

STATE TEACHERS RETIREMENT SYSTEM  
OF OHIO

ANNUAL REPORT OF POSTEMPLOYMENT  
HEALTH CARE BENEFITS  
JUNE 30, 2002

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. Most 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, 2002 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	27,725	16,035
With Medicare	56,032	16,293

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, 2002, the Board allocated 4.5% of covered payroll to the Health Care Reserve Fund. The allocation to the Health Care Reserve Fund for the year ended June 30, 2003 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.

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

*For the year ended June 30, 2002  
(In Thousands)*

**Additions**

Contributions:

Employer	\$ 380,437
Benefit recipient health care premiums	79,590
<b>Total contributions</b>	<b>460,027</b>

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	(358,415)
Interest	37,790
Dividends	27,876
Real estate income	25,747
	(267,002)
Less investment expenses	(1,642)
Net income (loss) from investing activities	(268,644)

From securities lending activities

Securities lending income	6,326
Securities lending expenses	(4,932)
Net income from securities lending activities	1,394
Net investment income (loss)	(267,250)
<b>Total additions (deductions)</b>	<b>192,777</b>

**Deductions**

Health care benefits	434,287
Administrative expenses	3,909
<b>Total deductions</b>	<b>438,196</b>
Net increase (decrease)	(245,419)

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

Beginning of year	3,255,940
End of year	<b>\$3,010,521</b>

**Postemployment Health Care  
Six-Year History**

Fiscal Year Ended  
(In Thousands)

	2002	2001	2000	1999	1998	1997
<b>Employer Contributions</b>	\$ 380,437	\$ 363,166	\$ 615,652	\$ 587,062	\$ 248,928	\$ 136,116
<b>Health care benefits*</b>	354,697	300,772	283,137	249,929	219,224	192,077
<b>Administrative expenses</b>	3,909	3,860	3,274	2,371	1,432	886
<b>Net assets available for benefits</b>	\$3,010,521	\$3,255,940	\$3,419,106	\$2,783,366	\$2,156,004	\$1,859,533

\* Health care benefits net of premiums paid by benefit recipients