100 million/year.

System Overview

The SPTRFA is a nonprofit organization formed in 1909, incorporated under Minn. Stat. Ch. 317A. At the direction and oversight of a ten-member Board of Trustees, SPTRFA staff manage two tax-qualified, defined benefit pension programs, a *Basic Plan* and a *Coordinated Plan*, covering licensed personnel of the Independent School District (ISD) No. 625, the 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 625. The Coordinated Plan, commenced in 1978, provides retirement benefits for members who simultaneously participate in Social Security.

Under State law, annual 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 currently in the District financial statements. There are steps currently being pursued by the Governmental Accounting Standards Board (GASB) that, if adopted and when implemented, could cause the Fund's liabilities to become part of the employer's financial statements in the future.

Overview of the Financial Statements

The financial section for this report consists of four parts: (1) Independent Auditor's Report; (2) the Management's Discussion and Analysis (this section); (3) the Basic Financial Statements, which include the Statement of the Plan Net Assets, the Statement of Changes in Plan Net Assets and their accompanying notes; and (4) the Required Supplementary Information which consists of various schedules and accompanying notes.

1. Basic Financial Statements

a) The Statement of Plan Net Assets presents information about assets and liabilities, the difference being the net assets held in trust for pension benefits. The level of net assets reflects the resources available to pay member benefits when due. Over time, increases and decreases in net assets measure whether the financial position of the SPTRFA is improving or deteriorating.

b) The Statement of Changes in Plan Net Assets presents the results of fund operations during the year and the additions or deductions from plan net assets. It provides more detail to support the net change that has occurred to the prior year's net asset value on the Statement of Plan Net Assets.

c) The Notes to the Financial Statements provide additional information that is essential to gain a full understanding of the SPTRFA's accounting policies, benefit plans, deposits and investments, securities lending, contributions, risk management, funded status/progress, and finally, a narrative description of the actuarial measurement process.

2. Required Supplementary Information

a) Exhibits A-1 and A-2 provide six years of comparative data related to the SPTRFA's funded status and the schedule of contributions which measure and compare the annual required contributions (ARC) and the actual amount of contributions made by the employer, employees and the State of Minnesota.

b) The Notes to Exhibits A-1 and A-2 provide actuarial assumptions and changes to significant plan provisions and actuarial methods/ assumptions.

Financial Highlights from the Basic Financial Statements

As shown in the table below, the SPTRFA's total assets for 2011 were $958.4 million and were generally comprised of investments and securities lending collateral. The collateral represents cash on deposit to cover a comparable value of securities loaned to brokerage firms for which they pay a fee to the Fund's custodian and are obligated to return such securities at a future point in time. The Fund and custodian share the lending proceeds on a 70-30 split basis. This strategy, commonly employed by institutions, provides an important source of added value. A large portion of the Fund's $8.3 million total liabilities is represented by the $6.7 million of securities in the Fund's securities lending program. This $6.7 million represents a continuing curtailment in securities lending activity from recent years, largely due to the sluggish world markets. At the end of FY 2009, securities valued on loan approximated $63 million. Last year, the total on loan amount was just over $12 million. Overall, total assets gained by $129 million compared to the prior year while total liabilities declined just over $6 million to $8.3 million. This had the effect of increasing the net assets, available to pay current and future pension benefits, to $950.1 million. It represents an improvement of $135 million during the Fiscal Year.

Plan Net Assets (at Market)
(in Thousands of Dollars)

	June 30, 2011	June 30, 2010
Assets		
Cash	$ 11,558	$ 4,536
Receivables	3,438	4,545
Investments at fair value	936,647	808,450
Securities lending collateral	6,749	12,286
Capital assets, less depreciation	20	25
Total Assets	$ 958,412	$ 829,842
Liabilities		
Accounts payable	$ 1,116	$ 1,164
Securities purchases payable	426	1,085
Securities lending collateral	6,749	12,286
Total Liabilities	$ 8,291	$ 14,535
Net Assets Held in Trust for Pension Benefits	$ 950,121	$ 815,307

The following table, Changes in Plan Net Assets, lists additions and deductions, as required in governmental accounting.

The funds needed to finance retirement benefits are accumulated through contributions from the employer, employees and the State of Minnesota, together with realized investment earnings from the Fund's portfolio. During FY 2011, investment activity added $195 million, representing a realized gain of $38.5 million, unrealized gains of $153.1 million, dividends totaling $3.3 million and "other" earnings of $4.2 million, less management fees of $4.5 million. Contributions remained relatively stable from last fiscal year.

The main source of deductions from the Fund was the result of benefit payments and refunds to those members who opted to leave the System and withdraw their contributions. Benefit payments reached $98.2 million and exceeded contributions by nearly $60 million. This negative cash flow is typical of defined benefit plans as mature as SPTRFA's which are designed to permit accumulated investment returns to offset annual shortfalls. With growing numbers of benefit recipients, the level of negative cash flow is expected to grow, although changes to contribution rates effective in July 2012 would serve to neutralize the impact of higher annual payrolls. Benefit payments increased $2 million from $96.3 million for FY 2010 to $98.2 million this past year. Benefit payments for FY 2009 had been $93.0 million. Administrative costs edged incrementally to 7/10ths of one percent, but remain extremely low.

Changes in Plan Net Assets (at Market)
(in Thousands of Dollars)

	June 30, 2011	June 30, 2010
Additions		
Employer and employee contributions	$ 34,759	$ 34,850
State of Minnesota amortization aids	4,077	4,108
Investment activity, less management fees	194,860	99,920
Net securities lending income	70	134
Total Additions	$ 233,766	$ 139,012
Deductions		
Benefits, withdrawals, and refunds	$ 98,230	$ 96,362
Administrative expenses	722	602
Total Deductions	$ 98,952	$ 96,964
Net Increase (Decrease)	$ 134,814	$ 42,048
Net Assets in Trust for Benefits - Beginning of the Year	815,307	773,259
Net Assets in Trust for Benefits - End of the Year	$ 950,121	$ 815,307

Investment Performance

The Defined Benefit Plan administered by the SPTRFA accumulates assets in advance of benefit obligations, covering those obligations primarily through contributions and prudent investment growth. The level of supportable benefits and the long-term financial health of the Fund depend on the efficient and prudent investment of contributions from members, our employer, and taxpayers through the annual State supplement.

For every dollar paid in benefits, about 70% will derive not from contributions directly but from compounded investment earnings. There are cyclical economic, market-driven, and tactical risks associated with investing plan assets in the capital markets. The State Legislature has established our actuarial assumed investment rate of return, which is currently set at 8.5%. This represents the long-term, absolute annualized target investment return. Over shorter periods (3, 5, and 10 years), this target may or may not be achieved, as has been the case in the most recent stretch of unprecedented market turmoil. However, the important fact is that over the longer term range of time, 20, 30 even 50 years, time periods in which the pension system operates for its beneficiaries, the 8.5% assumed rate been achieved. The Plan return for 20 years, for example, is 9.12%.

During the past fiscal year, the Fund's 25.1% return was the best yearly performance since the Fund shifted to a June 30 fiscal year reporting period in the mid 80's. The level of out-performance this past year, coupled with strong gains in FY 2010, were strong enough to overcome the negative drag on the Plan's funded ratio caused by the global downturn that detrimentally impacted markets and the SPTRFA's return in FYs 2008 and 2009. The modest improvement in the Plan's funded ratio, from 68% to 70% reflects this positive impact on the statutorily required five-year actuarially smoothed valuation of assets, incorporating the fiscal years 2007, 2008, 2009, 2010, and 2011.

Performance against the 8.5% statutory target provides an important check on whether asset growth has avoided falling behind the pace of liability accumulations. However, we also want to assess whether SPTRFA assets are being deployed efficiently so as to maximize potential gain within risk constraints and considering prevailing market conditions. To do so, we compare our returns relative to other public pension funds and also consider our performance compared to a representative composite benchmark return. This latter performance indicates how the portfolio would have performed if the portfolio consisted solely of passively run, index matching accounts. This is an indicator of how much "value-added" comes from our active managers and whether higher fees, associated with active managers, are justified.

Comparison of Annualized Returns (%)

	1-Year	3-Year	5-Year
Actual performance (net of fees)	24.6	4.5	5.0
Indexed benchmark	24.9	3.7	4.5
Actuarial target	8.5	8.5	8.5
Actual versus indexed benchmark	-0.3	0.8	0.5
Actual versus actuarial target	16.1	- 4.0	3.5

Absolute Basis of Assessment

The 2011 total Fund return (net of fees) was 24.6%. That is 16.1% more than the absolute actuarial target return required to meet projected "normal costs" (i.e., the measurement of impact on the System of that one year's future liability). Normal cost is comparable to paying for your regular daily, weekly personal expenses, such as utilities, monthly mortgage payment, food, etc. This does not take into account paying off the unfunded liability of the System that has resulted from years of under-funded employer and state contributions. This long-term liability amount would be more comparable to paying off your remaining home mortgage balance. The Fund's long-term liabilities are outside the funds needed to meet a Plan's annual pension liability, its "normal cost".

The strong gains realized in 2011 served to make a major impact on the Fund's near-term liabilities that were a result of the losses realized in FYs 2008 and 2009 and that currently serve to depress the three and five year rolling returns. The gain in current market assets from FY 2010 to 2011 totaled $135 million which helped to reduce the longer term liability of the Fund by $53 million, an 11% improvement. The strong year return also narrowed the gap between the actuarial (smoothed) value of the Fund and the "market value" of assets. This was a $185 million gap at the end of FY 2010 and has been narrowed to only a $22 million difference for FY 2011. Both of these numbers represent very significant improvements on the Fund's fiscal status and are reflected in the improvement in both actuarial and market funded ratios.

Compared to our peers, our gross return (the methodology used in peer reporting) placed the Fund in the top tier of the Callan Associates' public plan universe. The SPTRFA ranks in the 13^{th} percentile. Callan Associates is our general investment consultant. This ranking level indicates that the Fund outperformed 87% of peers. That ranking among the top public funds is consistent with past performance. For the past five years, SPTRFA ranks in the top 1/3 of Funds, while for 10 years, it ranked in the top decile, standing at the 8^{th} percentile of the Callan public plan universe. While the return (net of fees) for FY 2011 was virtually in line with the benchmark, at this level of positive performance, +25%, staying even with the indices' return can prove challenging for active managers. In the more typical return years, the fund's active management has consistently added value, net of fees.

Actuarial Valuation Summary

While the short-term returns are a helpful snapshot of current conditions, the actuarial valuation analysis is key to understanding the more important, longer-term health of the Plan. During the past fiscal year, improvements in this category were also achieved. The following table helps to assess whether assets and current financing strategies appear to be sufficient to satisfy the long-term liabilities associated with current and future plan benefits. This actuarial valuation, modeling the future through deterministic and probabilistic projection methods, can supplement accounting based measures of plan funding. Following are summary comparative statistics from the July 1, 2011, valuation:

Summary of Actuarial Valuation Results

	Plan Year Beginning July 1		Percent Change + means improvement - means adverse change
	2010	2011	
Covered payroll	$ 250,225,000	$ 239,501,000	- 4%
Statutory contributions (ch. 354A)	15.64%	16.10%	N/A
Required (ch. 356)	19.84%	18.37%	- 1%
Sufficiency/(Deficiency)	**- 4.24%**	**- 2.27%**	**+ 2%**
Market value of assets	815,307,000	950,121,000	+ 17%
Actuarial value of assets	1,001,444,000	972,718,000	- 3%
Actuarial accrued liability	1,471,630,000	1,389,900,000	+ 6%
Unfunded liability	**470,185,000**	**439,800,000**	**+ 6%**
Funding ratio	**68.05%**	**69.99%**	**+ 2%**

The Association as a Whole

For investors, the returns in 2008 and 2009 were severe in the adversity generated for long-term financial planning and retirement funding. However, with the strong gains of the past two fiscal years, we are seeing those results in the improvements above. The contribution deficiency has decreased from 4.24% to 2.27%. The Legislative-approved increases in the contribution rates over the next four fiscal years will only further this effort toward lowering this deficiency. Similarly, the funded ratio, which is a rough gauge of the Plan's current ability to meet its long-term obligations improved by 2% on an actuarial (smoothed) value basis, and by nearly 10% on a market value basis.

The SPTRFA has taken several steps and is continuing to examine other strategies to further reduce the deficiency and funding ratio gaps through shared sacrifice of the major Fund participants. For active members, employer and employee contributions have begun (July 1, 2011) to increase by one-quarter of one percent increments over four years. For retirees, the post retirement adjustment (i.e., COLA), suspended in FY 2011, will be now pegged to the Plan's funded ratio going forward and reduce, from its earlier 2% level, to 1% until an 80% actuarial funded ratio level is achieved. Other savings have been achieved through a lowered interest rate credited on refunds and augmentation rates. The interest paid on excess earnings accounts has been eliminated.

Another important component, that has not been adjusted to help resolve any remaining deficiency, is the State of Minnesota's contribution. A report issued a few years back by the Legislative Auditor recommended that funding to the SPTRFA be increased as soon as possible. The SPTRFA Board continues to ask the Minnesota Legislature to provide increased supplemental contributions to make up for those periods of past funding shortfalls.

Paul V. Doane, Executive Director
St. Paul Teachers' Retirement Fund Association
1619 Dayton Ave, Room 309
St. Paul, Minnesota 55104-6206

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
STATEMENT OF PLAN NET ASSETS JUNE 30, 2011

Cash	**$**	**11,558,206**
Receivables		
Employer contributions	$	1,744,131
Employee contributions		100,364
Service purchases		51,983
Pensions		16,776
Real estate income		39,172
Commission recapture		1,657
Interest		153
Dividends		192,101
Sales of securities		1,290,473
Miscellaneous		790
Total receivables	**$**	**3,437,600**
Investments, at fair value		
U.S. government securities		
Corporate bonds		
Corporate stocks	$	164,992,883
Real estate securities		16,178,954
Limited partnerships		
Private equity		10,959,283
Real estate		67,386,153
Commingled investment funds		
Pooled international equity trust		96,353,895
Government/credit bond index fund		76,417,674
U.S. debt index fund		76,071,021
Extended equity index fund		161,463,897
Russell 1000 growth fund		42,158,332
International emerging markets growth fund		39,097,390
Mutual fund		40,845,236
International corporate stock fund		97,378,613
Global equity		39,562,758
Money market funds		7,781,485
Total investments, at fair value	**$**	**936,647,574**
Invested securities lending collateral	**$**	**6,748,804**
Furniture and fixtures (at cost, less accumulated depreciation of $84,724)	**$**	**20,125**
Total Assets	**$**	**958,412,309**

Liabilities

Accounts payable	$	1,116,140
Security purchases payable		426,376
Securities lending collateral		6,748,804
Total Liabilities	**$**	**8,291,320**
Net Assets Held in Trust for Pension Benefits	**$**	**950,120,989**

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

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS JUNE 30, 2011

Additions		
Contributions		
Employer	$	21,013,360
Members		13,745,038
Other sources		
State of Minnesota		4,077,140
Total contributions	**$**	**38,835,538**
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	$	191,687,299
Interest		65,053
Dividends		3,348,069
Other		4,242,838
Total investing activity income (loss)	**$**	**199,343,259**
Less: investing activity expense		
External	$	(4,265,838)
Internal		(217,229)
Total less: investing activity expense	**$**	**(4,483,067)**
Net income (loss) from investing activity	**$**	**194,860,192**
From securities lending activity		
Securities lending income	**$**	**34,290**
Less: securities lending expense		
Borrower rebates	$	66,195
Management fees		(30,138)
Total securities lending expense	**$**	**36,057**
Net income from securities lending activity	**$**	**70,347**
Net investment income (loss)	**$**	**194,930,539**
Total Additions	**$**	**233,766,077**
Deductions		
Benefits to participants		
Retirement	$	87,997,123
Disability		730,600
Survivor		8,538,486
Dependent children		20,846
Withdrawals and refunds		942,757
Total benefits, withdrawals, and refunds	**$**	**98,229,812**
Administrative expenses		
Staff compensation	$	467,317
Professional services		107,865
Office lease and maintenance		40,699
Communication-related expenses		35,112
Other expense		71,404
Total administrative expenses	**$**	**722,397**
Total Deductions	**$**	**98,952,209**
Net Increase (Decrease)	**$**	**134,813,868**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year		**815,307,121**
End of Year	**$**	**950,120,989**

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 were prepared and are presented to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB).

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.

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.

1. <u>Summary of Significant Accounting Policies</u>

<u>Investments</u> (Continued)

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 Statement of Plan Net Assets, and collateral received on those investments is reported as an asset and a liability.

<u>Derivative Investments</u>

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.

<u>Investment Income</u>

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

<u>Contributions</u>

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 upon receipt pursuant to schedules established in state statute.

1. Summary of Significant Accounting Policies (Continued)

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 with a purchased value over $500 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.

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 became members of the Association subsequent to June 30, 1978, automatically became 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.

2. Description of Plans

General (Continued)

Membership

At June 30, 2011, the Association's membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,212
Terminated employees entitled to but not yet receiving benefits	1,880
Terminated, non-vested	1,698
Current active plan members (including members on leave)	3,578
Total Membership	10,368

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.

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

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

3. Deposits and Investments

A. Deposits (Continued)

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. Association deposits at US Bank above the FDIC limit 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.

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 under-collateralized 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, 2011, other than that related to the invested securities lending collateral, as described in Note 4.

3. Deposits and Investments

B. Investments (Continued)

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 “passive” or indexed investment manager accounts, as listed below.

Mandate	Account	Market Value
Indexed	BlackRock - Government/Credit Bond Index Fund	$ 76,417,674
Indexed	BlackRock - U. S. Debt Index Fund	76,071,021

The Association has, relative to peers, a small allocation to fixed income assets as part of its investment policy. At June 30, 2011 the targeted allocation was 18 percent of total Fund invested assets. The actual share of total Fund invested assets was 16.28 percent.

The indexed fixed income accounts have the explicit objective of matching, as closely as possible, the overall weighted composition and duration of their respective unmanaged indices. 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, 2011

Account	Average Duration in Years	Average Duration of Benchmark
BlackRock - U. S. Debt Index Fund	4.56	4.57
BlackRock - Government/Credit Bond Index Fund	5.24	5.24
BNY/Mellon - Cash Collateral	0.07	None

3. Deposits and Investments

B. Investments

Interest Rate Risk (Continued)

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. Fixed income holdings are limited to investment grade securities by Minn. Stat. § 356A.06, subd. 7(c). 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.

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

	Market Value	Quality Ratings Standard and Poor's/Moody's	% of total investments
Debt Investment Type			
BlackRock - Government/Credit Bond Index Fund	$ 76,417,674	Unrated	8.2
BlackRock – U. S. Debt Bond Index Fund	76,071,021	Unrated	8.1
Pooled funds and mutual funds	7,781,467	Unrated	0.8
Total	$ 160,270,162		

3. Deposits and Investments

B. Investments (Continued)

Concentration of Risk

Concentration of risk relates to the adequacy of policy and practice in limiting the risk of loss due to insufficient diversification of holdings that could be measured on the basis of holdings from several different aspects, such as asset class, region, sector, industry, or company size.

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. As specified in Minn. Stat. § 356A.06, subd. 7, 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. The Fund held 0.28 percent. 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 Fund held 4.0 and 4.5, respectively.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar adversely affect 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, all foreign holdings must ultimately be converted into U.S. dollar liquidity. 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, 2011, the Investment Policy of the Association included a dedication of 28 percent of the total Fund as the international and global equity component of the total portfolio. These positions are held in pooled or commingled investment funds, which render any exposure to foreign currencies to a derived risk, as the Fund's interest

3. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

is limited in all cases to a unit valuation expressed in U.S. dollars. The actual allocation of international and global equity investments subject to the derived foreign currency risk was $251 million, or 27 percent, of total invested assets. This allocation resulted in derived exposures to international markets as detailed in the following chart.

Assets Held in Non-U.S. Securities by Currency as of June 30, 2011

Country	Currency	Equity	Fixed Income	Cash and Cash Equivalents	Total
Argentina	Argentine Peso	$ 469,169	$ -	$ -	$ 469,169
Australia	Australian Dollar	8,031,243	-	(39,097)	7,992,146
Brazil	Brazilian Real	4,742,884	-	(351,877)	4,391,007
United Kingdom	British Pound	64,063,228	-	(117,292)	63,945,936
Canada	Canadian Dollar	4,152,903	-	(312,779)	3,840,124
Chile	Chilean Peso	117,292	-	-	117,292
China	Chinese Renminbi	10,607,167	-	-	10,607,167
Republic of Columbia	Columbian Peso	117,292	-	-	117,292
United Arab Emirates	Dirham	78,195	-	-	78,195
European Union	Euro	55,355,256	-	586,461	55,941,717
Switzerland	Swiss Franc	23,412,118	-	78,195	23,490,313
Hong Kong	Hong Kong Dollar	4,999,518	-	-	4,999,518
Hungary	Hungarian Forint	117,292	-	(78,195)	39,097
India	Indian Rupee	4,189,471	-	-	4,189,471
Indonesia	Indonesian Rupiah	1,290,214	-	-	1,290,214
Israel	Israeli Shekel	1,289,622	-	(273,682)	1,015,940
Japan	Japanese Yen	44,523,115	-	-	44,523,115
Czech Republic	Czech Koruna	273,682	-	(156,390)	117,292
Malaysia	Malaysian Ringgit	1,446,603	-	-	1,446,603
Mexico	Mexican Peso	2,607,015	-	(430,071)	2,176,944
Morocco	Moroccan Dirham	39,097	-	-	39,097
Sultanate of Oman	Omani Rial	117,292	-	-	117,292
Pakistan	Pakistani Rupee	39,097	-	-	39,097
Uruguay	Uruguayan Peso	-	39,097	-	39,097
Philippines	Philippine Peso	390,974	-	-	390,974
Saudi Arabia	Sandi Riyal	195,487	-	-	195,487
Russian Federation	Russian Rouble	3,362,376	-	-	3,362,376
Singapore	Singapore Dollar	1,221,792	-	-	1,221,792
South Africa	South African Rand	1,725,869	-	(156,390)	1,569,479
Sweden	Swedish Krona	1,360,898	-	-	1,360,898
Taiwan	Taiwanese New Dollar	4,993,129	-	-	4,993,129
Thailand	Thai Baht	1,133,824	-	(78,195)	1,055,629
Turkey	Turkish New Lira	195,487	-	-	195,487
South Korea	South Korean Won	5,030,468	-	-	5,030,468
Poland	Polish Zloty	625,558	-	(156,390)	469,168
Totals		$ 252,314,627	$ 39,097	$ (1,485,702)	$ 250,868,022

Negative amounts in Cash and Cash Equivalents represent forward contracts on foreign currencies that have not settled. Total amount will not reconcile with the combined total for the investment manager reports. U.S. dollars of $21,524,634 are included in those reports; however, they are not included in this table because they are not relevant for foreign currency disclosure purposes.

3. Deposits and Investments

B. Investments (Continued)

Derivatives

As of June 30, 2011, the Association had futures contracts involving government obligations and commingled investment funds. Maturity dates ranged from September 16 to September 30, 2011. As of June 30, 2011 the account associated with the futures contracts had $4,687,716 of money market funds and $609,249 of security purchases receivables reported on the Statement of Plan Net Assets. The futures contracts on this date netted to the fair value of $286,568, which is not reported as an asset or liability because, upon maturity of the contract, an exchange does not take place, but instead the gain or loss is settled in cash.

The following are risks associated generally with futures contracts, which are mitigated by the practice of the money manager settling the futures contracts each business day.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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.

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

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

Market Risk
Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

4. Securities Lending

The Association participates in a securities lending program. On June 30, 2011, four percent of its securities available for lending were actually loaned out.

The Association is permitted to enter into securities lending transactions by Minn. Stat. § 356A.06, subd. 7. 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 BNY/Mellon 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, 2011, the fair value of cash collateral received was $6,748,804, which is included in the Statement of Plan Net Assets both as an asset and offsetting liability. The cash collateral, with an average weighted maturity of 28 days, was invested as follows: $3,337,253 in corporate obligations; $688,166 in certificates of deposit; $1,986,686 in repurchase agreements; $333,771 in asset-backed securities; and $402,928 in commercial paper. The Association had no non-cash collateral. 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.

5. Contributions

Funding

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

Rates for employee and employer contributions expressed as a percentage of annual covered payroll are set by Minn. Stat. § 354A.12. In 2008, Minn. Stat. § 356.215, subd. 11, was amended, and the established date for full funding is now June 30 of the 25th year from the valuation date. 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, 2011 the difference between the statutory and actuarially required contributions is a deficiency of 2.27 percent of payroll. As part of the annual actuarial valuation, the actuary is required by Minn. Stat. § 356.215, subd. 11, to determine the funded ratio and the sufficiency or deficiency in annual contributions when comparing liabilities to the market value of the assets of the Fund as of the close of the most recent fiscal year. As of July 1, 2011 there was a contribution deficiency of 2.84 percent between the statutory and required contributions based on the market value of assets.

5. Contributions (Continued)

Employer and Employee Contributions

For the fiscal year ended June 30, 2011 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

All contribution rates will increase a total of 1.00 percent, by 0.25 percent increments over four years, with the first increase scheduled on July 1, 2011.

Other Contributions

The state is required by Minn. Stat. § 354A.12, subd. 3a, to annually provide the Association with direct aid: 1.) until neither the SPTRFA nor the Minnesota Teachers' Retirement Association has an unfunded actuarial accrued liability or 2.) until the current assets of the Fund equal or exceed the actuarial accrued liability of the Fund, as measured by the Fund actuary, or until 2037, whichever occurs first. The direct state-aid contribution was $2,827,000 for fiscal year 2011.

The state is required, by Minn. Stat. § 423A.02, subd. 3, to annually provide certain aid to the Association. The state amortization aid contribution was $1,250,140 for fiscal year 2011. The School District must make an additional annual contribution to the Association in order for the Association to continue receiving this state amortization aid. The School District contributed $800,000 for fiscal year 2011. These contributions must be paid until the current assets of the Fund equal or exceed the actuarial accrued liability of the Fund, as measured by the Fund actuary, or until 2037, whichever occurs first.

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.

7. Funded Status and Funding Progress

The funded status in thousands of dollars as of July 1, 2011 the most recent actuarial date, is as follows:

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)
$ 972,718	$ 1,389,875	$ 417,157	69.99	$ 239,738	174.01

The net funded ratio increased 1.94 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits. The trend information was obtained from the Association's independent actuary's annual valuation report.

Additional information as of the latest valuation follows:

- Most Recent Actuarial Valuation Date: July 1, 2011
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: evel percent of pay, open, assuming five-percent payroll growth
- Amortization Period: 25-year open period
- Remaining Amortization Period at July 1, 2011 25 years
- Asset Valuation Method: 5-Year Smoothed Market

7. Funded Status and Funding Progress (Continued)

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: 8.50 percent pre-retirement and post-retirement
  - Inflation and projected salary increases: Based on a ten-year select and ultimate rate table with rates ranging from 5.00 to 6.90 percent, age and service based.
  - Cost-of-living adjustments: 1.00 percent at January 1, 2012 (actual); assumed 1.00 percent thereafter.
  - 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 four years for males and one year for females.
  - Post-disability mortality assumptions are based on the 1977 Railroad Retirement Board Mortality Table for Disabled Lives.

8. Narrative Description of Actuarial Measurement Process

The actuarial measurement process takes many assumptions, such as estimates, probabilities, and techniques, into account. Our Actuary, Gabriel Roeder Smith & Company, developed its actuarial assumptions in accordance with the Standards for Actuarial Work established by the Minnesota Legislative Commission on Pensions and Retirement.

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long-term experience.

9. Subsequent Event

In October 2011, the SPTRFA membership voted to modify the Association Bylaws to align bylaw-determined post-retirement increases for the Basic Plan members with the increases statutorily-changed in the 2011 Pension Omnibus bill for the Coordinated Plan members.

Therefore, beginning with the benefit increase provided on January 1, 2012, if the Accrued Liability Funding Ratio, based on the Actuarial Value of Assets, as determined by the most recent actuarial valuation is:

Less than 80 percent: The increase is 1.00 percent
At least 80 percent, but less than 90 percent: The increase is 2.00 percent
If at least 90 percent, then the subdivisions for the 1 percent and 2 percent provisions above will expire and any future increase will be paid as follows:

Benefit increases will be equal to the Consumer Price Index urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual increase to recipients of federal old age, survivors, and disability insurance through the Social Security Administration.

The increase is determined by dividing the most recent average of third quarter monthly index values by the same average third quarter index value from the previous year, subtracting the quantity one from the resulting quotient, and expressing the result as a percentage amount, which must be rounded to the nearest one-tenth of one percent. The final amount may not be a negative number and may not exceed 5.0 percent. Partial increases are granted for new retirees in the calendar year immediately preceding the increase on the basis of whole calendar quarters that the benefit recipient has been in pay status, calculated to the third decimal place.

The effect of these changes on future benefit obligations is included in the 2011 actuarial report.

EXHIBIT A-1 & A-2

Exhibit A-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)
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
2008	1,075,951	1,432,040	356,089	75.13	235,993	150.89
2009	1,049,954	1,454,314	404,360	72.20	243,166	166.29
2010	1,001,444	1,471,630	470,186	68.05	239,996	195.91
2011	972,718	1,389,875	417,157	69.99	239,738	174.01

(Unaudited)

Exhibit A-2

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES
(In thousands of dollars)

Fiscal Year	Annual Required Contributions (a)	Employer Contributions (b)	Employer Percentage Contributed (%) (b/a)	State Contributions (c)	State Percentage Contributed (%) (c/a)
2006	$ 40,373	$ 20,615	51.06	$ 3,400	8.42
2007	43,924	20,466	46.59	3,651	8.31
2008	41,580	20,775	49.96	3,509	8.44
2009	29,007	21,501	74.12	3,343	11.52
2010	30,328	21,018	69.30	4,108	13.55
2011	33,819	21,013	62.13	4,077	12.06

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)

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, 2011.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year, open, and assuming five-percent payroll growth to pay the unfunded actuarial accrued liability.
- The amortization period is a 25-year open period.
- The remaining amortization period at July 1, 2011, is 25 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 8.50 percent pre-retirement and post-retirement.
    - Inflation and projected salary increases are based on a ten-year select and ultimate rate table with rates ranging from 5.00 to 6.90 percent, age and service based.
    - Post-retirement cost-of-living adjustments are 1.00 percent at January 1, 2012 (actual); assumed 1.00 percent thereafter.
    - 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 four years for males and one year for females.
    - Post-disability mortality assumptions are based on the 1977 Railroad Retirement Board Mortality Table for Disabled Lives.

Significant Plan Provision and Actuarial Methods and Assumption Changes

2006

Post-retirement benefit increases were capped, such that the combination of the guaranteed 2.00 percent and excess rate of return factors cannot exceed 5.00 percent, effective July 1, 2010. The other change is the deferred augmentation rate for post-June 30, 2006, hires, which is 2.50 percent for all years.

2007

Post-retirement benefits were changed in the 2007 Legislative Session. The old increase formula provided a guaranteed 2.00 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 8.50 percent, the difference was added to the 2.00 percent guaranteed increase.

Under a two-year pilot program, commencing with increases for calendar 2008, the SPTRFA will instead pay a retirement benefit cost-of-living adjustment (COLA) similar to that of the U.S. Social Security Administration up to an initial maximum of 2.50 percent. The maximum increases to 5.00 percent if the investment returns of the fund exceed 8.50 percent on both a one- and five-year basis. The full COLA amount will be equal to current year average third quarter CPI-w 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. 3(d), was repealed.

2008

The period of amortization of the unfunded actuarial accrued liability was revised in the 2008 Legislative Session. Previously, the unfunded actuarial accrued liability was required to be amortized by a fixed amortization target date (June 30, 2021). The amortization of the unfunded actuarial accrued liability is now a fixed amortization target period of 25 years.

2009

Under a two-year pilot program, commencing with increases for calendar 2010, the SPTRFA will pay a retirement benefit COLA similar to that of the U.S. Social Security Administration up to a maximum of 5.00 percent. The full COLA amount will be equal to current year average third quarter CPI-w 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.

Significant Plan Provision and Actuarial Methods and Assumption Changes (Continued)

2010

A one-year COLA suspension, for January 1, 2011, was passed in the 2010 Legislative Session. Statutory employer and employee contributions will increase by one-quarter of one percent increments over four years, with the first increase scheduled on July 1, 2011.

2011

Effective July 1, 2011, for the next COLA payable January 1, 2012, the 2011 Omnibus Pension Bill modified statutes to provide a transitional change to the COLA. If the Accrued Liability Funding Ratio based on the Actuarial Value of Assets, as determined by the most recent actuarial valuation is:

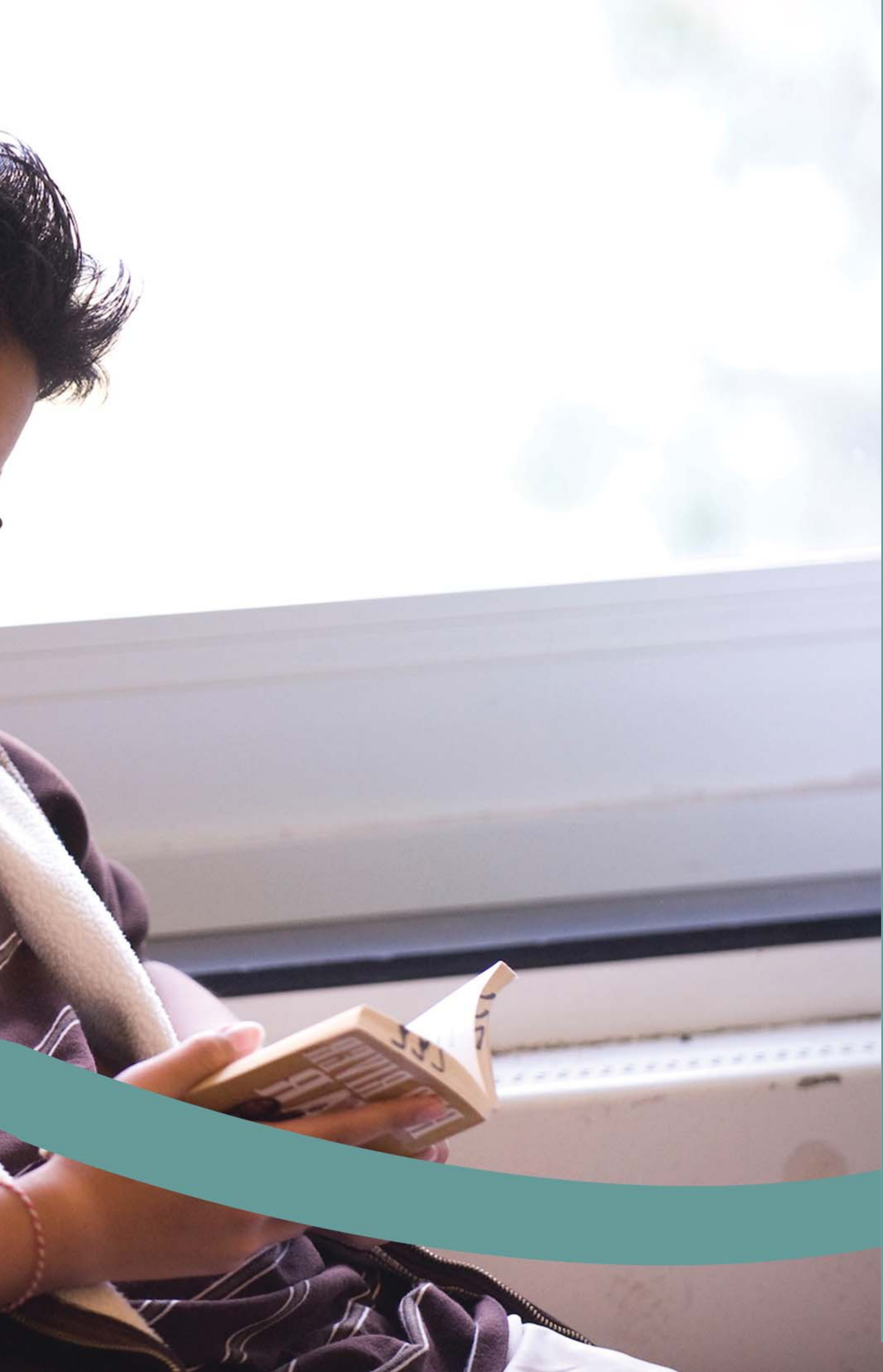
- Less than 80 percent, the COLA: 1.00 percent

- At least 80 percent, but less than 90 percent: 2.00 percent

- If at least 90 percent, then the subdivisions for the 1 percent and 2 percent provisions above will expire and COLAs will be paid as follows:

  Increases will be equal to the Consumer Price Index urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual COLA to recipients of federal old age, survivors, and disability insurance. The final amount may not be a negative number and may not exceed 5.0 percent.

Interest credited to member contribution accounts was reduced from 6.00% to 4.00%.
Augmentation of deferred retirement benefits was changed prospectively, starting July 1, 2012, to a rate of 2.0%.



3 Actuarial

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December 2, 2011

Mr. Paul V. Doane
Executive Director
St. Paul Teachers' Retirement Fund Association
1619 Dayton Avenue, Room 309
St. Paul, MN 55104-6206

Dear Mr. Doane:

We are pleased to present the report of the actuarial valuation of the St. Paul Teachers' Retirement Fund Association ("Fund") as of July 1, 2011. This report provides among other things, the required annual contribution rate of the Fund for the Plan Year commencing July 1, 2011, and ending on June 30, 2012.

The valuation was based upon information furnished by the Fund staff, concerning Retirement Fund benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. Their efforts in furnishing the materials needed are gratefully acknowledged. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Fund.

The report has been prepared at the request of the Fund's Board of Trustees in accordance with Section 356.215 of the Minnesota Statutes as well as the Standards for Actuarial Work established by the State of Minnesota Legislative Commission on Pensions and Retirement. To the best of our knowledge, this report is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practice. This report is intended for use by the Fund and those determined or approved by the Fund's Board of Trustees. This report may be provided to parties other than the Fund only in its entirety and only with the permission of the Board.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose described in the primary communication.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. The signing actuaries are independent of the plan sponsor.

We will be pleased to review this report with you at your convenience.

Respectfully submitted,

Judith A. Kermans, EA, MAAA, FCA   Mark Buis, FSA, EA, MAAA   Dana Woolfrey, ASA, EA, MAAA

JAK/MB/DW:lr

SUMMARY OF VALUATION RESULTS
(dollars in thousands)

	July 1, 2010 Valuation	July 1, 2011 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)		
1. Statutory Contributions - Chapter 354A	15.60%	16.10%
2. Required Contributions - Chapter 356	19.84%	18.37%
3. Sufficiency / (Deficiency)	(4.24%)	(2.27%)
B. FUNDING RATIOS		
1. Accrued Liability Funding Ratio		
a Current Assets (Table 1)	$ 1,001,444	$ 972,718
b. Actuarial Accrued Liability (Table 9)	1,471,630	1,389,875
c. Funding Ratio	68.05%	69.99%
2. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	$ 1,579,825	$ 1,543,568
b. Current and Expected Future Benefit Obligations	1,684,504	1,581,075
c. Funding Ratio	93.79%	97.63%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	3,749	3,469
b. Projected Annual Earnings	$ 250,225	$ 239,501
c. Average Annual Earnings (Projected dollars)	$ 64,714	$ 66,937
d. Average Age	45.5	45.5
e. Average Service	12.3	12.4
f. Additional Members on Leave of Absence	88	109
2. Others		
a. Service Retirements (Table 4)	2,721	2,864
b. Disability Retirements (Table 5)	23	29
c. Survivors (Table 6)	300	319
d. Deferred Retirements (Table 7)	1,863	1,880
e. Terminated Other Non-Vested (Table 7)	1,419	1,698
f. Total - Others	6,326	6,790
3. Grand Total (1.a + 1.f + 2.f)	10,163	10,368

TABLE 1
ACCOUNTING BALANCE SHEET
AS OF JUNE 30, 2011
(dollars in thousands)

		Market Value	Cost Value
A. ASSETS			
1. Cash, Equivalents, Short-Term Securities		$ 11,558	$ 11,558
2. Investments			
a. Fixed Income		160,270	117,919
b. Equity		681,854	462,609
c. Real Estate		83,565	80,748
d. Alternative		10,959	9,353
3. Other Assets*		3,458	3,458
B. TOTAL ASSETS		$ 951,664	$ 685,645
C. AMOUNTS CURRENTLY PAYABLE		$ 1,543	$ 1,542
D. ASSETS AVAILABLE FOR BENEFITS			
1. Member Reserves		$ 142,548	$ 142,548
2. Employer Reserves		807,573	541,555
3. Total Assets Available for Benefits		$ 950,121	$ 684,103
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS		$ 951,664	$ 685,645
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS			
1. Market Value of Assets Available for Benefits (D.3)		$ 950,121	
2. Unrecognized Asset Returns			
a. June 30, 2011	$ 128,185		
b. June 30, 2010	36,792		
c. June 30, 2009	(280,135)		
d. June 30, 2008	(175,830)		
3. UAR Adjustment: .80 * 2(a) + .60 * 2(b) + .40 * 2(c) + .20 * 2(d)		(22,597)	
4. Actuarial Value of Assets (F.1 - F.3)		$ 972,718	

* DERIVATION OF OTHER ASSETS	Market Value
Accounts Receivable	
Employer Contribution	$ 1,744
Employee Contribution	100
Service Purchases Receivable	52
Pensions Receivable	17
State Contributions	-
Real Estate Income Receivable	39
Commission Recapture Receivable	2
Interest Receivable	1
Dividend Receivable	192
Misc. Receivable	1
Security Purchases Receivable	-
Sale of Securities	1,290
Total Accounts Receivable	$ 3,438
Fixed Assets	20
Total Other Assets	$ 3,458

TABLE 2
CHANGE(S) IN ASSETS AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2011
(dollars in thousands)

		Market Value	Cost Value
A.	ASSETS AVAILABLE AT BEGINNING OF PERIOD	$ 815,307	$ 702,443
B.	OPERATING REVENUES		
	1. Member Contributions	$ 13,745	$ 13,745
	2. Employer Contributions	21,013	21,013
	3. Supplemental Contributions	4,077	4,077
	4. Investment Income	7,690	7,690
	5. Investment Expenses	(4,447)	(4,447)
	6. Net Realized Gain / (Loss)	38,533	38,533
	7. Other	-	-
	8. Net Change in Unrealized Gain / (Loss)	153,155	-
	9. Total Operating Revenue	$ 233,766	$ 80,612
C.	OPERATING EXPENSES		
	1. Service Retirements	$ 87,997	$ 87,997
	2. Disability Benefits	731	731
	3. Survivor Benefits	8,559	8,559
	4. Refunds	943	943
	5. Administrative Expenses	722	722
	6. Total operating Expenses	$ 98,952	$ 98,952
D.	OTHER CHANGES IN RESERVES	$ -	$ -
E.	ASSETS AVAILABLE AT END OF PERIOD	$ 950,121	$ 684,103
F.	DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET RETURN		
	1. Average Balance		
	(a) Assets available at BOY:		$ 815,307
	(b) Assets available at EOY:		950,121
	(c) Average balance {[(a) + (b) - Net Investment Income] / 2}		$ 785,249
	{Net investment income: B.4+B.5+B.6+B.7+B.8}		
	2. Expected Return: .085 * F.1		66,746
	3. Actual Return		194,931
	4. Current Year Gross Asset Return: F.3 - F.2		$ 128,185

TABLE 8
ACTUARIAL BALANCE SHEET
AS OF JULY 1, 2011
(dollars in thousands)

A.	CURRENT ASSETS (TABLE 1; Line F.4)	$	972,718
B.	EXPECTED FUTURE ASSETS		
	1. Present Value of Expected Future Statutory Supplemental Contributions*	$	379,650
	2. Present Value of Future Normal Costs		191,200
	3. Total Expected Future Assets	$	570,850
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS	$	1,543,568
D.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS	$	1,581,075
E.	CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (D - C)	$	37,508

* *Includes effect of scheduled employee and employer contribution increases of 1.0% each, in 0.25% increments starting July 1, 2011.*

TABLE 9
DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) AND SUPPLEMENTAL CONTRIBUTION RATE AS OF JULY 1, 2011
(dollars in thousands)

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members*			
a. Retirement Benefits	$ 548,146	$ 150,401	$ 397,745
b. Disability Benefits	6,658	2,727	3,931
c. Surviving Spouse and Child Benefits	8,864	3,312	5,552
d. Withdrawals	21,437	34,760	(13,323)
e. Total	$ 585,105	$ 191,200	$ 393,905
2. Deferred Retirements	54,475	-	$ 54,475
3. Former Members Without Vested Rights	2,490	-	2,490
4. Annuitants	939,005	-	939,005
5. Total	$ 1,581,075	$ 191,200	$ 1,389,875
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.5)			$ 1,389,875
2. Current Assets (Table 1; Line F.4)			$ 972,718
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			$ 417,157
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2036 (25-year rolling amortization)			3,975,095
2. Supplemental Contribution Rate (B.3 / C.1)			10.49%

**Includes members on leave of absence.*

TABLE 10
CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
AS OF JULY 1, 2011
(dollars in thousands)

A.	UAAL AT BEGINNING OF YEAR	$	470,185
B.	CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
	1. Normal Cost and Expenses	$	21,458
	2. Contributions		(38,835)
	3. Interest		40,108
	4. Total	$	22,731
C.	EXPECTED UAAL AT END OF YEAR (A + B.4)	$	492,916
D.	INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
	1. Age and Service Retirements	$	2,533
	2. Disability Retirements		304
	3. Death-in-Service Benefits		(785)
	4. Withdrawals		(2,460)
	5. Salary Increases		(10,866)
	6. Investment Income		51,177
	7. Mortality of Annuitants		(2,913)
	8. Other Items		4,139
	9. Total	$	41,129
E.	UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.9)	$	534,045
F.	CHANGE IN UAAL DUE TO PLAN AMENDMENTS [1]		(116,888)
G.	CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		-
H.	UAAL AT END OF YEAR (E + F + G)	$	417,157

[1] *Assumed cost-of-living adjustment is 1.0% beginning January 1, 2012. Deferred retirement augmentation rates set to 2.0% beginning July 1, 2012. Interest credited on member contributions reduced to 4.00%.*

TABLE 11
DETERMINATION OF CONTRIBUTION SUFFICIENCY
AS OF JULY 1, 2011
(dollars in thousands)

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	5.78%	$ 13,838
2. Employer Contributions	8.63%	$ 20,661
3. Supplemental Contribution		
a. 1996 Legislation	0.51%	1,230
b. 1997 Legislation	1.18%	2,827
4. Total	16.10%	$ 38,556
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	5.97%	$ 14,291
b. Disability Benefits	0.11%	$ 261
c. Surviving Spouse and Child Benefits	0.13%	$ 313
d. Withdrawals	1.38%	$ 3,300
e. Total	7.59%	$ 18,165
2. Supplemental Contribution Amortization	10.49%	25,124
3. Allowance for Administrative Expenses	0.29%	694
4. Total	18.37%	$ 43,983
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.4 - B.4)	(2.27%)	(5,427)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		$ 239,501

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

I. ACTUARIAL COST METHOD

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The Actuarial Cost Method used in this valuation for all purposes is the Entry Age Actuarial Cost Method. Under this Method, a Normal Cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant (as a level percentage of pay) over the total working lifetime of that participant, from hire to termination. Years of Service for valuation purposes was provided by the Retirement Fund. Age as of the valuation date was calculated based on the dates of birth provided by the Retirement Fund. Entry Age for valuation purposes was calculated as the age on the valuation date minus the years of service on the valuation date.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued liability ("UAAL") develops. The UAAL is amortized over the statutory amortization period using level percent of payroll assuming payroll increases of 5.00% per annum. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL.

II. CURRENT ACTUARIAL ASSUMPTIONS

The Cost-of-Living increase was changed from 2% to 1% per year effective with this valuation, in response to changes in COLA provisions that were included as part of the 2011 Omnibus Pension Bill. The remaining assumptions were last changed (if at all) in conjunction with an experience review completed in 2007 and adopted in 2008.

A. Demographic Assumptions

Mortality:

1. Healthy Pre-Retirement
   a. Male: 1983 Group Annuity Mortality Table for Males set back 7 years
   b. Female: 1983 Group Annuity Mortality Table for Females set back 5 years
2. Healthy Post-Retirement
   a. Male: 1983 Group Annuity Mortality Table for Males set back 4 years
   b. Female: 1983 Group Annuity Mortality Table for Females set back 1 year
3. Disabled Mortality
   a. Male: 1977 Railroad Retirement Board Mortality Table for Disabled Lives
   b. Female: 1977 Railroad Retirement Board Mortality Table for Disabled Lives

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

Deaths Expressed as the Number of Occurrences per 10,000:

	Pre-Retirement Mortality		Post-Retirement Mortality		Post-Disability Mortality	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	3	1	3	2	57	57
21	3	1	3	2	60	60
22	3	2	4	2	63	63
23	3	2	4	2	66	66
24	3	2	4	2	69	69
25	4	2	4	2	72	72
26	4	2	4	3	75	75
27	4	2	4	3	79	79
28	4	2	4	3	82	82
29	4	2	5	3	87	87
30	4	3	5	3	91	91
31	4	3	5	3	95	95
32	5	3	5	4	99	99
33	5	3	6	4	103	103
34	5	3	6	4	107	107
35	5	3	6	4	273	273
36	6	4	7	5	273	273
37	6	4	7	5	273	273
38	6	4	8	5	273	273
39	7	4	9	6	273	273
40	7	5	9	6	273	273
41	8	5	10	7	273	273
42	9	5	10	7	273	273
43	9	6	11	8	274	274
44	10	6	12	8	274	274

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

Deaths Expressed as the Number of Occurrences per 10,000:

	Pre-Retirement Mortality		Post-Retirement Mortality		Post-Disability Mortality	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
45	10	7	14	9	274	274
46	11	7	15	10	275	275
47	12	8	17	11	276	276
48	14	8	19	12	279	279
49	15	9	22	14	283	283
50	17	10	25	15	289	289
51	19	11	28	16	297	297
52	22	12	31	18	310	310
53	25	14	35	19	327	327
54	28	15	39	21	348	348
55	31	16	43	23	371	371
56	35	18	48	25	395	395
57	39	19	52	28	417	417
58	43	21	57	31	437	437
59	48	23	61	34	455	455
60	52	25	66	38	473	473
61	57	28	71	42	494	494
62	61	31	77	47	516	516
63	66	34	84	52	541	541
64	71	38	92	58	569	569
65	77	42	101	64	598	598
66	84	47	111	71	628	628
67	92	52	124	78	658	658
68	101	58	139	87	687	687
69	111	64	156	97	716	716

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

Rates of Disability:

Disability Expressed as the Number of Occurrences per 10,000:

Age	Disability	Age	Disability
20	1	45	4
21	1	46	4
22	1	47	4
23	1	48	4
24	1	49	4
25	1	50	7
26	1	51	7
27	1	52	7
28	1	53	7
29	1	54	7
30	2	55	14
31	2	56	14
32	2	57	14
33	2	58	14
34	2	59	14
35	2	60	29
36	2	61	29
37	2	62	29
38	2	63	29
39	2	64	29
40	2		
41	2		
42	2		
43	2		
44	2		

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

Rates of Termination:

Years of Service	Number of Terminations per 1,000 Active Members: Male	Female
0	400	400
1	180	160
2	110	100
3	90	70
4	44	62
5	41	55
6	38	48
7	35	41
8	32	30
9	29	28
10	26	26
11& Over	16	10

Rates of Retirement:

Retirements Expressed as the Number of Occurrences per 10,000:

Age	Basic Members Eligible for Rule of 90 Provision	Basic Members Not Eligible for Rule of 90 Provision	Coordinated Members Eligible for Rule of 90 Provision	Coordinated Members Not Eligible for Rule of 90 Provision
<55	5,000	0	5,000	0
55	5,000	800	5,000	500
56	5,000	1,300	5,000	500
57	4,000	1,300	4,000	500
58	4,000	1,800	4,000	700
59	3,500	1,800	4,000	700
60	3,500	2,000	4,000	700
61	3,500	2,000	4,500	1,000
62	3,500	4,000	4,500	2,000
63	3,500	4,000	3,000	2,000
64	4,000	4,000	3,000	2,000
65	5,000	5,000	5,000	3,500
66	3,000	5,000	3,000	3,000
67	3,000	5,000	3,000	3,000
68	3,000	5,000	3,000	3,000
69	3,000	5,000	3,000	3,000
70 & Over	10,000	10,000	10,000	10,000

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

B. *Economic Assumptions*

Investment Return Rate: Pre-retirement - 8.50% per annum
Post-retirement - 8.50% per annum

Cost of Living Increases: 1.00% per annum

Future Salary Increases: In addition to the age-based rates shown below, during the first ten years of employment, a service-based component of 0.30% x (10-T), where T is completed years of service, is included in the salary increase used.

Annual Salary Increases

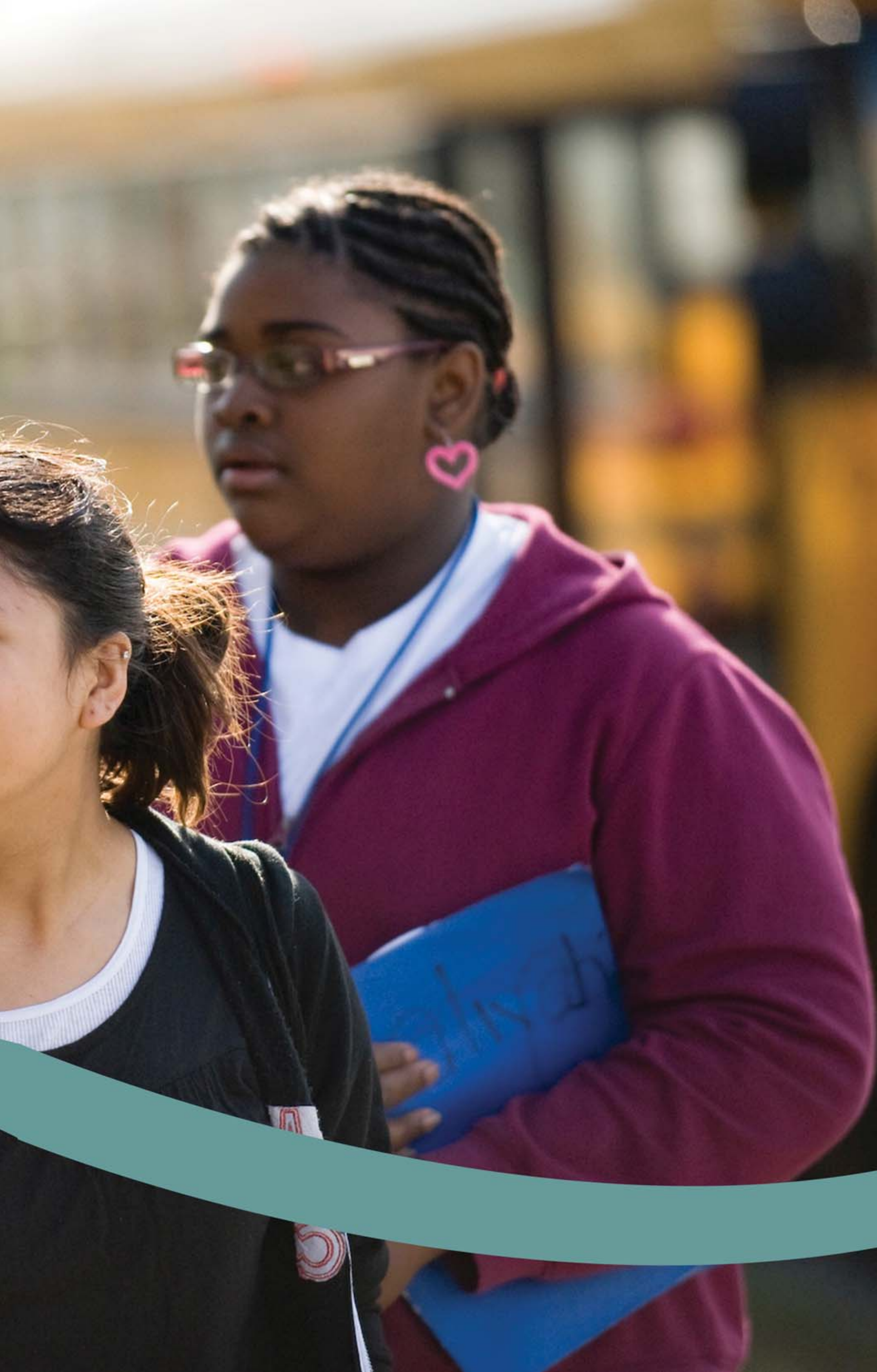
Age	Ultimate Rate of Annual Salary Increases	Age	Ultimate Rate of Annual Salary Increases
<22	6.90%	45	5.75%
23	6.85	46	5.70
24	6.80	47	5.65
		48	5.60
25	6.75	49	5.55
26	6.70		
27	6.65	50	5.50
28	6.60	51	5.45
29	6.55	52	5.40
		53	5.35
30	6.50	54	5.30
31	6.45		
32	6.40	55	5.25
33	6.35	56	5.20
34	6.30	57	5.15
		58	5.10
35	6.25	59	5.05
36	6.20		
37	6.15	60 & Over	5.00
38	6.10		
39	6.05		
40	6.00		
41	5.95		
42	5.90		
43	5.85		
44	5.80		

Asset Value: The actuarial value of assets is smoothed by using a five-year average market value.

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2011

C. Other Assumptions

Marital Status:	It is assumed that 85% of male members and 60% of female members have an eligible spouse. The male spouse is assumed four years older than the female spouse. Married members are assumed to have two dependent children.
Deferred Benefit Commencement:	Basic Plan members who terminate vested are assumed to commence benefits at age 60. Coordinated Plan members are assumed to commence benefits at age 63. If the member is already past the assumed deferral age, the member is assumed to commence benefits one year from the valuation date.
Administrative Expenses:	Prior year administrative expenses (excluding investment expenses) expressed as a percentage of prior year payroll.
Allowance for Combined Service Annuity:	7.00% load on liabilities for active members and 30.00% load on liabilities for former members.
Missing Salary and Salary Minimums:	Active members with reported salaries of $100 or less were assumed to have the average non-zero active salary. Deferred vested members without salary information were valued using accumulated contributions. For members on leave of absence at valuation date who were not on leave at the prior valuation date, the prior year's valuation pay was used. Active members with salaries less than those reported at the prior valuation date are valued using their prior salary amount.
Supplemental Contributions:	According to 1996 legislation, the St. Paul School District and the State of Minnesota are scheduled to make a combined annual supplemental contribution of $1,230,000. According to 1997 legislation, annual supplemental contributions of $2,827,000 are scheduled to be paid on October 1.
Decrement Timing:	Retirement and Termination: end of valuation year - consistent with retirements and terminations occurring at the end of the school year. Death and Disability: middle of valuation year.



4 Investments

Investment Returns for Fiscal Year End June 30, 2011

	2011	
	Assets Under Management (Market Value)	Fiscal Year Investment Performance①
Domestic Equity		
BlackRock Institutional Trust Co. - S & P 500 Index	161,463,897	30.85%
BlackRock Institutional Trust Co. - Russell 1000 Growth Index	42,158,332	35.14%
Barrow, Hanley, Mewhinney & Strauss, Inc.	42,686,898	34.40%
The Boston Company Asset Management	39,767,314	42.94%
Dimensional Fund Advisors, Inc.	40,845,236	40.71%
Fifth Third Asset Management	40,653,331	32.25%
Wellington Management Company, LLP	41,873,380	44.54%
	$ 409,448,389	**35.35%**
International Equity		
Capital International, Inc. - Emerging Market (Net)	39,097,390	24.29%
JP Morgan Asset Management - EAFE	97,378,613	31.72%
Morgan Stanley Asset Management	96,353,895	29.33%
	$ 232,829,898	**29.44%**
Global Equity		
Lazard Thematic Global Equity	**$ 39,562,758**	**24.74%**
Fixed Income		
BlackRock Institutional Trust Co. - Government/Corp Index	76,417,674	3.80%
BlackRock Institutional Trust Co. - US Debt Index	76,071,021	4.03%
	$ 152,488,695	**3.94%**
Real Estate		
Advantus	16,303,444	35.37%
UBS Realty Advisors LLC - Trumbull Property Fund	67,386,171	16.75%
	$ 83,689,615	**20.33%**
Alternative		
RWI Ventures I	1,311,987	68.35%
RWI Ventures II	6,130,907	-8.38%
North Sky	5,086,696	14.72%
Force Ten Networks②	2,634,507	
Blue Arc②	15,709	
	$ 15,179,806	**5.14%**
Overlay		
Clifton Group	**$ 5,583,586**	**23.01%**
Cash		
In-House Cash & Cash Equivalents	846,849	0.16%
Cash - US Bank	11,883,597	0.16%
	$ 18,314,032	**0.09%**
Total Fund	**$ 951,513,194**	**25.01%**
Total Fund Benchmark		**24.86%**

① Individual returns are net of management fees. Total returns are gross of management fees.
② Direct equity investment- not a publicaly traded security: Market = Cost

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Alternatives					
North Sky - PEP IV Fund		$ 3,469,360	$ 4,956,695		$ 2,879,273
RWI Group - Ventures I Capital Ltd Ptnr	-	1,279,362	761,880		$ 761,880
RWI Group - Ventures II Capital Ltd Ptnr	-	4,604,451	5,240,708		5,240,708
Blue Arc		15,709	15,709		15,709
Force10 Networks - Series F Prfd Restricted	10,996	2,634,507	2,634,507	-	2,634,507
Subtotal - Alternatives & Venture Private Equity	10,996	$ 12,003,389	$ 13,609,499	$ -	$ 11,532,078
Cash or Equivalents					
Imprest Cash	-	$ 500	$ 500	-	$ 500
U.S. Bank Interest Bearing Checking Acct	-	11,612,257	11,612,257	-	11,612,257
Custodian Short Term Investment Pool	7,781,488	7,781,488	7,781,488	153	7,781,641
Subtotal - Cash or Equivalents	7,781,488	$ 19,394,245	$ 19,394,245	$ 153	$ 19,394,398
Domestic Equity Securities					
Abercrombie & Fitch Co	9,660	$ 369,136	$ 646,447	$ -	$ 646,447
Advance Auto Parts Inc	8,500	548,515	497,165	510	497,675
Agilent Technologies Inc	26,200	665,776	737,762	-	737,762
Agrium Inc	7,800	572,054	684,528	440	684,968
Akamai Technologies Inc	14,500	529,536	456,315	-	456,315
Align Technology Inc	15,970	264,874	364,116	-	364,116
Alliance Data Systems Corp	15,360	989,791	1,444,915	-	1,444,915
Allscripts Healthcare Solution	29,100	544,970	565,122	-	565,122
Allstate Corp/The	31,600	1,296,608	964,748	6,741	971,489
Alpha Natural Resources Inc	21,860	1,151,925	993,318	-	993,318
Altera Corp	26,300	729,871	1,219,005	-	1,219,005
Altria Group Inc	45,200	754,330	1,193,732	17,176	1,210,908
American Axle & Manufacturing	15,480	153,239	176,162	-	176,162
American Express Co	34,000	1,596,076	1,757,800	6,120	1,763,920
Ameriprise Financial Inc	30,200	1,145,303	1,741,936	-	1,741,936
Analog Devices Inc	15,900	473,691	622,326	-	622,326
Anixter International Inc	7,000	402,524	457,380	-	457,380
Apache Corp	5,000	576,197	616,950	-	616,950
Apple Inc	3,750	434,187	1,258,763	-	1,258,763
Aptargroup Inc	11,000	575,985	575,740	-	575,740
Arrow Electronics Inc	21,100	722,896	875,650	-	875,650
Assured Guaranty Ltd Shs	61,100	1,026,898	996,541	-	996,541
AT&T Inc	24,500	882,632	769,545	-	769,545
Atwood Oceanics Inc	11,800	378,982	520,734	-	520,734
Ball Corp	8,800	342,097	338,448	-	338,448
Bank Of America Corp	71,828	1,384,954	787,235	-	787,235
Baxter International Inc	28,600	1,308,413	1,707,134	8,866	1,716,000
Belden Inc	21,600	688,370	752,976	885	753,861
Belo Corp	43,140	282,522	324,844	-	324,844
Boeing Co/The	7,000	544,083	517,510	-	517,510

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Borgwarner Inc	6,000	256,976	484,740	-	484,740
BP Plc	14,800	727,819	655,492	-	655,492
Brocade Communications Systems	43,780	275,613	282,819	-	282,819
Buckle Inc/The	22,800	806,123	973,560	-	973,560
Cabot Oil & Gas Corp	4,430	155,311	293,753	-	293,753
Cameron International Corp	14,100	619,018	709,089	-	709,089
Capital One Financial Corp	15,300	1,098,293	790,551	-	790,551
Carnival Corp	20,000	619,714	752,600	-	752,600
Caterpillar Inc	4,500	302,491	479,070	-	479,070
CB Richard Ellis Group Inc	12,090	130,896	303,580	-	303,580
Celanese Corp	20,600	643,943	1,098,186	-	1,098,186
CH Robinson Worldwide Inc	8,000	427,249	630,720	2,465	633,185
Chevron Corp	6,600	307,145	678,744	-	678,744
Childrens Place Retail Stores	6,700	302,820	298,083	-	298,083
Cigna Corp	7,590	315,030	390,354	-	390,354
Citigroup Inc	19,610	809,975	816,560	-	816,560
Cliffs Natural Resources Inc	13,300	809,735	1,229,585	-	1,229,585
Coach Inc	5,300	272,886	338,829	1,193	340,022
Coca-Cola Co/The	11,750	674,744	790,658	5,405	796,063
Cognizant Technology Solutions	8,000	409,294	586,720	-	586,720
Coinstar Inc	11,600	533,367	632,664	-	632,664
Commercial Vehicle Group Inc	14,130	111,259	200,505	-	200,505
Conocophillips	18,900	626,312	1,421,091	-	1,421,091
Cooper Industries Plc	6,400	333,072	381,888	1,943	383,831
Cott Corp	29,800	226,809	250,618	-	250,618
Cracker Barrel Old Country Sto	12,000	521,543	591,720	-	591,720
Crown Holdings Inc	10,840	326,057	420,809	-	420,809
CSG Systems International Inc	20,410	414,426	377,177	-	377,177
Cummins Inc	9,500	706,587	983,155	-	983,155
Cypress Semiconductor Corp	16,610	204,482	351,135	1,495	352,630
Cytec Industries Inc	1,250	70,382	71,488	-	71,488
Dealertrack Holdings Inc	27,800	554,065	638,010	-	638,010
Deckers Outdoor Corp	1,500	127,579	132,210	-	132,210
Diageo PLC	15,000	946,005	1,228,050	-	1,228,050
Discover Financial Services	38,000	505,840	1,016,500	-	1,016,500
Dollar Financial Corp	39,035	797,510	845,108	-	845,108
Dover Corp	12,300	662,286	833,940	-	833,940
DR Horton Inc	34,020	383,810	391,910	-	391,910
E*Trade Financial Corp	45,420	736,274	626,796	-	626,796
Ecolab Inc	10,000	546,013	563,800	1,575	565,375
EI Du Pont De Nemours & Co	3,300	137,652	178,365	-	178,365
Electronic Arts Inc	22,190	398,191	523,684	-	523,684
Emergent Biosolutions Inc	16,730	226,754	377,262	-	377,262
Emerson Electric Co	17,600	536,432	990,000	-	990,000
Employers Holdings Inc	10,640	208,339	178,433	-	178,433
Entergy Corp	8,700	343,449	594,036	-	594,036
Equifax Inc	13,270	500,816	460,734	-	460,734

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Express Inc	29,650	587,694	646,370	-	646,370
Exxon Mobil Corp	16,000	1,333,508	1,302,080	-	1,302,080
F5 Networks Inc	3,400	369,433	374,850	-	374,850
Fastenal Co	23,000	545,416	827,770	-	827,770
Finisar Corp	18,000	468,882	324,540	-	324,540
Fiserv Inc	12,000	752,837	751,560	-	751,560
Flowserve Corp	8,000	762,186	879,120	2,560	881,680
Forest Oil Corp	12,160	408,490	324,794	-	324,794
Fossil Inc	2,700	263,204	317,844	-	317,844
Frontier Communications Corp	122,210	973,951	986,235	-	986,235
Gardner Denver Inc	5,000	281,017	420,250	-	420,250
Geoeye Inc	19,640	762,411	734,536	-	734,536
Global Payments Inc	15,100	640,473	770,100	-	770,100
Grand Canyon Education Inc	32,200	564,581	456,596	-	456,596
Granite Construction Inc	11,920	292,805	292,398	1,550	293,947
Great Plains Energy Inc	37,020	582,223	767,425	-	767,425
Green Mountain Coffee Roasters	600	42,600	53,556	-	53,556
Group 1 Automotive Inc	23,910	850,848	984,614	-	984,614
Guess? Inc	31,960	1,312,294	1,344,238	-	1,344,238
Gulfport Energy Corp	16,790	519,322	498,495	-	498,495
Hartford Financial Services Gr	20,500	426,928	540,585	3,030	543,615
Herbalife Ltd Usd Com Shs	6,900	121,344	397,716	-	397,716
Herman Miller Inc	30,280	594,822	824,222	675	824,897
Hewlett-Packard Co	21,900	732,774	797,160	2,628	799,788
Hill-Rom Holdings Inc	13,000	518,856	598,520	-	598,520
Honeywell International Inc	18,900	620,296	1,126,251	-	1,126,251
Hubbell Inc	10,610	656,474	689,120	4,032	693,151
Humana Inc	9,600	408,080	773,184	2,450	775,634
Huntington Bancshares Inc/Oh	26,370	124,424	172,987	264	173,251
Idex Corp	16,000	514,971	733,600	-	733,600
Igate Corp	31,700	564,201	517,344	-	517,344
Illinois Tool Works Inc	20,900	846,609	1,180,641	7,106	1,187,747
Innospec Inc	6,380	207,643	214,432	-	214,432
Intel Corp	42,000	669,100	930,720	-	930,720
International Business Machine	9,200	1,196,440	1,578,260	-	1,578,260
ITT Educational Services Inc	21,100	1,607,491	1,650,864	-	1,650,864
JDA Software Group Inc	17,700	479,470	546,753	-	546,753
JDS Uniphase Corp	38,800	689,838	646,408	-	646,408
Johnson & Johnson	13,000	806,512	864,760	-	864,760
Johnson Controls Inc	16,000	468,279	666,560	2,560	669,120
Jones Lang Lasalle Inc	15,230	1,247,283	1,436,189	-	1,436,189
Joy Global Inc	14,800	1,080,802	1,409,552	-	1,409,552
JP Morgan Chase & Co	16,000	674,300	655,040	-	655,040
Kroger Co/The	39,070	886,571	968,936	-	968,936
L-3 Communications Holdings In	10,500	821,861	918,225	-	918,225
Landstar System Inc	17,850	808,752	829,668	-	829,668
Lender Processing Services Inc	10,900	322,706	227,919	-	227,919

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Lennox International Inc	11,390	433,558	490,567	2,050	492,618
Lincoln National Corp	6,580	192,391	187,464	-	187,464
Liz Claiborne Inc	91,110	613,291	487,439	-	487,439
LPL Investment Holdings Inc	7,900	274,909	270,259	-	270,259
Ltd Brands Inc	11,000	347,319	422,950	13,000	435,950
Mantech International Corp	6,500	273,518	288,730	-	288,730
Marathon Oil Corp	26,400	819,500	1,390,752	-	1,390,752
Masco Corp	41,900	443,043	504,057	-	504,057
Maxim Integrated Products Inc	16,000	391,156	408,960	-	408,960
McDonald'S Corp	11,000	465,965	927,520	-	927,520
Mead Johnson Nutrition Co	11,000	607,313	743,050	2,860	745,910
Medtronic Inc	27,600	915,061	1,063,428	-	1,063,428
Meritage Homes Corp	18,040	308,589	406,982	-	406,982
Meritor Inc	48,380	736,550	776,015	-	776,015
Mettler-Toledo International I	3,750	359,531	632,513	-	632,513
Micros Systems Inc	8,400	397,496	417,564	-	417,564
Microsemi Corp	6,490	97,747	133,045	-	133,045
Microsoft Corp	41,400	781,390	1,076,400	-	1,076,400
Mohawk Industries Inc	16,650	826,228	998,834	-	998,834
Mylan Inc/PA	38,700	756,516	954,729	-	954,729
Navistar International Corp	12,400	749,803	700,104	-	700,104
Netapp Inc	11,900	429,038	628,082	-	628,082
Newell Rubbermaid Inc	35,690	578,815	563,188	-	563,188
Nordstrom Inc	12,500	349,184	586,750	-	586,750
Nuance Communications Inc	24,100	396,738	517,427	-	517,427
Occidental Petroleum Corp	21,000	754,990	2,184,840	9,660	2,194,500
Och-Ziff Capital Management Gr	20,740	252,551	287,664	-	287,664
Oclaro Inc	15,100	208,843	101,472	-	101,472
Omnicom Group Inc	4,219	166,275	203,187	1,900	205,087
Onyx Pharmaceuticals Inc	5,890	150,349	207,917	-	207,917
Oracle Corp	26,000	459,744	855,660	-	855,660
Peabody Energy Corp	5,200	328,639	306,332	-	306,332
Perrigo Co	8,000	605,766	702,960	-	702,960
Pfizer Inc	51,355	1,298,335	1,057,913	-	1,057,913
Philip Morris International In	19,000	474,977	1,268,630	12,160	1,280,790
Polycom Inc	9,000	530,748	578,700	-	578,700
Popular Inc	63,870	182,365	176,281	-	176,281
Portfolio Recovery Associates	6,340	336,311	537,569	-	537,569
Precision Castparts Corp	500	46,386	82,325	126	82,451
Priceline.Com Inc	1,550	640,230	793,492	-	793,492
Privatebancorp Inc	23,060	330,171	318,228	-	318,228
Procter & Gamble Co/The	10,000	592,431	635,700	-	635,700
Quest Software Inc	38,240	976,186	869,195	-	869,195
Questar Corp	11,530	200,182	204,196	-	204,196
Raytheon Co	24,000	1,123,231	1,196,400	-	1,196,400
Resolute Energy Corp	18,550	254,594	299,768	-	299,768
Robert Half International Inc	17,380	472,569	469,781	-	469,781

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Ross Stores Inc	1,400	109,815	112,168	-	112,168
Rovi Corp	3,550	101,772	203,628	-	203,628
Rue21 Inc	5,500	162,989	178,750	-	178,750
Saks Inc	71,710	451,025	801,001	-	801,001
Sanofi	22,400	791,437	899,808	-	899,808
Scansource Inc	14,160	324,164	530,717	-	530,717
Schlumberger Ltd	8,000	611,411	691,200	2,125	693,325
Scotts Miracle-Gro Co/The	8,000	440,575	410,480	-	410,480
Shaw Group Inc/The	17,720	605,788	535,321	-	535,321
Sherwin-Williams Co/The	9,510	760,565	797,604	-	797,604
Skyworks Solutions Inc	24,500	484,607	563,010	-	563,010
SLM Corp	69,500	1,508,500	1,168,295	-	1,168,295
Snap-On Inc	13,000	665,449	812,240	-	812,240
Spectra Energy Corp	11,700	200,556	320,697	-	320,697
SPX Corp	3,640	258,580	300,882	910	301,792
St Jude Medical Inc	31,400	1,336,188	1,497,152	6,594	1,503,746
Stanley Black & Decker Inc	20,240	952,823	1,458,292	-	1,458,292
Starwood Property Trust Inc	18,990	377,563	389,485	8,356	397,841
State Street Corp	18,700	827,832	843,183	3,366	846,549
Stericycle Inc	9,000	340,773	802,080	-	802,080
Sykes Enterprises Inc	18,280	282,896	393,568	-	393,568
Take-Two Interactive Software	25,210	292,108	385,209	-	385,209
TD Ameritrade Holding Corp	37,410	709,536	729,869	-	729,869
TE Connectivity Ltd	20,270	464,075	745,125	-	745,125
Techne Corp	7,000	472,413	583,590	-	583,590
Teradata Corp	14,000	526,134	842,800	-	842,800
Teradyne Inc	22,900	267,628	338,920	-	338,920
Texas Instruments Inc	28,800	715,733	945,504	-	945,504
Textron Inc	25,080	530,396	592,139	502	592,640
Timken Co	8,000	410,830	403,200	-	403,200
Toro Co/The	7,000	373,241	423,500	2,200	425,700
Tower International Inc	19,390	253,126	343,009	-	343,009
Travelers Cos Inc/The	20,400	839,221	1,190,952	-	1,190,952
Treehouse Foods Inc	9,000	528,644	491,490	-	491,490
Trinity Industries Inc	7,530	198,389	262,646	-	262,646
Trueblue Inc	39,040	602,992	565,299	-	565,299
Ulta Salon Cosmetics & Fragran	10,000	249,302	645,800	-	645,800
Ultra Petroleum Corp	15,200	687,790	696,160	-	696,160
Union Pacific Corp	6,000	433,905	626,400	2,850	629,250
United Therapeutics Corp	2,620	155,609	144,362	-	144,362
Unitedhealth Group Inc	48,300	1,957,776	2,491,314	-	2,491,314
Universal Health Services Inc	18,000	820,932	927,540	-	927,540
US Bancorp	29,000	726,296	739,790	3,625	743,415
Valspar Corp	18,000	474,696	649,080	3,240	652,320
Veeco Instruments Inc	2,900	114,526	140,389	-	140,389
Velti Ltd	30,010	494,186	507,469	-	507,469
Verizon Communications Inc	22,200	711,815	826,506	-	826,506

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

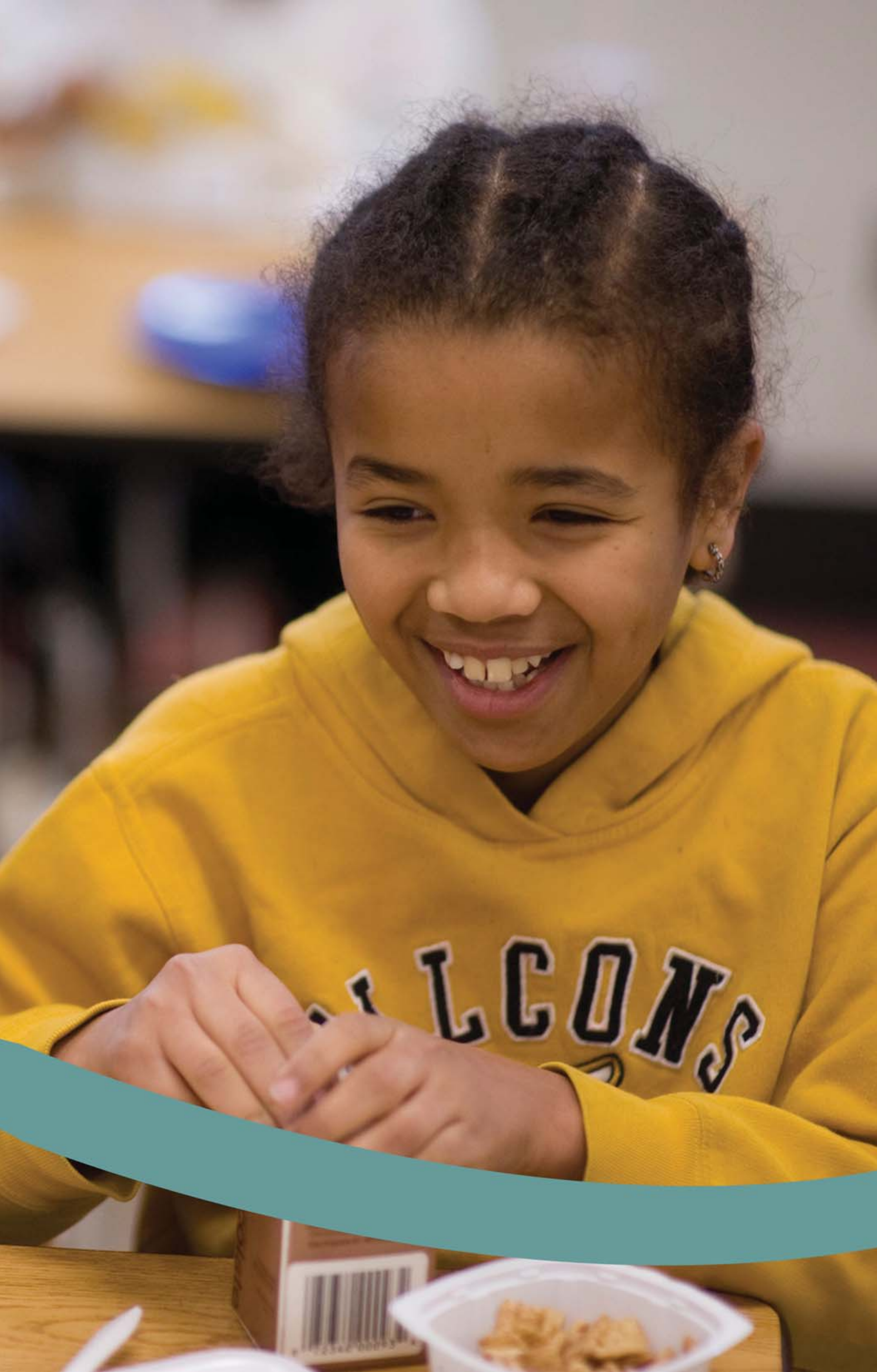
Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Vishay Intertechnology Inc	6,660	43,749	100,166	-	100,166
Vodafone Group PLC	30,300	848,555	809,616	29,692	839,308
Waddell & Reed Financial Inc	18,900	534,027	687,015	-	687,015
Walgreen Co	49,700	1,753,978	2,110,262	-	2,110,262
Wal-Mart Stores Inc	10,200	465,242	542,028	-	542,028
Walt Disney Co/The	15,000	490,403	585,600	-	585,600
Warner Chilcott Plc Class A	12,790	309,253	308,623	-	308,623
Waters Corp	8,700	554,006	832,938	-	832,938
Watts Water Technologies Inc	610	21,539	21,600	-	21,600
Wellpoint Inc	17,100	637,900	1,346,967	-	1,346,967
Wells Fargo & Co	39,800	1,067,694	1,116,788	-	1,116,788
Wesco International Inc	17,100	650,613	924,939	-	924,939
Western Union Co/The	41,400	745,210	829,242	-	829,242
Whiting Petroleum Corp	16,000	949,546	910,560	-	910,560
Williams-Sonoma Inc	5,740	209,424	209,453	-	209,453
Willis Group Holdings Public	20,070	787,753	825,078	5,218	830,296
Wisconsin Energy Corp	23,000	532,605	721,050	-	721,050
Wright Express Corp	17,830	767,957	928,408	-	928,408
Zimmer Holdings Inc	5,100	260,335	322,320	-	322,320
Zions Bancorporation	15,970	394,914	383,440	-	383,440
Subtotal - Cash or Equivalents	4,575,927	$ 133,959,645	$ 161,741,347	$ 192,101	$ 161,933,448
Domestic Equity Commingled Accounts					
BGI - Equity Index Fund	393,310	$ 97,123,732	$ 161,463,895	-	$ 161,463,895
BGI - Russell 1000 Growth Fund	3,387,258	25,216,232	42,158,332	-	42,158,332
Dimensional Fund Advisors	30,650	15,660,497	40,845,236	-	40,845,236
Subtotal - Domestic Equity Commingled	3,811,217	$ 138,000,461	$ 244,467,463	$ -	$ 244,467,463
Fixed Commingled Accounts					
BlackRock - Gov/Cr Bond Index	249,774	$ 42,678,286	$ 76,417,674		$ 76,417,674
BlackRock - US Debt Index	1,320,714	67,458,980	76,071,021		76,071,021
Subtotal - Fixed Commingled	1,570,488	$ 110,137,266	$ 152,488,695	$ -	$ 152,488,695
International Equity Commingled Accounts					
Capital Intl Emerging Mkts Growth Fund	3,937,300	$ 34,523,703	$ 39,097,390	-	$ 39,097,390
J P Morgan Chase EAFE Plus	4,708,830	70,038,041	97,378,613	-	97,378,613
Morgan Stanley - International Equity Trust	484,841	48,290,152	96,353,895	-	96,353,895
Subtotal - Intl Equity Commingled	9,130,971	$ 152,851,896	$ 232,829,898	$ -	$ 232,829,898
Thematic Global Equity					
Lazard	3,793,173	$ 34,547,259	$ 39,562,758	-	$ 39,562,758
	3,793,173	$ 34,547,259	$ 39,562,758	$ -	$ 39,562,758

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Real Estate Securities					
Acadia Realty Trust	12,469	$ 219,956	$ 253,495	2,244	$ 255,739
Agree Realty Corp	5,648	129,281	126,120	2,259	128,379
Alexandria Real Estate Equitie	4,900	333,483	379,358	2,205	381,563
American Campus Communities In	8,800	249,912	312,576	-	312,576
American Tower Corp	2,600	129,724	136,058	-	136,058
Associated Estates Realty Corp	12,400	167,137	201,500	-	201,500
Biomed Realty Trust Inc	15,600	248,196	300,144	3,120	303,264
Boston Properties Inc	6,779	540,235	719,659	3,390	723,048
Bre Properties Inc	4,900	212,015	244,412	-	244,412
Brookdale Senior Living Inc	4,400	109,377	106,700	-	106,700
Brookfield Office Properties I	23,900	345,732	460,792	-	460,792
Camden Property Trust	6,400	312,044	407,168	3,136	410,304
Caplease Inc Inc Pfd	3,700	85,322	92,500	1,879	94,379
CB Richard Ellis Group Inc	7,000	134,563	175,770	-	175,770
CBL & Associates Properties In	10,400	134,563	188,552	2,184	190,736
Cedar Shopping Centers Inc	11,500	62,325	59,225	-	59,225
Chesapeake Lodging Trust	5,100	90,009	87,006	1,020	88,026
Cousins Properties Inc	11,300	94,898	96,502	-	96,502
Crown Castle International Cor	2,900	121,303	118,291	-	118,291
Developers Diversified Realty	20,100	252,545	283,410	804	284,214
Diamondrock Hospitality Co	19,502	182,292	209,256	-	209,256
Digital Realty Trust Inc	6,200	298,690	383,036	-	383,036
Douglas Emmett Inc	6,600	100,549	131,274	858	132,132
Dupont Fabros Technology Inc	4,200	98,076	105,840	504	106,344
Equity Lifestyle Properties In	3,508	190,328	219,040	1,316	220,355
Equity One Inc	10,400	185,822	193,856	-	193,856
Equity Residential	15,100	605,244	906,000	5,063	911,063
Essex Property Trust Inc	1,794	184,289	242,710	1,866	244,576
Extra Space Storage Inc	3,900	82,029	83,187	-	83,187
First Potomac Realty Trust	14,760	219,641	225,976	-	225,976
Forest City Enterprises Inc	10,800	143,288	201,636	-	201,636
Gaylord Entertainment Co	6,000	179,440	180,000	-	180,000
General Growth Properties Inc	20,099	299,677	335,452	-	335,452
HCP Inc	16,700	518,749	612,723	-	612,723
Health Care Reit Inc	8,800	415,081	461,384	-	461,384
Hersha Hospitality Trust	23,262	131,313	129,569	1,396	130,965
Home Properties Inc	5,000	248,791	304,400	-	304,400
Host Hotels & Resorts Inc	23,510	309,542	398,495	705	399,200
Jones Lang Lasalle Inc	1,800	152,623	169,740	-	169,740
Kilroy Realty Corp	9,000	325,158	355,410	3,115	358,525
Lasalle Hotel Properties	5,400	122,402	142,236	594	142,830
Lennar Corp	2,700	51,336	49,005	-	49,005
LTC Properties Inc	1,800	51,712	50,076	-	50,076
Macerich Co/The	8,945	338,150	478,558	-	478,558
Mid-America Apartment Communit	4,000	239,006	269,880	-	269,880

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2011

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
National Retail Properties Inc	1,100	27,109	26,961	-	26,961
Nationwide Health Properties I	4,400	151,522	182,204	-	182,204
Pebblebrook Hotel Trust	5,500	98,345	111,045	660	111,705
Primaris Retail Real Est Invt	4,118	87,702	89,819	425	90,244
Prologis Inc	17,950	592,500	643,328	-	643,328
PS Business Parks Inc	3,000	168,520	165,300	-	165,300
Public Storage	2,100	194,626	239,421	-	239,421
Regency Centers Corp	2,600	103,556	114,322	-	114,322
Retail Opportunity Investments	8,000	82,324	86,080	-	86,080
Simon Property Group Inc	11,765	874,649	1,367,446	-	1,367,446
SL Green Realty Corp	4,300	245,149	356,341	430	356,771
Sovran Self Storage Inc	2,700	102,383	110,700	-	110,700
Starwood Hotels & Resorts Worl	2,400	139,073	134,496	-	134,496
Sunstone Hotel Investors Inc	7,352	72,040	68,153	-	68,153
UDR Inc	3,700	71,508	90,835	-	90,835
Vornado Realty Trust	4,542	322,569	423,224	-	423,224
Washington Real Estate Investm	6,000	178,711	195,120	-	195,120
Weingarten Realty Investors	7,400	173,170	186,184	-	186,184
Subtotal - Real Estate Securities	513,503	$ 13,331,303	$ 16,178,954	$ 39,172	$ 16,218,126
Real Estate Commingled					
UBS Investors - Commingled	8,663	$ 67,417,163	$ 67,386,153	-	$ 67,386,153
Subtotal - Real Estate - Commingled	8,663	$ 67,417,163	$ 67,386,153	$ -	$ 67,386,153
Total Fund	31,196,426	$ 681,642,628	$ 947,659,013	$ 231,426	$ 945,813,016



Benefits

5

Pre-Retirement Topics

Membership	Membership is mandatory upon employment in any position requiring a license issued by the MN Department of Education for employment with St. Paul Public Schools (SPPS), St. Paul College (SPC) – if you were first employed prior to July 1, 1995, or St. Paul charter schools – from July 1, 1995 through June 30, 2002. Hereinafter referred to as "St. Paul Schools.
Allowable Retirement Service Credit	A full year of retirement service credit is earned after 170 days are worked during each fiscal year. Partial years are calculated based on the ratio of days worked to 170 days. No more than one year of retirement service credit is allowable during any fiscal year.
Definition of Salary	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.
Refund of Contributions	In lieu of a monthly retirement benefit, a member who resigns from St. Paul Schools may apply for a refund of employee contributions, plus interest, as compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members must be under Age 55 or be ineligible for a pension to receive a refund of contributions.
Repaying a Refund of Contributions	A member who received a refund may reinstate previous retirement service credit 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 retirement service credit since the last refund was taken.
Leaves of Absence	The following St. Paul Schools approved leaves of absence qualify to allow members to purchase retirement service credit for the leave period. The terms and conditions for each leave are different. • Sabbatical • Parental • Medical • Military • Mobility • Family Medical
Service Payments	Members may repay refunds or purchase SPTRFA retirement service credit while on leave by using personal savings or by transferring money from their tax-sheltered retirement accounts, such as 403(b), 457, 401(k), IRAs, or from another plan qualified under 401(a).
Beneficiary	A beneficiary is the person or persons designated to receive a refund of employee contributions plus applicable 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 applicable interest will be paid to the member's estate.
Marriage Dissolution	Minnesota Statutes Section 518 covers marriage dissolutions and requires that SPTRFA receive a copy of the petition and summons, including 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 dividing the member's benefit must be put into the dissolution order(s). All inquires are kept confidential.

Retirement Topics

Disability Benefit

A disability benefit is available to vested members who become totally and permanently disabled. 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 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 equal to the unreduced pension benefit amount using the member's years of retirement service credit and final average salary at the time of the disability, less any benefits received from Workers' Compensation.

Basic Plan Retirement Options

Basic Plan members receive a formula benefit payable for life. An automatic spousal survivor benefit is a percentage of the member's benefit, 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:

C1 — Member Life Only

Monthly benefit payable for life to the member, with nothing payable after the member's death. Other annuity option amounts (C2 – C5) are reduced from the C1 amount in an attempt to actuarially cover any financial obligation that the SPTRFA would incur in paying additional benefits after the member's death.

C2 — Guaranteed Refund

Reduced monthly benefit payable for life to the member. In exchange for the member's benefit reduction, after the member's death, the SPTRFA pays a refund to a designated beneficiary. The refund is equal to the difference between SPTRFA pre-retirement member contributions less cumulative SPTRFA post-retirement benefits paid to the member prior to death. The refundable amount payable to a beneficiary typically decreases to zero after two to three years after the member begins receiving retirement benefits.

C3 — 15-Year Certain

Reduced monthly benefit payable for life to the member. In exchange for the member's benefit reduction, the SPTRFA continues monthly payments to a beneficiary if the member's death occurs within 15 years after retirement. The beneficiary payments would end after the balance of the 15 years of SPTRFA benefit payments (member and beneficiary combined) is fulfilled.

C4 — 100% Joint & Survivor

Reduced monthly benefit payable for life to the member. In exchange for the member's benefit reduction, after the member's death, the member's spouse receives the same monthly benefit for life. If the spouse precedes the member in death, the member's benefit would bounceback to the full, unreduced benefit amount payable under the C1 option.

C5 — 50% Joint & Survivor

Reduced monthly benefit payable for life to the member. In exchange for the member's benefit reduction, after the member's death, the member's spouse receives 50% of the member's benefit as a monthly benefit for life. If the spouse precedes the member in death, the member's benefit would bounceback to the full, unreduced benefit amount payable under the C1 option.

Post-Retirement Topics

Teaching After Retirement

If a retired member of SPTRFA is reemployed by SPPS prior to Age 65, their SPTRFA monthly benefits may be reduced. If the retiree earns more than $46,000 from SPPS in any calendar year, the following year's pension will be reduced by one dollar for every three dollars in SPPS earnings over $46,000. The amount of the reduction will be placed into an account for the retiree. When the retiree has had no excess earnings deductions from their pension for one year, the retiree may apply to receive the amount in the account, including interest accrued, if any.

After age 65, retired members have no SPPS re-employment earnings limitation. Retired members can work for any other employer without a reduction in their SPTRFA pension benefits.

Period of Separation

A member of the SPTRFA is not considered retired until there is a complete and continuous separation from employment as a "teacher" for an SPTRFA-covered employer for a period of at least 30 calendar days.

Post-Retirement Increase

Post-retirement increases may be provided annually in January. Effective July 1, 2011, for the next COLA payable January 1, 2012, the 2011 Omnibus Pension Bill modified statutes to provide a transitional change to the COLA. If the Accrued Liability Funding Ratio, based on the Actuarial Value of Assets, as determined by the most recent actuarial valuation is:

- Less than 80 percent, the COLA: 1.00 percent
- At least 80 percent, but less than 90 percent: 2.00 percent
- If at least 90 percent, then the subdivisions for the 1 percent and 2 percent provisions above expire and COLAs will be paid as follows:

Increases will be equal to the Consumer Price Index urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual COLA to recipients of federal old age, survivors, and disability insurance.

The COLA is determined by dividing the most recent average of third quarter monthly index values by the same average third quarter index value from the previous year, subtracting the quantity one from the resulting quotient, and expressing the result as a percentage amount, which must be rounded to the nearest one-tenth of one percent. The final amount may not be a negative number and may not exceed 5.0 percent. Partial increases are granted for new retirees in the calendar year immediately preceding the increase on the basis of whole calendar quarters that the benefit recipient has been in pay status, calculated to the third decimal place.

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 Age	Minimum Service	Computation of Annual Benefit
Tier 1			
Unreduced	Rule of 90		FAS x YOS x 2.0%
	60	25	
	65	5	
Reduced	55	5	Reduced for early retirement by 0.25% for each month a member's age is under 65.
	55	25	Reduced for early retirement by 0.25% for each month a member's age is under 60.
Tier 2			
Unreduced	65	5	FAS x YOS x 2.5%
Reduced	55	5	Formula reduced for early retirement by the use of actuarial tables.
Deferred Retirement			
	55	5	Annual Benefit (see above). Augmented by 3% per year from date of resignation to January 1 after reaching Age 55, then 5% per year thereafter. Augmentation will change to 2% as of July 1, 2012 for the portion of benefit deferral which occurs after June 30, 2012.

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 Age	Minimum Service	Computation of Annual Benefit
Tier 1			
Unreduced	Rule of 90		(FAS x First 10 YOS x 1.2%) + (FAS x YOS greater than 10 x 1.7%)
	62	30	
	65	3	
Reduced	55	3	Reduced for early retirement by 0.25% for each month a member's age is under 65.
	Any Age	30	Reduced for early retirement by 0.25% for each month a member's age is under 62.
Tier 2			
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 for early retirement by the use of actuarial tables.
	Any Age	30	Reduced for early retirement by the use of actuarial tables.
Deferred Retirement			
	55	3	Annual Benefit (see above) with augmentation[1].
	Any Age	30	

[1] Augmented by 3% per year from date of resignation to January 1 after reaching Age 55, then 5% per year thereafter, if first hired prior to July 1, 2006.

Augmented by 2.5% for all years if first hired on or after July 1, 2006.

Augmentation for all members, regardless of hire date, will change to 2% as of July 1, 2012 for the portion of benefit deferral which occurs after June 30, 2012.

Formula Key:
FAS: Final Average Salary
YOS: Years of Service
1.2% or 1.7%: Percentage Multiplier

Retirement History Record

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid ($)
June 1910	15	13	$ 4,860
June 1931	8	125	69,024
June 1932	8	130	72,961
June 1933	2	126	74,190
June 1934	6	127	74,120
June 1935	9	131	74,001
June 1936	14	135	75,864
June 1937	19	151	80,747
June 1938	17	160	89,709
June 1939	11	161	93,184
June 1939 to			
December 1939	0	158	23,870
December 1940	71	222	170,685
December 1941	35	246	210,257
December 1942	27	266	234,217
December 1943	38	286	253,031
December 1944	34	311	282,299
December 1945	56	350	308,113
December 1946	51	378	337,512
December 1947	28	387	360,571
December 1948	42	413	375,912
December 1949	42	441	419,618
December 1950	30	461	450,641
December 1951	27	476	472,670
December 1952	28	486	508,923
December 1953	32	487	525,959
December 1954	10	482	529,429
December 1955	38	509	666,994
December 1956	46	529	750,146
December 1957	59	560	840,883
December 1958	41	579	1,019,502
December 1959	30	585	1,084,506
December 1960	38	600	1,144,380
December 1961	39	611	1,230,715
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

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid ($)
December 1975	52	778	$ 3,765,322
December 1976	77	883	4,393,513
December 1977	63	919	5,050,507
December 1978	48	946	5,523,548
December 1979	40	946	6,240,309
December 1980	47	963	6,623,804
December 1981	47	981	7,139,037
December 1982	61	996	7,725,617
December 1983	72	1,042	8,555,099
December 1984	64	1,061	9,466,664
January 1985 to			
June 1985	59	1,103	5,324,727
June 1986	66	1,134	11,267,144
June 1987	117	1,191	12,478,180
June 1988	70	1,210	14,690,455
June 1989	67	1,236	15,506,957
June 1990	67	1,270	17,382,410
June 1991	80	1,309	18,811,677
June 1992	83	1,357	20,509,335
June 1993	120	1,426	22,763,806
June 1994	92	1,469	25,044,494
June 1995	113	1,539	26,792,534
June 1996	119	1,595	29,446,215
June 1997	179	1,720	32,056,967
June 1998	129	1,789	37,852,099
June 1999	114	1,861	41,724,751
June 2000	144	1,964	47,121,179
June 2001	130	2,050	53,851,893
June 2002	127	2,136	58,738,724
June 2003	126	2,248	63,357,052
June 2004	141	2,361	67,941,921
June 2005	192	2,505	72,448,201
June 2006	146	2,624	78,420,222
June 2007	138	2,744	82,809,201
June 2008	122	2,851	88,273,233
June 2009	114	2,933	92,137,480
June 2010	166	3,044	95,299,300
June 2011	233	3,212	97,264,937

SPTRFA

St. Paul Teachers' Retirement Fund Association
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