

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2013

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 2013, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.67874% of the 2013 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, 2013 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	27,405	7,564
With Medicare	74,777	14,453

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, 2013, 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, 2014 will be 1% 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, 2013
(In Thousands)*

Assets:

Cash and short-term investments	\$ 138,677
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Receivables:

Accrued interest and dividends	7,799
Contributions	11,749
Securities sold	<u>52,782</u>
Total receivables	72,330

Investments, at fair value:

Fixed income	674,619
Common and preferred stock	1,089,809
International	670,552
Real Estate	400,116
Alternative Investments	<u>367,449</u>
Total investments	3,202,545
Invested securities lending collateral	<u>57,580</u>
Total assets	<u>3,471,132</u>

Liabilities:

Securities purchased	64,483
Debt on real estate investments	80,468
Accrued expenses and other liabilities	1,221
Medical benefits payable	5,378
Obligations under securities lending program	<u>57,587</u>
Total liabilities	<u>209,137</u>

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

\$3,261,995

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

*As of June 30, 2013
(In Thousands)*

Additions:

Contributions:

Employer	\$ 99,179
Government reimbursements	41,200
Benefit recipient health care premiums	261,903
Total contributions	402,282

Investment income from investing activities:

Net appreciation in fair value of investments	339,048
Interest	19,797
Dividends	39,694
Real estate income	12,138
Investment income	410,677
Less investment expenses	(1,448)
Less external asset management fees	(7,762)
Net income from investing activities	401,467
Securities lending income	712
Securities lending expenses	(69)
Net income from securities lending activities	643
Net investment income	402,110
Total additions	804,392

Deductions:

Health care benefits	599,818
Administrative expenses	2,555
Total deductions	602,373
Net decrease	202,019

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

Beginning of year	3,059,976
End of year	\$3,261,995

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

Fiscal Year Ended (in Thousands)

	2013	2012	2011	2010	2009	2008
Employer contributions	\$ 99,179	\$ 101,025	\$ 103,694	\$ 103,415	\$ 101,221	\$ 98,342
Government reimbursements	\$ 41,200	\$ 92,213	\$ 70,556	\$ 38,156	\$ 37,956	\$ 36,915
Benefit recipient premiums	\$ 261,903	\$ 246,264	\$ 222,130	\$ 222,316	\$ 225,627	\$ 214,700
Investment income	\$ 402,110	\$ 54,990	\$ 608,969	\$ 348,311	\$ (778,556)	\$ (217,501)
Health care costs	\$ 599,818	\$ 627,890	\$ 604,456	\$ 592,416	\$ 558,344	\$ 540,493
Administrative expenses	\$ 2,555	\$ 2,568	\$ 2,502	\$ 2,523	\$ 3,349	\$ 2,913
Net assets available for benefits	\$ 3,261,995	\$ 3,059,976	\$ 3,195,942	\$ 2,797,551	\$ 2,680,292	\$ 3,655,737