

STATE TEACHERS RETIREMENT SYSTEM
OF OHIO

ANNUAL REPORT OF POSTEMPLOYMENT
HEALTH CARE BENEFITS
JUNE 30, 2006

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 fiscal year 2006, STRS Ohio reimbursed Medicare-eligible benefit recipients 2.349% of the 2006 Medicare Part B premium for each year of service credit. However, this reimbursement was not less than \$29.90 per month or more than \$62.37 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, 2006 is:

	<u>Benefit Recipients</u>	<u>Dependents</u>
Without Medicare	29,619	9,361
With Medicare	59,376	14,818

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, 2006, 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, 2007 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, 2006
(In Thousands)*

Assets:

Cash and short-term investments	\$ 67,673
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Receivables:

Accrued interest and dividends	10,768
Contributions	11,864
Securities sold	95,620
Total receivables	<u>118,252</u>

Investments, at fair value:

Fixed income	831,320
Common and preferred stock	1,438,407
International	834,600
Real Estate	385,061
Alternative Investments	105,410
Total investments	<u>3,594,798</u>
Collateral on loaned securities	175,289
Total assets	<u>3,596,012</u>

Liabilities:

Securities purchased	92,665
Real estate note payable	119,418
Accrued expenses and other liabilities	1,095
Medical benefits payable	41,960
Obligations under securities lending program	175,289
Total liabilities	<u>430,427</u>

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

\$3,525,585

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

*As of June 30, 2006
(In Thousands)*

Additions:

Contributions:

Employer	\$ 94,610
Medicare Part D reimbursement	17,947
Benefit recipient health care premiums	189,432
Total contributions	301,989

Investment income (loss) from investing activities:

Net appreciation (depreciation) in fair value of investments	347,038
Interest	37,883
Dividends	41,528
Real estate income	14,931
	441,380
Less investment expenses	(1,503)
Less external asset management fees	(6,681)
Net income (loss) from investing activities	433,196

From securities lending activities

Securities lending income	7,643
Securities lending expenses	(6,840)
Net income from securities lending activities	803
Net investment income (loss)	433,999
Total additions (deductions)	735,988

Deductions:

Health care benefits	490,122
Administrative expenses	3,204
Total deductions	493,326
Net increase (decrease)	242,662

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

Beginning of year	3,282,923
End of year	\$3,525,585

**Postemployment Health Care
Six-Year History**

	Fiscal Year Ended (in Thousands)					
	2006	2005	2004	2003	2002	2001
Employer contributions	\$ 94,610	\$ 93,066	\$ 91,589	\$ 88,587	\$ 380,437	\$ 363,166
Medicare Part D Reimbursement	\$ 17,947	N/A	N/A	N/A	N/A	N/A
Benefit recipient premiums	\$ 189,432	\$ 188,835	\$ 156,970	\$ 103,913	\$ 79,590	\$ 68,582
Health care costs	\$ 490,122	\$ 443,615	\$ 425,709	\$ 456,214	\$ 434,287	\$ 369,354
Administrative expenses	\$ 3,204	\$ 3,879	\$ 3,763	\$ 3,903	\$ 3,909	\$ 3,860
Net assets available for benefits	\$3,525,585	\$3,282,923	\$3,086,916	\$2,797,704	\$3,010,521	\$3,255,940