



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2008



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Public Employees Deferred Compensation Program, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 2, 2009

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**OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the year ended December 31, 2008**

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, 2007

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.



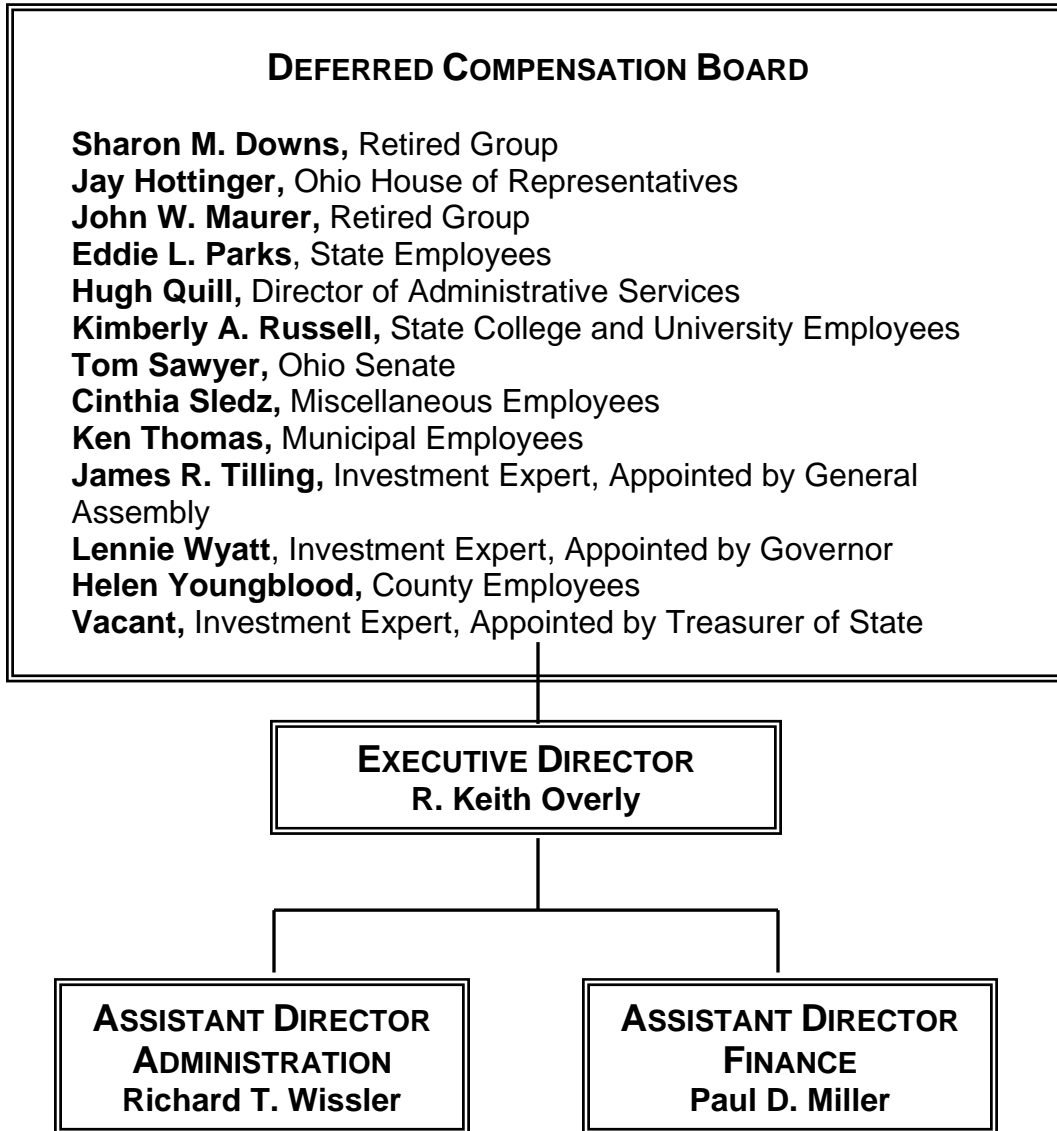
A handwritten signature in black ink, appearing to read "M. L. Post".

President

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

Executive Director

**ORGANIZATION CHART
AS OF 12/31/08**



Advisors To The Board

Independent Public Accountants

Clark, Schaefer, Hackett & Co.

Legal Counsel

Nancy H. Rodgers, Attorney General

Consultant

Ennis Knupp & Associates



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 20, 2009

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, 2008. 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. 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 193,000 participants from 1,745 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 (including the City of Cincinnati retirement system) 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

The capital markets faced an environment of unprecedented volatility in 2008 as the credit crisis impacted 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, driving short-term rates below zero at one point. The one-year return on equities as measured by the Wilshire 5000 was down 37.2 percent for the year, which is the worst one-year return going back to the 1930's.

In light of the struggling economy, unemployment rose, consumer confidence plunged, tax revenues fell, and pay raises declined or disappeared altogether. Tax revenues to Ohio's government employers fell with the economy; so many employers have chosen not to fill open positions. The number of employees eligible to contribute to the Program decreased by 1.2 percent in 2008 compared to 2007.

Saving for retirement became a secondary priority for many employees, as they were more concerned about their job security and making their mortgage payments. Despite the overriding negative sentiment from the economy, there were some positive signs within the Program including:

- Another 56 employers joined the Program, bringing the total number of employers to 1,745, which is 3.3 percent higher than last year.
- Total participant deferral contributions were \$457 million or 1.8 percent more than last year.
- The average annual deferral contribution rose to \$3,958 per participant, which is 3.6 percent higher than last year.
- The average annual benefit distribution was \$8,526 per participant or 3.3 percent more than last year.
- The Stable Value Option, which holds the largest amount of participant investments, earned a 4.8 percent return in 2008, which exceeded its benchmark return of 3.5 percent.

During the first quarter of 2009, the financial markets have continued to experience volatility. Federal bailout and stimulus packages were implemented to address the credit and financial crisis with hopes of calming the markets and restoring the economy.

The Program has established an administrative fund reserve policy to maintain between three and 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, 2008, the Program had twelve months of operating expenses in reserve, and was in good financial shape to endure lower revenues in coming periods caused by the lower investment values.

Major Initiatives

The Program developed a plan to encourage annual deferral increases, which will help participants save enough for retirement. Participants can make a one-time election to enroll in the **SMarT** plan (Save More Tomorrow), and their deferral amount will automatically increase annually. This new plan was marketed to participants in 2008 with a goal of enrolling 2 percent of contributing employees. The positive results were that 3.1 percent of participants enrolled in the **SMarT** plan, far exceeding management's expectations.

During 2008, plans were made to terminate the operating leases of the Board office and the Customer Service Center, and relocated both into one facility. One-time moving and leasehold improvement costs will be more than offset by future rent savings. In addition to these cost reductions, work efficiencies and improved service to participants are expected through this relocation. The relocation is expected to be completed during the first half of 2009.

During 2008 and 2007, the Program allocated and distributed \$1.7 million to participants received from a Security and Exchange Commission's (SEC) settlement with Pilgrim Baxter Associates regarding their improper trading practices. Participants who invested in the PBHG Growth fund between 1998 and 2001 were entitled to their proportionate share of this settlement. A separate class-action suit against Pilgrim Baxter Associates is still outstanding.

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 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 losses of \$1.4 billion in 2008 varied considerably from gains of \$573 million in 2007. Despite negative earnings news, employee contributions were \$457 million in 2008 compared to \$448 million in 2007, and the average annual deferral rose by 3.6 percent over the prior year. The number of participants actively deferring decreased by 1.7 percent, as many participants stopped actively contributing as the negative market reached its peak late in the year. Transfers from other retirement plans into the Program increased 7.0 percent between 2008 and 2007.

Program Deductions

During 2008, the dollar amount of participant benefit distributions increased by 1.9 percent over the prior year. This increase is attributable to more terminated participants accessing their accounts and taking lump-sum distributions, instead of taking a series of scheduled payments. Transfers to other eligible retirement plans and to defined benefit plans to purchases of service credit decreased 9.4 percent in 2008. The decrease in amount transferred may be due to the lower account values, which resulted from poor investment performance in 2008. Administrative expenses in 2008 rose by 5.6 percent over the prior year, due to several one-time expenditures, including costs associated with the early termination of the administrative office lease.

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 that ensures that a sufficient number of suitable, diverse investment options are offered. The stable value investment option accounts for 58.7 percent of all invested funds, with the remainder invested in 19 mutual or commingled fund options. Investment performance results and related investment expense rates 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 years ended December 31, 2008 and 2007 were audited by Clark, Schaefer, Hackett & Co. under contract with the Auditor of State of Ohio.

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, 2007. 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.

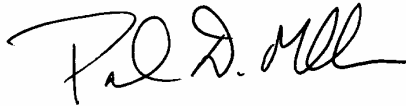
Acknowledgments

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, 2008. 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.

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 into the Plan in any Plan year shall not exceed the lesser of (A) \$15,500 for the year 2008, 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 2008, participants who have attained age 50 may defer an additional \$5,000, 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 less than the maximum amount 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 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 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.

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 ½. If the participant has not had a severance from employment as of such 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 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 ½, 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 for 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 elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant attains age 70 ½. 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 ½. 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 \$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 their 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 their 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 their 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 their residence at the time of their 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 December 31, 2008 and 2007, 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, 2008 and 2007, 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 20, 2009, 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 41 to 44, the introductory section on pages 4 to 16, the investment section on pages 46 to 49, and the statistical section on pages 51 to 55 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 20, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

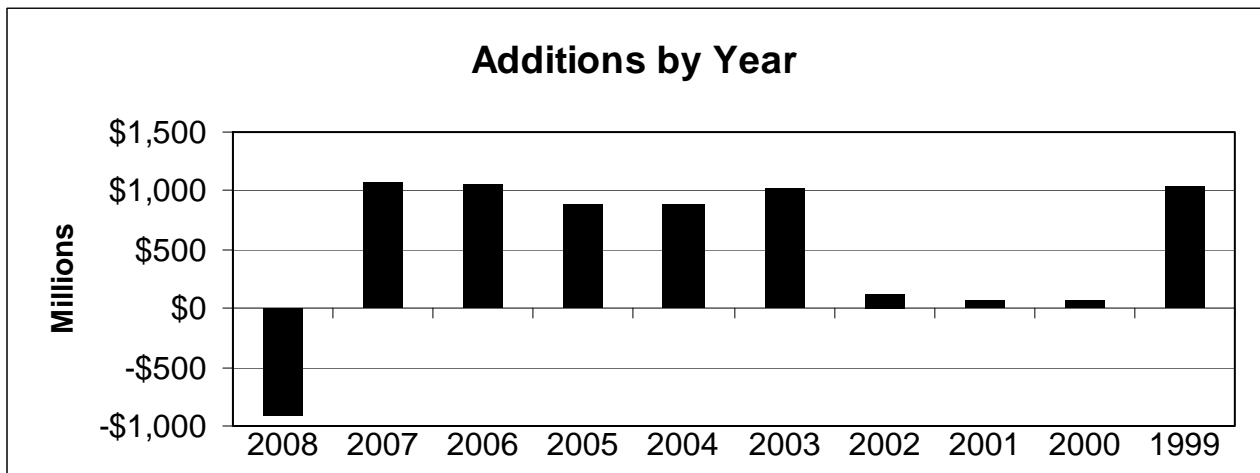
Management of the Ohio Public Employees Deferred Compensation Program offers this narrative overview of the financial statements contained in this Comprehensive Annual Financial Report. The financial statements consist of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. 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 pay check and which investment options are appropriate for them. The average annual deferral per participant continues to grow and was nearly \$4,000 in 2008. Investment performance can significantly affect Program additions, and negative market performance in 2008 offset the market gains accumulated over the past several years.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net investment income (loss)	(\$1,429,112,572)	\$573,218,690	\$584,154,863
Employee contributions	456,547,715	448,422,325	433,065,402
Transfer from other plans	54,418,725	50,839,408	43,108,569
Recordkeeping income	<u>5,446,752</u>	<u>6,019,775</u>	<u>5,967,009</u>
Total Additions	<u><u>(\$912,699,380)</u></u>	<u><u>\$1,078,500,198</u></u>	<u><u>\$1,066,295,843</u></u>

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



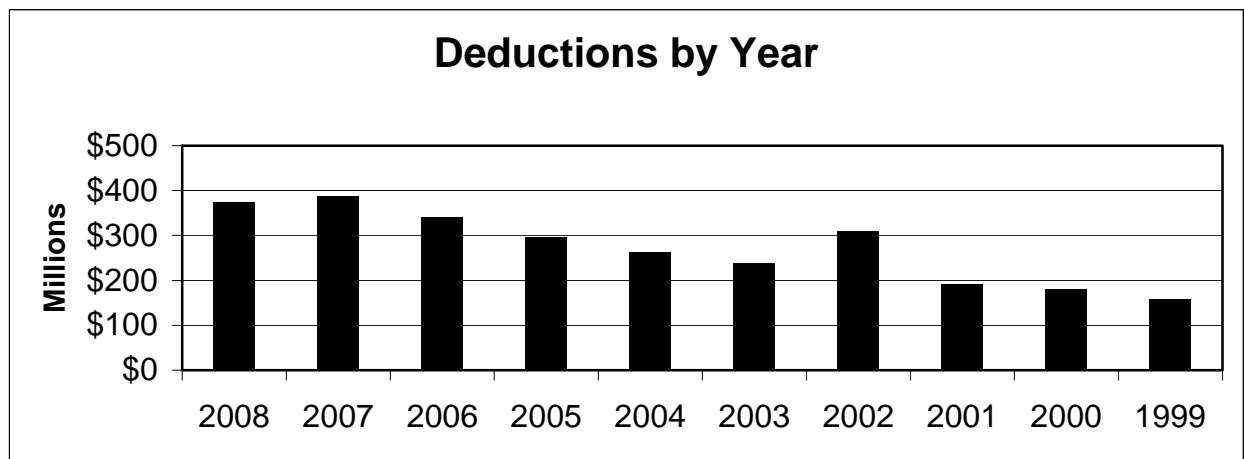
PROGRAM DEDUCTIONS

Generally, total deductions increased each year, 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 2008 these distributions only increased by 1.9 percent over the prior year. Transfers to other plans decreased by 9.4 percent, due primarily to the uncertainties of the equity markets discouraging investors from seeking alternative investment opportunities

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Distributions to participants	\$211,339,256	\$207,425,314	\$191,896,498
Transfers to other plans	154,784,361	170,789,259	140,074,062
Other deductions	8,603,889	8,161,664	7,747,327
Total Deductions	<u>\$374,727,506</u>	<u>\$386,376,237</u>	<u>\$339,717,887</u>

Participant account balances grew significantly over the years through increasing deferral contributions and investment earnings. While the Program's investors had significant equity investment losses in 2008, many retired employees were invested conservatively in fixed income options, and their account balances maintained their value and continued to grow.

In 2008, the number of participants taking distributions decreased by 1.3 percent. This decline is primarily due to poor equity market performance causing some retired investors to wait for their investments to recover in value. Despite the decrease in number of distributions, the total amount of benefit distributions increased by 1.9 percent as more participants chose lump-sum distributions than a schedule of payments over time. The graph below shows the ten-year history of deductions.

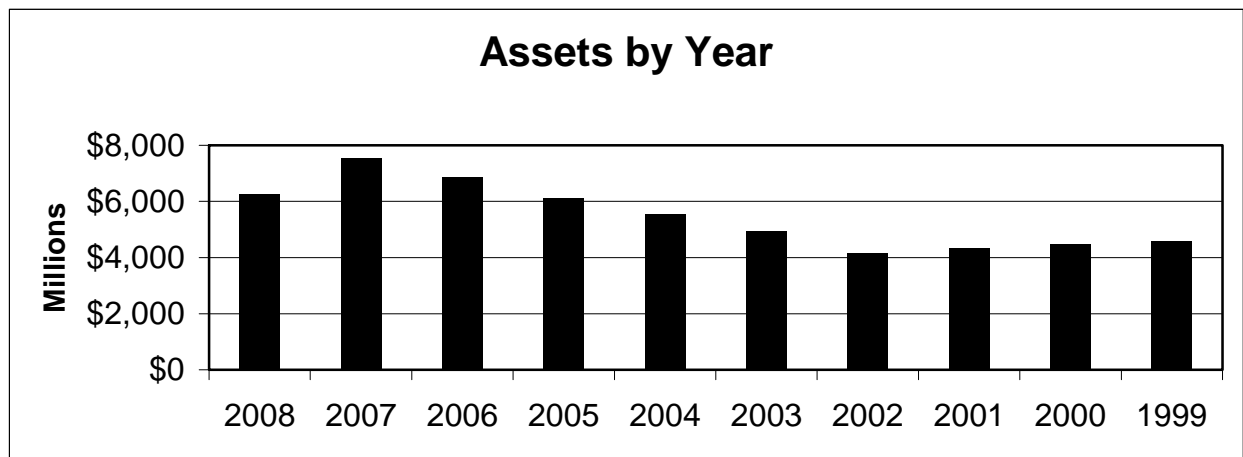


NET PROGRAM ASSETS

Net assets available for Program benefits and total assets at December 31, 2008 decreased 17.1 percent over the previous year-end due to negative investment performance. Excluding these investment losses, Program additions exceeded deductions by over \$141 million, indicating that the Program is still a growing and viable plan. 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.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Assets	\$6,262,239,833	\$7,549,519,664	\$6,857,570,709
Total Liabilities	<u>2,174,179</u>	<u>2,027,124</u>	<u>2,202,130</u>
Net Assets Available for Benefits	<u>\$6,260,065,654</u>	<u>\$7,547,492,540</u>	<u>\$6,855,368,579</u>
Change in Net Assets from prior year	<u>(\$1,287,426,886)</u>	<u>\$692,123,961</u>	<u>\$726,577,983</u>

As demonstrated by the graph below, total Program assets have generally increased over time, representing an improvement to the overall financial position of the Program. After several years of positive market performance, a negative down cycle was inevitable. However, the severity of the downturn experienced in 2008 was of historical proportions, leading to a significant loss of assets.



PROGRAM ACTIONS

During 2008, the Program sought to improve the Stable Value Option by making changes to underlying portfolios. A Yield Enhanced Strategy portfolio managed by Goode Investment Management was terminated, and the \$35 million portfolio was split between the Index Plus Strategy managed by Goode and the JP Morgan portfolio. Within the Pyramis fixed income portfolio, \$12 million in stable value assets invested in an emerging market pool were moved to the broad market pool. The goal of both changes was to improve return and reduce risk for stable value investors.

Since 2002, the Program has offered target-date investment options managed by Barclays. While these offerings have moved from mutual funds to commingled funds over this period, these funds have consistently used an active investment strategy. During 2008, the Program's investment consultant reviewed the universe of target-date funds. Based upon their findings, as well as discussions with Board and staff, the Program chose to move these investors to the Barclays target-date funds that use an indexed strategy. When this transition is completed in mid-2009, these investors will have a lower-costing and more conservative investment strategy.

During 2008, Program management evaluated the current leases for the administrative offices and service center, and determined that moving to a single location would cost less, provide operational efficiencies, and improve service to participants. The administrative office lease was terminated by paying an early termination payment, and the service center lease was terminated in conjunction with an extension and modification of the marketing, education, and enrollment contract with Nationwide Retirement Solutions. The administrative offices were relocated in February 2009, and the service center is scheduled to relocate in June 2009.

In December, 2008, President Bush signed the *Worker, Retiree, and Employer Recovery Act of 2008*, which suspended the 2009 required minimum distribution for retirees over the age of 70½. This law change allows retirees to avoid the hardship of selling investments, while their value is low. Program educational and communication materials, as well as computer programs, were updated for this important change.

STATEMENTS OF PLAN NET ASSETS

As of December 31, 2008 and 2007

	2008	2007
Assets:		
Investments:		
Stable value option	\$3,648,964,374	\$3,191,553,670
Mutual funds	2,429,431,916	4,136,144,561
Collective trust funds	134,095,796	165,409,030
Purchased annuities	36,753,649	39,775,688
Total investments	6,249,245,735	7,532,882,949
Cash and cash equivalents	8,525,182	9,375,231
Contributions receivable and cash held for investment	3,307,235	5,756,585
Accounts and other receivables	861,539	1,448,248
Property and equipment, net	300,142	56,651
Total assets	6,262,239,833	7,549,519,664
Liabilities:		
Accounts payable	1,937,961	1,802,329
Accrued expenses	236,218	224,795
Total liabilities	2,174,179	2,027,124
Net Assets Held in Trust	\$6,260,065,654	\$7,547,492,540

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the years ended December 31, 2008 and 2007

	2008	2007
Additions:		
Net Investment Income:		
Net gain(loss) on funds	(\$1,594,537,492)	\$415,674,126
Stable value income	171,232,649	163,765,380
Investment expenses	(5,807,729)	(6,220,816)
Net investment income	(1,429,112,572)	573,218,690
Employee contributions	456,547,715	448,422,325
Transfers from other plans	54,418,725	50,839,408
Recordkeeping income	5,446,752	6,019,775
Total additions	(912,699,380)	1,078,500,198
Deductions:		
Distributions to participants	211,339,256	207,425,314
Transfers to other plans	154,784,361	170,789,259
Administrative expenses	8,562,881	8,110,669
Life insurance premiums	41,008	50,995
Total deductions	374,727,506	386,376,237
Change in plan net assets	(1,287,426,886)	692,123,961
Plan net assets - beginning of year	7,547,492,540	6,855,368,579
Plan net assets - end of year	\$6,260,065,654	\$7,547,492,540

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, 2008 and 2007, there were 1,745 and 1,689 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, 2008, 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).
- Collective trust funds managed by Barclays Global Investors, N.A. (Barclays).
- 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 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 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, 2008, the Program has stable value funds invested in six different portfolios. 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 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 each 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 policy cash value before surrender charges or other assessments was \$1,158,100 and \$1,242,900 at December 31, 2008 and 2007, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was \$6,968,700 and \$7,517,600 at December 31, 2008 and 2007, respectively.

Stable Value Income:

Stable value income was recorded as earned for each of the investment components of the Stable Value Option. The gross interest rates for each portfolio were adjusted quarterly and ranged from 4.64 percent to 5.33 percent during 2008, and from 4.90 percent to 5.30 percent during 2007.

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 -0.3 percent to 5.9 percent during 2008, and from 1.4 percent to 5.2 percent during 2007.

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 \$1,399,272 and \$1,508,017 at December 31, 2008 and 2007, 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, 2008 and 2007, the bank cash balances were \$8,929,160 and \$9,404,373 respectively. The bank balances were insured up to \$250,000 at December 31, 2008 and \$100,000 at December 31, 2007 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, 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
	December 31, 2007	
	Carrying Value	Fair Value
Mutual Funds	\$4,136,144,561	\$4,136,144,561
Stable Value Option	3,191,553,670	3,198,874,103
Collective Trust Funds	165,409,030	165,409,030
Purchased Annuities	39,775,688	39,775,688
Total Investments	\$7,532,882,949	\$7,540,203,382

NOTES TO THE FINANCIAL STATEMENTS, Continued

Stable Value Option:

At December 31, 2008, 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, 2008, the carrying value of the Stable Value Option assets exceeded the fair value by \$165 million or 4.5 percent. The Program expects 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.

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Deutsche Asset Management	\$1,256,094,573	\$1,106,937,957
State Street Bank and Trust	606,333,816	577,421,475
JP Morgan Investment Advisors	581,348,011	445,359,003
Nationwide Life Insurance Co.	580,250,339	584,668,989
Pyramis Global Advisors	409,663,388	414,633,570
Goode Investment Management	50,070,738	69,853,109
Total Fair Value	<u>3,483,760,865</u>	<u>3,198,874,103</u>
Total Carrying Value	<u>3,648,964,374</u>	<u>3,191,553,670</u>
Difference	<u>(\$165,203,509)</u>	<u>\$7,320,433</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. 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, 2008, the overall average credit quality of the Stable Value Option portfolio was AA+. The quality ratings of the Stable Value Option

NOTES TO THE FINANCIAL STATEMENTS, Continued

investments in fixed-income securities as determined by Standard & Poor's and/or Moody's (nationally recognized statistical rating organizations) as of December 31, 2008 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	\$849,012,978	24.4%
AA	2,104,188,480	60.4%
A/A-1	256,046,139	7.3%
BBB	88,041,247	2.5%
BB	3,879,518	0.1%
B and below	22,675,731	0.7%
Subtotal	3,323,844,093	95.4%
U.S. Government Securities	159,916,772	4.6%
Total Stable Value Investments	\$3,483,760,865	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 between 1.5 and 3.5 years. The underlying portfolios within the open market structure will be kept within +/- 20.0 percent of the duration of the Lehman Brothers Aggregate Bond Index or the Lehman Brothers Intermediate Aggregate Bond Index.

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	\$2,144,088,087	\$0	\$0	\$2,144,088,087
Mortgage Obligations	62,067,957	494,104,956	63,487,129	49,987,886	669,647,929
Money Market Mutual Funds	216,562,500	0	0	0	216,562,500
Corporate Bonds	22,484,102	158,884,829	19,601,880	5,473,387	206,444,198
U.S. Government Securities	9,003,434	99,198,522	51,240,226	474,590	159,916,772
U.S. Government Agency Securities	11,873,360	72,555,729	168,170	2,504,121	87,101,379
Total Stable Value Investments	\$321,991,352	\$2,968,832,124	\$134,497,405	\$58,439,984	\$3,483,760,865

NOTES TO THE FINANCIAL STATEMENTS, Continued

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, 2008 the Program had investments in CMO and ABS totaling \$531 million and \$38 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 Stable Value Option’s assets.

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, 2008 and 2007 is as follows:

	<u>Mutual Funds - 2008</u>			<u>Mutual Funds - 2007</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Outstanding (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Outstanding (1,000's)</u>
Fidelity:						
Contrafund	\$560,250,157	\$45.26	12,378	\$950,095,190	\$73.11	12,995
Growth Company	243,428,133	48.96	4,972	427,476,518	82.98	5,152
Total Fidelity Funds	<u>803,678,290</u>			<u>1,377,571,708</u>		
Dodge & Cox:						
Stock	410,832,923	74.37	5,524	833,292,385	138.26	6,027
Balanced	246,845,614	51.26	4,816	432,855,497	81.00	5,344
Total Dodge & Cox Funds	<u>657,678,537</u>			<u>1,266,147,882</u>		
Vanguard:						
Capital Opportunity	153,490,866	46.75	3,283	259,432,068	85.06	3,050
Institutional Index	111,566,590	82.54	1,352	184,010,534	134.14	1,372
International Growth	93,333,710	38.79	2,406	185,516,568	78.98	2,349
Total International Stock Index	53,588,431	10.79	4,966	102,216,799	19.89	5,139
Small-Cap Index	27,509,935	20.40	1,349	41,809,313	32.60	1,282
Total Bond Market Index	27,315,658	10.18	2,683	14,637,972	10.16	1,441
Total Vanguard Funds	<u>466,805,190</u>			<u>787,623,254</u>		
Janus Twenty Fund	<u>196,856,898</u>	42.99	4,579	<u>308,928,570</u>	74.10	4,169
PIMCO Total Return	<u>113,267,875</u>	10.14	11,170	<u>79,440,337</u>	10.69	7,431
FPA Capital Fund	<u>89,496,134</u>	21.59	4,145	<u>139,837,146</u>	36.71	3,809
Templeton Foreign Fund	<u>66,124,926</u>	4.44	14,893	<u>125,046,434</u>	12.52	9,988
Hartford Small Company	<u>35,524,066</u>	11.01	3,227	<u>51,549,230</u>	18.62	2,768
Total Mutual Funds	<u>\$2,429,431,916</u>			<u>\$4,136,144,561</u>		

NOTES TO THE FINANCIAL STATEMENTS, Continued

Collective Trust Funds:

In October 2006, investments in the Barclays mutual funds were moved into Barclays collective trust funds. At the same time, the Barclays name was removed 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. The historic annual investment expense ratios on the life cycle options offered through the Program were:

<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	Forward	0.45%

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, 2008 and 2007 is as follows:

	<u>Collective Trust Funds - 2008</u>			<u>Collective Trust Funds - 2007</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Outstanding (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Outstanding (1,000's)</u>
Barclays Global Investors:						
LifePath 2010	28,109,336	9.26	3,036	33,919,205	11.28	3,007
LifePath 2020	54,878,836	8.31	6,604	67,374,648	11.29	5,968
LifePath 2030	34,880,851	7.66	4,554	42,874,089	11.30	3,794
LifePath 2040	<u>16,226,773</u>	7.21	2,251	<u>21,241,088</u>	11.40	1,863
Total Barclays Global Investors	<u>\$134,095,796</u>			<u>\$165,409,030</u>		

Purchased Annuities:

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. Investments in purchased annuities were \$36,753,649 and \$39,775,688 at December 31, 2008 and 2007, respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

Participants who do not retain 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>2008</u>	<u>2007</u>
Stable Value - Book Value Guarantee Fees:	\$3,054,287	\$2,697,251
Stable Value - Management/Custodial Fees:		
JP Morgan Investment Advisors	1,090,419	905,402
Deutsche Asset Management	903,713	843,298
Pyramis Global Advisors	716,693	784,632
Nationwide Life Insurance Co.	753,584	716,171
Goode Investment Management	112,996	106,148
State Street Bank and Trust	<u>(995,387)</u>	<u>(99,969)</u>
Total Stable Value Investment Expenses	5,636,305	5,952,933
Total Mutual Fund Redemption Fees	<u>171,424</u>	<u>267,883</u>
Total Investment Expenses	<u><u>\$5,807,729</u></u>	<u><u>\$6,220,816</u></u>

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 0.08 percent in 2007 and 0.05 percent during 2008, and will increase to 0.10 percent in 2009.

In 2007, the Program collected a 0.15 percent annualized recordkeeping fee on all investment balances in the Barclays collective trust fund options. Effective January 1, 2008, this fee changed to 0.05 percent and effective January 1, 2009, this fee changed to 0.10 percent.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Total recordkeeping revenues collected by the Program were \$7,266,139 and \$8,608,721 for the years ended December 31, 2008 and 2007, respectively.

The Administration Fund may also recovered some administrative costs through charges made to the Program Fund. The Program may charge a \$2.00 per quarter fee 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 in Dublin, Ohio, who provide participants with call center, walk-in, and administrative support services. In addition, NRS provides an interactive web site and automated phone system for both service and educational purposes. Fees paid to NRS were \$5,232,668 and \$5,044,688 for the years ended December 31, 2008 and 2007, respectively.

10. Vacation and Sick Leave:

As of December 31, 2008 and 2007, the Program had accrued \$217,984 and \$213,126 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. Base rental expense for the operating lease was \$109,214 and \$107,186 for 2008 and 2007 respectively. Allocated building operating expenses and real estate taxes under this lease were \$93,882 and \$90,704 during 2008 and 2007, respectively.

The lease contained a termination option after the seventh lease year, which was exercised during 2008. Per the lease agreement, a \$150,000 payment was made to terminate the Board office lease three years early.

NOTES TO THE FINANCIAL STATEMENTS, Continued

During 2008, the Board executed the early lease termination option with an effective date of February 28, 2009. A new ten-year lease agreement was signed for new office space. The new space will allow the administrative offices and service center to move into one facility, realize savings in net occupancy costs, and achieve operational efficiencies. The Board offices were relocated in February 2009, and the NRS service center offices will be moving to the same facility in June 2009.

Future scheduled minimum lease payments (base rental expense) under the office space operating lease at December 31, 2008 are as follows:

<u>Year-ending December 31</u>	<u>Amount</u>
2009	\$217,333
2010	\$260,800
2011	\$260,800
2012	\$260,800
2013	\$260,800
2014 - 2019	\$1,449,342

12. Property and Equipment:

Property and equipment at December 31 are summarized as follows:

	<u>Estimated Useful Life</u>	<u>2008</u>	<u>2007</u>
Furniture and fixtures	7 years	\$354,625	\$124,625
Computer equipment	3 years	284,911	284,911
Office equipment	5 years	<u>152,698</u>	<u>98,572</u>
		792,234	508,108
Less accumulated depreciation and amortization		<u>(492,092)</u>	<u>(451,457)</u>
		<u>\$300,142</u>	<u>\$56,651</u>

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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 2008 and 2007. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of \$2,500,000 for both 2008 and 2007. The outstanding claims liability was \$20,800 and \$9,700 as of December 31, 2008 and 2007 respectively.

14. Pension Plan:

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

A. Plan Description

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

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

In addition, OPERS maintains a cost-sharing, multi-employer defined benefit post-employment 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

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 2008, member contribution rates were 10.0 percent. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008 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 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. 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, 2008, 2007 and 2006, were \$160,700, \$157,500 and \$149,400 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, 2008, 2007 and 2006, was \$83,300, \$62,800 and \$49,100 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 \$1,819,387 and \$2,588,946 were made during 2008 and 2007, respectively, for this purpose, including \$160,171 and \$216,434 payable to the Administrative Fund as of December 31, 2008 and 2007, 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, 2008
With Totals for 2007

	2008			2007
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Assets:				
Investments:				
Stable value option	\$3,648,964,374			\$3,648,964,374
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	<u>6,249,245,735</u>			<u>6,249,245,735</u>
Cash and cash equivalents		\$8,525,182		8,525,182
Contributions receivable and cash held for investment	3,307,235			3,307,235
Accounts and other receivables		1,021,710	(\$160,171)	861,539
Property and equipment, net		<u>300,142</u>		<u>300,142</u>
Total assets	<u>\$6,252,552,970</u>	<u>\$9,847,034</u>	<u>(\$160,171)</u>	<u>\$6,262,239,833</u>
Liabilities:				
Accounts payable	1,433,631	664,501	(160,171)	1,937,961
Accrued expenses		<u>236,218</u>		<u>236,218</u>
Total liabilities	<u>1,433,631</u>	<u>900,719</u>	<u>(160,171)</u>	<u>2,174,179</u>
Net Plan Assets Held in Trust	<u>\$6,251,119,339</u>	<u>\$8,946,315</u>	<u>\$0</u>	<u>\$6,260,065,654</u>

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS

For the year ended December 31, 2008
With Totals for 2007

	2008			
<u>PROGRAM FUND</u>	<u>ADMINIS- TRATION FUND</u>	<u>COMBINING ENTRIES</u>	<u>TOTAL</u>	<u>2007</u>
Additions:				
Net Investment Income:				
Net gain(loss) on funds	(\$1,594,537,492)		(\$1,594,537,492)	\$415,674,126
Stable value income	170,953,100	279,549	171,232,649	163,765,380
Investment expenses	(5,807,729)		(5,807,729)	(6,220,816)
Net investment income	(1,429,392,121)	279,549	(1,429,112,572)	573,218,690
Employee contributions	456,547,715		456,547,715	448,422,325
Transfers from other plans	54,418,725		54,418,725	50,839,408
Recordkeeping income		7,266,139	(1,819,387)	5,446,752
Total additions	(918,425,681)	7,545,688	(912,699,380)	1,078,500,198
Deductions:				
Distributions to participants	211,339,256		211,339,256	207,425,314
Transfers to other plans	154,784,361		154,784,361	170,789,259
Administrative expenses	1,819,387	8,562,881	(1,819,387)	8,110,669
Life insurance premiums	41,008		41,008	50,995
Total deductions	367,984,012	8,562,881	(1,819,387)	374,727,506
Change in plan net assets	(1,286,409,693)	(1,017,193)	(1,287,426,886)	692,123,961
Plan net assets - beginning of year	7,537,529,032	9,963,508	7,547,492,540	6,855,368,579
Plan net assets - end of year	<u><u>\$6,251,119,339</u></u>	<u><u>\$8,946,315</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Customer Service	\$5,232,668	\$5,044,688
Salaries and benefits:		
Salaries and wages	1,164,653	1,154,449
Retirement contributions	160,728	157,458
Insurance	152,381	135,765
Other benefits	21,367	21,301
	<u>1,499,129</u>	<u>1,468,973</u>
Administration:		
Postage and delivery	427,602	402,758
Participant statements	154,983	153,799
	<u>582,585</u>	<u>556,557</u>
Professional Services:		
Consulting	279,283	275,190
Data Processing	179,542	183,439
Auditing	54,699	40,437
	<u>513,524</u>	<u>499,066</u>
Rents	353,096	197,890
Professional Expense	124,286	112,930
Insurance	76,948	82,098
Data processing expense	53,858	48,571
Office supplies:		
Printing	31,324	19,002
Office supplies	16,467	15,319
Telephone and fax	4,434	3,590
	<u>52,225</u>	<u>37,911</u>
Depreciation and amortization	40,635	37,589
Miscellaneous	<u>33,927</u>	<u>24,396</u>
Total Administrative Fund Deductions	<u><u>\$8,562,881</u></u>	<u><u>\$8,110,669</u></u>

SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents, beginning or year	\$9,375,231	\$7,637,627
Receipts:		
Employee contributions	458,997,065	449,497,166
Investment withdrawals	366,123,618	378,214,573
Transfers from other plans	54,418,725	50,839,408
Recordkeeping income	<u>6,369,273</u>	<u>6,700,717</u>
Total cash receipts	<u>885,908,681</u>	<u>885,251,864</u>
Disbursements:		
Investment purchases	506,757,864	491,187,480
Distributions to participants	211,339,256	207,425,314
Transfers to other plans	154,784,361	170,789,259
Administrative expenses	8,754,584	7,535,691
Investment expenses	4,797,531	6,509,153
Purchase of property and equipment	284,126	16,368
Life insurance premiums	<u>41,008</u>	<u>50,995</u>
Total cash disbursements	<u>886,758,730</u>	<u>883,514,260</u>
Cash and cash equivalents, end of year	<u><u>\$8,525,182</u></u>	<u><u>\$9,375,231</u></u>



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.

The following table shows the investment fee rates charges against each investment option as of December 31, 2008, 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	1.16%	1.08%
Vanguard Total International Stock Index	0.27%	1.01%
Vanguard International Growth	0.31%	1.01%
Hartford Small Company	0.70%	1.18%
Vanguard Small-Cap Index	0.07%	0.36%
FPA Capital	0.88%	0.87%
Vanguard Capital Opportunity	0.37%	0.96%
Fidelity Growth Company	0.94%	0.98%
Janus Twenty	0.88%	0.98%
Fidelity Contrafund	0.89%	0.87%
Vanguard Institutional Index	0.05%	0.31%
Dodge & Cox: Stock	0.52%	0.87%
Dodge & Cox: Balanced	0.53%	0.96%
Barclays Global Investors Lifepath 2010	0.40%	0.76%
Barclays Global Investors Lifepath 2020	0.40%	0.91%
Barclays Global Investors Lifepath 2030	0.40%	0.95%
Barclays Global Investors Lifepath 2040	0.40%	0.95%
PIMCO Total Return	0.77%	0.65%
Vanguard Total Bond Market Index	0.07%	0.28%
Stable Value Option	0.26%	0.34%

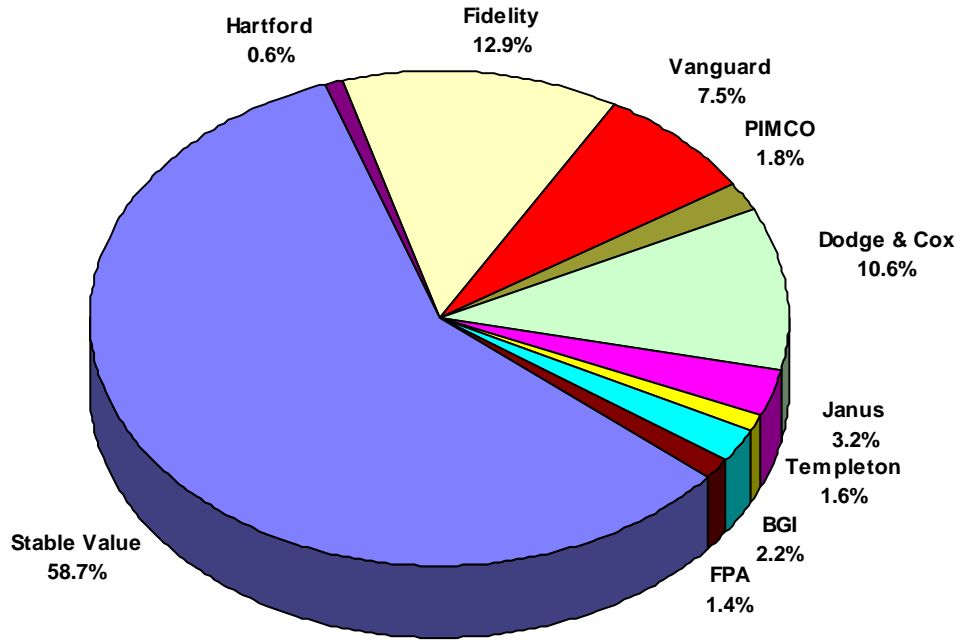
SCHEDULE OF INVESTMENT PERFORMANCE VERSUS BENCHMARKS

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Templeton Foreign Fund	-46.1%	-8.8%	-0.2%	3.8%
Vanguard Total International Stock Index	-44.1%	-6.6%	2.6%	1.7%
Vanguard International Growth	-44.8%	-6.8%	2.1%	1.4%
<i>Benchmark: MSCI EAFE Index</i>	-43.4%	-7.4%	1.7%	0.8%
Hartford Small Company	-40.6%	-8.1%	1.1%	3.5%
<i>Benchmark: Russell 2000 Growth Index</i>	-38.5%	-9.3%	-2.4%	-0.8%
Vanguard Small-Cap Index	-36.0%	-9.1%	-0.6%	3.5%
<i>Benchmark: Vanguard Small Cap Custom</i>	-36.2%	-9.2%	-0.7%	3.1%
FPA Capital	-34.8%	-11.9%	-2.1%	6.2%
<i>Benchmark: Russell 2000 Value Index</i>	-28.9%	-7.5%	0.3%	6.1%
Vanguard Capital Opportunity	-39.0%	-7.6%	0.7%	9.0%
<i>Benchmark: Russell MidCap Growth Index</i>	-44.3%	-11.8%	-2.3%	-0.2%
Fidelity Growth Company	-40.9%	-8.1%	-0.2%	1.6%
Janus Twenty	-42.0%	-4.0%	3.7%	-1.0%
<i>Benchmark: Russell 1000 Growth Index</i>	-38.4%	-9.1%	-3.4%	-4.3%
Fidelity Contrafund	-37.2%	-5.7%	2.3%	2.8%
Vanguard Institutional Index	-37.0%	-8.3%	-2.2%	-1.4%
<i>Benchmark: S&P 500 Index</i>	-37.0%	-8.4%	-2.2%	-1.4%
Dodge & Cox: Stock	-43.3%	-12.4%	-2.6%	4.7%
<i>Benchmark: Russell 1000 Value Index</i>	-36.8%	-8.3%	-0.8%	1.4%
Dodge & Cox: Balanced	-33.6%	-8.4%	-1.5%	4.8%
<i>Benchmark: Dodge & Cox Custom</i>	-22.1%	-2.7%	0.7%	1.7%
Barclays Global Investors Lifepath 2010	-17.9%	-1.5%	1.5%	2.3%
<i>Benchmark: Barclays Custom</i>	-21.6%	-2.5%	1.2%	2.7%
Barclays Global Investors Lifepath 2020	-26.4%	-4.4%	0.3%	1.0%
<i>Benchmark: Barclays Custom</i>	-28.1%	-4.4%	0.5%	1.7%
Barclays Global Investors Lifepath 2030	-32.2%	-6.6%	-0.6%	0.1%
<i>Benchmark: Barclays Custom</i>	-31.8%	-5.4%	0.2%	1.0%
Barclays Global Investors Lifepath 2040	-36.8%	-8.5%	-1.5%	-0.9%
<i>Benchmark: Barclays Custom</i>	-35.8%	-6.8%	-0.5%	0.3%
PIMCO Total Return	4.6%	5.7%	4.9%	6.0%
Vanguard Total Bond Market Index	5.2%	5.5%	4.7%	5.5%
<i>Benchmark: Barclays Capital Aggregate</i>	5.2%	5.5%	4.7%	5.6%
Stable Value Option	4.8%	4.9%	4.8%	5.5%
<i>Benchmark: IMoney Net + 150 bps</i>	3.5%	5.3%	4.4%	4.6%

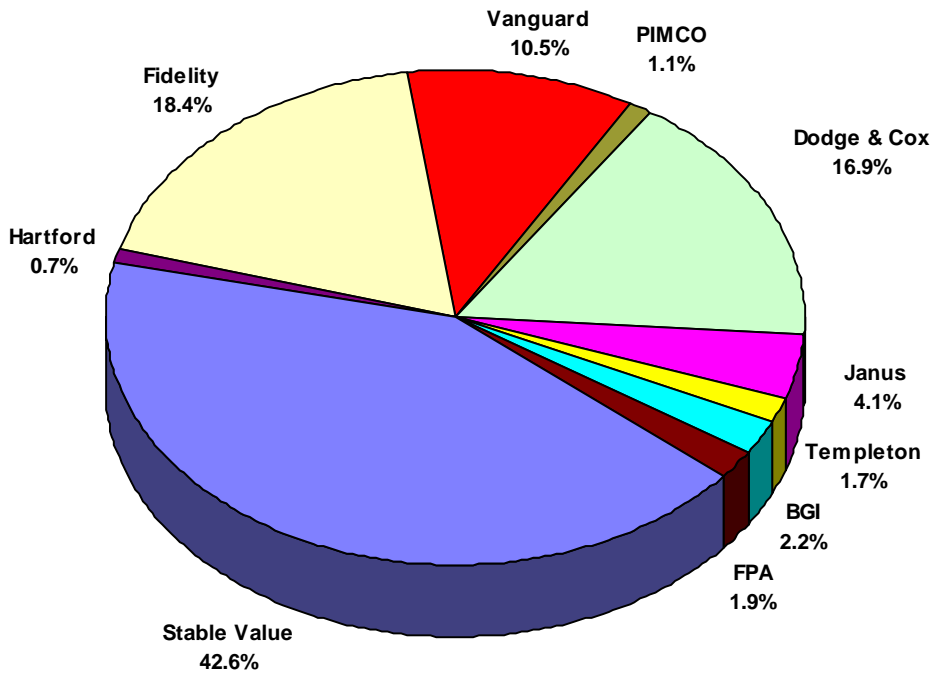
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3 year, 5 year, and 10 year investment returns are annualized.

INVESTMENT MIX

December 31, 2008

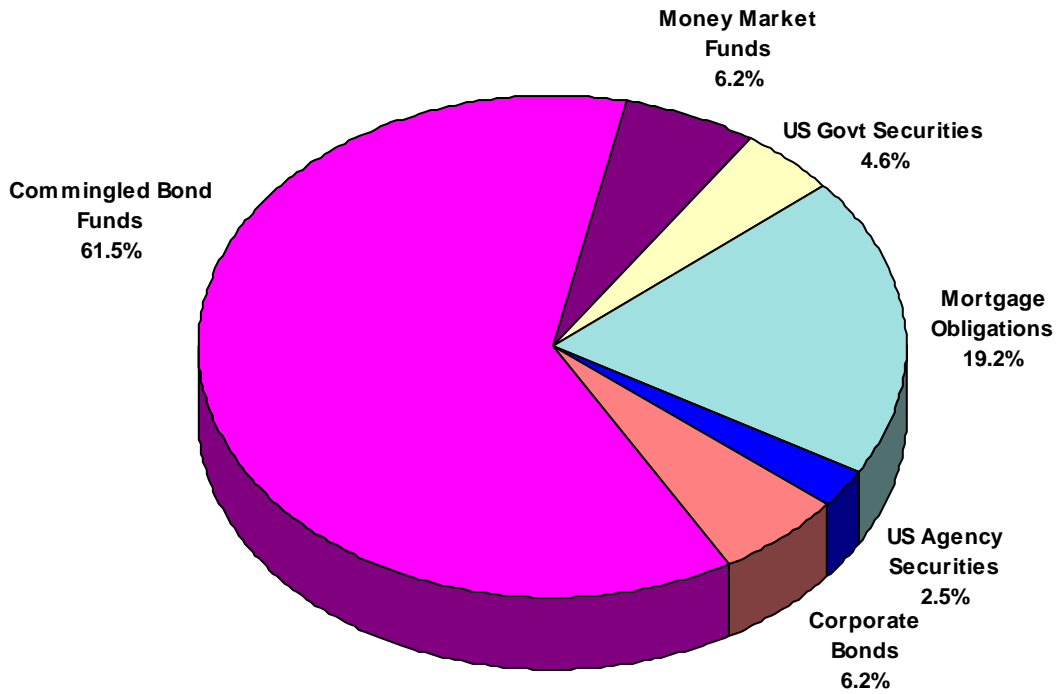


December 31, 2007

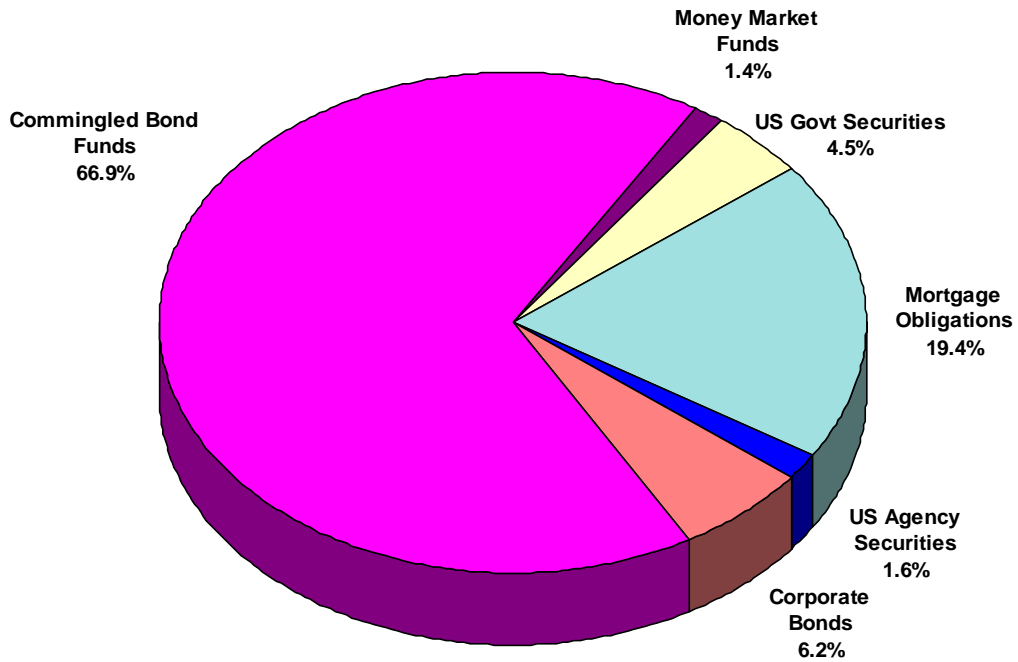


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2008



December 31, 2007



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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 on pages 52-55 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, 1999 – 2008
(In Millions)

	<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>	<u>1999</u>
Additions:										
Net Investment Income:										
Net gain on funds	(\$1,594.5)	\$415.7	\$439.0	\$274.2	\$321.3	\$489.0	(\$409.5)	(\$401.1)	(\$373.7)	\$604.8
Stable value income	171.2	163.7	150.6	141.1	131.2	137.3	141.3	135.8	127.1	124.0
Investment expenses	(5.8)	(6.2)	(5.4)	(5.1)	(4.8)	(4.3)	(3.3)	(2.9)	(2.5)	(2.6)
Net investment income	(1,429.1)	573.2	584.2	410.2	447.6	622.0	(271.4)	(268.1)	(249.2)	726.2
Employee contributions	456.5	448.4	433.0	412.9	393.1	365.0	356.9	323.9	314.4	305.3
Transfers from other plans	54.4	50.9	43.1	52.1	38.4	28.4	25.7	6.6	2.2	4.4
Recordkeeping income	5.5	6.0	6.0	5.3	4.8	3.9	4.1	3.3	3.9	3.2
Total additions	(912.7)	1,078.5	1,066.3	880.5	883.9	1,019.4	115.2	65.7	71.3	1,039.0
Deductions:										
Distributions to participants	211.3	207.4	191.9	177.6	171.4	166.8	192.6	185.1	175.0	152.7
Transfers to other plans	154.8	170.8	140.0	111.5	85.0	65.1	112.0	0.4	0.9	0.7
Administrative expenses	8.6	8.1	7.7	7.3	6.9	6.6	5.9	5.5	5.2	5.4
Life insurance premiums	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Total deductions	374.8	386.4	339.7	296.5	263.4	238.5	310.6	191.3	181.1	158.9
Increase (Decrease) in Net Plan Assets	(1,287.5)	692.1	726.6	584.0	620.5	780.8	(195.4)	(125.6)	(109.8)	880.1
Net plan assets - beginning of year	7,547.5	6,855.4	6,128.8	5,544.8	4,924.3	4,143.5	4,338.9	4,464.5	4,574.3	3,694.2
Net plan assets - end 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>

EMPLOYEE PARTICIPATION

	<u>Eligible Employees</u>	<u>Total Participant Accounts</u>	<u>Participants Currently Contributing</u>	<u>Current Participation Rate</u>
1999	698,845	150,412	109,217	15.6%
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%

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>
1999	\$305,282,184	\$2,795	\$4,574,291,046	\$30,412
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

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>
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
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

PRINCIPLE CONTRIBUTING EMPLOYERS AS OF DECEMBER 31, 2008

<u>Employer Name</u>	<u>Participant Accounts</u>	<u>Current Rank</u>	<u>2006 * Rank</u>	<u>Percentage of Participants</u>
State of Ohio	52,784	1	1	27.2%
City of Columbus	8,558	2	2	4.4%
City of Cleveland	7,472	3	3	3.9%
Cuyahoga County	6,331	4	4	3.3%
City of Cincinnati	5,377	5	5	2.8%
Franklin County	3,464	6	6	1.8%
Metrohealth Medical Center	2,942	7	7	1.5%
Montgomery County	2,669	8	8	1.4%
City of Dayton	2,122	9	10	1.1%
City of Toledo	2,089	10	9	1.1%
All Others	<u>100,124</u>			<u>51.6%</u>
Total Participation	<u><u>193,932</u></u>			<u><u>100.0%</u></u>

* - 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>
1999	\$141,399,482	\$11,273,620	\$152,673,102
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
	<u>Number of Participant Distributions</u>	<u>Number of Beneficiary Distributions</u>	<u>Number of Total Distributions</u>
1999	18,381	1,297	19,678
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
	<u>Average Participant Distribution</u>	<u>Average Beneficiary Distribution</u>	<u>Average Total Distribution</u>
1999	\$7,693	\$8,692	\$7,759
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

**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, 2008, and have issued our report thereon dated May 20, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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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 a certain matter that we reported to management of the Program in a separate letter dated May 20, 2009.

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
May 20, 2009



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 23, 2009**