



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE BOARD OF INVESTMENT

**Financial Audit
 For the Year Ended June 30, 2025**

Release Date: March 26, 2026

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	1	0	1	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

This digest covers the Illinois State Board of Investment’s (ISBI) financial audit as of and for the year ended June 30, 2025. The ISBI’s compliance examination covering the two years ended June 30, 2025, will be issued at a later date.

SYNOPSIS

- **(25-01)** ISBI did not have adequate controls in place to track and record receivables and payables related to investment activity during the period.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**ILLINOIS STATE BOARD OF INVESTMENT
FINANCIAL AUDIT
For the Year Ended June 30, 2025**

STATEMENT OF CHANGES IN NET POSITION	FY 2025	FY 2024
Additions:		
Investment Income - Increase/(Decrease) in Fair Value.....	\$ 2,194,880,238	\$ 1,923,405,393
Investment Income - Interest and Dividends.....	334,929,564	300,520,305
Total Investment Income/(Loss).....	<u>2,529,809,802</u>	<u>2,223,925,698</u>
Less investment expenses.....	(19,526,396)	(22,013,858)
Net Investment Income/(Loss).....	<u>2,510,283,406</u>	<u>2,201,911,840</u>
Member Systems' Contributions.....	-	-
Total Additions.....	<u>2,510,283,406</u>	<u>2,201,911,840</u>
Deductions:		
Salaries and Benefits.....	3,168,505	2,864,083
Operating Expenses.....	594,420	1,075,039
External Support.....	463,880	399,417
Member Systems' Withdrawals.....	92,500,000	370,000,000
Total Deductions.....	<u>96,726,805</u>	<u>374,338,539</u>
Increase/(Decrease) in Net Position.....	2,413,556,601	1,827,573,301
Net Position Beginning of the Year.....	26,120,993,292	24,293,419,991
Net Position End of the Year.....	<u>\$ 28,534,549,893</u>	<u>\$ 26,120,993,292</u>
INVESTMENT EXPENSES		
Custody.....	\$ 404,290	\$ 539,015
Investment Advisors / Managers.....	19,004,588	21,359,034
Investment Services and Research.....	117,518	115,809
Total Investment Expenses.....	<u>19,526,396</u>	<u>22,013,858</u>
EXTERNAL SUPPORT EXPENSES		
Consulting and Professional.....	709,449	653,952
Reimbursement of DC Plan Expenses.....	(245,569)	(254,535)
Total External Support Expenses.....	<u>\$ 463,880</u>	<u>\$ 399,417</u>
MEMBER SYSTEMS' NET CONTRIBUTIONS (WITHDRAWALS)		
State Employees' Retirement System.....	\$ (50,000,000)	\$ (330,000,000)
Judges' Retirement System.....	(42,500,000)	(40,000,000)
General Assembly Retirement System.....	-	-
Total Member Systems' Net Contributions (Withdrawals).....	<u>\$ (92,500,000)</u>	<u>\$ (370,000,000)</u>
INVESTMENT PORTFOLIO ANALYSIS - Fair Value		
Government, Agency, and Municipal Obligations.....	\$ 630,674,421	\$ 570,492,074
Domestic Equities.....	7,028,863,371	5,399,584,102
International Equities.....	207,252,816	294,411,331
Domestic Bank Loans.....	131,457,574	113,577,213
Domestic Corporate Obligations.....	216,986,169	263,791,984
International Obligations.....	26,829,730	23,460,253
Commingled Funds.....	11,202,704,413	11,131,822,374
Real Estate Funds.....	2,715,926,936	2,610,935,255
Private Equity Funds.....	2,931,612,967	2,610,250,605
Private Credit Funds.....	2,518,306,974	2,166,080,025
Infrastructure Funds.....	835,573,313	643,649,928
Hedge Funds.....	149,013	143,338
Money Market Instruments.....	175,579,141	242,207,905
Total Investment Portfolio.....	<u>\$ 28,621,916,838</u>	<u>\$ 26,070,406,387</u>
SELECTED ACCOUNT BALANCES		
Cash.....	\$ 15,873,615	\$ 20,359,605
Illinois Power Agency Trust Fund - Cash.....	\$ 25,869	\$ 35,617
Illinois Power Agency Trust Fund - Investments.....	\$ 46,644,089	\$ 45,607,051
Total Receivables.....	\$ 34,828,770	\$ 101,281,193
Prepaid Expenses.....	\$ 8,614	\$ 10,899
Capital Assets.....	\$ 15,749	\$ 14,490
Right of Use Asset.....	\$ 3,978,298	\$ 3,977,822
Investments Purchased Payable.....	\$ 132,188,058	\$ 65,661,073
Administrative Expenses Payable.....	\$ 5,905,635	\$ 5,418,209
Lease Liability.....	\$ 3,978,298	\$ 3,977,822
EXECUTIVE DIRECTOR		
During Engagement Period: Dipesh Mehta		
Currently: Dipesh Mehta		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**UNRECONCILED DIFFERENCES INCLUDED IN
PENDING INVESTMENT ACTIVITY**

The Illinois State Board of Investment (ISBI) did not have adequate controls in place to track and record receivables and payables related to investment activity during the period.

During the audit of the financial statements for the year ended June 30, 2025, we noted that ISBI's payables for investments purchased and receivables for investments sold, did not reconcile with the amounts reported by the asset custodian. ISBI's reported balances included other payables and other receivables which represented internal money movements between investment funds/managers, which are internal balances and should be eliminated for financial reporting purposes. The impact of the unreconciled differences resulted in an uncorrected misstatement in the financial statements of \$99,072,159, including \$98,910,967 impacting the ISBI Member System and \$161,192 impacting the Illinois Power Agency Trust Fund as follows:

**Unreconciled difference of
\$99,072,159 between amounts
reported by ISBI and amounts
reported by ISBI's asset custodian**

- Overstatement of payables for investments purchased
- Understatement of net increase in fair value of investments/net position

In addition to the uncorrected misstatement noted above, on the recommendation of its auditors, ISBI did reclassify a trial balance account for a balance that was classified as a receivable for investments sold to a payable for investments purchased. The reclassification reduced both amounts by \$27,712,272. This reclassification had no impact on net position. (Finding 1, pages 28-29)

We recommended ISBI establish internal controls to ensure that all investment-related balances are properly reconciled to the records of the asset custodian and are properly recorded within the financial statements.

ISBI partially accepted our recommendations. ISBI stated that it agreed the variance described in the finding was accurate but disagreed with the characterization that the variance was the result of improper controls.

ISBI partially agreed

AUDITOR'S OPINIONS

The auditors stated the financial statements of ISBI as of and for the year ended June 30, 2025, are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:dmg