

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST-EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2017

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 (sponsored dependents) for an additional monthly premium. Benefit recipients and dependents age 65 or older must enroll in Medicare Part B. In 2017, STRS Ohio reimbursed Medicare-eligible benefit recipients 0.87619% of the 2017 Medicare Part B premium for each year of service credit. However, this reimbursement was not less than \$29.90 per month or more than \$35.22 per month for any benefit recipient. Calendar year 2017 is the first year for STRS Ohio to begin phasing out this reimbursement. By January 2019, there will no longer be a reimbursement from STRS Ohio for Medicare Part B premiums.

The number of benefit recipients and dependents enrolled in an STRS Ohio health care plan as of June 30, 2017 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	19,142	4,576
With Medicare	88,841	13,445

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, 2017, 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, 2017
(In Thousands)*

Assets:

Cash and short-term investments \$ 52,041

Receivables:

Accrued interest and dividends 9,596

Securities sold 7,416

Total receivables 17,012

Investments, at fair value:

Fixed income 678,726

Domestic equities 1,019,268

International Equities 891,881

Real estate 457,446

Alternative investments 494,509

Total investments 3,541,830

Invested securities lending collateral 63,402

Total assets 3,674,285

Liabilities:

Securities purchased and other investment liabilities 11,822

Debt on real estate investments 114,780

Accrued expenses and other liabilities 1,533

Medical benefits payable 6,994

Obligations under securities lending program 63,377

Total liabilities 198,506

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

\$3,475,779

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

*As of June 30, 2017
(In Thousands)*

Additions:

Contributions:

Employer	\$ 0
Government reimbursements	79,357
Benefit recipient health care premiums	<u>339,056</u>
Total contributions	418,413

Investment income from investing activities:

Net appreciation (depreciation) in fair value of investments	383,117
Interest	16,833
Dividends	41,234
Real estate income	<u>10,255</u>
Investment income	451,439
Less internal investment expenses	(1,904)
Less external asset management fees	<u>(9,791)</u>
Net income from investing activities	439,744
Securities lending income	503
Securities lending expenses	<u>(50)</u>
Net income from securities lending activities	<u>453</u>
Net investment income	<u>440,197</u>
Total additions	858,610

Deductions:

Health care benefits	565,962
Administrative expenses	<u>2,497</u>
Total deductions	<u>568,459</u>
Net increase (decrease) in net position	290,151

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

Beginning of year	<u>3,185,628</u>
End of year	<u><u>\$3,475,779</u></u>

Post-Employment Health Care Six-Year History

Fiscal Year Ended (in Thousands)

	2017	2016	2015	2014	2013	2012
Employer contributions	\$ 0	\$ 0	\$ 0	\$ 98,330	\$ 99,179	\$ 101,025
Government reimbursements	\$ 79,357	\$ 58,812	\$ 61,127	\$ 46,132	\$ 41,200	\$ 92,213
Benefit recipient premiums	\$ 339,056	\$ 339,927	\$ 306,569	\$ 277,477	\$ 261,903	\$ 246,264
Net investment income	\$ 440,197	\$ 17,001	\$ 180,566	\$ 524,484	\$ 402,110	\$ 54,990
Health care benefits	\$ 565,962	\$ 676,993	\$ 672,615	\$ 629,465	\$ 599,818	\$ 627,890
Administrative expenses	\$ 2,497	\$ 2,655	\$ 2,569	\$ 2,495	\$ 2,555	\$ 2,568
Fiduciary net position available for benefits	\$ 3,475,779	\$ 3,185,628	\$ 3,449,536	\$ 3,576,458	\$ 3,261,995	\$ 3,059,976