



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS STATE BOARD OF INVESTMENT**

**Compliance Examination  
For the Year Ended June 30, 2014**

**Release Date: February 5, 2015**

<b>FINDINGS THIS AUDIT:</b>	<b>0</b>
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<b>FINDINGS LAST AUDIT:</b>	<b>0</b>
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**INTRODUCTION**

This digest covers our Compliance Examination of the Illinois State Board of Investment for the year ended June 30, 2014. A separate Financial Audit as of and for the year ending June 30, 2014 was previously released on December 18, 2014.

There were no material findings of noncompliance disclosed during our examination.

**ACCOUNTANT'S REPORT**

The auditors conducted a State compliance examination of the Illinois State Board of Investment for the year ended June 30, 2014, as required by the Illinois State Auditing Act. The accountant's report does not contain any scope limitations, disclaimers or other significant non-standard language.

A handwritten signature in blue ink, appearing to read "William G. Holland", written over a horizontal line.

WILLIAM G. HOLLAND  
Auditor General

WGH:TLK

**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this examination were McGladrey LLP.

{Financial data is summarized on the reverse page.}

**ILLINOIS STATE BOARD OF INVESTMENT  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2014**

<b>SCHEDULE OF OPERATIONS</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>REVENUE:</b>		
Investment Income - Interest.....	\$ 264,388,234	\$ 216,655,123
Investment Income - Dividends.....	154,291,279	150,346,989
Investment Income - Securities Lending.....	3,242,232	4,750,591
Realized Gain on Investments.....	585,954,938	247,580,743
Unrealized Gain on Investments.....	1,326,884,197	1,005,988,055
Total Investment Income.....	<u>2,334,760,880</u>	<u>1,625,321,501</u>
External Support (Investment Expense).....	(40,276,981)	(35,397,479)
Net Investment Income .....	<u>2,294,483,899</u>	<u>1,589,924,022</u>
<b>EXPENSES:</b>		
Operating Expenses.....	(2,502,847)	(2,511,533)
Revenue Over Expenses.....	<u>\$ 2,291,981,052</u>	<u>\$ 1,587,412,489</u>
<b>INVESTMENT PORTFOLIO ANALYSIS - Fair Value</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Total Government and Agency Obligations.....	\$ 784,475,648	\$ 887,400,073
Total Corporate Obligations.....	799,514,242	674,154,128
Foreign Government Obligations.....	832,282,402	415,070,013
U.S. Common Stocks, Equities & Commingled Funds.....	5,286,294,296	4,233,886,701
Non - U.S. Equity Securities.....	2,346,576,036	2,329,869,123
Real Estate Funds.....	1,483,445,971	1,294,600,976
Private Equity.....	667,730,266	643,775,529
Real Assets.....	524,284,793	550,739,042
Hedge Funds.....	1,485,145,060	1,166,602,482
Money Market Instruments.....	217,737,000	237,649,781
Bank Loans.....	689,256,558	416,649,247
Foreign Currency Forward Contracts.....	(637,600)	(412,825)
Total Investment Portfolio.....	<u>\$ 15,116,104,672</u>	<u>\$ 12,849,984,270</u>
<b>INVESTMENT ALLOCATION (unaudited)</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
U.S. Equity & Commingled Funds.....	35%	33%
U.S. Equity Hedge Funds.....	10%	9%
International Equity.....	16%	18%
Fixed Income.....	16%	16%
Real Estate.....	10%	10%
Private Equity.....	4%	5%
Real Assets.....	3%	4%
Bank Loans.....	5%	3%
Cash.....	<u>1%</u>	<u>2%</u>
Total.....	<u>100%</u>	<u>100%</u>
<b>SELECTED INVESTMENT RETURNS ACTUAL (bold) AND BENCHMARK (unaudited)</b>		
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Total Fund.....</b>	<b>17.9%</b>	<b>14.1%</b>
Composite benchmark.....	16.3%	11.8%
<b>U.S. Equities.....</b>	<b>24.1%</b>	<b>23.3%</b>
Russell 3000 Index.....	25.2%	21.5%
<b>International Equities.....</b>	<b>23.8%</b>	<b>16.8%</b>
MSCI-ACWI ex US Index.....	22.8%	14.4%
<b>Fixed Income.....</b>	<b>6.5%</b>	<b>2.4%</b>
Barclays Capital U.S. Universal Index.....	5.2%	0.2%
<b>Real Estate.....</b>	<b>14.5%</b>	<b>13.0%</b>
NCREIF Real Estate Index.....	11.7%	11.1%
<b>EXECUTIVE DIRECTOR</b>		
During Engagement Period: William R. Atwood		
Currently: William R. Atwood		