

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POST EMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2010

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 2010, STRS Ohio reimbursed Medicare-eligible benefit recipients 1.59366% of the 2010 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, 2010 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	29,647	7,028
With Medicare	66,232	14,351

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, 2010, 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, 2011 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, 2010
(In Thousands)*

Assets:

Cash and short-term investments	\$ 151,821
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Receivables:

Accrued interest and dividends	6,564
Contributions	12,497
Securities sold	<u>10,028</u>
Total receivables	29,089

Investments, at fair value:

Fixed income	693,055
Common and preferred stock	960,630
International	557,986
Real Estate	327,553
Alternative Investments	<u>205,042</u>
Total investments	2,744,266
Invested securities lending collateral	<u>30,590</u>
Total assets	<u>2,955,766</u>

Liabilities:

Securities purchased	16,895
Debt on real estate investments	95,927
Accrued expenses and other liabilities	1,251
Medical benefits payable	13,558
Obligations under securities lending program	<u>30,584</u>
Total liabilities	<u>158,215</u>

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

\$2,797,551

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

*As of June 30, 2010
(In Thousands)*

Additions:

Contributions:

Employer	\$ 103,415
Medicare Part D reimbursement	38,156
Benefit recipient health care premiums	<u>222,316</u>
Total contributions	363,887

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	284,400
Interest	25,571
Dividends	33,749
Real estate income	11,993
Securities lending income	<u>612</u>
	356,325
Less investment expenses	(1,546)
Less external asset management fees	<u>(6,468)</u>
Net income (loss) from investing activities	<u>348,311</u>
Total additions (deductions)	712,198

Deductions:

Health care benefits	592,416
Administrative expenses	<u>2,523</u>
Total deductions	<u>594,939</u>
Net increase (decrease)	117,259

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

Beginning of year	<u>2,680,292</u>
End of year	<u><u>\$2,797,551</u></u>

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

Fiscal Year Ended (in Thousands)

	2010	2009	2008	2007	2006	2005
Employer contributions	\$ 103,415	\$ 101,221	\$ 98,342	\$ 96,287	\$ 94,610	\$ 93,066
Medicare Part D reimbursement	\$ 38,156	\$ 37,956	\$ 36,915	\$ 36,312	\$ 17,947	N/A
Benefit recipient premiums	\$ 222,316	\$ 225,627	\$ 214,700	\$ 201,537	\$ 189,432	\$ 188,835
Investment income	\$ 348,311	\$ (778,556)	\$ (217,501)	\$ 713,400	\$ 433,999	\$ 361,600
Health care costs	\$ 592,416	\$ 558,344	\$ 540,493	\$ 503,407	\$ 490,122	\$ 443,615
Administrative expenses	\$ 2,523	\$ 3,349	\$ 2,913	\$ 3,027	\$ 3,204	\$ 3,879
Net assets available for benefits	\$ 2,797,551	\$ 2,680,292	\$ 3,655,737	\$ 4,066,687	\$ 3,525,585	\$ 3,282,923