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:

	Benefit <u>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)

Cash and short-term investments	\$ 138,677			
Receivables:				
Accrued interest and dividends	7,799			
Contributions	11,749			
Securities sold	52,782			
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	367,449			
Total investments	3,202,545			
Invested securities lending collateral	57,580			
Total assets	3,471,132			
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	57,587			
Total liabilities	209,137			
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: \$ 99,179 Government reimbursements 41,200 Benefit recipient health care premiums 261,903 Total contributions 402,282 Investment income from investing activities: 339,048 Net appreciation in fair value of investments 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: 1 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: 3,059,976 End of yea	Additions:						
Government reimbursements 41,200 Benefit recipient health care premiums 261,903 Total contributions 402,282 Investment income from investing activities: 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: 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: 3,059,976	Contributions:						
Benefit recipient health care premiums 261,903 Total contributions 402,282 Investment income from investing activities: 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: 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: 3,059,976	Employer	\$ 99,179					
Total contributions 402,282 Investment income from investing activities: 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: 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: 3,059,976	Government reimbursements	41,200					
Investment income from investing activities: Net appreciation in fair value of investments Interest 19,797 Dividends 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 Net income from securities lending activities Securities lending expenses (69) Net income from securities lending activities Additions Net investment income 402,110 Total additions 804,392 Deductions: Health care benefits Administrative expenses 712 Securities lending activities Administrative expenses 205,555 Total deductions Net decrease 202,019 Net position held in trust for post employment health care benefits: Beginning of year 3,059,976	Benefit recipient health care premiums	261,903					
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: 804,392 Beginning of year 3,059,976	Total contributions	402,282					
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: 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: 3,059,976	Investment income from investing activities:						
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: 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: 3,059,976 Beginning of year 3,059,976	Net appreciation in fair value of investments	339,048					
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: 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: 804,392 Beginning of year 3,059,976	Interest	19,797					
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	Dividends	39,694					
Less investment expenses(1,448)Less external asset management fees(7,762)Net income from investing activities401,467Securities lending income712Securities lending expenses(69)Net income from securities lending activities643Net investment income402,110Total additions804,392Deductions:599,818Administrative expenses2,555Total deductions602,373Net decrease202,019Net position held in trust for post employment health care benefits:3,059,976	Real estate income	12,138					
Less external asset management fees(7,762)Net income from investing activities401,467Securities lending income712Securities lending expenses(69)Net income from securities lending activities643Net investment income402,110Total additions804,392Deductions:Health care benefits599,818Administrative expenses2,555Total deductions602,373Net decrease202,019Net position held in trust for post employment health care benefits:3,059,976	Investment income	410,677					
Net income from investing activities Securities lending income 712 Securities lending expenses (69) Net income from securities lending activities Net investment income 402,110 Total additions 804,392 Deductions: Health care benefits 599,818 Administrative expenses 2,555 Total deductions Net decrease 202,019 Net position held in trust for post employment health care benefits: Beginning of year 3,059,976	Less investment expenses	(1,448)					
Securities lending income Securities lending expenses (69) Net income from securities lending activities Additions Health care benefits Administrative expenses Total deductions Net decrease Net position held in trust for post employment health care benefits: Beginning of year 712 (69) Advious (69) Advious (69) Advious (643) Advious (643) Average (69)	Less external asset management fees	(7,762)					
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	Net income from investing activities	401,467					
Net income from securities lending activities Net investment income 402,110 Total additions 804,392 Deductions: Health care benefits 599,818 Administrative expenses 2,555 Total deductions Net decrease 202,019 Net position held in trust for post employment health care benefits: Beginning of year 3,059,976	Securities lending income	712					
Net investment income Total additions Beductions: Health care benefits Administrative expenses Total deductions Net decrease Net position held in trust for post employment health care benefits: Beginning of year 402,110 804,392 599,818 602,373 602,373 Net decrease 202,019	Securities lending expenses	(69)					
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	Net income from securities lending activities	643					
Deductions:Health care benefits599,818Administrative expenses2,555Total deductions602,373Net decrease202,019Net position held in trust for post employment health care benefits:3,059,976	Net investment income	402,110					
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	Total additions	804,392					
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	Deductions:						
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	Health care benefits	599,818					
Net decrease 202,019 Net position held in trust for post employment health care benefits: Beginning of year 3,059,976	Administrative expenses	2,555					
Net position held in trust for post employment health care benefits: Beginning of year 3,059,976	Total deductions	602,373					
health care benefits: Beginning of year 3,059,976	Net decrease	202,019					
End of year \$3,261,995	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