

REPORT DIGEST

ILLINOIS STATE BOARD OF INVESTMENT

COMPLIANCE EXAMINATION

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this Report: 2
Total last Report: 0
Repeated from last Report: 0

Release Date:
April 13, 2010



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND AUDITOR GENERAL

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INTRODUCTION

This digest covers our compliance attestation examination of the Illinois State Board of Investment (ISBI) for the year ended June 30, 2009. A financial audit covering the year ended June 30, 2009 was previously released on February 16, 2010.

All audit findings related to ISBI pertain to the financial audit. These findings were summarized in a separate report digest for the financial audit of the Illinois State Board of Investment for the year ended June 30, 2009.

ACCOUNTANTS' REPORT

We conducted a compliance attestation examination of the Board for the year ended June 30, 2009 as required by the Illinois State Auditing Act. The accountants' report does not contain any scope limitations, disclosures or other significant non-standard language.

WILLIAM G. HOLLAND, Auditor General

WGH:AKS

SPECIAL ASSISTANT AUDITORS

McGladrey & Pullen LLP were our special assistant auditors for this engagement.

{Financial Data and Supplementary Information are summarized on the reverse page.}

ILLINOIS STATE BOARD OF INVESTMENT
COMPLIANCE EXAMINATION
YEAR ENDED JUNE 30, 2009

SCHEDULE OF OPERATIONS	FY 2009	FY 2008
REVENUE: Investment Income - Interest.....	\$ 145,432,334	\$ 154,620,159
Investment Income - Dividends	116,732,339	162,205,372
Investment Income - Securities Lending	17,578,262	16,624,470
Realized Gain on Investments	(1,304,768,681)	594,579,054
Unrealized Gain / (Loss) on Investments	<u>(1,287,700,460)</u>	<u>(1,623,821,419)</u>
Total Investment Income / (Loss).....	\$ (2,312,726,206)	\$ (695,792,364)
External Support (Investment Expense)	<u>(39,068,759)</u>	<u>(39,860,694)</u>
Net Investment Income / (Loss)	\$ (2,351,794,965)	\$ (735,653,058)
EXPENSES: Operating Expenses.....	\$ <u>(2,203,924)</u>	\$ <u>(1,989,942)</u>
Revenue over / (under) Expenses	\$ <u>(2,353,998,889)</u>	\$ <u>(737,643,000)</u>
INVESTMENT PORTFOLIO ANALYSIS – Fair Value	JUNE 30, 2009	JUNE 30, 2008
Total Government and Agency Obligations.....	\$ 665,018,889	\$ 852,336,514
Total Corporate Obligations.....	668,047,761	1,058,164,332
Foreign Obligations	33,237,090	113,005,430
Fixed Income Options	-	(290,813)
U.S. Common Stock & Equities & Commingled Funds.....	2,945,702,917	4,241,685,933
Preferred Stock	286,429	4,491,500
Non – U.S. Equity Securities	1,482,642,287	1,984,917,495
Real Estate Investments	875,929,700	1,332,081,349
Private Equity.....	450,491,810	524,628,589
Infrastructure Funds	305,969,947	209,975,518
Hedge Funds.....	880,939,190	598,985,402
Money Market Investments	235,126,490	307,481,504
Bank Loans	197,259,098	202,137,983
Forward Foreign Currency Contracts	<u>(5,594,545)</u>	<u>(72,622)</u>
Total Investment Portfolio.....	\$ <u>8,735,057,063</u>	\$ <u>11,429,528,114</u>
INVESTMENT ALLOCATION	JUNE 30, 2009	JUNE 30, 2008
U.S. Equity & Commingled Funds	34%	37%
U.S. Equity Hedge Funds.....	10%	5%
International Equity	17%	17%
Fixed Income.....	16%	18%
Real Estate	10%	12%
Private Equity.....	5%	5%
Infrastructure.....	4%	2%
Bank Loans	2%	2%
Cash.....	2%	2%
Total	<u>100%</u>	<u>100%</u>
SELECTED INVESTMENT RETURNS ACTUAL (bold) & BENCHMARK	FY 2009	FY 2008
Total Fund	(20.1)%	(6.2)%
Composite benchmark.....	(17.0)%	(4.6)%
U.S. Equities	(22.0)%	(11.6)%
Russell 300 Index	(26.6)%	(12.5)%
International Equities	(29.1)%	(10.3)%
MSCI-EAFE Index	(31.0)%	(10.2)%
Fixed Income	(2.4)%	5.3%
Barclays Capital Universal Index	4.9%	6.2%
Real Estate	(31.7)%	2.6%
NCRIEF Real Estate Index	(19.6)%	9.2%
EXECUTIVE DIRECTOR		
During Engagement Period: William R. Atwood		
Currently: William R. Atwood		