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

Financial Statements
June 30, 2024
(With Independent Auditors' Report Thereon)
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)

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ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
Agency Officials, Board Officers, and Board Members
Year Ended June 30, 2024

AGENCY OFFICIALS

Executive Director / Chief Investment Officer (7/1/2018 – 10/2/2023)	Ms. Johara Farhadieh
Interim Executive Director / Investment Officer (10/3/2023 – 12/31/2023)	Mr. Dipesh Mehta
Executive Director / Chief Investment Officer (1/1/2024 – Present)	Mr. Dipesh Mehta
Deputy Executive Director / General Counsel / Chief Compliance Officer (7/1/2019 – 12/31/2023)	Mr. Dipesh Mehta
General Counsel / Chief Compliance Officer (1/1/2024 – 10/26/2024)	Vacant
General Counsel / Chief Compliance Officer (10/27/2024 – Present)	Mr. Patrick Hall
Chief Financial Officer / Chief Operating Officer (5/8/2023 – Present)	Mr. David Schneider
Portfolio Officer for Financial Reporting and Accounting (2/10/2014 – Present)	Ms. Genette Bacon-Cordova

BOARD OFFICERS

Chair of the Board (9/29/2021 – Present)	Mr. Terrence Healy
Vice Chair of the Board (1/12/2015 – Present)	Treasurer Michael W. Frerichs
Recording Secretary (9/30/2022 – 12/31/2023)	Trustee Gisela Attlan
Recording Secretary (1/1/2024 – 4/28/2024)	Vacant
Recording Secretary (4/29/2024 – Present)	Justice Debra Walker
Member at Large (12/5/2016 – Present)	Comptroller Susana A. Mendoza

BOARD MEMBERS

Trustee (5/1/2019 – Present)	Senator Robert Martwick
Trustee (9/9/2019 – Present)	Ms. Elizabeth Sanders
Trustee (3/29/2019 – Present)	Mr. Michael Tarnoff
Trustee (9/17/2022 – Present)	Justice Debra Walker
Trustee (7/28/2023 – Present)	Mr. Matthew Brewer

Illinois State Board of Investment Office is located at:
180 North LaSalle Street
Suite 2015
Chicago, Illinois 60601

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
Summary
Year Ended June 30, 2024

Financial Statement Report Summary

The audit of the accompanying financial statements of the Illinois State Board of Investment (ISBI) as of and for the year ended June 30, 2024 was performed by RSM US LLP. Based on their audit, the auditors expressed an unmodified opinion on ISBI's basic financial statements.

Summary of Findings

Number of:	Current Report	Prior Year Report
Findings	None	None
Repeated findings	None	None
Prior recommendations implemented or not repeated	None	None

Exit Conference

ISBI waived an exit conference in a correspondence from David Schneider, Chief Operating and Financial Officer, on December 19, 2024.

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
And
The Board of Trustees
Illinois State Board of Investment

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General of the State of Illinois, we have audited the financial statements of the Illinois State Board of Investment (ISBI), an internal investment pool of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents. We have also audited the financial statements of each of the fiduciary funds presented in ISBI's financial statements as of and for the year ended June 30, 2024.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of ISBI, an internal investment pool of the State of Illinois, as of June 30, 2024, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of each fiduciary fund of ISBI, as of June 30, 2024, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ISBI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only ISBI, an internal investment pool of the State of Illinois, and do not purport to, and do not, present fairly the financial position of the State of Illinois, as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 ISBI’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of ISBI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ISBI’s 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 ISBI’s internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 19, 2024

Management's Discussion and Analysis (Unaudited)

In October 1969, the Illinois State Board of Investment (ISBI) was created by enactment of Article 22A of the Illinois Pension Code by the 76th General Assembly of Illinois. By statute, ISBI was given the responsibility for management of the assets of the General Assembly Retirement System of Illinois, the Judges' Retirement System of Illinois and the State Employees' Retirement System of Illinois (Member Systems). In August 2007, by enactment of 30 ILCS 105/6z-75 of the Illinois Compiled Statutes, ISBI was also given responsibility for the management of the Illinois Power Agency Trust Fund (Trust Fund). Board membership consists of five members appointed by the Governor and four ex officio members consisting of the State Treasurer and the Chairperson of the Board of Trustees of each of the Member Systems. ISBI maintains its office in Chicago, Illinois.

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview of ISBI's financial activities for the fiscal years ended June 30, 2024 and 2023.

Financial Highlights

ISBI's net position totaled approximately $26.2 billion as of June 30, 2024, compared to approximately $24.3 billion as of June 30, 2023. The increase from the previous year is primarily the result of investment valuation increases related to market fluctuations.

General Market Risk

ISBI is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on ISBI's investment portfolio depends in large measure on how significant the market downturn/rally is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could significantly impact ISBI's financial condition. In light of the ongoing national and global economic volatility experienced during the fiscal year, readers of these financial statements are advised that financial markets remain volatile and may experience significant changes on a daily basis.

Financial Statement Overview

ISBI's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and are comprised of the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements.

The Statement of Fiduciary Net Position presents information on ISBI's assets and liabilities and the resulting net position. This statement also reflects ISBI's investments along with cash and short-term investments, receivables, and other assets and liabilities.

The increase in investments at June 30, 2024 is a result of money weighted investment gains of 9.3% for the fiscal year, net of expenses, shown in the Statement of Changes in Fiduciary Net Position. The increase in liabilities and receivables for fiscal year 2024 when compared against 2023 is primarily related to greater pending investment purchases and sales as of June 30, 2024 compared to the prior year, and is the result of the timing of these transactions.

Condensed Statement of Fiduciary Net Position
June 30

	2024	2023	Change
	$	$	$
Cash	20,395,222	14,897,834	5,497,388
Receivables	101,458,373	49,348,389	52,109,984
Investments	26,116,013,438	24,279,351,800	1,836,661,638
Other Assets	4,010,214	105,190	3,905,024
Total assets	26,241,877,247	24,343,703,213	1,898,174,034
Liabilities	75,188,407	6,357,377	68,831,030
Total net position	$ 26,166,688,840	$ 24,337,345,836	$ 1,829,343,004

The Statement of Changes in Fiduciary Net Position presents information regarding changes during the fiscal year ended June 30, 2024. These statements reflect additions and deductions, which include the investment income and losses derived from realized and unrealized gains/losses and Member Systems and Trust Fund contributions. Also reflected in the statements are deductions, which include withdrawals from the Member Systems and Trust Fund and administrative expenses of ISBI.

ISBI recorded $2.2 billion in net investment gains in the fiscal year resulting from increased valuations of investments held as of June 30, 2024. Prior year net investment gains were $1.4 billion. Additionally, Member Systems withdrawals increased in the current year to $372 million compared with $252 million in fiscal year 2023. Withdrawals are determined by the Member Systems and Trust Fund based on the State of Illinois' funding and the Member Systems' benefit payment needs and Trust Fund requirements.

The Notes to Financial Statements provide additional information, which is necessary to fully understand the data provided in the financial statements.

Condensed Statement of Changes in Fiduciary Net Position
Fiscal Years Ended June 30

	2024	2023	Change
Additions:			
Net investment income/(loss)	$ 2,205,931,039	$ 1,415,489,997	$ 790,441,042
Contributions from the State of Illinois	5,934	64	5,870
Total additions	2,205,936,973	1,429,826,969	790,446,912
Deductions:			
Member Systems' and IPA Trust Fund withdrawals	372,247,500	251,500,000	120,747,500
Administrative expenses	4,346,469	4,528,312	(181,843)
Total deductions	376,593,969	270,365,220	120,565,657
Net increase (decrease) in net position	$ 1,829,343,004	$ 1,159,461,749	$ 669,881,255

Financial Statements

Illinois State Board of Investment
(An Internal Investment Pool of the State of Illinois)
Statement of Fiduciary Net Position
June 30, 2024

	Illinois State Board of Investment Member Systems	Illinois Power Agency Trust Fund	Total Illinois State Board of Investment
ASSETS			
Cash	$ 20,359,605	$ 35,617	$ 20,395,222
Receivables:			
Foreign taxes	5,993,166	10,484	6,003,650
Investments sold	78,458,710	137,255	78,595,965
Interest and dividends	16,829,317	29,441	16,858,758
Total receivables	101,281,193	177,180	101,458,373
Prepaid expenses	10,899	19	10,918
Capital assets	14,490	25	14,515
Right of Use Asset	3,977,822	6,959	3,984,781
Investments:			
US government, agency, and municipal obligations	570,492,074	998,008	571,490,082
Domestic equities	5,399,584,102	9,445,924	5,409,030,026
International equities	294,411,331	515,036	294,926,367
Domestic bank loans	113,577,213	198,690	113,775,903
Domestic corporate obligations	263,791,984	461,472	264,253,456
International obligations	23,460,253	41,042	23,501,295
Commingled funds	11,131,822,374	19,473,790	11,151,296,164
Real estate funds	2,610,935,255	4,567,518	2,615,502,773
Private equity funds	2,610,250,605	4,566,321	2,614,816,926
Private credit funds	2,166,080,025	3,789,297	2,169,869,322
Infrastructure funds	643,649,928	1,125,988	644,775,916
Hedge funds	143,338	251	143,589
Money market instruments	242,207,905	423,714	242,631,619
Total investments	26,070,406,387	45,607,051	26,116,013,438
Total assets	26,196,050,396	45,826,851	26,241,877,247
LIABILITIES			
Payables:			
Investments purchased	65,661,073	114,865	65,775,938
Administrative expenses	5,418,209	9,479	5,427,688
Lease liability	3,977,822	6,959	3,984,781
Total liabilities	75,057,104	131,303	75,188,407
NET POSITION			
Net position restricted for pool participants	$ 26,120,993,292	$ 45,695,548	$ 26,166,688,840

See notes to financial statements

Illinois State Board of Investment
(An Internal Investment Pool of the State of Illinois)
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Illinois State Board of Investment Member Systems	Illinois Power Agency Trust Fund	Total Illinois State Board of Investment
ADDITIONS			
Investment income:			
Net increase in fair value of investments	$ 1,923,405,393	$ 3,511,404	$ 1,926,916,797
Interest and other	223,030,293	406,726	223,437,019
Dividends	77,490,012	141,313	77,631,325
Total investment income	2,223,925,698	4,059,443	2,227,985,141
Less investment expenses:			
Custody	539,015	985	540,000
Investment advisors/managers	21,359,034	39,047	21,398,081
Investment services and research	115,809	212	116,021
Net investment income	2,201,911,840	4,019,199	2,205,931,039
Member Systems' and Trust Fund contributions	-	5,934	5,934
Total additions	2,201,911,840	4,025,133	2,205,936,973
DEDUCTIONS			
Administrative expenses:			
Salaries and benefits:			
Salaries	1,636,258	2,990	1,639,248
Benefits	1,227,825	2,245	1,230,070
Operating expenses:			
Rent and utilities	336,090	614	336,704
Audit	224,589	411	225,000
Other	514,360	940	515,300
External support:			
Consulting and professional services	653,952	1,195	655,147
Reimbursement of DC Plan Expenses	(254,535)	(465)	(255,000)
Total administrative expenses	4,338,539	7,930	4,346,469
Member Systems' and Trust Fund withdrawals	370,000,000	2,247,500	372,247,500
Total deductions	374,338,539	2,255,430	376,593,969
Increase in net position	1,827,573,301	1,769,703	1,829,343,004
Net position at beginning of year	24,293,419,991	43,925,845	24,337,345,836
Net position at end of year	$ 26,120,993,292	$ 45,695,548	$ 26,166,688,840

See notes to financial statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity
The Illinois State Board of Investment (ISBI) is considered an internal investment pool of the State of Illinois (the State), operating from investment income and contributions from the State. ISBI manages and invests the pension assets of three separate public employee retirement systems (Member Systems): the General Assembly Retirement System of Illinois (GARS), the Judges' Retirement System of Illinois (JRS), and State Employees' Retirement System of Illinois (SERS). ISBI also manages the assets of the Illinois Power Agency Trust Fund (Trust Fund) on behalf of the Illinois Power Agency (IPA). The Member Systems and Trust Fund are reported as investment trust funds of ISBI, which are fiduciary in nature and follow the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

The assets of the Member Systems and the Trust Fund are pooled in a commingled fund. Individual information on each of the Member System's and the Trust Fund's participation is presented in Note 3. The assets of the Trust Fund came under the management of ISBI in fiscal year 2012. The assets and liabilities of the Member Systems and Trust Fund are reported on the Statement of Fiduciary Net Position. The additions and deductions for the Member Systems and Trust Fund for fiscal year 2024 are reported on the Statement of Changes in Fiduciary Net Position.

The State of Illinois Annual Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 62704-1858 or by calling (217) 782-6000.

The Illinois Power Agency issues a separate Annual Report that may be obtained by writing to the Illinois Power Agency, 180 N. Wabash Avenue, Suite 500, Chicago, IL 60601 or by calling (312) 793-0263.

Basis of Accounting
Accounting records are maintained on an accrual basis. Units are allocated quarterly to each Member System and the Trust Fund based upon percentage of ownership. Administrative expenses are deducted monthly from income before allocation.

Valuation of Investments
Generally, investments owned are reported at fair value as follows: (1) U.S. Government and Agency, Domestic and International Corporate Obligations, Bank Loans, Convertible Bonds and Municipal Bonds – prices quoted by a major dealer in such securities; (2) Common Stock and Equity Funds, International Equity Securities and Options: (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices; (3) Commingled Funds, Real Estate Funds, Private Equity Funds, Private Credit Funds, Infrastructure Funds, and Hedge Funds – generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. Money market instruments are measured at amortized cost.

Investment Transactions and Investment Income
Investment transactions are accounted for on a trade date (date order to buy or sell is initiated) and dividend income is recognized on the ex-dividend date. Interest income is recognized on an accrual basis. ISBI's investment pool, as established by the State, is exempt from Federal, State, and local income taxes. In the event that income taxes are withheld on investments held outside of the United States as required by local international governments, foreign tax reclaim processes are performed to recover applicable foreign tax withholdings.

Note 1. Summary of Significant Accounting Policies (Continued)

Custody and Investment Management Fees
ISBI has contracted with investment managers approved by the Board of Trustees to make investment decisions based on investment guidelines provided to them by ISBI staff and consultants. The investment managers serve as investment advisors to ISBI. ISBI pays an investment management fee to each investment manager for these services on a quarterly basis. The investment management fee is based upon contractual agreement provisions and is computed as a percentage of each manager's portfolio fair value or based on a flat fee.

Management fees paid to certain Commingled funds, Multi-Sector Credit funds, Private Credit funds, and Real Estate funds are calculated based upon the terms of each individual fund agreement, each manager's portfolio fair value or ISBI's capital commitment and are reported as Investment Advisor/Managers Expense on the Statement of Changes in Fiduciary Net Position. Other Commingled fund, Real Estate fund, Private Equity fund, Private Credit fund, Infrastructure fund, and Hedge fund fees are reported net of investment income on the Statement of Changes in Fiduciary Net Position.

Northern Trust Company (Northern Trust) provides custody services for the assets managed by ISBI. These services include safekeeping and transaction processing services for all investment assets of the Member Systems and the Trust Fund. Northern Trust also provides cash management services and all necessary reporting for investment assets including performance reporting and accounting reports. Custody fees paid to Northern Trust are paid quarterly on a fixed fee basis, per ISBI's contract with Northern Trust, which includes custody services, performance and analytics services and various accounting data interface feeds.

Operational Risk Management
ISBI, as part of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program, which handles processing of all claims. ISBI retains annual commercial liability insurance. There have been no commercial insurance claims in the past five years. ISBI also maintains governmental fiduciary liability policies to insure against the risk of potential claims related to a breach of responsibilities, obligations, or duties imposed by applicable laws or regulations.

Investment Risks and Uncertainties
ISBI invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Use of Estimates
In preparing financial statements in conformity with U.S. generally accepted accounting principles, ISBI makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions and the differences may be material.

The determination of fair value for certain investments, such as investments in Bank Loans, Commingled funds, Real Estate funds, Private Equity funds, Private Credit funds, Infrastructure funds, and Hedge Funds, take into account consideration of a range of factors, including but not limited to the price at which the underlying investments were acquired, the nature of the underlying investments, local market

Note 1. Summary of Significant Accounting Policies (Continued)

conditions, trading values on public exchanges for comparable underlying investments, current and projected operating performance of the underlying investments, and financing transactions subsequent to the acquisition of the investment. Determining fair value of such investments involves a significant degree of judgment by investment managers.

Because of the inherent uncertainty of the above referenced fair values, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated vacation and sick leave balances for ISBI employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary and includes salary-related costs (e.g., social security and Medicare tax). The liability is included in Administrative Expenses Payable on the Statement of Fiduciary Net Position and the annual increase or decrease in the liability is reflected in Salaries Expense on the Statement of Changes in Fiduciary Net Position.

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

ISBI's policy related to vacation days earned for all employees under the jurisdiction of the State of Illinois Personnel Code and employees employed on or after January 1, 2011 not subject to the jurisdiction of the Personnel Code (non-code) is in accordance with the following schedule:

- From the date of hire until the completion of 5 years of continuous service – 10 work days per year
- From the completion of 5 to 9 years of continuous service – 15 work days per year
- From the completion of 9 to 14 years of continuous service – 17 work days per year
- From the completion of 14 to 19 years of continuous service – 20 work days per year
- From the completion of 19 to 25 years of continuous service – 22 work days per year
- From the completion of 25 years of continuous service – 25 work days per year

All employees of ISBI employed prior to January 1, 2011, not subject to the Personnel Code (non-code), earn vacation leave in accordance with the following schedule adopted by ISBI:

- From date of hire until completion of 1 year of continuous service – 15 work days per year
- From completion of 1 year of continuous service until the completion of 3 years continuous service – 20 work days per year
- Thereafter – 25 work days per year

On each employee's creditable service date, any vacation time accumulated in excess of two year's vacation allowance at the current rate will be forfeited.

Note 2. Deposits, Investments, Investment Risk, and Fair Value

Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, ISBI's deposits may not be returned. Non-investment related bank balances at year-end are held in a state Treasurer's Office assigned account and insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. As of June 30, 2024, ISBI had non-investment related bank balances of $667,058.

A Custodial Credit Risk Policy was implemented by ISBI staff and formally adopted by ISBI in July of 2007 pertaining to investment related deposits. The Policy outlines the control procedures used to monitor custodial credit risk. These assets are under the custody of Northern Trust which has an A+ Long-term Deposit/Debt rating by Standard & Poor's and an A2 rating by Moody's. Certain investments of ISBI with maturities of 90 days or less would be considered cash equivalents; these consist of short-term investment funds and U.S. Treasury bills with maturities of 90 days or less. For financial statement presentation and investment purposes, ISBI reports these types of cash equivalents as Money Market Instruments in the Statement of Fiduciary Net Position. As of June 30, 2024, ISBI had investment related bank cash balances of $19,728,164. These balances include various foreign cash balances at year end. Cash held in the investment related bank account is neither federally insured nor collateralized for amounts in excess of $250,000. However, ISBI is the beneficiary of multiple policies and bonds held by Northern Trust providing for recovery of various potential losses related to services provided by Northern Trust as ISBI's custodian. At any given point and time, the foreign cash balances may be exposed to custodial credit risk.

Enabling Statutes/Investment Policy

ISBI's investment authority and responsibilities are specified in the Illinois Compiled Statutes, 40 ILCS 5/1 and 40 ILCS 5/22A. These statutes provide ISBI with the authority to manage and invest certain assets.

As described in Note 1, ISBI currently manages and invests the assets of the General Assembly Retirement System, the Judges' Retirement System, the State Employees' Retirement System, and the Illinois Power Agency Trust Fund. All investments undertaken by ISBI are governed by 40 ILCS 5 adopted by the General Assembly in 1982, and other standards codified in the above reference to the statutes.

40 ILCS 5/1-109 requires all members of ISBI and other fiduciaries to "… discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries and: With the care, skill, prudence and diligence…By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses[.]" ISBI has developed a formal Investment Policy, which has been approved by the Board of Trustees, that outlines investment objectives and philosophies that are implemented in order to achieve the mandates established by the enabling statute.

Investment Commitments

ISBI had total unfunded investment commitments of $4,724,184,154 as of June 30, 2024 across its Real Estate, Private Equity, Private Credit, and Infrastructure investment portfolios. These portfolios consist primarily of passive interests in limited partnerships. ISBI funds outstanding commitments by utilizing available cash and/or selling liquid portfolio securities as necessary.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

Investment Liquidity

While the majority of ISBI's portfolio is highly liquid, ISBI does hold investments in Bank Loans, specific Commingled Funds, Real Estate Funds, Private Equity Funds, Private Credit Funds, Infrastructure Funds, and Hedge Funds that are considered illiquid by the very nature of the investment. As such, liquidity risk exists as ISBI may not be able to exit from the illiquid investments during periods of significant fair value declines.

Fair Value Measurements of Investments

Fair value is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e., the exit price). Fair value measurements are determined within a framework that utilizes a three-tier hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, either directly or indirectly. These inputs include:

(a) Quoted prices for similar assets in active markets;
(b) Quoted prices for identical or similar assets in markets that are not active;
(c) Inputs other than quoted prices that are observable for the asset; or
(d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable for the asset. The valuation of these investments requires significant judgment due to the absence of quoted fair values, inherent lack of liquidity, and changes in market conditions.

Money market instruments are valued at amortized cost which approximates fair value.

Valuation methodologies for Level 2 assets are as follows:

- U.S. Government Treasuries and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- International Obligations: quoted prices for similar securities in active markets and quoted prices for identical or similar assets in markets that are not active;
- Corporate Obligations: quoted prices for similar securities in active markets;
- Municipal Obligations: quoted prices for similar securities in active markets;
- Bank Loans: inputs other than quoted prices that are observable for the asset;
- Derivative instruments (currently comprised of rights/warrants reported within equity securities): valued using a market approach that considers foreign exchange rates.

Investments classified as Level 3 are valued using best available sources, including discounted cash flow models, weighting of best available pricing inputs and third-party pricing services. The values are supplied investment managers or general partners who hold those or similar assets in investment vehicles they oversee. These pricing sources may or may not be indicative of realizable exit values attainable for the assets.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

ISBI categorizes its fair value measurements within the fair value hierarchy as prescribed by U.S. generally accepted accounting principles. For the year ended June 30, 2024, ISBI had the following recurring fair value measurements:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Totals
Investments by fair value level				
Debt securities				
U.S. Government, agency, and municipal obligations	$ 227,955	$ 571,262,127	$ -	$ 571,490,082
Domestic bank loans	-	84,456,563	29,319,340	113,775,903
Domestic corporate obligations	1,531,348	243,049,080	19,673,028	264,253,456
International obligations	-	21,236,850	2,264,445	23,501,295
Total debt securities	1,759,303	920,004,620	51,256,813	973,020,736
Equity securities				
Domestic equities	5,392,307,684	-	16,722,342	5,409,030,026
International equities	294,451,171	-	475,196	294,926,367
Total equity securities	5,686,758,855	-	17,197,538	5,703,956,393
Other				
Commingled funds [1]	8,989,210,596	-	-	8,989,210,596
Total other	8,989,210,596	-	-	8,989,210,596
Total investments by fair value level	14,677,728,754	920,004,620	68,454,351	15,666,187,725
Investments measured at Net Asset Value				
Commingled funds				2,162,085,568
Real estate funds				2,615,502,773
Private equity				2,614,816,926
Private credit				2,169,869,322
Infrastructure				644,775,916
Hedge funds				143,589
Total investments measured at Net Asset Value				10,207,194,094
Investments not measured at fair value				
Money market instruments				242,631,619
Total investments not measured at fair value				242,631,619
Total investments				$ 26,116,013,438

[1] Commingled Funds are mutual funds with a readily determinable fair value and are reported as Level 1

Investments Measured at Net Asset Value

Investments valued using the net asset value (NAV) per share (or its equivalent) are mostly “alternative investments” which, unlike more traditional investments, generally do not have readily obtainable fair values. ISBI’s estimate of the fair value of these alternative investments is determined based on the NAVs of the respective investment funds provided by external investment fund managers. NAV may be used as a practical expedient to estimate the fair value of the investment if certain eligibility criteria are met. Additionally, ISBI’s NAV measurement date (June 30) is different than the year-end the auditors’ reports cover (December 31) for a majority of these investment funds. ISBI evaluates the reliability of the NAVs reported by fund managers at June 30, 2024 based upon, among other factors, the funds’ audited financial statements as of December 31, 2023, as well as the key factors and assumptions used to monitor, collect, and analyze the valuations of the alternative investments in relation to relevant literature.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for alternative investments measured at NAV:

Fair Value Measurement - Inv Measured at NAV Disclosure

Investments Measured at NAV

June 30, 2024	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Commingled funds	$ 2,162,085,568	$ -	Quarterly	90 days
Real estate funds	2,615,502,773	952,840,660	Quarterly	90 days
Private equity funds	2,614,816,926	1,492,271,493	N/A	N/A
Private credit funds	2,169,869,322	1,948,635,143	N/A	N/A
Infrastructure funds	644,775,916	330,436,858	Quarterly	90 days
Hedge funds	143,589	-	Quarterly	90 days
Total investments measured at NAV	$ 10,207,194,094			
Total Unfunded Commitments		$ 4,724,184,154		

The following content provides further descriptions of investments measured at NAV:

1) Commingled Funds measured at NAV – ISBI's assets in this category consist of various investments that are blended together in order to provide economies of scale, allowing for lower trading costs per dollar of investment and diversification. These investments provide primarily liquid exposure to publicly traded equity and fixed income markets. The equity and fixed income portfolios provide diversification benefits and return enhancement to the overall fund in both domestic and international markets. Commingled funds are also called "pooled funds" and "master trusts." ISBI's current NAV measured commingled fund exposure consists of investments in 48 total funds, including public equity (44) and fixed income (4) funds. 16 of these funds are domestic and 21 are international. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. ISBI has no plans to liquidate these investments as of June 30, 2024.

2) Real Estate Funds – ISBI's assets in this category consist of investments in Core and Non-Core Real Estate Funds. ISBI's current Real Estate exposure consists of investments in 80 funds with the goals of diversifying ISBI's overall portfolio, providing capital appreciation and supplementing the total return of the portfolio through exposure to private real estate assets in both open-end and closed-end structures. Investments in this category are globally diversified and consist of office, industrial, multi-family, retail, storage and other types of assets. Core assets are expected to provide strong diversification through primary markets and high-income potential. Non-Core assets are typically higher risk assets with stronger capital appreciation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. ISBI has no plans to liquidate these investments as of June 30, 2024.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

3) Private Equity Funds – ISBI's assets in this category consist of investments in funds not listed on public exchanges. ISBI's current Private Equity exposure consists of investments in 129 funds with the goals of generating returns significantly greater than typically available in the public market and diversifying ISBI's overall portfolio that is comprised predominantly of equity and fixed income assets. The strategies of Private Equity funds include, but are not limited to, leveraged buyouts, venture capital, and growth capital. Returns are commensurate with the risks presented by this asset class which include illiquidity. These funds have underlying portfolio investments that cannot be redeemed with the funds but rather these funds will make distributions of capital as the funds liquidate their underlying portfolio investments over the average 10-year life of the funds. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. ISBI has no plans to liquidate these investments as of June 30, 2024.

4) Private Credit Funds – ISBI's assets in this category consist of investments in private fixed income markets. ISBI's current Private Credit exposure consists of investments in 114 funds with the goals of diversifying ISBI's overall portfolio, providing downside protection through assets that are capital collateralized, and supplementing the total return of the portfolio which is comprised predominantly of equity and fixed income assets. These funds have underlying portfolio investments that cannot be redeemed with the funds but rather these funds will make distributions of capital as the funds liquidate their underlying portfolio investments over the average 10-year life of the funds. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. ISBI has no plans to liquidate these investments as of June 30, 2024.

5) Infrastructure Funds – ISBI's assets in this category consist of investments in funds that target infrastructure assets that provide essential services or facilities to a community (ports, bridges, toll roads, etc.). ISBI's current infrastructure exposure consists of investments in 24 funds that seek to diversify ISBI's overall portfolio (comprised predominantly of equity and fixed income assets) and provide capital appreciation and income generation through both open-end and closed-end structures. Investments in this category are globally diversified and consist of Core and Non-Core assets. Core assets are expected to provide strong diversification through primary markets and high-income potential. Non-Core assets are typically higher risk assets with stronger capital appreciation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. ISBI has no plans to liquidate these investments as of June 30, 2024.

6) Hedge Funds – ISBI's assets in this category have historically consisted of investments in funds that seek to generate better than average return and provide a hedge against a downward trend in the overall market. ISBI is currently in the process of transitioning investments in hedge fund vehicles to long-only equity vehicles. ISBI's current Hedge Fund exposure consists of investments in two funds including hedge fund and long only equity assets. Returns are commensurate with the risks presented by this asset class which include illiquidity. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. ISBI has no plans to liquidate these investments as of June 30, 2024.

Concentration of Credit Risk and Credit Risk for Investments

ISBI's portfolio of investments is managed by professional investment management firms. Each investment manager must comply with risk management guidelines individually assigned to them as part of their investment management agreement. ISBI does not set specific credit risk limits within its Investment Policy and did not have any single issuer investment that exceeded 5% of the total investments of ISBI as of June 30, 2024.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

The following table presents the quality ratings of debt securities held by ISBI as of June 30, 2024:

	Moody's Quality Rating	$
U.S. government and agency obligations		
	AAA	571,490,082
Total U.S. government and agency obligations		571,490,082
Domestic corporate obligations		
Banks	A	26,917,856
	B	19,703,123
	NR	8,370,460
Total banks		54,991,439
Insurance	CAA	999,776
Total insurance		999,776
Other	AAA	7,619,457
	AA	1,880,446
	A	18,317,420
	BAA	69,531,843
	BA	15,492,785
	B	3,752,568
	CAA	27,560,134
	CA	-
	Not rated	64,107,588
Total other		208,262,241
Total domestic corporate obligations		264,253,456
Domestic bank loans		
	BAA	22,380,231
	CAA	4,778,061
	Not rated	86,617,611
Total domestic bank loans		113,775,903
International obligations		
	AAA	1,006,477
	BAA	9,246,626
	BA	1,862,185
	CAA	2,254,519
	Not rated	9,131,488
Total international obligations		23,501,295
Money market instruments		
Total money market instruments	Not rated	242,631,619
Total Rated Securities		1,215,652,355

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, ISBI will not be able to recover the value of investments or collateral securities that are in the possession of counterparty. ISBI's investment policy places no limit on the amount ISBI may invest in any one issuer. As of June 30, 2024, there were no securities held by the counterparty or by its trust department or agent but not in ISBI's name.

Interest Rate Risk

ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted duration. ISBI does not set specific investment weighted duration limits within its Investment Policy. As of June 30, 2024, the effective weighted duration of ISBI's fixed income portfolio was 6.8 years and the effective duration of the benchmark index (Barclay's U.S. Universal Index) 5.9.

Duration is the measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's fair value. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. Below is the detail of ISBI's duration by investment type as of June 30, 2024:

Investment Type	Fair Value	Effective Weighted Duration Years
U.S. government, agency, and municipal obligations		
U.S. government	$ 571,262,127	**8.4**
U.S. federal agency	227,955	**0.0**
Total U.S. government, agency, and municipal obligations	571,490,082	
Domestic obligations		
Banks	54,991,439	**3.8**
Insurance	999,776	**1.1**
Other	208,262,241	**2.3**
Total domestic obligations	264,253,456	
International obligations	23,501,295	**1.2**
	$ 859,244,833	

For the ISBI bank loans portfolio, the appropriate measure of interest rate risk is weighted average maturity. Weighted average maturity is the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio. Weighted average maturity measures the sensitivity of fixed-income portfolios to interest rate changes. At June 30, 2024, the weighted average maturity of ISBI's bank loan portfolio was 3.8 years.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

Foreign Currency Risk
The international portfolio is constructed on the principles of diversification, quality, growth, and value. Risk of loss arises from changes in currency exchange rates and other factors. Certain investments held in Real Estate, Private Equity, Private Credit, and Infrastructure funds trade in a reported currency of Euro-based or British Pound-based dollars valued at $122,101,178 as of June 30, 2024. ISBI does not set specific foreign denominated investment limits within its investment policy. The following table presents other foreign currency risk by type of investment as of June 30, 2024:

	International Equities	International Obligations
Australian Dollar	$ 6,874,755	$ -
Brazilian Real	4,954,165	-
British Pound Sterling	28,170,444	-
Canadian Dollar	13,834,810	1,014,361
Danish Krone	3,861,904	-
Euro Currency	93,930,734	-
Hong Kong Dollar	6,788,379	-
Japanese Yen	52,356,267	-
Israeli Shekel	431,393	-
Taiwan Dollar	3,498,790	-
Norwegian Krone	1,911,296	476,591
Singapore Dollar	1,647,157	-
South Korean Won	15,781,600	-
Swedish Krona	4,930,513	-
Swiss Franc	11,230,323	-
United Arab Emirates Dirham	750,694	-
Foreign investments denominated in U.S. Dollars	43,973,143	22,010,343
	$ 294,926,367	$ 23,501,295

Derivative Securities
In fiscal year 2010, ISBI implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* with respect to investments held in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or a market index. ISBI currently only invests in rights and warrants derivative instruments. ISBI's derivatives are considered investment derivatives.

Rights and warrants allow ISBI investment managers to replicate an underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years. These investments are reported at fair value in the investment section of the Statement of Fiduciary Net Position within the domestic and international equity classifications. The gain or loss associated with rights and warrants is recognized in the net increase/decrease in the fair value of investments in the Statement of Changes in Fiduciary Net Position.

Note 2. Deposits, Investments, Investment Risk, and Fair Value (Continued)

The following table presents the investment derivative instruments aggregated by type that were held by ISBI as of June 30, 2024:

	Changes in Fair Value	Fair Value at Year End	Notional Amount
	$	$	Number of shares
Rights/Warrants	(3,015)	362,097	288,070
	(3,015)	362,097	288,070

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. Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. Market risk is the possibility that a change in interest (interest rate risk) or currency rates (foreign currency risk) 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. These limits are approved by ISBI management and the risk positions of the investment managers are periodically reviewed by ISBI's strategic partners to monitor compliance with the limits.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested (e.g., Member Systems contributions and withdrawals). For the year ended June 30, 2024, the annual money-weighted rate of return on fund investments, net of investment expense, was 8.99 percent.

Note 3. Member Systems' and Illinois Power Agency Trust Fund Participation

	General Assembly	Judges	State Employees'	Illinois State Board of Investment Member Systems	Illinois Power Agency	Total Illinois State Board of Investment *
Member Systems' and Trust Fund's Income and Expenses Fiscal Year Ended June 30, 2024						
Interest and dividends	$ 956,688	$ 15,991,766	$ 283,571,851	$ 300,520,305	$ 548,039	$ 301,068,344
Net realized gain on investments	3,821,062	63,832,719	1,132,321,018	1,199,974,799	2,189,258	1,202,164,057
Net unrealized gain/(loss) on investments	2,307,608	38,238,423	682,884,563	723,430,594	1,322,146	724,752,740
Investment and administrative expenses	(84,079)	(1,399,477)	(24,868,841)	(26,352,397)	(48,174)	(26,400,571)
Net income/(loss)	$ 7,001,279	$ 116,663,431	$ 2,073,908,591	$ 2,197,573,301	$ 4,011,269	$ 2,201,584,570
Member Systems' and Trust Fund's Changes in Net Position Fiscal Year Ended June 30, 2024						
Net assets at beginning of period	$ 76,730,003	$ 1,303,262,688	$ 22,913,427,300	$ 24,293,419,991	$ 43,925,845	$ 24,337,345,836
Member systems' net contributions/(withdrawals)	-	(40,000,000)	(330,000,000)	(370,000,000)	(2,241,566)	(372,241,566)
Net income/(loss)	7,001,279	116,663,431	2,073,908,591	2,197,573,301	4,011,269	2,201,584,570
Net assets at end of period	**$ 83,731,282**	**$ 1,379,926,119**	**$ 24,657,335,891**	**$ 26,120,993,292**	**$ 45,695,548**	**$ 26,166,688,840**

The source of net assets of the Member Systems and Trust Fund since inception at June 30, 2024, is as follows:

	General Assembly	Judges	State Employees'	Illinois State Board of Investment Member Systems	Illinois Power Agency	Total Illinois State Board of Investment *
Member systems' net contributions/(withdrawals)	$ (85,910,878)	$ (179,235,968)	$ (3,691,826,841)	$ (3,956,973,687)	$ 11,144,050	$ (3,945,829,637)
Accumulated net income	169,642,160	1,559,162,087	28,349,162,732	30,077,966,979	34,551,498	30,112,518,477
Net position at fair value	**$ 83,731,282**	**$ 1,379,926,119**	**$ 24,657,335,891**	**$ 26,120,993,292**	**$ 45,695,548**	**$ 26,166,688,840**

* Combined column for the Member Systems and Illinois Power Agency Trust Fund is presented for information purposes only and does not indicate that the assets of one system may be used for another system.

	General Assembly	Judges	State Employees'	Illinois State Board of Investment Member Systems	Illinois Power Agency	Total Illinois State Board of Investment *
Member Systems' and Trust Fund's Money Weighted Returns Fiscal Year Ended June 30, 2024	9.32%	8.96%	8.99%	n/a	8.96%	8.99%

Member systems' contributions are comprised of amounts received directly from the State Employees' Retirement System, General Assembly Retirement System, Judges' Retirement System, and the Trust Fund. One contribution was made by the Illinois Power Agency to the Trust Fund in fiscal year 2024, totaling $5,934 and withdrawals from the Trust Fund to the Illinois Power Agency were $2,247,500. Member systems' withdrawals are determined by the member retirement systems based on the State's funding and other needs, the Member systems' benefit payment needs and the ability for ISBI to liquidate available assets. The Member system's total withdrawals for fiscal year 2024 were $370,000,000.

Note 4. Employee Benefits

Pension Plan Description

All ISBI employees participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer, defined-benefit, public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of SERS are included in the Annual Comprehensive Financial Report (Annual Report) of the State of Illinois. SERS, the General Assembly Retirement System, the Judges' Retirement System also issue separate Annual Reports that may be obtained by writing to the State Retirement Systems, 2101 South Veterans Parkway, Springfield, IL 62704 or by calling (217) 782-8500. The State of Illinois Annual Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, IL 62704-1858 or by calling (217) 782-6000.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of SERS' Annual Report. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Note 4. Employee Benefits (Continued)

Funding Policy
ISBI pays employer retirement contributions based upon an actuarially determined percentage of payroll. For fiscal year 2024, the employer contribution rate was 52.66%. ISBI's contributions on behalf of ISBI employees to SERS for fiscal year 2024 was $861,176, equal to the required contribution.

Effective for pay periods beginning after December 31, 1991, the Board opted to pay the employee portion of retirement for ISBI employees covered by the State Employees' Retirement Systems. In November 2010 the Board amended the policy to pay the employee portion of retirement to only apply to current employees as of the date of the policy change. New employees from that date forward must pay their own employee portion of retirement contributions. ISBI employee contributions to SERS for the employee portion for fiscal year 2024 was $12,614.

The Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*, became effective for ISBI beginning in fiscal year 2015. This statement requires the allocation of the net pension liability to funds and agencies of the State of Illinois. ISBI is excluded from the allocation requirement because allocations to internal service funds, the State Employees Retirement Pension Trust Fund and the Pension Investment Fund are not considered necessary because the allocation of pension costs for these funds must ultimately be recovered through charges to other state funds.

Other Employee Benefits, Including Other Post-Employment Benefits
The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employees' Retirement System, do not contribute toward health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Annual Report. The State finances the cost on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

The GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* became effective for ISBI beginning in fiscal year 2018. This statement requires the allocation of Other Post Employment Benefit Plan (OPEB) liability to funds and agencies of the State of Illinois. ISBI is excluded from the allocation requirement because allocations to internal service funds, the State Employees Retirement Pension Trust Fund and the Pension Investment Fund are not considered to be appropriate because the allocation of OPEB costs for these funds must ultimately be recovered through charges to other state funds.

Note 4. Employee Benefits (Continued)

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois 62706-4100.

Note 5. New or Pending Governmental Accounting Standards

Newly Adopted Accounting Standards in Current Period
There were no newly adopted accounting standards that had a significant impact on ISBI's financial statements as of June 30, 2024. ISBI did evaluate the impact of the following standards in the compiling of the financial statements:

GASB Statement No. 100*, Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

New Accounting Standards Applicable to Future Periods
Accounting standards ISBI is currently reviewing for applicability and potential impact on the financial statements in future periods include:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Note 5. New or Pending Governmental Accounting Standards (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Note 6. Subsequent Events

ISBI has performed an evaluation of subsequent events through December 19, 2024, which is the date the financial statements were available to be issued, noting no material subsequent events that require disclosure.

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*

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Trustees
Illinois State Board of Investment

As Special Assistant Auditors for the Auditor General of the State of Illinois, 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 (*Government Auditing Standards)*, the financial statements of Illinois State Board of Investment (ISBI) an internal investment pool of the State of Illinois, which comprise ISBI's statement of fiduciary net position as of June 30, 2024, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements (collectively the financial statements). We have also audited the financial statements of each of the fiduciary funds presented in ISBI's financial statements as of and for the year ended June 30, 2024, and we have issued our report thereon dated December 19, 2024. Our report included the following Emphasis of Matter "As discussed in Note 1, the financial statements present only ISBI, an internal investment pool of the State of Illinois, and do not purport to, and do not, present fairly the financial position of the State of Illinois, as of June 30, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter."

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ISBI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ISBI's internal control. Accordingly, we do not express an opinion on the effectiveness of ISBI'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ISBI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 19, 2024

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

Prior Year Findings Not Repeated

Year Ended June 30, 2024

There were no prior year findings reported.