



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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RETIREMENT BOARD CHAIR
JOSEPH ENDRY

RETIREMENT BOARD VICE CHAIR
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EXECUTIVE DIRECTOR
DAMON F. ASBURY

December 20, 2004

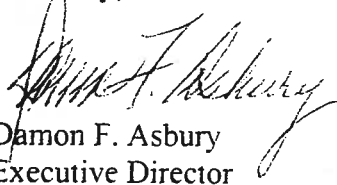
Mr. Aristotle L. Hutras, Director
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, OH 43215-3506

Dear Aris:

Enclosed is *STRS Ohio's Annual Report of Postemployment Health Care Benefits* as required by law.

Please call if you have any questions.

Sincerely,


Damon F. Asbury
Executive Director

DFA/ckb

Enclosure

cc: Bob Slater
Sandy Knoesel
Terri Bierdeman

**STATE TEACHERS RETIREMENT SYSTEM
OF OHIO**

**ANNUAL REPORT OF POSTEMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2004**

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 fiscal 2004, STRS Ohio reimbursed Medicare-eligible benefit recipients 2.64% of the 2004 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, 2004 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	28,509	10,946
With Medicare	57,094	15,083

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, 2004, 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, 2005 will be 1% 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 Assets**

*As of June 30, 2004
(In Thousands)*

Assets:

Cash and short-term investments \$ 87,545

Receivables:

Accrued interest and dividends 9,000

Contributions 12,130

Securities sold 14,987

Total receivables 36,117

Investments, at fair value:

Fixed income 664,202

Common and preferred stock 1,475,407

International 559,852

Real Estate 287,315

Alternative Investments 70,295

Total investments 3,057,071

Collateral on loaned securities 148,372

Total assets 3,329,105

Liabilities

Securities purchased 27,550

Real estate note payable 23,002

Accrued expenses and other liabilities 3,223

Medical benefits payable 40,042

Obligations under securities lending program 148,372

Total liabilities 242,189

**Net assets held in trust for
postemployment health care benefits:**

\$3,086,916

**Postemployment Health Care
Statement of Changes in Plan Net Assets**

*For the year ended June 30, 2004
(In Thousands)*

Additions

Contributions:

Employer	\$ 91,589
Benefit recipient health care premiums	<u>156,970</u>
Total contributions	248,559

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	388,942
Interest	31,897
Dividends	31,431
Real estate income	<u>18,369</u>
	470,639
Less investment expenses	<u>(1,371)</u>
Net income (loss) from investing activities	469,268

From securities lending activities

Securities lending income	2,186
Securities lending expenses	<u>(1,329)</u>
Net income from securities lending activities	<u>857</u>
Net investment income (loss)	<u>470,125</u>
Total additions (deductions)	<u>718,684</u>

Deductions

Health care benefits	425,709
Administrative expenses	<u>3,763</u>
Total deductions	<u>429,472</u>
Net increase (decrease)	289,212

**Net assets held in trust for
postemployment health care benefits**

Beginning of year	<u>2,797,704</u>
End of year	<u>\$3,086,916</u>

**Postemployment Health Care
Six-Year History**

Fiscal Year Ended
(In Thousands)

	2004	2003	2002	2001	2000	1999
Employer contributions	\$91,589	\$88,587	\$380,437	\$363,166	\$615,652	\$587,062
Benefit recipient premiums	\$156,970	\$103,913	\$79,590	\$68,582	\$60,375	\$47,819
Health care benefits	\$425,709	\$456,214	\$434,287	\$369,354	\$343,512	\$297,748
Administrative expenses	\$3,763	\$3,903	\$3,909	\$3,860	\$3,274	\$2,371
Net assets available for benefits	\$3,086,916	\$2,797,704	\$3,010,521	\$3,255,940	\$3,419,106	\$2,783,366