

Ohio Public Employees Retirement System
2018 ORSC Health Care Report (For period January 1, 2018-December 31,
2018)

Year in Review-2018

[This section is for a general overview of your health care program as it was in the previous year. Limit to 2 pages. For an example see following pages from the 2016 OPERS health care report, page 1-3]

Executive Summary

Transition to the OPERS Medicare Connector

In 2016, Ohio Public Employees Retirement System (System) worked to ensure that all qualified retirees enrolled in an individual Medicare plan via the OPERS Medicare Connector (Connector) and had access to a health reimbursement arrangement (HRA). This followed the enrollment of close to 131,000 OPERS retirees, spouses and dependents into plans via the Connector at the end of 2015.

The Connector was implemented with the goal to “leave no retiree behind.” This focus remained in 2016. OPERS reached out to eligible retirees who had yet to enroll through a letter, phone call or home visit. We are grateful for the help of our partners, including Ohio Retirement Study Council, Public Employee Retirees, Inc., American Federation of State, County and Municipal Employees, Ohio Municipal League, the Ohio Legislature and various state and regionally located federal agencies that helped us deliver the message and ensure retirees had access to the coverage they needed.

Under the new Connector model, eligible retirees receive an allowance they may use to reimburse themselves for the premiums for individual medical and prescription plans, as well as, other qualified medical expenses through an HRA. This is a completely new process. As with all changes this significant, the implementation was not without a few bumps in the road. OPERS continues to advocate for our retirees, providing resources and education, and working with the Connector administrator to resolve issues.

Health Care Preservation Plan implementation

The System focused on the continued implementation of ongoing and incremental changes to the OPERS health care program adopted in 2012. These changes included the implementation of the Connector, the continued phasing-out of premium support for spouses and the final year of partial reimbursement for Medicare Part B premiums. We recognize the need to continually monitor funding for both pension and health care as we work to make a health care program available to both current and future retirees. The program must balance long-term sustainability with equitable coverage between generations.

The results from the health care changes are evident in our financial results for 2016. Overall, health care costs significantly reduced from approximately \$1.8 billion to approximately \$1.2 billion.

OPERS health care coverage is neither mandated nor guaranteed—yet we continue to work toward the preservation of this coverage because access to health care for our retirees is an important aspect of a secure retirement.

Health Care Trust transfer

The 115 Health Care Trust (115 Trust) was established in 2014 to provide a viable way to fund the HRA and consolidate the funding of all health care plans sponsored by OPERS. Prior to the establishment of the 115 Trust, OPERS had two other health care related trusts.

Executive Summary

The 401(h) Health Care Trust (401(h) Trust) had been in existence since OPERS began funding health care in the mid-1970s. This trust, established under Internal Revenue Service (IRS) rules, had limitations that necessitated the establishment of the 115 Trust. OPERS also had the Voluntary Employees Beneficiary Association (VEBA) Trust that provided health care funding for Member-Directed Plan participants. With the establishment of the 115 Trust, OPERS sought IRS approval to consolidate the 401(h) Trust and the VEBA Trust into the new 115 Trust. As a result, the 401(h) Trust and VEBA Trust closed June 30, 2016, and the net positions transferred to the 115 Trust effective July 1, 2016. The 115 Trust now provides funding for all the OPERS health care plans: the self-insured health care plan for the non-Medicare retirees, re-employed retiree plans, Member-Directed retiree medical accounts, wellness retiree medical accounts and Connector HRAs.

ADVOCACY WORK

Biosimilar and generic drugs

OPERS, working with the Public Sector Healthcare Roundtable and the Association for Accessible Medicines, shared with the U.S. Food and Drug Administration, the U.S. Department of Health and Human Services and legislators the importance of biosimilar and generic drug competition. OPERS created a series of informative videos and infographics about biosimilar drugs and overall increasing drug costs.

Cadillac tax

Although the Affordable Care Act's (ACA) excise tax, otherwise known as the "Cadillac tax," has been delayed until 2020, OPERS

continues to advocate for a complete repeal or, in the alternative, an exemption for retiree-only health plans.

Medicare Part B premium hike

OPERS used a variety of communication tools to mobilize retirees to reach out to members of Congress and oppose a 20% Medicare Part B premium increase in 2017. November 10, 2016, the projected 20% increase in Medicare Part B premiums was reduced to an approximate 10% increase.

Re-employed retiree plans

OPERS retirees who are receiving a pension and have returned to work for an OPERS-covered employer are not eligible to participate in the HRA because HRAs are incompatible with active OPERS-covered employment under the ACA. However, if eligible, re-employed retirees still receive a subsidy toward the cost of an OPERS group health care plan. This subsidy functions in the same manner as the OPERS retiree health plans prior to the implementation of the Connector and HRA.

To accommodate re-employed retirees who are eligible for access to OPERS health care coverage during public employment, OPERS introduced two health plans exclusively for re-employed retirees in 2016.

Re-employed retirees are required to enroll in their employer's health plan if the employer offers coverage to other employees in similar positions. If a retiree's employer does not offer health care coverage, OPERS provides the following options – the Medical Mutual Interim Plan, for non-Medicare re-employed retirees, and the Humana Interim Plan, for re-employed retirees who are eligible for Medicare.

2016 Year In Review

OPERS Medicare Connector implementation

Work on the OPERS Medicare Connector (Connector) did not end with the enrollment of close to 131,000 OPERS retirees, spouses and dependents into plans via the Connector. In 2016, OPERS embarked on a concentrated communications effort to reach any eligible retiree who had not enrolled in a plan through the Connector by the end of 2015. All attempts were made to ensure OPERS retirees had the health care coverage they needed and gaps in coverage were avoided.

Retirees enrolled in Medicare Part B, but not eligible for premium-free Medicare Part A, were enrolled in a plan via the Connector on a different schedule than the rest of the OPERS retiree population. These retirees were provided alternative coverage under the Humana Interim Plan while they successfully applied for Medicare Part A coverage, and reimbursement for Part A premiums was arranged with OPERS. OPERS worked closely with the Social Security Administration to ensure enrollment in Medicare Part A was simple and efficient. This group enrolled in a plan via the Connector effective July 1, 2016.

In order to ease the transition to the Connector, OPERS provided enrolled retirees with an additional \$300 deposit in their HRA in 2016. This additional deposit is to be provided again in 2017 and 2018 and re-evaluated by the OPERS Board of Trustees for the years following.

This additional deposit is intended to cover out-of-pocket expenses incurred early in the year as retirees transition to new health care plans and reimbursement arrangements are established. The \$300 deposit is also intended to reimburse retirees for pharmacy expenses while the Medicare "doughnut hole" closes.

During the initial year of our transition, we were keenly aware of some of the challenges retirees faced with the health reimbursement arrangement (HRA) process. We remain committed to helping our retirees through this transition and worked throughout 2016 to provide resources and information - making certain the Connector administrator resolved service issues.

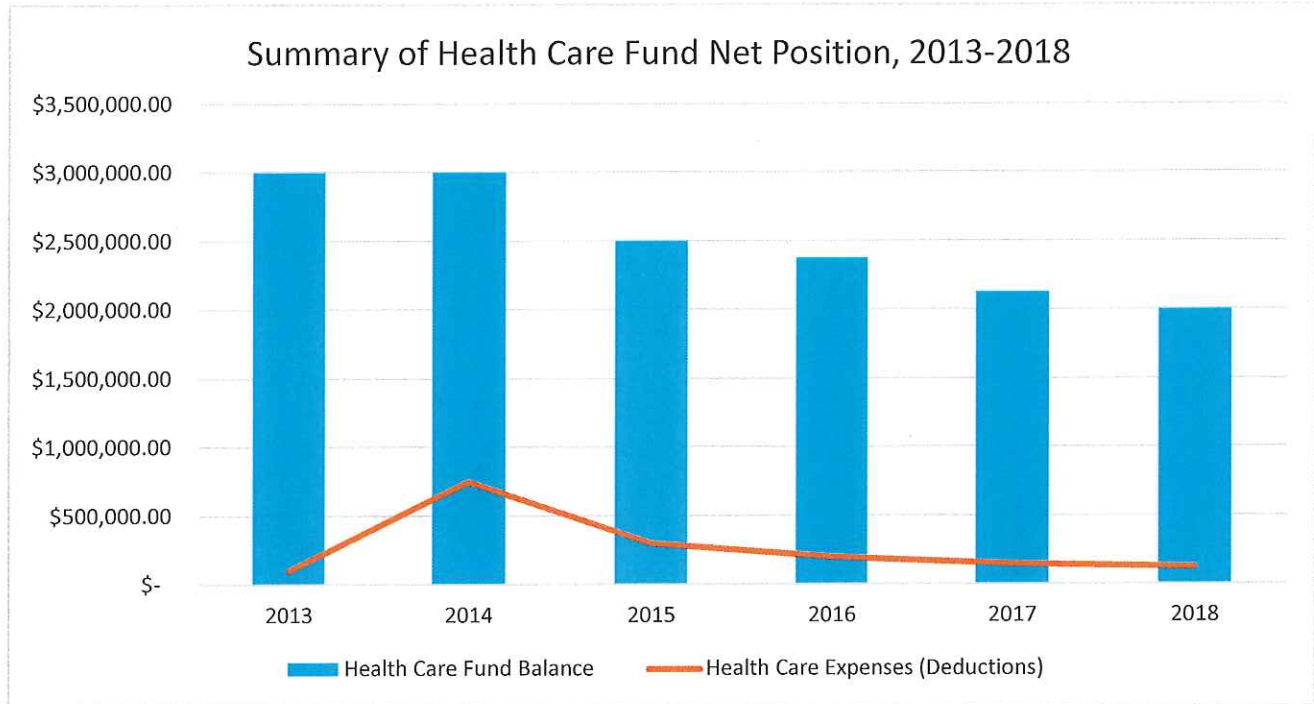
Health care plan design for non-Medicare retirees

It is important to OPERS that our health care programs have a positive effect on participants. In 2015, OPERS conducted a study to measure the effectiveness of the Medical Mutual Disease Management program. The results showed that overall the program did not improve how participants manage their chronic conditions. OPERS decided to end the disease management program, including no-cost diabetic supplies, as of January 1, 2016.

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Financial Information¹

Additions	Deductions	Fund Balance	Solvency Period ²	Employer Allocation
\$ 1,000,000.00	\$ 300,000.00	\$ 2,500,000.00	2039	0%



Health Care Fund Balance (as graphed above)		
	Health Care Fund Balance	Health Care Expenses (Deductions)
2013	\$ 3,000,000.00	\$ 100,000.00
2014	\$ 3,000,000.00	\$ 750,000.00
2015	\$ 2,500,000.00	\$ 300,000.00
2016	\$ 2,375,000.00	\$ 200,000.00
2017	\$ 2,125,000.00	\$ 150,000.00
2018	\$ 2,000,000.00	\$ 125,000.00

¹For a breakdown of "Additions" and "Deductions," see item 7 in supplementary information.

²Solvency period based on each system's individual valuation and underlining assumptions.

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Average Cost Per Participant Paid by OPERS

Non-Medicare Recipients	Re-employed non-Medicare Recipients	Medicare Recipients
\$ 455.00	\$ 485.00	\$ 15.00

Non-Medicare Recipients includes XXXX

Re-employed non-Medicare Recipients includes XXXX

Medicare Recipients includes XXXX

Population of Recipients

Age and Service	Disability	All Others (Survivors, Beneficiaries, etc.)	Total Recipients	Percent Medicare
5,000	500	1,000	6,500	50%

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"Health care plan" name			
	In-Network	Out-of-Network	Out-of-Area
Deductible per calendar year	1,000		
Out-of-Pocket limit per calendar year	8,000		
Lifetime maximum	Unlimited		
Medical Services (% covered by plan)			
Outpatient Hospice	100% (no cost to member)		
Mental Health	50%		
Substance Abuse	25% (75% cost paid by member)		
Surgery	Not covered		
Office Visit - Specialist	\$15 Member Copay		
Office Visit - Primary Care	\$35 Member Copay		
Emergency Services			
Emergency Room	100% Facility \$150 Copay		
Urgent Care	Not covered		
Preventive services			
Annual routine physical			
Annual PAP, Mammography			
EKG, Cholesterol, Blood Sugar, Lipid, Colonoscopy, Sigmoidoscopy, Bone Density Testing			
Flu and Pneumonia Vaccines			

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"Prescription plan name" for non-Medicare population

2018 Prescription Drug Plan	Retail Preferred Network/Home Delivery	Retail Non-Preferred Network
Annual deductible	\$100 (generic) \$200 (brands)	
Generic	20% co-insurance \$4 min/max retail	
Formulary brand		
Non-formulary brand	Not covered	
Specialty drugs - Brand		
Annual out-of-pocket maximum		
Value-based insurance design (VBID) - Generics for chronic conditions		
Generic PPLs - Medications treating acid-reflux and heartburn		

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"Prescription Drug Plan Name" for Medicare Population

2018 Prescription Drug Plan	Retail Preferred Network/Home Delivery	Retail Non-Preferred Network
Annual deductible	\$100 (generic) \$200 (brands)	
Generic	20% co-insurance \$4 min/max retail	
Formulary brand		
Non-formulary brand	Not covered	
Specialty drugs - Brand		
Annual out-of-pocket maximum		
Value-based insurance design (VBID) - Generics for chronic conditions		
Generic PPLs - Medications treating acid-reflux and heartburn		

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Supplemental drug list (by request)

Drug Category	Drug Name	Formulary Y/N	Plan Design	Notes
Specialty	Drug 1	Y	\$100 Copay	Only for specified conditions
	Drug 2			
	Drug 3			
	Drug 4			
Brand	Lipitor	N		
	Drug 2			
	Drug 3			
	Drug 4			
Generic	Generic Lipitor	Y	\$0 Copay	
	Drug 2			
	Drug 3			
	Drug 4			

Comments:

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Health Care Future-2018

[This section is for the system's plan to maintain health care coverage going forward and potential changes to the fund going forward. Limit to 2 pages. If the "Year in Review" is backward looking, this section is forward looking]

Supplementary Statutory Requirements

The following is provided in accordance with the requirements of Revised Code section
XXXX.XX

(1) A description of the statutory authority for the benefits provided:

[See Attached A for example].

(2) A summary of coverage for 2018:

A summary of the coverage is provided in the attached Annual Health Care Report.

(3) A summary of the eligibility requirements for the benefits:

[See Attached B for example]

(4) A statement of the number of participants eligible for the benefits:

As of December 31, 2018, there were XX retirees eligible to participate in the health care programs offered by the XX system.

(5) A description of the accounting, asset valuation, and funding method used to provide the benefits:

[See Attached C for example]

(6) A statement of the net assets available for the provision of the benefits as of the last day of the fiscal year:

The net assets available for the provision of benefits is XX and is provided on page one of the attached Health Care Report.

(7) A statement of any changes in the net assets available for the provision of benefits, including participant and employer contributions, net investment income, administrative expenses, and benefits provided to participants, as of the last day of the fiscal year:

[See Attached D for example]

(8) For the last six consecutive fiscal years, a schedule of the net assets available for the benefits, the annual cost of benefits, administrative expenses incurred, and annual employer contributions allocated for the provision of benefits:

[See Attached E for example]

- (9) A description of any significant changes that affect the comparability of the report required under this division:

[See Attached F for example]

- (10) A statement of the amount paid under division (C) of section 145.58 of the Revised Code:

[XX] paid approximately XX in Medicare Part B premiums to its benefit recipients in 2017.

Statutory Requirements

The OPERS Board of Trustees (Board) shall have prepared annually a report giving a full accounting of the revenues and costs relating to the provision of health coverage under Sections 145.58 and 145.584 of the Ohio Revised Code (ORC). The report shall be made as of December 31, 1997 and the thirty-first day of December of each year thereafter. Article 10 of ORC 145.22 (E) requires OPERS to submit the report by June 30 of the following year.

The following information fulfills the requirements of OPERS as outlined in ORC Section 145.22(E). The requirements and the System's responses follow:

1. A description of the statutory authority for the benefits provided

Appendixes A and B are copies of ORC Section 145.58 (group hospitalization coverage; ineligible individuals; service credit; alternate use of Health Maintenance Organization) and ORC Section 145.584 (Medicare-equivalent benefits for members ineligible for Medicare),

as they existed during the majority of 2016. Both sections were amended by Substitute Senate Bill, effective January 7, 2013.

2. A summary of coverage for 2016

The following is an outline of OPERS health care coverage in 2016:

The 2016 OPERS Retiree Health Plan for non-Medicare participants

The 2016 OPERS health care plan administrator, Medical Mutual, utilized a Preferred Provider Organization (PPO) for our non-Medicare benefit recipients. Doctors and medical facilities that belong to the PPO network agree to perform services at agreed-upon contract rates. While participants were able to choose any provider and still receive coverage, they had lower out-of-pocket costs if they chose a network provider. Non-Medicare, re-employed retirees were in a separate plan with identical coverage.

"A"

2016 Medical Mutual PPO and Medical Mutual Interim Plan features

Deductible (In-network)	\$1,000
Total (In-network) out-of-pocket max	\$4,900
Deductible (out-of-network)	\$2,000
Total (out-of-network) out-of-pocket max	\$7,000
Office visit copay (medical home)	\$15
Office visit copay (primary care physician or PCP)	\$25
Office visit copay (specialist)	\$40
Office visit copay (chronic conditions)	Discontinued
Inpatient deductible	\$150
Emergency room	\$150 (emergency) \$250 (Non-emergency)
Preventive services	100%
Skilled nursing/hospice	100%
Other medical services	25% Co-insurance

"B"

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 2016, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.4458% of the 2016 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, 2016 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	23,151	6,046
With Medicare	86,564	13,956

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, 2016, the Board continued to allocate 0% of covered payroll to the Health Care Reserve Fund. 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.

Statutory Requirements

"C"

Member-Directed retiree medical account (RMA)

Member-Directed Plan participants are provided with a Member-Directed RMA. The plan holds the portion of employer contributions of the Member-Directed Plan participants that are set aside for funding retiree health care. Upon separation or retirement, the participant may use the vested funds in their Member-Directed RMA to reimburse qualified health care expenses. Members with an account prior to July 1, 2015, become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. For members establishing accounts on or after July 1, 2015, the member is fully vested after 15 years at a rate of 10% for each year starting in the sixth year of participation. The account earns a fixed annual interest rate established by the Board. Beginning January 1, 2017, interest on the RMA will accrue only if the investment portfolio containing the RMA assets earns a return greater than zero in the prior year.

4. A statement of the number of participants eligible for the benefits

As of December 31, 2016, there were 176,195 OPERS retirees and primary beneficiaries eligible to participate in OPERS health care. In addition to a retiree, a primary benefit recipient could be a survivor of a deceased retiree continuing to receive coverage on the retiree's account, which is representative of the OPERS contributing membership.

5. A description of the accounting, asset valuation and funding method used to provide the benefits

OPERS financial statements are prepared using the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized when earned. Under this method, OPERS estimates health care claims which have been incurred at year-end, but which have not yet been reported to the System as of fiscal year end. Health care reimbursements are recognized when they become measurable and due to OPERS based on contractual requirements. Therefore, health care reimbursements contain estimates based on information received from health care vendors and other sources. Investment purchases and sales are recorded as of their trade date.

Investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate, private equity and hedge funds are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals.

Statutory Requirements

The fair value of private equity is based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. The fair value of hedge funds is based on a net asset value, which is established by the fund or by the fund's third-party administrator.

Employer contributions and investment earnings are used to fund health care expenses. Employer contributions of 2% of covered payroll were credited to the 115 Health Care Trust (115 Trust) for the period of January 1, 2016 through December 31, 2016. Retiree-paid health care premiums (amounts paid by retirees toward the cost of OPERS-provided health care for the retiree, their spouse and dependents), federal subsidies, contract and other receipts and other miscellaneous income comprise the balance of health care additions.

OPERS has consistently pre-funded the retiree health care. The 401(h) Health Care Trust (401(h) Trust) was established under Section 401(h) of the IRC. This trust was pre-funded and held the portion of the employer contributions of the Traditional Pension Plan and the Combined Plan that were set aside for funding retiree health care. Employer contributions to this trust ceased in September 2014 upon the establishment of the 115 Trust.

As OPERS prepared to change the manner of delivery of health care to Medicare-eligible retirees, it needed a permissible trust that could fund an HRA. In 2014, OPERS established the 115 Trust under Section 115 of the IRC to support an HRA, since the 401(h) Trust was not permissible for an HRA.

Member-Directed Plan participants are provided with Member-Directed RMAs. The funding vehicle of the Member-Directed RMAs, prior to July 1, 2016, was the Voluntary Employees' Beneficiary Association (VEBA) Trust established under Section 501(C)(9) of the IRC. The VEBA Trust held the portion of the employer contributions of the Member-Directed Plan that were set aside for funding retiree health care. Beginning July 1, 2016, the Member-Directed RMAs are funded through the 115 Trust.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016, and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust is the funding source for all health care plans.

The funded status of health care as of December 31, 2015, the most recent actuarial valuation, was 64.5%. The funding progress of health care is measured in terms of solvency years, or the number of years that funds are projected to be available to pay health care expenses under the current plan design before health care would be reduced to a pay-as-you-go basis. Health care is solvent for an indefinite period under actuarial terms as of December 31, 2015. An indefinite solvency period indicates that health care assets are expected to be sufficient to fund future health care needs.

Appendix C – Statements of Fiduciary Net Position—Health Care

"D"

	2016	2015	2014
115 Health Care Trust*			
Assets			
Cash and Short-Term Investments	\$874,632,840	\$228,930,728	\$7,797,254
Receivables			
Members and Employers	28,954,270	31,146,407	20,597,780
Vendor and Other	67,090,996	140,747,042	175,326,214
Investment Sales Proceeds	70,760,106	744,048	988,589
Accrued Interest and Dividends	41,092,533	1,246,089	728,607
Total Receivables	207,897,905	173,883,586	197,641,190
Investments, at fair value			
Fixed Income	4,087,785,698	296,365,386	66,380,103
Domestic Equities	3,071,759,733	82,245,096	50,172,724
International Equities	2,265,107,975	58,142,626	41,687,272
Other Investments	1,534,240,696	48,222,156	24,508,856
Total Investments	10,958,894,102	484,975,264	182,748,955
Capital Assets			
Land	942,728		
Building and Building Improvements	28,004,098		
Furniture and Equipment	32,759,796	1,441,984	
Total Capital Assets	61,706,622	1,441,984	
Accumulated Depreciation	(33,678,510)		
Net Capital Assets	28,028,112	1,441,984	
TOTAL ASSETS	12,069,452,959	889,231,562	388,187,399
Liabilities			
Undistributed Deposits	287,413	10,021	
Benefits Payable	109,142,271	1,634,811	
Investment Commitments Payable	79,535,412	1,789,658	1,803,774
Accounts Payable and Other Liabilities		44,685,032	303,453
TOTAL LIABILITIES	188,965,096	48,119,522	2,107,227
Net Position Held in Trust for Post-employment			
Health Care	\$11,880,487,863	\$841,112,040	\$386,080,172

Source: 2014 - 2016 Comprehensive Annual Financial Reports

*Based on Internal Revenue Service guidance received in 2016, OPERS transferred health care assets from the 401(h) Health Care Trust and the Voluntary Employees' Beneficiary Association Trust into the 115 Health Care Trust on July 1, 2016. All health care assets, liabilities and net position are reflected in the 115 Health Care Trust statement as of December 31, 2016.

Appendix C – Statements of Fiduciary Net Position—Health Care

"E"

	2016*	2015	2014	2013	2012	2011**
401(h) Health Care Trust						
Assets						
Cash and Short-Term Investments		\$437,888,805	\$503,893,407	\$491,371,340	\$446,851,345	\$516,841,401
Receivables						
Members and Employers			12,096,566	19,417,032	43,429,976	51,989,914
Early Retirement Incentive Plan			6,062	64,600	177,884	773,991
Vendor and Other	677,725	1,309,906	1,309,906	147,929,032	147,616,824	67,535,218
Investment Sales Proceeds	43,193,263	64,470,004	64,470,004	75,148,940	261,962,739	185,275,974
Accrued Interest and Dividends	39,359,404	47,590,193	47,590,193	47,924,681	47,650,966	49,585,342
Total Receivables		83,230,392	125,472,731	290,484,285	500,838,389	355,160,439
Investments, at fair value						
Fixed Income		3,733,008,136	4,434,483,598	4,313,177,166	4,731,050,357	4,349,713,914
Domestic Equities		2,969,522,823	3,296,381,497	3,594,242,223	3,293,138,146	3,642,820,108
Private Equity				110,263,964	73,443,686	54,927,514
International Equities		2,221,451,642	2,661,469,316	3,333,565,455	3,506,799,272	3,310,599,792
Other Investments		1,390,445,167	1,615,807,236	1,159,221,629	563,094,682	134,339,269
Total Investments		10,314,427,768	12,008,141,647	12,510,470,437	12,167,526,143	11,492,400,597
Capital Assets						
Land		916,220	916,220	729,981	729,981	665,394
Building and Building Improvements		27,256,121	27,261,277	21,476,205	21,737,564	19,627,154
Furniture and Equipment		29,358,536	28,536,399	26,907,290	24,688,709	24,809,991
Total Capital Assets		57,530,877	56,713,896	49,113,476	47,156,254	45,102,539
Accumulated Depreciation		(30,510,198)	(28,082,475)	(24,246,817)	(20,530,484)	(18,156,668)
Net Capital Assets		27,020,679	28,631,421	24,866,659	26,625,770	26,945,871
TOTAL ASSETS		10,862,567,644	12,666,139,206	13,317,192,721	13,141,841,647	12,391,348,308
Liabilities						
Undistributed Deposits		243,005	183,002	146,606	69,659	62,273
Benefits Payable		91,451,759	99,279,185	90,019,865	100,495,333	118,529,285
Investment Commitments Payable		76,923,764	113,120,724	99,797,215	194,165,994	294,572,622
Accounts Payable and Other Liabilities		22,880,935	13,033,505	15,544,228	18,485,339	19,183,817
Obligations Under Securities Lending						
TOTAL LIABILITIES		191,499,463	225,616,416	205,507,914	313,216,325	432,347,997
Net Position Held in Trust for Post-employment Health Care, as Restated		\$10,671,068,181	\$12,440,522,790	\$13,111,684,807	\$12,828,625,322	\$11,959,000,311

Source: 2011 - 2016 Comprehensive Annual Financial Reports

*Based on Internal Revenue Service guidance received in 2016, OPERS transferred health care assets from the 401(h) Health Care Trust and the Voluntary Employees' Beneficiary Association Trust into the 115 Health Care Trust on July 1, 2016. All health care assets, liabilities and net position are reflected in the 115 Health Care Trust statement as of December 31, 2016. See page 26 for the 115 Health Care Trust statements.

** Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The adjustment is reflected in the Cash and Short-Term Investments line and has no impact on the total net position of the System.

Appendix C – Statements of Fiduciary Net Position—Health Care

	2016*	2015	2014	2013	2012	2011**
Voluntary Employees' Beneficiary Association Trust Assets						
Cash and Short-Term Investments		\$4,675,584	\$4,148,957	\$5,707,117	\$2,355,351	\$1,838,812
Receivables						
Members and Employers		13,932,389	11,647,166	7,953,038	1,573,325	1,717,956
Investment Sales Proceeds		532,305	628,545	610,262	2,104,651	997,981
Accrued Interest and Dividends		437,722	465,050	405,596	361,199	288,278
Total Receivables		14,902,416	12,740,761	8,968,896	4,039,175	3,004,215
Investments, at fair value						
Fixed Income		37,189,326	38,408,780	33,339,330	31,937,847	24,133,945
Domestic Equities		27,429,090	28,230,500	28,196,827	23,579,831	22,849,059
Real Estate		17,627,759	16,410,600	14,791,023	12,281,837	8,891,222
Private Equity		19,309,205	19,895,505	15,746,087	12,285,901	7,717,274
International Equities		28,135,488	31,447,388	32,934,729	28,205,829	22,672,643
Other Investments		23,392,047	24,639,714	13,488,024	5,687,375	1,208,097
Total Investments		153,082,915	159,032,487	138,496,020	113,978,620	87,472,240
Collateral on Loaned Securities		18,887,694	17,067,184	13,199,734	10,986,106	13,766,599
Capital Assets						
Land		26,508	26,508	19,731	19,731	
Building and Building Improvements		788,568	788,717	617,485	587,546	
Furniture and Equipment		2,196,905	2,171,989	2,148,108	2,020,876	1,800,555
Total Capital Assets		3,011,981	2,987,214	2,785,324	2,628,153	1,800,555
Accumulated Depreciation		(2,180,336)	(2,101,775)	(1,989,331)	(1,767,867)	(1,736,914)
Net Capital Assets		831,645	885,439	795,993	860,286	63,641
TOTAL ASSETS		192,380,254	193,874,828	167,167,760	132,219,538	106,145,507
Liabilities						
Benefits Payable		208,449	254,216	16,688	11,171	422
Investment Commitments Payable		843,360	1,017,665	876,994	1,623,282	1,670,566
Due to Other Plans		5,992,744				
Obligations Under Securities Lending		18,888,895	17,063,783	13,189,782	10,969,210	13,778,387
TOTAL LIABILITIES		25,933,448	18,335,664	14,083,464	12,603,663	15,449,375
Net Position Held in Trust for Post-employment Health Care, as Restated		\$166,446,806	\$175,539,164	\$153,084,296	\$119,615,875	\$90,696,132

Source: 2011 - 2016 Comprehensive Annual Financial Reports

*Based on Internal Revenue Service guidance received in 2016, OPERS transferred health care assets from the 401(h) Health Care Trust and the Voluntary Employees' Beneficiary Association Trust into the 115 Health Care Trust on July 1, 2016. All health care assets, liabilities and net position are reflected in the 115 Health Care Trust statement as of December 31, 2016. See page 26 for the 115 Health Care Trust statements.

**Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The adjustment is reflected in the Cash and Short-Term Investments line and has no impact on the total net position of the System.

Appendix D – Statements of Changes in Fiduciary Net Position – Health Care

	2016	2015	2014
115 Health Care Trust*			
Additions			
Employer Contributions	\$274,419,455	\$253,673,333	\$111,561,319
Contract and Other Receipts	93,306,585	95,860,582	143,813,190
Retiree-Paid Health Care Premiums	184,368,783		
Federal Subsidy	4,065,058	175,930,875	131,904,250
Other Income/(Expense), net	15,715	10	76,970
Interplan Activity	6,036,782		
Total Non-investment Income	562,212,378	525,464,800	387,355,729
Income From Investing Activities			
Net Increase in the Fair Value of Investments	160,473,865	(17,539,101)	(2,660,677)
Bond Interest	92,284,043	6,517,201	535,544
Dividends	130,678,719	(9,556,397)	1,019,374
International Income/(Loss)	(1,998)	(1,178)	223
Other Investment Income	(282,340)	(43,576)	
External Asset Management Fees	(27,669,191)	(2,147,433)	(61,239)
Net Investment Income/(Loss)	355,483,098	(22,770,484)	(1,166,775)
Investment Administrative Expenses	(2,853,560)	(302,871)	(26,581)
Net Income/(Loss) from Investing Activity	352,629,538	(23,073,355)	(1,193,356)
TOTAL ADDITIONS	914,841,916	502,391,445	386,162,373
Deductions			
Health Care Expenses	1,195,956,899	45,184,620	
Administrative Expenses	21,693,387	2,174,957	82,201
TOTAL DEDUCTIONS	1,217,650,286	47,359,577	82,201
Special Item			
Interplan Activity-Trust Closures	11,342,184,193		
Net Increase/(Decrease)	11,039,375,823	455,031,868	386,080,172
Net Position Held in Trust for Post-employment Health Care Balance, Beginning of Year	841,112,040	386,080,172	
Balance, End of Year	\$11,880,487,863	\$841,112,040	\$386,080,172

Source: 2014 - 2016 Comprehensive Annual Financial Reports

*The 115 Health Care Trust was established in 2014. The 401(h) Health Care Trust and the Voluntary Employees' Beneficiary Association Trust were terminated as of June 30, 2016 and the net positions of these trusts were transferred to the 115 Health Care Trust on July 1, 2016. The Special Item Interplan Activity-Trust Closures line represents this interplan activity. All health care plans are funded through the 115 Health Care Trust as of July 1, 2016.

Appendix D – Statements of Changes in Fiduciary Net Position – Health Care

	2016*	2015	2014	2013	2012	2011**
401(h) Health Care Trust						
Additions						
Employer Contributions			\$135,522,351	\$120,056,440	\$494,048,415	\$503,458,216
Contract and Other Receipts		\$9,435	10,950,386	126,941,889	94,730,390	89,087,996
Retiree-Paid Health Care Premiums+		248,601,375	238,406,380	178,140,822	159,614,898	148,370,246
Federal Subsidy			44,715,641	105,965,762	182,579,917	192,118,407
Other Income/(Expense), net			7,601,841	13,483,861	11,774,199	10,915,043
Total Non-Investment Income		248,610,810	437,196,599	544,588,774	942,747,819	943,949,908
Income From Investing Activities						
Net Increase in the Fair Value of Investments	\$428,632,525	(453,577,747)	209,726,745	1,106,685,064	1,183,656,950	(401,560,941)
Bond Interest	(60,085,563)	157,207,141	284,087,239	116,748,678	201,317,018	202,859,266
Dividends	131,736,664	105,609,193	186,495,341	206,180,289	183,422,898	134,235,895
International Income/(Loss)	3,751	(11,506)	18,941	(4,659)	10,894	(92,053)
Other Investment Income	14,158	652,343	4,302,396	13,183,549	10,861,876	3,671,640
External Asset Management Fees	(7,012,448)	(27,988,205)	(30,811,500)	(40,036,389)	(24,118,062)	(13,648,040)
Net Investment Income/(Loss)	493,289,087	(218,108,781)	653,819,162	1,402,756,532	1,555,151,574	(74,534,233)
Investment Administrative Expenses	(3,080,517)	(5,355,603)	(5,252,268)	(5,407,709)	(5,180,680)	(4,389,394)
Net Income/(Loss) from Investing Activity	490,208,570	(223,464,384)	648,566,894	1,397,348,823	1,549,970,894	(78,923,627)
TOTAL ADDITIONS	490,208,570	25,146,426	1,085,763,493	1,941,937,597	2,492,718,713	865,026,281
Deductions						
Health Care Expenses		1,774,989,836	1,738,596,173	1,642,525,598	1,607,921,528	1,575,561,578
Administrative Expenses		19,611,199	18,329,337	16,352,514	15,172,174	13,076,814
TOTAL DEDUCTIONS		1,794,601,035	1,756,925,510	1,658,878,112	1,623,093,702	1,588,638,392
Special Item						
Interplan Activity-Trust Closures	(11,161,276,751)					
Net Increase/(Decrease)	(10,671,068,181)	(1,769,454,609)	(671,162,017)	283,059,485	869,625,011	(723,612,111)
Net Position Held in Trust for Post-employment Health Care Balance, Beginning of Year	10,671,068,181	12,440,522,790	13,111,684,807	12,828,625,322	11,959,000,311	12,682,612,422
Balance, End of Year	\$0	\$10,671,068,181	\$12,440,522,790	\$13,111,684,807	\$12,828,625,322	\$11,959,000,311

Source: 2011 - 2016 Comprehensive Annual Financial Reports

*Health care coverage provided through the 401(h) Health Care Trust (401(h) Trust) was terminated as of December 31, 2015. Therefore, there are no deductions in the 401(h) Trust for 2016 as health care was funded through the 115 Health Care Trust (115 Trust) in 2016. The 401(h) Trust and the Voluntary Employees' Beneficiary Association (VEBA) Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Activity included in this 2016 column is for the six-month period ended June 30, 2016. The Special Item Interplan Activity-Trust Closures line represents the interplan activity as a result of these closures and transfer of net positions to the 115 Trust. The 401(h) Trust net position transferred to the 115 Trust was \$11,161,276,751.

**Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The adjustment is reflected in the Cash and Short-Term Investments line and has no impact on the total net position of the System.

+ Beginning in 2015, Retiree-Paid Health Care Premiums was reported separately and not included in a Member Contributions line item. For comparability, this activity has been reclassified from Member Contributions to Retiree-Paid Health Care Premiums for all prior years presented.

Appendix D – Statements of Changes in Fiduciary Net Position – Health Care

	2016*	2015	2014	2013	2012	2011**
Voluntary Employees' Beneficiary Association Trust						
Additions						
Employer Contributions***	\$10,483,804		\$14,702,198	\$18,256,171	\$16,883,868	\$15,982,848
Contract and Other Receipts	22,722		20,484	3,061	9,233	9,082
Interplan Activity					63,641	
Total Non-Investment Income	10,506,526		14,722,682	18,259,232	16,956,742	15,991,930
Income From Investing Activities						
Net Increase in the Fair Value of Investments	2,277,759	(\$5,883,465)	958,805	10,641,920	8,718,790	(2,877,126)
Bond Interest	1,222,858	1,902,518	1,625,463	1,635,744	1,271,636	947,608
Dividends	1,738,911	826,237	2,547,764	2,062,309	1,351,077	790,885
Real Estate Operating Income, net	1,026,057	2,959,962	3,017,022	2,028,598	1,288,261	914,755
International Income/(Loss)	79	371	240	(43)	81	(562)
Other Investment Income	517,933	1,724,353	3,584,241	2,210,914	1,785,191	810,818
External Asset Management Fees	(92,819)	(907,438)	(692,565)	(645,737)	(386,839)	(236,503)
Net Investment Income/(Loss)	6,690,778	622,538	11,040,970	17,933,705	14,028,197	349,875
From Securities Lending Activity						
Security Lending Income	92,902	106,312	77,985	83,192	98,909	72,422
Security Lending Expenses	(41,106)	(23,811)	(6,747)	(11,881)	(25,735)	(17,305)
Net Security Lending Income	51,796	82,501	71,238	71,311	73,174	55,117
Unrealized Gains/(Losses)	4,152	(1,202)	3,401	9,952	16,896	(11,788)
Net Income from Securities Lending	55,948	81,299	74,639	81,263	90,070	43,329
Investment Administrative Expenses	(40,192)	(75,920)	(71,081)	(60,287)	(68,480)	(81,707)
Net Income/(Loss) from Investing Activity	6,706,534	627,917	11,044,528	17,954,681	14,049,787	311,497
TOTAL ADDITIONS	17,213,060	627,917	25,767,210	36,213,913	31,006,529	16,303,427
Deductions						
Health Care Expenses	1,417,445	2,396,972	2,217,933	1,719,043	1,236,169	895,574
Administrative Expenses	629,201	1,330,559	1,094,409	1,026,449	850,617	914,578
Interplan Activity	727,192	5,992,744				28,172
TOTAL DEDUCTIONS	2,773,838	9,720,275	3,312,342	2,745,492	2,086,786	1,838,324
Special Item						
Interplan Activity-Trust Closures	(180,886,028)					
Net Increase/(Decrease)	(166,446,806)	(9,092,358)	22,454,868	33,468,421	28,919,743	14,465,103
Net Position Held in Trust for Post-employment Health Care Balance, Beginning of Year	166,446,806	175,539,164	153,084,296	119,615,875	90,696,132	76,231,029
Balance, End of Year	\$0	\$166,446,806	\$175,539,164	\$153,084,296	\$119,615,875	\$90,696,132

Source: 2011 - 2016 Comprehensive Annual Financial Reports

*The Voluntary Employees' Beneficiary Association (VEBA) Trust was terminated as of June 30, 2016 and the net position transferred to the 115 Health Care Trust on July 1, 2016. Activity included in this 2016 column is for the six-month period ended June 30, 2016. The Special Item Interplan Activity-Trust Closures line represents the interplan activity as a result of this closure and transfer of net position to the 115 Health Care Trust. The VEBA Trust net position transferred was \$180,886,028.

**Net Position by Plan was restated to adjust the allocation of investment income as of December 31, 2010, with the restatement shown in the beginning net position of 2011. The restatement by plan does not impact the total net position of the System.

***Beginning in October 2014, the Board approved the funding of the VEBA Trust participant accounts using the reserves in the VEBA Trust rather than the allocation of employer contributions. Instead, employer contributions were allocated to the Member-Directed Plan to repay the original plan start-up and administrative costs.

Statutory Requirements

"F"

6. A statement of the fiduciary net position (or net assets) available for the provision of the coverage as of the last day of the fiscal year.

Please see Appendix C, "Statements of Fiduciary Net Position - Health Care."

7. A statement of any changes in the net position (or net assets) available for the provision of health care coverage, including participant and employer contributions, net investment income, administrative expenses and benefits provided to participants, as of the last day of the fiscal year.

Please see Appendix D, "Statements of Changes in Fiduciary Net Position - Health Care."

8. For the last six consecutive fiscal years, a schedule of the net position (or net assets) available for health care coverage, the annual cost of health care, administrative expenses incurred and annual employer contributions allocated for the provision of coverage.

Please see Appendix D, "Statements of Changes in Fiduciary Net Position - Health Care."

9. A description of any significant changes that affect the comparability of the report required under this division.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure was completed as of July 1, 2016. The OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016 reflects a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts, on June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Health Care Trust, on July 1, 2016. The OPERS Statements of Fiduciary Net Position reflects all health care assets in the 115 Trust as of December 31, 2016.

10. A statement of the amount paid under division (C) of section 145.58 of the Revised Code.

OPERS paid approximately \$50.5 million in Medicare Part B premiums to benefit recipients in 2016.