ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Compliance Examination

Year ended June 30, 2009

Performed as Special Assistant
Auditors for the Auditor General,
State of Illinois

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Table of Contents

The annual financial statements of the Illinois State Board of Investment for the year ended June 30, 2009 were issued under a separate cover.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Agency Officials

Executive Director	Mr. William R. Atwood
Deputy Executive Director	Ms. Katherine A. Spinato
Chief Fiscal Officer	Ms. Alise White
General Counsel/Chief Compliance Officer	Ms. Emily A. Reid

Illinois State Board of Investment Office is located at:

180 N. LaSalle Street
Suite 2015
Chicago, Illinois 60601

ILLINOIS STATE BOARD OF INVESTMENT
180 North LaSalle Street, Suite 2015
Chicago, Illinois 60601
(312) 793-5718

February 23, 2010

McGladrey & Pullen, LLP
20 N. Martingale Road, Suite 500
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois State Board of Investment (Board). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Board's compliance with the following assertions during the year ended June 30, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, the Board has materially complied with the assertions below.

A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Very truly yours,

ILLINOIS STATE BOARD OF INVESTMENT

William Atwood	Katherine Spinato	Alise White	Emily A. Reid
Executive Director	*Deputy Executive Director*	*Chief Fiscal Officer*	*General Counsel/ Chief Compliance Officer*

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ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Compliance Report

Summary

Year ended June 30, 2009

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

	Current Report	Prior Report
Number of:		
Findings	2	-
Repeated findings	-	-
Prior recommendations implemented or not repeated	-	-

Details of findings are presented in a separately tabbed report section.

Summary of Findings

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*):	
09-1	8	Securities Lending	Material Weakness
09-2	9	Alternative Investments	Significant Deficiency
		FINDINGS (STATE COMPLIANCE):	

The following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

Item No.	Page	Description	Finding Type
09-1	8	Securities Lending	Material Noncompliance
09-2	9	Alternative Investments	Noncompliance

PRIOR FINDINGS NOT REPEATED:

None.

Exit Conference

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on December 16, 2009. Attending were William Atwood (Executive Director), Kathy Spinato (Executive Deputy Director), Alise White (Chief Fiscal Officer), Joseph Evans (Audit Partner, McGladrey & Pullen, LLP), Rolake Adedara (Audit Director, McGladrey & Pullen, LLP), and Alison Schertz (Audit Manager, Office of the Auditor General). Responses to the recommendations were provided by Alise White, Chief Fiscal Officer, in a letter dated December 28, 2009.

McGladrey & Pullen
Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Illinois State Board of Investment

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Board of Investment's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2009. The management of the Illinois State Board of Investment (the Board) is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

A. The Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

As described in finding 09-1 in the accompanying schedule of findings, the Illinois State Board of Investment did not comply with requirements regarding applicable laws and regulations, including the state uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Illinois State Board of Investment complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2009. However, the results of our procedures disclosed another instance of noncompliance, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 09-2.

Internal Control

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Board's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in finding 09-1 in the accompanying schedule of findings, to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in finding 09-2 in the accompanying schedule of findings, to be a significant deficiency.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Illinois Board of Investment's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Board's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Board as of and for the year ended June 30, 2009, and have issued our report thereon dated January 20, 2010. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Board. The 2009 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Board's basic financial statements for the year ended June 30, 2008. In our report dated February 17, 2009, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Illinois State Board of Investment Board of Directors, and the Board's management and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
February 23, 2010

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Schedule of Findings

Current Findings

Year ended June 30, 2009

Finding No. 09-1 Securities Lending

The Illinois State Board of Investment (ISBI) did not have adequate internal controls over financial reporting for its securities lending transactions.

ISBI did not record the fair market value of the investment of cash collateral received for securities lending transactions. The fair market value of the investment as of June 30, 2009 was $1,395 million with related obligations of $1,467 million. The cash collateral was invested in a money market fund that had declined in value during the fiscal year. Management accounted for the investment at its historical par value and did not take into consideration market fluctuations. The resulting unrealized loss of $71.4 million was proposed by the auditors and recorded in the June 30, 2009 financial statements.

Generally Accepted Accounting Principles (GAAP) requires that the Board record the collateral assets, liabilities and gains or losses associated with securities lending transactions and disclose certain information relating to the securities lending transactions in its financial statements. The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that revenues, expenses, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Management indicated different personnel in the Agency were responsible for monitoring different facets of the securities lending process and not all pertinent information was disseminated to the Accounting Unit which is responsible for recording the financial effects of these types of transactions in the Agency financial records.

Failure to accurately record material assets, liabilities and investment losses results in materially misstated financial statements not prepared in accordance with GAAP. (Finding Code No. 09-1)

Recommendation:

We recommend that ISBI improve its controls so it timely obtains and reviews all relevant investment information necessary to properly record and disclose all material investment transactions in ISBI's annual financial statements. ISBI should record the related assets and obligations on the general ledger and not only as a report entry. In addition, ISBI's investment portfolio should be continuously reviewed to ensure non-viable investments are re-directed to more viable options.

Board Response:

The Board will update internal control procedures to incorporate a monthly closing process for securities lending that records all securities lending assets and obligations at fair value in the general ledger.

Finding No. 09-2 Alternative Investments

The Illinois State Board of Investment (ISBI) should enhance its accounting and reporting process for determining and reviewing the fair value measurements and disclosures used for reporting its alternative investments on a timely basis.

During a review of ISBI's alternative investments, it was discovered that the financial activity reported for certain alternative investments was not current as of the Statement of Plan Net Assets for interim reporting periods. Many of the alternative investment fund balances in the December 31, 2008 internal financial statements were represented by the values provided by ISBI's private investment funds and separate account investment advisers as of September 30, 2008 with cash activity through December 31, 2008, but did not include any unrealized gains or losses for the underlying investments and underlying private investment funds for the period from October 1 through December 31. Additionally, certain private investment funds and separate account investment advisers did not report the quarterly valuation of investments as of June 30, 2009 within a reasonable time period, causing a delay in the audit process as well as issuance of the audited financial statements. As a result, ISBI's Alternative Investment balances were overstated by approximately $21.6 million at June 30, 2009, until ISBI received reports from its private investment funds and separate account investment advisers and made adjustments accordingly.

Generally Accepted Accounting Principles in the United States of America (GAAP) require ISBI to report its investments at fair value in its financial statements. Timeliness is a necessary component of relevant reporting so that decision makers can make use of the information to influence future decisions. The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001, requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that revenues, expenses, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Alternative investments are defined as investments for which a readily determinable fair value does not exist. These are investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Automated Quotations System (NASDAQ). Alternative investments comprise approximately 25% of ISBI's total investments and include real estate, private equity, infrastructure, and hedge funds as of June 30, 2009. Based on the organizational structure and limited staff of the ISBI, they oversee the valuation procedures performed by the alternative portfolio's private investment funds and separate account investment advisers. ISBI management may look to the private investment funds and separate account investment advisers for guidance, but management must have sufficient information to evaluate and independently challenge the information provided by these private investment funds and separate account investment advisers.

In connection with the issuance of the Institute of Certified Public Accountants (AICPA) Practice Aid, *Alternative Investments – Audit Considerations*, management performed additional procedures and an evaluation of their alternative investment valuations. These procedures are a part of ISBI's Alternative Investment Protocol, an ongoing comprehensive internal control process related to the valuation of alternative investments. However, ISBI relies on its private investment funds and separate account investment advisers to report unrealized gains and losses with respect to underlying investments or underlying private investment funds; due to investor transparency restrictions unique to alternative investments, management has limited available information on the underlying investments or underlying private investment funds to provide for a timely valuation as of their financial statement date without the private investment funds' and separate account investment advisers' reported valuations.

According to ISBI management, the 2008 meltdown in the financial markets precipitated the alternative portfolio's private investments funds and separate account investment advisers, as well as their auditors, to be extremely careful in the release of data to investors during the December 2008 reporting cycle. Auditors of private investment funds and separate account investment advisers counseled their clients not to release any interim capital statement data to investors until the auditors' annual audit work was complete. Contrary to repeated requests from ISBI, the private investment funds and separate account investment advisers would not release the data until their auditors signed off on their December 2008 information. Regarding the other incident at June 30, 2009, the delay for the largest valuation adjustment in the amount of $16 million was the result of waiting on data from a terminated separate account investment adviser's auditor. The second highest valuation adjustment for $3.2 million was late due to the fact that a particular private investment fund's auditor requested late entries to be posted at the June 30, 2009 reporting period for disclosure of the fund's non-economic losses. The remaining two private investment funds' data was distributed late despite requests from ISBI to provide estimates. ISBI management further stated that ISBI's direct investments in private investment funds are governed by limited partnership agreements that are negotiated at the front-end of the direct investment. If provisions regarding failure to release timely financial data and associated penalties for breach were not negotiated into the limited partnership agreements and side letters at the time of ISBI's initial subscriptions to these direct investments, ISBI has no remedy to force release of this information or assess penalties after the fact, unless failure to release the information would violate the law that governs the agreements. ISBI could attempt to renegotiate the limited partnership agreements or side letters, but ISBI's likelihood of success is de minimus, given ISBI's lack of negotiating leverage and the understandable lack of incentive by the funds to impose more stringent requirements. With respect to separate account hedge funds of fund investment advisers, the advisers are similarly bound by the underlying private investment funds' limited partnership agreement terms regarding the release of financial data and associated penalties for breach. When ISBI receives final valuations from private investment funds and separate account investment advisers that were not reported in the current period, the valuations are adjusted accordingly in the subsequent period.

Failure to obtain timely reports from ISBI's private investment funds and separate account investment advisers for alternative investments resulted in ISBI improperly reporting the fair value of their alternative investments at December 31, which could result in a material misstatement of ISBI's annual financial statements. (Finding Code No. 09-2)

Recommendation:

We recommend that ISBI improve its controls so it timely obtains and reviews all relevant investment information necessary to properly record and disclose material investment transactions in ISBI's annual financial statements. ISBI should emphasize the importance of timely reporting to each private investment fund and separate account investment adviser. This notice may increase the likelihood that ISBI will receive timely financial statements from its alternative investments, which would provide assurance to ISBI that its financial statements are accurately represented as of a given date as well as improve ISBI's exercise of the Alternative Investment Protocol.

Board Response

The Board will update internal control procedures to include a distribution of an annual letter to all private investment fund and separate account advisors stressing the importance of timeliness of reporting quarterly and annual valuation information to ISBI.

ISBI will disclose in the quarterly financial statements the nature and amount of any valuations that are stated on a cashflow basis for the current period as well as the historical impact of using those amounts. ISBI will also determine through a retroactive look back process if the necessary adjustments to bring those cashflow amounts reported in line with the funds' final reported valuation exceed 2% of the value of the particular asset class impacted for the prior period. If the amount of the retroactive adjustment amount exceeds 2% of the value of the asset class, the prior period financial statements will be restated.

ISBI will notify the auditors in writing when they come for annual financial fieldwork if there are valuations yet to be received and that the books are still open. ISBI will also inform the retirement systems in writing of any valuations to be received and that the books are still open during financial statement fieldwork.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Schedule of Findings

Prior Findings Not Repeated

Year ended June 30, 2009

None.

ILLINOIS STATE BOARD OF INVESTMENT
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Supplementary Information for State Compliance Purposes

Year ended June 30, 2009

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Comparative Schedule of Operations
- Schedule of Investment Portfolio
- Schedule of Investment Manager Fees
- Schedule of Soft Dollar Credits (Unaudited)
- Schedule of Investment Commissions (Unaudited)
- Schedule of Property and Equipment
- Reconciliation of the State Treasurer's Cash Balance with that of the Board
- Analysis of Accounts Receivable

Analysis of Operations:

- Board Functions and Planning Program
- Number of Employees
- Derivative Securities
- Securities Lending Program
- Proceeds from General Obligation Bonds, Pension Funding Series June 2003 (Unaudited)
- Third-Party Marketing Fees Paid (Unaudited)
- Service Accomplishments and Accomplishments (Unaudited)
- Overall Rates of Return
- Investment Returns – Benchmark and Actual
- Net Asset Allocations as of June 30, 2009

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
Comparative Schedule of Operations
Years ended June 30, 2009 and 2008

	2009	2008	Increase (decrease)
Investment income:			
Interest	$ 145,432,334	$ 154,620,159	$ (9,187,825)
Dividends	116,732,339	162,205,372	(45,473,033)
Securities lending	17,578,262	16,624,470	953,792
Realized gain (loss) on investments	(1,304,768,681)	594,579,054	(1,899,347,735)
Unrealized gain (loss) on investments	(1,287,700,460)	(1,623,821,419)	336,120,959
Total investment income (loss)	(2,312,726,206)	(695,792,364)	(1,616,933,842)
Expenses:			
Salaries and benefits	1,647,133	1,422,254	224,879
Operating	556,791	567,688	(10,897)
External support	39,068,759	39,860,694	(791,935)
Total expenses	41,272,683	41,850,636	(577,953)
Excess (deficiency) of revenues over expenses	$ (2,353,998,889)	$ (737,643,000)	$ (1,616,355,889)

ILLINOIS STATE BOARD OF INVESTMENT
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Fiscal Schedules and Analysis
Schedules of Investment Portfolio
June 30, 2009 and 2008

	2009		2008	
Fair value	Amount	Percentage of portfolio	Amount	Percentage of portfolio
Fixed income securities:				
Government and agency obligations:				
U.S. Treasury	$ 75,529,694	0.86%	$ 236,044,092	2.07%
Federal agencies and other governments	589,489,195	6.75	616,292,422	5.39
Options	-	0.00	(290,813)	0.00
Foreign obligations	33,237,090	0.38	113,005,430	0.99
Corporate obligations:				
Finance	159,283,917	1.82	159,397,789	1.39
Industrials	425,239,911	4.87	593,294,641	5.19
Commercial mortgage backed securities	-	0.00	11,815,522	0.10
Collateralized mortgage obligations	19,360,918	0.22	124,232,849	1.09
Asset backed	4,250,520	0.05	29,407,855	0.26
Miscellaneous	58,042,621	0.66	125,838,571	1.10
Private placement	1,869,874	0.02	14,177,105	0.12
Total fixed income securities	1,366,303,740	15.63	2,023,215,463	17.70
Equities:				
Common stocks:				
U.S. equities:				
Consumer discretionary	$ 288,525,305	3.30	$ 365,831,551	3.20
Consumer staples	198,788,386	2.28	237,580,894	2.08
Energy	277,081,008	3.17	526,199,724	4.60
Financials	405,461,851	4.64	559,349,879	4.89
Healthcare	339,642,565	3.89	430,812,010	3.77
Industrials	355,994,151	4.08	570,949,815	5.00
Information Technology	441,994,173	5.06	639,744,095	5.60
Materials	111,517,856	1.28	224,164,675	1.96
Telecommunication Services	77,968,101	0.89	115,795,367	1.01
Utilities	96,433,794	1.10	121,182,167	1.06
Other	16,811,543	0.19	32,181,534	0.28
Commingled funds	335,484,184	3.84	417,894,222	3.66
Preferred stock	286,429	0.01	4,491,500	0.04
Non-U.S. equities	1,482,642,287	16.97	1,984,917,495	17.37
Total equities	4,428,631,633	50.70	6,231,094,928	54.52
Hedge funds	880,939,190	10.09	598,985,402	5.24
Real estate investments	875,929,700	10.03	1,332,081,349	11.65
Private equity	450,491,810	5.16	524,628,589	4.59
Money market investments	235,126,490	2.69	307,481,504	2.69
Infrastructure Funds	305,969,947	3.50	209,975,518	1.84
Bank Loans	197,259,098	2.26	202,137,983	1.77
Forward foreign currency contracts	(5,594,545)	(0.06)	(72,622)	0.00
Total investments	$ 8,735,057,063	100.00%	$ 11,429,528,114	100.00%

ILLINOIS STATE BOARD OF INVESTMENT
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Fiscal Schedules and Analysis
Schedule of Investment Manager Fees
Years ended June 30, 2009 and 2008

	2009	2008
Alinda	$ 3,195,065	$ 927,612
Amalgamated Bank NY	1,588,826	1,282,500
Ativo	1,894	49,244
Atlanta Life	240,813	323,461
Blackrock	-	29,227
Boston Company	-	161,178
Brandywine	287,074	825,874
Buford, Dixon	98,033	133,147
Channing	183,964	238,406
Chicago Equity Partners	543,606	338,726
Decatur	58,166	46,818
Earnest Partners	-	37,650
Entrust	1,315,389	1,128,570
Fiduciary Management Associates	255,324	100,627
Fort Washington	544,379	608,868
Globeflex Capital	422,216	569,363
Goldman Sachs	-	1,778,284
Grosvenor Capital Management	1,381,832	1,085,838
High Pointe	-	7,520
Howland	43,015	130,614
IronBridge Capital Management	962,932	1,302,394
Ivy	1,245,306	1,449,361
JP Morgan Asset Management	1,979,405	1,557,903
LM Capital	326,408	332,534
Loomis Sayles	1,721,179	1,163,454
LSV Asset Management	1,685,160	2,036,244
Lynmar	532,234	527,473
Martingale Asset Management	406,733	1,110,441
Macquarie	4,316,862	3,000,000
McDonnell Investment Management	574,657	477,558
Mesirow	1,378,512	1,121,843
New Amsterdam	-	34,133
NWQ	361,511	1,258,203

ILLINOIS STATE BOARD OF INVESTMENT
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Fiscal Schedules and Analysis
Schedule of Investment Manager Fees (Continued)
Years ended June 30, 2009 and 2008

	2009	2008
Opus Capital Management	$ 321,190	$ 428,428
Profit	541,662	517,602
Rhumbline	102,680	125,400
Rockcreek	1,456,971	1,356,393
Segall Bryant and Hamill	839,846	1,089,988
SSgA (Cash Overlay)	125,000	223,101
SSgA Intermediate Gov./Credit Index	5,713	30,634
SSgA MSCI ACWI Index	101,670	120,102
SSgA MSCI EAFE Index	68,607	74,352
SSgA MSCI EAFE Small Cap	49,683	23,114
SSgA Small Cap Global	1,039,746	1,726,950
Templeton	1,442,991	1,460,946
Trust Company of the West (TCW)	632,276	332,725
Trust Fund Advisors	-	264,146
Union Labor Life Investment Co. (ULLICO)	1,101,149	1,172,250
Various (allocated equally to all Investment Managers)	39,500	27,500
Vontobel Asset Management	1,637,983	260,505
Walter Scott	-	139,870
Western Asset Management	359,328	1,074,129
William Blair	1,756,051	2,385,767
	$ 37,272,541	$ 38,008,970

Investment manager fees are related to fees paid to various investment managers. Fees are negotiated primarily on market values. A graduated rate is used for most managers based upon various increments per million dollars of market value.

ILLINOIS STATE BOARD OF INVESTMENT
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Fiscal Schedules and Analysis
Schedule of Soft Dollar Credits (Unaudited)
Years ended June 30, 2009 and 2008

	2009	2008
Soft dollar credits outstanding, at beginning of fiscal year	$ 323,619	$ 319,951
Soft dollar credits earned	6,342	19,685
Investment expenses paid with soft dollar credits	(11,751)	(16,017)
Soft dollar credits outstanding, at end of fiscal year	$ 318,210	$ 323,619

Soft dollar credits are issued to the Board by certain brokers based on the level of activity of investment managers using that particular broker. The Board can use these credits to pay for various investment expenses.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
Schedule of Investment Commissions (Unaudited)
Years ended June 30, 2009 and 2008

	2009	2008
Investment brokerage firms:		
ABN Amro Holding NV	$ 18,640	$ -
Amhold & S Bleichroeder	-	8,266
Banc of America Securities Inc.	-	108,533
Banco Santander C H S A	18,481	-
Bank of New York	10,073	-
Barclays Capital	22,758	-
Bear Stearns Securities Corp.	10,576	53,069
Bernstein Sanford & Co	5,203	13,854
Blair, William & Co.	-	11,758
Bloomberg Tradebook	28,594	16,571
BMO Capital Markets	-	13,059
BNY Brokerage	9,412	-
BOE Securities	11,663	5,582
Bridge Training	-	11,714
Brockhouse & Cooper Inc.	8,025	-
Cabrera Asset Management	742,505	107,363
Cantor Fitzgerald & Co.	83,225	49,362
Cazenove Investment Bank	13,145	-
CF Global Trading LLC	14,782	-
Chase Manhattan Bank	8,533	-
Cheevers & Company	61,061	26,193
Cheurex de Virieu Paris	30,355	-
Citigroup Smith Barney Inc.	349,788	45,196
Cowen & Company	6,930	-
Credit Agricole Indosuez	5,010	-
Credit Lyonnais Securities	25,557	-
Credit Suisse First Boston Corp.	240,725	133,521
Dain Rauscher	7,504	-
Daiwa Securities	6,397	-
DeMatteo Monness	-	5,861
Deutsche Banc Securities Inc.	78,067	224,293
Direct Access Partners	10,382	-
ESP	34,886	26,765
First Analysis Securities	7,085	-
First Boston	-	11,770
First Honolulu	-	81,176
Fox Pitt Kelton	6,941	6,572
Friedman Billings and Ramsey & Co. Inc.	13,367	15,062
Future Trade	-	9,994

(Continiued)

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
Schedule of Investment Commissions (Unaudited) (Continued)
Years ended June 30, 2009 and 2008

	2009	2008
Investment brokerage firms (Continued):		
Gardner Rich & Co.	$ 256,183	$ 187,476
Goldman Sachs & Company	290,097	16,009
Good body	6,368	-
G Port	8,734	-
Guzman & Co.	-	20,980
Howard, Weill Labouisse, Fried	-	5,520
HSBC Securities	13,673	-
ICAP Securities	10,671	-
Instinet	146,584	7,073
International Strategy & Investment	8,939	-
Investment Technology Group	102,351	32,511
J.P. Morgan Securities, Inc.	90,125	315,908
Jackson Securities	-	17,162
Jefferies & Company	46,295	51,075
Jones Trading	8,179	10,008
Keefe Bruynette and Woods Inc.	17,969	7,149
Kepler Equities	14,628	-
KeyBanc Capital Markets	-	8,005
Knight Equity Markets LP	-	19,670
Knight Securities	6,195	54,359
Leerink Swan	6,390	-
Lehman Brothers Inc.	141,507	82,091
Lifehouse	18,433	-
Liquidnet Inc.	223,566	217,262
Loop Capital Markets	197,416	198,816
Loopus	-	11,645
Lynch Jones & Ryan	12,181	32,288
M. Ramsey King Securities	135,893	-
Macquarie Equities Ltd	58,101	-
Magna Securities	98,296	47,825
Melvin Securities Corp	96,500	56,704
Merrill Lynch Pierce Fenner & Smith	89,426	140,272
Midwest Research Securities	-	10,647
Mischler Financial Group	7,522	-
Morgan Stanley & Co.	152,197	128,821
MR Beal	137,298	76,532
Muriel Siebert	-	11,274
NCB Stockbrokers	8,982	-

(Continiued)

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
Schedule of Investment Commissions (Unaudited) (Continued)
Years ended June 30, 2009 and 2008

	2009	2008
Investment brokerage firms (Continued):		
Noble Financial	$ 5,098	$ -
Nomura Securities	65,152	-
Numis	10,858	-
Nutmeg Securities	51,222	36,679
NYFIX	-	6,898
Oppenheimer	6,229	10,931
Pacific American	10,127	19,719
Pacific Crest Securities	5,555	9,415
Pershing	15,477	-
Pipeline Trading Systems	-	8,256
Portware	8,898	-
Pulse Trading	91,355	88,922
Ramirez	36,005	26,199
Ramsey King	-	36,694
Raymond James & Assoc.	14,118	13,142
Reynolds Securities LLC	-	13,248
Robert W. Baird & Co.	42,929	22,749
Roberts & Ryan Investments	5,478	-
Salomon Smith Barney	23,846	12,969
Sanford C. Bernstein	38,073	14,209
SBK Brooks	34,270	-
SG Cowen and Company	14,507	8,896
Sidoti	7,182	-
Societe Generale	12,051	-
Sogen Securities	246,695	-
Stephen Inc.	6,317	-
Stiffel, Nicolaus & Company Inc.	9,346	5,038
Svenska Handlesbank	6,587	-
U.S. Bancorp Piper Jaffray Inc.	6,891	7,572
UBS Securities	196,431	-
UBS Warburg Dillon Read	-	58,896
Union Bank of Switzerland	19,167	-
Wachovia Securities	-	5,599
Weeden & Co.	21,759	11,363
William Blair & Co.	5,304	-
Williams Capital Group	91,045	64,864
Various (Under $5,000)	179,214	145,037
Viewpoint Securities	18,062	-
	$ 5,605,617	$ 3,379,911

Commissions relate to fees paid to investment brokerage firms for the purchase and sale of investments.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis

Year ended June 30, 2009

Schedule of Property and Equipment

A schedule of changes in property and equipment is as follows:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
Cost	$ 100,536	$ 15,662	$ (8,260)	$ 107,938	$ 8,962	$ -	$ 116,900
Less accumulated depreciation	(51,253)	(7,375)	3,487	(55,141)	(4,124)	-	(59,265)
Net property and equipment	$ 49,283	$ 8,287	$ (4,773)	$ 52,797	$ 4,838	$ -	$ 57,635

Note: Amounts reported in the Schedule of Property and Equipment have been reconciled to property reports submitted to the Office of the Comptroller.

Reconciliation of the State Treasurer's Cash Balance with that of the Board

	2009	2008
Balance per State Treasurer at June 30	$ 184,259	$ 185,604
Vouchers in transit	(134,027)	(76,819)
Balance per Board at June 30	$ 50,232	$ 108,785

Analysis of Accounts Receivable

The Board's receivable balance at June 30, 2009 and 2008 amounted to $186,099,275 and $187,106,001, respectively. The balance consisted of $31,874,039 and $40,460,171 of dividends, interest, foreign taxes, and accounts receivable on investments held as of June 30, 2009 and 2008, respectively, and included receivables of $154,225,236 and $146,645,830 for investments sold prior to June 30, 2009 and 2008, respectively, but settled after year-end. Because the collection of this interest is relatively assured and the sale of investments is merely an issue of timing, the Board does not maintain a reserve for uncollectible receivables or age the receivable detail.

Board Functions and Planning Program

The Illinois State Board of Investment (the Board) was created on October 10, 1969, by Article 22A of the Illinois Pension Code to manage and invest the assets and reserves of any pension fund or retirement system that transfers this responsibility to the Board. In accordance with Article 22A, the Trustees of the State Employees' Retirement System, the General Assembly Retirement System, and the Judges' Retirement System transferred all of their investment assets to the Board as of June 30, 1970. Since that date, all additional funds available for investment for those three systems have been transferred to the Board.

In 1978, in accordance with Article 24, the Board shall be responsible for developing and establishing the State Employees' Deferred Compensation Plan (the Plan). Initial enrollment began in 1979, at which time the Department of Personnel (now Department of Central Management Services) was named as the Administrator of the Plan. With respect to developing and establishing the plan, the Board reviews investment offering options for the Plan and supervises the Department of Central Management Services' administration of the Plan.

Beginning July 1, 1978, the Board merged the Illinois Board Fund, Illinois Equity Fund, and Illinois Segregated Fund into the Illinois State Board of Investment Commingled Fund (the Commingled Fund). The purpose of this consolidation was to enhance control over investment policy through increased flexibility in the allocation of cash reserves between fixed income and equity investments. The Board's investment policy and strategy can be more uniformly applied to each member system irrespective of cash flow. In addition, it simplified the Board's accounting and reporting systems. The result is that the Commingled Fund now represents all of the assets under the Board's supervision.

Beginning in 1982, the Board expanded the asset base of the Commingled Fund to include both real estate and venture capital.

In 1992, the Board completed its investment strategy to have all equity security investments managed externally.

During fiscal year 2004, the Board engaged Marquette Associates as its investment consultant. The Board conducted an asset allocation study and, in December 2003, adopted a written Asset Allocation Study. The Asset Allocation Study summarizes the Board's investment policies and measures of performance, formally documents objectives of the Board, and details a strategic plan for the Board. Criteria for the review and evaluation of investment managers are included in the Asset Allocation Study. Additionally, a methodology and format is outlined to highlight the results of the objectives and goals established within the Asset Allocation Study. The Asset Allocation Study reaffirms the broadly diversified investment strategy that has been pursued by the Board with the belief that, over a period of time, this approach will maximize investment return within a prudent level of risk. In March 2008, the Asset Allocation Study was updated to incorporate asset classes and revise asset allocation percentages.

Members of the Board of Directors as of June 30, 2009 include:

Michele Bush
John W. Casey
Senator James F. Clayborne
Treasurer Alexi Giannoulias
Justice Thomas E. Hoffman
Comptroller Daniel Hynes
Fred H. Montgomery
Heather D. Parish
Ronald E. Powell

The Board has established both long-term and short-term goals with the intention of maximizing earnings for Member Retirement Systems' investments. These goals are reviewed in accordance with the Strategic Investment Policy.

Number of Employees

The Board had 11 full-time employees at June 30, 2009 and 10 full-time employees at June 30, 2008.

Derivative Securities

Some of the Board's managers invest in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. The Board's investments in derivatives are not leveraged. Obligations to purchase (long a financial future or a call option) are held in cash or cash equivalents. In the case of obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. The Board of Trustees and senior management approve these limits, and the risk positions of the investment managers are reviewed on a regular basis to monitor compliance with the limits.

During the year, derivative investments included forward foreign currency contracts, collateralized mortgage obligations (CMOs), futures, and options. The remaining derivative securities are used to improve the yields or to hedge changes in interest rates.

Forward foreign currency contracts are used to hedge against the currency risk in the Board's foreign stock and fixed income portfolios. Forward foreign currency contracts are agreements to buy or sell specific amounts of a foreign currency at a specified delivery or maturity date for an agreed upon price. As the market values of the forward contracts vary, the Board records an unrealized gain or loss. Forward foreign currency contracts represent an off-balance-sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The market values of forward foreign currency contracts outstanding at June 30, 2009 and 2008 were as follows:

	Cost	Fair value	Gain/loss
June 30, 2009:			
Forward currency purchases	$ 173,126,960	$ 181,554,864	$ 8,427,904
Forward currency sales	183,451,357	197,473,806	(14,022,449)
Total gain/(loss)			$ (5,594,545)
June 30, 2008:			
Forward currency purchases	$ 6,018,928	$ 6,025,470	$ 6,542
Forward currency sales	5,890,350	5,969,514	(79,164)
Total gain/(loss)			$ (72,622)

The Board also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. The value, liquidity and related income of these securities are sensitive to prepayments by mortgagees, changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and insurers and changes in interest rates. As of June 30, 2009 and 2008, the fair value of the Board's CMO holdings totaled $23,611,438 and $165,456,226, respectively.

The Board's investment managers utilize financial futures to replicate an underlying security they desire to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Financial futures contracts are also used to improve the yield or adjust the duration of the portfolio. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed upon price. The market values of the future contracts vary from the original contract price; a gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off-balance-sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio.

The Board's investment managers utilize options in an effort to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. As the writer of financial options, the Board receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the instrument underlying the option. As the purchaser, the Board pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

The following table shows the futures and options positions held by the Board as of June 30, 2009 and 2008:

	2009		2008	
	Number of Contracts	Contract Principal*	Number of Contracts	Contract Principal*
Domestic				
Equity futures purchased	1,626	$ 74,430,150	1,892	$ 122,985,600
Fixed income futures purchased	-	-	3	599,694
Fixed income futures sold	-	-	790	167,444,230
Fixed income written put options	-	-	347	34,700,000
Fixed income written call options	-	-	283	28,300,000

*Contract principal amounts shown represent the market value of the underlying assets the contracts control. Contract principal is shown to present the volume of the transactions but does not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual balance sheet values.

Securities Lending Program

ISBI participates in a securities lending program with State Street who acts as securities lending agent. Securities are loaned to brokers and, in return, ISBI has rights to a portion of a collateral pool. All of the securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper, and government securities having a fair value equal to or exceeding 102% of the value of the loaned securities (105% for non-U.S. securities). In the event of borrower default, State Street provides ISBI with counterparty default indemnification. ISBI had no credit risk as a result of its securities lending program as the collateral received exceeded the fair value of the securities loaned. As of June 30, 2009 and 2008, there were outstanding loaned investment securities having fair values of $1,476,903,266 and $1,851,952,625, respectively; against which collateral was received with a fair value of $1,528,744,414 and $1,912,742,552, respectively. Collateral received at June 30, 2009 and 2008 consisted of $1,467,250,961 and $1,703,959,890 respectively, in cash and $61,493,453 and $208,782,662, respectively, in securities for which the Board does not have the ability to pledge or sell. The cash collateral received is invested in a short term investment pool having a fair value of $1,395,768,803 and $1,703,959,890 as of June 30, 2009 and 2008, respectively. This investment pool had an average duration of 42.64 days and 41.84 days as of June 30, 2009 and 2008, respectively. The approximate decline in the fair value of the invested cash collateral of $71,482,158 as of June 30, 2009 has been recorded as an unrealized loss, reported as a component of the investment income (loss) on the Statement of Changes in Net Assets. Regarding the investment pool, at the time of purchase, all securities with maturities of 13 months or less must qualify as first-tier securities and all securities with maturities in excess of 13 months will (a) be rate A or better by at least two nationally recognized statistical rating organization (NRSROs) or (b) if rated by only one NRSRO, be rated A or better by such NRSRO, or (c) if unrated, be determined by State Street to be of comparable quality.

Proceeds from General Obligation Bonds, Pension Funding Series June 2003 (Unaudited)

Public Act 93-0002 (the Act) became effective on April 7, 2003 and authorized the State of Illinois to issue $10 billion of General Obligation Bonds for the purpose of making contributions to designated retirement systems. The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System are "designated retirement systems" for the purpose of this law.

On June 12, 2003, the State of Illinois issued $10 billion of General Obligation Bonds, Pension Funding Series June 2003. The net bond proceeds were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in the Act.

The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System received an allocation of bond proceeds equal to $1,544,924,744 on July 1, 2003. The monies were deposited into the Master Trust Account with the Illinois State Board of Investment on July 2, 2003. The Board initially approved investing the pension bond proceeds in separate index funds. These index funds were subsequently liquidated and combined with the Board's other investments and invested in accordance with the asset allocation policy of the Board during the year ended June 30, 2004. The Board estimates the return of the pension bond proceeds earned an annual rate of return of (20.1)% during the year ended June 30, 2009, which is the same as the overall return for the Board's investment portfolio.

Third-Party Marketing Fees Paid (Unaudited)

The Board disclosed that investment managers hired marketing groups to assist with promoting their investment product to the Board. Marketing fees paid by investment managers were as follows:

Investment Manager	Third Party Marketer	Type of Fund	Year ended June 30, 2009	Year ended June 30, 2008
Alinda Infrastructure Fund	C.P. Eaton & Associates	Infrastructure	$ 349,000	$ -
Blackstone Capital Ptrs. V	Park Hill Group	Private Equity	125,000	50,000
Castile Ventures	Connors & Co.	Private Equity	-	75,000
Court Square Capital Partners II	UBS P.E. Funds Group	Private Equity	-	168,000
Ironbridge Capital	Frontier Partners-Fronterage Asset Mgmt.	Equity	1,067,511	248,520
Ivy Asset Management	The Marwood Group	Hedge Fund	-	319,068
Resolute II	Credit Suisse LLC	Private Equity	-	62,617
William Blair	Orlando Jones	Equity	-	105,212
			$ 1,541,511	$ 1,028,417

Service Efforts and Accomplishments (Unaudited)

For purposes of evaluating service efforts and accomplishments, three different measures have been included. One measure presents a historical perspective of overall annual and compound rates of return; another compares benchmark rates of return with actual rates of return by fund; and the last presents asset allocations by fund type.

Overall Rates of Return

	2009	2008	2007	2006	2005
Annual total return	(20.1)%	(6.2)%	17.1%	11.0%	10.1%
Compound annual rate of return since July 1, 1982	9.0	11.2	11.5	10.7	10.7

Investment Returns – Benchmark and Actual

The Board operates under a long-range investment plan with the objective to maximize the total rate of return. The objectives set forth are as follows:

- At least equal to the assumed actuarial interest rate, currently 8.5% per year
- At least equal to the return of a composite benchmark of market indices in the same proportions as the Board's asset allocation policy targets

The Board earned a total rate of return of (20.1)% for the year ended June 30, 2009.

	2009	2008	2007	2006	2005	(Annualized) 3 years	5 years
Total fund	(20.1)%	(6.2)%	17.1%	11.0%	10.1%	(4.3)%	1.4%
*Composite bench mark**	*(17.0)*	*(4.6)*	*16.4*	*11.5*	*10.9*	*(2.7)*	*2.7*
Consumer price index	*(1.4)*	*5.0*	*2.7*	*4.2*	*2.5*	*2.1*	*2.6*
U.S. equities	(22.0)	(11.6)	19.9	10.7	9.3	(6.2)	—
Russell 3000 Index	*(26.6)*	*(12.5)*	*20.1*	*9.6*	*8.1*	*(8.4)*	*(1.8)*
International equities	(29.1)	(10.3)	28.8	28.9	14.8	(6.4)	3.9
MSCI-EAFE Index	*(31.0)*	*(10.2)*	*27.5*	*27.1*	*14.1*	*(7.5)*	*2.8*
Fixed income	(2.4)	5.3	6.9	0.8	6.9	3.3	3.5
Barclays Capital Universal Index	*4.9*	*6.2*	*6.6*	*(0.3)*	*7.4*	*5.9*	*5.0*
Real estate	(31.7)	2.6	15.3	19.5	14.8	(6.9)	2.1
NCRIEF Real Estate Index	*(19.6)*	*9.2*	*17.2*	*18.7*	*15.6*	*1.0*	*7.6*
Private equity	(18.8)	(4.9)	31.7	21.3	29.6	0.6	9.9

* Composite benchmark:

Effective 11/08:	30% Russell 3000; 20% MSCI-EAFE; 25% Barclays Capital Universal; 10% NCRIEF; 5% Venture Economic all Private Equity Index; 10% HFR Equity Hedged Index.
Effective 04/08:	30% Russell 3000; 20% MSCI-EAFE; 25% Lehman Universal; 10% NCRIEF; 5% Venture Economic all Private Equity Index; 10% HFR Equity Hedged Index.
Effective 12/03:	45% Wilshire 5000; 10% MSCI-EAFE; 25% Lehman Universal; 10% NCRIEF; 5% Venture Economic all Private Equity Index; 5% HFR Equity Hedged Index.
Effective 4/02:	46% Russell 3000; 15% MS-AC Free ex US: 23% Lehman Universal: 8% NCRIEF, 8% Russell 2000 + 3.0%.
Prior to 4/02:	43% Russell 3000: 20% MS-AC Free ex US; 22% Lehman Aggregate; 7% NCRIEF; 8% absolute return of 12%.

Note: Effective 11/08, the Lehman Universal benchmark ceased to exist. Barclays Capital Universal is the benchmark currently used by the Board.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Analysis of Operations

Year ended June 30, 2009

Net Asset Allocations as of June 30, 2009

The investment policy of the Board establishes asset allocation targets and ranges for each asset class, selected to accomplish the long-range investment plan. The actual asset mix is roughly in line with the policy target, with modest over-allocations to U.S. equity and unallocated cash with offsetting under-allocations to international equity, alternative investments, and real estate.

	Fair value ($ million)	Actual asset mix	Policy target
U.S. equity	$ 2,610,505,162	30%	30%
U.S. equity hedge funds	880,939,190	10%	10
International equity	1,482,642,287	17%	20
Commingled funds[4]	335,484,184	4%	—
Fixed income[1]	1,366,303,740	16%	18
Bank Loans	197,259,098	2%	2
Real estate	875,929,700	10%	10
Private Equity[2]	450,491,810	5%	5
Infrastructure[2]	305,969,947	4%	5
Cash[3]	178,529,154	2%	—
Total	$ 8,684,054,272	100%	100%

[1] Maturities of one year or longer, including convertible bonds.

[2] Interests in limited partnerships and other entities which have limited liquidity.

[3] Includes money market instruments and other assets, less liabilities.

[4] Holdings include fixed income and equity instruments.