

**STATE TEACHERS RETIREMENT SYSTEM
OF OHIO**

**ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2014**

As Required by Section 3307.51, Ohio Revised Code

The State Teachers Retirement System is authorized by Section 3307.39, Ohio Revised Code, to provide group health care benefits to benefit recipients and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Health care benefits are available to all recipients of retirement, disability or survivor benefits from STRS Ohio. Coverage may be extended to a spouse, dependent children, and sponsored dependents for an additional monthly premium. Benefit recipients and dependents age 65 or older must enroll in Medicare Part B. In 2014, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.67874% of the 2014 Medicare Part B premium for each year of service credit. However, this reimbursement was not less than \$29.90 per month or more than \$52.83 per month for any benefit recipient.

The number of benefit recipients and dependents enrolled in an STRS Ohio health care plan as of June 30, 2014 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	27,460	8,136
With Medicare	79,130	14,601

The Retirement Board has established a Health Care Reserve Fund within the Employers' Trust Fund from which health care benefits are paid. For the fiscal year ended June 30, 2014, the Board allocated 1% of covered payroll to the Health Care Reserve Fund. The allocation to the Health Care Reserve Fund for the year ended June 30, 2015 will be 0% of covered payroll. Assets in the Health Care Reserve Fund are reported at fair value, and investment earnings are credited at the market rates of return earned by the total pool of STRS Ohio investments.

**Post Employment Health Care
Statement of Plan Net Position**

*As of June 30, 2014
(In Thousands)*

Assets:

Cash and short-term investments \$ 104,232

Receivables:

Accrued interest and dividends 7,992

Contributions 12,180

Securities sold 19,581

Total receivables 39,753

Investments, at fair value:

Fixed income 751,121

Common and preferred stock 1,075,056

International 878,506

Real Estate 411,864

Alternative Investments 437,770

Total investments 3,554,317

Invested securities lending collateral 62,880

Total assets 3,761,182

Liabilities:

Securities purchased 23,863

Debt on real estate investments 81,635

Accrued expenses and other liabilities 1,264

Medical benefits payable 15,082

Obligations under securities lending program 62,880

Total liabilities 184,724

**Net position held in trust for post employment
health care benefits:**

\$3,576,458

**Post Employment Health Care
Statement of Changes in Net Position**

*As of June 30, 2014
(In Thousands)*

Additions:

Contributions:

Employer	\$ 98,330
Government reimbursements	46,132
Benefit recipient health care premiums	<u>277,477</u>
Total contributions	421,939

Investment income from investing activities:

Net appreciation in fair value of investments	463,124
Interest	22,367
Dividends	36,060
Real estate income	<u>12,092</u>
Investment income	533,643
Less investment expenses	(1,527)
Less external asset management fees	<u>(8,110)</u>
Net income from investing activities	524,006
Securities lending income	530
Securities lending expenses	<u>(52)</u>
Net income from securities lending activities	<u>478</u>
Net investment income	<u>524,484</u>
Total additions	946,423

Deductions:

Health care benefits	629,465
Administrative expenses	<u>2,495</u>
Total deductions	<u>631,960</u>
Net increase	314,463

**Net position held in trust for post employment
health care benefits:**

Beginning of year	<u>3,261,995</u>
End of year	<u><u>\$3,576,458</u></u>

**Post Employment Health Care
Six-Year History**

Fiscal Year Ended (in Thousands)

	2014	2013	2012	2011	2010	2009
Employer contributions	\$ 98,330	\$ 99,179	\$ 101,025	\$ 103,694	\$ 103,415	\$ 101,221
Government reimbursements	\$ 46,132	\$ 41,200	\$ 92,213	\$ 70,556	\$ 38,156	\$ 37,956
Benefit recipient premiums	\$ 277,477	\$ 261,903	\$ 246,264	\$ 222,130	\$ 222,316	\$ 225,627
Investment income	\$ 524,484	\$ 402,110	\$ 54,990	\$ 608,969	\$ 348,311	\$ (778,556)
Health care costs	\$ 629,465	\$ 599,818	\$ 627,890	\$ 604,456	\$ 592,416	\$ 558,344
Administrative expenses	\$ 2,495	\$ 2,555	\$ 2,568	\$ 2,502	\$ 2,523	\$ 3,349
Net position available for benefits	\$ 3,576,458	\$ 3,261,995	\$ 3,059,976	\$ 3,195,942	\$ 2,797,551	\$ 2,680,292