

**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>
<b>Total contributions</b>	<b>421,939</b>

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>
<b>Total additions</b>	<b>946,423</b>

**Deductions:**

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

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

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

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

Fiscal Year Ended (in Thousands)

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