



Investment Reports

Quarterly Report – September 30, 2006

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Dated: November 3, 2006



Commingled Trust Fund (CTF)

Quarterly Report – September 30, 2006

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Capital Markets

- ❖ The Dow Jones Wilshire 5000 index was 4.5% for the quarter bringing the 1 year return to 10.4%.
- ❖ Large cap (Russell 1000) is up 5.1 for the quarter and outperformed small cap, as measured by the Russell 2000 by over 4.6% for the quarter and 0.3% for the year. Small cap continues to outperform large cap for the 3, 5, and 10 year.
- ❖ This quarter value outperformed growth (5.9 versus 3.4) using the Russell 3000 series.
- ❖ For the 1st quarter in over a year the U.S. equity market, as measured by the Dow Jones Wilshire 5000, outperformed the international equity market, as measured by the MSCI ACWI ex U.S., by 50 basis points. Of the 47 countries in the MSCI ACWI ex U.S. Index, 41 countries had positive returns for the quarter in U.S. dollars. The lowest and highest returning markets were both emerging countries (Argentina at -6.7% and Egypt at 32.8%). The best performing developed country was Spain at 12.2% and the worst was Norway at -6.2%.
- ❖ In the Lehman indices, emerging markets(excluding U.S. aggregate) had the highest return for the quarter earning 6.5% and for the year earning 10.2%. For the quarter the long end outperformed the short, however, for the year, it reverses and the short end of the curve outperformed the long end. For the quarter, the 3 month T-Bill earned 1.3% and the 30 year Treasury Bond earned 8.1%.
- ❖ For the 3rd quarter of 2006, the best performers in the NCREIF were hotel, at 4.6%, and the Western region, at 4.0%. Total return for the index was 3.5%.
- ❖ GDP was 1.6% for the quarter. Inflation, as measured by CPI, was up 0.2%.
- ❖ After raising rates for the last 9 quarters, the federal reserve left the federal fund target rate at 5.25% for the quarter.

Total Fund

- ❖ The CTF increased in size during the quarter growing over \$1.8 billion to almost \$55.7 billion.
- ❖ Since the beginning of the calendar year the fund has increased by almost \$4.8 billion.

Asset Allocation

- ❖ All asset classes in the CTF are within their long-term target ranges. \$350 million was transferred out of U.S. Equity to fund participant withdrawals. Net withdrawals from private equity equaled approximately the disbursements for real estate.

Investment Return

- ❖ The CTF's return for the 3rd quarter of 2006 was 4.1% and outperformed all benchmarks for the quarter except for the passive benchmark which returned 4.2%. All annualized returns shown (1, 3, 5, and 10 year) continue to exceed the actuarial assumption of 8%.
- ❖ The fund outperformed all benchmarks for the 1, 3, 5, and 10 year.

U.S. Equity

- ❖ The WSIB U.S. equity portfolio outperformed the Dow Jones Wilshire 5000 for the quarter, 1, 3, and 10 year time frames. It underperformed slightly for the 5 year.
- ❖ The passive index manager (BGI) underperformed its benchmark for the quarter by 1 basis point but outperformed it for the year by 6 bp. The total U.S. enhanced equity outperformed the D.J. Wilshire 5000 by 38 basis points.

International Equity

- ❖ The WSIB International equity portfolio outperformed the benchmark for the quarter by 0.24 and underperformed for the longer time periods.
- ❖ 8 of the 10 developed managers outperformed for the quarter and the 1 year. Both SsgA and Mondrian outperformed for the 3 year and Mondrian outperformed for the 5 year.
- ❖ 4 of the WSIB's 5 emerging markets managers outperformed the benchmark for the quarter. Both legacy managers outperformed for the 1 year. GMO has outperformed the benchmark in all time periods.

Fixed Income

- ❖ Fixed income outperformed the Lehman Universal by 6 basis points for the quarter and continues to outperform both the Lehman Universal and the Aggregate for all other time periods.

Private Equity

- ❖ The WSIB private equity return for the 3rd quarter was 5.0%. The 1 year return was 33.5%, higher than the benchmark, S&P 500 plus 500 basis points (lagged one quarter), at 13.6%.
- ❖ The WSIB LP portfolio returned 3.0%, and the WSIB KKR portfolio returned 10.7% for the quarter.
- ❖ Private equity outperforms its benchmark in all time periods.

Real Estate

- ❖ The WSIB Real Estate return for the 3rd quarter was 1.8%, underperforming the NCREIF (lagged on quarter) plus 100 basis point index of 4.3%. For the 1 year period, the return of 22.6% was over 290 basis points above the benchmark of 19.7%.
- ❖ As of June 30, 2006, there were \$5.3 billion in unfunded commitments.

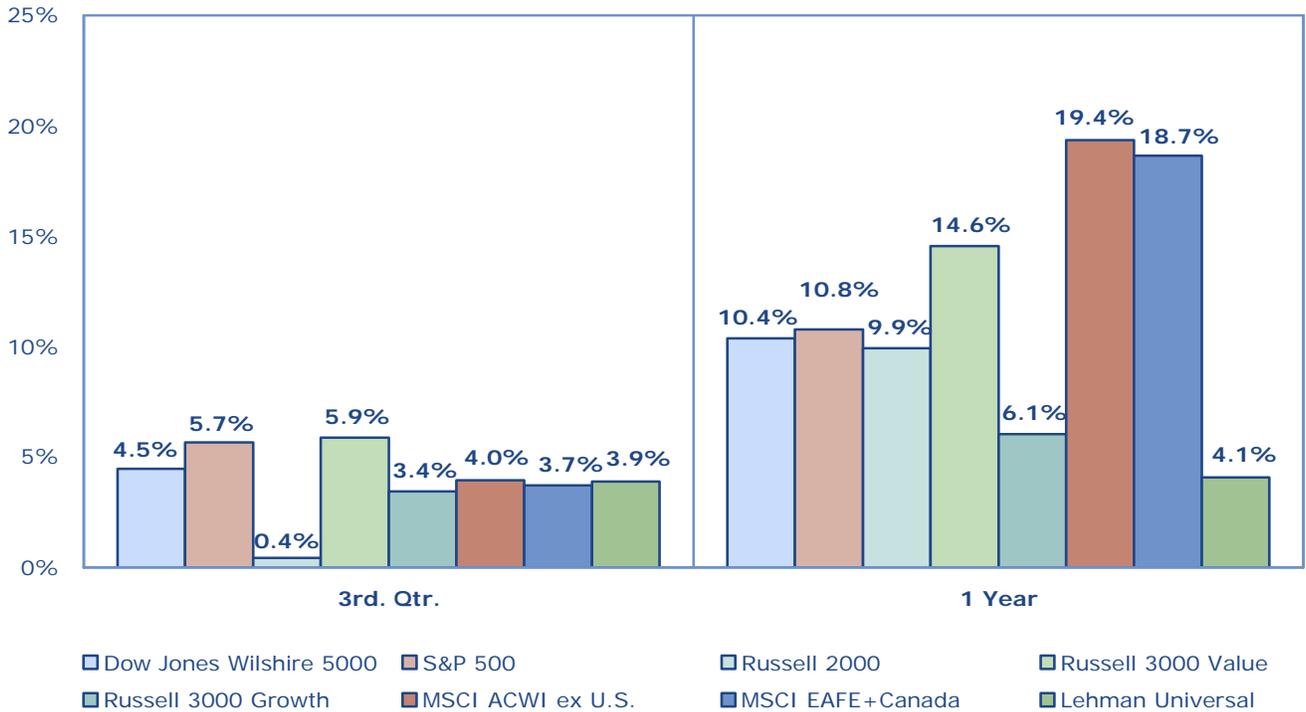


Dow Jones Wilshire 5000

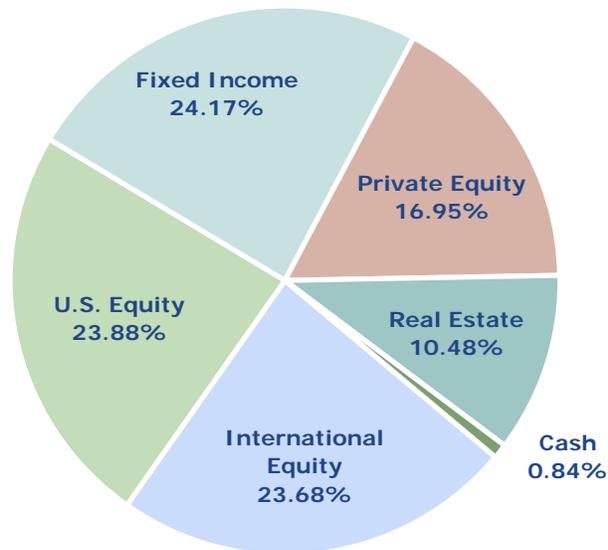
September 30, 2005 - September 30, 2006



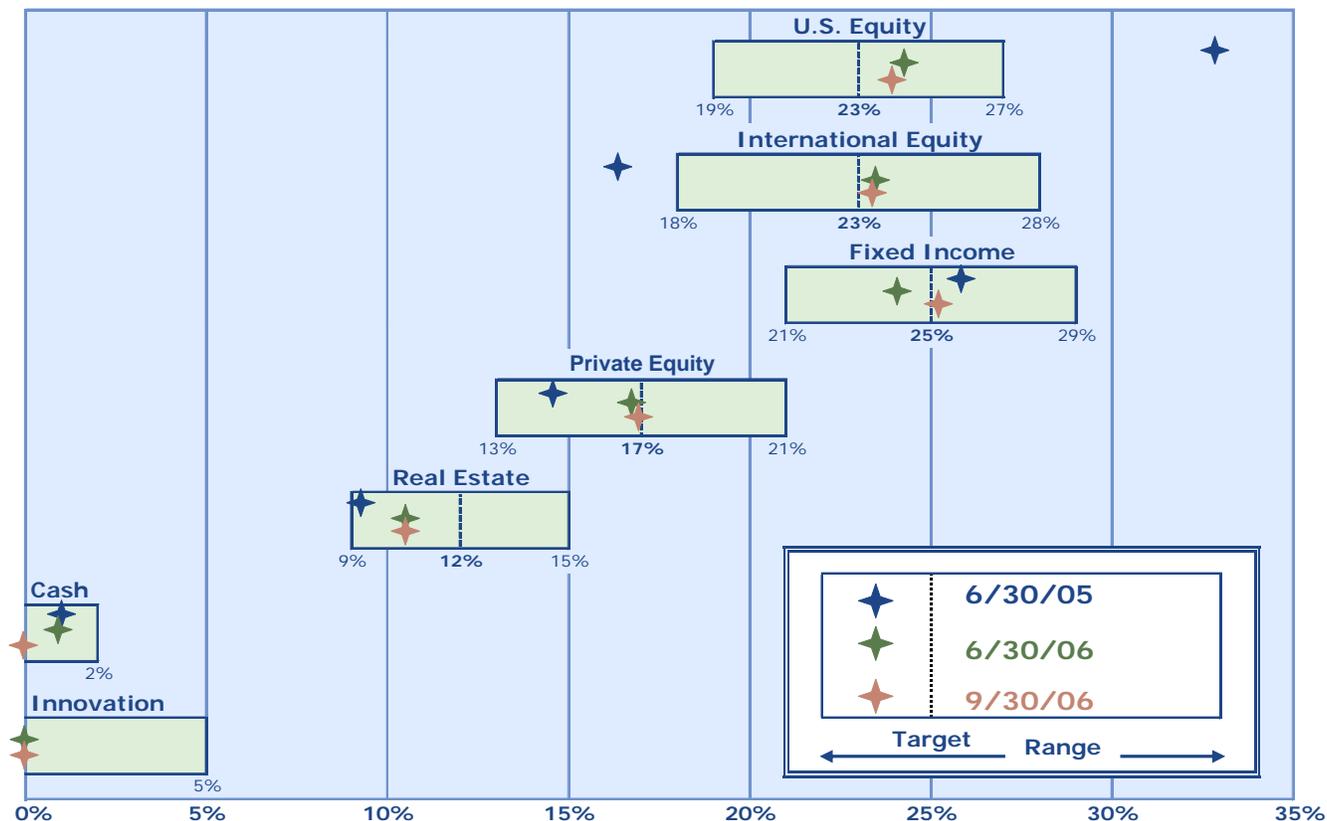
Capital Market Returns



Asset Class	Market Value (000s)
U.S. Equity	\$ 13,287,975
International Equity	13,178,674
Fixed Income	13,459,739
Private Equity	9,431,049
Real Estate	5,831,772
Cash	465,007
Total Fund	\$ 55,654,216



Current Allocation Versus Long-Term Targets and Policy Ranges





Market Values in \$000s

			Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	\$ 55,654,216	100.0%	4.12 %	4.12 %	15.76 %	15.67 %	10.81 %	9.77 %
Passive Benchmark ²			4.21	4.21	11.08	12.80	9.36	8.14
Implementation Value Added Benchmark ³			3.46	3.46	12.51	13.75	9.93	N/A
TUCS Public Fund >\$1B Median ⁴			4.00	4.00	10.55	12.32	9.14	8.50
TUCS Public/Corporate Fund >\$1B Median ⁴			3.82	3.82	10.36	12.59	9.20	8.75
U.S. Equity	\$ 13,287,975	23.9%	4.55 %	4.55 %	10.43 %	13.33 %	8.56 %	8.76 %
Dow Jones Wilshire 5000			4.47	4.47	10.38	13.26	8.64	8.62
S&P 500			5.67	5.67	10.79	12.30	6.97	8.59
Int'l. Equity	\$ 13,178,674	23.7%	4.19 %	4.19 %	18.86 %	23.57 %	15.96 %	7.34 %
MSCI ACWI ex U.S.			3.95	3.95	19.36	23.92	16.38	7.61
MSCI EAFE			3.93	3.93	19.16	22.32	14.26	6.82
Fixed Income	\$ 13,459,739	24.2%	3.95 %	3.95 %	4.31 %	4.17 %	5.63 %	6.91 %
Lehman Universal			3.89	3.89	4.08	3.96	5.37	6.56
Cash	\$ 465,007	0.8%	1.21 %	1.21 %	4.53 %	2.53 %	2.07 %	3.13 %
90 Day T-Bills			1.33	1.33	4.50	2.73	2.30	3.83
Private Equity⁵	\$ 9,431,049	16.9%	5.01 %	5.01 %	33.46 %	29.45 %	13.53 %	15.74 %
S&P 500 (Lagged One Quarter) + 500 bp			-0.21	-0.21	13.63	16.22	7.49	13.32
Real Estate⁵	\$ 5,831,772	10.5%	1.84 %	1.84 %	22.60 %	19.65 %	17.18 %	14.72 %
NCREIF (Lagged One Quarter) + 100 bp			4.26	4.26	19.67	16.79	13.00	13.42
CPI			0.20 %	0.20 %	2.06 %	3.09 %	2.62 %	2.54 %

¹ Performance figures are net of all non-appropriated fees.

² Currently 52% Dow Jones Wilshire 5000, 25% Lehman Universal, and 23% MSCI ACWI ex U.S. Over time the benchmark has been adjusted by changing both benchmarks and percentages. The most recent change occurred on December 1st, 2005.

³ See the glossary on page 20 for definitional implementation value added benchmark.

⁴ TUCS returns have been adjusted to reflect fees equivalent to those incurred by the WSIB (6.5 bp over one, three, and five years and 10 bp for ten years).

⁵ Private equity and real estate use the latest market value known plus cash flows since then. For compositing purposes the private equity and real estate return are calculated using monthly time-weighted returns.

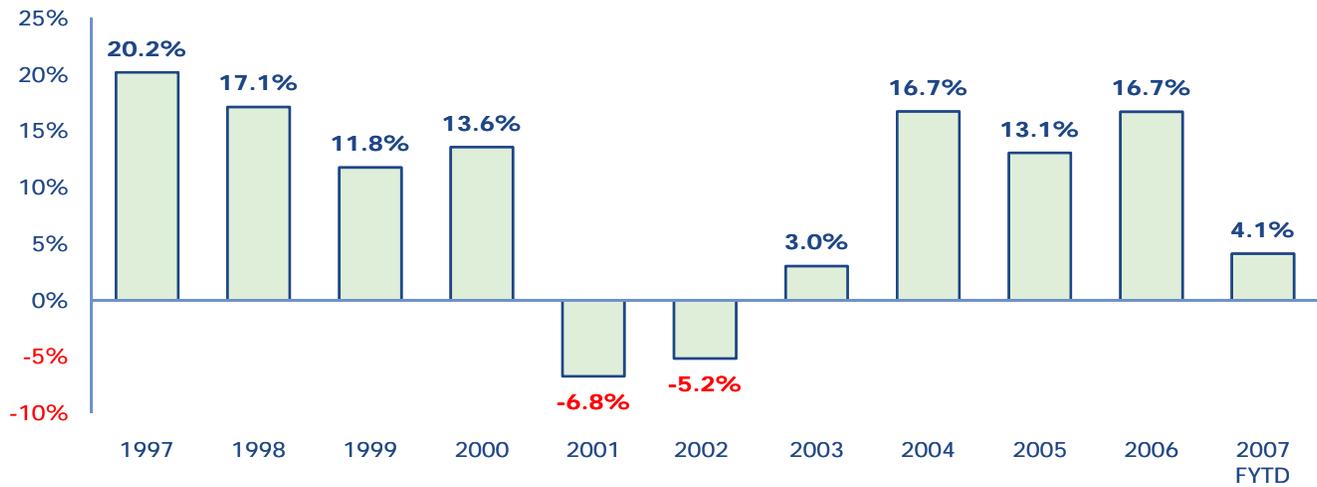


Market Values in \$000s

CTF Market Value: \$ 55,654,216
Net Change this Quarter: \$ 1,842,045
Net Change for Fiscal Year: \$ 1,842,045

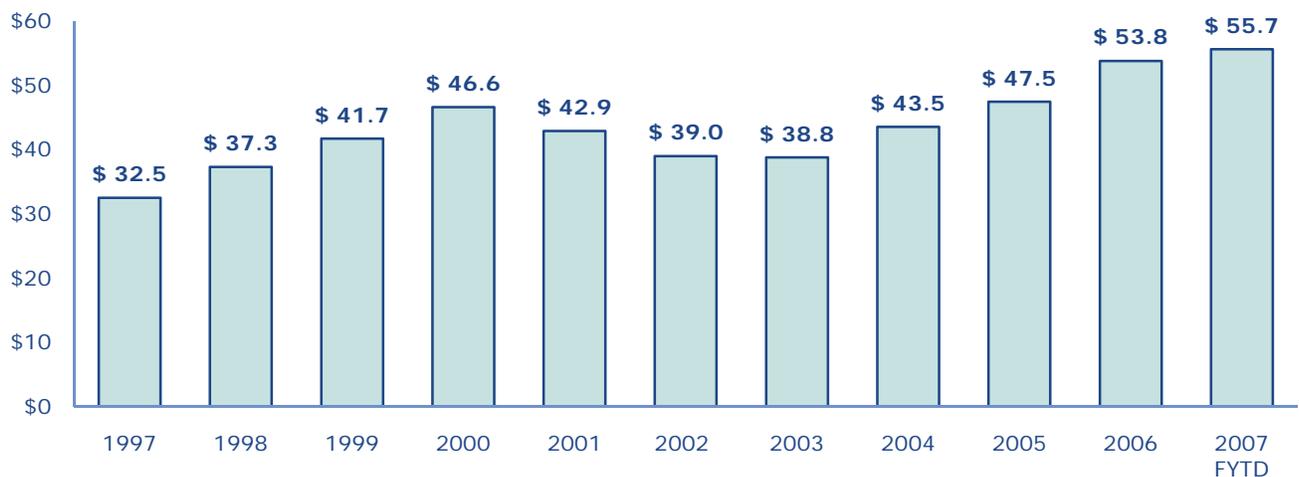
Annual Performance

Fiscal Years Ended June 30



Assets Under Management (\$ Billions)

Fiscal Years Ended June 30



Market Values in \$000s

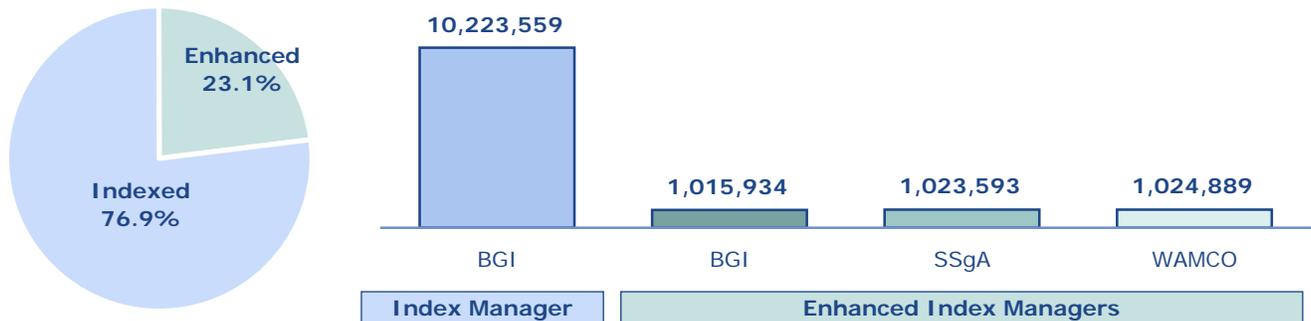
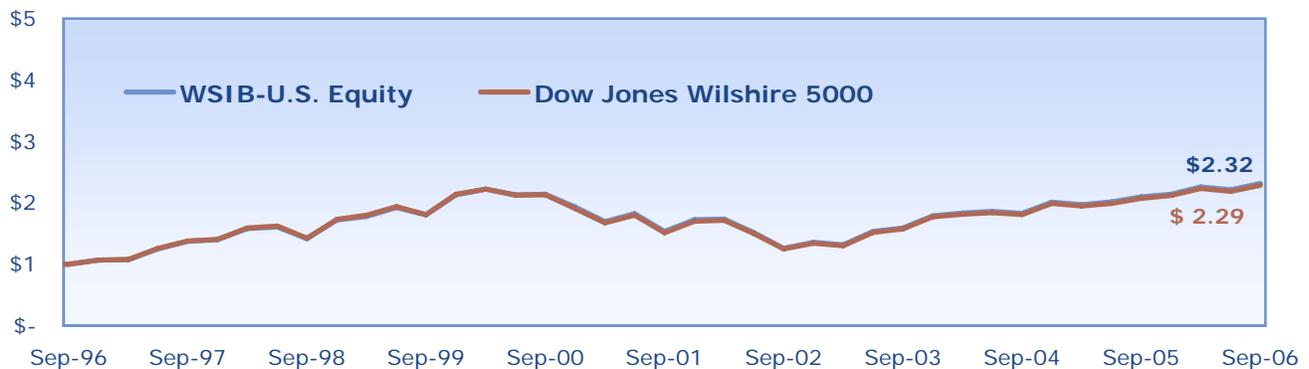
Market Value: \$13,287,975
Ten Largest Holdings (3,964 total holdings versus 4,974 in the index)

Exxon Mobil Corp.	2.71%	Pfizer Inc.	1.42%
General Elec Co.	2.36%	Procter And Gamble Co.	1.29%
Citigroup Inc.	1.66%	Johnson + Johnson	1.27%
Bank Amer Corp.	1.64%	J.P. Morgan Chase & Co.	1.09%
Microsoft Corp.	1.64%	Cisco Systems Inc.	0.98%

The top ten companies represent 16.1% of the portfolio, the top 100 approximately 51.9%

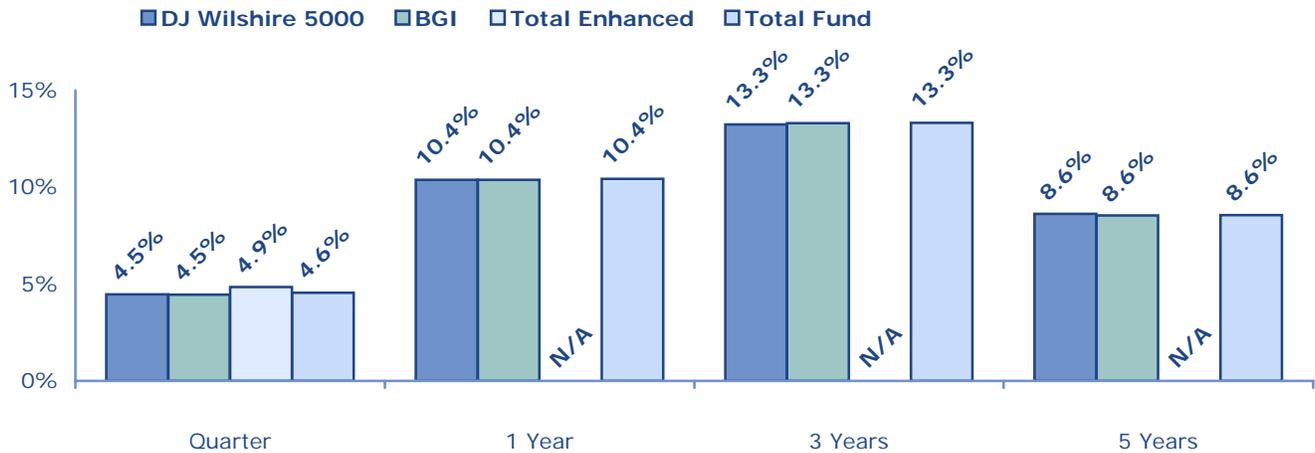
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB U.S. Equity	4.55 %	4.55 %	10.43 %	13.33 %	8.56 %	8.76 %
Dow Jones Wilshire 5000	4.47	4.47	10.38	13.26	8.64	8.62
S & P 500	5.67	5.67	10.79	12.30	6.97	8.59
Russell 3000	4.64	4.64	10.22	13.00	8.08	8.70

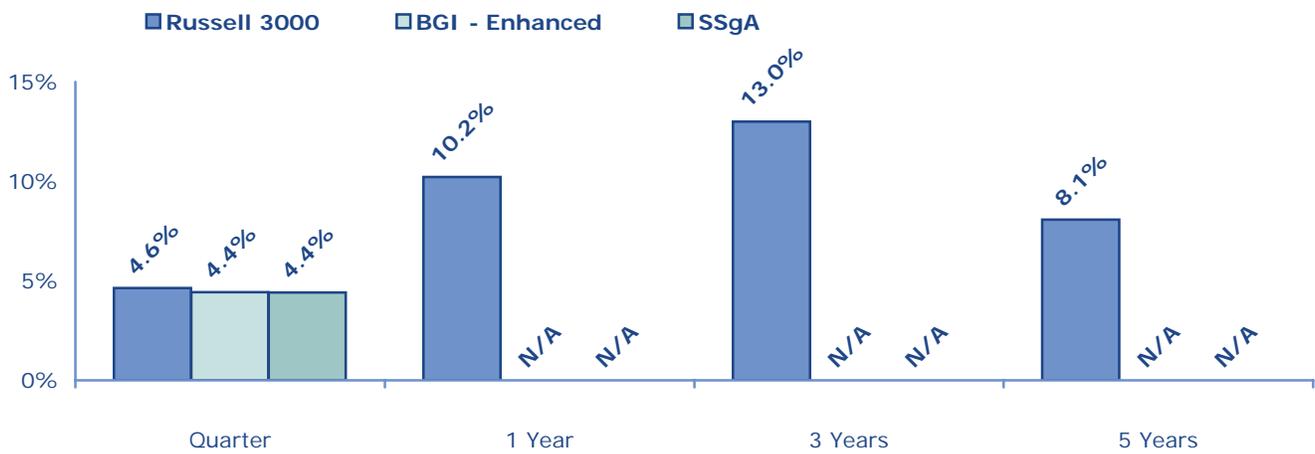
Manager Breakdown

Growth of a Dollar




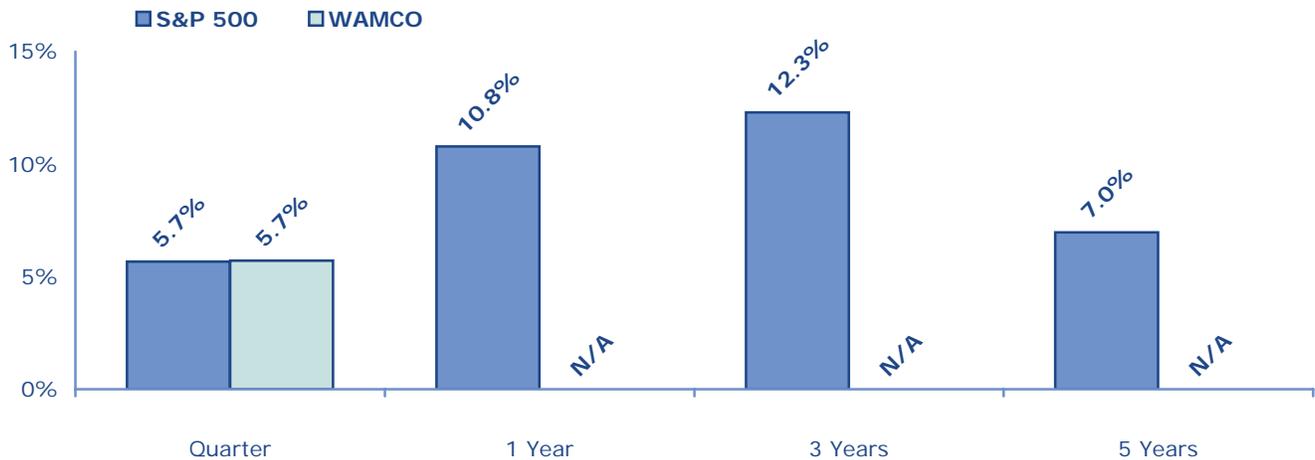
Managers and Composites Compared to DJ Wilshire 5000



Managers Compared to Russell 3000



Managers Compared to S&P 500





Market Values in \$000s

Market Value: \$13,178,674

The portfolio has 2,585 holdings versus 2,134 in the index. The top ten holdings represent about 9.4 percent of the portfolio and the top 100 approximately 42.4 percent. The portfolio has exposure to 61 countries: 22 developed, 24 emerging, and 15 other (as defined by MSCI AWCI ex U.S.).

Ten Largest Exposures by Country

	CTF Weight	Index Weight		CTF Weight	Index Weight
Japan	18.24%	18.90%	Canada	4.49%	6.18%
United Kingdom	17.77%	19.10%	Netherlands	3.98%	2.80%
France	8.93%	7.96%	Spain	3.77%	3.22%
Germany	5.99%	5.68%	Australia	3.66%	4.18%
Switzerland	5.38%	5.66%	Italy	3.42%	3.07%

The ten largest country exposures comprise 75.6% of the portfolio versus the index at 76.8%.

Performance

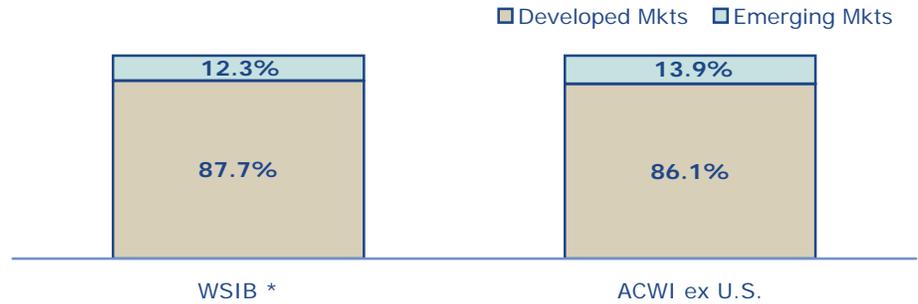
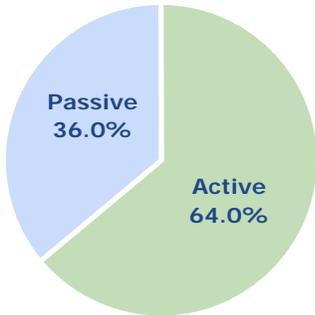
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB International Equity	4.19 %	4.19 %	18.86 %	23.57 %	15.96 %	7.34 %
MSCI ACWI ex U.S.	3.95	3.95	19.36	23.92	16.38	7.61
MSCI EAFE+Canada	3.72	3.72	18.65	22.55	14.63	7.02
Emerging Markets (MSCI after 6/02; IFC before)	4.88	4.88	20.46	30.59	29.38	8.06
MSCI Europe	5.63	5.63	22.30	24.07	14.58	10.28
MSCI Pacific Basin	0.41	0.41	12.89	18.52	13.61	1.66

Growth of a Dollar



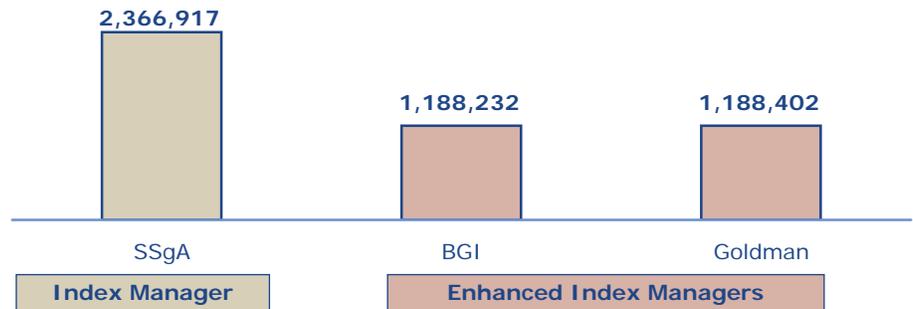
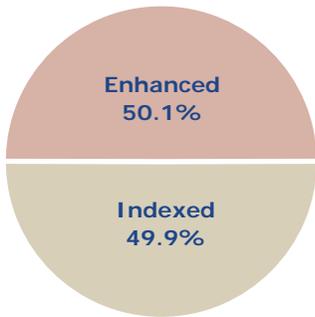
Market Values in \$000s

Total International Equity: \$ 13,178,674

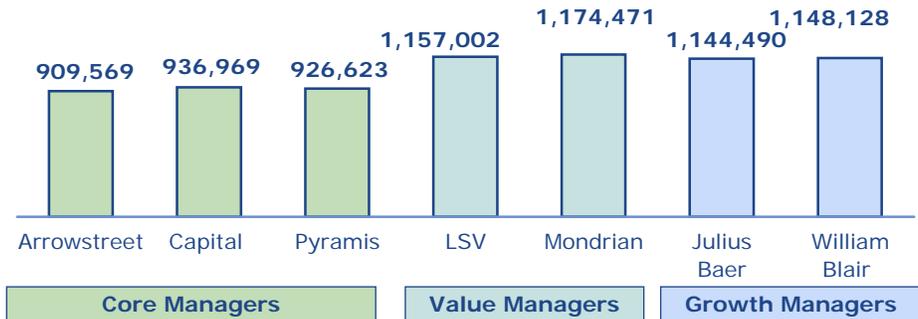
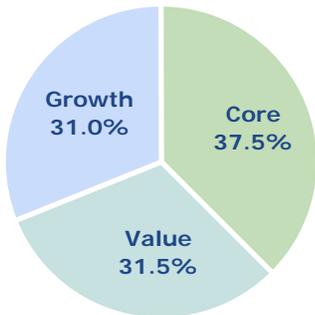


* Includes emerging market securities owned by developed managers

Passive Developed Managers: \$ 4,743,551



Active Developed Managers: \$ 7,397,252

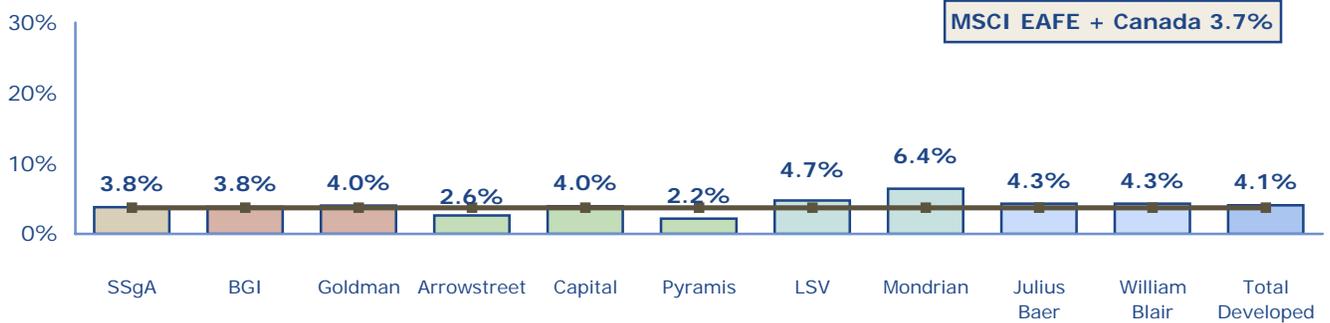


Emerging Managers: \$ 1,037,767

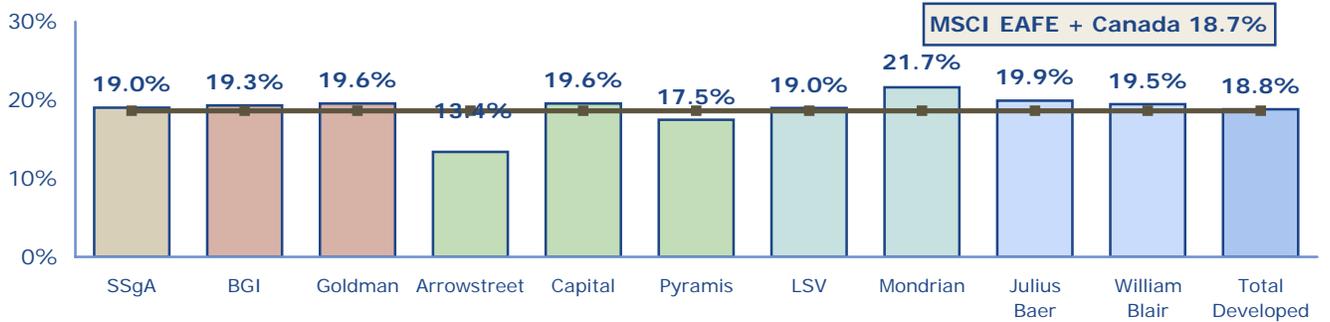




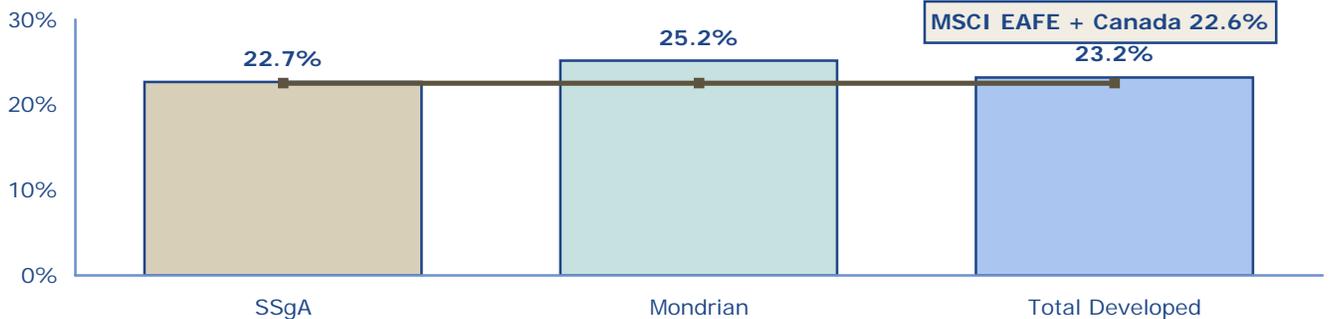
One Quarter



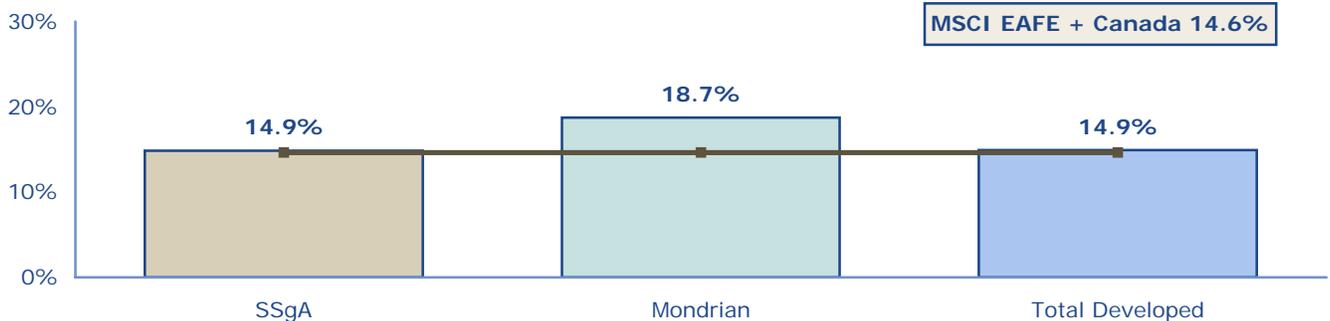
One Year



Three Years

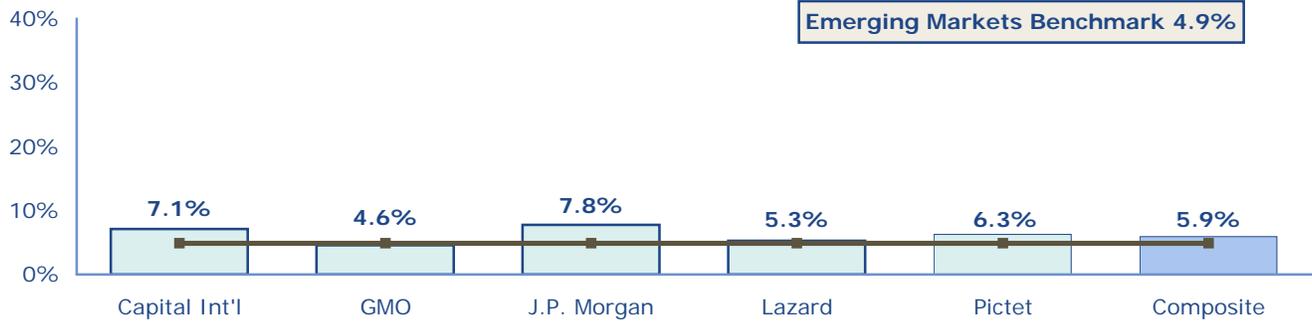


Five Years

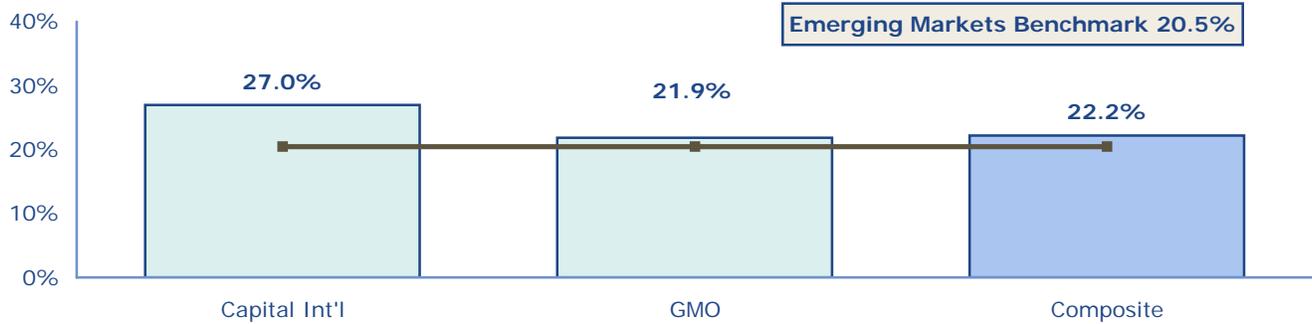




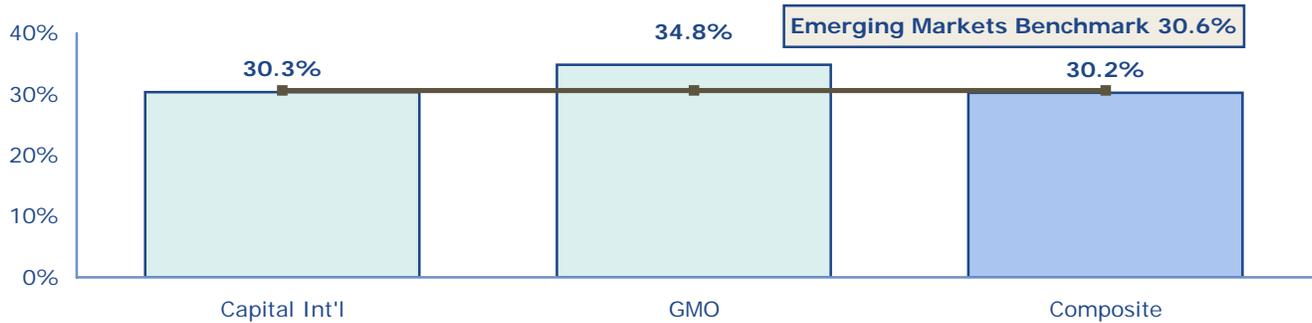
One Quarter



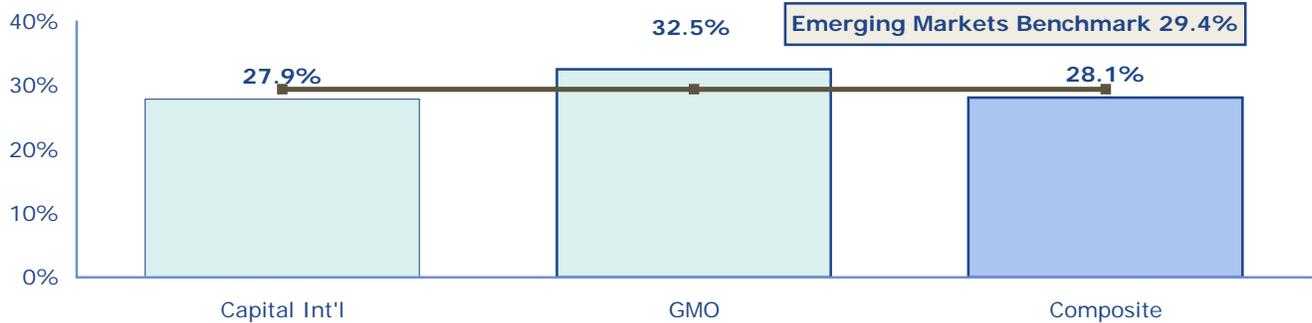
One Year



Three Years



Five Years



Market Values in \$000s

Market Value: \$ 13,459,739

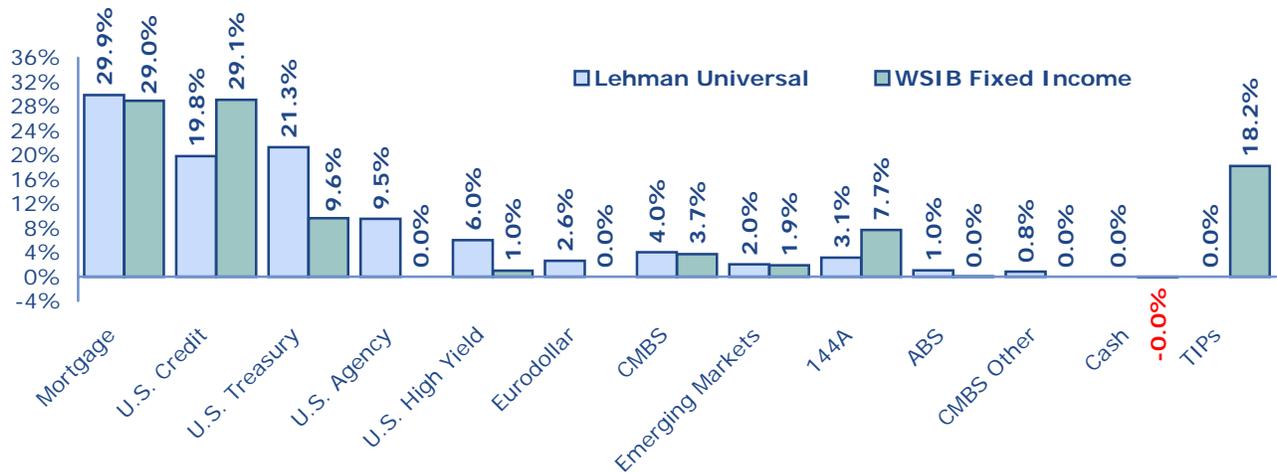
Duration

	Jun-06	Sep-06
WSIB Portfolio	4.67	5.17
Lehman Universal	4.80	4.65
Difference	-2.71%	11.28%

Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Fixed Income	3.95 %	3.95 %	4.31 %	4.17 %	5.63 %	6.91 %
Lehman Universal	3.89	3.89	4.08	3.96	5.37	6.56
Lehman Aggregate	3.81	3.81	3.67	3.38	4.81	6.42

Sector Weighting



Growth of a Dollar



Market Values in \$000s

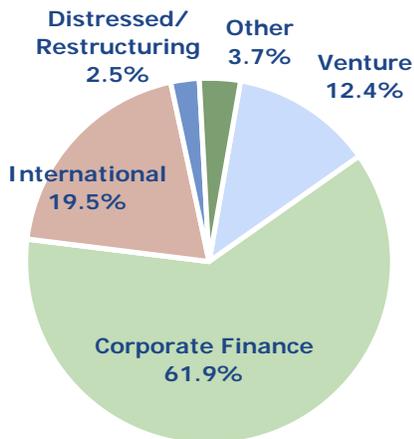
Market Value: \$9,431,049
Unfunded Commitments: \$5.2 billion

Net Performance

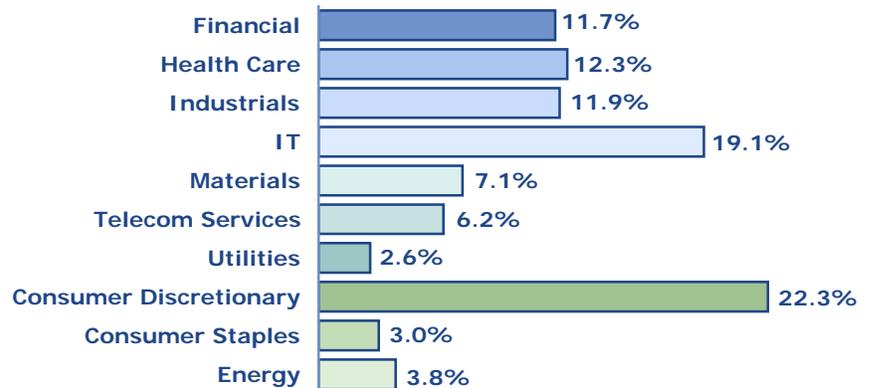
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Private Equity	5.01%	5.01%	33.46%	29.45%	13.53%	15.74%
KKR	10.66%	10.66%	56.60%	40.87%	18.86%	16.35%
LP Portfolio	3.01%	3.01%	26.15%	25.50%	11.71%	16.04%
S&P 500 (Lagged One Quarter) + 500 bp	-0.21%	-0.21%	13.63%	16.22%	7.49%	13.32%

Return is calculated using geometrically linked monthly return. For true IRR return please see CD's quarterly report.

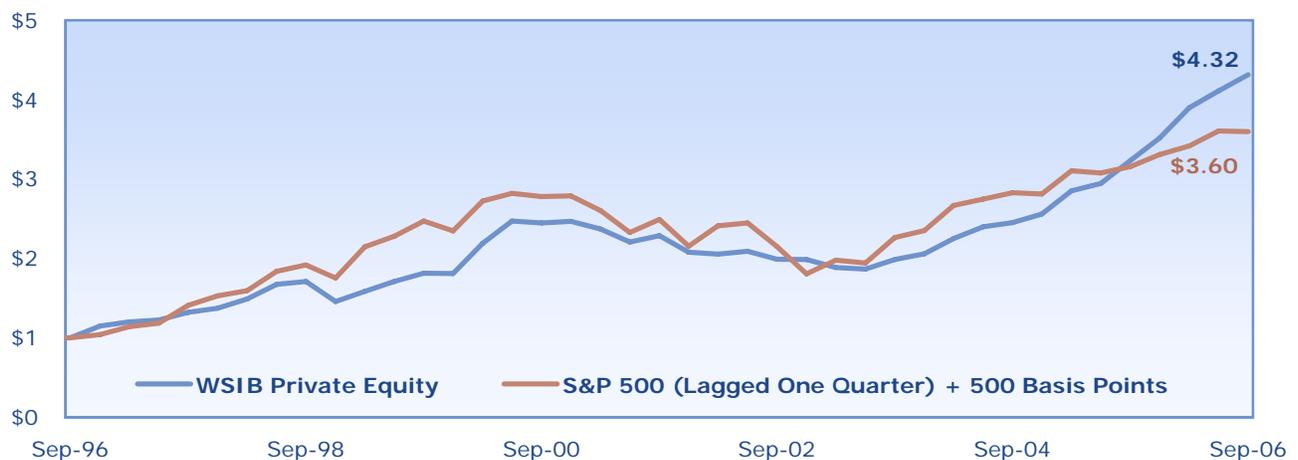
Sector Distribution



Industry Distribution



Growth of a Dollar



Performance numbers and Growth of a dollar are as of September 30, 2006. All other data is as of March 31, 2006.

Market Values in \$000s

Market Value: \$5,831,772
Unfunded Commitments \$5.3 billion

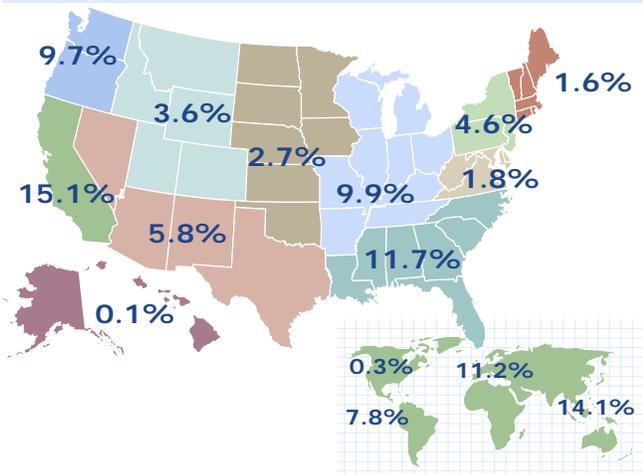
Net Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
CTF Real Estate	1.84%	1.84%	22.60%	19.65%	17.18%	14.72%
NCREIF (Lagged One Quarter) + 100 bp	4.26%	4.26%	19.67%	16.79%	13.00%	13.42%

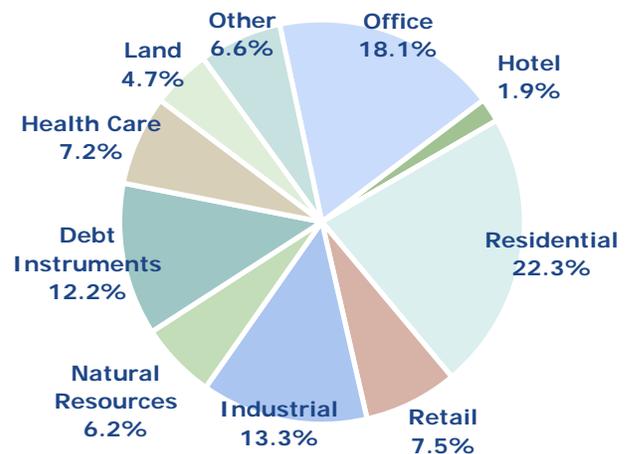
Largest Managers

Principal Enterprise Capital (PEC)	16.5%
Hometown	15.3%
Hudson Advisors (LoneStar)	11.4%
Morgan Stanley	8.5%
CPA	7.7%
Representation in the Real Estate portfolio	59.4%

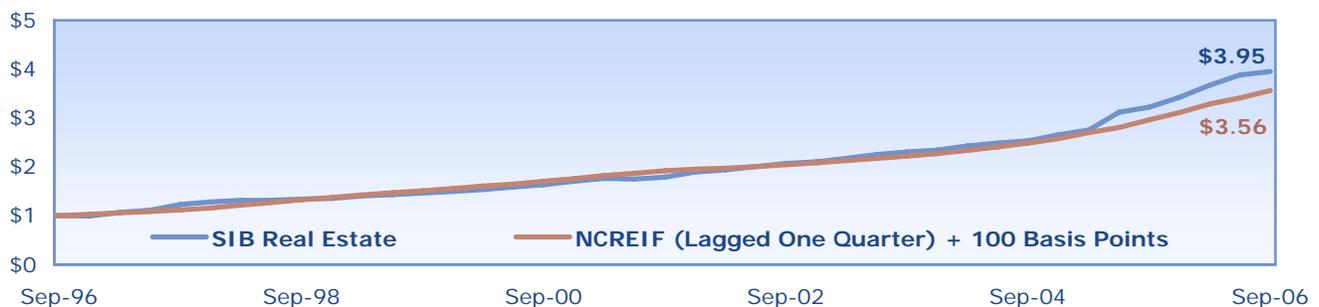
Geographical Distribution



Property Type Distribution



Growth of a Dollar



Performance numbers are as of September 30, 2006. All other data is as of June 30, 2006.



Numbers in %

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	5.67%	5.67%	10.79%	12.30%	6.97%	8.59%

U.S. Equity

Barclays Global Investors (Passive)	4.46%	4.46%	10.38%	13.31%	8.55%	
Barclays Global Investors (Enhanced)	4.43%	4.43%				
State Street Global Advisors	4.41%	4.41%				
Western Asset Management Co.	5.71%	5.71%				

U.S. Equity Composite	4.55%	4.55%	10.43%	13.33%	8.56%	8.76%
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International Equity

Developed Markets

State Street Global Advisors	3.80%	3.80%	19.02%	22.70%	14.85%	
Barclays Global Investors	3.82%	3.82%	19.33%			
Goldman Sachs Asset Mgt.	4.01%	4.01%	19.56%			
Arrowstreet Capital, L.P	2.63%	2.63%	13.40%			
Pyramis Global Advisors Trust Co.	2.15%	2.15%	17.50%			
Capital Guardian Trust Co.	3.95%	3.95%	19.55%			
Mondrian Investment Partners	6.43%	6.43%	21.65%	25.18%	18.74%	
LSV Asset Management	4.74%	4.74%	18.98%			
William Blair & Company	4.28%	4.28%	19.50%			
Julius Baer Investment Mgt.	4.29%	4.29%	19.93%			

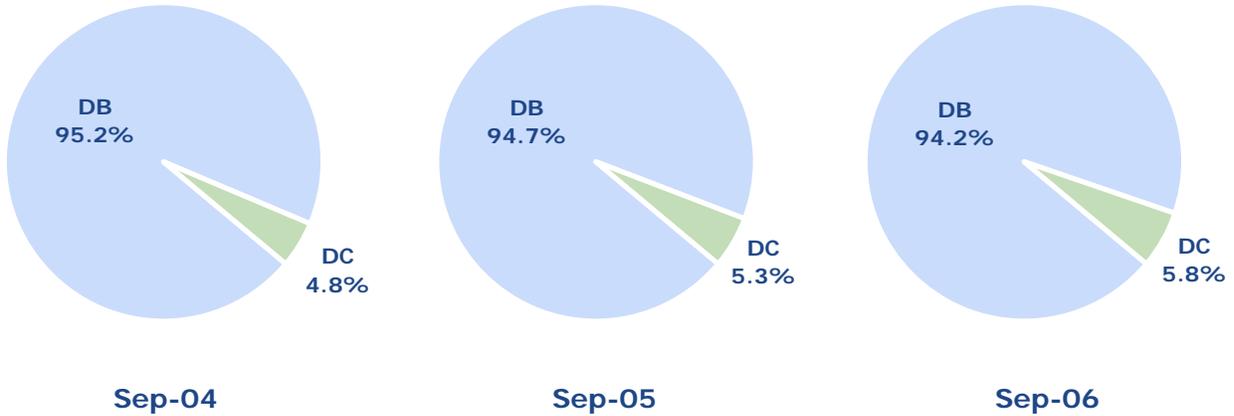
Emerging Markets

Capital International, Inc.	7.11%	7.11%	26.95%	30.33%	27.85%	
Grantham, Mayo, Van Otterloo	4.58%	4.58%	21.85%	34.84%	32.53%	
J.P. Morgan	7.75%	7.75%				
Lazard	5.29%	5.29%				
Pictet	6.28%	6.28%				

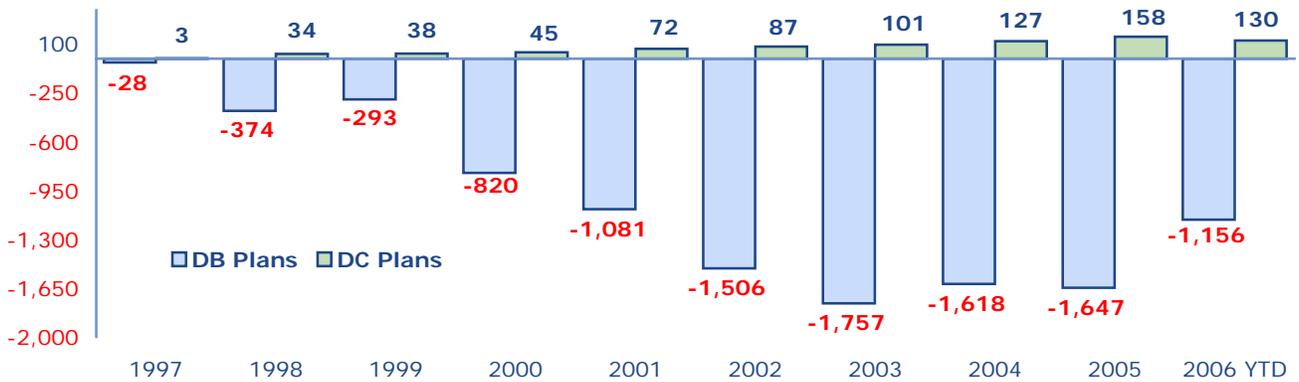
International Equity Composite	4.19%	4.19%	18.86%	23.57%	15.96%	7.34%
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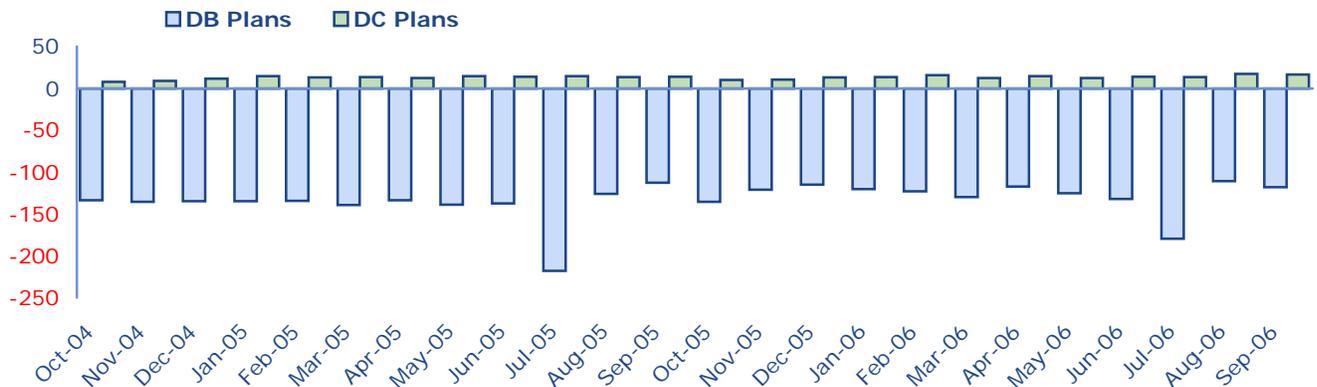
Defined Benefit and Defined Contribution Breakdown in the CTF



Yearly Cash Flow History*



Monthly Cash Flow History*



* Only includes new cash to/from the portfolio; does not include DB/DC transfers between Plan 2 and Plan 3 that stay inside the CTF. Numbers are historical and are not indicative of future transfers.

Indexed

Barclays Global Investors (BGI)

BGI manages the bulk of the defined benefit retirement U.S. equity assets in a passive commingled trust designed to correspond to the Dow Jones Wilshire 5000 Index. BGI has managed funds for the WSIB since 1982.

Enhanced Indexed

Barclays Global Investors (BGI)

BGI provides the WSIB with an enhanced index equity commingled fund, the Russell 3000 Alpha Tilts Strategy. This strategy is a bottom-up, style-neutral quantitative strategy designed to outperform the Russell 3000 Index by 30 to 80 basis points net of fees on a rolling three year average, while incurring a low level of risk of 1 percent or less. BGI's Alpha Tilts investment philosophy holds that superior investment outcomes are most reliably reached through Total Performance Management, the management of return, risk, and cost. They believe that markets are not perfectly efficient and that misvaluations can be used to systematically add value over time. The WSIB has invested in the Russell 3000 Alpha Tilt strategy since December 2005.

State Street Global Advisors (SSgA)

SSgA manages a U.S. enhanced index equity account, the Russell 3000 Index Plus Strategy. This strategy employs a quantitative, style neutral, beta neutral and capitalization neutral investment process that seeks to outperform the Russell 3000 Index by 75 to 125 basis points gross of fees over a typical market cycle while exhibiting similar characteristics to the benchmark and a targeted tracking error of 150 basis points. The Russell 3000 Index Plus Strategy seeks to add value by selecting the best stocks and industries within the Russell 3000 Index. These evaluations are applied within a risk controlled framework to construct portfolios that provide core equity exposure and closely track the benchmark. The WSIB has invested in the Russell 3000 Index Plus Strategy since December 2005.

Western Asset Management Company (WAMCO)

Western Asset Management Company actively manages an enhanced index portfolio for the WSIB. The portfolio is based on a synthetic strategy that uses futures to track the S&P 500 index, and invests the uncommitted cash in a basket of actively managed short-term fixed-income securities. The firm's sole business is managing fixed-income portfolios for large institutional clients, an activity it has pursued for over 30 years. The WSIB portfolio has been managed by Western Asset since January 2006.

Indexed

State Street Global Advisors (SSgA)

It is the policy of WSIB to manage a portion of the International developed markets portfolio in a low cost broad based index fund. Accordingly, SSgA manages a replicated commingled index fund on behalf of the WSIB that is designed to passively track the MSCI EAFE plus Canada Indexes (which are the most widely-accepted index proxies for developed markets equities). The WSIB has been using SSgA's MSCI EAFE + Canada Fund since 1994.

Enhanced Indexed

Barclays Global Investors (BGI)

BGI provides an international developed markets enhanced index equity product, the World ex-U.S. Alpha Tilts Strategy, designed to outperform the MSCI World ex-U.S. Index by 1 to 2 percent. Because the markets are not perfectly efficient and that misvaluations can be used to systematically add value over time. The WSIB has invested in the World ex-U.S. Alpha Tilts Strategy since June 2004.

Goldman Sachs Asset Management (GSAM)

GSAM manages an international developed markets enhanced index equity portfolio using a combination of traditional fundamental analysis and quantitative modeling to add value from diversified sources of return such as country, currency selection, and individual stock selections. They expect to outperform the MSCI World ex-U.S. Index by 75 basis points net of fees on a rolling three year average, while incurring a low level of risk of 2 percent or less. GSAM has been managing the enhanced index portfolio for the WSIB since June 2004.

Active Developed Markets

Arrowstreet Capital, L.P

Arrowstreet actively manages an international developed markets equity "core" portfolio. The investment team continually monitors the current market factors and conditions and incorporates new investment insights and information as markets evolve. The WSIB portfolio has been managed by Arrowstreet since June 2004.

Capital Guardian Trust Company

Capital actively manages an international developed markets equity "core" portfolio. The firm conducts extensive fundamental research and uses a system of multiple managers to manage individual segments of the portfolios. The WSIB portfolio has been managed by Capital since June 2004.

Pyramis Global Advisors Trust Company (formerly Fidelity Management Trust Company) (PGATC)

Pyramis actively manages an international developed markets equity "core" portfolio. The firm covers 80-90 percent of the MSCI EAFE + Canada benchmark and does not pre-screen for size, style, or other characteristics. The WSIB portfolio has been managed by PGATC since June 2004.

LSV Asset Management

LSV actively manages an international developed markets equity "value" portfolio. The strategy's primary emphasis uses quantitative techniques to select individual securities. A risk control discipline limits the over- or under-exposure of the portfolio to industry concentrations. Value factors and security selection dominate sector/industry factors in driving performance. The WSIB portfolio has been managed by LSV since August 2004.

Mondrian Investment Partners Limited

Mondrian actively manages an international developed markets equity "value" portfolio. They identify value investments using a dividend discount-valuation model of future income streams with a top-down country allocation overlay that helps structure the portfolio. The WSIB portfolio has been managed by Mondrian since June 1999.

Active Developed Markets Continued

Julius Baer Investment Management (JBIM)

JBIM actively manages an international developed markets equity "growth" portfolio. The international equity team's research process is primarily based on fundamental assessment of companies, sectors, and macroeconomic influences on regions and countries. Country allocations are a result of the security selection process. The WSIB portfolio has been managed by JBIM since June 2004.

William Blair & Company (WB)

WB actively manages an international developed markets equity "growth" portfolio, which focuses on companies with above-average growth prospects that can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. The WSIB portfolio has been managed by WB since June 2004.

Active Emerging Markets

Capital International, Inc.

Capital manages an active emerging markets equity portfolio, which is divided into smaller asset portions. This enables several key decision makers to work on each account and make decisions as to individual security, country and industry selection, timing, and percentage. The WSIB portfolio has been managed by Capital since the middle of the second quarter of 2001.

J.P. Morgan Asset Management (JPMAM)

Global Emerging Markets Focused strategy is a concentrated, bottom-up investment discipline that seeks to add alpha through superior stock selection based on fundamental research. The strategy typically holds between 50 and 75 securities. Investments are made with a long-term, low-turnover focus. Deviations from the benchmark are closely monitored and managed as JPMAM believes that risk control is best practiced by building a portfolio of independent bets, to insure that no one position can derail performance and that there are no unintended "themes" in the portfolio. JPMAM began managing assets for the WSIB in April 2006.

Lazard Asset Management LLC (Lazard)

Lazard's Emerging Markets Equity product is an actively managed strategy that follows a strict bottom-up, relative value investment philosophy that focuses on the tradeoff between valuation and financial productivity. The process begins with a database screening, followed by accounting validation, then fundamental analysis and finally portfolio construction and risk control, which takes into account macro economic risks, portfolio concentration risk, political risk and corporate governance risk. Strict country and sector limits are also in place to limit exposures. The strategy is focused on security selection, where the majority of the added value has been derived from historically. Lazard began managing assets for the WSIB in April 2006.

Grantham, Mayo, Van Otterloo (GMO)

GMO manages an active emerging markets portfolio for the WSIB. GMO uses a quantitative investment process. Top-down country allocation is based on market valuations, macroeconomic fundamentals, relative performance, stock valuation, and subjective judgment. The stock selection process utilizes a model that is customized for each country and incorporates three factors: value, neglect, and momentum. GMO seeks to invest in cheap countries, sectors, and stocks so its portfolios generally exhibit P/E ratios below those of the index benchmarks. The WSIB has been invested in GMO's Emerging Market Strategy Fund since the fourth quarter of 1996.

Pictet Asset Management (Pictet)

Pictet employs a bottom-up method to invest in emerging markets. Pictet defines value principally in terms of productive assets. The majority of Pictet's time and resources are focused on identifying and appraising undervalued shares according to their proprietary valuation approach. All research and recommendations are conducted in-house based on the same valuation principles. As a control mechanism, Pictet operates a strict macroeconomic risk overlay in the investment process. The final portfolio consists of around 150-200 stocks. Pictet began managing assets for the WSIB in April 2006.

Asset Allocation Policy

The targets will adjust annually toward the long-term asset allocation policy, which is 23 percent U.S. equity, 23 percent non-U.S. equity, 25 percent fixed income, 17 percent private equity, and 12 percent real estate. The interim target for 2006 is 24.5 percent U.S. equity, 23 percent non-U.S. equity, 27.5 percent fixed income, 15.5 percent private equity, and 9.5 percent real estate.

CTF (Commingled Trust Fund)

The investment trust fund that pools the assets of most of the Washington State retirement funds to permit more efficient management and to reduce administrative costs. The retirement accounts included in the CTF are: PERS 1, 2 & 3; TRS 1, 2 & 3; LEOFF 1 & 2; SERS 2 & 3; WSPRS 1 & 2; PSERS 2; and Volunteer Firefighters.

Passive Benchmark

The Passive Benchmark is currently 52 percent Dow Jones Wilshire 5000 Index, 25 percent Lehman Universal Index, and 23 percent MSCI ACWI ex U.S. The percentages have changed as the portfolio was rebalanced to meet the target asset allocation policy. This portfolio is a 'passive' representation of the CTF.

Implementation Value Added

The objective is to exceed the return of the custom benchmark consisting of the public market indices, as defined in each asset class's policy, weighted according to the asset allocation targets. This custom benchmark differs from the passive benchmark as it is not an investable benchmark due to the uninvestable premium added to the real estate and private equity passive benchmarks.

TUCS Public Fund > \$1 Billion Median

Trust Universe Comparison Services median return of other public funds.

TUCS Public/Corporate Fund > \$1 Billion Median

Trust Universe Comparison Services median return of corporate and public funds.



Defined Contribution Plans

Quarterly Report - September 30, 2006

Market Values and Distributions

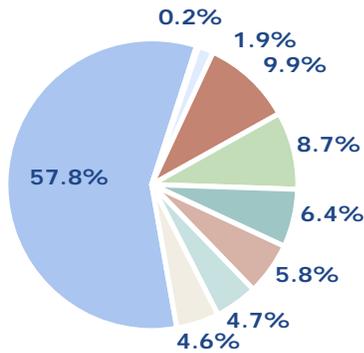
TRS Plan 3	1
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PERS Plan 3.....	3
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Investment Performance

Balanced, Bond, and Cash Options.....	6
Equity Options	7



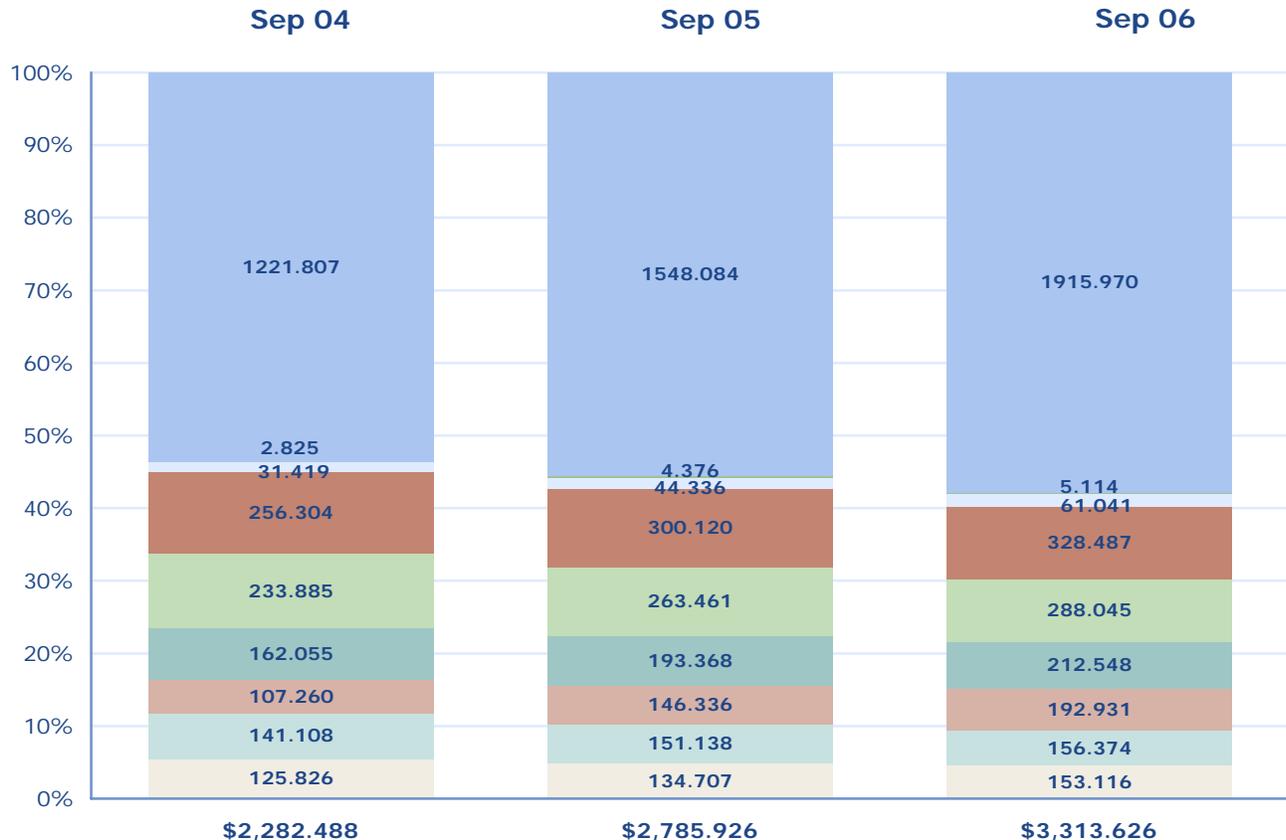
Market Values and Distributions



Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 1,915,970,286	\$ 109,508,922
Social Balanced Fund	5,113,806	159,103
Short-Horizon Fund	8,652,029	1,240,275
Mid-Horizon Fund	23,894,595	1,374,013
Long-Horizon Fund	28,494,446	1,777,815
U.S. Stock Fund	328,487,324	11,954,226
U.S. Large Stock Fund	288,044,782	11,721,474
U.S. Small Stock Fund	212,548,032	(2,951,864)
International Index Fund	192,930,914	10,816,080
Bond Market Fund	156,374,064	6,166,698
Money Market Fund	153,115,663	5,015,921
Total Fund	\$ 3,313,625,940	\$ 156,782,665

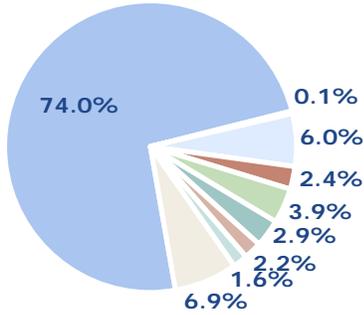
Historical Distributions

In Millions





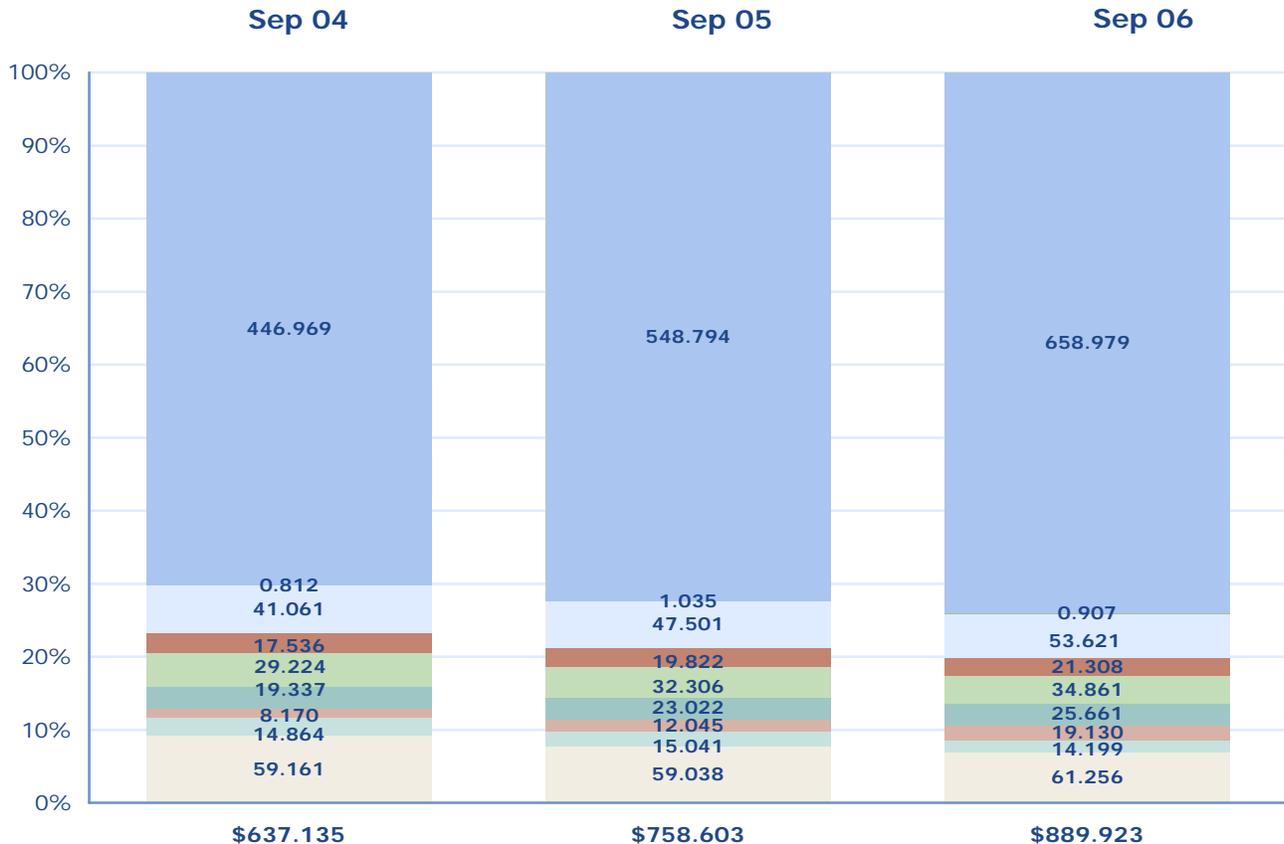
Market Values and Distributions



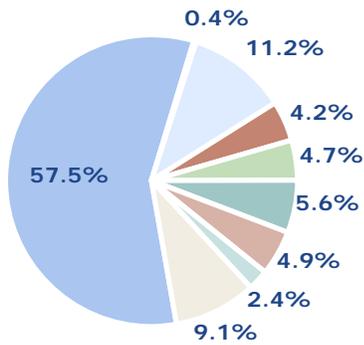
Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 658,979,095	\$ 30,691,456
Social Balanced Fund	907,133	(27,379)
Short-Horizon Fund	6,117,287	389,106
Mid-Horizon Fund	24,878,313	809,246
Long-Horizon Fund	22,625,597	1,007,244
U.S. Stock Fund	21,308,434	1,020,866
U.S. Large Stock Fund	34,861,471	1,927,698
U.S. Small Stock Fund	25,660,762	(501,745)
International Index Fund	19,129,531	1,737,642
Bond Market Fund	14,198,729	554,087
Money Market Fund	61,256,153	926,587
Total Fund	\$ 889,922,504	\$ 38,534,808

Historical Distributions

In Millions



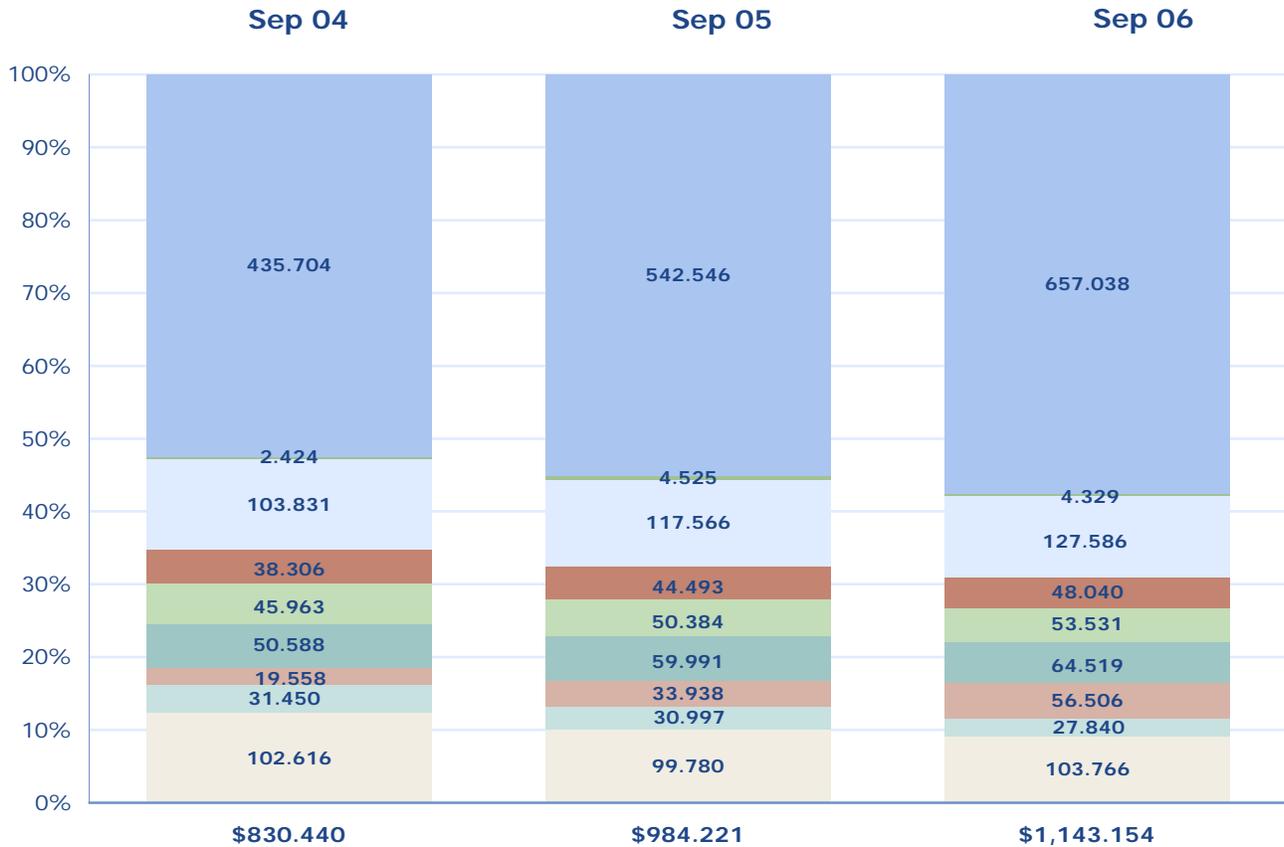
Market Values and Distributions

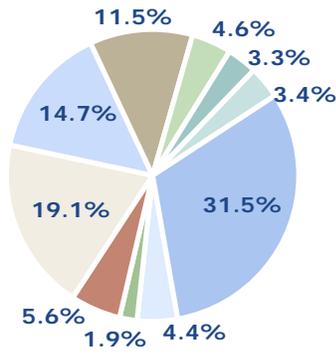


Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 657,037,546	\$ 34,132,447
Social Balanced Fund	4,329,047	143,327
Short-Horizon Fund	13,793,995	676,212
Mid-Horizon Fund	55,853,661	1,195,775
Long-Horizon Fund	57,937,984	2,704,085
U.S. Stock Fund	48,039,770	1,844,371
U.S. Large Stock Fund	53,530,937	2,639,818
U.S. Small Stock Fund	64,518,930	(2,258,292)
International Index Fund	56,505,642	5,205,435
Bond Market Fund	27,840,429	1,370,852
Money Market Fund	103,766,206	1,198,856
Total Fund	\$ 1,143,154,148	\$ 48,852,887

Historical Distributions

In Millions

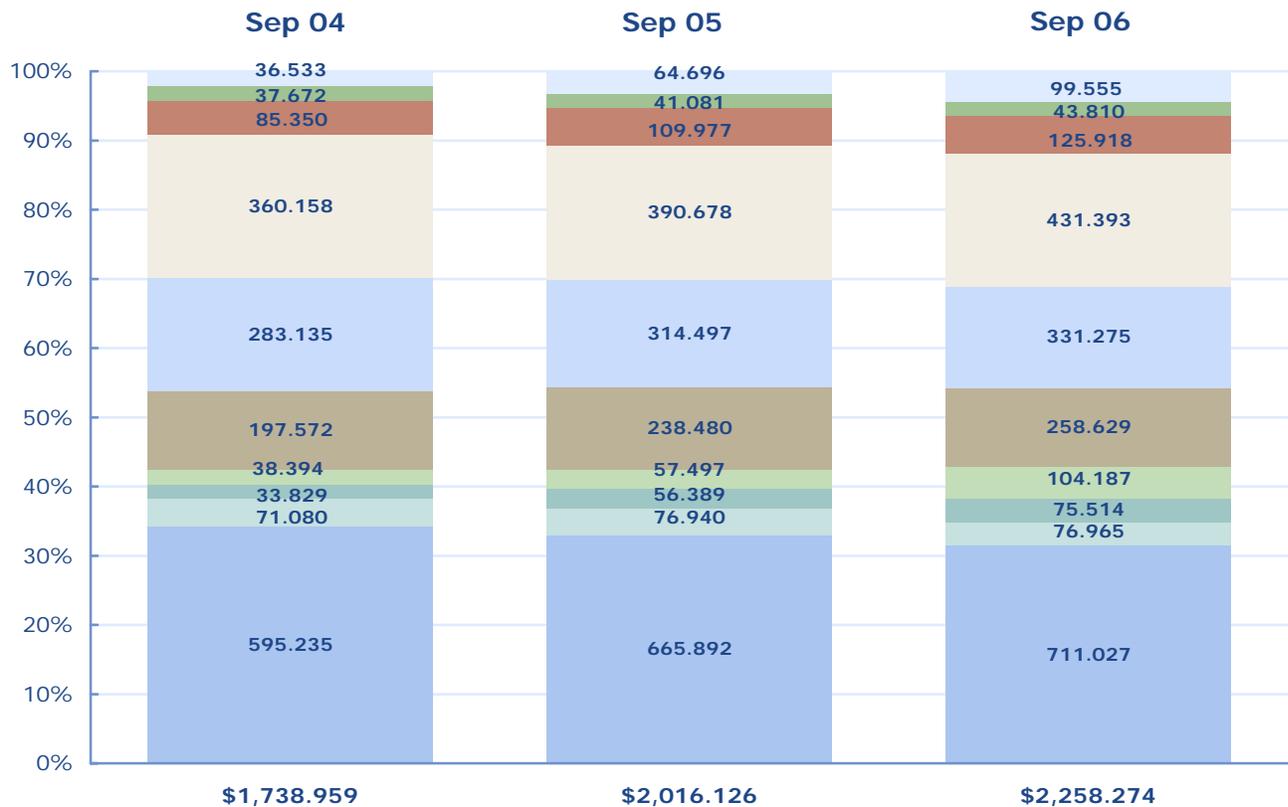


Market Values and Distributions


Option	Market Value	Quarterly Change
Short-Horizon Fund	\$ 17,242,299	\$ 2,024,874
Mid-Horizon Fund	42,410,647	4,346,404
Long-Horizon Fund	39,902,531	4,360,854
Social Balanced Fund	43,810,242	1,289,357
U.S. Stock Market Index	125,918,227	6,307,861
Active Value Fund	431,393,106	18,973,888
Active Core Fund	331,274,610	13,232,879
Growth Company Fund	258,628,909	(3,926,051)
International Stock Fund	104,186,810	8,700,363
U.S. Small Stock Fund	75,514,322	(401,041)
Bond Market Fund	76,965,473	4,339,837
Savings Pool	711,026,548	14,211,395
Total Fund	\$ 2,258,273,726	\$ 73,460,620

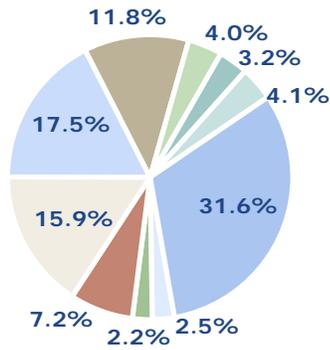
Historical Distributions

In Millions





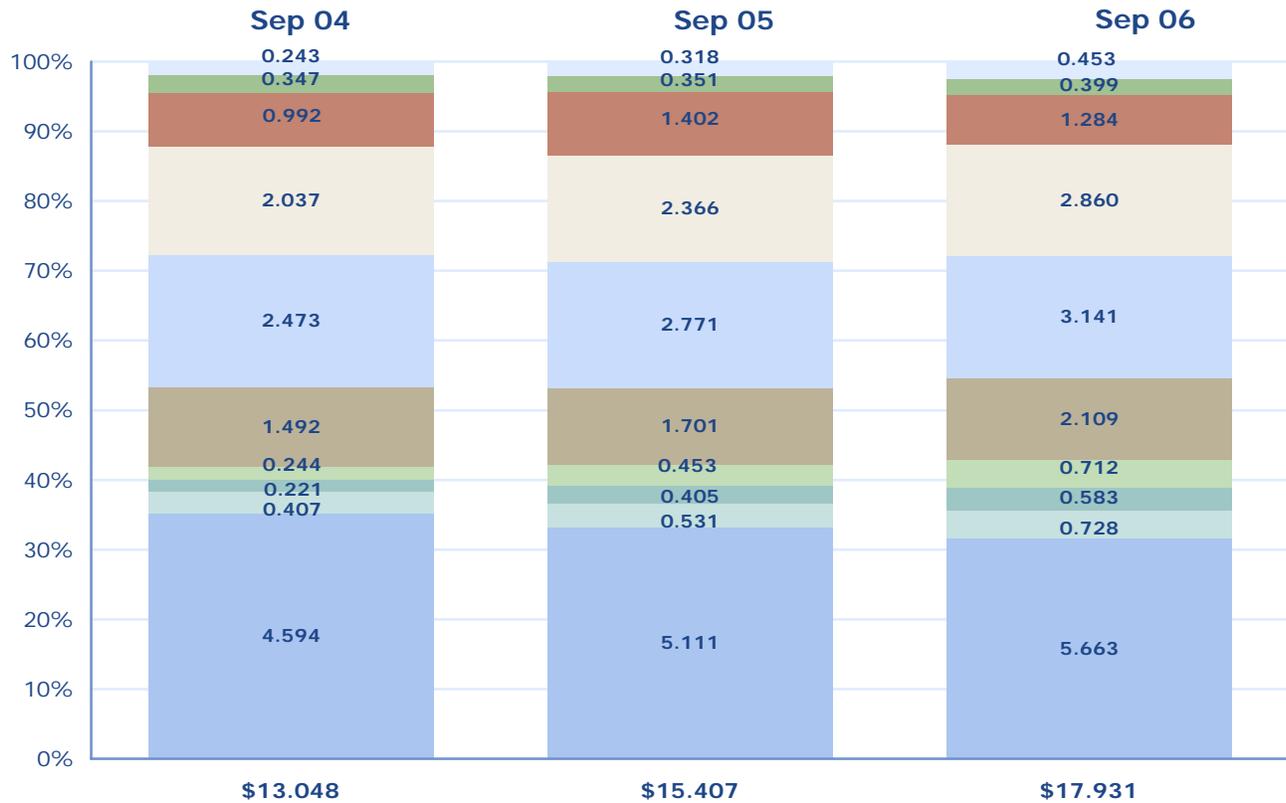
Market Values and Distributions



Option	Market Value	Quarterly Change
Short-Horizon Fund	\$ 71,928	\$ 4,876
Mid-Horizon Fund	265,653	18,585
Long-Horizon Fund	115,026	9,253
Social Balanced Fund	399,260	18,709
U.S. Stock Market Index	1,284,371	78,705
Equity-Income/Active Value	2,859,737	168,664
Independence/Active Core	3,140,578	195,685
Growth Company Fund	2,109,038	62,667
International Stock Fund	711,780	(117,817)
U.S. Small Stock Fund	582,861	28,422
Bond Market Fund	727,666	203,984
Savings Pool	5,662,928	139,215
Total Fund	\$ 17,930,826	\$ 810,948

Historical Distributions

In Millions





One Year Returns



*Uses current managers' returns. Return shown is after manager and portfolio expenses but before the WSIB and record keeping fees.

Balanced Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
WSIB TAP Fund	4.11%	15.76%	15.67%	10.81%	9.77%
Custom Benchmark	4.21%	11.08%	12.80%	9.36%	8.14%
Long-Horizon Fund	4.22%	11.15%	13.34%	9.21%	N/A
Custom Benchmark	4.25%	11.12%	13.29%	9.58%	8.20%
Mid-Horizon Fund	3.97%	8.83%	10.06%	7.98%	N/A
Custom Benchmark	4.07%	8.79%	10.03%	8.37%	7.80%
Short-Horizon Fund	3.20%	6.83%	6.85%	6.00%	N/A
Custom Benchmark	3.30%	6.87%	6.90%	6.35%	6.65%
Social Balanced Fund	3.09%	5.92%	7.27%	N/A	N/A
Custom Benchmark	4.83%	7.58%	8.29%	6.27%	7.96%

Bond Funds

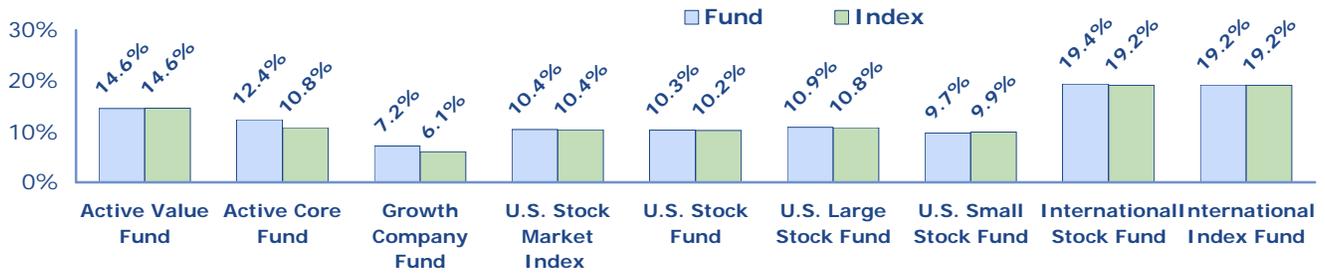
	Qtr.	1 Year	3 Year	5 Year	10 Year
Bond Market Fund	3.45%	3.64%	3.07%	4.81%	N/A
Lehman Intermediate Credit	3.67%	3.58%	3.02%	5.18%	6.43%

Cash Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
Money Market Fund	1.35%	4.82%	2.89%	2.44%	4.04%
One Month LIBOR	1.38%	4.99%	3.06%	2.50%	4.11%
Savings Pool	1.14%	4.57%	4.76%	5.21%	5.93%



One Year Returns



*Uses current managers'/funds' returns and returns from other portfolios with same investment strategy but different fees to produce a ten-year history. Return shown is after manager and portfolio expenses but before the WSIB and record keeping fees and does not include any return attributed to rebates.

Active U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
Active Value Fund	4.70%	14.57%	19.46%	13.94%	N/A
Russell 1000 Value Index	6.22%	14.62%	17.25%	10.73%	8.75%
Active Core Fund	5.46%	12.39%	N/A	N/A	N/A
S&P 500	5.67%	10.79%	12.30%	6.97%	8.59%
Growth Company Fund	0.30%	7.17%	12.08%	8.21%	9.01%
Russell 3000 Growth	3.44%	6.05%	8.64%	4.83%	5.27%

Passive U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
U.S. Stock Market Index	4.49%	10.41%	13.33%	8.57%	8.86%
Dow Jones Wilshire 5000	4.47%	10.39%	13.26%	8.63%	8.62%
U.S. Stock Fund	4.67%	10.29%	13.03%	8.09%	N/A
Russell 3000	4.64%	10.22%	13.00%	8.08%	8.70%
U.S. Large Stock Fund	5.66%	10.85%	12.34%	7.02%	N/A
S&P 500	5.67%	10.79%	12.30%	6.97%	8.59%
U.S. Small Stock Fund	0.38%	9.73%	15.50%	13.73%	N/A
Russell 2000	0.44%	9.92%	15.48%	13.77%	9.06%

Passive Enhanced International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Stock Fund	3.37%	19.39%	N/A	N/A	N/A
MSCI EAFE	3.93%	19.16%	22.32%	14.26%	6.82%

Passive International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Index Fund	3.95%	19.23%	22.31%	13.08%	N/A
MSCI EAFE	3.93%	19.16%	22.32%	14.26%	6.82%



Daily Priced Investment Options

Quarterly Report - September 30, 2006

Savings Pool	1
Bond Fund.....	2
Horizon Funds.....	3

Size \$ 717,164,519

Characteristics
Average Maturity

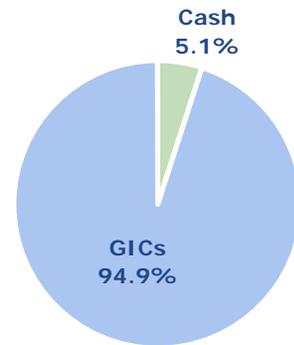
2.3 Years

Average Yield

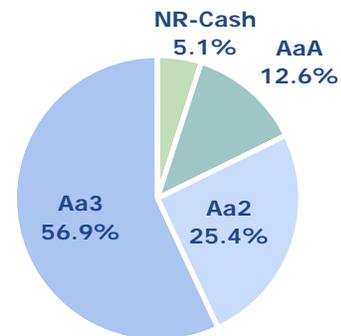
4.82%

Number of Holdings

33

Composition Distribution

Top Ten GIC Issuers

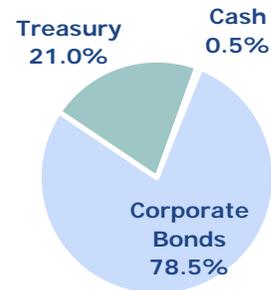
Metropolitan Life Insurance Co.	14.96%
Hartford Life Insurance Co.	14.00%
New York Life Insurance Corp.	12.66%
John Hancock Life Insurance Co.	11.74%
ING USA Annuity & Life Insurance Co.	11.16%
Pacific Life Insurance Co.	7.39%
Principal Life Insurance Co.	6.86%
Monumental Life Insurance Co.	6.36%
Prudential Insurance Company of Amer	4.90%
Genworth Life and Annuity Assurance	3.24%

Rating Distribution

Return


Size \$ 396,365,707

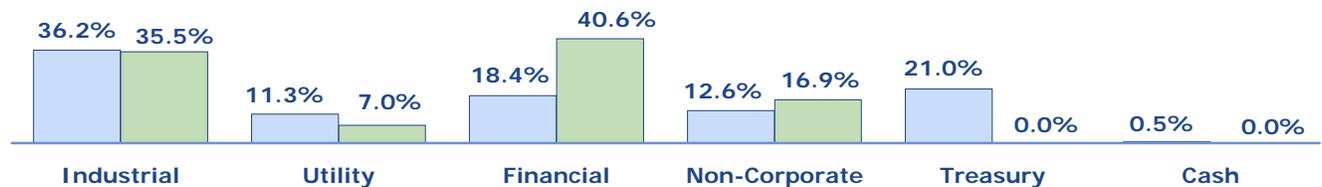
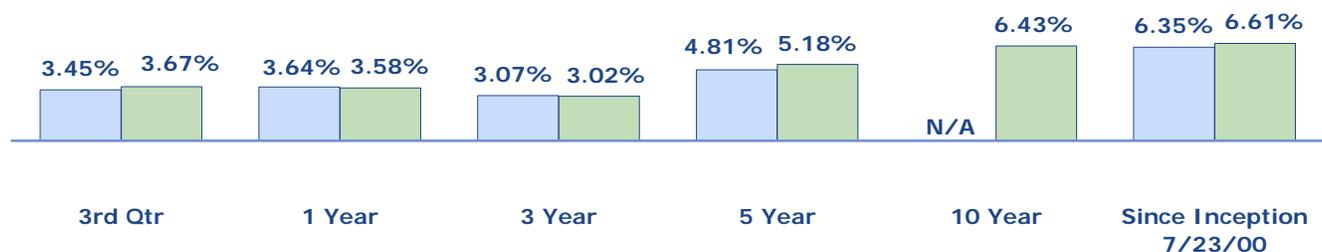
Characteristics

	Fund	Index
Average Maturity	5.7 years	5.1 years
Yield to Maturity	4.87%	5.40%
Modified Duration	4.66	4.22
Average Coupon	4.69%	5.59%
Number of Holdings	135	2,189

Asset Class Distribution

Top Ten Credit Issuers

Norfolk Southern Corporation	0.87%	Eksportfinans ASA	0.80%
Raytheon Company	0.83%	Northern Trust Company	0.79%
Burlington Northern Santa Fe Corporation	0.83%	PSI Energy Incorporated	0.79%
British Sky Broadcasting Group Plc	0.82%	Smith International Incorporated	0.79%
Santander Central Hispano Issuances	0.82%	Noble Corporation	0.79%

Rating Distribution

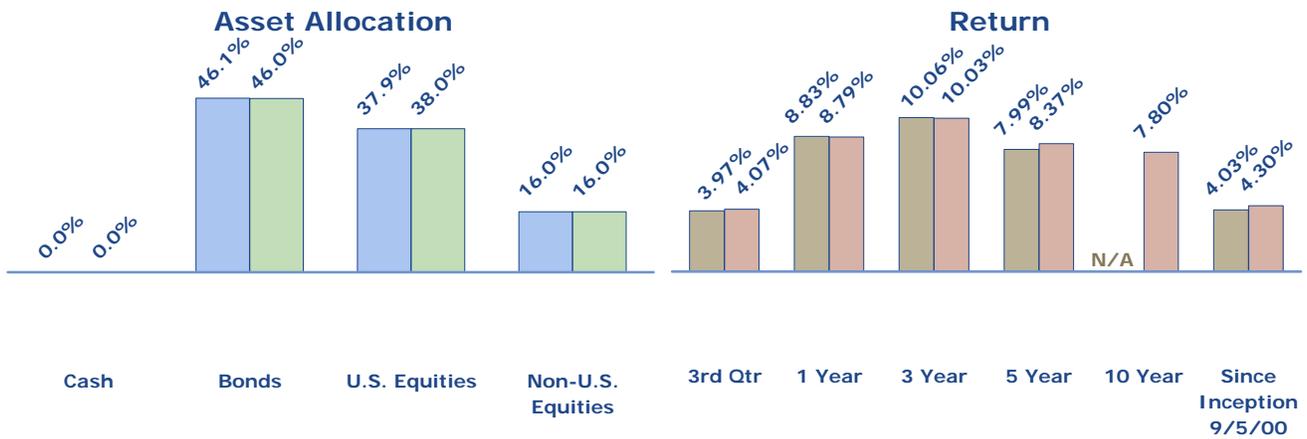
Industry Distribution

Return


■ Horizon Fund
 ■ Target
 ■ Horizon Fund
 ■ Benchmark

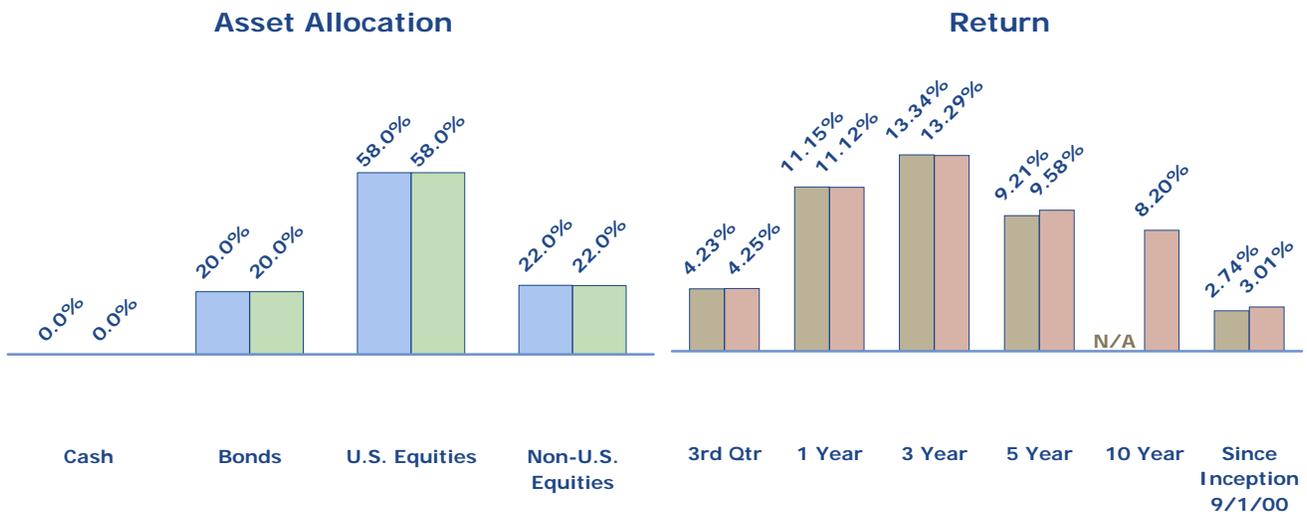
Short-Horizon \$ 45,927,547



Mid-Horizon \$ 147,294,418



Long-Horizon \$ 148,863,331





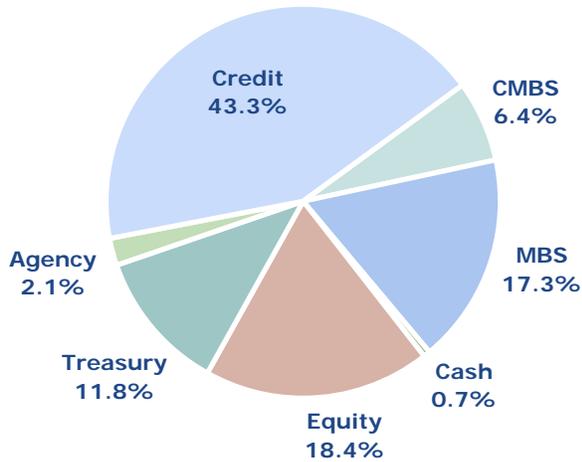
Labor and Industries' Funds

Quarterly Report - September 30, 2006

Market Values and Asset Allocation	1
Performance and Durations Versus CMI	2



Total Labor and Industries' Funds
\$ 10,827,968,553



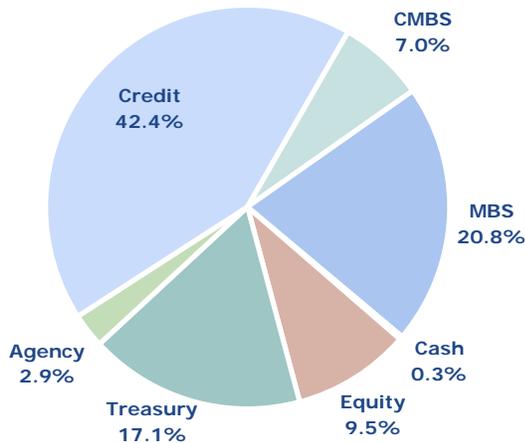
WSIB Policy Ranges for Equity

	Target	Range
Accident Fund	10%	8-12%
Medical Aid Fund	30%	24- 36%
Pension Reserve	10%	8-12%

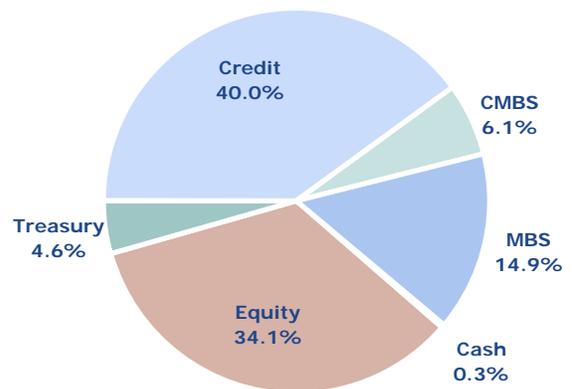
WSIB Policy Ranges for Fixed Income

	Range
U.S. Treasuries and Agencies	5-25%
Credit Securities	20-70%
Mortgage-Backed Securities (MBS)	0-25%
Asset-Backed Securities (ABS)	0-10%
Commercial Mortgage-Backed Securities (CMBS)	0-10%

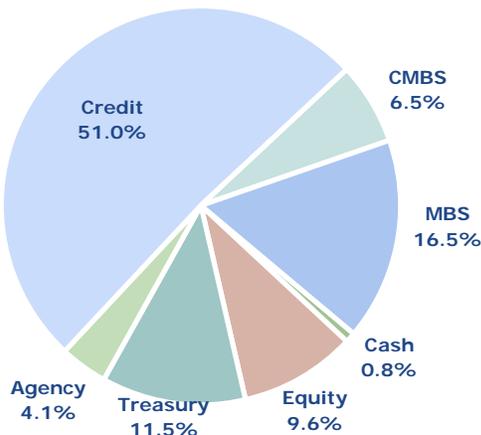
Accident Fund \$ 4,133,446,296



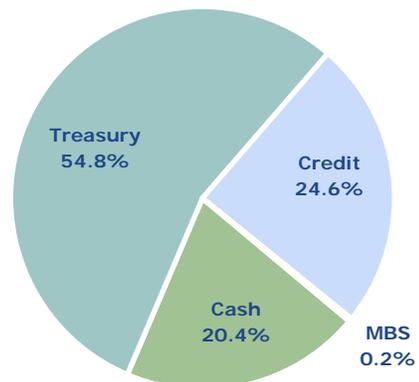
Medical Aid Fund \$ 3,966,983,954



Pension Reserve \$ 2,572,572,503

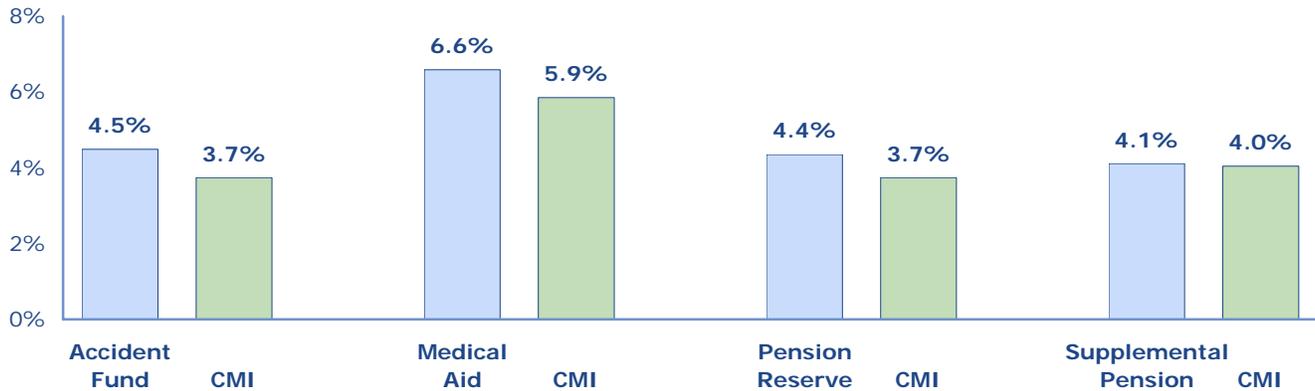


Supplemental Pension \$ 154,965,799





One Year Performance



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Accident Fund	5.76%	4.49%	6.25%	6.93%	7.54%
CMI	5.90%	3.74%	5.92%	7.18%	7.35%
Medical Aid	4.52%	6.59%	6.59%	6.17%	7.24%
CMI	4.48%	5.85%	6.74%	6.66%	7.28%
Pension Reserve	5.87%	4.35%	5.54%	7.31%	8.19%
CMI	5.90%	3.74%	4.97%	7.31%	7.89%
Supplemental Pension	1.99%	4.58%	2.52%	2.41%	4.84%
Supplemental Ex-Cash	2.25%	4.11%	2.45%	2.97%	5.34%
CMI	2.27%	4.04%	2.40%	4.01%	5.56%

Labor and Industries' Statutory Accounting Return *

	Qtr.	1 Year	3 Year	5 Year
Accident Fund	2.64%	8.16%	8.47%	7.51%
Medical Aid	2.34%	7.47%	8.50%	7.02%
Pension Reserve	2.05%	7.52%	8.43%	7.45%
Supplemental Pension	1.13%	4.52%	3.73%	3.24%

Duration

	CMI	Target	Actual	% Difference
Accident Fund	9.18	9.00	9.36	4.02%
Medical Aid	6.01	6.00	6.52	8.59%
Pension Reserve	9.18	9.00	9.38	4.23%
Supplemental Pension	1.95	1.75-2.25	2.09	N/A

* Uses net income, realized and unrealized gains and losses on equity securities, and realized gains and losses on fixed income in the numerator. The denominator uses book value for fixed income securities and market value for equities. Below investment grade fixed income securities are carried at the lower of book or market value.



Permanent and Other Funds

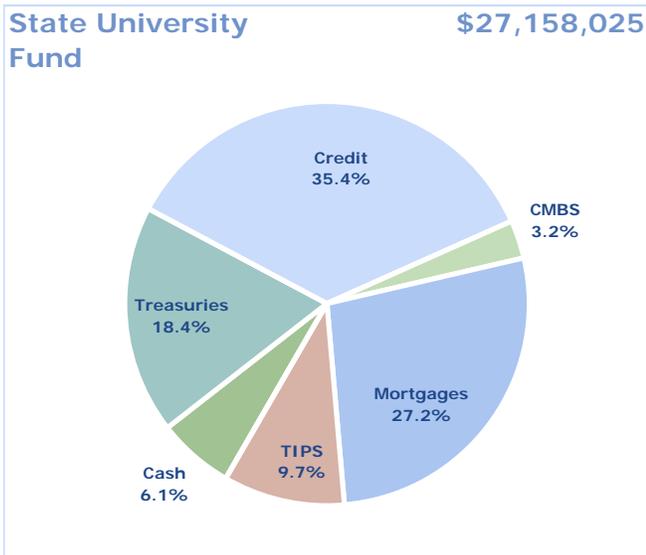
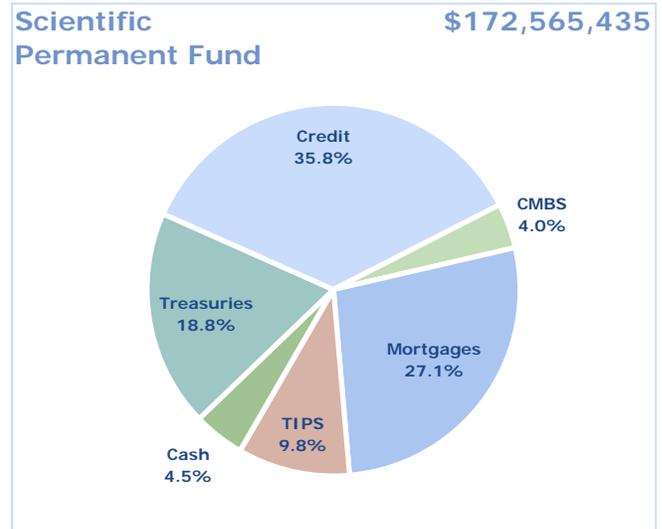
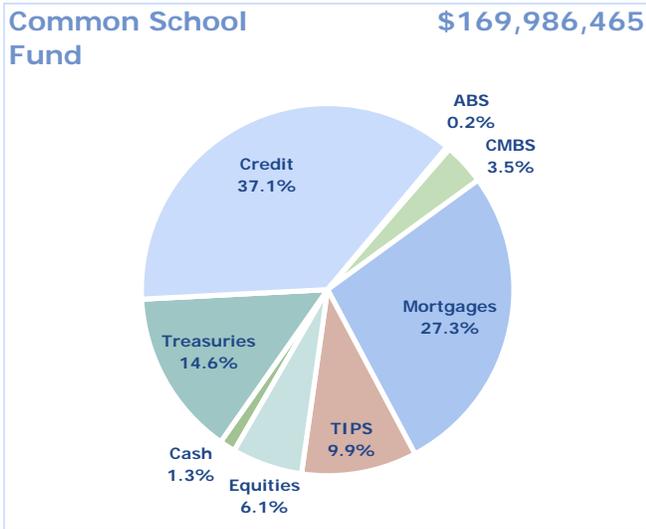
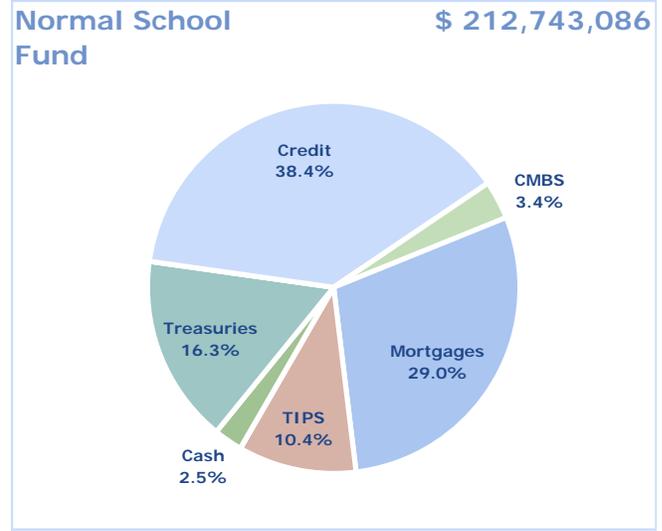
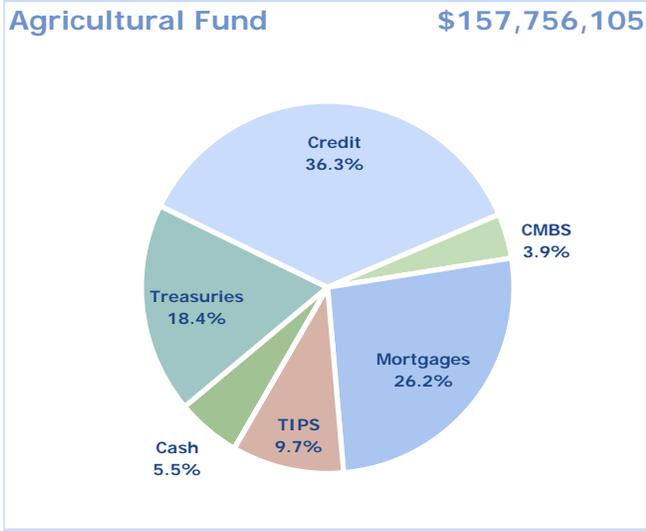
Quarterly Report - September 30, 2006

Permanent Funds

Market Values and Asset Allocation	1
Interest Income, Performance, and Duration	2

Other Funds

Market Values, Performance, and Asset Allocation	3
GET – Advanced College Tuition Payment Program	4
DDEF – Developmental Disability Endowment Fund	5



Millersylvania State Park Fund \$ 5,173

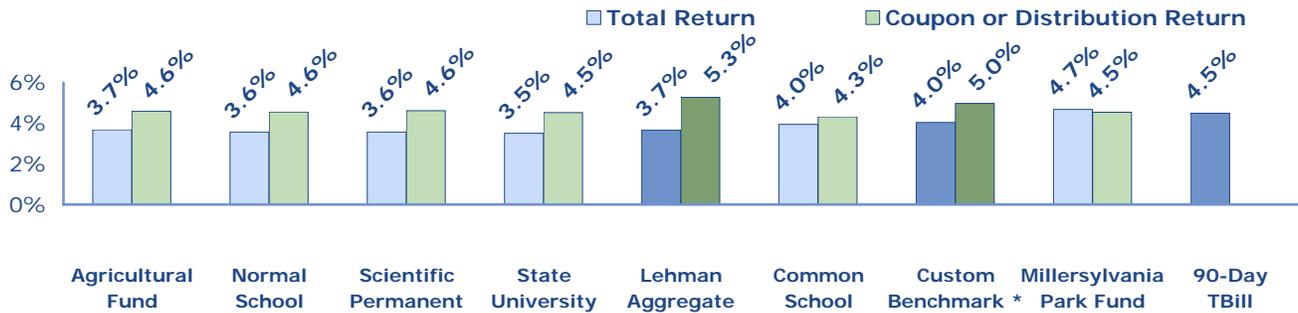
Assets of this fund are invested in a short-term investment fund (STIF).

WSIB Fixed Income Policy Ranges per Fund:

U.S. Treasuries and Agencies	10-50%
Investment Grade Credits	10-50%
Mortgage-Backed Securities	5-40%
Asset-Backed Securities (ABS)	0-10%
Commercial Mortgage-Backed Securities (CMBS)	0-10%



One Year



Balance

	Sep 06	Sep 05	Sep 01
Agricultural Fund	\$ 157,756,105	\$ 153,952,194	\$ 143,202,239
Normal School	\$ 212,743,086	\$ 211,749,541	\$ 201,009,077
Scientific Permanent	\$ 172,565,435	\$ 168,652,033	\$ 153,935,364
State University	\$ 27,158,025	\$ 25,772,615	\$ 23,332,203
Common School	\$ 169,986,465	\$ 170,436,020	\$ 165,407,774
Millersylvania Park Fund	\$ 5,173	\$ 5,166	\$ 5,165

Returns

	Total Return					Distribution Return **			
	Qtr.	1 Year	3 Year	5 Year	10 Year	Qtr.	1 Year	3 Year	5 Year
Agricultural Fund	3.81%	3.68%	3.13%	4.57%	6.31%	1.15%	4.58%	4.60%	5.15%
Normal School	3.83%	3.57%	3.09%	4.75%	6.35%	1.14%	4.57%	4.58%	5.09%
Scientific Permanent	3.83%	3.57%	3.10%	4.78%	6.33%	1.16%	4.62%	4.62%	5.19%
State University	3.77%	3.50%	3.07%	4.81%	6.42%	1.13%	4.53%	4.55%	5.04%
Lehman Aggregate	3.81%	3.67%	3.38%	4.81%	6.42%				
Common School	3.87%	3.96%	3.58%	4.90%	6.32%	1.08%	4.33%	4.37%	4.91%
Custom Benchmark *	3.85%	4.04%	3.87%	5.07%	6.46%				
Millersylvania Park Fund	1.31%	4.68%	2.79%	2.31%	3.89%	1.29%	4.54%	2.67%	2.28%
90 Day TBill	1.33%	4.50%	2.73%	2.30%	3.83%				

Fixed Income Duration

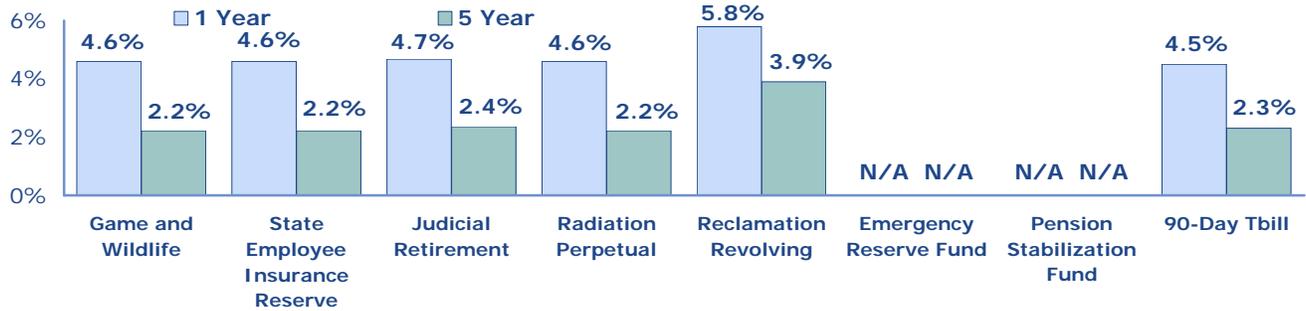
	Duration of Fund	Duration of Benchmark	Difference	% Difference
Agricultural Fund	4.90	4.61	0.29	6.35%
Normal School	4.90	4.61	0.29	6.20%
Scientific Permanent	4.97	4.61	0.36	7.79%
State University	4.97	4.61	0.36	7.80%
Common School	4.91	4.61	0.30	6.58%
Millersylvania Park Fund	0.10	0.25	N/A	N/A

* The custom benchmark for the Common School Fund is a combination of the Lehman Aggregate and Dow Jones Wilshire 5000 using the previous month-end weights adjusted for new purchases during the current month. For September 2006, the breakdown was 6.0% Dow Jones Wilshire 5000 and 94.0% Lehman Aggregate.

** Includes coupon income and amortization minus expenses and deferred losses based on book value.



One Year and Five Year Return



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Game and Wildlife	1.29%	4.60%	2.70%	2.22%	4.00%
State Employee Insurance Reserve	1.29%	4.60%	2.70%	2.22%	3.84%
Judicial Retirement	1.33%	4.68%	2.79%	2.36%	3.99%
Radiation Perpetual	1.29%	4.60%	2.70%	2.22%	3.84%
Reclamation Revolving	1.68%	5.79%	4.96%	3.90%	4.86%
Emergency Reserve Fund	1.29%	N/A	N/A	N/A	N/A
Pension Stabilization Fund	1.31%	N/A	N/A	N/A	N/A
90-Day Tbill	1.33%	4.50%	2.73%	2.30%	3.83%

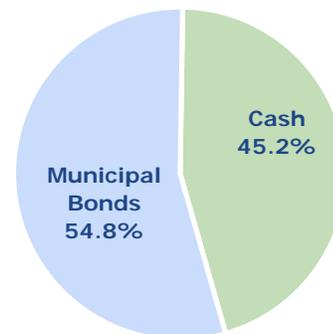
Market Value

	Sep 06	Sep 05	Sep 01
Game and Wildlife	\$ 9,566,206	\$ 9,145,675	\$ 11,456,821
State Employee Insurance Reserve	\$ 80,685,154	\$ 77,138,225	\$ 37,773,355
Judicial Retirement	\$ 17,573	\$ 1,320,129	\$ 9,239,075
Radiation Perpetual	\$ 302,487	\$ 289,190	\$ 271,028
Reclamation Revolving	\$ 387,095	\$ 365,912	\$ 1,038,238
Emergency Reserve Fund	\$ 68,953,734	\$ 0	\$ 483,991,925
Pension Stabilization Fund	\$ 345,475,860	N/A	N/A

Portfolio Allocations

The Game and Wildlife Fund, State Employee Insurance Reserve Fund, Judicial Retirement Fund, Radiation Perpetual Fund, and Emergency Reserve Fund are fully invested in short-term investment funds (STIF).

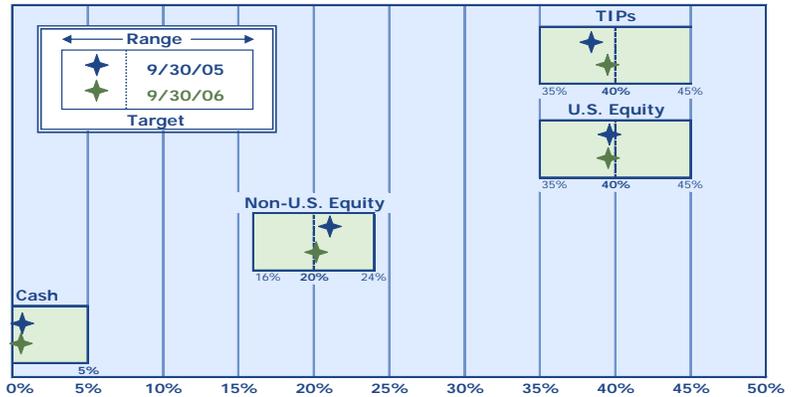
The Reclamation Revolving Fund (shown to the right) is invested in municipal bonds and STIF.



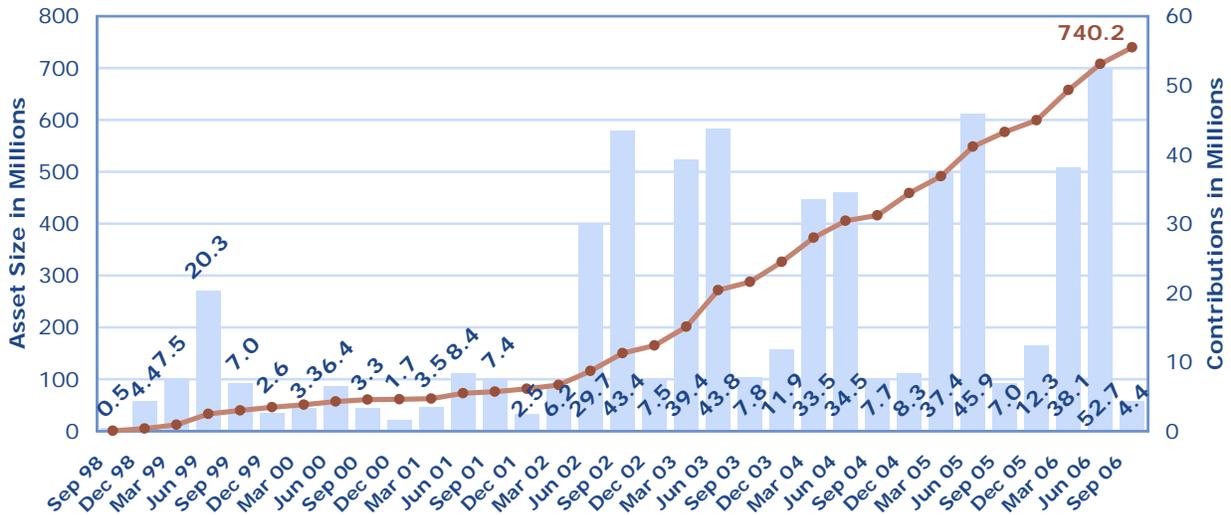


Portfolio Size and Allocation

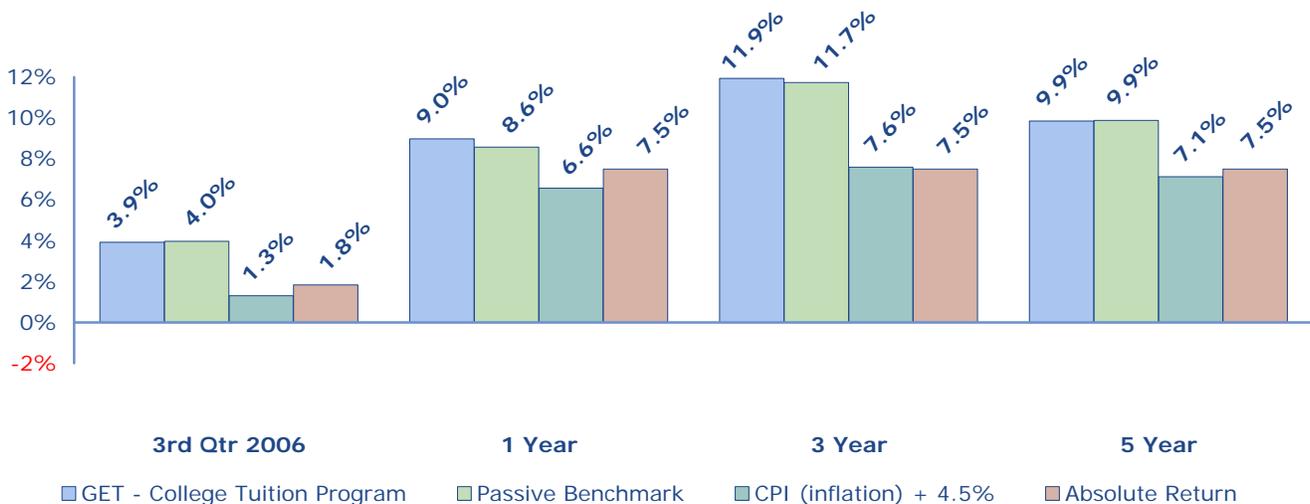
Total	\$740,160,290
Cash	5,620,938
Treasury Inflation Index Note (TIPs)	292,411,010
U.S. Equity	292,821,617
Non-U.S. Equity	149,306,725



Assets Under Management



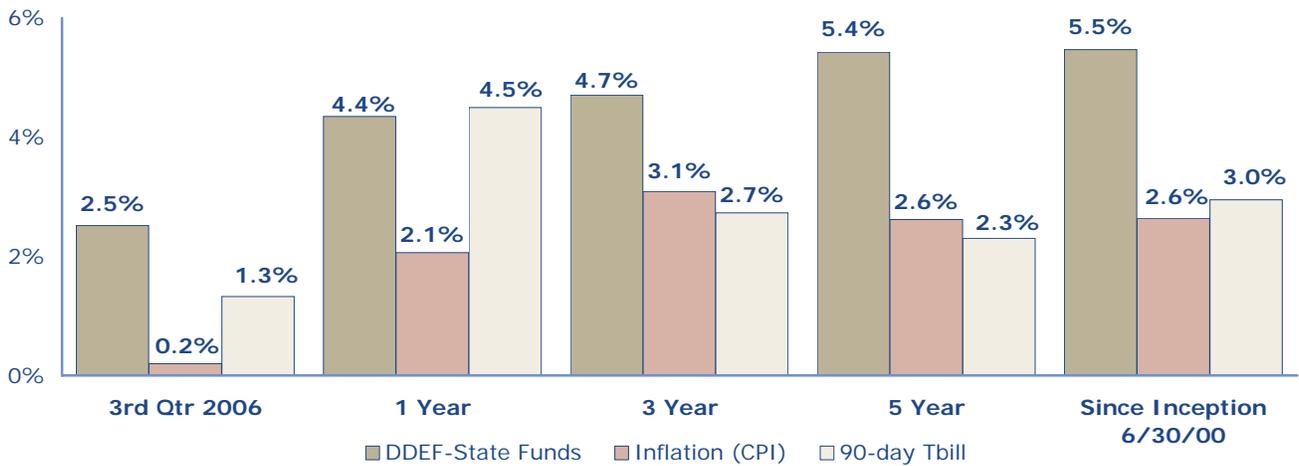
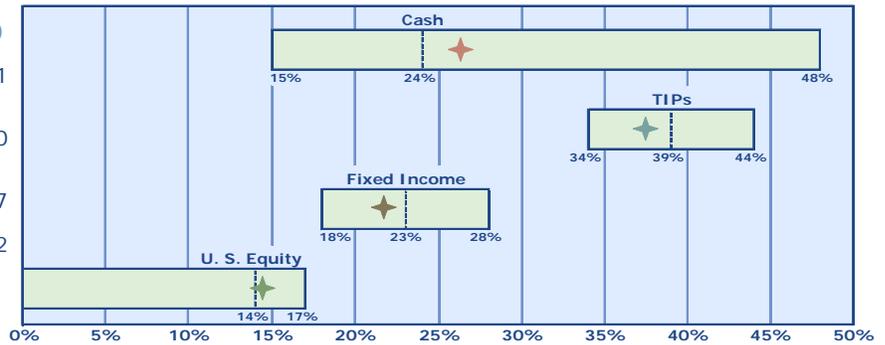
Total Return





DDEF - State Funds

Total	\$7,233,370
Cash	1,896,581
Treasury Inflation Index Note (TIPs)	2,712,920
Fixed Income	1,584,297
U.S. Equity	1,039,572



DDEF - Private Funds

Total	\$6,664,718
Cash	139,728
Balanced Fund	6,524,990

