



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2009



Mary Taylor, CPA
Auditor of State

Members of the Board
Ohio Public Employees Deferred Compensation Program
257 East Town Street
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, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 28, 2010

**OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the year ended December 31, 2009**

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

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, 2008

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.



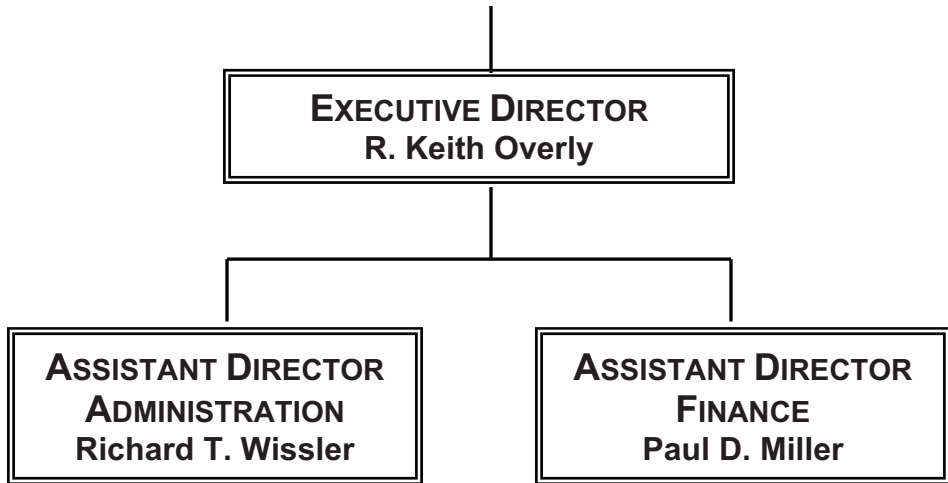
A stylized, handwritten signature in black ink, appearing to read "J.R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**ORGANIZATIONAL CHART
AS OF 12/31/09**



Advisors to the Board

Independent Public Accountants

Clark, Schaefer, Hackett & Co.

Legal Counsel

Richard Cordray, Attorney General

Consultant

EnnisKnupp & Associates



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 21, 2010

Dear Chair and Members of the Board:

We are pleased to present the Comprehensive Annual Financial Report for the Ohio Public Employees Deferred Compensation Program (the Program) for the year ended December 31, 2009. 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. Program management is responsible for the contents of this presentation. Management's Discussion and Analysis (MD&A) complements this letter of transmittal and should be read in conjunction with it.

The Ohio Revised Code created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. The Program provides services to more than 196,000 participants from 1,764 Ohio state and local governments. The State created the Program as a separate legal entity 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. Therefore, the Program is not part of the State of Ohio reporting entity.

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 who is eligible to participate in one of the state's statutory retirement systems (including the City of Cincinnati retirement system) is eligible to contribute, on a pre-tax basis, a portion of their annual includable compensation. Withdrawals may be made at retirement, death, or 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

During 2008, capital markets faced an environment of unprecedented volatility as the credit crisis affected all sectors of the stock market across every region of the globe. Interest rates reached all-time lows as investors flocked to the safety of Treasuries. The 2008 one-year return on equities was down 37.0 percent, as measured by the S&P 500. In light of the struggling economy, consumer confidence plunged, unemployment rose, and government tax revenues fell.

The economic landscape during the first quarter of 2009 was bleak, as the financial markets continued to experience volatility and experienced an S&P 500 loss of 11.0 percent. Federal bailout and stimulus packages were implemented to address the credit and financial crisis with hopes of calming the markets and restoring the economy. For the much of the remainder of 2009, the markets rebounded significantly. The 2009 one-year return on equities was up 26.6 percent, as measured by the S&P 500. Despite the market success in 2009, the underlying economy remained weak, especially the employment situation in Ohio. Hiring and wage freezes, unpaid furloughs, and lay-offs hurt the economy, the government, and retirement savings.

Despite the overriding negative sentiment as a result of the economy, there were some positive signs within the Program including:

- An additional 19 employers joined the Program, bringing the total number of employers to 1,764, which is a 1.1 percent increase over last year.
- The total number of participant accounts rose by 2,131, which is also a 1.1 percent increase over last year.
- Total year-end assets rose by \$1.2 billion - an increase of 19.6 percent over last year-end's assets.
- The average annual deferral contribution rose to \$4,163 per participant, which is 5.2 percent higher than last year.
- The average account balance rose to \$38,185, which is 18.3 percent higher than last year-end.
- The average annual benefit distribution per participant was \$8,526 or 3.3 percent more than last year.

The Program has established an administrative fund reserve policy to maintain three to twelve months of annual operating expenses in reserve. With adequate reserves on hand, the Board has been able to suspend the \$2 quarterly fee to participants since the fourth quarter of 2006. As of December 31, 2009, the Program had approximately eleven months of operating expenses in reserve and was in good financial shape to face further market fluctuations, which could negatively affect operating revenues.

Major Initiatives

A target date fund is a single investment option that provides a diversified mix of equities and fixed income investments. 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. The Program has offered the LifePath target date options since 2002. In August 2009, the Program moved investors from the actively managed series of LifePath options to the passively managed series of LifePath options in order to lower fees and lower market risk for these investors. At the same time, the Program began to offer the LifePath options in

five-year increments to provide greater selection and make it easier for investors to pick the most appropriate investment option for them.

Upon termination of employment, participants are not required to withdraw funds from their account until age 70½. A federal income tax law change for 2009 suspended this “required minimum distribution” to help retirees avoid the hardship of selling investments while their value was low. The Program spent considerable time and effort to communicate this change in the law to participants. This change in federal law is the primary reason that the number of participants taking a benefit distribution during 2009 decreased by 14.4 percent compared to 2008.

During 2009, Program staff sought Ohio legislation that would improve its operations. Staff drafted and promoted legislative language with the assistance of the Program Board members who are also members of the Ohio legislature. In July 2009, the Governor signed the proposed bill into law, which includes the following provisions:

- Codified the confidentiality of participant information
- Identified the Treasurer of State as the custodian of the deferred compensation receiving account for payroll deferrals
- Clarified the various investment options that may be offered to Program investors
- Created a mandatory opt-in/opt-out form that requires all newly hired employees of the State of Ohio to make a deferred compensation election.

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 that 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 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. 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.

Excess Administration Fund cash is held in money market accounts and certificate of deposits. Cash is held for capital acquisitions and is used to

supplement monthly operations, if administrative expenses exceed revenues during a given month. Management seeks to maintain sufficient cash reserves to cover three to twelve months of operating expenses.

Program Additions

Additions to Program assets may come from investment income earned on participant accounts, employee contributions, transfers from other plans, and recordkeeping reimbursements. Net investment income of \$1.0 billion in 2009 provided a strong rebound from the investment losses of \$1.4 billion in 2008, due to considerably different market trends. Despite this market volatility, employee contributions were relatively flat between the \$455 million received in 2009 versus \$457 million in 2008. The number of participants actively deferring decreased by 5.3 percent compared to last year-end, as many participants were concerned with market volatility and others were concerned about job security. The amount transferred from other retirement plans into the Program decreased 3.8 percent between 2008 and 2009.

Program Deductions

During 2009, the amount of total participant benefit distributions decreased by 7.5 percent over the prior year. Much of this decrease is attributable to the suspension of required minimum distribution rules, and some of the decrease is due to lower account values resulting from the general market declines through the first quarter of 2009. The amounts transferred to other eligible retirement plans, including transfers to defined benefit plans to purchase service credit, decreased 30.2 percent in 2009. Administrative expenses in 2009 decreased by 1.0 percent over the prior year due primarily to lower rent and consulting expense.

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.

The stable value option continues to be the most popular investment choice and accounts for 51.5 percent of all invested assets. The one-year return on stable value investments was 4.1 percent in 2009. Participants can select from 15 mutual fund options, or select a balanced or target date fund to create a diversified portfolio. Investment performance results and related investment expense rates are reported to participants in their annual and quarterly statements, as well as 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, 2008. 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.

Auditor of State Award

The Program was presented with the "Making Your Tax Dollars Count Award" by the Ohio Auditor of State for its 2008 Comprehensive Annual Financial Report. The award demonstrates the Program's commitment to careful spending, accurate fiscal reporting, and efficiency

Independent Auditors

The financial statements of the Program for the years ended December 31, 2009 and 2008 were audited by Clark, Schaefer, Hackett & Co. under contract with the Auditor of State of Ohio.

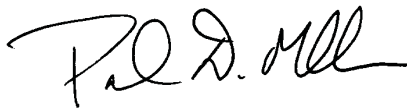
Acknowledgments

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 that were effective as of December 31, 2009. 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. 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) \$16,500 for the year 2009, 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 2009, 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 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; 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 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 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. 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 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 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 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 which 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, however, that if the Plan administrator does not receive notice that a fiduciary has been appointed and qualified within 90 days after the death, payment may be made to those persons entitled 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, 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 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

We have audited the accompanying statements of plan net assets of the Ohio Public Employees Deferred Compensation Program (the Program) as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. 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.

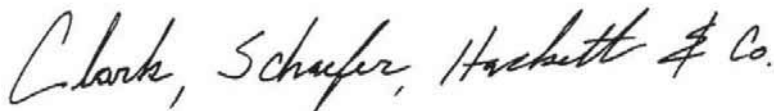
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 plan net assets of the Ohio Public Employees Deferred Compensation Program as of December 31, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 19 to 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Program's basic financial statements. The supplementary information on pages 43 to 47, the introductory section on pages 4 to 16, the investment section on pages 49 to 52, and the statistical section on pages 55 to 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



Springfield, Ohio
May 21, 2010

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cincinnati | columbus | dayton | middletown | springfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

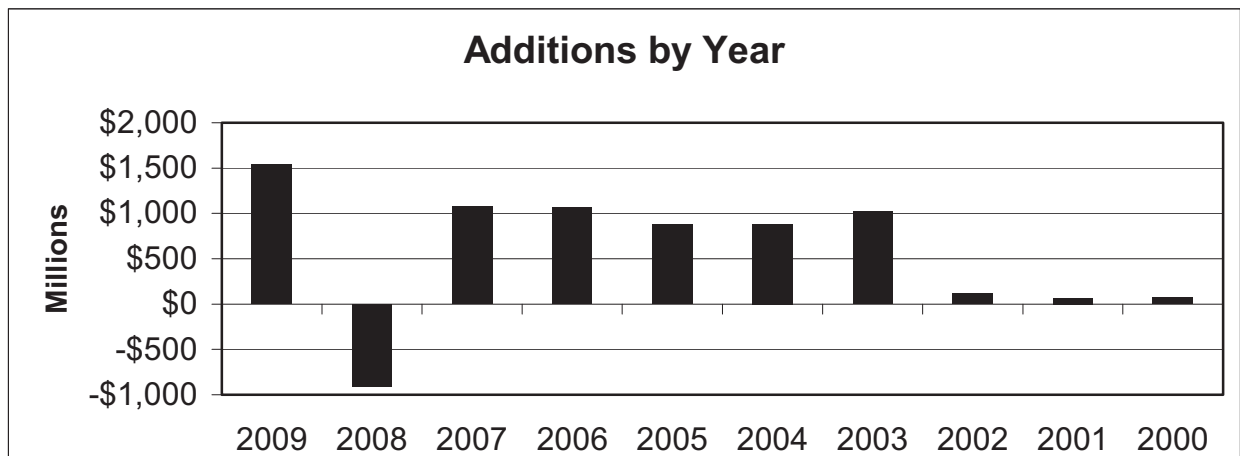
Management of the Ohio Public Employees Deferred Compensation Program offers this narrative overview of the financial statements contained in this Comprehensive Annual Financial Report. The financial statements consist of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. All assets and liabilities associated with the Program's operations are included on the Statement of Plan Net Assets. The Program's revenues and expenses are reported on the Statement of Changes in Plan Net Assets. Additional information is presented in the Notes to the Financial Statements and the Supplemental Information Schedules.

PROGRAM ADDITIONS

In a defined contribution plan, participants choose how much to defer from their paycheck and which investment options are appropriate for them. The average annual deferral per participant continues to grow and surpassed \$4,100 in 2009. Investment performance can significantly affect Program additions, and positive market performance in 2009 offset much of the market losses recorded in 2008.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net investment income (loss)	\$1,027,337,744	(\$1,429,112,572)	\$573,218,690
Employee contributions	454,645,326	456,547,715	448,422,325
Transfer from other plans	52,323,859	54,418,725	50,839,408
Recordkeeping income	4,315,025	5,446,752	6,019,775
Total Additions	<u>\$1,538,621,954</u>	<u>(\$912,699,380)</u>	<u>\$1,078,500,198</u>

The graph below shows the ten-year history of additions. Employee contributions have trended up over this period, but investment earnings (or losses) have created the large fluctuations in total additions by year.



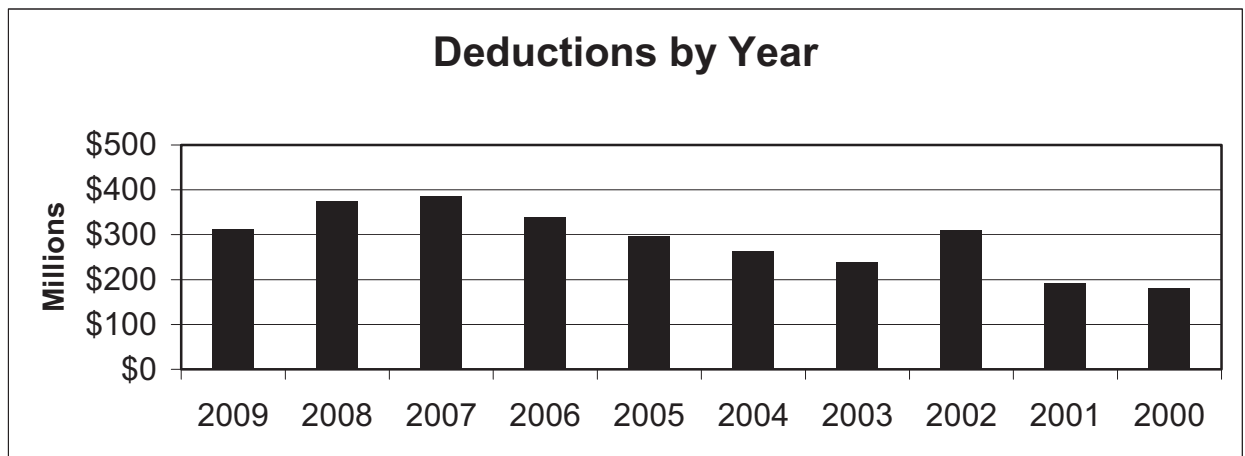
PROGRAM DEDUCTIONS

The general trend over the past ten years has been increasing total deductions due to higher withdrawals for benefit distribution and greater transfers to other retirement plans. Benefit distributions continue to be the largest annual Program deduction, but in 2009 the amount of these distributions decreased by 7.5 percent compared to the prior year. At the same time, the number of participants taking distributions decreased by 14.4 percent. The drop in participant account values due to the market decline in 2008, 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.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Distributions to participants	\$195,441,510	\$211,339,256	\$207,425,314
Transfers to other plans	107,995,835	154,784,361	170,789,259
Other deductions	8,515,384	8,603,889	8,161,664
Total Deductions	<u>\$311,952,729</u>	<u>\$374,727,506</u>	<u>\$386,376,237</u>

Transfers to other plans decreased by 30.2 percent, due partially to the uncertainties of the equity markets discouraging investors from seeking alternative investment opportunities. In addition, the Program continues to promote fee transparency. By disclosing its entire fee structure and encouraging participants to investigate the fee structure of competing retirement investment vehicles before initiating a transfer, the Program is able to retain many accounts due to its open and low fee policy.

The graph below shows the ten-year history of total deductions.

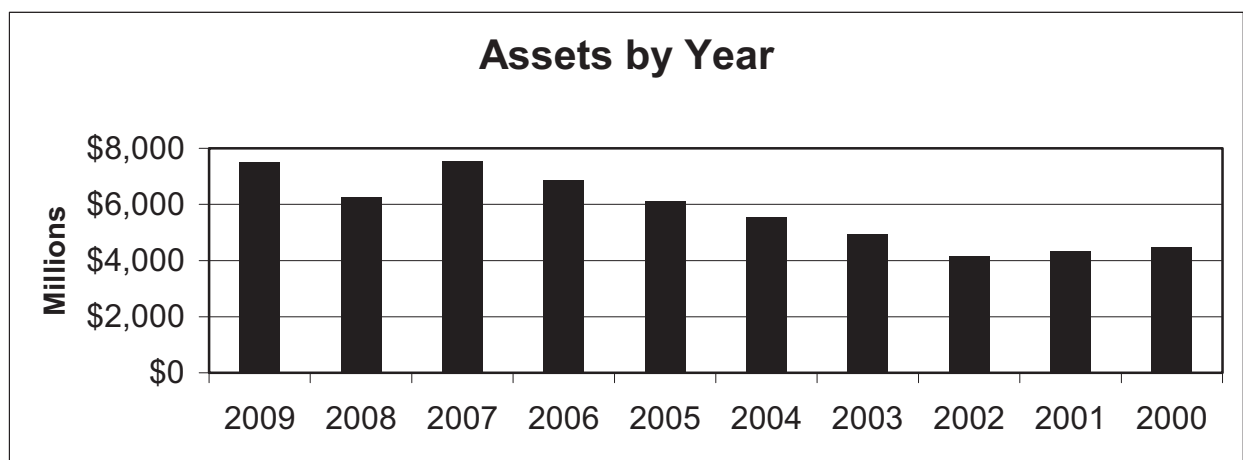


NET PROGRAM ASSETS

Total net assets available for Program benefits at December 31, 2009 increased 19.6 percent compared to the previous year-end, primarily due to positive investment performance. Even when these investment gains are excluded, total Program additions exceeded total deductions by more than \$199 million, indicating that the Program is still a growing and viable plan. 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.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Assets	\$7,491,041,250	\$6,262,239,833	\$7,549,519,664
Total Liabilities	<u>4,306,371</u>	<u>2,174,179</u>	<u>2,027,124</u>
Net Assets Available for Benefits	<u>\$7,486,734,879</u>	<u>\$6,260,065,654</u>	<u>\$7,547,492,540</u>
Change in Net Assets	<u>\$1,226,669,225</u>	<u>(\$1,287,426,886)</u>	<u>\$692,123,961</u>

As demonstrated by the graph below, total Program assets have generally increased over the past ten years, representing an improvement to the overall financial position of the Program. After several years of positive market performance in the middle of this decade, a market downturn was inevitable. However, the severity of the 2008 market downturn was one of historic proportions, leading to a considerable loss of assets. The market rebound in 2009 was quick and significant, but did not entirely offset all of the losses of 2008. Still, 2009 was a successful year that put the Program back on a growing trend.



PROGRAM ACTIONS

In February 2009, the Program's administrative office relocated to a different space in downtown Columbus. In June 2009, the Program's Service Center relocated from a Columbus suburb to the same downtown facility. The combined office space will save occupancy costs, create work efficiencies, and improve service to participants, because the new space is within walking distance of most of the other statewide retirement systems' offices.

The Program has offered the LifePath target date options since 2002. In August 2009, the Program moved from the actively managed series of LifePath options to the passively managed series of LifePath options in order to lower fees and lower market risk for these investors. At the same time, the Program began offering the LifePath funds in five-year increments to provide greater selection and make it easier for investors to pick the most appropriate fund for them.

The Program accommodates participating employers with a wide range of different pay schedules. The most common pay schedule (bi-weekly Friday) had 27 pay dates scheduled in 2009, which is one more than in normal years. This unique schedule resulted in a \$4 million increase in payroll deferrals in 2009 over normal deferrals. Program staff worked to ensure that participants on this pay schedule did not exceed their annual deferral limits due to this extra pay date occurring in 2009.

STATEMENTS OF PLAN NET ASSETS

As of December 31, 2009 and 2008

	2009	2008
Assets:		
Investments:		
Stable value option	\$3,830,880,344	\$3,648,964,374
Mutual funds	3,401,471,201	2,429,431,916
Collective trust funds	206,614,314	134,095,796
Purchased annuities	33,739,143	36,753,649
Total investments	7,472,705,002	6,249,245,735
Cash and cash equivalents	7,936,706	8,525,182
Contributions receivable and cash held for investment	9,014,715	3,307,235
Accounts and other receivables	1,121,150	861,539
Property and equipment, net	263,677	300,142
Total assets	7,491,041,250	6,262,239,833
Liabilities:		
Accounts payable	4,030,073	1,937,961
Accrued expenses	276,298	236,218
Total liabilities	4,306,371	2,174,179
Net Assets Held in Trust	\$7,486,734,879	\$6,260,065,654

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the years ended December 31, 2009 and 2008

	2009	2008
Additions:		
Net Investment Income:		
Net gain(loss) on funds	\$869,273,745	(\$1,594,537,492)
Stable value income	166,203,680	171,232,649
Investment expenses	(8,139,681)	(5,807,729)
Net investment income	1,027,337,744	(1,429,112,572)
Employee contributions	454,645,326	456,547,715
Transfers from other plans	52,323,859	54,418,725
Recordkeeping income	4,315,025	5,446,752
Total additions	1,538,621,954	(912,699,380)
Deductions:		
Distributions to participants	195,441,510	211,339,256
Transfers to other plans	107,995,835	154,784,361
Administrative expenses	8,474,019	8,562,881
Life insurance premiums	41,365	41,008
Total deductions	311,952,729	374,727,506
Change in plan net assets	1,226,669,225	(1,287,426,886)
Plan net assets - beginning of year	6,260,065,654	7,547,492,540
Plan net assets - end of year	\$7,486,734,879	\$6,260,065,654

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. 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, 2009 and 2008, there were 1,764 and 1,745 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.

As of December 31, 2009, Program participants have the following investment options:

- A stable value option administered by the Program. Funds are managed and invested by Deutsche Asset Management (Deutsche), Goode Investment Management, Inc. (Goode), JP Morgan Investment Advisors (JP Morgan), Nationwide Life Insurance Company (Nationwide), Pyramis Global Advisors Trust Company (Pyramis), and State Street Bank and Trust (State Street).
- Mutual funds managed by Dodge & Cox Funds (Dodge & Cox), Fidelity Investment Company (Fidelity), First Pacific Advisors (FPA), Hartford Investor Services Company (Hartford), Janus Equity Funds (Janus), PIMCO Funds (PIMCO), Franklin Templeton Funds (Templeton), and The Vanguard Group, Inc. (Vanguard).
- Target date collective trust funds managed by BlackRock Institutional Trust Company (BlackRock). Until December 2009, these funds were managed by Barclays Global Investors NA (Barclays), when Barclays and BlackRock merged into one company.

NOTES TO THE FINANCIAL STATEMENTS, Continued

- 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 available to participants.

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 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.

The Ohio Deferred Compensation Board is comprised of the members of the Ohio Public Employees Retirement System (OPERS) Board, a member of the Senate, and a member of the 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 Board members are the Director of the Ohio Department of Administrative Services and investment experts appointed by the Governor, Treasurer of State, and Ohio General Assembly.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 assets. 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 and from recordkeeping reimbursements from certain investment providers.

Stable Value Option:

The Program administers the Stable Value Option, which is the stable value investment option offered to participants. As of December 31, 2009, the Program has stable value funds invested with six different managers. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return of the portfolios. The Program is also responsible for calculating daily account balances, disbursing funds for benefit payments and processing investment exchanges.

The investment pools of the Stable Value Option include portfolios managed by Deutsche, Goode, JP Morgan, Nationwide, Pyramis, and State Street. The Program's investment policy specifies investment guidelines, including asset class, credit rating, portfolio diversification and duration. The Deutsche portfolio maintains a cash reserve account to buffer the invested pools from daily cash flows into and out of the Stable Value Option.

Funds invested in the portfolios are covered by guarantee agreements with independent 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Investments Valuation:

Investments of the Stable Value Option 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.

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.

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 \$1,039,600 and \$1,158,100 at December 31, 2009 and 2008, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was \$6,665,100 and \$6,968,700 at December 31, 2009 and 2008, respectively.

Stable Value Income:

Stable value income was recorded as earned for each of the investment components of the Stable Value Option. The gross crediting rates for each portfolio were adjusted quarterly and ranged from 3.19 percent to 4.86 percent during 2009, and from 4.64 percent to 5.33 percent during 2008.

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 -1.6 percent to 5.5 percent during 2009, and from -0.3 percent to 5.9 percent during 2008.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Net Gain or Loss on Invested Funds:

Mutual and collective trust fund investment income or loss consists of dividends and capital gains paid, and appreciation or depreciation on the funds.

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 Program, which it administers. The Deferred Compensation Board employees' assets in the Program were valued at fair value and are included as plan net assets.

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. 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 \$4,754,196 and \$1,399,272 at December 31, 2009 and 2008, respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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, 2009 and 2008, the bank cash balances were \$8,326,183 and \$8,929,160 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.

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2009	
	Carrying Value	Fair Value
Stable Value Option	\$3,830,880,344	\$3,883,911,113
Mutual Funds	3,401,471,201	3,401,471,201
Collective Trust Funds	206,614,314	206,614,314
Purchased Annuities	33,739,143	33,739,143
Total Investments	\$7,472,705,002	\$7,525,735,771
	December 31, 2008	
	Carrying Value	Fair Value
Stable Value Option	\$3,648,964,374	\$3,483,760,865
Mutual Funds	2,429,431,916	2,429,431,916
Collective Trust Funds	134,095,796	134,095,796
Purchased Annuities	36,753,649	36,753,649
Total Investments	\$6,249,245,735	\$6,084,042,226

NOTES TO THE FINANCIAL STATEMENTS, Continued

Stable Value Option:

At December 31, 2009, investments in the JP Morgan and Nationwide separate account portfolios are held in custody for the Program. The quoted market prices of these investments have been used for disclosure purposes. Funds invested by Deutsche, Pyramis, State Street, and Goode are in commingled bond funds and are disclosed at fair value.

The investments of the Stable Value Option portfolio are governed by an investment policy enacted by the Deferred Compensation Board. That policy permits investments in U.S. Government, U.S. Government Agency, mortgage backed, asset backed, and corporate debt securities.

The Program has entered into liquidity guarantee agreements with banks and insurance companies to fund any withdrawals for benefit payments at book value. The Stable Value Option book value represents participant contributions plus earnings based on guaranteed rates of return. As of December 31, 2009, the fair value of the Stable Value Option assets exceeded the carrying value by \$53 million or 1.4 percent. The Program expects the carrying and fair values of the Stable Value Option assets to converge over time through changing market cycles and amortization of these differences in future crediting rates.

One result of the 2008 global financial and credit crisis is the lack of capacity within the stable value wrap market. Some financial institutions no longer offer wrap products, and the remaining institutions have generally required higher fees and adopted less risky investment strategies. All of the Program's wrap providers continue in place; however, at significantly higher fees, which reduce the net crediting rate paid to stable value investors.

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Deutsche Asset Management	\$1,424,175,960	\$1,256,094,573
State Street Bank and Trust	647,016,821	606,333,816
JP Morgan Investment Advisors	630,729,412	581,348,011
Nationwide Life Insurance Co.	636,975,487	580,250,339
Pyramis Global Advisors	488,099,319	409,663,388
Goode Investment Management	56,914,114	50,070,738
Total Fair Value	<u>3,883,911,113</u>	<u>3,483,760,865</u>
Total Carrying Value	<u>3,830,880,344</u>	<u>3,648,964,374</u>
Difference	<u>\$53,030,769</u>	<u>(\$165,203,509)</u>

Credit Risk – The Program's investment policy requires the average quality of the Stable Value Option structure to be A-/A3 or better and restricts the amount of investments in securities rated below BBB/Baa3 to ten percent or less of assets.

NOTES TO THE FINANCIAL STATEMENTS, Continued

In addition, no holding may be rated lower than B/B2 and no more than one percent of Stable Value Option assets will be invested in any single high yield (below BBB) issuer.

As of December 31, 2009, the overall average credit quality of the Stable Value Option portfolio was AA+. The quality ratings of the Stable Value Option investments in fixed-income securities as determined by Standard & Poor's and/or Moody's (nationally recognized statistical rating organizations) as of December 31, 2009 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.

<u>Credit Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA	\$755,647,383	19.5%
AA	2,422,780,866	62.4%
A/A-1	371,449,160	9.6%
BBB	129,657,551	3.3%
BB	13,810,643	0.4%
B and below	28,490,212	0.7%
Subtotal	3,721,835,815	95.8%
U.S. Government Securities	162,075,298	4.2%
Total Stable Value Investments	\$3,883,911,113	100.0%

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Program's investment policy segments the Stable Value Option into three different categories; a liquidity buffer, a fixed maturity schedule, and an open maturity structure. Within the liquidity buffer, the Stable Value Option 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 Capital Aggregate Bond Index or the Barclays Capital Intermediate Aggregate Bond Index.

NOTES TO THE FINANCIAL STATEMENTS, Continued

The segmented time distribution reflects fixed-income maturities over different time intervals. The longer the maturity, the more the value of the investment will fluctuate with interest rate changes. The following table shows the maturity of the Stable Value Option investments segmented by time period.

<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>
Commingled Bond Funds	\$0	\$2,412,167,219	\$0	\$0	\$2,412,167,219
Mortgage Obligations	56,672,790	522,961,301	67,844,679	22,598,160	670,076,930
Money Market Mutual Funds	267,513,913	0	0	0	267,513,913
Corporate Bonds	15,342,781	195,856,643	84,580,170	4,785,984	300,565,578
U.S. Government Securities	8,837,489	102,074,725	50,889,434	273,651	162,075,298
U.S. Government Agency Securities	9,410,762	59,431,980	2,154,201	515,232	71,512,176
Total Stable Value Investments	<u>\$357,777,735</u>	<u>\$3,292,491,868</u>	<u>\$205,468,483</u>	<u>\$28,173,027</u>	<u>\$3,883,911,113</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, 2009 the Program had investments in CMO and ABS totaling \$519 million and \$32 million, respectively.

Concentration of Credit Risk – The Program’s investment policy precludes investments in any one corporate issuer from exceeding 5 percent and restricts total investment in any single industry group to no more than 20 percent of the Stable Value Option’s assets.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Mutual Funds:

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, 2009 and 2008 is as follows:

	<u>Mutual Funds - 2009</u>			<u>Mutual Funds - 2008</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>
Fidelity:						
Contrafund	\$697,740,747	\$58.28	11,972	\$560,250,157	\$45.26	12,378
Growth Company	345,552,568	68.98	5,009	243,428,133	48.96	4,972
Total Fidelity Funds	<u>1,043,293,315</u>			<u>803,678,290</u>		
Dodge & Cox:						
Stock	537,790,652	96.14	5,594	410,832,923	74.37	5,524
Balanced	318,213,077	64.03	4,970	246,845,614	51.26	4,816
Total Dodge & Cox Funds	<u>856,003,729</u>			<u>657,678,537</u>		
Vanguard:						
Capital Opportunity	253,097,702	69.39	3,647	153,490,866	46.75	3,283
Institutional Index	143,748,867	101.98	1,410	111,566,590	82.54	1,352
International Growth	140,813,699	54.04	2,606	93,333,710	38.79	2,406
Total International Stock Index	83,254,068	14.41	5,778	53,588,431	10.79	4,966
Small-Cap Index	45,548,987	27.50	1,656	27,509,935	20.40	1,349
Total Bond Market Index	38,276,024	10.35	3,698	27,315,658	10.18	2,683
Total Vanguard Funds	<u>704,739,347</u>			<u>466,805,190</u>		
Janus Twenty Fund	<u>291,254,840</u>	61.59	4,729	<u>196,856,898</u>	42.99	4,579
PIMCO Total Return	<u>176,389,333</u>	10.80	16,332	<u>113,267,875</u>	10.14	11,170
FPA Capital Fund	<u>159,596,030</u>	33.16	4,813	<u>89,496,134</u>	21.59	4,145
Templeton Foreign Fund	<u>122,571,626</u>	6.55	18,713	<u>66,124,926</u>	4.44	14,893
Hartford Small Company	<u>47,622,981</u>	14.23	3,347	<u>35,524,066</u>	11.01	3,227
Total Mutual Funds	<u>\$3,401,471,201</u>			<u>\$2,429,431,916</u>		

Collective Trust Funds:

A target date fund is a single investment option that provides a diversified mix of equities and fixed income investments. 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. Since 2002, the Program has offered the LifePath target date options offered by Barclays. In October 2006, target date investments in Barclays mutual funds were moved into Barclays collective trust funds. At the same time, the Program removed the Barclays name from the investment option name within Program communications. This change to a private-label name gave participants access to the same quality professional managers, but at a lower cost.

NOTES TO THE FINANCIAL STATEMENTS, Continued

In August 2009, Program investments were again moved, this time from Barclays actively managed target date funds to their passively managed target date funds. This change was made to lower fees and lower market risk for these investors. At the same time, the Program began offering the LifePath funds in five-year increments to provide greater selection and make it easier for investors to pick the most appropriate fund for them. In December 2009, Barclays and BlackRock merged with the resulting entity taking the BlackRock name.

Shares of collective trust funds are priced at the net asset value as calculated by the fund provider. A summary of year-end investments as of December 31, 2009 and 2008 is as follows:

	<u>Collective Trust Funds - 2009</u>			<u>Collective Trust Funds - 2008</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 Investors:						
LifePath 2010	\$0	0.00	0	\$28,109,336	9.26	3,036
LifePath Retirement	35,031,382	10.03	3,493	0	0.00	0
LifePath 2015	3,488,593	9.49	368	0	0.00	0
LifePath 2020	80,238,521	9.22	8,703	54,878,836	8.31	6,604
LifePath 2025	1,485,347	9.00	165	0	0.00	0
LifePath 2030	55,974,659	8.78	6,375	34,880,851	7.66	4,554
LifePath 2035	331,981	8.60	39	0	0.00	0
LifePath 2040	29,350,063	8.42	3,486	16,226,773	7.21	2,251
LifePath 2045	132,136	8.26	16	0	0.00	0
LifePath 2050	581,632	8.22	71	0	0.00	0
Total BlackRock Investors	<u>\$206,614,314</u>			<u>\$134,095,796</u>		

The historic annual investment expense ratios on the LifePath target date options offered through the Program are:

<u>Date From</u>	<u>Date To</u>	<u>Annual Expense Ratio</u>
July 1, 2002	October 24, 2006	0.85%
October 25, 2006	December 31, 2006	0.50%
January 1, 2007	December 31, 2007	0.43%
January 1, 2008	December 31, 2008	0.40%
January 1, 2009	August 28, 2009	0.45%
August 29, 2009	Forward	0.25%

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 \$33,739,143 and \$36,753,649 at December 31, 2009 and 2008, respectively.

7. Investment Expenses:

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios. Pooled investment income exceeded management expenses within the State Street stable value portfolio in both 2009 and 2008.

Participants who do not retain select mutual fund investments for their required holding period are assessed redemption fees by the fund. Beginning in 2006, redemption fees were collected by the Program and remitted back to the mutual fund to benefit the remaining investors.

Fees associated with the Program investment options are shown below:

	<u>2009</u>	<u>2008</u>
Stable Value - Book Value Guarantee Fees:	\$4,564,887	\$3,054,287
Stable Value - Management/Custodial Fees:		
JP Morgan Investment Advisors	1,267,619	1,090,419
Deutsche Asset Management	976,789	903,713
Pyramis Global Advisors	766,433	716,693
Nationwide Life Insurance Co.	770,778	753,584
Goode Investment Management	86,116	112,996
State Street Bank and Trust	<u>(415,539)</u>	<u>(995,387)</u>
Total Stable Value Investment Expenses	8,017,083	5,636,305
Total Mutual Fund Redemption Fees	<u>122,598</u>	<u>171,424</u>
Total Investment Expenses	<u><u>\$8,139,681</u></u>	<u><u>\$5,807,729</u></u>

NOTES TO THE FINANCIAL STATEMENTS, Continued

8. Recordkeeping Income:

Certain mutual fund investment providers compensate the Program for performing recordkeeping responsibilities. The reimbursement rates vary by mutual fund provider. In addition, 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. This annualized fee was 0.05 percent in 2008 and 0.10 percent in 2009.

In 2008, the Program collected a 0.05 percent annualized recordkeeping fee on all investment balances in the collective trust fund options. Effective January 1, 2009, this fee changed to 0.10 percent.

Total recordkeeping revenues collected by the Program were \$8,236,711 and \$7,266,139 for the years ended December 31, 2009 and 2008, respectively.

The Administration Fund may also recover some administrative costs through charges made to participant accounts in the Program Fund. A charge a \$2.00 per quarter may be made to each participant account. The quarterly fee has been selectively suspended, whenever the Program does not need the administrative revenue. Due to positive reserve funding, the \$2.00 quarterly administrative fee to participants has been suspended since the fourth quarter of 2006.

9. Customer Service Expense:

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

In connection with the office relocation in 2009, the Program renegotiated the terms and extended the contract with NRS through June 30, 2014. Fees paid to NRS were \$5,358,995 and \$5,232,668 for the years ended December 31, 2009 and 2008, respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

10. Vacation and Sick Leave:

As of December 31, 2009 and 2008, the Program had accrued \$253,209 and \$217,984 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.

11. Leases:

In 2002, the Board entered into a ten-year lease agreement for administrative office space. During 2008, the Board executed the early lease termination option within this lease, effective as of February 28, 2009. Base rental expense for this operating lease was \$18,258 and \$109,214 for 2009 and 2008 respectively. Allocated building operating expenses and real estate taxes under this lease were \$16,745 and \$93,882 during 2009 and 2008, respectively.

In 2009, the Board signed a ten-year lease agreement for new office space. The new space allows the administrative offices and Service Center to move into one facility, realize savings in net occupancy costs, and achieve operational efficiencies. The Board relocated its offices in February 2009, and the Service Center offices relocated in June 2009. Base rental payments for this new operating lease were \$228,924 in 2009, which are allocated to both 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, 2009 are as follows:

<u>Year-ending December 31</u>	<u>Amount</u>
2010	\$260,800
2011	260,800
2012	260,800
2013	260,800
2014	277,779
2015 - 2019	1,171,563

NOTES TO THE FINANCIAL STATEMENTS, Continued

12. Property and Equipment:

Property and equipment at December 31 are summarized as follows:

	<u>Estimated Useful Life</u>	<u>2009</u>	<u>2008</u>
Furniture and fixtures	7 years	\$249,976	\$354,625
Computer equipment	3 years	126,724	284,911
Office equipment	5 years	115,627	152,698
Leasehold Improvements	7 years	46,551	0
		538,878	792,234
Less accumulated depreciation and amortization		(275,201)	(492,092)
		\$263,677	\$300,142

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 2009 and 2008. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of \$2,500,000 for both 2009 and 2008. The outstanding claims liability was \$8,400 and \$20,800 as of December 31, 2009 and 2008 respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 healthcare plan, which includes 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.

In order 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) as described in GASB Statement 45.

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 Ohio Revised Code. 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 writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601.

NOTES TO THE FINANCIAL STATEMENTS, Continued

B. Funding Policy

The Ohio Revised Code provides statutory authority for member and employer pension contributions, as well as requiring 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 2009, member contribution rates were 10.0 percent. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, 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 2009, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll for the period 1/1/09 through 1/31/09, and 5.5 percent for the period 4/1/09 through 12/31/09. 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.

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, 2009, 2008, and 2007, were \$175,600, \$160,700 and \$157,500 respectively, equal to the required contributions for each year. The portion of the employer contribution that was used to fund post-employment benefits for the years ending December 31, 2009, 2008, and 2007, was \$73,900, \$83,300 and \$62,800 respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

15. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of \$3,921,686 and \$1,819,387 were made during 2009 and 2008, respectively, for this purpose, including \$341,718 and \$160,171 payable to the Administrative Fund as of December 31, 2009 and 2008, respectively. These inter-fund charges and payables were eliminated in the Combining Schedule of Plan Net Assets and the Combining Schedule of Changes in Plan Net Assets.

16. Pending Litigation:

The Program was named lead plaintiff in a national class action lawsuit against Pilgrim Baxter & Associates (Pilgrim) that seeks to recover funds lost due to Pilgrim's alleged breach of fiduciary duties. Pilgrim has been sued in federal court and charged with civil fraud by the U.S. Securities and Exchange Commission after revelations surfaced that fund executives had engaged in significant "market timing" activities. The Program had offered the PBHG Growth Fund as a mutual fund investment option to participants from July 1, 1997 through February 25, 2004. Any recovery from this action will be distributed to participants or increase participant's account values. Program management is of the opinion that ultimate settlement of such lawsuit will not result in a material impact on the Program's financial position.

SUPPLEMENTAL COMBINING SCHEDULE OF PLAN NET ASSETS

As of December 31, 2009
With Totals for 2008

	2009			2008
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Assets:				
Investments:				
Stable value option	\$3,830,880,344			\$3,830,880,344
Mutual funds	3,401,471,201			3,401,471,201
Collective trust funds	206,614,314			206,614,314
Purchased annuities	33,739,143			33,739,143
Total investments	<u>7,472,705,002</u>			<u>7,472,705,002</u>
Cash and cash equivalents		\$7,936,706		7,936,706
Contributions receivable and cash held for investment	9,014,715			9,014,715
Accounts and other receivables		1,462,868	(\$341,718)	1,121,150
Property and equipment, net		<u>263,677</u>		<u>263,677</u>
Total assets	<u>\$7,481,719,717</u>	<u>\$9,663,251</u>	<u>(\$341,718)</u>	<u>\$7,491,041,250</u>
Liabilities:				
Accounts payable	3,766,201	605,590	(341,718)	4,030,073
Accrued expenses		<u>276,298</u>		<u>276,298</u>
Total liabilities	<u>3,766,201</u>	<u>881,888</u>	<u>(341,718)</u>	<u>4,306,371</u>
Net Plan Assets Held in Trust	<u>\$7,477,953,516</u>	<u>\$8,781,363</u>	<u>\$0</u>	<u>\$7,486,734,879</u>

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS

**For the year ended December 31, 2009
With Totals for 2008**

	2009			2008
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Additions:				
Net Investment Income:				
Net gain(loss) on funds	\$869,273,745			(\$1,594,537,492)
Stable value income	166,131,324	72,356		171,232,649
Investment expenses	(8,139,681)			(5,807,729)
Net investment income	<u>1,027,265,388</u>	<u>72,356</u>		<u>(1,429,112,572)</u>
Employee contributions	454,645,326			456,547,715
Transfers from other plans	52,323,859			54,418,725
Recordkeeping income		<u>8,236,711</u>	<u>(3,921,686)</u>	<u>5,446,752</u>
Total additions	<u>1,534,234,573</u>	<u>8,309,067</u>	<u>(3,921,686)</u>	<u>(912,699,380)</u>
Deductions:				
Distributions to participants	195,441,510			211,339,256
Transfers to other plans	107,995,835			154,784,361
Administrative expenses	3,921,686	8,474,019	(3,921,686)	8,562,881
Life insurance premiums	<u>41,365</u>			<u>41,008</u>
Total deductions	<u>307,400,396</u>	<u>8,474,019</u>	<u>(3,921,686)</u>	<u>374,727,506</u>
Change in plan net assets	1,226,834,177	(164,952)		(1,287,426,886)
Plan net assets - beginning of year	<u>6,251,119,339</u>	<u>8,946,315</u>		<u>7,547,492,540</u>
Plan net assets - end of year	<u><u>\$7,477,953,516</u></u>	<u><u>\$8,781,363</u></u>	<u><u>\$0</u></u>	<u><u>\$6,260,065,654</u></u>

SUPPLEMENTAL SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

for the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Customer Service	\$5,358,995	\$5,232,668
Salaries and benefits:		
Salaries and wages	1,296,445	1,164,653
Insurance	178,991	152,381
Retirement contributions	176,613	160,728
Other benefits	22,678	21,367
	<u>1,674,727</u>	<u>1,499,129</u>
Administration:		
Postage and delivery	418,839	427,602
Participant statements	169,914	154,983
	<u>588,753</u>	<u>582,585</u>
Professional Services:		
Consulting	252,891	279,283
Data Processing	51,901	179,542
Auditing	40,610	54,699
	<u>345,402</u>	<u>513,524</u>
Rent and Moving Expenses	233,229	353,096
Insurance	75,289	76,948
Data processing expense	63,544	53,858
Depreciation and amortization	55,923	40,635
Office supplies:		
Printing	16,887	31,324
Office supplies	17,046	16,467
Telephone and fax	3,982	4,434
	<u>37,915</u>	<u>52,225</u>
Professional Expense	31,034	124,286
Miscellaneous	<u>9,208</u>	<u>33,927</u>
Total Administrative Fund Deductions	<u><u>\$8,474,019</u></u>	<u><u>\$8,562,881</u></u>

SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents, beginning or year	\$8,525,182	\$9,375,231
Receipts:		
Employee contributions	448,937,846	458,997,065
Investment withdrawals	303,437,345	366,123,618
Transfers from other plans	52,323,859	54,418,725
Recordkeeping income	<u>3,946,223</u>	<u>6,369,273</u>
Total cash receipts	<u>808,645,273</u>	<u>885,908,681</u>
Disbursements:		
Investment purchases	491,491,542	506,757,864
Distributions to participants	195,441,510	211,339,256
Transfers to other plans	107,995,835	154,784,361
Administrative expenses	8,436,925	8,754,584
Investment expenses	5,807,112	4,797,531
Purchase of property and equipment	19,460	284,126
Life insurance premiums	<u>41,365</u>	<u>41,008</u>
Total cash disbursements	<u>809,233,749</u>	<u>886,758,730</u>
Cash and cash equivalents, end of year	<u><u>\$7,936,706</u></u>	<u><u>\$8,525,182</u></u>

SUPPLEMENTAL SCHEDULE OF INVESTMENT EXPENSES

for the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Stable Value - Book Value Guarantee Fees:	\$4,564,887	\$3,054,287
Stable Value - Management/Custodial Fees:		
JP Morgan Investment Advisors	1,267,619	1,090,419
Deutsche Asset Management	976,789	903,713
Pyramis Global Advisors	766,433	716,693
Nationwide Life Insurance Co.	770,778	753,584
Goode Investment Management	86,116	112,996
State Street Bank and Trust	<u>(415,539)</u>	<u>(995,387)</u>
Total Stable Value Investment Expenses	8,017,083	5,636,305
Total Mutual Fund Redemption Fees	<u>122,598</u>	<u>171,424</u>
Total Investment Expenses	<u><u>\$8,139,681</u></u>	<u><u>\$5,807,729</u></u>

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios. Pooled investment income exceeded management expenses within the State Street stable value portfolio in both 2009 and 2008.

Participants who do not retain select mutual fund investments for their required holding period are assessed redemption fees by the fund. Beginning in 2006, the Program collected redemption fees and remitted them back to the mutual fund to benefit the remaining investors within the mutual fund.



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 deferrals and 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 in-house investment staff, so the Program does not incur any direct investment expenses.

The following table shows the investment fee rates charged against each investment option as of December 31, 2009, as well as the average mutual fund fee for the same category of asset (according to *Morningstar*). The performance returns reported to participants have been reduced by these investment expenses. The stable value fees are directly paid by the Program, so those fees are included in the financial statements and footnotes.

	<u>Actual Investment Fees</u>	<u>Average Mutual Fund Fees</u>
Templeton Foreign Fund	1.14%	1.21%
Vanguard Total International Stock Index	0.34%	1.26%
Vanguard International Growth	0.35%	1.26%
Hartford Small Company	0.71%	1.44%
Vanguard Small-Cap Index	0.09%	1.24%
FPA Capital	0.93%	1.20%
Vanguard Capital Opportunity	0.43%	1.15%
Fidelity Growth Company	0.97%	1.15%
Janus Twenty	0.86%	1.15%
Fidelity Contrafund	0.95%	1.15%
Vanguard Institutional Index	0.05%	1.04%
Dodge & Cox: Stock	0.52%	1.07%
Dodge & Cox: Balanced	0.53%	1.14%
BlackRock LifePath Retirement	0.25%	0.98%
BlackRock LifePath 2015	0.25%	1.01%
BlackRock LifePath 2020	0.25%	1.08%
BlackRock LifePath 2025	0.25%	1.04%
BlackRock LifePath 2030	0.25%	1.10%
BlackRock LifePath 2035	0.25%	1.06%
BlackRock LifePath 2045	0.25%	1.07%
BlackRock LifePath 2050	0.25%	1.12%
PIMCO Total Return	0.89%	0.77%
Vanguard Total Bond Market Index	0.08%	0.77%
Stable Value Option	0.35%	Not Available

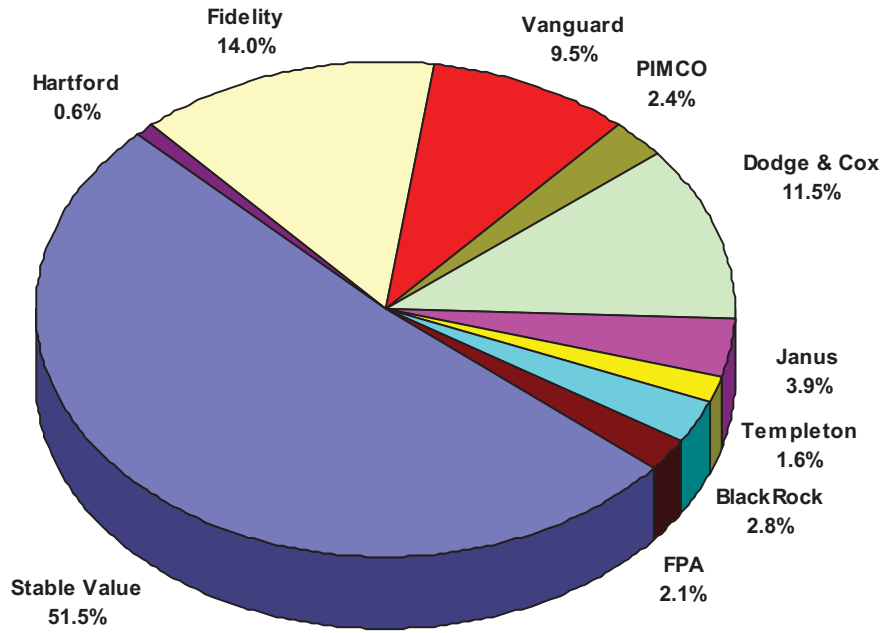
SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Templeton Foreign Fund	49.7%	-1.8%	4.7%	4.6%
Vanguard Total International Stock Index	36.7%	-4.1%	5.3%	2.3%
Vanguard International Growth	41.9%	-3.1%	5.8%	2.5%
<i>Benchmark: MSCI EAFE Index</i>	31.8%	-6.0%	3.5%	1.2%
Hartford Small Company	29.3%	-4.3%	4.0%	0.9%
<i>Benchmark: Russell 2000 Growth Index</i>	34.5%	-4.0%	0.9%	-1.4%
Vanguard Small-Cap Index	36.4%	-4.0%	2.0%	4.5%
<i>Benchmark: Vanguard Small Cap Custom</i>	36.2%	-4.2%	1.8%	4.3%
FPA Capital	53.8%	0.0%	4.2%	9.4%
<i>Benchmark: Russell 2000 Value Index</i>	20.6%	-8.2%	0.0%	8.3%
Vanguard Capital Opportunity	49.0%	0.2%	5.0%	5.9%
<i>Benchmark: Russell MidCap Growth Index</i>	46.3%	-3.2%	2.4%	-0.5%
Fidelity Growth Company	41.1%	0.0%	4.5%	-0.9%
Janus Twenty	43.3%	4.2%	6.8%	-2.4%
<i>Benchmark: Russell 1000 Growth Index</i>	37.2%	-1.9%	1.6%	-4.0%
Fidelity Contrafund	29.2%	-0.9%	4.8%	3.2%
Vanguard Institutional Index	26.6%	-5.6%	0.5%	-0.9%
<i>Benchmark: S&P 500 Index</i>	26.5%	-5.6%	0.4%	-0.9%
Dodge & Cox: Stock	31.3%	-9.4%	-0.7%	5.7%
<i>Benchmark: Russell 1000 Value Index</i>	19.7%	-9.0%	-0.3%	2.5%
Dodge & Cox: Balanced	28.4%	-4.6%	1.0%	6.2%
<i>Benchmark: Dodge & Cox Custom</i>	18.4%	-0.7%	2.5%	2.3%
BlackRock LifePath Retirement	16.4%	2.2%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	17.0%	2.2%	n/a	n/a
BlackRock LifePath 2015	19.9%	0.2%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	20.5%	20.0%	n/a	n/a
BlackRock LifePath 2020	22.3%	-0.9%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	23.1%	-0.9%	n/a	n/a
BlackRock LifePath 2025	24.7%	-1.8%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	25.4%	-1.8%	n/a	n/a
BlackRock LifePath 2030	26.6%	-2.6%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	27.4%	-2.6%	n/a	n/a
BlackRock LifePath 2035	28.6%	-3.3%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	29.2%	-3.4%	n/a	n/a
BlackRock LifePath 2040	30.2%	-4.1%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	30.9%	-4.1%	n/a	n/a
BlackRock LifePath 2045	31.6%	-4.7%	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	32.5%	-4.8%	n/a	n/a
BlackRock LifePath 2050	33.5%	n/a	n/a	n/a
<i>Benchmark: BlackRock Custom</i>	34.7%	n/a	n/a	n/a
PIMCO Total Return	13.6%	8.9%	6.6%	7.4%
Vanguard Total Bond Market Index	6.1%	6.1%	5.0%	6.2%
<i>Benchmark: Barclays Capital Aggregate</i>	5.9%	6.0%	5.0%	6.3%
Stable Value Option	4.1%	4.7%	4.7%	5.2%
<i>Benchmark: IMoney Net + 150 bps</i>	1.7%	3.8%	4.3%	4.1%

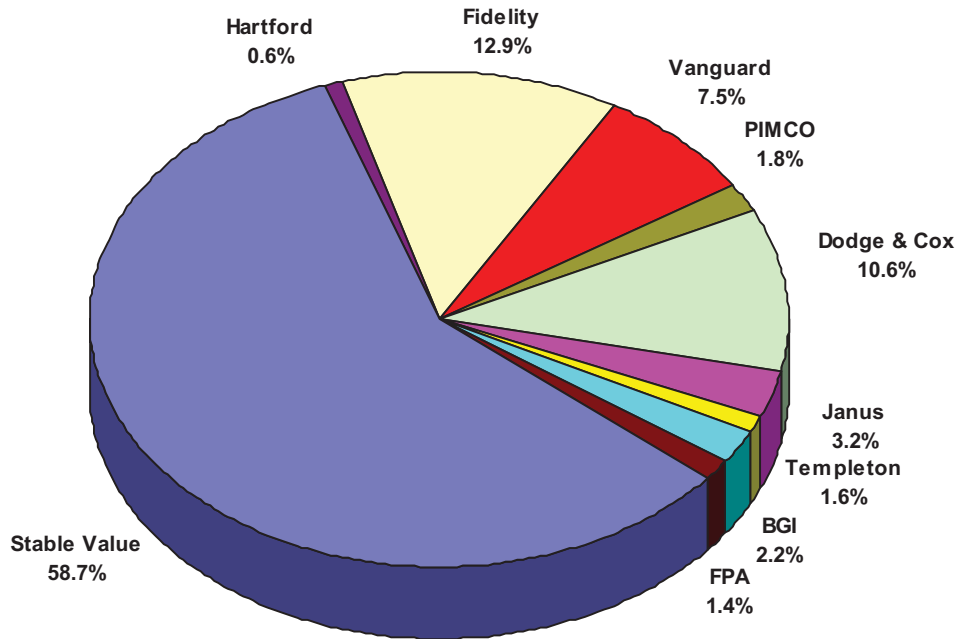
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3 year, 5 year, and 10 year investment returns are annualized.

INVESTMENT MIX

December 31, 2009

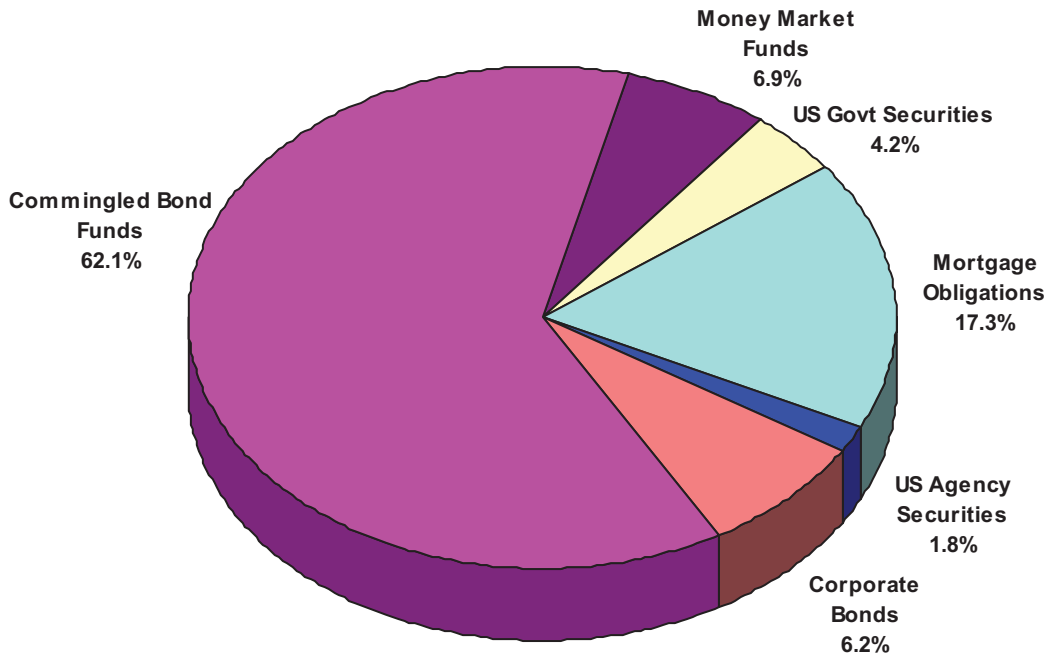


December 31, 2008

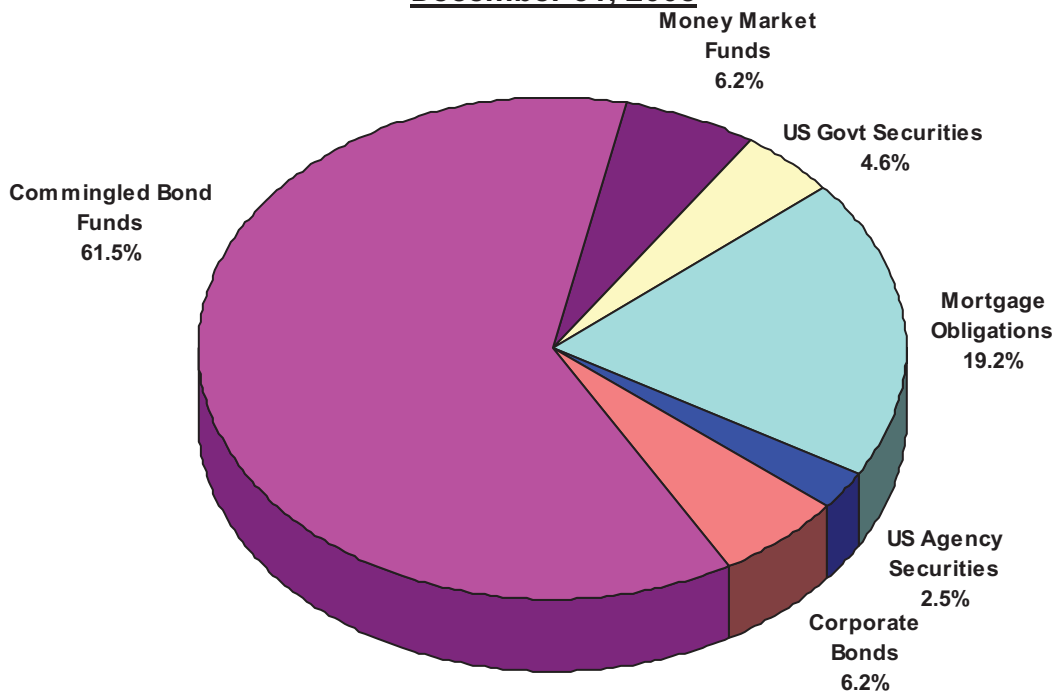


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2009



December 31, 2008





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 Net Assets
- Employee Participation and Deferral Trends
- Number of Employers Contributing
- Principle Contributing Employers
- Benefit Payments

CHANGES IN NET ASSETS

Years ending December 31, 2000 – 2009
(In Millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Additions:										
Net Investment Income:										
Net gain on funds	\$869.3	(\$1,594.5)	\$415.7	\$439.0	\$274.2	\$321.3	\$489.0	(\$409.5)	(\$401.1)	(\$373.7)
Stable value income	166.2	171.2	163.7	150.6	141.1	131.2	137.3	141.3	135.8	127.1
Investment expenses	(8.1)	(5.8)	(6.2)	(5.4)	(5.1)	(4.8)	(4.3)	(3.3)	(2.9)	(2.5)
Net investment income	<u>1,027.4</u>	<u>(1,429.1)</u>	<u>573.2</u>	<u>584.2</u>	<u>410.2</u>	<u>447.6</u>	<u>622.0</u>	<u>(271.4)</u>	<u>(268.1)</u>	<u>(249.2)</u>
Employee contributions	454.6	456.5	448.4	433.0	412.9	393.1	365.0	356.9	323.9	314.4
Transfers from other plans	52.3	54.4	50.9	43.1	52.1	38.4	28.4	25.7	6.6	2.2
Recordkeeping income	<u>4.3</u>	<u>5.5</u>	<u>6.0</u>	<u>6.0</u>	<u>5.3</u>	<u>4.8</u>	<u>3.9</u>	<u>4.1</u>	<u>3.3</u>	<u>3.9</u>
Total additions	<u>1,538.6</u>	<u>(912.7)</u>	<u>1,078.5</u>	<u>1,066.3</u>	<u>880.5</u>	<u>883.9</u>	<u>1,019.4</u>	<u>115.2</u>	<u>65.7</u>	<u>71.3</u>
Deductions:										
Distributions to participants	195.4	211.3	207.4	191.9	177.6	171.4	166.8	192.6	185.1	175.0
Transfers to other plans	108.0	154.8	170.8	140.0	111.5	85.0	65.1	112.0	0.4	0.9
Administrative expenses	8.4	8.6	8.1	7.7	7.3	6.9	6.6	5.9	5.5	5.2
Life insurance premiums	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>
Total deductions	<u>311.9</u>	<u>374.8</u>	<u>386.4</u>	<u>339.7</u>	<u>296.5</u>	<u>263.4</u>	<u>238.5</u>	<u>310.6</u>	<u>191.3</u>	<u>181.1</u>
Increase (Decrease) in Net Plan Assets	<u>1,226.7</u>	<u>(1,287.5)</u>	<u>692.1</u>	<u>726.6</u>	<u>584.0</u>	<u>620.5</u>	<u>780.8</u>	<u>(195.4)</u>	<u>(125.6)</u>	<u>(109.8)</u>
Net plan assets - beginning of year	<u>6,260.0</u>	<u>7,547.5</u>	<u>6,855.4</u>	<u>6,128.8</u>	<u>5,544.8</u>	<u>4,924.3</u>	<u>4,143.5</u>	<u>4,338.9</u>	<u>4,464.5</u>	<u>4,574.3</u>
Net plan assets - end of year	<u><u>\$7,486.7</u></u>	<u><u>\$6,260.0</u></u>	<u><u>\$7,547.5</u></u>	<u><u>\$6,855.4</u></u>	<u><u>\$6,128.8</u></u>	<u><u>\$5,544.8</u></u>	<u><u>\$4,924.3</u></u>	<u><u>\$4,143.5</u></u>	<u><u>\$4,338.9</u></u>	<u><u>\$4,464.5</u></u>

EMPLOYEE PARTICIPATION

	<u>Eligible Employees</u>	<u>Total Participant Accounts</u>	<u>Participants Currently Contributing</u>	<u>Current Participation Rate</u>
2000	705,023	156,798	112,795	16.0%
2001	720,831	159,066	111,832	15.5%
2002	719,880	165,993	113,521	15.8%
2003	687,669	169,766	113,536	16.5%
2004	712,246	174,880	114,441	16.1%
2005	716,975	179,729	114,612	16.0%
2006	716,096	184,467	115,176	16.1%
2007	716,184	190,028	117,376	16.4%
2008	707,479	193,932	115,360	16.3%
2009	702,328	196,063	109,221	15.6%

DEFERRAL/ACCOUNT TRENDS

	<u>Total Annual Deferrals</u>	<u>Average Annual Deferral</u>	<u>Net Assets Available for Benefits</u>	<u>Average Participant Account</u>
2000	\$314,399,046	\$2,787	\$4,464,472,365	\$28,473
2001	323,887,138	2,896	4,338,942,270	27,278
2002	356,857,437	3,144	4,143,485,226	24,962
2003	365,012,189	3,215	4,924,324,467	29,007
2004	393,121,999	3,435	5,544,848,876	31,707
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

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>
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
2002	1	88	241	45	165	176	30	362	112	208	1,428
2003	1	88	244	46	167	179	30	408	121	213	1,497
2004	1	88	245	46	177	182	30	438	124	227	1,558
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

PRINCIPLE CONTRIBUTING EMPLOYERS AS OF DECEMBER 31, 2009

<u>Employer Name</u>	<u>Participant Accounts</u>	<u>Current Rank</u>	<u>2006 * Rank</u>	<u>Percentage of Participants</u>
State of Ohio	53,097	1	1	27.1%
City of Columbus	8,470	2	2	4.3%
City of Cleveland	7,441	3	3	3.8%
Cuyahoga County	6,326	4	4	3.2%
City of Cincinnati	5,348	5	5	2.7%
Franklin County	3,637	6	6	1.9%
Metrohealth Medical Center	2,971	7	7	1.5%
Montgomery County	2,698	8	8	1.4%
City of Dayton	2,078	9	10	1.1%
City of Toledo	2,063	10	9	1.1%
All Others	101,934			52.0%
Total Participation	196,063			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>
2000	\$162,249,966	\$12,729,919	\$174,979,885
2001	171,595,144	13,530,997	185,126,141
2002	179,769,461	12,882,416	192,651,877
2003	155,359,993	11,438,532	166,798,525
2004	157,739,777	13,624,557	171,364,334
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
	<u>Number of Participant Distributions</u>	<u>Number of Beneficiary Distributions</u>	<u>Number of Total Distributions</u>
2000	20,006	1,426	21,432
2001	21,427	1,453	22,880
2002	21,959	1,488	23,447
2003	20,467	1,385	21,852
2004	20,583	1,435	22,018
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
	<u>Average Participant Distribution</u>	<u>Average Beneficiary Distribution</u>	<u>Average Total Distribution</u>
2000	\$8,110	\$8,927	\$8,164
2001	8,008	9,312	8,091
2002	8,187	8,658	8,216
2003	7,591	8,259	7,633
2004	7,664	9,494	7,783
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

**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 the financial statements of the Ohio Public Employees Deferred Compensation Program (the Program), as of and for the year ended December 31, 2009, and have issued our report thereon dated May 21, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of 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*.

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This report is intended solely for the information and use of management, members of the Board, others within the Program and 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 21, 2010



Mary Taylor, CPA
Auditor of State

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
JUNE 17, 2010**