



## Investment Reports

Quarterly Report – September 30, 2008

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**Dated: November 7, 2008**

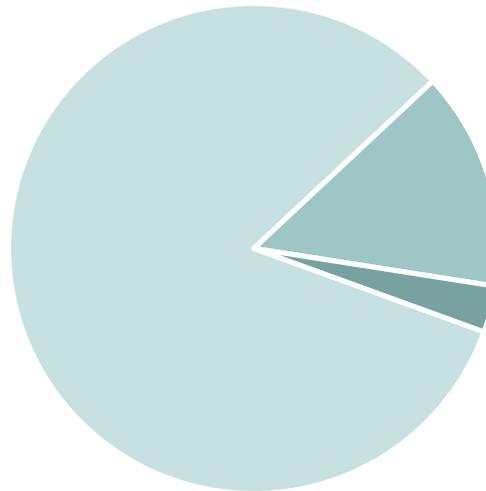




### The WSIB invests for 39 funds:

- ❖ 17 Retirement Funds
- ❖ 4 State Insurance Funds for injured workers
- ❖ 18 Permanent and Other Trust Funds

Retirement Funds  
(CTF & Defined  
Contribution)  
\$61,537,475,059  
82.6%

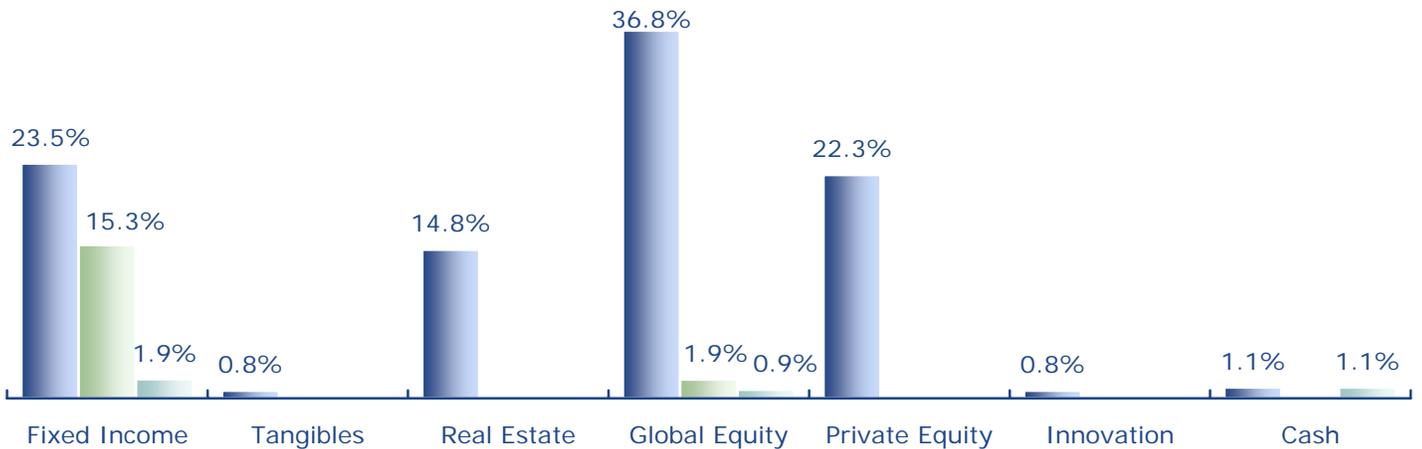


Labor & Industries'  
Funds  
\$10,571,819,207  
14.2%

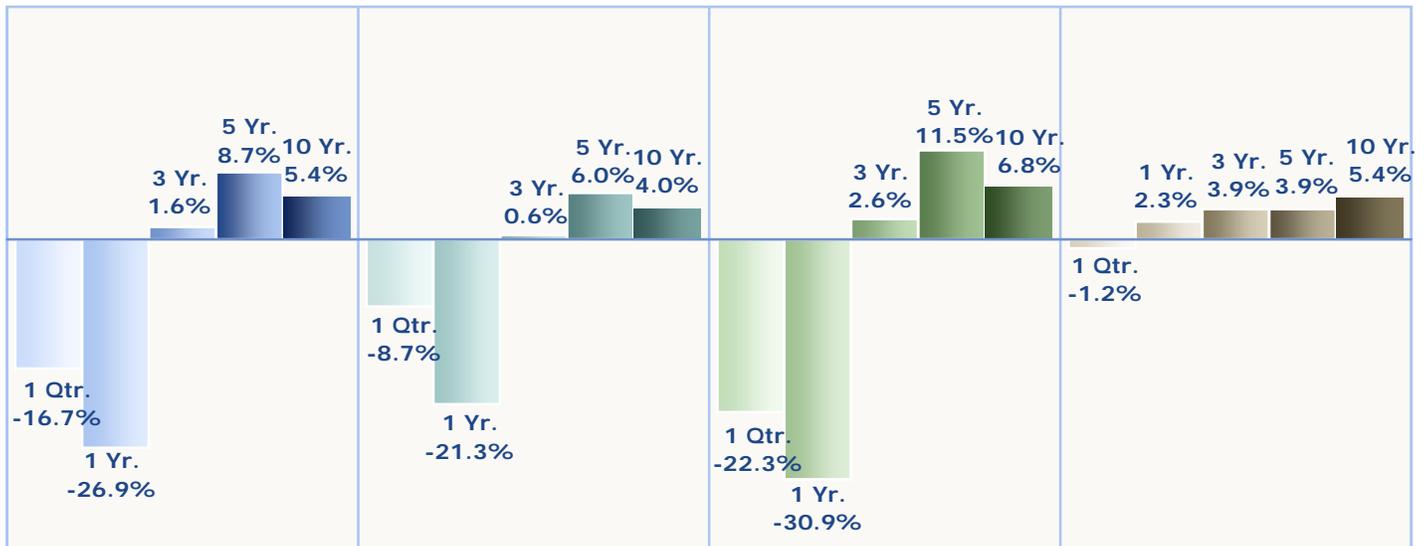
Permanent & Other  
Funds  
\$2,376,006,060  
3.2%

### Asset Class Overview for All Funds

- Retirement Funds (CTF & Defined Contribution)
- L&I Funds
- Perm & Other Funds



**Indices Returns**



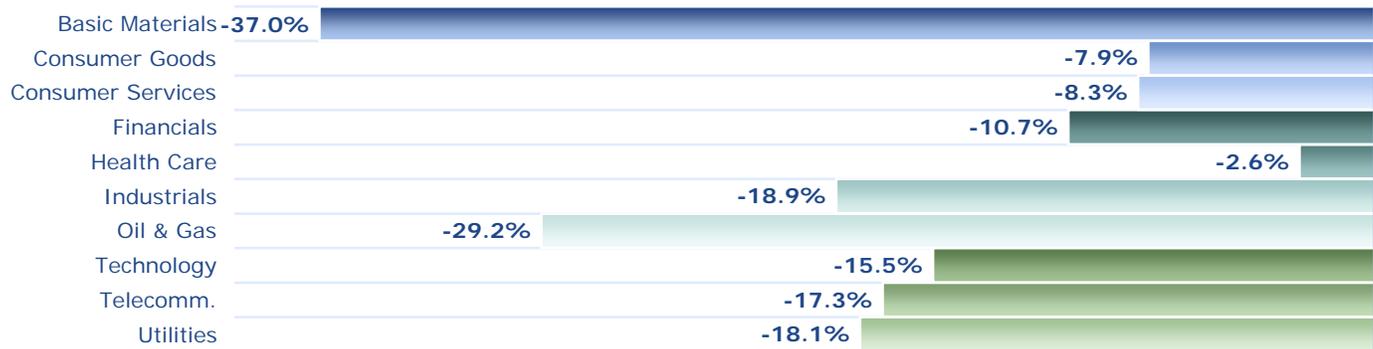
**Dow Jones Wilshire Global**

**Dow Jones Wilshire 5000**

**MSCI ACW ex U.S. IMI**

**Lehman Universal**

**Dow Jones Wilshire Global - Quarter Industry Returns**



**Capital Market Highlights**

- ❖ Fixed income as measured by the Lehman Universal, returned -1.2% for the quarter, outperforming global equities as measured by the Dow Jones Wilshire Global at -16.7%.
- ❖ U.S. equities outperformed International equities losing less for the quarter.
- ❖ The highest industry return for the quarter as shown with the Dow Jones Wilshire Global was healthcare at -2.6%. The lowest returns was basic materials at -37.0%.
- ❖ In the Lehman indices, U.S. treasury had the highest return for the quarter earning 2.3% while CMBS Non-ERISA ex HY had the lowest return at -10.2%. For the quarter, the long end of the curve outperformed the short with the 30 year earning 4.9% versus 0.7% for the 3 month.
- ❖ GDP was -0.3% (annualized) for the quarter. Inflation, as measured by the CPI decreased to 0.6% from 1.9% the prior quarter.
- ❖ The federal funds target rate remained the same as the prior quarter at 2.00%.

**Commingled Trust Fund**

- ❖ Even though performance for the quarter was negative, the CTF still continues to exceed the 8% actuarial return for the 5 year time period. The 1, 3 and 10 year time periods are below 8%.

**Asset Allocation**

- ❖ All asset classes were within their long-term ranges other than tangibles which is still moving upward towards its allocation as of September 30, 2008. Asset transfers were large for the 3<sup>rd</sup> quarter including reductions of global equity (\$160 million) and fixed income (\$650 million) to fund tangibles (\$24 million), real estate (\$331 million), private equity (\$551 million), and plan withdrawals.

**Fixed Income**

- ❖ Fixed income underperformed the Lehman Universal for the quarter, but outperformed its benchmark for all other time periods.

**Tangible**

- ❖ The WSIB Tangible return for the 3<sup>rd</sup> quarter was 0.9%.
- ❖ As of June 30, 2008, there were \$253 million in unfunded commitments.

**Real Estate**

- ❖ The WSIB Real Estate return for the 3<sup>rd</sup> quarter was 1.2%. It overperformed NCREIF (lagged one quarter) plus 100 basis points, which returned 0.8%. It outperformed its benchmark for the 3, 5, and 10 year time periods.
- ❖ As of June 30, 2008, there were \$7.7 billion in unfunded commitments.

**Global Equity**

- ❖ Global equity performed -16.5% for the quarter. It outperformed its benchmark, the Dow Jones Wilshire Global, which returned -16.7%.
- ❖ 1 of the 5 U.S. managers outperformed their benchmark for the quarter.
- ❖ 6 of the 10 international developed managers outperformed their benchmark for the quarter.
- ❖ 5 of the 6 international emerging market managers outperformed their benchmark for the quarter, 4 managers outperformed their benchmark for the year.

**Private Equity**

- ❖ The WSIB private equity return for the 3<sup>rd</sup> quarter was -4.6%. It outperformed the benchmark, S&P 500 plus 500 basis points (lagged one quarter) in the 3, 5, and 10 year time periods.
- ❖ As of June 30, 2008, there were \$8.4 billion in unfunded commitments.

**Innovation**

- ❖ Innovation is currently comprised of global managers and underperformed its custom benchmark.

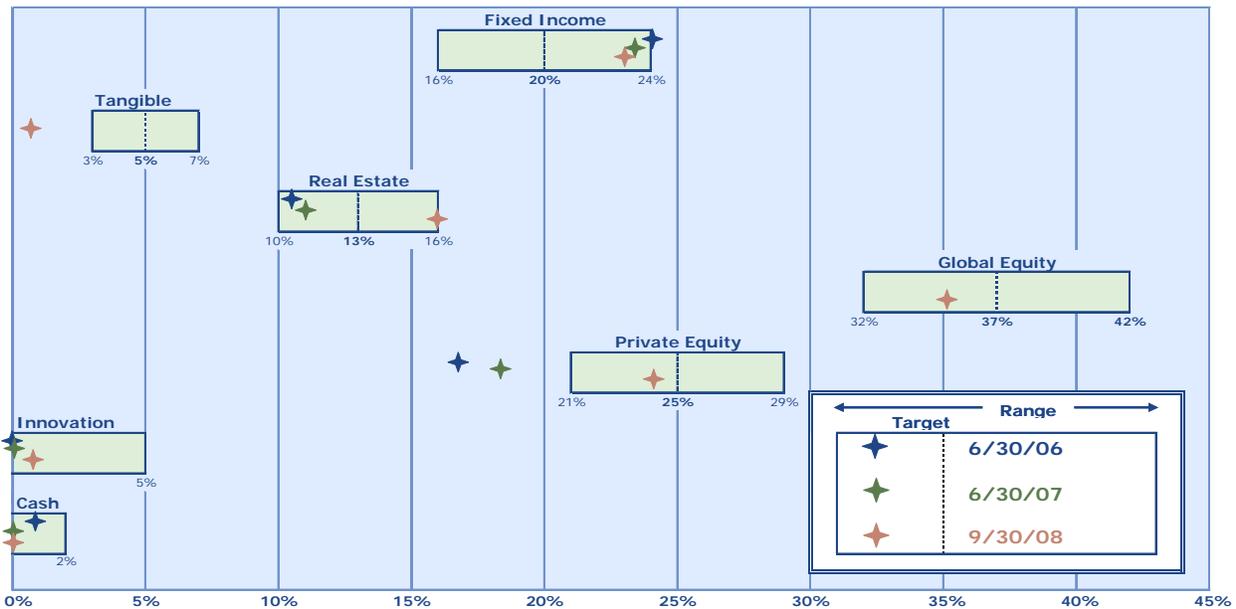
**Market Values**

**Actual Asset Allocation**

| Asset Class       | Market Value             | by Asset Class | with Overlay |
|-------------------|--------------------------|----------------|--------------|
| Fixed Income      | \$ 13,104,659,519        | 22.98%         | 22.98%       |
| Tangible          | \$ 475,858,710           | 0.83%          | 0.83%        |
| Real Estate       | \$ 9,129,935,715         | 16.01%         | 16.01%       |
| Global Equity     | \$ 19,867,838,971        | 34.84%         | 35.18%       |
| Private Equity    | \$ 13,745,331,192        | 24.11%         | 24.11%       |
| Innovation        | \$ 462,311,859           | 0.81%          | 0.79%        |
| Cash              | \$ 235,066,019           | 0.41%          | 0.10%        |
| <b>Total Fund</b> | <b>\$ 57,021,001,985</b> |                |              |

**Market Value Changes**

Quarter:  
 (\$5,150,159,629)  
 Fiscal Year:  
 (\$5,150,159,629)



**Annual Performance and Growth of the CTF (Fiscal Years Ended June 30)**



Note: Page 4-9, Totals may not add up due to rounding.



|  |                         |               | Qtr.    | FYTD    | 1 Year  | 3 Year | 5 Year | 10 Year |
|--|-------------------------|---------------|---------|---------|---------|--------|--------|---------|
| <b>Total Fund</b>                                    | <b>\$57,021,001,985</b> | <b>100.0%</b> | -8.04%  | -8.04%  | -12.85% | 7.00%  | 10.37% | 7.63%   |
| Passive Benchmark <sup>2</sup>                       |                         |               | -12.00% | -12.00% | -19.15% | 1.69%  | 6.33%  | 4.76%   |
| Implementation Value Added Benchmark <sup>3</sup>    |                         |               | -7.27%  | -7.27%  | -11.62% | 5.64%  | 9.05%  |         |
| TUCS Public Fund >\$1B Median <sup>4</sup>           |                         |               | -8.69%  | -8.69%  | -14.70% | 2.88%  | 7.07%  | 5.61%   |
| TUCS Public/Corporate Fund >\$1B Median <sup>4</sup> |                         |               | -8.91%  | -8.91%  | -14.87% | 2.82%  | 7.15%  | 5.89%   |
| <b>Fixed Income</b>                                  | <b>\$13,104,659,519</b> | <b>23.0%</b>  | -2.53%  | -2.53%  | 2.60%   | 4.13%  | 4.12%  | 5.67%   |
| Lehman Universal                                     |                         |               | -1.16%  | -1.16%  | 2.32%   | 3.89%  | 3.90%  | 5.38%   |
| <b>Tangible</b>                                      | <b>\$475,858,710</b>    | <b>0.8%</b>   | 0.89%   | 0.89%   |         |        |        |         |
| CPI (Lagged One Quarter) + 400 bp                    |                         |               | 2.91%   | 2.91%   |         |        |        |         |
| <b>Real Estate<sup>5</sup></b>                       | <b>\$9,129,935,715</b>  | <b>16.0%</b>  | 1.24%   | 1.24%   | 4.78%   | 18.90% | 18.62% | 14.96%  |
| NCREIF (Lagged One Quarter) + 100 bp                 |                         |               | 0.81%   | 0.81%   | 10.20%  | 15.96% | 15.72% | 13.22%  |
| <b>Global Equity</b>                                 | <b>\$19,867,838,971</b> | <b>34.8%</b>  | -16.54% | -16.54% | -27.05% | 0.98%  | 7.65%  | 5.14%   |
| Dow Jones Wilshire Global                            |                         |               | -16.67% | -16.67% | -26.87% | 1.61%  | 8.67%  | 5.42%   |
| <b>Private Equity<sup>5</sup></b>                    | <b>\$13,745,331,192</b> | <b>24.1%</b>  | -4.62%  | -4.62%  | -9.73%  | 17.21% | 21.22% | 11.77%  |
| S&P 500 (Lagged One Quarter) + 500 bp                |                         |               | -1.50%  | -1.50%  | -8.12%  | 9.41%  | 12.58% | 7.88%   |
| <b>Innovation<sup>6</sup></b>                        | <b>\$462,311,859</b>    | <b>0.8%</b>   | -18.77% | -18.77% | -29.28% |        |        |         |
| Custom Benchmark                                     |                         |               | -16.67% | -16.67% | -19.51% | N/A    | N/A    | N/A     |
| <b>Overlay<sup>7</sup></b>                           | <b>\$82,469,598</b>     |               | -0.07%  | -0.07%  | 0.00%   | 0.01%  | 0.00%  | 0.00%   |
| <b>Cash</b>  | <b>\$152,596,421</b>    | <b>0.4%</b>   | 0.63%   | 0.63%   | 3.58%   | 4.46%  | 3.29%  | 3.02%   |
| 90 Day T-Bills                                       |                         |               | 0.63%   | 0.63%   | 2.90%   | 4.20%  | 3.26%  | 3.52%   |

 Outperformed its benchmark

 Underperformed its benchmark

<sup>1</sup> Performance figures are net of all non-appropriated fees.

<sup>2</sup> Currently 69% Dow Jones Wilshire Global, 31% Lehman Universal. Over time the benchmark has been adjusted by changing both benchmarks and percentages. The most recent change occurred on January 1, 2008.

<sup>3</sup> The implementation value added benchmark consists 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.

<sup>4</sup> 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).

<sup>5</sup> 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.

<sup>6</sup> The overall benchmark is the weighted average of the underlying benchmarks for each asset/idea within the portfolio.

<sup>7</sup> To show the performance, cash and the cash held in the overlay are separated out on this page.

**International Markets**
**\$10,902,357,050**

|  | Qtr.    | FYTD    | 1 Year  | 3 Year | 5 Year | 10 Year |
|--|---------|---------|---------|--------|--------|---------|
| <b>Total Developed Passive</b>   | -20.97% | -20.97% | -29.80% | 1.78%  | 10.35% |         |
| SSgA   | -20.97% | -20.97% | -29.80% | 1.78%  | 10.35% |         |
| <b>Total Developed Active</b>  | -21.43% | -21.43% | -30.15% | 2.02%  | 10.67% |         |
| Arrowstreet Capital  | -20.85% | -20.85% | -29.43% | 2.46%  |        |         |
| Artio Global Investors, Inc. (Formerly Julius Baer)  | -23.20% | -23.20% | -30.10% | 3.47%  |        |         |
| BGI (MSCI World ex U.S.)   | -21.54% | -21.54% | -29.82% | 1.66%  |        |         |
| Capital Guardian Trust   | -20.85% | -20.85% | -29.22% | 1.45%  |        |         |
| Goldman Sachs Asset Mgmt.  | -21.53% | -21.53% | -30.42% | 1.18%  |        |         |
| LSV Asset Mgmt.  | -19.70% | -19.70% | -33.96% | -0.22% |        |         |
| Mondrian Investment Partners   | -16.28% | -16.28% | -26.16% | 3.50%  | 12.32% |         |
| Pyramis Global Advisors Trust  | -20.88% | -20.88% | -26.97% | 3.35%  |        |         |
| William Blair & Company  | -27.21% | -27.21% | -34.90% | 1.34%  |        |         |
| <b>Total Developed</b>   | -21.34% | -21.34% | -30.09% | 1.96%  | 10.78% |         |
| Custom Developed Markets Benchmark   | -21.10% | -21.10% | -30.07% | 1.45%  | 10.13% |         |
| MSCI World ex U.S.   | -20.67% | -20.67% | -29.57% | 1.69%  |        | N/A     |
| All funds and composites above use the custom developed markets benchmark other than BGI which uses MSCI World ex U.S. |         |         |         |        |        |         |
| <b>Total Emerging Active</b>   | -25.20% | -25.20% | -31.44% | 9.01%  | 18.55% | 14.24%  |
| Capital International  | -24.79% | -24.79% | -30.22% | 12.05% | 19.66% |         |
| Grantham, Mayo, Otterloo   | -26.37% | -26.37% | -34.92% | 7.87%  | 20.36% | 19.35%  |
| Grantham, Mayo, Otterloo Illiquid (Lagged 1 Month)   | -12.65% | -12.65% | -17.54% |        |        |         |
| JPMorgan   | -22.84% | -22.84% | -28.37% |        |        |         |
| Lazard Asset Mgmt.   | -20.16% | -20.16% | -23.93% |        |        |         |
| Pictet Asset Mgmt.   | -32.33% | -32.33% | -38.21% |        |        |         |
| <b>Total Emerging</b>  | -25.20% | -25.20% | -31.44% | 9.01%  | 18.55% | 14.24%  |
| Custom Emerging Markets Benchmark  | -27.04% | -27.04% | -34.24% | 7.81%  | 18.30% | 14.93%  |
| All funds and composites for emerging active markets use the custom emerging markets benchmark.                        |         |         |         |        |        |         |
| <b>Total International Equity</b>  | -21.81% | -21.81% | -30.26% | 2.55%  | 11.35% | 7.30%   |
| Custom International Equity Benchmark  | -22.27% | -22.27% | -30.93% | 2.62%  | 11.49% | 6.78%   |

 Outperformed its benchmark

 Underperformed its benchmark

Developed Markets Benchmark: MSCI EAFE + Canada / World ex U.S. IMI - Switched October 1, 2007.

Emerging Markets Benchmark: Custom Emerging Markets / Emerging Markets IMI - Switched October 1, 2007.

International Equity Benchmark: MSCI ACW ex U.S. / ACW IMI - Switched October 1, 2007.

## U.S. Markets

\$8,965,481,921

|  | Qtr.    | FYTD    | 1 Year  | 3 Year | 5 Year | 10 Year |
|--|---------|---------|---------|--------|--------|---------|
| <b>Total U.S. Passive (DJ Wilshire)</b>  | -8.40%  | -8.40%  | -20.80% | 0.76%  | 6.16%  | 4.23%   |
| BGI Asset Trust (DJ Wilshire)            | -8.73%  | -8.73%  | -21.23% |        |        |         |
| BGI Index (DJ Wilshire)                  | -8.38%  | -8.38%  | -20.85% | 0.75%  | 6.15%  | 4.23%   |
| <b>Total U.S. Enhanced (DJ Wilshire)</b> | -11.39% | -11.39% | -28.04% |        |        |         |
| BGI (Russell 3000)                       | -9.84%  | -9.84%  | -21.93% |        |        |         |
| SSgA (Russell 3000)                      | -9.79%  | -9.79%  | -23.12% |        |        |         |
| Western Asset Management (S&P 500)       | -15.34% | -15.34% | -39.37% |        |        |         |
| <b>Total U.S. Equity (DJ Wilshire)</b>   | -9.16%  | -9.16%  | -22.61% | -0.19% | 5.56%  | 3.93%   |
| DJ Wilshire 5000                         | -8.67%  | -8.67%  | -21.26% | 0.56%  | 6.00%  | 3.98%   |
| Russell 3000                             | -8.73%  | -8.73%  | -21.52% | 0.26%  | 5.70%  | 3.80%   |
| S&P 500                                  | -8.37%  | -8.37%  | -21.98% | 0.22%  | 5.17%  | 3.06%   |

Outperformed its benchmark

Underperformed its benchmark

## U.S. Equity

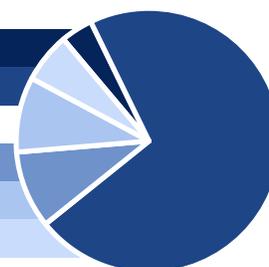
\$8,965,481,921

### Passive

|                 |                 |              |
|-----------------|-----------------|--------------|
| BGI Asset Trust | \$342,098,280   | <b>3.8%</b>  |
| BGI Index       | \$6,419,011,145 | <b>71.6%</b> |

### Active

|                     |               |             |
|---------------------|---------------|-------------|
| BGI                 | \$826,224,890 | <b>9.2%</b> |
| SSgA                | \$822,810,780 | <b>9.2%</b> |
| Western Asset Mgmt. | \$555,336,827 | <b>6.2%</b> |



## International Developed Markets

\$9,627,080,765

### Passive

|      |                 |              |
|------|-----------------|--------------|
| SSgA | \$1,792,222,300 | <b>18.6%</b> |
|------|-----------------|--------------|

### Active

|                               |               |              |
|-------------------------------|---------------|--------------|
| Arrowstreet Capital           | \$826,577,995 | <b>8.6%</b>  |
| Artio Global Investors, Inc.  | \$902,155,356 | <b>9.4%</b>  |
| BGI (MSCI World ex U.S.)      | \$973,676,260 | <b>10.1%</b> |
| Capital Guardian Trust        | \$823,343,763 | <b>8.6%</b>  |
| Goldman Sachs Asset Mgmt.     | \$886,745,140 | <b>9.2%</b>  |
| LSV Asset Mgmt.               | \$775,449,356 | <b>8.1%</b>  |
| Mondrian Investment Partners  | \$920,640,764 | <b>9.6%</b>  |
| Pyramis Global Advisors Trust | \$875,462,481 | <b>9.1%</b>  |
| William Blair & Company       | \$850,807,350 | <b>8.8%</b>  |

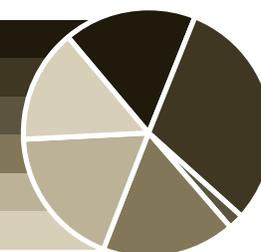


## International Emerging Markets

\$1,275,276,285

### Active

|  |               |               |
|--|---------------|---------------|
| Capital International                              | \$219,203,298 | <b>17.19%</b> |
| Grantham, Mayo, Otterloo                           | \$391,830,701 | <b>30.73%</b> |
| Grantham, Mayo, Otterloo Illiquid (Lagged 1 Month) | \$22,234,899  | <b>1.74%</b>  |
| JPMorgan   | \$220,479,538 | <b>17.29%</b> |
| Lazard Asset Management                            | \$234,670,304 | <b>18.40%</b> |
| Pictet Asset Management                            | \$186,857,544 | <b>14.65%</b> |



| Top Ten Countries by Weight | Top Ten Holdings |
|-----------------------------|------------------|
|-----------------------------|------------------|

|                | CTF Weight | Index Weight |                            | CTF Weight | Index Weight |
|----------------|------------|--------------|----------------------------|------------|--------------|
| United States  | 46.76%     | 44.63%       | Exxon Mobil Corp.          | 1.35%      | 1.41%        |
| Japan          | 9.45%      | 9.72%        | General Electric Co.       | 0.81%      | 0.89%        |
| United Kingdom | 9.15%      | 8.18%        | Microsoft Corp.            | 0.75%      | 0.76%        |
| France         | 5.16%      | 4.08%        | Procter & Gamble Co.       | 0.73%      | 0.73%        |
| Switzerland    | 3.52%      | 3.01%        | Johnson & Johnson          | 0.73%      | 0.68%        |
| Canada         | 3.43%      | 4.02%        | HSBC Holdings PLC (UK Reg) | 0.52%      | 0.67%        |
| Germany        | 3.23%      | 3.25%        | Chevron Corp.              | 0.56%      | 0.59%        |
| Australia      | 2.34%      | 2.55%        | AT&T Inc.                  | 0.55%      | 0.58%        |
| Spain          | 1.63%      | 1.54%        | Nestle S.A.                | 0.66%      | 0.58%        |
| Italy          | 1.36%      | 1.54%        | JPMorgan Chase & Co.       | 0.56%      | 0.56%        |

|                   |                      |   |                         |
|-------------------|----------------------|---|-------------------------|
| <b>WSIB</b>       | <b>U.S.</b><br>46.8% | <b>Other Developed Countries</b><br>47.4% | <b>Emerging</b><br>5.7% |
| <b>DJW Global</b> | <b>U.S.</b><br>44.6% | <b>Other Developed Countries</b><br>47.3% | <b>Emerging</b><br>8.0% |

**Fixed Income** \$13,104,659,519

**Duration**

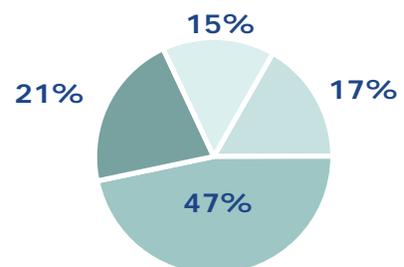
|                       | Jun 08       | Sep 08        |
|-----------------------|--------------|---------------|
| <b>WSIB Portfolio</b> | <b>4.92</b>  | <b>4.46</b>   |
| Lehman Universal      | 4.71         | 4.49          |
| <b>Difference</b>     | <b>4.42%</b> | <b>-0.68%</b> |

**Sector Weighting**

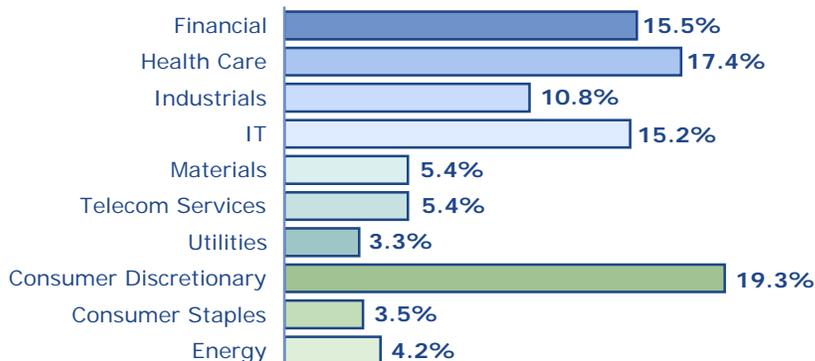


**Innovation** \$462,311,859

At this time, the innovation portfolio has 100% global equities divided across 4 fund managers.



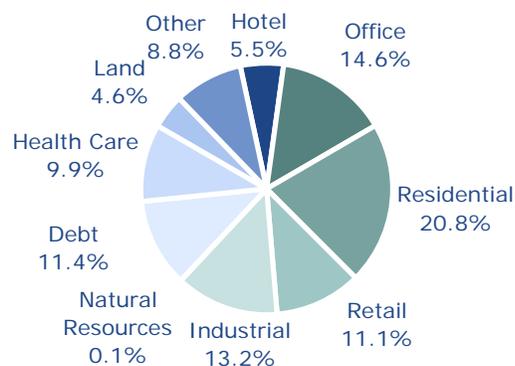
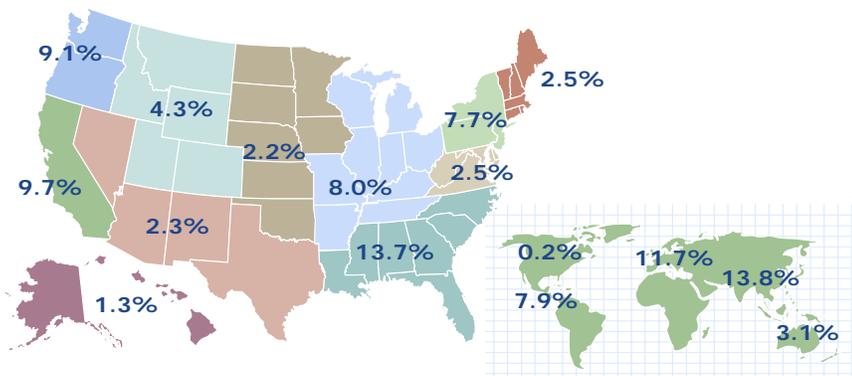
**Sector Distribution** **Industry Distribution**



**Unfunded Commitments: \$8.4 billion**

**Real Estate** **\$9,129,935,715**

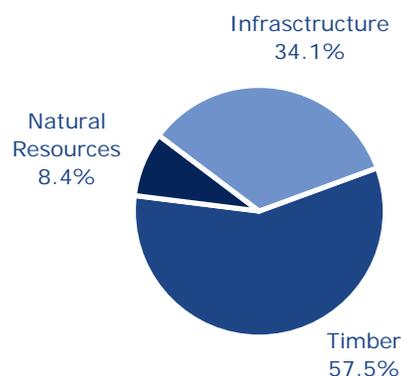
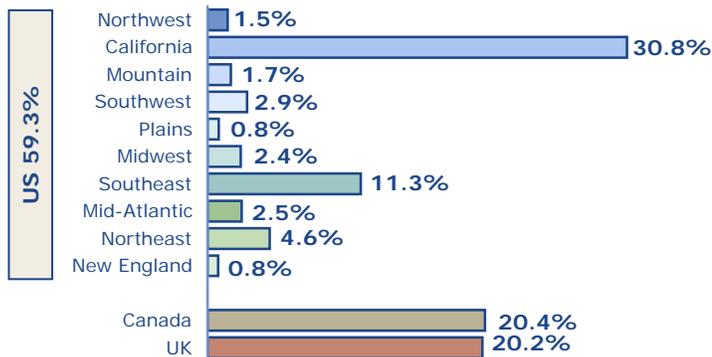
**Geographical Distribution** **Property Type Distribution**



**Unfunded Commitments: \$7.7 billion**

**Tangibles** **\$475,858,710**

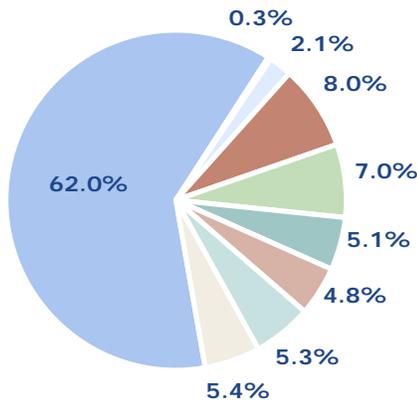
**Geographical Distribution** **Sector Type Distribution**



**Unfunded Commitments: \$253 million**

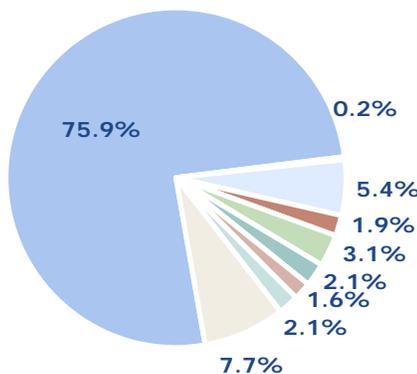
Distribution charts and unfunded commitments are lagged one quarter

**Teachers' Retirement System (TRS)**



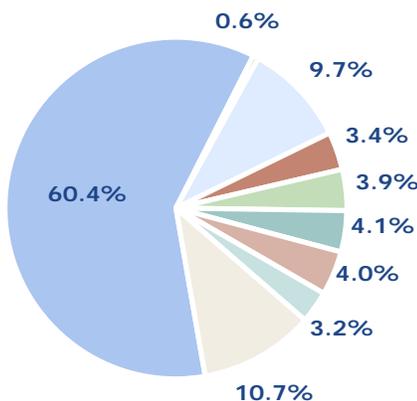
| Option                   | Market Value            | Quarterly Change        |
|--------------------------|-------------------------|-------------------------|
| WSIB TAP Fund            | \$ 2,349,928,013        | \$ (174,890,688)        |
| Social Balanced Fund     | 10,670,344              | (38,519)                |
| Short-Horizon Fund       | 13,727,626              | (1,498,353)             |
| Mid-Horizon Fund         | 32,217,599              | (1,470,394)             |
| Long-Horizon Fund        | 33,901,873              | (3,550,175)             |
| U.S. Stock Fund          | 304,174,134             | (31,432,264)            |
| U.S. Large Stock Fund    | 265,814,046             | (25,895,106)            |
| U.S. Small Stock Fund    | 193,448,613             | (1,587,107)             |
| International Index Fund | 182,229,806             | (47,483,148)            |
| Bond Market Fund         | 201,017,607             | (3,095,327)             |
| Money Market Fund        | 205,400,126             | 13,339,622              |
| <b>Total Fund</b>        | <b>\$ 3,792,529,786</b> | <b>\$ (277,601,460)</b> |

**School Employees' Retirement System (SERS)**



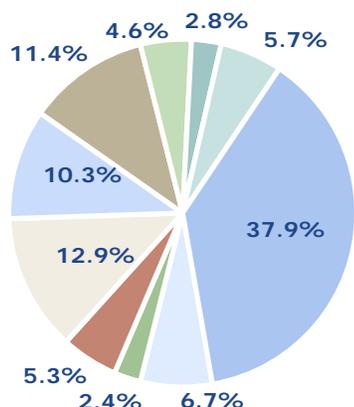
| Option                   | Market Value            | Quarterly Change       |
|--------------------------|-------------------------|------------------------|
| WSIB TAP Fund            | \$ 789,141,517          | \$ (65,148,913)        |
| Social Balanced Fund     | 2,017,681               | 13,375                 |
| Short-Horizon Fund       | 8,009,369               | (436,727)              |
| Mid-Horizon Fund         | 25,073,413              | (2,540,650)            |
| Long-Horizon Fund        | 23,498,949              | (2,768,865)            |
| U.S. Stock Fund          | 19,575,127              | (2,284,179)            |
| U.S. Large Stock Fund    | 31,919,521              | (3,445,002)            |
| U.S. Small Stock Fund    | 21,772,491              | (333,053)              |
| International Index Fund | 17,214,135              | (5,684,102)            |
| Bond Market Fund         | 21,654,979              | (545,365)              |
| Money Market Fund        | 80,500,001              | 2,809,060              |
| <b>Total Fund</b>        | <b>\$ 1,040,377,184</b> | <b>\$ (80,364,421)</b> |

**Public Employees' Retirement System (PERS)**



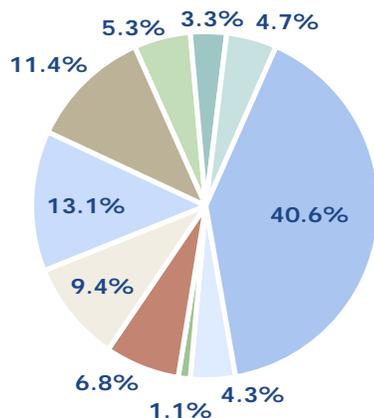
| Option                   | Market Value            | Quarterly Change       |
|--------------------------|-------------------------|------------------------|
| WSIB TAP Fund            | \$ 790,869,563          | \$ (61,729,752)        |
| Social Balanced Fund     | 7,268,326               | (150,695)              |
| Short-Horizon Fund       | 14,465,654              | (1,351,192)            |
| Mid-Horizon Fund         | 53,986,475              | (5,929,373)            |
| Long-Horizon Fund        | 58,521,983              | (7,105,493)            |
| U.S. Stock Fund          | 44,386,796              | (2,900,623)            |
| U.S. Large Stock Fund    | 50,805,104              | (4,635,405)            |
| U.S. Small Stock Fund    | 52,912,026              | (20,667)               |
| International Index Fund | 52,784,146              | (15,685,247)           |
| Bond Market Fund         | 42,335,502              | (2,282,457)            |
| Money Market Fund        | 140,330,057             | 9,739,986              |
| <b>Total Fund</b>        | <b>\$ 1,308,665,634</b> | <b>\$ (92,050,918)</b> |

**Deferred Compensation**



| Option                       | Market Value            | Quarterly Change        |
|------------------------------|-------------------------|-------------------------|
| Short-Horizon Fund           | \$ 31,888,719           | \$ (2,771,194)          |
| Mid-Horizon Fund             | 64,548,805              | (7,491,896)             |
| Long-Horizon Fund            | 57,518,523              | (6,907,538)             |
| Social Balanced Fund         | 54,597,610              | (3,758,487)             |
| U.S. Stock Market Index Fund | 122,683,529             | (12,083,439)            |
| Active Value Fund            | 294,852,477             | (31,411,817)            |
| Active Core Fund             | 236,954,532             | (30,766,095)            |
| Growth Company Fund          | 260,890,381             | (55,003,476)            |
| International Stock Fund     | 106,253,529             | (34,271,920)            |
| U.S. Small Stock Fund        | 64,781,091              | 260,887                 |
| Bond Market Fund             | 129,688,985             | (2,458,856)             |
| Savings Pool                 | 868,068,306             | 47,167,227              |
| <b>Total Fund</b>            | <b>\$ 2,292,726,487</b> | <b>\$ (139,496,604)</b> |

**Judicial Retirement Account**



| Option                       | Market Value         | Quarterly Change    |
|------------------------------|----------------------|---------------------|
| Short-Horizon Fund           | \$ 95,017            | \$ (4,417)          |
| Mid-Horizon Fund             | 200,256              | (15,631)            |
| Long-Horizon Fund            | 220,784              | (10,418)            |
| Social Balanced Fund         | 128,715              | (30,262)            |
| U.S. Stock Market Index Fund | 829,459              | (73,029)            |
| Active Value Fund            | 1,137,599            | (119,077)           |
| Active Core Fund             | 1,581,594            | (169,099)           |
| Growth Company Fund          | 1,379,369            | (309,621)           |
| International Stock Fund     | 645,305              | (415,762)           |
| U.S. Small Stock Fund        | 401,323              | (5,744)             |
| Bond Market Fund             | 571,406              | 89,179              |
| Savings Pool                 | 4,922,248            | 153,207             |
| <b>Total Fund</b>            | <b>\$ 12,113,076</b> | <b>\$ (910,673)</b> |

**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      |
|-----------------------------|---------------|----------------|--------------|---------------|--------------|
| <b>WSIB TAP Fund</b>        | <b>-8.04%</b> | <b>-12.84%</b> | <b>7.01%</b> | <b>10.38%</b> | <b>7.64%</b> |
| Custom Benchmark            | -12.00%       | -19.15%        | 1.69%        | 6.33%         | 4.76%        |
| <b>Long-Horizon Fund</b>    | <b>-9.45%</b> | <b>-18.02%</b> | <b>2.01%</b> | <b>6.81%</b>  | <b>N/A</b>   |
| Custom Benchmark            | -10.42%       | -19.34%        | 1.42%        | 6.42%         | 4.81%        |
| <b>Mid-Horizon Fund</b>     | <b>-7.21%</b> | <b>-11.51%</b> | <b>2.83%</b> | <b>5.90%</b>  | <b>N/A</b>   |
| Custom Benchmark            | -8.85%        | -14.20%        | 1.69%        | 5.18%         | 4.97%        |
| <b>Short-Horizon Fund</b>   | <b>-4.41%</b> | <b>-4.96%</b>  | <b>3.57%</b> | <b>4.88%</b>  | <b>N/A</b>   |
| Custom Benchmark            | -5.97%        | -7.77%         | 2.51%        | 4.25%         | 4.72%        |
| <b>Social Balanced Fund</b> | <b>-4.30%</b> | <b>-5.67%</b>  | <b>3.86%</b> | <b>5.47%</b>  | <b>N/A</b>   |
| Custom Benchmark            | -4.83%        | -11.03%        | 2.14%        | 4.70%         | 4.32%        |

**Bond Funds**

|                            | Qtr.          | 1 Year       | 3 Year       | 5 Year       | 10 Year    |
|----------------------------|---------------|--------------|--------------|--------------|------------|
| <b>Bond Market Fund</b>    | <b>-2.65%</b> | <b>2.50%</b> | <b>3.74%</b> | <b>3.36%</b> | <b>N/A</b> |
| Lehman Intermediate Credit | -5.60%        | -3.28%       | 1.60%        | 2.05%        | 4.61%      |

**Cash Funds**

|                          | Qtr.         | 1 Year       | 3 Year       | 5 Year       | 10 Year      |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Money Market Fund</b> | <b>0.59%</b> | <b>3.34%</b> | <b>4.53%</b> | <b>3.49%</b> | <b>3.78%</b> |
| One Month LIBOR          | 0.67%        | 3.47%        | 4.67%        | 3.64%        | 3.85%        |
| <b>Savings Pool</b>      | <b>1.15%</b> | <b>4.70%</b> | <b>4.68%</b> | <b>4.75%</b> | <b>5.53%</b> |

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      |
|----------------------------|----------------|----------------|---------------|--------------|--------------|
| <b>Active Value Fund</b>   | <b>-6.30%</b>  | <b>-25.85%</b> | <b>-0.91%</b> | <b>7.97%</b> | <b>N/A</b>   |
| Russell 1000 Value Index   | -6.11%         | -23.56%        | 0.09%         | 7.12%        | 5.55%        |
| <b>Active Core Fund</b>    | <b>-9.53%</b>  | <b>-22.28%</b> | <b>-0.97%</b> | <b>N/A</b>   | <b>N/A</b>   |
| S&P 500                    | -8.37%         | -21.98%        | 0.22%         | 5.17%        | 3.06%        |
| <b>Growth Company Fund</b> | <b>-18.31%</b> | <b>-22.14%</b> | <b>2.47%</b>  | <b>7.17%</b> | <b>6.33%</b> |
| Russell 3000 Growth        | -11.93%        | -20.60%        | 0.15%         | 3.96%        | 0.89%        |

**Passive U.S. Equity**

|                                     | Qtr.          | 1 Year         | 3 Year       | 5 Year       | 10 Year      |
|-------------------------------------|---------------|----------------|--------------|--------------|--------------|
| <b>U.S. Stock Market Index Fund</b> | <b>-8.37%</b> | <b>-20.96%</b> | <b>0.70%</b> | <b>6.12%</b> | <b>4.20%</b> |
| Dow Jones Wilshire 5000             | -8.67%        | -21.26%        | 0.56%        | 6.00%        | 3.98%        |
| <b>U.S. Stock Fund</b>              | <b>-8.64%</b> | <b>-21.38%</b> | <b>0.34%</b> | <b>5.75%</b> | <b>N/A</b>   |
| Russell 3000                        | -8.73%        | -21.52%        | 0.26%        | 5.70%        | 3.80%        |
| <b>U.S. Large Stock Fund</b>        | <b>-8.30%</b> | <b>-21.92%</b> | <b>0.30%</b> | <b>5.24%</b> | <b>3.11%</b> |
| S&P 500                             | -8.37%        | -21.98%        | 0.22%        | 5.17%        | 3.06%        |
| <b>U.S. Small Stock Fund</b>        | <b>-1.06%</b> | <b>-14.52%</b> | <b>1.78%</b> | <b>8.16%</b> | <b>7.74%</b> |
| Russell 2000                        | -1.11%        | -14.48%        | 1.83%        | 8.15%        | 7.80%        |

**Active Enhanced International**

|                                 | Qtr.           | 1 Year         | 3 Year       | 5 Year     | 10 Year    |
|---------------------------------|----------------|----------------|--------------|------------|------------|
| <b>International Stock Fund</b> | <b>-21.89%</b> | <b>-33.02%</b> | <b>0.14%</b> | <b>N/A</b> | <b>N/A</b> |
| MSCI EAFE                       | -20.56%        | -30.50%        | 1.12%        | 9.69%      | 5.02%      |

**Passive International**

|                                 | Qtr.           | 1 Year         | 3 Year       | 5 Year        | 10 Year      |
|---------------------------------|----------------|----------------|--------------|---------------|--------------|
| <b>International Index Fund</b> | <b>-19.22%</b> | <b>-29.19%</b> | <b>1.82%</b> | <b>10.13%</b> | <b>4.65%</b> |
| MSCI EAFE                       | -20.56%        | -30.50%        | 1.12%        | 9.69%         | 5.02%        |

**Characteristics**

**Composition Distribution**

**Average Maturity**

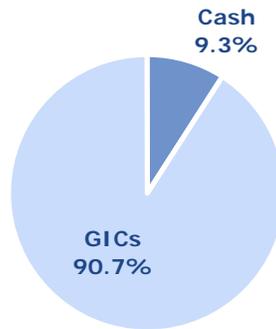
2.3 Years

**Average Yield**

4.84%

**Number of Holdings**

35

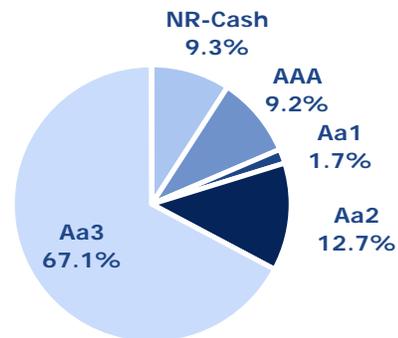


|                       |
|-----------------------|
| <b>Market Value</b>   |
| <b>\$ 870,976,971</b> |

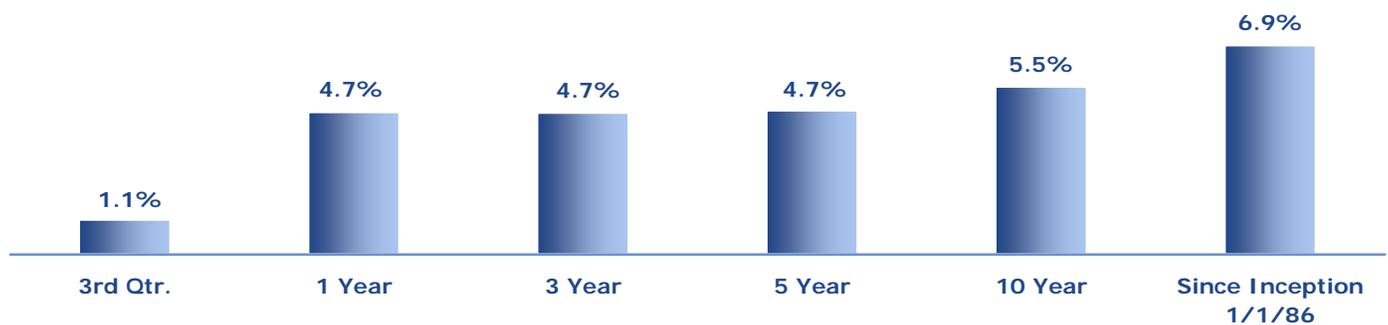
**Top Ten GIC Issuers**

|                                       |        |
|---------------------------------------|--------|
| Metropolitan Life Insurance Co.       | 12.69% |
| Pacific Life Insurance Co.            | 12.29% |
| Prudential Insurance Co. of America   | 12.10% |
| Protective Life Insurance Co.         | 9.43%  |
| Hartford Life Insurance Co.           | 9.37%  |
| New York Life Insurance Corp.         | 9.23%  |
| Genworth Life and Annuity Assurance   | 7.19%  |
| Monumental Life Insurance Co.         | 6.29%  |
| Security Life of Denver Insurance Co. | 5.77%  |
| ING USA Annuity & Life Insurance Co.  | 4.68%  |

**Rating Distribution**



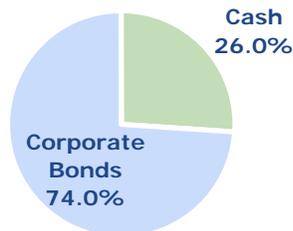
**Return**



**Characteristics**

**Asset Class Distribution**

|                    | <b>Fund</b> | <b>Index</b> |
|--------------------|-------------|--------------|
| Average Maturity   | 5.1 years   | 5.25         |
| Yield to Maturity  | 6.58%       | 7.06%        |
| Effective Duration | 3.77        | 4.32         |
| Average Coupon     | 5.07%       | 5.72%        |
| Number of Holdings | 140         | 2,547        |



| <b>Market Value</b>   |
|-----------------------|
| <b>\$ 541,085,963</b> |

**Top Ten Credit Issuers**

|                                    |       |                                 |       |
|------------------------------------|-------|---------------------------------|-------|
| Burlington Northern Santa Fe Corp. | 0.95% | E. I. Du Pont De Nemours & Co.  | 0.91% |
| Rockies Express                    | 0.93% | E.On International Finance B.V. | 0.91% |
| CRH America, Inc.                  | 0.92% | Vulcan Materials Co.            | 0.91% |
| Korea Development Bank             | 0.92% | Veolia Environnement            | 0.91% |
| Abu Dhabi National Energy Co.      | 0.91% | Mcdonald's Corporation          | 0.90% |

**Rating Distribution**



**Industry Distribution**



**Return**

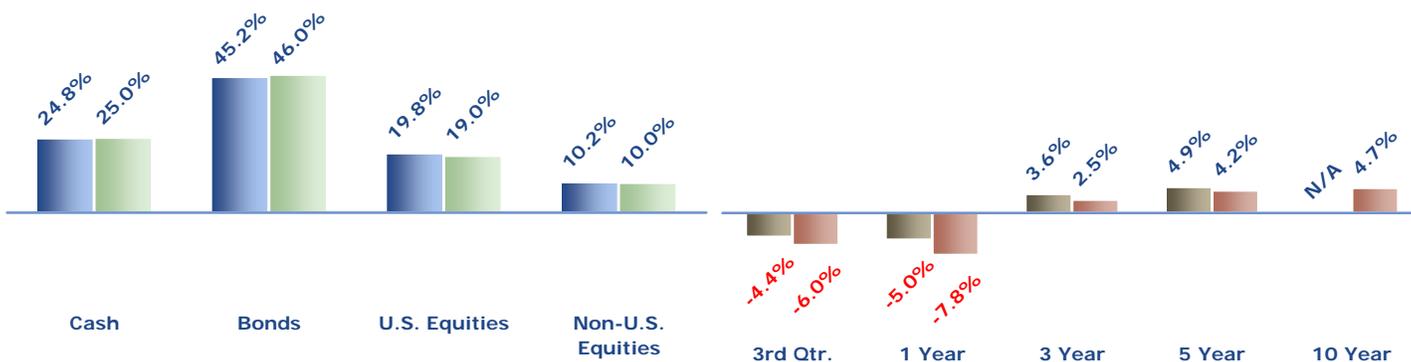


**Short-Horizon**

\$68,569,313

**Asset Allocation**

**Return**

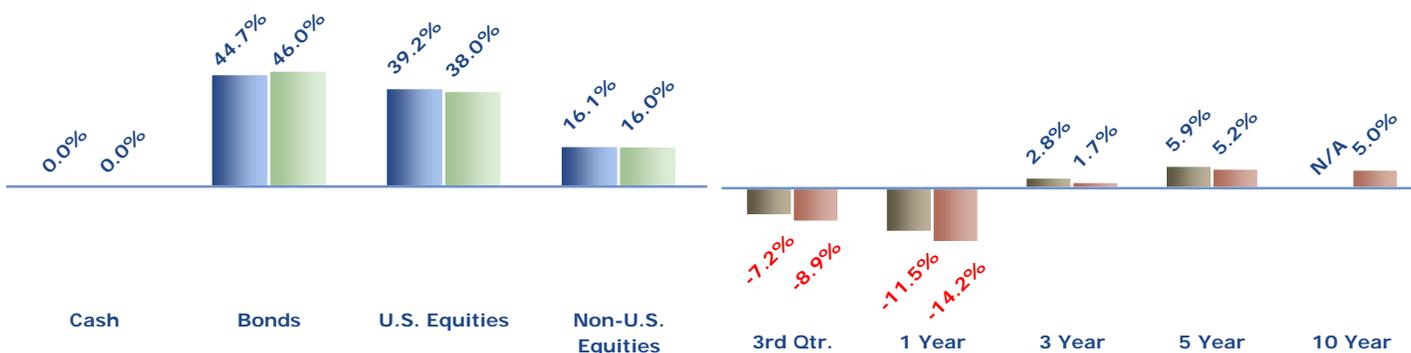


**Mid-Horizon**

\$176,309,038

**Asset Allocation**

**Return**

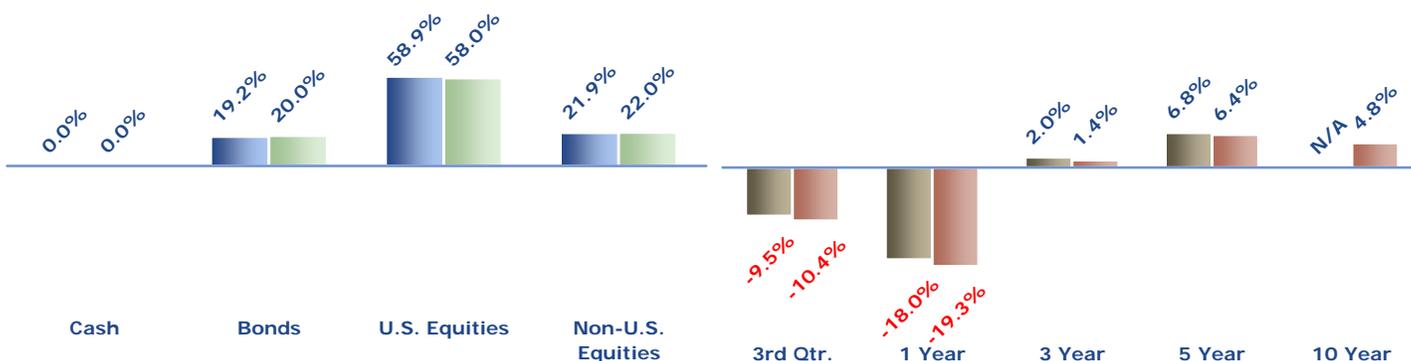


**Long-Horizon**

\$174,306,814

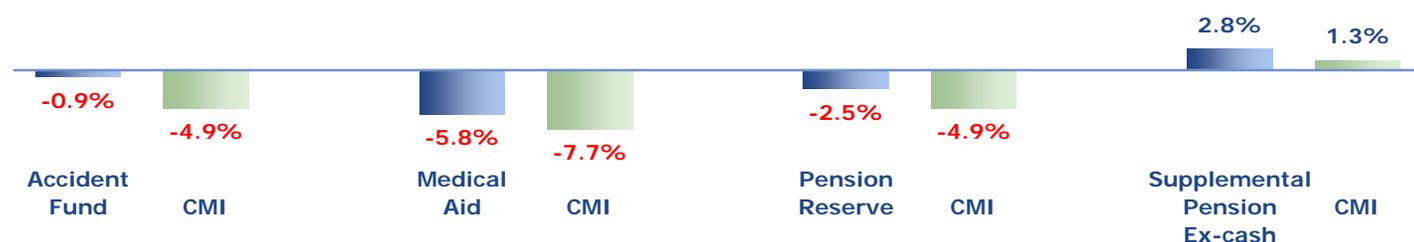
**Asset Allocation**

**Return**



Horizon Fund     Target

Horizon Fund     Benchmark

**One Year Performance**

**Total Fund** **\$10,571,819,207**

|                             | Market Value           | Qtr.          | 1 Year        | 3 Year       | 5 Year       | 10 Year      |
|-----------------------------|------------------------|---------------|---------------|--------------|--------------|--------------|
| <b>Accident Fund</b>        | <b>\$4,130,706,246</b> | <b>-3.89%</b> | <b>-0.87%</b> | <b>2.93%</b> | <b>4.60%</b> | <b>5.54%</b> |
| CMI                         |                        | -5.58%        | -4.93%        | 1.27%        | 3.53%        | 5.01%        |
| <b>Medical Aid</b>          | <b>\$3,675,415,113</b> | <b>-4.72%</b> | <b>-5.79%</b> | <b>3.08%</b> | <b>4.47%</b> | <b>5.17%</b> |
| CMI                         |                        | -5.77%        | -7.69%        | 1.99%        | 4.04%        | 5.00%        |
| <b>Pension Reserve</b>      | <b>\$2,685,563,248</b> | <b>-4.74%</b> | <b>-2.47%</b> | <b>2.39%</b> | <b>3.88%</b> | <b>5.77%</b> |
| CMI                         |                        | -5.58%        | -4.93%        | 1.27%        | 2.98%        | 5.08%        |
| <b>Supplemental Pension</b> | <b>\$80,134,601</b>    | <b>-0.41%</b> | <b>3.52%</b>  | <b>4.56%</b> | <b>3.32%</b> | <b>4.09%</b> |
| <b>Supplemental Ex-Cash</b> |                        | <b>-1.02%</b> | <b>2.78%</b>  | <b>4.19%</b> | <b>3.16%</b> | <b>3.91%</b> |
| CMI                         |                        | -2.15%        | 1.29%         | 3.54%        | 2.76%        | 4.58%        |

**Labor and Industries' Statutory Accounting Return \***

|                      | Qtr.   | 1 Year | 3 Year | 5 Year |
|----------------------|--------|--------|--------|--------|
| Accident Fund        | -0.31% | 4.33%  | 6.91%  | 7.59%  |
| Medical Aid          | -0.84% | -1.44% | 5.14%  | 6.67%  |
| Pension Reserve      | -0.76% | 4.16%  | 6.54%  | 7.47%  |
| Supplemental Pension | 0.00%  | 3.91%  | 4.33%  | 3.93%  |

**Duration**

|                              | CMI  | Target    | Actual | % Difference |
|------------------------------|------|-----------|--------|--------------|
| Accident Fund                | 6.81 | 7.00      | 6.55   | -6.38%       |
| Medical Aid                  | 5.84 | 6.00      | 5.79   | -3.55%       |
| Pension Reserve              | 6.81 | 7.00      | 6.95   | -0.77%       |
| Supplemental Pension Ex-cash | 2.05 | 1.75-2.25 | 1.84   | 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.

One Year Performance



Market Value

|  |                |
|--|----------------|
| Agricultural Fund                                  | \$ 165,193,732 |
| Normal School                                      | \$ 217,773,052 |
| Scientific Permanent                               | \$ 184,279,858 |
| State University                                   | \$ 27,979,342  |
| Common School                                      | \$ 171,568,223 |
| Millersylvania Park Fund                           | \$ 5,162       |
| American Indian Scholarship Endowment Fund (AISEF) | \$ 614,971     |

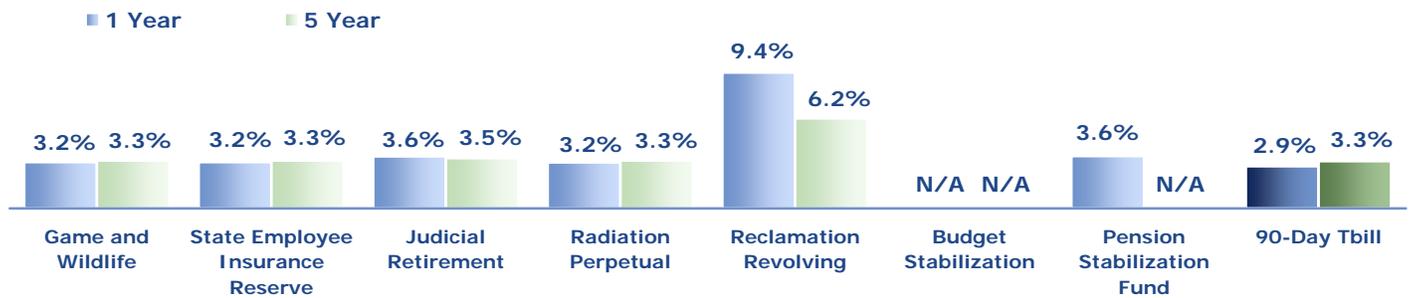
| Returns                         | Total Return |        |        |        |         | Distribution Return <sup>1</sup> |        |        |        |         |
|---------------------------------|--------------|--------|--------|--------|---------|----------------------------------|--------|--------|--------|---------|
|                                 | Qtr.         | 1 Year | 3 Year | 5 Year | 10 Year | Qtr.                             | 1 Year | 3 Year | 5 Year | 10 Year |
| <b>Agricultural Fund</b>        | -1.39%       | 4.19%  | 4.28%  | 3.71%  | 5.21%   | 1.01%                            | 4.42%  | 4.61%  | 4.61%  | 5.57%   |
| <b>Normal School</b>            | -1.39%       | 4.18%  | 4.25%  | 3.69%  | 5.22%   | 1.02%                            | 4.43%  | 4.59%  | 4.59%  | 5.49%   |
| <b>Scientific Permanent</b>     | -1.39%       | 4.22%  | 4.25%  | 3.69%  | 5.22%   | 1.01%                            | 4.43%  | 4.63%  | 4.62%  | 5.51%   |
| <b>State University</b>         | -1.40%       | 4.25%  | 4.25%  | 3.69%  | 5.36%   | 1.02%                            | 4.43%  | 4.59%  | 4.57%  | 5.55%   |
| Lehman Aggregate                | -0.49%       | 3.65%  | 4.15%  | 3.78%  | 5.20%   |                                  |        |        |        |         |
| <b>Common School</b>            | -1.81%       | 2.33%  | 3.99%  | 3.75%  | 5.09%   | 0.96%                            | 4.18%  | 4.34%  | 4.36%  | 5.28%   |
| Custom Benchmark <sup>2</sup>   | -0.97%       | 2.00%  | 3.85%  | 3.85%  | 5.15%   |                                  |        |        |        |         |
| <b>Millersylvania Park Fund</b> | 0.63%        | 3.60%  | 4.54%  | 3.46%  | 3.67%   | 0.64%                            | 3.86%  | 4.57%  | 3.43%  | 3.70%   |
| 90 Day Tbill                    | 0.63%        | 2.90%  | 4.20%  | 3.26%  | 3.52%   |                                  |        |        |        |         |
| <b>AISEF</b>                    | -0.45%       | 1.72%  | N/A    | N/A    | N/A     | N/A                              | N/A    | N/A    | N/A    | N/A     |
| Custom Benchmark <sup>3</sup>   | 0.06%        | N/A    | N/A    | N/A    | N/A     |                                  |        |        |        |         |

<sup>1</sup> Includes coupon income and amortization minus expenses and deferred losses based on book value.

<sup>2</sup> 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 2008, the breakdown was 5.5% Dow Jones Wilshire 5000 and 94.5% Lehman Aggregate.

<sup>3</sup> The custom benchmark for the American Indian Scholarship Endowment Fund is a combination of the Lehman Aggregate and the 90 Day Tbill using the previous month-end weights adjusted for new purchases during the current month. For September 2008, the breakdown was 50.7% Lehman Aggregate and 49.3% the 90 Day Tbill.

One Year and Five Year Performance



Market Value

|                                  |                |
|----------------------------------|----------------|
| Game and Wildlife                | \$ 7,804,497   |
| State Employee Insurance Reserve | \$ 87,618,532  |
| Judicial Retirement              | \$ 641,582     |
| Radiation Perpetual              | \$ 328,481     |
| Reclamation Revolving            | \$ 156,401     |
| Budget Stabilization             | \$ 304,834,949 |
| Pension Stabilization Fund       | \$ 243,768,046 |

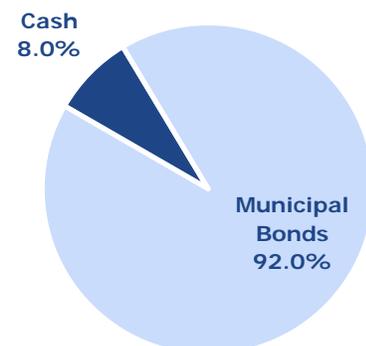
Total Return

|                                  | Qtr.  | 1 Year | 3 Year | 5 Year | 10 Year |
|----------------------------------|-------|--------|--------|--------|---------|
| Game and Wildlife                | 0.54% | 3.19%  | 4.33%  | 3.30%  | 3.57%   |
| State Employee Insurance Reserve | 0.54% | 3.19%  | 4.33%  | 3.30%  | 3.57%   |
| Judicial Retirement              | 0.63% | 3.58%  | 4.55%  | 3.46%  | 3.75%   |
| Radiation Perpetual              | 0.54% | 3.17%  | 4.33%  | 3.29%  | 3.57%   |
| Reclamation Revolving            | 1.13% | 9.35%  | 7.32%  | 6.20%  | 5.20%   |
| Budget Stabilization             | 0.53% | N/A    | N/A    | N/A    | N/A     |
| Pension Stabilization Fund       | 0.64% | 3.60%  | N/A    | N/A    | N/A     |
| 90-Day Tbill                     | 0.63% | 2.90%  | 4.20%  | 3.26%  | 3.52%   |

Portfolio Allocations

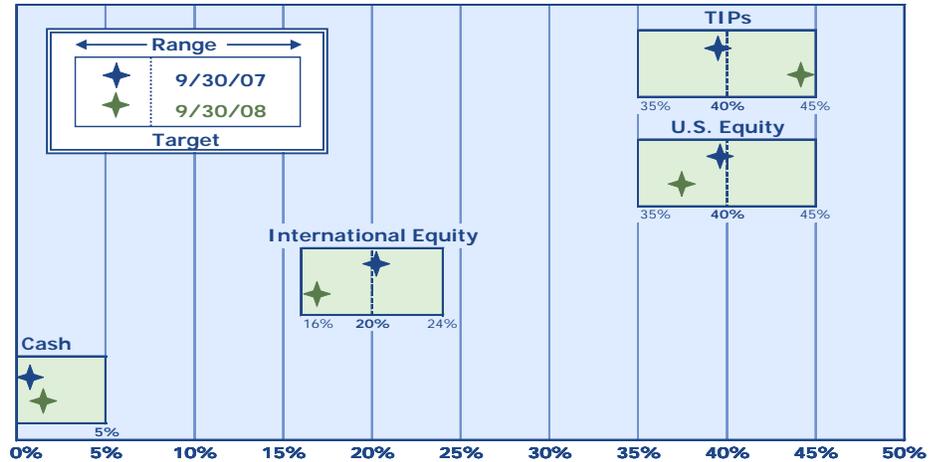
The Game and Wildlife Fund, State Employee Insurance Reserve Fund, Judicial Retirement Fund, Radiation Perpetual Fund, Emergency Reserve Fund, and Pension Stabilization Fund are fully invested in short-term investment funds (STIF).

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

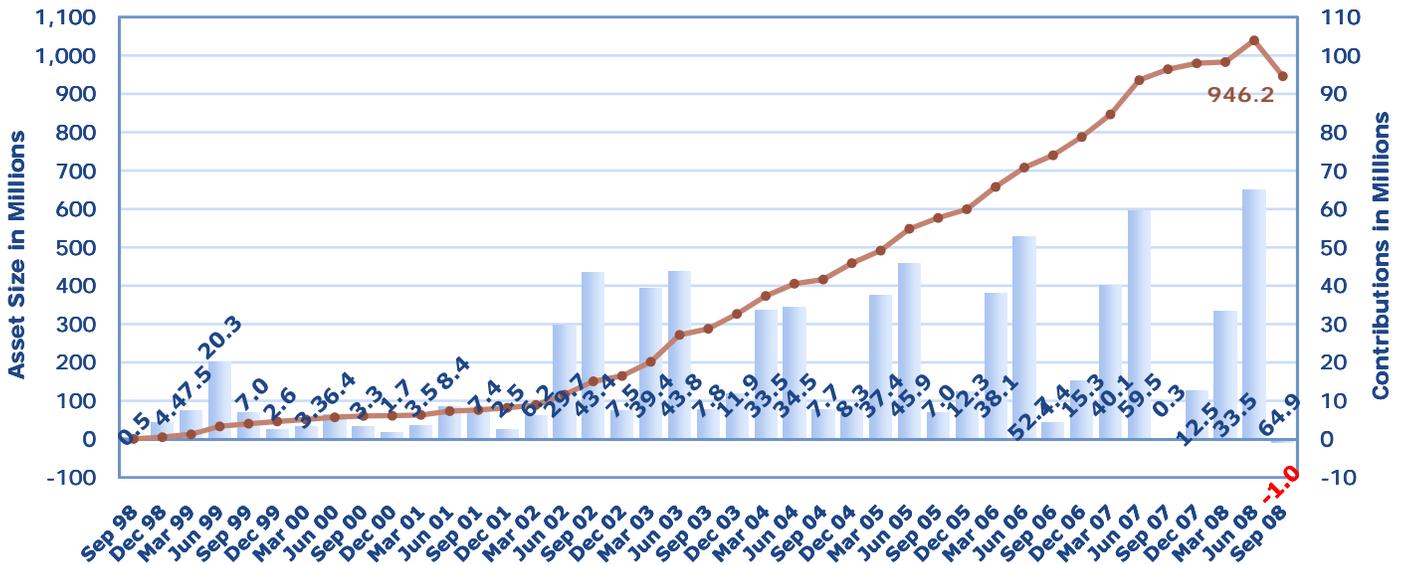


Portfolio Size and Allocation

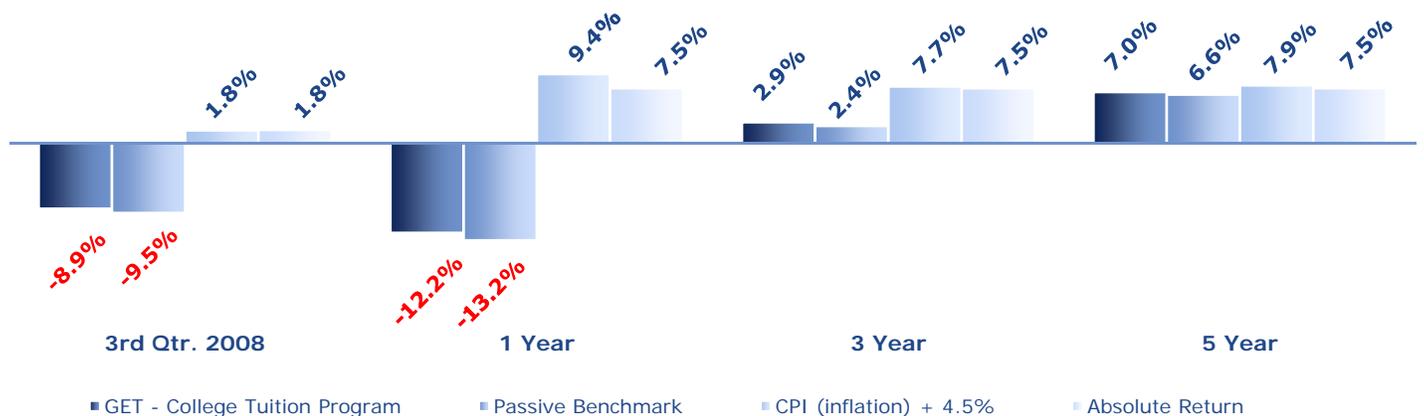
|                                      |                      |
|--------------------------------------|----------------------|
| <b>Total</b>                         | <b>\$946,177,795</b> |
| Cash                                 | 14,490,143           |
| Treasury Inflation Index Note (TIPs) | 417,207,910          |
| U.S. Equity                          | 353,701,607          |
| Non-U.S. Equity                      | 160,778,135          |



Assets Under Management

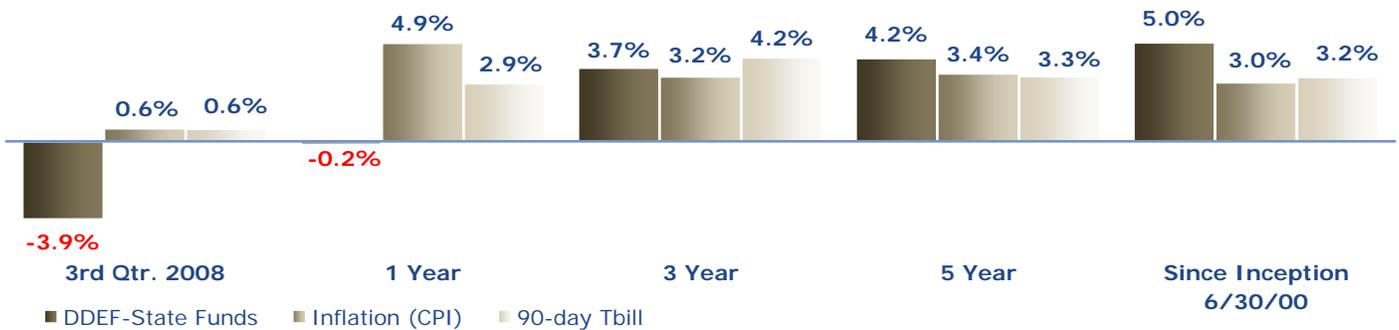
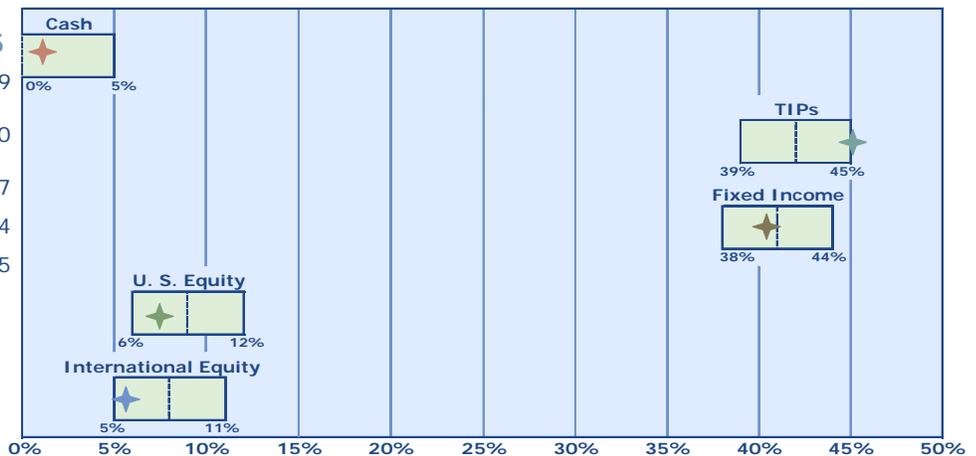


Total Return



**State Funds**

|                                      |                    |
|--------------------------------------|--------------------|
| <b>Total</b>                         | <b>\$7,727,455</b> |
| Cash                                 | 81,009             |
| Treasury Inflation Index Note (TIPs) | 3,485,380          |
| Fixed Income                         | 3,121,507          |
| U.S. Equity                          | 588,364            |
| International Equity                 | 451,195            |



**Private Funds**

|               |                    |
|---------------|--------------------|
| <b>Total</b>  | <b>\$9,533,984</b> |
| Cash          | 150,586            |
| Balanced Fund | 9,383,398          |

