Student photographs courtesy of Saint Paul Public Schools.

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Introduction

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BOARD OF TRUSTEES

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.








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, 2012, 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 also be found at the Fund's website, www.sptrfa.org, or is also available by request 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 are as provided to our auditor. Our complete Audit Report, including our receipt of an unqualified opinion, is available online at: www.osa.state.mn.us
- **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, Minneapolis, Minnesota, 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 primary Legal Counsel to the Board and staff, providing advice, representation, and as a monitor of ongoing legal and regulatory developments.

Callan Associates, Chicago, Illinois, served through the Fiscal Year End 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 assisted 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.
President

Eugene R. Waschbusch
Secretary-Treasurer

Paul V. Doane
Executive Director

Professional Listing as of June 30, 2012

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

John R. Kunz Jr., President
Mike McCollor, Vice President
Eugene R. Waschbusch, Secretary-Treasurer
Matt Bogenschultz, Trustee
Feryle W. Borgeson, Trustee
Lori Borgeson, Trustee
John Brodrick, Ex-Officio Trustee
Karen A. Odegard, Trustee
James Paddock, Trustee
Stephanie Pignato, Trustee

ADMINISTRATION

Paul Doane, Executive Director
Christine MacDonald, Assistant Director
Nancy Langer, Member Records & Benefits Administration
Susan Nystrom, Fiscal Services
Janet Williams, Member Counseling & Benefits
Rachel Pastick, Communications & Benefits
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 Advisors,
Dr. Ronald Vessey M.D.
Dr. David Johnson M.D.
Investment Consultant,
Callan Associates
Investment Managers

GOVERNMENTAL RELATIONS

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

Financial

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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, 2012, 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, decreased by $68.2 million during the fiscal year to a total of $881.9 million. This decrease came on top of strong improvement in net assets in both the prior two fiscal years, 2010 and 2011. The portfolio rose 13% in 2010 and 25% in 2011. Although it was a somewhat disappointing flat return in 2012, the Fund's three-year annualized average stands at 12.4%, well above its 8% target rate of return. Its long-term return remains above the 8% level as well. This near-term stretch of performance has served to maintain the strong financial status of the Fund, even with the decrease in assets over the prior twelve-month period.

+ The Plan realized a 0.15% (gross of fees) investment rate of return for the fiscal year. Although the performance this year proved disappointing, the trailing 10-year return for the Fund stands at 7.34%, after one of the most challenging decades for investment performance. The trailing 15-year return for the Fund is at our target return, 8.02%, while long-term (20 years), the Fund has earned 9.12% annually. The Fund has a current long-term investment return objective of 8.0%.

+ The actuarial (smoothed over a rolling five-year period) funded ratio of the Plan compares the actuarial value of assets against the actuarial determined accrued liability. That ratio fell from 70% to 62% as of June 30, 2012, due to a combination of factors. These included the portfolio's flat return for the year, the lowered Fund discount (targeted investment) rate, and changes in the mortality rate, reflecting today's longer life expectancy. The Plan's funded ratio on a market value basis, which does not involve any smoothing factor, stands at 60% from the prior year's 68%.

+ In addition to the Fund's unpredictable investment portfolio performance and the modest supplemental aid from the State of Minnesota, the key, consistent source of funding for the Plan is represented by employer and employee contributions. During FY 2012, this source of contributions, based on fixed percentages of the St. Paul School District's covered payroll, held steady from last year at $239.1 million. It is important to remain sensitive to this total and its direction. Reductions in the number of employees, which may result from various cost savings initiatives, early retirement incentives, and replacing higher salaried senior teachers with more junior professionals, can translate over time into lower contributions from the workforce. This could place a greater burden to generate realized gains from the investment portfolio to make up any difference. Furthermore, retiree payrolls, the bulk of Fund outflows, are increasing steadily. For FY 2012, total benefits paid surpassed $100 million/year for the first time in the Fund's history.

System Overview, Overview of the Financial Statements

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. The recently adopted Governmental Accounting Standards Board (GASB) statements require that the Fund's liabilities 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012

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 actuarially-determined annual required contributions 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 following table, the SPTRFA's total assets for 2012 were $884.6 million and were generally comprised of cash, investments, and securities lending collateral. The lending collateral represents cash on deposit to cover the value of securities loaned to brokerage firms for which they pay a fee to the Fund's custodian. These broker/dealer firms 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 income. Due to the Fund's decision to change custodians at fiscal year-end, its securities lending program was being closed down in anticipation of the shift to the new custodian, US Bank. As a result, the portion of the Fund's operating liability of $2.7 million represented by its securities lending program was only $1.1 million. Normally, this would be a much higher number. Last year, the total on loan amount was $6.7 million. Overall, total assets decreased by $73.8 million compared to the prior year, while total operational liabilities declined by $5.6 million to $2.7 million this year. This had the effect of decreasing the net assets available to pay current and future pension benefits to $881.9 million. It represented a decrease of $68.2 million during the fiscal year.

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

	June 30	
	2012	2011
Assets		
Cash	$ 10,862	$ 11,558
Receivables	5,134	3,438
Investments at fair value	867,494	936,647
Securities lending collateral	1,114	6,749
Capital assets, less depreciation	26	20
Total Assets	$ 884,630	$ 958,412
Liabilities		
Accounts payable	$ 1,017	$ 1,116
Securities purchases payable	573	426
Securities lending collateral	1,114	6,749
Total Liabilities	$ 2,704	$ 8,291
Net Assets Held in Trust for Pension Benefits	$ 881,926	$ 950,121

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

The main source of Fund outflows were benefit payments as well as refunds to those members who opted to leave the System and take their contributions. Benefit payments reached $102.7 million and exceeded contributions by nearly $63.5 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 that went into effect July 2011 are expected to somewhat neutralize the impact of the higher annual benefit payroll. Benefit payments increased $4.5 million from $98.2 million for FY 2011 to $102.7 million this past year. Benefit payments for FY 2010 had been $96.3 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)

	Year Ended June 30 2012	Year Ended June 30 2011
Additions		
Employer and employee contributions	$ 35,568	$ 34,759
State of Minnesota amortization aids	3,658	4,077
Investment activity, less management fees	(4,025)	194,860
Net securities lending income	51	70
Other Income	15	-
Total Additions	$ 35,267	$ 233,766
Deductions		
Benefits, withdrawals, and refunds	$ 102,726	$ 98,230
Administrative expenses	736	722
Total Deductions	$ 103,462	$ 98,952
Net Increase (Decrease)	$ (68,195)	$ 134,814
Net Assets in Trust for Benefits - Beginning of the Year	950,121	815,307
Net Assets in Trust for Benefits - End of the Year	$ 881,926	$ 950,121

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 this past year revised downward our actuarial assumed investment rate of return to 8.0%. 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 factor 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, this 8.0% return level has been consistently achieved. The Plan return for 20 years, for example, is 9.12%.

During the past fiscal year, the Fund's return was basically unchanged, 0.15%. The year was marked by four distinct performance quarters which sharply demonstrated investors' mood from embracing "risk" to avoiding it. Risk is defined by volatility and investors' appetite to look positively upon global economic conditions ('risk on'), especially Europe's debt crisis, in which case equities performed strongly, or with caution ('risk-off'), where investors spurned stocks in favor of U.S. Treasury issues or other traditional safe havens, such as precious metals. The Fund experienced two 'risk-on' quarters surrounded by two 'risk-off' quarters, battling to a draw over the twelve months. With few realized investment gains, the portfolio was called upon to finance monthly benefit payouts resulting in the overall reduction in total assets and a concomitant increase in its level of liabilities. Furthermore, with the Legislative decision to reduce the investment rate of return from 8.5% annually to 8.0% (at least for the next five-year period, at which point investment conditions will be re-evaluated), a position confirmed by the Board, the Plan's funded ratio, which had experienced a modest improvement the prior year, fell from 70% to 62%. That 62% funded ratio is virtually comparable for both the actuarial value of assets (under the Fund's five-year smoothing of assets methodology) and the current market value of assets approach.

Performance against the current 8.0% 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)	-0.17	12.05	1.24
Indexed benchmark	0.86	11.91	1.17
Actuarial target	8.0	8.5	8.5
Actual versus indexed benchmark	-1.03	0.14	0.07
Actual versus actuarial target	-8.17	3.55	-7.26

Absolute Basis of Assessment

The 2012 total Fund return (net of fees) was negative 0.17%. That is 8.17% less than the stated annual target return required to meet projected "normal costs" (i.e., the measurement of impact on the System represented by one year's future liability). Normal cost is comparable to your regular weekly personal expenses, such as utilities, monthly mortgage payment, food, etc. This does not take into account the cost related to eventually paying off the System's actuarial unfunded liability, a result of past years of underfunded employer and state contributions. This actuarial longer-term liability would compare to one's home mortgage balance. The Fund's long-term liabilities are separate from the funds needed to meet a Plan's annual pension liability, or "normal cost," which are being adequately financed by member and employer contributions.

The flat negative 0.17% return from the portfolio in FY 2012 placed it in the bottom half of comparable plans, which is not a common occurrence for the Paul Teachers' Retirement Fund, which is often in the top quarter. The Board is weighing several revisions to the portfolio in light of this development and to make the portfolio more "all weather" in its composition, while lowering overall portfolio risk. This will take considerable time to implement, realistically one to two years, but the long-term impact on Fund performance should prove advantageous going forward. During the prior year, the gap that existed between the actuarial and market value of portfolio assets had been reduced quite dramatically, as a result of the strong investment performance. This gap is a moving target and quite volatile based on annual performance and thus should not be used as any meaningful indicator of financial soundness of the system. However, it is helpful to monitor for longer-term trends and as a means of assessing Plan liabilities.

Compared to our peers, the Fund's investments underperformed. However, the spread of fiscal year performance was unusually narrow, notwithstanding these highly volatile market conditions. In fact, the median Fund performed at slightly over 1% during FY 2012, while we were 0.15%. However, looked at by asset class, the Association's portfolio comparative performance placed it in the following rankings: domestic equity, 79th percentile; international equity, 25th percentile; fixed income, 42nd percentile; real estate, 67th percentile and global, 50th percentile. Domestic equity represents, by far, the Fund's largest commitment and thus had the effect of dragging down the overall relative performance. Also, in an uncommon development, the Fund's policy target (passive management) outperformed its active managers in all but the non-U.S. category. Almost without exception, the Fund's active managers have annually added value. This wasn't the case in the past fiscal year. Had they done so, the return would have been 0.86% for the year.

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 table below 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. Below are summary comparative statistics from the July 1, 2012, valuation:

Summary of Actuarial Valuation Results

	Plan Year Beginning July 1	
	2011	2012
Covered payroll	$ 239,501,000	$ 239,053,000
Statutory contributions (ch. 354A)	16.10%	16.47%
Required (ch. 356)	18.37%	22.87%
Sufficiency/(Deficiency)	**- 2.27%**	**- 6.40%***
Market value of assets	950,121,000	883,516,000
Actuarial value of assets	972,718,000	911,930,000
Actuarial accrued liability	1,389,900,000	1,471,200,000
Unfunded liability	**439,800,000**	**589,300,000**
Funding ratio	**69.99%**	**61.98%**

*By employing a revised wage inflation factor based on the most recent experience study, the deficiency lowers to 5.05 %. This will be reflected in subsequent reports.

The Association as a Whole

The performance gains realized in the prior two years, FY 2010 and FY 2011, had served to reduce the contribution deficiency quite dramatically, by nearly 50%. This past year, the combination of a flat investment return coupled with the decision to reduce the future target rate of investment return, based on recent history and projected market returns from 8.5% to 8.0%, had the effect of, once again, raising that required annual contribution amount, which is stated at a percentage of payroll, climbed from 2.27% last year to 6.40% as of June 30, 2012.

The Board has taken several steps at narrowing this deficiency, including the past year's Legislative-approved increase in contribution rates for the employer and employees. It will continue to diligently examine other steps that could be taken to narrow this gap. Understanding that the sooner this is addressed, the lower the amount needed in additional funding or operational savings, or both. The new GASB provisions that require calculation, including the use of a lowered discount rate for accounting for this deficiency, together with notice of this long-term liability as a component of the employer's fiscal balance sheet going forward, could help to ensure that corrective action is taken sooner rather than later.

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 is expected to ask the Minnesota Legislature during the 2013 session to provide increased supplemental contributions to help make up for those periods of past funding shortfalls.

Paul V. Doane, Executive Director
St. Paul Teachers' Retirement Fund Association

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
STATEMENT OF PLAN NET ASSETS AT JUNE 30, 2012

Assets		
Cash	**$**	**10,861,976**
Receivables		
Employer contributions	$	2,511,064
Service purchases		83,939
Pensions		15,294
Real estate income		58,749
Commission recapture		1,405
Interest		559
Dividends		194,475
Escrow funds		609,276
Sales of securities		1,656,807
Miscellaneous		2,753
Total receivables	**$**	**5,134,321**
Investments, at fair value		
Corporate stocks	$	146,879,694
Real estate securities		19,675,970
Limited partnerships		
Private equity		10,841,167
Real estate		71,929,072
Commingled investment funds		
Pooled international equity trust		40,382,517
Government/credit bond index fund		80,630,690
U.S. debt index fund		79,226,305
Extended equity index fund		134,118,588
Russell 1000 growth fund		44,606,749
International emerging markets growth fund		30,617,518
Mutual fund		39,197,531
International corporate stock fund		82,381,134
Global equity		36,589,642
Global franchise		41,333,929
Money market funds		9 ,083,768
Total investments, at fair value	**$**	**867,494,256**
Invested securities lending collateral	**$**	**1,114,008**
Furniture and fixtures (at cost, less accumulated depreciation of $91,240)	**$**	**26,143**
Total Assets	**$**	**884,630,704**
Liabilities		
Accounts payable	$	1,017,149
Security purchases payable		573,133
Securities lending collateral		1,114,008
Total Liabilities	**$**	**2,704,290**
Net Assets Held in Trust for Pension Benefits	**$**	**881,926,414**

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR JUNE 30, 2012

Additions		
Contributions		
Employer	$	21,451,545
Members		14,117,481
Other sources		
State of Minnesota		3 ,657,839
Total contributions	**$**	**39,226,865**
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	$	(7,161,707)
Interest		4,523
Dividends		2,907,344
Other		4,372,937
Total investing activity income (loss)	**$**	**123,097**
Investing activity expense		
External	$	(3,928,521)
Internal		(219,810)
Total investing activity expense	**$**	**(4,148,331)**
Net income (loss) from investing activity	**$**	**(4,025,234)**
From securities lending activity		
Securities lending income	**$**	**(18,131)**
Securities lending expense		
Borrower rebates	$	106,303
Management fees		(37,517)
Total securities lending expense	**$**	**68,786**
Net income from securities lending activity	**$**	**50,655**
Net investment income (loss)	**$**	**(3,974,579)**
Other income	**$**	**15,076**
Total Additions	**$**	**35,267,362**
Deductions		
Benefits to participants		
Retirement	$	91,968,941
Disability		702,083
Survivor		9,092,643
Dependent children		23,992
Withdrawals and refunds		937,832
Total benefits, withdrawals, and refunds	**$**	**102,725,491**
Administrative expenses		
Staff compensation	$	450,651
Professional services		143,207
Office lease and maintenance		46,739
Communication-related expenses		30,212
Other expense		65,637
Total administrative expenses	**$**	**736,446**
Total Deductions	**$**	**103,461,937**
Net Increase (Decrease)	**$**	**(68,194,575)**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year		**950,120,989**
End of Year	**$**	**881,926,414**

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.

1. Summary of Significant Accounting Policies

Investments (Continued)

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

The Association participates in a securities lending program. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, investment collateral under the program is listed as both an asset and a liability.

Derivative Investments

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

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

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

Investment Income

Interest income is recognized when earned on an accrual basis. Dividend income is recorded on the date that the funds are received and a receivable for the dividend is recorded at the time of the dividend announcement.

1. Summary of Significant Accounting Policies (Continued)

Contributions

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

Benefits and Refunds

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

Furniture and Fixtures

Furniture and fixtures with a purchased value over $500 are carried at cost, less accumulated depreciation. Depreciation occurs using the straight-line method over estimated useful asset life 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 Schools system (SPPS).

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

NOTES TO THE FINANCIAL STATEMENTS
(As of and for the year ended June 30, 2012)

2. Description of Plans

General (Continued)

who were members of the Association prior to July 1, 1978, are generally covered under the Basic Plan, which provides a higher benefit payment to its members to account for the fact that they are not eligible for Social Security for their service with SPPS.

Membership

At June 30, 2012, the Association's membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,292
Terminated employees entitled to but not yet receiving benefits	1,833
Terminated, non-vested	1,427
Current active plan members (including members on leave)	3,880
Total Membership	10,432

Pension Benefits

Members who satisfy required length-of-service and minimum age requirements are entitled to monthly pension benefits equal to a certain percentage of final average salary (as defined in each plan) based on 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 monthly 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.

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. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transactions accounts were fully insured regardless of the amount in the account at all FDIC insured institutions.

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, non-U.S. and domestic common stock, real property, venture capital investments, derivatives, options, 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.

3. Deposits and Investments

B. Investments

Custodial Credit Risk (Continued)

The Association has no custodial credit risk for investments at June 30, 2012, other than that related to the invested securities lending collateral as described in Note 4.

Interest Rate Risk

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

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

Mandate	Account	Market Value
Indexed	BlackRock - Government/Credit Bond Index Fund	$ 80,630,690
Indexed	BlackRock - U. S. Debt Index Fund	79,226,305

The Association has a 20 percent target allocation to fixed income assets approved by its investment policy. At June 30, 2012, the actual allocation was 18 percent of total Fund invested assets due to the relative performance of the asset classes.

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, 2012.

Account	Average Duration in Years	Average Duration of Benchmark
BlackRock - U.S. Debt Index Fund	4.40	4.41
BlackRock - Government/Credit Bond Index Fund	5.67	5.69
BNY/Mellon - Cash Collateral	0.20	None

3. Deposits and Investments

B. Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 with principal and interest payable in U.S. dollars.

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

	Market Value	Quality Ratings Standard and Poor's/Moody's	Percent (%) of Total Investments
Debt Investment Type			
BlackRock - Government/Credit Bond Index Fund	$ 80,630,690	Unrated	9.29
BlackRock - U.S. Debt Bond Index Fund	79,226,305	Unrated	9.13
Money Market Funds	9,083,768	Unrated	1.05
Total	$ 168,940,763		

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 measured 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 any one corporation's outstanding shares. Association policy also limits exposure to any one company's securities at 1.5 percent of the total fund. The largest aggregate total holding is well under this requirement at 0.26 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 15.0 percent of the total Fund. The Fund held 4.6 percent and 4.8 percent, respectively.

3. Deposits and Investments

B. Investments (Continued)

Foreign Currency Risk

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

The U.S. share of global economic output continues to diminish, therefore, it becomes increasingly difficult for any institutional investing entity to justify a fiduciary posture on investments that does not include a significant non-U.S. component.

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. dollars. Owning securities and currencies of other countries, therefore, adds another level of risk, which occurs due to movement in the rate of exchange between the U.S. dollar and the relevant local currency.

As of June 30, 2012, the Investment Policy of the Association dedicated a significant portion of the total Fund to the non-U.S. and global equity components. These positions are held in commingled investment funds. The Fund's interest is limited in all cases to a unit valuation expressed in U.S. dollars. The actual allocation of non-U.S. and global equity investments subject to the indirect foreign currency risk was $190.7 million, or 22 percent, of total invested assets. This allocation to non-U.S. markets is detailed in the following chart.

3. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

Assets Held in Non-U.S. Securities by Currency as of June 30, 2012

Country	Currency	Equity	Cash and Cash Equivalents	Total
Australia	Australian Dollar	$ 3,967,607	$ 122,470	$ 4,090,077
Brazil	Brazilian Real	3,365,656	(275,558)	3,090,098
Canada	Canadian Dollar	2,495,893	398,028	2,893,921
Chile	Chilean Peso	122,470	-	122,470
China	Chinese Renminbi	9,287,182	-	9,287,182
Czech Republic	Czech Koruna	91,853	-	91,853
European Union	Euro	40,929,391	61,235	40,990,626
Hong Kong	Hong Kong Dollar	5,545,757	-	5,545,757
Hungary	Hungarian Forint	61,235	(61,235)	-
India	Indian Rupee	3,041,564	-	3,041,564
Indonesia	Indonesian Rupiah	981,964	-	981,964
Israel	Israeli New Shekel	1,102,588	(122,470)	980,118
Japan	Japanese Yen	26,897,507	61,235	26,958,742
Malaysia	Malaysian Ringgit	979,761	-	979,761
Mexico	Mexican Peso	1,590,614	(122,470)	1,468,144
Morocco	Moroccan Dirham	30,617	-	30,617
Pakistan	Pakistani Rupee	30,617	-	30,617
Peru	Peruvian Nuevo Sol	61,235	-	61,235
Philippines	Philippine Peso	275,558	-	275,558
Poland	Polish Zloty	398,028	(214,323)	183,705
Russian Federation	Russian Rouble	2,388,166	-	2,388,166
Saudi Arabia	Saudi Riyal	367,410	-	367,410
Singapore	Singapore Dollar	1,439,027	-	1,439,027
South Africa	South African Rand	1,100,717	(183,705)	917,012
South Korea	South Korean Won	4,842,681	-	4,842,681
Sultanate of Oman	Omani Rial	122,470	-	122,470
Sweden	Swedish Krona	2,629,551	-	2,629,551
Switzerland	Swiss Franc	17,945,873	122,470	18,068,343
Taiwan	Taiwanese New Dollar	4,118,406	-	4,118,406
Thailand	Thai Baht	367,410	-	367,410
Turkey	Turkish New Lira	214,323	(61,235)	153,088
United Arab Emirates	UAE Dirham	122,470	-	122,470
United Kingdom	British Pound	54,722,770	(673,585)	54,049,185
Totals		$ 191,638,371	$ (949,143)	$ 190,689,228

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 $2,663,724 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, 2012, the Association had futures contracts involving government obligations and commingled investment funds. Maturity dates ranged from September 19 to September 28, 2012. As of June 30, 2012, the Fund's cash overlay account associated with the futures contracts had $4,593,349 of money market funds and $917,472 of security purchase receivables reported on the Statement of Plan Net Assets. The futures contracts on this date netted to the fair value of $235,580, 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, 2012, 0.642 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. On June 30, 2012, the collateral held for the loaned securities was 98.4 percent. The securities on loan are valued daily at the close of the market and the collateral pool is adjusted the following business day to reflect any changes. Due to a surge in market activity on June 29, 2012, of nearly 300 Dow points, the value of the investments on loan increased sharply. The following business day, July 2, 2012, the Fund's custodian, responsible for the Securities Lending Program, secured additional collateral to restore the value to 102 percent of the value of the securities on loan.

In the event of failure by the borrowing party to deliver the securities at all, the Association is always 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 29, 2012, the fair value of cash collateral received was $1,114,008, 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 two days, was invested entirely in repurchase agreements. The Association had no non-cash collateral. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceeds amounts borrowers owe the Association. All securities loans may be terminated on demand by either the Association or the borrower.

NOTES TO THE FINANCIAL STATEMENTS
(As of and for the year ended June 30, 2012)

4. Securities Lending (Continued)

The Association's collateral pool held a security, which during the past fiscal year had become downgraded. Related to the planned fiscal year-end change in trust companies, the Association sold the downgraded security, realizing a small loss as a result. It represented the Fund's only loss related to this important contributor to performance. The experience did serve to dramatize, however, that some risk does exist in lending programs and taking precaution to best manage that risk by regularly monitoring the quality of the trust company's collateral pool is important.

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, 2012, the difference between the statutory and actuarially required contributions is a deficiency of 6.40 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, 2012, there was a contribution deficiency of 7.16 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, 2012, the contribution rates required by statute were as follows:

	Percentage of Members' Salaries	
	Basic Plan	Coordinated Plan
Employee contribution	8.25%	5.75%
Employer contribution	11.89	8.59

All contribution rates will increase a total of 1.00 percent, by 0.25 percent increments over four years. The first scheduled increase occurred on July 1, 2011, with the second scheduled on July 1, 2012.

Other Contributions

The state is required by Minn. Stat. § 354A.12, subd. 3a, to annually provide the Association with direct aid until neither the Association nor the Minnesota Teachers Retirement Association has an unfunded actuarial accrued liability or until the current assets of the Fund equal or exceed the actuarial accrued liability of the Fund, as measured by the Fund's actuary, or until 2037, whichever occurs first. The direct state-aid contribution was $2,827,000 for fiscal year 2012.

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 $830,839 for fiscal year 2012. 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 2012. 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's 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 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, 2012, 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)
$ 911,930	$ 1,471,216	$ 559,286	61.98	$ 239,053	233.96

The net funded ratio decreased 8.01 percentage points. 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, 2012
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level percent of pay, open, assuming four-percent payroll growth
- Amortization Period: 25-year open period
- Remaining Amortization Period at July 1, 2012: 25 years
- Asset Valuation Method: 5-Year Smoothed Market

  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).

7. Funded Status and Funding Progress (Continued)

- Actuarial Assumptions:

  - Investment rate of return (select and ultimate rates): 8.00 percent during the 5-year period July 1, 2012, to June 30, 2017; 8.50 percent thereafter.

  - Underlying inflation rate: 3.00 percent

  - Cost-of-living adjustments: 1.00 percent. Beginning with the cost-of-living adjustment payable January 1, 2012, the cost-of-living adjustment is 1.00 percent until an 80 percent Accrued Liability Funding Ratio, based on the Actuarial Value of Assets, is achieved; 2.00 percent once an 80 percent funding is achieved but funding is less than 90 percent. Once 90 percent funding is achieved, cost-of-living adjustment determined by the Consumer Price Index - Urban Wage Earners and Clerical Workers All Items Index with a maximum of 5.00 percent and a minimum of 0.00 percent.

  - Projected salary increases: Based on a ten-year select and ultimate rate table with rates ranging from 5.00 percent to 9.90 percent, age and service based.

  - Mortality: Non-disabled participants (both pre-retirement and post-retirement) mortality assumptions are based on the RP-2000 Combined Mortality Table projected with Scale AA to 2020 with rates set back 1 year for males and 3 years for females. Disabled mortality assumptions are based on the RP-2000 Disabled Life Mortality Table for males and females.

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.

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EXHIBIT A-1 & A-2

(As of and for the year ended June 30, 2012)

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)
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
2012	911,930	1,471,216	559,286	61.98	239,053	233.96

(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)
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
2012	29,797	21,452	72.00	3,658	12.28

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)

NOTES TO EXHIBITS A-1 AND A-2

(As of and for the year ended June 30, 2012)

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, 2012.
- 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 four-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, 2012, 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 8.00 percent for the 5-year period July 1, 2012, to June 30, 2017, and 8.50 percent thereafter.
  - Underlying inflation rate is 3.00 percent.
  - Projected salary increases are based on a ten-year select and ultimate rate table with rates ranging from 5.00 to 9.90 percent, age and service-based.
  - Post-retirement cost-of-living adjustments are 1.00 percent at January 1, 2012 (actual). Beginning with the cost-of-living adjustment payable January 1, 2012, the cost-of-living adjustment is 1.00 percent until an 80 percent Accrued Liability Funding Ratio, based on the Actuarial Value of Assets, is achieved; 2.00 percent once an 80 percent funding is achieved but funding is less than 90 percent. Once 90 percent funding is achieved, cost-of-living adjustment determined by the Consumer Price Index - Urban Wage Earners and Clerical Workers All Items Index with a maximum of 5.00 percent and a minimum of 0.00 percent.
  - Healthy mortality assumptions are based on the RP-2000 Combined Mortality Table projected with Scale AA to 2020 with rates set back 1 year for males and 3 years for females.
  - Disabled mortality assumptions are based on the RP-2000 Disabled Life Mortality Table for males and females.

Significant Plan Provision and Actuarial Methods and Assumption Changes

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. 3d, 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.

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;

Significant Plan Provision and Actuarial Methods and Assumption Changes

2011 (Continued)

- if at least 90 percent, then the subdivisions for the 1.00 percent and 2.00 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 5.00 percent.

Interest credited to member contribution accounts was reduced from 6.00 percent to 4.00 percent.

Augmentation of deferred retirement benefits was changed prospectively, starting July 1, 2012, to a rate of 2.00 percent.

2012

The legislated investment return rate of 8.50 percent (pre-retirement and post-retirement) changed to select and ultimate rates of 8.00 percent for the period July 1, 2012, through June 30, 2017, and 8.50 percent thereafter.

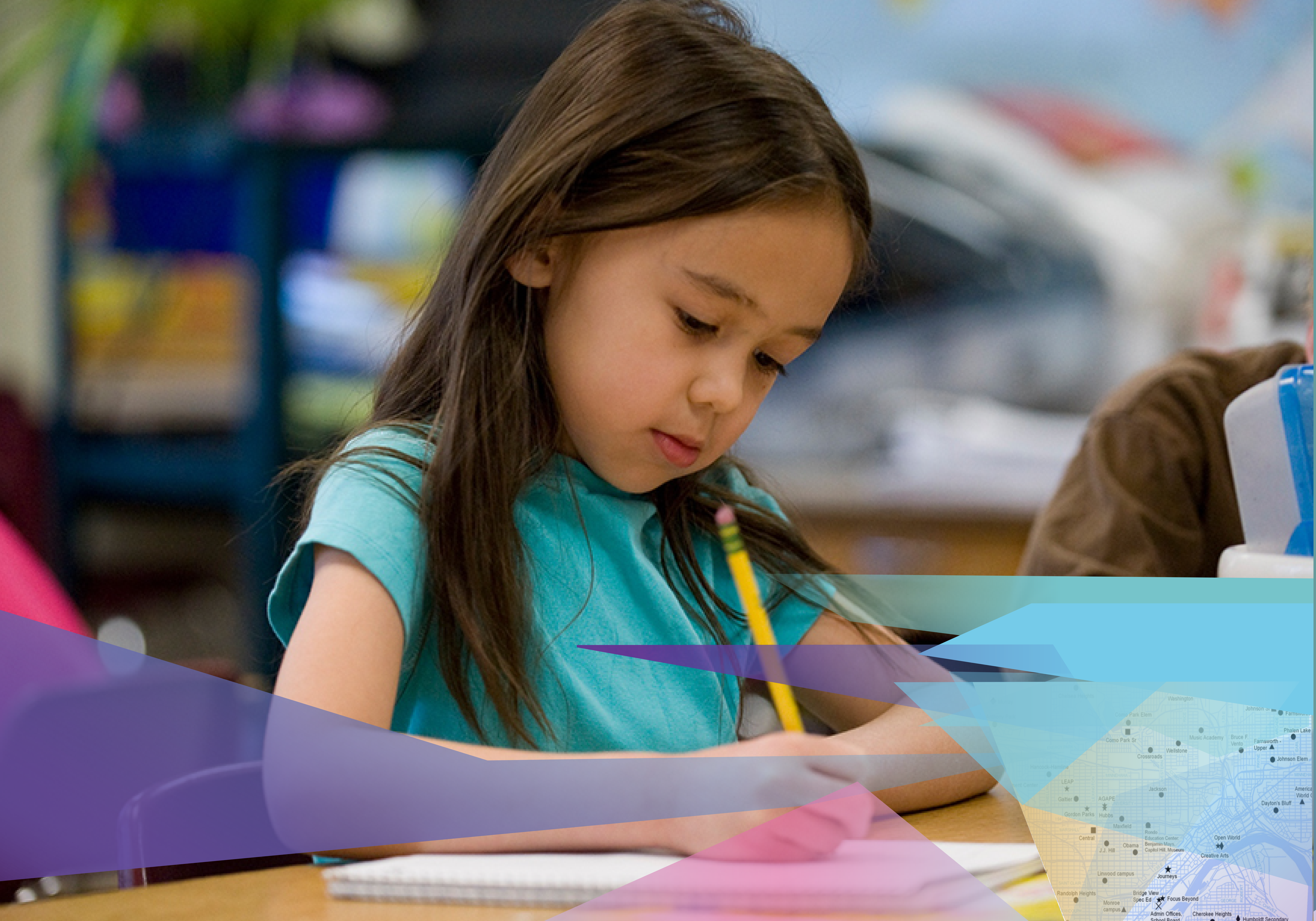
The underlying inflation rate assumption is 3.00 percent. Previously, the rate was unstated.

The payroll growth and wage inflation rate was reduced from 5.00 percent to 4.00 percent.

Mortality assumptions were updated:

Previously, pre-retirement mortality assumptions were 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 were 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 were based on the 1977 Railroad Retirement Board Mortality Table for Disabled Lives.

Currently, pre-retirement and post-retirement mortality assumptions for non-disabled participants are based on the RP-2000 Combined Mortality Table projected with Scale AA to 2020 with rates set back 1 year for males and 3 years for females. Disabled mortality assumptions are based on the RP-2000 Disabled Life Mortality Table for males and females.



Actuarial

2

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November 6, 2012

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, 2012. This report provides among other things, the required annual contribution rate of the Fund for the Plan Year commencing July 1, 2012, and ending on June 30, 2013.

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.

The assumptions were changed since the previous valuation to reflect assumptions that were newly adopted by the Board as a result of an experience study during the five-year period of July 1, 2006 to June 30, 2011 as well as a legislated change to the investment return. The assumption set is described in Section 4 of the report.

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,

Bonita J. Wurst

Mark Buis

Dana Woolfrey

Bonita J. Wurst, ASA, EA, MAAA   Mark Buis, FSA, EA, MAAA   Dana Woolfrey, ASA, EA, MAAA
BJW/MB/DW:mb

SUMMARY OF VALUATION RESULTS

	July 1, 2011 Valuation	July 1, 2012 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)		
1. Statutory Contributions - Chapter 354A	16.10%	16.47%
2. Required Contributions - Chapter 356	18.37%	22.87%
3. Sufficiency / (Deficiency)	(2.27%)	(6.40%)
B. FUNDING RATIOS		
1. Accrued Liability Funding Ratio		
a Current Assets (Table 1)	$ 972,718	$ 911,930
b. Actuarial Accrued Liability (Table 9)	1,389,875	1,471,216
c. Funding Ratio	69.99%	61.98%
2. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	$ 1,543,568	$ 1,461,167
b. Current and Expected Future Benefit Obligations	1,581,075	1,677,829
c. Funding Ratio	97.63%	87.09%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	3,469	3,828
b. Projected Annual Earnings	$ 239,501	$ 256,509
c. Average Annual Earnings (Projected dollars)	$ 66,937	$ 65,691
d. Average Age	45.5	45.0
e. Average Service	12.4	11.8
f. Additional Members on Leave of Absence	109	52
2. Others		
a. Service Retirements (Table 4)	2,864	2,942
b. Disability Retirements (Table 5)	29	29
c. Survivors (Table 6)	319	321
d. Deferred Retirements (Table 7)	1,880	1,833
e. Terminated Other Non-Vested (Table 7)	1,698	1,427
f. Total - Others	6,790	6,552
3. Grand Total (1.a + 1.f + 2.f)	10,368	10,432

TABLE 1
ACCOUNTING BALANCE SHEET
AS OF JUNE 30, 2012
(dollars in thousands)

		Market Value	Cost Value
A. ASSETS			
1. Cash, Equivalents, Short-Term Securities		$ 10,862	$ 10,862
2. Investments			
a. Fixed Income		168,941	106,660
b. Equity		596,107	454,923
c. Real Estate		91,605	84,144
d. Alternative		10,841	9,838
3. Other Assets*		5,161	5,161
B. TOTAL ASSETS		$ 883,517	$ 671,588
C. AMOUNTS CURRENTLY PAYABLE		$ 1,591	$ 1,591
D. ASSETS AVAILABLE FOR BENEFITS			
1. Member Reserves		$ 149,560	$ 149,560
2. Employer Reserves		732,366	520,436
3. Total Assets Available for Benefits		$ 881,926	$ 669,996
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS		$ 883,517	$ 671,587
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS			
1. Market Value of Assets Available for Benefits (D.3)		$ 881,926	
2. Unrecognized Asset Returns			
a. June 30, 2012	$ (82,006)		
b. June 30, 2011	128,185		
c. June 30, 2010	36,792		
d. June 30, 2009	(280,135)		
3. UAR Adjustment: .80 * 2(a) + .60 * 2(b) + .40 * 2(c) + .20 * 2(d)		(30,004)	
4. Actuarial Value of Assets: (F.1 - F.3)		$ 911,930	

* DERIVATION OF OTHER ASSETS	Market Value
Accounts Receivable	
Employer Contribution	$ 2,511
Employee Contribution	-
Service Purchases Receivable	84
Pensions Receivable	15
State Contributions	-
Real Estate Income Receivable	59
Commission Recapture Receivable	1
Interest Receivable	1
Dividend Receivable	194
Misc. Receivable	3
Security Purchases Receivable	609
Sale of Securities	1,657
Total Accounts Receivable	$ 5,134
Fixed Assets	26
Total Other Assets	$ 5,160

TABLE 2
CHANGE(S) IN ASSETS AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2012
(dollars in thousands)

	Market Value	Cost Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	$ 950,121	$ 684,103
B. OPERATING REVENUES		
1. Member Contributions	$ 14,117	$ 14,117
2. Employer Contributions	21,452	21,452
3. Supplemental Contributions	3,658	3,658
4. Investment Income	7,267	7,267
5. Investment Expenses	(4,080)	(4,080)
6. Net Realized Gain / (Loss)	46,926	46,926
7. Other	15	15
8. Net Change in Unrealized Gain / (Loss)	(54,088)	-
9. Total Operating Revenue	$ 35,267	$ 89,355
C. OPERATING EXPENSES		
1. Service Retirements	$ 91,969	$ 91,969
2. Disability Benefits	702	702
3. Survivor Benefits	9,117	9,117
4. Refunds	938	938
5. Administrative Expenses	736	736
6. Total operating Expenses	$ 103,462	$ 103,462
D. OTHER CHANGES IN RESERVES	$ -	$ -
E. ASSETS AVAILABLE AT END OF PERIOD	$ 881,926	$ 669,996

F. DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET RETURN

1. Average Balance	
(a) Assets available at BOY:	$ 950,121
(b) Assets available at EOY:	881,926
(c) Average balance {[(a) + (b) - Net Investment Income] / 2}	$ 918,011
{Net investment income: B.4+B.5+B.6+B.8}	
2. Expected Return: .085 * F.1	78,031
3. Actual Return	(3,975)
4. Current Year Gross Asset Return: F.3 - F.2	$ (82,006)

TABLE 8
ACTUARIAL BALANCE SHEET
AS OF JULY 1, 2012
(dollars in thousands)

A. CURRENT ASSETS (TABLE 1; Line F.4)	$	911,930
B. EXPECTED FUTURE ASSETS		
1. Present Value of Expected Future Statutory Supplemental Contributions*	$	342,624
2. Present Value of Future Normal Costs		206,613
3. Total Expected Future Assets	$	549,237
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS	$	1,461,167
D. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS	$	1,677,829
E. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (D - C)	$	216,662

* *Includes the 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, 2012
(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	$ 579,299	$ 156,537	$ 422,762
b. Disability Benefits	11,675	4,671	7,004
c. Surviving Spouse and Child Benefits	8,258	3,022	5,236
d. Vested Withdrawals	28,340	30,346	(2,006)
e. Refund Liability Due to Death or Withdrawal	2,475	12,037	(9,562)
f. Total	630,047	206,613	423,434
2. Deferred Retirements	64,410	-	$ 64,410
3. Former Members Without Vested Rights	3,506	-	3,506
4. Annuitants	979,866	-	979,866
5. Total	$ 1,677,829	$ 206,613	$ 1,471,216
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.5)			$ 1,471,216
2. Current Assets (Table 1; Line F.4)			$ 911,930
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			$ 559,286
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2037 (25-year rolling amortization) #			$ 3,948,324
2. Supplemental Contribution Rate (B.3 / C.1)			14.17%

**Includes members on leave of absence.*

#Calculated using 8.0% select and 8.5% ultimate rate.

TABLE 10
CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
AS OF JULY 1, 2012
(dollars in thousands)

A. UAAL AT BEGINNING OF YEAR	$	417,157
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	$	18,901
2. Contributions		(39,227)
3. Interest		35,367
4. Total	$	15,041
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	$	432,198
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1. Age and Service Retirements	$	2,803
2. Disability Retirements		2
3. Death-in-Service Benefits		(741)
4. Withdrawals		201
5. Salary Increases		(12,247)
6. Investment Income		76,504
7. Mortality of Annuitants		3,087
8. Other Items		2,857
9. Total	$	72,466
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.9)	$	504,664
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		54,622
H. UAAL AT END OF YEAR (E + F + G)	$	559,286

TABLE 11
CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
AS OF JULY 1, 2012
(dollars in thousands)

	Percent of Payroll		Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A			
1. Employee Contributions	6.02%	$	15,449
2. Employer Contributions	8.87%		22,753
3. Supplemental Contribution			
a. 1996 Legislation	0.48%		1,230
b. 1997 Legislation	1.10%		2,827
4. Total	16.47%	$	42,259
B. REQUIRED CONTRIBUTIONS - CHAPTER 356			
1. Normal Cost			
a. Retirement Benefits	6.47%	$	16,602
b. Disability Benefits	0.18%		455
c. Surviving Spouse and Child Benefits	0.12%		296
d. Vested Withdrawals	1.12%		2,868
e. Refund Liability Due to Death or Withdrawal	0.50%		1,282
f. Total	8.39%	$	21,503
2. Supplemental Contribution Amortization	14.17%		36,347
3. Allowance for Administrative Expenses	0.31%		795
4. Total	22.87%	$	58,645
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.4 - B.4)	(6.40%)		(16,386)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		$	256,509

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2012

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 4.00% 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 assumptions were changed since the previous valuation to reflect assumptions that were newly adopted by the Board as a result of an experience study during the five-year period of July 1, 2006 to June 30, 2011 as well as a legislated change to the investment return assumption.

A. Demographic Assumptions

Mortality:

1. Healthy Mortality*:
   a. Male: RP-2000 Combined Mortality Table for males projected with Scale AA to 2020 set back 1 year
   b. Female: RP-2000 Combined Mortality Table for females projected with Scale AA to 2020 set back 3 years
2. Disabled Mortality:
   i. Male: RP-2000 Disabled Life Mortality Table for males
   ii. Female: RP-2000 Disabled Life Mortality Table for females

* *Mortality rates were adjusted to include margin for future mortality improvement as described in the table name above.*

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2012

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

	Healthy Mortality		Disabled Mortality	
Age	**Male**	**Female**	**Male**	**Female**
20	2	1	226	75
21	2	1	226	75
22	2	1	226	75
23	3	1	226	75
24	3	1	226	75
25	3	1	226	75
26	3	1	226	75
27	3	1	226	75
28	3	2	226	75
29	4	2	226	75
30	4	2	226	75
31	4	2	226	75
32	5	2	226	75
33	5	2	226	75
34	6	3	226	75
35	6	3	226	75
36	7	3	226	75
37	8	4	226	75
38	8	4	226	75
39	9	4	226	75
40	9	4	226	75
41	9	5	226	75
42	10	5	226	75
43	10	5	226	75
44	10	6	226	75

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

	Healthy Mortality		Disabled Mortality	
Age	**Male**	**Female**	**Male**	**Female**
45	11	6	226	75
46	12	7	238	82
47	12	8	251	90
48	13	8	264	98
49	13	9	277	106
50	14	9	290	115
51	15	10	303	125
52	17	11	316	135
53	18	12	329	145
54	19	13	342	155
55	21	15	354	165
56	25	17	367	176
57	29	20	380	187
58	33	23	393	197
59	38	27	407	208
60	43	31	420	218
61	49	35	435	229
62	57	40	450	241
63	65	46	466	253
64	76	53	483	266
65	85	60	502	280
66	96	69	522	296
67	111	78	545	313
68	124	88	569	332
69	135	99	596	353

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2012

Rates of Disability:

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

Age	Disability	Age	Disability
20	2	45	5
21	2	46	5
22	2	47	5
23	2	48	5
24	2	49	5
25	2	50	10
26	2	51	10
27	2	52	10
28	2	53	10
29	2	54	10
30	3	55	20
31	3	56	20
32	3	57	20
33	3	58	20
34	3	59	20
35	3	60	40
36	3	61	40
37	3	62	40
38	3	63	40
39	3	64	40
40	3		
41	3		
42	3		
43	3		
44	3		

Rates of Termination:

Years of Service	Number of Terminations per 1,000 Active Members Male	Female
0	400	400
1	180	180
2	140	140
3	100	100
4	60	67
5	50	59
6	45	51
7	41	43
8	37	35
9	33	31
10	29	27
11	25	23
12	20	19
13	20	15
14	20	13
15 & Over	20	13

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	Male Coordinated Members Eligible for Rule of 90 Provision	Female Coordinated Members Eligible for Rule of 90	Male Coordinated Members Not Eligible for Rule of 90 Provision	Female Coordinated Members Not Eligible for Rule
55	5,000	800	3,500	3,500	700	500
56	5,000	1,300	3,500	3,500	700	500
57	4,000	1,300	3,500	3,500	700	500
58	4,000	1,800	3,500	3,500	700	500
59	3,500	1,800	3,500	3,500	700	500
60	3,500	2,000	3,500	3,500	1,100	800
61	3,500	2,000	3,500	3,500	1,500	1,100
62	3,500	4,000	3,500	3,500	1,900	1,400
63	3,500	4,000	3,500	3,500	2,300	1,900
64	4,000	4,000	3,500	4,000	2,700	2,400
65	5,000	5,000	3,500	5,000	3,100	3,500
66	3,000	5,000	3,500	5,000	3,500	3,500
67	3,000	5,000	3,500	5,000	3,500	3,500
68	3,000	5,000	3,500	5,000	3,500	3,500
69	3,000	5,000	3,500	5,000	3,500	3,500
70 & Over	10,000	10,000	10,000	10,000	10,000	10,000

B. Economic Assumptions

Investment Return Rate: Select and Ultimate Rates:
8.00% for the period July 1, 2012 to June 30, 2017;
8.50% thereafter.
8.34% Equivalent Discount Rate – Present Value of Benefits Determination

Cost of Living Increases: 1.00% per annum

Wage Inflation: 4.00% per annum

Future Salary Increases: In addition to the age-based rates shown below, during the first 15 years of employment, a service-based component of 0.20% x (15-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
<22	6.90%
23	6.85
24	6.80
25	6.75
26	6.70
27	6.65
28	6.60
29	6.55
30	6.50
31	6.45
32	6.40
33	6.35
34	6.30
35	6.25
36	6.20
37	6.15
38	6.10
39	6.05
40	6.00
41	5.95
42	5.90
43	5.85
44	5.80

Age	Ultimate Rate of Annual Salary Increases
45	5.75%
46	5.70
47	5.65
48	5.60
49	5.55
50	5.50
51	5.45
52	5.40
53	5.35
54	5.30
55	5.25
56	5.20
57	5.15
58	5.10
59	5.05
60 & Over	5.00

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, 2012

C. *Other Assumptions*

Marital Status:	It is assumed that 75% of male members and 60% of female members have an eligible spouse. The male spouse is assumed to be two 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 61. Coordinated Plan members are assumed to commence benefits at age 62. 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) are expressed as a percentage of payroll and then applied to current projected payroll.
Allowance for Combined:	7.00% load on liabilities for active members hired before July 1, 1989; 2.00% load on liabilities for active members hired after June 30, 1989; 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.

TABLE 12
ACTUARIAL METHODS AND ASSUMPTIONS
AS OF JULY 1, 2012

Projected Annual Payroll Calculation:	The census data as of July 1, 2012 reflects retirements and terminations occurring during the months of May and June; however, it does not necessarily reflect the replacements hired to fill their positions who may have hire dates in August and September. We assumed that May and June retirements are replaced by members coming in at the B.A. Step 1 salary level of $34,674; and the Projected Annual Payroll for the fiscal year ending June 30, 2013 includes this replacement salary amount.
New Retiree Benefits:	Benefits reported for many new retirees included one-time retroactive amounts. Benefits for new retirees were set to the original benefit payment amount adjusted for any COLAs that would have been received since retirement.

Investments

4

Investment Returns for Fiscal Year End June 30, 2012

	2012 Assets Under Management (Market Value)	Fiscal Year Investment Performance
Domestic Equity		
BlackRock Institutional Trust Co. - S & P 500 Index	134,118,588	5.51%
BlackRock Institutional Trust Co. - Russell 1000 Growth Index	44,606,749	5.88%
Barrow, Hanley, Mewhinney & Strauss, Inc.	41,702,016	3.07%
The Boston Company Asset Management	35,144,622	-6.01%
Dimensional Fund Advisors, Inc.	39,197,531	-3.56%
Fifth Third Asset Management	39,214,661	2.13%
Wellington Management Company, LLP	34,118,894	-13.73%
	$ 368,103,061	**0.86%**
International Equity		
Capital International, Inc. - Emerging Market (Net)	30,617,518	-21.69%
JP Morgan Asset Management - EAFE	82,381,138	-10.79%
Morgan Stanley Asset Management	40,382,517	-7.22%
	$ 153,381,173	**-11.54%**
Global Equity		
Morgan Stanley Global Franchise (new in June)	41,333,928	
Lazard Thematic Global Equity	36,589,624	-6.77%
	$ 77,923,552	**-6.69%**
Fixed Income		
BlackRock Institutional Trust Co. - Government/Corp Index	80,630,690	8.93%
BlackRock Institutional Trust Co. - US Debt Index	79,226,305	7.56%
	$ 159,856,995	**8.24%**
Real Estate		
Advantus	20,361,107	11.10%
UBS Realty Advisors LLC - Trumbull Property Fund	71,929,066	9.99%
	$ 92,290,173	**10.42%**
Alternative		
RWI Ventures I	283,349	127.09%
RWI Ventures II	4,597,175	216.54%
North Sky	5,861,826	-2.40%
	$ 10,742,350	**70.45%**
Overlay		
Clifton Group	**$ 5,746,685**	**2.98%**
Cash		
In-House Cash & Cash Equivalents	926,285	0.06%
Cash - US Bank	10,423,157	0.06%
	$ 17,096,127	**0.01%**
Total Fund	**$ 879,393,432**	**0.15%**
Total Fund Benchmark		**0.86%**

NOTE: Investment returns are calculated by Callan Associates (performance measurement consultant)
The difference from the *total of investments at fair value* which are listed on the Statement of Plan Net Assets is a result of timing of cash inflow and outflow recognition.

Holdings by Asset Class, Security Type, and Issuer as of June 30, 2012

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Alternatives					
North Sky - PEP IV Fund		$ 4,289,926	$ 5,864,020		$ 5,864,020
RWI Group - Ventures I Capital Ltd Ptnr	-	810,916	273,048		$ 273,048
RWI Group - Ventures II Capital Ltd Ptnr	-	4,736,856	4,704,099		4,704,099
Subtotal - Alternatives & Venture Private Equity	-	$ 9,837,698	$ 10,841,167	$ -	$ 10,841,167
Cash or Equivalents					
Imprest Cash	-	$ 500	$ 500	-	$ 500
U.S. Bank Interest Bearing Checking Acct	-	10,381,476	10,381,476	-	10,381,476
Custodian Short Term Investment Pool	9,083,769	9,083,769	9,083,769	559	9,084,328
Subtotal - Cash or Equivalents	9,083,769	$ 19,465,745	$ 19,465,745	$ 559	$ 19,466,304
Domestic Equity Securities					
Abercrombie & Fitch Co	5,280	$ 202,934	$ 180,259	$ -	$ 180,259
Acme Packet Inc	14,300	367,136	266,695	-	266,695
Advance Auto Parts Inc	12,600	857,748	859,572	732	860,304
Aflac Inc	19,900	743,091	847,541	-	847,541
Agilent Technologies Inc	26,100	1,202,727	1,024,164	2,610	1,026,774
Agrium Inc	3,000	226,521	265,410	1,500	266,910
Alliance Data Systems Corp	3,800	250,773	513,000	-	513,000
Allstate Corp/The	18,700	666,917	656,183	4,114	660,297
Altria Group Inc	43,200	720,953	1,492,560	17,712	1,510,272
American Axle & Mfg	23,780	233,291	249,452	-	249,452
American Express Co	31,300	1,476,913	1,821,973	-	1,821,973
American Public Education Inc	8,500	327,427	272,000	-	272,000
Ameriprise Financial Inc	12,100	470,501	632,346	-	632,346
Apple Inc	3,000	347,350	1,752,000	-	1,752,000
Applied Micro Circuits Corp	29,660	236,067	169,655	-	169,655
Approach Resources Inc	9,830	363,598	251,058	-	251,058
Aptargroup Inc	13,000	675,614	663,650	-	663,650
Arrow Electronics Inc	34,570	1,264,489	1,134,242	-	1,134,242
Arthur J Gallagher & Co	16,020	506,337	561,821	5,447	567,268
Ascena Retail Group Inc	15,200	288,462	283,024	-	283,024
Assured Guaranty Ltd Shs	41,800	689,886	589,380	-	589,380
At&T Inc	25,800	912,002	920,028	-	920,028
Atwood Oceanics Inc	14,600	522,644	552,464	-	552,464
Auxilium Pharmaceuticals Inc	16,150	344,590	434,274	-	434,274
Avis Budget Group Inc	11,310	183,942	171,912	-	171,912
Avnet Inc	10,810	302,152	333,597	-	333,597
Ball Corp	10,100	397,423	414,605	-	414,605
Bank Of America Corp	68,628	1,323,253	561,377	-	561,377

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Baxter International Inc	22,900	1,034,401	1,217,135	10,519	1,227,654
Be Aerospace Inc	11,000	381,005	480,260	-	480,260
Beam Inc	10,000	576,890	624,900	-	624,900
Bed Bath & Beyond Inc	9,800	615,164	605,640	-	605,640
Belden Inc	19,500	640,808	650,325	1,060	651,385
Bmc Software Inc	7,900	282,792	337,172	-	337,172
Boeing Co/The	6,000	460,929	445,800	-	445,800
Borgwarner Inc	4,620	371,677	303,026	-	303,026
Bp Plc	14,100	693,395	571,614	-	571,614
Brocade Communications Syst	61,960	356,087	305,463	-	305,463
Brown & Brown Inc	24,740	511,563	674,660	-	674,660
Buckle Inc/The	24,300	991,268	961,551	-	961,551
Cabot Oil & Gas Corp	5,560	129,962	219,064	-	219,064
Cameron International Corp	8,200	361,808	350,222	-	350,222
Capital One Financial Corp	14,600	1,048,044	798,036	-	798,036
Cardtronics Inc	3,590	98,859	108,454	-	108,454
Carefusion Corp	6,520	166,534	167,434	-	167,434
Carlisle Cos Inc	14,200	632,971	752,884	-	752,884
Carnival Corp	19,100	591,827	654,557	-	654,557
Cbre Group Inc Cl A	19,170	303,590	313,621	-	313,621
Celanese Corp	9,600	300,090	332,352	-	332,352
Ch Robinson Worldwide Inc	14,710	893,288	860,976	4,854	865,831
Chevron Corp	6,300	293,184	664,650	-	664,650
Chico'S Fas Inc	23,700	287,211	351,708	-	351,708
Cigna Corporation Com	24,150	1,063,926	1,062,600	-	1,062,600
Citigroup Inc	18,710	772,801	512,841	-	512,841
Citrix Systems Inc	3,000	232,467	251,820	-	251,820
Coach Inc	3,100	181,567	181,288	600	181,888
Coca-Cola Co/The	8,000	495,797	625,520	3,570	629,090
Conocophillips	18,100	461,662	1,011,428	-	1,011,428
Con-Way Inc	9,960	270,147	359,656	-	359,656
Corelogic Inc	23,200	377,574	424,792	-	424,792
Crown Holdings Inc	2,110	63,467	72,774	-	72,774
Csg Systems International Inc	27,360	515,292	472,781	-	472,781
Cubist Pharmaceuticals Inc	4,320	185,801	163,771	-	163,771
Cummins Inc	4,500	300,506	436,095	-	436,095
Cypress Semiconductor Corp	-	-	-	221	221
Dana Holding Corp	13,900	140,778	178,059	-	178,059
Dealertrack Holdings Inc	37,430	876,200	1,127,017	-	1,127,017
Deckers Outdoor Corp	6,400	523,479	281,664	-	281,664
Delphi Automotive Plc	11,900	274,952	303,450	-	303,450
Dfc Global Corp	17,255	352,531	318,010	-	318,010
Diageo Plc	12,900	813,564	1,329,603	-	1,329,603
Discover Financial Services	43,400	887,464	1,500,772	-	1,500,772
Dollar General Corp	4,700	215,216	255,633	-	255,633
Donaldson Co Inc	18,000	637,771	600,660	-	600,660

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Dr Horton Inc	79,880	1,088,865	1,468,194	-	1,468,194
Dsw Inc	9,000	536,059	489,600	-	489,600
Ecolab Inc	12,000	665,297	822,360	2,400	824,760
Emerson Electric Co	16,800	512,049	782,544	-	782,544
Employers Holdings Inc	9,980	195,416	180,039	-	180,039
Entergy Corp	8,300	327,658	563,487	-	563,487
Eog Resources Inc	4,000	454,524	360,440	-	360,440
Express Inc	31,800	629,462	577,806	-	577,806
Exxon Mobil Corp	15,000	1,243,455	1,283,550	-	1,283,550
F5 Networks Inc	1,700	172,886	169,252	-	169,252
Fastenal Co	10,000	237,137	403,100	-	403,100
Fifth & Pacific Co Inc	83,050	525,575	891,127	-	891,127
Finisar Corp	18,900	411,058	282,744	-	282,744
Fiserv Inc	12,000	753,300	866,640	-	866,640
Flowserve Corp	5,600	550,494	642,600	2,124	644,724
Fossil Inc	4,300	364,259	329,122	-	329,122
Georgia Gulf Corp	23,330	449,594	598,881	1,866	600,748
Global Payments Inc	17,700	769,162	765,171	-	765,171
Gnc Holdings Inc	6,300	216,941	246,960	-	246,960
Grand Canyon Education Inc	14,900	255,634	312,006	-	312,006
Granite Construction Inc	12,530	308,262	327,158	1,629	328,787
Green Mountain Coffee Roasters	13,500	481,883	294,030	-	294,030
Gulfport Energy Corp	34,940	927,879	720,812	-	720,812
Hancock Holding Co	8,720	293,509	265,437	-	265,437
Hanger Inc	14,350	277,695	367,934	-	367,934
Herbalife Ltd Usd Com Shs	12,000	507,251	579,960	-	579,960
Herman Miller Inc	25,460	499,453	471,519	536	472,055
Hewlett-Packard Co	27,600	885,464	555,036	3,643	558,679
Honeywell International Inc	18,100	594,040	1,010,704	-	1,010,704
Hospira Inc	18,900	648,606	661,122	-	661,122
Humana Inc	2,200	94,990	170,368	572	170,940
Iac/Interactivecorp	3,900	178,337	177,840	-	177,840
Idex Corp	14,000	474,751	545,720	-	545,720
Igate Corp	35,100	607,148	597,402	-	597,402
Illinois Tool Works Inc	20,000	810,152	1,057,800	7,200	1,065,000
Ingersoll-Rand Public Limited	4,420	188,541	186,436	-	186,436
Innospec Inc	10,600	329,011	313,866	-	313,866
Intel Corp	69,100	1,358,982	1,841,515	-	1,841,515
International Business Machine	6,000	834,480	1,173,480	-	1,173,480
International Game Technology	54,080	874,348	851,760	3,245	855,005
Itt Educational Services Inc	17,700	1,222,363	1,075,275	-	1,075,275
Jb Hunt Transport Services Inc	5,400	281,187	321,840	-	321,840
Jds Uniphase Corp	91,930	1,201,714	1,011,230	-	1,011,230
Johnson & Johnson	15,000	932,290	1,013,400	-	1,013,400
Johnson Controls Inc	16,000	471,704	443,360	2,880	446,240
Jones Group Inc/The	94,200	1,025,515	900,552	-	900,552

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Jones Lang Lasalle Inc	5,410	452,373	380,702	-	380,702
Joy Global Inc	11,800	845,328	669,414	-	669,414
Jpmorgan Chase & Co	19,000	755,072	678,870	-	678,870
Juniper Networks Inc	15,200	343,211	247,912	-	247,912
Kirby Corp	9,570	641,585	450,556	-	450,556
Kohl'S Corp	8,500	410,125	386,665	-	386,665
Kraft Foods Inc	15,000	587,828	579,300	4,350	583,650
L-3 Communications Holdings In	10,000	782,725	740,100	-	740,100
Landstar System Inc	11,830	542,220	611,848	-	611,848
Lincoln Electric Holdings Inc	11,000	519,037	481,690	1,870	483,560
Lpl Financial Holdings Inc	15,950	544,719	538,632	-	538,632
Ltd Brands Inc	12,000	396,360	510,360	-	510,360
Lyondellbasell Indu-Cl A-W/I	19,290	770,279	776,808	-	776,808
Macy'S Inc	17,000	449,670	583,950	3,400	587,350
Manpower Inc	17,400	790,573	637,710	-	637,710
Marathon Oil Corp	37,900	868,283	969,103	-	969,103
Masco Corp	48,080	519,422	666,870	-	666,870
Mastercard Inc	1,000	431,765	430,110	-	430,110
Maxim Integrated Products Inc	14,000	345,521	358,960	-	358,960
Mcdonald'S Corp	9,000	381,244	796,770	-	796,770
Mead Johnson Nutrition Co	7,000	586,792	563,570	2,100	565,670
Mednax Inc	5,530	387,255	379,026	-	379,026
Medtronic Inc	34,200	1,166,462	1,324,566	-	1,324,566
Merit Medical Systems Inc	5,190	70,147	71,674	-	71,674
Meritage Homes Corp	26,670	546,650	905,180	-	905,180
Mettler-Toledo International I	3,000	346,759	467,550	-	467,550
Micros Systems Inc	6,650	314,685	340,480	-	340,480
Microsemi Corp	18,640	304,861	344,654	-	344,654
Microsoft Corp	39,600	747,417	1,211,364	-	1,211,364
Mohawk Industries Inc	13,770	689,048	961,559	-	961,559
Motorola Solutions Inc	14,500	686,522	697,595	3,190	700,785
Mylan Inc/Pa	29,700	585,438	634,689	-	634,689
National Oilwell Varco Inc	8,000	613,204	515,520	-	515,520
Netapp Inc	12,400	456,839	394,568	-	394,568
Newell Rubbermaid Inc	55,710	886,698	1,010,579	-	1,010,579
Newfield Exploration Co	15,500	582,586	454,305	-	454,305
Northern Trust Corp	16,000	713,491	736,320	4,800	741,120
Nuance Communications Inc	16,600	331,620	395,412	-	395,412
Occidental Petroleum Corp	18,400	603,949	1,578,168	9,936	1,588,104
Pdc Energy Inc Com	19,350	571,742	474,462	-	474,462
Perrigo Co	5,000	409,616	589,650	-	589,650
Pfizer Inc	49,055	1,240,187	1,128,265	-	1,128,265
Philip Morris International In	15,500	387,481	1,352,530	11,935	1,364,465
Phillips 66	9,050	138,139	300,822	-	300,822
Polaris Industries Inc	15,500	905,309	1,107,940	-	1,107,940
Portfolio Recovery Associates	8,560	499,526	781,186	-	781,186

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Priceline.Com Inc	750	379,224	498,390	-	498,390
Principal Financial Group Inc	18,090	486,510	474,501	-	474,501
Procter & Gamble Co/The	9,500	562,809	581,875	-	581,875
Pulte Group Inc	17,650	173,128	188,855	-	188,855
Qualcomm Inc	10,000	677,766	556,800	-	556,800
Raytheon Co	22,900	1,071,749	1,295,911	-	1,295,911
Regal-Beloit Corp	5,980	354,035	372,315	1,136	373,451
Robert Half International Inc	19,530	534,249	557,972	-	557,972
Rockwell Automation Inc	6,000	453,708	396,360	-	396,360
Salix Pharmaceuticals Ltd	10,480	412,948	570,531	-	570,531
Sally Beauty Holdings Inc	22,000	590,099	566,280	-	566,280
Sandridge Energy Inc	17,080	138,498	114,265	-	114,265
Sanofi	22,400	791,437	846,272	-	846,272
Sauer-Danfoss Inc	7,100	336,082	248,003	2,485	250,488
Scansource Inc	14,600	343,685	447,344	-	447,344
Schlumberger Ltd	9,000	689,256	584,190	2,475	586,665
Scientific Games Corp	15,200	177,914	129,960	-	129,960
Seagate Technology	13,100	371,670	323,963	-	323,963
Servicenow Inc	300	5,400	7,380	-	7,380
Shaw Group Inc/The	5,340	167,262	145,835	-	145,835
Sherwin-Williams Co/The	4,260	337,105	563,811	-	563,811
Skyworks Solutions Inc	7,900	160,295	215,828	-	215,828
Slm Corp	61,900	1,343,541	972,449	-	972,449
Snap-On Inc	12,000	652,164	747,000	-	747,000
Southwestern Energy Co	5,400	162,453	172,422	-	172,422
St Jude Medical Inc	17,330	657,756	691,640	3,986	695,626
Stanley Black & Decker Inc	15,870	650,984	1,021,393	-	1,021,393
Starwood Property Trust Inc	14,340	287,358	305,585	6,310	311,895
State Street Corp	26,300	1,142,016	1,174,032	6,312	1,180,344
Stericycle Inc	6,000	302,357	550,020	-	550,020
Sxc Health Solutions Corp	6,600	385,492	654,786	-	654,786
Take-Two Interactive Software	23,660	274,148	223,824	-	223,824
Techne Corp	6,000	404,925	445,200	-	445,200
Tempur-Pedic International Inc	5,400	356,482	126,306	-	126,306
Teradata Corp	11,000	424,529	792,110	-	792,110
Texas Instruments Inc	27,500	683,426	788,975	-	788,975
Tibco Software Inc	20,000	610,162	598,400	-	598,400
Toro Co/The	7,500	493,882	549,675	-	549,675
Tower International Inc	5,470	71,408	57,435	-	57,435
Towers Watson & Co	7,400	483,824	443,260	740	444,000
Transdigm Group Inc	5,000	465,022	671,500	-	671,500
Travelers Cos Inc/The	20,400	839,221	1,302,336	-	1,302,336
Treehouse Foods Inc	8,000	466,239	498,320	-	498,320
Trinity Industries Inc	23,600	673,885	589,528	-	589,528
True Religion Apparel Inc	17,200	461,497	498,456	-	498,456
Trueblue Inc	21,690	335,013	335,761	-	335,761

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Ulta Salon Cosmetics & Fragran	7,000	184,816	653,660	-	653,660
United Therapeutics Corp	4,990	258,789	246,406	-	246,406
Unitedhealth Group Inc	38,700	1,579,548	2,263,950	-	2,263,950
Universal Health Services Inc	12,100	524,730	522,236	-	522,236
Us Bancorp	33,000	824,943	1,061,280	6,435	1,067,715
Uti Worldwide Inc Shs	65,070	1,057,386	950,673	3,904	954,577
Valspar Corp	15,500	418,714	813,595	3,100	816,695
Velti Ltd	77,290	796,435	502,385	-	502,385
Verizon Communications Inc	21,200	679,751	942,128	-	942,128
Vishay Intertechnology Inc	15,780	135,261	148,805	-	148,805
Vodafone Group Plc	35,200	981,192	991,936	35,717	1,027,653
Waddell & Reed Financial Inc	33,400	923,637	1,011,352	-	1,011,352
Walgreen Co	32,500	1,039,339	961,350	-	961,350
Wal-Mart Stores Inc	9,800	446,997	683,256	-	683,256
Waters Corp	4,300	278,721	341,721	-	341,721
Web.Com Group Inc	10,700	181,623	195,489	-	195,489
Wellpoint Inc	16,300	608,056	1,039,777	-	1,039,777
Wells Fargo & Co	68,300	1,856,392	2,283,952	-	2,283,952
Wesco International Inc	17,500	832,944	1,007,125	-	1,007,125
Western Union Co/The	47,300	839,639	796,532	-	796,532
Whiting Petroleum Corp	15,100	812,027	620,912	-	620,912
Williams-Sonoma Inc	15,680	559,738	548,330	-	548,330
Wisconsin Energy Corp	27,000	658,847	1,068,390	-	1,068,390
Wright Express Corp	25,790	1,228,638	1,591,759	-	1,591,759
Zimmer Holdings Inc	7,000	442,803	450,520	1,260	451,780
Subtotal - Cash or Equivalents	4,316,998	$ 130,582,771	$ 146,879,694	$ 194,475	$ 147,074,169
Domestic Equity Commingled Accounts					
BGI - Equity Index Fund	309,613	$ 76,455,769	$ 134,118,588	-	$ 134,118,588
BGI - Russell 1000 Growth Fund	3,384,904	25,198,708	44,606,749	-	44,606,749
Dimensional Fund Advisors	30,499	15,583,382	39,197,531	-	39,197,531
Subtotal - Domestic Equity Comminglec	3,725,016	$ 117,237,859	$ 217,922,868	$ -	$ 217,922,868
Fixed Commingled Accounts					
BlackRock - Gov/Cr Bond Index	241,949	$ 41,341,215	$ 80,630,690		$ 80,630,690
BlackRock - US Debt Index	1,278,813	65,318,760	79,226,305		79,226,305
Subtotal - Fixed Commingled	1,520,761	$ 106,659,975	$ 159,856,995	$ -	$ 159,856,995
International Equity Commingled Accounts					
Capital Intl Emerging Mkts Growth Fund	4,143,101	$ 36,019,877	$ 30,617,518	-	$ 30,617,518
J P Morgan Chase EAFE Plus	4,465,102	66,412,887	82,381,134	-	82,381,134
Morgan Stanley - International Equity Trust	219,012	21,813,638	40,382,517	-	40,382,517
Subtotal - Intl Equity Commingled	8,827,216	$ 124,246,402	$ 153,381,169	$ -	$ 153,381,169

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Thematic Global Equity					
Morgan Stanley Global Franchise	2,351,190	$ 39,500,000	$ 41,333,929		$ 41,333,929
Lazard	3,762,939	34,271,892	36,589,624	-	36,589,624
	6,114,129	$ 73,771,892	$ 77,923,553	$ -	$ 77,923,553
Real Estate Securities					
Acadia Realty Trust	11,569	$ 208,175	$ 268,169	2,082	$ 270,252
Agree Realty Corp	8,848	203,321	195,806	3,539	199,345
Alexandria Real Estate Equitie	3,500	239,510	254,520	1,785	256,305
American Tower Corporation	2,100	111,043	146,811	484	147,295
Apartment Invest & Mgmt	19,600	528,166	529,788	-	529,788
Associated Estates Realty Corp	5,900	82,503	88,205	-	88,205
Avalonbay Communities Inc	4,900	614,857	693,252	4,753	698,005
Biomed Realty Trust Inc	14,600	240,264	272,728	3,139	275,867
Boston Properties Inc	7,279	603,933	788,825	4,003	792,829
Brandywine Realty Trust	14,400	147,359	177,696	-	177,696
Bre Properties Inc	3,400	158,969	170,068	-	170,068
Brookfield Office Properties	17,776	262,000	309,658	-	309,658
Camden Property Trust	5,200	264,613	351,884	2,912	354,796
Caplease Inc Inc Pfd	3,700	85,322	91,997	1,879	93,876
Cbl & Associates Properties In	9,900	141,326	193,446	2,178	195,624
Cbre Group Inc Cl A	7,000	131,061	114,520	-	114,520
Chatham Lodging Trust	4,100	52,751	58,548	820	59,368
Chesapeake Lodging Trust	4,800	82,443	82,656	1,056	83,712
Colonial Properties Trust	7,800	165,249	172,692	-	172,692
Colony Financial Inc	4,800	78,199	83,040	1,645	84,685
Crown Castle Intl Cor	3,700	160,643	217,042	-	217,042
Cubesmart	19,357	183,414	225,896	1,549	227,445
Ddr Corp	26,600	339,153	389,424	3,276	392,700
Digital Realty Trust Inc	5,500	297,975	412,885	-	412,885
Digital Realty Trust Inc	5,500	138,142	147,785	-	147,785
Duke Realty Corp	16,800	207,749	245,952	-	245,952
Eastgroup Properties Inc	1,700	70,990	90,610	-	90,610
Entertainment Properties Trust	1,800	78,815	73,998	1,350	75,348
Equity Lifestyle Properties In	2,008	127,326	138,492	879	139,370
Equity Residential	12,100	516,628	754,556	4,084	758,640
Essex Property Trust Inc	1,594	172,113	245,348	1,753	247,102
Extra Space Storage Inc	1,800	50,554	55,080	-	55,080
Forest City Enterprises Inc	9,900	133,877	144,540	-	144,540
General Growth Properties Inc	8,700	145,813	157,383	-	157,383
Hcp Inc	14,700	473,093	649,005	-	649,005
Health Care Reit Inc	13,600	669,215	792,880	-	792,880
Hersha Hospitality Trust	35,262	188,905	186,183	2,116	188,299
Host Hotels & Resorts Inc	28,310	391,328	447,864	1,982	449,846
Hudson Pacific Properties Inc	3,600	54,000	62,676	450	63,126

Asset Class / Security Type / Issuer	Quantity Shares or Units	Cost	Market Value	Accrued Interest or Dividends	Mkt + Accrued
Kilroy Realty Corp	4,000	144,724	193,640	1,400	195,040
Kimco Realty Corp	20,800	364,394	395,824	-	395,824
Lasalle Hotel Properties	5,200	121,986	151,528	1,040	152,568
Ltc Properties Inc	2,000	56,665	72,560	-	72,560
Macerich Co/The	8,245	337,485	486,867	-	486,867
Mid-America Apartment Communit	4,000	239,721	272,960	-	272,960
Pebblebrook Hotel Trust	5,700	124,973	132,867	684	133,551
Pebblebrook Hotel Trust	4,300	107,188	112,230	2,150	114,380
Plum Creek Timber Co Inc	2,700	105,232	107,190	-	107,190
Post Properties Inc	5,200	214,680	254,540	1,300	255,840
Primaris Retail Real Est Invt	6,083	129,298	140,581	515	141,096
Prologis Inc	24,250	780,040	805,828	-	805,828
Public Storage	6,300	733,663	909,783	-	909,783
Retail Opportunity Investments	3,300	35,133	39,798	-	39,798
Retail Properties Of Ame - A	12,600	101,377	122,472	2,253	124,725
Riocan Reit	3,400	89,012	92,383	326	92,709
Simon Property Group Inc	13,165	1,103,069	2,049,264	-	2,049,264
Sl Green Realty Corp	4,900	296,140	393,176	1,225	394,401
Sovran Self Storage Inc	3,300	128,453	165,297	-	165,297
Starwood Hotels & Resorts Worl	3,200	172,239	169,728	-	169,728
Sunstone Hotel Investors Inc	10,852	96,561	119,263	-	119,263
Tanger Factory Outlet Centers	6,100	175,749	195,505	-	195,505
Udr Inc	15,000	373,695	387,600	-	387,600
Ventas Inc	13,961	699,649	881,218	-	881,218
Vornado Realty Trust	5,042	373,055	423,427	-	423,427
Weingarten Realty Investors	4,500	105,282	118,530	-	118,530
Subtotal - Real Estate Securities	571,801	$ 16,010,259	$ 19,675,970	$ 58,606	$ 19,734,575
Real Estate Commingled					
UBS Investors - Commingled	8,663	$ 68,133,357	$ 71,929,072	-	$ 71,929,072
Subtotal - Real Estate - Commingled	8,663	$ 68,133,357	$ 71,929,072	$ -	$ 71,929,072
Total Fund	34,168,353	$ 665,945,957	$ 877,876,232	$ 253,641	$ 867,288,706

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Benefits

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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 collectively 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 Chapter 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 applicable interest. 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, Military, Parental, Mobility, Medical, 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 written in the dissolution order(s). All inquires are kept confidential. Survivor benefit coverage ends at the dissolution of marriage.

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.

Retirement Topics

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.

* Survivor benefit coverage ends at the dissolution of marriage.

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	FAS x YOS x 2.0%
	65	5	FAS x YOS x 2.0%
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 to July 1, 2012, then 2% for the portion of benefit deferral occuring 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 augementation[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, changed to 2% as of July 1, 2012 for the portion of benefit deferral occuring 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 Retirement	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
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
June 2012	141	3,292	101,989,143