



Quarterly Report

December 31, 2003

Executive Summary of Investment Performance

Retirement Funds (CTF)

Defined Contribution Plans

Labor & Industries' Funds

Permanent Funds and Other Trusts

Executive Summary of Investment Performance

Retirement Funds (CTF)

Quarter Ended December 31, 2003

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CTF Bullet Point Highlights

Capital Markets

- The Wilshire 5000 index had its third consecutive quarter of positive returns earning 12.4 percent for the quarter. The one-year return remains above average, returning 31.7 percent.
- Small cap, as measured by the Russell 2000, earned 14.5 percent for the quarter and 47.3 percent for the year. Small cap's one-year performance earned over 17 percent more than large cap, as measured by the Russell 1000, which returned 29.9 percent for the year.
- Value and growth continued to flip flop with value outperforming by 377 basis points for the quarter, earning 14.4 percent compared to growth's 10.6 percent.
- For the third quarter in a row the non-U.S. equity market outperformed the U.S. equity market, gaining 17.1 percent as measured by the MSCI AWCI Free ex U.S. Index; the one-year return of 41.4 percent is higher than the U.S. equity market by almost 10.0 percent. The 48 countries in the MSCI AWCI Free ex U.S. Index all had positive returns for the year, in U.S. dollars, and only one had negative returns for the quarter.
- In the Lehman indices high yield and emerging markets bonds continued to have the best performances for the quarter and year. Longer maturity securities outperformed shorter maturities for both the quarter and year.
- The best performers in the NCREIF for the fourth quarter were retail property, at 6.3 percent, and the Eastern region, at 3.6 percent. Total return for the index was 2.8 percent.
- GDP growth grew at a rate of 4.0 percent (annualized) for the quarter. Inflation, as measured by the CPI, was flat for the quarter and grew 1.9 percent for the year.
- The Fed continued to hold the federal funds rate at 1.0 percent during the quarter.

Total Fund

- The CTF increased in size during the quarter by \$2.6 billion.

Asset Allocation

- The CTF finished the year within the 2003 and long-term targets for all asset classes. Transfers for the quarter consisted of a reduction in U.S. equity of \$275 million.

Investment Return

- The non-lagged return for the quarter ended September 30, 2003, was 3.3 percent, which is lower than the lagged return of 3.6 percent.
- The CTF's lagged return for the fourth quarter of 2003 is 7.7 percent; bringing the one-year return to 19.7 percent.
- The fund underperformed both the TUCS > \$1 Billion Public and Public/Corporate median return for the quarter, one-, and three-year periods but outperformed the TUCS > \$1 Billion Public for the five- and ten-year periods. The CTF outperformed the Structural benchmark for all time periods, underperformed the MAP benchmark for the quarter and one-year, and outperformed for the longer time periods.

CTF Bullet Point Highlights

U.S. Equity

- The WSIB U.S. equity portfolio continues to have a positive tracking error against the Wilshire 5000 for the quarter, one-, five-, and ten-year periods but underperformed for the three-year period. The tracking error was 9 basis points for the quarter and 18 basis points for the year.

Non-U.S. Equity

- The WSIB non-U.S. equity portfolio underperformed the passive benchmark for the quarter by 30 basis points but outperformed for the three-, five-, and ten-year time frames by 14 basis points, 145 basis points, and 17 basis points, respectively.
- Among the developed market managers, only one active manager outperformed the benchmark for the quarter. Since inception of the current program five managers are outperforming, and four managers have positive returns versus the benchmark.
- Three of the five emerging market managers outperformed for the quarter. Of the four emerging market managers who have five years of performance history with the WSIB, only one has outperformed the benchmark.

Fixed Income

- The WSIB fixed income portfolio continues to outperform both the Lehman Universal and Lehman Aggregate for all time periods listed.

Private Equity

- The WSIB private equity non-lagged return for the quarter ended September 30, 2003, was 4.0 percent. The one-year return was 6.1 percent.
- The WSIB LP portfolio rose 3.3 percent, and the WSIB KKR portfolio returned 6.8 percent for the quarter.
- As of September 30, 2003, there were slightly more than \$5.0 billion in open commitments (including approved commitments that have not yet closed).

Real Estate

- The non-lagged September 30, 2003, one-quarter return for the WSIB real estate portfolio was 2.4 percent, higher than the NCREIF+100 basis point index of 2.2 percent. For the one-year period the return of 10.8 percent was over 1.9 percent above the NCREIF+100 basis point index of 8.9 percent.
- As of September 30, 2003, there were just over \$3.7 billion in open commitments.

Capital Market Environment

WHAT A QUARTER—WHAT A YEAR!

The economic news for the fourth quarter of 2003 was very similar to that of the entire year: more news of accounting problems, interest rates remained low, and increased productivity along with reports of a jobless recovery. Perhaps the biggest and most disturbing news was that of the trading abuses involving mutual fund companies. Some of the early reports based on subpoenas issued by New York State Attorney General Eliot Spitzer and the U.S. Securities and Exchange Commission relating to these mutual fund trading abuses seemed almost impossible to believe. The weakness of the U.S. dollar is a concern along with the debt levels of the American consumer, and everyone is speculating about when and how fast the Federal Reserve will increase short-term interest rates. However, even with all this mixed economic news, the capital markets were outstanding for the quarter and the year.

For the quarter ended December 31, 2003, the U.S. Equity Market, as measured by the Wilshire 5000, the Russell 3000, and the S&P 500, was up 12.4 percent, 31.1 percent, and 12.2 percent, respectively. The Russell Growth and the Russell Value indices were up 10.6 percent and 14.4 percent, respectively. The International Equity Markets, as measured by the MSCI EAFE, were up 17.1 percent for the quarter. U.S. Fixed Income, as measured by the Lehman Aggregate, was up slightly, 0.3 percent, while Treasury Inflation Protection Securities were up 1.6 percent for the quarter.

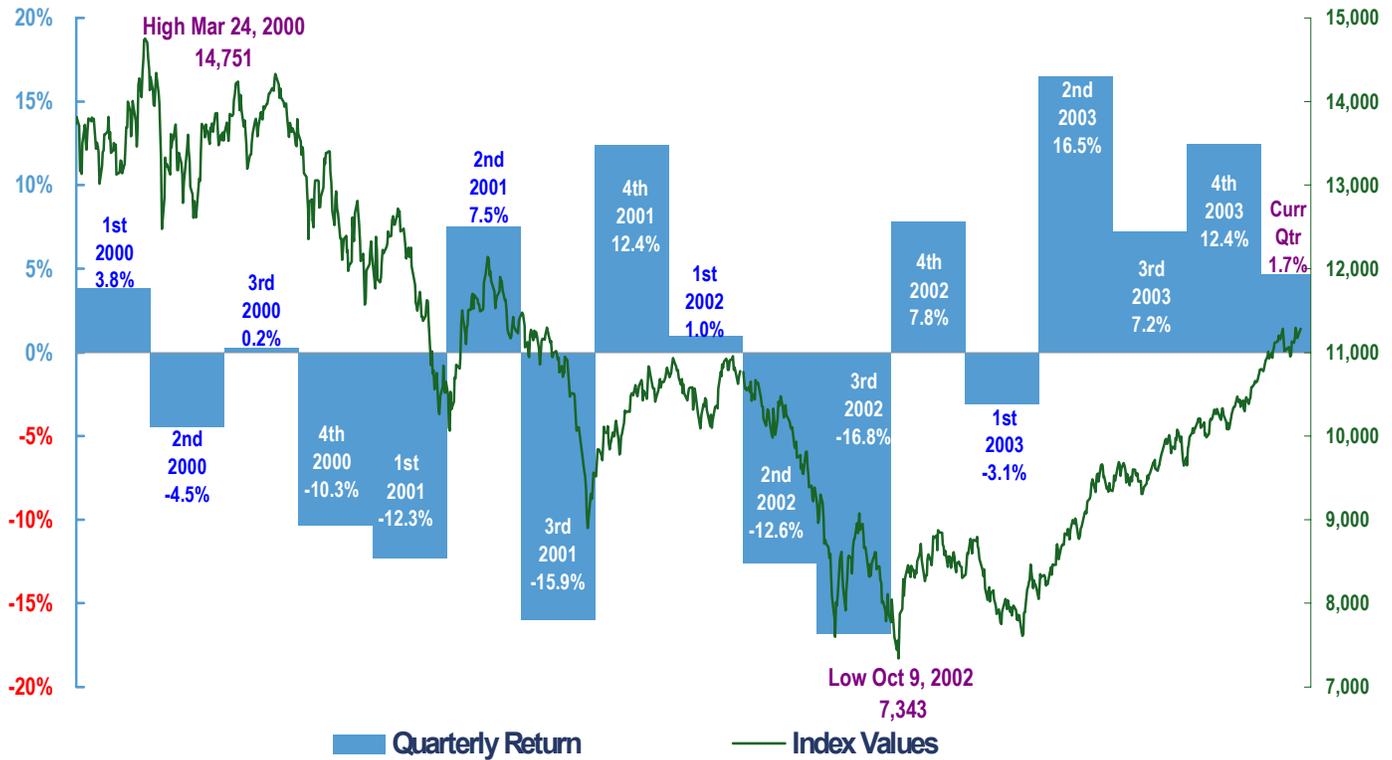
This is the first time since 1999 that the U.S. Equity Market ended the calendar year with a positive investment return. For the year ended December 31, 2003, the U.S. Equity Market, as measured by the Wilshire 5000, the Russell 3000, and the S&P 500, was up 31.6 percent, 31.1 percent, and 28.7 percent, respectively. The Russell Growth and the Russell Value indices were up 31.0 percent and 31.1 percent, respectively. The International Equity Markets, as measured by the MSCI EAFE, were up 38.6 percent for the year. U.S. Fixed Income, as measured by the Lehman Aggregate, was up 4.1 percent, while Treasury Inflation Protection Securities were up 8.4 percent for the year.

The year of 2003 was a year of lower quality companies outperforming higher quality companies. And it was the year of making money by holding almost any currency other than the U.S. dollar. As always, it will certainly be interesting to see what 2004 brings, especially since it is a presidential election year, the conflict in Iraq continues, and the end to the mutual fund trading abuses may not yet be in sight. Hopefully the U.S. Equity Market will continue to have solid performance (although closer to historic norms), quality companies will come back in “favor,” and inflation will remain in check. The year of 2004 could bring about any number of changes.

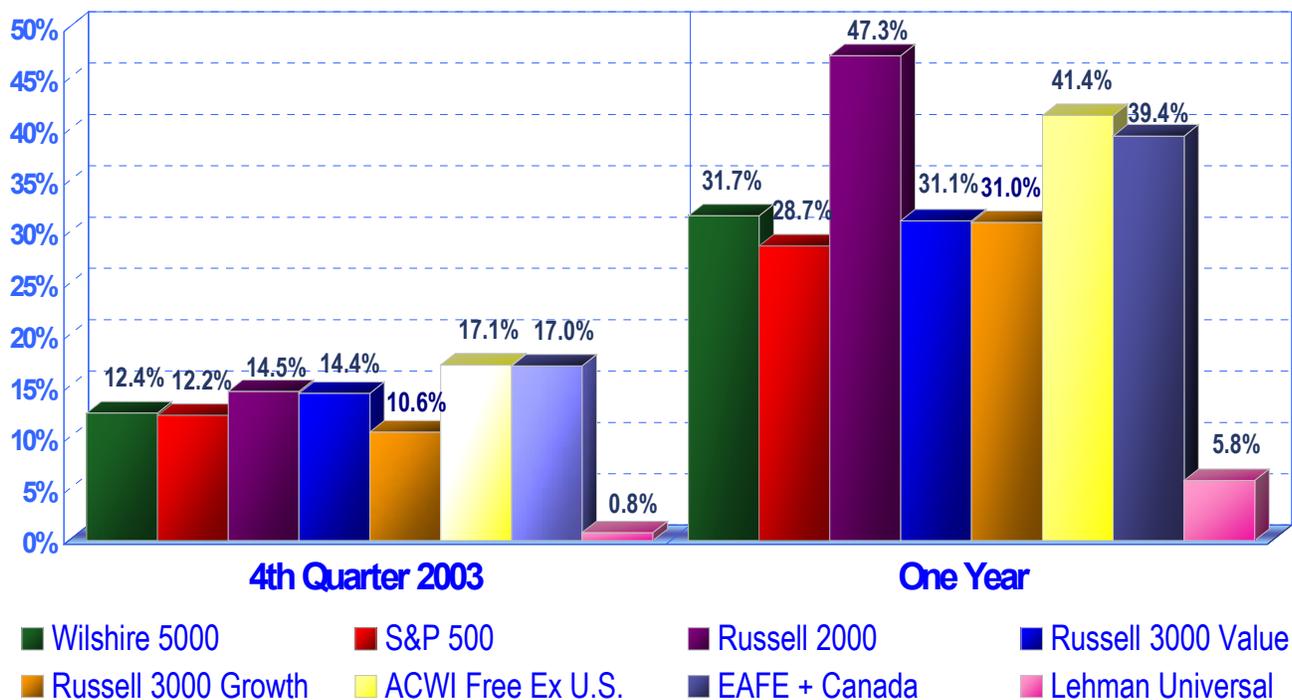
Capital Market Environment

Wilshire 5000

January 1, 2000 - February 5, 2004



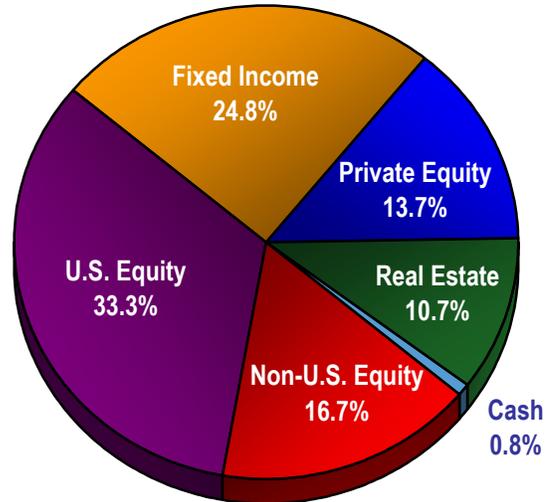
Capital Market Returns



CTF Asset Allocation

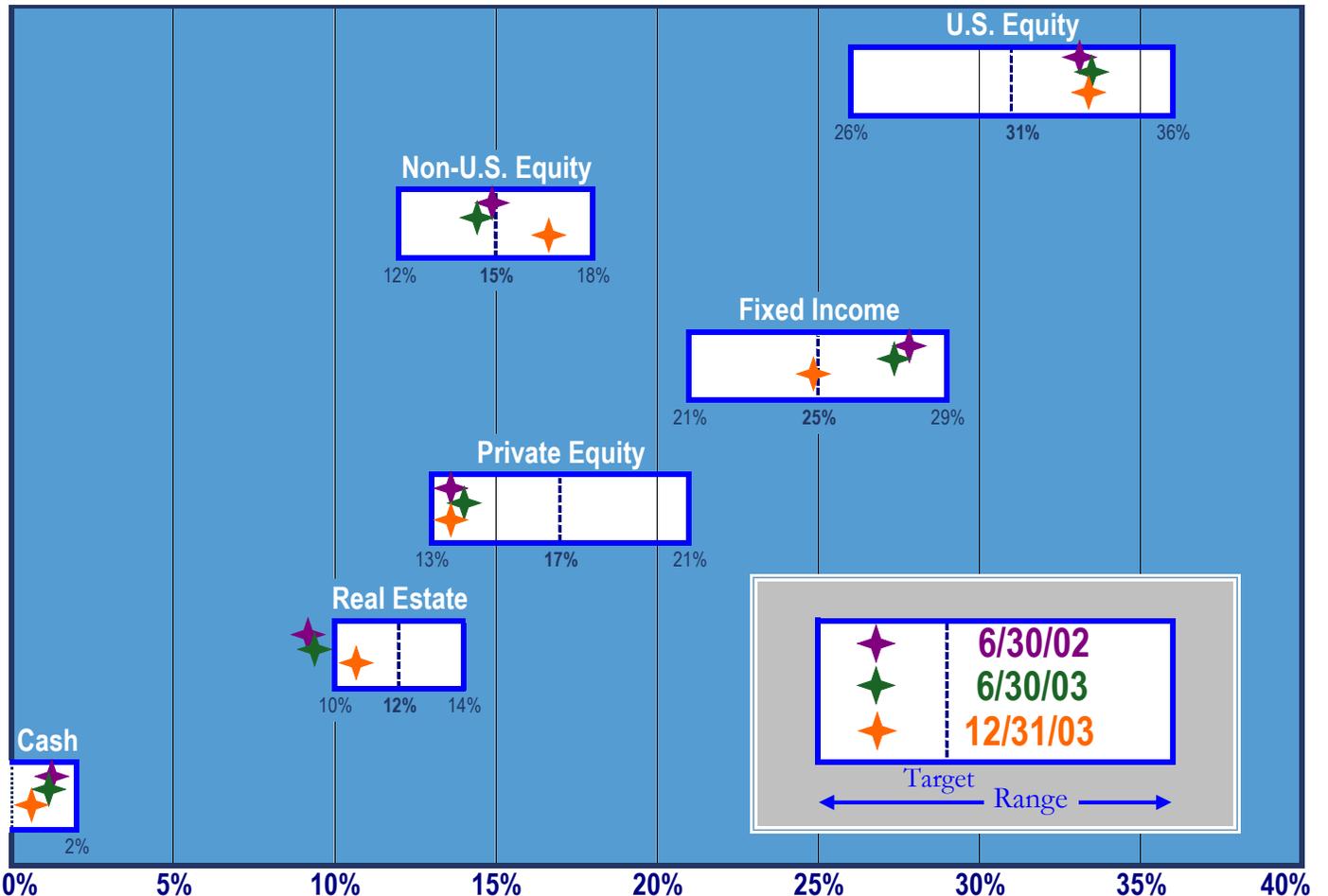
December 31, 2003

Asset Class	Market Value (000s)
U.S. Equity	\$ 14,070,617
Non-U.S. Equity	7,036,956
Fixed Income	10,467,034
Private Equity	5,772,600
Real Estate	4,494,413
Cash	351,755
Total Fund	\$ 42,193,376



Current Allocation

Versus Long-Term Targets and Policy Ranges



Market Values & Net Investment Performance - Lagged¹

Periods Ended December 31, 2003

Market Values in \$000s

			<u>Quarter</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Total Fund	\$ 42,193,376	100.0%	7.74 %	11.61 %	19.73 %	1.54 %	4.52 %	9.27 %
MAP Benchmark ²			10.21	14.12	26.47	1.02	2.59	8.65
Structural Benchmark ³			7.60	11.41	19.11	0.84	3.61	8.92
TUCS Public Fund >\$1B Median ⁴			8.85	12.44	23.00	1.81	4.40	8.97
TUCS Public/Corporate Fund >\$1B Median ⁴			8.96	12.53	23.17	2.00	4.52	9.33
U.S. Equity	\$ 14,070,617	33.3%	12.51 %	16.77 %	31.83 %	-2.56 %	0.78 %	10.64 %
Wilshire 5000			12.42	16.59	31.64	-2.48	0.42	10.59
S&P 500			12.18	15.14	28.69	-4.05	-0.57	11.07
Non-U.S. Equity	\$ 7,036,956	16.7%	16.81 %	25.74 %	39.21 %	-0.82 %	3.00 %	4.83 %
MSCI ACWI Free ex U.S.			17.11	27.28	41.41	-0.96	1.55	4.66
MSCI EAFE			17.08	26.59	38.59	-2.91	-0.05	4.47
Fixed Income	\$ 10,467,034	24.8%	0.71 %	0.96 %	6.94 %	8.69 %	7.25 %	7.27 %
Lehman Universal			0.76	0.84	5.83	7.91	6.88	7.02
Cash	\$ 351,755	0.8%	0.29 %	0.57 %	1.26 %	2.52 %	2.92 %	4.16 %
90 Day T-Bills			0.26	0.50	1.15	2.44	3.66	4.48
Private Equity⁵	\$ 5,772,600	13.7%	4.04 %	10.15 %	6.02 %	-7.01 %	7.03 %	14.01 %
S&P 500 + 400 bp lagged one quarter			3.63	20.60	28.40	-6.13	5.00	14.05
Real Estate⁵	\$ 4,494,413	10.7%	2.42 %	5.70 %	10.80 %	11.31 %	11.40 %	15.14 %
NCREIF + 100 bp lagged one quarter			2.22	4.61	8.89	8.92	10.55	10.73
CPI			0.00 %	0.76 %	1.87 %	1.95 %	2.39 %	2.37 %

¹ Performance figures are net of manager fees. Real estate and private equity returns are calculated by the WSIB consultants and are lagged by one quarter.

² Currently 60% Wilshire 5000, 25% Lehman Universal, and 15% MSCI ACWI Free ex U.S. Over time the benchmark has been adjusted by changing the Lehman Aggregate to the Universal and by reducing Lehman from 30% and raising the Wilshire 5000 from 54%.

³ Uses previous quarter's actual allocation in calculating performance.

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 September 30, 2003, market values, plus cash flows for the fourth quarter of 2003.

Market Values & Net Investment Performance - Non-Lagged¹

Periods Ended September 30, 2003

Market Value

			<u>Quarter</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total Fund	\$ 39,576,063	100.0%	3.27 %	3.27 %	16.14 %	-1.78 %	5.44 %
<i>MAP Benchmark²</i>			3.54	3.54	21.89	-4.02	3.47
U.S. Equity	\$ 12,759,040	32.3%	3.79 %	3.79 %	26.35 %	-9.46 %	2.33 %
<i>Wilshire 5000</i>			3.70	3.70	26.25	-9.55	2.00
Non-U.S. Equity	\$ 6,025,879	15.2%	7.65 %	7.65 %	26.93 %	-6.74 %	3.39 %
<i>MSCI ACWI Free ex U.S.</i>			8.68	8.68	29.04	-7.43	2.11
Fixed Income	\$ 10,393,029	26.3%	0.25 %	0.25 %	7.65 %	9.82 %	7.27 %
<i>Lehman Universal</i>			0.08	0.08	7.13	8.95	6.89
Cash	\$ 1,050,795	2.7%	0.28 %	0.28 %	1.47 %	2.03 %	3.14 %
<i>90 Day T-Bills</i>			0.25	0.25	1.32	2.91	3.84
Private Equity	\$ 5,706,399	14.4%	4.03 %	4.03 %	6.05 %	-6.99 %	7.04 %
<i>S&P 500 + 400 bp</i>			3.63	3.63	28.40	-6.13	5.00
Real Estate	\$ 3,640,921	9.2%	2.42 %	2.42 %	10.80 %	11.31 %	11.40 %
<i>NCREIF + 100 bp</i>			2.22	2.22	8.89	8.92	10.55
<i>CPI</i>			0.76 %	0.76 %	2.27 %	2.14 %	2.50 %

¹ Performance figures are given net of fees.

² Currently 60% Wilshire 5000, 25% Lehman Universal, and 15% MSCI ACWI Free ex U.S. Over time the benchmark has been adjusted by reducing Lehman Aggregate from 30% and raising the Wilshire 5000 from 54%.

CTF Historical Performance and Assets Under Management

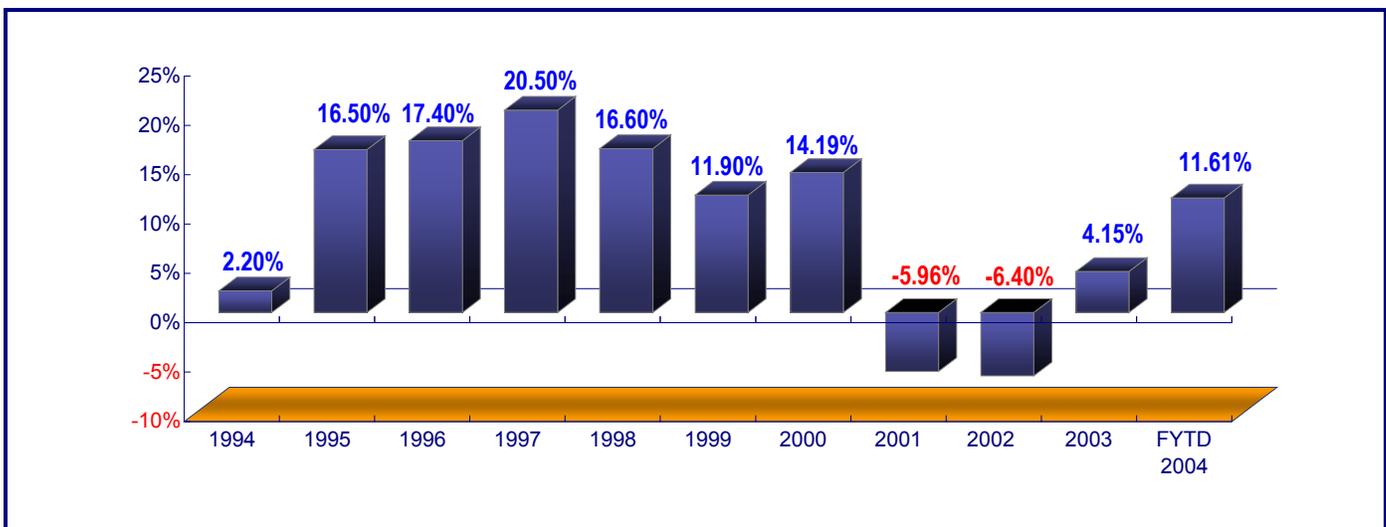
December 31, 2003

Market Values in \$000s

CTF Market Value:	\$	42,193,376
Net Change this Quarter:	\$	2,617,312
Net Change for Fiscal Year:	\$	3,416,174

Annual Performance

Fiscal Years Ended June 30



Assets Under Management- (\$ Billions)

Fiscal Years Ended June 30



U.S. Equity

December 31, 2003

Market Values in \$000s

Market Value: \$ **14,070,617**
100% passively managed by Barclays Global Investors

Ten Largest Holdings (3,916 total holdings versus 5,242 in the index)

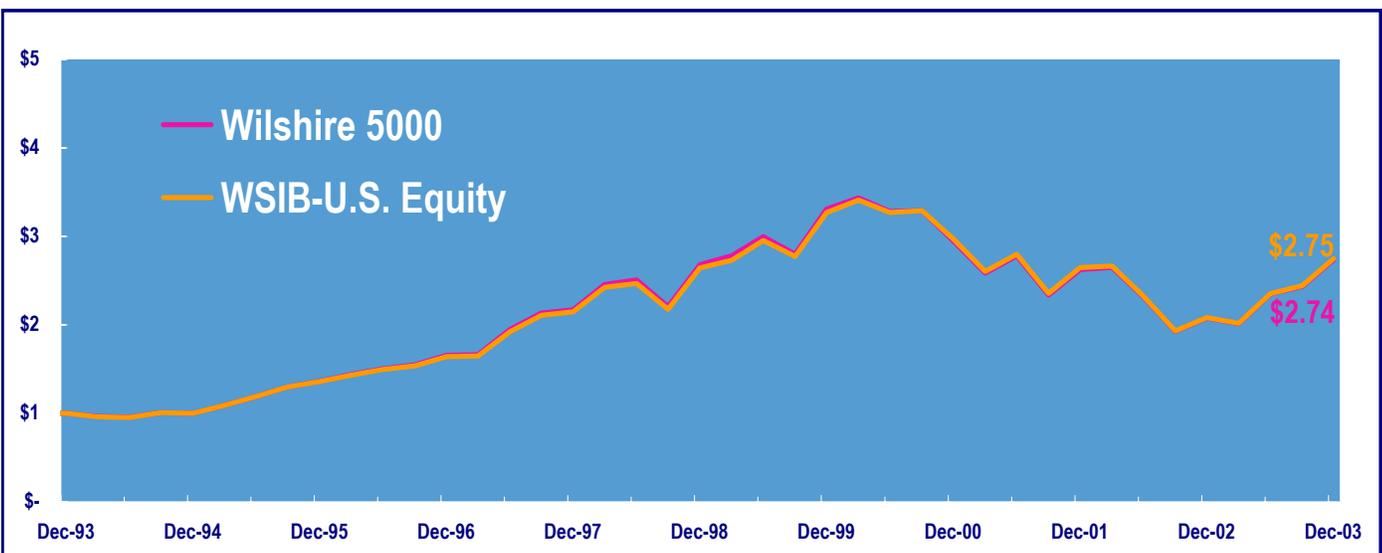
General Electric Co.	2.35%	Wal-Mart Store Inc.	1.73%
Microsoft Corp.	2.25%	Intel Corp.	1.59%
Exxon Mobil Corp.	2.05%	American Int'l Group	1.31%
Pfizer Inc.	2.04%	Cisco Systems, Inc.	1.27%
Citigroup Inc.	1.89%	Int'l Business Machines Corp.	1.21%

(The top ten companies represent almost 17.7% of the portfolio, the top 100 approximately 53.6%.)

Performance

	<u>Qtr.</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
WSIB U.S. Equity	12.51%	16.77%	31.83%	-2.56%	0.78%	10.64%
<i>Wilshire 5000</i>	12.42	16.59	31.64	-2.48	0.42	10.59
<i>S & P 500</i>	12.18	15.14	28.69	-4.05	-0.57	11.07
<i>Russell 3000</i>	12.43	16.28	31.06	-3.08	0.37	10.77

Growth of a Dollar



Non-U.S. Equity

December 31, 2003

Market Values in \$000s

Market Value: \$ **7,036,956**

The portfolio has 2,168 holdings versus 1,746 in the index. The top ten holdings represent about 14.5 percent of the portfolio and the top 100 approximately 51.4 percent. The portfolio has exposure to 63 countries: 22 developed, 24 emerging, and 17 other (as defined by MSCI AWCI Free ex U.S.).

Ten Largest Exposures by Country

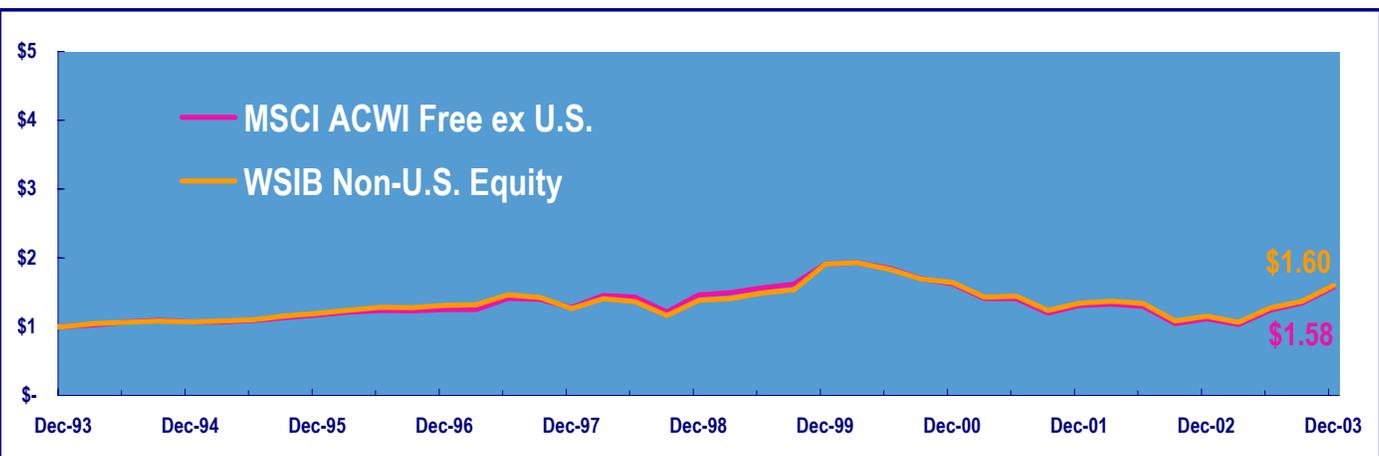
	CTF <u>Weight</u>	Index <u>Weight</u>		CTF <u>Weight</u>	Index <u>Weight</u>
United Kingdom	21.6%	22.0%	Australia	4.7%	4.3%
Japan	16.4%	18.2%	Netherlands	4.2%	4.4%
France	8.3%	8.4%	Canada	4.0%	5.3%
Switzerland	6.8%	6.3%	Spain	3.9%	3.1%
Germany	6.2%	6.1%	Italy	2.9%	3.3%

The ten largest country exposures comprise 79.1% of the portfolio versus the index at 81.4%.

Performance

	<u>Qtr.</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
WSIB Non-U.S. Equity	16.81%	25.74%	39.21%	-0.82%	3.00%	4.83%
MSCI ACWI Free ex U.S.	17.11	27.28	41.41	-0.96	1.55	4.66
MSCI EAFE+Canada	17.00	26.46	39.42	-2.65	0.45	4.61
Emerging Markets <i>(MSCI after 6/02; IFC before)</i>	17.78	34.45	55.82	14.94	11.61	0.15
MSCI Europe	20.37	25.07	38.54	-3.24	-0.78	8.71
MSCI Pacific Basin	9.77	30.44	38.48	-2.14	1.85	-1.19

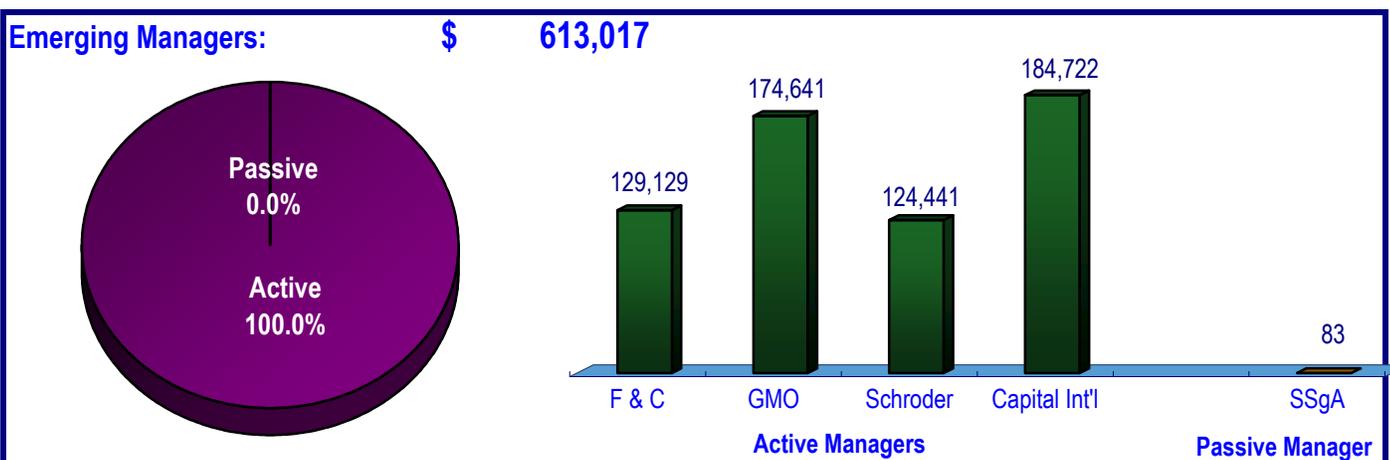
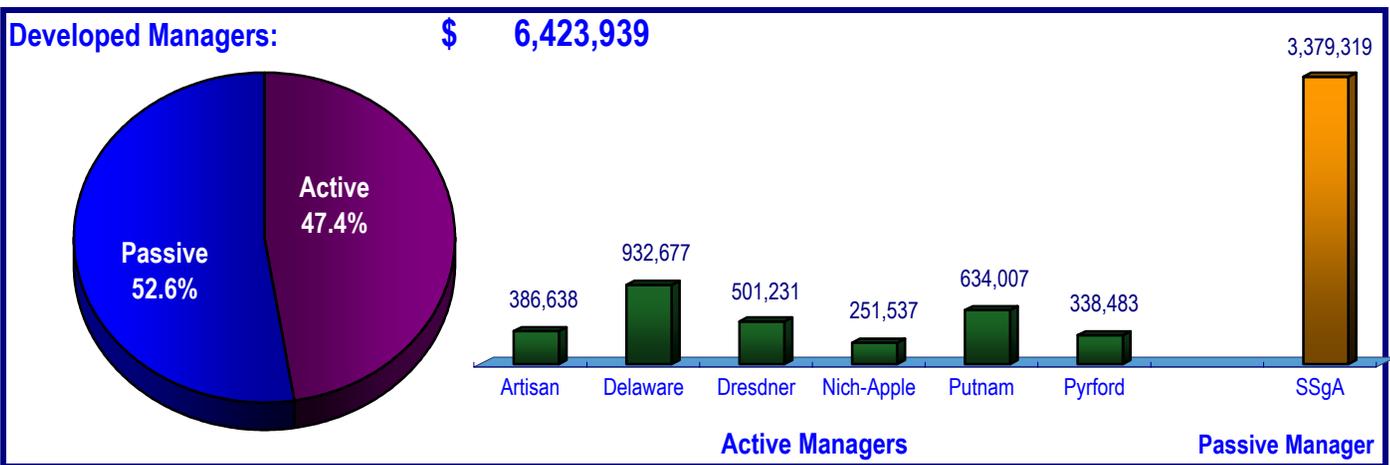
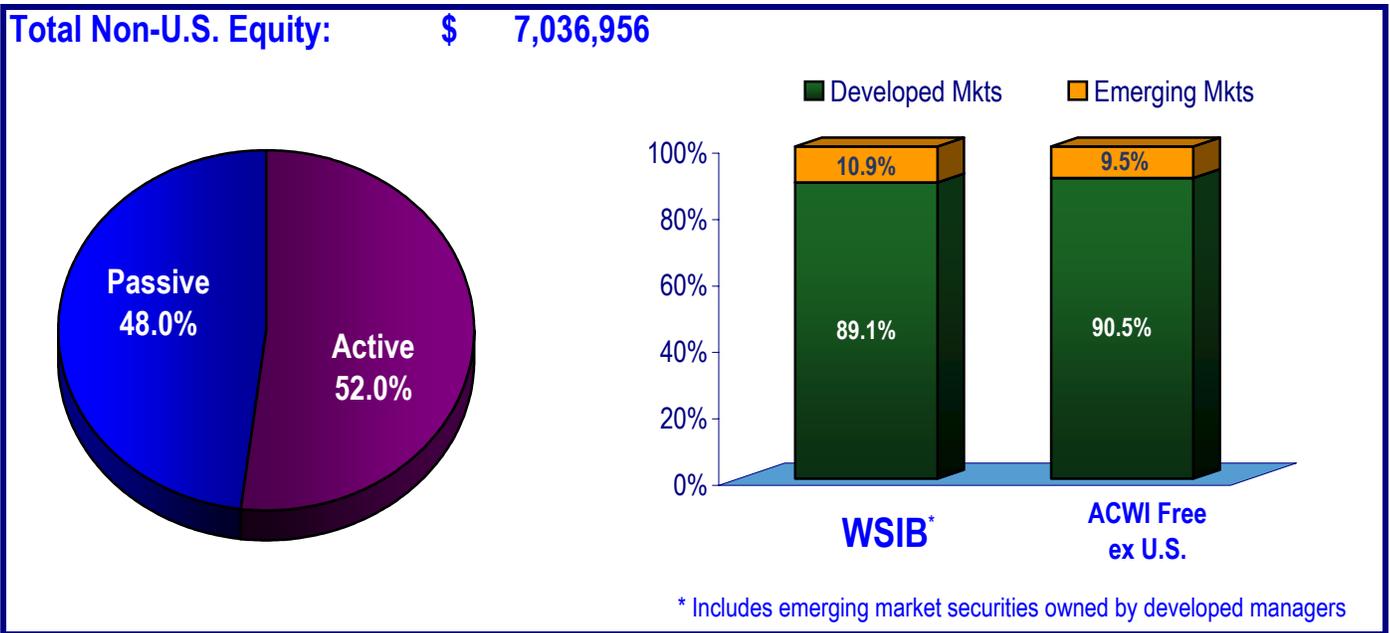
Growth of a Dollar



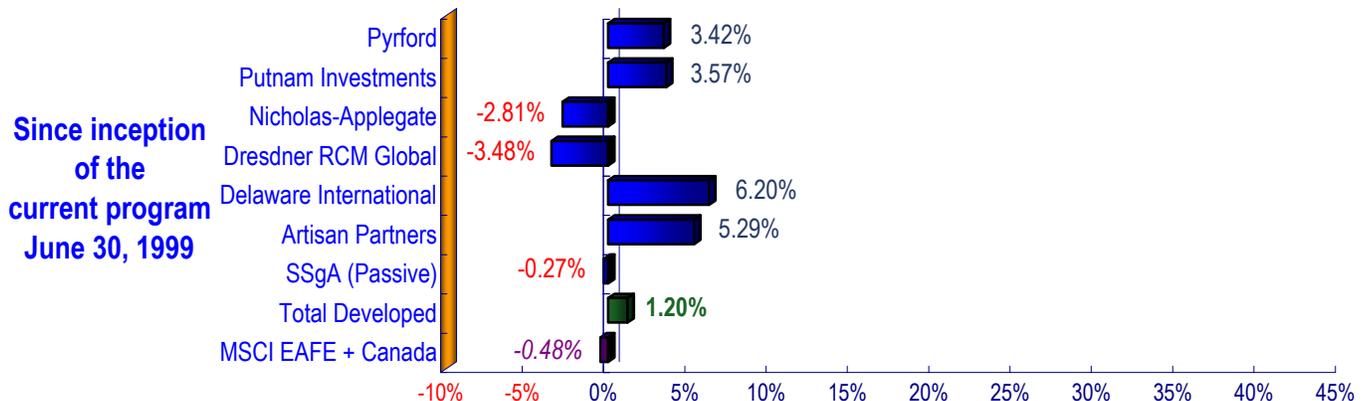
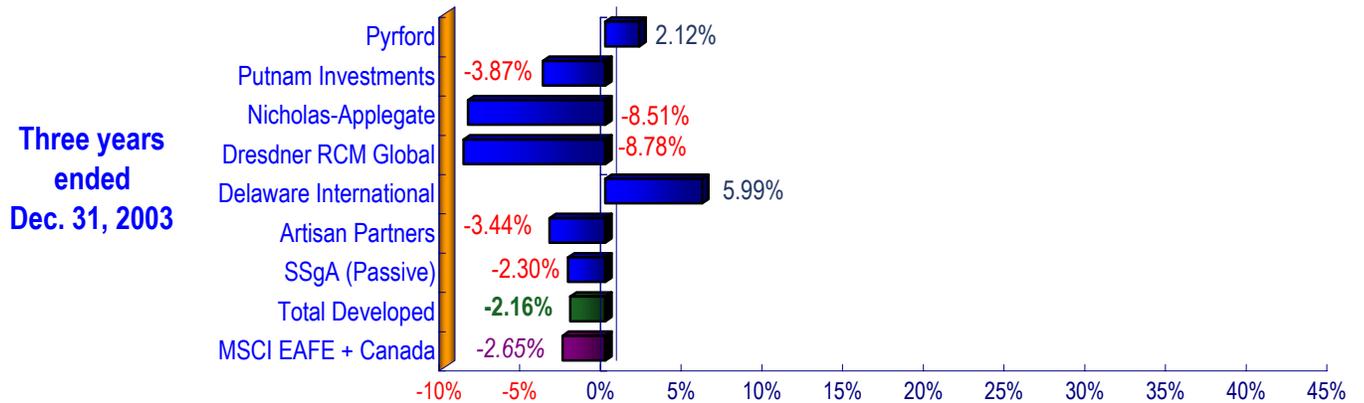
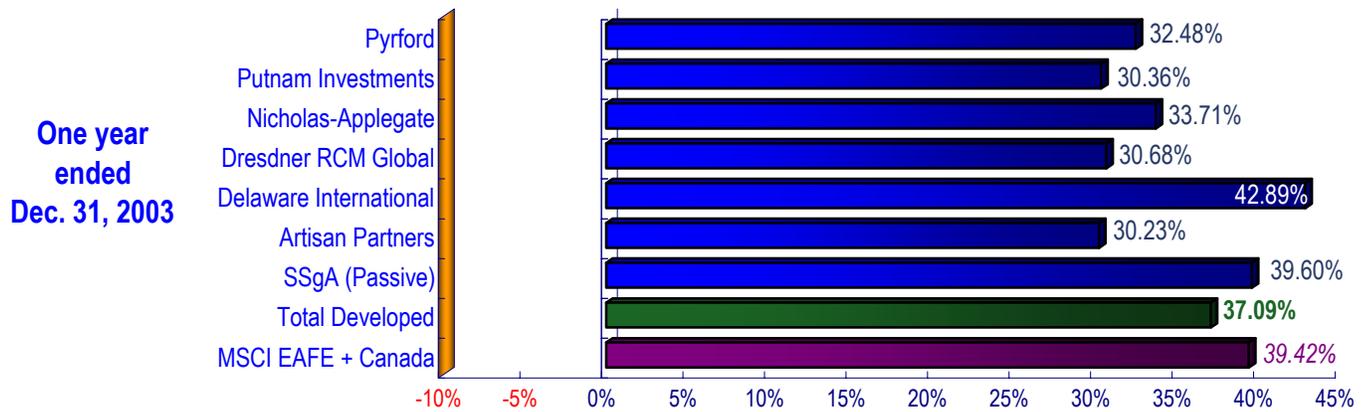
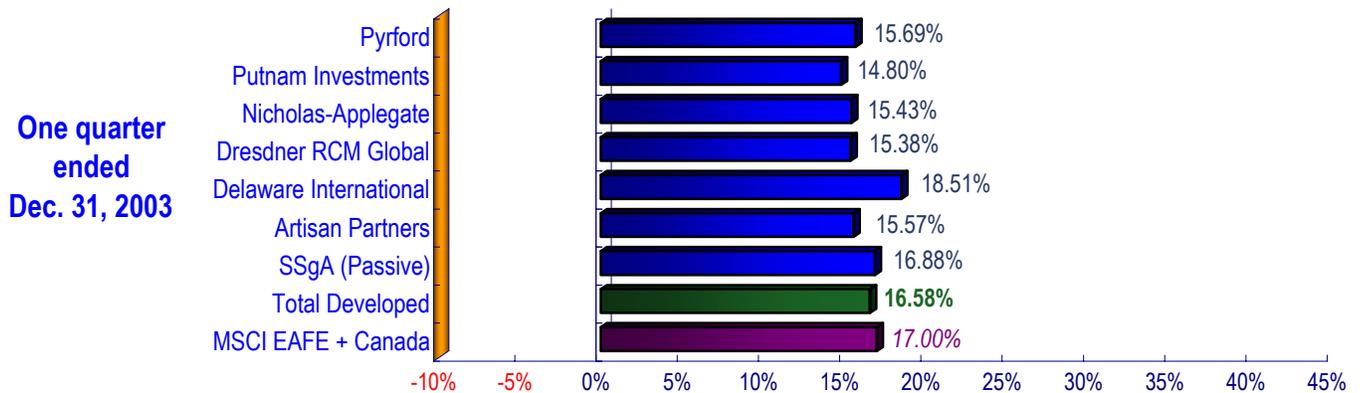
Non-U.S. Equity

December 31, 2003

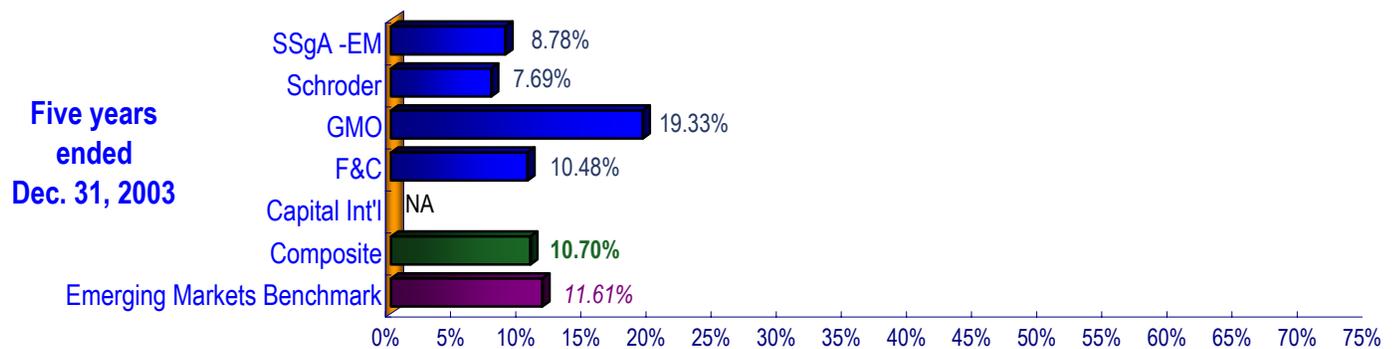
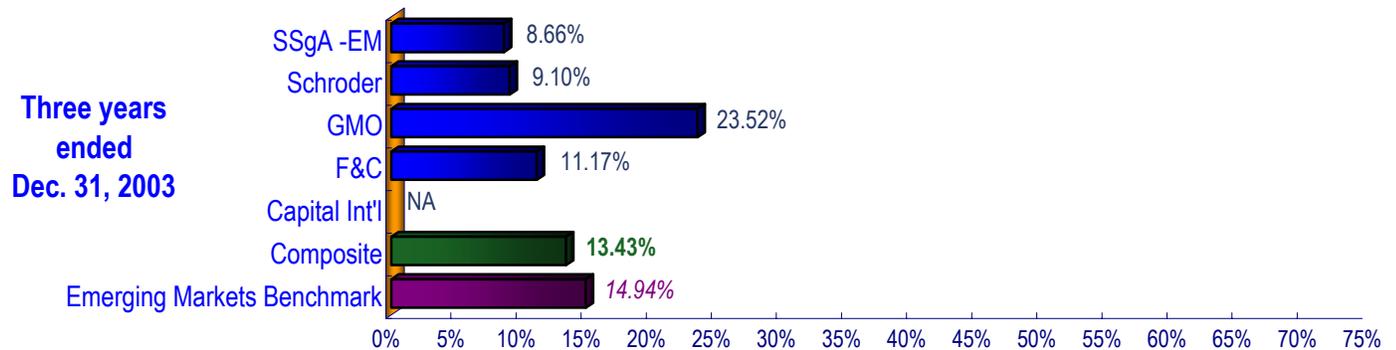
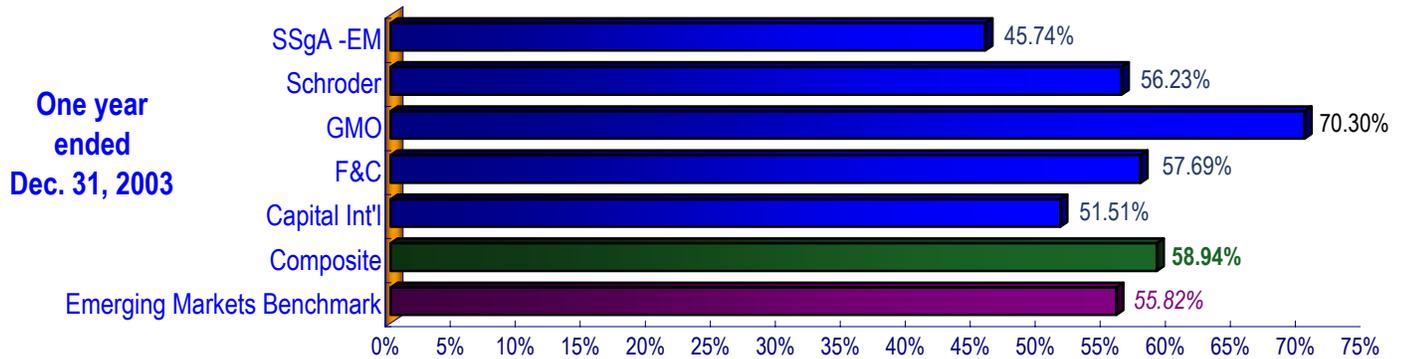
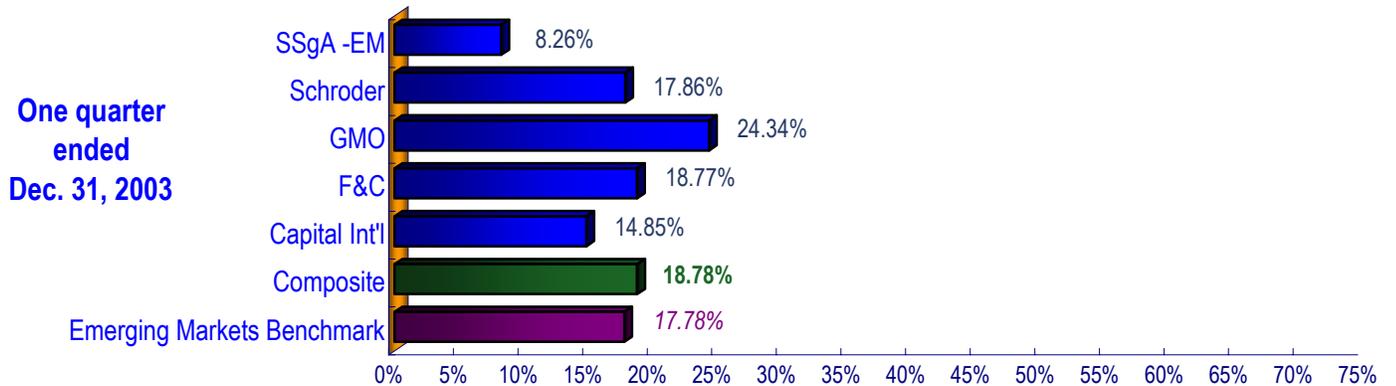
Market Values in \$000s



Non-U.S. Equity - Developed Markets Manager Returns



Non-U.S. Equity - Emerging Markets Manager Returns



Fixed Income

December 31, 2003

Market Values in \$000s

Market Value: **\$ 10,467,034**

100% actively managed by WSIB staff.

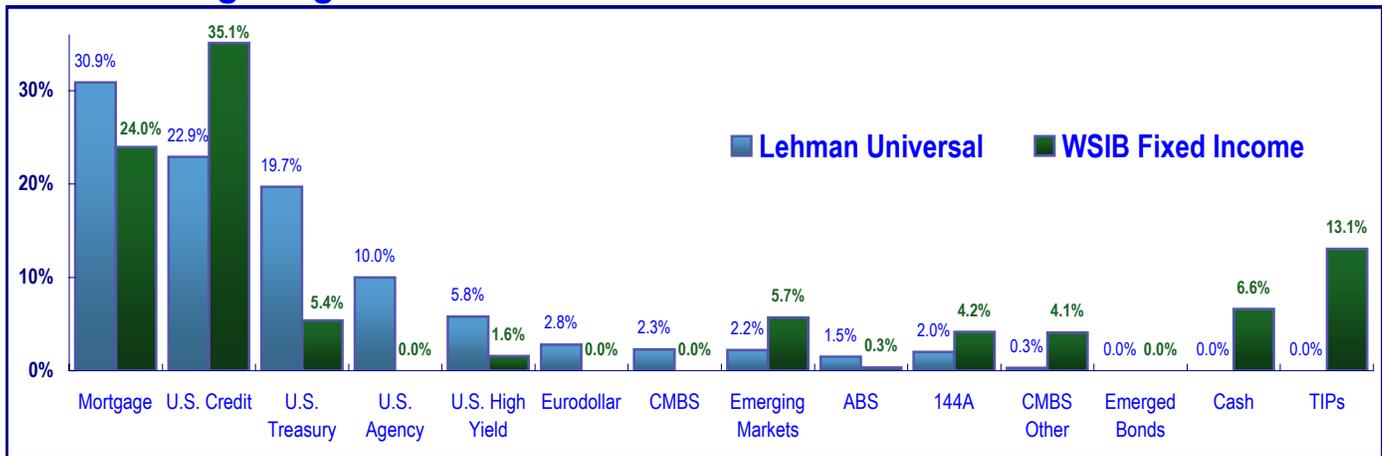
Duration

	Sep-03	Dec-03
WSIB Portfolio	4.42	4.08
Lehman Universal	4.47	4.55
Difference	-1.1%	-10.3%

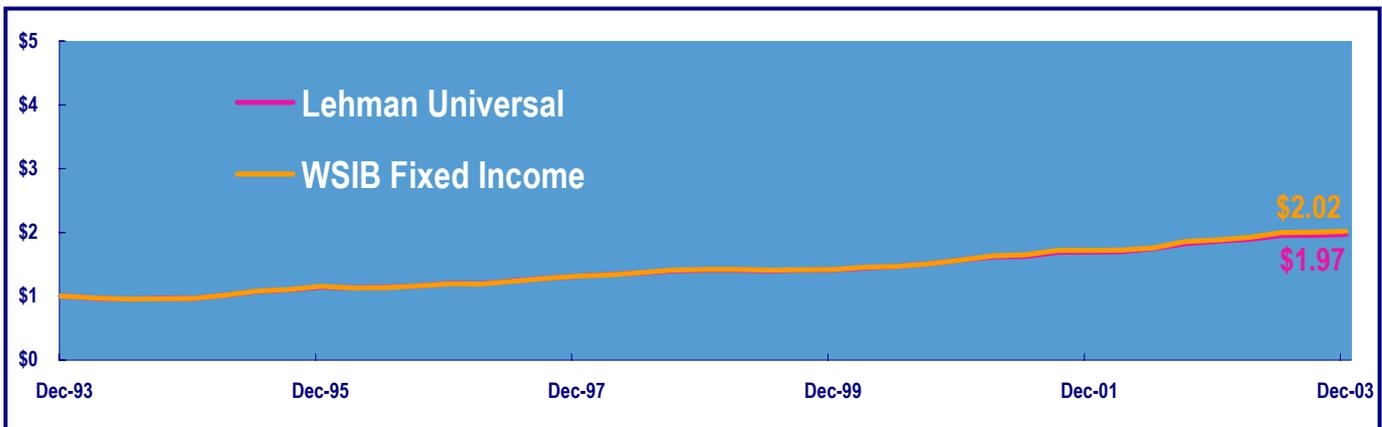
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Fixed Income	0.71%	0.96%	6.94%	8.69%	7.25%	7.27%
Lehman Universal	0.76	0.84	5.83	7.91	6.88	7.02
Lehman Aggregate	0.32	0.17	4.11	7.57	6.62	6.95

Sector Weighting



Growth of a Dollar



Private Equity

Market Values in \$000s

Market Value: **\$5,706,399**

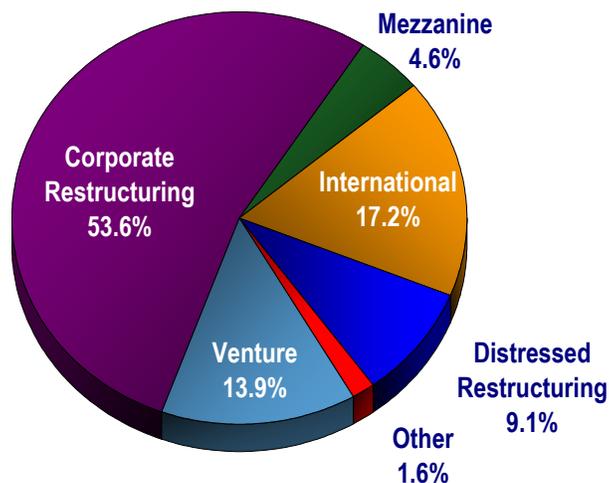
Unfunded Commitments **\$ 5.008 billion**
(includes approved commitments that have not closed)

Net Performance as of September 30, 2003

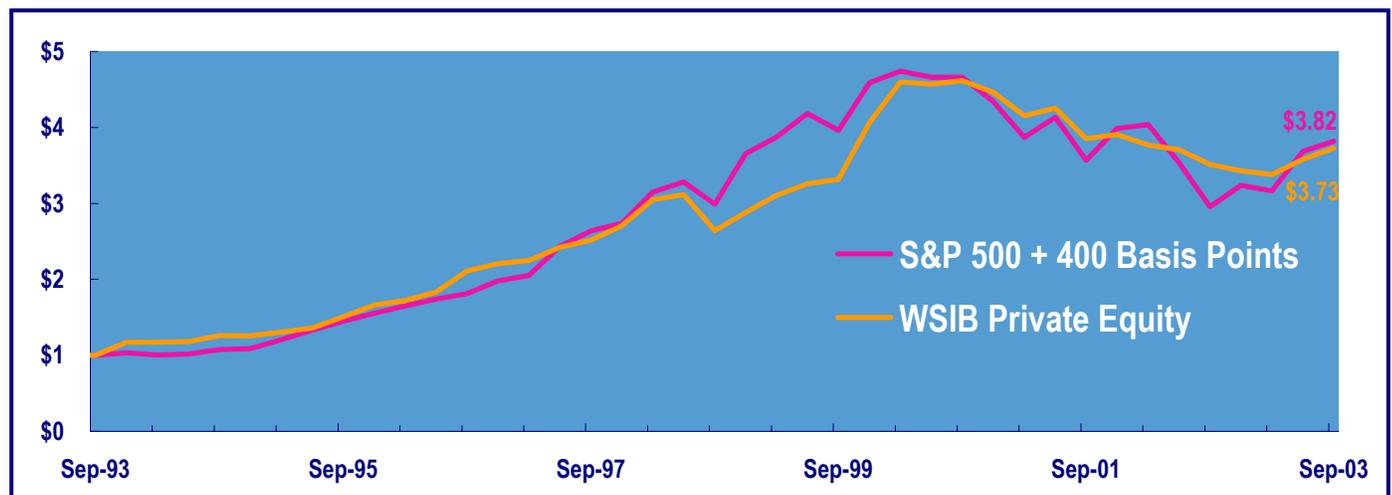
	<u>Qtr.</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
WSIB Private Equity	4.0%	4.0%	6.1%	-7.0%	7.0%	14.1%
KKR	6.8%	6.8%	4.3%	-2.5%	2.9%	11.6%
LP Portfolio	3.2%	3.2%	6.8%	-8.6%	10.1%	14.5%
S&P 500+400 bp (9/30/03)	3.6%	3.6%	28.4%	-6.1%	5.0%	14.1%

176 Partnerships

85 Private Equity General Partners



Growth of a Dollar



Real Estate

Market Values in \$000s

Market Value: **\$3,640,921**

Unfunded Commitments **\$3.7 billion**

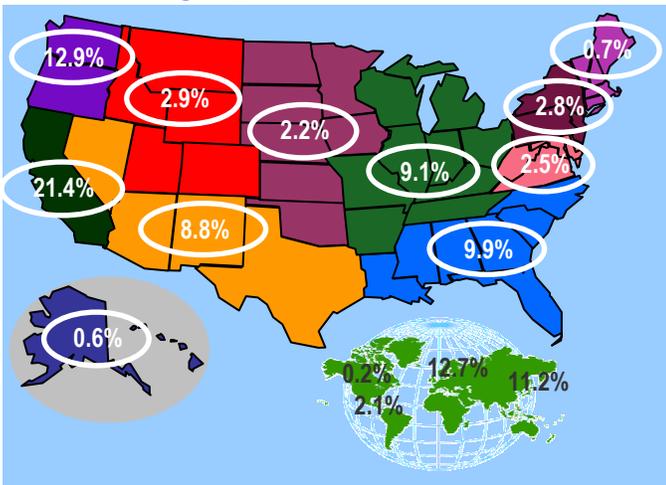
Net Performance as of September 30, 2003

	<u>Qtr.</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
CTF Real Estate	2.4%	2.4%	10.8%	11.3%	11.4%
<i>NCREIF + 100 basis points</i>	<i>2.2%</i>	<i>2.2%</i>	<i>8.9%</i>	<i>8.9%</i>	<i>10.5%</i>

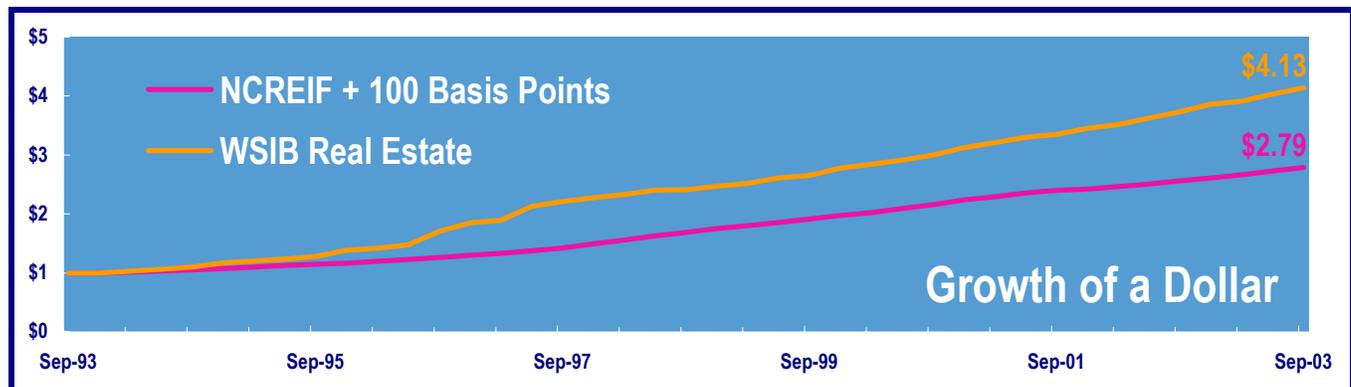
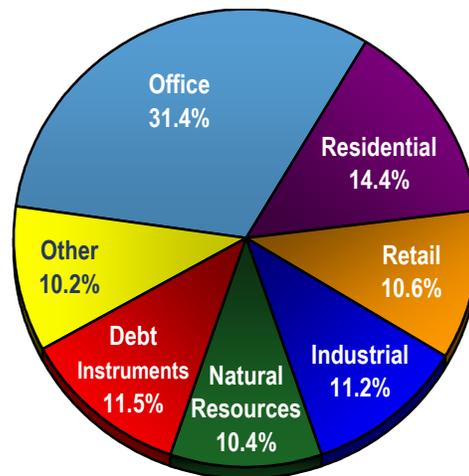
Largest Managers

Principal Enterprise Capital (PEC)	14.8%
Hudson Advisors (LoneStar)	12.6%
Pacific Realty Associates, L.P. (PacSIB, PacTrust)	10.0%
TA Associates Realty (Olympia)	8.9%
Cambell Group (Hawthorne)	<u>8.4%</u>
<i>Representation in the Real Estate portfolio</i>	54.7%

Geographical Distribution



Property Type Distribution



Manager Performance versus S&P 500

December 31, 2003

	Quarter	FYTD	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	12.18	15.14	28.69	-4.05	-0.57	11.07

U.S. Equity

Barclays Global Investors

12.51	16.77	31.83	-2.56	0.78
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U.S. Equity Composite

12.51	16.77	31.83	-2.56	0.78	10.64
-------	-------	-------	-------	------	-------

Non-U.S. Equity

Developed Markets

SSgA (passive)

16.88	26.35	39.60	-2.30
-------	-------	-------	-------

Artisan Partners

15.57	22.87	30.23	-3.44
-------	-------	-------	-------

Delaware International

18.51	23.78	42.89	5.99
-------	-------	-------	------

Dresdner RCM Global Investors

15.38	21.95	30.68	-8.78
-------	-------	-------	-------

Nicholas-Applegate

15.43	21.33	33.71	-8.51
-------	-------	-------	-------

Putnam Investments

14.80	21.95	30.36	-3.87
-------	-------	-------	-------

Pырford International

15.69	23.41	32.48	2.12
-------	-------	-------	------

Emerging Markets

SSgA (passive)

8.26	22.81	45.74	8.66	8.78
------	-------	-------	------	------

Capital International

14.85	31.63	51.51
-------	-------	-------

F&C

18.77	34.37	57.69	11.17	10.48
-------	-------	-------	-------	-------

Grantham, Mayo, Van Otterloo

24.34	43.58	70.30	23.52	19.33
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Schroder

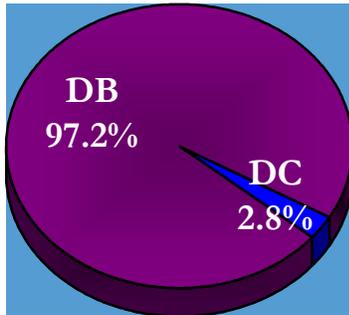
17.86	37.40	56.23	9.10	7.69
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Non-U.S. Equity Composite

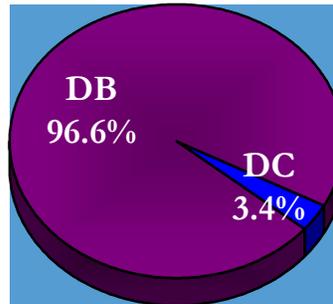
16.81	25.74	39.21	-0.82	3.00	4.83
-------	-------	-------	-------	------	------

CTF Stakeholder Characteristics and Cash Flows

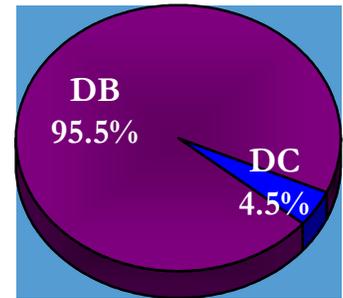
Defined Benefit and Defined Contribution Breakdown in the CTF



December 31, 2001



December 31, 2002



December 31, 2003

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.

Manager Descriptions - Passive Equity

U. S. EQUITY

Barclays Global Investors (BGI)

It is the WSIB's policy to manage 100 percent of the U.S. equity portfolio in a low-cost broad-based index fund. BGI manages the entire \$14.07 billion U.S. equity portfolio in a fund designed to track the Wilshire 5000 Index, although it does not specifically replicate it. The BGI portfolio is comprised of the S&P 500 Index holdings and an optimized portfolio representing the remaining U.S. market targeted to the Wilshire 4500 Index. The differences in index construction between the Wilshire 5000 Index and the BGI fund will produce a minor tracking error. The WSIB has been using the Wilshire 5000 Index fund since June 1998. However, BGI has been managing money in other funds for the WSIB since 1982.

Non-U.S. EQUITY

State Street Global Advisors (SSgA)

SSgA manages two international portfolios for the WSIB. One is an optimized index fund that is designed to passively track the MSCI EAFE plus Canada (developed markets); the other is a semi-passive emerging markets portfolio. It was the WSIB's policy to have 25 percent of the assets targeted for emerging markets and 50 percent of the assets targeted for developed markets managed passively. At the July 2003 meeting the Board voted to discontinue the mandate of targeting 25 percent of the emerging markets to be passively managed. In the fourth quarter SSgA began the liquidation process. This will be the last report that shows information on the liquidity tier.

The WSIB has been using SSgA's MSCI EAFE plus Canada fund since 1994. In 2001 the WSIB switched to the new Provisional EAFE plus Canada fund as a result of pending changes to the MSCI indices. Since then MSCI has finished their restructuring and the WSIB has transferred back to the EAFE plus Canada fund. The assets in this portfolio are currently valued at \$3.38 billion.

The WSIB had been using the emerging markets vehicle since December 1995. The portfolio uses a liquidity-tier approach. SSgA, using their passive country index funds, divides the countries in the S&P/IFC emerging markets universe into three 'tiers' according to liquidity. As the markets shift SSgA rebalances when appropriate but seeks to limit turnover and transaction costs (see the glossary for further information on the liquidity-tier index). The passive emerging markets portfolio is currently valued at \$83 thousand.

Manager Descriptions - Active Non-U.S. Developed Markets

Artisan Partners uses an investment strategy that is growth oriented with a bottom-up investment process. Artisan concentrates on industries or themes that present accelerating growth prospects and companies well positioned to capitalize on growth. The portfolio has a primary emphasis on being fully invested in the developed markets and is constructed without regard to index weightings and mandate. Risk control is achieved mainly through country, industry, and company diversification. The WSIB portfolio, managed by Artisan since June 1999, is currently valued at \$387 million.

Delaware International Advisers identifies value investments using a dividend discount-valuation model of future income streams. The investment analysis is applied consistently to individual securities across all markets and industries. Tied to the security selection is a top-down country allocation overlay that helps structure the portfolio. The WSIB portfolio, managed by Delaware since June 1999, is currently valued at \$933 million.

Dresdner RCM Global Investors identifies high-quality growth companies through a combination of rigorous fundamental research and a disciplined valuation methodology. The investment process stresses bottom-up fundamental stock research and uses top-down macroeconomic and liquidity analysis as a risk control feature. The WSIB portfolio, managed by Dresdner RCM since June 1999, is currently valued at \$501 million.

Nicholas-Applegate Capital Management identifies growth stock opportunities through an integration of qualitative and quantitative analysis used to identify inefficiencies within the international markets. Sector and industry weightings are a result of individual stock selection. The manager's country analysis includes a country ranking based on an assessment of political, monetary, economic, and technical conditions. The WSIB portfolio, managed by Nicholas-Applegate since June 1999, is currently valued at \$252 million.

Putnam Investments relies on top-down macroeconomic, sector, and market analysis as well as bottom-up fundamental company research. Putnam believes that added value will result equally from top-down (country and sector allocation) and stock selection decisions over longer time periods. The manager relies on broad diversification across countries and sectors to reduce risk. The WSIB portfolio, managed by Putnam since June 1999, is currently valued at \$634 million.

Pyrford International bases its investment strategy on a value-driven approach with top-down country allocation followed by bottom-up stock selection. The manager utilizes fundamental analysis of world economies to identify markets where value exists. This philosophy leads to participation only in those markets with value opportunities and, as a result, the portfolio can at times be absent from a major market. The WSIB portfolio, managed by Pyrford since June 1999, is currently valued at \$338 million.

Manager Descriptions - Active Non-U.S. Emerging Markets

Capital International, Inc. manages an active emerging markets equity portfolio for the WSIB. Capital utilizes a Multiple Portfolio Manager System that enables several key decision makers to work on each account by dividing the portfolio into smaller segments. Each manager is free to make their decisions as to individual security, country, and industry selection, timing, and percentage to be invested for their portion of the assets. The aggregate portfolio does not have a formal policy regarding asset and country diversification and tends to have a value bias. The WSIB portfolio, managed by Capital since the middle of the second quarter of 2001, is currently valued at \$185 million.

F&C Emerging Markets Limited manages an active emerging markets equity portfolio for the WSIB. The country selection process analyzes market valuation, as well as economic, fiscal, and monetary factors to create 12-month market return forecasts for each country. The return forecasts are used in conjunction with political stability analysis to set country allocations, which are divided between the ten largest core markets (85 percent) and satellite markets (15 percent). Bottom-up fundamental analysis is used to identify companies possessing the following characteristics: strategic position in their respective industry, management quality and integrity, and a sound financial position. The WSIB portfolio, managed by F&C since the fourth quarter of 1996, is currently valued at \$129 million.

Grantham, Mayo, Van Otterloo (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 portfolio, managed by GMO since the fourth quarter of 1996, is currently valued at \$174 million.

Schroder Capital Management manages an active emerging markets equity portfolio for the WSIB. Country allocations are determined on the basis of macroeconomic factors and market return forecasts. Stock selection is relegated to individual regions and is based on fundamental research. The portfolio is divided between a core holding of more established markets and a smaller opportunistic allocation to early-stage markets. The portfolio tends to have a growth bias. The WSIB portfolio, managed by Schroder since the fourth quarter of 1995, is currently valued at \$124 million.

Glossary

Asset Allocation Policy

The targets will adjust annually toward the long-term asset allocation policy, which is 31 percent U.S. equity, 15 percent non-U.S. equity, 25 percent fixed income, 17 percent private equity, and 12 percent real estate. It is expected to take two years to reach this target.

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; JRS; SERS 2 & 3; WSPRS 1 & 2; and Volunteer Firefighters.

Emerging Markets Liquidity-Tier Index

This index divides the countries found in the S&P/IFC emerging markets universe into three 'tiers' according to their market capitalization and liquidity. The top tier represents 55 percent of the total index with five countries at an 11 percent weight each. The middle tier represents 33 percent of the total with nine countries at 3.7 percent each. The bottom tier represents 12 percent of the total with 12 countries at 1.0 percent each.

MAP (Multi-Asset Portfolio)

The MAP Portfolio is currently 60 percent Wilshire 5000 Index, 25 percent Lehman Universal Index, and 15 percent MSCI ACWI Free 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 fund.

Structural Asset Allocation Policy

The Structural Asset Allocation Policy is the previous quarter's ending asset class percentages times the following indices: Wilshire 5000 Index, Lehman Universal Index, MSCI ACWI Free ex U.S., NCREIF, and the actual private equity return. This is used to show the manager value added versus a passive structure.

TUCS Public Fund > \$1 Billion Median

Trust Universe Comparison Services median return of other public funds. There are currently 53 funds in the universe with a median asset size of about \$10.4 billion.

TUCS Public/Corporate Fund > \$1 Billion Median

Trust Universe Comparison Services median return of corporate and public funds. There are currently 133 funds in the universe with a median asset size of around \$4.4 billion.

Defined Contribution Plans December 31, 2003

Market Values and Distributions

Plan 3's Market Values and Distributions

Plan 3's Historical Distribution

DCP & JRA Market Values and Distributions

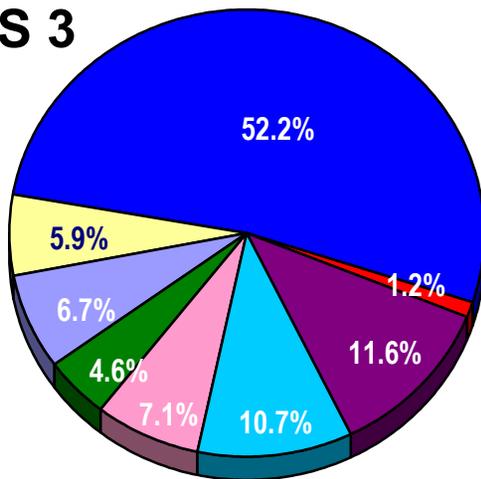
DCP & JRA Historical Distribution

Balanced, Bond, and Cash Options

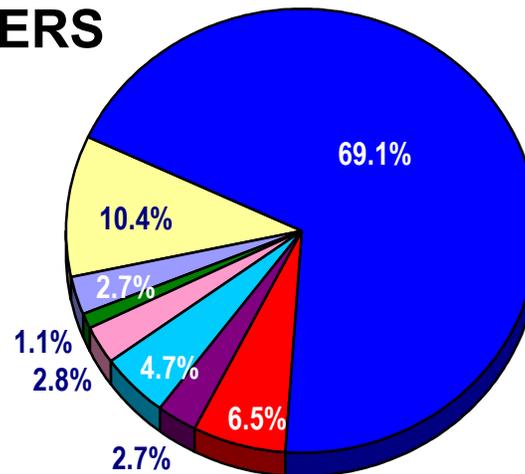
Equity Options

Option	TRS Plan 3		SERS Plan 3		PERS Plan 3	
	Market Value	Quarterly Change	Market Value	Quarterly Change	Market Value	Quarterly Change
WSIB TAP Option	\$ 1,087,937,968	\$ 93,299,678	\$ 404,894,687	\$ 33,533,705	\$ 398,954,569	\$ 28,991,192
Short-Horizon Fund	3,382,509	543,240	4,872,648	418,659	14,512,101	1,331,578
Mid-Horizon Fund	10,244,162	2,436,426	18,276,993	2,117,453	46,258,700	5,974,035
Long-Horizon Fund	10,923,032	2,044,017	14,836,186	2,249,618	34,953,107	6,699,088
U.S. Stock Fund	242,260,598	31,940,682	15,683,316	2,746,636	33,202,933	6,323,495
U.S. Large Stock Fund	222,541,333	27,289,245	27,591,856	3,741,404	41,859,222	7,932,539
U.S. Small Stock Fund	147,726,435	23,229,009	16,687,131	3,519,430	42,129,043	11,230,893
International Stock Fund	96,616,293	16,783,751	6,480,557	1,729,654	14,339,742	4,671,611
Bond Market	140,233,891	(3,990,941)	16,072,555	(3,417,429)	32,649,809	(5,269,374)
Money Market	123,658,689	(600,742)	60,901,541	(1,480,385)	117,513,442	(11,134,564)
Total Fund	\$ 2,085,524,910	\$ 192,974,366	\$ 586,297,471	\$ 45,158,745	\$ 776,372,669	\$ 56,750,495

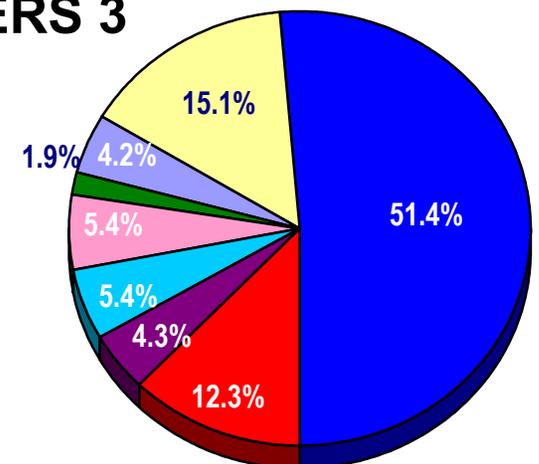
TRS 3



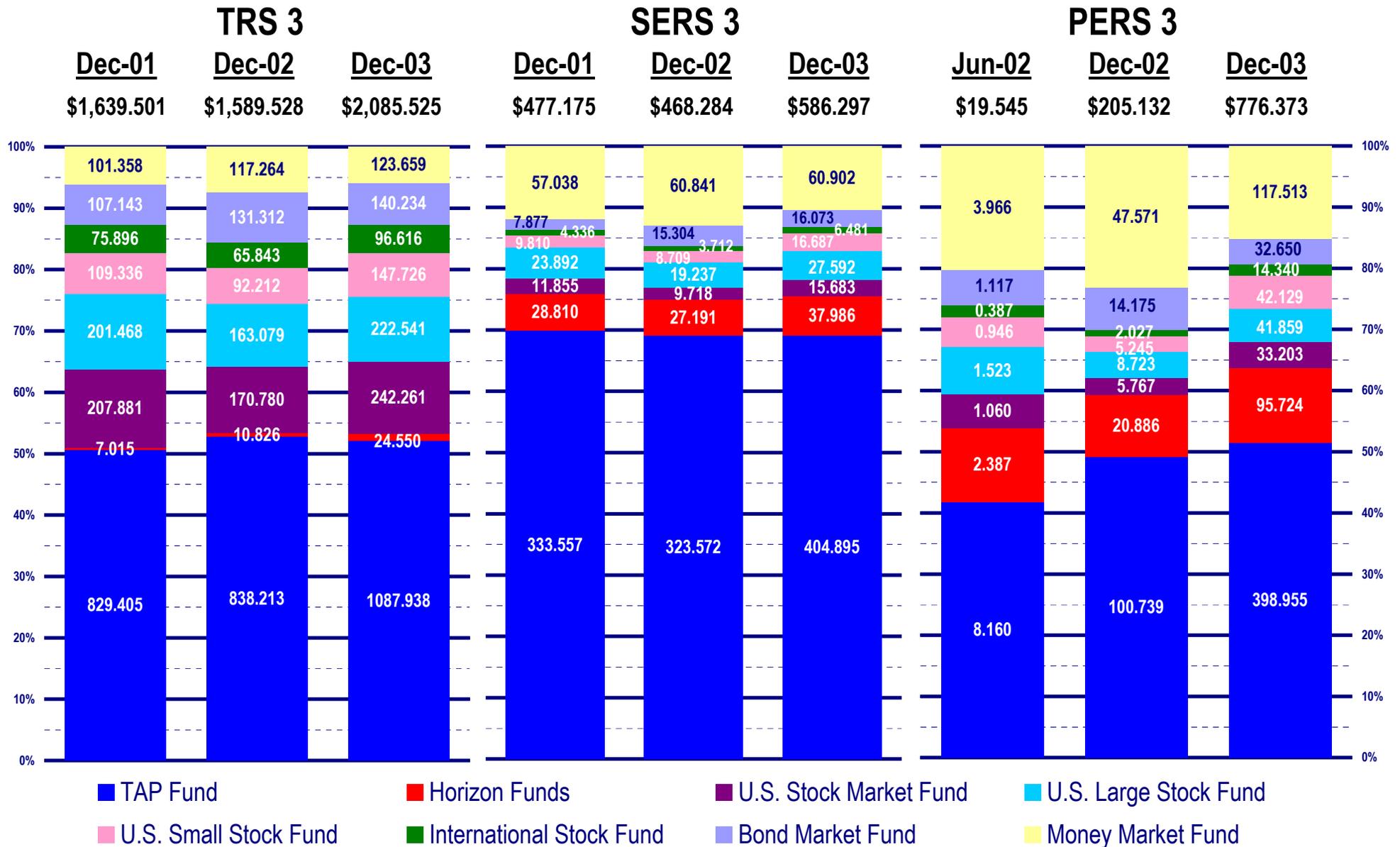
SERS



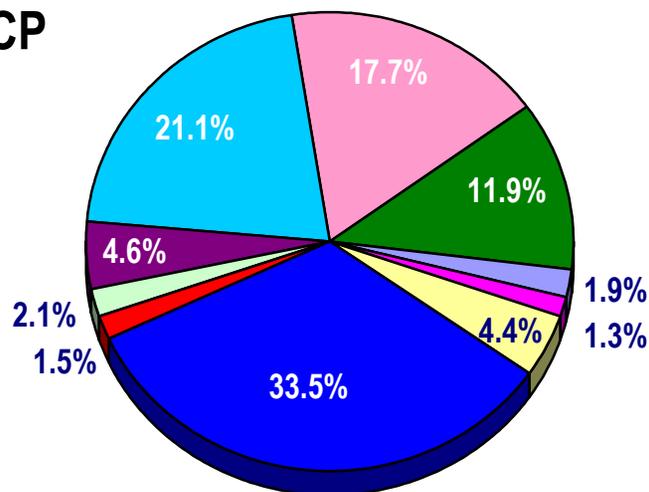
PERS 3



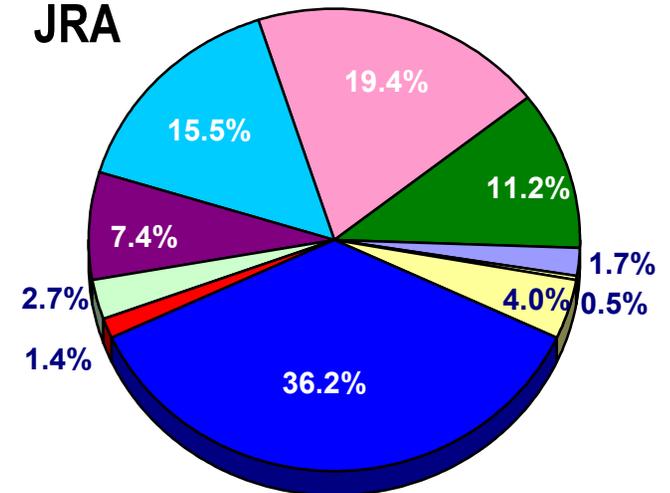
■ WSIB TAP
 ■ Horizon Funds
 ■ Stock Market
 ■ Large Stocks
 ■ Small Stocks
 ■ International Stocks
 ■ Bond Market
 ■ Money Market



Option	Deferred Compensation Program		Judicial Retirement Account	
	Program	Quarterly Change	Account	Quarterly Change
Short-Horizon Fund	\$ 5,847,453	\$ 354,610	\$ 45,573	\$ (90,544)
Mid-Horizon Fund	10,199,020	2,148,545	84,537	(3,578)
Long-Horizon Fund	9,244,408	2,598,082	37,562	5,257
Social Balanced Fund	34,842,766	2,724,275	333,069	44,322
U.S. Stock Market Index Fund	75,761,349	12,642,336	904,549	171,808
Equity-Income Fund	348,477,751	47,264,693	1,878,176	294,049
Independence Fund	291,399,503	21,732,845	2,363,370	104,150
Growth Company Fund	196,800,565	23,737,780	1,355,789	323,754
Overseas Fund	31,869,264	8,129,786	211,657	80,017
U.S. Small Cap Stock Fund	20,703,626	10,630,355	56,639	24,431
Bond Market Fund	72,844,871	(7,282,158)	484,468	(40,411)
Savings Pool	551,548,758	5,340,788	4,395,864	137,157
Total Fund	\$ 1,649,539,335	\$ 130,021,938	\$ 12,151,252	\$ 1,050,412

DCP


- Horizon Fund
- Social Balanced Fund
- U.S. Stock Market Index
- Equity-Income Fund
- Independence Fund
- Growth Co. Fund
- Overseas Fund
- U.S. Small Cap Stock Fund
- Bond Market Fund
- Savings Pool

JRA


DCP

JRA

Dec-01
\$1,435.818

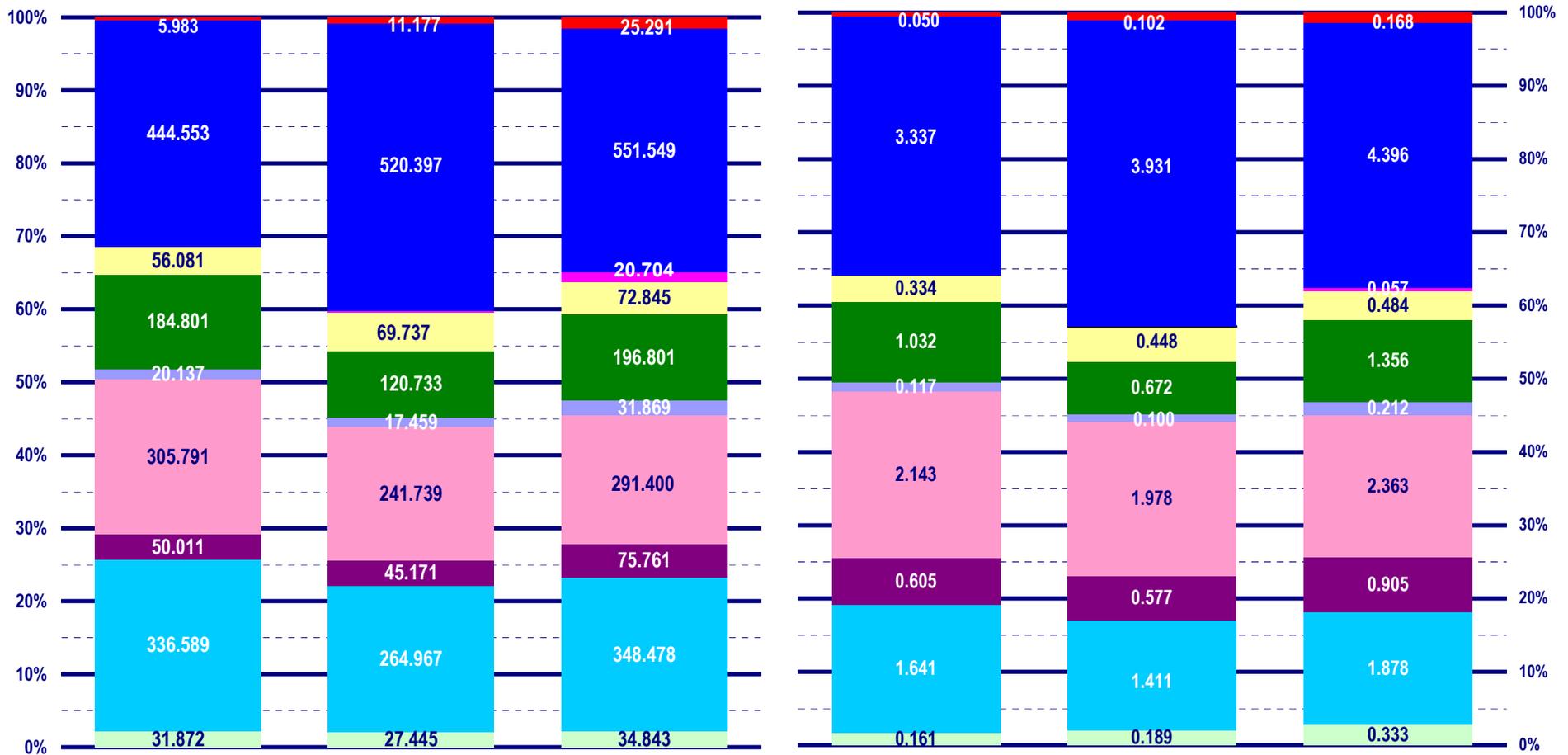
Dec-02
\$1,320.523

Dec-03
\$1,649.539

Dec-01
\$9.421

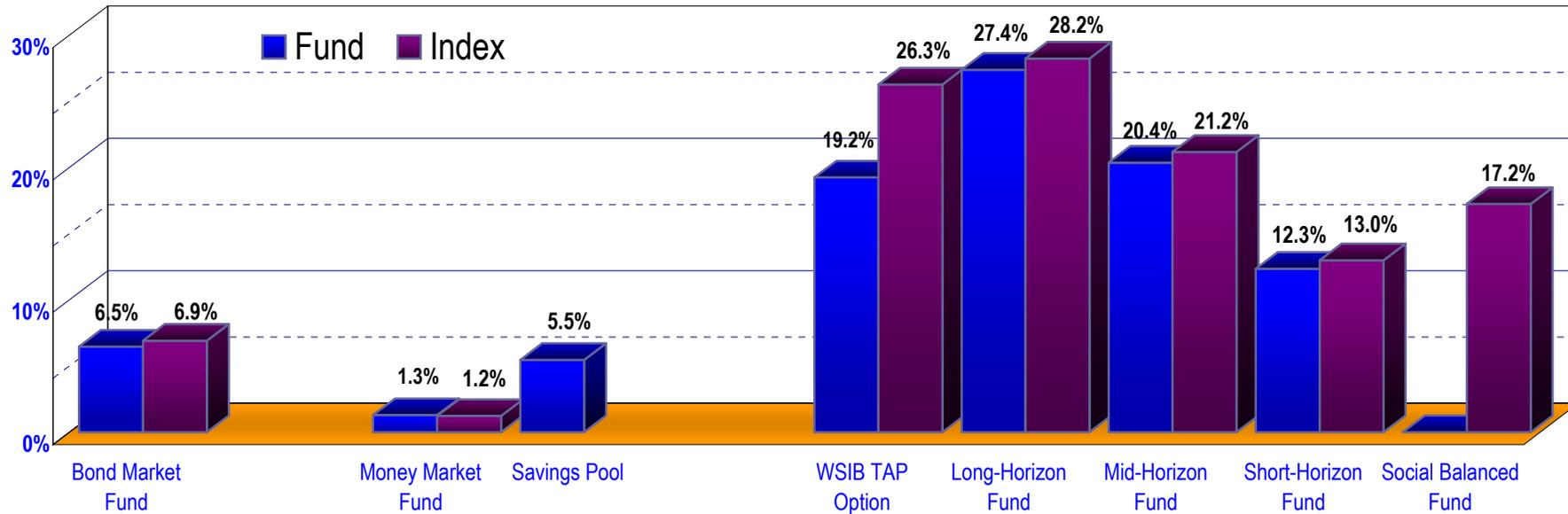
Dec-02
\$9.416

Dec-03
\$12.151



- Social Balanced Fund
- Equity-Income Fund
- Stock Market Index Fund
- Independence Fund
- Overseas Fund
- Growth Company Fund
- Bond Market Fund
- Small Cap Stock Fund
- Savings Pool
- Horizon Funds

One-Year Returns (ended December 31, 2003)



Bond Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Bond Market Fund	0.3%	6.5%	8.2%	N/A	N/A
Lehman Intermediate Credit	0.4%	6.9%	8.9%	7.2%	7.2%
Cash Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Money Market Fund	0.3%	1.3%	2.6%	3.9%	4.7%
One Month LIBOR	0.3%	1.2%	2.3%	3.8%	4.7%
Savings Pool	1.3%	5.5%	6.0%	6.2%	6.5%

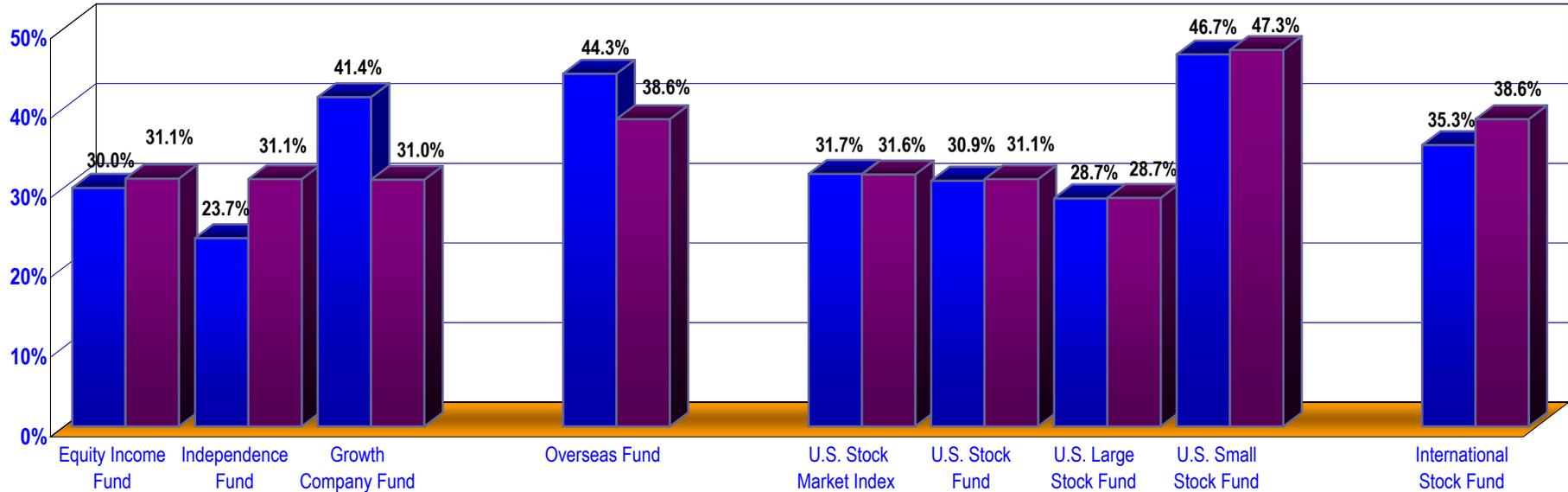
Balanced Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
WSIB TAP Option	7.5%	19.2%	1.6%	4.5%	9.1%
Custom Benchmark	10.1%	26.3%	0.7%	2.0%	8.6%
Long-Horizon Fund	10.9%	27.4%	-0.4%	N/A	N/A
Custom Benchmark	11.0%	28.2%	0.3%	2.1%	8.9%
Mid-Horizon Fund	7.4%	20.4%	2.6%	N/A	N/A
Custom Benchmark	7.5%	21.2%	3.3%	4.0%	8.5%
Short-Horizon Fund	4.1%	12.3%	3.8%	N/A	N/A
Custom Benchmark	4.2%	13.0%	4.4%	4.8%	7.3%
Social Balanced Fund	6.9%	N/A	N/A	N/A	N/A
Custom Benchmark	6.8%	17.2%	1.5%	3.0%	9.6%

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



One-Year Returns (ended December 31, 2003)

Fund Index



Active U.S. Equity	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Equity Income Fund	14.4%	30.0%	0.8%	3.5%	10.8%
<i>Russell 3000 Value</i>	14.4%	31.1%	2.1%	4.2%	11.9%
Independence Fund	9.9%	23.7%	-8.8%	2.5%	9.4%
<i>Russell 3000</i>	12.4%	31.1%	-3.1%	0.4%	10.8%
Growth Company Fund	9.5%	41.4%	-11.1%	3.4%	11.0%
<i>Russell 3000 Growth</i>	10.6%	31.0%	-8.8%	-4.7%	8.8%
Active International	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Overseas Fund	16.4%	44.3%	-2.5%	1.6%	5.4%
<i>MSCI EAFE</i>	17.1%	38.6%	-2.9%	-0.1%	4.5%

Passive U.S. Equity	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
U.S. Stock Market Index	12.5%	31.7%	-2.6%	0.8%	10.8%
<i>Wilshire 5000</i>	12.4%	31.6%	-2.5%	0.4%	10.6%
U.S. Stock Fund	12.4%	30.9%	-3.1%	N/A	N/A
<i>Russell 3000</i>	12.4%	31.1%	-3.1%	0.4%	10.8%
U.S. Large Stock Fund	12.2%	28.7%	-4.0%	-0.6%	N/A
<i>S&P 500</i>	12.2%	28.7%	-4.1%	-0.6%	11.1%
U.S. Small Stock Fund	14.5%	46.7%	6.3%	7.0%	N/A
<i>Russell 2000</i>	14.5%	47.3%	6.3%	7.1%	9.5%
Passive International	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
International Stock Fund	16.7%	35.3%	-4.7%	-1.3%	N/A
<i>MSCI EAFE</i>	17.1%	38.6%	-2.9%	-0.1%	4.5%

*Uses current managers' 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.

Labor and Industries' Funds

Quarterly Report
December 31, 2003

Capital Markets

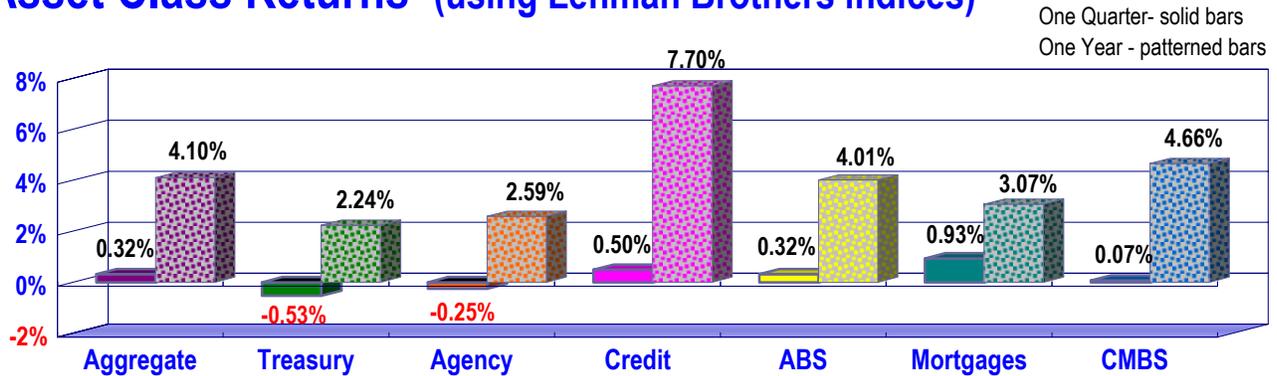
Market Values and Asset Allocation

Performance and Durations versus CMI
Quarter, One, Three, Five, and Ten Year

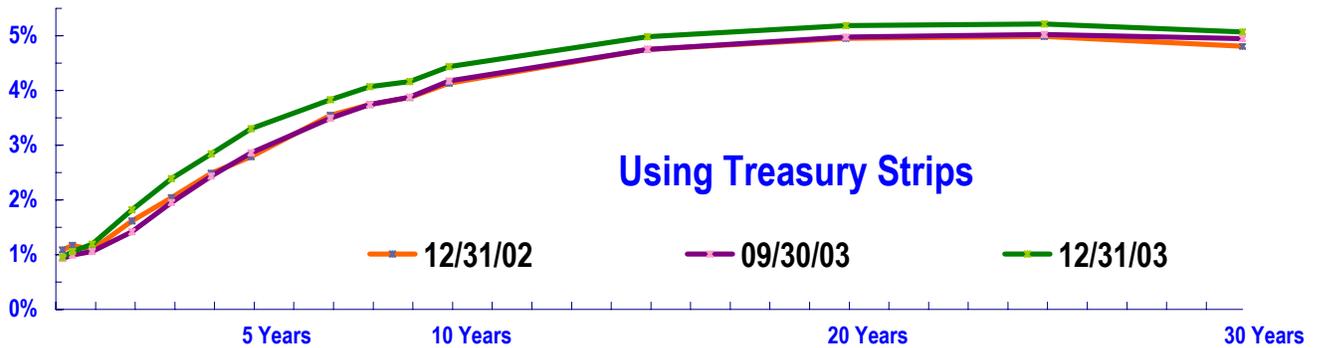
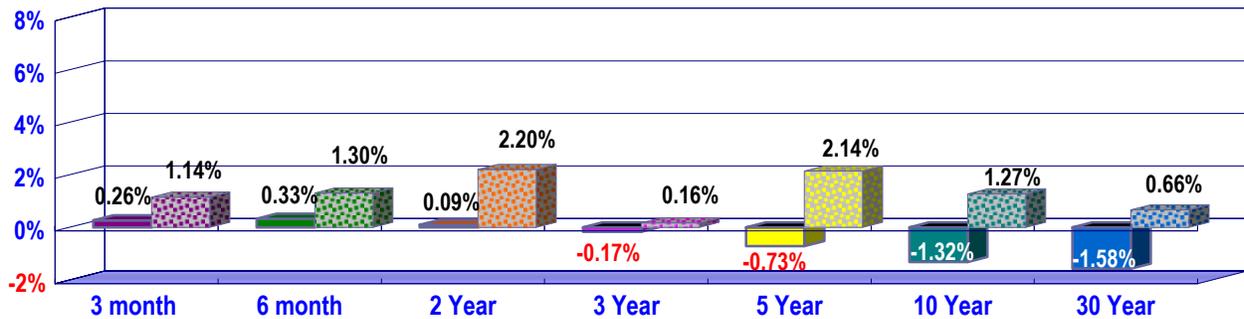
Capital Markets One Quarter and One Year Performance

Quarter Ended December 31, 2003

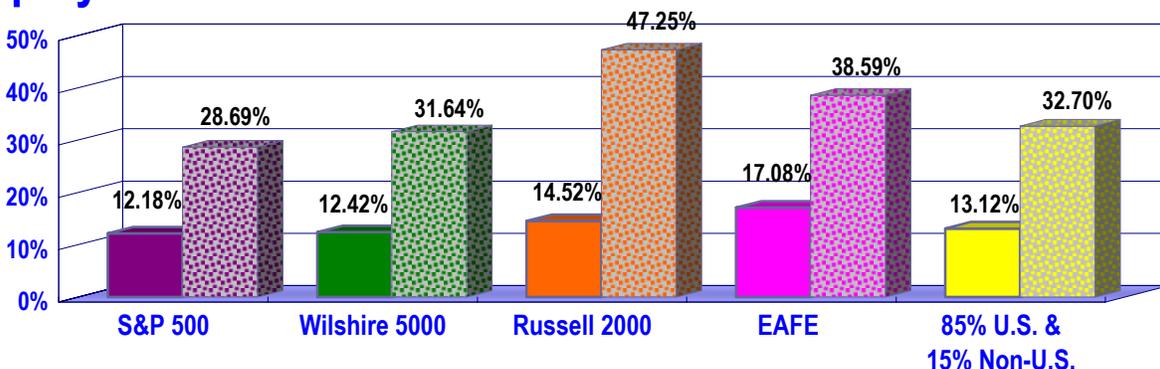
Asset Class Returns (using Lehman Brothers indices)



Treasury Return and Yield Curve



Equity Indices



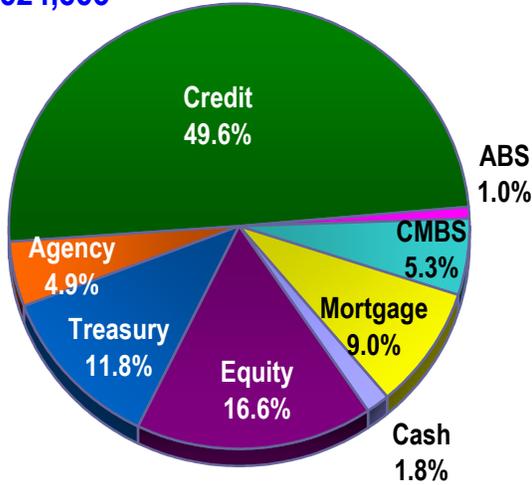
LABOR & INDUSTRIES' FUNDS

Quarter Ended December 31, 2003

Market Values and Asset Allocation

Total L&I Funds

\$ 9,350,524,853



WSIB Policy Ranges for Total L & I:

Fixed Income: 82-88%
Equities: 12-18%

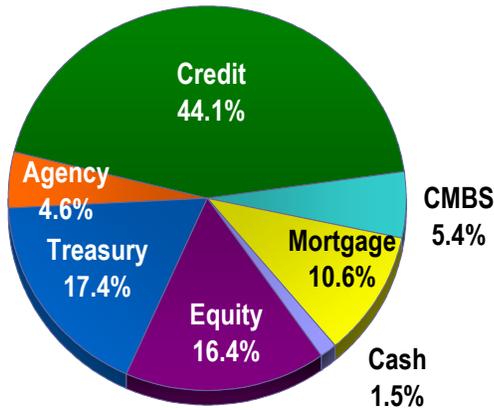
WSIB Policy Ranges within Fixed Income:

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

Accident Fund

Fund 608

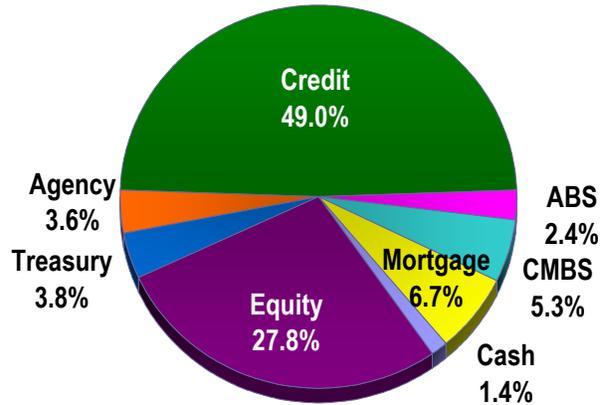
\$ 3,676,549,955



Medical Aid Fund

Fund 609

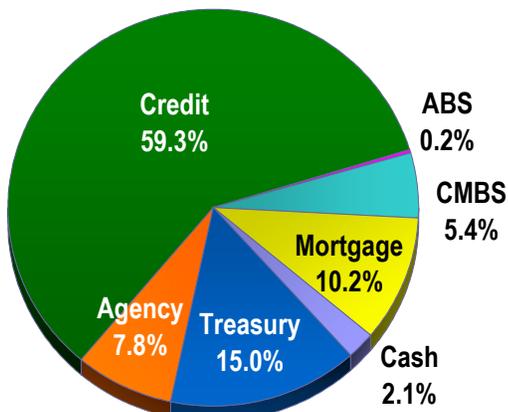
\$ 3,414,182,274



Pension Reserve

Fund 610

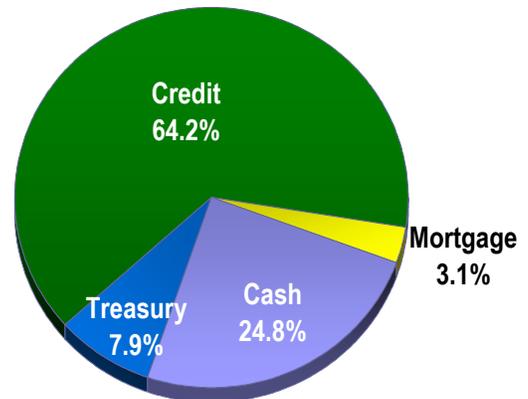
\$ 2,192,029,802



Supplemental Pension

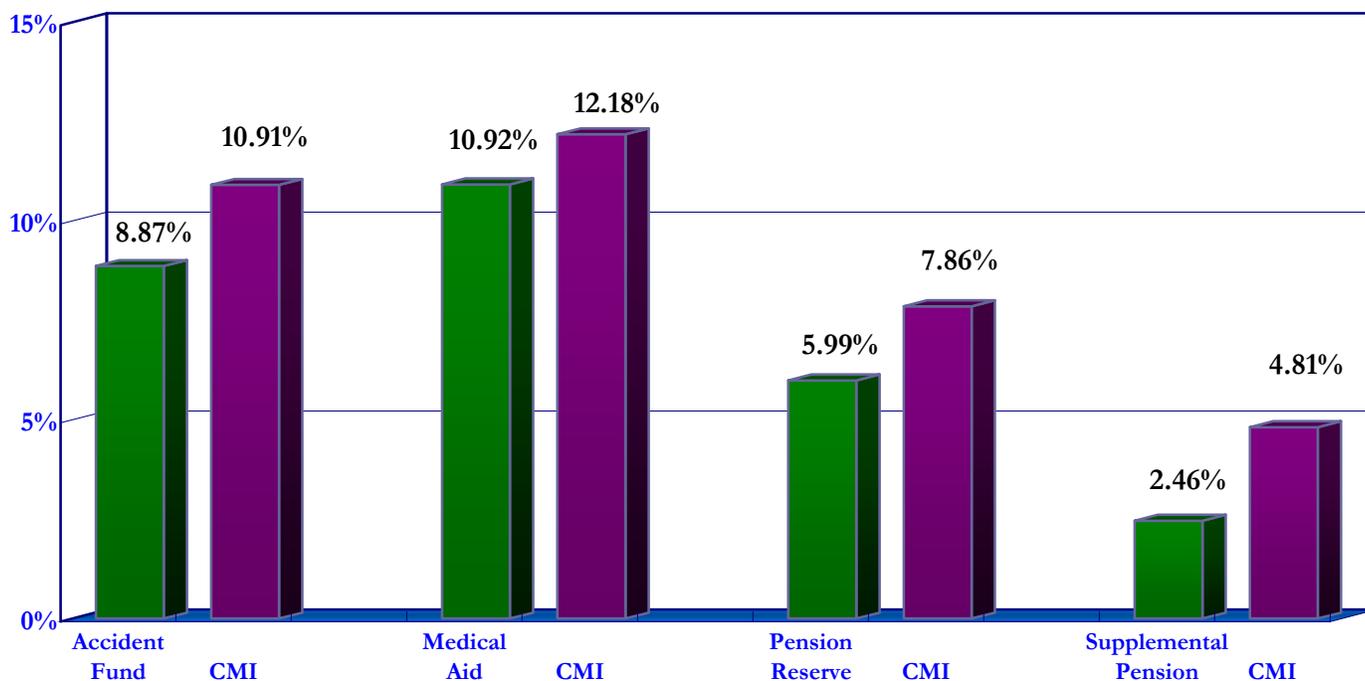
Fund 881

\$ 67,762,821



Performance and Durations versus CMI

One Year Performance



	Accident Fund	CMI	Medical Aid	CMI	Pension Reserve	CMI	Supplemental Pension	CMI
Duration:	9.51	9.85	3.76	3.79	9.22	10.58	1.92	2.38

Total Return

	Total	CMI	Total	CMI	Total	CMI	Total	Ex-Cash	CMI
Quarter	1.68%	2.07%	3.40%	3.56%	-0.33%	0.22%	-0.06%	-0.02%	0.31%
One Year	8.87%	10.91%	10.92%	12.18%	5.99%	7.86%	2.46%	4.25%	4.81%
Three Year	7.76%	8.43%	5.76%	6.25%	9.40%	10.20%	4.84%	6.43%	7.02%
Five Year	6.30%	6.36%	5.59%	5.69%	7.44%	7.21%	4.72%	5.67%	6.40%
Ten Year	7.47%	7.30%	7.76%	7.73%	8.62%	8.46%	5.76%	6.26%	6.39%

L&I Statutory Accounting Return**

Quarter	3.98%	4.73%	2.47%	1.16%
One Year	12.87%	13.14%	8.54%	3.95%
Three Year	6.23%	4.56%	6.99%	3.94%
Five Year	6.76%	5.44%	7.35%	5.07%

**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.

Permanent Funds and Other Trusts

Quarterly Report

December 31, 2003

Permanent Funds

Market Values and Asset Allocation

Interest Income, Performance and Duration
Quarter, One Year, Three Year, Five Year, Ten Year

Other Trusts

Market Values and Asset Allocation
Quarter, One Year, Three Year, Five Year, Ten Year

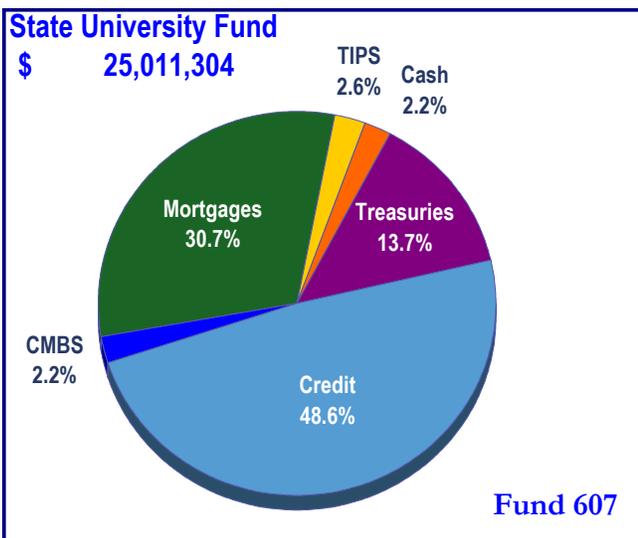
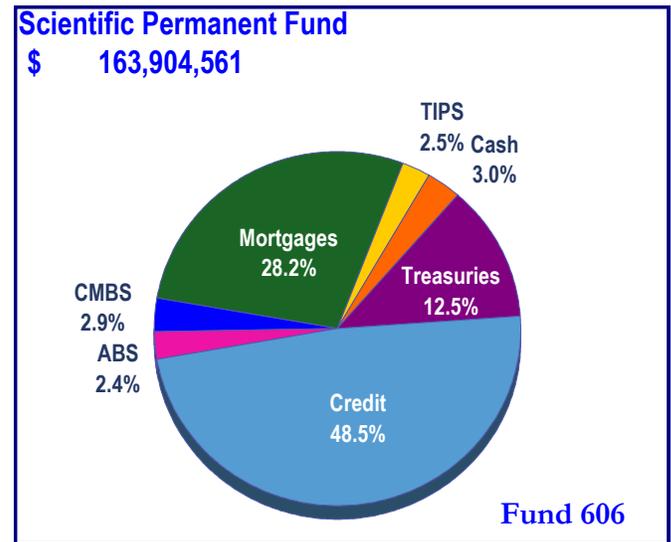
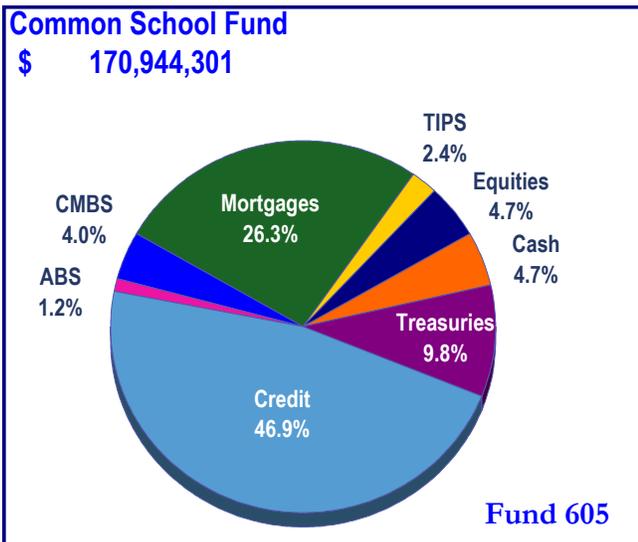
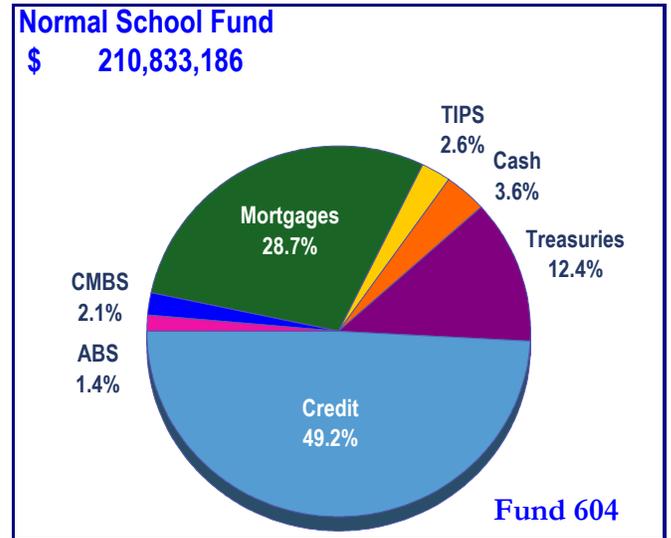
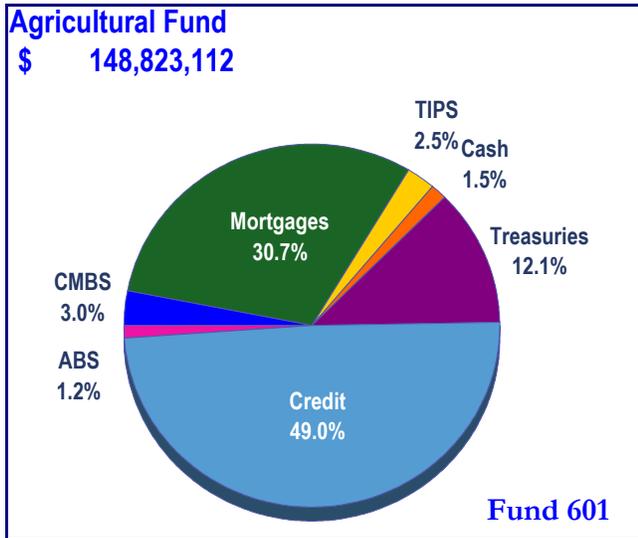
GET—Advanced College Tuition Payment Program
Quarter, One Year, Three Year, Five Year, Ten Year

DDEF—Developmental Disability Endowment Fund
Quarter, One Year, Three Year, Five Year, Ten Year

PERMANENT FUNDS

December 31, 2003

Market Values and Asset Allocation



Millersylvania State Park Fund
\$ 5,155

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

Fund 603

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%

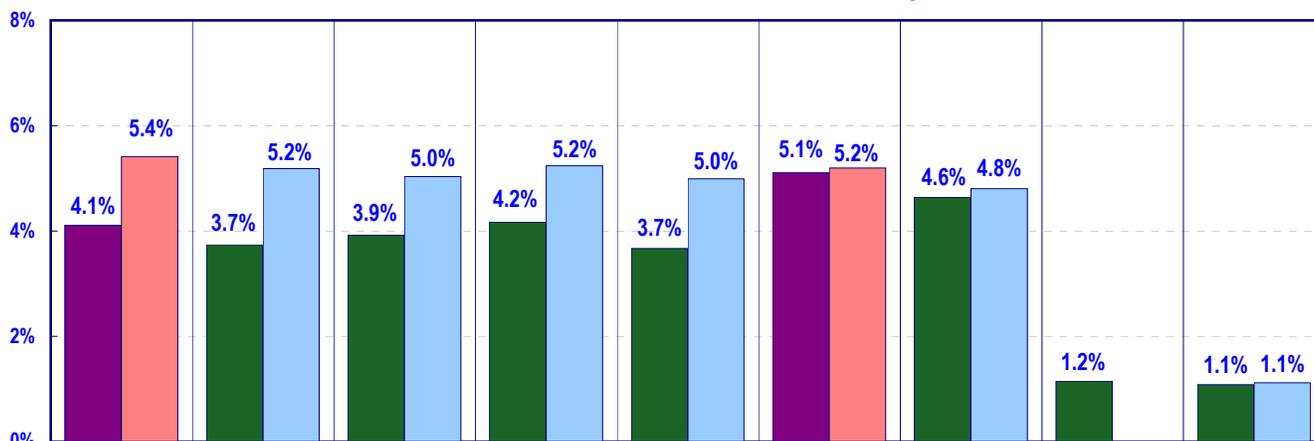
PERMANENT FUNDS

December 31, 2003

Interest Income, Performance and Duration

One Year

■ Total Return ■ Coupon or Distribution Return



	Lehman Aggregate Index	601 Agricultural Fund	604 Normal School	606 Scientific Permanent	607 State University	Custom Benchmark*	605 Common School	90-Day TBill	603 Millersylvania Park Fund
Balance - 12/31/98		\$ 98,017,736	\$186,497,517	\$137,952,687	\$20,274,590		\$161,920,155		\$5,171
Balance - 12/31/02		148,039,380	209,262,575	161,014,981	24,832,235		168,889,523		5,157
Balance - 12/31/03		148,823,112	210,833,186	163,904,561	25,011,304		170,944,301		5,155

Distribution Return (Includes coupon income and amortization minus expenses and deferred losses based on book value)

Quarter	Lehman Aggregate Index	601 Agricultural Fund	604 Normal School	606 Scientific Permanent	607 State University	Custom Benchmark*	605 Common School	90-Day TBill	603 Millersylvania Park Fund
Quarter	1.20%	1.16%	1.20%	1.15%		1.11%			0.24%
One Year	5.18%	5.03%	5.24%	4.99%		4.81%			1.12%
Three Year	6.15%	6.01%	6.21%	6.01%		5.84%			2.44%
Five Year	6.45%	6.31%	6.34%	6.42%		6.11%			3.76%

Total Return

Quarter	Lehman Aggregate Index	601 Agricultural Fund	604 Normal School	606 Scientific Permanent	607 State University	Custom Benchmark*	605 Common School	90-Day TBill	603 Millersylvania Park Fund
Quarter	0.32%	-0.18%	-0.23%	-0.14%	-0.21%	0.82%	0.23%	0.26%	0.25%
One Year	4.11%	3.74%	3.92%	4.17%	3.67%	5.10%	4.64%	1.15%	1.08%
Three Year	7.57%	7.67%	7.80%	8.27%	8.16%	7.31%	7.82%	2.44%	2.28%
Five Year	6.62%	6.55%	6.60%	6.59%	6.88%	6.38%	6.38%	3.66%	3.67%
Ten Year	6.95%	7.01%	7.03%	6.98%	7.10%	6.82%	6.88%	4.48%	4.50%

Fixed Income Duration

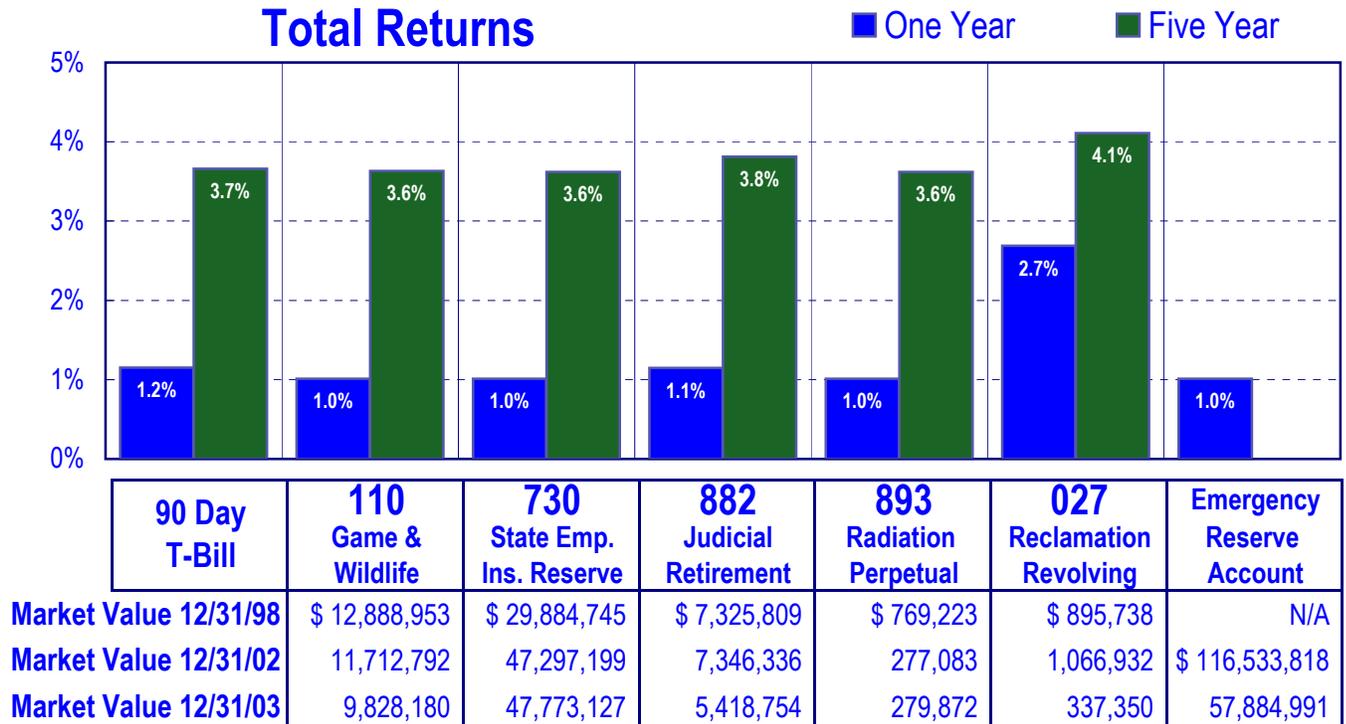
Duration	Lehman Aggregate Index	601 Agricultural Fund	604 Normal School	606 Scientific Permanent	607 State University	Custom Benchmark*	605 Common School	90-Day TBill	603 Millersylvania Park Fund
Duration	4.50	4.19	4.30	4.19	4.28	4.50	4.29	0.25	0.10
Difference		-0.31	-0.20	-0.31	-0.22		-0.21		N/A
Percent Difference		-6.9%	-4.4%	-6.9%	-4.9%		-4.7%		N/A

* The custom benchmark for the Common School Fund is a combination of the Lehman Aggregate and Wilshire 5000 using the previous month-end weights adjusted for new purchases during the current month. For December 2003, the breakdown was 4.6% Wilshire 5000 and 95.4% Lehman Aggregate.

OTHER TRUST FUNDS

December 31, 2003

Market Values, Performance and Asset Allocation

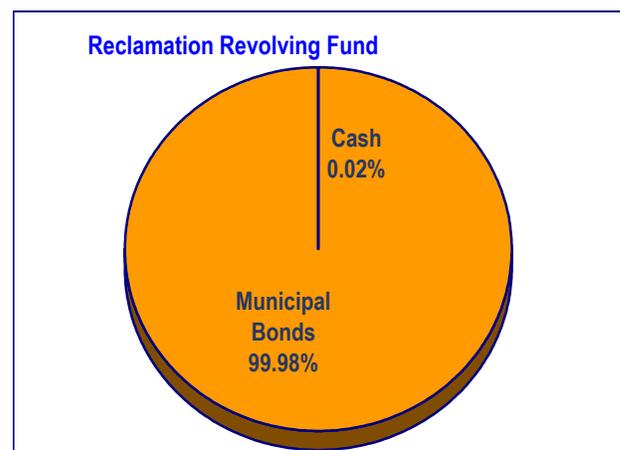


Total Return

Quarter	0.26%	0.23%	0.23%	0.26%	0.23%	0.78%	0.23%
One Year	1.15%	1.01%	1.01%	1.15%	1.01%	2.69%	1.01%
Three Year	2.44%	2.19%	2.19%	2.45%	2.19%	3.26%	2.32%
Five Year	3.66%	3.63%	3.62%	3.81%	3.62%	4.11%	N/A
Ten Year	4.48%	4.56%	4.48%	4.60%	4.44%	N/A	N/A

Portfolio Allocations

Funds 110, 730, 882, 893, and the Emergency Reserve Account are fully invested in short-term investment funds (STIF).



OTHER TRUST FUNDS

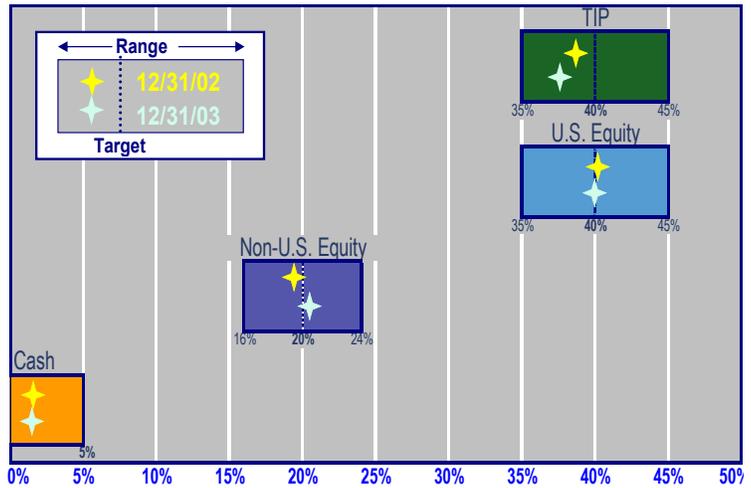
December 31, 2003

GET Portfolio Breakdown and Performance

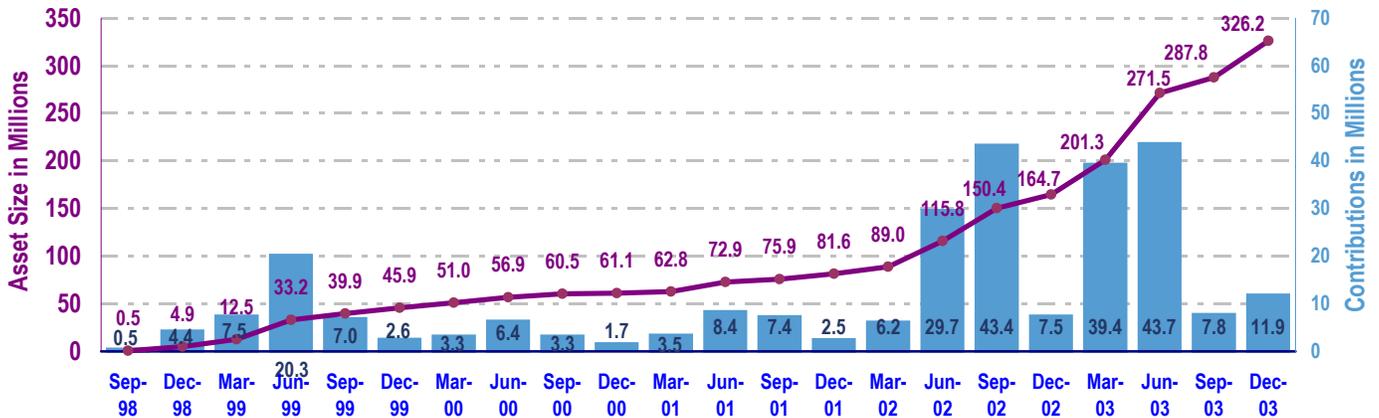
Portfolio Size

Total **\$326,223,416**

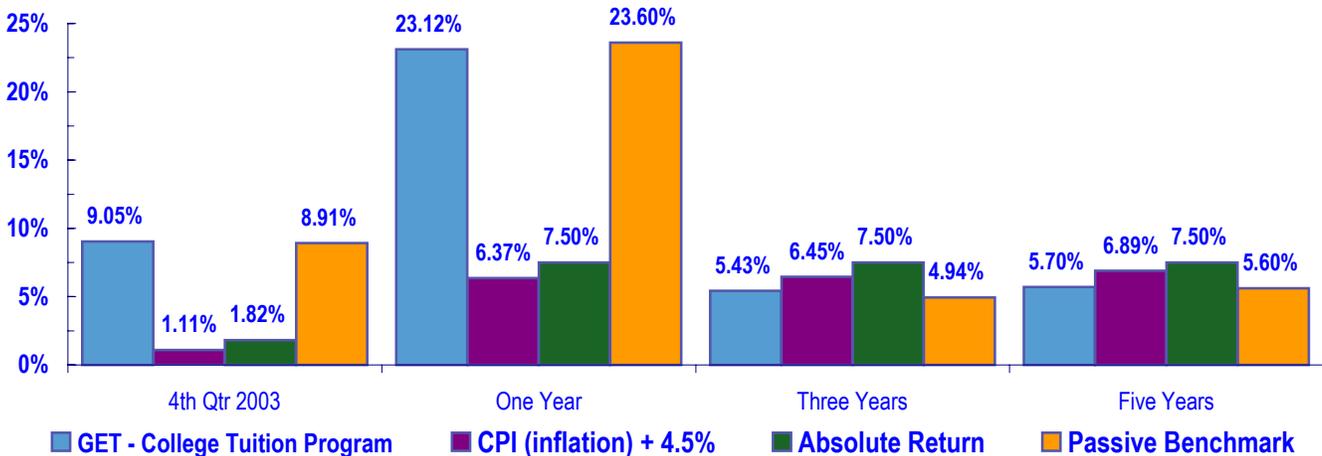
Cash	5,533,064
Treasury Inflation Index Note (TIP)	122,581,772
U.S. Equity	130,522,801
Non-U.S. Equity	67,585,778



Assets Under Management



Total Return

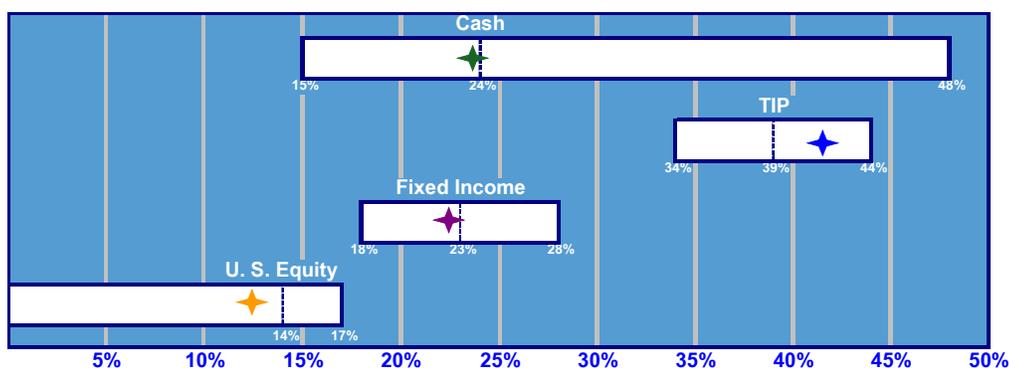
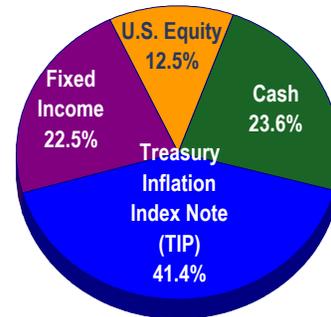


DDEF Portfolio Breakdown and Performance

Allocation

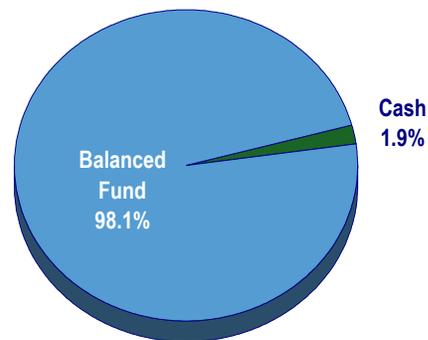
DDEF - State Funds

Total	\$6,434,685
Cash	1,517,466
Treasury Inflation Index Note (TIP)	2,662,455
Fixed Income	1,451,714
U.S. Equity	803,051



DDEF - Private Funds

Total	\$518,287
Cash	10,033
Balanced Fund	508,255



Total Return

