



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

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

RETIREMENT BOARD CHAIR  
JAMES MCGREEVY

RETIREMENT BOARD VICE CHAIR  
MARK HILL

EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

December 20, 2012

Ms. Bethany Rhodes, Director  
Ohio Retirement Study Council  
88 East Broad Street, Suite 1175  
Columbus, OH 43215-3506

Dear Bethany:

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 blue ink that reads 'Robert A. Slater'.

Robert A. Slater  
Deputy Executive Director & CFO

Enclosure

cc: Michael Nehf  
Sandra Knoesel  
Terri Bierdeman

STATE TEACHERS RETIREMENT SYSTEM  
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT  
HEALTH CARE BENEFITS  
JUNE 30, 2012

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 2012, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.76275% of the 2012 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, 2012 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	29,049	7,725
With Medicare	71,906	14,566

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, 2012, 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, 2013 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, 2012  
(In Thousands)*

**Assets:**

Cash and short-term investments	\$ 181,699
---------------------------------	------------

**Receivables:**

Accrued interest and dividends	7,797
--------------------------------	-------

Contributions	11,697
---------------	--------

Securities sold	19,206
-----------------	--------

<b>Total receivables</b>	<u>38,700</u>
--------------------------	---------------

**Investments, at fair value:**

Fixed income	561,774
--------------	---------

Common and preferred stock	1,090,886
----------------------------	-----------

International	573,106
---------------	---------

Real Estate	378,837
-------------	---------

Alternative Investments	341,149
-------------------------	---------

Total investments	<u>2,945,752</u>
-------------------	------------------

Invested securities lending collateral	24,435
--	--------

<b>Total assets</b>	<u>3,190,586</u>
---------------------	------------------

**Liabilities:**

Securities purchased	20,049
----------------------	--------

Debt on real estate investments	79,503
---------------------------------	--------

Accrued expenses and other liabilities	1,326
--	-------

Medical benefits payable	5,297
--------------------------	-------

Obligations under securities lending program	24,435
--	--------

<b>Total liabilities</b>	<u>130,610</u>
--------------------------	----------------

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

<u>\$3,059,976</u>
--------------------

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

*As of June 30, 2012  
(In Thousands)*

**Additions:**

Contributions:

Employer	\$ 101,025
Government reimbursements	92,213
Benefit recipient health care premiums	<u>246,264</u>
<b>Total contributions</b>	<b>439,502</b>

Investment income from investing activities:

Net depreciation in fair value of investments	(6,456)
Interest	22,124
Dividends	36,932
Real estate income	<u>10,593</u>
Investment income	63,193
Less investment expenses	(1,481)
Less external asset management fees	<u>(7,285)</u>
Net income from investing activities	54,427
Securities lending income	621
Securities lending expenses	<u>(58)</u>
Net income from securities lending activities	<u>563</u>
Net investment income	<u>54,990</u>
<b>Total additions</b>	<b>494,492</b>

**Deductions:**

Health care benefits	627,890
Administrative expenses	<u>2,568</u>
<b>Total deductions</b>	<u>630,458</u>
<b>Net decrease</b>	<b>(135,966)</b>

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

<b>Beginning of year</b>	<u>3,195,942</u>
<b>End of year</b>	<u><u>\$3,059,976</u></u>

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

Fiscal Year Ended (in Thousands)

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Employer contributions</b>	\$ 101,025	\$ 103,694	\$ 103,415	\$ 101,221	\$ 98,342	\$ 96,287
<b>Government reimbursements</b>	\$ 92,213	\$ 70,556	\$ 38,156	\$ 37,956	\$ 36,915	\$ 36,312
<b>Benefit recipient premiums</b>	\$ 246,264	\$ 222,130	\$ 222,316	\$ 225,627	\$ 214,700	\$ 201,537
<b>Investment income</b>	\$ 54,990	\$ 608,969	\$ 348,311	\$ (778,556)	\$ (217,501)	\$ 713,400
<b>Health care costs</b>	\$ 627,890	\$ 604,456	\$ 592,416	\$ 558,344	\$ 540,493	\$ 503,407
<b>Administrative expenses</b>	\$ 2,568	\$ 2,502	\$ 2,523	\$ 3,349	\$ 2,913	\$ 3,027
<b>Net assets available for benefits</b>	\$ 3,059,976	\$ 3,195,942	\$ 2,797,551	\$ 2,680,292	\$ 3,655,737	\$ 4,066,687