REPORT

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN STATE OF LOUISIANA

DECEMBER 31, 2016

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN
STATE OF LOUISIANA

INDEX TO REPORT

DECEMBER 31, 2016

Hienz & Macaluso LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 20, 2017

Louisiana Public Employees
Deferred Compensation Commission
Louisiana Public Employees
Deferred Compensation Plan
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Public Employees Deferred Compensation Plan, which comprise the statement of net position available for benefits as of December 31, 2016 and the related statement of changes in net position available for benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Louisiana Public Employees Deferred Compensation Plan as of December 31, 2016 and the changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Public Employees Deferred Compensation Plan's basic financial statements. The schedule of compensation, benefits and other payments to the agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of compensation, benefits and other payments to the agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to the agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the Louisiana Public Employees Deferred Compensation Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Public Employees Deferred Compensation Plan's internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

The Management's Discussion and Analysis of the Louisiana Public Employees Deferred Compensation Plan's financial performance provides an overview of the Plan's financial activities for the year ended December 31, 2016. Please read this in conjunction with the Plan's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position available for benefits and the statement of changes in net position available for benefits provide information about the activities of the Plan. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CONDENSED FINANCIAL INFORMATION

	As of and for the year ended December 31, 2016	As of and for the year ended December 31, 2015
Total assets	$ 1,512,165,853	$ 1,460,888,156
Total liabilities	(1,015,955)	(1,398,017)
Total net position	$ 1,511,149,898	$ 1,459,490,139
Additions:		
Contributions	$ 92,329,517	$ 100,670,880
Net investment income	83,257,887	14,034,518
Total plan additions	175,587,404	114,705,398
Deductions:		
Administrative fees	3,636,653	3,783,776
Benefit payments	120,169,698	89,659,321
Commission expenses	121,294	133,600
Total plan deductions	123,927,645	93,576,697
Change in plan net position	$ 51,659,759	$ 21,128,701

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Plan assets increased by 51,659,759 due mainly to better returns on investments. Net investment income increased by $69,223,369 as the investment markets recovered from the down market year in 2015. Participant contributions to the Plan decreased by $8,341,363. Benefit payments and rollovers increased by $30,510,377 for those participants who retired, severed employment, suffered an unforeseen financial emergency, purchased service credit from their pension system, received a loan and/or transferred assets from the Plan to another provider.

DESCRIPTION OF CURRENTLY KNOWN FACTS

The Louisiana Deferred Compensation Commission, in fulfilling its fiduciary responsibilities, continued to monitor the performance of the Plan's core fixed and variable investment options. With assistance from the Plan consultant, Wilshire Associates, the Commission closely monitored the fee structure of the Plan along with the investment companies that manage the Plan's investment options. In 2016, based on the recommendation of their consultant, the Commission considered a streamlined investment fund lineup that was implemented June 3, 2016. The streamlining decision was made by the Commission to lower investment cost and to simplify participant choices. Endorsement of the Plan from the Louisiana Division of Administration and later agency secretaries was given to all state employees resulting in increased participation. Unforeseeable Emergency Withdrawals (UEW) increased due to the August 11th flood event. The affected participants saw relief in the normal UEW documentation requirements by the issuance of IRS Announcement 2016-30. The Commission members received fiduciary training from Marilyn Collister of Great-West at the December educational retreat.

Respectfully submitted,

Louisiana Deferred Compensation Commission

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN
STATE OF LOUISIANA
STATEMENT OF NET POSITION AVAILABLE FOR BENEFITS
DECEMBER 31, 2016

ASSETS:		
Cash	$	658,636
Contributions receivable		491,073
Receivable for securities sold		276,424
Investments, at fair value:		
Mutual funds		836,915,278
Self-directed brokerage accounts		14,547,804
Investments, at contract value:		
Guaranteed investment contract		659,276,638
Total assets		1,512,165,853
LIABILITIES:		
Accounts payable		394,315
Payable for securities purchased		540,979
Due to Great West Retirement		80,661
Total liabilities		1,015,955
NET POSITION AVAILABLE FOR BENEFITS	$	1,511,149,898

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

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN
STATE OF LOUISIANA
STATEMENT OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016

ADDITIONS:		
Contributions	$	92,329,517
Investment income:		
Net appreciation in fair value of investments		49,263,647
Interest and dividends		33,994,240
Total investment income		83,257,887
Total additions		175,587,404
DEDUCTIONS:		
Administrative fees		3,636,653
Benefit payments		120,169,698
Commission expenses		121,294
Total deductions		123,927,645
INCREASE IN NET POSITION		51,659,759
Net position available for benefits, beginning of year		1,459,490,139
NET POSITION AVAILABLE FOR BENEFITS, END OF YEAR	$	1,511,149,898

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

NATURE OF OPERATIONS

As required by Louisiana Revised Statutes (R.S.) 42:1301-1308, the Louisiana Public Employees Deferred Compensation Plan (the Plan) is supervised by the Louisiana Deferred Compensation Commission (the commission), a political subdivision of the State of Louisiana within the executive branch of government. The commission is composed of seven members who serve without compensation. The Plan was established in accordance with Section 457 of the Internal Revenue Code of 1986, as amended, for the purpose of allowing officers, employees, and independent contractors of the state or any of its political subdivisions to voluntarily elect to contribute a portion of their compensation into the Plan for the purposes of deferring the payment of federal and state income taxes on the contributions until such time as they are withdrawn by the participants. At December 31, 2016, there were 36,368 participants in the Plan. The commission has no employees.

On December 18, 2001, the commission selected Great-West Life and Annuity Insurance Company (Great-West) as the plan administrator for a term of eight years beginning on January 1, 2002, with an option to extend the term through December 31, 2012. On October 1, 2008, the commission elected to exercise the option to extend the term through December 31, 2012. In 2012, the commission extended the contract with Great-West through December 31, 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

REPORTING ENTITY:

The State of Louisiana and any of its political subdivisions offer employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted for any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the State of Louisiana's or its political subdivisions' financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND ACCOUNTING:

The Plan uses a pension trust fund to report on its net position and changes in net position. Pension trust funds are used to account for resources that are required to be held in trust for members and beneficiaries of employee benefit plans. The pension trust fund accounts for contributions, investment income and benefits distributed to participants.

BASIS OF ACCOUNTING:

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, regardless of the measurement focus applied. The transactions of the Plan are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Accordingly, revenue is recognized when earned and expenses are recognized when incurred. The Plan uses the following practices in recognizing revenues and expenses:

Contributions

Contributions are recognized in the period when the compensation is used to calculate the contributions reported on Internal Revenue Service Form W-2.

Investment Income

Investment income is accrued as earned, net of applicable investment management fees.

Plan Expense

Investment management fees are netted daily from investment income and, therefore, are not a liability of the Plan at December 31, 2016.

Benefits Paid to Participants

Benefits are recorded at the time withdrawals are made from participant accounts.

Investments

Investments are reported at fair value. Fair value of mutual funds not traded on national or international exchanges is calculated using the net asset value reported by the mutual fund. Self-directed brokerage accounts are reported at fair value based on published market prices when available. The investment in the Stable Asset Fund is reported at contract value as this is the value realizable by participants. Purchases and sales of fixed and variable earnings investments are recorded on the trade date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

New Accounting Pronouncements

During the year ended December 31, 2016, the System adopted GASB statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. It requires measurements of certain assets and liabilities at fair value using a consistent and detailed definition of fair value and accepted valuation techniques. It also enhances disclosure about fair value measurements, the level of fair value hierarchy, and valuation techniques. See note 15 for further information on GASB 72.

2. PLAN DESCRIPTION:

The Plan is authorized under Section 457 of the Internal Revenue Code. Amounts deferred by participants are limited to $18,000 for December 31, 2016. Participants who were age 50 or older by the end of the calendar year were eligible to make additional catch-up contributions of up to $6,000 for December 31, 2016. Any amounts deferred are not subject to federal or state income tax withholding nor are they includible as gross income until actually paid or otherwise made available to the participant. At December 31, 2016, there were 570 separate entities participating in the Plan.

Participants of the Plan may withdraw funds from the Plan upon retirement as determined in accordance with retirement laws of that state, separation of service with the state, or financial hardship as approved by the Plan's hardship committee. In addition, beneficiaries of the participant may withdraw funds upon the death of the participant. Upon retirement, participants may select various benefit options, including lump sum payments and periodic payments for a designated term that is not in excess of the life expectancy of the participant or the life expectancy of the beneficiary. Participants may also withdraw funds, or be required to do so by the commission, if contributions have not been made in the past 24 months and if the balance of the participant's account is less than $5,000.

It is the opinion of the State's legal counsel; the Louisiana Attorney General that the State has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

3. CASH:

Cash includes demand deposits. Under state law, the Plan may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The plan administrator is authorized to invest in various investment products, including mutual funds, United States Treasury bills or notes, life insurance, fixed or variable annuities, and other investments approved by the commission. At December 31, 2016, the Plan had cash in demand deposits (book balances) totaling $658,636. Deposit balances (bank balances) of $1,779,016 at December 31, 2016, are fully secured by federal deposit insurance.

4. INVESTMENTS:

The Plan's investment policy is to provide a broad array of diverse investment options, which will enable plan participants to have the flexibility and the vehicles to develop their individual investment portfolio.

Investments in mutual funds and self-directed brokerage funds are reported at fair value, while the investment in the Stable Asset Fund is reported at contract value. Investments valued at $1,508,233,270 and 2,506,450, are owned by plan participants and the Unallocated Plan Assets, respectively. The Unallocated Plan Assets invests in the Stable Asset Fund. Plan participants invest in various types of investment options. The following itemizes the various investment options and the fair value or contract value of the investments at December 31, 2016:

Investment Options		December 31, 2016
Fixed earnings option, at contract value:		
Stable Asset Fund - guaranteed investment contract	**	$ 659,276,638
Variable earnings options, at fair value:		
American Funds Europacific - mutual fund	**	75,793,776
Blackrock Total International - mutual fund		21,807,652
Blackrock Total Stock Market Index - mutual fund	**	218,198,200
Blackrock U.S. Total Bond Index - mutual fund		33,691,312
LifePath Index 2020 Fund - mutual fund		23,853,233
LifePath Index 2025 Fund - mutual fund		23,347,840
LifePath Index 2030 Fund - mutual fund		19,504,229
LifePath Index 2035 Fund - mutual fund		15,478,132
LifePath Index 2040 Fund - mutual fund		11,675,179
LifePath Index 2045 Fund - mutual fund		7,125,213
LifePath Index 2050 Fund - mutual fund		6,451,984
LifePath Index 2055 Fund - mutual fund		3,177,524
LifePath Index 2060 Fund - mutual fund		655,074
LifePath Index Retirement Fund - mutual fund		33,512,410
MFS Core Equity - mutual fund	**	261,497,953
Principal Diversified Real Asset - mutual fund		14,524,550
Prudential Total Return Bond - mutual fund		66,621,017
Self-directed brokerage accounts - managed accounts		14,547,804
		$ 1,510,739,720

** Investments that represent 5% or more of the Plan's net position as of December 31, 2016.

5. ALLOCATED LIFE INSURANCE CONTRACTS:

The Plan allows itself to be a conduit for the payment of life insurance premiums by participants to certain life insurance providers. These policies are not available for direct investment and have been excluded from the Plan's assets.

5. ALLOCATED LIFE INSURANCE CONTRACTS (Continued):

The receipt of the participants' funds and subsequent payment of the life insurance premiums is not reflected in the Plan's Statement of Changes in Net Position Available for Benefits as the Plan's only function as regards to these funds is to act as a conduit from the insured to the insurer.

The face amount of life insurance in force with Reliance Insurance Company was $1,246,277 as of December 31, 2016. The cash surrender value of these policies in force with Reliance was $235,869 as of December 31, 2016.

Participants, upon retirement or termination of employment, have the option of transferring ownership of the policy and may continue to make life insurance payments directly to Reliance, or may receive the cash surrender value of the policy.

6. CONCENTRATION OF CREDIT RISK:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Plan invests in the Stable Asset Fund, which represents 44% of total Plan investments. The Plan has no policy concerning concentration of credit risk.

7. CREDIT RISK:

Credit risk is defined as the risk that an insurer or other counter-party to an investment will not fulfill its obligations. The Plan has no policy concerning credit risk. The Plan invests in the Stable Value Fixed Income Fund which is an unrated investment product. As of December 31, 2016, the average S&P credit rating of the underlying investments within the Stable Asset Fund was AA.

8. CUSTODIAL CREDIT RISK:

Custodial credit risk is defined as the risk that in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral that is in possession of an outside party. Investments managed directly by Great-West and self-directed brokerage account investments are held in separate accounts and therefore are not subject to custodial credit risk. Investments held in separate accounts represent 100% of total Plan investments. The Plan has no policy regarding custodial credit risk.

9. INTEREST RATE RISK:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan has no policy concerning interest rate risk. The Plan is exposed to interest rate risk through its investment in the Stable Asset Fund. The Plan evaluates interest rate risk on the Stable Asset Fund by its duration. Duration is a measure of a debt

9. INTEREST RATE RISK (Continued):

instrument's exposure to fair value changes arising from changing interest rates. The average duration of the Stable Asset Fund was 3.7 years as of December 31, 2016.

10. INVESTMENT INCOME:

The annual rate of interest credited to participant accounts on investments with the various investment products for the year ended December 31, 2016 is as follows:

Investment Product		
Stable Asset Fund	Interest Crediting Rates:	
	January – March	2.55%
	April – June	2.45%
	July – September	2.40%
	October – December	2.35%

Interest credited to participant accounts is reported as interest income in the statement of changes in net position available for benefits.

Investment income earned on the Plan's variable earnings options are not expressed as a percentage because earnings result from gains or losses arising from investment transactions and fluctuations in fair value of the applicable investments.

11. ADMINISTRATIVE FEES:

During the year, the Plan incurred $3,636,653 in administrative fees of which represents $1,892,621 investment related administrative fees and $1,744,032 represents administrative fees from Great-West Life & Annuity Insurance Company (Great-West). Administrative fees from Great-West are set at $48 per participant per annum and are designed to accurately reflect the actual cost incurred for each participant. The fees are calculated and deducted quarterly based on the number of participants at the end of each quarter. These fees are paid from the Unallocated Plan Assets.

12. RELATED PARTY TRANSACTIONS:

In addition to acting in the capacity of plan administrator for the Louisiana Public Employees Deferred Compensation Plan, Great-West Life Assurance Company, through its wholly-owned subsidiary, Great-West Life & Annuity Insurance Company, offers fixed annuity and mutual fund products to Plan participants. At December 31, 2016, investments in those products represented approximately 99.92% of total Plan assets. These investments are held in separate asset accounts, which are not subject to the general creditors of Great-West Life & Annuity Insurance Company. See notes 13 and 14 for additional related party disclosures.

13. STABLE ASSET FUND:

The Commission has a contract in place with Great-West Life & Annuity Insurance Company to provide investment management services for the Stable Asset Fund. The contract provides for an annual fee that accurately reflects the actual costs incurred for managing the assets within the Fund. These fees are in addition to the administrative fees and the commission expenses as detailed in notes 11 and 14, respectively. Fees are calculated using a "ratcheted" rate based on the level of assets held by the Fund. At December 31, 2016, these rates ranged from 0.16% to 0.22%. For the year ended December 31, 2016, Great-West Life & Annuity Insurance Company charged fees of $1,175,122 for investment management services of the Fund.

At December 31, 2016, participant account balances in the Stable Asset Fund total $659,276,638. The fair value of the net assets of the Stable Asset Fund as of December 31, 2016, is $659,828,430. The difference between the participant account balances and the net assets of the Fund is attributable to unrealized gains or losses on investments and differences between the crediting rate and actual interest earned.

14. COMMISSION EXPENSES:

The Louisiana Public Employees Deferred Compensation Commission maintains an account referred to as the Unallocated Plan Assets (UPA) that is included within the pension trust fund. These funds are the property of the Plan and are used to pay for the expenses of the Plan. The UPA has a balance of $2,506,450 at December 31, 2016, which is included in the investment balance reported in the financial statements. The UPA is funded by fees deducted quarterly from Plan participant's accounts by Great-West. Each year the Commission determines the fees necessary to fund the UPA. The Commission has set the annual fee as follows: the annual fee is 0.18% of the first $50,000 in a Plan participant's account, with a minimum fee of $10 per year and a maximum of $90. Every quarter, all Plan participants will be assessed $2.50 up to a balance of $5,556, with 0.045% charged on balances from $5,557 up to $50,000. The minimum quarterly fee is $2.50; the maximum is $22.50. If the Plan participant's account balance exceeds $50,000, they are charged the maximum fee of $90 per year, or $22.50 per quarter, but they pay nothing on the any balances above $50,000. These fees are deducted quarterly from Plan participant accounts.

For year ended December 31, 2016, the UPA received interest in the amount of $64,646 received revenue sharing income in the amount of $279,781 and collected fees from participants in the amount of $1,419,208. Revenue sharing fees and interest earned on UPA balances have been used to reduce the fees that otherwise would be deducted from participant accounts. Administrative fees to Great-West and other commission expenses, paid from the UPA, for the year ended December 31, 2016, totaled $1,744,032 and $121,294 respectively.

15. FAIR VALUE MEASUREMENTS:

The Plan categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurements and Application. The valuation technique

15. FAIR VALUE MEASUREMENTS (Continued):

uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These qualifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level I that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk, but are based upon the pricing transparency of the investment. In determining the appropriate levels, the Plan performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Investments by Fair Value Level	Level 1	Level 2	Level 3	Total
Mutual funds	$ 692,304,696	$ 144,610,582	$ -	$ 836,915,278
Self-directed brokerage accounts	-	14,547,804	-	14,547,804
Guaranteed investment contract	-	659,276,638	-	659,276,638
Total	$ 692,304,696	$ 818,435,024	$ -	$ 1,510,739,720

Valuation Technique

Mutual funds classified in Level 1 of the fair value hierarchy are valued using share prices/net asset values generally obtained from the National Securities Clearing Corporation, or directly from the fund itself or a secondary pricing source, such as Interactive Data Corporation (IDC). Self-directed brokerage accounts classified in Level 2 of the fair value hierarchy are valued based on the underlying investments contained within the accounts using quoted prices to value similar types of assets in active markets. The guaranteed investment contract classified in Level 2 of the fair value hierarchy is valued based on values reported daily based on the valuation method disclosed in the insurance contract, as calculated by the contract provider.

LOUISIANA PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE AGENCY HEAD
DECEMBER 31, 2016

None.

Hienz & Macaluso LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

June 20, 2017

Louisiana Public Employees
Deferred Compensation Commission
Louisiana Public Employees
Deferred Compensation Plan
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the Louisiana Public Employees Deferred Compensation Plan as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise Louisiana Public Employees Deferred Compensation Plan's basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Public Employees Deferred Compensation Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Public Employees Deferred Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Public Employees Deferred Compensation Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Deferred Compensation Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA