STATE OF ILLINOIS EMPLOYEES' DEFERRED COMPENSATION PLAN

FINANCIAL AUDIT

For the Years Ended December 31, 2020 and 2019

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

SIKICH.COM

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN
FINANCIAL AUDIT
For the Year Ended December 31, 2020

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AGENCY OFFICIALS

Director (2/18/20 – present)	Janel Forde
Director, Acting (1/20/19 – 2/17/20)	Janel Forde
Director, Acting (1/4/19 – 1/20/19)	Sarah Kerley
Director, Acting (through 1/4/19)	Tim McDevitt
Assistant Director (12/4/20 – present)	Vacant
Assistant Director, Acting (7/15/19 – 12/3/20)	Michael Merchant
Assistant Director (3/23/19 – 7/14/19)	Vacant
Assistant Director, Acting (through 3/22/19)	Ben Jones
Assistant Director, Acting (through 1/4/19)	Sarah Kerley
Chief Administrative Officer (4/15/19 – present)	Mark Mahoney
Chief Administrative Officer (through 4/9/19)	Vacant
Chief Operating Officer (4/18/19 – present)	Aysegul Kalaycioglu
Chief Operating Officer (2/1/19 – 4/17/19)	Vacant
Chief Operating Officer (through 1/31/19)	Ngozi Okorafor
Chief Fiscal Officer, (1/21/21 – present)	Karen Pape
Chief Fiscal Officer, Acting (4/16/19 – 1/20/21)	Karen Pape
Chief Fiscal Officer (through 4/15/19)	Mark Lewis
General Counsel (7/22/19 – present)	Terrence Glavin
General Counsel (1/1/19 – 7/21/19)	Vacant
Chief Internal Auditor	Jack Rakers
Deputy Director – Bureau of Benefits (7/1/2020 – present)	Shiloah Tubbs
Deputy Director – Bureau of Benefits (2/13/20 – 6/30/2020)	Vacant
Deputy Director – Bureau of Benefits (through 2/12/20)	Teresa Flesch
Division Manager, Interim (1/23/20 – present)	Chris Colantino
Division Manager (1/1/20 – 1/22/20)	Vacant
Division Manager (through 12/31/19)	Jason Musgrave
Division Fiscal Officer (11/1/19 – present)	Katie Zeter
Division Fiscal Officer (1/1/19 – 10/31/19)	Vacant

AGENCY OFFICES

The Illinois State Employees' Deferred Compensation Plan's primary administrative offices are located at:

715 Stratton Office Building
401 South Spring Street
Springfield, IL 62706

FINANCIAL STATEMENT REPORT

SUMMARY

The audits of the accompanying financial statements of the State of Illinois, Department of Central Management Services, State Employees' Deferred Compensation Plan Fund (755) (Plan) as of and for the years ended December 31, 2020 and 2019, were performed by Sikich LLP as Special Assistant Auditors to the Auditor General, State of Illinois.

Based on their audits, the auditors expressed an unmodified opinion on the Plan's basic financial statements.

FINDINGS

None.

EXIT CONFERENCE

Plan management declined an exit conference in correspondence dated June 28, 2021.

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the State Employees' Deferred Compensation Plan Fund (755) of the State of Illinois, Department of Central Management Services, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements which collectively comprise the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the State Employees' Deferred Compensation Plan Fund (755) of the State of Illinois, Department of Central Management Services, as of December 31, 2020 and 2019 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Employees' Deferred Compensation Plan Fund (755), a fund of the State of Illinois, Department of Central Management Services as of and for the year ended December 31, 2019, and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Department of Central Management Services, as of December 31, 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Further, as discussed in Note 1 to the financial statements, in Fiscal Year 2020, the State of Illinois, Department of Central Management Services adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. As a result, the State Employees' Deferred Compensation Plan Fund (755) is no longer a fiduciary fund type in the State's Annual Comprehensive Financial report. Our opinion is not modified with respectto this matter.

Other Matters

Required Supplementary Information

Management of the State of Illinois, Department of Central Management Services has omitted the management's discussion and analysis for the State Employees' Deferred Compensation Plan Fund (755) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State Employees' Deferred Compensation Plan Fund (755) of the State of Illinois, Department of Central Management Services' financial statements.

The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, on our consideration of the State of Illinois, Department of Central Management Services' internal control over financial reporting of the State Employees' Deferred Compensation Plan Fund (755) 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 the State of Illinois, Department of Central Management Services' 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 the State of Illinois, Department of Central Management Services' internal control over financial reporting of the State Employees' Deferred Compensation Plan Fund (755) and its compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
June 24, 2021

BASIC FINANCIAL STATEMENTS

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN

STATEMENTS OF PLAN NET POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents		
Cash in custody of State Treasurer	$ 8,225,635	$ 4,662,343
Cash advanced to recordkeeping agent	2,389,206	2,895,882
Cash equivalent money market funds	-	68,543,468
Total cash and cash equivalents	10,614,841	76,101,693
Accounts receivable	793,184	879,809
Loans receivable	37,047,989	39,959,013
Total receivables	37,841,173	40,838,822
Investments		
Investment contracts	786,260,025	610,485,350
Mutual funds	163,325,203	134,825,635
Equity trust funds	1,401,909,619	1,293,143,310
Mixed trust funds	2,997,273,374	2,766,633,933
Total investments	5,348,768,221	4,805,088,228
Total Assets	5,397,224,235	4,922,028,743
LIABILITIES		
Accounts payable	579,198	1,321,338
Accrued compensated absences	81,869	97,051
Total Liabilities	661,067	1,418,389
NET POSITION		
Restricted for pensions	$ 5,396,563,168	$4,920,610,354

The accompanying notes to financial statements are an integral part of this statement.

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN

STATEMENTS OF CHANGES IN PLAN NET POSITION

Years Ended December 31, 2020 and 2019

	2020	2019
ADDITIONS		
Contributions		
Pre-tax participant deferrals	$ 161,079,836	$ 153,078,838
Roth participant deferrals	13,268,683	9,260,487
Pre-tax participant accounts transferred in from qualified retirement plans	44,880,288	49,297,184
Roth participant transfers in from other qualified plans	-	2,031
Total Contributions	219,228,807	211,638,540
Investment Income		
Interest, dividends and other investment income	20,227,680	23,222,911
Net appreciation in fair value of investments	566,427,536	754,128,463
Total Investment Income	586,655,216	777,351,374
Less investment expense	(511,826)	(489,090)
Net Investment Income	586,143,390	776,862,284
Other Income		
Participant fees collected	3,274,970	3,037,730
Other operating income	289	292
Total Other Income	3,275,259	3,038,022
Total Additions	808,647,456	991,538,846
DEDUCTIONS		
Distributions:		
Terminations	107,350,464	105,104,921
Beneficiary distributions	17,324,374	21,477,819
Hardship	754,429	1,684,946
Loans deemed uncollectible and distributed	3,201,793	4,414,072
Participant accounts transferred out to other qualified plans	197,613,222	197,370,602
Recordkeeping and marketing expense	1,883,051	1,566,985
Fees paid from participant accounts	3,550,662	3,687,145
Administrative costs	875,255	925,166
Refunds	141,392	74,970
Total Deductions	332,694,642	336,306,626
CHANGE IN NET POSITION	475,952,814	655,232,220
NET POSITION RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	$ 4,920,610,354	$ 4,265,378,134
NET POSITION RESTRICTED FOR PENSIONS, END OF YEAR	$ 5,396,563,168	$ 4,920,610,354

The accompanying notes to financial statements are an integral part of this statement.

1. ORGANIZATION

The Illinois State Employees' Deferred Compensation Plan (the Plan) is administered by the State of Illinois, Department of Central Management Services (the Department) at 801 South 7th Street, Springfield, Illinois. The Plan consists of the State Employees' Deferred Compensation Fund (Fund 755), a pension trust fund for the year ended December 31, 2019 and an other employee benefit plan fund in for the year ended December 31, 2020, which records all the assets and liabilities and additions and deductions of the plan. A portion of the Fund is held in the State Treasury and certain administrative costs are appropriated. The current Director is Janel Forde. The current acting Deputy Director for the Bureau of Benefits is Shiloah Tubbs and the current acting division manager for the Plan is Chris Colantino. The Plan employed seven full-time employees during 2020. The Illinois State Board of Investment has oversight responsibilities for the Plan.

The Department is part of the executive branch of the State of Illinois and operates under the authority of and review by the Illinois General Assembly. Activities of the Plan are subject to the authority of the Office of the Governor, the State's chief executive office, and other departments of the executive and legislative branches of the government (such as the State Comptroller's Office) as defined by the General Assembly.

As described in the Illinois Annual Comprehensive Financial Report, the State of Illinois (the State) is the oversight unit which includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities, universities, and colleges over which the State's executive or legislative branches exercise oversight responsibility. The Department is part of the primary government of the State of Illinois' executive branch. These financial statements present the statement of plan net position and statement of changes in plan net position for the years ended December 31, 2020 and 2019. The statements are not intended to, and do not present the financial position or changes in financial position of the Department or the State.

In Fiscal Year 2020, the Department adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. As a result, the State Employees' Deferred Compensation Plan Fund (755) is no longer a fiduciary fund type in the State's Annual Comprehensive Financial report. Only theadministrative portion of the fund will be reported in the financial statements of theDepartment and in the Illinois Annual Comprehensive Financial Report.

2. GENERAL DESCRIPTION OF THE PLAN

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General

The Plan was created in accordance with Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The first contributions to the Plan were made in May 1979. Under Plan provisions, all employees of the State are eligible to voluntarily elect to contribute a portion of their compensation into the Plan through payroll deductions.

All amounts of compensation deferred or contributed pursuant to the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held in one or more custodial accounts for the exclusive benefit of participants and beneficiaries under the Plan. Participants' rights under the Plan are limited to an amount equal to the fair market value of the deferred account for each participant.

Effective January 1, 1999, the State of Illinois amended the Plan in accordance with the provisions of Internal Revenue Code (IRC) Section 457(g). IRC Section 457(g) requires that assets and income thereon be held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the net assets are no longer assets of the State of Illinois. However, due to the administrative involvement of the State of Illinois, this Plan is reported as a pension trust fund as required by the Governmental Accounting Standards Board (GASB).

Contributions

In compliance with IRC Section 457, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed $19,000 or $19,500 for 2019 and 2020, respectively and $25,000 or $26,000 for participants age 50 or older for 2019 and 2020, respectively. The State does not make any contributions to the Plan.

In the Plan, the annual compensation on which the maximum is calculated is reduced by the following:

- Employee retirement system contributions, which are tax deferred under Section 414(h) of the IRC.
- Payroll deductions for the payment of group health insurance premiums and member life insurance premiums for coverage up to $50,000, elected by the employee through state sponsored plans.
- Employee contributions made to the Dependent or Medical Care Assistance Plan which are authorized under Section 125 of the IRC.

2. GENERAL DESCRIPTION OF THE PLAN (Continued)

Contributions (Continued)

In accordance with IRC Section 457, the Plan allows participants a limited make-up on deferrals in the three years prior to the year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals which were made in prior years, up to a maximum of $38,000 or $39,000 for 2019 and 2020, respectively, (or twice the regular limits).

Payment of Benefits

Participants may withdraw the current value of funds contributed upon termination of employment with the State of Illinois. Withdrawal can also be made due to financial hardship if approved by a committee established by the Plan.

Upon retirement, participants may select various payment options, including lump sum, partial lump sum, periodic payments or rollover to another qualified tax deferred retirement plan. The participants may wait to start the distribution of their account up to the tax year they turn age 70 ½. They can also stop or change their elected distribution method. Participants with accounts less than or equal to $5,000 who terminate their employment with the State of Illinois are required to take a lump sum distribution or transfer to another qualified retirement plan. Death beneficiaries may select similar payment options as retired employees. All investments of the Plan are held in custodial accounts for the exclusive benefit of the participants until such time as payments are made.

Loan Program

Effective January 2, 2013 the Plan began offering a loan program to qualifying participants. Loans are available to actively working, retired and/or separated from service employees. Accounts not eligible for loans include divorce settlements (QDRO (Qualified Domestics Relations Order) source), beneficiaries, participants currently taking installment payments and participants with an existing deemed loan (discussed below). The minimum loan amount is $1,000 and the maximum loan amount is the lesser of $50,000 reduced by the highest outstanding loan balance in the previous twelve months or 50% of the participant's current account balance. Loans may be taken for terms ranging from one to five years and monthly payments are set up to come directly out of the participant's bank account. There is a loan initiation fee of $75 which is paid by the participant to T. Rowe Price, who administers all loans. A loan maintenance fee of $25 was introduced in 2017. It is payable for any loan issued after April 3, 2017 with more than one payment remaining. This fee is extracted annually the first business day of October. The interest rate is set at the Prime interest rate (as published in the Wall Street Journal) plus one percent (1%). For the years 2019 and 2020 that rate ranged from 4.25% to 6.50%.

2. GENERAL DESCRIPTION OF THE PLAN (Continued)

Loan Program (Continued)

Loans are deemed to be in default once the cure period passes. The cure period ends on the earlier of: 1) the last business day of the calendar quarter following the calendar quarter in which the payment was missed or; 2) the date the benefits are distributed to the terminated participant either through a total distribution, partial distribution or election of installment payments. Once the cure period passes, the outstanding loan balance (including any accrued interest) is deemed distributed and subject to taxation. In the event of death, the loan is deemed taxable as of the date of the participant's death.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

Pension Trust Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned and deductions are recorded when a liability is incurred, regardless of when the related cash flow takes place.

Cash and Cash Equivalents

Cash equivalents consist of money market mutual funds, funds maintained by the Office of the State Treasurer, and cash advanced to recordkeeping agency representatives. The cash advanced to the recordkeeping agent represents amounts withheld from employees but not remitted to the investment carriers at December 31, and other amounts, such as reinvested income and other fees.

Loans Receivable

Loans receivable reflects the current balance of outstanding participant loans as of December 31, 2019 and 2020. In accordance with the loan program, these loans are 100% backed by balances from participants' accounts. If a participant defaults on their loan, it is deemed uncollectable and taxable to the participant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation and Income Recognition

With the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, investments in the guaranteed investment contracts are stated at contract value. Investments in mutual funds are stated at fair value as determined by using the closing price listed on national exchanges as of December 31. Investments in equity trust funds are also stated at fair value as reported by the respective trustees and investment managers.

Interest income from the investments in the guaranteed investment contracts and interest earned on temporary cash deposits in both the State Treasury and with the recordkeeping agent at the current money market rates are recorded as earned.

Capital Assets

Capital assets are carried at cost, net of accumulated depreciation. The Illinois State Employees' Deferred Compensation Plan capitalizes purchases over $5,000 and uses the straight-line method to depreciate appropriate assets over their estimated useful lives of approximately five years.

Compensated Absences

Vested or accumulated vacation leave is recorded as a deduction and liability of the fund as the benefits accrue to employees. Until January 1, 1984, sick leave, which generally is earned one day per month with unlimited accumulation, was paid only where an employee was absent due to illness or other acceptable circumstances as outlined by personnel regulations. Effective January 1, 1984, upon death, retirement by resignation, or termination from State employment, employees are able to receive payment for one-half of accumulated sick leave earned subsequent to January 1, 1984, or full-service credit for such accumulated sick leave under the State Employees' Article of the State Pension Code.

Effective January 1, 1998, upon death, retirement by resignation, or termination from State employment, employees are no longer able to receive payment for accumulated sick leave earned subsequent to January 1, 1998.

Changes in compensated absences are as follows:

	2020	2019
Balance January 1	$ 97,051	$ 126,699
Additions	21,208	12,494
Deletions	(36,390)	(42,142)
Balance December 31	$ 81,869	$ 97,051
Current portion	$ 29,080	$ 44,039

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of plan net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of plan net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position available for benefits date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of net position available for benefits, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of net position available for benefits but arose after that date (that is, non-recognized subsequent events).

The Plan has evaluated subsequent events through June 24, 2021, which was the date that these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

4. RETIREMENT BENEFITS

Retirement benefits for Plan employees are provided under a separate State plan and are funded by State appropriations which are invested and accounted for by other State agencies.

5. DEPOSITS AND INVESTMENTS

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Plan does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

5. DEPOSITS AND INVESTMENTS

The Plan's investment policy allows investment options selected by the Illinois State Board of Investment (Board) after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used, and the investment record.

The Plan assets shall be invested with care, skill and diligence that would be applied by a prudent professional investor, acting in a like capacity and knowledgeable in the investment of retirement funds and all transactions undertaken on behalf of the Plan shall be for the sole interest of Plan participants and beneficiaries.

The objective of the Board is to offer a sufficient range of investment options to allow participants to diversify their account balances and construct portfolios that reasonably span the risk/return spectrum.

The fair market value of investments is summarized as follows:

		2020		2019	
	Stable Return Fund Investment contracts (at cost)	$ 786,260,025	^	$ 610,485,350	
	Equity Trust Funds:				
	Vanguard Inst 500 Index Trust/ US Large Company Stocks Fund	803,326,440		724,485,107	
	Northern Trust Collective Russell 2000/ US Sm/md Company Stocks Fund	488,350,551		467,564,644	*
	Northern Trust Collective MSCI ACWI / Non-us Company Stocks Fund	110,232,628		101,093,559	*
	Total Equity Trust Funds	1,401,909,619		1,293,143,310	
	Mutual Funds:				
#	Vanguard Total Bond Market Index Fund/Bond Fund	163,325,203	*	134,825,635	
##	Vanguard Treasury Money Market Fund	-		68,543,468	
	Total Mutual Funds	163,325,203		203,369,103	

5. DEPOSITS AND INVESTMENTS (Continued)

	2020		2019
Mixed Trust Funds:			
Vanguard Target Retirement 2015 Sel	337,472,776	*	328,138,652
Vanguard Target Retirement 2020 Sel	492,282,494		488,118,218
Vanguard Target Retirement 2025 Sel	567,227,591		523,025,297
Vanguard Target Retirement 2030 Sel	462,549,322		419,268,491
Vanguard Target Retirement 2035 Sel	345,474,290		310,287,811
Vanguard Target Retirement 2040 Sel	236,229,100		198,933,791
Vanguard Target Retirement 2045 Sel	122,275,409		99,036,699
Vanguard Target Retirement 2050 Sel	56,250,182		42,700,518
Vanguard Target Retirement 2055 Sel	27,890,574		20,491,922
Vanguard Target Retirement 2060 Sel	21,690,131		16,993,768
Vanguard Target Retirement 2065 Fund	3,184,665		-
Vanguard Target Retirement Income Sel	324,746,840	*	319,638,766
Total Mixed Trust Funds	2,997,273,374		2,766,633,933
Total investments	5,348,768,221		4,873,631,696
Less: cash equivalents within investment portfolio	-		(68,543,468)
Investments as shown on Statement of Plan Net Position	$ 5,348,768,221		$ 4,805,088,228

* Plan's investment amount is greater than five percent of investment fund's total assets.
# Debt Investment Fund
Net of Locally Held Funds
^ Balance stated at contract value per GASB No. 72.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Plan will not be able to recover the value of its investments that are in possession of an outside party. None of the Plan's investments are subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. However, the Plan is a long-term retirement savings program with guidelines that consider a consistency of performance compared to set benchmarks and peer groups over the longer term rather than relying on an occasional exceptional year or short period of poor performance. Therefore, emphasis is placed on the long-term objectives of the investment vehicles. Interim performance reviews are conducted to continually monitor the investment vehicles to detect any significant changes or irregular progression that may prove to be outside the realm of the occasional short-term underperformance.

5. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The Plan has a formal Investment Policy regarding the number of investment options offered in each asset class (e.g. U.S. Large Cap Equity, U.S. Small Cap Equity, Money Market or Stable Value). Each of these options also has a performance expectation, a benchmark, which it is measured against. Investment options that are actively managed are expected to exceed their respective performance benchmarks net of fees, over a three to five-year market cycle, and rank above the median peer group universe. Investment options that are passively managed are expected to track their respective performance benchmarks.

A Watch List is utilized by the Plan for investment options that fail to meet expectations. The Plan employs an independent investment consultant who may recommend to the Illinois State Board of Investments to terminate an investment option based on the failure to adhere to stated investment objectives or strategies; substantial changes in investment objectives; material organizational changes; underperformance of the stated objective; or failure to maintain appropriate diversification. The Plan also has formal procedures for the replacement or dismissal of these investment options.

At December 31, 2020 and 2019, the following debt investment funds were rated as follows:

2020		Average Maturity
Bond Fund	AAA (S&P)	8.11 years
2019		
Vanguard Total Bond Market Index Fund	AAA (S&P)	8.10 years

6. PLAN ADMINISTRATION

By statute, the Department administers the Plan. The Illinois State Board of Investment (ISBI) provides general supervision of the Plan pursuant to an interagency agreement with the Department. In performance of its responsibilities of developing and managing the Plan, ISBI has entered into a contract for recordkeeping services to be performed by T. Rowe Price Retirement Plan Services, Inc.

A. Asset fees intended to cover the costs of administration, including recordkeeping, are withdrawn from participants' accounts and recorded as revenue. In 2006, the annual fee was .15 percent on the total account value with a maximum of $35. The maximum fee was reduced in 2007 to $30. Effective January 2008, the Board declared a fee holiday and there have been no annual fees charged to the participants. This is an effort to reduce the balance of the Plan Fee Expense Account to an amount equal to approximately one years' worth of expenses. Effective January 1, 2014, the Board reinstituted the participant fee in the amount of $7.50 per quarter. The fee was changed effective March 30, 2017 to $16.75 per quarter or 0.25% of the account balance, whichever is less.

6. PLAN ADMINISTRATION (Continued)

Additional revenue includes interest earned by the Plan Expense and Payroll Adjustment accounts. These totaled $59,241 for 2019 and $33,332 for 2020.

B. For the Stable Return Fund, the investment management fees assessed by Invesco are calculated daily, based on values during the quarter, in accordance with an annual fee rate applied to billable assets value. The fees are paid on a quarterly basis.

The billable assets value is determined at the end of each preceding calendar month based on 100 percent of total guaranteed investment contract assets. The annual fee rate schedule is as follows:

.15 Percent of the first $50 million of billable assets,
.10 Percent of the next $250 million of billable assets, and
.05 Percent of billable assets in excess of $250 million.

The mutual funds take their fund expenses, including investment management fees, before any dividends and/or capital gains are declared. Their fees and expenses are amortized and charged to the funds on an ongoing basis and shared equally by all other shareholders of the mutual funds. These fees are factored into fund price and are not easily identifiable.

With the introduction of separate accounts in recent years, (shown as Equity Trust and Stable Return Funds), the investment management fees and custodial fees are paid directly out of the funds and are shown separately on the financial statements as investment expenses since they are readily identifiable investment-related costs.

C. Effective January 1, 2008, the Illinois State Board of Investment (ISBI) entered into a new agreement with T. Rowe Price Retirement Plan Services, Inc. for expanded recordkeeping services. This agreement was renegotiated and, as of April 1, 2010, the fees were reduced to $35 per participant per year ($8.75 per quarter). Effective May 1, 2015, the fees were reduced to $27 per participant per year ($6.75 per quarter).

7. TAX STATUS

The Plan constitutes an eligible deferred compensation plan under Section 457 of the Internal Revenue Code and, therefore, the amounts of compensation (and earnings thereon) deferred by employees participating in the Plan are not subject to federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, a beneficiary, or an estate. In addition, early distributions are not subject to the 10% federal tax penalty.

7. TAX STATUS (Continued)

For Illinois income tax purposes, per private letter ruling issued by the Illinois Department of Revenue on February 18, 1977, compensation deferred under the Plan will be treated the same as for federal income tax. On December 19, 1988, the Illinois Department of Revenue ruled that distributions from Internal Revenue Code Section 457 plans are not taxable under the Illinois Income Tax Act. Distributions qualify as Illinois income tax subtraction modifications and are not subject to withholding.

Amounts deferred are subject to social security taxes in the year deferred. Benefit payments under the Plan do not constitute earnings and thus are not subject to social security taxes in the year received as clarified by Social Security Act Amendments of 1983, P.L. 98-21.

The Plan obtained its latest determination letters on October 7, 1976 and February 18, 1977 for federal and state rulings, respectively. The Plan has been amended since receiving the determination letters. However, the Plan Administration (the Department) believes the Plan is currently designed and being operated in compliance with applicable requirements of the Internal Revenue Code.

As of January 4, 2016, a Roth designated contribution option was added to the Plan. The Roth provision allows employees to make after-tax contributions to their account which become available for withdrawal after separation of employment. Qualified distributions of Roth contributions (and earnings thereon) are tax-free for both State and Federal income tax purposes.

8. FAIR VALUE MEASUREMENTS

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

8. FAIR VALUE MEASUREMENTS (Continued)

The following is the fair value measurements for the years ended December 31, 2020 and 2019:

2020		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Bond mutual funds	$ 163,325,203	$ 163,325,203	$ -	$ -
Blended trust funds	2,997,273,374	2,997,273,374	-	-
Equity trust funds	1,401,909,619	1,401,909,619	-	-
Guaranteed investment contracts	786,260,025	786,260,025	-	-
	$ 5,348,768,221	$ 5,348,768,221	$ -	$ -

2019		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Money Market mutual funds	$ 68,543,468	$ 68,543,468	$ -	$ -
Bond mutual funds	134,825,635	134,825,635	-	-
Blended trust funds	2,766,633,933	2,766,633,933	-	-
Equity trust funds	1,293,143,310	1,293,143,310	-	-
Guaranteed investment contracts	610,485,350	610,485,350	-	-
	$ 4,873,631,696	$ 4,873,631,696	$ -	$ -

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN

COMBINED SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Years Ended December 31, 2020 and 2019

	2020	2019
RECEIPTS		
Pre-tax participant deferrals	$ 161,175,746	$ 152,772,504
Roth participant deferrals	13,273,132	9,566,821
Participant accounts transferred in from other qualified retirement plans	41,463,385	41,275,044
Roth participant transfers in from other plans	-	2,031
Transfer from Plan Fee Expense account	1,300,000	1,200,000
Interest received:		
State Treasury	37,220	74,970
Other	289	290
Total receipts	217,249,772	204,891,660
DISBURSEMENTS		
Transfers to service agent for investment	212,525,444	203,436,622
Administrative costs	1,019,644	955,559
Refunds	141,392	74,970
Total disbursements	213,686,480	204,467,151
EXCESS OF RECEIPTS OVER DISBURSEMENTS	3,563,292	424,509
CASH BALANCE, BEGINNING OF YEAR	4,662,343	4,237,834
CASH BALANCE, END OF YEAR	$ 8,225,635	$ 4,662,343

Note: The above schedule presents the combined cash transactions, and summarizes cash receipts and cash disbursements in the State Employees' Deferred Compensation Plan Fund in the State Treasury. The ending cash balance has been reconciled to the balance reported by the State Comptroller.

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN

SUMMARY SCHEDULES OF INVESTMENT INCREASES, DEDUCTIONS, AND BALANCES

Years Ended December 31, 2020 and 2019

	2020	2019
INVESTMENT INCREASES		
Deferral contributions	$ 171,054,170	$ 162,354,230
Participant accounts transferred in from other qualified retirement plans	44,880,288	49,083,366
Reinvested income	18,060,337	20,825,065
Loans repaid	17,899,640	17,875,932
Interest from participant loans	2,102,900	2,262,124
Net appreciation in value	566,427,536	754,128,463
Total increase	820,424,871	1,006,529,180
INVESTMENT DEDUCTIONS		
Distributions:		
Terminations	107,350,464	105,104,921
Beneficiary distributions	17,324,374	21,477,819
Hardship	754,429	1,684,946
Total distributions	125,429,267	128,267,686
Participant accounts transferred out to other plans	197,613,222	197,370,602
Loans paid out	18,190,409	20,697,672
Fees paid from participant accounts	3,550,662	3,687,145
Investment expenses	504,786	486,348
Total deductions in response to distribution qualifying events	345,288,346	350,509,453
NET INCREASE IN INVESTMENTS DURING THE YEAR	475,136,525	656,019,727
INVESTMENT BALANCE, BEGINNING OF YEAR	4,873,631,696	4,217,611,969
INVESTMENT BALANCE, END OF YEAR	5,348,768,221	4,873,631,696
LESS CASH EQUIVALENTS IN INVESTMENT PORTFOLIO	-	(68,543,468)
INVESTMENT BALANCE PER STATEMENT OF NET POSITION	$ 5,348,768,221	$4,805,088,228
NUMBER OF PARTICIPANTS	56,849	59,532
AVERAGE ACCOUNT VALUE	$ 94,087	$ 81,866
LARGEST ACCOUNT VALUE	$ 3,132,753	$ 3,595,028
SMALLEST ACCOUNT VALUE	$ 10	$ 10

Note: This schedule summarizes amounts withheld from State employees under the deferred compensation program and which were invested in the various investment vehicles of the Plan. Due to timing differences relating to the deposit of funds into the various investment vehicles, certain amounts may be included in the cash balance at year-end and balances reflected on this schedule may not agree with balances reported on the Statement of Plan Net Position.

STATE OF ILLINOIS
EMPLOYEES' DEFERRED COMPENSATION PLAN

SCHEDULES OF ADMINISTRATIVE COSTS

Years Ended December 31, 2020 and 2019

	2020	2019
Salaries	$ 415,665	$ 470,682
Fringe benefits	347,730	304,411
Computer software and services	7,504	11,132
Telecommunications	-	8,926
Contractual services	97,552	127,861
Other	5,788	149
Office supplies	1,016	2,005
TOTAL ADMINISTRATIVE COSTS	$ 875,255	$ 925,166

Note: The above schedule summarizes the administrative costs incurred by the Department of Central Management Services in connection with the Deferred Compensation Plan. These costs are stated on an accrual basis and have been paid from the State Employees' Deferred Compensation Plan Fund. Annual appropriations are made to the Department for these administrative expenses. Purchases of investments in the various funds and payments of benefits to participants are made under continuing appropriations provided under Public Act 80-1181, effective January 30, 1978.

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INDEPENDENT AUDITOR'S 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*

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, 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, the financial statements of the State Employees' Deferred Compensation Plan Fund (755) of the State of Illinois, Department of Central Management Services, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Central Management Services' State Employees' Deferred Compensation Plan Fund's (755) financial statements, and we have issued our report thereon dated June 24, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Central Management Services' State Employees' Deferred Compensation Plan Fund's (755) 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 audits 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*.

Internal Control Over Financial Reporting

Management of the State of Illinois, Department of Central Management Services' State Employees' Deferred Compensation Plan Fund (755) is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audits of the financial statements, we considered the State of Illinois, Department of Central Management Services' internal control of the State Employees' Deferred Compensation Plan Fund (755) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' 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 may exist that have not been identified.

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

Springfield, Illinois
June 24, 2021