

**Indiana Deferred Compensation Plan
Report to the State Board of Finance
August 25, 2003**

I.C. 5-10-1.1-4(g) requires the Deferred Compensation Committee (Committee) to report to the State Board of Finance at least annually on the status of, and any changes to, the State Compensation Plan (Plan). This report is intended to satisfy that statutory requirement.

The Committee members are:

Mike Gery, Chairman (Governor's appointee)
 Jeff Heinzmann, Secretary (Auditor's appointee)
 Betsy Burdick (Treasurer's appointee)
 Mike Puro (Participant member)
 Tom Williams (Participant member)

As of July 2003, the 457 Plan covered 29,351 participants, 22,359 of which are 401(a) Plan participants. Actively contributing participants total 19,247. There are 185 local units of government that have adopted the State's 457 Plan. In 2002, local subdivisions became eligible to adopt their own 401(a) matching plan, and to date 9 have, with a total of 143 participants.

As of June 30, 2003, the Plan's total assets were \$543,611,312.55, up from \$504,396,072.90 on December 31, 2002. That total breaks down as follows:

	<u>457 Plan</u>	<u>401(a) Plans</u>
State Employees:	\$430,827,685.35	\$27,728,182.15
Local Subdivision Employees:	\$ 84,912,280.17	\$ 143,164.88

New investment options were rolled out to Participants in September 2002. Those options and the June 30, 2003 allocation of plan assets among them are:

Fund Name	Assets as of 6/30/03
Indiana Stable Value Fund	\$347,722,062.50
Alliance Bernstein Growth and Income Fund	\$57,408,506.34
Wells Fargo Large Company Growth Fund	\$41,926,074.80
Vanguard Capital Opportunity Fund	\$24,447,607.18
Vanguard 500 Index Fund	\$15,980,962.46
Domini Social Equity Fund	\$15,879,495.53
PIMCO Total Return Fund	\$10,152,513.86
Fidelity Low-Priced Stock Fund	\$8,640,889.63
Indiana Moderate Life Style Portfolio	\$5,190,227.38
Fidelity Diversified International Fund	\$4,125,328.84
Great West Guaranteed Certificate Fund: 84 mo.	\$4,220,321.80
Indiana Aggressive Life Style Portfolio	\$3,501,849.75
Indiana Conservative Life Style Portfolio	\$2,370,371.43
Brown Capital Management Small Company Fund	\$1,713,204.31
Fidelity International Growth & Income Fund	\$331,896.74
TOTAL	\$543,611,312.55

In addition to the new investment options, the Plan has implemented Lifestyle Portfolios. These separate funds are multi-asset type investment options intended to be managed with a plan participant's retirement timeframe, long-term return expectations, and overall tolerance for risk of principal loss. Three Lifestyle Portfolios are offered: Conservative, Moderate, and Aggressive. In the second quarter of this calendar year, these portfolios generated returns at annual rates of 3.21%, 6.24%, and 10.35%, respectively.

The Indiana Stable Value Fund, which replaced the Fixed Annuity Contract fund options under the prior investment options, recently underwent a minor change in that the adjustment of the crediting rate was changed from quarterly to monthly, which enables participants to track the performance of their investments more closely.

A copy of the most recent quarter end performance data for the Plan's investment options is attached to this report as Exhibit 1.

The Committee is in the process of evaluating BAA responses relating to Investment Consulting Services basically to evaluate the performance and management of the investment options available under the Plan on an ongoing basis in order to satisfy the fiduciary duty of the Committee to monitor, and if need be replace, investment options. A decision is expected from the Committee within the month, with periodic evaluations hopefully to commence before the end of the year.

Respectfully submitted,

Jeff Heinzmann
Secretary, Deferred Compensation Committee