

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POSTEMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2005

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 2005, STRS Ohio reimbursed Medicare-eligible benefit recipients 2.252% of the 2005 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, 2005 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	28,908	9,919
With Medicare	58,070	14,855

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, 2005, 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, 2006 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, 2005
(In Thousands)*

Assets:

Cash and short-term investments	\$ 144,153
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Receivables:

Accrued interest and dividends	9,846
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Contributions	11,997
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Securities sold	19,275
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Total receivables	<u>41,118</u>
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Investments, at fair value:

Fixed income	712,047
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Common and preferred stock	1,479,470
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International	639,922
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Real Estate	284,173
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Alternative Investments	85,688
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Total investments	<u>3,201,300</u>
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Collateral on loaned securities	158,027
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Total assets	<u>3,544,598</u>
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Liabilities:

Securities purchased	31,216
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Real estate note payable	22,494
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Accrued expenses and other liabilities	915
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Medical benefits payable	49,023
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Obligations under securities lending program	158,027
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Total liabilities	<u>261,675</u>
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**Net assets held in trust for postemployment
health care benefits:**

<u>\$3,282,923</u>

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

*As of June 30, 2005
(In Thousands)*

Additions:

Contributions:

Employer	\$ 93,066
Benefit recipient health care premiums	188,835
Total contributions	<u>281,901</u>

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	278,133
Interest	33,048
Dividends	41,023
Real estate income	15,520
	<u>367,724</u>
Less investment expenses	(1,390)
Less external asset management fees	(5,428)
Net income (loss) from investing activities	<u>360,906</u>

From securities lending activities

Securities lending income	3,966
Securities lending expenses	(3,272)
Net income from securities lending activities	<u>694</u>
Net investment income (loss)	<u>361,600</u>
Total additions (deductions)	<u>643,501</u>

Deductions:

Health care benefits	443,615
Administrative expenses	3,879
Total deductions	<u>447,494</u>
Net increase (decrease)	196,007

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

Beginning of year	<u>3,086,916</u>
End of year	<u>\$3,282,923</u>

**Postemployment Health Care
Six-Year History**

	Fiscal Year Ended (in Thousands)					
	2005	2004	2003	2002	2001	2000
Employer contributions	\$ 93,066	\$ 91,589	\$ 88,587	\$ 380,437	\$ 363,166	\$ 615,652
Benefit recipient premiums	\$ 188,835	\$ 156,970	\$ 103,913	\$ 79,590	\$ 68,582	\$ 60,375
Health care benefits	\$ 443,615	\$ 425,709	\$ 456,214	\$ 434,287	\$ 369,354	\$ 343,512
Administrative expenses	\$ 3,879	\$ 3,763	\$ 3,903	\$ 3,909	\$ 3,860	\$ 3,274
Net assets available for benefits	\$3,282,923	\$3,086,916	\$2,797,704	\$3,010,521	\$3,255,940	\$3,419,106