



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE BOARD OF INVESTMENT

Financial Audit
For the Year Ended June 30, 2015

Release Date: December 23, 2015

FINDINGS THIS AUDIT: 1

	<u>New</u>	<u>Repeat</u>	<u>Total</u>
Category 1:	0	0	0
Category 2:	1	0	1
Category 3:	0	0	0
TOTAL	1	0	1

FINDINGS LAST AUDIT: 0

INTRODUCTION

This digest covers the Illinois State Board of Investment's (Board) financial audit as of and for the year ended June 30, 2015. The Illinois State Board of Investment's compliance examination covering the year ended June 30, 2015 will be issued at a later date.

SYNOPSIS

- (15-1) The Board recorded a fiscal year 2016 distribution of \$1,200,000 in fiscal year 2015.

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.

{Financial information is summarized on the reverse page.}

ILLINOIS STATE BOARD OF INVESTMENT

FINANCIAL AUDIT

For the Year Ended June 30, 2015

STATEMENT OF CHANGES IN NET POSITION	FY 2015	FY 2014
Additions:		
Investment Income - Increase in Fair Value.....	\$ 253,829,554	\$ 1,908,636,433
Investment Income - Interest & Dividends.....	506,478,859	417,760,774
Investment Income - Securities Lending.....	3,148,262	3,235,139
Total Investment Income.....	763,456,675	2,329,632,346
Member Systems' Contributions.....	21,400,000	16,000,000
Total Additions.....	784,856,675	2,345,632,346
Deductions:		
Salaries and Benefits.....	2,070,304	1,893,527
Operating Expenses.....	601,636	603,830
External Support (consulting and investment fees).....	41,871,500	40,188,622
Member Systems' Withdrawals.....	5,350,000	64,407,580
Total Deductions.....	49,893,440	107,093,559
Increase in Net Position.....	734,963,235	2,238,538,787
Net Position Beginning of the Year.....	15,076,753,325	12,838,214,538
Net Position End of the Year.....	\$ 15,811,716,560	\$ 15,076,753,325
EXTERNAL SUPPORT EXPENSES		
Custody.....	\$ 234,493	\$ 219,517
Consulting and Professional.....	1,332,084	1,209,191
Investment Advisors / Managers.....	40,062,708	38,474,339
Investment Services and Research.....	242,215	285,575
Total External Support Expenses.....	\$ 41,871,500	\$ 40,188,622
MEMBER SYSTEMS' NET CONTRIBUTIONS (WITHDRAWALS)		
State Employees' Retirement System.....	\$ -	\$ (58,607,580)
Judges' Retirement System.....	20,700,000	16,000,000
General Assembly Retirement System.....	(4,650,000)	(5,800,000)
Total Member Systems' Withdrawals.....	\$ 16,050,000	\$ (48,407,580)
INVESTMENT PORTFOLIO ANALYSIS - Fair Value		
Government and Agency Obligations.....	\$ 905,946,508	\$ 782,781,918
Foreign Obligations.....	890,996,127	830,485,454
Corporate Obligations.....	812,745,287	797,788,043
Common Stock and Equity Funds.....	4,738,608,305	4,543,452,501
Commingled Funds.....	769,200,906	731,428,365
Foreign Preferred Stock	177,269	72,750
Foreign Equity Securities.....	2,375,046,028	2,341,436,888
Hedge Funds.....	1,572,969,759	1,481,938,543
Real Estate Funds.....	1,607,473,903	1,480,243,122
Private Equity.....	665,692,385	666,288,596
Money Market Instruments.....	230,634,419	217,266,893
Real Assets.....	531,609,455	523,152,831
Bank Loans.....	696,384,329	687,768,412
Foreign Currency Forward Contracts.....	977,606	(636,223)
Total Investment Portfolio.....	\$ 15,798,462,286	\$ 15,083,468,093
SELECTED ACCOUNT BALANCES		
Cash.....	\$ 12,983,801	\$ 9,376,958
Illinois Power Agency Trust Fund - Cash.....	\$ 1,227,077	\$ 20,289
Illinois Power Agency Trust Fund - Investments.....	\$ 32,949,350	\$ 32,636,579
Total Accounts Receivable	\$ 631,204,962	\$ 400,431,686
Prepaid Expenses.....	\$ 11,565	\$ 14,534
Capital Assets.....	\$ 41,137	\$ 42,422
Administrative Expenses Payable.....	\$ 8,227,266	\$ 8,378,940
Investments Purchased Payable.....	\$ 621,851,424	\$ 406,924,166
BOARD CHIEF EXECUTIVES		
During Engagement Period and Current: Executive Director: William R. Atwood Chairman: Marc Levine		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER FINANCIAL
CLOSE AND REPORTING**

**Need to improve controls over
reporting distributions**

The Illinois State Board of Investment (Board) recorded a fiscal year 2016 distribution of \$1,200,000 in fiscal year 2015.

During our testing over distributions, we noted that a distribution to the Illinois Power Agency in the amount of \$1,200,000 was recorded in fiscal year 2015 in error. The funds were not distributed to the Illinois Power Agency until fiscal year 2016. An audit adjustment of \$1,200,000 was recorded by the Board to correct the error.

Failure to record transactions in the proper period could result in inaccurate financial statements. (Finding 1, page 26)

We recommended the Board review their procedures for monitoring significant transactions occurring near the end of their fiscal year in order to help identify and record transactions in the proper fiscal year.

The Board agrees with the auditor

Board officials agreed with the finding.

AUDITOR'S OPINION

Our auditors state the financial statements of the Illinois State Board of Investment as of and for the year ended June 30, 2015 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were RSM US LLP.