

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST-EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2018

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 eligible recipients of retirement, disability or survivor benefits from STRS Ohio. Coverage may be extended to a spouse, dependent children, and disabled adult children for an additional monthly premium. Benefit recipients and dependents age 65 or older must enroll in Medicare Part B. In 2018, STRS Ohio reimbursed benefit recipients who were enrolled in an STRS Ohio health care plan and Medicare Part B \$29.90 per month toward their total Medicare Part B premium. In 2019, the Medicare Part B premium reimbursement will continue at \$29.90 per month for these benefit recipients. The reimbursement from STRS Ohio for Medicare Part B premiums is scheduled to end after calendar year 2019.

The number of benefit recipients and dependents enrolled in an STRS Ohio health care plan as of June 30, 2018 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	15,765	3,837
With Medicare A & B	79,160	12,611
With Medicare B only	11,187	305

The Retirement Board has established a Health Care Fund within the Employers' Trust Fund from which health care benefits are paid. For the fiscal year ended June 30, 2018, the Board continued to allocate 0% of covered payroll to the Health Care Fund. Assets in the Health Care 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, 2018
(In Thousands)*

Assets:

Cash and short-term investments	\$ 64,700
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Receivables:

Accrued interest and dividends	10,709
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Securities sold	6,687
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Total receivables	<u>17,396</u>
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Investments, at fair value:

Fixed income	750,824
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Domestic equities	1,068,801
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International Equities	861,451
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Real estate	474,861
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Alternative investments	604,405
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Total investments	3,760,342
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Invested securities lending collateral	88,026
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Total assets	<u>3,930,464</u>
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Liabilities:

Securities purchased and other investment liabilities	10,299
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Debt on real estate investments	90,630
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Accrued expenses and other liabilities	1,758
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Medical benefits payable	18,414
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Obligations under securities lending program	88,014
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Total liabilities	<u>209,115</u>
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**Fiduciary net position restricted for post-employment
health care coverage:**

<u><u>\$3,721,349</u></u>

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

*As of June 30, 2018
(In Thousands)*

Additions:

Contributions:

Employer	\$ 0
Government reimbursements	107,197
Benefit recipient health care premiums	329,305
Total contributions	436,502

Investment income from investing activities:

Net appreciation (depreciation) in fair value of investments	267,123
Interest	21,189
Dividends	41,801
Real estate income	10,616
Investment income	340,729
Less internal investment expenses	(1,955)
Less external asset management fees	(10,327)
Net income from investing activities	328,447
Securities lending income	576
Securities lending expenses	(58)
Net income from securities lending activities	518
Net investment income	328,965
Total additions	765,467

Deductions:

Health care benefits	517,470
Administrative expenses	2,427
Total deductions	519,897
Net increase (decrease) in net position	245,570

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

Beginning of year	3,475,779
End of year	\$3,721,349

Post-Employment Health Care Six-Year History

Fiscal Year Ended (in Thousands)

	2018	2017	2016	2015	2014	2013
Employer contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,330	\$ 99,179
Government reimbursements	\$ 107,197	\$ 79,357	\$ 58,812	\$ 61,127	\$ 46,132	\$ 41,200
Benefit recipient premiums	\$ 329,305	\$ 339,056	\$ 339,927	\$ 306,569	\$ 277,477	\$ 261,903
Net investment income	\$ 328,965	\$ 440,197	\$ 17,001	\$ 180,566	\$ 524,484	\$ 402,110
Health care benefits	\$ 517,470	\$ 565,962	\$ 676,993	\$ 672,615	\$ 629,465	\$ 599,818
Administrative expenses	\$ 2,427	\$ 2,497	\$ 2,655	\$ 2,569	\$ 2,495	\$ 2,555
Fiduciary net position available for benefits	\$ 3,721,349	\$ 3,475,779	\$ 3,185,628	\$ 3,449,536	\$ 3,576,458	\$ 3,261,995