

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POSTEMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2003

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. STRS Ohio reimburses 90% of the Medicare Part B premium for retirees with 30 or more years of service credit. Other retirees receive reimbursement equal to 3% of the Medicare Part B premium for each year of service credit, except that the reimbursement will not be less than \$29.90 per month.

The number of benefit recipients and dependents as of June 30, 2003 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	29,456	15,370
With Medicare	57,277	16,352

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, 2003, 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, 2004 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, 2003
(In Thousands)*

Assets:

Cash and short-term investments	\$ 102,346
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Receivables:

Accrued interest and dividends	6,520
Contributions	12,293
Securities sold	11,761
Total receivables	<u>30,574</u>

Investments, at fair value:

Fixed income	579,797
Common and preferred stock	1,304,597
International	512,037
Real Estate	311,851
Alternative Investments	61,362
Total investments	<u>2,769,644</u>
Collateral on loaned securities	213,549
Total assets	<u>3,116,113</u>

Liabilities

Securities purchased	33,740
Real estate note payable	20,997
Accrued expenses and other liabilities	1,199
Medical benefits payable	48,924
Obligations under securities lending program	213,549
Total liabilities	<u>318,409</u>

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

\$2,797,704

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

*For the year ended June 30, 2003
(In Thousands)*

Additions

Contributions:

Employer	\$ 88,587
Benefit recipient health care premiums	103,913
Total contributions	192,500

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	(26,170)
Interest	32,655
Dividends	28,669
Real estate income	20,194
	55,348
Less investment expenses	(1,469)
Net income (loss) from investing activities	53,879

From securities lending activities

Securities lending income	3,685
Securities lending expenses	(2,764)
Net income from securities lending activities	921
Net investment income (loss)	54,800
Total additions (deductions)	247,300

Deductions

Health care benefits	456,214
Administrative expenses	3,903
Total deductions	460,117
Net increase (decrease)	(212,817)

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

Beginning of year	3,010,521
End of year	\$2,797,704

**Postemployment Health Care
Six-Year History**

Fiscal Year Ended
(In Thousands)

	2003	2002	2001	2000	1999	1998
Employer Contributions	\$ 88,587	\$ 380,437	\$ 363,166	\$ 615,652	\$ 587,062	\$ 248,928
Health care benefits*	352,301	354,697	300,772	283,137	249,929	219,224
Administrative expenses	3,903	3,909	3,860	3,274	2,371	1,432
Net assets available for benefits	\$2,797,704	\$3,010,521	\$3,255,940	\$3,419,106	\$2,783,366	\$2,156,004

* Health care benefits net of premiums paid by benefit recipients