



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

RETIREMENT BOARD CHAIR
JEFFREY CHAPMAN

RETIREMENT BOARD VICE CHAIR
MARY ANN QUILTER CERVANTES

EXECUTIVE DIRECTOR
DAMON F. ASBURY

December 19, 2007

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 Post Employment Health Care Benefits* as required by Section 3307.51 of the Ohio Revised Code.

Please call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Damon F. Asbury', written over a light gray rectangular background.

Damon F. Asbury
Executive Director

Enclosure

cc: Robert Slater
Sandra Knoesel
Terri Bierdeman

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2007

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 year 2007, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.8835% of the 2007 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, 2007 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	30,425	9,001
With Medicare	60,858	14,553

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, 2007, 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, 2008 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, 2007
(In Thousands)*

Assets:

Cash and short-term investments	\$ 155,701
---------------------------------	------------

Receivables:

Accrued interest and dividends	10,927
--------------------------------	--------

Contributions	11,552
---------------	--------

Securities sold	14,674
-----------------	--------

Total receivables	37,153
--------------------------	---------------

Investments, at fair value:

Fixed income	931,229
--------------	---------

Common and preferred stock	1,598,207
----------------------------	-----------

International	946,206
---------------	---------

Real Estate	452,921
-------------	---------

Alternative Investments	145,602
-------------------------	---------

Total investments	4,074,165
--------------------------	------------------

Collateral on loaned securities	211,756
---------------------------------	---------

Total assets	4,478,775
---------------------	------------------

Liabilities:

Securities purchased	44,551
----------------------	--------

Real estate note payable	127,809
--------------------------	---------

Accrued expenses and other liabilities	986
--	-----

Medical benefits payable	26,986
--------------------------	--------

Obligations under securities lending program	211,756
--	---------

Total liabilities	412,088
--------------------------	----------------

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

\$4,066,687

**Post Employment Health Care
Statement of Changes in Plan Net Assets**

*As of June 30, 2007
(In Thousands)*

Additions:

Contributions:

Employer	\$ 96,287
Medicare Part D reimbursement	36,312
Benefit recipient health care premiums	201,537
Total contributions	<u>334,136</u>

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	617,541
Interest	42,985
Dividends	47,815
Real estate income	12,123
	<u>720,464</u>
Less investment expenses	(1,628)
Less external asset management fees	(6,366)
Net income (loss) from investing activities	<u>712,470</u>

From securities lending activities

Securities lending income	11,630
Securities lending expenses	(10,700)
Net income from securities lending activities	<u>930</u>
Net investment income (loss)	<u>713,400</u>
Total additions (deductions)	<u>1,047,536</u>

Deductions:

Health care benefits	503,407
Administrative expenses	3,027
Total deductions	<u>506,434</u>
Net increase (decrease)	541,102

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

Beginning of year	<u>3,525,585</u>
End of year	<u>\$4,066,687</u>

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

Fiscal Year Ended (in Thousands)

	2007	2006	2005	2004	2003	2002
Employer contributions	\$ 96,287	\$ 94,610	\$ 93,066	\$ 91,589	\$ 88,587	\$ 380,437
Medicare Part D reimbursement	\$ 36,312	\$ 17,947	N/A	N/A	N/A	N/A
Benefit recipient premiums	\$ 201,537	\$ 189,432	\$ 188,835	\$ 156,970	\$ 103,913	\$ 79,590
Investment income	\$ 713,400	\$ 433,999	\$ 361,600	\$ 470,125	\$ 54,800	\$ (267,250)
Health care costs	\$ 503,407	\$ 490,122	\$ 443,615	\$ 425,709	\$ 456,214	\$ 434,287
Administrative expenses	\$ 3,027	\$ 3,204	\$ 3,879	\$ 3,763	\$ 3,903	\$ 3,909
Net assets available for benefits	\$ 4,066,687	\$ 3,525,585	\$ 3,282,923	\$ 3,086,916	\$ 2,797,704	\$ 3,010,521