



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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RETIREMENT BOARD CHAIR
JAMES MCGREEVY

RETIREMENT BOARD VICE CHAIR
MARK HILL

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

December 14, 2011

Mr. Aristotle L. Hutras, Director
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, OH 43215-3506

Dear Aris:

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 cursive script, appearing to read 'R Slater'.

Robert A. Slater
Deputy Executive Director &
Chief Financial Officer

Enclosure

cc: Michael Nehf
Sandra Knoesel
Terri Bierdeman

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2011

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 2011, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.525990% of the 2011 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, 2011 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	30,419	7,758
With Medicare	68,704	14,478

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, 2011, 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, 2012 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, 2011
(In Thousands)*

Assets:

Cash and short-term investments \$ 208,372

Receivables:

Accrued interest and dividends 8,039

Contributions 12,142

Securities sold 9,629

Total receivables 29,810

Investments, at fair value:

Fixed income 636,133

Common and preferred stock 1,171,699

International 625,283

Real Estate 343,271

Alternative Investments 287,075

Total investments 3,063,461

Invested securities lending collateral 34,857

Total assets 3,336,500

Liabilities:

Securities purchased 14,545

Debt on real estate investments 83,051

Accrued expenses and other liabilities 1,390

Medical benefits payable 6,715

Obligations under securities lending program 34,857

Total liabilities 140,558

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

\$3,195,942

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

*As of June 30, 2011
(In Thousands)*

Additions:

Contributions:

Employer	\$ 103,694
Government reimbursements	70,556
Benefit recipient health care premiums	<u>222,130</u>
Total contributions	396,380

Investment income from investing activities:

Net appreciation in fair value of investments	547,914
Interest	24,096
Dividends	35,306
Real estate income	9,760
Securities lending income	<u>423</u>
	617,499
Less investment expenses	(1,731)
Less external asset management fees	<u>(6,799)</u>
Net income from investing activities	<u>608,969</u>
Total additions	1,005,349

Deductions:

Health care benefits	604,456
Administrative expenses	<u>2,502</u>
Total deductions	<u>606,958</u>
Net increase	398,391

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

Beginning of year	<u>2,797,551</u>
End of year	<u><u>\$3,195,942</u></u>

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

Fiscal Year Ended (in Thousands)

	2011	2010	2009	2008	2007	2006
Employer contributions	\$ 103,694	\$ 103,415	\$ 101,221	\$ 98,342	\$ 96,287	\$ 94,610
Government reimbursements	\$ 70,556	\$ 38,156	\$ 37,956	\$ 36,915	\$ 36,312	\$ 17,947
Benefit recipient premiums	\$ 222,130	\$ 222,316	\$ 225,627	\$ 214,700	\$ 201,537	\$ 189,432
Investment income	\$ 608,969	\$ 348,311	\$ (778,556)	\$ (217,501)	\$ 713,400	\$ 433,999
Health care costs	\$ 604,456	\$ 592,416	\$ 558,344	\$ 540,493	\$ 503,407	\$ 490,122
Administrative expenses	\$ 2,502	\$ 2,523	\$ 3,349	\$ 2,913	\$ 3,027	\$ 3,204
Net assets available for benefits	\$ 3,195,942	\$ 2,797,551	\$ 2,680,292	\$ 3,655,737	\$ 4,066,687	\$ 3,525,585