



ILLINOIS STATE BOARD OF INVESTMENT
An Internal Investment Pool of the State of Illinois

Compliance Examination

Year Ended June 30, 2016

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

(With Independent Auditors' Report Thereon)

Illinois State Board of Investment
 (An Internal Investment Pool of the State of Illinois)
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ILLINOIS STATE BOARD OF INVESTMENTS
(An Internal Investment Pool of the State of Illinois)
Agency Officials

Executive Director	Mr. William R. Atwood
Deputy Executive Director	Ms. Alise M. White
Chief Fiscal Officer	Willie Genette Bacon-Cordova
General Counsel/Chief Compliance Officer	Ms. Linsey J. Payne 7/1/16 to 3/3/16 Vacant 3/4/16 to 7/17/16 Mr. Christopher Brannan 7/18/16 to present

Illinois State Board of Investment Office is located at:

180 N. LaSalle Street
Suite 2015
Chicago, Illinois 60601



ILLINOIS STATE BOARD OF INVESTMENT

180 North LaSalle Street, Suite 2015

Chicago, Illinois 60601

(312) 793-5718

April 4, 2017

KPMG LLP
200 East Randolph Street, Suite 5500
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois State Board of Investment (ISBI). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of ISBI's compliance with the following assertions during the year ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, ISBI has materially complied with the assertions below.

- A. ISBI has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. ISBI has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. ISBI has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by ISBI are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by ISBI on behalf of the State or held in trust by ISBI have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

Illinois State Board of Investment

SIGNED ORIGINAL ON FILE

William Atwood, Executive Director

SIGNED ORIGINAL ON FILE

Genette Bacon, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Christopher Brannan, General Counsel
and Chief Compliance Officer

Illinois State Board of Investment
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 Compliance Report Summary
 Year ended June 30, 2016

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

Details of findings are presented in a separate section of the report.

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Government Auditing Standards Description</u>	<u>Finding Type</u>
None reported			

State Compliance			
<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding type</u>
2016-001	11	Noncompliance with the Illinois Pension Code	Noncompliance

Prior year findings not repeated			
<u>Item No.</u>	<u>Page</u>	<u>description</u>	<u>Finding type</u>
2015-001	14	Inadequate Controls Over Financial Close and Reporting	Significant deficiency

Illinois State Board of Investment
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Compliance Report Summary
Year ended June 30, 2016

Exit Conference

The state compliance finding and recommendation appearing in this report was discussed with ISBI personnel at an exit conference on March 23, 2017. Attending were:

Illinois State Board of Investment

Marc Levine	Board of Directors Chair
Mary Schostok	Audit Committee Chair
William Atwood	Executive Director
Christopher Brannan	General Counselor and Chief Compliance Officer

KPMG LLP

Catherine Baumann	Partner
Anthony Solano	Manager

Illinois Office of the Auditor General

Thomas L. Kizziah	Audit Manager
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The response to the finding was received in an email dated March 29, 2017 from Chris Brannan, General Counsel and Chief Compliance Officer.



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

**Independent Accountants' Report on State Compliance,
on Internal Control over Compliance, and on
Supplementary Information for State Compliance Purposes**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Board of Trustees
Illinois State Board of Investment

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Illinois State Board of Investment's (Board) and its investment trust fund, the Illinois Power Agency Trust Fund, (collectively referred to as "ISBI") compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2016. The management of ISBI is responsible for compliance with these requirements. Our responsibility is to express an opinion on ISBI's compliance based on our examination.

- A. ISBI has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. ISBI has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. ISBI has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by ISBI are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by ISBI on behalf of the State or held in trust by ISBI have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the Audit Guide as adopted by the Auditor General pursuant to the Act and, accordingly, included examining, on a test basis, evidence about ISBI's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of ISBI's compliance with specified requirements.



In our opinion, ISBI complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2016. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 2016-001.

Internal Control over Compliance

Management of ISBI is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered ISBI's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of ISBI's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ISBI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a requirement listed in the first paragraph of this report that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

There were no immaterial findings that have been excluded from this report.

ISBI's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings. ISBI's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the Statement of Net Position of ISBI, an internal investment pool of the State of Illinois as of June 30, 2016, and the related Statement of Changes in Net Position for the year then ended and the related notes to the financial statements. We have also audited ISBI's investment trust funds, the Illinois State Board of Investment Member Systems and the Illinois Power Agency Trust Funds (the Trust Funds) as of and for the year ending June 30, 2016. ISBI and the Trust Funds collectively comprise the basic financial statements. We have issued our report thereon dated December 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ISBI's basic financial statements.



The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 6 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of ISBI. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 6 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 for the year ended June 30, 2016 in Schedules 1 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

ISBI's financial statements (not presented herein) for the year ended June 30, 2015 were audited by other auditors whose report thereon dated December 9, 2015 expressed unmodified opinions on the basic financial statements of ISBI. The other auditors also issued a separate report dated January 19, 2016, which stated that the supplementary information for the year ended June 30, 2015 included in Schedules 1 through 6 was subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements taken as a whole for the year ended June 30, 2015.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it

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

/s/KPMG LLP

Chicago, Illinois
April 4, 2017



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Suite 5500
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Chicago, IL 60601-6436

Independent Auditors' 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*

The Honorable Frank J. Mautino
Auditor General of the State of Illinois
and
The Board of Trustees
Illinois State Board of Investment

As Special Assistant Auditors for the Auditor General of the State of Illinois, 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 Illinois State Board of Investment (ISBI) and its investment trust funds, the Illinois State Board of Investment Member Systems and the Illinois Power Agency Trust Funds (the Trust Funds), which collectively comprise ISBI and the Trust Funds' basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ISBI and the Trust Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ISBI and the Trust Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of ISBI and the Trust Funds' 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ISBI and the Trust Funds' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.



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 ISBI and the Trust Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ISBI and the Trust Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
December 21, 2016

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
Schedule of Findings
Current Findings – *Government Auditing Standards*
Year ended June 30, 2016

None reported.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Schedule of Findings

Current Findings – *State Compliance*

Year ended June 30, 2016

Finding 2016-001 – Noncompliance with the Illinois Pension Code

The Illinois State Board of Investment (ISBI) did not always obtain fully completed disclosures from investment managers as required in the Illinois Pension Code.

During our testwork of eight investment manager disclosures returned to ISBI, we noted the following:

- The investment manager disclosure for one investment manager did not properly disclose the number of its investment and senior staff and the percentage of its investment and senior staff who are a person with a disability.
- The investment manager disclosures for three investment managers did not properly disclose the number of contracts with businesses owned by a minority, a female, or a person with a disability.
- The investment manager disclosures for five investment managers (including the four investment manager disclosures identified above) did not properly disclose the number of contracts with other than those businesses owned by a minority, a female, or a person with a disability if more than 50% of services performed pursuant to the contract are performed by a minority, a female, or a person with a disability.

The Illinois Pension Code section 40 ILCS 5/1-113.21 (a) states “No contract, oral or written, for investment services, consulting services, or commitment to a private market fund shall be awarded by a retirement system, pension fund, or investment board established under this Code unless the investment advisor, consultant, or private market fund first discloses:

- (1) the number of its investment and senior staff and the percentage of its investment and senior staff who are (i) a minority person, (ii) a female, and (iii) a person with a disability; and
- (2) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and
- (3) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.”

The Illinois Pension Code Section 40 ILCS 5/1-113.21 (b) states “The disclosures required by this Section shall be considered, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for investment services, consulting services, or commitment to a private market fund.”

ILLINOIS STATE BOARD OF INVESTMENT
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Schedule of Findings

Current Findings – *State Compliance*

Year ended June 30, 2016

In discussing these conditions with ISBI officials, they stated a Request For Proposal (RFP) form was developed to document the data elements required in the law; however, some forms submitted by investment managers did not contain numerical responses but, instead, the managers indicated that they did not know, or did not track, the required information. The RFP form documenting the disclosures is given to Board members for use in the selection process. According to ISBI officials, ISBI operates under the broad financial and fiduciary standards set in 40 ILCS 5/1-109. ISBI believes it would be imprudent to exclude managers solely on the basis of this reporting requirement.

ISBI officials also stated while all required information is requested in the RFP process, some investment managers stated that disclosure requirements of this nature are specific to Illinois law and either do not track or cannot legally provide all of the required disclosures.

Failure to obtain the necessary disclosures from the investment managers prior to awarding the contract results in noncompliance with the Illinois Pension Code. (Finding Code No. 2016-001)

Recommendation

We recommend the ISBI comply with the Illinois Pension Code or seek legislative remedy.

ISBI Response

The Illinois State Board of Investment (“ISBI”) is charged with managing the funds of the State Employees’ Retirement System, Judges’ Retirement System, and the General Assembly Retirement System (collectively, the “Retirement Systems”). ISBI has a fiduciary obligation to invest the funds of the Retirement Systems in order to maximize value for their state employee beneficiaries.

In implementing the requirements of Illinois Pension Code Section 40 ILCS 5/1-113.21 (the “Statute”) during its 2016 Fiscal Year, in accordance with Subsection (a) of the Statute, ISBI asked each of its prospective investment service providers to disclose the data required by the Statute pertaining to the service provider’s diversity-related employment statistics, as well as diversity-related statistics involving the service provider’s other services contracts via ISBI’s established RFP disclosure form. Each RFP disclosure form is provided to the Board of Trustees of ISBI (the “Board”) for its use in the RFP selection process.

Subsection (b) of the Statute states that the requirements under Subsection (a) are to be considered “within the bounds of financial and fiduciary prudence...” Several of ISBI’s contracted service providers responded that they do not track information pertaining to the diversity of other vendors with whom they contract. The Board, as required by the Statute, considered these disclosures as part of its decision-making process. However, as a result of ISBI’s interpretation of Subsection (b), the Board selected these service providers based on its exhaustive due diligence RFP process. These service providers were deemed to be best suited to maximize value for the Retirement Systems’ state employee beneficiaries.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Schedule of Findings

Current Findings – *State Compliance*

Year ended June 30, 2016

Given that the 2016 Fiscal Year was the first full fiscal year since the enactment of the Statute, ISBI had no guidance that would indicate that Subsection (b) would be interpreted differently by the Auditor General. While ISBI does not agree with the Auditor General's interpretation of Subsection (b) in connection with Subsection (a), ISBI promptly updated its practices to comply with the Auditor General's interpretation.

Since some requirements of the Statute are unique relative to other states, ISBI is concerned that this interpretation of the Statute may potentially limit ISBI's ability to invest funds with the best possible investment service providers and in turn, limit its ability to maximize the value for the Retirement Systems' state employee beneficiaries.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Schedule of Findings

Prior Finding Not Repeated

Year ended June 30, 2016

Finding 2015-001 – Inadequate Controls Over Financial Close and Reporting

In the prior year, ISBI had not established adequate internal controls over accurately identifying and recording transactions at period end.

Similar exceptions were not identified in the current year.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
Supplementary Information for State Compliance Purposes
Year ended June 30, 2016

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Comparative Schedules of Operations
 - Schedules of Investment Portfolio
 - Schedules of Investment Manager Fees
 - Schedules of Property and Equipment
 - Reconciliation of the State Treasurer's Cash Balance with that of ISBI
 - Schedules of Analysis of Accounts Receivable
- Analysis of Operations (Unaudited):
 - Board Functions and Planning Program (Unaudited)
 - Number of Employees (Unaudited)
 - Proceeds from General Obligation Bonds (Unaudited)
 - Third-Party Marketing Fees Paid (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Overall Rates of Return (Unaudited)
 - Investment Returns – Benchmark and Actual (Unaudited)
 - Net Position Allocation as of June 30, 2016 (Unaudited)
 - Schedules of Soft Dollar Credits (Unaudited)
 - Schedules of Investment Commissions (Unaudited)

The report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the supplementary information presented for the year ended June 30, 2016 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the 2016 basic financial statements as a whole from which it has been derived. The report also states the financial statements for the year ended June 30, 2015 were audited by other auditors whose report thereon dated December 9, 2015 expressed unmodified opinions on the basic financial statements and whose separate report on other supplementary information dated January 19, 2016 stated the supplementary information for the year ended June 30, 2015 included in Schedules 1 through 6 was subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements from which it was derived. The report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, the auditors do not express an opinion or provide any assurance on it.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
Comparative Schedules of Operations
Years ended June 30, 2016 and 2015

Schedule 1

	<u>2016</u>	<u>2015</u>	<u>Increase (decrease)</u>
Investment income:			
Interest	\$ 297,332,952	354,281,150	(56,948,198)
Dividends	175,131,744	153,292,990	21,838,754
Securities lending	3,012,190	3,155,070	(142,880)
Realized gain on investments	135,425,578	518,779,744	(383,354,166)
Unrealized gain on investments	<u>(703,921,929)</u>	<u>(264,401,473)</u>	<u>(439,520,456)</u>
Total investment income	<u>(93,019,465)</u>	<u>765,107,481</u>	<u>(858,126,946)</u>
Administrative expenses:			
Salaries and benefits	2,095,226	2,074,781	20,445
Operating	586,995	602,937	(15,942)
External support	<u>37,960,494</u>	<u>41,962,049</u>	<u>(4,001,555)</u>
Total expenses	<u>40,642,715</u>	<u>44,639,767</u>	<u>(3,997,052)</u>
Excess of investment income over administrative expenses	\$ <u><u>(133,662,180)</u></u>	<u><u>720,467,714</u></u>	<u><u>(854,129,894)</u></u>

See accompanying independent accountants' report.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis

Schedules of Investment Portfolio

Years ended June 30, 2016 and 2015

Schedule 2

Investments	2016		2015	
	Amount	Percentage of portfolio	Amount	Percentage of portfolio
Fixed income securities:				
Government and agency obligations:				
U.S. Treasury	1,626,996,131	10.45%	450,342,908	2.89%
Federal agencies and other governments	722,030,788	4.64	457,492,918	2.94
Foreign government obligations	80,165,287	0.52	892,854,266	5.74
Corporate obligations:				
Finance	233,128,652	1.50	203,037,989	1.30
Industrials	388,110,620	2.49	467,252,204	3.00
Asset backed	—	—	—	—
Miscellaneous	125,297,749	0.80	144,150,044	0.93
Total fixed-income securities	<u>3,175,729,227</u>	<u>20.40</u>	<u>2,615,130,329</u>	<u>16.80</u>
Equities:				
Common stocks:				
U.S. equities:				
Consumer discretionary	588,257,680	3.78	742,621,369	4.77%
Consumer staples	392,870,092	2.52	317,653,160	2.04
Energy	275,470,714	1.77	277,969,947	1.79
Financials	741,848,644	4.77	965,095,779	6.20
Healthcare	592,840,381	3.81	591,918,185	3.80
Industrials	452,337,089	2.91	626,186,445	4.02
Information technology	851,489,323	5.47	824,917,357	5.30
Materials	137,822,353	0.89	210,167,003	1.35
Telecommunication services	117,432,105	0.75	63,711,299	0.41
Utilities	167,189,595	1.07	125,009,512	0.80
Other	351,625	—	3,242,684	0.02
Commingled funds	961,730,986	6.18	770,805,046	4.95
Non-U.S. equities	<u>2,244,023,753</u>	<u>14.42</u>	<u>2,380,176,737</u>	<u>15.29</u>
Total equities	<u>7,523,664,340</u>	<u>48.34</u>	<u>7,899,474,523</u>	<u>50.74</u>

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis

Schedules of Investment Portfolio

Years ended June 30, 2016 and 2015

Schedule 2

Investments	2016		2015	
	Amount	Percentage of portfolio	Amount	Percentage of portfolio
Hedge funds	\$ 1,181,203,258	7.59	1,576,250,129	10.13%
Real estate funds	1,704,064,846	10.95	1,610,826,230	10.35
Private equity	582,943,357	3.75	667,080,662	4.29
Money market instruments	356,617,721	2.29	231,115,398	1.48
Real assets	592,736,380	3.81	532,718,107	3.42
Bank loans	449,925,261	2.89	697,836,613	4.48
Foreign currency forward contracts	(1,337,420)	(0.01)	979,645	0.01
Total investments	<u>\$ 15,565,546,970</u>	<u>100.01%</u>	<u>15,831,411,636</u>	<u>101.70%</u>

See accompanying independent accountants' report

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis

Schedules of Investment Manager Fees

Years ended June 30, 2016 and 2015

Schedule 3

	2016	2015
Appomattox	\$ 170,993	—
Ariel Investments	820,157	962,385
Ashmore	638,693	837,178
Channing	656,857	602,251
Chicago Equity Partners	497,918	409,415
Crescent Capital	1,313,027	1,240,096
Decatur	119,393	117,600
Entrust	3,133,068	3,847,022
Fiduciary Management Associates	482,579	502,121
Fort Washington	1,210,286	1,328,546
Garcia Hamilton	438,889	240,420
Globeflex Capital	—	2
Herndon Capital	85,421	418,870
LM Capital	510,228	482,076
LSV Asset Management	4,221,537	4,227,941
Lombardia	435,038	454,455
Macquarie	2,727,463	2,769,521
Mesirow	1,958,563	2,617,113
Opus Capital Management	—	145,789
Rhumblin	202,517	191,303
Rockcreek	3,880,432	3,848,526
Russell Midcap	5,912	—
Russell 1000	18,387	—
Segall Bryant and Hamill	1,642,705	1,804,418
Standish	778,398	1,163,950
State Street Bank	280,000	280,000
SSgA (Cash Overlay)	125,000	119,135
SSgA Emerging Markets Commingled Fund	179,850	216,931
SSgA MSCI ACWI Index	293,175	592,171

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis

Schedules of Investment Manager Fees

Years ended June 30, 2016 and 2015

Schedule 3

	<u>2016</u>	<u>2015</u>
SSgA Mid Cap Growth	\$ 242,308	277,938
SSgA Small Cap Core	95,793	93,927
SSgA Small Cap Global	2,356,345	2,356,316
THL Credit	899,433	953,816
Templeton	1,726,376	1,848,139
Union Labor Life Investment Co. (ULLICO)	221,970	433,774
Vontobel Asset Management	1,542,691	2,202,249
Wellington	674,896	1,063,736
William Blair	<u>1,330,602</u>	<u>1,450,214</u>
	\$ <u>35,916,900</u>	<u>40,099,344</u>

Investment manager fees are related to fees paid to various investment managers. Fees are negotiated primarily on market values. A graduated rate is used for most managers based upon various increments per million dollars of market value.

See accompanying independent accountants' report.

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
 Schedules of Property an Equipment
 Years ended June 30, 2016 and 2015

Schedule 4

Schedules of property and equipment are as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Cost	\$ 98,174	10,016	(14,188)	94,002
Less accumulated depreciation	<u>(56,951)</u>	<u>857</u>	<u>14,188</u>	<u>(41,906)</u>
Net property and equipment	<u>\$ 41,223</u>	<u>10,873</u>	<u>—</u>	<u>52,096</u>

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Cost	\$ 97,254	920	—	98,174
Less accumulated depreciation	<u>(54,740)</u>	<u>(2,211)</u>	<u>—</u>	<u>(56,951)</u>
Net property and equipment	<u>\$ 42,514</u>	<u>(1,291)</u>	<u>—</u>	<u>41,223</u>

Note: Amounts reported in the schedule of property and equipment have been reconciled to property reports submitted to the Illinois Office of the Comptroller

See accompanying independent accountants' report.

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
 Reconciliation of the State Treasurer's Cash Balance with that of ISBI
 Years ended June 30, 2016 and 2015

Schedule 5

Reconciliation of the State Treasurer's Cash Balance with that of ISBI

	<u>2016</u>		
	<u>Illinois State Board of Investment</u>	<u>Illinois Power Agency Trust fund</u>	<u>Total</u>
Balance per State Treasurer at June 30	\$ 393,683	—	393,683
Vouchers in transit	—	—	—
Balance per ISBI at June 30	<u>\$ 393,683</u>	<u>—</u>	<u>393,683</u>

	<u>2015</u>		
	<u>Illinois State Board of Investment</u>	<u>Illinois Power Agency Trust fund</u>	<u>Total</u>
Balance per State Treasurer at June 30	\$ 106,282	1,200,000	1,306,282
Vouchers in transit	—	—	—
Balance per ISBI at June 30	<u>\$ 106,282</u>	<u>1,200,000</u>	<u>1,306,282</u>

See accompanying independent accountants' reports.

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)

Fiscal Schedules and Analysis
 Schedules of Analysis of Accounts Receivable
 Years ended June 30, 2016 and 2015

Schedule 6

Schedule of Analysis of Accounts Receivable

A summary of ISBI's receivables are as follows:

	2016	2015
Receivables:		
Foreign taxes	\$ 5,252,269	4,689,067
Accounts receivable	303,146	307,849
Investments sold	1,064,061,296	585,819,310
Interest and dividends	35,808,385	41,705,091
Total receivables	\$ 1,105,425,096	632,521,317

ISBI's receivable balance at June 30, 2016 and 2015 amounted to \$1,105,425,096 and \$632,521,317, respectively. The balance consisted of \$41,363,800 and \$46,702,007 of dividends, interest, foreign taxes, and accounts receivable on investments held as of June 30, 2016 and 2014, respectively, and included receivables of \$1,064,061,296 and \$585,819,310 for investments sold prior to June 30, 2016 and 2015, respectively, but settled after year-end. Because the collection of this interest is relatively assured and the sale of investments is merely an issue of timing, ISBI does not maintain a reserve for uncollectible receivables or age the receivable detail.

See accompanying independent accountants' report.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Analysis of Operations (Unaudited)

Year ended June 30, 2016

Board Functions and Planning Program (Unaudited)

The Illinois State Board of Investment (ISBI) was created on October 10, 1969, by Article 22A of the Illinois Pension Code to manage and invest the assets and reserves of any pension fund or retirement system that transfers this responsibility to ISBI. In accordance with Article 22A, the Trustees of the State Employees' Retirement System, the General Assembly Retirement System, and the Judges' Retirement System transferred all of their investment assets to ISBI as of June 30, 1970. Since that date, all additional funds available for investment for those three systems have been transferred to ISBI.

In 1978, in accordance with Article 24, ISBI shall be responsible for developing and establishing the State Employees' Deferred Compensation Plan (the Plan). Initial enrollment began in 1979, at which time the Department of Personnel (now Department of Central Management Services) was named as the Administrator of the Plan. With respect to developing and establishing the Plan, ISBI reviews investment offering options for the Plan and supervises the Department of Central Management Services' administration of the Plan.

Beginning July 1, 1978, ISBI merged the Illinois Board Fund, Illinois Equity Fund, and Illinois Segregated Fund into the Illinois State Board of Investment Commingled Fund (the Commingled Fund). The purpose of this consolidation was to enhance control over investment policy through increased flexibility in the allocation of cash reserves between fixed income and equity investments. ISBI's investment policy and strategy can be more uniformly applied to each member system irrespective of cash flow. In addition, it simplified ISBI's accounting and reporting systems. The result is that the Commingled Fund now represents all of the assets under ISBI's supervision.

Beginning in 1982, ISBI expanded the asset base of the Commingled Fund to include both real estate and venture capital.

In 1992, ISBI completed its investment strategy to have all equity security investments managed externally.

During fiscal year 2004, ISBI engaged Marquette Associates as its investment consultant. ISBI conducted an asset allocation study and, in December 2003, adopted a written Asset Allocation Study. The Asset Allocation Study summarizes ISBI's investment policies and measures of performance, formally documents objectives of ISBI, and details a strategic plan for ISBI. Criteria for the review and evaluation of investment managers are included in the Asset Allocation Study. Additionally, a methodology and format is outlined to highlight the results of the objectives and goals established within the Asset Allocation Study. The Asset Allocation Study reaffirms the broadly diversified investment strategy that has been pursued by ISBI with the belief that, over a period of time, this approach will maximize investment return within a prudent level of risk. In March 2008, the Asset Allocation Study was updated to incorporate asset classes and revise asset allocation percentages. In June 2011, the Asset Allocation Study was again updated to incorporate asset classes and revise allocation percentages effective for fiscal year 2012. In June 2013, the Asset Allocation Study was again revised after a search for a General Consultant was completed. There were no major changes to the asset allocation; however, certain strategies were refined within allocations. At the June 2015 Board Meeting, the allocation of the Board's real estate portfolio target was temporarily adjusted to 10.4% of total plan assets. Money will be taken from the Fixed Income portfolio to fund this increase in Real Estate. The additional monies will be targeted towards International Real Estate. During fiscal year 2016, ISBI engaged Meketa Investment Group its investment consultant. ISBI conducted an asset allocation study and, in January 2016, adopted a written Asset Allocation Study.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
Analysis of Operations (Unaudited)
Year ended June 30, 2016

Members of the Board of Trustees as of June 30, 2016 include:

Senator James Clayborne	Comptroller Leslie Geissler Munger
Mark Cozzi	Steven Powell
Ezequiel Flores	Shari Greco
Treasurer Michael Frerichs	Justice Mary Seminara Schostok
Marc Levine	

ISBI has established both long-term and short-term goals with the intention of maximizing earnings for Member Retirement Systems' investments. These goals are reviewed in accordance with the Strategic Investment Policy.

Number of Employees (Unaudited)

ISBI had 10 full-time employees at June 30, 2016 and had 11 full-time employees at June 30, 2015.

Proceeds from General Obligation Bonds (Unaudited)

Public Act 93-0002 (the Act) became effective on April 7, 2003 and authorized the State of Illinois to issue \$10 billion of General Obligation Bonds for the purpose of making contributions to designated retirement systems. The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System are "designated retirement systems" for the purpose of this law.

On June 12, 2003, the State of Illinois issued \$10 billion of General Obligation Bonds, Pension Funding Series June 2003. The net bond proceeds were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in the Act.

The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System (member systems) received an allocation of bond proceeds equal to \$1,544,924,744 on July 1, 2003. The monies were deposited into the Master Trust Account with the Illinois State Board of Investment on July 2, 2003. ISBI initially approved investing the pension bond proceeds in separate index funds. These index funds were subsequently liquidated and combined with ISBI's other investments and invested in accordance with the asset allocation policy of ISBI during the year ended June 30, 2004.

Public Act 96-0043 (the Act) became effective on July 15, 2009 and authorized the State of Illinois to issue \$3.466 billion of General Obligation Bonds for the purpose of making contributions to designated retirement systems. The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System are "designated retirement systems" for the purpose of this law.

On January 7, 2010, the State of Illinois issued \$3.466 billion of General Obligation Bonds, Taxable Bond Series January 2010. The net bond proceeds were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in the Act. The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System received an allocation of bond proceeds equal to \$809,401,372 on January 20, 2010. The monies were deposited into the Master Trust

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)
 Analysis of Operations (Unaudited)
 Year ended June 30, 2016

Account with the Illinois State Board of Investment the same day. The monies were combined with ISBI's other investments and invested in accordance with the asset allocation policy of ISBI during the year ended June 30, 2010.

Public Act 96-1497 (the Act) became effective on January 14, 2011 and authorized the State of Illinois to issue up to \$4.1 billion of General Obligation Bonds for the purpose of making contributions to designated retirement systems. On March 10, 2011, the State of Illinois issued \$3.7 billion of General Obligation Bonds, Taxable Bond Series February 2011. The net bond proceeds were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in the Act.

The State Employees' Retirement System, General Assembly Retirement System, and Judges' Retirement System received an allocation of bond proceeds equal to \$745,546,496 on March 14, 2011. The monies were deposited into the Master Trust Account with the Illinois State Board of Investment the same day. The monies were combined with ISBI's other investments and invested in accordance with the asset allocation policy of ISBI during the year ended June 30, 2011.

During fiscal year 2016 and 2015, respectively, employer and employee funding transfers were sent directly by the State of Illinois to Member systems, rather than to ISBI. As a result, ISBI reports no contributions from the State of Illinois in fiscal year 2016 and 2015. In fiscal year 2016 ISBI received \$6,500,000 in contributions from the Judges Retirement System which was deposited into the Master Trust Account the same day.

ISBI estimates the annualized return of each pension bond series as follows:

Series	Return
General Obligation Bonds, Pension Fund Series June 2003	(0.8)%
General Obligation Bonds, Taxable Bond Series January 2010	7.8
General Obligation Bonds, Taxable Bond Series February 2011	7.5

Third-Party Marketing Fees Paid (Unaudited)

ISBI discloses whether investment managers hired marketing groups to assist with promoting their investment product to ISBI. There were no third party marketing fees paid by investment managers as of June 30, 2016 and June 30, 2015, respectively.

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)
 Analysis of Operations (Unaudited)
 Year ended June 30, 2016

Service Efforts and Accomplishments (Unaudited)

For purposes of evaluating service efforts and accomplishments, three different measures have been included. One measure presents a historical perspective of overall annual and compound rates of return, another compares benchmark rates of return with actual rates of return by fund, and the last presents asset allocations by fund type.

Overall Rates of Return (Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual total return	(0.8)%	4.7%	17.9%	14.1%	0.1%
Compound annual rate of return since July 1, 1982	9.0	9.3	9.5	9.2	9.1

Investment Returns – Benchmark and Actual (Unaudited)

ISBI operates under a long-range investment plan with the objective to maximize the total rate of return. The objectives set forth are as follows:

- At least equal to 7.25%, the actuarially assumed interest rate of return for one of ISBI's member systems, the State Employees' Retirement System (SERS). The GARS return assumption was 7.0% at June 30, 2016. In July 2016, JRS return assumption was reduced, effective June 30, 2016, from 7.0% to 6.75%. ISBI has assumed the same rate of return as SERS (7.25% as of June 30, 2016), as SERS's net assets represents approximately 95% of ISBI's net position as of June 30, 2016. In July 2016, SERS return assumption was reduced to 7.0% effective immediately.
- At least equal to the return of a composite benchmark of market indices in the same proportions as ISBI's asset allocation policy targets.

ISBI earned a total rate of return of (0.8)% for the year ended June 30, 2016.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Analysis of Operations (Unaudited)

Year ended June 30, 2016

	(Annualized)							
	2016	2015	2014	2013	2012	3 Years	5 Years	10 Years
	Percentage							
Total Fund	(1)%	5%	18%	14%	—%	12%	11%	6%
Composite Benchmark*	1	4	16	12	1	11	10	6
Consumer Price Index	1	—	2	2	2	1	2	2
U.S. Equities	(2)	6	24	23	1	18	17	9
Russell 3000 Index	2	7	25	22	4	18	18	8
Hedge Funds **	(9)	6	15	13	(4)	11	9	NA
HFRX Equity Hedge	(5)	4	9	8	(11)	7	3	NA
International Equities	(7)	(1)	24	17	(11)	13	11	7
MSCI-ACWI ex US								
Index IMI Gross	(9)	(5)	23	14	(14)	10	9	5
Fixed Income	2	(1)	7	2	7	3	4	4
Barclays Capital U.S.								
Universal Index	6	2	5	—	7	2	4	5
Real Estate	12	16	15	13	5	15	13	5
NCREIF Real Estate Index	11	13	12	11	11	12	13	8
Private Equity	8	22	25	16	8	21	19	13

Note: Calculations are based on a time series of linked monthly returns (IRR), producing a time weighted effect.
Total fund return is presented net of fees. All other return information is presented gross of fees.

* Composite Benchmark:

Effective 06/14: 30% Russell 3000; 20% MSCI-ACWI ex US IMI Gross; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Custom Private Equity Benchmark, which is based on preliminary data subject to change; 10% HFRI Fund of Funds Index. The Custom Private Equity benchmark is based on peer universe return data compiled and published by Cambridge Associates, LLC.
The custom benchmark returns are calculated as pooled internal rates of return (IRR).

Effective 01/14: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR, which is based on preliminary data subject to revision on a quarterly basis; 10% HFRI Fund of Funds Index.

Effective 07/11: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR, which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 07/07: 30% Russell 3000; 20% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economics Pooled Average Periodic IRR, which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 03/06: 8% Russell Midcap Growth; 7% Russell 2000 Value; 5% Russell 1000 Growth; 15% Russell 1000 Value; 10% S&P 500; 3% S&P Dev. Ex-U.S.-\$2B; 7% MSCI-EAFE; 10% NCREIF; 5% Lehman High Yield; 10% Lehman Aggregate; 10% Lehman Int. Govt/Corp; 10% NCREIF

Effective 12/03: 45% Wilshire 5000; 10% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economic All Private Equity Index, which is based on preliminary data subject to revision on a quarterly basis; 5% HFRX Equity Hedged Index.

**Hedge Funds: ISBI began investing in Hedge Funds in Fiscal 2007, therefore, actual return information is not available prior to that period.

Note: Effective 11/08, the Lehman Universal benchmark ceased to exist. Barclays Capital U.S. Universal is the benchmark currently used by ISBI.

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

Analysis of Operations (Unaudited)

Year ended June 30, 2016

Net Position Allocation as of June 30, 2016 (Unaudited)

The investment policy of ISBI establishes asset allocation targets and ranges for each asset class, selected to accomplish the long-range investment plan. The actual asset mix is roughly in line with the policy target, with modest over allocations to U.S. equity and unallocated cash with offsetting under allocations to international equity, alternative investments, and real estate.

	<u>Fair value</u>	<u>Actual asset mix</u>	<u>Policy target</u>
U.S. equity	\$ 4,317,909,601	27	23%
U.S. equity hedge funds	1,181,203,258	8	3
International equity	2,244,023,753	14	20
Commingled funds ⁴	961,730,986	6	—
Fixed income ¹	3,175,729,227	20	25
Bank loans	449,925,261	3	3
Real estate	1,704,064,846	11	11
Private equity ²	582,943,357	4	10
Real assets ²	592,736,380	4	5
Cash ³	391,401,856	3	—
Total	<u>\$ 15,601,668,525</u>	<u>100</u>	<u>100</u>

1. Maturities of one year or longer, including convertible bonds

2. Interests in limited partnerships and other entities which have limited liquidity

3. Includes money market instruments and other assets, less liabilities

4. Holdings include fixed income and equity investments

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)
 Analysis of Operations (Unaudited)
 Schedules of Soft Dollar Credits (Unaudited)
 Years ended June 30, 2016 and 2015

	2016	2015
Soft dollar credits outstanding, at beginning of fiscal year	\$ 6,230	4,629
Soft dollar credits earned	—	1,601
Bank of New York payout amount	(6,230)	—
Soft dollar credits outstanding, at end of fiscal year	\$ —	6,230

Soft dollar credits are issued to ISBI by certain brokers based on the level of activity of investment managers using that particular broker. ISBI can use these credits to pay for various investment expenses.

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)
 Analysis of Operations (Unaudited)
 Schedules of Investment Commissions (Unaudited)
 Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Investment brokerage firms:		
Auerbach Grayson Co. Inc.	\$ 5,344	—
Bank of America Merrill Lynch	21,888	18,180
Barclays Capital	9,908	19,451
Bass Trading	—	9,728
BTIG Trading	—	10,667
Cabrera Capital Markets LLC	57,862	122,932
Cantor Fitzgerald & Co.	8,877	5,564
Capital One Southcoast	—	6,424
Carnegie Investment Bank	—	9,047
CastleOak Securities	—	24,618
Cheevers & Company	55,906	129,382
Citigroup Smith Barney Inc.	37,603	68,574
CL King & Associates	60,166	24,309
CLSA Singapore Pte. Ltd.	14,071	5,964
ConvergEx	—	8,207
Craig Hallum	9,320	8,180
Credit Lyonnais Securities	—	14,972
Credit Suisse First Boston Corp.	56,347	76,770
Daiwa Securities	—	9,970
Deutsche Banc Securities Inc.	27,210	39,094
Exane	6,166	—
Fig Partners	31,382	55,568
Goldman Sachs & Company	20,025	28,582
Hongkong & Shanghai Bank	—	10,860
Instinet	9,929	12,539
Investment Technology Group	45,210	146,042
ISI Group Inc.	6,872	—
J.P. Morgan Securities, Inc.	26,429	54,496
Jefferies & Company	22,281	65,701
JMP Securities	8,897	12,031
Joh Berenberg, Glossler & Co.	—	6,976
Johnson Rice	6,946	—
Jones Trading	7,684	16,669
Keefe Bruyette	21,722	—
Kepler Capital Markets	15,928	—
KeyBank Inc.	22,332	16,606
Liberum Capital	—	10,767

ILLINOIS STATE BOARD OF INVESTMENT
 (An Internal Investment Pool of the State of Illinois)
 Analysis of Operations (Unaudited)
 Schedules of Investment Commissions (Unaudited)
 Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Investment brokerage firms (continued):		
Liquidnet Inc.	\$ 14,452	9,309
Loop Capital Markets	348,987	500,988
M. Ramsey King Securities	—	13,802
Macquarie Equities Ltd.	13,183	—
Merrill Lynch Pierce Fenner & Smith	12,627	42,553
Mischler Financial Group	—	9,793
Morgan Stanley & Co.	27,591	55,627
Needham & Co.	—	5,014
Nomura Securities	5,186	13,409
Oppenheimer	15,560	16,377
Piper, Jaffrey & Hopwood Inc.	—	6,726
Ramsey King	13,011	13,226
Raymond James & Assoc.	37,235	15,774
RBC Dominion Securities	—	16,242
Robert W. Baird & Co.	26,636	22,267
Sanford C. Bernstein	28,992	16,511
Seaport Global	6,552	—
SG Securities	7,129	—
Societe Generale	10,356	25,506
Stephens Inc.	6,514	7,714
Stiffel, Nicolaus & Company Inc.	18,554	15,514
Telsey Advisory Group		10,192
UBS Securities	49,560	79,982
US Capital	15,947	10,919
Wells Fargo	—	5,603
William Blair & Co.	—	—
Williams Capital Group	85,143	90,596
Various (Under \$5,000)	129,790	152,861
	<u>\$ 1,489,310</u>	<u>2,205,375</u>

Commissions relate to fees paid to investment brokerage firms for the purchase and sale of investments.

See accompanying independent accountants' report