

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST-EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2016

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 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.

**Post-Employment Health Care
Statement of Fiduciary Net Position**

*As of June 30, 2016
(In Thousands)*

Assets:

Cash and short-term investments	\$ 55,442
---------------------------------	-----------

Receivables:

Accrued interest and dividends	6,742
--------------------------------	-------

Securities sold	9,435
-----------------	-------

Total receivables	<u>16,177</u>
--------------------------	---------------

Investments, at fair value:

Fixed income	521,509
--------------	---------

Domestic equities	982,316
-------------------	---------

International Equities	804,814
------------------------	---------

Real estate	478,871
-------------	---------

Alternative investments	466,643
-------------------------	---------

Total investments	3,254,153
-------------------	-----------

Invested securities lending collateral	63,171
--	--------

Total assets	<u>3,388,943</u>
---------------------	------------------

Liabilities:

Securities purchased and other investment liabilities	10,426
---	--------

Debt on real estate investments	103,368
---------------------------------	---------

Accrued expenses and other liabilities	1,443
--	-------

Medical benefits payable	24,915
--------------------------	--------

Obligations under securities lending program	63,163
--	--------

Total liabilities	<u>203,315</u>
--------------------------	----------------

**Fiduciary net position restricted for post-employment
health care coverage:**

<u><u>\$3,185,628</u></u>

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

*As of June 30, 2016
(In Thousands)*

Additions:

Contributions:

Employer	\$ 0
Government reimbursements	58,812
Benefit recipient health care premiums	<u>339,927</u>
Total contributions	398,739

Investment income from investing activities:

Net appreciation (depreciation) in fair value of investments	(42,090)
Interest	18,648
Dividends	40,404
Real estate income	<u>10,137</u>
Investment income	27,099
Less internal investment expenses	(1,695)
Less external asset management fees	<u>(8,968)</u>
Net income from investing activities	16,436
Securities lending income	628
Securities lending expenses	<u>(63)</u>
Net income from securities lending activities	<u>565</u>
Net investment income	<u>17,001</u>
Total additions	415,740

Deductions:

Health care benefits	676,993
Administrative expenses	<u>2,655</u>
Total deductions	<u>679,648</u>
Net increase (decrease) in net position	(263,908)

Fiduciary net position restricted for post-employment health care coverage:

Beginning of year	<u>3,449,536</u>
End of year	<u><u>\$3,185,628</u></u>

Post-Employment Health Care Six-Year History

Fiscal Year Ended (in Thousands)

	2016	2015	2014	2013	2012	2011
Employer contributions	\$ 0	\$ 0	\$ 98,330	\$ 99,179	\$ 101,025	\$ 103,694
Government reimbursements	\$ 58,812	\$ 61,127	\$ 46,132	\$ 41,200	\$ 92,213	\$ 70,556
Benefit recipient premiums	\$ 339,927	\$ 306,569	\$ 277,477	\$ 261,903	\$ 246,264	\$ 222,130
Net investment income	\$ 17,001	\$ 180,566	\$ 524,484	\$ 402,110	\$ 54,990	\$ 608,969
Health care benefits	\$ 676,993	\$ 672,615	\$ 629,465	\$ 599,818	\$ 627,890	\$ 604,456
Administrative expenses	\$ 2,655	\$ 2,569	\$ 2,495	\$ 2,555	\$ 2,568	\$ 2,502
Fiduciary net position available for benefits	\$ 3,185,628	\$ 3,449,536	\$ 3,576,458	\$ 3,261,995	\$ 3,059,976	\$ 3,195,942