OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2005

Auditor of State
Betty Montgomery

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

We have reviewed the *Independent Auditor's Report* of the Ohio Public Employees Deferred Compensation Program, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 25, 2006

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OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the year ended December 31, 2005

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

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

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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, 2004

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

ORGANIZATION CHART

DEFERRED COMPENSATION BOARD AS OF 12/31/05

Charlie R. Adkins, State College and University Employees
Ronald C. Alexander, State Employees
Sharon M. Downs, Retired Group
Carol Drake, Director of Administrative Services
Jay Hottinger, Ohio Senate
Cinthia Sledz, Miscellaneous Employees
Robert C. Smith, Investment Expert, Appointed by Governor
Dan Stewart, Ohio House of Representatives
Ken Thomas, Municipal Employees
James R. Tilling, Retired Group
Warren W. Tyler, Investment Expert, Appointed by Treasurer of State
Vacant, County Employees
Vacant, Investment Expert, Appointed by General Assembly

EXECUTIVE DIRECTOR
R. Keith Overly

ASSISTANT DIRECTOR
ADMINISTRATION
Richard T. Wissler

ASSISTANT DIRECTOR
FINANCE
Paul D. Miller

Advisors To The Board

Independent Public Accountants
Clark, Schaefer, Hackett & Co.

Legal Counsel
Jim Petro, Attorney General

Consultant
Ennis Knupp & Associates

April 28, 2006

Dear Chair and Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report for the Ohio Public Employees Deferred Compensation Program (the Program) for the year ended December 31, 2005. The Comprehensive Annual Financial Report was prepared to assist the user in understanding the functions of the Program and how participants use the Program to supplement their retirement income.

The Comprehensive Annual Financial Report (CAFR) consists of four sections:

(1) an Introductory Section which contains this Letter of Transmittal, along with a list of the administrative organization and consulting services utilized by the Program, and a summary of plan provisions;

(2) a Financial Section which includes the Independent Auditors' Report, Management's Discussion and Analysis, combined financial statements and supplemental information. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complement this letter of transmittal and should be read in conjunction with it;

(3) an Investment Section which includes investment values and performance; and

(4) a Statistical Section which includes selected financial and demographic information, generally presented on a multi-year basis.

The Ohio Revised Code created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. However, the State created the Program as a legal entity separate from the State, and does not appoint a voting majority of the Program's governing Board. The Program is self-funded and governed by its own Board. The State does not approve the Program's budget or set Program rates or charges. The Program provides services to over 184,000 participants from 1,610 Ohio state and local governments, and is therefore not part of the State of Ohio reporting entity. A complete listing of participating employers is available upon request.

Plan History and Overview

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

Economic Conditions and Outlook

Equity markets produced positive returns for the third straight year, following three negative years of performance. Participants have responded to the positive market cycle by increasing their rate of deferral, and allocating more funds from stable value investments into the various mutual funds offered by the Program. The 2005 average annual deferral increased to $3,602, a 4.9% increase compared to the prior year. Total employee contributions in 2005 rose 5.0% over the prior year, while benefit distributions only increased by 3.6%. Based upon these positive trends, total year-end net assets available for benefits grew 10.5% over the prior year, and at $6.1 billion represent the highest year-end total for the Program.

Major Initiatives

The Program has contracted with Nationwide Retirement Services (NRS) for enrollment, education, and customer services since 1999. Since this contract, as amended, was due to expire in 2006, Program staff issued a Request for Proposal for similar services during 2005. After reviewing vendor responses, the Board approved a new contract with NRS until 2011. This contract will keep 44 NRS employees exclusively dedicated to providing telephone and field support to Program participants.

Beginning in 2005, the Program allowed in-service transfers into and out of the Program. For employers that offer multiple IRC 457 plans, their employees may now move their deferred compensation account balances between these plans prior to termination. This additional portability may encourage more employees to save for retirement.

Also during 2005, the Program established a mutual fund governance rating methodology to grade the mutual fund company’s structure, incentives, and trading practices to determine the appropriateness of offering the option within the Program. The National Association of Government Defined Contribution Administrators presented their 2005 Leadership Recognition Award to the Program for this initiative.

At their October, 2005 Meeting, the Board adopted a Board Governance Policy Manual, which formally documents the policies and procedures of the Board. In addition, the Manual contains the charters for two new Board committees. The Board Governance Committee and Audit Committee were established to improve the Board’s oversight in these key areas.

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.

The net assets available for benefits and changes in net assets available for benefits of the Program are included as a Pension Fund in the Financial Section of this presentation. All financial activity is reported on the accrual basis of accounting. 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. 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 six months of operating expenses.

Program Additions

Additions to Program assets come from investment income earned on participant accounts, employee contributions, transfers from other plans, and recordkeeping reimbursements. Employee contributions of $413 million were the largest asset addition in 2005, compared to $393 million in 2004. The number of participants actively deferring remained relatively unchanged, but the average deferral amount rose 4.9% as participants chose to save more in their retirement accounts. Net investment income was $410 million in 2005 and $448 million in 2004. Transfers from other qualified pre-tax retirement plans into the Program increased 35.7% in 2005 over 2004.

Program Deductions

During 2005, distributions to participants modestly increased by 3.6% over the prior year. The relative slow change is a continuation of the trend resulting from flexibility allowed by the federal pension reform legislation in 2002, as many participants have chosen to lower or delay taking their benefit payments. Transfers to other eligible retirement plans and purchases of service credit from defined benefit plans were also first allowed in 2002. Demand for these transfers was high in 2002, but the volume dropped significantly in 2003, and has risen steadily since then. Administrative expenses rose by 6.0% over the prior year, primarily due to increased customer service costs.

Investments

The Program is a self-directed plan, so participants choose the investment options for their current deferrals and balances. The stable value investment option accounts for 47.3% of all invested funds, with the remainder invested in 23 mutual fund options. Investment performance results are reported to participants quarterly via the Program's newsletter and web site. A listing of investment options and their performance returns is included in the Investment Section of this report.

Independent Auditors

The financial statements of the Program for the year ended December 31, 2005 were audited by Clark, Schaefer, Hackett & Co. under contract with the Auditor of State of Ohio. The financial statements of the Program for the year ended December 31, 2004 were audited by Deloitte & Touche LLP under contract with the Auditor of State of Ohio. The change in auditors was required by policies of the Auditor of State of Ohio, which restrict any audit firm from performing more than ten consecutive annual audits.

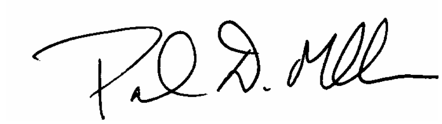
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Public Employees Deferred Compensation Program for the fiscal year ended December 31, 2004. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgments

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

Respectfully submitted,



R. Keith Overly
Executive Director

Paul D. Miller, CPA
Assistant Director-Finance

PLAN SUMMARY

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

This Plan summary includes all Plan revisions approved by the Board that were effective as of December 31, 2005. Participants should refer to the Plan Document for complete Plan information.

Delegation by Employer

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

Election to Defer Compensation

Commencement of Participation - Each eligible employee shall be permitted to participate under this Plan. An eligible employee shall elect to participate and become an active participant by executing a participation agreement with 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 which may be deferred by an active participant in the Plan in any Plan year shall not exceed the lesser of (A) $14,000 for the year 2005, and increasing by $1,000 annually through 2006, and then indexed as allowed by law or (B) 100% of an active participant's includable compensation (as defined by the Internal Revenue Code). In addition, participants who have attained age 50 may defer an additional $4,000 for the year 2005, which increases by $1,000 annually through 2006, and then is 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 less than the maximum was contributed during earlier years.

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

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

Amendments of Participation Agreements - The election of an eligible employee to participate under the Plan is irrevocable as to all amounts actually deferred under the participation agreement. The participant may, by amendment of the participation agreement or other forms authorized by the administrator, do any of the following: (a) change the specification of any investment option as to the amounts to be deferred in the future; (b) terminate the election to be an active participant; 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. Unlimited exchanges are currently permitted, however exchanges in excess of 15 per year are assessed a service charge determined 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

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 date of the report, to the extent such values are available to the Plan administrator.

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

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 their 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 - Any participant may use all or a portion of their account balance 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.

Distribution of Benefits

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 Benefit Payment Election Form. Payments must begin no later than December 31 of the year in which the participant attains age 70-1/2, or if the participant has not had a severance from employment as of such date, then no later than December 31 of the year in which the participant has a severance from employment.

(b) Beneficiary - If a participant dies before their account has been exhausted, then the remaining account balance shall be paid to their 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 elect 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 attained age 70-1/2, 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.

Election of Benefit Payment Options - All distributions are subject to the requirements for IRC Sections 457(d) and 401(a)(9) and the regulations thereunder. 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 elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant attains age 70-1/2. 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 attained age 70-1/2. If a non-spousal beneficiary of a participant does not elect 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 $2,000, 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. Life income with payment certain annuity
2. Joint and last survivor income (participant and spouse) annuity
3. Payments of a fixed annual percent.
4. Payments of a fixed dollar amount
5 Systematic withdrawals for a fixed time period
6. Partial lump sum and remainder paid as in items 1 through 5 above
7. Lump sum payout

Beneficiaries

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

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

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

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

<u>Revised Plan Document</u> – The following Plan revisions were approved by the Board in January, 2006 to be effective June 1, 2006:

Spousal Beneficiary – If the named account beneficiary is the participant's surviving spouse, then upon the participant's death, the spousal beneficiary will have the same rights that the participant had, including naming a beneficiary.

Exchange Charges – The service fee charged to participants who initiate over 15 exchanges per year will be discontinued. The Plan may collect redemption fees on exchange transactions as required by mutual fund providers.

Benefit Payment Options – The purchased annuity options (Life income with payment certain annuity and Joint and last survivor income annuity) will not be available as future Plan benefit payment options.

FINANCIAL SECTION

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditor's Report

Ohio Public Employees Deferred Compensation Board
Columbus, Ohio

We have audited the accompanying combined statement of net assets available for benefits of the Ohio Public Employees Deferred Compensation Program (the Program) as December 31, 2005, and the related combined statement of change in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The financial statements of the Program as of December 31, 2004, were audited by other auditors whose report dated May 6, 2005, expressed an unqualified opinion on those statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets available for benefits of the Ohio Public Employees Deferred Compensation Program as of December 31, 2005, and the combined changes in net assets available for benefits for the year 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 April 28, 2006, 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 18 and 19 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 35 to 38, the introductory section on pages 4 to 15, the investment section on pages 40 to 42, and the statistical section on pages 44 to 47 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 materially 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
April 28, 2006

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

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 Combined Statements of Net Assets Available for Benefits and the Combined Statements of Changes in Net Assets Available for Benefits. All assets and liabilities associated with the Program's operations are included on the Statement of Net Assets Available for Benefits. The Program's revenues and expenses are reported on the Statement of Changes in Net Assets Available for Benefits. Additional information is presented in the Notes to the Combined Financial Statements and the Supplemental Information Schedules.

PROGRAM ADDITIONS

Total Program additions can vary widely depending on mutual fund performance, which produces most of the Program's net investment income. Positive market performance over the past three years has added considerable assets to the Program. Employee contributions continue to increase as more employees join the Program and the average annual deferral increases. Transfers from other qualified retirement plans and recordkeeping income both increased over the prior periods.

	2005	2004	2003
Employee contributions	$412,865,430	$393,121,999	$365,012,189
Net investment income	410,166,051	447,612,396	621,993,946
Transfer from other plans	52,121,717	38,399,284	28,436,965
Recordkeeping income	5,335,698	4,758,707	3,920,234
Total Additions	$880,488,896	$883,892,386	$1,019,363,334

PROGRAM DEDUCTIONS

Total Program deductions have increased each year due primarily to greater transfers out of the Program. Portability enabled by federal legislation has encouraged continued savings, by allowing participants to transfer their funds to other qualified retirement plans, instead of taking distributions. Benefit distributions are still the largest Program deduction, but the annual increases in distributions are relatively low.

	2005	2004	2003
Distributions to participants	$177,596,204	$171,364,334	$166,798,525
Transfers to other plans	111,539,683	85,004,571	65,073,212
Other deductions	7,411,262	6,999,072	6,652,356
Total Deductions	$296,547,149	$263,367,977	$238,524,093

NET PROGRAM ASSETS

Net assets available for Program benefits at December 31, 2005 increased 10.5% over the previous year-end due to positive investment performance, and employee contributions exceeding benefit distributions and transfers. Total net assets available for Program benefits at December 31, 2004 increased 12.6% over 2003, due to positive investment performance, and employee contributions exceeding benefit distributions and transfers to other plans. Program liabilities are generally unpaid operating expenses at year-end and settlement payments due for investments purchased on the final business day of the year.

	2005	2004	2003
Total Assets	$6,129,596,026	$5,546,695,510	$4,926,350,894
Total Liabilities	805,403	1,846,634	2,026,427
Net Assets Available for Benefits	$6,128,790,623	$5,544,848,876	$4,924,324,467

PROGRAM ACTIONS

The Program first permitted in-service transfers into and out of the Program in 2005. For employers that offer multiple IRC 457 plans, their employees may now move their account balances between these plans prior to termination.

The Program had restricted participant access to the Fidelity Government Income fund and the Lazard Small Cap fund since 2002 and 2003 respectively. Due to these funds continued underperformance relative to their benchmarks, changes in portfolio management, and weak governance ratings, the Program terminated these investment options in 2005, and required participants to transfer these assets to other available investment options.

During 2005, the Program contracted with Deutsche Asset Management to perform comprehensive management of the Program's stable value investment option. Deutsche's services include review and input into portfolio duration, allocation, and cash flows, as well as managing the guarantee agreements covering the stable value portfolios.

The Program waived the $2 quarterly participant administrative fee for the fourth quarter of 2004. This waiver was possible because of record participant contributions and account balances. This change resulted in savings to participant accounts of over $300,000.

During 2003, the Program further diversified the stable value option by hiring two additional investment managers, JP Morgan (formerly Banc One) Investment Advisors and Goode Investment Management. Funds invested in these portfolios are covered by book value guarantee agreements.

COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

As of December 31, 2005 and 2004

	2005	2004
Assets:		
Investments:		
Mutual funds	$3,192,942,118	$2,782,313,814
Stable value option	2,875,818,643	2,703,427,560
Purchased annuities	47,049,097	50,467,360
Total investments	6,115,809,858	5,536,208,734
Cash and cash equivalents	5,228,103	3,645,201
Contributions receivable and cash held for investment	6,662,622	5,623,768
Accounts and other receivables	1,773,112	1,119,919
Property and equipment, net	122,331	97,888
Total assets	6,129,596,026	5,546,695,510
Liabilities:		
Accounts payable	619,447	1,673,802
Accrued expenses	185,956	172,832
Total liabilities	805,403	1,846,634
Net Assets Available for Benefits	$6,128,790,623	$5,544,848,876

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

COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31, 2005 and 2004

	2005	2004
Additions:		
Net Investment Income:		
Net gain on mutual funds	$274,214,202	$321,259,990
Stable value income	141,107,908	131,201,541
Investment expenses	(5,156,059)	(4,849,135)
Net investment income	410,166,051	447,612,396
Employee contributions	412,865,430	393,121,999
Transfers from other plans	52,121,717	38,399,284
Recordkeeping income	5,335,698	4,758,707
Total additions	880,488,896	883,892,386
Deductions:		
Distributions to participants	177,596,204	171,364,334
Transfers to other plans	111,539,683	85,004,571
Administrative expenses	7,345,423	6,927,208
Life insurance premiums	65,839	71,864
Total deductions	296,547,149	263,367,977
Increase in net assets available for benefits	583,941,747	620,524,409
Net assets available for benefits beginning of year	5,544,848,876	4,924,324,467
Net assets available for benefits end of year	$6,128,790,623	$5,544,848,876

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. General Description of the Program:

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

The Program is a voluntary defined contribution pension plan established pursuant to Ohio Revised Code (the Code) Section 148. Under the Program provisions, any public employee within Ohio (as defined in Section 148.01(A)(1) of the Code) is eligible to contribute into the Program, through payroll deductions, any amount up to the maximum permitted under Section 457 of the Internal Revenue Code. Amounts contributed by employees are deferred for federal and state income tax purposes until such amounts are distributed by the Program. As of December 31, 2005 and 2004, there were 1,610 and 1,558 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, 2005, 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) (formerly known as Bank One Investment Advisors), Nationwide Life Insurance Company (Nationwide), and State Street Bank and Trust (State Street).

- Mutual funds managed by AIM Equity Funds (AIM), American Century Investment Management (American Century), Barclays Global Investors (BGI), Dodge & Cox Funds (Dodge & Cox), Fidelity Investment Company (Fidelity), First Pacific Advisors (FPA), Janus Equity Funds (Janus), MFS Institutional Advisors (MFS), PIMCO Funds (PIMCO), Franklin Templeton Funds (Templeton), and The Vanguard Group, Inc. (Vanguard).

- Universal life and whole life insurance contracts underwritten by Ohio National Life Insurance Company (Ohio National). Effective January 1, 1989, these life insurance contracts were no longer offered as new investment options 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 for the purpose of administering the Program for all eligible employees. However, under the criteria set forth in the Statement of Governmental Accounting Standards No. 14, the Program is not considered a component unit of the State of Ohio:

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

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

Basis of Accounting and Measurement Focus:

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

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

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

Stable Value Option:

The Program administers the Guaranteed Return Option (GRO), which is the stable value investment option offered to participants. As of December 31, 2005, the Program has funds invested in five different pools. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return of the five pools. The Program is also responsible for calculating daily account balances, disbursing funds for benefit payments and processing investment exchanges.

The investment pools of the GRO include separate portfolios managed by Deutsche, Goode, JP Morgan, Nationwide, and State Street. Investment guidelines, including asset class, credit rating, portfolio diversification and duration are specified by the Program. The Deutsche portfolio maintains a cash reserve account to buffer the invested pools from daily cash outflows from the GRO.

Funds invested in the Deutsche, Goode, JP Morgan, Nationwide and State Street portfolios are covered by separate guarantee agreements with independent banks and insurance companies. These agreements provide the formulas for determining the quarterly interest rate earned by each portfolio, and provide for benefit withdrawals at the guaranteed value. Prior to July 2005, the agreement with Nationwide included an accumulation account guarantee for funds invested in the Nationwide separate account.

During 2005, the Program contracted with Deutsche to perform comprehensive management of the Program's stable value investment option. Deutsche's services include review and input into portfolio duration, allocation, and cash flows, as well as managing the guarantee agreements covering the stable value portfolios.

Investments Valuation:

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

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.

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

Life Insurance Contracts:

As previously disclosed, universal and whole life insurance options are no longer available as new investment options. The policy cash value before surrender charges or other assessments was $1,378,706 and $1,414,706 at December 31, 2005 and 2004, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was $17,122,250 and $17,532,209 at December 31, 2005 and 2004, respectively.

Stable Value Income:

Stable value income was recorded as earned for each of the investment components of the Guaranteed Return Option. The gross interest rates for each portfolio were adjusted quarterly and ranged from 3.95% to 5.79% during 2005, and from 3.56% to 5.92% during 2004.

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 0.0% to 4.7% during 2005, and from -1.6% to 5.0% during 2004.

Net Gain or Loss on Mutual Funds:

Mutual fund investment income or loss consists of dividends and capital gains paid, and appreciation or depreciation on the mutual 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 net assets available for benefits.

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 $2,013,837 and $672,442 at December 31, 2005 and 2004, respectively.

5. Cash:

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

During the year ended December 31, 2005, the Program implemented GASB Statement No. 40, Deposits and Investment Risk Disclosures, effective January 1, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

At December 31, 2005 and 2004, the bank cash balances were $5,600,964 and $3,690,245, respectively. The bank balances are insured up to $100,000 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 statue.

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2005	
	Carrying Value	Fair Value
Mutual Funds	$3,192,942,118	$3,192,942,118
Stable Value Option	2,875,818,643	2,870,442,344
Purchased Annuities	47,049,097	47,049,097
Total Investments	$6,115,809,858	$6,110,433,559

	December 31, 2004	
	Carrying Value	Fair Value
Mutual Funds	$2,782,313,814	$2,782,313,814
Stable Value Option:	2,703,427,560	2,766,805,258
Purchased Annuities	50,467,360	50,467,360
Total Investments	$5,536,208,734	$5,599,586,432

Stable Value Option:

Current investments with Deutsche, JP Morgan, and Nationwide portfolios are held in custody for the Program. The quoted market prices of these investments have been used for disclosure purposes. Funds invested by State Street and Goode are in commingled passive bond index funds and are disclosed at fair value. Prior to June 2005, a money market account was maintained at JP Morgan to fund daily cash requirements.

The Program has entered into liquidity guarantee agreements with banks and insurance companies to fund any withdrawals for benefit payments at book value. The GRO book value represents participant contributions plus earnings based on guaranteed rates of return. As of December 31, 2005, the carrying value of GRO assets exceeded the fair market value by $5,376,299 or 0.2%. The Program expects carrying and fair values of the GRO portfolio to converge, through amortization of these differences in future crediting rates.

The investments of the GRO portfolio are governed by the 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.

A summary of the fair value of investments in the Guaranteed Return Option by investment category at December 31, 2005 and 2004 is as follows:

Investment	2005	2004
U.S. Government Securities	$214,259,807	$314,975,803
U.S. Government Agency Securities	520,137,365	446,356,893
Corporate Bonds	604,642,692	548,498,394
Passive Bond Index Funds	570,902,782	390,267,023
Mortgage Obligations	843,520,042	928,170,351
Guaranteed Investments Contracts	33,882,037	58,270,402
Money Market Mutual Funds	83,097,619	80,266,392
Total Stable Value Investments	$2,870,442,344	$2,766,805,258

Credit Risk – The Program's investment policy requires the average quality of the GRO 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 GRO assets. In addition, no holding may be rated lower than B/B2 and no more than one percent of GRO assets will be invested in any single high yield (below BBB) issuer.

The quality ratings of the GRO investments in fixed-income securities as determined by Standard & Poor's and/or Moody's (nationally recognized statistical rating organizations) as of December 31, 2005 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.

Credit Rating	Fair Value	Percentage of Portfolio
AAA	$1,419,591,920	49.46%
AA	621,623,520	21.66%
A/A-1	391,984,072	13.66%
BBB	189,657,417	6.61%
BB	9,098,047	0.32%
Not Rated	24,227,561	0.84%
Subtotal	2,656,182,537	92.54%
U.S. Government Securities	214,259,807	7.46%
Total Stable Value Investments	$2,870,442,344	100.00%

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. 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 shows the maturity of the GRO investments segmented by time period.

Investment	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
U.S. Government Securities	$22,905,036	$136,748,267	$47,867,538	$6,738,966	$214,259,807
U.S. Government Agency Securities	31,503,340	368,083,029	109,618,145	10,932,851	520,137,365
Corporate Bonds	48,898,290	488,094,119	67,055,728	594,555	604,642,692
Passive Bond Index Funds	0	570,902,782	0	0	570,902,782
Mortgage Obligations	74,712,629	696,670,185	67,809,778	4,327,450	843,520,042
Guaranteed Investments Contracts	0	33,882,037	0	0	33,882,037
Money Market Mutual Funds	83,097,619	0	0	0	83,097,619
Total Stable Value Investments	$261,116,914	$2,294,380,419	$292,351,189	$22,593,822	$2,870,442,344

The GRO 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, 2005 the Program had investments in CMO and ABS totaling $424 million and $462 million, respectively.

Concentration of Credit Risk – The Program's investment policy precludes investments in any one corporate issuer from exceeding five percent and restricts total investment in any single industry group to no more than twenty percent of the GRO's assets.

Purchased Annuities:

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. Investments in purchased annuities were $47,049,097 and $50,467,360 at December 31, 2005 and 2004, respectively.

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, 2005 and 2004 is as follows:

	Mutual Funds - 2005			Mutual Funds - 2004		
	Fair Value	Share Price	Shares Outstanding (1,000's)	Fair Value	Share Price	Shares Outstanding (1,000's)
Fidelity:						
Contrafund	$589,268,681	$64.76	9,099	$489,478,055	$56.74	8,627
Equity Income	257,098,186	52.78	4,871	259,734,025	52.78	4,921
Growth Company	243,784,572	63.63	3,831	213,227,667	56.07	3,803
Magellan Fund	231,793,959	106.44	2,178	248,116,566	103.79	2,391
Government Income	0			8,817,981	10.24	861
Total Fidelity Funds	1,321,945,398			1,219,374,294		
Dodge & Cox:						
Stock Fund	395,053,643	137.22	2,879	306,434,184	130.22	2,353
Balanced Fund	298,299,182	81.34	3,667	231,881,074	79.35	2,922
Total Dodge & Cox Funds	693,352,825			538,315,258		
Vanguard:						
Capital Opportunity	162,733,414	76.31	2,133	149,309,953	71.08	2,101
Institutional Index Fund	149,857,011	114.01	1,314	146,152,958	110.71	1,320
International Growth Fund	65,389,485	66.81	979	39,919,582	59.97	666
Small-Cap Index	9,439,303	28.54	331	0		
Total Vanguard Funds	387,419,213			335,382,493		
Janus:						
Janus Twenty	153,045,488	48.92	3,128	161,086,373	44.80	3,596
Janus Fund	44,233,810	25.53	1,733	52,359,860	24.57	2,131
Total Janus Funds	197,279,298			213,446,233		
FPA Capital Fund	171,292,505	39.98	4,284	68,923,423	39.98	1,724
AIM Constellation Fund	101,288,644	26.95	3,758	101,884,766	24.73	4,120
American Century						
Income & Growth Fund	56,009,227	30.33	1,847	54,491,121	30.67	1,777
Growth Fund	26,417,718	20.58	1,284	28,822,484	19.71	1,462
Total American Century	82,426,945			83,313,605		
Templeton Foreign Fund	82,001,576	12.68	6,467	60,995,897	12.30	4,959
Barclays Global Investors:						
LifePath 2010	16,708,852	12.93	1,292	10,505,993	12.74	825
LifePath 2020	28,255,978	15.85	1,783	17,038,319	15.19	1,122
LifePath 2030	17,200,106	15.39	1,118	9,372,921	14.87	630
LifePath 2040	5,297,521	18.18	291	3,074,497	17.03	181
Total Barclays Global Investors	67,462,457			39,991,730		
PIMCO Total Return	61,252,873	10.50	5,834	44,137,180	10.67	4,137
MFS New Discovery Fund	27,220,384	17.65	1,542	26,064,392	16.81	1,551
Lazard Small Cap Fund	0			50,484,543	18.84	2,680
Total Mutual Funds	$3,192,942,118			$2,782,313,814		

7. Recordkeeping Income:

The Program is compensated by certain investment providers for performing recordkeeping responsibilities. The Administration Fund also recovered some administrative costs through charges made to the Program Fund. Beginning in 2000, the Program charges a $2.00 per quarter fee to each participant account, which replaced an asset-based fee charged in prior years. Beginning in 2003, the Program charges a 0.10% fee on all investment balances in the GRO, which effectively reduces the net crediting rate earned by GRO investors.

8. Investment Expenses:

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

	2005	2004
Book Value Guarantee Fees:	$2,572,159	$2,777,631
Portfolio Management/Custodial Fees:		
Nationwide Life Insurance Co.	878,238	658,855
JP Morgan	832,523	807,299
Deutsche Asset Management	694,049	442,535
Goode Investment Management	117,811	115,781
State Street Bank and Trust	61,279	47,034
Total Stable Value Investment Expenses	$5,156,059	$4,849,135

9. Vacation and Sick Leave:

As of December 31, 2005 and 2004, $177,625 and $164,744 respectively, was accrued for unused vacation and sick leave for full-time employees of the Board. At termination or retirement, employees are entitled to full compensation for all unused vacation time. With two years or more of employment prior to termination, employees are entitled to 50% payment of unused sick leave at termination.

10. Leases:

The Board entered into a ten-year lease agreement for administrative office space beginning in 2002. The lease has early termination options after the seventh and ninth lease years, upon payment of an early termination penalty. Base rental expense for this operating lease was $103,128 and $101,099 for 2005 and 2004 respectively. Allocated building operating expenses and real estate taxes under this lease were $82,256 and $79,100 during 2005 and 2004 respectively.

Future scheduled minimum lease payments (base rental expense) under the office space operating lease at December 31, 2005 are as follows:

Year Ending December 31:	Amount:
2006	$105,157
2007	107,186
2008	109,214
2009	111,243
2010	113,272
2011 through 2012	134,574

11. Property and Equipment:

Property and equipment at December 31 are summarized as follows:

	Estimated Useful Life	2005	2004
Computer equipment	3 years	$272,949	$281,605
Furniture and fixtures	7 years	120,219	122,315
Office equipment	5 years	98,572	105,182
		491,740	509,102
Less accumulated depreciation and amortization		(369,409)	(411,214)
		$122,331	$97,888

12. Insurance:

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

The Program is self-insured under a professionally administered plan for general health and hospitalization employee benefits. The Program maintains specific stop loss coverage per employee for annual medical benefits in the amount of $250,000 for both 2005 and 2004. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of $2,500,000 for both 2005 and 2004. The outstanding claims liability was $2,700 and $17,500 as of December 31, 2005 and 2004 respectively.

13. Pension Plan:

All Board employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System (OPERS). 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 multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Employees covered by OPERS are required by Ohio statute to contribute 8.5% of their salary to the plan. The Board is required by the same statute to contribute 13.55% of covered payroll; 8.55% is the portion used to fund pension obligations, with the remaining used to fund the health care program for retirees. The required employer contributions for the current year and the two preceding years are as follows:

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2005	$141,700	100%
2004	$134,600	100%
2003	$128,700	100%

Beginning in 2006, the employee contribution will increase to 9.0% of salary and the employer contribution will increase to 13.70%. These increases were mandated by OPERS to provide additional funding for post-employment health care costs.

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

In addition to retirement benefits, OPERS provides postemployment health care benefits. OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code, funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2005, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees. Due to the continuing rise in health care costs, OPERS will offer a new health care choice plan to all persons newly hired under OPERS after January 1, 2003. This plan will offer a broad range of health care options with graded scale of costs dependent on the number of years of eligible service.

The actuarial value of assets available for health care benefits at December 31, 2004 was $10.8 billion. There were 355,000 active contributing participants eligible for postemployment benefits at that date.

14. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of $4,029,673 and $3,516,489 were made during 2005 and 2004, respectively, for this purpose, including $243,960 and $230,356 payable to the Administrative Fund as of December 31, 2005 and 2004, respectively. These inter-fund charges and payables have been eliminated in the Combining Schedule of Net Assets Available for Benefits and the Combining Schedule of Changes in Net Assets Available for Benefits.

15. Pending Litigation:

The Program has been 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 increase participants 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 NET ASSETS AVAILABLE FOR BENEFITS

As of December 31, 2005
With Totals for 2004

	2005				
	PROGRAM FUND	ADMINIS-TRATION FUND	COMBINING ENTRIES	TOTAL	2004
Assets:					
Investments:					
Mutual funds	$3,192,942,118			$3,192,942,118	$2,782,313,814
Stable value option	2,875,818,643			2,875,818,643	2,703,427,560
Purchased annuities	47,049,097			47,049,097	50,467,360
Total investments	6,115,809,858			6,115,809,858	5,536,208,734
Cash and cash equivalents		$5,228,103		5,228,103	3,645,201
Contributions receivable and cash held for investment	6,662,622			6,662,622	5,623,768
Accounts and other receivables	411,058	1,606,014	($243,960)	1,773,112	1,119,919
Property and equipment, net		122,331		122,331	97,888
Total assets	$6,122,883,538	$6,956,448	($243,960)	$6,129,596,026	$5,546,695,510
Liabilities:					
Accounts payable	445,893	417,514	(243,960)	619,447	1,673,802
Accrued expenses		185,956		185,956	172,832
Total liabilities	445,893	603,470	(243,960)	805,403	1,846,634
Net Assets Available for Benefits	$6,122,437,645	$6,352,978	$0	$6,128,790,623	$5,544,848,876

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2005
With Totals for 2004

	2005				
	PROGRAM FUND	ADMINIS-TRATION FUND	COMBINING ENTRIES	TOTAL	2004
Additions:					
Net Investment Income:					
Net gain on mutual funds	$274,214,202			$274,214,202	$321,259,990
Stable value income	140,960,671	$147,237		141,107,908	131,201,541
Investment expenses	(5,156,059)			(5,156,059)	(4,849,135)
Net investment income	410,018,814	147,237		410,166,051	447,612,396
Employee contributions	412,865,430			412,865,430	393,121,999
Transfers from other plans	52,121,717			52,121,717	38,399,284
Recordkeeping income		9,365,371	($4,029,673)	5,335,698	4,758,707
Total additions	875,005,961	9,512,608	(4,029,673)	880,488,896	883,892,386
Deductions:					
Distributions to participants	177,596,204			177,596,204	171,364,334
Transfers to other plans	111,539,683			111,539,683	85,004,571
Administrative expenses	4,029,673	7,345,423	(4,029,673)	7,345,423	6,927,208
Life insurance premiums	65,839			65,839	71,864
Total deductions	293,231,399	7,345,423	(4,029,673)	296,547,149	263,367,977
Increase in net assets available for benefits	581,774,562	2,167,185		583,941,747	620,524,409
Net assets available for benefits beginning of year	5,540,663,083	4,185,793		5,544,848,876	4,924,324,467
Net assets available for benefits end of year	$6,122,437,645	$6,352,978	$0	$6,128,790,623	$5,544,848,876

SUPPLEMENTAL SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

for the years ended December 31, 2005 and 2004

	2005	2004
Customer Service	$4,678,298	$4,341,500
Salaries and benefits:		
Salaries and wages	1,066,363	1,017,585
Retirement contributions	141,719	135,696
Insurance	111,106	146,682
Other benefits	19,932	18,393
	1,339,120	1,318,356
Administration:		
Postage and delivery	380,107	363,180
Participant statements	175,697	160,398
	555,804	523,578
Professional Services:		
Consulting	295,964	254,440
Auditing	41,761	39,239
Data Processing	1,933	0
	339,658	293,679
Rents	185,384	180,199
Insurance	64,217	55,646
Data processing expense	56,834	61,469
Depreciation and amortization	42,806	59,502
Professional Expense	29,788	24,022
Office supplies:		
Office supplies	12,394	10,655
Printing	11,420	15,596
Telephone and fax	4,686	5,473
	28,500	31,724
Miscellaneous	25,014	37,533
Total Administrative Fund Deductions	$7,345,423	$6,927,208

SUPPLEMENTAL COMBINED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2005 and 2004

	2005	2004
Cash and cash equivalents, beginning or year	$3,645,201	$2,355,643
Receipts:		
Employee contributions	411,826,576	390,715,794
Investment withdrawals	289,135,887	256,368,905
Transfers from other plans	52,121,717	38,399,284
Recordkeeping income	5,227,196	4,636,441
Total cash receipts	758,311,376	690,120,424
Disbursements:		
Investment purchases	454,330,341	420,681,495
Distributions to participants	177,596,204	171,364,334
Transfers to other plans	111,539,683	85,004,571
Administrative expenses	7,606,718	6,838,292
Investment expenses	5,522,440	4,845,230
Purchase of property and equipment	67,249	25,080
Life insurance premiums	65,839	71,864
Total cash disbursements	756,728,474	688,830,866
Cash and cash equivalents, end of year	$5,228,103	$3,645,201

INVESTMENT SECTION

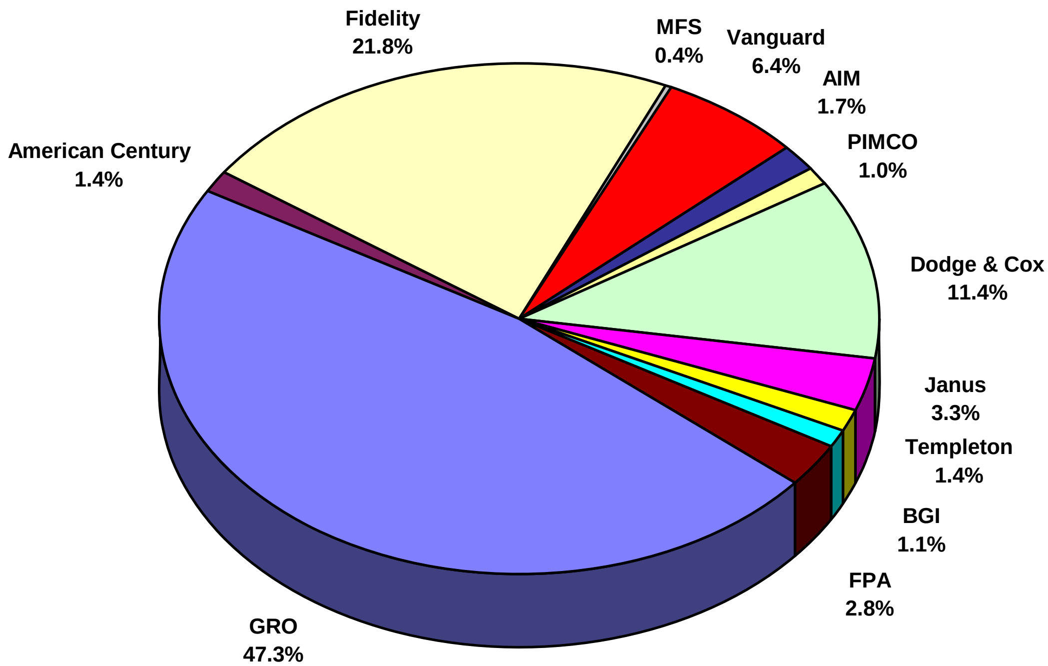
SCHEDULE OF INVESTMENTS AND PERFORMANCE

	December 31, 2005 Fair Value	Average Annualized Return 1 Year	3 Year	5 Year	10 Year
Guaranteed Return Option	$2,870,442,344	4.76%	4.89%	5.44%	6.03%
Fidelity:					
Contrafund	589,268,681	16.23	19.61	6.22	12.01
Equity Income	257,098,186	5.74	15.21	3.77	9.50
Growth Company	243,784,572	13.50	21.62	-2.21	10.27
Magellan Fund	231,793,959	6.42	12.61	-0.75	7.43
Total Fidelity Funds	1,321,945,398				
Dodge & Cox:					
Stock Fund	395,053,643	9.37	19.93	11.03	14.59
Balanced Fund	298,299,182	6.59	14.54	9.93	11.88
Total Dodge & Cox Funds	693,352,825				
Vanguard:					
Capital Opportunity	162,733,414	8.35	25.47	5.09	15.23
Institutional Index Fund	149,857,011	4.90	14.38	0.55	9.13
International Growth Fund	65,389,485	15.19	22.73	4.15	7.04
Small-Cap Index	9,439,303	7.56	23.50	9.28	10.26
Total Vanguard Funds	387,419,213				
Janus:					
Janus Twenty	153,045,488	9.42	19.32	-1.79	11.34
Janus Fund	44,233,810	3.98	12.76	-5.16	6.95
Total Janus Funds	197,279,298				
FPA Capital Fund	171,292,505	16.53	22.05	19.28	15.75
AIM Constellation Fund	101,288,644	8.98	14.81	-2.55	6.15
American Century					
Income & Growth Fund	56,009,227	4.79	15.35	2.54	9.78
Growth Fund	26,417,718	4.84	12.76	-2.94	7.24
Total American Century	82,426,945				
Templeton Foreign Fund	82,001,576	10.63	19.49	7.49	8.70
Barclays Global Investors:					
LifePath 2010	16,708,852	5.28	9.35	3.54	6.99
LifePath 2020	28,255,978	6.53	11.97	2.81	7.62
LifePath 2030	17,200,106	7.63	13.88	2.31	8.12
LifePath 2040	5,297,521	8.24	15.47	1.61	8.42
Total Barclays Global Investors	67,462,457				
PIMCO Total Return	61,252,873	2.63	4.27	6.36	6.65
MFS New Discovery Fund	27,220,384	5.00	14.92	-0.73	11.13
Total Invested Funds [1]	$6,063,384,462				

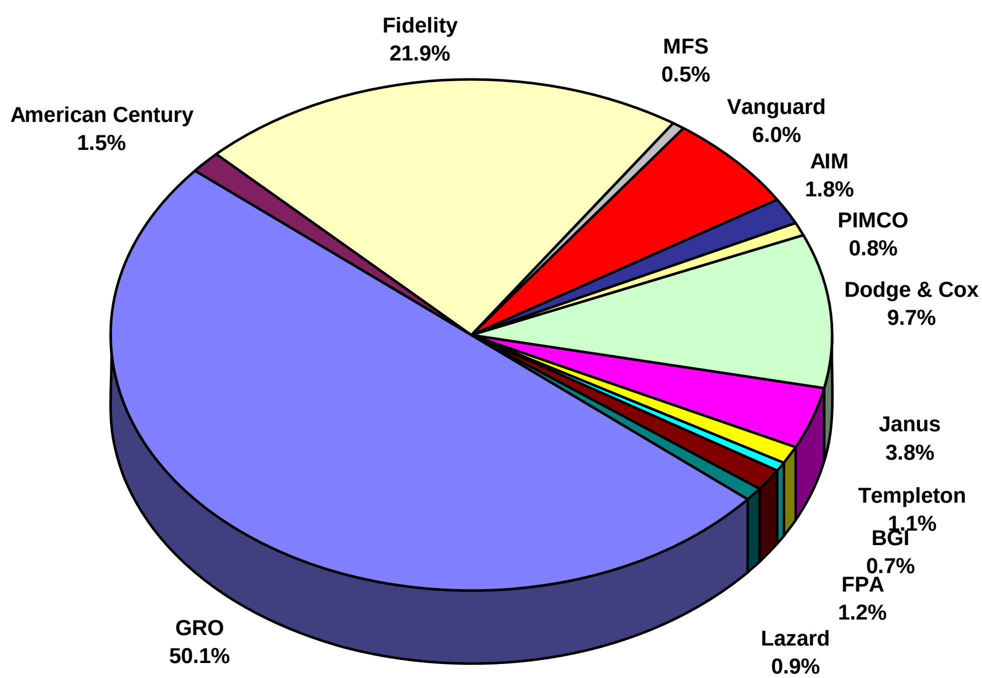
[1] Does not include amounts held for purchased annuities by Nationwide.

INVESTMENT MIX

December 31, 2005

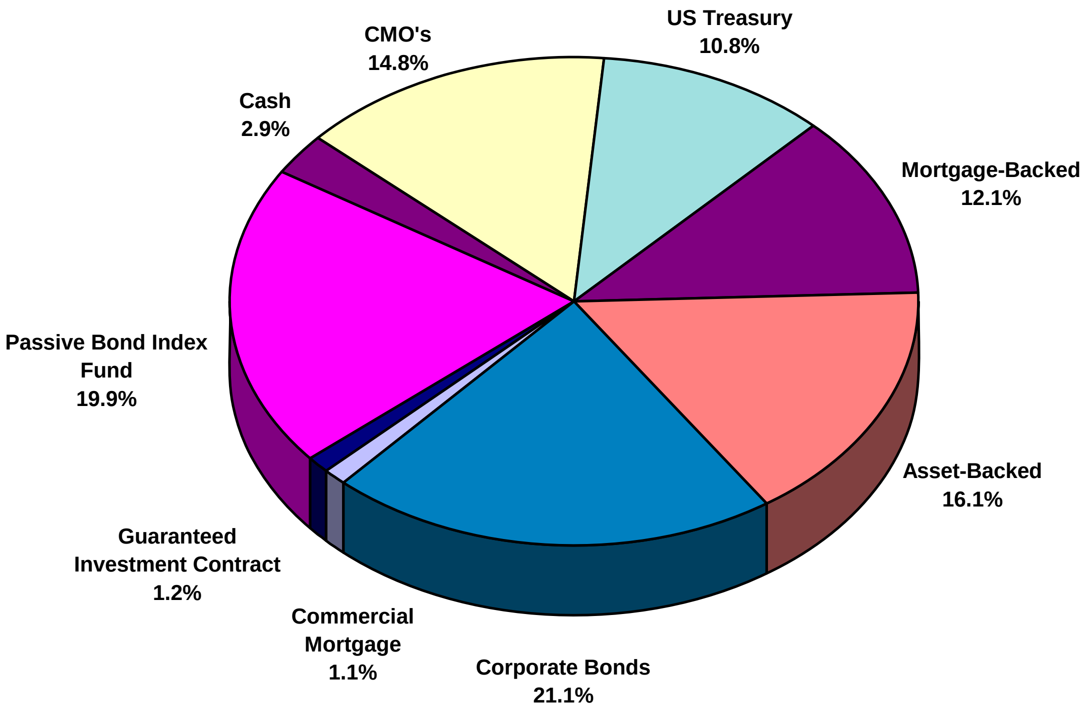


December 31, 2004

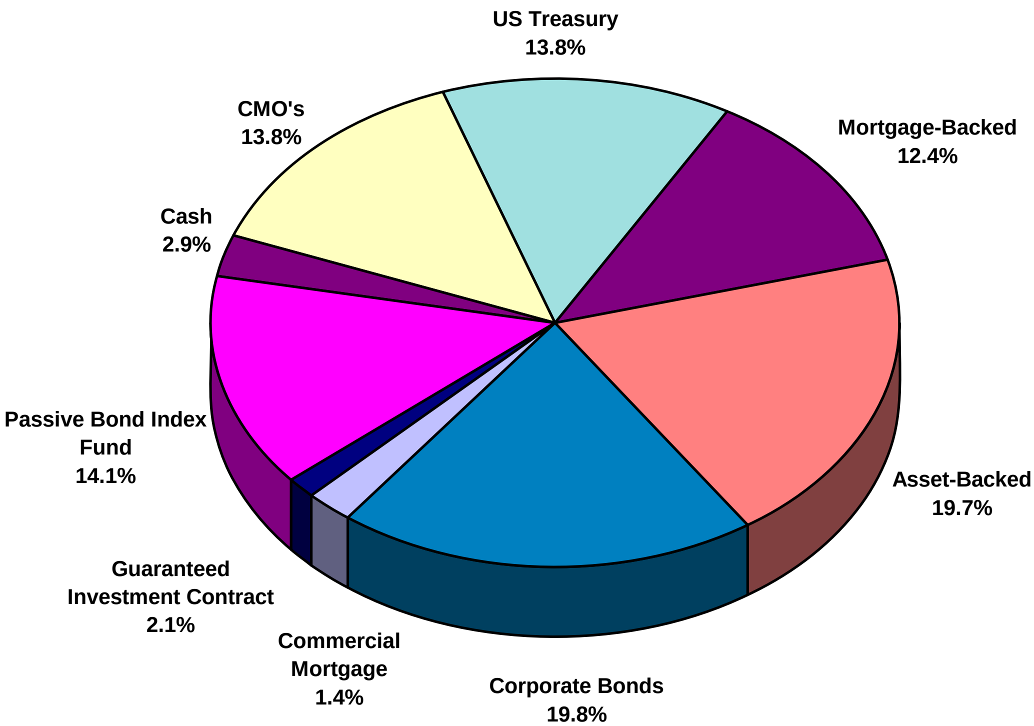


GRO DIVERSIFICATION

December 31, 2005



December 31, 2004



STATISTICAL SECTION

NET ASSETS AVAILABLE FOR BENEFITS

1996	$ 2,554,514,834
1997	3,044,512,643
1998	3,694,176,461
1999	4,574,291,046
2000	4,464,472,365
2001	4,338,942,270
2002	4,143,485,226
2003	4,924,324,467
2004	5,544,848,876
2005	6,128,790,623

ADDITIONS BY TYPE

	Employee Contributions	Stable Value Income	Net Gain (Loss) On Variable Investments	Investment Expenses	Transfers From Other Plans (1)	Administrative Recordkeeping Income (2)	Total
1996	$248,665,052	$118,128,030	$109,619,347	($2,702,929)	$1,754,335	$625,621	$476,089,456
1997	268,826,344	123,493,898	219,785,702	(2,869,160)	2,045,637	1,287,157	612,569,578
1998	295,353,085	123,364,445	371,827,484	(2,441,818)	1,980,985	2,270,312	792,354,493
1999	305,282,184	123,984,026	604,806,148	(2,617,590)	4,357,182	3,227,395	1,039,039,345
2000	314,399,046	127,059,019	(373,724,224)	(2,506,114)	2,174,042	3,892,787	71,294,556
2001	323,887,138	135,813,712	(401,049,597)	(2,887,070)	6,568,788	3,327,167	65,660,138
2002	356,857,437	141,342,032	(409,520,080)	(3,268,746)	25,726,198	4,077,556	115,214,397
2003	365,012,189	137,260,011	489,044,158	(4,310,223)	28,436,965	3,920,234	1,019,363,334
2004	393,121,999	131,201,541	321,259,990	(4,849,135)	38,399,284	4,758,707	883,892,386
2005	412,865,430	141,107,908	274,214,202	(5,156,059)	52,121,717	5,335,698	880,488,896

(1) Prior to 2002, the Program only accepted transfer from other IRC Section 457 plans and from the Program's life insurance option. Beginning in 2002, the Program allowed rollover transfers from all other types of qualified retirement plans.

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

DEDUCTIONS BY TYPE

	Distributions To Participants	Transfers To Other Plans (1)	Administrative Expenses	Life Insurance Premiums	Total
1996	$101,225,015	$56,238	$5,326,163	$177,361	$106,784,777
1997	116,573,938	635,294	5,204,081	158,456	122,571,769
1998	136,723,588	536,835	5,289,181	141,071	142,690,675
1999	152,673,102	714,930	5,410,773	125,955	158,924,760
2000	174,979,885	863,651	5,156,588	113,113	181,113,237
2001	185,126,141	441,512	5,523,275	99,305	191,190,233
2002	192,651,877	112,038,732	5,892,734	88,098	310,671,441
2003	166,798,525	65,073,212	6,572,449	79,907	238,524,093
2004	171,364,334	85,004,571	6,927,208	71,864	263,367,977
2005	177,596,204	111,539,683	7,345,423	65,839	296,547,149

(1) other IRC Section 457 plans were permitted. Beginning in 2002, the Program allowed rollover transfers to other types of qualified retirement plans and transfers to defined benefit plans to purchase allowable service credits.

EMPLOYEE PARTICIPATION AND DEFERRAL TRENDS

	Eligible Employees	Total Participant Accounts	Participants Currently Contributing	Average Annual Deferrals	Total Annual Deferrals	Net Assets Available for Benefits
1996	666,512	135,092	100,398	$2,477	$248,665,052	$2,554,514,834
1997	668,901	142,823	105,587	2,546	268,826,344	3,044,513,643
1998	680,137	147,451	108,784	2,715	295,353,085	3,694,176,461
1999	698,845	150,412	109,217	2,795	305,282,184	4,574,291,046
2000	705,023	156,798	112,795	2,787	314,399,046	4,464,472,365
2001	720,831	159,066	111,832	2,896	323,887,138	4,338,942,270
2002	719,880	165,993	113,521	3,144	356,857,437	4,143,485,226
2003	687,669	172,098	113,536	3,215	365,012,189	4,924,324,467
2004	712,246	178,378	114,441	3,435	393,121,999	5,544,848,876
2005	716,975	184,482	114,612	3,602	412,865,430	6,128,790,623

NUMBER OF EMPLOYERS CONTRIBUTING

	State	County	City	Metro Housing	Village	Library	Medical Center	Education	Misc	Township	Total
1996	1	88	218	33	118	131	33	218	89	142	1,071
1997	1	88	221	36	129	137	33	236	95	151	1,127
1998	1	88	224	39	137	145	33	251	101	161	1,180
1999	1	88	226	41	140	150	33	265	103	170	1,217
2000	1	88	231	43	152	158	33	272	106	188	1,272
2001	1	88	237	45	156	169	34	297	116	207	1,350
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

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2005, and have issued our report thereon dated April 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United Sates 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We noted certain matters that we reported management of the Program in a separate letter dated April 28, 2006.

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

This report is intended solely for the information and use of the Board, management 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
April 28, 2006

Auditor of State
Betty Montgomery

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P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

OHIO PUBLIC EMPLOYEES DEFERRED CONPENSATION 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
AUGUST 8, 2006