

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Basic Financial Statements and Required Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Table of Contents

	Page(s)
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 6
Basic Financial Statements:	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Basic Financial Statements	9 - 16
Required Supplementary Information (Unaudited)	
Schedule of Changes in the System's Net OPEB Liability and Related Ratios	18 - 19
Schedule of System and Other Contributing Entity Contributions	20 - 21
Schedule of Investment Returns	22 - 23
Notes to Required Supplementary Information	24 - 26

Independent Auditor's Report

To the Board of Trustees
New York State Teachers' Retirement System
Retired Employee Health Benefits Trust

Opinion

We have audited the financial statements of New York State Teachers' Retirement System Retired Employee Health Benefits Trust (the "Trust") as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Trust as of June 30, 2023 and 2022 and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
New York State Teachers' Retirement System
Retired Employee Health Benefits Trust

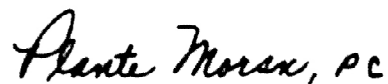
In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



October 25, 2023

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

The following discussion and analysis of the financial performance of the New York State Teachers' Retirement System Retired Employee Health Benefits Trust (the Trust) provides an overview of its activities for the years ended June 30, 2023, 2022, and 2021. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements, and required supplementary information.

Financial Highlights

- In 2023, the Trust received a contribution in the amount of \$6.4 million from the New York State Teachers' Retirement System (the System) to invest and accumulate assets in order to provide health insurance benefits to retirees of the System. The contribution represents 100% of the Actuarially Determined Contribution (ADC) for fiscal year 2023. Contributions to the Trust in 2022 and 2021 were \$6.0 million and \$6.3 million, respectively, and represent 112% of the ADC in 2022 and 108% of the ADC in 2021.
- Total Other Postemployment Benefits (OPEB) liability as of June 30, 2023 is \$116.2 million, an increase of \$9.8 million from total OPEB liability of \$106.4 million as of June 30, 2022. Net OPEB liability at June 30, 2023 and 2022 was \$50.7 million and \$48.8 million, respectively.

Overview of the Financial Statements

The following discussion and analysis is intended to assist the reader in better understanding the purpose and meaning of each of the key components of the Trust's financial statements, which comprise the following:

1. *The Statements of Fiduciary Net Position* present the Trust's assets and liabilities by major categories and may serve over time as a useful indicator of the Trust's financial position. The difference between assets and liabilities represents the net position restricted for other postemployment health benefits. The statement also compares assets and liabilities by class to the previous year, which offers the reader the opportunity to note changes in each class of asset and liability from year to year.
2. *The Statements of Changes in Fiduciary Net Position* provide information on the changes in the Trust's net position during the current fiscal year. The additions are derived from net appreciation in fair value of investments, investment income, and contributions from the System. Deductions include other postemployment health benefit payments and professional fees and services. For comparison purposes, information pertaining to the previous year's Statement of Changes in Fiduciary Net Position is also provided.
3. *The Notes to Basic Financial Statements* are an essential part of the financial statements. They provide important background and detailed information about the Trust, its investments, and the statements themselves.
4. *The Required Supplementary Information (RSI) and accompanying notes* consists of information pertaining to the Trust's actuarial methods and assumptions and provides data on the System's net OPEB liability, the changes in the System's net OPEB liability, the System's contributions, and the Trust's investment returns.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

Financial Analysis

Tables 1 and 2 summarize the Trust's financial position and results for the years 2023, 2022, and 2021. The changes from year to year are due to a combination of the annual employer contribution, changes in fair value of investments, and retired employee health benefit payments.

Table 1 - Summary of Fiduciary Net Position

	June 30			Amount increase (decrease) 2022 to 2023	Percentage change of total, 2022 to 2023
	2023	2022	2021		
Investments at fair value:					
Cash equivalents	\$ 77,795	\$ 129,594	\$ 99,620	\$ (51,799)	(0.09)%
Mutual funds	<u>65,475,687</u>	<u>57,378,031</u>	<u>65,827,382</u>	<u>8,097,656</u>	<u>14.08 %</u>
Total investments	<u>65,553,482</u>	<u>57,507,625</u>	<u>65,927,002</u>	<u>8,045,857</u>	<u>13.99 %</u>
Total assets	<u>65,553,482</u>	<u>57,507,625</u>	<u>65,927,002</u>	<u>8,045,857</u>	<u>13.99 %</u>
Liabilities:					
Accounts payable	<u>—</u>	<u>—</u>	<u>56,365</u>	<u>—</u>	<u>— %</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>56,365</u>	<u>—</u>	<u>— %</u>
Net position restricted for other postemployment health benefits	<u>\$ 65,553,482</u>	<u>\$ 57,507,625</u>	<u>\$ 65,870,637</u>	<u>\$ 8,045,857</u>	<u>13.99 %</u>

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

As shown in Table 2, the Trust's 2023 net position increased from 2022 by \$8.0 million, and 2022 net position decreased from 2021 by \$8.4 million. The increase in 2023 is primarily a result of investment income of \$7.1 million and employer contributions of \$6.4 million, offset by benefit payments of \$5.5 million. The decrease in 2022 is primarily a result of investment loss of \$9.6 million and benefit payments of \$4.8 million, offset by employer contributions of \$6.0 million.

Table 2 - Summary of Changes in Fiduciary Net Position

	Years ended June 30			Amount increase (decrease) 2022 to 2023	Percentage change of total, 2022 to 2023
	2023	2022	2021		
Net investment income (loss)	7,104,701	(9,584,492)	14,534,551	16,689,193	29.02%
Total contributions	6,394,396	6,000,000	6,261,000	394,396	0.69
Total additions (deductions)	13,499,097	(3,584,492)	20,795,551	17,083,589	29.71%
Retired employee health benefit payments	5,439,240	4,834,885	4,527,278	604,355	1.05
Professional fees and services	14,000	(56,365)	19,915	70,365	0.12
Total deductions	5,453,240	4,778,520	4,547,193	674,720	1.17
Net increase (decrease)	8,045,857	(8,363,012)	16,248,358	16,408,869	28.53%
Net Position restricted for postemployment health benefits					
Beginning of year	57,507,625	65,870,637	49,622,279	(8,363,012)	(14.54)
End of year	<u>\$ 65,553,482</u>	<u>\$ 57,507,625</u>	<u>\$ 65,870,637</u>	<u>\$ 8,045,857</u>	<u>13.99%</u>

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Management's Discussion and Analysis

June 30, 2023 and 2022

(Unaudited)

Economic Factors

The economic factors that are of primary significance for the Trust are the annual contributions made by the System and the returns earned in the capital markets. Changes in healthcare premiums, plan provisions, actuarial assumptions, and demographic changes can also have a significant impact on the net OPEB liability and funded status of the Trust. All of these factors play a part in determining the amount the System must contribute to fund current and future retired employee benefits. The Trust's fiduciary net position as a percentage of the total OPEB liability is 56.40% as of June 30, 2023, 54.07% as of June 30, 2022 and 65.44% as of June 30, 2021.

Requests for Information

This financial report is designed to provide active members, retirees, taxpayers, and anyone else who is interested, with a general overview of the financial activities of the Trust. Questions about this report or requests for additional financial information should be addressed to the Public Information Office, New York State Teachers' Retirement System Retired Employee Health Benefits Trust, 10 Corporate Woods Drive, Albany, NY 12211 or by e-mail at communit@nystsr.org.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Statement of Fiduciary Net Position

June 30, 2023 and 2022

	2023	2022
Assets:		
Investments - at fair value (note 3, 4 and 5):		
Cash equivalents	\$ 77,795	\$ 129,594
Mutual funds	65,475,687	57,378,031
Total investments	65,553,482	57,507,625
Total assets	65,553,482	57,507,625
Liabilities:		
Accounts payable	—	—
Total liabilities	—	—
Net position restricted for other postemployment health benefits	\$ 65,553,482	\$ 57,507,625

See accompanying notes to financial statements.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Statement of Changes in Fiduciary Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Additions:		
Investment income:		
Net increase (decrease) in fair value of investments	\$ 5,670,563	\$ (10,884,538)
Dividend income	1,434,138	1,300,046
Net investment income (loss)	7,104,701	(9,584,492)
Contributions:		
Employer	6,394,396	6,000,000
Total contributions	6,394,396	6,000,000
Total additions - net	13,499,097	(3,584,492)
Deductions:		
Retired employee health benefit payments	5,439,240	4,834,885
Professional fees and services	14,000	(56,365)
Total deductions	5,453,240	4,778,520
Net increase (decrease) in net position	8,045,857	(8,363,012)
Net Position restricted for postemployment health benefits		
Beginning of year	57,507,625	65,870,637
End of year	\$ 65,553,482	\$ 57,507,625

See accompanying notes to financial statements.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

(1) Plan Description

The New York State Teachers' Retirement System Retired Employee Health Benefits Trust (the Trust) was created under the general laws of New York. The Trust was created in 2008 for the sole purpose of receiving irrevocable contributions from the New York State Teachers' Retirement System (the System) to provide postemployment healthcare benefits to eligible System employees who retire from the System, in accordance with the terms of the Trust. Trust assets are legally protected from creditors of the System.

The Trust is a defined-benefit, single-employer, other postemployment benefits (OPEB) plan that accumulates resources to pay current and future health insurance premiums for retired System employees. These healthcare plans are designed and administered by the New York State Health Insurance Program (NYSHIP).

The Trust is administered by a 10-member Board to provide healthcare benefits for retired System employees and their beneficiaries. The members of the Board of the Trust are the same as those of the System. The Trust's Board is composed of:

- Three teacher members elected from the active System membership
- One retired member elected by a mail vote of all retired System members
- Two school administrators appointed by the Commissioner of Education
- Two present or former school board members, experienced in the fields of finance and investment, elected by the Board of Regents. At least one of these individuals must have experience as an executive of an insurance company.
- One present or former bank executive elected by the Board of Regents
- The State Comptroller or his/her designee

As of June 30, the Trust's membership consisted of:

	2023	2022
Retired participants and their survivors currently receiving benefits	318	311
Active participants	371	365
Total	689	676

(a) Benefits

Pursuant to contractual agreement and policy, the System provides postemployment healthcare benefits to eligible System employees who retire from the System and reimburses Medicare eligible retirees for their Medicare Part B premiums. The System is a voluntary participating employer in NYSHIP. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan participants to contribute to the plan. The System's Board is authorized to establish the contribution rates of System retirees below those set by Civil Service Law, and they are set as part of the collective bargaining process.

In order to be eligible for OPEB, employees must have worked for at least 10 years for the System, retire directly from System employment, and commence receipt of their pension from the New York State and Local Employees' Retirement System. Dependents may also be covered.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

System retirees are required to contribute toward the cost of their coverage if retired on or after July 1, 1985. Post July 1, 1985 retirees are currently required to contribute an amount equal to 14% of the premium paid by the System up to the premium of the Empire Plan option. Starting January 1, 2024 the contribution requirement increases to 15%. Retiree contributions are subject to an annual maximum that varies based upon salary at retirement. Annual maximum amounts effective January 1, 2023 are:

Salary	Annual maximum amounts
Up to \$40,000	\$3,150
\$40,001 - \$60,000	\$3,750
\$60,001 - \$90,000	\$4,575
\$90,001 and over	\$5,025

Starting January 1, 2021 and each subsequent January 1 through January 1, 2024, the annual maximum will increase based on the amounts shown in the table below.

Salary	Annual maximum increases
Up to \$40,000	\$300
\$40,001 - \$60,000	\$400
\$60,001 - \$90,000	\$550
\$90,001 and over	\$600

If more expensive coverage is elected, the retiree pays the current required premium percentage of the Empire Plan option and 100% of the difference between the two.

Employees who retire on or after April 1, 1991 are eligible to have accumulated unused sick leave up to a maximum of 185 days (165 days for management and executive employees) converted into a credit based on life expectancy to offset their contribution requirement. Starting January 1, 2021 the sick leave maximum increased to 200 days (for all employees including management and executives).

Under the plan, benefit coverage continues as survivor benefits for an eligible retiree's dependent(s) upon the death of the retiree. Surviving dependents pay 25% of the premium cost after a 3 month extended coverage period.

(b) Employer Contribution

The employer contribution, or funding, of the System's OPEB obligation is at the discretion of the System's management and Board. The System's current policy is to prefund benefits by contributing an amount that is, at a minimum, equal to the Actuarially Determined Contribution (ADC).

Contributions in 2023 were \$6.4 million, which approximated 17.97% of covered payroll. Contributions in 2022 were \$6.0 million, which approximated 16.94% of covered payroll.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Trust's financial statements are prepared using the economic resource measurement focus and accrual basis of accounting and follow the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB 74). Contributions from the System are recognized when due pursuant to legal requirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Trust.

Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

(b) Cash Equivalents

The Trust considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The carrying amount reported in the balance sheet for cash equivalents approximates fair value due to the short-term nature of these investments.

(c) Method Used to Value Investments

Trust investments are reported at fair value. Quoted market prices have been used to value investments. Investment purchases and sales are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

(d) Retired Employee Health Benefit Payments

The Trust reimburses the System for the health insurance premiums attributable to retired System employees paid to NYSHIP on a monthly basis.

(e) Administrative Support

Administrative support for the Trust's investment, accounting, and legal operations is provided by the System at no charge to the Trust.

(f) Federal Tax Status

The Trust is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

(g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

(3) OPEB Plan Investments

(a) Investment Policy

All investment transactions undertaken on behalf of the Trust will be for the sole benefit of eligible retirees and dependents, for the exclusive purpose of providing certain health care benefits and defraying reasonable administrative expenses. The System shall be responsible for managing and directing the investments of the Trust. The Trust's long-term objective is to earn an average rate of return greater than the rate of return of the representative indices for individual asset classes but no less than the actuarial assumption rate (currently 6.50% per annum).

(b) Asset Allocation

The Trust's asset allocation policy as adopted by the Board of Trustees diversifies Trust investments to reduce risk while maximizing the investment return.

The Trust's asset allocation targets at June 30, 2023 and 2022 are as follows:

Asset class	Allowable range	Target percentage
Domestic equity	40% to 60%	50 %
International equity	20% to 30%	25
Domestic fixed income	20% to 30%	24
Cash equivalents	0% to 4%	1
Total		100 %

(c) Rate of Return

The annual money-weighted rate of return on Trust investments, net of OPEB plan investment expense, was negative 14.4% for the year ended June 30, 2022, but was 12.3% for the year ended June 30, 2023. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(4) Deposit and Investment Risk Disclosure

The Trust has been authorized by the Board of Trustees to invest in passively managed mutual funds for domestic and international equity and domestic fixed income investments. Additionally, there is a federal money market mutual fund to allow the Trust to have liquid investments available for the payment of retired employee health benefits.

As of June 30, 2023 and 2022, the Trust did not hold investments in any one issuer that would represent 5.0% or more of fiduciary net position.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust, and are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. Consistent with the Trust's investment policy, the investments are held by the Trust's custodian and registered in the Trust's name. The Trust does not have specific investment policies related to credit or interest rate risk of mutual fund holdings.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

The Trust has the following mutual fund holdings at June 30, 2023 and 2022:

Asset class	2023		2022	
	Fair value	Percentage of total	Fair value	Percentage of total
Domestic equity	\$ 33,919,497	51 %	\$ 27,361,878	48 %
International equity	16,053,575	25	14,337,659	25
Domestic fixed income	15,502,615	24	15,678,494	27
Total	<u>\$ 65,475,687</u>	<u>100 %</u>	<u>\$ 57,378,031</u>	<u>100 %</u>

At June 30, 2023 and 2022, the Trust's domestic fixed income mutual fund had an average duration of 6.5 and 6.7 years, respectively. The domestic fixed income fund is an unrated mutual fund.

The Trust's cash equivalent investments (federal money market mutual fund) at June 30, 2023 and 2022 had an average maturity of 14.6 and 35.0 days, respectively.

(5) Fair Value Measurement

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2023 and 2022, the Trust had the following Level 1 investments:

Mutual funds:	2023	2022
Domestic equity	\$ 33,919,497	\$ 27,361,878
International equity	16,053,575	14,337,659
Domestic fixed income	15,502,615	15,678,494
	<u>\$ 65,475,687</u>	<u>\$ 57,378,031</u>

(6) Net OPEB Liability

The components of the net OPEB liability at June 30, 2023 and 2022 were as follows:

	2023	2022
Total OPEB liability	\$ 116,221,408	\$ 106,354,619
OPEB Plan fiduciary net position	65,553,482	57,507,625
Net OPEB liability	<u>\$ 50,667,926</u>	<u>\$ 48,846,994</u>

The OPEB plan's fiduciary net position as a percentage of total OPEB liability

56.40 % 54.07 %

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

(a) Actuarial Assumptions

The total OPEB liability at June 30, 2023 was determined using an actuarial valuation as of July 1, 2022, with update procedures used to roll forward the total OPEB liability to June 30, 2023. The total OPEB liability at June 30, 2022 was determined using an actuarial valuation as of July 1, 2021, with update procedures used to roll forward the total OPEB liability to June 30, 2022. The measurement of total OPEB liability at June 30, 2023 and 2022, respectively, used the following actuarial assumptions:

	2023	2022
Valuation date	July 1, 2022	July 1, 2021
Investment rate of return	6.50%	6.50%
Payroll increase rate	3.00%	3.00%
Salary increase rate	Varies by service from 3.00%-8.00%	Varies by service from 3.00%-8.00%
Maximum retiree contribution based on salary at retirement	Increase \$100 per year after 2024	Increase \$100 per year after 2025
Healthcare cost and premium trend rates:		
Non-Medicare	6.50% in 2023, 8.0% in 2024 graded to 4.14% over 19 years	7.40% graded to 4.34% over 19 years
Medicare	6.90% in 2023, 8.8% in 2024 graded to 4.31% over 19 years	8.45% graded to 4.34% over 19 years
Medicare Part B	5.00% graded to 3.50% over 20 years	3.50%
Blended Medicare	6.50% graded to 4.14% over 20 years	7.41% graded to 4.16% over 19 years

Pre-retirement mortality: The Pub-2010 General Employee Headcount-Weighted Mortality table (PubG.H-2010 Employee) as published by the Society of Actuaries (SOA) with an 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020. All pre-retirement deaths are assumed ordinary deaths

Post-retirement mortality:

- **Healthy Retirees:** The Pub-2010 General Healthy Retiree Headcount-Weighted Mortality table [PubG.H-2010 Healthy Retiree] as published by the SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.
- **Beneficiaries:** Pub-2010 General Contingent Survivors Headcount-Weighted Mortality [PubG.H-2010 Contingent Survivors] as published by SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.
- **Disabled Retirees:** The Pub-2010 General Disabled Retiree Headcount-Weighted Mortality table [PubG.H-2010 Disabled Retiree] as published by the SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.

Banked sick leave: Participants are assumed to accrue 4.74 days of unused sick leave per year and use 100% of accumulated leave at retirement for the sick leave offset.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023 and June 30, 2022 are summarized in the following table:

Long-Term Expected Real Rate of Return*

Asset class	2023	2022
Domestic equity	5.41%	5.62%
International equity	6.27	6.49
Domestic fixed income	(0.21)	(0.25)
Cash equivalents	(0.70)	(0.69)

* Real rates of return are net of the long-term inflation assumption of 2.70% and 2.60% for 2023 and 2022, respectively.

(b) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trend rates measure the anticipated overall rate at which health plan costs are expected to increase in future years. The following presents the net OPEB liability of the System using the healthcare cost trend rates presented previously in the actuarial assumptions, as well as what the System's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the applied healthcare cost trend rates:

System's Net OPEB Liability

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
June 30, 2023	\$ 35,139,502	\$ 50,667,926	\$ 69,772,102
June 30, 2022	\$ 35,496,339	\$ 48,846,994	\$ 65,199,149

(c) Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023 and 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Basic Financial Statements

June 30, 2023 and 2022

(d) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the System as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the applied rate:

System's Net OPEB Liability				
	1% Decrease		Current Discount Rate	1% Increase
June 30, 2023	\$ 66,906,859	\$	50,667,926	\$ 37,291,143
June 30, 2022	\$ 63,459,504	\$	48,846,994	\$ 36,787,643

(7) Risk Management

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions, for which the Trust retains the risk of loss. At this time, there are no matters pending against the Trust.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information

Schedule of Changes in the System's Net OPEB Liability and Related Ratios (Unaudited)

Last 8 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability:					
Service cost	\$ 3,375,953	\$ 3,069,185	\$ 2,984,622	\$ 2,914,852	\$ 2,907,107
Interest	6,958,495	6,587,914	6,585,821	6,621,826	6,168,584
Changes of benefit terms	(622,395)	—	—	(9,789,000)	—
Differences between expected and actual experience	915,720	869,679	1,259,391	79,202	714,079
Changes of assumptions	4,678,256	—	(2,449,602)	4,038,931	1,102,479
Benefit payments	<u>(5,439,240)</u>	<u>(4,834,885)</u>	<u>(4,527,278)</u>	<u>(4,412,579)</u>	<u>(3,965,315)</u>
Net change in total OPEB liability	9,866,789	5,691,893	3,852,954	(546,768)	6,926,934
Total OPEB liability - beginning	<u>106,354,619</u>	<u>100,662,726</u>	<u>96,809,772</u>	<u>97,356,540</u>	<u>90,429,606</u>
Total OPEB liability - ending (a)	<u>\$ 116,221,408</u>	<u>\$ 106,354,619</u>	<u>\$ 100,662,726</u>	<u>\$ 96,809,772</u>	<u>\$ 97,356,540</u>
Plan fiduciary net position:					
Contributions - employer	\$ 6,394,396	\$ 6,000,000	\$ 6,261,000	\$ 6,004,000	\$ 5,500,000
Net investment income	7,104,701	(9,584,492)	14,534,551	2,672,787	3,155,344
Benefit payments	(5,439,240)	(4,834,885)	(4,527,278)	(4,412,579)	(3,965,315)
Professional fees and services	<u>(14,000)</u>	<u>56,365</u>	<u>(19,915)</u>	<u>(65,585)</u>	<u>(18,575)</u>
Net change in plan fiduciary net position	<u>8,045,857</u>	<u>(8,363,012)</u>	<u>16,248,358</u>	<u>4,198,623</u>	<u>4,671,454</u>
Plan fiduciary net position - beginning	<u>57,507,625</u>	<u>65,870,637</u>	<u>49,622,279</u>	<u>45,423,656</u>	<u>40,752,202</u>
Plan fiduciary net position - ending (b)	<u>\$ 65,553,482</u>	<u>\$ 57,507,625</u>	<u>\$ 65,870,637</u>	<u>\$ 49,622,279</u>	<u>\$ 45,423,656</u>
System's net OPEB liability - ending (a) - (b)	\$ 50,667,926	\$ 48,846,994	\$ 34,792,089	\$ 47,187,493	\$ 51,932,884
Plan fiduciary net position as a percentage of the total OPEB liability	56.40 %	54.07 %	65.44 %	51.26 %	46.66 %
Covered payroll	\$ 35,579,229	\$ 35,423,191	\$ 33,142,258	\$ 32,124,845	\$ 31,189,170
System's net OPEB liability as a percentage of covered payroll	142.41 %	137.90 %	104.98 %	146.89 %	166.51 %

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information

Schedule of Changes in the System's Net OPEB Liability and Related Ratios (Unaudited) *(continued)*

Last 8 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:			
Service cost	\$ 2,604,313	\$ 2,490,519	\$ 2,579,474
Interest	5,747,125	5,959,407	5,589,288
Changes of benefit terms	6,211,000	—	—
Differences between expected and actual experience	(841,844)	(2,165,915)	399,912
Changes of assumptions	(878,222)	(5,848,836)	—
Benefit payments	<u>(3,756,945)</u>	<u>(3,412,013)</u>	<u>(2,979,914)</u>
Net change in total OPEB liability	9,085,427	(2,976,838)	5,588,760
Total OPEB liability - beginning	<u>81,344,179</u>	<u>84,321,017</u>	<u>78,732,257</u>
Total OPEB liability - ending (a)	<u>\$ 90,429,606</u>	<u>\$ 81,344,179</u>	<u>\$ 84,321,017</u>
Plan fiduciary net position:			
Contributions - employer	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
Net investment income	3,212,503	4,212,256	382,144
Benefit payments	(3,756,945)	(3,412,013)	(2,979,914)
Professional fees and services	<u>(53,435)</u>	<u>(15,000)</u>	<u>(12,700)</u>
Net change in plan fiduciary net position	<u>4,902,123</u>	<u>6,285,243</u>	<u>2,889,530</u>
Plan fiduciary net position - beginning	<u>35,850,079</u>	<u>29,564,836</u>	<u>26,675,306</u>
Plan fiduciary net position - ending (b)	<u>\$ 40,752,202</u>	<u>\$ 35,850,079</u>	<u>\$ 29,564,836</u>
System's net OPEB liability - ending (a) - (b)	\$ 49,677,404	\$ 45,494,100	\$ 54,756,181
Plan fiduciary net position as a percentage of the total OPEB liability	45.07 %	44.07 %	35.06 %
Covered payroll	\$ 30,682,745	\$ 29,752,583	\$ 29,087,397
System's net OPEB liability as a percentage of covered payroll	161.91 %	152.91 %	188.25 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information

Schedule of System and Other Contributing Entity Contributions (Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 6,394,396	\$ 5,339,856	\$ 5,822,056	\$ 5,957,868	\$ 5,349,375
Contributions in relation to the actuarially determined contribution:					
System	6,394,396	6,000,000	6,261,000	6,004,000	5,500,000
Other contributing entity	—	—	—	—	—
Total contributions	<u>6,394,396</u>	<u>6,000,000</u>	<u>6,261,000</u>	<u>6,004,000</u>	<u>5,500,000</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ (660,144)</u>	<u>\$ (438,944)</u>	<u>\$ (46,132)</u>	<u>\$ (150,625)</u>
Covered payroll	\$ 35,579,229	\$ 35,423,191	\$ 33,142,258	\$ 32,124,845	\$ 31,189,170
Contributions as a percentage of covered payroll	17.97 %	16.94 %	18.89 %	18.69 %	17.63 %

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information

Schedule of System and Other Contributing Entity Contributions (Unaudited) *(continued)*

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,278,747	\$ 5,374,220	\$ 4,782,000	\$ 4,542,000	\$ 4,767,000
Contributions in relation to the actuarially determined contribution:					
System	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Other contributing entity	—	—	—	—	756
Total contributions	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,756</u>
Contribution deficiency (excess)	<u>\$ (221,253)</u>	<u>\$ (125,780)</u>	<u>\$ (718,000)</u>	<u>\$ (958,000)</u>	<u>\$ (733,756)</u>
Covered payroll	\$ 30,682,745	\$ 29,752,583	\$ 29,087,397	\$ 26,506,965	\$ 25,556,000
Contributions as a percentage of covered payroll	17.93 %	18.49 %	18.91 %	20.75 %	21.52 %

See accompanying independent auditors' report.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information
Schedule of Investment Returns (Unaudited)
Last 8 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	12.3%	(14.4)%	28.8%	5.8%	7.6%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Required Supplementary Information

Schedule of Investment Returns (Unaudited) *(continued)*

Last 8 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	8.8%	13.1%	1.3%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Required Supplementary Information (Unaudited)

Change of benefit terms

Significant changes to net OPEB Liability

Beginning with the 2018 measurement date, the liability for a plan provision that reimburses retirees for their Medicare Part B Premiums is recognized. This recognition increased the liabilities in 2018 by approximately \$6.2 million.

For the 2020 measurement date there was a reduction in the liability of \$9.79 million from benefit changes due to:

- \$4.66 million from legislative changes, specifically the Excise Tax that was part of the Patient Protection and Affordability Act (PPACA) was repealed.
- \$5.13 million from bargaining amendments pursuant to the CBA effective from April 2019 to March 2024. These include the premium contribution rate changes and contribution cap changes, increase in the Sick Leave Maximum to 200 days from 185 days for bargaining groups, and update of the Life Expectancy table from 1983 to 1999 factors.

For the 2023 measurement date there was a reduction in the liability of \$0.62 million from benefit changes due to the NYSHIP Empire plan changes including premium reductions, Out-of-Pocket Maximum decreases, co-payment consolidations and massage therapy and acupuncture service limits.

Changes of assumptions

Actuarial assumptions are revised annually to reflect more closely actual, as well as anticipated, future experience. The actuarially determined contributions are calculated as of June 30th of the preceding year.

Significant assumption changes over the last 8 fiscal years are outlined below:

Investment Rates of Return

<u>Valuation Year(s)</u>	<u>Investment Rate of Return</u>
2016	8.00%
2017	7.00%
2018-2020	6.75%
2021	6.50%
2022	6.50%
2023	6.50%

Significant changes on net OPEB liability

For the 2017 measurement date, the discount rate was lowered from 8.00% to 7.00%, there was a net decrease in the liability of \$5.8 million primarily due to the modification of mortality rates and updating the per-capita health costs and retiree contribution rates.

For the 2018 measurement date, the discount rate was lowered from 7.00% to 6.75%, the per-capita health costs and retiree contribution rates were updated, the assumed health trend rates were modified, and the unused sick days accrual rate was updated. Collectively this decreased the liability \$878 million.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Required Supplementary Information (Unaudited) *(continued)*

For the 2019 measurement date, there was a change to the claim costs assumption during the measurement year and the projected trend rates, which increased the liability by approximately \$1.1 million.

For the 2020 measurement date, there was a net increase in the liability of \$4.04 million from the following assumption changes:

- \$1.56 million decrease for updating the post-retirement mortality table to SOA RP-2014 with White Collar Adjustment using improvement Scale MP-2019.
- \$4.56 million increase for higher immediate trends in response to greater unknowns about health care needs by adding 1% to the starting trend, but retaining the same ultimate year, and
- \$1.04 million increase for full revision of claim curves and premiums reflecting current information.

For the 2021 measurement date there was a decrease in the liability of \$2.45 million from the following assumption changes:

- \$6.46 million decrease for updating the pre-retirement and post-retirement mortality tables to SOA PUB-2010 Headcount Weighted for General Employees Mortality Tables with the base year 2010 and Improvement Scale MP-2020, with a 98.75% adjustment to base rates,
- \$1.51 million increase for updating retirement and termination rates to align with recent experience,
- \$3.07 million increase for lowering the discount rate from 6.75% to 6.50%, and
- \$0.57 million decrease for full revision of claim curves and premiums reflecting current information.

For the 2022 measurement date there was no change to the liability due to assumption changes.

For the 2023 measurement date there was an increase in the liability of \$4.7 million due to revised claim curves, trends and timing.

**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
RETIRED EMPLOYEE HEALTH BENEFITS TRUST**

Notes to Required Supplementary Information (Unaudited) *(continued)*

Key Methods and Assumptions Used to Determine OPEB Contribution Rates:

Asset Valuation Method:	Market Value
Amortization Method:	30-Year Closed Amortization, level percentage of payroll
Remaining Amortization Period:	24 years as of July 1, 2022
Discount Rate:	6.50% per annum
Expected Return on Assets:	6.50% per annum
Salary Increases:	Varies by service from 3.00%-8.00%
Healthcare cost and premium trend rates:	
Non-Medicare	7.40% graded to 4.34% over 19 years
Medicare	8.45% graded to 4.34% over 19 years
Medicare Part B	3.50%
Blended Medicare	7.41% graded to 4.16% over 19 years
Pre-Retirement Mortality:	The Pub-2010 General Employee Headcount-Weighted Mortality table [PubG.H-2010 Employee] as published by the SOA with an 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020. All pre-retirement deaths are assumed ordinary deaths.
Healthy Retirees Mortality:	The Pub-2010 General Healthy Retiree Headcount-Weighted Mortality table [PubG.H-2010 Healthy Retiree] as published by the SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.
Beneficiaries:	Pub-2010 General Contingent Survivors Headcount-Weighted Mortality [PubG.H-2010 Contingent Survivors] as published by the SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.
Disabled Retirees:	The Pub-2010 General Disabled Retiree Headcount-Weighted Mortality table [PubG.H-2010 Disabled Retiree] as published by the SOA with a 98.75% adjustment for both males and females, and with future improvement from the base year of 2010 on a generational basis using SOA's Scale MP-2020.