OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2004

Auditor of State
Betty Montgomery

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

We have reviewed the Independent Auditor's Report of the Ohio Public Employees Deferred Compensation Program, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 30, 2005

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OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the year ended December 31, 2004

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

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

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ohio Public Employees Deferred Compensation Program

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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

President

Executive Director

ORGANIZATION CHART

DEFERRED COMPENSATION BOARD

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Ronald C. Alexander, State Employees
Sharon M. Downs, Retired Group
Jay Hottinger, Senate
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EXECUTIVE DIRECTOR
R. Keith Overly

ASSISTANT DIRECTOR
ADMINISTRATION
Richard T. Wissler

ASSISTANT DIRECTOR
FINANCE
Paul D. Miller

Advisors To The Board

Independent Public Accountants
Deloitte & Touche, LLP, Columbus, Ohio

Legal Counsel
Jim Petro, Attorney General

Consultant
Ennis Knupp & Associates

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 6, 2005

Dear Chair and Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report for the Ohio Public Employees Deferred Compensation Program (the Program) for the year ended December 31, 2004. The Comprehensive Annual Financial Report was prepared to assist the user in understanding the functions of the Program and how participants use the Program to supplement their retirement income.

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

The Ohio Revised Code created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. However, the State created the Program as a legal entity separate from the State, and does not appoint a voting majority of the Program's governing Board. The Program is self-funded and governed by its own Board. The State does not approve the Program's budget or set Program rates or charges. The Program provides services to over 178,000 participants from 1,558 Ohio state and local governments, and is therefore not part of the State of Ohio reporting entity. A complete listing of participating employers is available upon request.

Plan History and Overview

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

Economic Conditions and Outlook

Equity markets produced positive returns in both 2004 and 2003 after three negative years of performance. Participants responded to the positive market performance in their accounts by increasing their rate of deferral. The 2004 average annual deferral increased 6.8% to $3,435 compared to the prior year. Total employee contributions rose 7.7% over last year, while benefit distributions only rose by 2.7%. Based upon these positive trends, total net assets available for benefits at year-end grew 12.6% over the prior year, and at $5.5 billion represent the highest year-end total for the Program.

In September 2003, the New York State Attorney General initiated investigations into many mutual fund companies, based upon allegations of improper trading practices. This situation eventually expanded into reviews of late-day trading and market timing practices throughout the mutual fund industry. Some of the mutual fund companies used by the Program were implicated in these scandals, and based upon a complete review and recommendation from the Program's consultants, action was taken to close out the PBHG Growth Fund and the Putnam Investors Fund effective in February 2004. The Securities and Exchange Commission is still reviewing trading rules to see if they should be strengthened to prevent future trading abuses. During 2004, the Program took action to strengthen its exchange policy and will now restrict electronic trading privileges of any participant who completes four exchanges in any 45 day period.

During 2004, the Ohio General Assembly passed pension reform legislation, which altered the composition of the Program Board. The Auditor of State and the Attorney General will continue as financial and legal advisors, but will no longer be Board members. These individuals have been replaced on the Board with another retired member and three investment experts to be appointed by the Governor, Treasurer of State, and the General Assembly.

Major Initiatives

During 2003, the Program developed an Annual Statement to be sent to all actively employed participants. Designed to supplement the existing quarterly account statements, the Annual Statement is an educational mailing which contains personalized information about account performance, asset allocation, benefit projections, and beneficiaries. Participant feedback on the 2003 Annual Statements, which were mailed in the first quarter of 2004, was overwhelmingly positive. During 2004, the Program mailed Annual Statements to all actively employed participants and nearly all other status account holders.

During 2004, the Program launched an employer web site at www.opedc.net. The site is designed to provide information to the public entities in the State of Ohio that are members of the Program as well as employers interested in joining the Program. News, forms, contacts, and plan information are provided.

Financial Information and the Internal Control Structure

Management of the Program is responsible for the information in this report and for establishing and maintaining a system of internal controls sufficient to provide integrity to all financial information and to permit reporting in conformity with accounting principles generally accepted in the United States of America. We believe the information presented in this CAFR is accurately and fairly presented in all material respects.

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

Excess Administration Fund cash is held in money market accounts. Cash is held for capital acquisitions and is used to supplement monthly operations, if administrative expenses exceed revenues during a given month. Management seeks to maintain sufficient cash to cover three to six months of operating expenses.

Program Additions

Additions to Program assets come from investment income earned on participant accounts, employee contributions, transfers from other plans, and recordkeeping reimbursements. Net investment income was the largest addition in both 2004 and 2003, based upon positive performance in every mutual fund category. The number of participants actively deferring remained relatively unchanged, but the average deferral rose 6.8% as participants chose to save more in their retirement accounts. Transfers from other plans into the Program via new rollover rules increased 35.0% in 2004 over 2003.

Program Deductions

During 2004, distributions to participants modestly increased by 2.7% over the prior year. The relative slow change is a continuation of the trend resulting from flexibility allowed by the federal pension reform legislation in 2002, as many participants have chosen to stop or lower their benefit payments. Transfers to other eligible retirement plans and purchases of service credit from defined benefit plans were also allowed in 2002. Demand was high in the first year, but the amount of these transfers dropped 41.9% in 2003, but then rose 30.6% in 2004. Administrative expenses rose by 5.4% over the prior year primarily because of higher customer services costs.

Investments

The Program offers participants a selection of investment options to which they may allocate their deferrals. The stable value investment option accounts for 49.9% of all invested funds, with the remainder invested in 24 mutual fund options. Investment performance results are reported to Program participants quarterly. A listing of investment options and their performance returns for 2004 and 2003 is included in the Investment Section of this report.

Independent Auditors

The financial statements of the Program for the years ended December 31, 2004 and 2003 were audited by Deloitte & Touche LLP under contract with the Auditor of State of Ohio.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Public Employees Deferred Compensation Program for the fiscal year ended December 31, 2003. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgments

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

Respectfully submitted,

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, 2004. Participants should refer to the Plan Document for complete Plan information.

Delegation by Employer

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

Election to Defer Compensation

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

a. The amount of the active participant's compensation which the employer and the participant agree to defer, subject to limitations;

b. The date as of which reduction and deferral of compensation pursuant to the participation agreement shall begin, which date shall be as early as administratively practicable but no earlier than the first day of the first calendar month following the execution of the participation agreement; and

c. The investment option(s) selected by the participant.

Maximum and Minimum Deferrals - Normally, the maximum amount which may be deferred by an active participant in the Plan in any Plan year shall not exceed the lesser of (A) $13,000 for the year 2004, and increasing by $1,000 annually through 2006, and then indexed as allowed by law or (B) 100% of an active participant's includable compensation (as defined by the Internal Revenue Code). In addition, participants who have attained age 50 may defer an additional $3,000 for the year 2004, which increases by $1,000 annually through 2006, and then is indexed as allowed by law.

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

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

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

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

Exchanges - A participant (or beneficiary, if the participant has died) may make exchanges between investment options. Any such exchange shall be effective at the price next computed following receipt of the exchange request and shall be subject to such restrictions as are established by the Plan administrator. Unlimited exchanges are currently permitted, however exchanges in excess of 15 per year are assessed a service charge determined by the Plan administrator. Participants who complete four exchanges in any 45 day period will lose their electronic trading privileges, and be restricted to one mail-in exchange every five days for the following twelve month period.

Maintenance of Accounts

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

Crediting of Accounts - Each 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 Program 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 Program 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.

Distribution of Benefits

Election of Benefit Payment Date (a) Participant - Upon severance from employment, a participant may elect a date to begin receiving benefit payments from the Program. Benefit payments may begin after verification of severance, receipt of final deferral, and completion of the Benefit Payment Election Form. Payments must begin no later than December 31 of the year in which the participant attains age 70-1/2, or if the participant has not had a severance from employment as of such date, then no later than December 31 of the year in which the participant has a severance from employment.

(b) Beneficiary - If a participant dies before their account has been exhausted, then the remaining account balance shall be paid to their designated beneficiary. The beneficiary shall have the right to elect a benefit option, subject to the following limitations. (1) If a participant dies on or after the required minimum distribution date, payments shall continue to be paid to the beneficiary at least as rapidly as they were being paid to the participant. (2) If a participant dies before the required minimum distribution date, the beneficiary may elect a payment option subject to the following requirements: (a) if the beneficiary is the participant's surviving spouse, distribution may be delayed until December 31 of the year in which the participant would have attained age 70-1/2, or (b) if the beneficiary is someone other than the surviving spouse, distribution of the account must begin by December 31 of the year following the participant's death, or (c) if the beneficiary is not a person, such as a trust or estate, the entire account must be distributed by the end of the calendar year which contains the fifth anniversary of the participant's death.

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

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

Require Elections for Benefit Payment Date and Option (a) Participant-If a participant does not elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant attains age 70-1/2. Benefits shall be paid for a fixed time period over the maximum number of years allowed by the required minimum distribution tables.

(b) Beneficiary-If a spousal beneficiary of a participant who dies before the required minimum distribution date does not elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant would have attained age 70-1/2. If a non-spousal beneficiary of a participant does not elect a benefit payment date, benefit payments shall begin by December 31 of the year following the participant's death. Benefits shall be paid for a fixed time period for the maximum number of years allowed by the required minimum distribution tables.

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

Acceleration - If upon a participant's separation from service and the Board's receipt of the last deferral, the participant's account value is less than $2,000, the Plan administrator may accelerate the payment of benefits otherwise due in the future and pay to such participant the full account value in a lump sum less the required tax withholding.

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

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

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

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

Beneficiaries

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

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

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

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

Revised Plan Document – The following plan revision was approved by the Board in July, 2004 and is effective March 1, 2005.

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

FINANCIAL SECTION

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Ohio Public Employees Deferred Compensation Board

We have audited the accompanying combined statements of net assets available for benefits of Ohio Public Employees Deferred Compensation Program (the "Program") as of December 31, 2004 and 2003, and the related combined statements of changes in net assets available for benefits for the years then ended. These combined financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these combined financial statements based on our 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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, such financial statements present fairly, in all material respects, the combined net assets available for benefits of the Ohio Public Employees Deferred Compensation as of December 31, 2004 and 2003, and the combined changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 18-19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Program's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Program's basic combined financial statements. The Supplemental Information on pages 35-39, the Introductory Section on pages 3-10, Investment section on pages 40-42, and the Statistical Section on pages 44-47 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. This supplementary information is the responsibility of the Program's management. The Supplemental Information on pages 35-39 has been subjected to the auditing procedures applied by us in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole. The Introductory Section on pages 3-10, Investment Section on pages 40-42, and the Statistical Section on pages 44-47 have not been subjected to the auditing procedures applied in our audits of the basic combined financial statements and, accordingly, we express no opinion on them.

Deloitte + Touche LLP

May 6, 2005

Member of
Deloitte Touche Tohmatsu

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

NET ASSETS

Net assets available for Program benefits at December 31, 2004 increased 12.6% over the previous year-end due to positive investment performance, and employee contributions exceeding benefit distributions and transfers. Total net assets available for Program benefits at December 31, 2003 increased 18.8% over 2002, due to positive investment performance, and lower benefit distributions and transfers to other plans.

	2004	2003	2002
Total Assets	$5,546,695,510	$4,926,350,894	$4,145,559,116
Total Liabilities	1,846,634	2,026,427	2,073,890
Net Assets Available for Benefits	$5,544,848,876	$4,924,324,467	$4,143,485,226

PROGRAM ADDITIONS

Total Program additions in 2004 decreased from 2003 due to lower net investment income. Employee contributions, transfers from other retirement plans, and recordkeeping income all increased over the prior period. Program additions were reduced by negative earnings on equity mutual fund performance in 2002.

	2004	2003	2002
Net investment income	$447,612,396	$621,993,946	($271,446,794)
Employee contributions	393,121,999	365,012,189	356,857,437
Transfer from other plans	38,399,284	28,436,965	25,726,198
Recordkeeping income	4,758,707	3,920,234	4,077,556
Total Additions	$883,892,386	$1,019,363,334	$115,214,397

PROGRAM DEDUCTIONS

Total Program deductions in 2004 increased over 2003 due mainly to greater transfers from the Program and distributions to participants. Total Program deductions in

2003 were much lower than 2002 because of lower transfers to other plans and lower distributions to participants.

	2004	2003	2002
Distributions to participants	$171,364,334	$166,798,525	$192,651,877
Transfers to other plans	85,004,571	65,073,212	112,038,732
Other deductions	6,999,072	6,652,356	5,980,832
Total Deductions	$263,367,977	$238,524,093	$310,671,441

CHANGE IN NET ASSETS

The net assets available for benefits increased in 2004, primarily because of the positive investment performance of the stock market. After three consecutive down years of market performance, all categories of the Program's mutual funds had positive performance in both 2004 and 2003. In addition to investment income, new contributions and transfers into the Program also rose annually. Participant benefit distributions declined in 2003, as many participants took advantage of new pension rules by stopping or lowering their benefit payments. New pension rules also allowed transfers to other plans beginning in 2002. While initial transfer activity was high, it has dropped significantly and total transfers out declined by 41.9% from 2002.

PROGRAM ACTIONS

During 2002, the Program implemented provisions of the Economic Growth and Tax Relief Act of 2001. Many participants took advantage of these new provisions by reducing or stopping their benefit payments, to allow their accounts to grow until they needed their funds. Others took advantage of new rules that permitted them to rollover other pre-tax retirement accounts into the deferred compensation account, or used their deferred compensation account assets to purchase permissible service credit with their governmental defined benefit plan.

The Program entered into a three-year contract extension with Nationwide Retirement Solutions to provide education, enrollment, and customer services until December 31, 2005. The extension includes provisions to increase the number of field and phone representatives dedicated to servicing Program participants.

During 2003, the Program further diversified the Guaranteed Return Option by hiring two additional investment managers, Banc One Investment Advisors and Goode Investment Management. Funds invested in these portfolios are covered by new guarantee agreements with Bank of America.

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

COMBINED STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2004 and 2003

	2004	2003
Assets:		
Investments:		
Stable Value Option	$2,703,427,560	$2,563,815,487
Mutual Funds	2,782,313,814	2,301,833,472
Purchased Annuities	50,467,360	54,020,325
Total investments	5,536,208,734	4,919,669,284
Cash and cash equivalents	3,645,201	2,355,643
Contributions receivable and cash held for investment	5,623,768	3,217,563
Accounts and other receivables	1,119,919	976,093
Property and equipment, net	97,888	132,311
Total assets	5,546,695,510	4,926,350,894
Liabilities:		
Accounts payable	1,673,802	1,821,558
Accrued expenses	172,832	204,869
Total liabilities	1,846,634	2,026,427
Net Assets Available for Benefits	$5,544,848,876	$4,924,324,467

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

COMBINED STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2004 and 2003

	2004	2003
Additions:		
Net Investment Income:		
Net gain on variable investments	$321,259,990	$489,044,158
Stable value income	131,201,541	137,260,011
Investment expenses	(4,849,135)	(4,310,223)
Net Investment Income	447,612,396	621,993,946
Employee contributions	393,121,999	365,012,189
Transfers from other plans	38,399,284	28,436,965
Recordkeeping income	4,758,707	3,920,234
Total Additions	883,892,386	1,019,363,334
Deductions:		
Distributions to participants	171,364,334	166,798,525
Transfers to other plans	85,004,571	65,073,212
Administrative expenses	6,927,208	6,572,449
Life insurance premiums	71,864	79,907
Total Deductions	263,367,977	238,524,093
Increase in net assets available for benefits	620,524,409	780,839,241
Net assets available for benefits beginning of year	4,924,324,467	4,143,485,226
Net assets available for benefits end of year	$5,544,848,876	$4,924,324,467

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. General Description of the Program:

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

The Program is a voluntary defined contribution pension plan. The Program was established pursuant to Ohio Revised Code (the Code) Section 148. Under the Program provisions, any public employee within Ohio (as defined in Section 148.01(A)(1) of the Code) is eligible to contribute into the Program, through payroll deductions, any amount up to the maximum permitted under Section 457 of the Internal Revenue Code. Amounts contributed by employees are deferred for federal and state income tax purposes until such amounts are distributed by the Program. As of December 31, 2004 and 2003, there were 1,558 and 1,497 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, 2004, Program participants have the following investment options:

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

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

- Universal life and whole life insurance contracts underwritten by Ohio National Life Insurance Company (Ohio National). Effective January 1, 1989, these life insurance contracts were no longer offered as new investment options to participants.

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

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

2. Summary of Significant Accounting Policies:

Organization:

The Ohio Revised Code Section 148.02 created the Deferred Compensation Board for the purpose of administering the Program for all eligible employees. However, under the criteria set forth in the Statement of Governmental Accounting Standards No. 14, the Program is not considered a component unit of the State of Ohio:

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

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

Basis of Accounting and Measurement Focus:

The activities of the Program are accounted for as a Pension Fund, and follow the accrual basis of accounting and reporting for defined contribution plans recommended by the American Institute of Certified Public Accountants' Audits of Employee Benefit Plans Audit Guide. The Program is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the Program's operations are included on the statement of net assets available for benefits.

Activities of the Program are accounted for in two funds which are combined for the purpose of financial reporting:

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

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

Stable Value Option:

The Program administers the Guaranteed Return Option (GRO), which is the stable value investment option offered to participants. As of December 31, 2004, the Program has funds invested in five different pools, each of which earns a separate interest rate credited to the Program, which can change quarterly. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return. The Program is also responsible for calculating daily account balances, disbursing funds for benefit payments and processing investment exchanges. A cash reserve account is maintained to buffer the invested pools from daily cash outflows from the GRO.

Until December 14, 2003, one pool was invested in the Nationwide fixed annuity, which was commingled in the general investment account of Nationwide and managed based upon Nationwide investment guidelines. This pool was liquidated and used to fund the Banc One and Goode portfolios during 2003. The remaining pools of the GRO are separate portfolios managed by Banc One, Deutsche, Goode, Nationwide, and State Street. Investment guidelines, including asset class, credit rating, portfolio diversification and duration are specified by the Program.

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

Investments Valuation:

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

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

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

Life Insurance Contracts:

As previously disclosed, universal and whole life insurance options are no longer available as new investment options. The policy cash value before surrender charges or other assessments was $1,414,706 and $1,485,412 at December 31, 2004 and 2003, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was $17,532,209 and $18,400,984 at December 31, 2004 and 2003, respectively.

Stable Value Income:

Stable value income was recorded as earned for each of the investment components of the Guaranteed Return Option. The gross interest rates for each portfolio were adjusted quarterly and ranged from 3.56% to 5.92% during 2004, and from 3.28% to 6.22% during 2003.

Net Gain or Loss on Mutual Funds:

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

The assets held for purchased annuities were credited interest based upon reserve assumptions used by Nationwide at the participant's annuitization date. These annuitization rates ranged from -1.6% to 5.0% during 2004, and from -1.0% to 5.5% during 2003.

Historical Trend Information:

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

Property and Equipment:

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

Board Employees' Deferred Compensation Benefits:

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

Reclassifications:

Certain prior year amounts 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 $672,442 and $779,856 at December 31, 2004 and 2003, respectively.

5. Cash:

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

At December 31, 2004, the carrying amount of cash deposits was $3,645,201 and the bank balance was $3,690,245. Differences in these balances arise due to reconciling items, principally outstanding checks. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 risk as defined by the Government Accounting Standards Board). The remaining bank balances were uninsured and uncollateralized and were held in the name of the Program's pledging financial institution, as required by the Ohio Revised Code (Category 3).

At December 31, 2003, the carrying amount of cash deposits was $2,355,643 and the bank balance was $2,436,102. Differences in these balances arise due to reconciling items, principally outstanding checks. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 risk as defined by the Government Accounting Standards Board). The remaining bank balances were uninsured and uncollateralized and were held in the name of the Program's pledging financial institution, as required by the Ohio Revised Code (Category 3).

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2004	
	Carrying Value	**Fair Value**
Stable Value Option:		
Deutsche Asset Management	$1,107,284,082	$1,123,152,356
Nationwide Ohio Managed Fund	847,270,210	882,577,360
Banc One	373,125,578	370,808,519
State Street Bank and Trust	322,378,967	337,202,695
Goode Investment	53,368,723	53,064,328
Total Stable Value Option	2,703,427,560	2,766,805,258
Mutual Funds	2,782,313,814	2,782,313,814
Purchased Annuities	50,467,360	50,467,360
Total Investments	$5,536,208,734	$5,599,586,432

	December 31, 2003	
	Carrying Value	**Fair Value**
Stable Value Option:		
Deutsche Asset Management	$1,049,570,365	$1,080,729,212
Nationwide Ohio Managed Fund	800,237,164	847,524,409
Banc One	356,556,452	353,794,308
State Street Bank and Trust	306,003,171	323,172,651
Goode Investment	51,448,335	51,301,436
Total Stable Value Option	2,563,815,487	2,656,522,016
Mutual Funds	2,301,833,472	2,301,833,472
Purchased Annuities	54,020,325	54,020,325
Total Investments	$4,919,669,284	$5,012,375,813

Stable Value Option:

Prior to December 14, 2003, the GRO had some funds invested in the Nationwide Fixed Account, which were commingled in the general account of Nationwide and not separately identifiable. Current investments with Deutsche, Banc One, and in the Nationwide Ohio Managed Fund are held in custody for the Program. The quoted market prices of these investments have been used for disclosure purposes. Funds invested by State Street and Goode are in commingled passive bond index funds and are disclosed at fair value. In addition, a money market account is maintained at Banc One to fund daily cash requirements.

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

Included in investment expenses are $2,777,631 and $2,668,229 related to premiums paid for the book value guarantee for the years ended December 31, 2004 and 2003, respectively.

A summary of the fair value of investments in the Guaranteed Return Option by investment category at December 31, 2004 and 2003 is as follows:

	2004	2003
Asset-Backed Securities	$544,471,635	$573,531,525
Corporate Bonds	548,498,394	464,644,478
Passive Bond Index Funds	390,267,023	374,474,087
U.S. Treasury and Other Agency Obligations	380,763,038	380,487,041
Collateralized Mortgage Obligations	380,569,658	415,330,338
Mortgage-Backed Securities	344,763,856	216,362,583
Cash and Cash Equivalents	80,266,392	124,364,216
Guaranteed Investment Contracts	58,270,402	68,823,257
Commercial Mortgages	38,934,860	38,504,491
Total Stable Value Investments	$2,766,805,258	$2,656,522,016

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, 2004 and 2003 is as follows:

	Mutual Funds - 2004			Mutual Funds - 2003		
	Fair Value	Share Price	Shares Outstanding (1,000's)	Fair Value	Share Price	Shares Outstanding (1,000's)
Fidelity:						
Contrafund	$489,478,055	$56.74	8,627	$423,185,797	$49.35	8,575
Equity Income	259,734,025	52.78	4,921	240,268,795	49.75	4,830
Magellan Fund	248,116,566	103.79	2,391	219,467,126	97.74	2,245
Growth Company	213,227,667	56.07	3,803	181,135,940	50.07	3,618
Government Income	8,817,981	10.24	861	9,906,765	10.22	969
Total Fidelity Funds	1,219,374,294			1,073,964,423		
Dodge & Cox:						
Stock Fund	306,434,184	130.22	2,353	187,343,843	113.78	1,647
Balanced Fund	231,881,074	79.35	2,922	145,416,379	73.04	1,991
Total Dodge & Cox Funds	538,315,258			332,760,222		
Janus:						
Janus Twenty	161,086,373	44.80	3,596	170,102,911	36.17	4,703
Janus Fund	52,359,860	24.57	2,131	71,360,832	23.47	3,041
Total Janus Funds	213,446,233			241,463,743		
Vanguard:						
Capital Opportunity	149,309,953	71.08	2,101	62,028,073	58.69	1,057
Institutional Index Fund	146,152,958	110.71	1,320	127,965,081	101.78	1,257
International Growth Fund	39,919,582	59.97	666	24,001,527	51.28	468
Total Vanguard Funds	335,382,493			213,994,681		
AIM Constellation Fund	101,884,766	24.73	4,120	102,442,834	23.15	4,425
American Century						
Income & Growth Fund	54,491,121	30.67	1,777	45,945,749	27.70	1,659
Growth Fund	28,822,484	19.71	1,462	30,776,456	17.94	1,716
Total American Century	83,313,605			76,722,205		
FPA Capital Fund	68,923,423	39.98	1,724	29,773,656	36.85	808
Templeton Foreign Fund	60,995,897	12.30	4,959	44,110,872	10.64	4,146
Lazard Small Cap Fund	50,484,543	18.84	2,680	48,127,375	19.49	2,469
PIMCO Total Return	44,137,180	10.67	4,137	34,016,689	10.71	3,176
MFS New Discovery Fund	26,064,392	16.81	1,551	25,509,284	15.67	1,628
Barclays Global Investors:						
LifePath 2010	10,505,993	12.74	825	5,421,633	12.30	441
LifePath 2020	17,038,319	15.19	1,122	7,110,222	14.13	503
LifePath 2030	9,372,921	14.87	630	3,131,189	14.13	222
LifePath 2040	3,074,497	17.03	181	1,134,901	15.47	73
Total Barclays Global Investors	39,991,730			16,797,945		
Putnam Investors Fund	0			43,665,492	11.18	3,906
PBHG Growth Fund	0			18,484,051	17.81	1,038
Total Mutual Funds	$2,782,313,814			$2,301,833,472		

Purchased Annuities:

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. Investments in purchased annuities were $50,467,360 and $54,020,325 at December 31, 2004 and 2003, respectively.

7. Recordkeeping Income:

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

8. Investment Expenses:

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

	2004	2003
Nationwide	$1,894,207	$1,788,504
Deutsche	1,441,693	1,529,581
Banc One	1,034,261	571,437
State Street	329,037	308,959
Goode	149,937	111,742
	$4,849,135	$4,310,223

9. Vacation and Sick Leave:

As of December 31, 2004 and 2003, $164,744 and $202,327 respectively, was accrued for unused vacation and sick leave for full-time employees of the Board. At termination or retirement, employees are entitled to full compensation for all unused vacation time. With two years or more of employment prior to termination, employees are entitled to 50% payment of unused sick leave at termination.

10. Leases:

The Board entered into a ten-year lease agreement for administrative office space beginning in 2002. The lease has early termination options after the seventh and ninth lease years, upon payment of an early termination penalty. Base rental expense for this operating lease was $101,099 and $98,691 for 2004 and 2003 respectively. Allocated building operating expenses and real estate taxes under this lease were $62,735 and $59,199 during 2004 and 2003 respectively.

Future scheduled minimum lease payments (base rental expense) under the office space operating lease at December 31, 2004 are as follows:

Year Ending December 31:	**Amount:**
2005	$103,128
2006	105,157
2007	107,186
2008	109,214
2009	111,243
2010 through 2012	247,846

11. Property and Equipment:

Property and equipment at December 31 are summarized as follows:

	Estimated Useful Life	**2004**	**2003**
Computer equipment	3-5 years	$281,605	$270,490
Furniture and fixtures	7 years	122,315	120,414
Office equipment	5 years	105,182	93,119
		509,102	484,023
Less accumulated depreciation and amortization		411,214	351,712
		$97,888	$132,311

12. Insurance:

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

The Program is self-insured under a professionally administered plan for general health and hospitalization employee benefits. The Program maintains specific stop loss coverage per employee for annual medical benefits in the amount of $250,000 for both 2004 and 2003. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of $2,500,000 for both 2004 and 2003. The outstanding claims liability was $17,500 and $22,000 as of December 31, 2004 and 2003 respectively.

13. Pension Plan:

All Board employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan - a cost-sharing multi-employer defined benefit plan: the Member -Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

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

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

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2004	$134,600	100%
2003	$128,700	100%
2002	$121,100	100%

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

In addition to retirement benefits, OPERS provides postemployment health care benefits. OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code, funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2004, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees. Due to the continuing rise in health care costs, OPERS will offer a new health care choice plan to all persons newly hired under OPERS after January 1, 2003.

This plan will offer a broad range of health care options with graded scale of costs dependent on the number of years of eligible service.

The actuarial value of assets available for health care benefits at December 31, 2003 was $10.5 billion. There were 370,000 active contributing participants eligible for postemployment benefits at that date.

14. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of $3,516,489 and $3,717,434 were made during 2004 and 2003, respectively, for this purpose, including $230,356 and $225,708 payable to the Administrative Fund as of December 31, 2004 and 2003, respectively. These inter-fund charges and payables have been eliminated in the Combining Schedule of Net Assets Available for Benefits and the Combining Schedule of Changes in Net Assets Available for Benefits.

15. Pending Litigation:

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

16. New Accounting Standards Not Yet Implemented:

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3,* which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The standard is effective for periods beginning after June 15, 2004. The Program has not completed an analysis of the impact of this standard on its reported financial statements.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans,* which establishes uniform financial reporting standards for other postemployment benefit plans. The Statement provides standards for financial reporting of plan assets, liabilities, net assets, and changes in net assets held in trust for payment of benefits and disclosure of actuarial information about the funded status funding progress of the plan. The standard is effective for periods beginning after December 15, 2005. The Program has not yet completed an analysis of the impact of this standard on its reports financial statements.

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which is intended to improve the understandability and usefulness of the statistical section by addressing comparability among programs. This statement will clarify the requirements of the statistical section in order to better meet user needs by including new information users have identified as important and eliminating certain previous requirements. The standard is effective for periods beginning after June 15, 2005. The Program has not completed an analysis of the impact of this standard on its reported financial statements.

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The standard is effect for periods beginning after December 15, 2006. The Program has not yet completed an analysis of the impact of this standard on its reported financial statements.

In December 2004, the GASB issued Statement No. 46, Net *Assets Restricted by Legislation an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The standard is effective for periods beginning after June 15, 2005. The Program has not completed an analysis of the impact of this standard on its reported financial statements.

SUPPLEMENTAL COMBINING SCHEDULE OF NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2004
With Totals for 2003

	2004				
	PROGRAM FUND	**ADMINIS-TRATION FUND**	**COMBINING ENTRIES**	**TOTAL**	**2003**
Assets:					
Investments:	$5,536,208,734			$5,536,208,734	$4,919,669,284
Cash and cash equivalents		$3,645,201		3,645,201	2,355,643
Contributions receivable and cash held for investment	5,623,768			5,623,768	3,217,563
Accounts and other receivables		1,350,275	($230,356)	1,119,919	976,093
Property and equipment, net		97,888		97,888	132,311
Total assets	$5,541,832,502	$5,093,364	($230,356)	$5,546,695,510	$4,926,350,894
Liabilities:					
Accounts payable	$1,169,419	$734,739	($230,356)	$1,673,802	$1,821,558
Accrued expenses		172,832		172,832	204,869
Total liabilities	1,169,419	907,571	(230,356)	1,846,634	2,026,427
Net Assets Available for Benefits	$5,540,663,083	$4,185,793	$0	$5,544,848,876	$4,924,324,467

SUPPLEMENTAL COMBINING SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2004
With Totals for 2003

	2004				
	PROGRAM FUND	ADMINIS-TRATION FUND	COMBINING ENTRIES	TOTAL	2003
Additions:					
Net Investment Income:					
Net gain on mutual funds	$321,259,990			$321,259,990	$489,044,158
Stable value income	131,175,334	$26,207		131,201,541	137,260,011
Investment expenses	(4,849,135)			(4,849,135)	(4,310,223)
Net Investment Income	447,586,189	26,207		447,612,396	621,993,946
Employee contributions	393,121,999			393,121,999	365,012,189
Transfers from other plans	38,399,284			38,399,284	28,436,965
Recordkeeping income		8,275,196	($3,516,489)	4,758,707	3,920,234
Total Additions	879,107,472	8,301,403	($3,516,489)	883,892,386	1,019,363,334
Deductions:					
Distributions to participants	171,364,334			171,364,334	166,798,525
Transfers to other plans	85,004,571			85,004,571	65,073,212
Administrative expenses	3,516,489	6,927,208	(3,516,489)	6,927,208	6,572,449
Life insurance premiums	71,864			71,864	79,907
Total Deductions	259,957,258	6,927,208	(3,516,489)	263,367,977	238,524,093
Increase in net assets available for benefits	619,150,214	1,374,195		620,524,409	780,839,241
Net assets available for benefits beginning of year	4,921,512,869	2,811,598		4,924,324,467	4,143,485,226
Net assets available for benefits end of year	$5,540,663,083	$4,185,793	$0	$5,544,848,876	$4,924,324,467

SUPPLEMENTAL SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

for the years ended December 31, 2004 and 2003

	2004	2003
Customer Service	$4,341,500	$3,982,367
Salaries and benefits:		
Salaries and wages	1,017,585	976,962
Insurance	146,682	185,802
Retirement contributions	135,696	129,254
Other benefits	18,393	18,752
	1,318,356	1,310,770
Administration:		
Postage and delivery	363,180	334,937
Participant statements	160,398	156,168
	523,578	491,105
Professional Services:		
Consulting	254,440	216,543
Auditing	39,239	37,308
Data Processing	0	8,147
	293,679	261,998
Rents	180,199	171,842
Data processing expense	61,469	74,948
Depreciation and amortization	59,502	69,396
Insurance	55,646	55,182
Miscellaneous	37,533	85,780
Office supplies:		
Printing	15,596	20,156
Office supplies	10,655	10,955
Telephone and fax	5,473	2,671
	31,724	33,782
Professional Expense	24,022	35,279
Total Administrative Fund Deductions	$6,927,208	$6,572,449

SUPPLEMENTAL COMBINED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

for the years ended December 31, 2004 and 2003

	2004	**2003**
Cash and cash equivalents, beginning or year	$2,355,643	$1,615,191
Receipts:		
Employee contributions	390,715,794	366,540,066
Investment withdrawals	256,368,905	231,871,737
Transfers from other plans	38,399,284	28,436,965
Recordkeeping income	4,636,441	3,542,972
Total cash receipts	690,120,424	630,391,740
Disbursements:		
Investment purchases	420,681,495	387,465,822
Distributions to participants	171,364,334	166,798,525
Transfers to other plans	85,004,571	65,073,212
Administrative expenses	6,838,292	6,496,838
Investment expenses	4,845,230	3,713,869
Life insurance premiums	71,864	79,906
Purchase of property and equipment	25,080	23,116
Total cash disbursements	688,830,866	629,651,288
Cash and cash equivalents, end of year	$3,645,201	$2,355,643

INVESTMENT SECTION

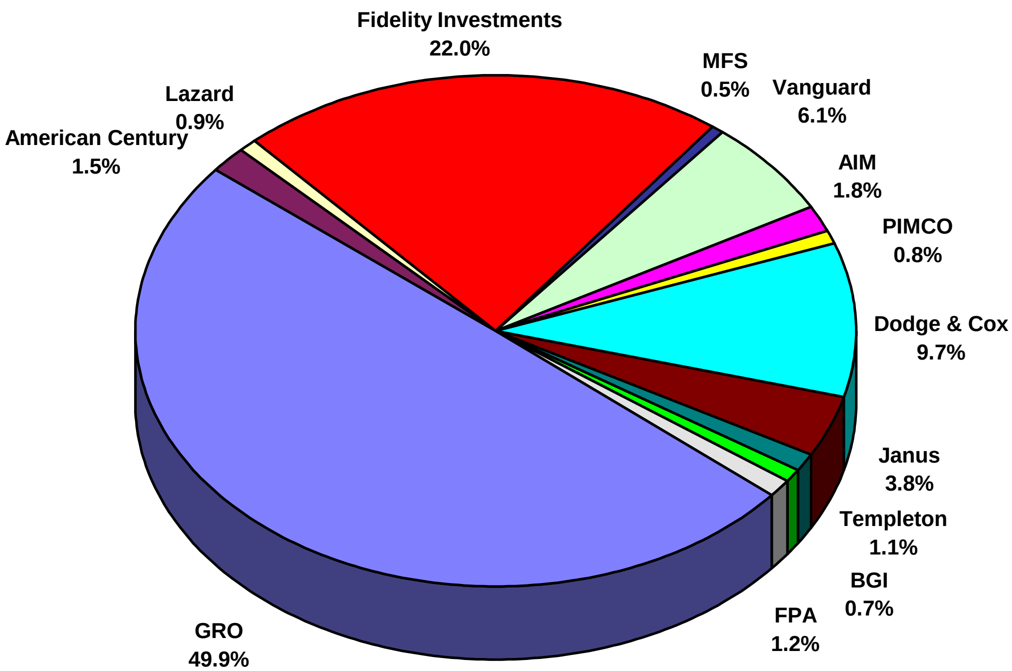
SCHEDULE OF INVESTMENTS AND PERFORMANCE

	Fair Value 12/31/04	Net Investment Return 2004	Fair Value 12/31/03	Net Investment Return 2003
Guaranteed Return Option	$2,766,805,258	4.72%	$2,656,522,016	5.17%
Fidelity:				
Contrafund	489,478,055	15.07	423,185,797	27.94
Equity Income	259,734,025	11.29	240,268,795	29.97
Magellan Fund	248,116,566	7.49	219,467,126	24.83
Growth Company	213,227,667	12.12	181,135,940	41.36
Government Income	8,817,981	3.60	9,906,765	2.22
Total Fidelity Funds	1,219,374,294		1,073,964,423	
Dodge & Cox:				
Stock Fund	306,434,184	19.17	187,343,843	32.34
Balanced Fund	231,881,074	13.30	145,416,379	24.42
Total Dodge & Cox Funds	538,315,258		332,760,222	
Janus:				
Janus Twenty	161,086,373	23.89	170,102,911	25.31
Janus Fund	52,359,860	4.69	71,360,832	31.71
Total Janus Funds	213,446,233		241,463,743	
Vanguard:				
Capital Opportunity	149,309,953	21.78	62,028,073	49.69
Institutional Index Fund	146,152,958	10.87	127,965,081	28.66
International Growth Fund	39,919,582	19.16	24,001,527	34.66
Total Vanguard Funds	335,382,493		213,994,681	
AIM Constellation Fund	101,884,766	6.83	102,442,834	29.98
American Century				
Income & Growth Fund	54,491,121	12.98	45,945,749	29.63
Growth Fund	28,822,484	9.91	30,776,456	24.40
Total American Century	83,313,605		76,722,205	
FPA Capital Fund	68,923,423	12.62	29,773,656	38.53
Templeton Foreign Fund	60,995,897	18.14	44,110,872	30.50
Lazard Small Cap Fund	50,484,543	15.28	48,127,375	38.91
PIMCO Total Return	44,137,180	4.88	34,016,689	5.31
MFS New Discovery Fund	26,064,392	7.28	25,509,284	34.73
Barclays Global Investors:				
LifePath 2010	10,505,993	7.38	5,421,633	15.66
LifePath 2020	17,038,319	9.27	7,110,222	20.59
LifePath 2030	9,372,921	10.78	3,131,189	23.86
LifePath 2040	3,074,497	11.43	1,134,901	27.64
Total Barclays Global Investors	39,991,730		16,797,945	
Putnam Investors Fund	0	n/a	43,665,492	27.61
PBHG Growth Fund	0	n/a	18,484,051	25.60
Total Invested Funds (1)	$5,549,119,072		$4,958,355,488	

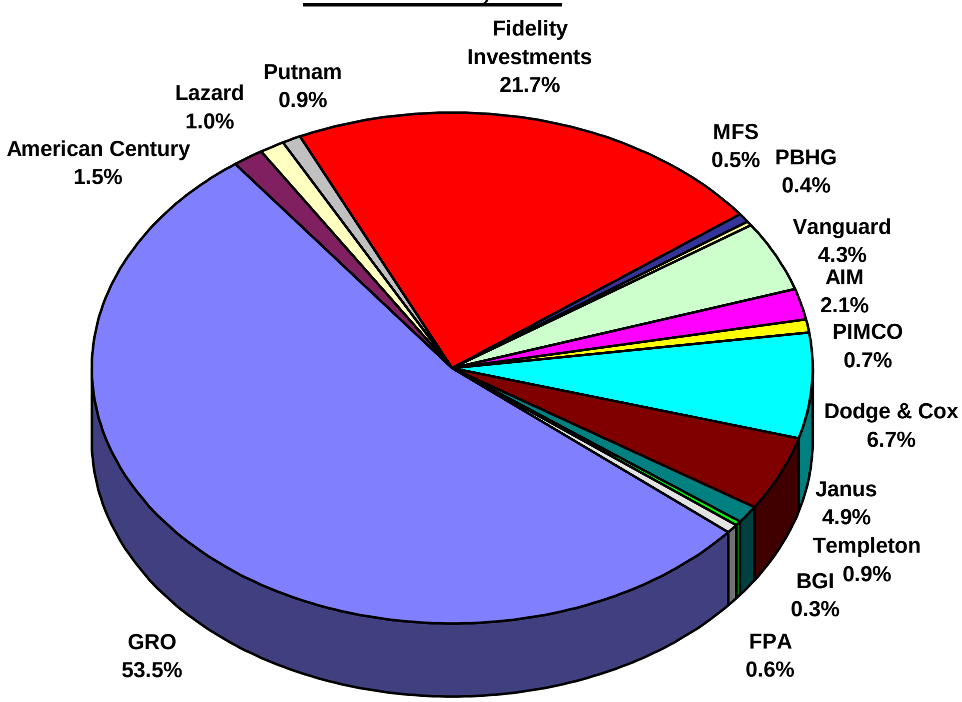
(1) Does not include amounts held for purchased annuities by Nationwide.

INVESTMENT MIX

December 31, 2004

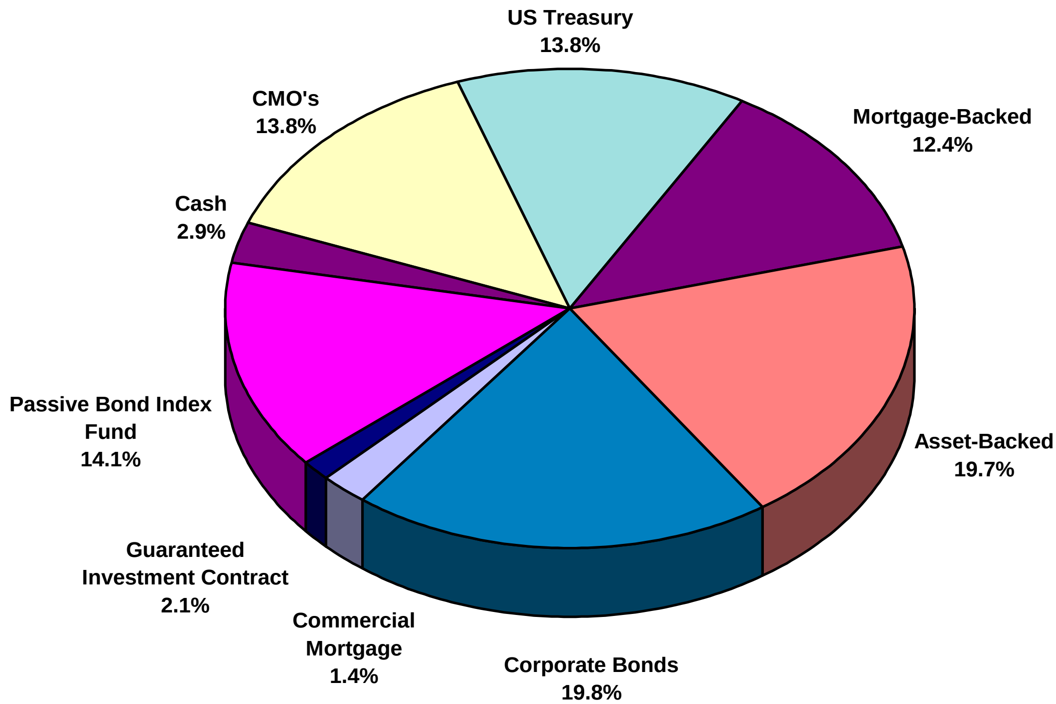


December 31, 2003

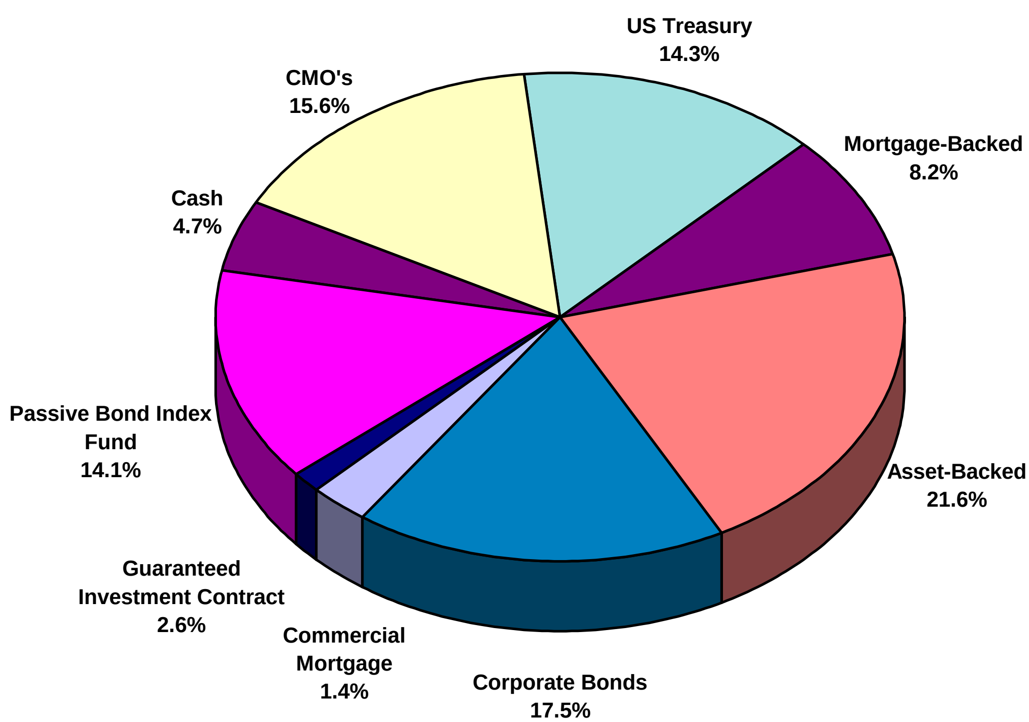


GRO DIVERSIFICATION

December 31, 2004



December 31, 2003



STATISTICAL SECTION

NET ASSETS AVAILABLE FOR BENEFITS

1995	$2,185,210,155
1996	2,554,514,834
1997	3,044,512,643
1998	3,694,176,461
1999	4,574,291,046
2000	4,464,472,365
2001	4,338,942,270
2002	4,143,485,226
2003	4,924,324,467
2004	5,544,848,876

ADDITIONS BY TYPE

	Employee Contributions	Stable Value Income	Net Gain (Loss) On Variable Investments	Transfers From Other Plans (1)	Administrative Recordkeeping Income (2)	Total
1995	$224,548,555	$108,246,532	$118,122,535	$2,001,694	$630,598	$453,549,914
1996	248,665,052	118,128,030	109,619,347	1,754,335	625,621	478,792,385
1997	268,826,344	123,493,898	219,785,702	2,045,637	1,287,157	615,438,738
1998	295,353,085	123,364,445	371,827,484	1,980,985	2,270,312	794,796,311
1999	305,282,184	123,984,026	604,806,148	4,357,182	3,227,395	1,041,656,935
2000	314,399,046	127,059,019	(373,724,224)	2,174,042	3,892,787	73,800,670
2001	323,887,138	135,813,712	(401,049,597)	6,568,788	3,327,167	68,547,208
2002	356,857,437	141,342,032	(409,520,080)	25,726,198	4,077,556	118,483,143
2003	365,012,189	137,260,011	489,044,158	28,436,965	3,920,234	1,023,673,557
2004	393,121,999	131,201,541	321,259,990	38,399,284	4,758,707	888,741,521

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

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

DEDUCTIONS BY TYPE

	Distributions To Participants	Transfers To Other Plans (1)	Administrative Expenses	Investment Expenses	Life Insurance Premiums	Total
1995	$84,963,073		$4,940,966	$1,867,846	$196,493	$91,968,378
1996	101,225,015	$56,238	5,326,163	2,702,929	177,361	109,487,706
1997	116,573,938	635,294	5,204,081	2,869,160	158,456	125,440,929
1998	136,723,588	536,835	5,289,181	2,441,818	141,071	145,132,493
1999	152,673,102	714,930	5,410,773	2,617,590	125,955	161,542,350
2000	174,979,885	863,651	5,156,588	2,506,114	113,113	183,619,351
2001	185,126,141	441,512	5,523,275	2,887,070	99,305	194,077,303
2002	192,651,877	112,038,732	5,892,734	3,268,746	88,098	313,940,187
2003	166,798,525	65,073,212	6,572,449	4,310,223	79,907	242,834,316
2004	171,364,334	85,004,571	6,927,208	4,849,135	71,864	268,217,112

(1) The Program did not permit transfers to other plans prior to 1996. Between 1996 and 2001, only transfers to other IRC Section 457 plans were permitted. Beginning in 2002, the Program allowed rollover transfers to other types of qualified retirement plans and transfers to defined benefit plans to purchase allowable service credits.

EMPLOYEE PARTICIPATION AND DEFERRAL TRENDS

	Eligible Employees	Total Participant Accounts	Participants Currently Contributing	Average Annual Deferrals	Total Annual Deferrals	Net Assets Available for Benefits
1995	685,113	127,117	95,275	$2,357	$224,548,555	$2,185,210,155
1996	666,512	135,092	100,398	2,477	248,665,052	2,554,514,834
1997	668,901	142,823	105,587	2,546	268,826,344	3,044,513,643
1998	680,137	147,451	108,784	2,715	295,353,085	3,694,176,461
1999	698,845	150,412	109,217	2,795	305,282,184	4,574,291,046
2000	705,023	156,798	112,795	2,787	314,399,046	4,464,472,365
2001	720,831	159,066	111,832	2,896	323,887,138	4,338,942,270
2002	719,880	165,993	113,521	3,144	356,857,437	4,143,485,226
2003	687,669	172,098	113,536	3,215	365,012,189	4,924,324,467
2004	712,246	178,378	114,441	3,435	393,121,999	5,544,848,876

NUMBER OF EMPLOYERS CONTRIBUTING

	State	County	City	Metro Housing	Village	Library	Medical Center	Education	Misc	Township	Total
1995	1	88	215	31	104	128	31	207	80	131	1,016
1996	1	88	218	33	118	131	33	218	89	142	1,071
1997	1	88	221	36	129	137	33	236	95	151	1,127
1998	1	88	224	39	137	145	33	251	101	161	1,180
1999	1	88	226	41	140	150	33	265	103	170	1,217
2000	1	88	231	43	152	158	33	272	106	188	1,272
2001	1	88	237	45	156	169	34	297	116	207	1,350
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

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

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

Members of the Boards and
Mr. R. Keith Overly, Executive Director,
The Ohio Public Employees Deferred Compensation Board and
The Honorable Betty Montgomery, Auditor of the State of Ohio

We have audited the financial statements of the Ohio Public Employees Deferred Compensation Program (the "Program") as of and for the year ended December 31, 2004, and have issued our report thereon dated May 6, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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.

Deloitte + Touche LLP

May 6, 2005

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2005