



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013



**OHIO DEFERRED
COMPENSATION**

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM



Dave Yost • Auditor of State

Members of the Board
Ohio Public Employees Deferred Compensation Program
257 East Town Street, Suite 400
Columbus, Ohio 43215

We have reviewed the *Independent Auditors' Report* of the Ohio Public Employees Deferred Compensation Program, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Public Employees Deferred Compensation Program is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 3, 2015

**OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the years ended December 31, 2014 and 2013**

R. Keith Overly, Executive Director
Paul D. Miller, Assistant Director-Finance

257 East Town Street, Suite 400, Columbus, Ohio 43215-4623

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OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

INTRODUCTORY SECTION



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

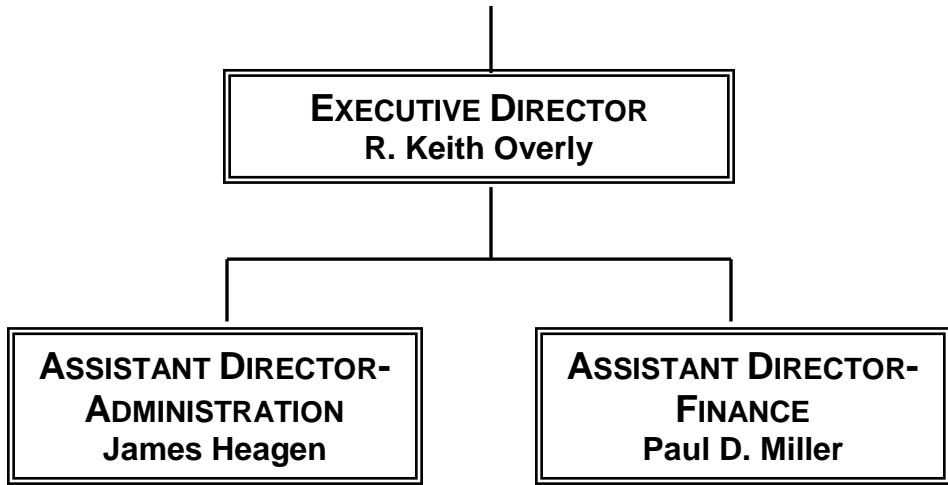
**Ohio Public Employees
Deferred Compensation Program**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

**ORGANIZATIONAL CHART
AS OF DECEMBER 31, 2014**



ADVISORS TO THE BOARD

Independent Public Accountants

Clark, Schaefer, Hackett & Co.

Legal Counsel

Mike DeWine, Attorney General

Investment Consultant

Aon Hewitt EnnisKnupp



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 21, 2015

Dear Chair and Members of the Board:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Ohio Public Employees Deferred Compensation Program (the Program) for the years ended December 31, 2014 and 2013. The CAFR was prepared to assist the user in understanding the Program's functions and how participants use the Program to supplement their retirement income. Program management is responsible for the contents of this report. Management's Discussion and Analysis (MD&A) complements this letter of transmittal and should be read in conjunction with it.

The Ohio Revised Code (ORC) created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. The Program provides services to more than 211,000 participant accounts from 1,817 State and local government employers. The State created the Program as a separate legal entity and does not appoint a voting majority of the Program's governing Board. The Program is self-funded and governed by its own Board. The State does not approve the Program's budget or set Program rates or charges. Therefore, the Program is not part of the State of Ohio reporting entity.

Program History and Overview

The Program first received deferrals in 1976 pursuant to Internal Revenue Code (IRC) Section 457 and ORC Section 148. All public employees who are eligible to participate in one of the State's statutory retirement systems (including the Cincinnati Retirement System) can contribute, on a pre-tax basis, a portion of their annual includable compensation. Withdrawals may be made at retirement, death, termination of employment, or due to certain qualifying unforeseeable emergencies. Participation is strictly voluntary, and the Program is intended to supplement retirement benefits from the other statutory retirement systems.

Economic Conditions and Outlook

All Program participants are members of one of the State's statutory retirement systems and contribute to the Program on a voluntary basis to supplement their retirement income. As a self-directed plan, participants are responsible for their own investment decisions, but much of their investment success depends on the overall direction of the financial markets.

Since the financial crisis of 2008, the U.S. stock markets have achieved six consecutive years of positive performance as tracked by the S&P 500 index. Most recently, this index gained 13.7 percent in 2014. The continued positive market performance has helped restore the large investment losses of 2008, giving many participants the confidence to maintain or increase their payroll contributions, and encouraging other public employees to enroll.

The Program achieved these all-time high levels in 2014:

- \$11.1 billion in year-end assets
- 1,817 contributing employers
- 211,055 participant accounts
- \$52,382 average account balance
- \$309 million in annual distributions to participants

However, the Program also faces several challenges. The financial crisis of 2008 affected employment in Ohio, which, in turn, negatively affected tax collections by State and local governments. The continued budgetary challenges to government employers have slowed wage increases and hiring of new employees. The number of public employees eligible to participate in the Program has declined every year since 2005, which has constricted the Program's growth potential. As more baby boomers reach retirement age, this large group of participants now has access to their deferred compensation savings. Accordingly, the amount distributed to participants rose 5.2 percent in 2014 compared to 2013.

Major Initiatives 2014

In August 2014, the Program made several investment option changes to lower participant costs, improve portfolio management, and streamline the investment line-up.

- The Program closed the Janus Twenty fund, and participants who did not chose a replacement investment option were transferred into the Ohio DC Large-Cap Growth fund managed by T. Rowe Price. This portfolio was set up as a white-label separate account to lower costs and to encourage participants to focus on the portfolio strategy and not the manager's name.
- Investors in the Vanguard Total International Stock Index fund were moved to an alternative share class of the same strategy. The lower-costing alternative should cumulatively save participants about \$200,000 annually in investment management fees.
- The LifePath 2015 fund was set to reach its target date by the end of 2014, so investors in this fund were moved into the LifePath Retirement fund.

Program staff solicited proposals from outside vendors to electronically image the remaining paper participant files. This project was completed at year-end, came in under budget, and provides quicker access to information, which is now securely maintained off-site in case of disaster.

Program staff solicited proposals from consulting firms to implement the recordkeeping modernization plan. This project will improve and modernize the software and hardware of the Program's daily recordkeeping system. The project is expected to take several years to complete and cost \$8-\$10 million. Hewlett-Packard Enterprise Services was selected to complete this project and began work in January 2015.

The Board approved an amendment to the Plan Document that would allow employers to automatically enroll newly hired employees into the Program. This process was successfully tested with a couple of employers and will be made more broadly available. Employers that adopt automatic enrollment will be promoting the importance of retirement savings over their employees' entire working careers.

Financial Information and the Internal Control Structure

Program management is responsible for the information in this report and for establishing and maintaining a system of internal controls sufficient to provide integrity to all financial information and to permit reporting in conformity with accounting principles generally accepted in the United States of America. We believe the information presented in this CAFR is accurately and fairly presented in all material respects. Internal controls can provide reasonable, but not absolute assurance that Program objectives will be met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures.

The "Plan Net Position Available for Benefits" and "Changes in Plan Net Position Available for Benefits" are included as a "Pension Fund" in the Financial Section of this presentation. The Program reports all financial activity on the accrual basis of accounting. Additions are recorded in the period in which they are earned, and deductions are recorded in the period in which the liability is incurred.

During 2014, excess Administration Fund cash was held in money market accounts, certificates of deposit, and short-term investments. Cash is held for capital acquisitions and is used to supplement monthly operations if administrative expenses exceed revenues during a given month. Program management seeks to maintain sufficient cash reserves to cover six to 18 months of operating expenses. The Program held about 15 months of operating expenses in reserve as of December 31, 2014.

Program Additions

Additions come from employee contributions, transfers from other plans, investment income earned on participant accounts, and recordkeeping reimbursements. Net investment income over the past three years was the largest source of Program additions. Employee contributions are the second largest contributor to assets, although they declined 0.7 percent in 2014 compared to 2013.

The positive financial markets and investment performance have begun to influence participant behaviors, and the number of participants actively deferring at year-end was 1.9 percent higher compared to 2013. However, many of the newly deferring participants are contributing at a low level, which is reflected in the average annual employee contribution, which fell from \$4,063 to \$3,959 between 2013 and 2014. Total employee contributions were \$427 million in 2014 compared to \$430 million in 2013 and \$427 million in 2012.

Program Deductions

Participant distributions in 2014 increased by 5.2 percent over 2013. The recent performance of the financial markets has increased participant account balances, resulting in more funds available for retirement income. The average annual distribution per account in 2014 was \$9,599, a 9.1 percent increase from 2013.

The amounts transferred to other eligible retirement plans, including transfers to defined benefit plans to purchase service credit, decreased by \$9.5 million or 3.2 percent between 2014 and 2013. The primary defined benefit plan changed the formula to calculate purchase service credit in mid-2013, and the Program has experienced a significant decline in these requests since then.

Investments

The Program is a self-directed plan, so participants choose the investment options for their current deferrals and balances. The Board has adopted an investment policy to ensure that a sufficient number of suitable, diverse investment options are offered and regularly monitored.

The Stable Value Option (SVO) continues to be the most popular investment choice and accounts for 39.9 percent of all invested assets. The one-year return on SVO investments was 2.3 percent in 2014. In addition to the SVO, participants can select from 14 investment options or select a target date fund to create a diversified portfolio. Investment performance results and related investment expense ratios are reported to participants in their Annual and Quarterly Statements and in the Program's newsletter and website. A listing of investment options and their performance returns is included in the Investment Section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) most recently awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Public Employees Deferred Compensation Program for the fiscal year ended December 31, 2013. The Certificate of Achievement is the highest form of recognition for excellence in State and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period. We believe our current CAFR continues to conform to Certificate of Achievement program requirements, and will be submitted to the GFOA to determine its eligibility for another Certificate of Achievement.

Independent Auditors

The financial statements of the Program for the years ended December 31, 2014 and 2013 were audited by Clark, Schaefer, Hackett & Co., under contract with the Auditor of State of Ohio.

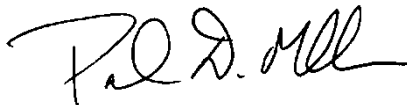
Acknowledgments

The preparation of this report reflects the combined efforts of the Program's staff under the direction of the Board and its Audit Committee. The purpose of this report is to provide complete and reliable information as a basis for making decisions and as a means for determining responsible stewardship over the assets contributed by participants.

Respectfully submitted,



R. Keith Overly
Executive Director



Paul D. Miller, CPA
Assistant Director-Finance

PLAN SUMMARY

Ohio Revised Code Section 148 established the Ohio Public Employees Deferred Compensation Plan (the Plan), which will at all times comply with the current Internal Revenue Code and Internal Revenue Service Regulations. The Plan is effective as to each eligible employee (i.e. public employees as defined in Section 148.01(A)(1) of the Ohio Revised Code) upon the date he or she becomes an active participant by executing a participation agreement with the employer.

This Plan summary includes all Plan revisions approved by the Board as of December 31, 2014. Participants should refer to the Plan Document for complete Plan information.

Delegation by Employer - The participating employers have delegated their administrative powers, duties, and responsibilities under the Plan to the Ohio Public Employees Deferred Compensation Board.

Commencement of Participation - Each eligible employee shall be permitted to participate under this Plan. An eligible employee shall elect to participate and become an active participant by executing a participation agreement with their employer, or by being enrolled automatically by their employer. A participation agreement shall specify:

- a. The amount of the active participant's compensation, which the employer and the participant agree to defer, subject to limitations;
- b. The date as of which reduction and deferral of compensation pursuant to the participation agreement shall begin, which date shall be as early as administratively practicable, but no earlier than the first day of the first calendar month following the execution of the participation agreement; and
- c. The investment option(s) selected by the participant.

Maximum and Minimum Deferrals - Normally, the maximum amount that may be deferred by an active participant into the Plan in any Plan year shall not exceed the lesser of (A) \$17,500 for the year 2014, and then indexed as allowed by law in future years or (B) 100 percent of an active participant's includable compensation (as defined by the Internal Revenue Code). In addition, for the year 2014, participants who have attained age 50 may defer an additional \$5,500, which amount may increase in future years as indexed as allowed by law.

Under certain circumstances, participants may defer up to two times the normal annual deferral limit during each of the last three years prior to normal retirement age if the participant contributed less than the maximum amount during earlier years.

The limitations on the maximum amount of deferral above shall be reduced by any amount excluded from the participant's gross income for the Plan year under another Section 457 plan maintained by any employer.

The Plan administrator may establish a minimum deferral amount or minimum allocation to any investment

Amendments of Participation Agreements - The election of an eligible employee to participate under the Plan is irrevocable as to all amounts actually deferred under the participation agreement. The participant may, by amendment of the participation agreement or other forms authorized by the administrator, do any of the following: (a) change the specification of any investment option as to the amounts to be deferred in the future; (b) terminate the election to be an active participant; or (c) change the amount of compensation to be deferred. An amendment or termination shall be effective as early as administratively practicable, but not earlier than the first day of the following calendar month.

Exchanges - A participant (or beneficiary, if the participant has died) may make exchanges between investment options. Any such exchange shall be effective at the price next computed following receipt of the exchange request and shall be subject to such restrictions as are established by the Plan administrator. Participants who complete four exchanges in any 45-day period will lose their electronic trading privileges, and be restricted to one mail-in exchange every five days for the following twelve-month period.

Maintenance of Accounts - The Plan administrator shall establish an account for each participant to which shall be credited or charged, as the case may be, amounts deferred under the Plan and any increase or decrease of the account value of the investment options specified in the participation agreement or any amendment thereto. All investment options offered under this Plan must be offered by persons, companies, or entities authorized and duly licensed by the State of Ohio and appropriate Federal agencies regulating such investments to do business in the State of Ohio. The Plan and the employer shall not be responsible for any decrease in value of a participant's account resulting from capital or market changes or any other changes occurring in the investment option or the participant's account. The Plan administrator may from time to time assess reasonable service charges against all or any portion of the deferred amounts or accounts to defray costs associated with the implementation and administration of the Plan.

Crediting of Accounts - Each participant's account shall be credited with amounts authorized for deferral and received by the Plan administrator.

Report - A report of the total amount credited to a participant's account, in such form as the Plan administrator determines, shall be furnished to the participant not more than 60 days after the end of each calendar quarter. All reports to a participant shall be based on the net fair market value of the investment options as of the end of the reporting period, to the extent such values are available to the Plan administrator.

Assets Held in Trust - Plan assets are not the property of participating employees. All Plan assets and income shall be held by the Board in trust on behalf of the employer for the exclusive benefit of participants and their beneficiaries. All assets, whenever contributed to the Plan, are assigned to the trust established by the Board.

Rollovers - Any participant (or spousal beneficiary) who has separated from service with an employer with which the participant maintained an account under an eligible retirement plan may, upon proper written request, rollover the account value from that account to the participant's Ohio Public Employees Deferred Compensation Plan account.

Any participant (or beneficiary) who has separated from service with an employer with which the participant maintained an account with the Ohio Public Employees Deferred Compensation Plan may, upon proper written request, rollover the account value from that account directly to another eligible retirement plan.

Service Credit Purchase - Participants may use all or a portion of their account balances as a direct trustee-to-trustee transfer to a governmental defined benefit system, which permits the purchase of permissive service credit or the repayment of service credits.

In-Service Transfers - If an employer offers multiple IRC 457 deferred compensation plans, which meet certain conditions, the Plan will allow participants to move their account balances between plans as an in-service transfer prior to severance from employment.

Election of Benefit Payment Date - (a) Participant - Upon severance from employment, a participant may elect a date to begin receiving benefit payments from the Plan. Benefit payments may begin after verification of severance, receipt of final deferral, and completion of the Withdrawal Election Form. Payments must begin no later than December 31 of the year in which the participant reaches age 70½. If the participant has not had a severance from employment as of this date, then payments must begin no later than December 31 of the year in which the participant has a severance from employment.

(b) Beneficiary - If a participant or spousal beneficiary dies before his or her account has been exhausted, then the remaining account balance shall be paid to the designated beneficiary. The beneficiary shall have the right to elect a benefit option, subject to the following limitations. (1) If a participant dies on or

after the required minimum distribution date, payments shall continue to be paid to the beneficiary at least as rapidly as they were being paid to the participant. (2) If a participant dies before the required minimum distribution date, the beneficiary may choose a payment option subject to the following requirements: (a) if the beneficiary is the participant's surviving spouse, distribution may be delayed until December 31 of the year in which the participant would have reached age 70½, or (b) if the beneficiary is someone other than the surviving spouse, distribution of the account must begin by December 31 of the year following the participant's death, or (c) if the beneficiary is not a person, such as a trust or estate, the entire account must be distributed by the end of the calendar year which contains the fifth anniversary of the participant's death. (3) If a spousal beneficiary dies after the participant, but before the full account value is distributed, any remaining account value will be paid to the spousal beneficiary's designated beneficiaries in a lump-sum payment.

Election of Benefit Payment Options - All distributions are subject to the requirements of IRC Sections 457(d) and 401(a)(9) and the regulations there under. The Plan administrator will annually determine if the participant's or beneficiary's annual distributions meet their minimum distribution requirements and adjust the amount, if necessary, to comply with these provisions.

Initial benefit payment elections and subsequent changes will be effective only if made on forms provided or in the manner prescribed by the Plan administrator and received by the date determined by the Plan administrator. Purchased annuity benefit payments options may not be changed once payments have begun. No benefit payment option shall be available which is not provided for on the benefit payment election form provided by the Plan administrator or is not permitted by the Plan document. Benefit payments are taxable income to participants and beneficiaries in the year of distribution and are subject to the applicable tax withholding rules.

Require Elections for Benefit Payment Date and Option - (a) Participant - If a participant does not choose a benefit payment date, benefit payments shall begin by December 31 of the year the participant reaches age 70½. Benefits shall be paid for a fixed time period over the maximum number of years allowed by the required minimum distribution tables.

(b) Beneficiary - If a spousal beneficiary of a participant who dies before the required minimum distribution date does not elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant would have reached age 70½. If a non-spousal beneficiary of a participant does not choose a benefit payment date, benefit payments shall begin by December 31 of the year following the participant's death. Benefits shall be paid for a fixed time period for the maximum number of years allowed by the required minimum distribution tables.

Emergency Withdrawals - A participant may request an unforeseeable emergency withdrawal by submitting that request in writing on the approved form to the Plan administrator's staff. An unforeseeable emergency is a severe financial hardship of the participant or beneficiary resulting from a sudden and unexpected illness or accident. If the participant request is denied, a request for review of the staff determination may be made in writing. If this review fails to confirm a claim of unforeseeable emergency, an appeal may be made to the Ohio Public Employees Deferred Compensation Board. The decision of the Board shall be final and not subject to further appeal. If at any time a request for withdrawal is approved, the Plan administrator may thereupon distribute so much of the participant's account as is necessary to provide the amount approved to meet the unforeseeable emergency.

Acceleration - If upon a participant's separation from service and the Board's receipt of the last deferral, the participant's account value is less than \$1,000, the Plan administrator may accelerate the payment of benefits otherwise due in the future and pay to such participant the full account value in a lump sum less the required tax withholding.

Qualified Domestic Relations Order - The Plan administrator shall comply with the provisions of a domestic relations order which the Plan administrator determines to constitute a Qualified Domestic Relations Order, as defined by the Internal Revenue Code. The Plan permits distributions at any time to an alternative payee under a Qualified Domestic Relations Order.

Small Balance Distribution - A participant may elect a small balance distribution if the account value is \$5,000 or less, the full value of the account is to be distributed, the participant has not deferred into the Plan for two years, the participant agrees not to recommence deferrals to the Plan for one year, and there has been no prior distribution under this Plan provision.

Benefit Payment Options - The following benefit payment options are available under the Plan. Definitions of each are provided on the benefit payment election form.

1. Payments of an annual percent
2. Payments of a dollar amount
3. Systematic withdrawals for a fixed time period
4. Partial lump sum payout
5. Lump sum payout

Designation of Beneficiaries - At any time after commencing participation in the Plan, a participant, or spousal beneficiary may designate a beneficiary or joint annuitant for any benefits that the participant or spousal beneficiary is entitled to receive under the Plan and which are unpaid at the time of the participant's death, on a form filed with and accepted by the Plan administrator. If a participant or spousal beneficiary dies without having a proper beneficiary form completed

and on file, the benefits payable on or after the date of death shall be paid to the fiduciary of the probate estate, provided that if the Plan administrator does not receive notice that a fiduciary has been appointed, payment may be made to those persons making claims to receive the property under intestacy laws of the jurisdiction of their residence at the time of the participant's death.

If a non-spousal beneficiary dies while receiving Plan benefits, any remaining benefits which the non-spousal beneficiary is entitled to receive under the Plan and which are unpaid at the time of the beneficiary's death shall be paid in a lump sum amount determined under each applicable investment option to the fiduciary of the beneficiary's probate estate, provided that if the Plan administrator does not receive notice that a fiduciary has been appointed, payment shall be made to those persons making claims to receive the beneficiary's property under the intestacy laws of the jurisdiction of the beneficiary's residence at the time of death.

If a trust is named as beneficiary, satisfactory evidence must be furnished to the Plan that the trust is the only beneficiary qualified to receive payment. The Plan will be fully discharged of liability for any action taken by the trustee and for all amounts paid to the trustee. In all dealings with the trust, the Plan will be fully protected against the claims of every other person. The Plan will not recognize a change in the trust as beneficiary unless the change is documented on forms provided by the Plan administrator.

Designation Forms - A participant may change any beneficiary or joint annuitant at any time by filing with the Plan administrator a dated change of beneficiary form or joint annuitant form. These designations shall be on forms provided by the Plan administrator and shall be effective on the date filed with and accepted by the Plan administrator. Any change of joint annuitant must be made prior to commencement of annuity payments.



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Ohio Public Employees Deferred Compensation Board
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Public Employees Deferred Compensation Program (the Program) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net financial position available for benefits of the Program, as of December 31, 2014 and 2013, and the changes in plan net position available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 to 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The introductory section (pages 4 to 16), the supplementary schedules (pages 46 to 50), the investment section (pages 52 to 55), and the statistical section (pages 57 to 61) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the investment section, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Ohio Public Employees Deferred Compensation Program (the Program) offers this narrative overview of the financial statements contained in this CAFR. The financial statements consist of the Statements of Plan Net Position Available for Benefits and the Statements of Changes in Plan Net Position Available for Benefits. All assets and liabilities associated with the Program's operations are included on the Statement of Plan Net Position Available for Benefits. The Program's financial activities for the periods are reported on the Statement of Changes in Plan Net Position Available for Benefits. Additional information is presented in the Notes to the Financial Statements and the Supplemental Information Schedules.

PROGRAM ADDITIONS

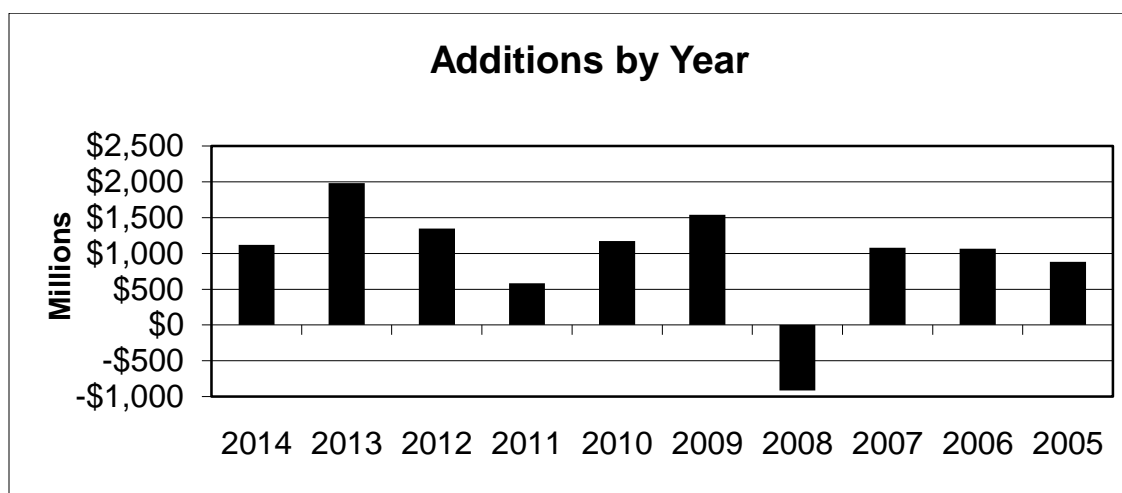
The largest item in Program additions is investment income, which is mainly determined by the overall performance of the U.S. equity and fixed income markets. In general, equity performance over the past three years has been double-digit gains, which is much better than the average long-term market returns. The fixed income investment options in the Program produced slight negative returns in 2014. The combined results for 2014 were investment income of \$601 million, which is down from the previous two years.

Participant contributions in 2014 dropped slightly from 2013 and were nearly equal to 2012 results. The total number of contributing employees increased for the third consecutive year coming after several years of declines. However, newly contributing employees are averaging lower contributions per pay, which has held down the annual contribution totals. The IRS determines the annual maximum that employees may contribute based on inflation indices, and this limit was not raised in 2014, which also limited contribution growth.

Transfers from other retirement plans in 2014 decreased significantly from prior years. Changes to the statewide defined benefit retirement systems encouraged employees to retire in prior years, which accelerated rollover activity in those years. Recordkeeping income generally varies with asset levels, and as assets continued to increase over the past three years, so has this revenue source.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net investment income	\$601,031,283	\$1,418,003,238	\$789,312,760
Participant contributions	426,998,670	430,050,916	426,982,639
Transfer from other plans	83,514,282	127,241,710	126,454,338
Recordkeeping income	6,860,670	6,545,755	5,814,203
Total Additions	<u>\$1,118,404,905</u>	<u>\$1,981,841,619</u>	<u>\$1,348,563,940</u>

The graph below shows the 10-year history of total Program additions. While employee contributions had been generally steady over this period, investment income has the greatest impact on the year-to-year fluctuations.



PROGRAM DEDUCTIONS

Total deductions increased by only 0.9 percent in 2014 compared to 2013. This relatively flat result is a deviation from the steady growth in deductions over longer periods. The number of participants taking a distribution in 2014 fell by 3.6 percent, which is the first decline since 2009. However, the average annual distribution per participant increased by 9.1 percent.

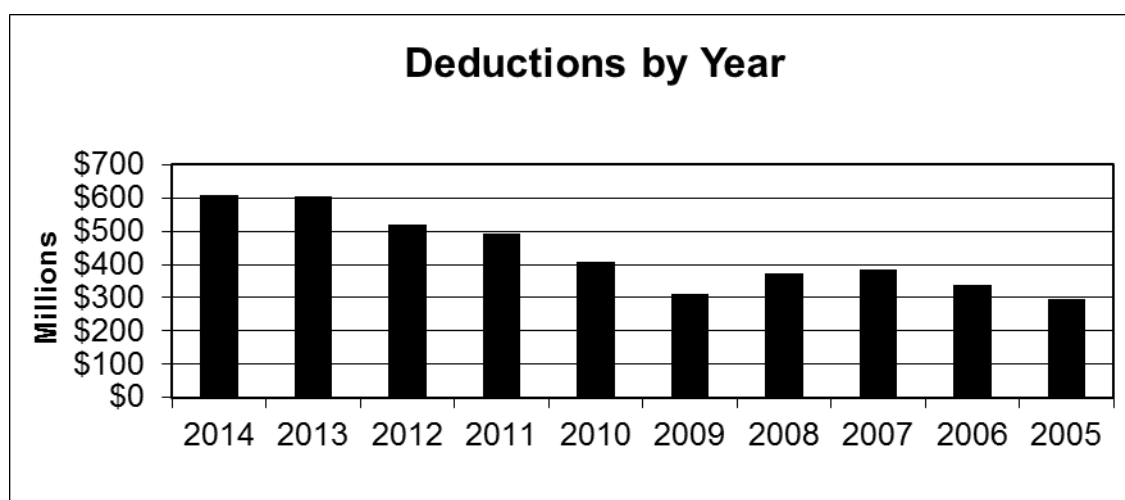
Transfers to other plans also had less activity in 2014, which resulted in a 3.2 percent decrease from 2013. Other deductions are primarily administrative expenses that were down 2.2 percent in 2014 due to lower information technology (consulting) expense.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Distributions to participants	\$308,669,971	\$293,382,585	\$277,630,284
Transfers to other plans	291,846,481	301,342,138	232,549,170
Other deductions	9,912,263	10,132,374	9,326,122
Total Deductions	<u>\$610,428,715</u>	<u>\$604,857,097</u>	<u>\$519,505,576</u>

The graph below shows the 10-year history of total Program deductions. The general trend over this period has been a steady increase in Program deductions due to higher participant distributions and greater transfers to other retirement plans. These increases were generated by more people taking distributions (larger numbers of baby boomers retired) and greater amounts withdrawn (larger account balances available due to recent positive market performance).

The upward trend in total deductions paused in 2008 and 2009, as both distributions and transfers decreased. The substantial negative financial market results of 2008 dropped participant account values in 2009. The negative results, coupled with federal tax law changes that suspended the required annual distributions for those over age 70½, encouraged participants to lower their distribution requests in 2009.

Since the dip in deductions in 2009, higher account values, greater number of retirees, and the restoration of the required annual distributions have resulted in total deductions resuming their long-term upward trend.



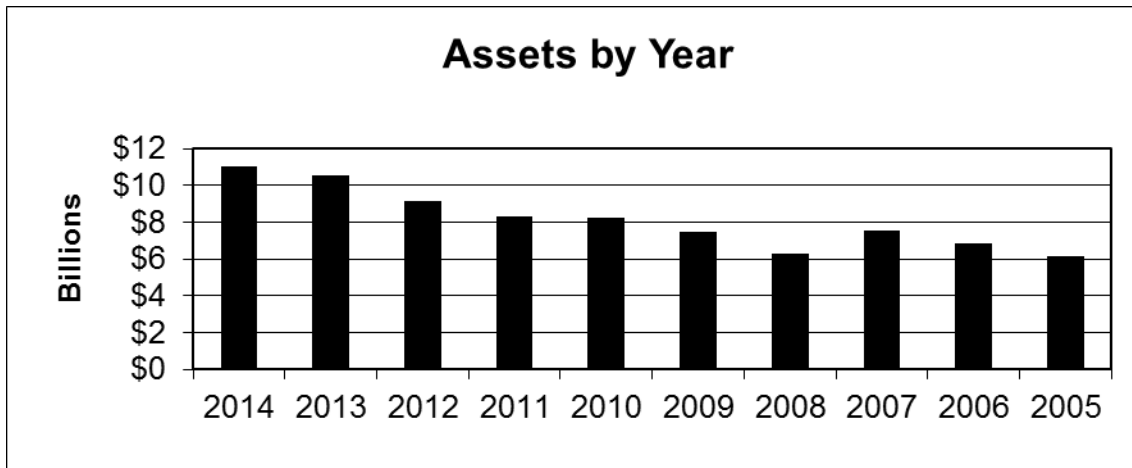
PLAN NET POSITION AVAILABLE FOR BENEFITS

Total assets at December 31, 2014 increased 4.8 percent compared to the prior year-end. The increase resulted from net investment income exceeding negative participant cash flows. Participant cash flows (contributions and transfers from other plans compared to distributions and transfers to other plans) were negative in both 2014 and 2013.

Program liabilities are generally unpaid operating expenses at year-end and trade settlement payments due for investments purchased on the final business day of the year. Total liabilities can vary significantly year-to-year depending on the volume of participant account activity (contributions and exchanges) on the final business day of the year.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Assets	\$11,059,254,499	\$10,550,777,186	\$9,172,084,429
Total Liabilities	<u>3,757,049</u>	<u>3,255,926</u>	<u>1,547,691</u>
Net Position Available for Benefits	<u>\$11,055,497,450</u>	<u>\$10,547,521,260</u>	<u>\$9,170,536,738</u>
Change in Net Position	<u>\$507,976,190</u>	<u>\$1,376,984,522</u>	<u>\$829,058,364</u>

As shown in the graph below, total assets available for benefits have trended up over the past 10 years, representing an improvement to the overall financial position of the Program. The severity of the 2008 market decline was extraordinary, leading to a considerable loss of Program assets. Sustained positive financial market performance since 2008 has offset the assets lost, resulting in a resumption of our growing trend.



PROGRAM ACTIONS

The Program has an in-house staff that performs administrative and recordkeeping functions. The Program contracts with an outside vendor to provide enrollment, education, and customer service to eligible employees and participants. Nationwide has provided these services since 1999, and the most recent contract expired June 30, 2014. After conducting an open request for proposals process, the Program selected Nationwide to continue providing these services through June 30, 2019.

Providing a diverse group of investment options is important to all deferred compensation plans, and monitoring, managing, and replacing less-successful options is critical. During 2014, the Program took the following investment-related actions:

- The Janus Twenty fund was closed due to management and strategy changes and underperformance. Investors who did not reallocate their investments on their own were defaulted to the new Ohio DC Large-Cap Growth fund, managed by T. Rowe Price.
- Investors in the Vanguard Total International Stock Index fund were moved from the Institutional share class to the Institutional Plus share class. This move retained the same investment strategy and management, but at a lower ongoing investment cost.
- Program management continued to work with its consultants and investment managers to restructure the Stable Value Option (SVO). The changes to the SVO in 2014 included:
 - Hiring Goldman Sachs for overall management of the SVO
 - Hiring Goldman Sachs to manage the liquidity allocation of the SVO
 - Amending investment management agreements with several managers to reflect benchmark changes required by wrap guarantors

CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

This financial report is designed to provide participants, beneficiaries, employers, trustees, investment managers, and the public with a general overview of the Program's finances and to show the Program's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Program's administrative offices at 614-466-7245.

STATEMENTS OF PLAN NET POSITION AVAILABLE FOR BENEFITS

As of December 31, 2014 and 2013

	2014	2013
Assets:		
Investments:		
Mutual funds	\$5,063,794,322	\$4,951,483,952
Stable value option	4,403,316,303	4,480,874,911
Collective trust funds	1,282,672,718	1,075,477,785
Separate account	266,557,431	0
Purchased annuities	21,555,399	23,236,892
Total investments	11,037,896,173	10,531,073,540
Cash and cash equivalents	12,658,695	10,801,478
Contributions receivable and cash held for investment	6,749,594	7,225,950
Accounts and other receivables	1,832,226	1,543,550
Property and equipment, net	117,811	132,668
Total assets	11,059,254,499	10,550,777,186
Liabilities:		
Accounts payable	3,382,450	2,900,654
Accrued expenses	374,599	355,272
Total liabilities	3,757,049	3,255,926
Plan Net Position Available for Benefits	\$11,055,497,450	\$10,547,521,260

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the years ended December 31, 2014 and 2013

	2014	2013
Additions:		
Net Investment Income:		
Net gain on funds	\$498,568,830	\$1,310,055,478
Stable value income	116,975,955	122,198,404
Investment expenses	(14,513,502)	(14,250,644)
Net investment income	601,031,283	1,418,003,238
Participant contributions	426,998,670	430,050,916
Transfers from other plans	83,514,282	127,241,710
Recordkeeping income	6,860,670	6,545,755
Total additions	1,118,404,905	1,981,841,619
Deductions:		
Distributions to participants	308,669,971	293,382,585
Transfers to other plans	291,846,481	301,342,138
Administrative expenses	9,912,263	10,132,374
Total deductions	610,428,715	604,857,097
Change in Net Position	507,976,190	1,376,984,522
Plan Net Position Available for Benefits:		
Beginning of Year	10,547,521,260	9,170,536,738
End of Year	\$11,055,497,450	\$10,547,521,260

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Description of the Program:

The following description of the Ohio Public Employees Deferred Compensation Program (the Program) is provided for general information only. Participants should refer to the Plan Document for complete information.

The Program is a voluntary defined contribution pension plan established pursuant to Ohio Revised Code (ORC) Section 148, which permits the Board to maintain and alter the Program as necessary. Under the Program provisions, any public employee within Ohio (as defined in ORC Section 148.01(A)(1)) is eligible to contribute into the Program, through payroll deductions, any amount up to the maximum permitted under Section 457 of the Internal Revenue Code. Amounts contributed by employees are deferred for Federal and State income tax purposes until such amounts are distributed by the Program. As of December 31, 2014 and 2013, there were 1,817 and 1,802 respectively, State and local governments in the Program and 107,845 and 105,856 respectively, active participant accounts in the Program.

Plan assets are not the property of the participating employees. All Plan assets and income are held by the Board in trust on behalf of the employers for the exclusive benefit of participants and their beneficiaries. All assets, whenever contributed to the Plan, are assigned to the trust established by the Board.

As of December 31, 2014, Program participants have the following investment options:

- A Stable Value Option administered by the Program. Investment portfolios are managed by Goldman Sachs Asset Management (GSAM); Earnest Partners (Earnest); JP Morgan Asset Management (JP Morgan); Jennison Associates LLC (Jennison); Pacific Investment Management Company LLC (PIMCO); Nationwide Asset Management LLC (Nationwide); Payden & Rygel (Payden); and State Street Bank and Trust (State Street). The Stable Value Option also invests in guaranteed investment contracts issued by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co.
- Mutual funds managed by Dodge & Cox Funds (Dodge & Cox); Fidelity Investment Company (Fidelity); First Pacific Advisors (FPA); Hartford Investor Services Company (Hartford); Pacific Investment Management Company LLC (PIMCO); Franklin Templeton Funds (Templeton); and The Vanguard Group, Inc. (Vanguard).
- A separate account managed by T. Rowe Price (Price).

NOTES TO THE FINANCIAL STATEMENTS, Continued

- Target date collective trust funds managed by BlackRock Institutional Trust Company (BlackRock).
- Universal life and whole life insurance contracts are underwritten by Ohio National Life Insurance Company (Ohio National). Effective January 1, 1989, these life insurance contracts were no longer offered as new investment options available to participants. Approximately 100 life insurance contracts remain in effect as of December 31, 2014.

Participants may withdraw the value of their deferred account upon termination of employment, retirement, disability, or unforeseeable financial emergency. Participants may select various payout options including lump sum payments or payments over various periods. If a purchased annuity option was selected, the payments may be actuarially determined.

At termination of employment or retirement, participants investing in universal and whole life insurance contracts may continue to make premium payments directly to the insurance carrier, or they may receive the cash surrender value of the contract less any applicable surrender charges. In the case of the death of a participant, the face value of the insurance contract is payable to their beneficiary as taxable ordinary income.

2. Summary of Significant Accounting Policies:

Organization:

The Ohio Revised Code Section 148.02 created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. However, under the criteria set forth in governmental accounting standards, the Program is not considered a component unit of the State of Ohio, because of the following:

- The Program is a separate legal entity.
- The State does not appoint a voting majority of the Program's Board.
- The State does not approve the Program budget or set Program rates or charges.
- The Program provides services to Ohio local governments as well as to the State of Ohio.

The Ohio Deferred Compensation Board is constructed of the members of the Ohio Public Employees Retirement System (OPERS) Board, a member of the Ohio Senate, and a member of the Ohio House of Representatives. The two members from the Ohio General Assembly must be of different political parties and are appointed by their respective leadership. Seven members of the OPERS Board are elected by the groups they represent: retired employees (2), State employees, municipal employees, county employees, non-teaching employees of State colleges and universities, and miscellaneous employees. The four statutory

NOTES TO THE FINANCIAL STATEMENTS, Continued

Board members are the Director of the Ohio Department of Administrative Services and investment experts appointed by the Governor of Ohio, Treasurer of State, and Ohio General Assembly.

Basis of Accounting and Measurement Focus:

The activities of the Program are accounted for as a Pension Fund, and follow the accrual basis of accounting and reporting for defined contribution plans recommended by the Governmental Accounting Standards Board. The Program is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the Program's operations are included on the Statement of Plan Net Position Available for Benefits. Activities of the Program are accounted for in two funds, which are combined for the purpose of financial reporting:

Program Fund:

The Program Fund reflects all employee contributions, earnings, or losses on investments and distributions to participants.

Administration Fund:

The Administration Fund is used to account for customer service and administrative costs incurred by Program operations. The Administration Fund recovers the costs of its operations through fees charged to the Program Fund and from recordkeeping reimbursements from certain investment providers.

Stable Value Option:

The Program administers the Stable Value Option (SVO), the stable value investment option offered to participants. As of December 31, 2014, the Program has stable value funds invested with eight professional investment managers and in three guaranteed investment contracts. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return of these investments. The Program is also responsible for calculating daily account balances, disbursing funds for benefit withdrawals, and processing investment exchanges.

As of December 31, 2014, the investment portfolios of the SVO are managed by GSAM; Earnest; JP Morgan; Jennison; Nationwide; Payden; PIMCO; and State Street. The guaranteed investment contracts are managed by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co. The Program's investment policy specifies investment guidelines, including asset class, credit rating, portfolio diversification, and duration. The GSAM portfolio maintains a cash reserve account to buffer the other investment portfolios from daily cash flows into and out of the SVO.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Funds invested in the SVO portfolios are covered by guarantee agreements with banks and insurance companies. These agreements provide the formulas for determining the quarterly interest rate earned by the stable value investment portfolio and provide for benefit withdrawals at the guaranteed value. As of December 31, 2014, the Program's guarantee agreements are with Metropolitan Life Insurance Co.; Monumental Life Insurance Co.; Prudential Insurance Co. of America; Reinsurance Group of America; and the Royal Bank of Canada.

Through December 31, 2013, the Program used the services of Deutsche Bank Trust Company (Deutsche) to administer the SVO. During 2014, GSAM purchased the stable value business unit of Deutsche and hired most of their key stable value employees. During 2014, the Program retained GSAM to provide the same administrative services for the SVO.

Investments Valuation:

Investments of the SVO are valued at contract value, which represents contributions received, plus the interest credited, less applicable charges and amounts withdrawn.

Mutual fund investments are valued at the share prices of mutual funds as reported by the fund providers, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Collective trust fund investments are valued at the unit prices of the collective trust funds as reported by the fund providers, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Separate account investments are valued at the market value of the underlying assets as reported by the fund custodian, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. These amounts represent reserves established by Nationwide and are based on actuarial assumptions as to anticipated mortality, withdrawals, and investment yield. Nationwide periodically adjusts and updates these assumptions.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Life Insurance Contracts:

As previously disclosed, universal and whole life insurance options are no longer available as new investment options. The cash value before surrender charges or other assessments of existing policies was \$564,900 and \$644,500 at December 31, 2014 and 2013, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was \$5,495,100 and \$5,626,000 at December 31, 2014 and 2013, respectively.

Stable Value Income:

Stable value income is recorded as earned for each of the investment components of the SVO. The gross crediting rates for each portfolio were adjusted quarterly and ranged from 1.97 percent to 3.53 percent during 2014, and from 1.64 percent to 3.60 percent during 2013.

The assets held for purchased annuities were credited interest based on reserve assumptions used by Nationwide at the participant's annuitization date. The annuitization rates ranged from -2.3 percent to +2.5 percent during 2014 and 2013.

Net Gain or Loss on Invested Funds:

Investment income or loss consists of dividends and capital gains paid, and appreciation or depreciation on mutual funds, collective trust funds, and separate accounts.

Historical Trend Information:

Unaudited historical trend information designed to provide information about the Program's progress is presented in the accompanying Statistical Section of this report.

Property and Equipment:

Property and equipment of the Board are stated at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Board Employees' Deferred Compensation Benefits:

All employees of the Board are eligible to participate in the Program, which it administers. The Deferred Compensation Board employees' assets in the Program were valued at fair value and are included as Plan Net Position Available for Benefits.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Reclassifications:

Certain prior year amounts may have been reclassified to conform to the current year's presentation.

3. Tax Status:

The Program is an eligible deferred compensation program as defined by Section 457 of the Internal Revenue Code. Accordingly, any amount of compensation deferred under the Program and any income attributable to the amounts so deferred shall be included in the taxable income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or his beneficiary.

4. Participant Contributions:

Participant contributions receivable and held for investment represent amounts withheld from participants, but not remitted to the investment providers at year-end. The Program maintains a bank account for the purpose of consolidating the deposit of all participant contributions. Contributions are subsequently remitted to the investment providers as designated by the participants. Funds deposited but not remitted to the investment providers were \$4,350,000 and \$4,793,700 at December 31, 2014 and 2013, respectively.

5. Cash and cash equivalents:

The Board's policy is to invest excess Administrative Fund cash in bank checking and money market accounts, certificates of deposit, or issues of the U.S. Government and its agencies, all with maturities of five years or less. The Program also may invest in StarOhio, an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. StarOhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in StarOhio are valued at StarOhio's share price, which is the price the investment could be sold for on December 31, 2014.

At December 31, 2014 and 2013, the bank cash balances were \$12,658,695 and \$10,801,478 respectively. The bank balances were insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining bank deposits are covered by collateral held in the name of the Program's pledging financial institution, as required by State statute.

NOTES TO THE FINANCIAL STATEMENTS, Continued

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2014	
	Carrying Value	Fair Value
Mutual Funds	\$5,063,794,322	\$5,063,794,322
Stable Value Option	4,403,316,303	4,544,439,661
Collective Trust Funds	1,282,672,718	1,282,672,718
Separate Account	266,557,431	266,557,431
Purchased Annuities	21,555,399	21,555,399
Total Investments	\$11,037,896,173	\$11,179,019,531

	December 31, 2013	
	Carrying Value	Fair Value
Mutual Funds	\$4,951,483,952	\$4,951,483,952
Stable Value Option	4,480,874,911	4,598,113,218
Collective Trust Funds	1,075,477,785	1,075,477,785
Purchased Annuities	23,236,892	23,236,892
Total Investments	\$10,531,073,540	\$10,648,311,847

Stable Value Option:

The investments of the Stable Value Option (SVO) are governed by an investment policy enacted by the Board. The SVO invests in a diversified portfolio of bonds and fixed income investments including U.S. government and agency securities, residential and commercial mortgage-backed securities, asset-backed securities, and corporate securities. The SVO also invests in stable value contracts that may include wrapper contracts, and separate and general account group annuity and other types of investment contracts (SV Contracts). SV Contracts, which are contractual agreements issued by banks, insurance companies, and other financial institutions, are purchased by the SVO with the objective of providing principal stability. The SVO may also invest in commingled bank trust funds or insurance company funds that own bonds or fixed income securities described above.

SV Contracts are normally valued using a book value record determined by the contract's terms, which is intended to help reduce principal fluctuations and provide for certain transactions at book value. SV Contracts credit a stated interest rate that is determined periodically and may vary from period to period. SV Contract issuers are typically paid ongoing fees from the assets of the SVO. These fees are calculated based on a percentage of the SV Contract's book value. The SVO's returns are affected by cash flows including employee

NOTES TO THE FINANCIAL STATEMENTS, Continued

contributions, withdrawals and transfers, and the total return performance of the associated fixed income account portfolios.

In March 2014, Goldman Sachs Asset Management (GSAM) acquired the stable value business of Deutsche. GSAM will perform stable value duties previously handled by Deutsche including manage the liquidity buffer, negotiate SV Contracts, provide consolidated stable value reports, and assist Program management with the overall management of the SVO.

At December 31, 2014, investments in separate account portfolios managed by Jennison, PIMCO, and State Street were held in custody for the Program by State Street Bank and Trust. A separate account managed by Nationwide was held in custody by Bank of New York Mellon. The quoted market prices of these investments have been used for disclosure purposes.

Funds managed by GSAM were in GSAM commingled bond funds and are disclosed at fair value. Investment portfolios with JPMorgan, Earnest, and Payden were held in a Metropolitan Life Insurance Company commingled fund that is part of a separate account group annuity contract, and are disclosed at fair value. Funds were invested in guaranteed investment contracts (GIC) issued by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co. The fair value of a GIC is calculated by discounting the expected future cash flows of the investment based on current market yields of similar investments with comparable durations.

The Program has entered into SV Contracts to fund qualified withdrawals at contract value for participant driven transactions as allowed by the normal operation of the Program. The SVO book value represents participant contributions plus earnings based on the credited rate of interest stipulated under the terms of the various SV Contracts. As of December 31, 2014, the fair value of the SVO assets exceeded the book value by \$141 million or 3.2 percent. The crediting rate formula under many of the SV Contracts is intended to converge the SVO assets over time, although changing market conditions, combined with participant activity, may affect the feasibility and timing of converging the carrying and fair values of the SVO.

NOTES TO THE FINANCIAL STATEMENTS, Continued

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Goldman Sachs	\$1,177,739,500	\$0
Deutsche Asset Management	0	1,294,620,092
State Street Bank and Trust	745,402,225	735,634,013
JP Morgan Investment Advisors	726,775,168	713,855,011
Jennison	519,826,291	502,231,356
PIMCO	507,495,857	501,059,076
Nationwide Life Insurance Co.	437,324,811	429,563,075
Payden & Rygel	105,573,337	102,865,681
Earnest Partners	102,157,232	99,682,634
Principal Life Ins. Co.	99,296,404	98,165,377
New York Life Ins. Co.	76,762,377	75,499,568
Jackson National Life Ins Co.	46,086,459	44,937,335
Total Fair Value	4,544,439,661	4,598,113,218
Total Carrying Value	4,403,316,303	4,480,874,911
Difference	\$141,123,358	\$117,238,307

The SVO is typically expected to maintain a relatively stable principal value. However, in some circumstances the SVO's principal value may fluctuate up or down without advance notice. Therefore, it is possible to lose money investing in the SVO. An investment in the SVO is not insured or guaranteed by the Program, SVO managers, the FDIC, or any other government agency. Some of the primary risks that may impact the SVO are described below.

Credit Risk – The Program's investment policy requires the average quality of the SVO structure to be A-/A3 or better and restricts the amount of investments in securities rated below BBB-/Baa3 to 10 percent or less of assets. In addition, no more than one percent of the assets will be invested in any single high yield (below BBB) issuer.

As of December 31, 2014, the overall average credit quality of the SVO portfolio was AA. The market value weighted average credit quality of the SVO investments are determined by Standard & Poor's Rating Services ("S&P"), Moody's Investor Services, Inc. ("Moody's"), and/or Fitch Ratings ("Fitch") as of December 31, 2014, and are shown in the table below. Investments in U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

NOTES TO THE FINANCIAL STATEMENTS, Continued

<u>Credit Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA	\$1,889,654,974	41.6%
AA	178,484,111	3.9%
A	644,467,018	14.3%
BBB	391,627,323	8.6%
BB	1,264,692	0.0%
B and below	1,340,846	0.0%
Subtotal	3,106,838,964	68.4%
U.S. Treasury Securities	1,437,600,697	31.6%
Fair Value Stable Value Investments	4,544,439,661	100.0%

Concentration of Credit Risk – The Program’s investment policy precludes investments in any one corporate issuer from exceeding 5 percent of the SVO assets.

Interest Rate Risk – Interest rate risk is the chance that changes in market interest rates will adversely affect the fair value of the investments. The Program’s investment policy segments the SVO into three different categories: a liquidity buffer, a fixed maturity schedule, and an open maturity structure.

Within the liquidity buffer, the SVO will primarily invest in short-term investment funds or money market instruments, but may also invest in high-quality buffer stable value contracts that provide same day liquidity for withdrawals.

The investments within the fixed maturity schedule will normally pursue a passive laddered maturity structure, whereby the dollar-weighted duration of the structure will be no more than 3.5 years.

The underlying portfolios within the open market structure will be kept within +/- 20.0 percent of the duration of the Barclays Intermediate Aggregate Bond Index or a blend of the Barclays Intermediate Aggregate Bond Index and Barclays Stable Income Market Index.

The segmented time distribution reflects fixed-income maturities over different time intervals. The longer the maturity, the more susceptible the value of the investment is to fluctuate in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS, Continued

The following table shows the maturity of the SVO investments segmented by time period and sector.

<u>Investment</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
U.S. Treasury Securities	\$193,707,147	\$1,066,276,931	\$122,057,707	\$55,558,912	\$1,437,600,697
Mortgage Obligations	149,797,856	765,926,679	137,057,389	0	1,052,781,924
Corporate Bonds	170,474,794	668,630,091	175,745,048	12,255,157	1,027,105,090
U.S. Government Agency Securities	132,776,363	170,750,328	37,005,451	1,111,812	341,643,954
Traditional GICs	0	222,145,239	0	0	222,145,239
Cash Equivalents	223,079,368	11,556,247	0	0	234,635,615
Asset Backed Securities	60,865,805	72,567,764	521,782	0	133,955,351
Other Government Related Securities	3,586,417	40,810,532	50,174,842	0	94,571,791
Fair Value Stable Value Investments	<u>\$934,287,750</u>	<u>\$3,018,663,811</u>	<u>\$522,562,219</u>	<u>\$68,925,881</u>	<u>\$4,544,439,661</u>

The Stable Value Option investments include collateralized mortgage obligations (CMO) and asset-backed securities (ABS). These types of securities are purchased for their predictable cash flow characteristics and for favorable yields compared to similar investments. However, these investment vehicles are based on cash flows from interest and principal payments from the underlying investments that are sensitive to prepayments, which may result from a decline in interest rates. At December 31, 2014, the Program had investments in CMO and ABS totaling \$110 million and \$134 million, respectively.

In November 2014, the Program's Board voted to terminate the SVO portfolio managed by PIMCO, due to turnover of key PIMCO management. Effective February 2015, Dodge & Cox began managing this portion of the SVO.

Mutual Funds:

In August 2014, the Janus Twenty fund was closed and investors who did not select a new allocation were moved to the Ohio DC Large-Cap Growth fund, which is managed as a separate account and not a mutual fund. The Program closed the Janus Twenty fund because it had underperformed its benchmark and peers, and had a change in portfolio management and investment strategy.

Also in August 2014, the Program moved investors in the Vanguard Total International Stock Index fund to a lower-costing alternative share class. Total assets in the fund had grown to the level required by Vanguard to be eligible for the lower-costing alternatives. The lower-costing share class will cumulatively save participants \$20,000 annually in investment management fees.

In November 2014, the Program's Board voted to close the PIMCO Total Return fund. Effective March 2015, investors who did not select a new allocation were moved to a new investment option—the Ohio DC Intermediate Bond fund managed by TCW.

Shares of mutual funds are priced at the net asset value as calculated by the fund provider. A summary of year-end investments as of December 31, 2014 and 2013 is as follows:

NOTES TO THE FINANCIAL STATEMENTS, Continued

	Mutual Funds - 2014			Mutual Funds - 2013		
	Fair Value	Share Price	Shares Owned (1,000's)	Fair Value	Share Price	Shares Owned (1,000's)
Fidelity:						
Contrafund	\$1,075,721,364	\$97.97	10,980	\$1,016,843,862	\$96.14	10,577
Growth Company	747,760,438	131.89	5,670	657,794,943	119.88	5,487
Total Fidelity Funds	1,823,481,802			1,674,638,805		
Vanguard:						
Capital Opportunity	612,393,170	121.75	5,030	482,948,113	106.63	4,529
Institutional Index	349,823,470	188.68	1,854	284,302,638	169.28	1,679
Small-Cap Index	200,115,788	161.27	1,241	185,107,165	152.16	1,217
International Growth	180,695,093	68.47	2,639	195,693,119	74.22	2,637
Total Bond Market Index	102,453,703	10.87	9,425	70,277,117	10.56	6,655
Total International Stock Index	97,887,241	104.00	941	97,669,938	112.01	872
Total Vanguard Funds	1,543,368,465			1,315,998,090		
Dodge & Cox Stock Fund	951,040,852	180.94	5,256	866,635,871	168.87	5,132
PIMCO Total Return	236,622,420	10.66	22,197	266,550,644	10.69	24,935
FPA Capital Fund	234,470,687	39.61	5,919	248,610,981	44.77	5,553
Templeton Foreign Fund	140,524,295	6.87	20,455	158,390,757	8.20	19,316
Hartford Small Company	134,285,801	23.33	5,756	130,678,289	26.43	4,944
Janus Twenty Fund	0	0.00	0	289,980,515	63.48	4,568
Total Mutual Funds	\$5,063,794,322			\$4,951,483,952		

Collective Trust Funds:

A target date fund is a single investment option that provides a diversified mix of investments (equities, fixed income, cash, commodities, etc.). The fund initially invests aggressively and then becomes more conservative over time as the portfolio ages and nears the retirement date within the fund name. When the target date fund reaches the retirement year within the fund name, the fund is closed, and all assets are moved to the Retirement target date fund.

Over the years, the Program has moved from actively managed target date mutual fund investments in 10-year increments to passively managed collective trust funds in five-year increments. The Program initiated these changes to provide investors with better fund selections, lower fees, and lower market risk. Since the Program began offering target date investments, the annualized expense ratios of the LifePath options have decreased from 0.85 percent to the current rate of 0.20 percent.

By the end of 2014, the LifePath 2015 fund would reach its retirement year and be closed. Accordingly, all Program investors in the LifePath 2015 fund were transferred to the LifePath Retirement fund in August 2014.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Shares of collective trust funds are priced at the net asset value as calculated by the fund provider (BlackRock). A summary of year-end investments as of December 31, 2014 and 2013 is as follows:

	<u>Collective Trust Funds - 2014</u>			<u>Collective Trust Funds - 2013</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>
BlackRock Investments:						
LifePath Retirement	318,211,724	13.96	22,795	194,460,779	13.25	14,676
LifePath 2015	0	0.00	0	97,120,743	12.73	7,629
LifePath 2020	327,528,536	13.50	24,261	274,072,358	12.79	21,429
LifePath 2025	150,425,876	13.53	11,118	115,988,226	12.80	9,062
LifePath 2030	226,311,475	13.53	16,727	191,773,197	12.78	15,006
LifePath 2035	75,547,454	13.51	5,592	60,455,864	12.75	4,742
LifePath 2040	114,703,574	13.47	8,515	94,445,765	12.70	7,437
LifePath 2045	27,418,671	13.45	2,039	20,102,929	12.66	1,588
LifePath 2050	30,484,603	13.58	2,245	22,873,425	12.79	1,788
LifePath 2055	12,040,805	14.33	840	4,184,499	13.48	310
Total BlackRock	<u>\$1,282,672,718</u>			<u>\$1,075,477,785</u>		

Separate Account:

A separate account can be a diversified portfolio of investments similar to a mutual fund. While a mutual fund's strategy is determined by the mutual fund's provider, the owner of the separate account has the ability to choose the investment manager(s) and strategy. Because a separate account is not marketed to the public and does not have the same reporting requirements as a registered mutual fund, they generally have lower operating costs.

When the Program closed the Janus Twenty mutual fund in August 2014, investors were moved into the Ohio DC Large-Cap Growth fund. This new fund is a separate account managed by T. Rowe Price, and has an investment strategy to seek long-term capital appreciation by normally investing in the common stocks of large-cap growth companies. The annual fees on this separate account are 0.46 percent, compared to the Janus Twenty fees of 0.77 percent.

	<u>Separate Account - 2014</u>			<u>Separate Account - 2013</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>
T.Rowe Price:						
Ohio DC Large-Cap Growth	\$266,557,431	69.13	3,856	0	0.00	0

NOTES TO THE FINANCIAL STATEMENTS, Continued

Purchased Annuities:

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. Investments in purchased annuities were \$21,555,399 and \$23,236,892 at December 31, 2014 and 2013, respectively.

7. Investment Expenses:

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios.

Select mutual fund investments require participants to hold these investments for specified periods or the participant is assessed a redemption fee by the fund. The Program has collected and remitted redemption fees to the mutual funds to benefit the remaining investors of the fund.

Fees associated with the Program investment options are shown below:

	2014	2013
Stable Value - Book Value Guarantee Fees:	\$8,767,328	\$8,981,470
Stable Value - Management/Custodial Fees:		
Pacific Investment Management Company	1,323,430	828,510
JP Morgan Asset Management	1,181,475	1,177,774
Goldman Sachs Asset Management	877,022	0
Jennison Associates	644,213	400,426
Nationwide Asset Management	583,310	600,068
State Street Bank and Trust	470,122	419,003
Deutsche Asset Management	212,354	1,110,814
Payden & Rygel	208,846	105,270
Earnest Partners	202,475	202,087
Pyramis Global Advisors	0	390,041
Total Stable Value Investment Expenses	14,470,575	14,215,463
Total Mutual Fund Redemption Fees	42,927	35,181
Total Investment Expenses	\$14,513,502	\$14,250,644

NOTES TO THE FINANCIAL STATEMENTS, Continued

8. Recordkeeping Income:

Certain mutual fund investment providers compensate the Program for performing recordkeeping responsibilities. These reimbursement rates vary by mutual fund provider and range from 0.05 percent to 0.25 percent of assets annually.

The Program collects a recordkeeping fee on all investment balances in the Stable Value Option, which effectively reduces the net crediting rate earned by investors. The Program also collects the same recordkeeping fee on all investment balances in the LifePath collective trust fund options and investment balances in separate account investments. This annualized fee was 0.09 percent in 2014 and 2013.

Total recordkeeping revenues collected by the Program were \$11,918,865 and \$11,240,272 for the years ended December 31, 2014 and 2013, respectively.

The Administration Fund may also recover administrative costs through charges to participant accounts in the Program Fund. Due to adequate reserve funding, this administrative fee has not been charged since 2006.

9. Customer Service Expense:

The Program has contracted with Nationwide to provide enrollment, education, and customer service to all eligible employees and participants. Nationwide has 15 employees who provide group and individual meeting opportunities while visiting employer worksites throughout the State. Nationwide has 30 employees at their Service Center, who provide participants with call center, walk-in, and administrative support services. In addition, Nationwide provides an interactive website and automated phone system for both service and educational purposes.

In April 2014, the Program signed a new five-year contract with Nationwide to continue providing customer services until June 30, 2019. Costs associated with customer service expenses were \$6,152,338 and \$6,221,599 for the years ended December 31, 2014 and 2013, respectively.

10. Vacation and Sick Leave:

As of December 31, 2014 and 2013, the Program had accrued \$275,100 and \$246,400 respectively, for unused vacation and sick leave for full-time employees of the Board. At termination or retirement, employees are entitled to full compensation for all unused vacation time. With two years or more of employment prior to termination, employees are entitled to 50 percent payment of unused sick leave at termination.

NOTES TO THE FINANCIAL STATEMENTS, Continued

11. Leases:

In 2009, the Board signed a 10-year lease agreement for office space. The new office space allowed the Board's administrative offices and Service Center offices to move into one facility, realize savings in net occupancy costs, and achieve operational efficiencies. Base rental payments for this new operating lease were \$277,780 and \$260,800 for 2014 and 2013 respectively, which are allocated to administrative rent and customer service expenses in these financial statements.

Future scheduled minimum lease payments (base rental expense) under the new office operating lease at December 31, 2014, are as follows:

<u>Year-ending December 31</u>	<u>Amount</u>
2015	\$281,175
2016	281,175
2017	281,175
2018	281,175
2019	46,863

12. Property and Equipment:

Property and equipment includes purchases of \$1,000 or more with a useful life of at least three years. Property and equipment at December 31 are summarized as follows:

	<u>Estimated Useful Life</u>	<u>2014</u>	<u>2013</u>
Furniture and fixtures	7 years	\$266,366	\$258,161
Office equipment	5 years	96,980	159,312
Computer equipment	3 years	143,643	143,643
Leasehold Improvements	7 years	46,551	46,551
		<u>553,540</u>	<u>607,667</u>
Less accumulated depreciation and amortization		<u>(435,729)</u>	<u>(474,999)</u>
Property and Equipment, Net		<u>\$117,811</u>	<u>\$132,668</u>

NOTES TO THE FINANCIAL STATEMENTS, Continued

13. Insurance:

The Program is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, the Program maintains commercial insurance and holds fidelity bonds on its employees. As required by State law, the Program is registered and insured through the State of Ohio Bureau of Workers' Compensation for injuries to employees. No insurance settlements exceeded coverages in the past three years, and there was no significant reduction in coverage amounts from the prior year.

The Program is self-insured under a professionally administered plan for general health and hospitalization employee benefits. The Program maintains specific stop loss coverage per employee for annual medical benefits in the amount of \$250,000 for both 2014 and 2013. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of \$2,500,000 for both 2014 and 2013. The reserve for future health claims was \$62,300 and \$73,500 as of December 31, 2014 and 2013 respectively.

14. Pension Plan:

All Board employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System (OPERS).

A. Plan Description

OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multi-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multi-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

In addition, OPERS maintains a cost-sharing, multi-employer defined benefit post-employment health care plan, including a medical plan, prescription drug program, and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

NOTES TO THE FINANCIAL STATEMENTS, Continued

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB).

The authority to establish and amend benefits for both the pension plans and the post-employment health care coverage is provided in Chapter 145 of the ORC. The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing OPERS, 277 E. Town St., Columbus, OH 43215-4642, or by calling 614-222-5601.

B. Funding Policy

The Ohio Revised Code provides the statutory authority for public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

For 2014, the member contribution rate was 10.0 percent. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the employer contribution rate for State and local employers was consistent across all three plans at 14.0 percent of covered payroll, the maximum contribution percentage currently permitted by the ORC.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2014 and 2013, the portion of employer contributions allocated to health care was 2.0 percent and 1.0 percent, respectively, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

NOTES TO THE FINANCIAL STATEMENTS, Continued

C. Program Contributions

The rates stated above, are the contractually required contribution rates for OPERS. The Program's contributions to OPERS for the years ending December 31, 2014, 2013, and 2012, were \$191,600, \$188,200, and \$183,400, respectively, equal to the required contributions for each year. The portion of the employer contribution used to fund post-employment benefits for the years ending December 31, 2014, 2013, and 2012, was \$27,400, \$13,400, and \$52,400, respectively, equal to the required contributions for each year.

D. OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

15. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of \$5,058,195 and \$4,694,517 were made during 2014 and 2013, respectively, for this purpose, including \$441,653 and \$427,327 payable to the Administrative Fund as of December 31, 2014 and 2013, respectively. These inter-fund charges and payables were eliminated in the Combining Schedule of Plan Net Position Available for Benefits and the Combining Schedule of Changes in Plan Net Position Available for Benefits.

16. Change in Accounting Principles:

For the year ended December 31, 2014, the Program implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which establishes the accounting and financial reporting standards of pension plans. Changes required by implementing this new standard were limited to minor modifications to the note disclosures of the Program.

SUPPLEMENTAL COMBINING SCHEDULE OF PLAN NET POSITION AVAILABLE FOR BENEFITS

As of December 31, 2014
With Totals for 2013

	2014			2013
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Assets:				
Investments:				
Mutual funds	\$5,063,794,322			\$4,951,483,952
Stable value option	4,403,316,303			4,480,874,911
Collective trust funds	1,282,672,718			1,075,477,785
Separate account	266,557,431			0
Purchased annuities	21,555,399			23,236,892
Total investments	<u>11,037,896,173</u>			<u>10,531,073,540</u>
Cash and cash equivalents		\$12,658,695		10,801,478
Contributions receivable and cash held for investment	6,749,594			7,225,950
Accounts and other receivables		2,273,879	(\$441,653)	1,543,550
Property and equipment, net		117,811		132,668
Total assets	<u>\$11,044,645,767</u>	<u>\$15,050,385</u>	<u>(\$441,653)</u>	<u>\$11,059,254,499</u>
Liabilities:				
Accounts payable	3,241,185	582,918	(441,653)	2,900,654
Accrued expenses		374,599		355,272
Total liabilities	<u>3,241,185</u>	<u>957,517</u>	<u>(441,653)</u>	<u>3,757,049</u>
Plan Net Position Available for Benefits	<u>\$11,041,404,582</u>	<u>\$14,092,868</u>	<u>\$0</u>	<u>\$11,055,497,450</u>
				<u>\$10,547,521,260</u>

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the year ended December 31, 2014
With Totals for 2013

	2014			2013
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Additions:				
Net Investment Income:				
Net gain on funds	\$498,568,830			\$1,310,055,478
Stable value income	116,914,754	61,201		122,198,404
Investment expenses	(14,513,502)			(14,250,644)
Net investment income	600,970,082	61,201		1,418,003,238
Employee contributions	426,998,670			430,050,916
Transfers from other plans	83,514,282			127,241,710
Recordkeeping income		11,918,865	(5,058,195)	6,545,755
Total additions	1,111,483,034	11,980,066	(5,058,195)	1,981,841,619
Deductions:				
Distributions to participants	308,669,971			293,382,585
Transfers to other plans	291,846,481			301,342,138
Administrative expenses	5,058,195	9,912,263	(5,058,195)	10,132,374
Total deductions	605,574,647	9,912,263	(5,058,195)	604,857,097
Change in Net Position	505,908,387	2,067,803		1,376,984,522
Plan Net Position Available for Benefits:				
Beginning of Year	10,535,496,195	12,025,065		9,170,536,738
End of Year	\$11,041,404,582	\$14,092,868	\$0	\$10,547,521,260

SUPPLEMENTAL SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

For the years ended December 31, 2014 and 2013

	2014	2013
Customer Service	\$6,152,338	\$6,221,599
Salaries and benefits:		
Salaries and wages	1,423,104	1,395,974
Insurance	426,603	440,201
Retirement contributions	191,622	188,164
Other benefits	20,248	20,289
	2,061,577	2,044,628
Administration:		
Postage and delivery	472,225	467,243
Participant statements	178,568	153,464
	650,793	620,707
Professional Services:		
Consulting	332,873	311,092
Information Technology	57,536	64,716
Auditing	41,355	41,796
	431,764	417,604
Information Technology expense	228,875	398,868
Rent Expense	147,965	139,250
Insurance	88,491	81,868
Depreciation and amortization	58,026	53,375
Miscellaneous	38,483	28,453
Office supplies:		
Office supplies	14,852	18,965
Printing	11,788	23,983
Telephone and fax	2,468	3,729
	29,108	46,677
Professional Expense	24,843	79,345
Total Administrative Fund Deductions	\$9,912,263	\$10,132,374

SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

For the years ended December 31, 2014 and 2013

	2014	2013
Cash and cash equivalents, beginning of year	\$10,801,478	\$10,215,145
Receipts:		
Investment redemptions	600,516,452	594,724,723
Employee contributions	427,475,025	429,495,809
Transfers from other plans	83,514,282	127,241,710
Recordkeeping income	6,618,869	6,291,568
Total cash receipts	1,118,124,628	1,157,753,810
Disbursements:		
Investment purchases	491,855,500	539,842,292
Distributions to participants	308,669,971	293,382,585
Transfers to other plans	291,846,481	301,342,138
Investment expenses	14,075,612	12,200,710
Administrative expenses	9,776,678	10,372,686
Purchase of property and equipment	43,169	27,066
Total cash disbursements	1,116,267,411	1,157,167,477
Cash and cash equivalents, end of year	\$12,658,695	\$10,801,478

SUPPLEMENTAL SCHEDULE OF INVESTMENT EXPENSES

For the years ended December 31, 2014 and 2013

	2014	2013
Stable Value - Book Value Guarantee Fees:	\$8,767,328	\$8,981,470
Stable Value - Management/Custodial Fees:		
Pacific Investment Management Company	1,323,430	828,510
JP Morgan Asset Management	1,181,475	1,177,774
Goldman Sachs Asset Management	877,022	0
Jennison Associates	644,213	400,426
Nationwide Asset Management	583,310	600,068
State Street Bank and Trust	470,122	419,003
Deutsche Asset Management	212,354	1,110,814
Payden & Rygel	208,846	105,270
Earnest Partners	202,475	202,087
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Total Stable Value Investment Expenses	14,470,575	14,215,463
Total Mutual Fund Redemption Fees	42,927	35,181
Total Investment Expenses	\$14,513,502	\$14,250,644

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios.

Select mutual fund investments require participants to hold certain investments for specified periods, or the participant is assessed a redemption fee by the fund. Since 2006, the Program has collected and remitted redemption fees to the mutual funds to benefit the remaining long-term investors of the funds.



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

INVESTMENT SECTION

INVESTMENT SUMMARY

The Program is a self-directed plan, allowing participants to choose the investment options for their current contributions and account balances. The Board has adopted an investment policy that ensures that a sufficient number of suitable, diverse investment options are offered to participants. Independent professionals manage all investments, and the Program does not maintain any in-house investment staff, so the Program does not incur any direct investment expenses. Program management is responsible for overseeing investments and has prepared this summary.

The following table shows the investment fee rates charged by each investment option as of December 31, 2014, as well as the median in a universe of institutional share class mutual funds for the same asset category (according to *Morningstar*). The performance returns reported to participants have been reduced by these investment expenses. The Program directly pays the Stable Value Option investment related expenses, so those fees are included in the financial statements and footnotes.

	<u>Actual Investment Fees</u>	<u>Median Mutual Fund Fees</u>
Templeton Foreign	0.94%	1.09%
Vanguard International Growth	0.35%	1.01%
Vanguard Total International Stock Index	0.10%	0.30%
Hartford Small Company	0.72%	1.28%
Vanguard Small-Cap Index	0.06%	0.32%
FPA Capital	0.83%	1.13%
Vanguard Capital Opportunity	0.41%	1.02%
Fidelity Growth Company	0.83%	0.87%
Ohio DC Large-Cap Growth	0.46%	0.87%
Fidelity Contrafund	0.67%	0.87%
Vanguard Institutional Index	0.02%	0.29%
Dodge & Cox Stock	0.52%	0.80%
BlackRock LifePath Retirement	0.20%	0.62%
BlackRock LifePath 2020	0.20%	0.69%
BlackRock LifePath 2025	0.20%	0.73%
BlackRock LifePath 2030	0.20%	0.78%
BlackRock LifePath 2035	0.20%	0.80%
BlackRock LifePath 2040	0.20%	0.81%
BlackRock LifePath 2045	0.20%	0.81%
BlackRock LifePath 2050	0.21%	0.81%
BlackRock LifePath 2055	0.21%	0.81%
PIMCO Total Return	0.71%	0.55%
Vanguard Total Bond Market Index	0.07%	0.15%
Stable Value Option	0.42%	0.56%

SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS

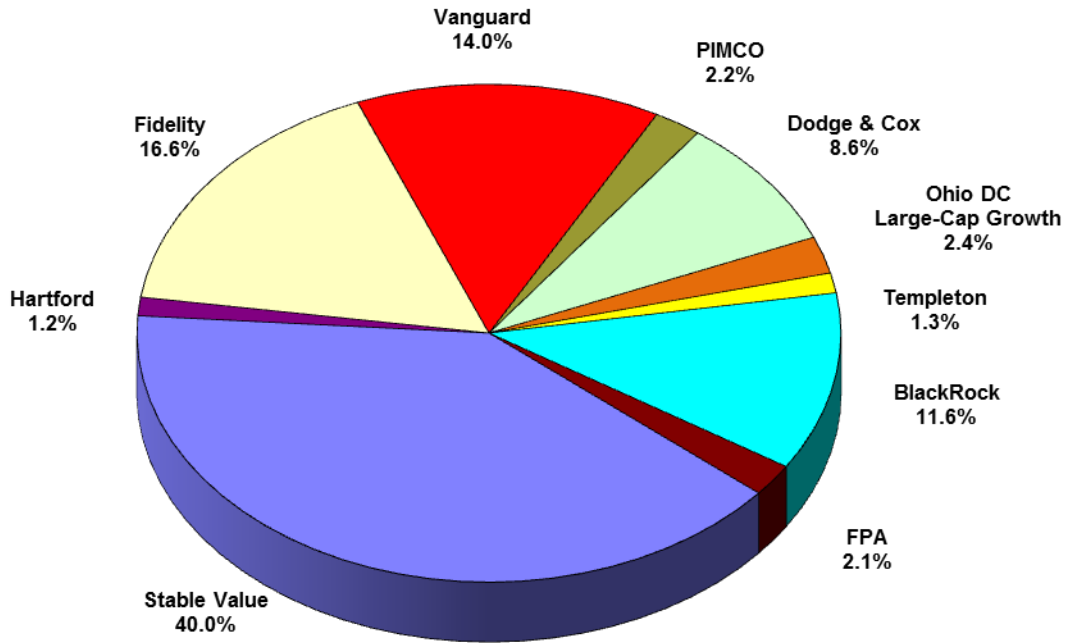
As of December 31, 2014

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Templeton Foreign Fund	-10.6%	10.6%	5.2%	5.1%
Vanguard International Growth	-5.5%	11.8%	6.9%	6.3%
<i>Benchmark: MSCI All Country World ex-U.S. Index</i>	-3.9%	9.0%	4.4%	5.1%
Vanguard Total International Stock Index	-4.2%	9.3%	4.4%	4.8%
<i>Benchmark: Vanguard Spliced Custom</i>	-3.4%	9.4%	4.4%	4.9%
Hartford Small Company	7.1%	21.4%	16.5%	10.0%
<i>Benchmark: Russell 2000 Growth Index</i>	5.6%	20.1%	16.8%	8.5%
Vanguard Small-Cap Index	7.5%	20.6%	16.9%	9.1%
<i>Benchmark: Vanguard US Small Cap Composite</i>	7.5%	20.5%	16.8%	9.1%
FPA Capital	-1.3%	10.0%	10.8%	7.4%
<i>Benchmark: Russell 2000 Value Index</i>	4.2%	18.3%	14.3%	6.9%
Vanguard Capital Opportunity	18.9%	26.2%	16.0%	10.3%
<i>Benchmark: Russell Mid Cap Growth Index</i>	11.9%	20.7%	16.9%	9.4%
Fidelity Growth Company	14.4%	23.1%	17.8%	10.9%
Ohio DC Large-Cap Growth (inception 8/1/2014)	n/a	n/a	n/a	n/a
<i>Benchmark: Russell 1000 Growth Index</i>	13.1%	20.3%	15.8%	8.5%
Fidelity Contrafund	9.6%	19.6%	14.8%	9.7%
Vanguard Institutional Index	13.7%	20.4%	15.5%	7.7%
<i>Benchmark: S&P 500 Index</i>	13.7%	20.4%	15.5%	7.7%
Dodge & Cox: Stock	10.4%	23.7%	15.6%	7.1%
<i>Benchmark: Russell 1000 Value Index</i>	13.5%	20.9%	15.4%	7.3%
BlackRock LifePath Retirement	5.3%	6.9%	7.0%	n/a
<i>Benchmark: BlackRock Custom</i>	5.3%	6.9%	7.1%	n/a
BlackRock LifePath 2020	5.6%	8.9%	8.1%	n/a
<i>Benchmark: BlackRock Custom</i>	5.6%	8.9%	8.1%	n/a
BlackRock LifePath 2025	5.7%	10.0%	8.6%	n/a
<i>Benchmark: BlackRock Custom</i>	5.8%	10.0%	8.7%	n/a
BlackRock LifePath 2030	5.9%	11.0%	9.1%	n/a
<i>Benchmark: BlackRock Custom</i>	6.0%	11.0%	9.2%	n/a
BlackRock LifePath 2035	6.0%	11.9%	9.6%	n/a
<i>Benchmark: BlackRock Custom</i>	6.1%	11.9%	9.6%	n/a
BlackRock LifePath 2040	6.1%	12.7%	10.0%	n/a
<i>Benchmark: BlackRock Custom</i>	6.2%	12.7%	10.0%	n/a
BlackRock LifePath 2045	6.2%	13.5%	10.3%	n/a
<i>Benchmark: BlackRock Custom</i>	6.3%	13.5%	10.3%	n/a
BlackRock LifePath 2050	6.2%	14.2%	10.7%	n/a
<i>Benchmark: BlackRock Custom</i>	6.4%	14.2%	10.7%	n/a
BlackRock LifePath 2055	6.3%	14.8%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	6.4%	14.8%	n/a	n/a
PIMCO Total Return	-2.2%	3.8%	6.6%	5.8%
<i>Benchmark: Barclays Aggregate Bond Index</i>	-2.0%	3.3%	4.4%	4.5%
Vanguard Total Bond Market Index	-2.1%	3.2%	4.4%	4.6%
<i>Benchmark: Barclays Float Adjusted U.S. Agg. Index</i>	-2.0%	3.3%	4.5%	4.6%
Stable Value Option	2.3%	2.7%	3.2%	4.0%
<i>Benchmark: IMoney Net + 150 bps</i>	1.5%	1.5%	1.6%	3.0%

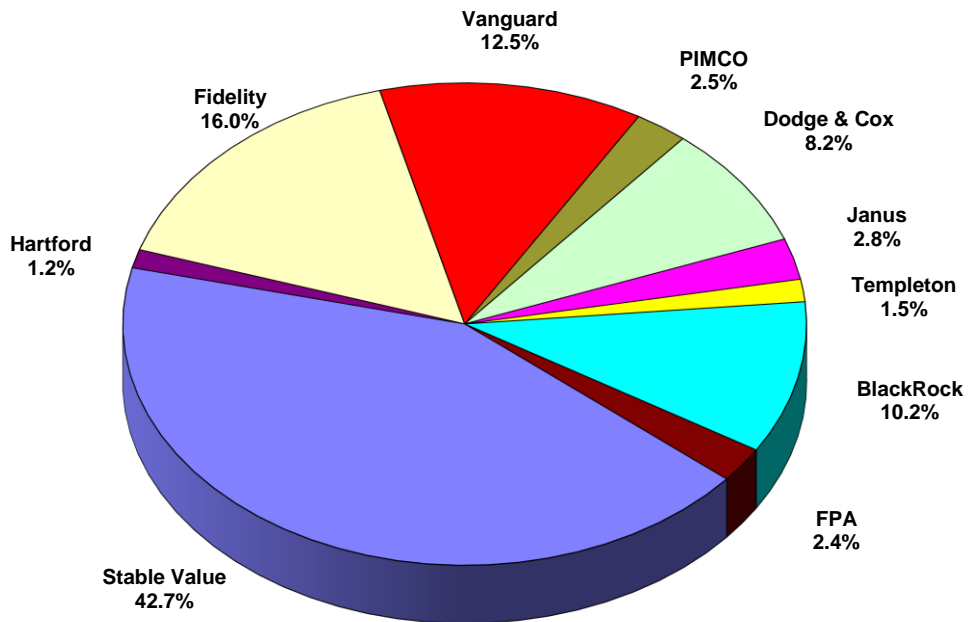
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3-year, 5-year, and 10-year investment returns are annualized.

INVESTMENT MIX

December 31, 2014

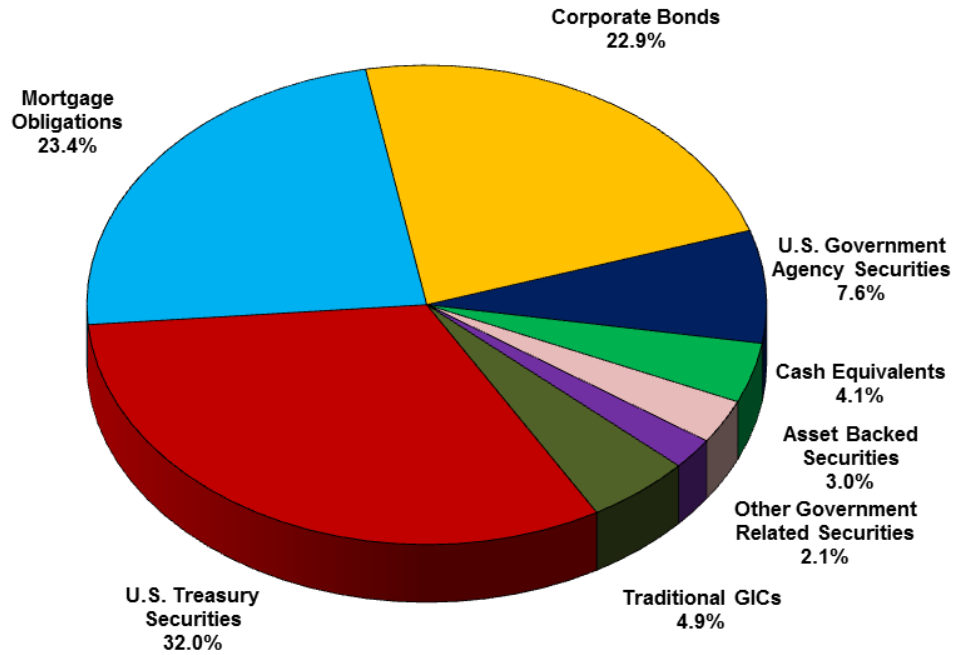


December 31, 2013

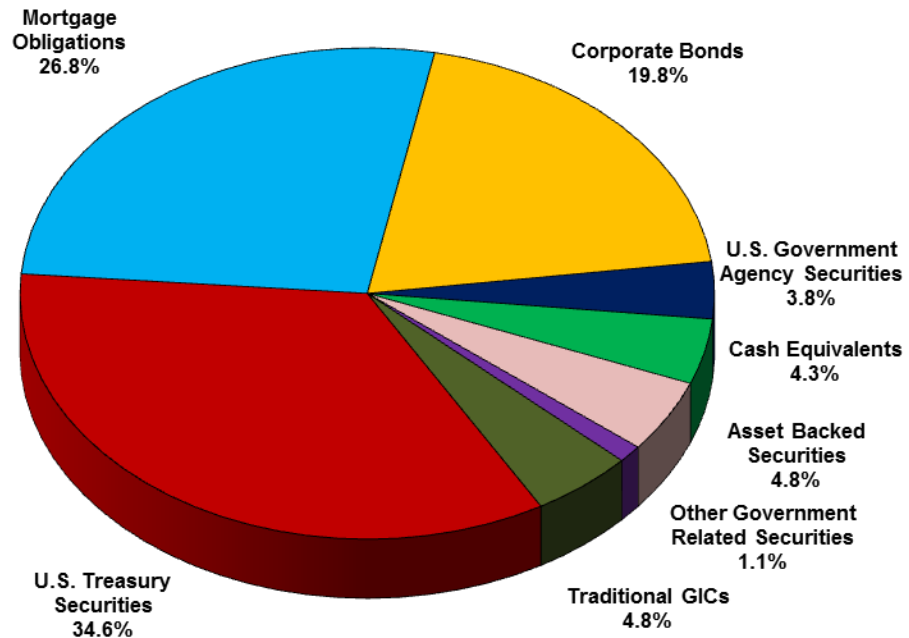


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2014



December 31, 2013





OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

STATISTICAL SECTION

STATISTICAL INFORMATION

The objective of the Statistical Section is to provide the financial statement users with historical perspective, context, and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess the Ohio Public Employees Deferred Compensation Program's economic condition. The schedules in the Statistical Section show financial trend information that assists users in understanding how the Ohio Public Employees Deferred Compensation Program's financial position has changed over time. The financial trend schedules presented are:

- Changes in Plan Net Position Available for Benefits
- Employee Participation and Deferral Trends
- Number of Employers Contributing
- Principle Contributing Employers
- Benefit Payments

CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

Years ending December 31, 2005 – 2014
(In Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Additions:										
Net Investment Income:										
Net gain (loss) on funds	\$498.5	\$1,310.0	\$666.8	(\$96.6)	\$512.7	\$869.3	(\$1,594.5)	\$415.7	\$439.0	\$274.2
Stable value income	117.0	122.2	135.1	144.3	151.5	166.2	171.2	163.7	150.6	141.1
Investment expenses	(14.5)	(14.2)	(12.6)	(11.4)	(9.2)	(8.1)	(5.8)	(6.2)	(5.4)	(5.1)
Net investment income	601.0	1,418.0	789.3	36.3	655.0	1,027.4	(1,429.1)	573.2	584.2	410.2
Participant contributions	427.0	430.0	427.0	447.9	445.6	454.6	456.5	448.4	433.0	412.9
Transfers from other plans	83.5	127.3	126.5	92.5	69.0	52.3	54.4	50.9	43.1	52.1
Recordkeeping income	6.9	6.5	5.8	5.5	5.3	4.3	5.5	6.0	6.0	5.3
Total additions	1,118.4	1,981.8	1,348.6	582.2	1,174.9	1,538.6	(912.7)	1,078.5	1,066.3	880.5
Deductions:										
Distributions to participants	308.7	293.4	277.6	261.6	237.4	195.4	211.3	207.4	191.9	177.6
Transfers to other plans	291.9	301.3	232.6	224.0	161.5	108.1	154.9	170.9	140.1	111.6
Administrative expenses	9.9	10.1	9.3	9.1	8.7	8.4	8.6	8.1	7.7	7.3
Total deductions	610.5	604.8	519.5	494.7	407.6	311.9	374.8	386.4	339.7	296.5
Change in Net Position	507.9	1,377.0	829.1	87.5	767.3	1,226.7	(1,287.5)	692.1	726.6	584.0
Plan Net Position Available for Benefits:										
Beginning of Year	10,547.6	9,170.6	8,341.5	8,254.0	7,486.7	6,260.0	7,547.5	6,855.4	6,128.8	5,544.8
End of Year	<u>\$11,055.5</u>	<u>\$10,547.6</u>	<u>\$9,170.6</u>	<u>\$8,341.5</u>	<u>\$8,254.0</u>	<u>\$7,486.7</u>	<u>\$6,260.0</u>	<u>\$7,547.5</u>	<u>\$6,855.4</u>	<u>\$6,128.8</u>

EMPLOYEE PARTICIPATION

	<u>Eligible Employees</u>	<u>Total Participant Accounts</u>	<u>Participants Currently Contributing</u>	<u>Current Participation Rate</u>
2005	713,649	179,729	114,612	16.1%
2006	712,704	184,467	115,176	16.2%
2007	712,496	190,028	117,376	16.5%
2008	705,248	193,932	115,360	16.4%
2009	699,121	196,063	109,221	15.6%
2010	691,820	199,945	108,098	15.6%
2011	685,612	200,059	104,835	15.3%
2012	675,114	202,901	105,254	15.6%
2013	669,874	206,968	105,856	15.8%
2014	669,382	211,055	107,845	16.1%

DEFERRAL/ACCOUNT TRENDS

	<u>Total Annual Deferrals</u>	<u>Average Annual Deferral</u>	<u>Net Position Available for Benefits</u>	<u>Average Participant Account</u>
2005	\$412,865,430	\$3,602	\$6,128,790,623	\$34,100
2006	433,065,402	3,760	6,855,368,579	37,163
2007	448,422,325	3,820	7,547,492,540	39,718
2008	456,547,715	3,958	6,260,065,654	32,280
2009	454,645,326	4,163	7,486,734,879	38,185
2010	445,634,894	4,123	8,254,073,274	41,282
2011	447,896,090	4,272	8,341,478,374	41,695
2012	426,982,639	4,057	9,170,536,738	45,197
2013	430,050,916	4,063	10,547,521,260	50,962
2014	426,998,670	3,959	11,055,497,450	52,382

NUMBER OF EMPLOYERS CONTRIBUTING

	<u>State</u>	<u>County</u>	<u>City</u>	<u>Metro Housing</u>	<u>Village</u>	<u>Library</u>	<u>Medical Center</u>	<u>Education</u>	<u>Misc</u>	<u>Township</u>	<u>Total</u>
2005	1	88	245	46	182	184	27	478	127	232	1,610
2006	1	88	247	47	185	187	27	497	134	241	1,654
2007	1	88	246	49	193	185	26	519	136	246	1,689
2008	1	88	247	49	202	187	26	551	140	254	1,745
2009	1	88	247	49	203	187	25	569	147	248	1,764
2010	1	88	247	49	203	187	25	577	146	249	1,772
2011	1	88	241	50	207	180	24	586	146	243	1,766
2012	1	88	242	51	208	179	23	594	151	247	1,784
2013	1	88	241	51	210	176	23	608	157	247	1,802
2014	1	88	242	51	214	178	20	618	157	248	1,817

PRINCIPAL CONTRIBUTING EMPLOYERS AS OF DECEMBER 31, 2014

<u>Employer Name</u>	<u>Participant Accounts</u>	<u>Current Rank</u>	<u>2006 * Rank</u>	<u>Percentage of Participants</u>
State of Ohio	55,556	1	1	26.3%
City of Columbus	8,243	2	2	3.9%
City of Cleveland	6,972	3	3	3.3%
Cuyahoga County	5,744	4	4	2.7%
City of Cincinnati	4,313	5	5	2.0%
Franklin County	4,039	6	6	1.9%
Metrohealth Medical Center	3,503	7	7	1.7%
Montgomery County	2,672	8	8	1.3%
City of Dayton	2,114	9	10	1.0%
City of Toledo	2,051	10	9	1.0%
All Others	115,848			54.9%
Total Participation	211,055			100.0%

* GASB 44 was implemented in 2006 and the Program is working towards the ten-year reporting goal.

BENEFIT PAYMENTS

	<u>Participant Distributions</u>	<u>Beneficiary Distributions</u>	<u>Total Distributions</u>
2005	\$164,503,167	\$13,093,037	\$177,596,204
2006	177,620,756	14,275,742	191,896,498
2007	193,686,499	13,738,815	207,425,314
2008	196,754,025	14,585,231	211,339,256
2009	181,410,082	14,031,428	195,441,510
2010	219,563,337	17,840,136	237,403,473
2011	243,097,948	18,502,095	261,600,043
2012	257,556,646	20,073,638	277,630,284
2013	271,707,261	21,675,324	293,382,585
2014	285,019,349	23,650,622	308,669,971
	<u>Number of Participant Distributions</u>	<u>Number of Beneficiary Distributions</u>	<u>Number of Total Distributions</u>
2005	20,923	1,594	22,517
2006	21,689	1,577	23,266
2007	23,464	1,662	25,126
2008	23,031	1,756	24,787
2009	19,927	1,285	21,212
2010	25,716	2,168	27,884
2011	27,939	2,310	30,249
2012	29,581	2,525	32,106
2013	30,649	2,710	33,359
2014	29,184	2,974	32,158
	<u>Average Participant Distribution</u>	<u>Average Beneficiary Distribution</u>	<u>Average Annual Distribution</u>
2005	\$7,862	\$8,214	\$7,887
2006	8,189	9,052	8,248
2007	8,255	8,266	8,255
2008	8,543	8,306	8,526
2009	9,104	10,919	9,214
2010	8,538	8,229	8,514
2011	8,701	8,010	8,648
2012	8,707	7,950	8,647
2013	8,865	7,998	8,795
2014	9,766	7,952	9,599

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Ohio Public Employees Deferred Compensation Board
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Public Employees Deferred Compensation Program (the Program), which comprise the statement of plan net position available for benefits as of December 31, 2014, and the related statement of changes in plan net position available for benefits for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 20, 2015



Dave Yost • Auditor of State

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 16, 2015