State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

St. Paul Teachers' Retirement Fund Association St. Paul, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended June 30, 2024

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Table of Contents

Introductory Section

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
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Independent Auditor's Report

Board of Trustees
St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the St. Paul Teachers' Retirement Fund Association as of June 30, 2024, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the St. Paul Teachers' Retirement Fund Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

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omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer and Non-Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/Julie Blaha	*/s/Chad Struss*
Julie Blaha State Auditor	Chad Struss, CPA Deputy State Auditor

January 23, 2025

Management's Discussion and Analysis

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Management's Discussion and Analysis
June 30, 2024
(Unaudited)

The following Management's 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, 2024. It is intended to assist the reader in understanding the Plan's financial statements and financial activities during the year.

System Overview

SPTRFA is a nonprofit organization formed in 1909, incorporated under Minn. Stat. ch. 317A. Under the oversight of a ten-member Board of Trustees, SPTRFA staff manages two tax-qualified, defined benefit pension programs, a *Basic Plan* and a *Coordinated Plan*. The plans cover licensed personnel, the majority of whom are employed by Independent School District No. 625 ("SPPS"), 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 SPPS. The Coordinated Plan, which commenced in 1978, provides retirement benefits for members who simultaneously participate in Social Security. While there are annuitants receiving benefits under the Basic Plan provisions, there are no Basic Plan members remaining in active status.

Under State law, annual payroll contributions to the Fund are a direct operating obligation of the school district and members. While SPTRFA provides an employment-based benefit, the terms are not collectively negotiated, are not administered through SPPS, and SPTRFA is not a component unit of SPPS. Although the Fund's assets and liabilities were not included historically in the SPPS financial statements, Governmental Accounting Standards Board (GASB) statements require SPPS to reflect their portion of the Fund's net pension liabilities beginning with their 2015 financial statements. Notwithstanding this reporting requirement, SPPS remains liable only for its statutorily mandated contributions and not the Fund's net pension liabilities.

The financial section of this report consists of four parts: (1) the Independent Auditor's Report; (2) the Management's Discussion and Analysis (this section); (3) the Basic Financial Statements, which include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and their accompanying notes; and (4) the Required Supplementary Information, which consists of various schedules and accompanying notes. After the financial section is the Other Pension Information Section, which consists of additional schedules and accompanying notes as prescribed by GASB Statement 67.

1. Basic Financial Statements

a) <u>The Statement of Fiduciary Net Position</u> presents information about assets and liabilities, the difference being the net position restricted for pensions. The level of net position reflects the resources available to pay member benefits when due. Over time, increases and decreases in this metric assist in measuring SPTRFA's financial condition.

b) <u>The Statement of Changes in Fiduciary Net Position</u> presents the results of Fund operations during the year and the additions or deductions from plan net position. It provides more detail to support the net change that has occurred to the prior year's net position value on the Statement of Fiduciary Net Position.

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

2. Required Supplementary Information

a) The Required Supplementary Information schedules provide data about employer and non-employer contributing obligations for the most recent fiscal year. These schedules begin with fiscal year 2015 data and contain results for the most recent ten fiscal years:

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer and Non-Employer Contributions
- Schedule of Investment Returns

b) The Notes to the Required Supplementary Information provide actuarial assumptions and changes to significant plan provisions and actuarial methods/assumptions.

3. Other Pension Information

The Other Pension Information Section provides financial data, including net pension liability, deferred outflows and inflows of resources, and pension income or expenses for each contributing entity. The participating employer units are required to report this information in their financial statements.

Financial Summary

Statement of Net Position. SPTRFA's total assets for fiscal year 2024 were $1,359.9 million. Total assets are generally comprised of cash, receivables, investments, and securities lending collateral. Total liabilities for the year were $24.9 million and include accounts payable, security purchases payable, and securities lending collateral.

Net position, the difference between the total assets and total liabilities, measures the amount of funds available to pay current and future pension benefits. The Net Position Restricted for Pensions improved by $118.3 million, or 9.7 percent, and increased from $1,216.8 million as of June 30, 2023, to $1,335.0 million as of June 30, 2024.

The table below, Condensed Statement of Fiduciary Net Position, provides condensed information from the basic financial statements. The figure compares the asset and liability amounts from the current year to the previous year, along with the amount and percent each category increased or decreased.

Condensed Statement of Fiduciary Net Position
As of June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023	Change	Percentage Change
Assets				
Cash	$ 13,085	$ 9,692	$ 3,393	35.0%
Receivables	16,792	7,051	9,741	138.2%
Investments at fair value	1,329,353	1,206,871	122,482	10.1%
Securities lending collateral	673	799	(126)	(15.8%)
Total Assets	$ 1,359,903	$ 1,224,413	$ 135,490	11.1%
Liabilities				
Accounts payable	$ 728	$ 916	$ (188)	(20.5%)
Security purchases payable	23,465	5,945	17,520	294.7%
Securities lending collateral	673	799	(126)	(15.8%)
Total Liabilities	$ 24,866	$ 7,660	$ 17,206	224.6%
Net Position Restricted for Pensions	$ 1,335,037	$ 1,216,753	$ 118,284	9.7%

Assets increased by $135.5 million, or 11.1 percent, from June 30, 2023, to June 30, 2024, and liabilities increased by $17.2 million, or 224.6 percent. Cash on hand, primarily used to pay annuity benefits on July 1, increased by $3.4 million.

The largest asset is Investments Held at Fair Value. Investments consist of more than 97.8 percent of the total assets of the Plan. Investments increased by $122.5 million, or 10.1 percent, from June 30, 2023, to June 30, 2024, due to investment activity.

Security purchase receivables and payables result from investment transactions that were initiated but not yet settled at year-end. Receivables increased by $9.7 million, or 138.2 percent, while the liabilities increased $17.5 million, or 294.7 percent.

The security 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. This strategy, commonly employed by institutions, provides the Fund with a source of additional income to offset the Plan's annual cost of custodial bank services. Security lending collateral decreased by $126 thousand, or 15.8 percent, from June 30, 2023, to June 30, 2024.

Statement of Changes in Net Position. The table reflects a fiscal year 2024 increase in the Plan's Net Position of $118.3 million, or a 9.7 percent increase in the Net Position from the previous year. Additions to the plan are received from two primary sources, contributions and investment income. Deductions from the plan are due to benefit payments and refunds as well as administrative expenses. If the Plan has additions in excess of deductions, there is an increase to the Net Position. If the Plan has deductions in excess of additions, there will be a decrease to the Net Position.

The following table, Condensed Statement of Changes in Fiduciary Net Position, summarizes the additions and deductions to net position.

Condensed Statement of Changes in Fiduciary Net Position
For Fiscal Year Ended June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023	Change	Percentage Change
Additions				
Employer and Employee Contributions	$ 67,645	$ 61,443	$ 6,202	10.1%
State of Minnesota Amortization Aid	31,412	15,665	15,747	100.5%
Net Investment Activity	147,279	110,217	37,062	33.6%
Net Security Lending Income	64	80	(16)	(20.0%)
Total Additions	$ 246,400	$ 187,405	$ 58,995	31.5%
Deductions				
Benefits and Refunds	$ 127,305	$ 123,886	$ 3,419	2.8%
Administrative Expenses	811	1,193	(382)	(32.0%)
Total Deductions	$ 128,116	$ 125,079	$ 3,037	2.4%
Net Increase (Decrease) in Net Position Restricted for Pensions	$ 118,284	$ 62,326	$ 55,958	89.8%
Net Position Restricted for Pensions – Beginning of Year	1,216,753	1,154,427	62,326	5.4%
Net Position Restricted for Pensions – End of Year	$ 1,335,037	$ 1,216,753	$ 118,284	9.7%

Contributions into the Plan include total employer and employee contributions of $67.7 million along with a $31.4 million State of Minnesota supplemental contribution. Total employer and employee contributions increased by $6.2 million, or 10.1 percent, in fiscal year 2024. The State of Minnesota enacted a one-time state aid payment in the amount of $15.7 million in addition to the annual statutory contribution of $15.7 million.

Investment activity, typically more volatile, experienced net gains of $147.3 million based on a rate of return of 12.0 percent. This return exceeded the assumed rate of return of 7.0 percent. While investment returns provide a meaningful source of benefit funding over the long term, they can fluctuate from year to year.

During fiscal year 2024, the loaned securities of the Fund generated $2.4 million of gross revenue. Costs of the program are netted against this revenue when reported in the Changes in Fiduciary Net Position, resulting in net securities lending income of $64 thousand in fiscal year 2024. As a risk control measure, the SPTRFA Board of Trustees affirmatively limits the amount of the Fund’s securities that can be on loan at any given time to no more than 35.0 percent of Fund assets.

Plan deductions are annuity benefit payments and, to a lesser extent, payments to members who terminated their employment with SPPS and elected to receive a refund of their contributions, with statutory interest. These payments together totaled $127.3 million in fiscal year 2024. Total benefit payments and refunds increased by $3.4 million, going from $123.9 million for fiscal year 2023 to $127.3 million in fiscal year 2024.

Administrative costs were reduced by $382 thousand to 0.6 percent of total expenditures in fiscal year 2024 due primarily to the temporary reduction in staff size from fiscal year 2023 through most of fiscal year 2024.

The net increase in the net position restricted for pensions increased by $118.3 million from June 30, 2023, to June 30, 2024. This increase improved the net position of the Plan from $1.217 billion on June 30, 2023, to an ending net position on June 30, 2024, of $1.335 billion.

Detailed Analysis of the Basic Financial Statements

SPTRFA's financial condition is affected by four primary components: contributions, investments, benefit payments, and administrative expenses. Over time, the plan is designed so that contributions and investment income earned are equal to the benefit payments and administrative expenses.

Contributions

Contributions from employers and employees are a function of both the applicable statutory contribution rates in effect and the total amount of covered payroll subject to those rates. The 2018 Omnibus Pension and Retirement Bill provided for significant contribution increases to address historic employer underfunding and costs associated with increased member longevity. Among other things, the Bill provided for 1) an increase in the state-funded employer contribution of 2.5 percent, phased-in over six years; and 2) an increase in the employee contribution of 0.25 percent in fiscal year 2024.

During the spring of 2024, the school district agreed to a new contract that included a salary increase for licensed staff of $3,500 for the 2023-2024 school year and a 4.0 percent salary increase in the 2024-2025 school year. The increase in salary and higher contribution rate resulted in increased contributions from both the employees and the employer.

The increased contribution rates and new contract settlement led to increased employer contributions totaling $3.4 million and $2.8 million in employee contributions from June 30, 2023, to June 30, 2024.

In addition to employer and employee contributions, the Plan has benefited from continued supplemental State funding that is intended to address, in part, historic underfunding of employer contributions. Minnesota Statutes Section 354A.12 provides for annual contributions in the amount of $14.8 million until either the Plan is 100 percent funded for three consecutive years or June 30, 2048, whichever occurs earlier. Minnesota Statutes Section 423A.02 provided for an annual supplemental contribution in the amount of $838 thousand until either the Plan is 100 percent funded or June 30, 2048, whichever occurs earlier. Minnesota 2023 Session Laws also enacted a one-time state aid payment in October 2023 in the amount of $15.7 million to provide additional contributions to the Plan. Minnesota 2024 Session Laws also provide for an additional one-time state aid payment of $1.5 million to be paid in October 2024.

With the contribution rate increases from the 2018 Pension Bill now fully implemented, and the consecutive one-time payments by the State, the Plan has a contribution sufficiency of 1.67 percent of payroll before the one-time state aid contributions and 2.15 percent after the one-time state aid contributions. Although the current trend for SPTRFA contributions is positive, the adequacy of contributions as a source of funding is critically important and must be monitored closely. Changes in demographics or other factors that may result in a reduction in the number of active, contributing members or a reduction in covered payroll would have a negative impact on the financial stability of the Plan.

Investments

Investment income is a historically significant contributor to the Plan's overall funding. A defined benefit plan accumulates assets in advance of benefit obligations, covering those obligations primarily through contributions and prudent investment growth. The level of supportable benefits and long-term financial health of the Fund depend on the efficient and prudent investment of contributions from members, employers, and certain funds received from the State.

Investment returns are dependent on market conditions and, therefore, are variable from year to year. In fiscal year 2024, SPTRFA's investment portfolio returned 12.0 percent (net of fees). The portfolio's investment performance impacts the Fund's overall funded ratio in any given year – returns more than 7.0 percent contribute to an improvement in the Plan's funding ratio, while returns below 7.0 percent contribute to a decline in the Plan's funding ratio.

Cyclical, economic, market-driven, and tactical risks associated with investing plan assets in the capital markets are common. SPTRFA is a conservative, long-term investor, seeking attractive risk-adjusted returns over a full market cycle, with an emphasis on appropriate diversification and long-term capital preservation. The following chart reflects the Fund's current asset allocation model.

Asset Class	Target Allocation
Domestic Equity	30%
Fixed Income	30%
International Equity	20%
Real Assets	10%
Private Equity & Alternatives	10%
Total	100%

Beginning in fiscal year 2023, the Plan's statutory investment return target was moved to 7.0 percent. Investment returns will vary over time and return targets may or may not be achieved in any given year, particularly in periods of market turmoil. Investment returns, both negative and positive, typically vary from the statutory investment return assumption. Maintaining a focus on the long-term is critical, as this is the relevant time frame in which pension systems operate for the benefit of their members. As such, the Plan's 3-year, 5-year, and 10-year rate of returns are vital indicators in the ability of the Plan to pay future benefits. Rates for the 3-year, 5-year, and 10-year plans were 3.66 percent, 8.09 percent, and 7.25 percent, respectively.

For additional information on investment activity, please refer to Note 3.

Benefit Payments

Plan deductions are annuity benefit payments and, to a lesser extent, payments to members who terminated their employment with SPPS and elected to receive a refund of their contributions, with statutory interest. In fiscal year 2024, annuity benefit payments increased 3.1 percent over the prior year to $126.2 million. These increases are due to the annual post-retirement increase of 1.0 percent on January 1, plus an additional one-time post-retirement adjustment for Basic Plan members of 3.0 percent and 1.5 percent for Coordinated Plan members on January 1, 2024, which total an additional $2.7 million payment in January 2024.

A secondary component to the benefit payment growth was due to the net growth in the number of retirees during the year. The net number of annuitants receiving benefits increased by 68 individuals, or 1.6 percent, from June 30, 2023, to June 30, 2024.

For additional information on benefits provisions, please refer to Note 1.

Actuarial and Market Valuation Summary

The actuarial valuation analysis (which attempts to mitigate the impact of market volatility by smoothing results over five years) provides another important element in understanding the long-term health of the Plan. The table below provides metrics commonly used to assess the ability of the Fund to meet its obligations. A table reflecting results on a market value basis, which does not reflect any actuarial smoothing of results, is provided for comparative purposes as well.

The actuarial funded ratio of the Plan compares the actuarial value of assets (smoothed over a rolling five-year period) against the actuarially accrued liability. The actuarial funded ratio increased from 65.25 percent as of June 30, 2023, to 67.23 percent as of June 30, 2024. The Plan's funded ratio on a market value basis, which does not involve any smoothing factor, increased from 64.32 percent as of June 30, 2023, to 69.06 percent as of

June 30, 2024. Currently, the funded status of the Plan is expected to be 100 percent or greater within its statutory amortization period ending June 30, 2048.

Below are summary comparative statistics from the July 1, 2024, and July 1, 2023, valuations:

Summary of Actuarial Valuation Results

	2024	2023
Covered payroll	$ 319,667,000	$ 296,674,000
Statutory contributions (ch. 354A)	25.67%	30.86%
Required (ch. 356)	23.52%	24.50%
Sufficiency/(Deficiency)	**2.15%**	**6.36%**
Market value of assets	1,335,037,000	1,216,753,000
Actuarial value of assets	1,299,643,000	1,234,225,000
Actuarial accrued liability	1,933,107,000	1,891,617,000
Unfunded liability	**633,464,000**	**657,392,000**
Funded ratio	**67.24%**	**65.25%**

Summary of Market Value Results

	2024	2023
Covered payroll	$ 319,667,000	$ 296,674,000
Statutory contributions (ch. 354A)	25.67%	30.86%
Required (ch. 356)	22.78%	24.88%
Sufficiency/(Deficiency)	**2.89%**	**5.98%**
Market value of assets	1,335,037,000	1,216,753,000
Actuarial value of assets	1,299,643,000	1,234,225,000
Actuarial accrued liability	1,933,107,000	1,891,617,000
Unfunded liability	**598,070,000**	**674,864,000**
Funded ratio	**69.06%**	**64.32%**

The Fund had an experience gain due to investments. The investment return on a market value basis of assets was 12.0 percent (net of fees) for the year ended June 30, 2024, more than the 7.0 percent assumption. However, only 20 percent of this asset gain was recognized in the actuarial value of assets. Investment gains and losses from previous years were also recognized this year. The net result is a gain of $8.5 million on the actuarial value of assets. The investment return on an actuarial value of assets basis was 7.7 percent for the year ended June 30, 2024.

Consistent and adequate employer and employee contributions are critically important to the long-term health of the Plan. The amount of contributions received in any given year is a function of both the applicable statutory contribution rates in effect and the total amount of covered payroll that is subject to those rates. In fiscal year 2024, the Plan reached 2.89 percent of contribution sufficiency on a market value and 2.15 percent on an actuarial value of assets.

Notwithstanding the positive trend in total contributions received, events that potentially impact the level of contributions must be monitored closely. The 2018 Pension Bill provided contributions that are intended to overcome the combined effects of historic underfunding, as well as the significant Plan assumption changes made during the 2018 legislative session. SPTRFA continues to monitor changes that could, over time, reduce overall contributions, such as declining enrollment, a reduction in the number of active members, or reductions in average salaries. A reduction in contributions could compromise the fiscal health of the Fund and place a greater burden on the investment portfolio to generate realized gains to pay member benefits.

Basic Financial Statements

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Exhibit 1

Statement of Fiduciary Net Position
June 30, 2024

<u>**Assets**</u>		
Cash	**$**	**13,085,323**
Receivables		
Accounts receivable	$	1,656,468
Investment activity receivables		15,135,094
Total receivables	**$**	**16,791,562**
Investments, at fair value		
Cash and cash equivalents	$	19,309,626
Domestic equity		
Domestic equity		129,576,406
Preferred equity		115,698
Commingled		366,932,872
Mutual fund		19,132,211
Fixed income		
U.S. Government issues		70,987,516
Foreign issues		9,222,147
Corporate issues		77,282,254
Municipal issues		1,701,555
Commingled		61,926,138
Mutual fund		60,488,488
Global equity		
Foreign		19,417,163
Commingled		156,842,176
Mutual fund		91,711,982
Real assets		78,350,765
Alternatives		166,356,077
Total investments, at fair value	**$**	**1,329,353,074**
Invested securities lending collateral	**$**	**673,442**
Total Assets	**$**	**1,359,903,401**
<u>**Liabilities**</u>		
Accounts payable	$	352,278
Investment fees payables		375,838
Security purchase payables		23,464,467
Securities lending collateral		673,442
Total Liabilities	**$**	**24,866,025**
Net Position Restricted for Pensions	**$**	**1,335,037,376**

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

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Exhibit 2

Statement of Changes in Fiduciary Net Position
For the Years Ended June 30, 2024

Additions		
Contributions		
Employer	$	42,380,140
Members		25,264,944
State of Minnesota		31,411,494
Total contributions	**$**	**99,056,578**
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	$	136,299,352
Interest		10,386,084
Dividends		2,789,913
Less investment expense		(2,196,325)
Total investing activity income (loss)	**$**	**147,279,024**
From securities lending activity		
Securities lending income	$	2,405,568
Borrower rebates		(2,313,937)
Management fees		(27,490)
Total securities lending activity income (loss)	**$**	**64,141**
Net investment income (loss)	**$**	**147,343,165**
Total Additions	**$**	**246,399,743**
Deductions		
Benefits and refunds		
Retirement	$	112,603,050
Survivor		13,000,690
Disability		84,462
Dependent children		488,923
Refunds		1,127,154
Total benefits and refunds	**$**	**127,304,279**
Administrative expenses		
Staff compensation	$	426,328
Professional services		287,351
Office administrative expenses		96,976
Total administrative expenses	**$**	**810,655**
Total Deductions	**$**	**128,114,934**
Net Increase (Decrease) in Net Position	**$**	**118,284,809**
Net Position Restricted for Pensions – Beginning of Year		**1,216,752,567**
Net Position Restricted for Pensions – End of Year	**$**	**1,335,037,376**

Note 1 – Plan Description

Organization

Plan Administration

The St. Paul Teachers' Retirement Fund Association (SPTRFA or the Association) is the administrator of a multiple-employer, cost-sharing, defined benefit plan pension fund (the Fund), with two benefit structures known as the Basic Plan and the Coordinated Plan (the Plans). Originally established in 1909, the Association is a non-profit corporation organized pursuant to the provisions of Minn. Stat. ch. 317A and governed by Minn. Stat. chs. 354A, 356, and 356A, as well as the Association's bylaws.

Governance

Management of the SPTRFA is vested in a ten-member Board of Trustees (the Board). Nine trustees are elected by and from the Association's membership and serve rotating three-year terms. The Board of Independent School District Number 625, St. Paul Public Schools (SPPS), annually appoints the tenth trustee, who serves as an ex-officio member of the Board.

Participating Members and Employers

The SPTRFA membership consists of licensed teachers employed by SPPS, certain licensed teachers employed by St. Paul College (SPC), certain licensed teachers employed by charter schools within the City of St. Paul, and the SPTRFA staff.

Figure 1. Plan Membership

	As of June 30, 2024
Retirees and beneficiaries currently receiving benefits	4,378
Terminated employees entitled to but not yet receiving benefits	2,681
Terminated, non-vested employees	3,106
Current active plan members (including members on leave)	3,472
Total Membership	13,637

Currently, SPPS and SPC are the two active participating employers who contribute to the Fund. In addition, the State of Minnesota makes statutorily required payments to the Fund and is, therefore, classified as a non-employer contributing entity.

Until its merger into the Minnesota State Colleges and Universities (MnSCU) system on July 1, 1995, all SPC teachers were contributing members of the Fund. As part of the merger process, the SPTRFA-covered SPC teachers were given the option to remain active members of the Fund or, if choosing other retirement coverage, converting to deferred status with the SPTRFA.

Until July 1, 2002, teachers employed by charter schools within the City of St. Paul were contributing members of the SPTRFA, after which time, all Minnesota charter school teachers converted to Minnesota Teachers'

Retirement Association membership for future coverage. Contributions paid and service credits accrued with respect to charter schools prior to this transition remain with the SPTRFA. Presently in deferred status with the SPTRFA, these individuals may collect a benefit based on eligibility at retirement.

Description of the Plans

The following brief description of the Plans is provided for general information purposes only. More complete information can be found in the specific plan agreements. The SPTRFA's defined benefit plans are tax qualified under Section 401(a) of the Internal Revenue Code. Additionally, the Plans are not subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The Association administers two defined benefit plan structures:

Basic Plan

Members hired prior to July 1, 1978, are participants in the SPTRFA's Basic Plan. These members do not participate in Social Security through their employment. As a result, members in the Basic Plan were subject to higher contribution rates and receive higher benefit payments than members in the Coordinated Plan. No Basic Plan members currently remain in active status.

Coordinated Plan

The Coordinated Plan provides retirement benefits to members who simultaneously participate in Social Security. Effective July 1, 1978, new members were covered by the Coordinated Plan, with lower contributions and benefits designed to supplement contributions to, and benefits from, the Social Security system. Currently, all active member participants are Coordinated Plan members.

Benefits Provisions

Pension Benefits Overview

The SPTRFA provides retirement and disability benefits to those members satisfying length-of-service and minimum age requirements. Depending on plan coverage, survivor benefits and family benefits may also be available.

The benefit paid to eligible members is formula based. The formula components are final average salary, earned service credit, applicable rate, and if retiring prior to their normal retirement age, a reduction for early retirement.

Service credit is determined by the number of days worked each fiscal year (July 1 through the following June 30).

Basic Plan

Basic Plan members must have five years of service credit to be vested for a future lifetime pension benefit with eligibility for a reduced benefit as early as age 55. The benefit that a member is entitled to receive is the greater of the pension amount computed using the applicable Tier I or Tier II formulas.

Under the Basic Plan, final average salary includes the highest five years of salary earned during the last ten years employed. The Tier I formula rate is 2.0 percent of the final average salary for each year of service credit. The benefit is subject to a maximum of 40 years, with a 0.25 percent reduction for each month the member draws their benefit prior to their normal retirement age of 65. If the member has 25 service credit years, the reduction is applied only if the member is less than 60 years old. No reduction is applied if age plus service credit years total at least 90.

The Tier II formula is 2.5 percent of the final average salary for each year of service credit. This benefit is subject to a maximum of 40 years, reduced for each month the member is under the normal retirement age of 65, using statutory early retirement reduction tables.

Coordinated Plan

Coordinated Plan members must have three years of service credit to be vested for a future lifetime pension benefit and are eligible to retire with a reduced benefit at age 55, or earlier with 30 years of service credit.

Under the Coordinated Plan, final average salary includes the average of the highest five successive years of salary earned during employment.

Members hired before July 1, 1989, are eligible for the greater of Tier I or Tier II benefits. Members hired on or after July 1, 1989, are eligible solely for Tier II benefits.

The Tier I formula multiplies the final average salary by the retirement service credit years earned by the following rates:

Tier I Formula Rates

For Service Rendered	Prior to July 1, 2015	On or After July 1, 2015
First ten years	1.20 percent	1.40 percent
Subsequent years	1.70 percent	1.90 percent

A reduction of 0.25 percent is applied for each month the member draws their benefit prior to age 65, or prior to age 62 with 30 service years. No reduction applies if the age plus years of service total at least 90.

The Tier II formula multiplies the final average salary by the retirement service credit years earned by 1.70 percent for service rendered before July 1, 2015, and 1.90 percent for each year of service rendered after June 30, 2015. This benefit is reduced for each month the member draws their benefit prior to their normal retirement ages of 65 or 66, based on statutory early retirement tables. For retirements beginning July 1, 2024, no reduction applies if a member is age 62 with 30 or more years of retirement service credit.

Disability

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

Refund of Contributions

Non-vested members who terminate employment may only receive a refund or a rollover of their contributions, with statutory accumulated interest.

Post-Retirement Adjustment

Post-retirement adjustments are provided under Minnesota statutes, which may be amended from time to time. In fiscal year 2024, the SPTRFA provided a 1.0 percent post-retirement adjustment for all members along with an additional 3.0 percent one-time post-retirement adjustment for Basic Plan members and 1.5 percent one-time post-retirement adjustment for Coordinated Plan members.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements were prepared and presented to conform with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds, including those set forth by the Governmental Accounting Standards Board (GASB).

The SPTRFA's financial statements are prepared using the full accrual basis of accounting. Under this method, and in accordance with Minn. Stat. § 354A.12, contributions are recognized as revenues when due, benefits and refunds are recognized when due and payable, and expenses are recorded when corresponding liabilities are incurred, regardless of the timing of cash flow.

Investment Policies and Valuation Methodology

Investment Policy

The Association is authorized to invest the assets of the Fund under Minn. Stat. ch. 356A and Association bylaws. The SPTRFA investments are governed by Minn. Stat. § 356A.06, subds. 6 and 7, as well as the Association's bylaws and investment policy. Under these rules, permissible investments include, but are not limited to, government and corporate bonds, non-U.S. and domestic common stock, real property, private equity investments, derivatives, options, and notes.

The SPTRFA Board of Trustees is responsible for the adoption, implementation, and monitoring of the investment policy. Pursuant to the Association's Investment Policy, the Fund seeks to achieve the preservation and long-term appreciation of the Fund's assets through appropriate diversification and risk management.

Figure 2. SPTRFA's Target Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	30%	6.55%
International Equity	20%	6.98%
Fixed Income	30%	3.45%
Real Assets	10%	3.90%
Private Equity and Alternatives	10%	7.47%
Total	100%	

Method Used to Value Investments

Investments for the SPTRFA are stated at fair value. The SPTRFA categorizes the fair value measurements of its investments in accordance with generally accepted accounting principles. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established for investments. The hierarchy is based on valuation inputs, categorized at three levels, dependent on whether the inputs to those valuations are observable or unobservable in the marketplace.

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

Rate of Return

The Association's money weighted rate of return for the year ending June 30, 2024, was 12.04 percent, net of fees. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the actual cash flow that took place during the performance period.

Note 3 – Deposits and Investments

Fair Value Reporting

Assets and liabilities measured at fair value and inputs relative to their fair value measurements are classified and reported in one of the following categories:

- Level 1 – Investments' fair values based on prices quoted in active markets for identical assets.
- Level 2 – Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.
- Level 3 – Investments are based on valuation methodologies including pricing models, discounted cash flow models, and similar techniques in which one or more significant inputs are unobservable. Level 3 valuations incorporate subjective judgments and consider assumptions including capitalization rates, discount rates, cash flow, and other factors that are not observable in the market.

The categorization of investments within the hierarchy in Figure 3 is based solely upon the objectivity of the inputs used in the measurement of fair value of the investments and does not reflect the level of risk associated with the investments.

Investments classified in Level 1 of the fair value hierarchy are valued from predetermined external pricing vendors or primary dealers who source quoted prices in active markets which are readily attainable exit values of these securities. Investments classified in Level 2 are subject to alternative pricing sources, such as matrix pricing, and include a combination of price sources, descriptive data, and pricing models based on attributes such as spread data, sector, quality, duration, and prepayment characteristics.

Investment instruments classified as Level 2 are also valued using market approaches that consider benchmark interest rates or foreign exchange rates. The values are supplied by advisors or general partners who hold those or similar assets in investment vehicles they oversee. These pricing sources may or may not be indicative of realizable exit value attainable for the assets.

Figure 3. SPTRFA's Investments Measured at Fair Value

	As of June 30, 2024	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities				
Domestic equity	$ 172,356,088	$ 172,240,390	$ 115,698	$ -
International equity	19,417,163	19,417,163	-	-
Equity funds	110,844,193	-	110,844,193	-
Total equity securities	$ 302,617,444	$ 191,657,553	$ 110,959,891	$ -
Fixed income securities				
U.S. Government issues	$ 70,987,516	$ 23,251,749	$ 47,735,767	$ -
Municipal issues	1,701,555	-	1,701,555	-
Corporate issues	32,544,405	-	32,544,405	-
Asset-backed securities	33,805,096	-	33,805,096	-
Mortgage-backed securities	10,522,553	-	10,522,553	-
Fixed income funds	60,488,488	-	60,488,488	-
Foreign issues	9,222,147	-	9,222,147	-
Total fixed income securities	$ 219,271,760	$ 23,251,749	$ 196,020,011	$ -
Total Investments by Fair Value Level	$ 521,889,204	$ 214,909,302	$ 306,979,902	$ -
Investments measured at the net asset value (NAV)				
Private equity	$ 156,161,939			
Private real asset funds	15,700,852			
Alternative investments	10,194,138			
Commingled global fixed income funds	61,926,138			
Commingled global equity funds	45,044,530			
Commingled domestic equity funds	78,340,409			
Commingled real estate funds	19,985,929			
Money market funds	19,309,626			
Unsecured notes	410,199			
Total Investments Measured at NAV	$ 407,073,760			

Net Asset Value (NAV): The fair value of investments in entities that calculate a net asset value per share are determined using that NAV in lieu of the leveling methodology previously described.

Figure 4. SPTRFA's Investments Measured at NAV

Investments measured at net asset value (NAV)	As of June 30, 2024	Unfunded Commitments
Private equity		
GSEW Stock Holdings LLC	$ 85,038	$ None
Guggenheim Partners	952,540	None
North Sky Fund IV L.P.	306,032	360,000
SP/FP Private Equity Fund, L.P.	151,175,830	62,629,412
Venture Investment Associates	3,642,499	800,000
Private real assets funds		
Dune Real Estate Partners L.P. Fund III	1,061,308	None
Dune Real Estate Partners L.P. 2022 Fund III	2,163,443	None
Dune Real Estate Partners L.P. Fund IV	4,666,588	456,170
Kimmeridge Energy Engagement Ptrs, L.P.	7,809,513	4,740,650
Alternative investments		
Entrust Special Op Fund III, LTD.	7,491,697	None
TCW DL LLC	2,702,441	2,234,911
Commingled global fixed income funds		
Pioneer Multisector Fixed Income	61,926,138	None
Ares Senior Direct Lending III	-	25,000,000
Commingled global equity funds		
JPMCB Global Focus Fund	77,410	None
ABS Emerging Markets	44,967,120	None
Commingled domestic equity funds		
Blackrock S&P 500 Equity Index	18,109,099	None
Dimensional – US Small Cap Value	60,231,310	None
Commingled real estate fund		
UBS Trumbull Property Fund	19,985,929	None
Money market funds	19,309,626	None
Unsecured notes	410,199	None
Total investments measured at NAV	$ 407,073,760	

Investments Measured at NAV with Redemption Options Available

	Redemption Frequency	Redemption Notice Period
Entrust Special Op Fund III, LTD.25	Quarterly	95 days
JPMCB Global Focus Fund	Daily	None
Blackrock S&P 500 Equity Index	Daily	1 day
Dimensional – US Small Cap Value	Daily	5 days
ABS Emerging Markets	Quarterly	90 days
Pioneer Multisector Fixed Income	Daily	5 days
UBS Trumbull Property Fund	Quarterly, subject to available capital liquidity	60 days

Remaining funds are not eligible for redemption. Distributions are received as underlying investments are liquidated.

External Investment Pools

On June 30, 2024, the Fund holds $400,390,110 with the Minnesota State Board of Investment (MNSBI), an external investment pool. Comprised of international and domestic equity, the portfolios are identified as MNSBI International Equity ($111,797,647) and MNSBI Domestic Equity ($288,592,463).

The Fund invests in this pool due to its cost-efficient fees for services provided. The fair value of the investment is the fair value per share of the underlying portfolio. Redemptions are available with five days notice.

Description of Significant Investment Strategies Using NAV

Private equity consists of a broadly diversified private equity portfolio of investments that provide diversification by industry type, size, stage of corporate development, and location, through limited partnership structures. The fair values of the investments of this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which can occur following an investment period of five to ten years.

Private real asset funds consist of four investments in commingled funds that invest primarily in U.S. commercial real estate using a limited partnership capital call structure and one limited partnership that invests primarily in energy infrastructure assets. The fair value of investments is determined using the NAV per share of the Plan's ownership interest in partners' capital. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which can occur following an investment period of five to ten years.

Alternative investments include a variety of investment strategies that are intended to provide attractive risk-adjusted returns and portfolio diversification. These investments are reflected in two commingled investment vehicles and include equity co-investments and hedged equity structures. The fair value of investments is determined using the NAV per share of the Plan's ownership interest in partners' capital.

Commingled global fixed income consists of two commingled investment vehicles. One fund is a collective trust that invests primarily in publicly traded global fixed income securities. One fund is a limited partnership capital call structure that invests in privately issued credit instruments. Both investments are valued at NAV of units held at the end of the period based upon the NAV per share of the underlying investments.

Commingled global equity consists of commingled investment vehicles that primarily invest in publicly traded global equity securities. The funds are valued at the NAV of units held at the end of the period based upon the NAV per share of underlying investments.

Commingled domestic equity consists of commingled investment vehicles that invest primarily in publicly traded domestic equity securities. The funds are valued at the NAV of units held at the end of the period based upon the NAV per share of underlying investments.

Commingled real estate consists of a commingled investment vehicle that invests primarily in U.S. commercial real estate, focused on a growth and income strategy. The fair value of investments is determined using the NAV per share of the Plan's ownership interest in partners' capital.

Money market funds are short-term investment funds that include cash equivalents, bank notes, corporate notes, government bills, money market funds, and various short-term debt instruments. These types of funds are used to provide a temporary investment prior to an expenditure or an allocation to another investment opportunity.

It is the Association's policy to optimize total return on the Fund's portfolio through a policy of diversified investments to achieve maximum rates of return for a given amount of risk. The Association invests in these types of securities to achieve this policy.

Securities Lending

The Association participates in a securities lending program. The Association's custodian, U.S. Bank, is the Association's securities lending agent. 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. On June 30, 2024, 10.6 percent of the Fund's securities available for lending were on loan.

The Association is permitted to enter into securities lending transactions under Minn. Stat. § 356A.06, subd. 7a, provided collateral with a market value of at least 100 percent of the value of the loaned securities is received at the time of the loan agreement. The Association's agreement with U.S. Bank requires all securities lending transactions to be collateralized with 102 percent of the market value of the loaned securities at loan inception, with a simultaneous agreement to return the collateral for the same securities in the future. Requiring collateral in excess of the value of loaned securities protects the Association from loss in the event of failure by the borrowing party to deliver the loaned securities. The Association's contract with U.S. Bank also specifies that U.S. Bank will indemnify the Association for any "fails," or loss of securities by failure of borrowers to return securities.

Such loans are permitted to be made solely to pre-approved borrowers. Qualifications of borrowers and the fiscal status of such entities are monitored by the securities lending agent on a continuing basis. 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 value to 102 percent. Collateral may be provided in securities or cash. On June 30, 2024, the market value of collateral was 101.9 percent of the market value of loaned securities.

As of June 30, 2024, the fair value of cash collateral received was $673,442, which is included in the Statement of Fiduciary Net Position both as an asset and offsetting liability. The cash collateral, with a weighted average maturity of six days on June 30, 2024, was invested entirely in the Mount Vernon Liquid Assets Portfolio. 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.

As an additional step to mitigate risk, the Board of Trustees affirmatively limits the amount of the Fund's securities that may be on loan at any given time to 35 percent of Fund assets. As of June 30, 2024, 2.7 percent of the Fund's assets were on loan.

Custodial Credit Risk

Custodial credit risk for cash deposits and investments is generally the risk that, in the event of a bank or custodial failure, the SPTRFA would not be able to recover the value of its investments or collateral securities. Generally, all marketable securities purchased by the Association are held by a third-party custodian. The Association is also authorized by Minn. Stat. § 356A.06 to deposit its cash in financial institutions designated by the Board of Trustees. Cash on deposit at U.S. Bank was secured by a Letter of Credit from the Federal Home Loan Bank in Cincinnati.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Association participates in fixed income markets, which are traditionally viewed as having the highest sensitivity to interest rate movements, through the external managers listed below.

Figure 5. Interest Rate Risk

Fixed Income Mandate	Account	June 30, 2024, Market Value
Active Core Plus Fixed Income	Guggenheim	$ 118,275,828
Active Core Fixed Income	Payden & Rygel	40,917,644
Global Multi-Sector Fixed Income	Blackrock Strategic	60,488,488
Global Unconstrained Fixed Income	Pioneer Multisector	61,926,138

In accordance with its investment policy, the Association has a 30 percent target allocation to fixed income assets. Each external manager hired by the Association monitors and manages the interest rate risk associated with its underlying portfolio. A key component of interest rate sensitivity is a debt instrument's weighted average of future cash flows, or duration. The following table shows weighted overall durations of each investment account and the associated benchmark as of June 30, 2024.

Figure 6. Duration Risk

	As of June 30, 2024	
Account	Average Duration in Years	Average Duration of Benchmark
Guggenheim	6.29	6.13
Payden & Rygel	6.45	6.13
Blackrock Strategic	3.68	6.13
Pioneer Multisector	6.73	5.90
U.S. Bank – Securities Lending Cash Collateral	0.02	None

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The Fund's credit risk exposure is statutorily restricted, under Minn. Stat. § 356A.06, subd. 7, to specific credit rating requirements and concentration limits. It is the Association's policy to follow this statute regarding credit risk.

The Association invests in debt securities through investment managers and through its custodian, U.S. Bank. For the investment manager Blackrock, amounts totaling $60,488,488 were invested on June 30, 2024, in the Blackrock Strategic Income Fund. The quality distribution of the portfolio on June 30, 2024, had a weighted average credit risk for the fund of BBB.

For the investment manager Amundi Pioneer, amounts totaling $61,926,138 were invested on June 30, 2024, in the Pioneer Multisector Fixed Income Fund. The quality distribution of the portfolio on June 30, 2024, had a weighted average credit risk for the fund of A.

As of June 30, 2024, fixed income securities held in custody and managed by Guggenheim totaled $118,275,828 and Payden & Rygel totaled $40,917,644. The credit risk for the securities required to be presented is broken out in the following table:

Figure 7. Credit Risk
As of June 30, 2024

Debt Security Types	Credit Quality Ratings: Standard and Poor's or Equivalent	Market Value	Percent of Total Investments (%)
U.S. Treasuries	AAA	$ 30,423,179	
U.S. Treasuries	AA	5,491,532	
U.S. Agencies	AAA	14,298,423	
U.S. Agencies	AA	20,774,382	
Total U.S. Government		**$ 70,987,516**	**5.34%**
Municipal bonds	AAA	$ 223,564	
Municipal bonds	AA	1,125,976	
Municipal bonds	A	352,015	
Total municipal bonds		**$ 1,701,555**	**0.13%**
Foreign issues	AA	$ 223,398	
Foreign issues	A	3,408,929	
Foreign issues	BBB	3,880,613	
Foreign issues	BB	1,362,693	
Foreign issues	B	346,514	
Total foreign issues		**$ 9,222,147**	**0.69%**
Corporate bonds	AA	$ 476,837	
Corporate bonds	A	7,924,603	
Corporate bonds	BBB	17,717,176	
Corporate bonds	BB	4,154,572	
Corporate bonds	B	1,966,395	
Corporate bonds	CCC	304,822	
Total corporate bonds		**$ 32,544,405**	**2.45%**
Asset backed securities	AAA	$ 14,693,160	
Asset backed securities	AA	8,057,863	
Asset backed securities	A	13,474,322	
Asset backed securities	BBB	7,843,884	
Asset backed securities	BB	471,545	
Asset backed securities	NR*	197,075	
Total asset backed securities		**$ 44,737,849**	**3.37%**
Total Debt Securities		**$ 159,193,472**	**11.98%**

In the absence of a Standard and Poor's credit quality rating, other nationally recognized rating agencies were used. For reporting clarity, all ratings are displayed using comparable Standard and Poor's ratings.

*N/R indicates securities were not rated by a nationally recognized rating agency.

Derivative Investments

As provided by Minn. Stat. § 356A.06, any agreement for put and call options and futures contracts may be entered into only with a fully offsetting amount of cash or securities. 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. As of June 30, 2024, the Association had futures contracts through its cash overlay program with Parametric and with Guggenheim Investments.

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

The futures contracts held by the Association on June 30, 2024, had maturity dates of September 19, 2024, to September 30, 2024. As of June 30, 2024, the Fund's cash overlay account associated with the futures contracts had no money market funds. The futures contracts' change in fair value during the reporting period was $209,610, 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 because 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.

Concentration Risk

Concentration 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.

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. For June 30, 2024, the Fund's largest ownership of any one corporation's shares was 0.03 percent.

Association policy also limits exposure to any one company's securities to no more than 1.5 percent of the total fund. As of June 30, 2024, the Fund's largest aggregate total in any one company was 0.27 percent.

Association policy further provides that no more than 15.00 percent of the Fund's assets may be invested in any one industry sector and that the maximum allocation to any single active investment manager is limited to no more than 15.00 percent of the total fund. As of June 30, 2024, the Fund met these requirements at 3.51 percent and 11.37 percent, respectively.

Foreign Currency Risk

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

The Fund has exposure to certain foreign currency risks through its external investment managers who invest in global equity and fixed income markets. This exposure is detailed in the following chart:

Figure 8. Foreign Currency Risk
Assets Held in Non-U.S. Securities by Currency

Country/Region	Currency	June 30, 2024, Value
Australia	Australian Dollar	$ 4,729,502
Brazil	Brazilian Real	3,619,083
Canada	Canadian Dollar	7,887,130
Chile	Chilean Peso	36,402
China	Yuan Renminbi	10,348,849
Colombia	Colombian Peso	8,346
Czech Republic	Czech Koruna	11,205
Denmark	Danish Krone	3,115,998
Egypt	Egyptian Pound	6,168
European Union	Euro Currency	36,870,560
Great Britain	Pound Sterling	20,528,867
Hong Kong	Hong Kong Dollar	5,933,639
Hungary	Hungarian Forint	157,741
India	Indian Rupee	9,500,812
Indonesia	Indonesian Rupiah	567,070
Israel	New Israeli Shekel	256,684
Japan	Japanese Yen	16,369,935
Kuwait	Kuwaiti Dinar	60,430
Malaysia	Malaysian Ringgit	114,082
Mexico	Mexican Peso	2,028,626
New Zealand	New Zealand Dollar	95,106
Norway	Norwegian Krone	582,071
Philippines	Philippine Peso	52,003
Poland	Polish Zloty	191,018
Qatar	Qatari Riyal	66,994
Romania	Romanian Leu	26,330
Saudi Arabia	Saudi Riyal	396,537
Singapore	Singapore Dollar	1,072,516
South Africa	South African Rand	2,105,083
South Korea	South Korean Won	9,685,771
Sweden	Swedish Krona	2,198,295
Switzerland	Swiss Franc	6,585,635
Taiwan	New Taiwan Dollar	12,376,884
Thailand	Thailand Baht	420,564
Turkey	Turkish Lira	164,072
United Arab Emirates	UAE Dirham	168,025
Asia	Various Currencies	1,234,092
Southeast Asia	Various Currencies	1,154,094
Latin America	Various Currencies	928,099
Middle East	Various Currencies	3,131,633
Totals		$ 164,785,951

Note 4 – Contribution Requirements

Funding and contribution provisions are established by state law and may be amended only by the State of Minnesota Legislature. Provisions regarding funding status and contribution rates are set forth in Minn. Stat. §§ 356.215 and 354A.12, subds. 1 and 2a, respectively.

Contribution Rates

Statutory contributions are defined in Chapter 356 of Minnesota statutes as a fixed percentage of payroll, plus any supplemental contributions, and represent the amount that is contributed to the Fund. Required contributions are defined as: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the full funding date, and (c) an allowance for administrative expenses, and represent the amount needed to fully fund the plan by the full funding date of June 30, 2048, established under Minn. Stat. § 356.215.

Required contribution rates for employer and employee contributions are shown below.

Figure 9. Statutory Schedule of Contribution Rates

	Basic Plan			Coordinated Plan		
On or After July 1	Employee	Employer Base	Employer Additional	Employee	Employer Base	Employer Additional
2022	10.00%	12.30%	3.64%	7.50%	8.80%	3.84%
2023	10.25%	12.50%	3.64%	7.75%	9.00%	3.84%
2024	10.00%	12.50%	3.64%	7.50%	9.00%	3.84%
2025	11.25%	13.25%	3.64%	8.75%	9.75%	3.84%
2026	11.50%	13.25%	3.64%	9.00%	9.75%	3.84%

Pursuant to Minn. Stat. § 423A.02, the SPPS contributed an additional $800,000 to the Fund in fiscal year 2024. The State of Minnesota contributed $14,827,000 to the Fund in fiscal year 2024, pursuant to Minn. Stat. § 354A.12. These contributions are scheduled to terminate at the Fund's full funding target date or when full funding is achieved, whichever occurs first. The State of Minnesota also made an additional one-time contribution of $15,746,887 pursuant to Minn. 2023 Session Law Chapter 45, Article 6, Section 1, Subd. 2.

The required contribution rate decreased, from 24.50 percent of payroll as of July 1, 2023, to 23.52 percent of payroll as of July 1, 2024, primarily due to the increase in plan assets as a result of the state aid received over the past year. The statutory contribution rate, before reflecting the one-time state aid payments, decreased from 25.71 percent of payroll as of July 1, 2023, to 25.19 percent of payroll as of July 1, 2024. The 2024 Omnibus Bill, which reduced member contributions from 7.75 percent to 7.50 percent, is part of the reason for this decrease.

The contribution sufficiency (prior to reflecting state aid) increased from 1.21 percent of payroll as of July 1, 2023, to 1.67 percent of payroll as of July 1, 2024. In addition, the plan received 5.15 percent of pay in state aid in October 2023 and 0.48 percent of pay in state aid in October 2024. On a market value of assets basis, statutory contributions are sufficient by 2.89 percent of payroll (2.41 percent without the one-time direct state aid) as of July 1, 2024.

The contribution sufficiency referenced above is based on a current snapshot of statutory contributions as of July 1, 2024. Additional contribution increases are effective July 1, 2025, and July 1, 2026, ultimately increasing the statutory contribution rate (and the contribution sufficiency) an additional 2.25 percent of pay.

Note 5 – Net Pension Liability

The components of the Net Pension Liability (NPL) for the Fund's participating employers and the State of Minnesota (a non-employer contributing entity) as of June 30, 2024, as calculated in accordance with Governmental Accounting Standards Board (GASB) Statement Number 67 are shown in Figure 10.

Figure 10. Net Pension Liability Components
(Dollars in Thousands)

	As of June 30, 2024
Total Pension Liability (a)	$ 1,933,107
Plan Fiduciary Net Position (b)	1,335,037
Net Pension Liability (a - b)	$ 598,070
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	69.06%

Actuarial Methods and Assumptions

The actuarial valuation of the Fund involves estimates of the reported amounts and assumptions about the probability of the occurrence of events far into the future, including anticipated member mortality and salary increases. These assumptions are derived from the Fund's periodic experience study, performed by the Association's actuary.

Assumptions are based on an experience study for the five-year period of July 1, 2016, to June 30, 2021, as well as a legislated change to the investment return assumption effective July 1, 2023. A brief summary of the assumptions are shown in Figure 11 below.

Figure 11. Key Methods and Assumptions Used in Valuation of Total Pension Liability

Valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment Return Rate	7.00 percent per year
Salary Increases	2.50 percent to 8.00 percent; service based
Wage Inflation Rate	2.50 percent per year
Mortality	1. Healthy and Disabled Annuitant Mortality: a. Male: Pub-2010 Male Healthy Teacher Retiree Mortality Table, adjusted for mortality improvements using projection scale MP-2021 from 2010. Rates are multiplied by a factor of 1.03. b. Female: Pub-2010 Female Healthy Teacher Retiree Mortality Table, adjusted for mortality improvements using projection scale MP-2021 from 2010. Rates are multiplied by a factor of 1.03. 2. Employee Mortality: a. Male: Pub-2010 Male Healthy Teacher Employee Mortality Table, adjusted for mortality improvements using projection scale MP-2021 from 2010. b. Female: Pub-2010 Female Healthy Teacher Employee Mortality Table, adjusted for mortality improvements using projection scale MP-2021 from 2010.

Long-Term Expected Rate of Return

The assumed long-term expected rate of return on pension plan investments used in the determination of the contribution rate is 7.00 for June 30, 2024. The assumed long-term expected rate of return is established by the Minnesota State Legislature.

This rate was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Board of Trustees adopted estimated arithmetic real rates of return after considering input from the Fund's investment consultant and actuary. The best estimates for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table:

Figure 12. Long-Term Expected Real Rate of Return*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	30%	6.55%
International Equity	20%	6.98%
Fixed Income	30%	3.45%
Real Assets	10%	3.90%
Private Equity and Alternatives	10%	7.47%
Total	100%	

*For purposes of these calculations, the Association's assumed inflation rate is 2.50 percent.

Single Discount Rate

The single discount rate used to measure the total pension liability was 7.00 percent for June 30, 2024. The projection of cash flows used to determine this single discount rate assumed that plan members, employer, and State of Minnesota contributions will be made in accordance with rates set by Minnesota statutes. Based on these assumptions, the SPTRFA's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. As a result, the single discount rate of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

GASB Statement 67 requires the disclosure of the sensitivity of the net pension liability to changes in the current discount rate. Figure 13 presents the Fund's net pension liability, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher.

Figured 13. Net Pension Liability at Different Discount Rates
Sensitivity of Net Pension Liability to the Single Discount Rate Assumptions
(Dollars in Thousands)
June 30, 2024

	Discount Rate	Net Pension Liability
1% Decrease	6.00%	$ 840,505
Current	7.00%	598,070
1% Increase	8.00%	397,619

Note 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. There were no claims filed on behalf of the Fund this year.

Required Supplementary Information

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Schedule of Changes in Net Pension Liability and Related Ratios
(Dollars in Thousands)

Fiscal Year Ending June 30	2024	2023	2022	2021
Total Pension Liability				
Service cost	$ 30,174	$ 28,846	$ 24,863	$ 23,777
Interest on the total pension liability	129,014	126,124	126,096	123,262
Benefit changes	-	50,908	-	-
Difference between expected and actual experience	9,607	(16,123)	(11,734)	20,339
Assumption changes	-	(23,547)	102,005	(9,741)
Benefit payments	(126,178)	(122,347)	(120,672)	(118,665)
Refunds	(1,127)	(1,539)	(884)	(587)
Net change in total pension liability	**$ 41,490**	**$ 42,322**	**$ 119,674**	**$ 38,385**
Total Pension Liability – Beginning	**1,891,617**	**1,849,295**	**1,729,621**	**1,691,236**
Total Pension Liability – Ending (a)	**$ 1,933,107**	**$ 1,891,617**	**$ 1,849,295**	**$ 1,729,621**
Plan Fiduciary Net Position				
Employer contributions	$ 42,380	$ 39,023	$ 39,070	$ 35,251
Employee contributions	25,265	22,420	23,099	21,334
Non-employer contributions	31,412	15,665	15,665	15,665
Pension plan net investment income	147,343	110,297	(95,988)	305,232
Benefit payments	(126,178)	(122,347)	(120,672)	(118,665)
Refunds	(1,127)	(1,539)	(884)	(587)
Pension plan administrative expense	(811)	(1,193)	(927)	(779)
Net change in plan fiduciary net position	**$ 118,284**	**$ 62,326**	**$ (140,637)**	**$ 257,451**
Plan Fiduciary Net Position – Beginning	**1,216,753**	**1,154,427**	**1,295,064**	**1,037,613**
Plan Fiduciary Net Position – Ending (b)	**$ 1,335,037**	**$ 1,216,753**	**$ 1,154,427**	**$ 1,295,064**
Net Pension Liability – Ending (a)-(b)	**$ 598,070**	**$ 674,864**	**$ 694,868**	**$ 434,557**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**69.06%**	**64.32%**	**62.43%**	**74.88%**
Covered-Employee Payroll	**$ 319,667**	**$ 296,674**	**$ 304,227**	**$ 279,916**
Net Pension Liability as a Percentage of Covered-Employee Payroll	**187.09%**	**227.48%**	**228.40%**	**155.25%**

As of July 1, 2015, the COLA is assumed to increase from 1 percent to 2 percent on January 1, 2041; and from 2 percent to 2.5 percent on January 1, 2051.
As of July 1, 2016, the COLA is assumed to increase from 1 percent to 2 percent on January 1, 2055; and from 2 percent to 2.5 percent on January 1, 2066.
As of July 1, 2017, the COLA is assumed to increase from 1 percent to 2 percent on January 1, 2042; and from 2 percent to 2.5 percent on January 1, 2052.
COLA is 0 percent for January 2019 and 2020; then 1 percent each January thereafter.

Exhibit A-1

2020	2019	2018	2017	2016	2015
$ 23,120	$ 23,279	$ 25,087	$ 24,098	$ 25,596	$ 24,998
123,300	122,197	125,256	123,820	124,294	123,108
-	-	(74,376)	-	-	(5,677)
(22,742)	(9,831)	(13,445)	7,106	(42,295)	(17,133)
(5,601)	(3,037)	118,561	(22,643)	-	-
(117,306)	(116,379)	(115,298)	(112,771)	(111,167)	(108,878)
(1,256)	(701)	(800)	(972)	(628)	(875)
$ (485)	**$ 15,528**	**$ 64,985**	**$ 18,638**	**$ (4,200)**	**$ 15,543**
1,691,721	**1,676,193**	**1,611,208**	**1,592,570**	**1,596,770**	**1,581,227**
$ 1,691,236	**$ 1,691,721**	**$ 1,676,193**	**$ 1,611,208**	**$ 1,592,570**	**$ 1,596,770**
$ 34,139	$ 31,316	$ 28,544	$ 27,685	$ 26,563	$ 26,046
20,889	20,626	20,112	20,146	18,538	17,567
15,665	15,665	10,665	10,665	10,665	10,665
5,726	60,209	95,886	128,719	1,475	25,757
(117,306)	(116,379)	(115,298)	(112,771)	(111,167)	(108,878)
(1,256)	(701)	(800)	(972)	(628)	(875)
(788)	(764)	(786)	(889)	(749)	(748)
$ (42,931)	**$ 9,972**	**$ 38,323**	**$ 72,583**	**$ (55,303)**	**$ (30,466)**
1,080,544	**1,070,572**	**1,032,249**	**959,666**	**1,014,969**	**1,045,435**
$ 1,037,613	**$ 1,080,544**	**$ 1,070,572**	**$ 1,032,249**	**$ 959,666**	**$ 1,014,969**
$ 653,623	**$ 611,177**	**$ 605,621**	**$ 578,959**	**$ 632,904**	**$ 581,801**
61.35%	**63.87%**	**63.87%**	**64.07%**	**60.26%**	**63.56%**
$ 274,667	**$ 268,614**	**$ 263,122**	**$ 264,342**	**$ 258,787**	**$ 263,844**
237.97%	**227.53%**	**230.17%**	**219.02%**	**244.57%**	**220.51%**

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Schedule of Employer and Non-Employer Contributions
(Dollars in Thousands)

Fiscal Year Ending June 30	2024	2023	2022	2021
Actuarially determined contribution	**$ 53,053**	**$ 36,796**	**$ 39,298**	**$ 39,072**
Actual non-employer contributions	$ 31,412	$ 15,665	$ 15,665	$ 15,665
Actual employer contributions	42,380	39,023	39,070	35,251
Total contributions	**$ 73,792**	**$ 54,688**	**$ 54,735**	**$ 50,916**
Annual Contribution Deficiency (Excess)	**$ (20,739)**	**$ (17,892)**	**$ (15,437)**	**$ (11,844)**
Covered-employee payroll	**$ 319,667**	**$ 296,674**	**$ 304,227**	**$ 279,916**
Contributions as a percent of covered-employee payroll	**23.08%**	**18.43%**	**17.99%**	**18.19%**

The notes to the required supplementary information are an integral part of this schedule.

2020	2019	2018	2017	2016	2015
$ 39,181	**$ 37,233**	**$ 38,196**	**$ 39,172**	**$ 39,155**	**$ 40,320**
$ 15,665	$ 15,665	$ 10,665	$ 10,665	$ 10,665	$ 10,665
34,139	31,316	28,544	27,685	26,563	26,046
$ 49,804	**$ 46,981**	**$ 39,209**	**$ 38,350**	**$ 37,228**	**$ 36,711**
$ (10,623)	**$ (9,748)**	**$ (1,013)**	**$ 822**	**$ 1,927**	**$ 3,609**
$ 274,667	**$ 268,614**	**$ 263,122**	**$ 264,342**	**$ 258,787**	**$ 263,844**
18.13%	**17.49%**	**14.90%**	**14.51%**	**14.39%**	**13.91%**

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Exhibit A-3

Schedule of Investment Returns

Fiscal Year Ending June 30	Annual Return (%)
2024	12.04
2023	9.43
2022	(9.37)
2021	32.65
2020	0.10
2019	5.73
2018	9.75
2017	13.93
2016	0.34
2015	2.65

Annual money-weighted rate of return net of investment expense.

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Notes to the Required Supplementary Information
As of and for the Year Ended June 30, 2024

Note 1 – Actuarial Methods and Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board. Additional information as of the latest actuarial valuation follows.

Valuation Date:	June 30, 2024
Notes:	Actuarially determined contribution rates are calculated as of each July 1.
Methods and Assumptions Used to Determine Contribution Rates:	
Funding Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	5-year smoothed market; no corridor
Assumed Inflation	2.50 percent
Salary Increases	2.50 percent to 8.00 percent; service based
Investment Rate of Return	7.00 percent
Retirement Age	Experienced-based table of rates specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2016 – 2021.
Mortality	Pub-2010 teacher generational mortality table, projected with scale MP-2021 from a base year of 2010, multiplied by a factor of 1.03 for annuitants (no adjustment for employees).
Other Information:	
Notes:	For actuarially determined contribution rate purposes, the plan is assumed to pay a 1.00 percent post-retirement benefit increase each January.

Note 2 – Changes in Actuarial Assumptions and Plan Provisions

2024 Actuarial Assumptions

- There were no actuarial assumptions changes since the prior valuation.

2024 Plan Provisions

- Member contributions (Coordinated Plan) decrease from 7.75 percent of pay to 7.50 percent of pay effective July 1, 2024, and from 9.00 percent of pay to 8.75 percent of pay effective July 1, 2025. Effective July 1, 2026, the member contribution rate increases from 8.75 percent to 9.00 percent of pay.

- An additional one-time direct state aid contribution of $1.5 million will be contributed to the Plan by October 1, 2024.

- Annual supplemental contributions of $14,827,000 will continue until the earlier of the Plan achieving 100 percent funded ratio for three consecutive years, or June 30, 2048. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023

As a result of the 2022 experience study as well as the Omnibus Pension and Retirement Bill, the following assumption and method changes are reflected in the actuarial funding valuation report:

- Statutory contribution rates for members and their employers are shown as a percent of pay below:

Plan Contribution Rates: Basic/Coordinated

Contributions After June 30	Member (%)	Employer Regular (%)	Employer Additional (%)
2023	10.25/7.75	12.50/9.00	3.64/3.84
2024	10.25/7.75	12.50/9.00	3.64/3.84
2025	11.50/9.00	13.25/9.75	3.64/3.84

- The assumed investment return was lowered from 7.50 percent to 7.00 percent.

- The assumed wage inflation decreased from 3.00 percent to 2.50 percent.

- Salary increase rate ranges were updated from a range of 3.00 percent to 9.00 percent to a 2.50 percent to 8.00 percent range.

- Retirement, withdrawal, and disability rates were adjusted to better fit observed experience.

- The mortality table used is the Pub-2010 teacher mortality table, adjusted for mortality improvements using projection scale MP-2021.

- A one-time, non-compounding benefit increase of 1.50 percent for coordinated members and 3.00 percent for basic members will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

- The mortality improvement scale was updated from MP-2020 to MP-2021.

2021

- The mortality improvement scale was updated from MP-2019 to MP-2020.

2020

- The mortality improvement scale was updated from MP-2018 to MP-2019.

2019

- The mortality improvement scale was updated from MP-2017 to MP-2018.

2018

As a result of the 2018 experience study as well as the 2018 Omnibus Pension and Retirement Bill, the following assumption and method changes are reflected in the actuarial funding valuation report:

2018 Actuarial Assumptions

- The assumed investment return was lowered from 8.00 percent to 7.50 percent.
- The assumed wage inflation decreased from 4.00 percent to 3.00 percent.
- Salary increase rates were updated from an age-based table with a service-based component during the first 15 years, to a service-based table of rates.
- Retirement, withdrawal, and disability rates were adjusted to better fit observed experience.
- The mortality table was updated from the RP-2000 Mortality Table (with adjustments) projected with Scale AA to 2020, to the RP-2014 Mortality Table, with white collar adjustment, set back two years for females, projected with Scale MP-2017 from 2006.
- The statutory amortization period was changed from June 30, 2042, to June 30, 2048.

2018 Plan Provisions

- The annuity benefit increases changed to 0.00 percent for January 1, 2019 and 2020, with 1.00 percent payable thereafter. In addition, for retirements on or after July 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, Rule of 62/30 retirees, disability benefit recipients, or survivors).

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, prospectively, beginning July 1, 2018.
- Lower early retirement factors will be phased in over a 60-month period starting July 1, 2019.
- Deferred augmentation was changed to 0.00 percent, prospectively, effective July 1, 2019.
- Statutory contribution rates for members and their employers are shown as a percent of pay below:

Plan Contribution Rates: Basic/Coordinated

Contributions After June 30	Member (%)	Employer Regular (%)	Employer Additional (%)
2018	10.000/7.500	10.835/7.335	3.640/3.840
2019	10.000/7.500	11.670/8.170	3.640/3.840
2020	10.000/7.500	11.880/8.380	3.640/3.840
2021	10.000/7.500	12.090/8.590	3.640/3.840
2022	10.250/7.500	12.300/8.800	3.640/3.840
2023	10.250/7.750	12.500/9.000	3.640/3.840

- Additional supplemental contributions of $5,000,000 will be made by the State of Minnesota annually beginning October 1, 2018.
- The plan's statutory amortization period was changed from June 30, 2042, to June 30, 2048.

2017

- The Combined Service Annuity (CSA) loads on liabilities were changed as follows:

Combined Service Annuity Loads

	Active Pre-89 (%)	Active Post-89 (%)	Vested Terminated (%)	Non-Vested Terminated (%)
Prior	7.0	2.0	30.0	30.0
Current	0.0	0.0	20.0	9.0

2016

- No significant changes.

2015

- The assumed investment return rate was changed to 8.00 percent from the previously required "select and ultimate" approach (8.00 percent through 2017 and 8.50 percent thereafter).
- The interest rate accruing for service purchases (refund repayments or leave of absence service purchase) decreased to 8.00 percent for the portion of any service purchases which cover repayment of refunded

service originally earned, or leaves of absence taken, on or after July 1, 2015. The 8.50 percent rate continues to apply to interest accrual periods through June 30, 2015, with the 8.00 percent rate applying only to interest accrual periods occurring on or after July 1, 2015.

- Once the Fund has attained a 90 percent funding level for two consecutive years, the post-retirement benefit increase (COLA) will be 2.50 percent, rather than the previous increase provision of CPI-based up to 5.00 percent.

- Statutory contribution rates for members and their employers are shown as a percent of pay below:

Plan Contribution Rates: Basic/Coordinated

Contributions After June 30	Member (%)	Employer Regular (%)	Employer Additional (%)
2014	9.00/6.50	9.00/5.50	3.64/3.84
2015	9.50/7.00	9.50/6.00	3.64/3.84
2016	10.00/7.50	9.75/6.25	3.64/3.84
2017	10.00/7.50	10.00/6.50	3.64/3.84

Other Pension Information Section – Pension Schedules

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of Trustees
St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Report on the Audit of the Schedules

Opinions

We have audited the accompanying Schedule of Employer and Non-Employer Allocations of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying Schedule of Pension Amounts by Entity of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, and the related notes.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer and non-employer allocations and the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the St. Paul Teachers' Retirement Fund Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedule of Employer and Non-Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Entity are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

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omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule of Employer and Non-Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Entity.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the Schedule of Employer and Non-Employer Allocations and the specified totals included in the Schedule of Pension Amounts by Entity, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule of Employer and Non-Employer Allocations and the specified totals included in the Schedule of Pension Amounts by Entity and the related disclosures;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule of Employer and Non-Employer Allocations and the specified totals included in the Schedule of Pension Amounts by Entity.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter
We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, and our report thereon dated January 23, 2025, expressed an unmodified opinion on those financial statements.

Restriction on Use
Our report is intended solely for the information and use of St. Paul Teachers' Retirement Fund Association management, the Board of Trustees, St. Paul Teachers' Retirement Fund Association employers and non-employer entities, and their auditors, and is not intended to be and should not be used by anyone other than those specified parties.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

January 23, 2025

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Exhibit B-1

Schedule of Employer and Non-Employer Allocations
As of the Measurement Date of June 30, 2024

Entity	2024 Actual Contributions	Allocation Percentage (%)
State of Minnesota	$ 15,664,607	27.226
St. Paul College	14,822	0.026
St. Paul Public Schools	41,856,081	72.748
Total	**$ 57,535,510**	**100.000**

The notes to the pension schedules are an integral part of this schedule.

St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

Schedule of Pension Amounts by Entity
As of and for the Year Ended June 30, 2024

			Deferred Outflows of Resources				
Entity	Allocation Percentage (%)	Net Pension Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
State of Minnesota	27.226	$ 162,830,538	$ 1,743,825	$ -	$ -	$ 410,667	$ 2,154,492
St. Paul College	0.026	155,498	1,665	-	-	5,559	7,224
St. Paul Public Schools	72.748	435,083,964	4,659,510	-	-	8,111,865	12,771,375
Total	**100.000**	**$ 598,070,000**	**$ 6,405,000**	**$ -**	**$ -**	**$ 8,528,091**	**$ 14,933,091**

The notes to the pension schedules are an integral part of this schedule.

Exhibit B-2

Deferred Inflows of Resources					Pension Expense		
Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions	Total Pension Expense
$ 1,463,398	$ 2,136,969	$ 10,485,822	$ 8,062,375	$ 22,148,564	$ 16,042,376	$ (6,592,891)	$ 9,449,485
1,398	2,041	10,014	49,490	62,943	15,320	(45,260)	(29,940)
3,910,204	5,709,990	28,018,164	416,226	38,054,584	42,865,304	6,638,151	49,503,455
$ 5,375,000	**$ 7,849,000**	**$ 38,514,000**	**$ 8,528,091**	**$ 60,266,091**	**$ 58,923,000**	**$ -**	**$ 58,923,000**

Note 1 – Summary

The St. Paul Teachers' Retirement Fund Association (SPTRFA) is a cost-sharing multiple-employer defined benefit pension plan. As specified in Governmental Accounting Standards Board (GASB) Statement 68, employers that participate in the SPTRFA are required to recognize their proportionate share of the collective pension amounts for all benefits provided through the Fund. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense. In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total contributions from employers included in the collective net pension liability are required to be determined and recognized. The State of Minnesota is statutorily required to make contributions to the Fund; therefore, the State is classified as a non-employer contributor who will share in the liabilities and will also be required to recognize its share of the employer costs.

The basis of the allocation of collective pension amounts should be consistent with the manner in which contributions are paid to the Plan. Since contributions to SPTRFA are collected as a percentage of payroll, covered employee payroll for the fiscal year ending June 30, 2024, is used as the proportionate share of allocation basis.

The State of Minnesota is required to contribute an annual contribution of $14,827,000 plus an annual amortization aid payment of $837,607. The required annual contributions made by the State of Minnesota were used to calculate its proportionate share. In addition, the State was required to contribute a one-time payment in October 2023 in the amount of $15,746,887. Since this is a one-time contribution, it should not be included in this allocation and has been excluded from the allocation. SPTRFA employees are covered by the plan and make contributions, however, they are excluded from the allocation of pension amounts.

Note 2 – Reconciliation of Financial Statement Employer Contributions to Total Employer Contributions Reported on the Schedule of Employer and Non-Employer Allocations

While GASB 68 allows the employer's proportionate share of the collective pension amounts to be based on historical employer contributions, it encourages the use of the employer's projected long-term contributions effort to the retirement plan. The following is a reconciliation of employer contributions presented in SPTRFA's Statement of Changes in Fiduciary Net Position to the employer contributions presented in the Schedule of Employer and Non-Employer Allocations.

Reconciliation of Employer Contributions

	June 30, 2024
Employer contributions reported in the Statement of Changes in Fiduciary Net Position	$ 42,380,140
Deduct employer contributions not related to future contribution efforts	(426,300)
Deduct SPTRFA's contributions not included in allocation	(82,937)
Total employer contributions	$ 41,870,903
Non-employer contributions	$ 31,411,494
Deduct non-employer one-time contributions	(15,746,887)
Total non-employer contributions	$ 15,664,607
Total Contributions Reported in Schedule of Employer and Non-Employer Allocations	$ 57,535,510

Note 3 – Actuarial Methods and Assumptions

The information presented in the Schedule of Employer and Non-Employer Allocations and the Schedule of Pension Amounts by Entity was based on the actuarial valuation for purposes of determining the net pension liability. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board. Additional information as of the latest actuarial valuation follows.

Valuation Date: June 30, 2024
Measurement Date of the Net Pension Liability: June 30, 2024
Methods and Assumptions Used to Determine Net Pension Liability:

Actuarial Cost Method	Entry Age Normal
Price Inflation	2.50 percent per annum
Wage Inflation	2.50 percent per annum
Salary Increases	2.50 percent to 8.00 percent; service based
Investment Rate of Return	7.00 percent per year
Annuitant Mortality	Pub-2010 Healthy Teacher Retiree Mortality Table, adjusted for mortality improvements using projection scale MP-2021 from a base year of 2010. Rates are multiplied by a factor of 1.03.

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report on
Minnesota Legal Compliance

Board of Trustees
St. Paul Teachers' Retirement Fund Association
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated January 23, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the St. Paul Teachers' Retirement Fund Association failed to comply with the provisions of the depositories of public funds and public investments and relief associations sections, to the extent applicable to all public pension plans in the state, of the *Minnesota Legal Compliance Audit Guide for Relief Associations*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Association's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Trustees and management of the St. Paul Teachers' Retirement Fund Association and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

January 23, 2025

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