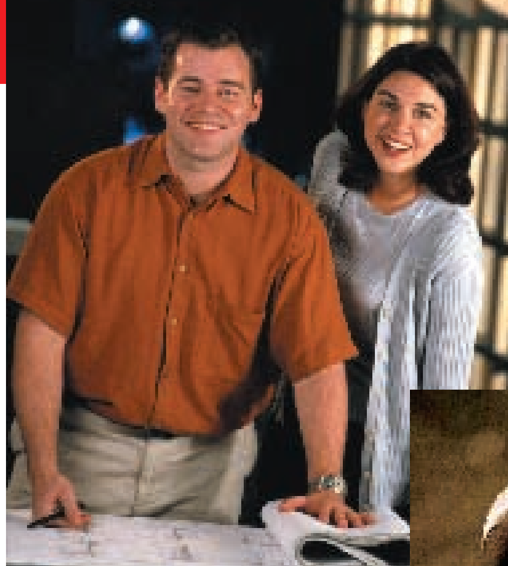

comprehensive annual financial report

Ohio Public Employees
Deferred Compensation Program

For the Year Ended December 31, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Ohio Public Employees Deferred Compensation Board
250 Civic Center Drive, Suite 350
Columbus, Ohio 43215-5450

We have reviewed the Independent Auditor's Report of the Ohio Public Employees Deferred Compensation Board, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2001 through December 31, 2001. 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 Board is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 24, 2002

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OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the year ended December 31, 2001

Virginia Shimrock, Executive Director
Paul D. Miller, Assistant Director-Finance

250 Civic Center Drive, Suite 350, Columbus, Ohio 43215-5450

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, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

TABLE OF CONTENTS

TABLE OF CONTENTS, Continued

INTRODUCTORY SECTION

ORGANIZATION CHART

Deferred Compensation Board

Ronald C. Alexander, State Employees
Charlie R. Adkins, State College and University Employees
Cinthia Sledz, Miscellaneous Employees
Sharon M. Downs, Retired Employees
Jay Hottinger, Senate
C. Scott Johnson, Director of Administrative Services
Betty D. Montgomery, Attorney General
Jim Petro, Auditor of State
Daniel Sferra, House of Representatives
Barbara J. Thomas, County Employees
Ken Thomas, Municipal Employees

Executive Director
Virginia Shimrock

Assistant Director Administration
Richard T. Wissler

Assistant Director Finance
Paul D. Miller

Advisors To The Board

Independent Public Accountants
Deloitte & Touche LLP, Columbus, Ohio

Legal Counsel
Attorney General Betty D. Montgomery

Consultants
William M. Mercer, Inc.
Ennis Knupp & Associates

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

March 22, 2002

Dear Chairman and Members of
the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report for the Ohio Public Employees Deferred Compensation Program (the Program) for the year ended December 31, 2001. The Comprehensive Annual Financial Report was prepared to assist the user in understanding the functions of the Program and how participants use the Program to supplement their retirement income.

The Comprehensive Annual Financial Report (CAFR) consists of four sections: (1) an Introductory Section which contains this Letter of Transmittal, along with a list of the administrative organization and consulting services utilized by the Program and a summary of plan provisions; (2) a Financial Section which includes the Independent Auditors' Report, combined financial statements and supplemental information; (3) an Investment Section which includes investment values and performance; and (4) a Statistical Section which includes selected financial and demographic information, generally presented on a multi-year basis.

The Ohio Revised Code created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. However, the State created the Program as a legal entity separate from the State, 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. The Program provides services to over 159,000 participants from 1,350 Ohio state and local governments, and is therefore not part of the State of Ohio reporting entity. A complete listing of participating employers is available upon request.

Plan History and Overview

The Ohio Public Employees Deferred Compensation Program first received deferrals in 1976 pursuant to Internal Revenue Code (IRC) Section 457 and Ohio Revised Code Section 148. Any public employee is eligible to contribute, on a pre-tax basis, a portion of their annual includable compensation. Funds may be withdrawn at retirement, death, or termination of employment, or due to certain qualifying unforeseeable emergencies. Participation is strictly voluntary and intended to supplement retirement benefits from the statutory retirement systems.

Economic Conditions and Outlook

The Program has experienced steady growth in participants and assets since its inception. Interest in the Program was enhanced by the exceptional performance of the U.S. stock market during the 1990's. This performance, combined with efforts to educate participants about the long-term benefits of equity investments in retirement savings plans, has increased the amount of participants contributions allocated to mutual funds and variable annuities.

The downturn in global equity markets produced annual losses in both 2001 and 2000 on Program variable investments. The Program believes that down market cycles are inevitable in equity investing, and that over the long-term, these investments allow appropriate asset allocation of retirement assets.

Although diversification into equity investments has increased, the largest investment of the Programs' participants is the Guaranteed Return Option (GRO). The GRO is the stable value investment option administered by the Board office, while professional managers invest these funds. The GRO's net investment return was 6.44% in 2001 and 6.46% in 2000.

The growth of the Program's asset base has allowed the Program to reduce the fees charged against participant accounts. Beginning in 2000, participants paid $2.00 per quarter in administrative fees, and the previous asset-based fee was eliminated.

Major Initiatives

During 2001, the Program began a strategic planning project to identify the organization's mission and future direction, its short-term and long-term goals, and objectives. This project will provide written direction to the Board and staff regarding the Program's priorities, and a framework for regularly reviewing and updating these goals and outcomes.

During 2001, federal legislation was passed that included many pension reform initiatives. These changes were intended to encourage employees to save more for retirement and to give them greater flexibility in managing their employer sponsored retirement plans after leaving employment. Significant effort was put into updating Program policies and forms, computer systems, and educating participants about these changes that will be effective in 2002.

Financial Information and the Internal Control Structure

Management of the Program 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.

The net assets available for benefits and changes in net assets available for benefits of the Program are included as a Pension Fund in the Financial Section of this presentation. All financial activity is reported on the accrual basis of accounting. Deductions are recorded when the liability is incurred, and additions are recorded in the period in which they are earned.

Excess Administration Fund cash is held in money market accounts. Cash is held for capital acquisitions and may be used to supplement monthly operations, if administrative expenses exceed revenues during a given month. Program management maintains a sufficient cash balance to cover approximately three months of operating expenses.

Program Additions

Additions to Program assets available for benefits come from employee contributions remitted by employers, income earned on participant accounts, transfers from other plans, and changes in carrying values. Employee contributions are the largest addition, and in 2001 increased by 3.0% over the prior year. In both 2001 and 2000, global equity markets declined as growth and technology stocks fell out of favor. Most of the Program's investment options are growth oriented, so net investment performance was negative for these years. Stable value investments had a successful year in contrast to equity investments, which translated into a 6.9% increase in stable value income to the Program. Transfers from other plans into the Program increased significantly over last year.

Program Deductions

In 2001, distributions to participants increased 5.8% over the prior year, resulting from an increase in the number of participants receiving benefit payments. The administrative, customer service and other deductions increased by 3.6% over the prior year.

Investments

The Program offers participants a selection of investment options to which they may allocate their deferrals. The fixed interest investment option (GRO) accounts for 50.6% of all invested funds, with the remainder invested in twenty-one mutual funds. During 2001, the investment options within the Nationwide Variable Annuity were eliminated. These options were replaced with direct mutual fund investment options. Investment performance results are reported to participants quarterly. A listing of investments by option and the return for 2001 and 2000 is included in the Investment Section of this report.

Independent Auditors

The financial statements of the Program for the years ended December 31, 2001 and 2000 were audited by Deloitte & Touche LLP under contract with the Auditor of State of Ohio.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) 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, 2000. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, 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 period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgments

The preparation of this report reflects the combined efforts of the Program's staff under the direction of the Deferred Compensation Board. Its purpose 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,

Virginia Shimrock

Virginia Shimrock, CPA, CFP
Executive Director

Paul D. Miller

Paul D. Miller, CPA
Assistant Director-Finance

PLAN SUMMARY

The Ohio Public Employees Deferred Compensation Plan (the Plan) is established pursuant to Ohio Revised Code Section 148 and 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 that were effective as of December 31, 2001. Participants should refer to the Plan Document for complete Plan information.

Delegation by Employer

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

Election to Defer Compensation

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 the 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 options selected by the participant.

Maximum and Minimum Deferrals -- Normally, the maximum amount which may be deferred by an active participant in the Plan in any Plan year shall not exceed the lesser of (A) $8,000, indexed as allowed by law (increasing to $8,500 in 2001) or (B) 33-1/3% of an active participant's includable compensation. However, under certain circumstances up to $15,000 per year can be contributed during each of the last three years prior to normal retirement age, if less than the maximum was contributed 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 any other plan maintained by the employer or any employer.

The minimum deferral amount per pay shall be: (a) weekly pay $7.00, (b) bi-weekly pay $15.00, (c) semi-monthly pay $15.00 or (d) monthly pay $30.00. A minimum allocation to any investment option shall be $10.00 per pay, or the full deferral if it is less than $10.00.

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; (c) change the amount of compensation to be deferred; (d) change the benefit commencement date until 60 days after separation from service at which time the benefit commencement date becomes official; or (e) change the benefit payment option until 60 days before the benefit commencement date at which time the benefit payment option becomes irrevocable. 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. Unlimited exchanges are currently permitted, however exchanges in excess of 15 per year are assessed a service charge determined by the Plan administrator.

Maintenance of Accounts

Maintenance of Accounts -- The Plan administrator shall establish, on the employers' books and records, 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 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 active 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 date of the report, 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.

Plan-to-Plan Transfers -- Any participant who has separated from service with an employer with which he/she had an account may, upon proper written request, transfer the account value from that account to another Ohio Public Employees Deferred Compensation Program IRC 457 account established with the same or a different employer participating in the Ohio Public Employees Deferred Compensation Program, providing benefit payments have not begun from either account.

The Plan will accept plan-to-plan transfers from other IRC 457 plans upon receipt of proper written request and actual transfer of funds. The Plan will execute plan-to-plan transfers to other IRC 457 plans whose sponsor is not an employer eligible to adopt the Ohio Public Employees Deferred Compensation Plan.

Distribution of Benefits

Election of Benefit Commencement Date (a) Participant--Not later than 60 days following the participant's separation from service, a participant may elect to defer payment of such deferred compensation until a fixed future time that is consistent with the requirement below. Such election will be effective only if made on forms provided by the Plan administrator, and received in the office of the Board not later than 60 calendar days after the official date of separation from service. The elected benefit commencement date is recorded as official 60 days after separation from service. Benefit payments will commence no earlier than 61 days after separation from service and no later than April 1 of the Plan year following the Plan year in which the participant attains age 70-1/2 or, if the participant has not separated from service as of such date, then no earlier than 61 days after separation, and not later than April of the plan year in which the employee retires. Absent such election, the participant shall commence receiving payments as designated by the Plan document. The participant may elect to further defer the benefit commencement date one time, if such election is made prior to the month that benefit payments are scheduled to begin.

(b) Beneficiary--If the participant dies after benefit payments have commenced, the beneficiary may not defer the receipt of future benefits. If the participant dies before benefit payments have commenced, a beneficiary must elect a benefit commencement date not later than 60 days following notice to the Plan administrator of the participant's death. Such election will be effective only if made on forms provided by the Plan administrator. The elected benefit commencement date is recorded as official 60 days after notice to the Plan administrator of the participant's death. Benefit payments to a spousal beneficiary must begin not later than 60 days after the close of the Plan year in which the participant would have attained age 70 1/2, and benefit payments to a non-spousal beneficiary must begin not later than December 31 of the calendar year following the calendar year in which the participant dies. Absent an election of a benefit commencement date, the beneficiary shall commence receiving payments as designated by the Plan document. A spousal beneficiary may elect to further defer the benefit commencement date one time, if such election is made prior to the month that benefit payments are scheduled to begin.

Election of Benefit Payment Options (a) Participant--Not less than 60 days prior to the benefit commencement date, a participant may elect the benefit payment option pursuant to which benefits will be paid or change any such election previously made. Absent such election, the participant shall receive benefits as designated by the Plan document. No benefit payment option shall be provided which (a) is expected to result in the participant’s receipt of less than (i) two-thirds of the maximum amount that could have been payable while the participant is less than age 70 1/2, (ii) one hundred percent of the maximum amount that could have been payable when the participant is at least age 70 1/2, (b) is not provided for on the benefit payment option election form provided by the Plan administrator, or (c) is not permitted in the Plan document. Provided, however, the participant may elect to receive a joint and survivor annuity if (i) the participant’s spouse is the joint annuitant, (ii) such annuity is provided for on the benefit payment option election form provided by the Plan administrator, and (iii) such annuity is permitted under the Plan document.

(b) Beneficiary--If a participant has made a benefit payment option election and has specified that such election may not be modified by the beneficiary, then the beneficiary shall not have the rights to select or change the benefit payment option. If a participant has made an election and has not specified that it is irrevocable by the beneficiary, or if the participant has not made an election, then the beneficiary shall have, after the participant's death and prior to the date in which benefits are first paid, the rights to elect a benefit payment option. Such election will be effective only if made on forms provided by the Plan administrator and received in the office of the Board not later than 60 days prior to the benefit commencement date. Absent such election, the beneficiary shall receive benefits as designated by the Plan document. If payments have begun to a participant, those payments may be continued or, if allowed, the balance paid in a lump sum. In no event shall any option be available to a beneficiary which (a) provides benefits payable over any period extending beyond (i) for a non-spousal beneficiary, 15 years from the date of the participant's death, or (ii) for a spousal beneficiary, the beneficiary's life expectancy, or (b) is not provided for on the benefit payment option election form provided by the Plan administrator. Any amount not distributed to the participant during the participant's life will be distributed after their death at least as rapidly as under the method of distribution being used as the date of death. Whenever distribution is made to a minor or person under legal disability, such distribution shall be made only pursuant to the order of the court having jurisdiction over the distributee, and in such cases, all costs incurred by the Plan administrator in securing the order of the court, shall be paid from the amounts available for distribution.

Failure to Elect Benefit Commencement Date or Benefit Payment Option (a) Participant--If a participant fails to elect a benefit commencement date by 60 days after separation from service, benefit payments shall begin on the paydate 12 months following separation from service. If a participant fails to elect a payment option, benefits shall be paid as systematic withdrawals for a fixed time period of 5 years.

(b) Beneficiary--If a spousal beneficiary of a participant who had not commenced benefit payments fails to elect a benefit commencement date, benefit payments shall begin on the paydate 12 months following notice to the Plan administrator of the participant's death. If a non-spousal beneficiary fails to elect a benefit commencement date, benefit payments must begin not later than the December paydate of the calendar year following the calendar year in which the participant dies. If a beneficiary fails to elect a payment option, benefits shall be paid as systematic withdrawals for a fixed time period of 5 years.

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. If the 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 in writing to the Board's Unforeseeable Emergency Appeals Committee. The decision of the Appeals Committee may be appealed 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 employer 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 $2,000, the Plan administrator will 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.

Small Balance Distribution -- A participant may elect small balance distribution if their 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 provision.

Benefit Payment Options -- The following benefit payment options are available under the Plan. Definitions of each are provided on the benefit payment option election form. Benefits payable over a period of more than one year will be made in substantially non-increasing amounts and will be paid no less frequently than annually.

1. Life income with payment certain annuity
2. Joint and last survivor income (participant and spouse) annuity
3. Designated period purchased annuity
4. Payments of a fixed dollar amount
5 Systematic withdrawals for a fixed time period
6. Partial lump sum and remainder paid as in items 1 through 5 above
7. Lump sum payout

Beneficiaries

Designation of Beneficiaries -- At any time after commencing participation in the Plan, a participant may designate a beneficiary or joint annuitant for any benefits which the participant is entitled to receive under the Plan and which are unpaid at the time of his death, on a form filed with and accepted by the Plan administrator. A joint annuitant must be the participant's spouse. If a participant dies without having a proper beneficiary or joint annuitant form completed and on file, the benefits payable on or after the participant's death shall be paid to the fiduciary of the participant's probate estate; provided, however, that if the employer does not receive notice that a fiduciary has been appointed and qualified within 90 days after the death of the participant, payment shall be made to those persons entitled to receive the participant's property under intestacy laws of the jurisdiction of his residence at the time of his death.

If a beneficiary dies while receiving a participant's Plan benefits, any remaining benefits which the beneficiary is entitled to receive under the Plan and which are unpaid at the time of his 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, however, that if the Plan administrator does not receive notice that a fiduciary has been appointed and qualified within 90 days after the death of the beneficiary, payment shall be made to those persons entitled to receive the beneficiary's property under the intestacy laws of the jurisdiction of his residence at the time of his 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.

Revised Plan Document -- The Economic Growth and Tax Relief Reconciliation Act of 2001 contained pension reform legislation that affects future operations. The following Plan revisions were approved by the Board in October, 2001 and are effective beginning in 2002.

1. Increases in Deferral Limits-The annual limit increases to $11,000 in 2002, then increases $1,000 annually through 2006, and is adjusted for inflation thereafter. The annual catch-up limit increases from $15,000 to two times the new annual limit. An additional deferral amount is allowed for participants age 50 and over. This additional amount is $1,000 in 2002, and then increases $1,000 more each year through 2006, and is adjusted for inflation thereafter. A participant may defer up to 100% of includible compensation in 2002, which is an increase over the 33-1/3% limit of includible compensation previously allowed.

2. Flexibility in Distributions-The benefit commencement date and benefit payment election option will not be irrevocable elections beginning in 2002. Participants who have severed employment will be allowed to start, change, stop and restart benefits by filing the proper forms with the Plan administrator. Participants may transfer funds to purchase permissive service credit

3. Transfer options-Participants will be allowed to rollover eligible distributions to and from the Program, as long as the rollover is from or to another pretax qualified retirement plan. Participants may transfer funds to a public pension fund to purchase permissive service credit or repay contributions or earnings previously refunded.

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FINANCIAL SECTION

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

The Ohio Public Employees Deferred Compensation Board

We have audited the accompanying combined statements of net assets available for benefits of the Ohio Public Employees Deferred Compensation Program (the "Program") as of December 31, 2001 and 2000, and the related combined statements of changes in net assets available for benefits for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the Program's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets available for benefits of the Ohio Public Employees Deferred Compensation Program as of December 31, 2001 and 2000, and the combined changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Program's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The additional information listed in the Table of Contents as supplemental information, which is also the responsibility of the Program's management, is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The supplemental combining schedules of net assets available for benefits and of changes in net assets available for benefits are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual funds, and are not a required part of the basic consolidated financial statements. This additional information has been subjected to the auditing procedures applied in our audits of the combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

The Investment Section and the Statistical Section listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the basic combined financial statements. This additional information is the responsibility of the Program's management. Such information has not been subjected to the auditing procedures applied in our audits of the combined financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2002, on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 22, 2002

Deloitte
Touche
Tohmatsu

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ohio Public Employees Deferred Compensation Program, we offer this narrative overview of the financial statements contained in this Comprehensive Annual Financial Report. The financial statements consist of the Combined Statements of Net Assets Available for Benefits and the Combined Statements of Changes in Net Assets Available for Benefits. All assets and liabilities associated with the Program's operations are included on the statement of net assets available for benefits. The Program's economic inflows and outflows are reported on the statement of changes in net assets available for benefits.

Net assets available for Program benefits exceeded $4.3 billion as of December 31, 2001, which was a decrease of 2.8% over the previous year-end. This decrease in assets was primarily caused by the negative performance of the variable investment options.

Program Additions for the years ended December 31, 2001 and 2000:

	2001	2000	% Change
Net gains or (losses) on variable investments	$(401,049,597)	$(373,724,224)	7.3 %
Employee contributions	323,887,138	314,399,046	3.0
Stable value income	135,813,712	127,059,019	6.9
Other additions	9,895,955	6,066,829	63.1
Total Program additions	$ 68,547,208	$ 73,800,670	(7.1)%

Program Deductions for the years ended December 31, 2001 and 2000:

	2001	2000	% Change
Distributions to participants	$ 185,126,141	$ 174,979,885	5.8 %
Administrative, marketing and other deductions	8,951,162	8,639,466	3.6
Total Program deductions	$ 194,077,303	$ 183,619,351	5.7 %

The Economic Growth and Tax Relief Reconciliation Act of 2001 contained pension reform legislation that positively affects the future operations of IRC Section 457 deferred compensation plans. Annual contribution dollar limits were increased to coincide with other defined contribution plans, the percent of income allowed to be contributed was raised, the catch-up provisions for employees nearing retirement were improved, deferred compensation assets became available for purchase of permissive service credit or to repay previously refunded contributions, and many assets became eligible for rollover to other pre-tax savings plans at separation.

Management has incorporated these changes into the Program's operations in 2002, and expects that they will benefit both participants and the Program.

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2001 and 2000

	2001	2000
Assets:		
Investments:		
Stable Value Option	$2,161,763,557	$1,954,049,532
Mutual Funds	2,111,925,152	1,470,426,262
Purchased Annuities	60,697,902	60,270,006
Variable Annuities	0	971,033,191
Total investments	4,334,386,611	4,455,778,991
Cash and cash equivalents	2,052,843	2,749,674
Contributions receivable and held for investment	4,339,022	8,141,793
Accounts and other receivables	849,436	932,526
Property and equipment, net	150,374	116,964
Total assets	$4,341,778,286	$4,467,719,948
Liabilities:		
Accounts payable	$ 2,652,944	$ 3,079,832
Accrued expenses	183,072	167,751
Total liabilities	2,836,016	3,247,583
Net Assets Available for Benefits	$4,338,942,270	$4,464,472,365

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

COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the years ended December 31, 2001 and 2000

	2001	2000
Additions:		
Net gains or (losses) on variable investments	$ (401,049,597)	$ (373,724,224)
Employee contributions	323,887,138	314,399,046
Stable value income	135,813,712	127,059,019
Transfers from other plans and from Ohio National Life Insurance Company	6,568,788	2,174,042
Recordkeeping income	3,327,167	3,892,787
Total Additions	68,547,208	73,800,670
Deductions:		
Distributions to participants	185,126,141	174,979,885
Administrative expenses	5,523,275	5,156,588
Investment expenses	2,887,070	2,506,114
Transfers to other plans	441,512	863,651
Life insurance premiums	99,305	113,113
Total Deductions	194,077,303	183,619,351
Decrease in net assets available for benefits	(125,530,095)	(109,818,681)
Net assets available for benefits beginning of year	4,464,472,365	4,574,291,046
Net assets available for benefits end of year	$4,338,942,270	$4,464,472,365

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

NOTES TO THE COMBINED 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. The Program was established pursuant to Ohio Revised Code (the Code) Section 148. Under the Program provisions, any public employee within Ohio (as defined in Section 148.01(A)(1) of the Code) 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, 2001 and 2000, there were 1,350 and 1,272 respectively, state and local governments actively participating 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.

Program participants have the following investment options:

- A stable value option administered by the Program. Funds are managed and invested by Nationwide Life Insurance Company (Nationwide), Deutsche Asset Management (Deutsche), State Street Bank and Trust (State Street), and Bank One, NA.

- Mutual funds managed by AIM Equity Funds (AIM), American Century Investment Management (American Century), American Funds Group (American), Dodge & Cox Funds (Dodge & Cox), Fidelity Investment Company (Fidelity), Janus Equity Funds (Janus), Lazard Freres & Co. (Lazard), MFS Institutional Advisors (MFS), Nicholas-Applegate Securities (Nicholas-Applegate), PBHG Funds, Inc. (PBHG), Putnam Fiduciary Trust (Putnam), Franklin Templeton Funds (Templeton), and The Vanguard Group, Inc. (Vanguard).

- Universal life and whole life insurance contracts 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 to participants.

NOTES TO THE COMBINED FINANCIAL STATEMENTS, Continued

Variable annuities underwritten by Nationwide were an investment option until December 20, 2001. Participants invested in these variable annuities at that date were transferred into the underlying mutual fund option.

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 is 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 for the purpose of administering the Program for all eligible employees. However, under the criteria set forth in the Statement of Governmental Accounting Standards No. 14, the Program is not considered a component unit of the State of Ohio:

- 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.

The Deferred Compensation Board is comprised of the members of the Public Employees Retirement System (PERS) of Ohio Board, a member of the House of Representatives and a member of the Senate who must be of different political parties, and are appointed by their respective leadership. Six of the nine members of the PERS Board are elected by the groups they represent: retired employees, state employees, municipal employees, county employees, non-teaching employees of state colleges and universities, and miscellaneous employees. Three statutory Board members are the Auditor of State, Attorney General and Director of Administrative Services.

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 American Institute of Certified Public Accountant's Audits of Employee Benefit Plans Audit Guide. 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 net assets 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 the Board. The Administration Fund recovers the costs of its operations through fees charged to the Program Fund (Note 6).

Guaranteed Return Option:

The Program administers the Guaranteed Return Option (GRO), which is the stable value option offered to participants. As of December 31, 2001, the Program has funds invested in four different pools, each of which earns a separate interest rate credited to the Program, which can change quarterly. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return. The Program is also responsible for calculating daily account balances, disbursing funds for benefit payments and processing investment exchanges. A cash reserve account is maintained to buffer the invested pools from daily cash outflows from the GRO.

One pool is invested in the Nationwide fixed annuity, which is commingled in the general investment account of Nationwide, and managed based upon Nationwide investment guidelines. The remaining pools of the GRO are separate portfolios managed by Nationwide, Deutsche, and State Street. Investment guidelines, including asset class, credit rating, portfolio diversification and duration are specified by the Program.

Funds invested in the Deutsche and State Street portfolios are covered by guarantee agreements. The agreement with Nationwide includes an accumulation account guarantee for funds invested in the Nationwide separate account. These agreements provide the formulas for determining the quarterly interest rate earned by each portfolio, and provide for benefit withdrawals at the guaranteed value.

Investments Valuation:

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

Units of variable investments are valued at share prices of mutual funds and unit prices of the variable annuities as reported by the investment carriers, which represent contributions received plus variable investment income 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 the 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.

Life Insurance Contracts:

As previously disclosed, universal and whole life insurance options are no longer available as new investment options. The policy cash value before surrender charges or other assessments was $1,609,361 and $1,733,782 at December 31, 2001 and 2000, respectively. Premiums paid for these policies are expensed. The amount of life insurance in force was $19,972,364 and $21,028,042 at December 31, 2001 and 2000, respectively.

Stable Value Income:

Stable Value income was recorded as earned for each of the investment components of the Guaranteed Return Option. The gross interest rates were adjusted quarterly and ranged from 6.25% to 6.82% during 2001, and from 6.25% to 6.84% during 2000.

Net Gains or Losses on Variable Investments:

Variable investment income or loss consists of dividends and capital gains paid and appreciation or depreciation on the mutual funds, and dividends and capital gains paid and appreciation or depreciation of the underlying investments of the mutual funds supporting the variable annuities underwritten by Nationwide.

The assets held for purchased annuities were credited interest based upon reserve assumptions used by Nationwide at the participant's annuitization date. These annuitization rates ranged from 2.3% to 6.8% during 2001, and from 3.0% to 6.5% during 2000.

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 presentation.

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 Deferred Compensation Program which it administers. The Deferred Compensation Board Employees' assets in the Program were valued at fair value and are included as net assets available for benefits.

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 gross 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. Employee 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 $2,590,792 and $4,652,002 at December 31, 2001 and 2000, respectively.

5. Cash:

The Board's policy is to invest excess Administrative Fund cash in bank checking and money market accounts, certificates of deposit, a statewide investment pool managed by the Treasurer of the State of Ohio, or issues of the U.S. Government and its agencies, all with maturities of two years or less.

At December 31, 2001, the carrying amount of cash deposits was $2,052,843 and the bank balance was $2,245,329. Differences in these balances arise due to reconciling items, principally outstanding checks. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 risk as defined by the Government Accounting Standards Board). The remaining bank balances were uninsured and uncollateralized and were held in the name of the Program's pledging financial institution, as required by the Ohio Revised Code (Category 3).

At December 31, 2000, the carrying amount of cash deposits was $2,749,674 and the bank balance was $2,878,547. Differences in these balances arise due to reconciling items, principally outstanding checks. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 risk as defined by the Government Accounting Standards Board). The remaining bank balances were uninsured and uncollateralized and were held in the name of the Program's pledging financial institution, as required by the Ohio Revised Code (Category 3).

6. Recordkeeping Income:

The Administration Fund recovered some customer service and administrative costs through charges made to the Program Fund. Beginning in 2000, the Program charged a $2.00 per quarter fee to each participant account, which replaced an asset-based fee charged in prior years. The Program is compensated by certain investment providers for performing recordkeeping responsibilities.

7. Program Investments:

A summary of Program investments is as follows:

	December 31, 2001	
	Carrying Value	**Fair Value**
Guaranteed Return Option:		
Deutsche Asset Management	$ 931,446,289	$ 949,445,940
Nationwide Ohio Managed Fund	709,030,570	729,611,542
State Street Bank and Trust	272,545,695	280,831,233
Nationwide Fixed Account	243,215,549	243,215,549
Bank One, NA	5,525,454	5,525,454
Total Guaranteed Return Option	2,161,763,557	2,208,629,718
Mutual Funds	2,111,925,152	2,111,925,152
Purchased Annuities	60,697,902	60,697,902
Total Investments	$4,334,386,611	$4,381,252,772

	December 31, 2000	
	Carrying Value	**Fair Value**
Guaranteed Return Option:		
Nationwide Ohio Managed Fund	$ 664,838,519	$ 668,906,251
Deutsche Asset Management	585,167,612	591,200,562
Nationwide Fixed Account	438,892,816	438,892,816
State Street Bank and Trust	255,578,060	258,969,492
Bank One, NA	9,572,525	9,572,525
Total Guaranteed Return Option	1,954,049,532	1,967,541,646
Mutual Funds	1,470,426,262	1,470,426,262
Variable Annuity	971,033,191	971,033,191
Purchased Annuities	60,270,006	60,270,006
Total Investments	$4,455,778,991	$4,469,271,105

Guaranteed Return Option:

The GRO funds that are invested in the Nationwide Fixed Account are commingled in the general account of Nationwide and are not separately identifiable. Funds invested by Deutsche and in the Nationwide Ohio Managed Fund are held in custody by the respective companies for the Program. The quoted market prices of these investments have been used for disclosure purposes. Funds invested by State Street are in a bank commingled passive bond index fund and reported at fair value. A cash account is maintained at Bank One to fund daily cash requirements.

The Program has entered into liquidity guarantee agreements with insurance companies to fund any withdrawals for benefit payments at book value. The GRO book value represents participant contributions plus earnings based on guaranteed rates of return. The Program expects carrying and fair values of the GRO portfolio to converge, through amortization of these differences in future crediting rates.

Included in sales and assets charges are $1,986,194 and $1,597,637 related to premiums paid for this book value guarantee for the years ended December 31, 2001 and 2000, respectively.

A summary of the fair value of investments in the Guaranteed Return Option by investment category at December 31, 2001 and 2000 is as follows:

	2001	2000
Asset-Backed Securities	$ 505,640,245	$ 298,252,132
Collateralized Mortgage Obligations	393,882,399	295,744,939
Corporate Bonds	297,060,418	216,388,292
Passive Bond Index Fund	280,831,233	258,969,492
Nationwide Fixed Account	243,215,549	438,892,816
U.S. Treasury and Other Agency Obligations	183,812,714	214,820,108
Mortgage-Backed Securities	121,798,596	85,077,670
Guaranteed Investment Contracts	89,136,640	64,042,523
Cash and Cash Equivalents	56,225,971	54,281,092
Commercial Mortgages	37,025,953	41,072,582
Total Investments	$2,208,629,718	$1,967,541,646

Mutual Funds:

Shares of mutual funds are priced at the net asset value as calculated by the fund provider. A summary of year ended investments as of December 31, 2001 and 2000 is as follows:

	Mutual Funds-2001			Mutual Funds-2000		
	Fair Value	Share Price	No. Shares Outstanding (1,000's)	Fair Value	Share Price	No. Shares Outstanding (1,000's)
Fidelity:						
Contrafund	$ 380,616,665	$ 42.77	8,899	$ 440,718,319	$ 49.17	8,963
Magellan Fund	258,769,113	104.22	2,483	301,384,093	119.30	2,526
Equity Income Fund	255,344,962	48.77	5,236	271,154,740	53.43	5,075
Growth Company	146,929,553	53.22	2,761	199,716,001	71.43	2,796
Government Income	14,017,059	9.97	1,406	7,623,685	9.87	772
Total Fidelity Funds	1,055,677,352			1,220,596,838		
Janus:						
Janus Twenty	243,529,082	38.46	6,332	0		
Janus Fund	103,479,251	24.60	4,206	0		
Total Janus Funds	347,008,333			0		
Dodge & Cox:						
Stock Fund	88,051,744	100.51	876	33,356,138	96.67	345
Balance Fund	67,549,249	65.42	1,033	29,586,899	63.42	466
Total Dodge & Cox Funds	155,600,993			62,943,037		
Vanguard:						
Institutional Index Fund	118,182,172	104.89	1,127	0		
International Growth Fund	14,463,230	15.01	964	16,816,062	18.87	891
Total Vanguard Funds	132,645,402			16,816,062		
AIM Constellation Fund	108,871,185	23.55	4,623	0		
American Century:						
Growth Fund	45,022,386	19.52	2,306	0		
Income & Growth Fund	41,811,005	27.35	1,529	44,606,579	30.19	1,478
Total American Century	86,833,391			44,606,579		
Putnam Investors Fund	73,315,044	11.55	6,348	0		
PBHG Growth Fund	52,740,458	20.36	2,590	89.915.042	31.10	2,891
Lazard Small Cap Fund	32,377,543	17.70	1,829	18,427,028	18.07	1,020
Templeton Foreign Fund	29,789,711	9.25	3,221	0		
MFS New Discovery Fund	18,802,268	17.43	1,079	15,605,757	18.31	852
Bond Fund of America	16,687,840	12.79	1,305	0		
Nicholas Applegate International Core Growth Fund	1,575,632	16.83	94	1,515,919	23.42	65
Total Mutual Funds	$2,111,925,152			$1,470,426,262		

Variable Annuity:

Units of variable investments are priced at unit values of the Nationwide Deferred Compensation Variable Annuity. Participants invested in these options as of December 20, 2001 were transferred into the underlying mutual fund option. A summary of variable annuity investments for the year ended December 31, 2000 is as follows:

	Variable Annuity-2000		
	Fair Value	Unit Price	No. of Units Outstanding (1,000's)
Janus Twenty	$346,736,050	$ 4.10	84,627
Janus Fund	144,116,234	3.52	40,983
AIM Constellation	141,809,206	2.82	50,323
SEI S&P 500 Index	130,045,660	5.61	23,201
Putnam Investors Growth	103,778,814	26.59	3,904
American Century Growth	61,951,493	9.37	6,609
Templeton Foreign	30,645,940	1.76	17,396
Bond Fund of America	11,949,794	2.72	4,390
Total Variable Annuity	$971,033,191		

Purchased Annuities:

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. Investments in purchased annuities were $60,697,902 and $60,270,006 at December 31, 2001 and 2000, respectively.

8. Investment Expenses:

Investment manager, custodian, and book value guarantee fees are charged on assets within the GRO pools. Fees associated with these portfolios are summarized as follows:

	2001	2000
Nationwide	$1,579,615	$1,498,798
Deutsche	1,013,526	687,270
State Street	269,516	303,367
Bank One	24,413	16,679
	$2,887,070	$2,506,114

9. Vacation and Sick Leave:

As of December 31, 2001 and 2000, $161,799 and $149,285, respectively, was accrued 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 of employment prior to termination, employees are entitled to 50% payment of unused sick leave at termination.

10. Property and Equipment:

Property and equipment at December 31 are summarized as follows:

	Estimated Useful Life	2001	2000
Furniture and fixtures	7 years	$120,173	$114,524
Office equipment	5 years	131,235	132,670
Computer equipment	3-5 years	298,616	345,315
Leasehold improvements	4 years	12,600	12,600
		562,624	605,109
Less accumulated depreciation and amortization		412,250	488,145
		$150,374	$116,964

11. Leases:

The Board entered into an amended noncancelable operating lease for office space that began December 1, 1996 and expired December 31, 2001. Base rental expense for operating leases was $64,436 and $58,299 during 2001 and 2000, respectively. Operating expenses and real estate taxes allocated under the lease agreement were $59,308 and $60,582 during 2001 and 2000, respectively.

The Board entered into a ten-year lease agreement for new administrative office space effective in 2002. The lease has early termination options after the seventh and ninth years, upon payment of an early termination penalty. Future scheduled minimum lease payments under the office space operating lease at December 31, 2001 are as follows:

Year Ending December 31:	Amount:
2002	$ 81,150
2003	98,691
2004	101,023
2005	103,128
2006	105,157
Thereafter	575,489

12. 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.

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 2001 and 2000. The Program also maintains a lifetime maximum stop loss coverage per employee for medical benefits in the amount of $2,500,000 for both 2001 and 2000. The outstanding claims liability was $14,200 and $5,300 as of December 31, 2001 and 2000 respectively.

13. Pension Plan:

All Board employees are required to participate in a contributory retirement plan administered by the Public Employees Retirement System of Ohio (PERS). PERS is a cost-sharing, multiple-employer public employee retirement system, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided to PERS by Chapter 145 of the Ohio Revised Code.

Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of credited service up to 30 years and 2.5% for each year of service over 30 years. Final average salary is the employee's average salary over the highest three years of earnings. Benefits fully vest on reaching five years of service. Vested employees may retire at any age with 30 years of credited service, at age 55 with a minimum of 25 years of accredited service, and at age 60 with a minimum of 5 years of service. Employees retiring with less than 30 years of service and under age 65 receive reduced retirement benefits. Benefits are established by state statute.

Employees covered by PERS are required by Ohio statute to contribute 8.5% of their salary to the plan. The Board is required by the same statute to contribute 13.55% of covered payroll; 9.25% is the portion used to fund pension obligations, with the remaining used to fund the health care program for retirees. During 2000, the PERS Board instituted a temporary employer contribution rate rollback, which resulted in a contribution rate of 10.84% of covered payroll for local government employers, including the Program. The required employer contributions for the current year and the two preceding years are as follows:

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2001	$125,600	100%
2000	$88,900	100%
1999	$110,600	100%

Historical trend information showing the progress of PERS in accumulating sufficient assets to pay benefits when due is presented in the PERS *Comprehensive Annual Financial Report.* PERS issues a publicly available financial report for the plans. The report may be obtained by writing to PERS, 277 East Town Street, Columbus, Ohio 43215-4642.

In addition to the retirement benefits described above, PERS provides postemployment health care benefits.

PERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. PERS determines the amount, if any, of the associated health care costs that will be absorbed by PERS. Under Ohio Revised Code, funding for medical costs paid from the funds of PERS is included in the employer contribution rate. For the fiscal year ended December 31, 2000, PERS allocated 4.3% of the employer contribution rate to fund the health care program for retirees. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The actuarial value of assets available for these benefits at December 31, 2000 was $11.7 billion. There were 411,076 benefit recipients eligible for postemployment benefits at that date.

14. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of $1,145,625 and $1,106,779 were made during 2001 and 2000, respectively, for this purpose, including $3,500 and $15,390 payable to the Administrative Fund as of December 31, 2001 and 2000, respectively. These inter-fund charges and payables have been eliminated in the Combining Statement of Net Assets Available for Benefits and the Combining Statement of Changes in Net Assets Available for Benefits.

SUPPLEMENTAL COMBINING SCHEDULE OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2001
With Totals for 2000

	2001				
	PROGRAM FUND	ADMINIS-TRATION FUND	ELIMINATIONS	TOTAL	2000 TOTAL
Assets:					
Investments	$4,334,386,611			$4,334,386,611	$4,455,778,991
Cash and cash equivalents		$2,052,843		2,052,843	2,749,674
Contributions receivable and held for investment	4,339,022			4,339,022	8,141,793
Accounts and other receivables		852,936	$(3,500)	849,436	932,526
Property and equipment, net		150,374		150,374	116,964
Total assets	$4,338,725,633	$3,056,153	$(3,500)	$4,341,778,286	$4,467,719,948
Liabilities:					
Accounts payable	$ 2,115,829	540,615	$(3,500)	$ 2,652,944	$ 3,079,832
Accrued expenses		183,072		183,072	167,751
Total liabilities	2,115,829	723,687	(3,500)	2,836,016	3,247,583
Net Assets Available for Benefits	$4,336,609,804	$2,332,466	$ 0	$4,338,942,270	$4,464,472,365

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2001
With Totals for 2000

	2001				
	PROGRAM FUND	ADMINIS-TRATION FUND	ELIMINATIONS	TOTAL	2000 TOTAL
Additions:					
Net gains or (losses) on variable investments	$ (401,049,597)			$ (401,049,597)	$ (373,724,224)
Employee contributions	323,887,138			323,887,138	314,399,046
Stable value income	135,639,743	$ 173,969		135,813,712	127,059,019
Transfers from other plans and from Ohio National Life Insurance Company	6,568,788			6,568,788	2,174,042
Recordkeeping income		4,472,792	$(1,145,625)	3,327,167	3,892,787
	65,046,072	4,646,761	(1,145,625)	68,547,208	73,800,670
Deductions:					
Distributions to participants	185,126,141			185,126,141	174,979,885
Administrative expenses	1,145,625	5,523,275	(1,145,625)	5,523,275	5,156,588
Investment expenses	2,887,070			2,887,070	2,506,114
Transfers to other plans	441,512			441,512	863,651
Life insurance premiums	99,305			99,305	113,113
	189,699,653	5,523,275	(1,145,625)	194,077,303	183,619,351
Decrease in net assets available for benefits	(124,653,581)	(876,514)		(125,530,095)	(109,818,681)
Net assets available for benefits beginning of year	4,461,263,385	3,208,980		4,464,472,365	4,574,291,046
Net assets available for benefits end of year	$4,336,609,804	$2,332,466	$ 0	$4,338,942,270	$4,464,472,365

SUPPLEMENTAL SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

for the years ended December 31, 2001 and 2000

	2001	2000
Customer Service	$3,195,192	$3,035,880
Salaries and benefits:		
Salaries and wages	901,488	848,926
Retirement contributions	120,221	89,021
Insurance	99,300	89,400
Other benefits	16,136	33,116
	1,137,145	1,060,463
Administration:		
Postage and delivery	379,464	309,927
Participant statements	156,879	116,062
	536,343	425,989
Professional Services:		
Consulting	177,328	100,718
Auditing	41,369	45,514
Data Processing	8,659	0
	227,356	146,232
Rents	123,744	118,811
Depreciation and amortization	62,531	86,923
Miscellaneous	60,147	99,069
Office supplies:		
Printing	35,109	25,628
Office supplies	15,471	19,444
Telephone and fax	3,551	3,931
	54,131	49,003
Data processing expense	50,052	58,241
Insurance	45,687	46,284
Professional expense	30,947	29,693
Total Administration Fund Deductions	$5,523,275	$5,156,588

SUPPLEMENTAL COMBINED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2001 and 2000

	2001	2000
Cash and cash equivalents, beginning of year	$ 2,749,674	$ 2,743,102
Receipts:		
Employee contributions	327,689,909	311,117,621
Investment withdrawals for distribution	185,126,141	174,979,885
Transfers from other plans	6,568,788	2,174,042
Recordkeeping income	3,596,116	4,052,522
Total cash receipts	522,980,954	492,324,070
Disbursements:		
Investment purchases	329,619,955	308,735,359
Distributions to participants	185,126,141	174,979,885
Administrative expenses	5,342,630	5,124,944
Investment expenses	2,952,302	2,472,761
Transfers to other plans	441,512	863,651
Life insurance premiums	99,305	113,113
Purchase of property and equipment	95,940	27,785
Total cash disbursements	523,677,785	492,317,498
Cash and cash equivalents, end of year	$ 2,052,843	$ 2,749,674

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OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

INVESTMENT SECTION

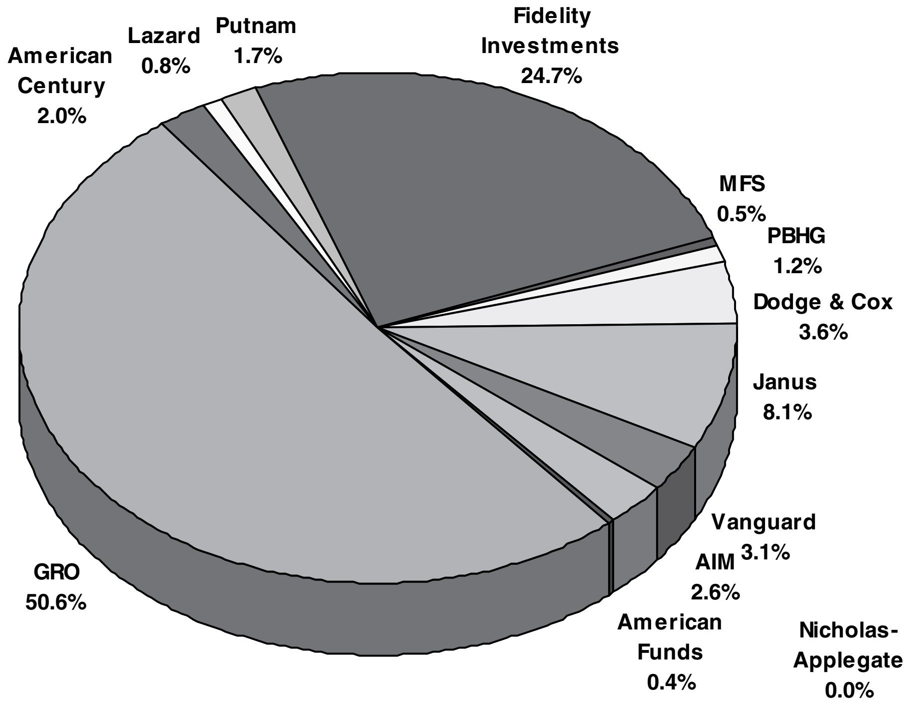
SCHEDULE OF INVESTMENTS AND PERFORMANCE

Investment Option	Fair Value 12/31/01	Net Investment Return 2001	Fair Value 12/31/00	Net Investment Return 2000
Guaranteed Return Option	$2,208,629,718	6.44%	$1,967,541,646	6.46%
Fidelity:				
Contrafund	380,616,665	(12.58)	440,718,319	(6.81)
Magellan	258,769,113	(11.66)	301,384,093	(9.31)
Equity Income	255,344,962	(5.02)	271,154,740	8.54
Growth Company	146,929,553	(25.31)	199,716,001	(6.32)
Government Income	14,017,059	6.71	7,623,685	12.63
Total Fidelity Funds	1,055,677,352		1,220,596,838	
Janus:				
Janus Twenty	243,529,082	(29.20)	0	0.00
Janus Fund	103,479,251	(26.10)	0	0.00
Total Janus Funds:	347,008,333		0	0.00
Dodge & Cox:				
Stock Fund	88,051,744	9.33	33,356,138	16.30
Balanced Fund	67,549,249	10.06	29,586,899	15.14
Total Dodge & Cox Funds	155,600,993		62,943,037	
Vanguard:				
Institutional Index Fund	118,182,172	(11.93)	0	0.00
International Growth Fund	14,463,230	(18.92)	16,816,062	(8.60)
Total Vanguard Funds:	132,645,402		16,816,062	
AIM Constellation Fund	108,871,185	(23.21)	0	0.00
American Century:				
Growth Fund	45,022,386	(18.66)	0	0.00
Income & Growth Fund	41,811,005	(8.38)	44,606,579	(10.53)
Total American Century Funds:	86,833,391		44,606,579	
Putnam Investors Fund	73,315,044	(24.80)	0	0.00
PBHG Growth Fund	52,740,458	(34.54)	89,915,042	(22.99)
Lazard Small Cap Fund	32,377,543	18.07	18,427,028	15.89
Templeton Foreign Fund	29,789,711	(7.92)	0	0.00
MFS New Discovery Fund	18,802,268	(4.81)	15,605,757	(0.08)
Bond Fund of America	16,687,840	7.15	0	0.00
Nicholas Applegate International Core Growth Fund	1,575,632	(28.13)	1,515,919	(23.22)
Nationwide Variable Annuity:				
Janus Twenty	0	0.00	346,736,050	(32.42)
Janus Fund	0	0.00	144,116,234	(14.91)
AIM Constellation	0	0.00	141,809,206	(9.98)
SEI S&P 500 Index	0	0.00	130,045,660	(9.35)
Putnam Investors	0	0.00	103,778,814	(18.50)
American Century Growth	0	0.00	61,951,493	(14.71)
Templeton Foreign	0	0.00	30,645,940	(3.67)
Bond Fund of America	0	0.00	11,949,794	6.19
Total Variable Annuity	0		971,033,191	
Total Invested Funds (1)	$4,320,554,870		$4,409,001,099	

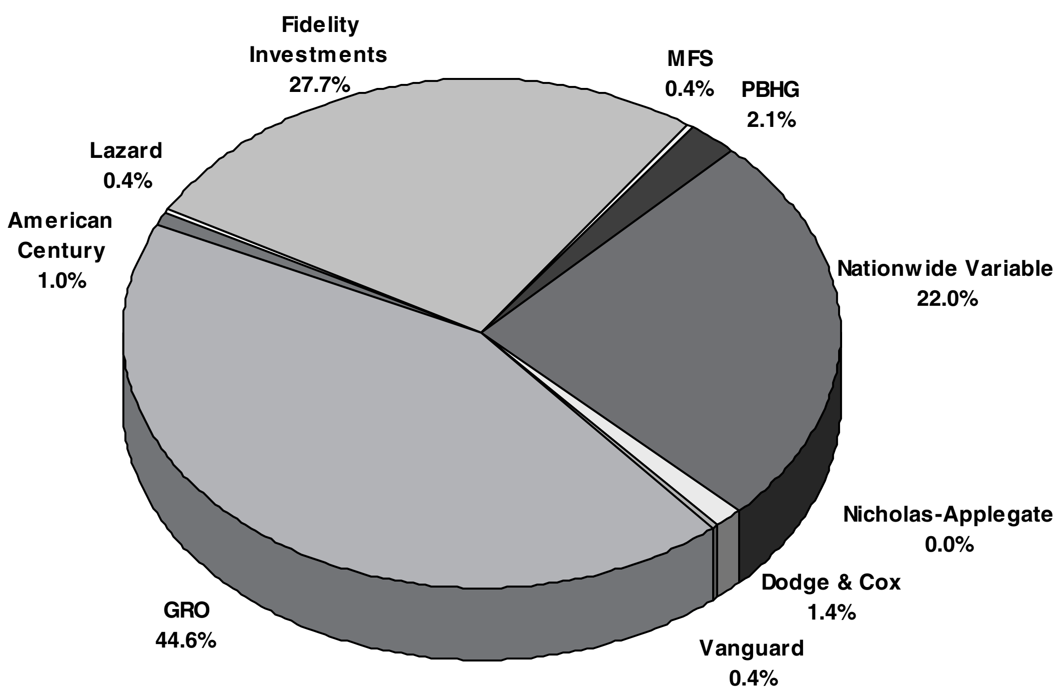
(1) Does not include amounts held for purchased annuities by Nationwide.

INVESTMENT MIX

December 31, 2001

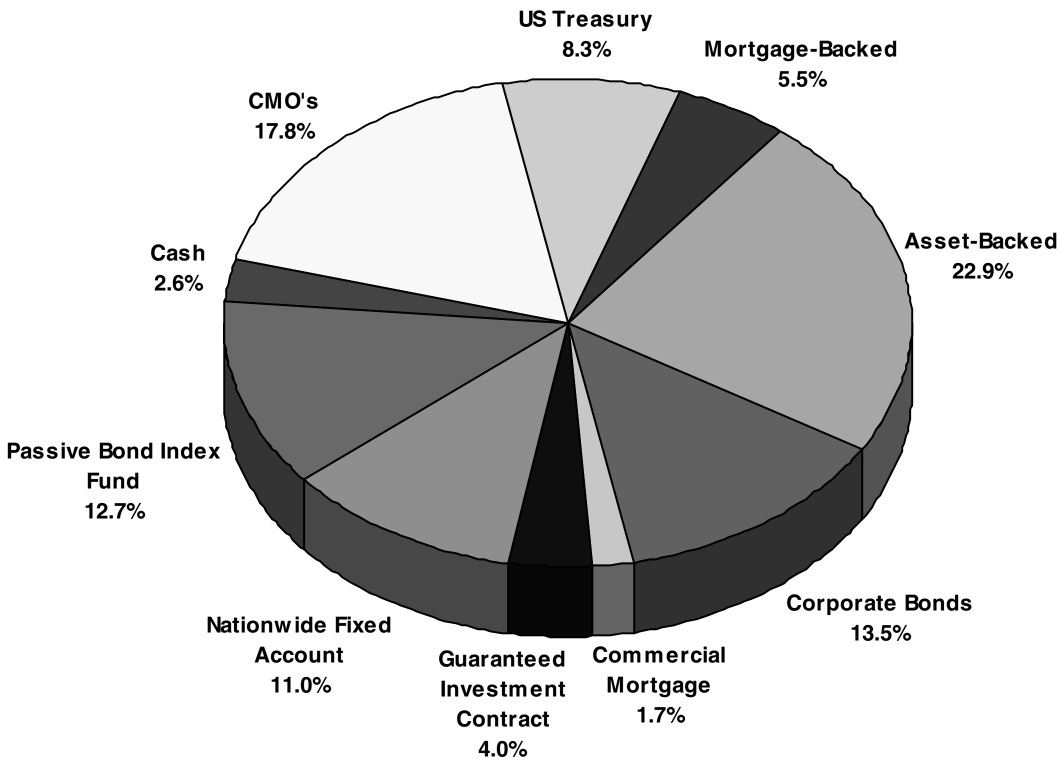


December 31, 2000

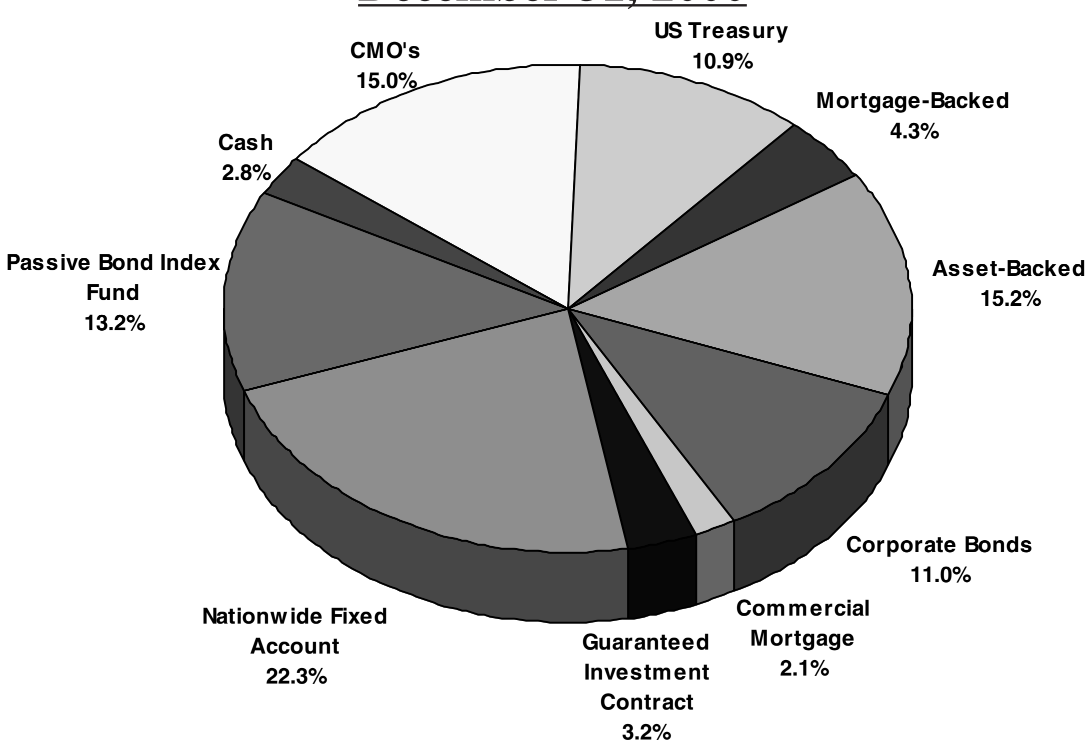


GRO DIVERSIFICATION

December 31, 2001



December 31, 2000



OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

STATISTICAL SECTION

NET ASSETS AVAILABLE FOR BENEFITS

1992	$1,358,683,745
1993	1,597,724,603
1994	1,823,628,619
1995	2,185,210,155
1996	2,554,514,834
1997	3,044,512,643
1998	3,694,176,461
1999	4,574,291,046
2000	4,464,472,365
2001	4,338,942,270

ADDITIONS BY TYPE

	Employee Contributions	Stable Value Income	Net Gain (Loss) On Variable Investments	Transfers From Life Insurance & Other Plans	Administrative Recordkeeping Income (1)	Total
1992	$159,977,352	$ 81,958,515	$ 15,757,623	$2,115,956		$ 259,809,446
1993	180,948,399	89,758,775	38,436,027	1,195,633		310,338,834
1994	204,267,003	95,199,984	156,115	1,739,599	$ 663,485	302,026,186
1995	224,548,555	108,246,532	118,122,535	2,001,694	630,598	453,549,914
1996	248,665,052	118,128,030	109,619,347	1,754,335	625,621	478,792,385
1997	268,826,344	123,493,898	219,785,702	2,045,637	1,287,157	615,438,738
1998	295,353,085	123,364,445	371,827,484	1,980,985	2,270,312	794,796,311
1999	305,282,184	123,984,026	604,806,148	4,357,182	3,227,395	1,041,656,935
2000	314,399,046	127,059,019	(373,724,224)	2,174,042	3,892,787	73,800,670
2001	323,887,138	135,813,712	(401,049,597)	6,568,788	3,327,167	68,547,208

(1) Beginning in 1994, the Program was compensated by the former fixed annuity provider for assuming recordkeeping responsibilities. Beginning in 1997, the Program was compensated by certain mutual fund providers for assuming recordkeeping responsibilities.

DEDUCTIONS BY TYPE

	Distributions To Participants	Administrative Expenses	Life Insurance Premiums	Investment Expenses	Transfers To Other Plans (1)	Total
1992	$ 55,585,106	$4,331,720	$272,138	$ 663,375		$ 60,852,339
1993	65,570,966	4,619,133	239,978	867,899		71,297,976
1994	70,123,634	4,796,799	217,610	984,127		76,122,170
1995	84,963,073	4,940,966	196,493	1,867,846		91,968,378
1996	101,225,015	5,326,163	177,361	2,702,929	$ 56,238	109,487,706
1997	116,573,938	5,204,081	158,456	2,869,160	635,294	125,440,929
1998	136,723,588	5,289,181	141,071	2,441,818	536,835	145,132,493
1999	152,673,102	5,410,773	125,955	2,617,590	714,930	161,542,350
2000	174,979,885	5,156,588	113,113	2,506,114	863,651	183,619,351
2001	185,126,141	5,523,275	99,305	2,887,070	441,512	194,077,303

(1) The Program did not permit transfers to other "457" plans prior to 1996.

EMPLOYEE PARTICIPATION AND DEFERRAL TRENDS

	Eligible Employees	Total Participants	Participants Currently Contributing	Average Annual Deferrals	Total Annual Deferrals	Net Assets Available for Benefits
1992	636,254	100,528	75,628	$2,115	$159,977,352	$1,358,683,745
1993	639,583	110,445	84,068	2,152	180,948,399	1,597,724,603
1994	671,329	118,638	89,849	2,273	204,267,003	1,823,628,619
1995	685,113	127,117	95,275	2,357	224,548,555	2,185,210,155
1996	666,512	135,092	100,398	2,477	248,665,052	2,554,514,834
1997	668,901	142,823	105,587	2,546	268,826,344	3,044,513,643
1998	680,137	147,451	108,784	2,715	295,353,085	3,694,176,461
1999	698,845	150,412	109,217	2,795	305,282,184	4,574,291,046
2000	705,023	156,798	112,795	2,787	314,399,046	4,464,472,365
2001	720,831	159,066	111,832	2,896	323,887,138	4,338,942,270

NUMBER OF EMPLOYERS CONTRIBUTING

	State	County	City	Metro Housing	Village	Library	Medical Center	Education	Misc	Township	Total
1992	1	88	198	22	62	103	30	107	61	95	767
1993	1	88	204	26	80	113	30	140	68	110	860
1994	1	88	212	30	94	125	31	180	74	123	958
1995	1	88	215	31	104	128	31	207	80	131	1,016
1996	1	88	218	33	118	131	33	218	89	142	1,071
1997	1	88	221	36	129	137	33	236	95	151	1,127
1998	1	88	224	39	137	145	33	251	101	161	1,180
1999	1	88	226	41	140	150	33	265	103	170	1,217
2000	1	88	231	43	152	158	33	272	106	188	1,272
2001	1	88	237	45	156	169	34	297	116	207	1,350

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board, and
Ms. Virginia Shimrock, Executive Director,
The Ohio Public Employees Deferred Compensation Board and
The Honorable James Petro, Auditor of the State of Ohio

We have audited the financial statements of the Ohio Public Employees Deferred Compensation Program (the "Program") as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 22, 2002. We conducted our audit 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Ohio Public Employees Deferred Compensation Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Ohio Public Employees Deferred Compensation Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to management of the Program in a separate letter dated March 22, 2002.

This report is intended solely for the information and use of the Board, management, the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

March 22, 2002

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FRANKLIN 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
JULY 11, 2002