



Investment Reports

Quarterly Report – December 31, 2006

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Dated: February 2, 2007



Commingled Trust Fund (CTF)

Quarterly Report – December 31, 2006

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Capital Markets

- ❖ The Dow Jones Wilshire 5000 index was 7.2% for the quarter bringing the 1 year return to 15.8%.
- ❖ Small Cap, as measured by the Russell 2000 is up 8.9% for the quarter. It outperformed large cap (Russell 1000) by 195 basis points, which returned 7.0% for the quarter. Small cap continued to outperform large cap for all time periods.
- ❖ This quarter value outperformed growth (8.1 versus 6.2) using the Russell 3000 series.
- ❖ The international equity market, as measured by the MSCI ACWI ex U.S., outperformed the U.S. equity market, as measured by the Dow Jones Wilshire 5000, by 400 basis points. Of the 47 countries in the MSCI ACWI ex U.S. Index, 45 countries had positive returns for the quarter in U.S. dollars. The lowest and highest returning markets were both emerging countries (Jordan at -8.9% and China at 35.9%). The best performing developed country was Norway at 26.1% and the worst was Japan at 5.0%.
- ❖ In the Lehman indices, emerging markets(excluding U.S. aggregate) had the highest return for the quarter earning 4.6% and for the year earning 12.2%. For the quarter and the year, the short end outperformed the long. For the quarter, the 3 month T-Bill earned 1.3% and the 30 year Treasury Bond earned 0.4%.
- ❖ For the 4th quarter of 2006, the best performers in the NCREIF were hotel, at 7.0%, and the Eastern region, at 5.7%. Total return for the index was 4.5%.
- ❖ GDP was 3.5% for the quarter. Inflation was almost flat for the quarter growing only, as measured by CPI, 0.05%.
- ❖ The federal reserve left the federal fund target rate at 5.25% for the quarter.

Total Fund

- ❖ The CTF increased in size during the quarter growing almost \$2.8 billion to over \$58.4 billion.
- ❖ Since the beginning of the fiscal year the fund has increased by over \$4.6 billion.

Asset Allocation

- ❖ All asset classes in the CTF are within their long-term target ranges. \$300 million from U.S. Equity and \$175 million from International Equity was transferred to fund participant withdrawals and Private Equity capital calls. Real Estate's disbursements were larger than capital calls by about \$100 million.

Investment Return

- ❖ The CTF's return for the 4th quarter of 2006 was 5.8%. The fund underperformed all benchmarks for the quarter but continued to outperform for the longer time periods. All annualized returns shown (1, 3, 5, and 10 year) continue to exceed the actuarial assumption of 8%.

U.S. Equity

- ❖ The WSIB U.S. equity portfolio underperformed the Dow Jones Wilshire 5000 slightly for the quarter and 5 year but outperformed it in all other time periods.
- ❖ The passive index manager (BGI) slightly underperformed its benchmark for the quarter but all enhanced Equity managers outperformed their benchmarks. The total U.S. enhanced equity outperformed the D.J. Wilshire 5000 by 35 basis points for the year.

International Equity

- ❖ The WSIB international equity portfolio outperformed the benchmark for the quarter by 2 basis points. For the annualized time periods it slightly underperformed.
- ❖ 7 of the 10 developed managers outperformed for the quarter but only 6 outperformed for the year. Both SSgA and Mondrian outperformed for the 3 and 5 year.
- ❖ 4 of the WSIB's 5 emerging markets managers underperformed the benchmark for the quarter. Capital International outperformed for the 1 year and both legacy managers outperformed for the 3 year.

Fixed Income

- ❖ Fixed income underperformed the Lehman Universal & Aggregate for the quarter and underperformed the Lehman Universal for the year but continues to outperform for the 3, 5, and 10 year time periods.

Private Equity

- ❖ The WSIB private equity return for the 4th quarter was 1.9%. The 1 year return was 25.0% and outperformed the benchmark, S&P 500 plus 500 basis points (lagged one quarter) which was 15.8%.
- ❖ The WSIB LP portfolio returned 4.8%, and the WSIB KKR portfolio returned -5.5% for the quarter.
- ❖ As of September 30, 2006, there were \$7.9 billion in unfunded commitments.

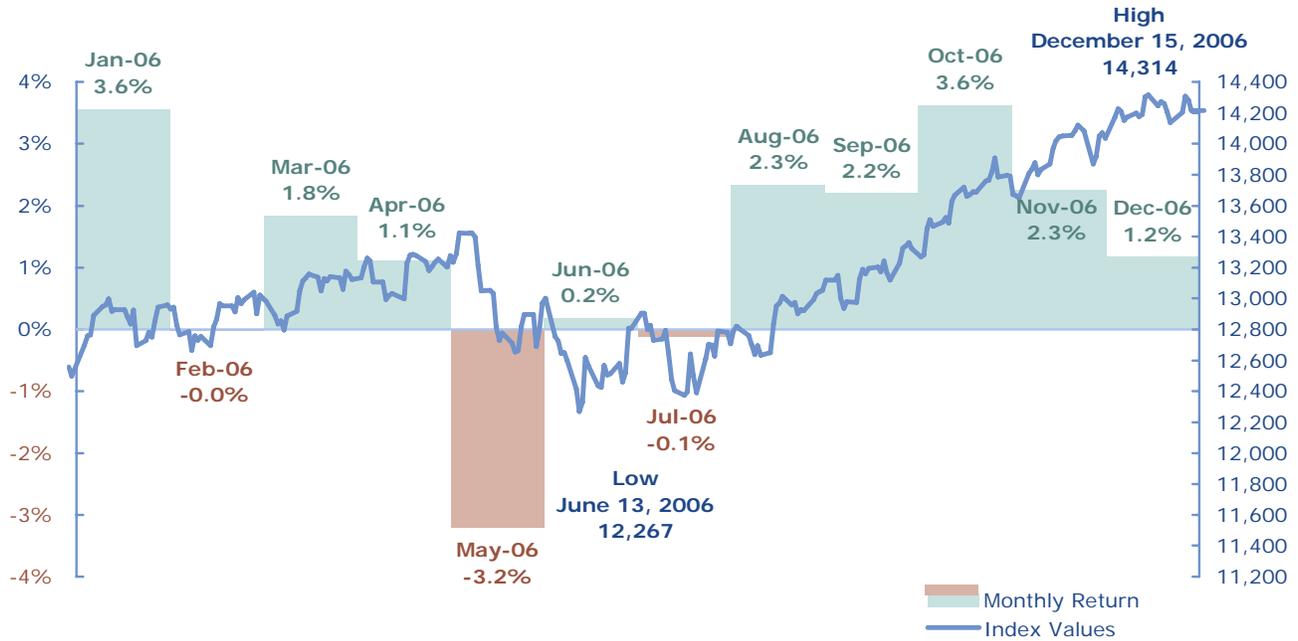
Real Estate

- ❖ The WSIB Real Estate return for the 4th quarter was 7.5%, up 5.7% from last quarter. It outperformed NCREIF (lagged one quarter) plus 100 basis points by 3.7%. For the 1 year period, the return of 23.8% was over 520 basis points above the benchmark of 18.6%.
- ❖ As of September 30, 2006, there were \$5.7 billion in unfunded commitments.



Dow Jones Wilshire 5000

December 31, 2005 - December 31, 2006

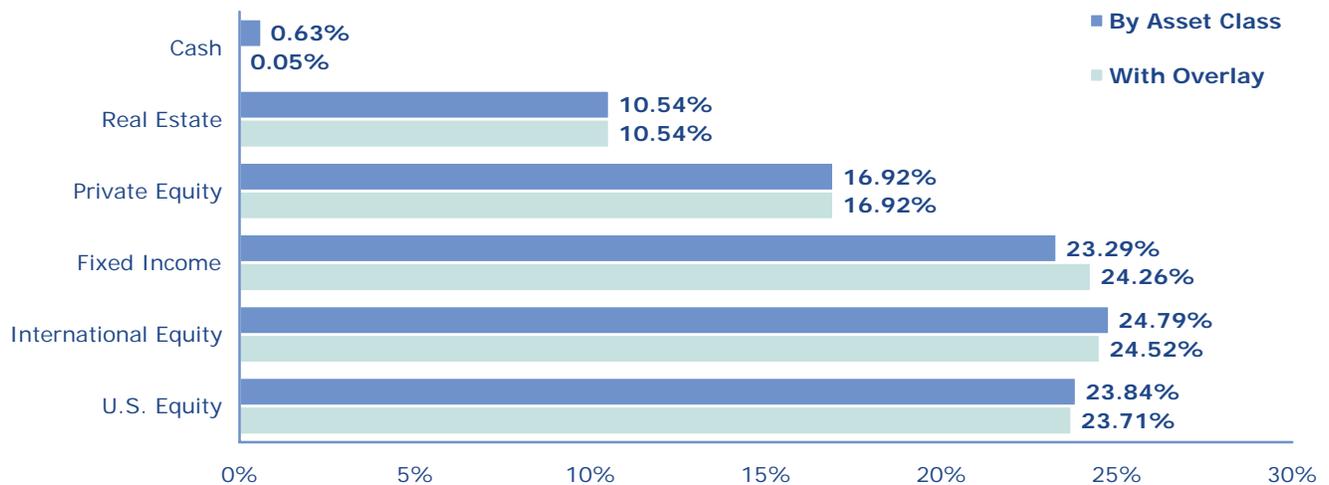


Capital Market Returns

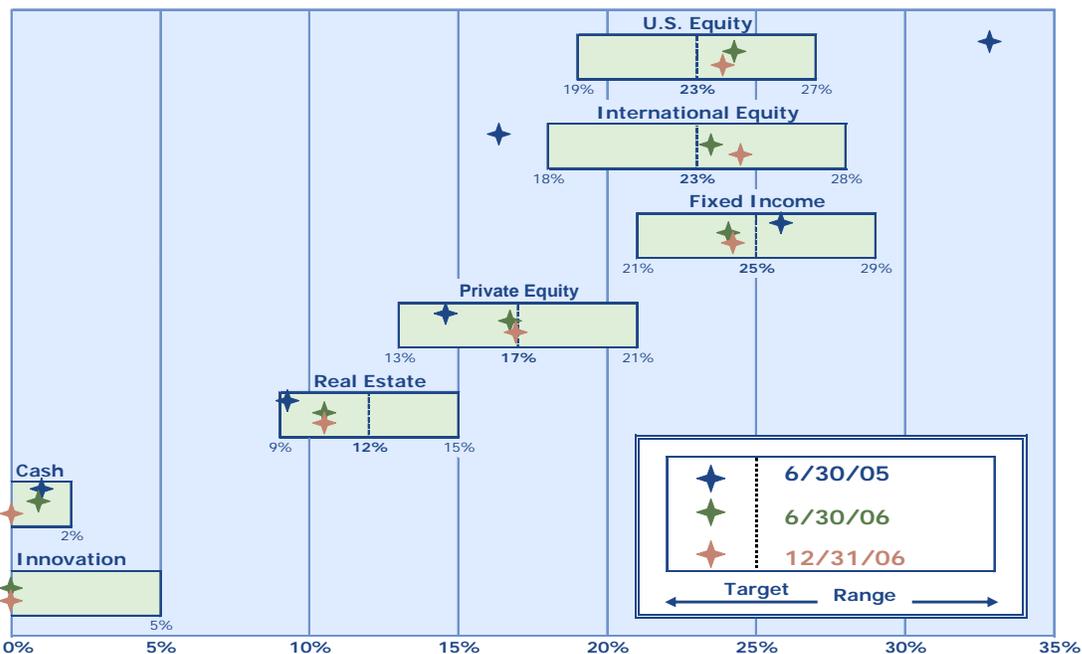


Asset Class	Market Value (000s)
U.S. Equity	\$ 13,929,498
International Equity	14,486,523
Fixed Income	13,610,501
Private Equity	9,890,672
Real Estate	6,158,583
Cash	368,501
Total Fund	\$ 58,444,279

Actual Asset Allocation



Current Allocation Versus Long-Term Targets and Policy Ranges





Market Values in \$000s

			Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	\$ 58,444,279	99.9%	5.75 %	10.10 %	17.90 %	15.04 %	11.00 %	9.77 %
Passive Benchmark ²			6.67	11.16	15.55	11.61	8.95	8.34
Implementation Value Added Benchmark ³			6.16	5.83	15.72	13.30	10.44	N/A
TUCS Public Fund >\$1B Median ⁴			5.78	9.96	14.28	11.38	9.00	8.58
TUCS Public/Corporate Fund >\$1B Median ⁴			5.82	9.88	14.28	11.50	9.08	8.76
U.S. Equity	\$ 13,929,498	23.8%	7.17 %	12.05 %	15.84 %	11.51 %	7.55 %	8.78 %
Dow Jones Wilshire 5000			7.20	11.99	15.77	11.47	7.61	8.65
S&P 500			6.70	12.74	15.79	10.44	6.19	8.42
Int'l. Equity	\$ 14,486,523	24.8%	11.23 %	15.89 %	27.11 %	21.57 %	16.51 %	8.21 %
MSCI ACWI ex U.S.			11.21	15.61	27.16	21.81	16.87	8.59
MSCI EAFE			10.35	14.69	26.34	19.93	14.98	7.71
Fixed Income	\$ 13,610,501	23.3%	1.12 %	5.11 %	4.72 %	4.31 %	5.88 %	6.70 %
Lehman Universal			1.50	5.46	4.97	4.21	5.64	6.40
Cash	\$ 289,336	0.5%	1.20 %	2.42 %	4.56 %	2.86 %	2.18 %	3.16 %
90 Day T-Bills			1.26	2.60	4.85	3.07	2.43	3.83
Private Equity⁵	\$ 9,890,672	16.9%	1.88 %	6.98 %	24.95 %	28.74 %	16.15 %	14.35 %
S&P 500 (Lagged One Quarter) + 500 bp			6.90	6.59	15.79	17.30	11.97	13.59
Real Estate⁵	\$ 6,158,583	10.5%	7.47 %	9.45 %	23.84 %	21.92 %	17.54 %	15.62 %
NCREIF (Lagged One Quarter) + 100 bp			3.76	8.16	18.62	17.37	13.42	13.51
Overlay⁶	\$ 79,166	0.1%	-0.01 %	0.02 %	0.03 %	0.01 %	0.01 %	0.00 %

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

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

³ See the glossary on page 21 for definitional implementation value added benchmark.

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

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

⁶To show the performance, cash and the cash held in the overlay are seperated out on this page

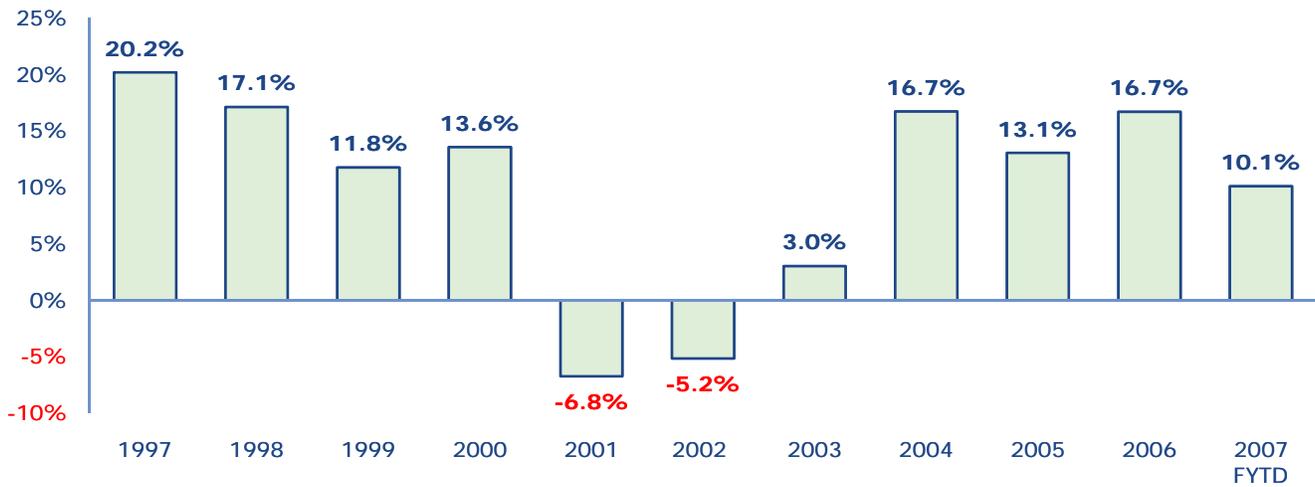


Market Values in \$000s

CTF Market Value: \$ 58,444,279
Net Change this Quarter: \$ 2,790,063
Net Change for Fiscal Year: \$ 4,632,107

Annual Performance

Fiscal Years Ended June 30



Assets Under Management (\$ Billions)

Fiscal Years Ended June 30



Market Values in \$000s

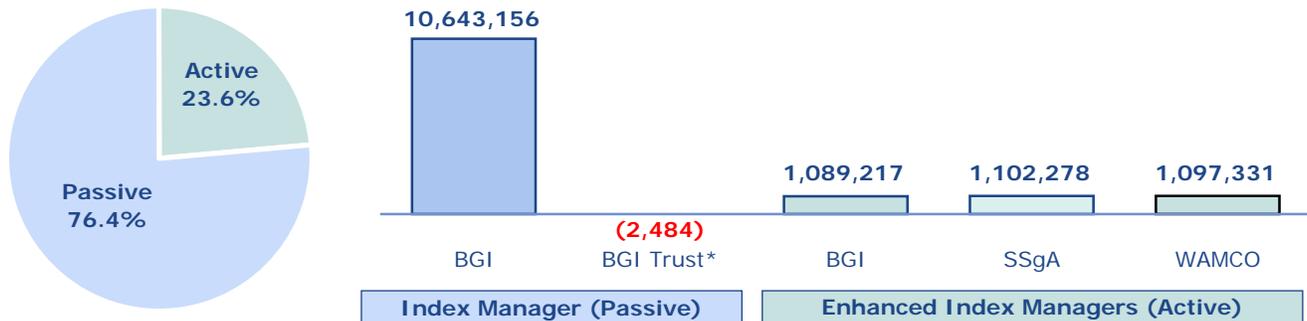
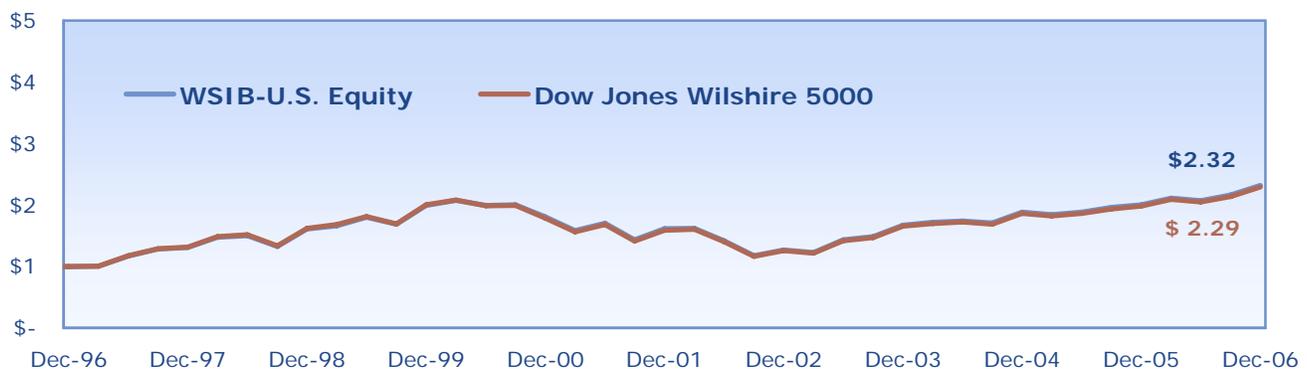
Market Value: \$13,929,498
Ten Largest Holdings (3,869 total holdings versus 4,961 in the index)

Exxon Mobil Corp.	2.87%	Pfizer Inc.	1.25%
General Elec Co.	2.33%	Procter And Gamble Co.	1.20%
Citigroup Inc.	1.76%	Johnson + Johnson	1.20%
Microsoft Corp.	1.67%	Cisco Systems Inc.	1.10%
Bank Amer Corp.	1.56%	J.P. Morgan Chase & Co.	1.08%

The top ten companies represent 16.0% of the portfolio, the top 100 approximately 51.1%

Performance

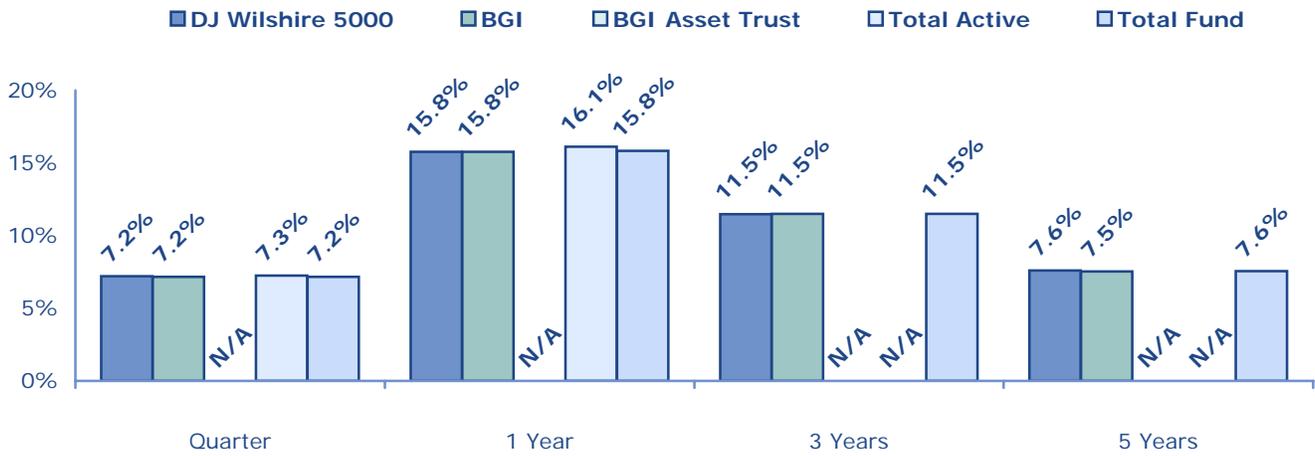
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB U.S. Equity	7.17 %	12.05 %	15.84 %	11.51 %	7.55 %	8.78 %
Dow Jones Wilshire 5000	7.20	11.99	15.77	11.47	7.61	8.65
S & P 500	6.70	12.74	15.79	10.44	6.19	8.42
Russell 3000	7.12	12.09	15.72	11.19	7.17	8.64

Manager Breakdown

Growth of a Dollar


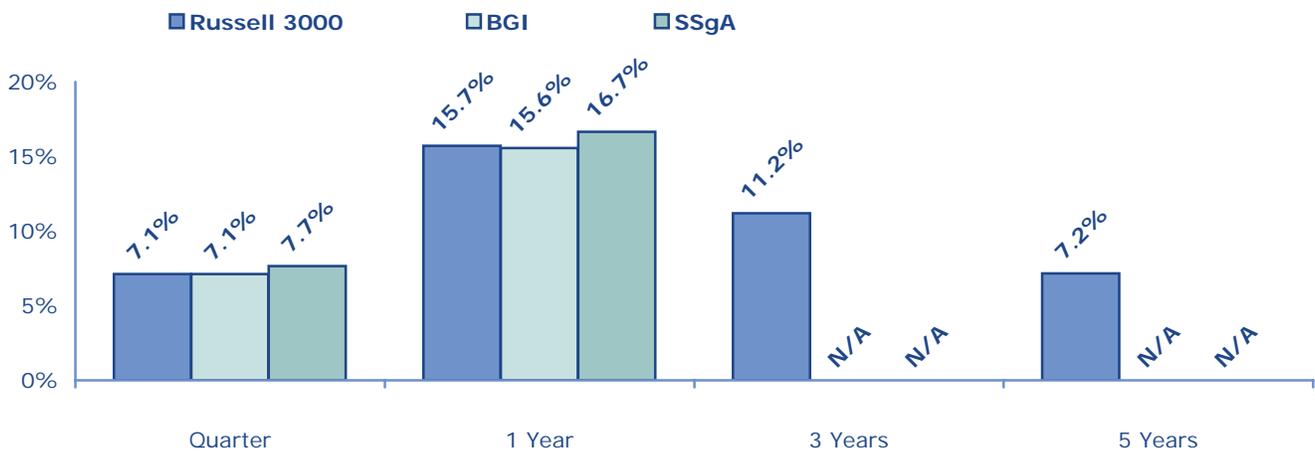
* A negative amount due to timing issues as funds were transferred over quarter end.



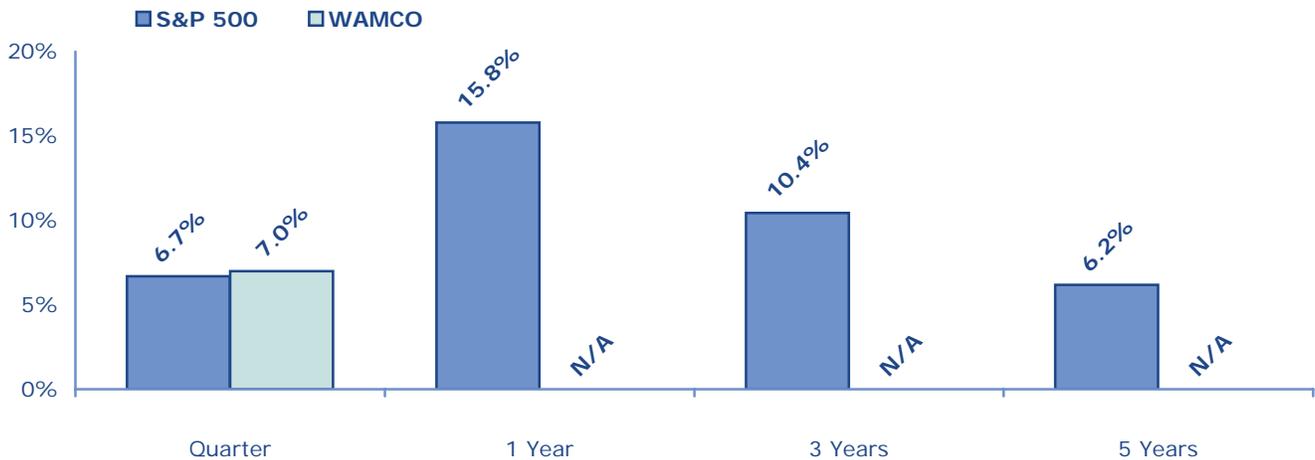
Managers and Composites Compared to DJ Wilshire 5000



Managers Compared to Russell 3000



Managers Compared to S&P 500





Market Values in \$000s

Market Value: \$14,486,523

The portfolio has 2,641 holdings versus 2,126 in the index. The top ten holdings represent about 8.9 percent of the portfolio and the top 100 approximately 41.5 percent. The portfolio has exposure to 63 countries: 22 developed, 24 emerging, and 17 other (as defined by MSCI ACWI ex U.S.).

Ten Largest Exposures by Country

	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	17.40%	18.81%	Canada	4.13%	5.82%
Japan	17.11%	17.89%	Italy	4.04%	3.08%
France	8.91%	8.01%	Australia	4.02%	4.42%
Germany	6.32%	5.90%	Spain	3.80%	3.22%
Switzerland	5.23%	5.46%	Netherlands	3.59%	2.69%

The ten largest country exposures comprise 74.6% of the portfolio versus the index at 75.3%.

Performance

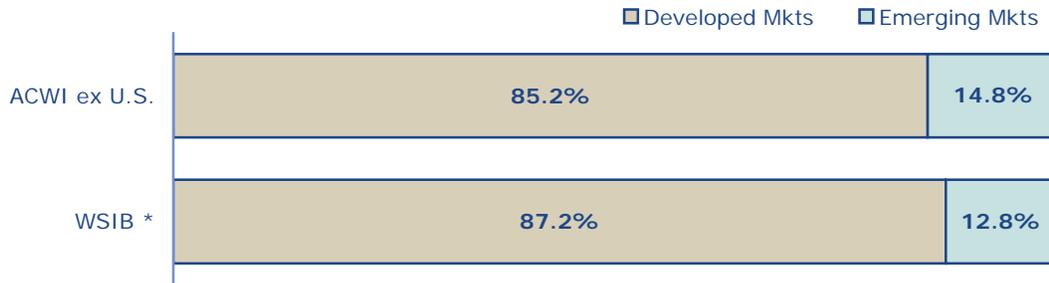
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB International Equity	11.23 %	15.89 %	27.11 %	21.57 %	16.51 %	8.21 %
MSCI ACWI ex U.S.	11.21	15.61	27.16	21.81	16.87	8.59
MSCI EAFE+Canada	10.12	14.22	25.71	20.10	15.25	7.88
Emerging Markets (MSCI after 6/02; IFC before)	17.60	23.34	32.17	30.52	27.10	9.86
MSCI Europe	11.46	17.73	33.72	20.93	14.87	10.47
MSCI Pacific Basin	7.93	8.38	12.20	17.86	15.51	3.20

Growth of a Dollar



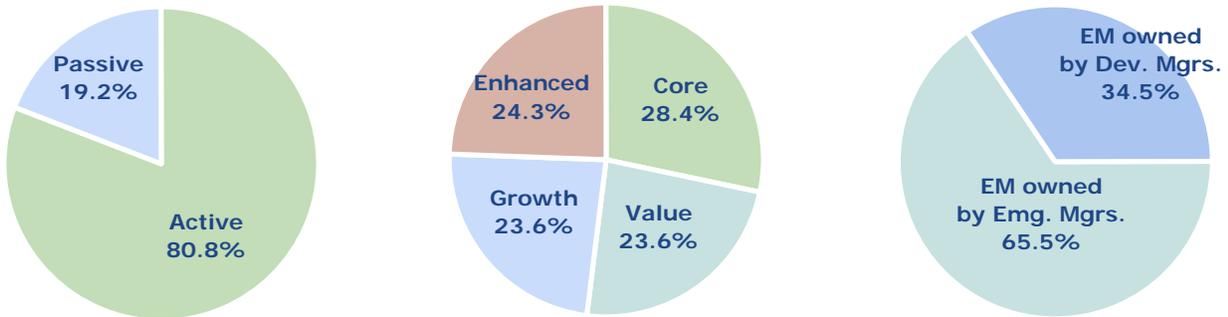
Market Values in \$000s

Total International Equity: \$ 14,486,523

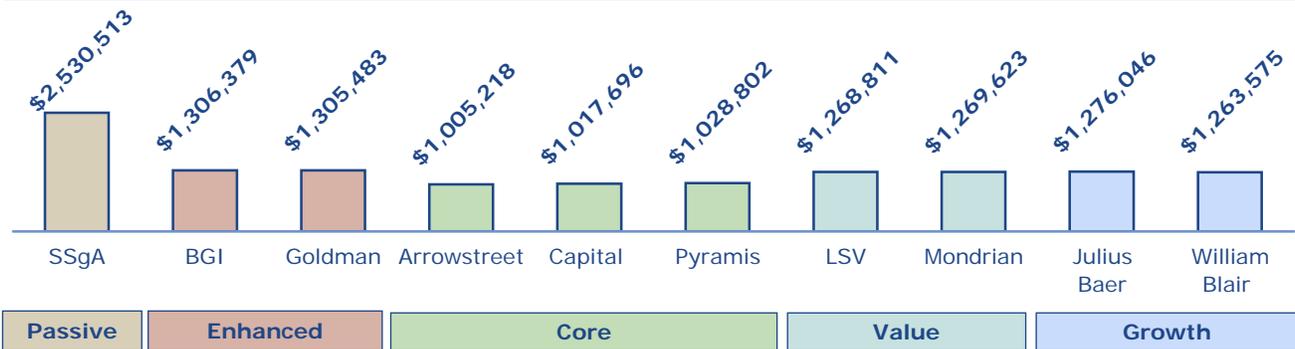


* Includes emerging market securities owned by developed managers

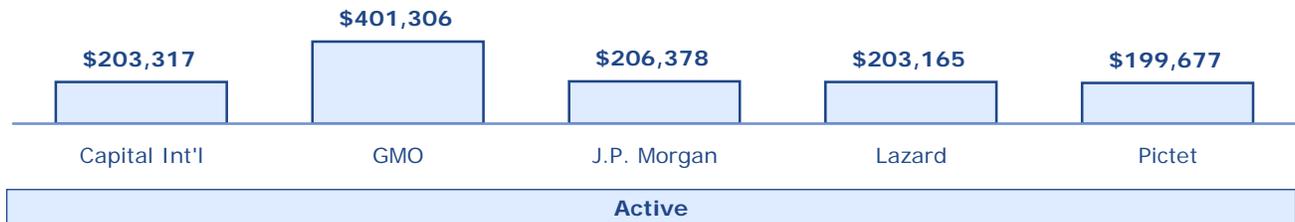
Style Breakdown



Developed Managers: \$ 13,272,144

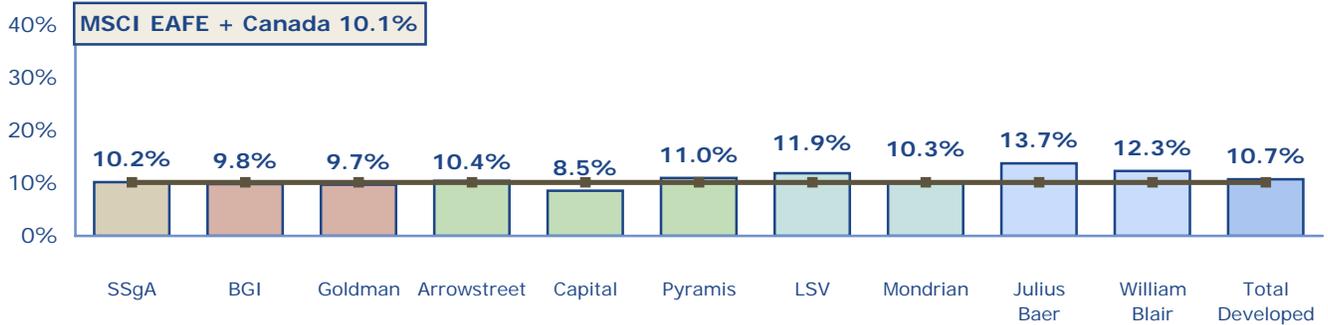


Emerging Managers: \$ 1,214,271

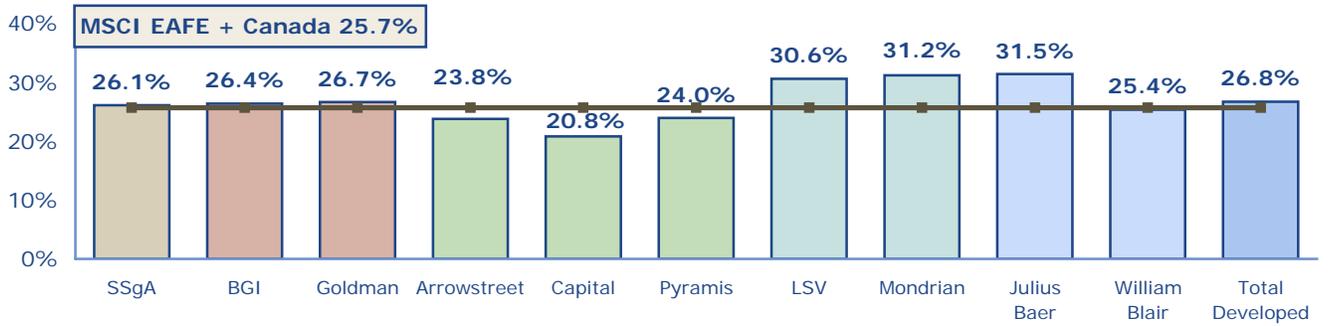




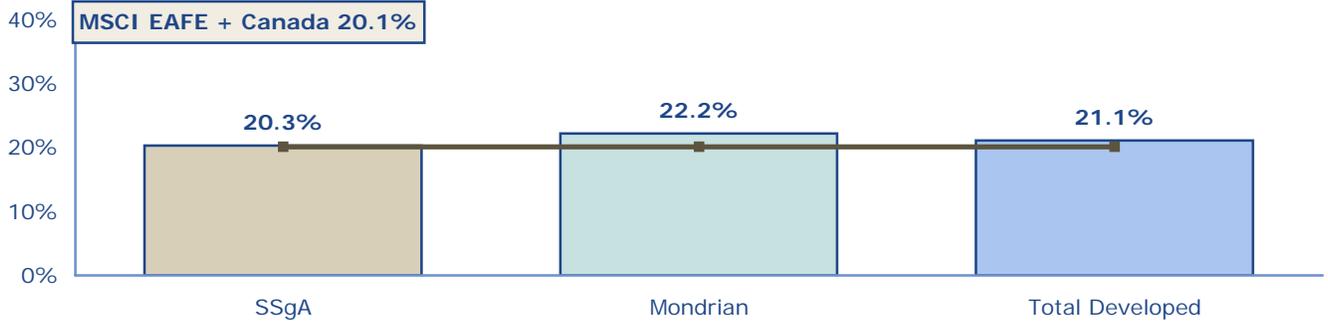
One Quarter



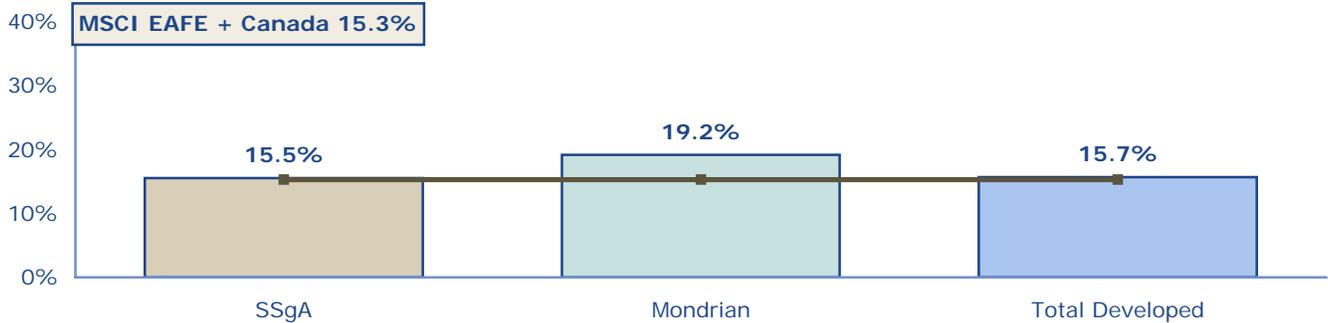
One Year



Three Years

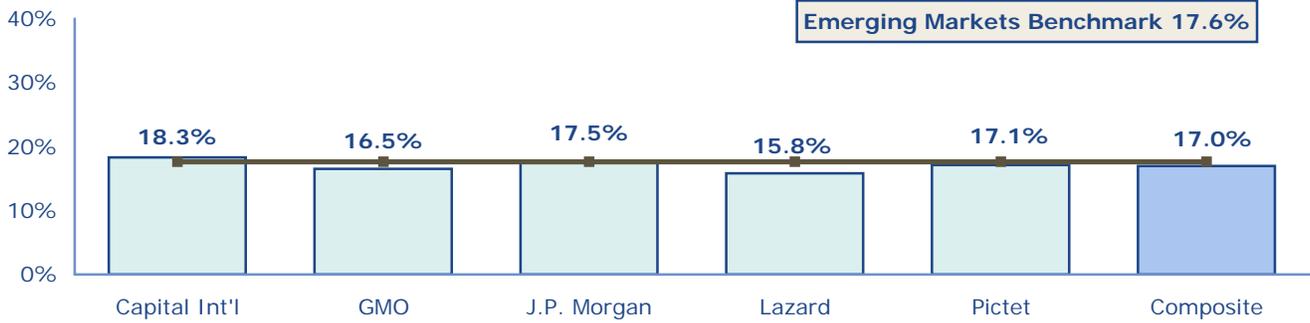


Five Years

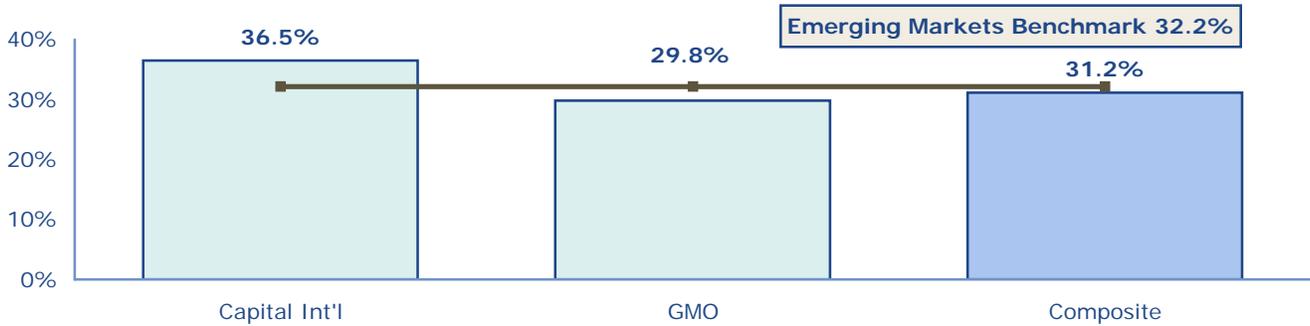




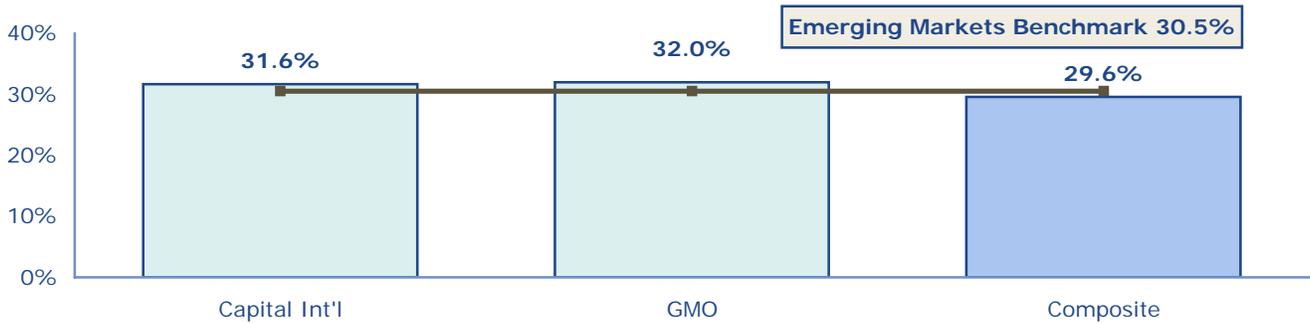
One Quarter



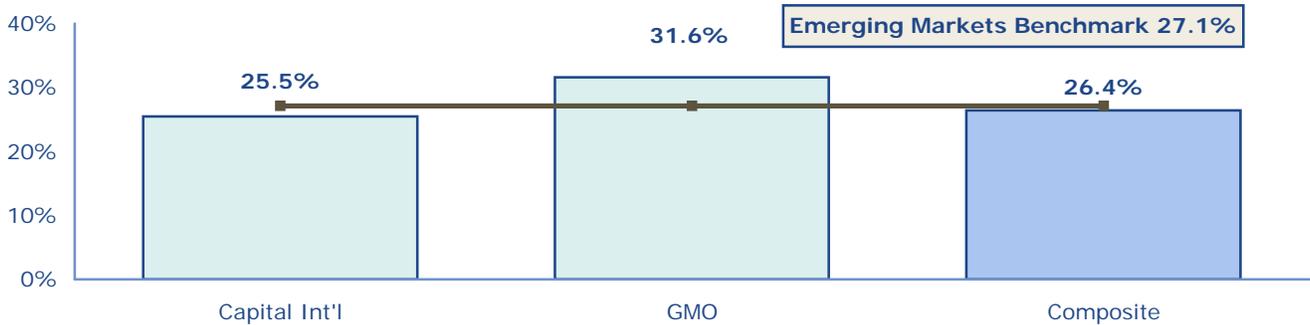
One Year



Three Years



Five Years



Market Values in \$000s

Market Value: \$ 13,610,501

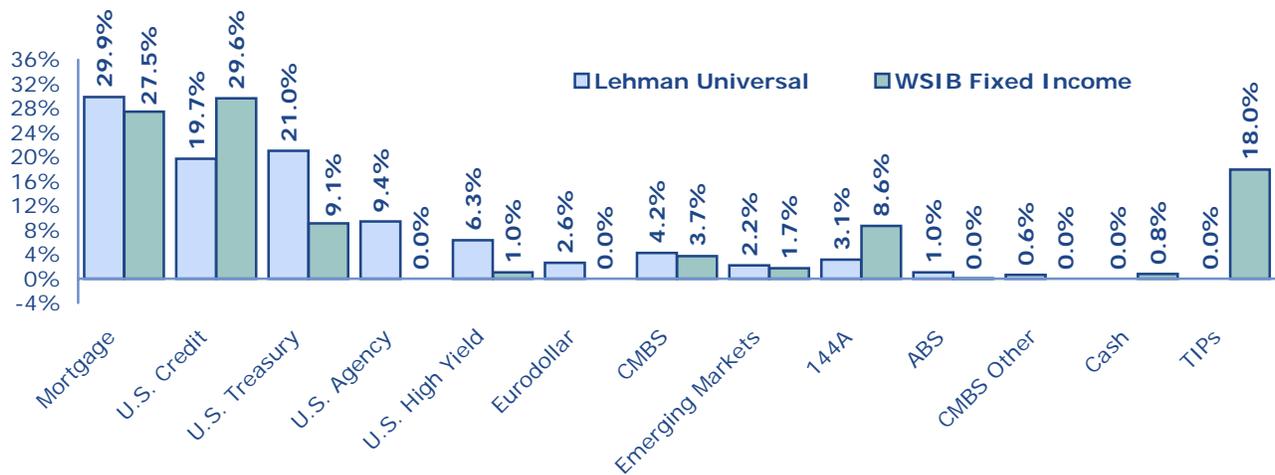
Duration

	Sep-06	Dec-06
WSIB Portfolio	5.17	5.24
Lehman Universal	4.65	4.52
Difference	11.28%	15.74%

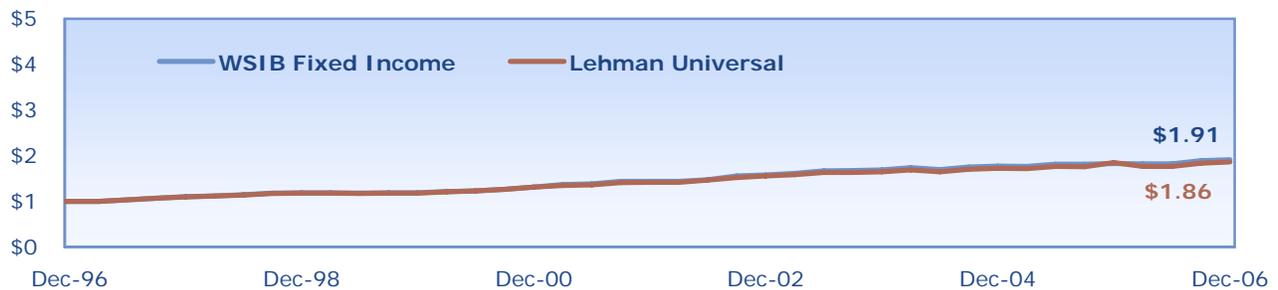
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Fixed Income	1.12 %	5.11 %	4.72 %	4.31 %	5.88 %	6.70 %
Lehman Universal	1.50	5.46	4.97	4.21	5.64	6.40
Lehman Aggregate	1.24	5.09	4.33	3.70	5.06	6.24

Sector Weighting



Growth of a Dollar



Market Values in \$000s

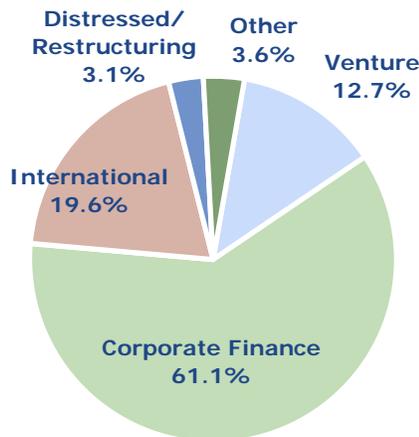
Market Value: \$9,890,672
Unfunded Commitments: \$7.9 billion

Net Performance

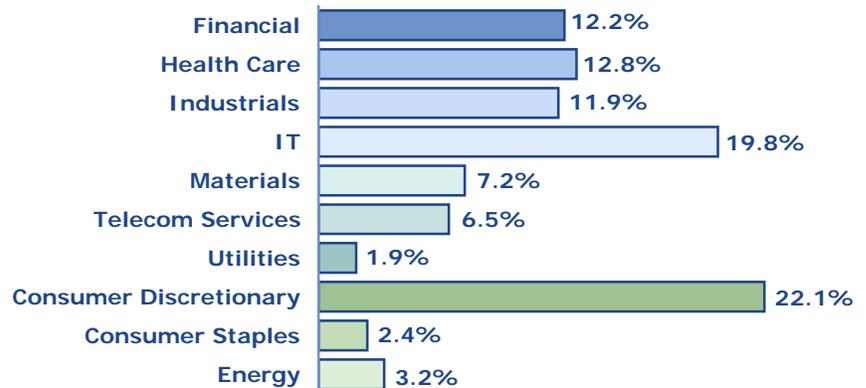
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Private Equity	1.88%	6.98%	24.95%	28.74%	16.15%	14.35%
KKR	-5.53%	4.55%	26.21%	33.73%	22.24%	13.94%
LP Portfolio	4.80%	7.95%	24.46%	26.87%	14.14%	15.68%
S&P 500 (Lagged One Quarter) + 500 bp	6.90%	6.59%	15.79%	17.30%	11.97%	13.59%

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

Sector Distribution



Industry Distribution



Growth of a Dollar



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

Market Values in \$000s

Market Value: \$6,158,583
Unfunded Commitments \$5.7 billion

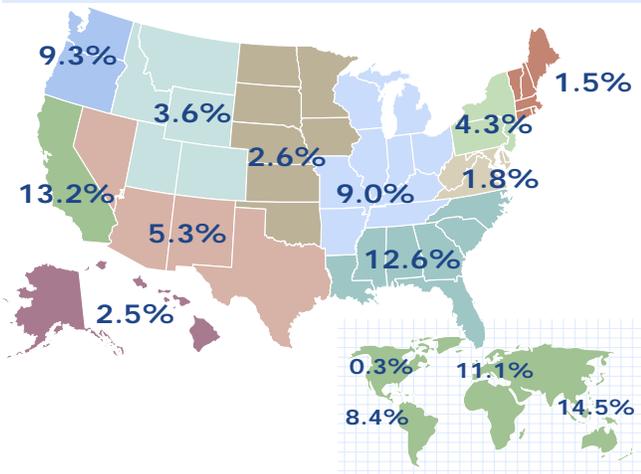
Net Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
CTF Real Estate	7.47%	9.45%	23.84%	21.92%	17.54%	15.62%
NCREIF (Lagged One Quarter) + 100 bp	3.76%	8.16%	18.62%	17.37%	13.42%	13.51%

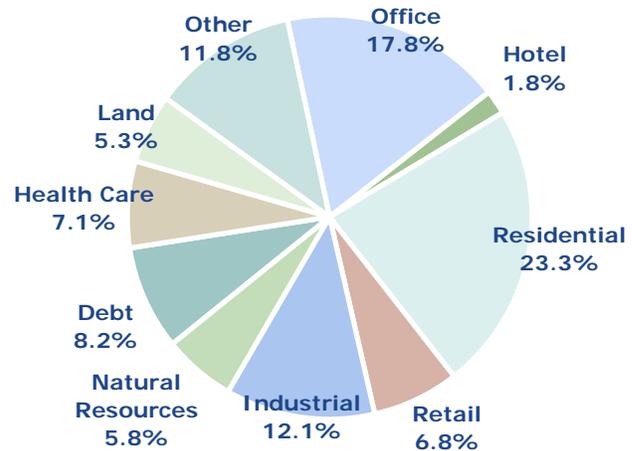
Largest Managers

Principal Enterprise Capital (PEC)	15.5%
Hometown	14.7%
Hudson Advisors (LoneStar)	11.2%
Morgan Stanley	10.0%
Washington Holdings	9.2%
Representation in the Real Estate portfolio	60.6%

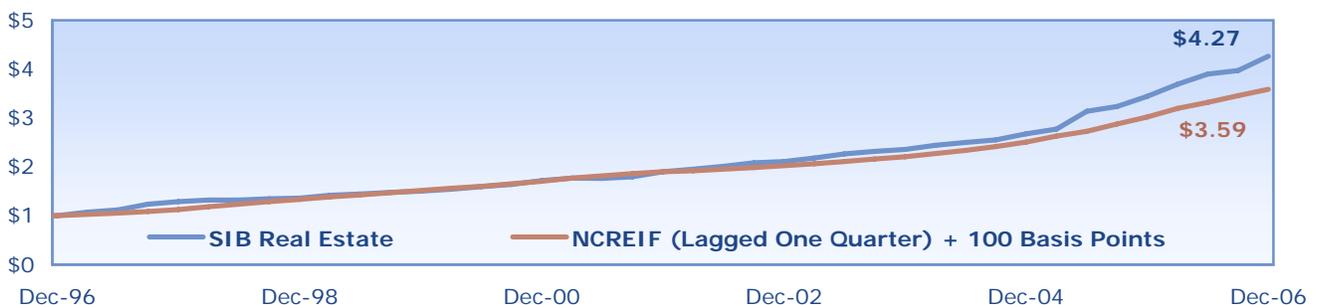
Geographical Distribution



Property Type Distribution



Growth of a Dollar



Performance numbers are as of December 31, 2006. All other data is as of September 30, 2006.



Numbers in %

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	6.70%	12.74%	15.79%	10.44%	6.19%	8.42%

U.S. Equity

Barclays Global Investors (Passive)	7.17%	11.96%	15.77%	11.49%	7.54%	
Barclays Global Investors Asset Trust						
Barclays Global Investors (Enhanced)	7.12%	11.87%	15.57%			
State Street Global Advisors	7.65%	12.39%	16.66%			
Western Asset Management Co.	7.00%	13.12%				

U.S. Equity Composite	7.17%	12.05%	15.84%	11.51%	7.55%	8.78%
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International Equity

Developed Markets

State Street Global Advisors	10.16%	14.35%	26.14%	20.30%	15.53%	
Barclays Global Investors	9.81%	14.00%	26.44%			
Goldman Sachs Asset Mgt.	9.68%	14.08%	26.71%			
Arrowstreet Capital, L.P	10.42%	13.33%	23.79%			
Pyramis Global Advisors Trust Co.	10.95%	13.33%	24.00%			
Capital Guardian Trust Co.	8.53%	12.81%	20.82%			
Mondrian Investment Partners	10.26%	17.35%	31.22%	22.20%	19.16%	
LSV Asset Management	11.85%	17.15%	30.62%			
William Blair & Company	12.29%	17.09%	25.39%			
Julius Baer Investment Mgt.	13.72%	18.60%	31.45%			

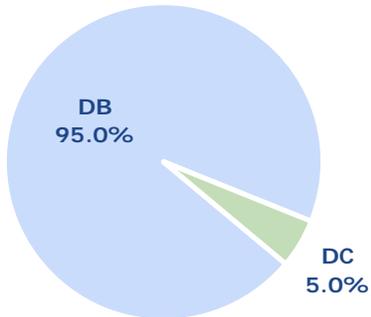
Emerging Markets

Capital International, Inc.	18.32%	26.74%	36.52%	31.63%	25.49%	
Grantham, Mayo, Van Otterloo	16.53%	21.87%	29.79%	31.96%	31.57%	14.67%
J.P. Morgan	17.53%	26.64%				
Lazard	15.81%	21.94%				
Pictet	17.09%	24.44%				

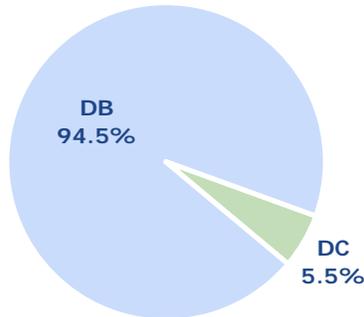
International Equity Composite	11.23%	15.89%	27.11%	21.57%	16.51%	8.21%
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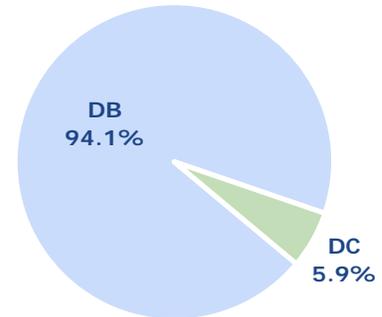
Defined Benefit and Defined Contribution Breakdown in the CTF



Dec-04

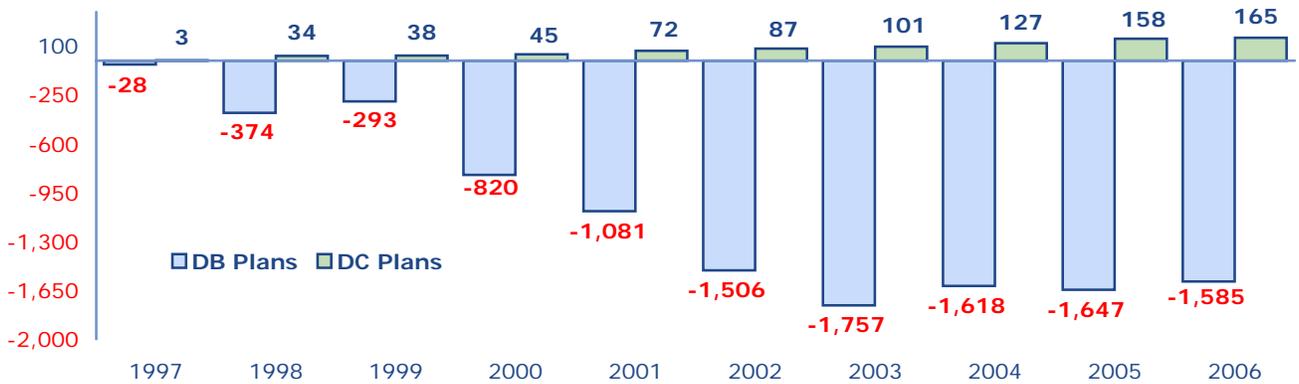


Dec-05

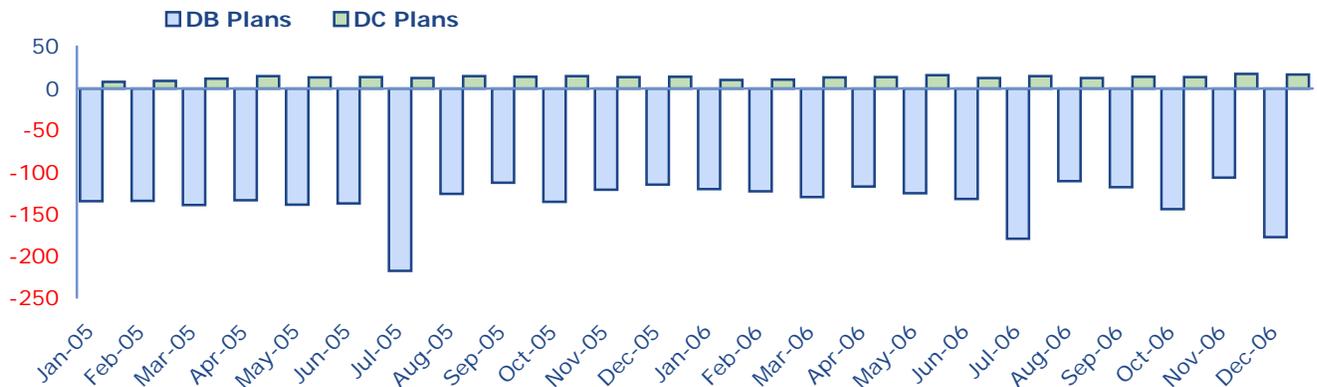


Dec-06

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.

Overlay

Russell Investment Group

Russell Investment Group manages an overlay program, buying or selling futures on a daily basis in the asset class(es) most underweight their target. The futures notional value is equal to the amount of frictional cash held in the various portfolios in the CTF. They have been managing the overlay program since July 2006

Indexed (Passive)

Barclays Global Investors (BGI)

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

Barclays Global Investors Asset Trust (BGI-SSAT)

BGI also manages a Structured Solutions Asset Trust designed to facilitate opportunities for investors to participate in an investment strategy that earns a premium above a negotiated index.

Enhanced Indexed (Active)

Barclays Global Investors (BGI)

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

State Street Global Advisors (SSgA)

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

Western Asset Management Company (WAMCO)

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

Indexed (Passive)

State Street Global Advisors (SSgA)

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

Active Developed Markets

Arrowstreet Capital, L.P

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

Barclays Global Investors (BGI)

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

Capital Guardian Trust Company

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

Goldman Sachs Asset Management (GSAM)

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

LSV Asset Management

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

Mondrian Investment Partners Limited

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

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

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

Active Developed Markets (Continued)

Julius Baer Investment Management (JBIM)

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

William Blair & Company (WB)

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

Active Emerging Markets

Capital International, Inc.

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

J.P. Morgan Asset Management (JPMAM)

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

Lazard Asset Management LLC (Lazard)

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

Grantham, Mayo, Van Otterloo (GMO)

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

Pictet Asset Management (Pictet)

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



Asset Allocation Policy

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

CTF (Commingled Trust Fund)

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

Passive Benchmark

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

Implementation Value Added

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

TUCS Public Fund > \$1 Billion Median

Trust Universe Comparison Services median return of other public funds.

TUCS Public/Corporate Fund > \$1 Billion Median

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



Defined Contribution Plans

Quarterly Report - December 31, 2006

Market Values and Distributions

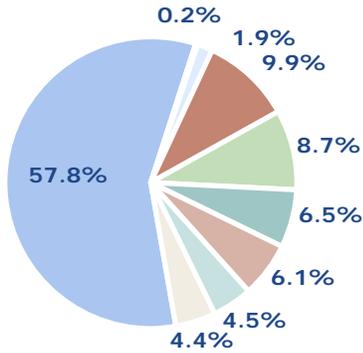
TRS Plan 3	1
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Investment Performance

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



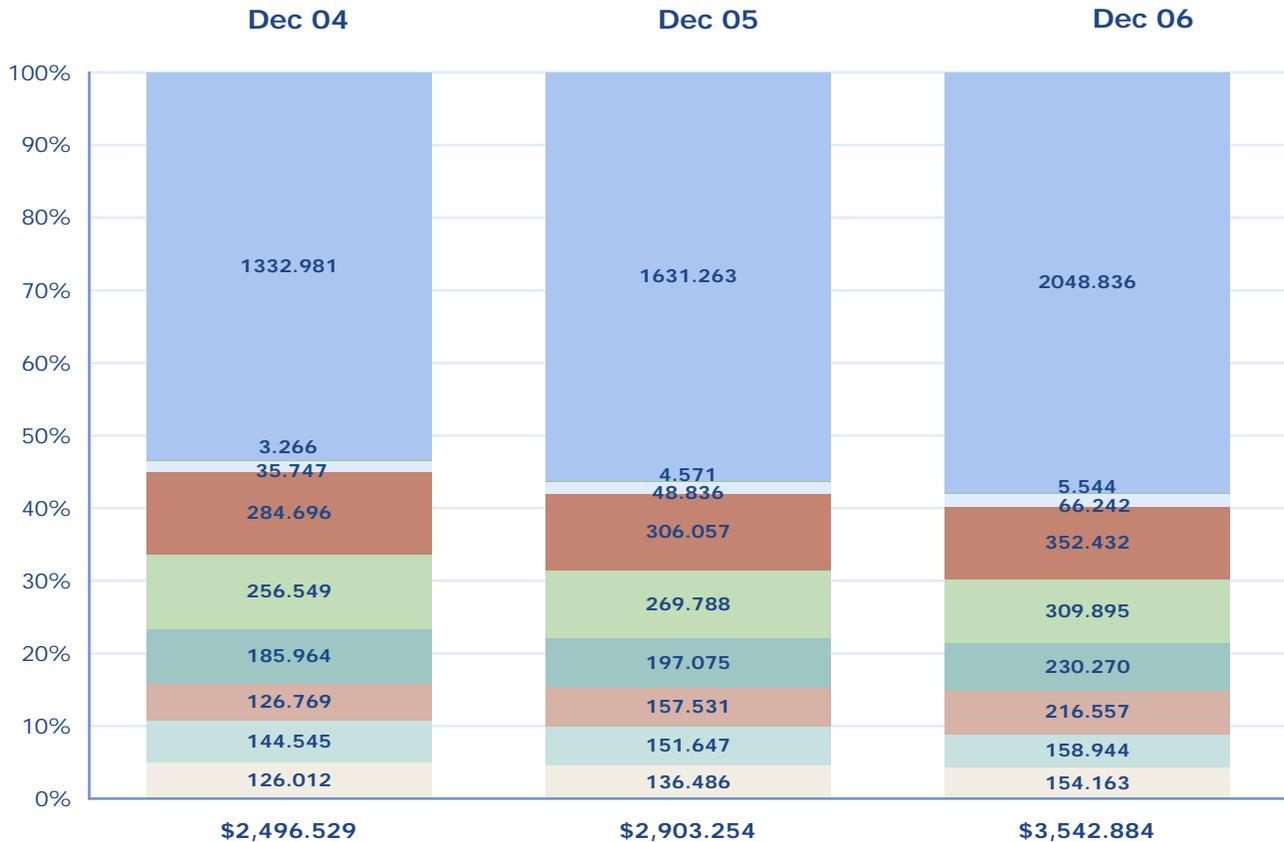
Market Values and Distributions



Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 2,048,836,047	\$ 132,865,761
Social Balanced Fund	5,543,916	430,110
Short-Horizon Fund	8,622,776	(29,253)
Mid-Horizon Fund	26,124,819	2,230,225
Long-Horizon Fund	31,494,332	2,999,886
U.S. Stock Fund	352,432,240	23,944,916
U.S. Large Stock Fund	309,895,386	21,850,605
U.S. Small Stock Fund	230,270,157	17,722,125
International Index Fund	216,556,531	23,625,617
Bond Market Fund	158,944,310	2,570,246
Money Market Fund	154,163,042	1,047,378
Total Fund	\$ 3,542,883,556	\$ 229,257,616

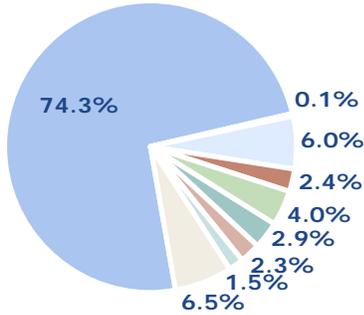
Historical Distributions

In Millions





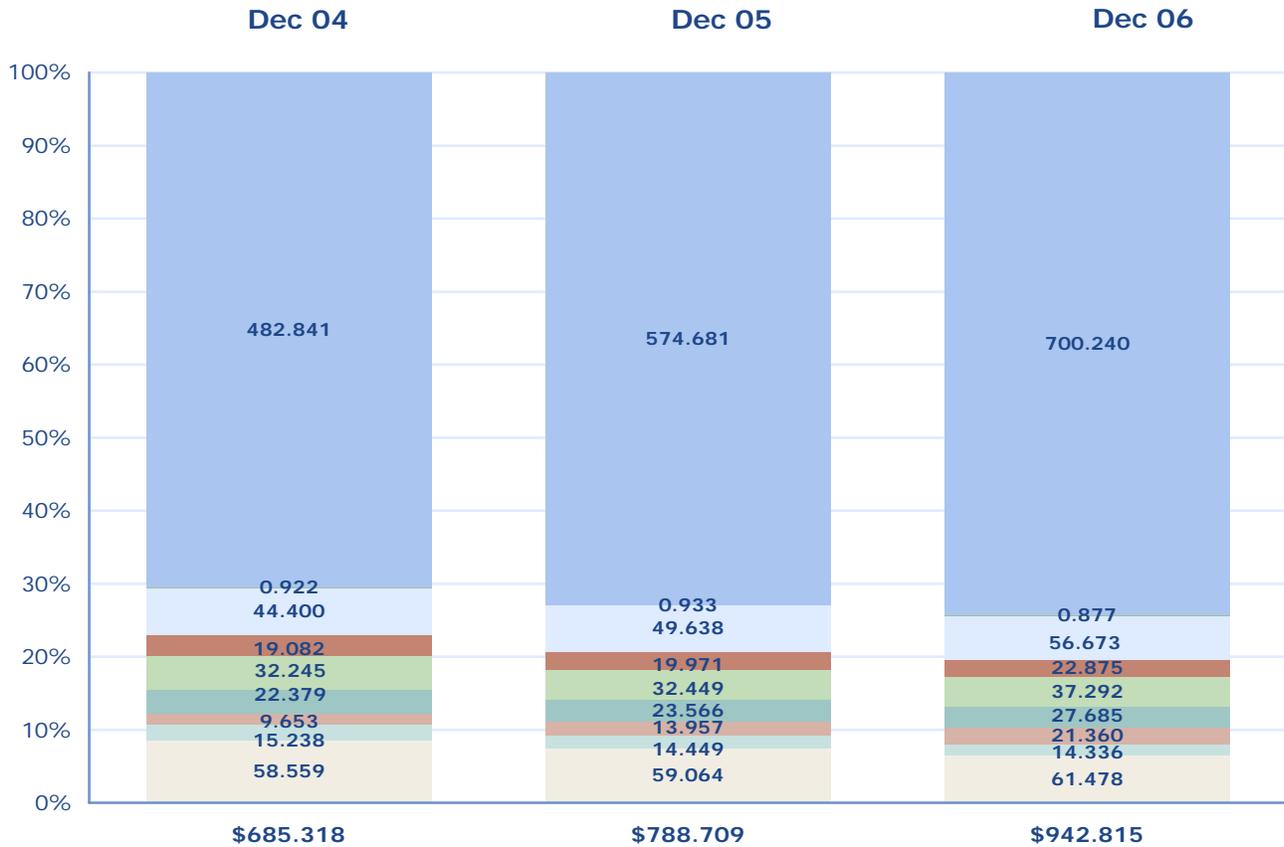
Market Values and Distributions



Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 700,239,782	\$ 41,260,688
Social Balanced Fund	877,190	(29,943)
Short-Horizon Fund	6,317,095	199,808
Mid-Horizon Fund	25,625,771	747,458
Long-Horizon Fund	24,729,996	2,104,399
U.S. Stock Fund	22,874,745	1,566,310
U.S. Large Stock Fund	37,291,543	2,430,071
U.S. Small Stock Fund	27,684,681	2,023,919
International Index Fund	21,359,632	2,230,101
Bond Market Fund	14,336,483	137,755
Money Market Fund	61,477,647	221,493
Total Fund	\$ 942,814,565	\$ 52,892,060

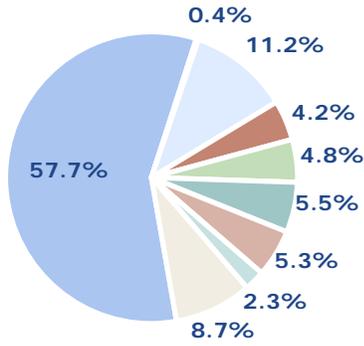
Historical Distributions

In Millions





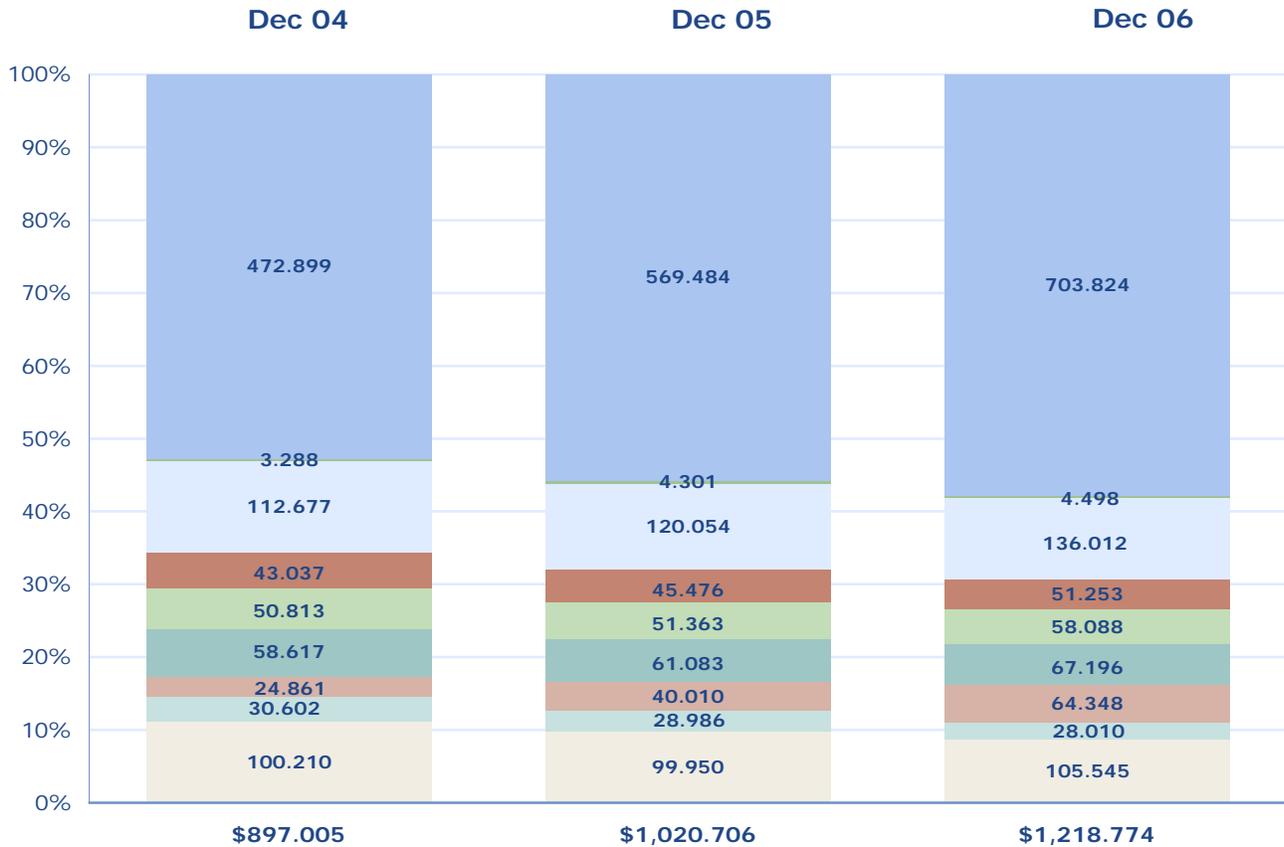
Market Values and Distributions

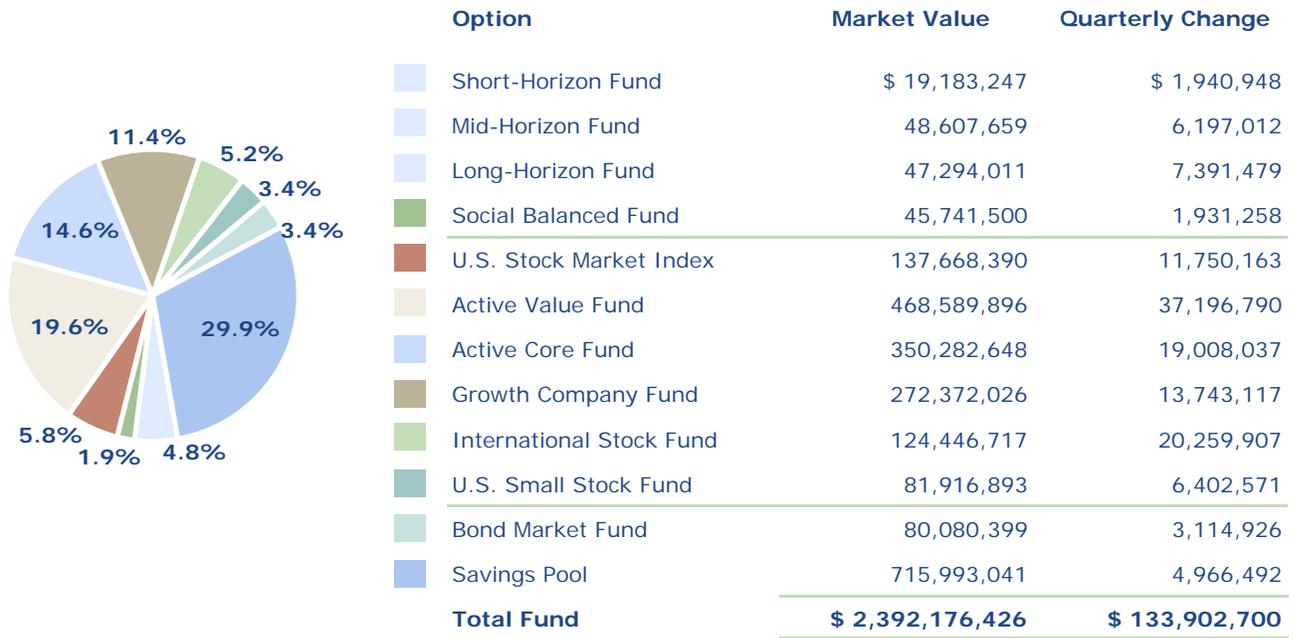


Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 703,823,944	\$ 46,786,398
Social Balanced Fund	4,498,331	169,283
Short-Horizon Fund	13,513,077	(280,918)
Mid-Horizon Fund	58,571,041	2,717,380
Long-Horizon Fund	63,927,490	5,989,506
U.S. Stock Fund	51,253,397	3,213,627
U.S. Large Stock Fund	58,087,885	4,556,948
U.S. Small Stock Fund	67,195,993	2,677,063
International Index Fund	64,348,139	7,842,496
Bond Market Fund	28,009,680	169,251
Money Market Fund	105,545,126	1,778,920
Total Fund	\$ 1,218,774,103	\$ 75,619,955

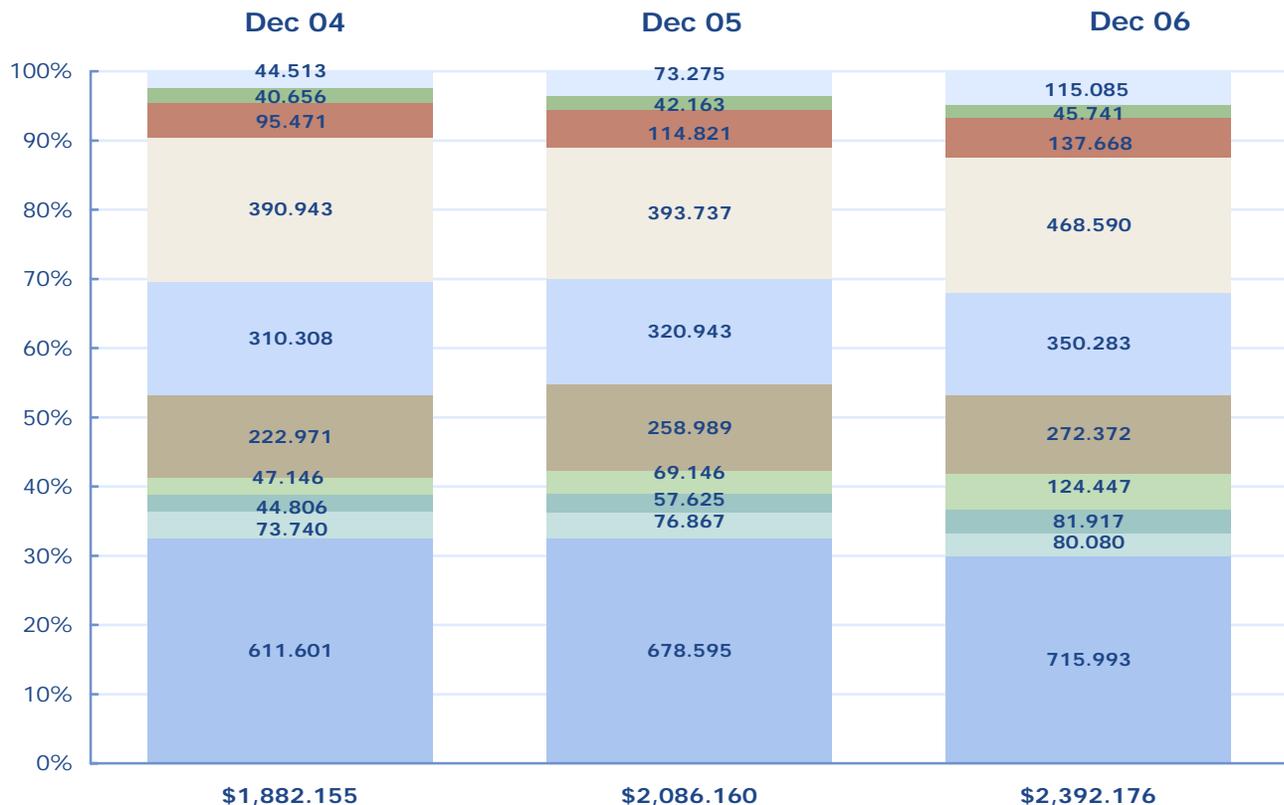
Historical Distributions

In Millions

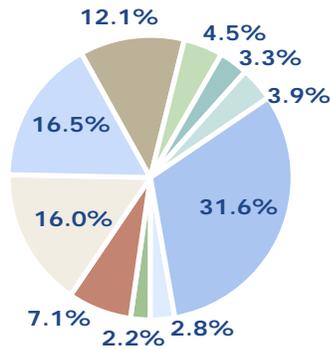


Market Values and Distributions

Historical Distributions

In Millions



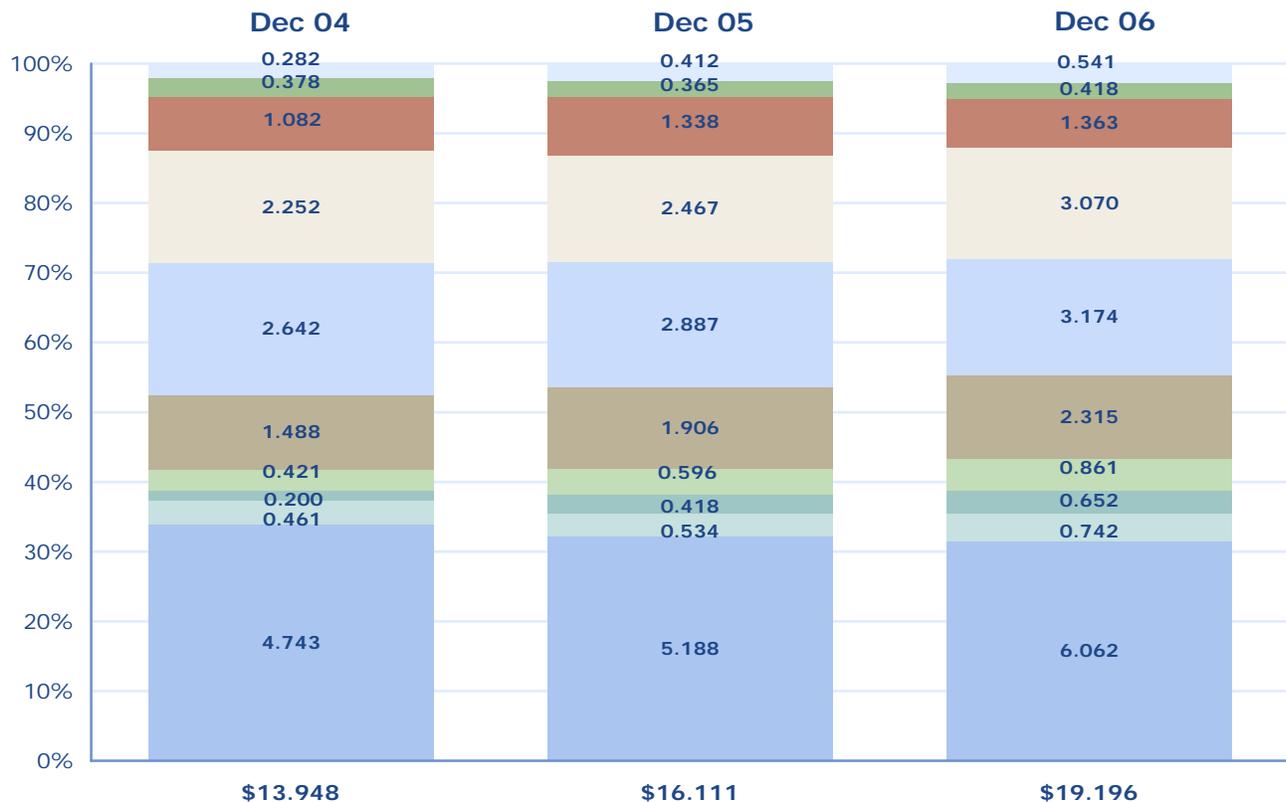
Market Values and Distributions



Option	Market Value	Quarterly Change
Short-Horizon Fund	\$ 76,944	\$ 5,016
Mid-Horizon Fund	309,982	44,329
Long-Horizon Fund	154,219	39,193
Social Balanced Fund	418,370	19,110
U.S. Stock Market Index	1,362,847	78,476
Active Value Fund	3,069,693	209,957
Active Core Fund	3,173,517	32,940
Growth Company Fund	2,314,604	205,565
International Stock Fund	860,707	148,927
U.S. Small Stock Fund	651,780	68,919
Bond Market Fund	741,666	14,001
Savings Pool	6,061,630	398,702
Total Fund	\$ 19,195,960	\$ 1,265,134

Historical Distributions

In Millions





One Year Returns



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

Balanced Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
WSIB TAP Fund	5.75%	17.90%	15.04%	11.00%	9.77%
Custom Benchmark	6.67%	15.55%	11.61%	8.95%	8.34%
Long-Horizon Fund	6.56%	15.76%	11.84%	8.75%	N/A
Custom Benchmark	6.70%	15.89%	11.82%	9.15%	8.38%
Mid-Horizon Fund	4.73%	11.98%	9.14%	7.70%	N/A
Custom Benchmark	4.94%	12.24%	9.15%	8.16%	7.88%
Short-Horizon Fund	3.08%	8.64%	6.50%	5.91%	N/A
Custom Benchmark	3.30%	8.97%	6.59%	6.35%	6.66%
Social Balanced Fund	3.03%	6.73%	5.96%	N/A	N/A
Custom Benchmark	4.22%	10.54%	7.43%	5.93%	7.78%

Bond Funds

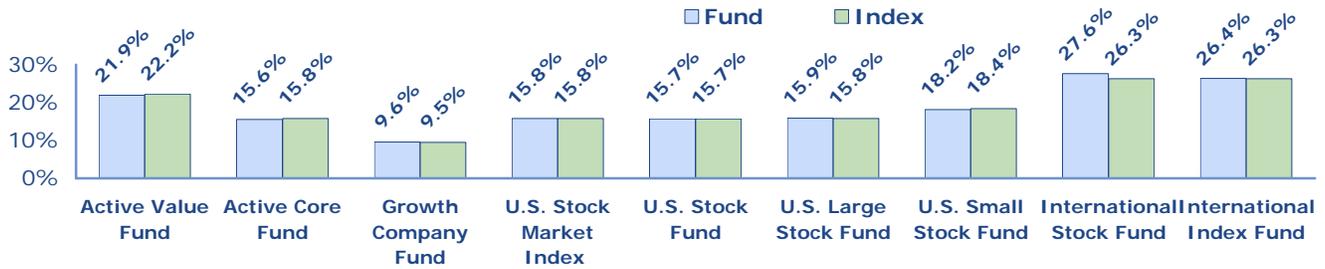
	Qtr.	1 Year	3 Year	5 Year	10 Year
Bond Market Fund	0.87%	3.95%	3.26%	4.82%	N/A
Lehman Intermediate Credit	1.27%	4.49%	3.32%	5.37%	6.25%

Cash Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
Money Market Fund	1.36%	5.17%	3.26%	2.58%	4.04%
One Month LIBOR	1.37%	5.30%	3.43%	2.66%	4.11%
Savings Pool	1.17%	4.62%	4.71%	5.13%	5.88%



One Year Returns



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

Active U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
Active Value Fund	8.23%	21.93%	16.95%	13.87%	N/A
Russell 1000 Value Index	8.00%	22.24%	15.09%	10.86%	11.00%
Active Core Fund	5.99%	15.57%	N/A	N/A	N/A
S&P 500	6.70%	15.79%	10.45%	6.19%	8.42%
Growth Company Fund	8.46%	9.56%	11.72%	5.58%	9.56%
Russell 3000 Growth	6.16%	9.46%	7.17%	3.02%	5.34%

Passive U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
U.S. Stock Market Index	7.13%	15.77%	11.49%	7.53%	8.84%
Dow Jones Wilshire 5000	7.20%	15.77%	11.47%	7.61%	8.65%
U.S. Stock Fund	7.07%	15.73%	11.23%	7.18%	N/A
Russell 3000	7.12%	15.72%	11.19%	7.17%	8.64%
U.S. Large Stock Fund	6.75%	15.88%	10.49%	6.24%	N/A
S&P 500	6.70%	15.79%	10.45%	6.19%	8.42%
U.S. Small Stock Fund	8.87%	18.19%	13.57%	11.37%	N/A
Russell 2000	8.90%	18.37%	13.56%	11.39%	9.44%

Active Enhanced International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Stock Fund	11.49%	27.61%	N/A	N/A	N/A
MSCI EAFE	10.35%	26.34%	19.93%	14.98%	7.71%

Passive International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Index Fund	10.31%	26.41%	20.05%	13.90%	N/A
MSCI EAFE	10.35%	26.34%	19.93%	14.98%	7.71%



Daily Priced Investment Options

Quarterly Report - December 31, 2006

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

Size \$ 722,366,956

Characteristics
Average Maturity

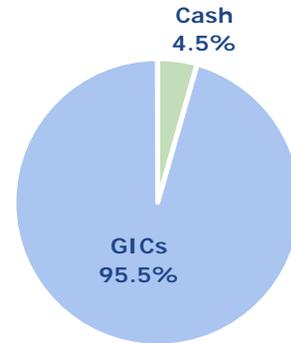
2.3 Years

Average Yield

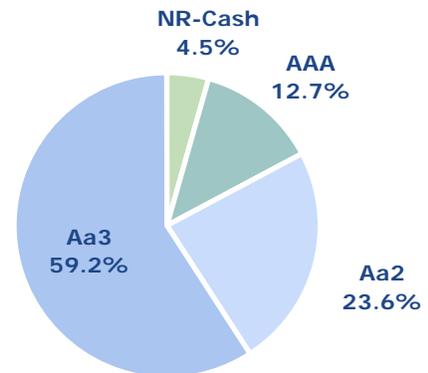
4.87%

Number of Holdings

33

Composition Distribution

Top Ten GIC Issuers

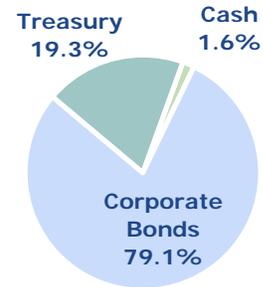
Hartford Life Insurance Co.	14.07%
Metropolitan Life Insurance Co	13.18%
New York Life Insurance Corp.	12.70%
John Hancock Life Insurance Co	11.79%
ING USA Annuity & Life Insurance Co.	11.20%
Prudential Insurance Company of Amer	7.72%
Pacific Life Insurance Co.	7.42%
Principal Life Insurance Co.	6.90%
Genworth Life and Annuity Assurance	3.25%
Monumental Life Insurance Co.	2.81%

Rating Distribution

Return


Size \$ 412,771,198

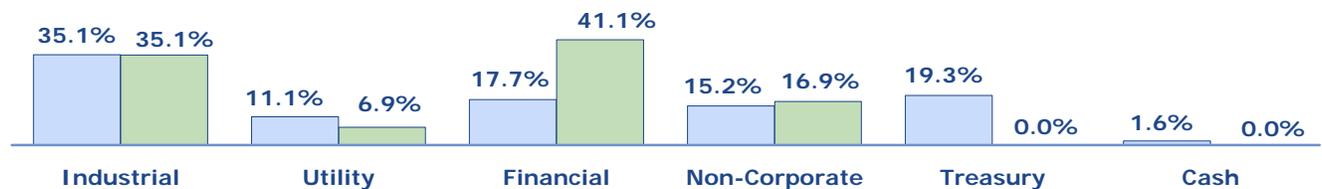
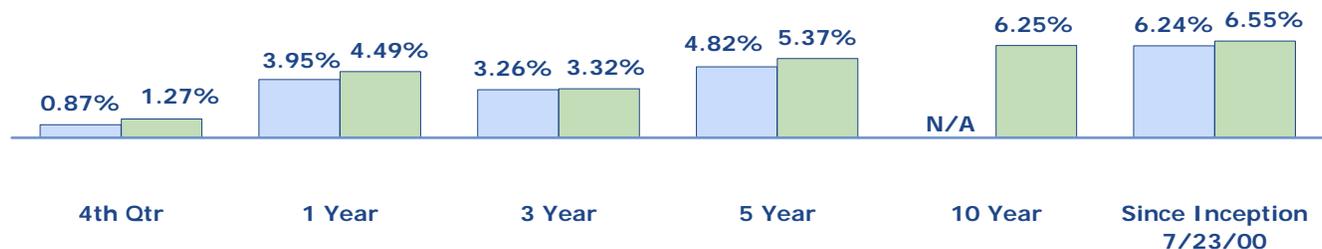
Characteristics

	Fund	Index
Average Maturity	5.5 years	5.1 years
Yield to Maturity	4.93%	5.42%
Modified Duration	4.51	4.16
Average Coupon	4.73%	5.61%
Number of Holdings	141	2,214

Asset Class Distribution

Top Ten Credit Issuers

Praxair Incorporated	1.00%	Iffim	0.97%
Vale Overseas	1.00%	Manitoba, Province Of	0.96%
Ontario, Province Of	0.99%	Republic Of Korea	0.95%
Consolidated Edison	0.98%	Norfolk Southern Corporation	0.81%
Bank Of New York	0.97%	Raytheon Company	0.81%

Rating Distribution

Industry Distribution

Return


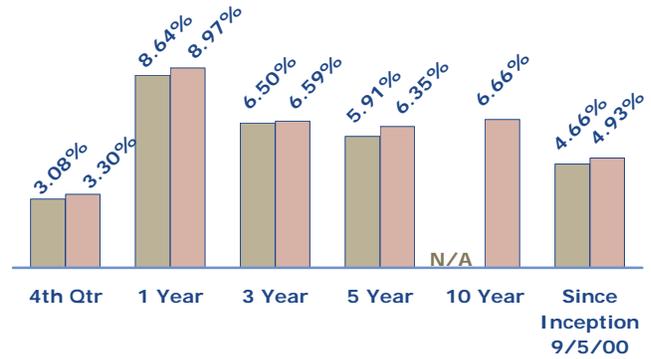
■ Horizon Fund
 ■ Target
 ■ Horizon Fund
 ■ Benchmark

Short-Horizon \$ 47,720,326

Asset Allocation

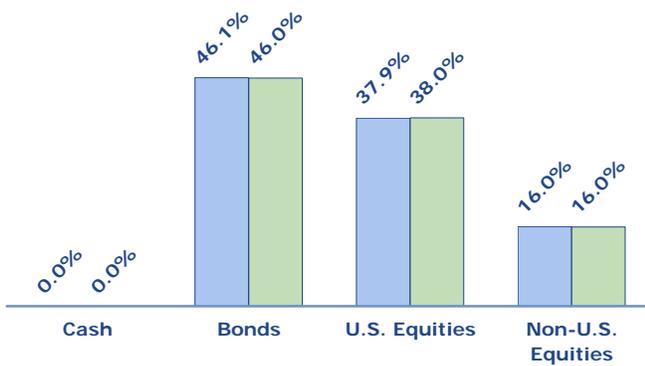


Return



Mid-Horizon \$ 159,251,457

Asset Allocation

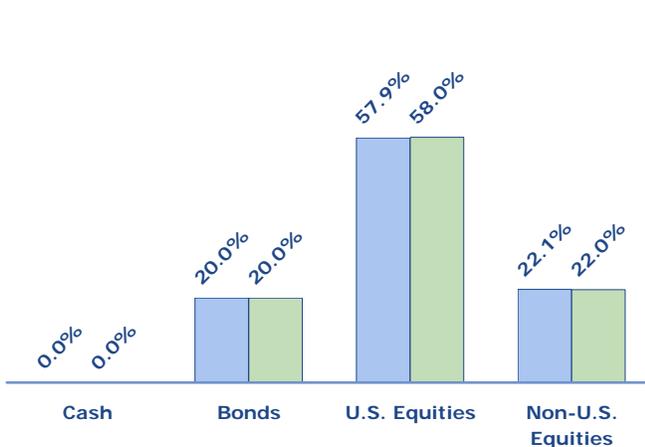


Return

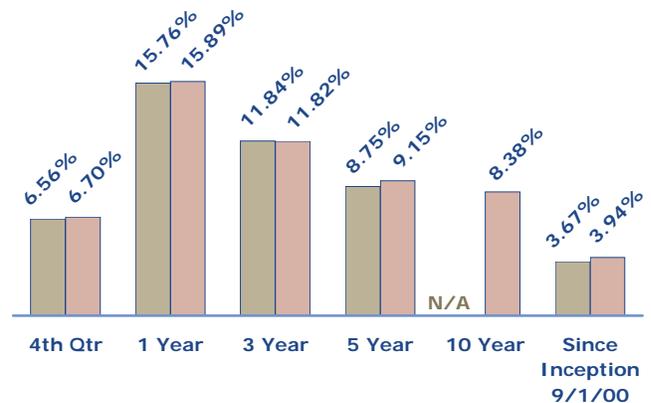


Long-Horizon \$ 167,507,590

Asset Allocation



Return





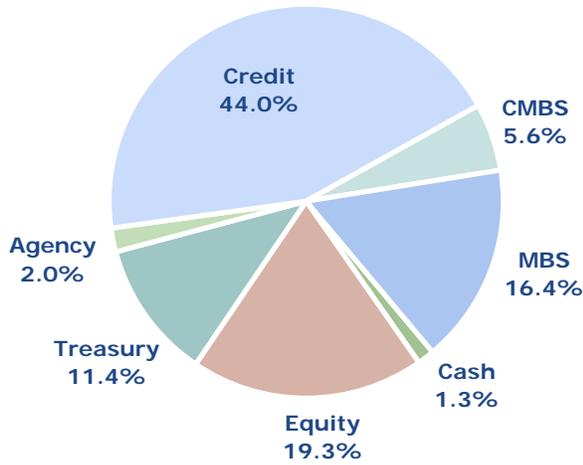
Labor and Industries' Funds

Quarterly Report - December 31, 2006

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



Total Labor and Industries' Funds
\$ 11,101,490,191

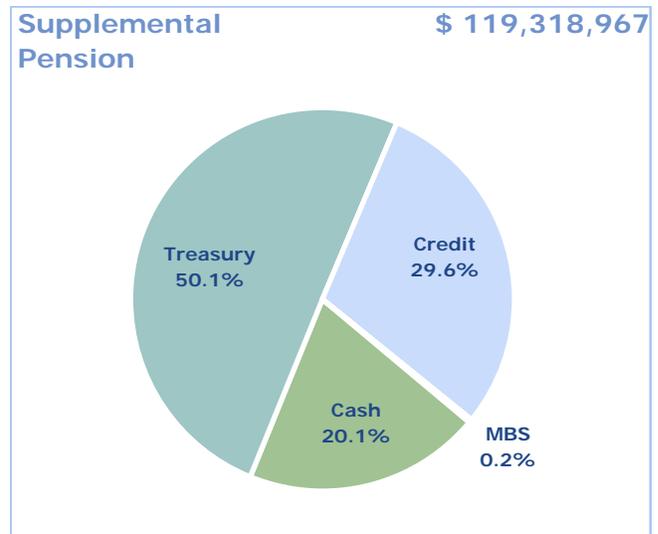
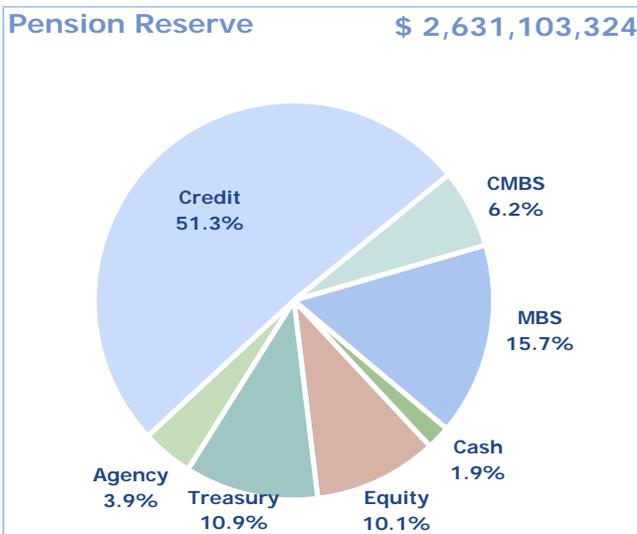
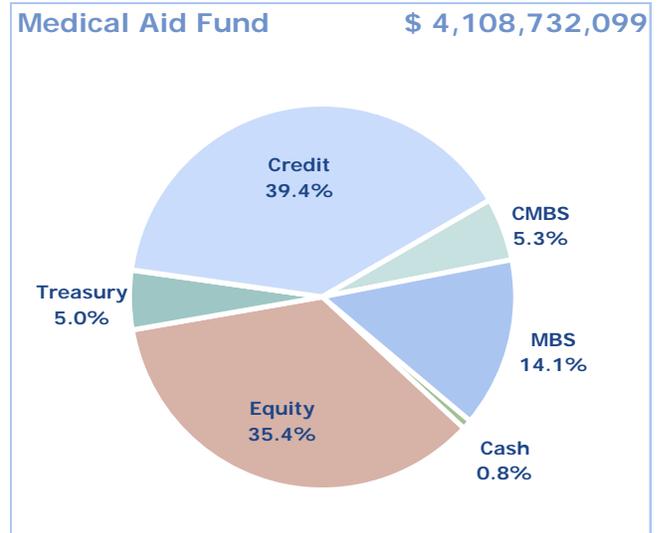
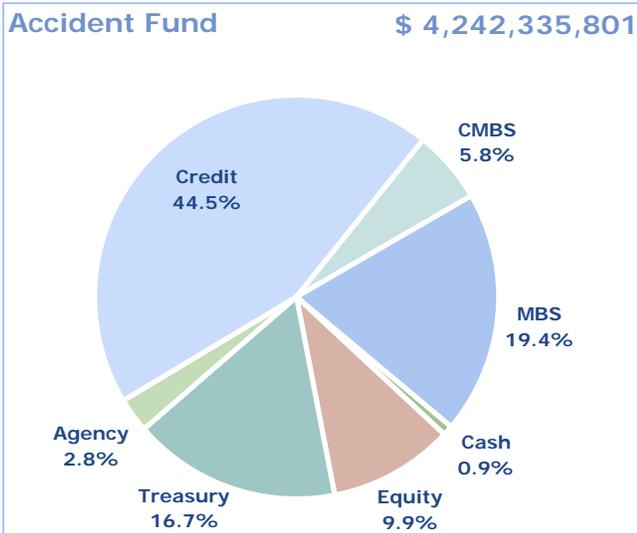


WSIB Policy Ranges for Equity

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

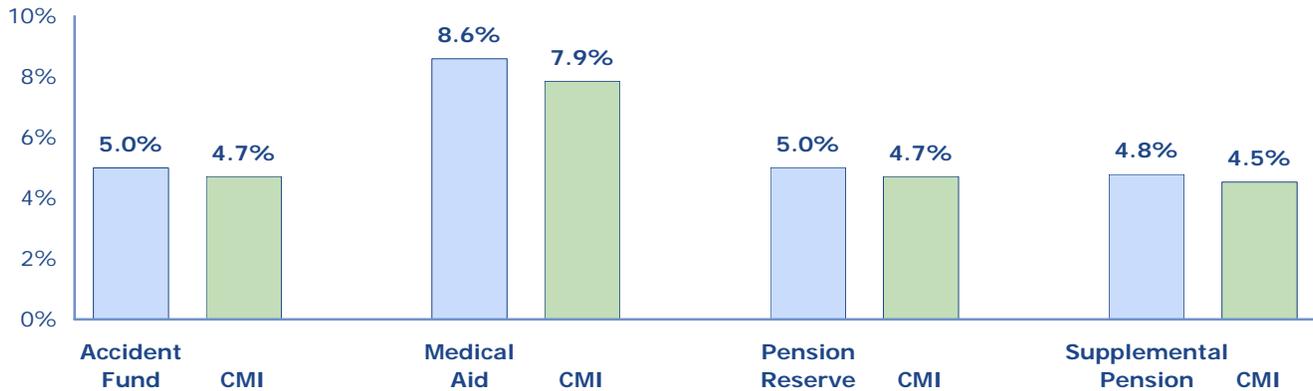
WSIB Policy Ranges for Fixed Income

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





One Year Performance



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Accident Fund	1.62%	5.00%	6.23%	6.97%	7.33%
CMI	1.84%	4.71%	5.84%	7.12%	7.18%
Medical Aid	3.30%	8.60%	6.55%	6.31%	7.21%
CMI	3.06%	7.86%	6.57%	6.69%	7.24%
Pension Reserve	1.72%	5.01%	6.26%	7.61%	7.84%
CMI	1.84%	4.71%	5.54%	7.46%	7.57%
Supplemental Pension	1.20%	4.77%	2.95%	2.56%	4.73%
Supplemental Ex-Cash	1.20%	4.78%	2.95%	2.56%	4.73%
CMI	1.11%	4.53%	2.67%	4.12%	5.46%

Labor and Industries' Statutory Accounting Return *

	Qtr.	1 Year	3 Year	5 Year
Accident Fund	2.92%	9.46%	8.10%	7.47%
Medical Aid	3.55%	9.42%	8.09%	6.94%
Pension Reserve	2.80%	8.72%	8.55%	7.60%
Supplemental Pension	1.08%	4.38%	3.70%	3.16%

Duration

	CMI	Target	Actual	% Difference
Accident Fund	8.91	9.00	9.32	3.55%
Medical Aid	5.94	6.00	6.65	10.86%
Pension Reserve	8.91	9.00	9.18	2.00%
Supplemental Pension	1.88	1.75-2.25	2.06	N/A

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



Permanent and Other Funds

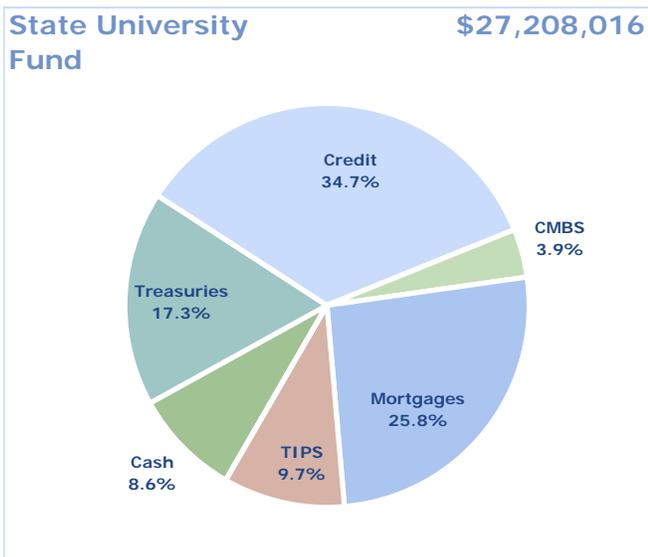
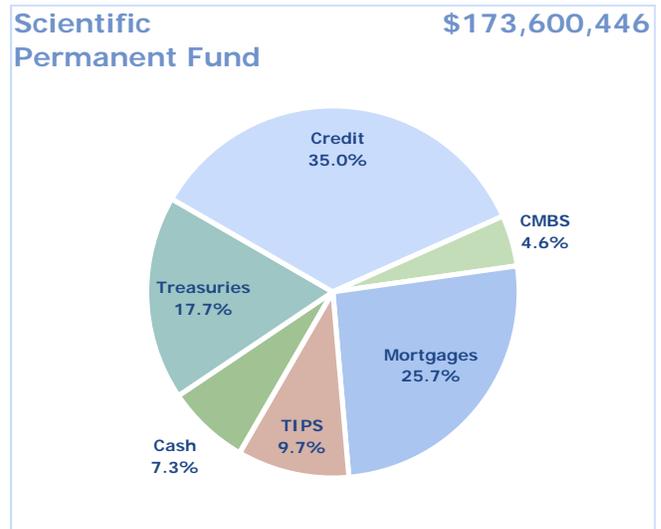
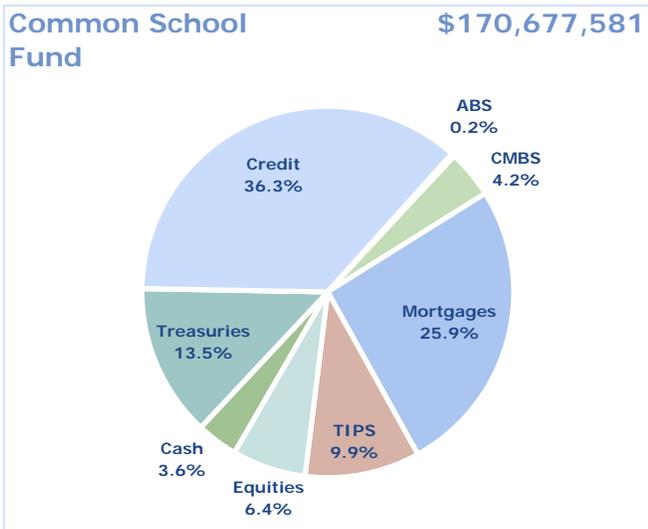
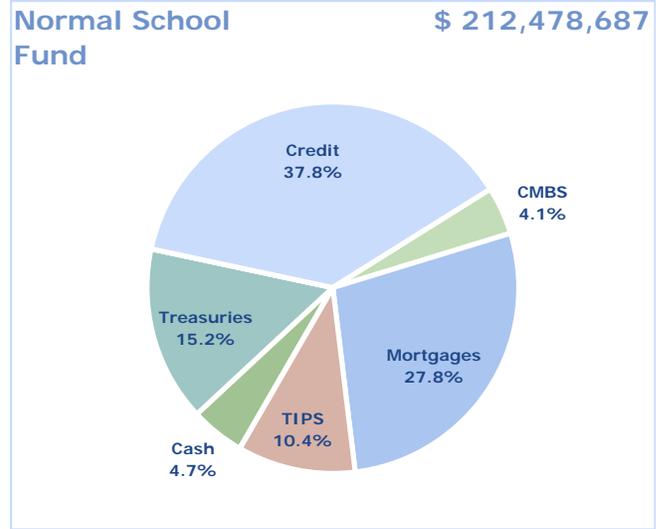
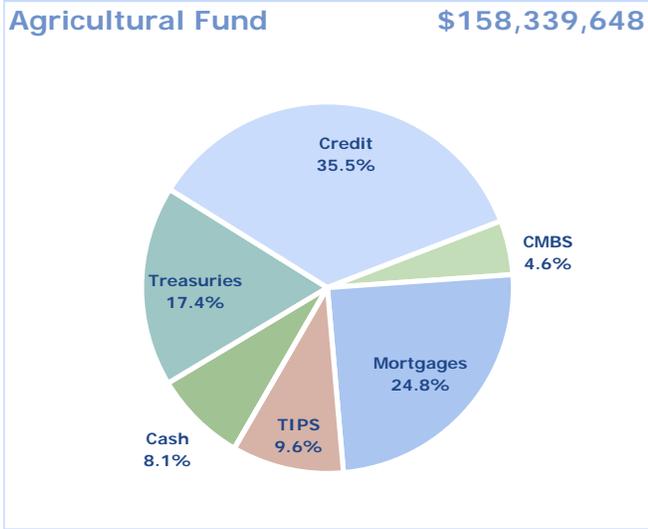
Quarterly Report - December 31, 2006

Permanent Funds

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

Other Funds

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



Millersylvania State Park Fund \$ 5,174

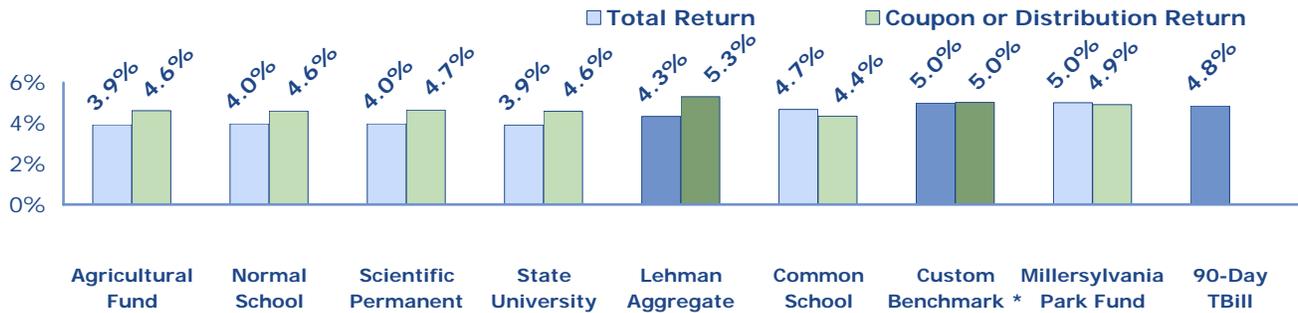
Assets of this fund are invested in a short-term investment fund (STIF).

WSIB Fixed Income Policy Ranges per Fund:

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



One Year



Balance

	Dec 06	Dec 05	Dec 01
Agricultural Fund	\$ 158,339,648	\$ 154,107,259	\$ 139,851,809
Normal School	\$ 212,478,687	\$ 211,208,200	\$ 199,866,156
Scientific Permanent	\$ 173,600,446	\$ 169,211,523	\$ 153,546,195
State University	\$ 27,208,016	\$ 25,579,447	\$ 23,504,964
Common School	\$ 170,677,581	\$ 169,772,735	\$ 164,400,917
Millersylvania Park Fund	\$ 5,174	\$ 5,169	\$ 5,160

Returns

	Total Return					Distribution Return **			
	Qtr.	1 Year	3 Year	5 Year	10 Year	Qtr.	1 Year	3 Year	5 Year
Agricultural Fund	0.99%	3.93%	3.53%	4.96%	6.07%	1.15%	4.62%	4.58%	5.03%
Normal School	0.99%	3.99%	3.51%	4.85%	6.12%	1.14%	4.60%	4.58%	4.99%
Scientific Permanent	1.00%	3.98%	3.49%	4.92%	6.10%	1.16%	4.66%	4.61%	5.08%
State University	1.00%	3.92%	3.48%	4.94%	6.20%	1.15%	4.59%	4.54%	4.94%
Lehman Aggregate	1.24%	4.33%	3.70%	5.06%	6.24%				
Common School	1.37%	4.68%	3.98%	5.04%	6.14%	1.08%	4.35%	4.36%	4.80%
Custom Benchmark *	1.60%	5.00%	4.14%	5.30%	6.31%				
Millersylvania Park Fund	1.31%	5.02%	3.15%	2.45%	3.89%	1.30%	4.92%	3.03%	2.40%
90 Day TBill	1.26%	4.85%	3.07%	2.43%	3.83%				

Fixed Income Duration

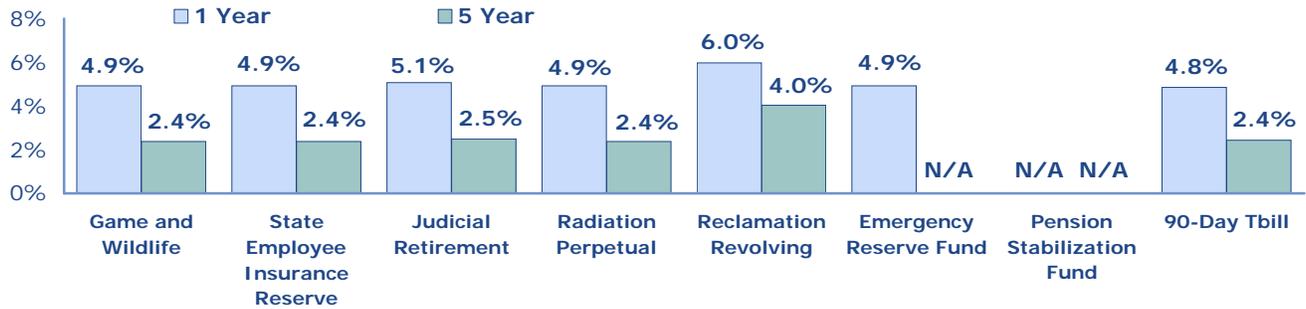
	Duration of Fund	Duration of Benchmark	Difference	% Difference
Agricultural Fund	4.77	4.46	0.31	6.94%
Normal School	4.79	4.46	0.33	7.42%
Scientific Permanent	4.83	4.46	0.36	8.15%
State University	4.85	4.46	0.39	8.66%
Common School	4.81	4.46	0.34	7.68%
Millersylvania Park Fund	0.10	0.25	N/A	N/A

* The custom benchmark for the Common School Fund is a combination of the Lehman Aggregate and Dow Jones Wilshire 5000 using the previous month-end weights adjusted for new purchases during the current month. For December 2006, the breakdown was 6.5% Dow Jones Wilshire 5000 and 93.5% Lehman Aggregate.

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



One Year and Five Year Return



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Game and Wildlife	1.29%	4.93%	3.06%	2.37%	3.91%
State Employee Insurance Reserve	1.29%	4.93%	3.07%	2.37%	3.84%
Judicial Retirement	1.33%	5.07%	3.16%	2.49%	3.99%
Radiation Perpetual	1.29%	4.93%	3.06%	2.37%	3.84%
Reclamation Revolving	1.35%	5.97%	5.16%	4.04%	4.80%
Emergency Reserve Fund	1.29%	4.93%	N/A	N/A	N/A
Pension Stabilization Fund	1.31%	N/A	N/A	N/A	N/A
90-Day Tbill	1.26%	4.85%	3.07%	2.43%	3.83%

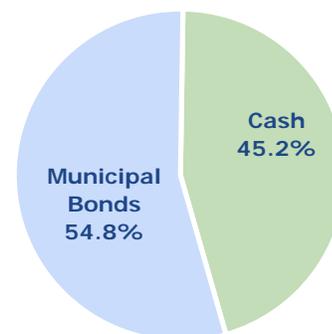
Market Value

	Dec 06	Dec 05	Dec 01
Game and Wildlife	\$ 9,689,868	\$ 9,234,580	\$ 11,521,703
State Employee Insurance Reserve	\$ 81,728,167	\$ 77,888,090	\$ 37,987,272
Judicial Retirement	\$ 28,530	\$ 807,542	\$ 8,700,729
Radiation Perpetual	\$ 306,398	\$ 292,001	\$ 272,563
Reclamation Revolving	\$ 392,330	\$ 370,232	\$ 1,045,269
Emergency Reserve Fund	\$ 69,843,459	\$ 66,565,017	\$ 457,166,199
Pension Stabilization Fund	\$ 340,735,500	N/A	N/A

Portfolio Allocations

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

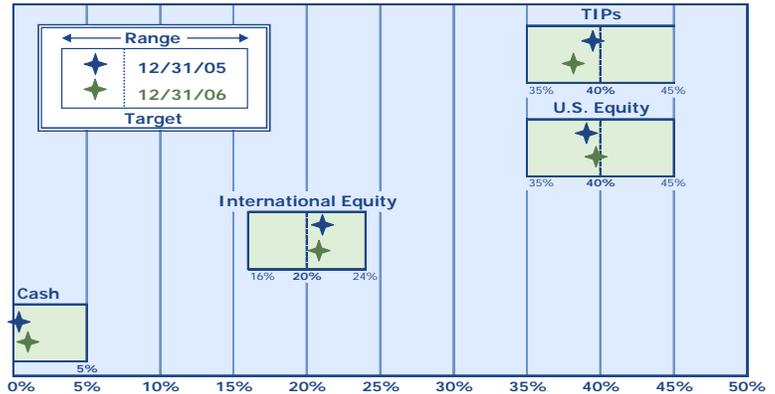
The Reclamation Revolving Fund (shown to the right) is invested in municipal bonds and STIF.



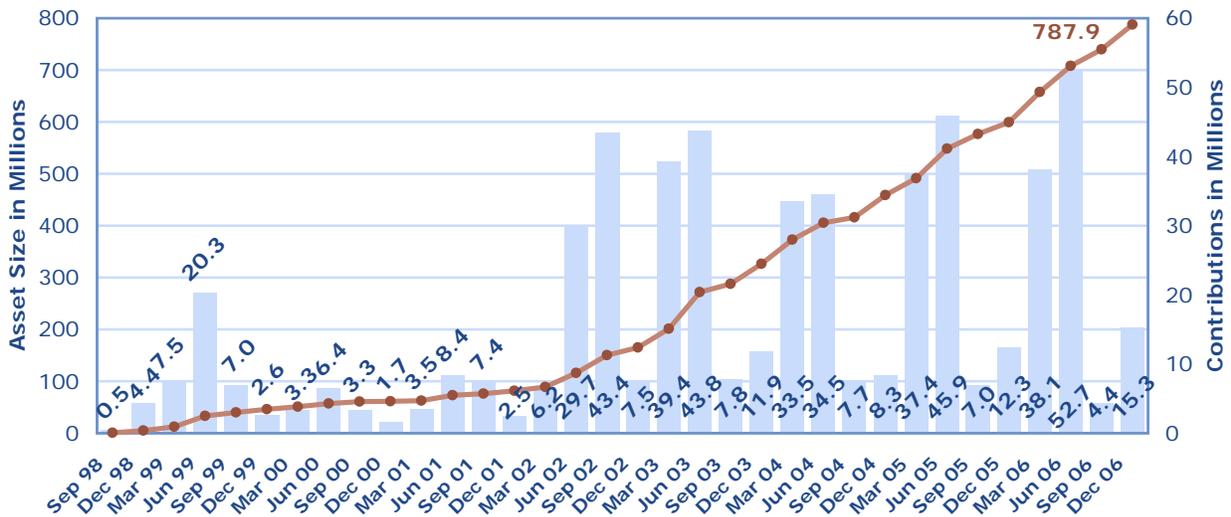


Portfolio Size and Allocation

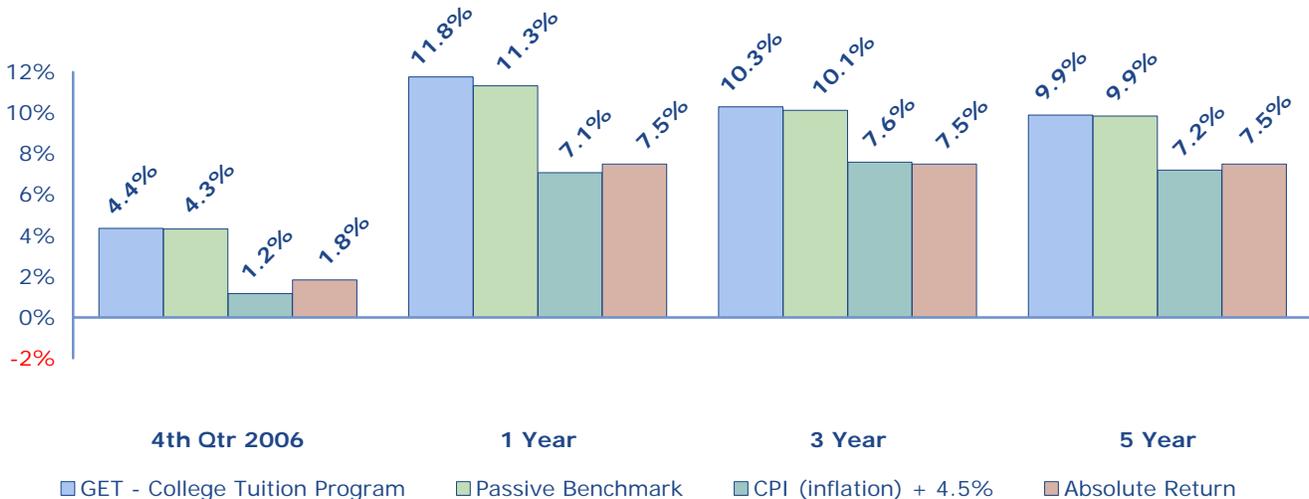
Total	\$787,914,324
Cash	8,959,598
Treasury Inflation Index Note (TIPs)	300,513,721
U.S. Equity	313,782,025
Non-U.S. Equity	164,658,981



Assets Under Management



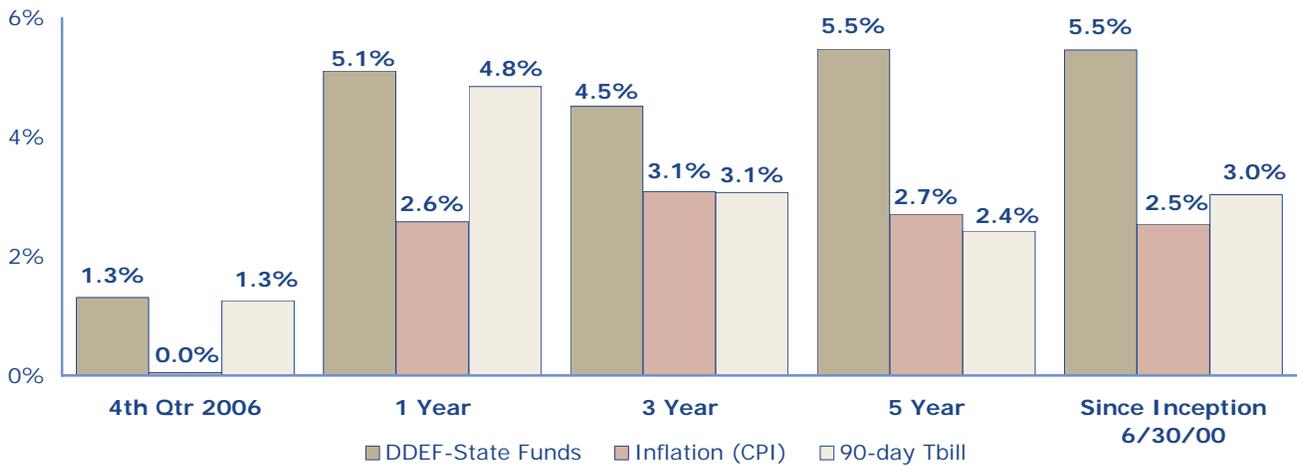
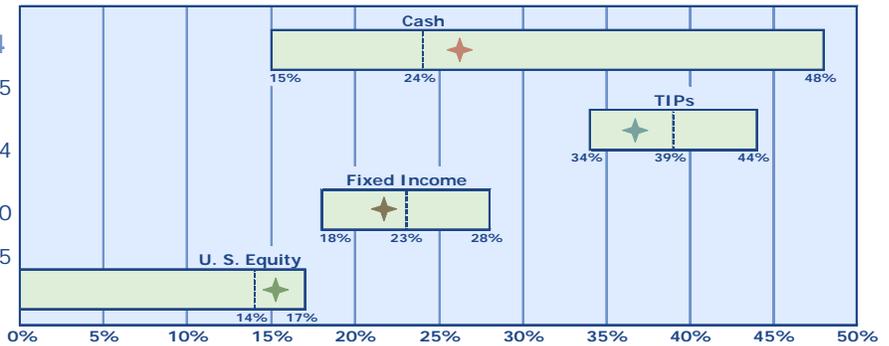
Total Return





DDEF - State Funds

Total	\$7,328,184
Cash	1,921,675
Treasury Inflation Index Note (TIPs)	2,694,384
Fixed Income	1,598,140
U.S. Equity	1,113,985



DDEF - Private Funds

Total	\$7,304,678
Cash	10,220
Balanced Fund	7,294,458

