

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2008

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. Beginning in January 2008, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.82675% of the 2008 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, 2008 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	29,341	8,327
With Medicare	62,674	14,327

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, 2008, 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, 2009 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, 2008
(In Thousands)*

Assets:

Cash and short-term investments	\$ 252,291
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Receivables:

Accrued interest and dividends	9,779
Contributions	11,461
Securities sold	67,828
Total receivables	<u>89,068</u>

Investments, at fair value:

Fixed income	793,395
Common and preferred stock	1,263,582
International	816,924
Real Estate	477,484
Alternative Investments	190,082
Total investments	<u>3,541,467</u>
Collateral on loaned securities	121,092
Total assets	<u>4,003,918</u>

Liabilities:

Securities purchased	80,759
Real estate note payable	113,519
Accrued expenses and other liabilities	1,188
Medical benefits payable	31,623
Obligations under securities lending program	121,092
Total liabilities	<u>348,181</u>

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

\$3,655,737

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

*As of June 30, 2008
(In Thousands)*

Additions:

Contributions:

Employer	\$ 98,342
Medicare Part D reimbursement	36,915
Benefit recipient health care premiums	214,700
Total contributions	349,957

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	(311,197)
Interest	36,683
Dividends	49,859
Real estate income	14,584
	(210,071)
Less investment expenses	(1,972)
Less external asset management fees	(6,677)
Net income (loss) from investing activities	(218,720)

From securities lending activities

Securities lending income	6,804
Securities lending expenses	(5,585)
Net income from securities lending activities	1,219
Net investment income (loss)	(217,501)
Total additions (deductions)	132,456

Deductions:

Health care benefits	540,493
Administrative expenses	2,913
Total deductions	543,406
Net increase (decrease)	(410,950)

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

Beginning of year	4,066,687
End of year	\$3,655,737

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

Fiscal Year Ended (in Thousands)

	2008	2007	2006	2005	2004	2003
Employer contributions	\$ 98,342	\$ 96,287	\$ 94,610	\$ 93,066	\$ 91,589	\$ 88,587
Medicare Part D reimbursement	\$ 36,915	\$ 36,312	\$ 17,947	N/A	N/A	N/A
Benefit recipient premiums	\$ 214,700	\$ 201,537	\$ 189,432	\$ 188,835	\$ 156,970	\$ 103,913
Investment income	\$ (217,501)	\$ 713,400	\$ 433,999	\$ 361,600	\$ 470,125	\$ 54,800
Health care costs	\$ 540,493	\$ 503,407	\$ 490,122	\$ 443,615	\$ 425,709	\$ 456,214
Administrative expenses	\$ 2,913	\$ 3,027	\$ 3,204	\$ 3,879	\$ 3,763	\$ 3,903
Net assets available for benefits	\$ 3,655,737	\$ 4,066,687	\$ 3,525,585	\$ 3,282,923	\$ 3,086,916	\$ 2,797,704