WASHINGTON STATE INVESTMENT BOARD

FORTY-THIRD ANNUAL REPORT

2024

INTRODUCTION

Letter of Transmittal (3)
Message from the Chair (4)
Board Members and Committees (5)
Executive Management (6)
Asset Stewardship / ESG Integration (7)
Annual Budget (8)

LETTER OF TRANSMITTAL

In the closing months of 2023, investors were filled with a sense of optimism. With inflation levels rapidly subsiding, market expectations for lower interest rates began to take hold. However, as the calendar turned to 2024, economic conditions strengthened, inflation remained flat, and hopes of imminent rate cuts by the U.S. Federal Reserve were dashed. These higher rates presented both opportunities and challenges for the Washington State Investment Board (WSIB) over the past year, and although the ride was bumpy at times, the Commingled Trust Fund (CTF) returned 8.5 percent for the fiscal year ending June 30, 2024.

As we look to the future, the WSIB, like many other large institutional investors, will face a wide range of increasingly complex challenges. We will continue to grapple with bouts of volatility as markets react to economic data and central bank activity. As a universal owner, the WSIB owns a representative share of the entire economy. The potential impacts of climate change will continue to shape the portfolios we manage, and as the transition from carbon-intense to renewable energy sources plays out, the portfolios we manage will reflect that shift. We are also focused on the rise of artificial intelligence, which will produce a myriad of investment risks and opportunities. And geopolitical concerns are also on the rise as many large, developed countries are prioritizing national security. They are reshoring and nearshoring supply chains, which is creating friction in global trade. These trends will have far-reaching implications for our investment portfolios, and taken together, we believe market returns may be lower in the years ahead. We have been here before. Our highly diversified investment portfolio has held up relatively well during past downturns, and we believe we are well-positioned to weather the uncertainties that lie ahead.

The WSIB's unwavering commitment to its mission is evident in our thoughtful, deliberate approach to delivering on our goal to maximize returns at a prudent level of risk for the exclusive benefit of our beneficiaries. The WSIB was among the first U.S. pension funds to make substantial allocations to private market investments. Over several decades, we built the WSIB's private equity, real estate, and tangible assets investment programs, each playing a critical role in our industry-leading results. These private market investments also provide diversification benefits and inflation protection, helping us mitigate volatility during market downturns. According to a recent independent review, our CTF has generated a 25-year net return of 8.1%, surpassing our peer group median of 6.9%. In real dollars, this translates to approximately $32.5 billion in excess net returns. That strong performance means lower contribution rates for pension members and greater financial flexibility for the state.

Like many state agencies, the WSIB has experienced staff turnover in the years since the pandemic. Over forty-five percent of our staff have joined the agency within the last four years, including most of our senior leadership team. Fortunately, we are well-positioned for this shift in workforce dynamics. Almost two years ago, the WSIB transitioned from the full-time remote work environment of COVID-19 to hybrid working arrangements. It's nearly impossible to put a price on the benefits of regular in-person interactions and personal connections—particularly with so many new faces in the agency. This has fostered a collaborative environment, allowing us to embrace new ideas and practices while respecting the organization's legacy and time-tested approach.

Investing in our people will be critical to our continued success. It's why we're focused on retaining our highly experienced staff while attracting new talent with diverse backgrounds and experiences. It's also why we take a deliberate approach to succession planning, developing the next generation of agency leaders to ensure we can maintain our competitive advantages.

While the future may be uncertain, our path forward is not. We will continue to lean into our strengths, challenge our assumptions, and act with integrity so we can continue to deliver for Washingtonians, who rely on the work we do.

Sincerely,

Allyson Tucker, CFA, CAIA

Chief Executive Officer (CEO)

MESSAGE FROM THE CHAIR

It is my honor to present the 2024 Annual Report for the WSIB. This report provides investment performance and related financial information for participants and beneficiaries of the retirement and other public funds managed by the WSIB.

As I reflect on my first year as Chair of the WSIB's independent Board, I am proud of the work we have done on behalf of over 900,000 retirement beneficiaries across the state. Since its inception in 1992, the CTF has delivered an annual rate of return of 8.9 percent. As a lifelong firefighter and a member of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan, I certainly appreciate the results the WSIB has delivered for public employees, teachers, school employees, law enforcement officers, firefighters, and judges across the state. The strong investment returns generated by the WSIB are one of the reasons Washington is ranked among the best pension systems in the country.

The retirement benefits paid to beneficiaries of the plans managed by the WSIB are significant in size and scope. The WSIB's investment returns also provide vital support for public funds that benefit Washington's industrial insurance program, colleges and universities, and the developmental disability program.

The markets we invest in have generated consistently solid returns in recent years. However, with so much economic and geopolitical uncertainty, returns across many asset classes will likely be lower in the years ahead. Fortunately, the WSIB's unwavering commitment to its mission and its diversified portfolio of public and private equity, fixed-income securities, real estate, and tangible assets are built to withstand challenging market environments.

Over the past 43 years, the WSIB has successfully built public trust in its mission and investment approach. Maintaining that trust in today's highly polarized environment will be harder than ever. We will focus on thoughtfully raising our public profile, leaning into sensitive issues like climate change and diversity, equity, and inclusion (DEI). Our Climate and DEI Blueprints, developed in 2022, will aid these efforts. These blueprints provide the WSIB with a firm strategic foundation to integrate climate- and DEI-related considerations into the fabric of our organization and investment approach, using our influence to help drive change throughout the investment industry.

Serving alongside so many talented and dedicated WSIB Board members is a distinct privilege. Our staff is among the best in the industry. Their hard work and commitment to excellence have served our beneficiaries well and positioned us for continued success.

Sincerely,

Greg Markley, Chair

BOARD MEMBERS AND COMMITTEES

The WSIB is an independent Board of Trustees with a fiduciary responsibility to manage retirement and public fund investments with the highest standard of professional conduct. The Board's primary investment objective is to maximize returns at a prudent level of risk for the exclusive benefit of fund participants and beneficiaries. Individual Board members are recommended by the Chair and appointed by the Board to serve on any of the Board's four different committees, which are focused on efficiently analyzing investment and governance issues. Committee recommendations are brought to the Board for consideration and a vote.


Tracy Guerin


Joel Sacks


Treasurer
Mike Pellicciotti


Senator
Mark Mullet


Representative Mia Gregerson


Greg Markley
Chair


Yona Makowski
Vice-Chair


Tracy Stanley


Sara Ketelsen


Liz Lewis


David Nierenberg


Mary Pugh


Heather Redman


Ada Healey


George Zinn

ADMINISTRATIVE COMMITTEE

The Administrative Committee has oversight of general policy and organizational issues, including personnel, budget, legislative programs, legal services, the nomination of non-voting Board members, and other issues not included in other committee charters.

AUDIT COMMITTEE

The Audit Committee assists the Board in the oversight of the financial and audit-related activities and operations, including compliance, risk management, internal/external audits, financial reporting, and internal controls.

PRIVATE MARKETS COMMITTEE

The Private Markets Committee develops strategy, provides oversight, and makes recommendations to the Board for investments in real estate, private equity, tangible assets, and other direct or private transactions.

PUBLIC MARKETS COMMITTEE

The Public Markets Committee develops strategy, provides oversight, and makes recommendations to the Board for public markets investments, including those for the Labor and Industries' portfolio, fixed income, and equity portfolios.

EXECUTIVE MANAGEMENT

ALLYSON TUCKER - CHIEF EXECUTIVE OFFICER

The WSIB's Chief Executive Officer is appointed by the Board to oversee the staff, develop and recommend agency and investment policies for Board adoption, and ensure adherence to state policies and laws.

CHRIS HANAK - CHIEF INVESTMENT OFFICER

The Chief Investment Officer oversees the Investment Division, which is comprised of investment professionals responsible for each of the major asset classes including public equity, private equity, real estate, fixed income and tangible assets. The role also oversees the team responsible for asset allocation and risk budgeting strategies.

KRISTINA TAYLOR - CHIEF FINANCIAL OFFICER

The Chief Financial Officer oversees the WSIB's financial operations, including investment accounting, financial reporting and portfolio administration. These capabilities enable investment transactions, fund accounting, trade settlement, cash management, private market funding, cash and stock distributions, and foreign and domestic tax matters.

CURT GAVIGAN - CHIEF OPERATING OFFICER

The Chief Operating Officer oversees the Operations Division, which is comprised of WSIB's legal, risk and compliance team, budget planning, information systems, security management, travel and office administrative services. The role also oversees legislative relations.

JAMES ABER - INSTITUTIONAL RELATIONS DIRECTOR

The Institutional Relations Director is responsible for communications, public affairs and client services essential to the agency's role as public fiduciary and institutional asset manager. These services include performance reporting, public relations, media relations, corporate governance, and stakeholder relations.

BOBBY HUMES - HUMAN RESOURCES DIRECTOR

The Human Resources Director is responsible for facilitating the hiring and retention of skilled employees and for positioning the agency as a successful destination workplace that contributes to the organization's mission. This role also provides leadership on professional coaching and development, workplace and career planning, and management of all human resource functions.

ASSET STEWARDSHIP

The WSIB's asset stewardship efforts include the core corporate governance function of proxy voting, engagement with investee companies, and involvement with a select group of industry groups and peers. Together, these initiatives reflect the WSIB's role as responsible stewards of capital. The WSIB believes proxy voting is an important tool for positively influencing companies toward greater board accountability, genuine transparency, and an increased focus on long-term strategies. The WSIB also views direct engagement with companies and select industry bodies as an essential component of active ownership.

HIGHLIGHTS

- In 2024, the agency continued to hold the boards of large greenhouse gas emitting companies accountable for climate-related governance matters, both through proxy voting and flags for continued monitoring
- During the period, the WSIB updated its proxy voting guidelines primarily to:
    - Clarify that proxy voting decisions will now be released on a quarterly basis, as opposed to semiannually
    - Enhance the language around a policy that was introduced in 2023 to facilitate board-level accountability on climate to better align with our Climate Blueprint
    - Align compensation matters with recent regulatory changes

The WSIB continues to engage with investee companies primarily through peer networks focused on shareholder rights, diversity, and climate-related issues.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INTEGRATION

The WSIB's ESG Integration objective is for all investment staff to have the necessary tools to appropriately incorporate financially material ESG considerations into investment due diligence and monitoring processes. As with traditional financial factors, the ESG-related drivers of risk and return vary by asset class. Members of the WSIB's investment teams share best practices in ESG integration in partnership with the agency's Sustainability Working Group, which includes one member of every asset class team and other agency staff.

HIGHLIGHTS

- As part of the comprehensive review of prospective new investments, the WSIB assesses ESG risks and opportunities
- The agency is implementing its Board-approved Climate and DEI Blueprints, strategic roadmaps that define and advance the WSIB's ability to address these topics as integral factors within its investment discipline and organizational mission
- The agency has implemented quarterly investment staff training on various ESG topics

ADVOCACY

In line with its fiduciary duty, the WSIB advocates for industry rules that promote fair and functioning markets, provide meaningful and investor-useful disclosures, and encourage long-term sustainable investment disciplines. The agency relies heavily on partnerships with pension fund peers, investment managers, and industry coalitions to amplify its voice, participating in numerous coalitions and forums on a wide range of issues, including climate change, DEI, and corporate governance.

HIGHLIGHTS

- In November 2023, the WSIB wrote a letter to the Securities and Exchange Commission in support of enhanced board-related diversity disclosures
- WSIB CEO, Allyson Tucker, participated in JP Morgan's Scottsdale Action Forum. Dozens of CEOs from some of the world's largest public and private companies and institutional investors gathered to discuss the pressing need to take meaningful steps to address climate change
- Allyson Tucker and WSIB staff lend their time and expertise to Ownership Works, a nonprofit organization focused on expanding broad-based employee ownership across corporate America
- The WSIB periodically contributes to research from partner organizations to help improve the function of capital markets over the long term

ANNUAL BUDGET

OBJECTS OF EXPENDITURE

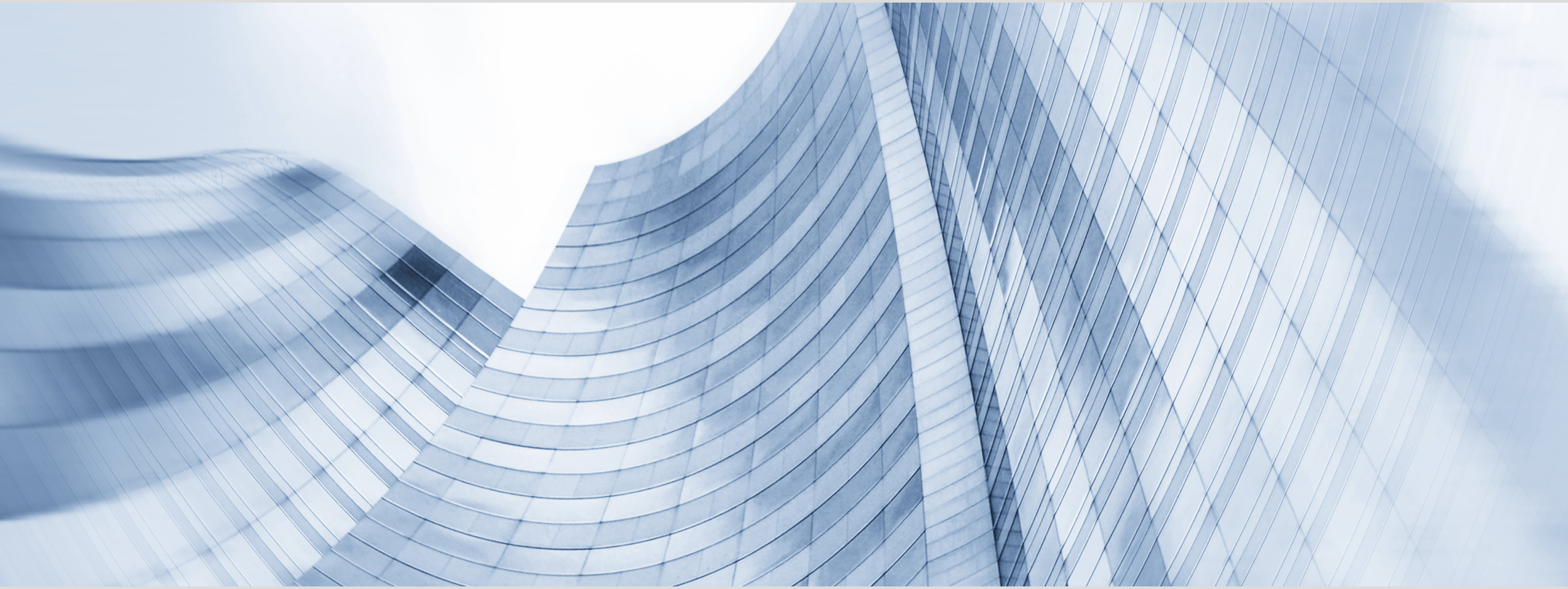
APPROPRIATED

	Budget	Expenditures	Budget Variance
Salaries	$24,037,043	$21,660,364	$2,376,679
Benefits	5,448,001	5,067,388	380,613
Professional Service Contracts	1,509,293	336,166	1,173,127
Goods and Services	5,838,271	5,190,084	648,187
Travel	1,214,759	467,657	747,102
Equipment	185,985	16,535	169,450
Treasury Note	-	-	-
SUBTOTAL APPROPRIATED	$38,233,352	$32,738,195	$5,495,157 *

NON-APPROPRIATED

	Budget	Expenditures	Budget Variance
Public Equity	$90,507,000	$67,491,824	$23,015,176
Private Equity	471,000,000	484,751,011	(13,751,011)
Real Estate	30,875,000	13,391,183	17,483,817
Tangible Assets	99,561,000	96,846,777	2,714,223
Innovation Portfolio	20,500,000	18,487,221	2,012,779
Securities Lending	4,500,000	3,104,482	1,395,518
Cash Management	5,500,000	3,524,948	1,975,052
Cash Overlay	1,000,000	586,442	413,558
General Consultants	1,015,000	230,780	784,220
Staff Consultants and Contractual Services	4,264,000	2,563,632	1,700,368
Legal Fees	3,000,000	1,067,608	1,932,392
Custodian Bank Fees and Trade Settlement Services	3,020,000	2,405,000	615,000
Portfolio Verification and Shadow Accounting System	850,000	666,259	183,741
Memberships	252,000	183,930	68,070
Research Services, Analytical Tools, and Other	4,442,000	3,874,522	567,478
SUBTOTAL NON-APPROPRIATED	740,286,000	699,175,620	41,110,380
TOTAL	$778,519,352	$731,913,815	$46,605,537

Note: Totals may not add up due to rounding. *The Balance will be carried forward to Fiscal Year 2025 since we are granted a biennial appropriation.



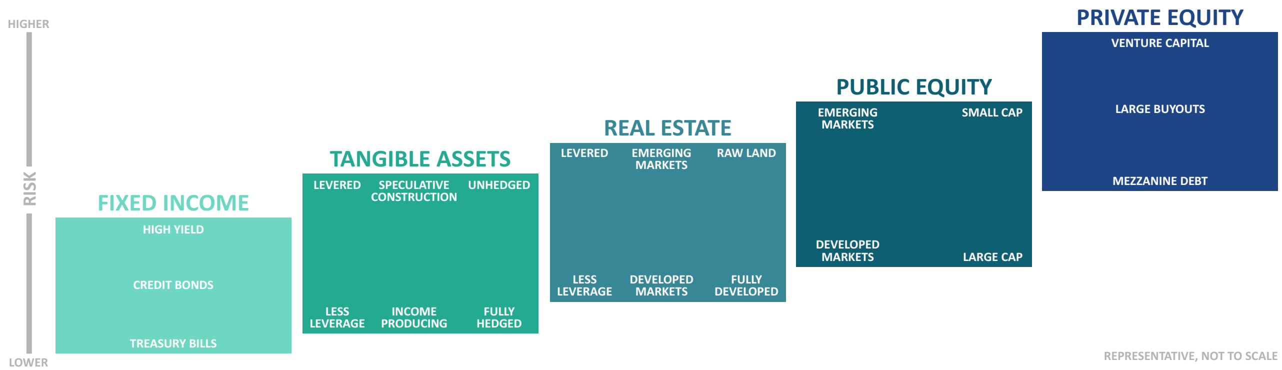
INVESTMENTS

Asset Classes (10)
Funds Under Management (12)
Investment Partners (14)

ASSET CLASSES

STRATEGIC ASSET ALLOCATION

Strategic asset allocation is the process of selecting a mix of asset classes, such as stocks and bonds, and determining their proportions within an investment portfolio. Research indicates asset allocation decisions explain more than 90 percent of the variation between returns on different portfolios and are often considered to be the most important driver of investment performance. Portfolio assets are diversified to help offset declines in any one class, smooth out market volatility, and reduce overall investment risk.



The WSIB primarily invests in broad-based asset classes: fixed income, tangible assets, real estate, public equity, and private equity. Each fund managed is assigned a strategic asset allocation, which includes the asset classes used by that fund, long-term policy targets for those asset classes, and the acceptable ranges that allocations can fall within. The WSIB formally reviews strategic asset allocations at least every four years.

FIXED INCOME

The CTF's long-term allocation target for fixed income is 19 percent, plus or minus 4 percent. The fixed income program for the CTF is actively managed by WSIB staff to meet or exceed the return of the Bloomberg U.S. Universal Index.

Fixed income investments are managed by WSIB staff and help provide valuable portfolio diversification. The WSIB's investment policies are structured to allow for sufficient flexibility in the management process to capture investment opportunities while providing parameters that ensure prudence and care in the execution of the fixed income investment program. These investments may include U.S. treasuries and government agencies, credit bonds, treasury inflation protection securities (TIPS), corporate debt, mortgage-backed securities, collateralized mortgage obligations (CMO), asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS).

Responsibilities of the fixed income investment team include portfolio management and trading, credit research and analysis, risk management, and database analytics. In some cases, Board policy or state law determines that some public fund portfolios are permitted to use only fixed income investments due to risk constraints or investment objectives. In other cases, such as the CTF, fixed income is part of a diversified asset mix.

In addition to the CTF, this asset class is included in the other retirement funds managed by the WSIB, the defined contribution retirement funds, the Volunteer Firefighters' Relief and Pension Fund, and the Reserve Officers' Relief and Pension Funds. The asset class is also included in Labor and Industries' Funds, Permanent Funds, Guaranteed Education Tuition (GET), Developmental Disabilities Endowment Trust Fund (DDETF), Washington State Opportunities Scholarshihp (WSOS), and Long-Term Services and Supports Trust Account (LTSS) programs.

TANGIBLE ASSETS

The CTF's long-term allocation target for tangible assets is 8 percent, plus or minus 3 percent, and the benchmark is the Consumer Price Index (CPI) plus 400 basis points over a long-term investment horizon, which is defined as at least 5 years. Both the valuation of the tangible assets portfolio and its benchmark are lagged one calendar quarter.

The primary goal of the WSIB tangible assets portfolio is to generate a long-term, predictable, and persistent income stream. The portfolio also aims to generate returns that are at least commensurate with inflation (as measured by CPI) while providing diversification to the overall asset allocation of the CTF.

The tangible assets portfolio invests in assets used in the production or supply of goods and services. The categories of investments in this asset class include agriculture, commodities, infrastructure, natural resource rights, and timber. The portfolio focuses on the production and transport of resources and goods in four main industries: minerals and mining, energy, agriculture, and society essentials. Each industry has a different return attribute, which provides diversification benefits to the overall CTF portfolio. The WSIB may invest in any tangible asset investment opportunity that offers the potential for attractive risk-adjusted returns, provided such opportunities are not prohibited by Board policy or by law.

REAL ESTATE

The CTF's long-term target for real estate is 18 percent, plus or minus 3 percent, and the benchmark is an 8 percent return over a rolling 10-year period. The National Council of Real Estate Investment Fiduciaries (NCREIF) property index, lagged one quarter, is used for comparison purposes. The valuation of the real estate portfolio is lagged one calendar quarter.

The real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The program focuses primarily on generating a high-quality, long-term, stable income stream for the CTF. The real estate portfolio is invested in a diversified group of properties, including industrial, residential, retail, office, and specialty properties. The WSIB may invest in any real estate investment opportunity that offers the potential for attractive risk-adjusted returns, provided such opportunities are not prohibited by Board policy or by law.

Most of these externally managed partnerships invest in institutional-quality real estate assets that are leased to third parties. Income generated from lease payments, coupled with the hard asset qualities of real estate combine to generate return expectations that fall between those offered by fixed income and equities. In most cases, the WSIB and its local partners are the only financial investors in a partnership. This provides the WSIB with excellent governance provisions related to acquisition, disposition, and annual business planning processes. The WSIB's real estate capital is diversified among a host of partners with varying investment styles. The WSIB's investments are spread across various property types in numerous economic and geographical regions.

In addition to the CTF, this asset class is included in the Labor and Industries' Funds.

PUBLIC EQUITY

The CTF's long-term allocation target for public equity is 30 percent, plus or minus 5 percent, and the benchmark for the overall public equity portfolio is the Morgan Stanley Capital International All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross.

The public equity portion of the CTF invests in publicly traded equities globally, utilizing a mix of external investment managers. These managers' investments are spread across U.S., developed non-U.S., and emerging markets. The portfolio employs both passive U.S. equity and passive international (developed and emerging) equity. Most of the CTF's public equity portfolio is invested in low-cost, broad-based passive index funds. The CTF employs active global equity and emerging market managers. Active equity managers are used in markets that are less efficient, allowing the managers to pick the most attractive stocks. The public equity program seeks to achieve attractive returns, consistent with prudent risk management and downside protection.

The WSIB is responsible for fund selection and oversight of the self-directed defined contribution options, which are primarily public equity investments. The objectives of this are to provide a diverse and adequate set of investment offerings, manage expenses, and ensure that each investment option maintains its investment objectives and strategy.

In addition to the CTF, public equity is included in the other retirement funds managed by the WSIB as well as Labor and Industries' Funds, Permanent Funds, GET, DDETF, and WSOS programs. These programs primarily utilize passive global equity.

PRIVATE EQUITY

The CTF's long-term allocation target for private equity is 25 percent, plus or minus 5 percent, and its benchmark is the MSCI ACWI IMI Net with U.S. Gross plus 300 basis points. Both the valuation of the private equity portfolio and its benchmark are lagged one calendar quarter.

The objective of the private equity program is to generate a significant premium over the returns of the public equity markets over the long term. The WSIB invests in a well-diversified portfolio of private equity funds managed by high-quality general partners. The WSIB may invest in any appropriate private equity investment opportunity that offers the potential for attractive risk-adjusted returns, provided opportunities are not prohibited by the WSIB's policies or by law. These investment types are generally divided into corporate finance, growth equity, venture capital, special situations, distressed debt, and other investments.

The portfolio is managed to a model portfolio to ensure adequate diversification by general partner, strategy type, and geography. The WSIB has investments in all stages of the business cycle, from private startup technology companies to large multinational public concerns. The WSIB's private equity investments are long-term in nature, typically spanning at least 10 to 12 years. The portfolio is primarily composed of private equity buyouts. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

INNOVATION PORTFOLIO

The innovation portfolio gives staff the ability to make strategic investments that fall outside the established asset class programs currently used by the Board. In addition, this portfolio provides the Board with an ability to assess an investment's demonstrated success before committing larger dollar amounts to new and innovative investment strategies. Investments in the Innovation Portfolio will be monitored and evaluated with an end goal in mind. These goals include graduation to a dedicated portion of the CTF—either as a new asset class or its inclusion in an existing asset class, termination, or continual inclusion in the Innovation Portfolio.

Investments in the portfolio are expected to meet one or more of the following objectives:

- Seek incremental return commensurate with risk across a spectrum of opportunities
- Increase investment flexibility across market environments
- Exploit market inefficiency that is expected to provide an above-market return at an appropriate level of risk
- Enhance long-term returns, while diversifying and/or lowering risk of the total portfolio

FUNDS UNDER MANAGEMENT

RETIREMENT FUNDS

COMMINGLED TRUST FUND (CTF)

The WSIB pools most of the state's defined benefit retirement fund assets into the CTF to manage investments, reduce administrative costs, and minimize investment fees. A small portion of plan-specific Retirement Funds are invested separately. The WSIB measures fund performance by comparing the performance of investment returns for each asset class in the CTF to appropriate benchmarks. Although quarterly and yearly returns change, long-term realizations should meet or exceed the actuarially assumed rate of return. The WSIB invests the fund in a mix of fixed income securities, tangible assets, real estate, public equity securities, and private equity funds.

The market value stated in the audited financials for the CTF can vary significantly from the market value reported by the WSIB's custodian bank for any given time period. This variance is expected given the various reporting schedules for assets held in the CTF. For instance, the agency receives updated year-end alternative asset valuations after the unit price for the CTF is published and the Retirement Funds' audited financials are issued approximately three months after that price is established. Accordingly, the values in the audited financials can vary from the prices used to value the CTF as both have different pricing policies. Individual asset classes differ in both their performance and volatility from year to year. The fair value of most public market investments can be determined and priced instantly. However, private market investments are illiquid and not easily priced, so it often takes years to realize expected returns in private market investments.

DEFINED CONTRIBUTION

The WSIB has responsibility for selection and management of the investment options for the self-directed components of the Public Employees' Retirement System Plan 3, State Employees' Retirement System Plan 3, and Teachers' Retirement System Plan 3, as well as the Deferred Compensation Program (DCP) and the Judicial Retirement Account (JRA). DRS is responsible for the accounting and reporting functions for these funds.

VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION FUND AND RESERVE OFFICERS' RELIEF AND PENSION FUND

The funds provide death, disability, medical, and retirement benefits to volunteer firefighters, reserve officers, and emergency medical workers in cities, towns, and fire protection districts. The WSIB invests the funds in a mix of fixed income and public equity.

LABOR AND INDUSTRIES' FUNDS (L&I)

The WSIB manages industrial insurance funds on behalf of the Department of Labor and Industries. The Labor and Industries' portfolio consists of four separate funds:

- The Accident Fund pays time loss benefits to injured workers
- The Medical Aid Fund pays for medical benefits for injured workers
- The Pension Reserve Fund pays pension benefits to disabled workers
- The Supplemental Pension Fund pays cost of living adjustments to prior pensioners

The WSIB invests the funds in a mix of fixed income, public equity, and real estate.

PERMANENT FUNDS

The permanent funds are non-expendable trusts. The principal for each fund remains intact and investment earnings, less expenses, are distributed to a beneficiary fund. Five of these funds were established through federal government land grants to help Washington's schools and colleges with bond repayment, capital development, and facilities maintenance. The Department of Natural Resources transfers proceeds from the sale of land and non-renewable sources to the WSIB for investment purposes. The WSIB invests the fund in a mix of fixed income and public equity.

GUARANTEED EDUCATION TUITION (GET) FUND

The GET Program is Washington's 529 (or WA529) prepaid college tuition plan that helps families with young children save for future higher education expenses. The state of Washington guarantees that the value of participant accounts will keep pace with the cost of college tuition at Washington's highest priced public university. Program administration is under the authority of the Washington Student Achievement Council. The WSIB invests the assets in a mix of fixed income and public equity.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND (DDETF)

DDETF supports individuals with developmental disabilities through private contributions and public appropriations. The WSIB invests the state fund in a mix of fixed income and public equity while the private assets are invested in a mutual fund with low turnover and fees to minimize taxable events and costs.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP (WSOS) FUND

This fund was created by the Washington State Legislature to encourage student participation in high employer-demand programs of study. The WSOS program is comprised of several distinct pools of assets, which can include a mix of both private and state match funds. State match funds are invested in short-term holdings while the private funds are invested in a mix of fixed income and public equity.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT (LTSS)

This fund was created to serve as a long-term care insurance benefit paid to eligible participants under the LTSS Trust Program. The program and benefits are funded by premiums collected from employees through payroll deductions. The WSIB invest the assets in fixed income.

DAILY VALUED FUNDS

BOND FUND

The Bond Fund is a commingled investment fund available as an investment option for any accounts under the jurisdiction of the WSIB. The goal of this daily valued fund is to provide attractive returns while controlling risk by investing in high-quality corporate bonds. The fund is managed internally by the WSIB with an objective of meeting or exceeding the return of the Bloomberg Intermediate Credit Index at a similar level of risk.

SAVINGS POOL

The savings pool is available as an investment option for DCP and JRA. It is intended as a conservative, short-term investment opportunity where the primary objective is to protect current income and preserve principal. The savings pool is a diversified portfolio of guaranteed investment contracts (GICs) and short-term cash.

U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) FUND

The TIPS fund is a commingled investment fund available as an investment option for any accounts under the jurisdiction of the WSIB. TIPS are designed to provide protection against inflation as measured by the Consumer Price Index. The fund is actively managed to meet or exceed the return of the Bloomberg U.S. TIPS Index.

INVESTMENT PARTNERS

RETIREMENT FUNDS – CTF

PRIVATE EQUITY

Actis
Advent International
Affinity Equity Partners
Alta Communications
Apax Partners
Apex Investment Partners
Ara Partners
Austin Ventures
Banc Funds
Battery Ventures
BC Partners
BGH Capital
Blackstone Group
Bridgepoint Capital
Canaan Partners
Carlyle Group
CDH Investments
Centerbridge
Centurium Capital
Cinven Limited
Denham Capital
EIG Global Energy Partners
Endeavour Capital
Essex Woodlands
First Reserve Corporation
Fisher Lynch Capital
Fortress Investment Group
FountainVest Partners
Francisco Partners
General Catalyst
GI Partners
GTCR
HarbourVest Partners
Hellman & Friedman
Insight Venture Partners
Intersouth Partners
Kohlberg Kravis Roberts & Company
KSL Capital Partners
Leonard Green & Partners
Luminate Capital Partners
Madison Dearborn Partners
MatlinPatterson Global Advisors
Menlo Ventures
New Enterprise Associates
New Mountain Capital
Nordic Capital
Oak Investment Partners
Oaktree Capital Management
OVP Venture Partners
PAG Asia Capital
PAI Partners
Palamon Capital Partners
Permira
Polaris Venture Partners
Providence
Rhone Capital
Searchlight Capital Partners
Sequoia Capital
Silver Lake Partners
Sixth Steet Partners
Stone Point Capital
TA Associates
Tailwind Capital Partners
Technology Crossover Ventures
The Riverside Company
Thoma Bravo
TowerBrook Capital Partners
TPG
Trident Capital Partners
Union Square Ventures
Unitas Capital
Vestar Capital Partners
Warburg Pincus
Wellspring Capital Management

REAL ESTATE

Aevitas Property Partners
Calzada Capital Partners
Crane Capital
Emerging Markets Fund of Funds
Evergreen Investment Advisors
Global Co-Investment
Hudson Advisors
Morgan Stanley
Pacific Realty
Partners Enterprise Capital
Proprium

INVESTMENT PARTNERS

TANGIBLES ASSETS

Agriculture Capital
Astatine Investment Partners
Arable Capital
Barings
CBRE
Ecosystem Investment Partners
EnerVest Limited
Global Infrastructure Partners
Homestead Capital
I Squared Capital
International Farming Corporation
Kohlberg Kravis Roberts & Company
Laguna Bay Pastoral Company
Lime Rock Resource
National Grid Renewables
Oaktree Capital Management
Orion Resource Partners
PGIM Agricultural Investments
Prostar Capital
Schroders Greencoat
Sheridan Production Partners
Silver Creek Advisory Partners
Sprott
Stonepeak Infrastructure Partners
Teays River Investments
UBS Farmland Investors
Warwick Mangement Company

PUBLIC EQUITY

Arrowstreet Capital
BlackRock
BLS Capital
Brandes Investment Partners
GQG Partners
LSV Asset Management
Mawer Investment Management
Sands Capital
State Street Global Advisors
William Blair & Company

INNOVATION PORTFOLIO

Blue Torch Capital
Centerbridge
Francisco Partners Management
GI Partners
GSO Capital Partners
Monarch Alternative Capital Partners
Oak Hill Advisors
Sixth Street Partners
TPG

OVERLAY MANAGER

Russell Investments

RETIREMENT FUNDS – DEFINED CONTRIBUTION

RETIREMENT STRATEGY FUNDS

AllianceBernstein

PUBLIC EQUITY

BlackRock

RETIREMENT FUNDS – VFFRO

PUBLIC EQUITY

BlackRock

LABOR AND INDUSTRIES' FUNDS

PUBLIC EQUITY

BlackRock

REAL ESTATE

Aevitas Property Partners
Calzada Capital Partners
Evergreen Investment Advisors

PERMANENT FUNDS

PUBLIC EQUITY

State Street Global Advisors

GET

PUBLIC EQUITY

State Street Global Advisors
Vanguard

DDETF

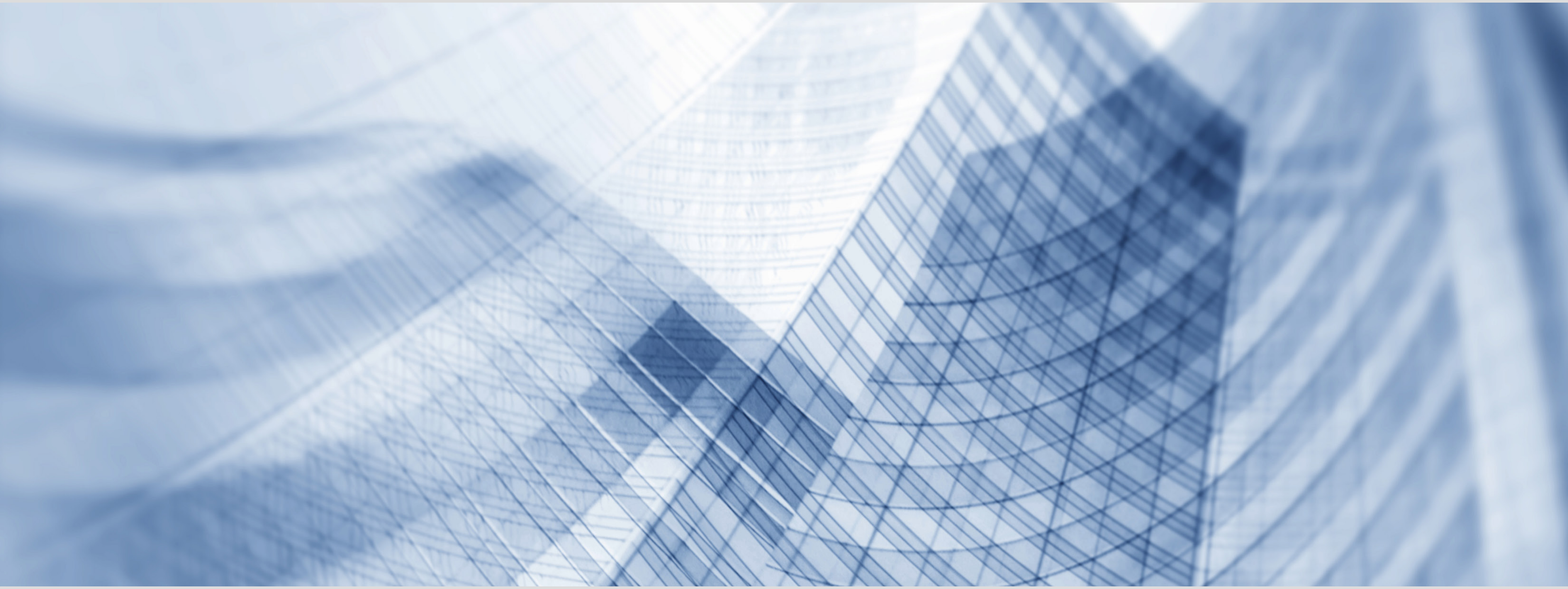
PUBLIC EQUITY

State Street Global Advisors

WSOS

PUBLIC EQUITY

BlackRock



FINANCIALS

Overview of Financial Statements (17)
Retirement Funds (18)
Labor and Industries' Funds (64)
Permanent Funds (90)
Guaranteed Education Tuition Fund (114)
Developmental Disabilities Endowment Trust Fund (139)
Washington State Opportunity Scholarship Fund (160)
Long-Term Services and Supports Trust Account (181)
Daily Valued Funds (200)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the basic financial statements and notes to the financial statements. The financial statements included are for the Retirement Funds, L&I Funds, Permanent Funds, GET, DDETF, WSOS, LTSS, and Daily Valued Funds. The financial statements are reported separately due to the unique goals and objectives for each set of funds and each set of funds undergoes a separate financial statement audit.

BASIC FINANCIAL STATEMENTS

The basic financial statements presented include the Statement of Fiduciary Net Investment Position, which reports the assets by general asset category and the related liabilities as of June 30, 2024, and the Statement of Changes in Fiduciary Net Investment Position, which reports the contributions to, withdrawals from, and investment earnings for the fiscal year ending June 30, 2024.

The financial statements and notes were prepared by the investment accounting unit of the WSIB.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements presented are an integral part of the financial statements and include additional information not readily evident in the financial statements themselves.

CONTACTING WSIB'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of WSIB's investment activities.

If you have any questions about this report or need additional information, contact:

The Washington State Investment Board

2100 Evergreen Park Drive SW

PO Box 40916, Olympia, WA 98504-0916

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RETIREMENT FUNDS

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Retirement Funds (which are comprised of the Commingled Trust Fund and Plan-Specific Investments) of the state of Washington as managed by the Washington State Investment Board (the Retirement Funds), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Retirement Funds as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RETIREMENT FUNDS

EMPHASIS OF MATTER

As discussed in Note 8 to the financial statements, total investments in the Retirement Funds include investments valued at $93.9 billion (55.5% of total investments) as of June 30, 2024, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Retirement Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement Funds' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Retirement Funds of Washington State is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. In addition to the Retirement Funds, the Washington State Investment Board (WSIB) also manages funds for other Washington State departments. This section of the report represents only the Retirement Funds portion. The Retirement Funds are the largest investor in funds managed by the WSIB.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the Retirement Funds as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the Retirement Funds for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year and compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Retirement Funds' financial statements.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S.

economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI (MSCI EM IMI) losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the Retirement Funds' fiduciary net investment position, commonly called net asset value or NAV, increased by $10,374.1 million in the fiscal year ending June 30, 2024. Interest, dividends, and other investment income net of investment expenses of $2,475.2 million was reinvested across the asset classes, increasing the Retirement Funds' NAV by 1.6 percent. Market gains increased the NAV by $10,045.5 million, or 6.3 percent, the result of positive investment returns for the fiscal year. The Retirement Funds withdrew $2,146.6 million from invested balances, decreasing the NAV by 1.4 percent from the prior fiscal year.

RETIREMENT FUNDS

	Fiscal Year End June 30, 2024					Fiscal Year End June 30, 2023					Year Over Year Change	
Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class ($ Millions)	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Investments	Total	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Investments	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position	$ 2,129.9	$ 23,863.1	$ 40,175.4	$ 92,168.6	$ 158,337.0	$ 2,230.8	$ 25,338.4	$ 36,997.6	$ 85,175.6	$ 149,742.4	$ 8,594.6	5.7%
Investment Income:												
Interest, Dividends, and Other Investment Income	142.5	909.0	655.6	1,623.0	3,330.1	98.9	876.3	725.4	1,334.1	3,034.7	295.4	9.7%
Net Realized and Unrealized Gains (Losses)	21.1	195.5	6,833.1	2,995.8	10,045.5	74.3	(442.5)	5,317.5	3,101.1	8,050.4	1,995.1	24.8%
Less: Investment Expenses	(29.2)	(2.1)	(86.3)	(737.3)	(854.9)	(29.2)	(2.8)	(78.7)	(591.3)	(702.0)	152.9	21.8%
Net Investment Income	134.4	1,102.4	7,402.4	3,881.5	12,520.7	144.0	431.0	5,964.2	3,843.9	10,383.1	2,137.6	20.6%
Net Withdrawals and Rebalancing Transfers	235.5	100.0	(2,338.4)	(143.7)	(2,146.6)	(244.9)	(1,906.3)	(2,786.4)	3,149.1	(1,788.5)	358.1	20.0%
Ending Fiduciary Net Investment Position	**$ 2,499.8**	**$ 25,065.5**	**$ 45,239.4**	**$ 95,906.4**	**$ 168,711.1**	**$ 2,129.9**	**$ 23,863.1**	**$ 40,175.4**	**$ 92,168.6**	**$ 158,337.0**	**$ 10,374.1**	**6.6%**
Increase in Fiduciary Net Investment Position	**$ 369.9**	**$ 1,202.4**	**$ 5,064.0**	**$ 3,737.8**	**$ 10,374.1**							
Percent Change in Fiduciary Net Investment Position	**17.4%**	**5.0%**	**12.6%**	**4.1%**	**6.6%**							
CTF One Year Time Weighted Return - June 30, 2024	**5.6%**	**4.8%**	**19.6%**	**5.0%**	**8.5%**							
CTF One Year Time Weighted Return - June 30, 2023	**4.1%**	**1.9%**	**16.9%**	**1.4%**	**5.2%**							
VFFRO One Year Time Weighted Return - June 30, 2024	**5.5%**	**5.8%**	**18.6%**	**N/A**	**14.9%**							
VFFRO One Year Time Weighted Return - June 30, 2023	**3.8%**	**2.2%**	**16.6%**	**N/A**	**12.1%**							

Cash and Cash Equivalents includes cash balances used for liquidity purposes and cash overlay futures and forwards exposure

Debt and equity securities include cash balances used for trading purposes

Alternative asset returns are lagged by one quarter and cover the one year period ended March 31st. Total CTF return includes this lagged valuation.

Fiduciary Net investment position includes accrued income, accrued expenses, and pending trades within each asset class

The following summary highlights significant changes in fiduciary net investment positions for each of the main investment categories in the previous table:

Net investment income increased by $2,137.6 million, or 20.6 percent, during the current fiscal year due to substantially higher returns in all portfolios. The Retirement Funds' total return increased by 2.8 to 3.3 percentage points, increasing market-related gains by $1,995.1 million from the previous fiscal year.

Cash (Including Cash Equivalents) Returns:

The cash portfolio in the Commingled Trust Fund (CTF) includes cash held for overall liquidity purposes to fund withdrawal requests by the Washington State Department of Retirement Systems (DRS), capital calls in the alternative asset portfolio, and asset class rebalancing to strategic investment targets. In addition, cash balances include the investments and activity of the cash overlay program. This program equitizes cash balances by investing in futures and forward contracts in the underweight asset class in the debt or equity portfolio. The cash overlay program is prohibited from using leverage to achieve desired results. The cash balances can fluctuate within policy ranges of 0.0 to 3.0 percent and were 1.8 percent of the CTF NAV on June 30, 2024. Cash balances used for trading in the debt and equity portfolios are excluded from cash and cash equivalents in the previous table.

Cash returns for the fiscal year, excluding the overlay program, were 5.6 percent, or a 154 basis point increase over the prior year's return. Short-term rates moved considerably higher over the fiscal year as a result of Fed actions, as discussed in the General Market Commentary.

Realized and unrealized gains within the cash portfolio reflect the activity in the cash overlay program and are included in net investment income. The overlay program's exposure to equity markets during the first quarter of the fiscal year had a negative impact on overlay returns as the global equity market declined 3.3 percent during this period. The strong equity market rally starting in the second quarter of the fiscal year helped to offset these early market losses. The return from fixed income exposure was generated from U.S. Treasury derivatives, with minimal exposure to higher return credits, further dampening the overlay returns. Market-related gains decreased by $53.2 million, or 71.6 percent, as a result.

Debt Securities Returns:

The WSIB fixed income team actively manages the debt portfolios for the CTF and the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds (VFFRO Funds).

The CTF debt portfolio returned 4.8 percent for the current fiscal year, an increase of 2.9 percentage points, or 292 basis points, over the prior year's return. The portfolio outperformed its benchmark, the Bloomberg U.S. Universal Index, by 136 basis points during the fiscal year. Narrowing credit spreads and an overweighting to emerging markets credit during the fiscal year contributed to this outperformance. In addition, the portfolio benefited from duration positioning relative to its benchmark and security selection, as some Latin American holdings performed well. Market-related gains in the debt portfolio increased as a result of the year-over-year increase in returns.

The VFFRO Funds invest in the Daily Valued Bond Fund (Bond Fund), an intermediate credit portfolio, managed by the WSIB. The fair value of the VFFRO Funds' debt securities on June 30, 2024, was $68.0 million, which is included in the debt security portfolio. Performance for the Bond Fund was 5.8 percent for the current fiscal year, an increase of 3.6 percentage points (or 357 basis points) over the prior year's return. The portfolio outperformed its benchmark by 15 basis points, the Bloomberg U.S. Intermediate Credit Index, which returned 5.6 percent. The Bond Fund maintained an overweighting to emerging market credit compared to the benchmark during the fiscal year. Emerging markets credit spreads narrowed more than investment grade spreads, which resulted in the portfolio outpacing its benchmark. In addition, the portfolio benefited from strong returns in a handful of securities throughout the year.

Downward pressure on both debt portfolio returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year.

Equity Securities Returns:

The CTF invests in publicly traded equity securities globally, including both developed and emerging markets. The developed market investment strategies are generally passively managed. The WSIB also invests in active managers who demonstrate the necessary skill and capacity, at a reasonable cost, for global and emerging market portfolios in markets that are less efficient. As of June 30, 2024, the investment management mix was 64 percent passive and 36 percent active.

The CTF's public equity portfolio return increased by 2.7 percentage points over the prior fiscal year. The public equity portfolio benchmark is the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross, which is a broad barometer of overall global equity market returns. The portfolio returned 19.6 percent for the fiscal year, outperforming its benchmark by 86 basis points. The portfolio's active emerging markets equity managers were a main driver of the public equity portfolio's outperformance. Furthermore, the benchmark declined in the first quarter of the fiscal year, while the actively managed program delivered on the goal of downside protection in a declining market, contributing to the relative outperformance for the year. Market-related gains in the equity portfolio increased by $1,521.9 million, or 28.5 percent, the result of the year-over-year increase in returns.

The VFFRO Funds invest in passively managed collective investment trusts (CITs) designed to track the return of a broad global equity benchmark, the MSCI ACWI IMI with U.S. Gross. The fair value of the equity securities on June 30, 2024, was $192.9 million, which is included in the preceding table. The equity portfolio returned 18.6 percent for the fiscal year, slightly underperforming its benchmark by 16 basis points.

Alternative Investment Returns:

The CTF's alternative investment portfolio includes investments in private equity, real estate, tangible assets, and the innovation portfolio, which comprise 57 percent of the CTF's NAV as of June 30, 2024. One year returns for each asset class are included in the following table:

Alternative Investment Returns	FY 2024	FY 2023
Private Equity	8.4%	-2.8%
Real Estate	-2.1%	5.3%
Tangible Assets	10.8%	7.4%
Innovation Portfolio	10.3%	3.9%
Total Alternative Asset Return	5.0%	1.4%

Alternative investment returns are lagged by one quarter with fair values for the one year period ending March 31st adjusted for cash flow activity through the fiscal year end. This is standard practice due to the availability of data within these asset classes. The amount of market appreciation included in the net asset value in the accompanying financial statements as of June 30, 2024 is $1.4 billion and is not reflected in the official published retirement fund performance return of 5.0 percent.

Private Equity

The private equity portfolio seeks to achieve a superior total return as compared to traditional asset classes and exceed the return of the MSCI ACWI IMI with U.S. Gross by 300 basis points in the long term. The investment types included in the portfolio are venture capital, corporate finance, growth equity, special situations, distressed debt, and others. Private equity investments are made through either limited partnerships or direct investment vehicles.

The private equity portfolio returned 8.4 percent for the current fiscal year, a significant increase over the prior year's return. The sharp rise in interest rates in the prior fiscal year significantly dampened the private equity deal market, and transaction activity significantly declined. Valuation multiples of portfolio companies experienced downward pressure due to the increased cost of financing, which negatively impacted the prior fiscal year's returns. As interest rates stabilized, the deal market resumed during the second quarter of the current fiscal year. The perceived market value of portfolio companies between willing buyers and sellers came closer into alignment, helping to increase deal-making activity. The deal market continued to improve through the fiscal year end but remained low compared to historic levels.

Eight private equity investments were sold in the secondary market during the current fiscal year, generating a realized loss of $48.2 million. The WSIB also sold publicly traded securities received as distributions from investment partners and recognized realized gains of $45.7 million. Both amounts are reflected in realized gains and losses in the current fiscal year.

Real Estate

The CTF's real estate program focuses primarily on creating a high-quality, long-term, stable income stream for the Retirement Funds. Most of these externally managed partnerships invest in properties leased to third parties. The steady income from lease payments, combined with the potential for appreciation, generates returns that are expected to fall between the performance of fixed income and equities over the long term.

The importance of a long-term investment horizon is evident in the attractive returns for the real estate portfolio over long periods and through multiple economic cycles. In general, the drivers of the CTF's successful long-term returns are investments in real estate operating companies (REOCs), diversification by market and property type, and an emphasis on high-quality micro-locations in major markets.

The real estate portfolio investment return for the current fiscal year was -2.1 percent. Real estate markets globally experienced downward pressure on fair values due to capitalization rate expansion from rising interest rates, impacting the portfolio's property values. While the return for the fiscal year was slightly negative, the CTF's real estate performance was considerably better than general real estate market indices. The WSIB's portfolio is focused on necessity-oriented property such as residential and warehousing and was partially insulated from the negative events impacting properties such as office buildings. Returns from income distributions remained steady, while declines in the fair value of some property types and geographies were largely offset by appreciation in other sectors and regions.

Tangible Assets

The primary goals of the tangible assets investment program are to generate long term predictable income streams and market appreciation at least commensurate with inflation. The portfolio continued to grow toward its asset allocation target of 8.0 percent, ending the fiscal year at 7.7 percent of the CTF NAV. The portfolio returned 10.8 percent for the fiscal year, outperforming its benchmark, a one quarter lagged CPI plus 400 basis points, by 334 basis points. The tangible assets portfolio also outperformed its benchmark for the 3, 5, and 10-year time periods.

Innovation Portfolio

The innovation portfolio's primary investment purpose is to provide the WSIB with the ability to invest in ideas that fall outside the traditional asset classes currently approved by the Board. The secondary purpose is to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to a strategy. During the fiscal year, the innovation portfolio added two new partnerships. The overall benchmark for the portfolio is a weighted average of the underlying benchmarks for each investment within the portfolio. The 1-year return was 10.3 percent, while the benchmark returned 17.3 percent. Impact equity investments drove the underperformance for the period.

See General Market Commentary for additional economic and market information.

Interest, Dividends, and Expenses:

Due to rising interest rates during the current fiscal year, interest income earned in the debt and cash portfolios increased by 7.8 percent from the prior year. The average coupon rate, a measure of annual interest rates received from bond issuers in the debt portfolio, was 3.6 percent at year end, up 29.7 basis points over the prior year. The interest rate earned on STIF accounts was 5.5 percent at fiscal year end, up 18.8 basis points over the prior year.

Dividend income decreased by 9.6 percent in the equity portfolio from the prior fiscal year. The dividend income earned can vary based on the composition of investments held, active versus passive management, dividends distributed from commingled funds, and the timing of cash flows invested or uninvested, to name a few. During the current year, withdrawals and rebalancing transfers made from the equity portfolio of $2,338.4 million changed the composition of equity investments and reduced the fair values of dividend-paying holdings at the time of redemption. Equity securities worth $850.0 million were liquidated from commingled equity funds with exposure to U.S. and emerging markets. The remainder was redeemed from equity accounts holding individual stocks in developed and emerging markets.

Income distributions from investment partners in the alternative investment program increased by $288.9 million, or 21.7 percent, over the prior year, which is partially correlated to the increases in the invested balances. Each alternative asset investment is unique, so the specific factors influencing income distributions vary each year and may include:

- Tenure of invested capital.
- Fund structure and operating agreements.
- Exits from portfolio companies during the year.
- Investment strategy.
- Management fees and other expenses charged.
- Impact of rising or falling rents on rental income globally.

Investment expenses in the alternative asset portfolio include management fees, partnership expenses, and WSIB costs charged to the investment portfolio. The increase of $146.0 million over the prior fiscal year was correlated with the increases in invested balances. Investment expenses as a percentage of the portfolio's average NAV was 1.1 percent for both Fiscal Year 2023 and 2024.

Contributions, Withdrawals, and Asset Allocation Rebalancing

Net withdrawals of $2,146.6 million during the current year were funded entirely from redemptions in the equity portfolio. Net withdrawals increased by 20.0 percent over the prior year due to increased withdrawals by DRS, which were partially offset by increased contributions from the Retirement Strategy Fund (RSF) manager.

The RSFs contributed $97.1 million during the fiscal year, a significant increase over the prior year. The CTF is an investment component of each RSF vintage year's glide path. The RSF manager rebalances each vintage year monthly by placing rebalancing trades in the CTF. Factors impacting contributions to or withdrawals from the CTF include rebalancing to strategic investment targets within each vintage year and participant purchase and sale activity during the month.

DRS withdrew $2,238.0 million during the fiscal year, an increase of 29.5 percent over the prior year. Lower contribution rates decreased the amount of contributions collected from employers by 6.6 percent during the fiscal year. In addition, increased requests for withdrawals from terminated members, higher benefit calculations at the time of retirement, and cost of living adjustments paid to retirees all increased the need for withdrawals from investment balances.

The WSIB, in collaboration with DRS and the State Board of Volunteer Firefighters and Reserve Officers (BVFF), makes asset allocation decisions for the Retirement Funds pursuant to Board approved investment policies. Transfers between asset classes are periodically made to rebalance the portfolio to strategic asset allocation targets as the various capital markets move. During the current fiscal year, $191.7 million of equity securities in the CTF were redeemed, $100.0 million was reinvested in the debt portfolio, and the remainder was invested in cash equivalents.

During the current fiscal year, the alternative asset portfolio generated a net cash flow of $143.7 million that was subsequently invested in cash equivalents from the following activity:

Alternative Investments		($ Millions)
Proceeds from the Sale of Investments	$	888.8
Income Distributions		4,045.8
Returns of Capital		4,464.2
Capital Calls		(8,533.7)
Management Fees and Other		(721.4)
Net Cash Flow	**$**	**143.7**

Investment related receivables and payables are reflected in each asset class's fiduciary net investment position. These include investments purchased and sold pending settlement over year end, income receivables, and expenses payable. Pending trade balances vary due to fluctuations in trading volumes from the timing of contributions and withdrawals, market movements, and rebalancing to strategic investment targets. Accordingly, there is minimal correlation to invested balances, and these balances can vary substantially from year to year. Investment income receivables and expenses payable typically fluctuate within each asset class based on the invested balances and interest rate changes.

Securities Lending

As shown in the following table, securities on loan increased by 74.9 percent, and collateral held under securities lending agreements increased accordingly. Equity securities balances grew from positive returns during the fiscal year, creating a higher lendable asset base with corresponding increases in utilization rates and securities on loan as of June 30, 2024. Other factors impacting the securities on loan include a significant increase in lendable assets in Australia and the United Kingdom, increased demand in Japan's consumer discretionary and technology sectors, an uptick in capital raising deals, and continued interest in hard to borrow positions in Hong Kong.

	Summarized Change in Securities on Loan and Collateral ($ Millions)			
	June 30, 2024	June 30, 2023	Increase	Percent Change
Securities on Loan Fiscal Year End	$ 571.5	$ 326.8	$ 244.7	74.9%
Cash Collateral Held Under Securities Lending Agreements	408.2	247.8	160.4	
Non-Cash Collateral Held Under Securities Lending Agreements	192.0	90.9	101.1	
Total Collateral Held	**$ 600.2**	**$ 338.7**	**$ 261.5**	**77.2%**

Cash collateral held under securities lending agreements is reported as an asset and a liability in the accompanying Statement of Fiduciary Net Investment Position.

RETIREMENT FUNDS' STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Commingled Trust Fund	Plan-Specific Investments	Total	Percent of Total
ASSETS				
Investments				
CASH AND CASH EQUIVALENTS	$ 3,012,424,667	$ 95,728,596	$ 3,108,153,263	1.8%
DEBT SECURITIES				
Corporate Bonds	14,316,823,533	-	14,316,823,533	
U.S. Government and Agency Securities	7,232,475,446	-	7,232,475,446	
Mortgage and Other Asset-Backed Securities	1,938,361,795	-	1,938,361,795	
Foreign Government and Agency Securities	1,809,143,478	-	1,809,143,478	
Commingled Intermediate Credit	-	67,990,392	67,990,392	
Total Debt Securities	25,296,804,252	67,990,392	25,364,794,644	15.0%
EQUITY SECURITIES				
Common and Preferred Stock	23,230,166,121	-	23,230,166,121	
Collective Investment Trusts and Mutual Funds	20,772,988,632	192,856,039	20,965,844,671	
Depository Receipts	469,707,997	-	469,707,997	
Real Estate Investment Trusts and Other Miscellaneous	178,845,670	-	178,845,670	
Total Equity Securities	44,651,708,420	192,856,039	44,844,564,459	26.5%
ALTERNATIVE INVESTMENTS				
Private Equity	48,560,464,301	-	48,560,464,301	
Real Estate	32,304,555,536	-	32,304,555,536	
Tangible Assets	12,983,583,093	-	12,983,583,093	
Innovation Portfolio	1,978,275,854	-	1,978,275,854	
Total Alternative Investments	95,826,878,784	-	95,826,878,784	56.7%
Total Investments	168,787,816,123	356,575,027	169,144,391,150	100.0%
Open Foreign Exchange Contracts Receivable	13,039,462,982	-	13,039,462,982	
Investment Earnings Receivable	467,019,736	1,626,101	468,645,837	
Collateral Held Under Securities Lending Agreements	408,171,026	-	408,171,026	
Receivables for Investments Sold	214,225,228	-	214,225,228	
Total Assets	182,916,695,095	358,201,128	183,274,896,223	
LIABILITIES				
Open Foreign Exchange Contracts Payable	13,108,587,612	-	13,108,587,612	
Payable for Investments Purchased	1,030,072,635	-	1,030,072,635	
Obligations Under Securities Lending Agreements	408,171,026	-	408,171,026	
Investment Management Fees Payable	16,881,454	55,272	16,936,726	
Total Liabilities	14,563,712,727	55,272	14,563,767,999	
FIDUCIARY NET INVESTMENT POSITION	$ 168,352,982,368	$ 358,145,856	$ 168,711,128,224	

RETIREMENT FUNDS' STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Commingled Trust Fund	Plan-Specific Investments	Total
Net Investment Income			
Investment Income			
Interest, Dividends, and Other Investment Income	$ 3,308,030,872	$ 22,094,441	$ 3,330,125,313
Net Realized Gains (Losses)	3,784,688,361	(310,502)	3,784,377,859
Unrealized Gain	6,226,815,712	34,365,834	6,261,181,546
Less:			
Investment Expenses	(828,056,499)	(390,930)	(828,447,429)
WSIB Operating Expenses	(26,416,926)	(40,088)	(26,457,014)
Net Investment Income	12,465,061,520	55,718,755	12,520,780,275
Net Withdrawals	(1,846,588,567)	(300,068,615)	(2,146,657,182)
Increase (Decrease) in Fiduciary Net Investment Position	$ 10,618,472,953	$ (244,349,860)	$ 10,374,123,093
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	157,734,509,415	602,495,716	158,337,005,131
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 168,352,982,368	$ 358,145,856	$ 168,711,128,224

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The financial statements include the investments and related activity for certain retirement plans administered by the DRS and the BVFF. These consist of six state-administered public retirement systems for state and local governments, with 13 different retirement plans. In addition, DRS administers seven Higher Education Retirement Plan Supplemental Benefit Funds (HERP). The BVFF administers the VFFRO Funds.

The retirement plans included in the financial statements are limited to the Defined Benefit (DB), Defined Contribution (DC), and HERP plans administered by DRS that are invested in the CTF, and two plans administered by the BVFF whose investments are reported under "Plan-Specific Investments". The CTF is also commonly known as the self-directed DC investment option, the Total Allocation Portfolio, or TAP. Participants in the DC plans and Deferred Compensation Program (DCP) have the option to invest in other external, self-directed investments that are not reflected in the accompanying financial statements.

The financial statements exclude the financial position and results of operations for the WSIB, DRS, and BVFF. Note 2 details the specific plans and fiduciary net investment position of each plan included in the accompanying financial statements. See DRS's Annual Comprehensive Financial Report for information on self-directed options excluded from the accompanying financial statements.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. for governments, prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments, to include foreign currencies and short-term investment funds. The short-term investment funds are valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 8.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position. See Note 8 for additional information.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

SECURITIES LENDING

The collateral received under securities lending agreements, where the Retirement Funds have the ability to spend, pledge, or sell the collateral without borrower default, is included in the Statement of Fiduciary Net Investment Position. Liabilities resulting from these transactions are also included in each fund's fiduciary net investment position. Additionally, costs associated with securities lending transactions, including broker commissions and lending fees paid to the custodian bank, are reported as investment expenses in the accompanying financial statements. The Statement of Fiduciary Net Investment Position does not include detailed holdings of securities lending collateral by investment classification. CTF securities lending income for the fiscal year ended June 30, 2024, was $23.6 million and expenses associated with securities lending were $19.5 million.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the U.S., requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. COMMINGLED TRUST FUND AND PLAN-SPECIFIC INVESTMENTS

The CTF is a diversified investment option available to certain Washington State retirement plans. Each participating plan or account in the CTF can purchase or sell units of ownership monthly. The fair value of each participants' interest in the CTF is the units at the current fair value (or share price) per unit. Note 3 of these financial statements details the retirement plans included in the CTF, and Note 8 discusses fair value methodologies.

In addition to shared ownership in the CTF, most retirement plans hold short-term investments used to manage the cash needs of each retirement plan. These short-term investments and the VFFRO Funds' debt and equity investments are referred to as "Plan-Specific Investments" in the accompanying financial statements.

The retirement plans invested in the CTF and Plan-Specific Investments are a mixture of DB and DC plans. In a DB plan, generally, both the employer and employee contribute a set percentage of wages to the plan until retirement. At retirement, the employer guarantees a specific retirement benefit based on formulas that include salary history and years of service. Under a DC plan, generally, employers and employees also contribute until retirement; however, the retirement benefit is based on the accumulated contributions and investment earnings in each participant's account at retirement. The plans administered by the BVFF include pension benefits combined with a line of duty disability and death benefits. The investments held for plan benefits are included in plan-specific investments in the accompanying financial statements. The Retirement Strategy Funds (RSF) are investment options for certain Washington State retirement plans, which include the DC plans listed below, the DCP, and the Judicial Retirement Account (JRA) DC plan. Unless otherwise noted, the following plans are DB retirement plans:

- Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) Plan 1.
- PERS, TRS, and the School Employees' Retirement System (SERS) Plan 2/3 (Hybrid DB and DC Plan).
- Law Enforcement Officers' and Firefighters' (LEOFF) Plans 1 and 2.
- Washington State Patrol (WSP) Retirement Systems Plans 1 and 2.
- Public Safety Employees' Retirement System (PSERS) Plan 2.
- VFFRO – Relief and Pension Principal Funds for both Volunteer Firefighters and Reserve Officers.
- Higher Education Retirement Pension Supplemental Benefit Fund (HERP) plans for the following Washington State colleges: University of Washington, Washington State University, Eastern Washington University, Central Washington University, The Evergreen State College, Western Washington University, and State Board for Community and Technical Colleges.
- RSF – Self-directed investment options offered by DRS in the DC plans listed above, DCP, and JRA. The CTF is an investment component of each RSF's vintage year glide path. The amount attributed to the RSFs in Note 3 is limited to their fiduciary net investment position in the CTF across all vintage years and not the total fair value of the RSF investments.

NOTE 3. BREAKDOWN OF FIDUCIARY NET INVESTMENT POSITION BY PLAN

The Schedule of Participation presents the fiduciary net investment position of each plan and in total for the CTF and Plan-Specific Investments.

SCHEDULE OF PARTICIPATION

RETIREMENT PLANS:	Commingled Trust Fund	Plan-Specific Investments	Total	Percent of Total
LEOFF 1	$ 6,992,658,078	$ 3,012,778	$ 6,995,670,856	4.1%
LEOFF 2	22,050,630,986	2,141,251	22,052,772,237	13.1%
PERS 1	9,326,912,055	5,332,917	9,332,244,972	5.5%
PERS 2/3 (DC and DB Plans)	69,760,992,823	10,123,049	69,771,115,872	41.4%
PUBLIC SAFETY EMPLOYEES 2	1,662,593,830	9,243,068	1,671,836,898	1.0%
SCHOOL EMPLOYEES 2/3 (DC and DB Plans)	12,269,565,022	10,282,682	12,279,847,704	7.3%
STATE PATROL 1	1,606,667,356	258,809	1,606,926,165	1.0%
STATE PATROL 2	267,922,424	2,210,175	270,132,599	0.2%
TEACHERS 1	7,129,272,856	3,027,489	7,132,300,345	4.2%
TEACHERS 2/3 (DC and DB Plans)	35,504,175,072	50,305,248	35,554,480,320	21.1%
VFFRO	-	261,226,868	261,226,868	0.1%
HERP - UW	128,887,698	732,174	129,619,872	0.1%
HERP - WSU	23,755,024	81,484	23,836,508	0.0%
HERP - EWU	4,654,712	16,529	4,671,241	0.0%
HERP - CWU	4,706,199	17,307	4,723,506	0.0%
HERP - TESC	1,739,825	4,950	1,744,775	0.0%
HERP - WWU	6,835,593	12,716	6,848,309	0.0%
HERP - SBCTC	40,078,207	116,362	40,194,569	0.0%
RETIREMENT STRATEGY FUNDS	1,570,934,608	-	1,570,934,608	0.9%
Total Fiduciary Net Investment Position at June 30, 2024	**$ 168,352,982,368**	**$ 358,145,856**	**$ 168,711,128,224**	**100.0%**

DB - Defined Benefit, DC - Defined Contribution

NOTE 4. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the Retirement Funds' investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses, and are summarized in the Schedule of Investment Fees and Expenses. The WSIB's operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB's operating expenses are allocated to the funds under management based on relative fair values, in accordance with state statutes.

SCHEDULE OF INVESTMENT FEES AND EXPENSES

	Fees Paid	Netted Fees *	Total Fees	Net Assets Under Management
EQUITY SECURITIES				
Public Equity Active Management	$ 62,506,769	$ -	$ 62,506,769	$ 16,216,398,605
Public Equity Passive Management	1,588,247	1,047,511	2,635,758	29,023,025,961
ALTERNATIVE INVESTMENTS				
Private Equity	566,482,083	252,200,000	818,682,083	48,635,952,246
Real Estate	37,651,340	57,000,000	94,651,340	32,306,295,046
Tangible Assets	110,076,245	16,900,000	126,976,245	12,985,938,172
Innovation Portfolio	19,447,937	20,200,000	39,647,937	1,978,269,604
CASH MANAGEMENT	3,122,455	-	3,122,455	2,499,789,763
DEBT SECURITIES	-	-	-	25,065,458,827
OTHER FEES				
Consultants and Accounting	2,255,632	-	2,255,632	N/A
Legal Fees	816,493	-	816,493	N/A
Research Services	2,902,009	-	2,902,009	N/A
Securities Lending Rebates and Fees	19,526,991	-	19,526,991	N/A
Custody Expense	1,848,968	-	1,848,968	N/A
Miscellaneous Fees	222,260	-	222,260	N/A
	$ 828,447,429	$ 347,347,511	$ 1,175,794,940	$ 168,711,128,224

* Netted fees are included in unrealized gains (losses) in the accompanying financial statements. Alternative investments netted fees are estimated from available information provided from general partners for the one year period ended March 31st.

NOTE 5. UNFUNDED COMMITMENTS

The Retirement Funds invested in the CTF have entered into a number of agreements that commit the Retirement Funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2024, the Retirement Funds had a total of $32,794.6 million in unfunded commitments in the asset classes detailed in the table below.

		($ Millions)
Private Equity	$	18,355.0
Real Estate		9,172.6
Tangibles		4,388.5
Innovation		878.5
Total	**$**	**32,794.6**

NOTE 6. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Retirement Funds will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash and securities held as securities lending collateral) are registered and held in the name of the WSIB, for the benefit of the Retirement Funds, and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment’s exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. The Retirement Funds’ fixed income investments are to be actively managed to meet or exceed the return of the Bloomberg U.S. Universal Index, with volatility similar to or less than the index. The fixed income portfolio’s duration is to be targeted within plus or minus 25 percent of the duration of the portfolio’s performance benchmark. As of June 30, 2024, the Retirement Funds’ duration was within the duration target of this index.

Schedules 1 and 2 provide information about the interest rate risks associated with the Retirement Funds’ investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, accounting for possible prepayments of principal amounts.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CTF's fixed income investment policy places limitations on below investment grade securities as follows:

- Mortgage-backed, asset-backed, and commercial mortgage-backed securities are limited to investment grade or higher at the time of purchase. Downgraded securities may continue to be held. However, below investment grade securities in this sector may not exceed 5 percent of the fair value of the fixed income portfolio.
- The par value of bonds with below investment grade ratings from any one issuer may not exceed 1 percent of the fixed income portfolio's fair value.
- The total fair value of below investment grade credit bonds may not exceed 15 percent of the fair value of the fixed income portfolio.

Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The Retirement Funds' rated debt investments, as of June 30, 2024, are presented in Schedule 2, converted to Moody's equivalent rating scale. There were no below investment grade securities that exceeded policy limitations at June 30, 2024.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. RCW 43.33A.140 prohibits a corporate fixed income issue's or corporate stock holding's cost from exceeding 3 percent of the CTF's fair value at the time of purchase and 6 percent of the fair value at any time. Fixed income securities in the CTF are managed to a more restrictive concentration constraint than required by the RCW. Exposure to any corporate issuer may not exceed 3 percent of the CTF fixed income portfolio's fair value at any time. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Retirement Funds do not have a formal policy to limit foreign currency risk. The WSIB manages exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer, in order to limit foreign currency and security risk.

Foreign currency risk is presented in Schedule 3 for the CTF and VFFRO Funds, which provides information on deposits and investments held in various foreign currencies. Private equity, real estate, and tangible asset investments are presented in the functional reporting currency of each investment. Currency exposure of the underlying holdings within each investment vehicle is not presented. The CTF has a maximum additional foreign currency exposure, at June 30, 2024, of $808.5 million invested in an emerging market commingled equity investment trust fund. The only security held by the VFFRO Funds with foreign currency exposure at June 30, 2024 is a global commingled equity index fund passively managed to track the benchmark return of the MSCI ACWI IMI with U.S. Gross.

NOTE 7. SECURITIES LENDING

Washington State law and WSIB policy permit the Retirement Funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation (SSC) to act as agent for the WSIB in securities lending transactions. As SSC is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

The fair value of the securities on loan in the CTF at June 30, 2024, was approximately $571.5 million. The securities on loan remain in the Statement of Fiduciary Net Investment Position in their respective categories. At June 30, 2024, cash collateral received, totaling $408.2 million, is reported as a securities lending obligation. The fair value of the reinvested cash collateral, totaling $408.2 million, is reported as security lending collateral in the Statement of Fiduciary Net Investment Position. Securities received as collateral, where the Retirement Funds do not have the ability to pledge or sell the collateral unless the borrower defaults, are not reported as assets and liabilities in the Statement of Fiduciary Net Investment Position. Total cash and securities received as collateral at June 30, 2024, was $600.2 million.

Equity securities were loaned and collateralized by the Retirement Funds' agent with cash and U.S. Government or U.S. Agency Securities. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest of the loaned securities. The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2024.

	Summarized Change in Securities on Loan and Collateral ($ Millions)		
	Cash Collateral	Non-Cash Collateral	Total
Yankee Certificate of Deposit	$ 56.6	$ -	$ 56.6
Commercial Paper	76.7	-	76.7
U.S. Treasuries	-	192.0	192.0
Cash Equivalents and Other	274.9	-	274.9
Total Collateral Held	**$ 408.2**	**$ 192.0**	**$ 600.2**

During the current fiscal year, securities lending transactions could be terminated on demand by either the WSIB or the borrower. As of June 30, 2024, the cash collateral held had an average duration of 15 days and an average weighted final maturity of 61 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on-loan value can be held by a specific borrower. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement they would be returned in the future for exchange of the collateral. SSC indemnified the WSIB by agreeing to purchase replacement securities, or return the cash collateral, in the event a borrower failed to return the loaned securities or pay distributions thereon. SSC's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During the current fiscal year there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Retirement Funds incurred no losses resulting from a default by either the borrowers or the securities lending agents.

NOTE 8. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72), specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure the fair value might fall in different levels of the fair value hierarchy. The fair value of the Retirement Funds is measured using the lowest level input that is significant to the fair value measurement of each investment with Level 3 being the lowest level. The determination of fair value of an investment is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly. Any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents CTF fair value measurements as of June 30, 2024:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
DEBT SECURITIES				
Corporate Bonds	$ 14,316,823,533	$ -	$ 14,316,823,533	$ -
U.S. Government and Agency Securities	7,232,475,446	-	7,232,475,446	-
Mortgage and Other Asset-Backed Securities	1,938,361,795	-	1,938,361,795	-
Foreign Government and Agency Securities	1,809,143,478	-	1,809,143,478	-
Total Debt Securities	25,296,804,252	-	25,296,804,252	-
EQUITY SECURITIES				
Common and Preferred Stock	23,230,166,121	23,228,256,729	-	1,909,392
Depository Receipts	469,707,997	469,707,997	-	-
Real Estate Investment Trusts and Other Miscellaneous	178,845,670	178,729,611	-	116,059
Total Equity Securities	23,878,719,788	23,876,694,337	-	2,025,451
ALTERNATIVE INVESTMENTS				
Real Estate	987,891,731	-	-	987,891,731
Tangible Assets	959,264,664	959,264,664	-	-
Total Alternative Investments	1,947,156,395	959,264,664	-	987,891,731
Total Investments By Fair Value Level	51,122,680,435	$ 24,835,959,001	$ 25,296,804,252	$ 989,917,182
INVESTMENTS MEASURED AT NET ASSET VALUE				
Collective Investment Trust Funds (Equity Securities)	20,772,988,632			
Private Equity	48,560,464,301			
Real Estate	31,316,663,805			
Tangible Assets	12,024,318,429			
Innovation	1,978,275,854			
Total Investments at Net Asset Value	114,652,711,021			
Total Investments Measured at Fair Value	$ 165,775,391,456			
OTHER ASSETS (LIABILITIES) AT FAIR VALUE				
Collateral Held Under Securities Lending Agreements	$ 408,171,026	$ -	$ 408,171,026	$ -
Net Foreign Exchange Contracts Receivable - Forward and Spot	(69,124,630)	-	(69,124,630)	-
Margin Variation Receivable - Futures Contracts	10,754,679	10,754,679	-	-
Obligations Under Securities Lending Agreements	(408,171,026)	-	(408,171,026)	-
Total Other Assets (Liabilities) Measured at Fair Value	$ (58,369,951)	$ 10,754,679	$ (69,124,630)	$ -

The following table presents the VFFRO Funds' fair value measurements as of June 30, 2024:

		Fair Value
INVESTMENTS		
INVESTMENTS MEASURED AT NET ASSET VALUE		
Collective Investment Trust Fund (Equity Securities)	$	192,856,039
Commingled Intermediate Credit (Debt Securities)		67,990,392
Total Investments at Net Asset Value		260,846,431
Total Investments Measured at Fair Value	$	260,846,431

INVESTMENTS REPORTED AT LEVELS 1, 2, AND 3

Investments classified as Level 1 in the above table were exchange traded equity securities whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close and reporting period end.

Investments classified as Level 2 in the above table were primarily comprised of publicly traded debt securities. Publicly traded debt securities have fair values derived from proprietary models that use market-based measurements representing the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market-corroborated inputs.

Equity securities classified as Level 3 in the above table are publicly trades stocks that have non-current, or "stale" fair values, and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from active exchanges, or lack of investor demand.

One real estate limited partnership is reported at fair value using valuation techniques for which the significant inputs into the valuation are unobservable. These investments have been classified as Level 3 in the above table.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, including the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks which include researching and corroborating day-over-day price changes in excess of 2 percent and validating all unchanged prices from the previous day.

Fair value prices for publicly traded equity securities are obtained from reputable pricing sources, including Thomson Reuters and IDC. The custodian bank performs daily tolerance checks which include:

- Comparison of primary to secondary pricing sources and researching significant differences.
- Day-over-day price changes in excess of 10 percent verified to a secondary source.

- Day-over-day price changes in excess of 20 percent verified to market-related company news and corporate actions.
- Unchanged prices over five days verified to current market status.

COMMINGLED INVESTMENT FUNDS - INVESTMENTS MEASURED AT NET ASSET VALUE

Collective Investment Trust Funds (CITs) allow multiple institutional investors to pool assets into a single fund, providing greater diversification and lower costs. CITs are managed by a trustee or financial institution and regulated by the Office of the Comptroller of the Currency (OCC) or state banking regulators, depending on the trustee. CITs are open-ended funds that issue or redeem shares for purchases and redemptions. The number of shares associated with these transactions is calculated at the end of each trading day based on the CITs per-share price. The trustee determines the share price by obtaining fair values of all the securities in the pool using reputable pricing sources and adjusting for accrued income and expenses of the pooled investments. The underlying holdings in each CIT are publicly traded securities.

The CTF invests in two CITs that are passively managed to track the return of equity market benchmarks: the MSCI U.S. IMI and the MSCI EM IMI. The MSCI U.S. IMI fund allows contributions and redemptions on any business day, while the MSCI EM IMI fund limits these activities to monthly. Both fund managers may delay or suspend contributions and redemption if it is determined to be reasonably necessary to prevent a material adverse impact on the fund or other investors. At their discretion, they may also require withdrawals to be made partially or wholly in kind.

The VFFRO Funds invest in a CIT that is passively managed to track the return of a broad global equity market index, the MSCI ACWI IMI with U.S. Gross. Contributions and withdrawals can be made on any business day. The CIT manager may suspend contributions and redemptions if it is determined to be reasonably necessary to prevent a material adverse impact on the fund or other investors. They may also require withdrawals to be made partially or wholly in kind.

The VFFRO Funds invest in the Bond Fund, managed by the WSIB, whose audited financials are included in the Daily Valued Funds section of the WSIB's audited financial statements. The Bond Fund invests in publicly traded debt securities and is actively managed to meet or exceed the return of the Bloomberg U.S. Intermediate Credit Index. It is an open-ended "mutual fund" type investment that issues or reduces outstanding shares for purchases and redemptions of the fund. The Bond Fund manager computes a unit price at the end of each business day by obtaining fair values of the underlying holdings, using reputable pricing sources, and computing an overall net asset value per share. The VFFRO Funds may redeem some or all of its holdings on any business day without restriction.

ALTERNATIVE ASSETS - INVESTMENTS MEASURED AT NET ASSET VALUE

The fair value of investments that have no readily ascertainable fair value has been determined by using the net asset value per share (or its equivalent) of the Retirement Funds' ownership interest in the equity of each investment vehicle (or Fund). These investments are reported as alternative assets in the accompanying financial statements and were valued at approximately $93.9 billion (or 55.5 percent of total investments) as of June 30, 2024. Due to the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near term, or the subsequent sale of assets may be different than the June 30, 2024, reported net asset value.

RETIREMENT FUNDS

The alternative assets investments (portfolio) are comprised of private equity, real estate, tangible assets, and the innovation portfolio as summarized below:

- Private equity – 277 limited liability partnerships that invest primarily in the U.S., Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity.
- Real estate – 17 investments with targeted investment structures of real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments
- Tangible Assets – 64 limited liability structures and funds with the primary goal to generate a long-term and stable income stream and asset appreciation at least commensurate with inflation.
- Innovation – 13 limited liability structures and funds. The primary goal of the innovation portfolio is to provide the WSIB with an ability to invest in investment ideas outside the traditional asset classes currently used, with a secondary purpose of providing the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy.

For most Funds, individual investor net equity balances are reported at fair value in the quarterly capital account statement (CAS) as calculated by the investment partner or manager. Individual CASs can be received up to 90 days after each quarter's end, resulting in a lagged valuation methodology for the Retirement Funds' unaudited financial and performance reports. The lagged valuations are adjusted for subsequent contributions, distributions, management fees, publicly traded security fair value changes, and foreign currency exchange rate changes each month to report an estimated fair value after the quarterly CAS is received. The fair values reported in the accompanying financial statements are as reported by the investment partners for June 30, 2024, and are unlagged.

Real estate investment managers provide quarterly fair value estimates of the Retirement Funds' net equity interest in each fund. The investment manager adjusts individual assets, long-term debt, and incentive compensation liabilities to fair value at least annually and as frequently as quarterly if material market or operational changes have occurred since the last valuation date. Properties are generally externally appraised at least once every 5 years, depending on the investment.

The investment partners' annual financial statements are audited annually. The audits include a review of the valuation methods used for financial reporting. In addition, WSIB engages external valuation consultants to review each partner's valuation policies every 3 to 5 years to ensure compliance with generally accepted accounting principles and applicable industry valuation standards.

Private equity fund structures typically have a life span of 10 to 12 years. During this time, the general partners manage acquired companies with the goal of value creation through operational improvements, strategic guidance, and financial restructuring. The ultimate goal is to realize profits on the investments upon exit. Common exit strategies include initial public offerings (IPOs), sales to strategic buyers, and recapitalizations. After exits, the investment manager distributes proceeds to investors according to the distribution waterfall, which typically involves paying back the original capital contributions first and then sharing profits. Other investments in the alternative asset portfolio are held for the purpose of long-term capital appreciation and cash flow from operating activities. It is anticipated that the various investments within each asset class will be liquidated over the following periods:

Liquidation Periods	Private Equity	Real Estate	Tangible Assets	Innovation	Total	Percent of Total
Less than 3 years	$ 24,652,027	$ 2,169,417	$ 3,176,944	$ -	$ 29,998,388	0.0%
3 to 9 years	4,378,064,275	1,629,917,865	805,472,006	-	6,813,454,146	7.3%
10 years and over	44,157,747,999	29,684,576,523	11,215,669,479	1,978,275,854	87,036,269,855	92.7%
Total	$ 48,560,464,301	$ 31,316,663,805	$ 12,024,318,429	$ 1,978,275,854	$ 93,879,722,389	100.0%

OTHER ASSETS AND LIABILITIES

Forward exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (Level 2).

Collateral held and obligations under securities lending agreements are detailed in Note 7 to the basic financial statements. Cash collateral securities (and the offsetting obligation) are valued by the Retirement Funds' lending agent and sourced from reputable pricing vendors, using models that are market-based measurements representing their good faith opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value, and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodian bank provides quoted market prices for these securities from a reputable pricing vendor.

NOTE 9. DERIVATIVE INSTRUMENTS

The Retirement Funds are authorized to utilize various derivative financial instruments, including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative instrument transactions involve, to varying degrees, market and credit risk. At June 30, 2024, the Retirement Funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value, with changes in value recognized in investment income in the Statement of Changes in Fiduciary Net Investment Position, in the period of change. For accounting and reporting purposes, the derivative instruments are considered investment derivative instruments and not hedging derivative instruments.

Derivative instruments are generally used to achieve the desired market exposure of a security, index, or currency, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. Derivative instrument contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors. A derivative instrument could be a contract negotiated on behalf of the Retirement Funds and a specific counterparty. This would typically be referred to as an over-the-counter (OTC) contract, such as forward and total return swap contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivative instruments, the Retirement Funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative instrument counterparty may fail to meet its payment obligation under the derivative instrument contract. As of June 30, 2024, the Retirement Funds' counterparty risk was approximately $262.6 million. The majority of the counterparties (78.9 percent) held a credit rating of Aa3 or higher on Moody's rating scale. All counterparties held investment grade credit ratings of Baa2 and above.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price, and as such, gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value. They do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index, or to rebalance the total portfolio. Derivative instruments, which are exchange-traded, are not subject to credit risk.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date in the future. These forward commitments are not standardized and carry counterparty credit risk, due to the possibility of nonperformance by a counterparty. The maximum potential loss is the aggregate face value, in U.S. dollars, at the time the contract was opened. However, the likelihood of such loss is remote. At June 30, 2024, the Retirement Funds had outstanding forward currency contracts with a net unrealized loss of $69.1 million. At June 30, 2024, foreign exchange contracts receivable and payable reported on the Statement of Fiduciary Net Investment Position consisted primarily of forward currency contracts. The aggregate forward currency exchange contracts receivable and payable were $13,039.5 million and $13,108.6 million, respectively. The contracts have varying settlement dates, ranging from September 18, 2024, to March 18, 2026.

The Retirement Funds' fixed income portfolio held derivative instrument securities consisting of collateralized mortgage obligations with a fair value of $45.1 million at June 30, 2024. Domestic and foreign commingled investment trust fund managers may also utilize various derivative instrument securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative instrument securities by these funds is unavailable.

		Changes in Fair Value - Included in Investment Income	Fair Value at June 30, 2024 - Investment Derivative Instrument	
	Classification	Amount	Amount	Notional
FUTURES CONTRACTS:				
Bond Index Futures	Investment	$ (33,436,518)	$ 10,633,362	1,730,600,000
Equity Index Futures	Investment	61,644,687	121,317	638,235
		$ 28,208,169	$ 10,754,679	1,731,238,235
FORWARD CURRENCY CONTRACTS	Investment	$ 57,332,491	$ (69,113,631)	13,293,903,277

NOTE 10. DOLLAR WEIGHTED RETURNS

Dollar weighted returns, also known as the internal rate of return (IRR), provides a measure of performance that reflects the impact of cash flows and investment timing. The IRR for the retirement plans included in this financial statement for the current fiscal year was 8.0 percent.

NOTE 11. SUMMARY OF INVESTMENT POLICY

Per Revised Code of Washington (RCW) 43.33A.030, trusteeship of the Retirement Funds is vested within the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the Retirement Funds' investment objectives.

The WSIB is authorized to invest in the following: U.S. Treasury Bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. Government and Agency (government sponsored corporations eligible for collateral purposes at the U.S. Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded, mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including, but not limited to, investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets, or other forms of private equity; asset-backed securities; and derivative instrument securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during the current fiscal year.

COMMINGLED TRUST FUND

STRATEGIC AND PERFORMANCE OBJECTIVES

In accordance with RCW 43.33A.110, the portfolio is managed to maximize return at a prudent level of risk. The Retirement Funds' return objective is to exceed the return of the following measures:

- Passive Benchmark: A custom benchmark consisting of public market indices, weighted according to asset allocation targets. Currently, the passive benchmark is comprised of 69 percent MSCI ACWI IMI with U.S. Gross, and 31 percent Bloomberg U.S. Universal Index.
- Implementation Value Added (IVA): A custom benchmark consisting of the publicly available indices, as defined in each asset class's policy, weighted according to asset allocation targets. This IVA benchmark differs from the passive benchmark, as it is not an investable benchmark due to the uninvestable premium added to the tangible assets and private equity passive benchmarks.

RETIREMENT FUNDS' ASSET ALLOCATION

The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

The asset allocation for the CTF is formally reviewed at least every 4 years. The asset allocation is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the retirement systems.

RETIREMENT FUNDS

Asset Class	Target	Policy Range	Asset Class Range
Fixed Income	19%	± 4%	± 4%
Tangible Assets	8%	± 3%	± 3%
Real Estate	18%	± 3%	± 3%
Public Equity	30%	± 5%	± 5%
Private Equity	25%	± 5%	± 5%
Innovation Portfolio	0%	+ 5%	+ 5%
Cash	0%	+ 3%	+ 3%

Assets will be rebalanced across asset classes, as appropriate, when fair values fall outside policy ranges. Rebalancing is accomplished by first using normal cash flows and second through reallocations of assets across asset classes. In cases of a major rebalancing, the Retirement Funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the Retirement Funds are transitioning managers.

While the goal is to reach the target (optimal portfolio) as quickly as possible, because of the illiquidity and time-lagging nature of the real estate and tangible assets classes, it is assumed that it will take time to achieve the target. The following table reflects the target allocations projected to be achieved at the conclusion of the following calendar years:

Asset Class	2024	2025	Range
Fixed Income	19.6%	19.0%	± 4%
Tangible Assets	7.4%	8.0%	± 3%
Real Estate	18.0%	18.0%	± 3%
Public Equity	29.7%	30.0%	± 5%
Private Equity	25.3%	25.0%	± 5%

PUBLIC MARKETS EQUITY

To achieve the performance and diversification objectives of the Retirement Funds, the public markets equity program seeks to:

- Achieve the highest return possible, consistent with prudent risk management and the desire for downside protection with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified.
- Provide diversification to the Retirement Funds’ overall investment program.
- Maintain liquidity in public equity.
- Maintain transparency into all public equity strategies, to the extent possible.

GENERAL STRATEGIES

- The public markets equity portion of the Retirement Funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S. markets, and emerging markets. The program has a global benchmark of the MSCI ACWI IMI with U.S. Gross.
- A mix of external managers approved by the WSIB will be used to implement the program.
- Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets.
- Active management is used when the Retirement Funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

ASSET ALLOCATION

The U.S. and non-U.S. allocations for the public equity program are managed within the ranges presented below:

- Maintain a U.S. equity weight for the CTF within a range of +/- 5 percent of the U.S. weight in the specified global benchmark.
- Maintain a non-U.S. equity weight for the CTF within a range of +/- 5 percent of the non-U.S. weight in the specified global benchmark.
- Maintain an aggregate emerging markets exposure in the public equity securities of -5 percent to +10 percent of the specified global market benchmark.

FIXED INCOME

The fixed income segment of the CTF is managed to achieve the highest return possible consistent with the desire to manage interest rate and credit risk, provide diversification to the overall investment program, to provide liquidity to the Retirement Funds' investment program, and to meet or exceed the return of the Bloomberg U.S. Universal Index. Sources of outperformance are expected to include interest rate anticipation, sector rotation, credit selection, and diversification.

PERMISSIBLE FIXED INCOME MARKET SEGMENTS

Any and all fixed income securities are permissible unless specifically prohibited, including but not limited to, the following:

- U.S. Treasuries and Government Agencies.
- Credit Bonds including bank deposits.
- Investment Grade Mortgage-Backed Securities as defined by Bloomberg Global Family of fixed income indices.
- Investment Grade Asset-Backed Securities as defined by Bloomberg Global Family of fixed income indices.
- Investment Grade Commercial Mortgage-Backed Securities as defined by Bloomberg Global Family of fixed income indices.
- Convertible Securities.
- Non-Dollar Bonds.
- Washington State Housing Finance Commission taxable municipal bonds up to a total of $50 million, with a maximum of $10 million purchased per year.

Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

FIXED INCOME PORTFOLIO RISK CONSTRAINTS

- RCW 43.33A.140 prohibits a corporate fixed income issues cost from exceeding 3 percent of the Retirement Funds' fair value at the time of purchase and prohibits its fair value from exceeding 6 percent of the Retirement Funds' fair value at any time. The Retirement Funds are managed with a more restrictive concentration constraint than required by the cited RCW. Exposure to any corporate issuer will not exceed 3 percent of the CTF fixed income portfolio's fair value.
- The par value of bonds from any one issuer with a below investment grade rating (as defined by Bloomberg U.S. Global Family of Fixed Income Indices) shall not exceed 1 percent of the total portfolio's par value.
- The par value of bonds with a below investment grade rating (as defined by Bloomberg U.S. Global Family of Fixed Income Indices) from any one issuer shall not exceed 1 percent of the total portfolio's par value.
- Total fair value of below investment grade credit bonds (as defined by Bloomberg Global Family of Fixed Income Indices) shall not exceed 15 percent of the fair value of the fixed income portfolio.
- Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held.
- The total fair value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the fair value of the fixed income portfolio.
- The fixed income portfolio's duration is to be targeted within +/- 25 percent of the duration of the portfolio's performance benchmark, the Bloomberg U.S. Universal Index.

TARGET ALLOCATIONS - FIXED INCOME SECTORS

	Range
U.S. Treasuries and Government Agencies	10% – 45%
Credit Bonds	10% – 80%
Asset-Backed Securities	0% – 10%
Commercial Mortgage-Backed Securities	0% – 10%
Mortgage-Backed Securities	5% – 45%

PORTFOLIO REBALANCING – FIXED INCOME

Asset allocation policy constraints may, from time to time, place unintended burdens on the portfolios. Therefore, policy exceptions are allowed under certain circumstances. These events include changes in market interest rates, portfolio rebalancing to strategic targets, and bond rating downgrades. The portfolio can remain outside of policy guidelines until it can be rebalanced without harming the portfolio.

PRIVATE EQUITY INVESTING

The Retirement Funds can invest in any appropriate private equity investment opportunity which has the potential for returns superior to traditional investment opportunities, provided it is not prohibited by the WSIB's policies or by law. These investment types are generally divided into venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made either through limited partnership or direct investment vehicles. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

The objectives and goals of the private equity investment program are to:

- Produce a well-diversified profitable portfolio that will enhance the total return of the Retirement Funds portfolio and ultimately pay benefits to participants and beneficiaries while meeting actuarial requirements.
- Diversify away from traditional capital market risks.
- Employ consistent strategies that contain sufficient flexibility to take advantage of opportunities available to the Retirement Funds, based on changes in the private equity or debt marketplaces.
- Achieve a superior total return as compared to traditional asset classes and exceed the return of the MSCI ACWI IMI with U.S. Gross, lagged by one calendar quarter, by 300 basis points in the long run.

For inclusion in the CTF performance report, the benchmark will be lagged one calendar quarter in line with the valuation lag.

REAL ESTATE PROGRAM

The WSIB's real estate program is an externally managed pool of selected partnership investments and is intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, are combined to generate returns that are expected to fall between the return expectations for fixed income and equities over the long-term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class. The Retirement Funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the Retirement Funds' investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

The Retirement Funds may invest in any real estate opportunity demonstrating acceptable risk-adjusted returns, provided it is not prohibited by Board policy or law. Investment structures may include the following:

- Real Estate Operating Companies.
- Joint Ventures.
- Commingled Funds (either closed or open-ended).
- Co-investments with existing WSIB real estate partners.

Diversification within the real estate program may be achieved by the following factors:

- Property type: any property type to include office, industrial, retail, residential, hotels, self-storage, health care properties, parking structures, land, and "other."
- Capital structure: any equity, debt, or structures financial position, either private or public.
- Life cycle: stabilized, vacant, redevelopment, or ground-up development.
- Geographic: diversified by markets, both domestically and internationally.
- Partner concentration: attention to the amount that the Retirement Funds commit to any one partnership.
- Property level: attention to the amount of capital invested in any one property.

The WSIB's current real estate benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period. For inclusion in the CTF performance report, that comparative index will be lagged one calendar quarter in line with the valuation lag.

INNOVATION PORTFOLIO

The innovation portfolio's investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

TANGIBLE ASSETS

The primary goal of the tangible asset portfolio is to generate a long-term, predictable, and persistent income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structures of the investments are primarily targeted to those publicly traded securities, private funds or separate accounts, providing the WSIB with the most robust governance provisions related to acquisition, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. For diversification purposes, the tangible assets' portfolio focuses on income producing, physical assets, in the upstream and midstream segment of four main industries: Minerals and Mining, Energy, Agriculture, and Society Essentials.

The WSIB's current return objective for tangible assets calls for a target benchmark of 400 basis points above the U.S. Consumer Price Index over a long-term investment horizon defined as at least 5 years. For inclusion in the CTF performance report, the benchmark will be lagged one calendar quarter in line with the valuation lag.

VFFRO FUNDS

INVESTMENT OBJECTIVES

In accordance with RCW 43.33A.110, the VFFRO Funds are managed to achieve a maximum return at a prudent level of risk. The investment objectives of the program are:

- Promote the financial stability of the program.
- Ensure sufficient assets are available to fund benefit needs.
- Subject to the items above, manage the assets to achieve a maximum return at a prudent level of risk.
- Invest in a manner that will not compromise public trust in the program.

The performance of the VFFRO Funds shall be judged relative to its investment objectives, risk constraints, and investment approach. The VFFRO Funds have a relative performance objective over the long term equal to or in excess of its benchmark return. The program's benchmark is a custom blend of the weighted average of the benchmarks for the underlying investments based on the target allocation of each asset class.

The VFFRO Funds include two separate pension plans: the Volunteer Firefighters' Relief and Pension Principal Fund and the Reserve Officers' Relief and Pension Principal Fund. The investment objectives and policies detailed in this section apply equally to both funds.

RISK CONSTRAINT STANDARDS

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW 43.33A.110 and 43.33A.140.
- In accordance with RCW 43.33A.140, no corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Assets shall be diversified at a prudent level to moderate fluctuations in the fair value of the program.

PERMISSIBLE INVESTMENTS

PUBLIC EQUITY

The public equity component of the account will be invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI ACWI IMI with U.S. Gross.

FIXED INCOME

The fixed income portion of the account will be invested in the WSIB Bond Fund, which is benchmarked to the Bloomberg U.S. Intermediate Credit Index.

CASH

The cash component of the account, if any, will be invested in a portfolio of high-quality securities, including U.S. Treasury bills, notes, and other obligations issued by the U.S. government or its agencies. The benchmark for the cash component is the 90-day Treasury bill return.

ASSET ALLOCATION

Assets will be rebalanced across asset classes when fair values of the assets fall outside the policy ranges. Rebalancing will be accomplished first by using normal cash flows and second by the reallocation of assets across asset classes. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

Asset Class	Target	Policy Range
Global Equity	70%	± 5%
Fixed Income	30%	± 5%
Cash	0%	+ 5%

SCHEDULE 1

CTF SCHEDULE OF MATURITIES

Investment Type	Total Fair Value	Maturity: Less than 1 year	Maturity: 1-5 years	Maturity: 6-10 years	Maturity: More than 10 years	Effective Duration*
Internally Managed Fixed Income						
Corporate Bonds	$ 14,316,823,533	$ 197,603,825	$ 4,238,441,020	$ 6,257,302,001	$ 3,623,476,687	7.0
Foreign Government and Agency Securities	1,809,143,478	18,609,930	410,116,732	852,758,024	527,658,792	7.7
Mortgage and Other Asset-Backed Securities	1,363,710,219	10,565,699	930,309,211	385,509,276	37,326,033	4.5
U.S. Government and Agency Securities	7,192,533,822	2,262,296,363	2,680,172,076	779,906,166	1,470,159,217	4.7
Total Internally Managed Fixed Income	24,682,211,052	2,489,075,817	8,259,039,039	8,275,475,467	5,658,620,729	6.2
Externally Managed Fixed Income						
Mortgage-Backed To Be Announced (TBA) Forwards	574,651,576	574,651,576	-	-	-	0.0
U.S. Government and Agency Securities	39,941,624	39,941,624	-	-	-	0.0
Total Externally Managed Fixed Income	614,593,200	614,593,200	-	-	-	0.0
Total Retirement Funds Investment Categorized	25,296,804,252	$ 3,103,669,017	$ 8,259,039,039	$ 8,275,475,467	$ 5,658,620,729	6.1
Investments Not Required to be Categorized						
Cash and Cash Equivalents	3,012,424,667					
Equity Securities	44,651,708,420					
Alternative Investments	95,826,878,784					
Total Investments Not Categorized	143,491,011,871					
Total Investments	$ 168,787,816,123					

* Duration excludes cash and cash equivalents

VFFRO FUNDS' SCHEDULE OF MATURITIES

		Maturity				
Investment Type	Total Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years	Effective Duration
Commingled Intermediate Credit	$ 67,990,392	$ 12,136,571	$ 30,602,879	$ 23,767,792	$ 1,483,150	4.1
Investments Not Required to be Categorized						
Cash and Cash Equivalents	410,393					
Equity Securities	192,856,039					
Total Investments Not Categorized	193,266,432					
Total Investments	$ 261,256,824					

SCHEDULE 2

CTF CREDIT RATING DISCLOSURES

Moodys Equivalent Credit Rating	Investment Type				
	Total Fair Value	Corporate Bonds	Foreign Government and Agency Securities	Mortgage and Other Asset-Backed Securities	U.S. Government and Agency Securities
Aaa	$ 813,735,572	$ 129,483,551	$ -	$ 632,389,217	$ 51,862,804
Aa1	8,744,855,741	119,764,500	138,684,430	1,305,794,169	7,180,612,642
Aa2	131,599,485	49,230,300	82,369,185	-	-
Aa3	805,978,512	755,386,092	50,592,420	-	-
A1	1,134,072,959	958,343,632	175,729,327	-	-
A2	1,617,355,951	1,548,502,840	68,674,702	178,409	-
A3	2,657,257,640	2,657,257,640	-	-	-
Baa1	2,249,080,753	2,176,108,847	72,971,906	-	-
Baa2	2,452,581,047	2,030,706,941	421,874,106	-	-
Baa3	1,747,948,277	1,603,651,728	144,296,549	-	-
Ba1 or Lower	2,942,338,315	2,288,387,462	653,950,853	-	-
Total	$ 25,296,804,252	$ 14,316,823,533	$ 1,809,143,478	$ 1,938,361,795	$ 7,232,475,446

VFFRO FUNDS' CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit Total Fair Value
Aaa	$ 667,291
Aa1	1,152,548
Aa2	1,183,436
Aa3	2,277,749
A1	6,103,395
A2	9,950,814
A3	13,950,253
Baa1	11,917,965
Baa2	12,015,946
Baa3	8,092,273
Ba1 or Lower	678,722
Total	$ 67,990,392

SCHEDULE 3

CTF FOREIGN CURRENCY EXPOSURE

	Investment Type In U.S. Dollar Equivalent						
Foreign Currency Denomination	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Assets	Open Foreign Exchange Contracts - Net	Total	Percent of Total Investment Balances
AUSTRALIAN DOLLAR	$ 3,300,118	$ -	$ 574,796,083	$ 565,868,446	$ 4,865,470	$ 1,148,830,117	0.7%
BRAZILIAN REAL	4,349,734	-	297,723,501	-	1,632,916	303,706,151	0.2%
CANADIAN DOLLAR	4,055,703	-	1,008,466,086	-	(724,482)	1,011,797,307	0.6%
DANISH KRONE	576,050	-	617,689,283	-	184,314	618,449,647	0.4%
EURO CURRENCY	8,002,088	-	3,773,276,387	4,775,346,182	10,246,696	8,566,871,353	5.1%
HONG KONG DOLLAR	6,691,362	-	712,118,654	-	74,581	718,884,597	0.4%
INDIAN RUPEE	1,544,665	-	740,200,438	-	97,403	741,842,506	0.4%
INDONESIAN RUPIAH	1,075,705	-	79,250,904	-	(1,984,198)	78,342,411	Trace
JAPANESE YEN	23,918,167	-	2,309,086,929	-	(62,290,945)	2,270,714,151	1.3%
MEXICAN PESO	1,289,884	-	84,592,029	-	(19,498,905)	66,383,008	Trace
NEW TAIWAN DOLLAR	432,810	-	618,581,783	-	(705,928)	618,308,665	0.4%
NORWEGIAN KRONE	3,833,907	-	112,807,976	-	(659,502)	115,982,381	0.1%
POUND STERLING	18,333,597	-	1,753,706,130	-	9,692,853	1,781,732,580	1.1%
SINGAPORE DOLLAR	2,596,229	-	121,640,362	-	(127,937)	124,108,654	0.1%
SOUTH KOREAN WON	1,644,191	-	350,572,502	-	(7,456,485)	344,760,208	0.2%
SWEDISH KRONA	3,114,922	-	366,820,124	-	520,646	370,455,692	0.2%
SWISS FRANC	3,502,466	-	812,999,002	-	2,804,769	819,306,237	0.5%
TURKISH LIRA	956,002	-	74,196,508	-	(2,768,616)	72,383,894	Trace
YUAN RENMINBI	3,875,871	12,240,417	556,088,232	-	(254,910)	571,949,610	0.3%
SOUTH AFRICAN RAND	261,015	-	39,711,309	32,442,579	19,582	72,434,485	0.1%
MISCELLANEOUS	6,908,111	66,541,723	331,894,406	-	(2,791,952)	402,552,288	0.2%
Total Foreign Currency Exposure	$ 100,262,597	$ 78,782,140	$ 15,336,218,628	$ 5,373,657,207	$ (69,124,630)	$ 20,819,795,942	12.3%

VFFRO FUNDS' FOREIGN CURRENCY EXPOSURE

	Investment Type In U.S. Dollar Equivalent	
Foreign Currency Denomination	Equity Securities	Percent of Total Investment Balances
AUSTRALIAN DOLLAR	$ 3,442,033	1.3%
BRAZILIAN REAL	869,087	0.3%
CANADIAN DOLLAR	5,165,956	2.0%
DANISH KRONE	1,678,934	0.6%
EURO CURRENCY	13,915,245	5.3%
HONG KONG DOLLAR	4,347,447	1.7%
JAPANESE YEN	10,870,309	4.2%
NEW TAIWAN DOLLAR	4,082,032	1.6%
POUND STERLING	6,653,086	2.6%
SAUDI RIYAL	795,565	0.3%
SINGAPORE DOLLAR	566,998	0.2%
SOUTH AFRICAN RAND	601,787	0.2%
SOUTH KOREAN WON	2,568,082	1.0%
SWEDISH KRONA	1,634,359	0.6%
SWISS FRANC	4,001,934	1.5%
YUAN RENMINBI	669,170	0.3%
MISCELLANEOUS	3,524,475	1.3%
Total Foreign Currency Exposure	$ 65,386,499	25.0%

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Retirement Funds as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Retirement Funds' basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Retirement Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Retirement Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

LABOR AND INDUSTRIES' FUNDS

EideBailly
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Labor and Industries' Funds (which are comprised of the Accident Fund, the Medical Aid Fund, the Pension Reserve Fund, and the Supplemental Pension Fund) of the state of Washington as managed by the Washington State Investment Board (the Labor and Industries' Funds), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Labor and Industries' Funds as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Labor and Industries' Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Labor and Industries' Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Labor and Industries' Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Labor and Industries' Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Labor and Industries' Funds' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Labor and Industries' (L&I) Funds of Washington State is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section covers the L&I Funds only.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the L&I Funds as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the L&I Funds for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the L&I Funds' financial statements.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

LABOR AND INDUSTRIES' FUNDS

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the L&I Funds' fiduciary net investment position, commonly called net asset value or NAV, increased by $1,038.5 million in the fiscal year ending June 30, 2024. Interest, dividend, and other investment income net of investment expenses of $591.8 million were reinvested in each asset class, increasing the L&I Funds' NAV by 3.1 percent. Market gains increased the NAV by $501.8 million, or 2.6 percent, the result of positive investment returns for the fiscal year. The L&I Funds had net withdrawals of $55.1 million from invested balances, decreasing the NAV from the prior fiscal year.

LABOR AND INDUSTRIES' FUNDS

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class ($ Millions)	Fiscal Year End June 30, 2024				Fiscal Year End June 30, 2023				Year Over Year Change	
	Debt Securities (*)	Equity Securities	Alternative Assets	Total	Debt Securities (*)	Equity Securities	Alternative Assets	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position (**)	$ 15,793.5	$ 3,127.1	$ 73.3	$ 18,993.9	$ 15,404.9	$ 3,068.8	$ 38.6	$ 18,512.3	$ 481.6	2.6%
Investment Income:										
Interest, Dividends, and Other Investment Income	591.1	2.7	4.8	598.6	510.5	2.4	0.8	513.7	84.9	16.5%
Net Realized and Unrealized Gains (Losses)	(50.7)	575.6	(23.1)	501.8	(426.6)	505.8	8.6	87.8	414.0	471.5%
Less: Investment Expenses	(4.8)	(1.6)	(0.4)	(6.8)	(5.1)	(1.5)	(0.7)	(7.3)	(0.5)	-6.8%
Net Investment Income (Loss)	535.6	576.7	(18.7)	1,093.6	78.8	506.7	8.7	594.2	499.4	84.0%
Net Contributions (Withdrawals) and Rebalancing Transfers	(113.0)	(86.4)	144.3	(55.1)	309.8	(448.4)	26.0	(112.6)	(57.5)	-51.1%
Ending Fiduciary Net Investment Position (**)	**$ 16,216.1**	**$ 3,617.4**	**$ 198.9**	**$ 20,032.4**	**$ 15,793.5**	**$ 3,127.1**	**$ 73.3**	**$ 18,993.9**	**$ 1,038.5**	**5.5%**
Increase in Fiduciary Net Investment Position	**$ 422.6**	**$ 490.3**	**$ 125.6**	**$ 1,038.5**						
Percent Change in Fiduciary Net Investment Position	**2.7%**	**15.7%**	**171.4%**	**5.5%**						
One Year Time Weighted Return - June 30, 2024	**3.3%**	**18.6%**	**-7.5%**	**5.6%**						
One Year Time Weighted Return - June 30, 2023	**0.5%**	**16.6%**	**22.6%**	**3.2%**						

(*) Includes cash balances used for trading purposes

(**) Fiduciary net investment position includes accrued income, accrued expenses, and pending trades within each asset class

The following summary highlights significant changes in fiduciary net investment positions for each of the main investment categories in the previous table:

Net investment income increased by $499.4 million, or 84.0 percent, during the current fiscal year due to substantially higher returns in the debt and equity portfolios and a 16.9 percent increase in other net investment income from the previous year. L&I Funds' total return increased by 2.4 percentage points (or 242 basis points), increasing market-related gains by $414.0 million from the previous fiscal year.

Debt Securities Returns:

The WSIB fixed income team actively manages the debt portfolio for the L&I Funds. A strategic goal of the L&I Funds' investment program is to limit fluctuations in industrial insurance premiums paid by employees and employers in Washington State while maximizing returns at a prudent level of risk.

The L&I Funds' debt portfolio returned 3.3 percent for the current fiscal year, an increase of 2.8 percentage points, or 283 basis points, over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points; investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. Market-related losses in the debt portfolio decreased by $375.9 million, or 88.1 percent, as a result of the year-over-year increase in returns.

The policy benchmark for fixed income securities in the Accident, Medical Aid, and Pension Reserve Funds is the Comparable Market Indices (CMI). External consultants calculate the CMI for each fund by constructing a hypothetical passive portfolio with the duration, asset allocation, and mix of fixed income sectors based on each fund's investment targets. The Accident and Medical Aid Funds slightly underperformed their CMI benchmark returns due to a duration mismatch between their actual and CMI-targeted durations. The Pension Reserve Fund underperformed its CMI benchmark by 81 basis points due to sector allocations. Longer-dated bonds were invested in U.S. Treasuries, earning lower returns than similarly dated credit bonds.

The L&I Funds reported market-related losses in the debt portfolios of $50.7 million. These losses were the result of a negative price return of -4.0 percent in the current fiscal year. The negative price return from increasing interest rates was not completely offset by the impact of positive bond market returns from narrowing credit spreads.

Equity Security Returns:

The L&I Funds' global equity portfolio is passively managed to closely track the performance of its global benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross. The equity security portfolio returned 18.6 percent for the fiscal year, slightly underperforming its benchmark, which returned 18.7 percent for the same period. The current year's return was 2.0 percentage points (or 202 basis points) higher than the prior year, increasing market-related gains in equity securities by $69.8 million, or 13.8 percent year-over-year. The returns were consistent with anticipated performance for passively managed strategies.

Real Estate (Alternative Investment Returns):

The L&I Funds' real estate program remains in the early stages of investment and portfolio construction. The portfolio consists of residential properties in Paris, France, and retail and residential properties across the U.S. During the current fiscal year, $148.7 million of properties were acquired in the U.S. in manufactured housing, grocery-anchored retail, and apartments.

The real estate portfolio investment return for the current fiscal year was -7.5 percent. Real estate markets across the globe experienced downward pressure on fair values from capitalization rate (cap rate) expansion due to rising interest rates, impacting the portfolio's property values in Austin, Texas, and Paris, France. In addition, the L&I Funds' real estate program is early in its "J Curve," where volatility is expected as new capital is deployed with initial losses of fair value. As the assets mature, they are expected to deliver consistent income distributions and asset appreciation over time.

Interest, Dividend, and Other Investment Income:

Due to rising interest rates during the current fiscal year, interest income earned in the debt portfolio increased by 16.0 percent from the prior year. The average coupon rate, a measure of annual interest rates received from bond issuers in the Accident, Medical Aid, and Pension Reserve Funds, ranged from 3.4 to 3.7 percent. This represented a 28 to 45 basis point increase over the prior fiscal year.

Dividend income increased by 22.2 percent over the prior fiscal year, which correlated to the increase in the fair value of equity securities by fiscal year end. Strong returns in the equity portfolio delivered market gains of $575.6 million, substantially increasing the invested balances by year end. The increase in equity balances was partially offset by redemptions of $86.4 million, which primarily funded capital calls in the real estate program.

Invested balances in the real estate program increased by $144.3 million over the previous year from capital called to purchase new investments net of operating distributions received. Net operating income from real estate investments increased by $4.3 million over the prior year as the real estate program matures and income-producing assets come online. The program continues to deploy capital towards the strategic asset allocation target of 5 percent. The real estate portfolio comprises 1.0 percent of total invested balances on June 30, 2024, up from 0.4 percent from the prior fiscal year.

See General Market Commentary for additional economic and market information.

Contributions, Withdrawals, and Asset Allocation Rebalancing

The L&I Funds make contributions to and withdrawals from invested balances based on the agency's operating needs. Net withdrawals of $55.1 million for the fiscal year were funded mainly from liquidations in the debt portfolio. Net withdrawals from invested balances decreased by 51.1 percent over the prior year, the result of increased premiums collected from employers in the current fiscal year. On January 1, 2024, rate increases of 6.5 percent in the Accident Fund and 4.7 percent in the Medical Aid Fund went into effect. In addition, employers reported more hours during the current fiscal year, increasing revenue from premiums.

Investment partners in the real estate program called capital net of operating distributions of $144.3 million during the current fiscal year for property acquisition. This was funded by $88.0 million of liquidations in the equity portfolio, with the remaining amounts liquidated from debt investments. These amounts are reflected as net withdrawals in the Statement of Changes in Fiduciary Net Investment Position.

As required by the Revised Code of Washington (RCW) 51.44.080, the Washington State Department of L&I evaluates the pension reserve account's assets and liabilities at the end of each fiscal year. As a result of this evaluation, $2.6 million was transferred from the Accident Fund to the Pension Reserve Fund to balance the Pension Reserve Account's assets with its liabilities.

The WSIB, with concurrence from the L&I Funds' Portfolio Review Committee, makes asset allocation decisions for the L&I Funds. This committee is comprised of L&I's Director and key staff. The WSIB staff rebalances the L&I Funds' assets between asset classes as markets move, pursuant to WSIB policy. During the current fiscal year, rebalancing redemptions were made from the debt and equity portfolios to fund capital calls in the real estate program, as discussed previously.

Investment related receivables and payables are reflected in each asset class's fiduciary net investment position. These include investments purchased and sold pending settlement over year end, income receivables, and expenses payable. Pending trade balances vary due to fluctuations in trading volumes from the timing of contributions and withdrawals, market movements, and rebalancing to strategic investment targets. Accordingly, there is minimal correlation to invested balances, and these balances can vary substantially from year to year. Investment income receivables and expenses payable typically fluctuate within each asset class based on the invested balances and interest rate changes.

LABOR AND INDUSTRIES' FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Accident Fund	Medical Aid Fund	Pension Reserve Fund	Supplemental Pension Fund	Total	Percent of Total
ASSETS						
Investments						
CASH AND CASH EQUIVALENTS	$ 2,770,071	$ 56,072,780	$ 38,775,460	$ 2,809,565	$ 100,427,876	0.5%
DEBT SECURITIES						
Corporate Bonds	4,206,326,630	3,874,978,215	3,371,644,344	3,826,980	11,456,776,169	
Foreign Government and Agency Securities	407,884,404	508,486,260	280,407,322	945,386	1,197,723,372	
Mortgage and Other Asset-Backed Securities	206,655,751	184,078,210	177,502,463	-	568,236,424	
U.S. Government and Agency Securities	917,749,054	857,786,834	772,173,516	189,576,836	2,737,286,240	
Total Debt Securities	5,738,615,839	5,425,329,519	4,601,727,645	194,349,202	15,960,022,205	80.3%
EQUITY SECURITIES						
Collective Investment Equity Trusts	1,294,069,564	1,719,827,344	603,628,800	-	3,617,525,708	
Total Equity Securities	1,294,069,564	1,719,827,344	603,628,800	-	3,617,525,708	18.2%
ALTERNATIVE INVESTMENTS						
Real Estate	71,908,623	72,309,375	54,726,498	-	198,944,496	
Total Alternative Investments	71,908,623	72,309,375	54,726,498	-	198,944,496	1.0%
Total Investments	7,107,364,097	7,273,539,018	5,298,858,403	197,158,767	19,876,920,285	100.0%
Investment Earnings Receivable	55,917,431	52,024,420	47,583,452	224,867	155,750,170	
Total Assets	7,163,281,528	7,325,563,438	5,346,441,855	197,383,634	20,032,670,455	
LIABILITIES						
Investment Accounts Payable	98,498	138,489	49,982	6,770	293,739	
Total Liabilities	98,498	138,489	49,982	6,770	293,739	
FIDUCIARY NET INVESTMENT POSITION	$ 7,163,183,030	$ 7,325,424,949	$ 5,346,391,873	$ 197,376,864	$ 20,032,376,716	

LABOR AND INDUSTRIES' FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Accident Fund	Medical Aid Fund	Pension Reserve Fund	Supplemental Pension Fund	Total
Net Investment Income					
Investment Income					
Interest, Dividends and Other Investment Income	$ 209,593,019	$ 195,971,442	$ 187,022,038	$ 6,023,717	$ 598,610,216
Net Realized Capital Gains (Losses)	(1,603,865)	575,923	16,208,641	13,392	15,194,091
Unrealized Gain (Loss)	207,396,687	294,238,560	(17,460,680)	2,401,808	486,576,375
Less:					
Investment Expenses	(1,180,688)	(1,316,015)	(801,762)	(231,253)	(3,529,718)
WSIB Operating Expenses	(1,164,995)	(1,185,312)	(889,320)	(23,633)	(3,263,260)
Net Investment Income	413,040,158	488,284,598	184,078,917	8,184,031	1,093,587,704
Other Changes in Fiduciary Net Investment Position					
Equity Transfer	(2,571,000)	-	2,571,000	-	-
Net Contributions (Withdrawals)	78,127,995	(52,477,688)	(161,309,680)	80,544,633	(55,114,740)
Increase in Fiduciary Net Investment Position	488,597,153	435,806,910	25,340,237	88,728,664	1,038,472,964
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	6,674,585,877	6,889,618,039	5,321,051,636	108,648,200	18,993,903,752
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 7,163,183,030	$ 7,325,424,949	$ 5,346,391,873	$ 197,376,864	$ 20,032,376,716

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The Washington State Workers' Compensation System, administered by the Washington State Department of L&I, provides financial and medical support to workers who are injured or become ill due to their job. Premiums collected cover injured workers for medical benefits, wage replacement, vocational rehabilitation, and permanent disability benefits. The program is funded through premiums paid by employers in Washington State. Premiums collected that exceed benefit payments and the operating needs of L&I are invested by the WSIB. The financial statements present only the investment balances and related activity of the L&I Funds, as managed by the WSIB. The financial statements do not present the financial position or the results of operations of the WSIB or the Washington State Department of L&I.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments and are comprised of short-term investment funds, which are valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 5.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values on a monthly basis. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position. See Note 5 for additional information.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the L&I Funds' investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB's operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB's operating expenses are allocated to the funds under management based on relative fair values, in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the L&I Funds will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash, cash equivalents, and securities held as securities lending collateral) are registered and held in the name of the WSIB, for the benefit of the L&I Funds, and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in the fair values of fixed income investments. As of June 30, 2024, the L&I Funds' portfolio durations were within the duration targets documented in Note 6.

Schedules 1 and 2 provide information about the interest rate risks associated with the L&I Funds' investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The L&I Funds' investment policy limits mortgage-backed, asset-backed, and commercial mortgage-backed securities to investment grade or higher at the time of purchase. The total fair value of below investment grade credit bonds shall not exceed 5 percent of the fair value of the L&I Funds. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The L&I Funds' rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. RCW 43.33A.140 requires that the cost of a corporate fixed income or common stock holding may not exceed 3 percent of each L&I Fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent at any time.

No more than 15 percent of the long term target allocation for real estate will be invested in the equity position of a single property at the time of acquisition.

There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The L&I Funds do not have a formal policy to limit foreign currency risk. At June 30, 2024, the only securities held by the L&I Funds with foreign currency exposure were investments in international commingled equity index funds. Foreign currency exposure for these investments is presented in Schedule 3.

NOTE 4. DERIVATIVE INSTRUMENTS

The L&I Funds are authorized to utilize various derivative financial instruments, including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options to manage their exposure to fluctuations in interest and currency exchange rates while increasing portfolio returns. Derivative instrument transactions involve, to varying degrees, market and credit risk. The L&I Funds mitigate market risks arising from derivative instrument transactions by requiring collateral in cash and investments to be maintained equal to the securities' positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative instrument transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative instrument securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative instrument securities by passive equity index fund managers is unavailable. At June 30, 2024, the only derivative instrument securities held directly by the L&I Funds were collateralized mortgage obligations of $187.4 million.

NOTE 5. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, the method used is to default to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly. Any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents fair value measurements as of June 30, 2024:

	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
DEBT SECURITIES				
Corporate Bonds	$ 11,456,776,169	$ -	$ 11,456,776,169	$ -
Foreign Government and Agency Securities	1,197,723,372	-	1,197,723,372	-
Mortgage and Other Asset-Backed Securities	568,236,424	-	568,236,424	-
U.S. Government and Agency Securities	2,737,286,240	-	2,737,286,240	-
Total Debt Securities	15,960,022,205	$ -	$ 15,960,022,205	$ -
INVESTMENTS MEASURED AT NET ASSET VALUE				
Collective Investment Equity Trusts	3,617,525,708			
Real Estate	198,944,496			
Total Investments Measured at Fair Value	$ 19,776,492,409			

DEBT SECURITIES (LEVEL 2)

Investments classified as Level 2 in the above table are comprised of publicly traded debt securities. These securities have fair values derived from proprietary models that use market-based measurements representing the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market-corroborated inputs.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, including the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks which include researching and corroborating day-over-day price changes in excess of 2 percent and validating all unchanged prices from the previous day.

COLLECTIVE INVESTMENT EQUITY TRUSTS (INVESTMENTS MEASURED AT NET ASSET VALUE)

Collective Investment Trust Funds (CITs) allow multiple institutional investors to pool assets into a single fund, providing greater diversification and lower costs. CITs are managed by a trustee or financial institution and regulated by the Office of the Comptroller of the Currency (OCC) or state banking regulators, depending on the trustee. CITs are open-ended funds that issue or redeem shares for purchases and redemptions. The number of shares associated with these transactions is calculated at the end of each trading day based on the CITs per share price. The trustee determines the share price by obtaining fair values of all the securities in the pool using reputable pricing sources and adjusting for accrued income and expenses of the pooled investments. The underlying holdings in each CIT are publicly traded securities.

The L&I Funds invest in a single CIT that is passively managed to track the investment return of a broad, global equity index, the MSCI ACWI IMI with U.S. Gross. The Fund allows contributions and redemptions on any business day. The Fund manager may delay or suspend contributions and redemption if it is determined to be reasonably necessary to prevent a material adverse impact on the fund or other investors. At their discretion, they may also require withdrawals to be made partially or wholly in kind.

ALTERNATIVE ASSETS (INVESTMENTS MEASURED AT NET ASSET VALUE)

The fair value of investments that have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the L&I Funds' ownership interest in the equity of each investment vehicle (or Fund). These investments are reported as alternative assets in the accompanying financial statements and were valued at approximately $198.9 million (or 1.0 percent of total investments) as of June 30, 2024. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near term, or the subsequent sale of assets may be different than the June 30, 2024 reported net asset value.

Currently, L&I Funds are invested in four limited real estate partnerships. Targeted investment structures within the L&I real estate portfolio include limited liability companies, limited partnerships, joint ventures, commingled funds, and co-investments. Real estate investment managers provide fair value estimates of the L&I Funds' net equity interest in each Fund in quarterly capital account statements (CAS). The investment manager adjusts individual assets, long-term debt, and incentive compensation liabilities to fair value at least annually and as frequently as quarterly if material market or operational changes have occurred since the last valuation date. Properties are generally externally appraised at least once every five years, depending on the investment. Individual CASs can be received up to 90 days after each quarter's end, resulting in a lagged valuation methodology for the L&I Funds' unaudited financial and performance reports. The lagged valuations are adjusted for subsequent contributions, distributions, management fees, and foreign currency exchange rate changes to report an estimated fair value after the quarterly CAS is received. Currently, the lagged net equity balances reported in the accompanying financial statements are not materially different from the unlagged values at June 30, 2024.

The limited partnership's annual financial statements are audited by independent auditors. Annual audits include a review of the valuation methods used for financial reporting. In addition, WSIB engages external valuation consultants to review each partner's valuation policies to ensure compliance with generally accepted accounting principles and applicable industry valuation standards every 3 to 5 years.

The properties in the real estate program are held for the purpose of long-term capital appreciation and cash flow from operating activities. Individual or a group of assets may be sold to meet the long-term investment goals of the program. Real estate investments are not redeemable given the contractual agreements and illiquidity inherent in this asset class. It is anticipated that the investments will be held for at least 10 years or longer.

NOTE 6. SUMMARY OF INVESTMENT POLICY

Under RCW 43.33A.030, trusteeship of the L&I Funds is vested in the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the following investment objectives.

LABOR AND INDUSTRIES' FUNDS

STRATEGIC INVESTMENT OBJECTIVES

In accordance with RCW 43.33A.110, the investments are managed to limit fluctuations in the industrial insurance premiums paid by Washington State employers for Worker's Compensation coverage. Subject to this purpose, these portfolios seek to achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives shall be:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to those above, achieve a maximum return at a prudent level of risk.

INVESTMENT PERFORMANCE OBJECTIVES

The investment performance objectives are intended to provide the L&I Funds with a way to measure the success of this investment policy, the overall asset allocation strategy, and the implementation of that strategy over time. First and foremost, the performance of the investment portfolios shall be evaluated relative to the investment objectives. With the first three criteria met, the actual rates of return of the portfolios will be compared to the CMI for each fund. The CMIs are developed and calculated with the goal of constructing a hypothetical passive portfolio with the duration, asset allocation, and appropriate mix of fixed income sectors based on the individual targets for each L&I fund.

RISK CONSTRAINTS

- No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the Fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the Fund's fair value at any time (RCW 43.33A.140).
- The total fair value of below investment grade credit bonds (as defined by Bloomberg U.S. Global Family of Fixed Income Indices) shall not exceed 5 percent of the total fair value of the funds.
- Below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased. These securities may continue to be held if downgraded to below investment grade after purchase, provided their total fair value shall not exceed 5 percent of the total fair value of the funds.
- If liquidity in the public markets is impaired, the fixed income sector ranges and duration limits will be suspended to allow for greater liquidity flexibility. If suspended, the ranges will be reinstated as soon as feasible upon the return of liquidity.
- No more than 15 percent of the long-term target allocation for real estate will be invested in the equity position for a single property at the time of acquisition.

ASSET ALLOCATION

The Board has delegated authority to the Chief Executive Officer (CEO) to rebalance the asset allocation within the procedures established by the WSIB. Assets will be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs. Therefore, rebalancing transactions need not occur immediately.

LABOR AND INDUSTRIES' FUNDS

Given the liquidity constraints of the asset class, the Board has elected to take a gradual implementation approach to reaching the strategic asset allocation target for real estate. When the real estate allocation is below its target, the amount of the under allocation will be invested in fixed income.

The long-term strategic asset allocation for the L&I Funds is shown below:

	Fixed Income	Range	Equity	Range	Real Estate	Range
Accident Fund	80%	± 6%	15%	± 4%	5%	± 2%
Pension Reserve Fund	85%	± 5%	10%	± 3%	5%	± 2%
Medical Aid Fund	75%	± 7%	20%	± 5%	5%	± 2%
Supplemental Pension Fund	100%	N/A	0%	N/A	0%	N/A

ASSET CLASS STRUCTURE

Asset class structure is established by the WSIB, with guidelines for staff to move assets in order to achieve the L&I Funds' overall objectives.

EQUITY

The benchmark and structure for global equities will be the MSCI ACWI IMI with U.S. Gross. The global equity portfolio will be passively managed in one or more commingled index funds. The commingled fund manager(s) may use futures for hedging or establishing a long position.

FIXED INCOME

The fixed income portfolios' structure will vary between the L&I Funds depending on the required duration target necessary to meet each fund's investment objectives.

- Accident Fund: Within plus or minus 25 percent of a duration target of 7 years.
- Pension Reserve Fund: Within plus or minus 25 percent of a duration target of 10 years.
- Medical Aid Fund: Within plus or minus 25 percent of a duration target of 6 years.
- Supplemental Pension Fund: Duration will remain short.

The goal of the fixed income portfolios is to match the target durations. Although market conditions may cause differences from the targets, those differences should not be material over an extended period of time.

PERMISSIBLE FIXED INCOME INVESTMENTS

- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- Investment Grade Mortgage-Backed, Asset-Backed, and Commercial Mortgage-Backed Securities as defined by the Bloomberg Global Family of Fixed Income Indices.
- Investment Grade Non-U.S. Dollar Bonds.

SECTOR ALLOCATIONS

Long term sector allocation targets are to be managed within the ranges presented in the following table. Deviations may occur in the short term as a result of interim market conditions and the portfolios must be rebalanced to the target allocations as soon as it is practical.

Target allocations for the Fixed Income Sectors:	
U.S. Treasuries and Government Agencies	5% - 25%
Credit Bonds	20% - 80%
Asset-Backed Securities	0% - 10%
Commercial Mortgage-Backed Securities	0% - 10%
Mortgage-Backed Securities	0% - 25%

REAL ESTATE

A summary of the key investment objectives for the real estate program are:

- The benchmark for the real estate portfolio is the total annualized net return of 6 percent measured over a rolling 10-year period, which is consistent with the investment objectives of the real estate program.
- Portfolio construction will focus on maximizing yield rather than total return to best support the investment goal of generating current income.
- Diversification will be achieved through a combination of factors including property type, geography, capital structure, and number of properties.
- No more than 15 percent of the long-term target allocation for real estate will be invested in the equity position for a single property at the time of acquisition.
- There will be a gradual implementation approach to achieve the strategic asset allocation targets for real estate given the liquidity constraints of the asset class. When the real estate allocation is below target, the amount of under allocation will be invested in fixed income.

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity: Less than 1 year	Maturity: 1-5 years	Maturity: 6-10 years	Maturity: More than 10 years	Effective Duration *	Credit Rating
Corporate Bonds	$ 11,456,776,169	$ 821,559,760	$ 3,588,417,814	$ 3,331,417,695	$ 3,715,380,900	7.2	Schedule 2
Foreign Government and Agencies	1,197,723,372	4,956,718	687,954,886	314,163,047	190,648,721	5.9	Schedule 2
Mortgage and Other Asset-Backed Securities	568,236,424	20,836,404	492,630,635	54,769,385	-	3.5	Schedule 2
U.S. Government and Agency Securities	2,737,286,240	547,821,722	815,318,796	125,595,292	1,248,550,430	8.2	Aa1
	15,960,022,205	$ 1,395,174,604	$ 5,584,322,131	$ 3,825,945,419	$ 5,154,580,051	7.1	
Investments Not Required to be Categorized							
Cash and Cash Equivalents	100,427,876						
Collective Investment Equity Trusts	3,617,525,708						
Real Estate	198,944,496						
Total Investments Not Categorized	3,916,898,080						
Total L&I Funds Investments	$ 19,876,920,285						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATINGS DISCLOSURE

	Investment Type		
Moody's Equivalent Credit Rating	Corporate Bonds	Foreign Government and Agency Securities	Mortgage and Other Asset Backed Securities
Aaa	$ 320,239,950	$ 67,956,545	$ 208,579,109
Aa1	196,711,000	192,654,837	359,657,315
Aa2	133,734,400	223,131,849	-
Aa3	852,133,519	91,957,047	-
A1	1,409,920,995	313,633,461	-
A2	2,078,941,099	74,304,823	-
A3	2,363,195,179	-	-
Baa1	2,084,092,417	-	-
Baa2	1,429,004,630	148,364,862	-
Baa3	362,955,770	23,621,686	-
Ba1 or Lower	225,847,210	62,098,262	-
Total	$ 11,456,776,169	$ 1,197,723,372	$ 568,236,424

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE

	Investment Type In U.S. Dollar Equivalent		
Foreign Currency Denomination	**Equity Securities**		**Percent of Total Investments**
AUSTRALIAN DOLLAR	$	64,564,445	0.3%
BRAZILIAN REAL		16,302,042	0.1%
CANADIAN DOLLAR		96,902,690	0.5%
DANISH KRONE		31,492,851	0.2%
EURO CURRENCY		261,017,259	1.3%
HONG KONG DOLLAR		81,547,874	0.4%
JAPANESE YEN		203,901,432	1.0%
NEW TAIWAN DOLLAR		76,569,329	0.4%
POUND STERLING		124,796,240	0.6%
SAUDI RIYAL		14,922,937	0.1%
SINGAPORE DOLLAR		10,635,557	0.1%
SOUTH AFRICAN RAND		11,288,112	0.1%
SOUTH KOREAN WON		48,171,169	0.2%
SWEDISH KRONA		30,656,723	0.1%
SWISS FRANC		75,066,870	0.4%
YUAN RENMINBI		12,552,047	0.1%
OTHER (MISC)		66,112,067	0.3%
Total Foreign Currency Exposure	$	1,226,499,644	6.2%

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Labor and Industries' Funds as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Labor and Industries' Funds' basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Labor and Industries' Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

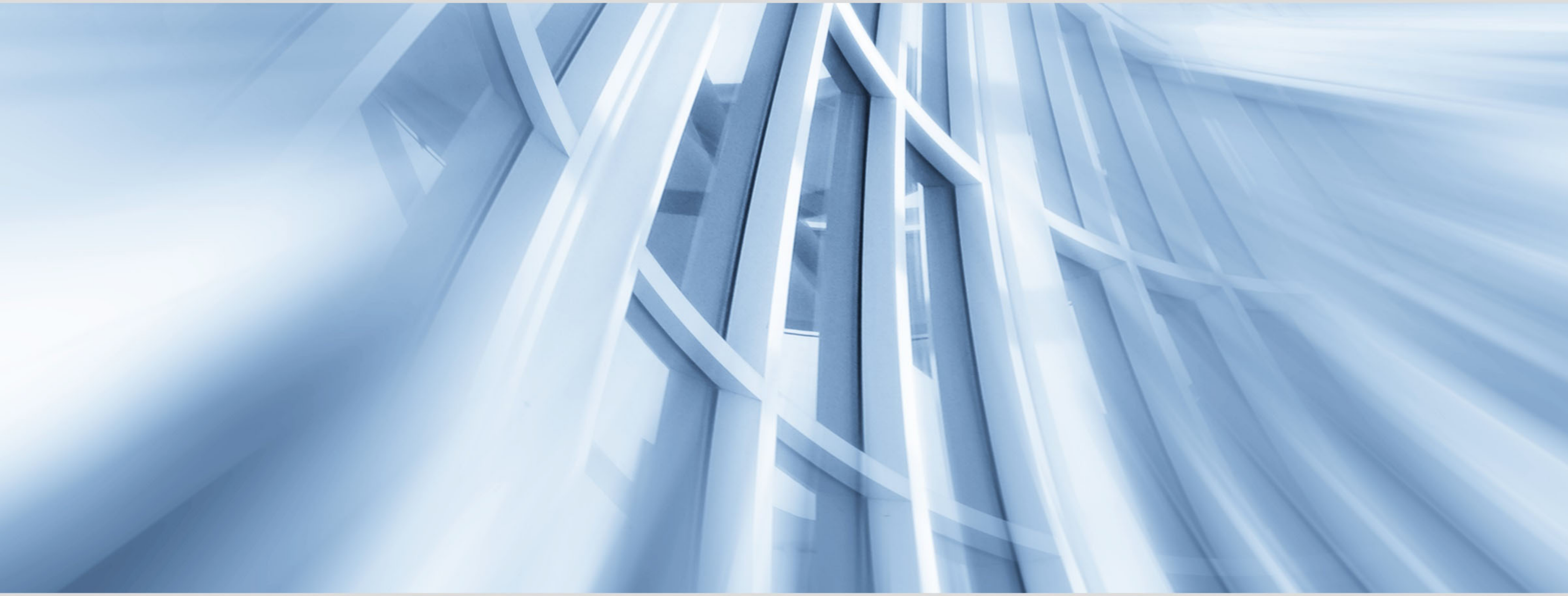
As part of obtaining reasonable assurance about whether the Labor and Industries' Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Labor and Industries' Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Labor and Industries' Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024



PERMANENT FUNDS

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Permanent Funds (which are comprised of the American Indian Scholarship Endowment Fund, Agricultural School Fund, Normal School Fund, Common School Fund, Scientific School Fund, and State University Fund) of the state of Washington as managed by the Washington State Investment Board (the Permanent Funds), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Permanent Funds as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Permanent Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Permanent Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Permanent Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Permanent Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Permanent Funds' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Permanent Funds of Washington State is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section of the report represents only the Permanent Funds portion.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the Permanent Funds, as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the Permanent Funds for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year and compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Permanent Funds' financial statements.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

PERMANENT FUNDS

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

PERMANENT FUNDS

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the Permanent Funds' fiduciary net investment position, commonly called net asset value or NAV, increased by $102.2 million in the fiscal year ending June 30, 2024. Interest, dividend, and other investment income net of investment expenses of $36.9 million was earned and subsequently distributed to the Permanent Fund beneficiaries, the Washington State colleges and universities. Market gains increased the NAV by $82.6 million, or 6.8 percent, the result of positive investment returns for the fiscal year. Contributions (or corpus) of $19.6 million received for investment from the Department of Natural Resources (DNR) on behalf of the Permanent Funds increased the NAV by 1.6 percent.

PERMANENT FUNDS

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class	Fiscal Year End June 30, 2024				Fiscal Year End June 30, 2023				Year Over Year Change	
	Cash and Cash Equivalents	Debt Securities	Equity Securities	Total	Cash and Cash Equivalents	Debt Securities	Equity Securities	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position (*)	$ 1,230,341	$ 688,870,944	$ 523,061,578	$ 1,213,162,863	$ 1,277,497	$ 689,152,351	$ 452,232,974	$ 1,142,662,822	$ 70,500,041	6.2%
Investment Income:										
Interest, Dividends, and Other Investment Income	44,030	25,178,485	11,921,320	37,143,835	25,077	20,183,605	12,582,006	32,790,688	4,353,147	13.3%
Net Realized and Unrealized Gains (Losses)	-	(4,236,721)	86,828,773	82,592,052	-	(18,297,676)	68,556,037	50,258,361	32,333,691	64.3%
Less: Investment Expenses	(1,838)	(120,690)	(91,265)	(213,793)	(1,590)	(123,469)	(87,308)	(212,367)	1,426	0.7%
Net Investment Income	42,192	20,821,074	98,658,828	119,522,094	23,487	1,762,460	81,050,735	82,836,682	36,685,412	44.3%
Net Contributions and Rebalancing Transfers	(346,496)	64,184,227	(44,230,731)	19,607,000	(45,449)	18,010,419	2,274,030	20,239,000	(632,000)	-3.1%
Net Income Distributions	(46,548)	(25,041,774)	(11,831,585)	(36,919,907)	(25,194)	(20,054,286)	(12,496,161)	(32,575,641)	4,344,266	13.3%
Ending Fiduciary Net Investment Position (*)	**$ 879,489**	**$ 748,834,471**	**$ 565,658,090**	**$ 1,315,372,050**	**$ 1,230,341**	**$ 688,870,944**	**$ 523,061,578**	**$ 1,213,162,863**	**$ 102,209,187**	**8.4%**
Increase (Decrease) in Fiduciary Net Investment Position	**$ (350,852)**	**$ 59,963,527**	**$ 42,596,512**	**$ 102,209,187**						
Percent Change in Fiduciary Net Investment Position	**-28.5%**	**8.7%**	**8.1%**	**8.4%**						
One Year Time Weighted Return - June 30, 2024	**5.2%**	**2.9%**	**20.4%**	**9.9%**						
One Year Time Weighted Return - June 30, 2023	**3.5%**	**0.3%**	**18.1%**	**7.3%**						

(*) Fiduciary net investment position includes accrued income, accrued expenses, and pending trades within each asset class

The following summary highlights significant changes in fiduciary net investment position for each of the main investment categories in the previous table:

Net investment income increased by $36.7 million, or 44.3 percent, for the current fiscal year due to higher returns in all asset classes. The Permanent Fund's total return for the fiscal year was 9.9 percent, an increase of 2.6 percentage points (or 260 basis points) over the prior year, increasing market-related gains by $32.3 million. Distributions of net investment income, excluding unrealized gains and losses, are made to income beneficiaries monthly. The increase of $4.3 million in distributable income was the direct result of increased income received from rising interest rates during the fiscal year. Unrealized gains and losses are not included in distributable income.

Debt Securities Returns:

The Permanent Funds are invested in the Commingled Monthly Bond Fund (CMBF), a debt portfolio managed by the WSIB. The CMBF comprises 56.9 percent of the invested balances and is managed to maximize interest income to support the operations of the income beneficiaries and preserve long-term purchasing power stability.

Performance for the CMBF was 2.9 percent for the current fiscal year, an increase of 2.6 percentage points over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio's performance exceeded its benchmark, the Bloomberg U.S. Aggregate Index, which returned 2.6 percent.

Interest income net of investment expenses of $25.0 million earned during the current year was distributed to the income beneficiaries, an increase of $5.0 million, or 24.9 percent, over the prior fiscal year. The average coupon rate, a measure of the annual interest rates an investor receives from bond issuers, increased to 3.2 percent by fiscal year end, an increase of 35 basis points over the prior year, positively impacting distributions to income beneficiaries.

Equity Securities Returns:

The Permanent Funds are invested in the Commingled Monthly Equity Fund (CMEF), an equity portfolio managed by WSIB. The CMEF comprises 43.0 percent of the invested balances and is managed to maximize dividend income to support the operations of the income beneficiaries and preserve long-term purchasing power stability. This global equity portfolio tracks the performance of its global benchmark, the MSCI World Investable Market Index (MSCI World IMI) with U.S. Gross.

The CMEF's equity investment strategy aims to earn an above-benchmark dividend yield to support distributions to income beneficiaries while growing invested balances. The portfolio’s trailing 12-month dividend yield was 2.2 percent as of June 30, 2024, 1.2 times the benchmark yield of 1.8 percent. At the same time, the strategy attempts to minimize realized capital gains and losses by limiting portfolio turnover. The total portfolio returned 20.4 percent during the fiscal year, compared to its benchmark return of 19.3 percent. The results for this fund are consistent with expectations.

Dividend income net of investment expenses of $11.8 million earned during the current fiscal year was distributed to the income beneficiaries, a decrease of $0.7 million, or 5.3 percent, from the prior year. The dividend yield, a measure of the annual dividend income paid to investors, decreased by 30 basis points to 2.2 percent by the fiscal year end. The decrease in dividend yields was offset by the growth in invested balances from positive investment returns, softening the impact of declining yields on distributable income.

See the General Market Commentary for additional information impacting returns and market gains in the current year.

Contributions and Asset Allocation Rebalancing:

Additional investment capital (corpus) of $19.6 million was received during the current fiscal year and was primarily invested in the debt portfolio. The DNR provides new corpus to the WSIB from timber and land activities earmarked for investment. The contributions received from DNR depend on timber and land sales and are held as corpus on behalf of the Permanent Funds once received. These contributions are directly influenced by sales volume, price of timber and land, and other economic factors, which change yearly and impact the amount available for additional investment.

Equity securities worth $45.7 million were sold in the CMEF, and the proceeds were transferred to the CMBF to rebalance the invested balances to strategic asset allocation targets during the current fiscal year.

Investment related receivables and payables are reflected in each asset class’s fiduciary net investment position. These balances fluctuate yearly based on invested balances, investment returns, interest rates, and dividend yields.

PERMANENT FUNDS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	American Indian Scholarship Endowment	Agricultural School	Normal School	Common School	Scientific School	State University	Total	Percent of Total
ASSETS								
Investments								
CASH AND CASH EQUIVALENTS	$ 22,141	$ 689,560	$ 3,582	$ 28,948	$ 113,181	$ 21,964	$ 879,376	0.1%
DEBT SECURITIES	304,857	174,914,433	198,974,294	151,027,485	196,623,188	26,990,221	748,834,478	56.9%
EQUITY SECURITIES	-	133,309,697	148,856,095	114,404,079	148,601,689	20,486,525	565,658,085	43.0%
Total Investments	326,998	308,913,690	347,833,971	265,460,512	345,338,058	47,498,710	1,315,371,939	100.0%
Investment Earnings Receivable	817	755,070	850,100	648,784	844,043	116,105	3,214,919	
Total Assets	327,815	309,668,760	348,684,071	266,109,296	346,182,101	47,614,815	1,318,586,858	
LIABILITIES								
Distributions and Other Payables	826	754,426	850,595	648,737	844,123	116,101	3,214,808	
FIDUCIARY NET INVESTMENT POSITION	$ 326,989	$ 308,914,334	$ 347,833,476	$ 265,460,559	$ 345,337,978	$ 47,498,714	$ 1,315,372,050	

PERMANENT FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	American Indian Scholarship Endowment	Agricultural School	Normal School	Common School	Scientific School	State University	Total
Net Investment Income							
Investment Income							
Interest, Dividends and Other Investment Income	$ 11,336	$ 8,714,736	$ 9,788,585	$ 7,515,776	$ 9,773,419	$ 1,339,983	$ 37,143,835
Realized Capital Gains	-	3,950,892	6,358,400	4,736,395	4,594,599	744,383	20,384,669
Unrealized Gain (Loss)	(1,793)	15,468,381	15,463,815	11,978,784	17,056,615	2,241,581	62,207,383
Less:							
Investment Expenses	(43)	(1,234)	(1,490)	(956)	(1,449)	(214)	(5,386)
WSIB Operating Expenses	(55)	(48,939)	(54,847)	(42,202)	(54,854)	(7,510)	(208,407)
Net Investment Income	9,445	28,083,836	31,554,463	24,187,797	31,368,330	4,318,223	119,522,094
Other Changes in Fiduciary Net Investment Position							
Contributions	-	4,563,000	7,093,000	2,779,000	4,162,000	1,010,000	19,607,000
Net Income Distributions	(1,497)	(8,663,750)	(9,732,220)	(7,472,642)	(9,717,557)	(1,332,241)	(36,919,907)
Increase in Fiduciary Net Investment Position	7,948	23,983,086	28,915,243	19,494,155	25,812,773	3,995,982	102,209,187
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	319,041	284,931,248	318,918,233	245,966,404	319,525,205	43,502,732	1,213,162,863
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 326,989	$ 308,914,334	$ 347,833,476	$ 265,460,559	$ 345,337,978	$ 47,498,714	$ 1,315,372,050

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The Permanent Funds of Washington State include funds established by the State Enabling Act and funds created by private donations. Funds established by the State Enabling Act consist of the Agricultural Permanent Fund, Normal School Permanent Fund, Permanent Common School Fund, Scientific Permanent Fund, and State University Permanent Fund. At statehood, land was granted to Washington State by the federal government to establish the funds. The proceeds from the sale of land and related natural resources are deposited by the DNR in each respective Permanent Funds' account for investment by the WSIB. The American Indian Scholarship (AIS) Endowment Fund was created in 1990 to help financially needy students with close social and cultural ties to an American Indian community obtain a higher education. The AIS Endowment Fund currently contains only private donations. The matching funds appropriated by the state for this fund were transferred to the Office of the State Treasurer, pursuant to legislative changes in 2012.

Each Permanent Fund holds shares of the CMBF and/or CMEF. The WSIB manages these funds in compliance with the permissible investments and portfolio constraints detailed in the WSIB's Permanent Funds' investment policy. The asset classes held in the CMBF and CMEF are presented in Schedules 1 and 3, respectively.

The financial statements present only the activity of the Permanent Funds as managed by the WSIB. The WSIB has exclusive control of the investments held by the Permanent Funds. The financial statements do not present the financial position or the results of operations of the WSIB.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments, including short-term investment funds valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 6.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair value monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

CONTRIBUTIONS AND WITHDRAWAL POLICY

Cash basis investment income is distributed to the beneficiary funds on a monthly basis, pursuant to the policies of the underlying funds. Income distributed includes interest, dividends, capital gains, and capital losses received during the distribution period. Unrealized gains and losses are not distributed, pursuant to state accounting policies and procedures. This is necessary to meet legal requirements regarding the preservation of capital. Contributions are recorded when received.

SECURITIES LENDING

The Permanent Funds invest in the CMBF and the CMEF, which hold the underlying securities and participate in lending activities. Each Permanent Fund owns a proportionate interest in the CMBF and CMEF and does not directly participate in securities lending activities. Accordingly, the lending activity is not presented within each individual fund in the accompanying financial statements.

The collateral received under securities lending agreements, where the funds have the ability to spend, pledge, or sell the collateral without borrower default, is included in the CMBF and CMEF fiduciary net investment position. Liabilities resulting from these transactions are also included in each fund's fiduciary net investment position. Additionally, costs associated with securities lending transactions, including broker rebates and investment management fees paid, are part of the CMBF and CMEF and are not reported directly by the Permanent Funds. Securities lending income received by the CMBF and CMEF during the current fiscal year was $1.1 million. Securities lending expenses during the fiscal year totaled $0.9 million.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of Permanent Funds, CMEF, and CMBF investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB's operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB's operating expenses are allocated to the funds under management based on relative fair values, in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event a depository institution or counterparty fails, the Permanent Funds will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash, cash equivalents, and securities held as securities lending collateral) are registered and held in the name of the WSIB for the benefit of the Permanent Funds and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The Permanent Funds' investment policy requires the duration of securities held to be targeted within plus or minus 25 percent of the duration of the portfolio's benchmark, which is the Bloomberg U.S. Aggregate Index. Increases in prevailing interest rates generally translate into decreases in the fair values of those investments, and vice versa.

Schedules 1 and 2 provide information about the interest rate risks associated with the CMBF investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Permanent Funds' investment policy limits the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The Permanent Funds' rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Revised Code of Washington (RCW) 43.33A.140 requires that the cost of a corporate fixed income or common stock holding may not exceed 3 percent of the Permanent Funds' fair value at the time of purchase, nor shall its fair value exceed 6 percent of the Permanent Funds' fair value at any time. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Permanent Funds have no formal policy to limit foreign currency risk. The Permanent Funds' exposure to foreign currency risk is presented in Schedule 4, which provides information on deposits and investments held in various foreign currencies.

NOTE 4. SECURITIES LENDING

Washington State law and WSIB policy permit the Permanent Funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation (SSC) to act as an agent for the WSIB in securities lending transactions. As SSC is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

Securities lending activity is part of the CMBF and CMEF and, accordingly, is not reported directly by the Permanent Funds in the accompanying financial statements. The Permanent Funds own units in each fund, similar to a mutual fund. The commingled funds engage in all lending activity and report the net lending income activity within the fund as increases in the share price of each fund, until distributed to the beneficiary funds. On June 30, 2024, the fair value of the securities on loan in the CMEF was approximately $26.2 million. The securities on loan are reported in Schedule 3 in their respective categories. At June 30, 2024, cash collateral received totaling $19.1 million was reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $19.1 million was reported as security lending collateral in Schedule 3. Securities received as collateral where the Permanent Funds do not have the ability to pledge or sell the collateral, unless the borrower defaults, were not reported as assets and liabilities in Schedule 3. Total cash and securities received as collateral at June 30, 2024, was $27.5 million.

Equity securities were loaned and collateralized by the Permanent Funds' agent with cash and U.S. Treasury Securities. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest of the loaned securities. The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2024.

	Summarized Change in Securities on Loan and Collateral ($ Millions)		
	Cash Collateral	Non-Cash Collateral	Total
Yankee Certificate of Deposit	$ 2.6	$ -	$ 2.6
Commercial Paper	3.6	-	3.6
U.S. Treasuries	-	8.4	8.4
Cash Equivalents and other	12.9	-	12.9
Total Collateral Held	**$ 19.1**	**$ 8.4**	**$ 27.5**

During the current fiscal year, securities lending transactions could be terminated on demand by either the Permanent Funds or the borrower. As of June 30, 2024, the collateral held had an average duration of 15 days and an average weighted final maturity of 61 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on-loan value can be held by a specific borrower. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. SSC indemnified the WSIB by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. SSC's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During the current fiscal year, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. In addition, the Permanent Funds incurred no losses resulting from a default by either the borrowers or the securities lending agents in the current fiscal year.

NOTE 5. DERIVATIVE INSTRUMENTS

The Permanent Funds are authorized to utilize various derivative financial instruments to purchase and hold mortgage-backed securities. Derivative instrument transactions involve, to varying degrees, market and credit risk. Market risks arising from derivative instrument transactions are mitigated by requiring collateral in cash and investments to be maintained equal to the securities' positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative instrument transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

On June 30, 2024, the only derivative instrument securities were $11.5 million in collateralized mortgage obligations held indirectly by the Permanent Funds through the CMBF.

NOTE 6. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72), specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

The Permanent Funds obtain exposure to debt and equity markets through commingled investment funds managed by the WSIB. Accordingly, the securities held are measured at net asset value and not categorized by Statement 72 hierarchy of valuation classifications detailed above. Valuation policies and procedures are managed by the Investment and Financial Services unit of the WSIB, which regularly monitors fair value measurements. Staff compute month-end fair values of each fund. Participants are allowed to contribute and withdraw on the monthly valuation date. The net asset value per share for the CMEF and CMBF are computed from prices obtained by the custodian bank for all of the underlying holdings in each fund.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, including the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks which include researching and corroborating day-over-day price changes of 2 or more percent and validating all unchanged prices from the previous day.

Fair value prices for publicly traded equity securities are obtained from reputable pricing sources, including Thomson Reuters and IDC. The custodian bank performs daily tolerance checks which include:

- Comparison of primary to secondary pricing sources and researching significant differences.
- Day-over-day price changes in excess of 10 percent verified to secondary source.
- Day-over-day price changes in excess of 20 percent verified to market-related company news and corporate actions.
- Unchanged prices over five days verified to current market status.

The following table presents fair value measurements as of June 30, 2024:

		Fair Value
INVESTMENTS - PERMANENT FUNDS		
INVESTMENTS MEASURED AT NET ASSET VALUE		
Commingled Monthly Bond Fund	$	748,834,478
Commingled Monthly Equity Fund		565,658,085
Total Investments at Net Asset Value		1,314,492,563
Total Investments Measured at Fair Value	$	1,314,492,563

COMMINGLED INVESTMENT FUNDS (INVESTMENTS MEASURED AT NET ASSET VALUE)

The CMBF and CMEF are invested in publicly traded debt and equity securities and are actively managed to preserve the fund's capital, consistent with the desire to emphasize high current yield to maturity opportunities and to achieve the highest return possible at a prudent level of risk. The return benchmark for the CMEF and CMBF is the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross and the Bloomberg U.S. Intermediate Credit Index, respectively. With the exception of the AIS Endowment Fund, no other permanent fund may withdraw, other than realized income, from the fund. Legal requirements for Washington State require corpus balances be preserved. The AIS Endowment Fund may withdraw funds on each monthly valuation date. Cash basis income is distributed to all beneficiaries monthly.

NOTE 7. SUMMARY OF INVESTMENT POLICY

Per RCW 43.33A.030, trusteeship of the Permanent Funds is vested in the voting members of the WSIB. The Legislature has established a standard of care for investment of this fund in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the following investment objectives.

STRATEGIC OBJECTIVES

The Permanent Funds' investments are to be managed to preserve capital consistent with the desire to emphasize high current yield to maturity opportunities and to achieve the highest return possible at a prudent level of risk. The strategic objectives include:

- Safety of principal.
- Current income.
- Long-term stability of purchasing power.
- Preservation of the public's trust.

Taken together, these objectives support the portfolio's growth to keep pace with inflation over time, provide a stable level of income, and maintain the corpus (or invested capital balances) of the funds.

INVESTMENT PERFORMANCE OBJECTIVES

In most cases, the Permanent Funds' investments are to emphasize stability and maximize income to support the operations of each permanent trust. Within the required accounting guidelines, the Permanent Funds' portfolios are to be managed so that their individual performance meets or exceeds the return of each fund's specific benchmark with a volatility of returns that, over time, is similar to or less than the benchmarks for similar level of returns.

RISK TOLERANCE

Risk will be managed in a prudent manner. Since the stakeholder only receives the current income adjusted for realized capital gains and losses, the funds have a below average ability to tolerate volatility in current income.

PORTFOLIO CONSTRAINTS

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of statutes RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue's cost shall exceed 3 percent of the fund's fair value at the time of purchase or exceed 6 percent of the fund's fair value at any time, per RCW 43.33A.140.
- Diversification of the assets at a prudent level to moderate fluctuations in the fair value of the funds.

PERMISSIBLE INVESTMENTS

The six Permanent Funds managed by the WSIB have differing legal investment restrictions. The following list is comprehensive and any restrictions to an individual fund will be listed separately.

- Any WSIB managed fund that meets a fund's investment objectives and its permissible investments constraints.
- Global public equity.
- Investment Grade fixed income.
  - Investment Grade is defined by the Bloomberg Global Family of Fixed Income Indices. Although fixed income securities rated below investment grade may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held.

PERMISSIBLE FIXED INCOME MARKET SEGMENTS

- Government Securities.
- Credit Bonds.
- Mortgage-Backed Securities.
- Asset-Backed Securities.
- Commercial Mortgage-Backed Securities.
- Convertible Securities.
- Non-Dollar Bonds.

Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

FIXED INCOME SECTOR ALLOCATIONS

Portfolio allocations are to be managed within the ranges presented in the table. These targets are long-term in nature. Deviations may occur in the short term due to interim market conditions. However, if a range is exceeded, the portfolio must be rebalanced to the target allocations.

Target allocations for the Fixed Income Sectors:	
Government Securities	10% – 50%
Credit Bonds	10% – 50%
Asset-Backed Securities	0% – 10%
Commercial Mortgage-Backed Securities	0% – 10%
Mortgage-Backed Securities	5% – 40%

DURATION TARGET

The duration of the fixed income portfolio is to be targeted within plus or minus 25 percent of the duration of the portfolio’s benchmark.

ASSET ALLOCATION AND BENCHMARKING

The asset allocation policy targets for the Agricultural Permanent Fund, Normal School Permanent Fund, Permanent Common School Fund, Scientific Permanent Fund, and State University Permanent Fund are detailed in the chart to the right. The benchmark for these funds is a combination of the Bloomberg U.S. Aggregate Index and the MSCI World IMI with U.S. Gross in the weighted percentage allocations that represent the fund’s target allocation.

Asset Class	Target	Range
Unrestricted Fixed Income	60%	± 5%
Global Equity	40%	± 5%

The AIS Endowment Fund's asset allocation policy is 100 percent fixed income securities. The fund's benchmark is the Bloomberg U.S. Aggregate Index.

SCHEDULE 1

COMMINGLED MONTHLY BOND FUND SCHEDULE OF FIDUCIARY NET INVESTMENT POSITION AND MATURITIES

		Maturity					
Investment Type	Total Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years	Effective Duration*	Credit Rating
Corporate Bonds	$ 339,826,107	$ 29,368,850	$ 125,362,350	$ 82,837,850	$ 102,257,057	6.9	Schedule 2
Foreign Government and Agency Securities	26,362,715	-	19,004,465	4,201,869	3,156,381	4.4	Schedule 2
Mortgage and Other Asset-Backed Securities	99,415,442	18,610	76,344,325	23,052,507	-	4.3	Schedule 2
U.S. Government and Agency Securities	257,954,543	69,312,511	48,283,594	41,567,188	98,791,250	7.3	Aa1
Total Debt Securities	723,558,807	$ 98,699,971	$ 268,994,734	$ 151,659,414	$ 204,204,688	6.6	
Assets Not Required to be Categorized							
Cash and Cash Equivalents	26,269,731						
Investment Earnings Receivable	5,762,060						
CMBF Total Assets	755,590,598						
Less: CMBF Distributions and other payables	(6,756,120)						
CMBF Fiduciary Net Investment Position - June 30, 2024	$ 748,834,478						

* Duration excludes cash and cash equivalents

SCHEDULE 2

COMMINGLED MONTHLY BOND FUND CREDIT RATING (MOODY'S)

	Investment Type		
Moody's Credit Rating	Corporate Bonds	Foreign Government and Agency Securities	Mortgage and Other Asset-Backed Securities
Aaa	$ -	$ -	$ 13,538,223
Aa1	3,159,450	4,756,819	85,877,219
Aa2	4,786,200	9,609,615	-
Aa3	14,749,550	-	-
A1	41,243,780	11,996,281	-
A2	60,302,600	-	-
A3	63,937,700	-	-
Baa1	77,979,537	-	-
Baa2	59,762,240	-	-
Baa3	13,905,050	-	-
Total	$ 339,826,107	$ 26,362,715	$ 99,415,442

SCHEDULE 3

COMMINGLED MONTHLY EQUITY FUND SCHEDULE OF FIDUCIARY NET INVESTMENT POSITION

	Total Fair Value
Classification	
Cash and Cash Equivalents	$ 1,391,142
Common and Preferred Stock	548,871,762
Real Estate Investment Trusts	13,917,206
Depository Receipts and Other Miscellaneous	933,256
Total Investments	565,113,366
Income and Other Receivables	2,065,101
Collateral Held Under Securities Lending Agreements	19,099,151
Distributions and Other Payables	(1,520,382)
Obligations Under Securities Lending Agreements	(19,099,151)
CMEF Fiduciary Net Investment Position June 30, 2024	**$ 565,658,085**

SCHEDULE 4

COMMINGLED MONTHLY EQUITY FUND SCHEDULE OF FOREIGN CURRENCY

	Investment Type In U.S. Dollar Equivalent			
Foreign Currency Denomination	Cash and Cash Equivalents	Equity Securities	Total	Percent of Total CMEF Funds Investments
AUSTRALIAN DOLLAR	$ 18,510	$ 11,386,277	$ 11,404,787	2.0%
CANADIAN DOLLAR	75,163	14,019,980	14,095,143	2.4%
DANISH KRONE	637	4,126,071	4,126,708	0.7%
EURO CURRENCY	84,565	45,415,947	45,500,512	8.1%
JAPANESE YEN	235,949	33,959,239	34,195,188	6.1%
POUND STERLING	73,490	20,233,441	20,306,931	3.6%
SWEDISH KRONA	3,009	5,636,267	5,639,276	1.0%
SWISS FRANC	1,840	13,061,600	13,063,440	2.3%
OTHER MISCELLANEOUS CURRENCIES	46,499	6,596,492	6,642,991	1.2%
Total Foreign Currency Exposure	$ 539,662	$ 154,435,314	$ 154,974,976	27.4%

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Permanent Funds as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Permanent Funds' basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Permanent Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Permanent Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Permanent Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Permanent Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

GUARANTEED EDUCATION TUITION FUND

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Guaranteed Education Tuition Fund of the state of Washington as managed by the Washington State Investment Board (the Guaranteed Education Tuition Fund) which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Guaranteed Education Tuition Fund as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Guaranteed Education Tuition Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Guaranteed Education Tuition Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Guaranteed Education Tuition Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Guaranteed Education Tuition Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Guaranteed Education Tuition Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

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MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Guaranteed Education Tuition (GET) Fund, managed by the Washington State Investment Board (WSIB), is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The WSIB manages funds for other Washington State departments. This section of the report represents only the GET Fund portion.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the GET Fund, as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the GET Fund, for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements of the GET Fund.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the GET Fund’s fiduciary net investment position, commonly called net asset value or NAV, increased by $139.4 million in the fiscal year ending June 30, 2024. Interest and dividend income net of investment expenses of $14.3 million was reinvested within each asset class, increasing the NAV by 0.9 percent. Market gains increased the NAV by $160.7 million, or 10.0 percent, the result of positive investment returns for the fiscal year. Participants in the GET fund withdrew $35.6 million, primarily from equity securities, decreasing the NAV by 2.2 percent from the prior fiscal year.

GUARANTEED EDUCATION TUITION FUND

	Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class									
	Fiscal Year End June 30, 2024				Fiscal Year End June 30, 2023				Year Over Year Change	
	Cash and Cash Equivalents	Debt Securities (*)	Equity Securities (*)	Total	Cash and Cash Equivalents	Debt Securities (*)	Equity Securities (*)	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position (**)	$ 17,103,148	$ 925,567,554	$ 671,903,854	$ 1,614,574,556	$ 31,338,738	$ 911,796,566	$ 578,278,795	$ 1,521,414,099	$ 93,160,457	6.1%
Investment Income:										
Interest, Dividends, and Other Investment Income	431,560	-	15,194,221	15,625,781	237,396	-	14,714,532	14,951,928	673,853	4.5%
Net Realized and Unrealized Gains	-	52,487,641	108,258,165	160,745,806	-	19,770,988	83,307,223	103,078,211	57,667,595	55.9%
Less: Investment Expenses	(18,571)	(157,901)	(1,198,546)	(1,375,018)	(287,682)	(2,900)	(612,501)	(903,083)	471,935	52.3%
Net Investment Income (Loss)	412,989	52,329,740	122,253,840	174,996,569	(50,286)	19,768,088	97,409,254	117,127,056	57,869,513	49.4%
Net Withdrawals and Rebalancing Transfers	(5,094,226)	(3,842,100)	(26,628,734)	(35,565,060)	(14,185,304)	(5,997,100)	(3,784,195)	(23,966,599)	11,598,461	48.4%
Ending Fiduciary Net Investment Position (**)	**$ 12,421,911**	**$ 974,055,194**	**$ 767,528,960**	**$ 1,754,006,065**	**$ 17,103,148**	**$ 925,567,554**	**$ 671,903,854**	**$ 1,614,574,556**	**$ 139,431,509**	**8.6%**
Increase (Decrease) in Fiduciary Net Investment Position	**$ (4,681,237)**	**$ 48,487,640**	**$ 95,625,106**	**$ 139,431,509**						
Percent Change in Fiduciary Net Investment Position	**-27.4%**	**5.2%**	**14.2%**	**8.6%**						
One Year Time Weighted Return - June 30, 2024	**5.3%**	**5.8%**	**18.8%**	**11.2%**						
One Year Time Weighted Return - June 30, 2023	**3.6%**	**2.2%**	**16.7%**	**7.8%**						

(*) Includes cash balances used for trading purposes

(**) Fiduciary net investment position includes accrued income, accrued expenses, and pending trades within each asset class

The following summary highlights significant changes in fiduciary net investment position for each of the main investment categories in the previous table:

Net investment income increased by 49.4 percent during the current fiscal year, primarily from higher returns in all asset classes. The GET Fund's total return increased by 3.3 percentage points (or 331 basis points) over the prior year, resulting in an increase of $57.7 million in market-related gains over the previous fiscal year.

Debt Securities Returns:

The GET Fund invests in the Daily Valued Bond Fund (Bond Fund), a commingled investment fund managed by the WSIB. Accordingly, interest income is retained and reinvested within the commingled fund, which is reflected in net realized and unrealized gains and losses.

Performance for the Bond Fund, an Intermediate credit portfolio, was 5.8 percent for the current fiscal year, an increase of 3.6 percentage points (or 357 basis points) over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio outperformed its benchmark by 15 basis points, the Bloomberg U.S. Intermediate Credit Index, which returned 5.6 percent. The Bond Fund maintained an overweighting to emerging market credit compared to the benchmark during the fiscal year. Emerging markets credit spreads narrowed more than investment grade spreads, which resulted in the portfolio outpacing its benchmark. In addition, the portfolio benefited from strong returns in a handful of securities throughout the year.

Equity Securities Returns:

The GET Fund's global equity portfolio is passively managed to closely track the performance of its global benchmark, the All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross. The equity security portfolio returned 18.8 percent for the fiscal year, slightly outperforming its benchmark, which returned 18.7 percent for the same time period.

See the General Market Commentary for additional information impacting returns and market gains in the current year.

Net Contribution and Withdrawals and Asset Allocation Rebalancing:

The GET Fund makes contributions to and withdrawals from invested balances based on participant investment decisions. Net withdrawals of $35.6 million for the fiscal year were funded by 74.9 percent from equity securities and 10.8 percent from debt securities, with the remaining amount from existing cash balances. Net withdrawals from invested balances increased by 48.4 percent over the prior year. Contribution and withdrawal activity are impacted by participants' need to fund college tuition. Other factors impacting participant investment activity include unexpected expenses, investor confidence, interest rates, and market volatility. These requests can vary substantially from year to year based on participant demand.

The WSIB, with concurrence from the GET Fund's Committee on Advanced Tuition Payment and College Savings, makes the asset allocation decisions for the GET Fund investments. The WSIB staff rebalance the GET Fund's assets between asset classes as markets move, pursuant to WSIB policy. There were no rebalancing transfers to meet strategic asset allocation targets during the current fiscal year.

Investment-related receivables and payables are reflected in each asset class's fiduciary net investment position. These balances mainly comprise open foreign exchange contracts and unsettled investment trades pending over the fiscal year end. These balances fluctuate based on the timing of cash flows, market fluctuations, and rebalancing to strategic investment targets within each asset class. Accordingly, there is generally minimal correlation to investment values, and balances can vary substantially yearly. Other investment-related receivables and payables, such as income and expense accruals, typically fluctuate within each asset class based on the invested balances and interest rate changes.

SECURITIES LENDING

As shown in the following table, securities on loan increased by 41.1 percent, and collateral held under securities lending agreements increased accordingly. Equity securities balances grew from positive returns during the fiscal year, creating a higher lendable asset base with corresponding increases in utilization rates and securities on loan as of June 30, 2024. Other factors impacting the securities on loan include increased demand in Japan's consumer discretionary and technology sectors, an uptick in capital raising deals, and continued interest in hard-to-borrow positions in Hong Kong.

	June 30, 2024	June 30, 2023	Increase	Percent Change
Securities on Loan Fiscal Year End	$ 32,601,038	$ 23,101,532	$ 9,499,506	41.1%
Cash Collateral Held Under Securities Lending Agreements	25,032,426	17,450,586	7,581,840	
Non-Cash Collateral Held Under Securities Lending Agreements	9,221,594	6,505,917	2,715,677	
Total Collateral Held	**$ 34,254,020**	**$ 23,956,503**	**$ 10,297,517**	**43.0%**

Cash collateral held under securities lending agreements is reported as an asset and a liability in the accompanying Statement of Fiduciary Net Investment Position.

GET FUND STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

		Percent of Total
ASSETS		
Investments		
CASH AND CASH EQUIVALENTS	$ 19,540,743	1.1%
DEBT SECURITIES		
Commingled Intermediate Credit	974,055,193	
Total Debt Securities	974,055,193	55.6%
EQUITY SECURITIES		
Common and Preferred Stock	740,860,664	
Real Estate Investment Trusts	15,213,271	
Depository Receipts and Other	3,038,328	
Total Equity Securities	759,112,263	43.3%
Total Investments	1,752,708,199	100.0%
Collateral Held Under Securities Lending Agreements	25,032,426	
Pending Trades and Other Investment Receivables	2,012,294	
Total Assets	1,779,752,919	
LIABILITIES		
Obligations Under Securities Lending Agreements	25,032,426	
Pending Trades and Other Investment Payables	714,428	
Total Liabilities	25,746,854	
FIDUCIARY NET INVESTMENT POSITION	$ 1,754,006,065	

GET FUND STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

Net Investment Income		
Investment Income		
Interest, Dividends and Other Investment Income	$	14,697,624
Securities Lending Income		928,157
Realized Capital Gains		13,250,932
Unrealized Gain		147,494,874
Less:		
Securities Lending Rebates and Fees		(813,626)
Investment Expenses		(286,410)
WSIB Operating Expenses		(274,982)
Net Investment Income		174,996,569
Net Withdrawals		(35,565,060)
Increase in Fiduciary Net Investment Position		139,431,509
Fiduciary Net Investment Position, June 30, 2023		1,614,574,556
Fiduciary Net Investment Position, June 30, 2024	$	1,754,006,065

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUND AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUND

The GET Fund consists of contributions from participants planning on attending advanced education programs in Washington State at a future date. This fund is invested by the WSIB until participants begin to withdraw funds as needed to pay for educational expenses. The financial statements present only the activity of the GET Fund as managed by the WSIB. The WSIB has exclusive control of the investments held for the GET Fund. The financial statements do not present the financial position or results of operations of the WSIB or the GET Fund.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments comprised of foreign currencies and short-term investment funds. The short-term investment funds are valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 6.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

SECURITIES LENDING

The collateral received under securities lending agreements, where the GET Fund has the ability to spend, pledge, or sell the collateral without borrower default, is included in the Statement of Fiduciary Net Investment Position. Liabilities resulting from these transactions are also recorded. Additionally, costs associated with securities lending transactions, including broker commissions and lending fees paid to the custodian bank, are reported as investment expenses in the accompanying financial statements. The Statement of Fiduciary Net Investment Position does not include detailed holdings of securities lending collateral by investment classification. Securities lending income received by the GET Fund during Fiscal Year 2024 was $0.9 million. Securities lending expenses during the fiscal year totaled $0.8 million.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are netted and are recorded when received or paid.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the U.S., requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the GET Fund’s investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB operating expenses are allocated to the funds under management based on relative fair values, in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the GET Fund will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash, cash equivalents, and securities held as securities lending collateral) are registered and held in the name of the WSIB, for the benefit of the GET Fund and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The GET Fund investment policy requires that the duration range for the commingled intermediate credit fund shall not exceed plus or minus 25 percent of the Bloomberg U.S. Intermediate Credit Index. Fixed income securities may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows until rebalancing to duration targets can be achieved without financial harm to the portfolio. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

Schedules 1 and 2 provide information about the interest rate risks associated with the GET Fund investments, as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity of these securities, taking into account possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The GET Fund invests in the Bond Fund, a collective intermediate credit fund managed by the WSIB. The Bond Fund's investment policy limits the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The GET Fund's rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Revised Code of Washington (RCW) 43.33A.140 requires that the cost of a corporate fixed income or common stock holding may not exceed 3 percent of the GET Fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the GET Fund's fair value at any time. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

The Bond Fund's investment policy states that no corporate fixed income issue's cost at the time of purchase or fair value at any time shall exceed 3 percent of the Bond Fund's fair value, which is a more restrictive constraint than the requirements noted in RCW 43.33A.140.

There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The GET Fund does not have a formal policy to limit foreign currency risk. The WSIB manages exposure to fair value loss by requiring their investment managers to maintain diversified portfolios by sector and by issuer to limit foreign currency and security risk. The portfolio's exposure to foreign currency risk is presented in Schedule 3, which provides information on deposits and investments held in various foreign currencies.

NOTE 4. SECURITIES LENDING

Washington State law and WSIB policy permit the GET Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation (SSC) to act as agent for the WSIB in securities lending transactions. As SSC is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2024, was approximately $32.6 million. The securities on loan remain in the Statement of Fiduciary Net Investment Position in their respective categories. At June 30, 2024, cash collateral received totaling $25.0 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $25.0 million is reported as security lending collateral in the Statement of Fiduciary Net Investment Position. Securities received as collateral where the GET Fund does not have the ability to pledge or sell the collateral unless the borrower defaults are not reported as assets and liabilities in the Statement of Fiduciary Net Investment Position. Total cash and securities received as collateral at June 30, 2024, was $34.3 million.

Equity securities were loaned and collateralized by the GET Fund's agent with cash and U.S. Government or U.S. Agency Securities. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest of the loaned securities. The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2024.

	Summarized Change in Securities on Loan and Collateral ($ Millions)		
	Cash Collateral	Non-Cash Collateral	Total
Yankee Certificate of Deposit	$ 3.5	$ -	$ 3.5
Commercial Paper	4.7	-	4.7
U.S. Treasuries	-	9.3	9.3
Cash Equivalents and Other	16.8	-	16.8
Total Collateral Held	**$ 25.0**	**$ 9.3**	**$ 34.3**

During Fiscal Year 2024, securities lending transactions could be terminated on demand by either the GET Fund or the borrower. As of June 30, 2024, the cash collateral held had an average duration of 15 days and an average weighted final maturity of 61 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold, absent borrower default. No more than 20 percent of the total on-loan value can be held by a specific borrower. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. SSC indemnified the WSIB by agreeing to purchase replacement securities, or return the cash collateral, in the event a borrower failed to return the loaned securities or pay distributions thereon. SSC's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During Fiscal Year 2024, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the GET Fund incurred no losses resulting from a default by either the borrowers or the securities lending agents.

NOTE 5. DERIVATIVE INSTRUMENTS

The GET Fund is authorized to utilize various derivative financial instruments, including financial futures and forward contracts. Derivative instrument transactions involve, to varying degrees, market and credit risk. In connection with the global equity strategy within the portfolio, the GET Fund held investments in financial futures at various times throughout the fiscal year that are recorded at fair value, with realized and unrealized gains and losses recognized in investment income in the Statement of Changes in Fiduciary Net Investment Position. As of June 30, 2024, the derivative instruments held by the GET Fund are considered investment derivative instruments and not hedging derivative instruments for accounting purposes.

Derivative instruments are generally used to achieve the desired market exposure of a security, index, or currency. Derivative instrument contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors. A derivative instrument could be a contract negotiated on behalf of the GET Fund and a specific counterparty. This would typically be referred to as an over-the-counter (OTC) contract, such as forward contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes counterparty risk and requires margin deposits and payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index, or to rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened. However, the likelihood of such loss is remote. During the fiscal year ended June 30, 2024, the GET Fund had no outstanding forward currency contracts.

Inherent in the use of OTC derivative instruments, the GET Fund is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative instrument counterparty may fail to meet its payment obligation under the derivative instrument contract. As of June 30, 2024, the GET Fund had no open OTC derivative instruments and, accordingly, no counterparty credit risk. Derivative instruments which are exchange traded are not subject to counterparty credit risk.

		Changes in Fair Value - Included in Investment Income	Fair Value at June 30, 2024 - Investment Derivative Instrument	
	Classification	Amount	Amount	Notional
FUTURES CONTRACTS:				
Equity Index Futures	Investment	$ 777,939	$ 22,469	3,000

NOTE 6. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application*, (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either, directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, the method used is to default to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly. Any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents fair value measurements as of June 30, 2024:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
EQUITY SECURITIES	$ 759,112,263	$ 758,760,138	$ 156,800	$ 195,325
Total Investments By Fair Value Level	759,112,263	758,760,138	156,800	195,325
INVESTMENTS MEASURED AT NET ASSET VALUE				
Commingled Intermediate Credit	974,055,193			
Total Investments Measured at Fair Value	$ 1,733,167,456			
OTHER ASSETS (LIABILITIES) AT FAIR VALUE				
Collateral Held Under Securities Lending Agreements	$ 25,032,426	$ -	$ 25,032,426	$ -
Margin Variation Receivable - Futures Contracts	22,469	22,469	-	-
Obligations Under Securities Lending Agreements	(25,032,426)	-	(25,032,426)	-
Total Other Assets (Liabilities) Measured at Fair Value	$ 22,469	$ 22,469	$ -	$ -

DEBT AND EQUITY SECURITIES (LEVELS 1, 2, AND 3)

Investments classified as Level 1 in the above table were exchange traded equity securities, whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close and reporting period end.

Investments classified as Level 2 in the above table were primarily comprised of exchange traded stocks traded in inactive markets. Investments classified as Level 3 in the above table were publicly traded equity securities that have non-current, or “stale” values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, including the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks which include researching and corroborating day-over-day price changes in excess of 2 percent and validating all unchanged prices from the previous day.

Fair value prices for publicly traded equity securities are obtained from reputable pricing sources, including Thomson Reuters and IDC. The custodian bank performs daily tolerance checks which include:

- Comparison of primary to secondary pricing sources and researching significant differences.
- Day-over-day price changes in excess of 10 percent verified to secondary source.
- Day-over-day price changes in excess of 20 percent verified to market-related company news and corporate actions.
- Unchanged prices over five days verified to current market status.

COMMINGLED INTERMEDIATE CREDIT (INVESTMENTS MEASURED AT NET ASSET VALUE)

The Get Fund invests in the Bond Fund, managed by the WSIB, whose audited financials are included in the Daily Valued Funds section of the WSIB's audited financial statements. The fund invests in publicly traded debt securities and is actively managed to meet or exceed the return of the Bloomberg U.S. Intermediate Credit Index. The Bond Fund is an open-ended "mutual fund" type investment that issues or reduces outstanding shares for purchases and redemptions of the fund. The Bond Fund manager computes a unit price at the end of each business day by obtaining fair values of the underlying holdings, using reputable pricing sources, and computing an overall net asset value per share. The GET Fund may redeem some or all of its holdings on any business day without restriction.

OTHER ASSETS AND LIABILITIES

Collateral held and obligations under securities lending agreements are detailed in Note 4 to the basic financial statements. Cash collateral securities (and the offsetting obligation) are valued by the GET Fund's lending agent and sourced from reputable pricing vendors, using proprietary models that are market-based measurements representing their good faith opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodian provides quoted market prices for these securities from a reputable pricing vendor.

NOTE 7. SUMMARY OF INVESTMENT POLICY

Per RCW 43.33A.030, trusteeship of the GET Fund is vested in the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the following investment objectives.

GUARANTEED EDUCATION TUITION FUND

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinate is identifying the prudent level of risk for the program considering the program's need to meet or exceed the growth rate of tuition costs. Based on this requirement the order of the objectives shall be:

- Maintain the solvency of the fund and the financial stability of the program as measured by the external actuary.
- Ensure sufficient assets are available to fund the expected college tuition payments.
- Subject to the above requirements, achieve a maximum return that will meet or exceed the rate of growth in college tuition cost over a 10-year period at a prudent level of risk.
- Invest in a manner that will not compromise public confidence in the program.

PERFORMANCE OBJECTIVES

The performance of the investment portfolio shall be judged relative to the investment objectives, the risk constraint standards, and the investment approach. The GET Fund has both a long-term absolute goal and several relative performance objectives:

- Achieve or exceed a 2.5 percent real rate of return relative to inflation, as measured by the CPI, over a 10-year period.
- Relative to asset allocation targets, generate a return equal to or in excess of the weighted average passive benchmark for all asset classes within the portfolio.
- The benchmark and structure for public equity investments will be to passively track the broad global stock market as defined by the MSCI ACWI IMI with U.S. Gross.
- The long-term goals of the fixed income portfolio are to return more than inflation and to limit volatility for the total portfolio.

RISK CONSTRAINT STANDARDS

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the GET Fund's fair value at the time of purchase, nor shall its value exceed 6 percent of the GET Fund's fair value at any time per RCW 43.33A.140.
- Diversification of the assets at a prudent level to moderate fluctuations in the fair value of the program.

PERMISSIBLE INVESTMENTS

- Publicly Traded Equity Investments.
- Inflation Indexed Bonds.
- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- WSIB Daily Valued Bond Fund.
- Cash Equivalent Funds.

Although fixed income securities that are rated below investment grade may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. “Investment grade” is defined using the rating method employed by the Bloomberg Global Family of Fixed Income Indices.

ASSET ALLOCATION

The asset allocation will be reviewed every four years or sooner if there are significant changes in program size, funding status, or liability duration. When fair values fall outside the policy ranges, assets will be rebalanced across asset classes. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

Below is the strategic asset allocation for the GET Fund as of June 30, 2024. There were no changes to these targets during the current fiscal year.

Asset Class	Target	Range
Global Equities	40%	± 5%
Fixed Income	60%	± 5%
Cash	0%	+ 5%

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity: Less than 1 year	Maturity: 1-5 years	Maturity: 6-10 years	Maturity: More than 10 years	Effective Duration*	Credit Rating
Commingled Intermediate Credit	$ 974,055,193	$ 173,872,951	$ 438,428,029	$ 340,506,065	$ 21,248,148	4.1	Schedule 2
Investments Not Required to be Categorized							
Equity Securities	759,112,263						
Cash and Cash Equivalents	19,540,743						
Total Investments Not Categorized	778,653,006						
Total Investments	$ 1,752,708,199						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit: Total Fair Value
Aaa	$ 9,559,859
Aa1	16,511,829
Aa2	16,954,334
Aa3	32,631,861
A1	87,439,464
A2	142,559,000
A3	199,856,419
Baa1	170,741,125
Baa2	172,144,833
Baa3	115,932,860
Ba1 or Lower	9,723,609
Total	$ 974,055,193

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE BY CURRENCY

	Investment Type In U.S. Dollar Equivalent			
Foreign Currency Denomination	Cash and Cash Equivalents	Equity Securities	Total	Percent of Total GET Funds Investments
AUSTRALIAN DOLLAR	$ 201,173	$ 13,836,626	$ 14,037,799	0.8%
CANADIAN DOLLAR	80,127	20,248,686	20,328,813	1.2%
DANISH KRONE	16,148	6,864,946	6,881,094	0.4%
EURO CURRENCY	495,157	56,554,342	57,049,499	2.9%
HONG KONG DOLLAR	284,153	18,198,125	18,482,278	1.1%
INDIAN RUPEE	421,743	16,547,454	16,969,197	1.0%
JAPANESE YEN	434,215	42,850,962	43,285,177	2.5%
NEW TAIWAN DOLLAR	915,430	15,944,964	16,860,394	1.0%
POUND STERLING	324,100	27,112,977	27,437,077	1.6%
SOUTH KOREAN WON	25,364	9,786,128	9,811,492	0.6%
SWEDISH KRONA	115,699	6,654,992	6,770,691	0.4%
SWISS FRANC	109,356	15,804,376	15,913,732	0.9%
OTHER - MISCELLANEOUS	1,862,866	25,325,645	27,188,511	1.6%
Total Foreign Currency Exposure	$ 5,285,531	$ 275,730,223	$ 281,015,754	16.0%

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Guaranteed Education Tuition Fund as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Guaranteed Education Tuition Fund's basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Guaranteed Education Tuition Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Guaranteed Education Tuition Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guaranteed Education Tuition Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Guaranteed Education Tuition Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Guaranteed Education Tuition Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Guaranteed Education Tuition Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Guaranteed Education Tuition Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Developmental Disabilities Endowment Trust Fund (which is comprised of the Developmental Disabilities Endowment Trust Fund State and Developmental Disabilities Endowment Trust Fund Private) of the state of Washington as managed by the Washington State Investment Board (the Developmental Disabilities Endowment Trust Fund), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Developmental Disabilities Endowment Trust Fund as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Developmental Disabilities Endowment Trust Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Developmental Disabilities Endowment Trust Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Developmental Disability Endowment Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Developmental Disabilities Endowment Trust Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Developmental Disabilities Endowment Trust Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Developmental Disabilities Endowment Trust Fund (DDETF) of Washington State is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section of the report covers the DDETF only.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the DDETF as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the DDETF for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the DDETF financial statements.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the DDETF’s fiduciary net investment position, commonly called net asset value or NAV, increased by $19.2 million in the fiscal year ending June 30, 2024. Interest and dividend income net of investment expenses of $4.6 million was reinvested within each asset class, increasing the NAV by 4.4 percent. Market gains increased the NAV by $10.9 million, or 10.4 percent, the result of positive investment returns for the fiscal year. Participants in the DDETF contributed $3.7 million, which was invested in a balanced fund, increasing the NAV by 3.5 percent from the prior fiscal year.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class												
	Fiscal Year End June 30, 2024					Fiscal Year End June 30, 2023					Year Over Year Change	
	Cash and Cash Equivalents (*)	Debt Securities	Equity Securities (*)	Balanced Funds	Total	Cash and Cash Equivalents	Debt Securities	Equity Securities	Balanced Funds	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position (*)	$ 10,134	$ 8,615,083	$ 4,855,774	$ 91,041,802	$ 104,522,793	$ 12,629	$ 8,136,183	$ 4,410,633	$ 82,129,317	$ 94,688,762	$ 9,834,031	10.4%
Investment Income:												
Interest, Dividends, and Other Investment Income	1,903	-	7,929	4,591,837	4,601,669	455	-	33,986	2,380,865	2,415,306	2,186,363	90.5%
Net Realized and Unrealized Gains	-	489,946	843,222	9,550,937	10,884,105	-	178,900	711,199	6,412,959	7,303,058	3,581,047	49.0%
Less: Investment Expenses	(76)	(1,453)	(2,437)	(19,347)	(23,313)	(28)	(1,488)	(2,350)	(17,860)	(21,726)	1,587	7.3%
Net Investment Income	1,827	488,493	848,714	14,123,427	15,462,461	427	177,412	742,835	8,775,964	9,696,638	5,765,823	59.5%
Net Contributions (Withdrawals) and Rebalancing Transfers	5,840	(98,547)	(563,682)	4,353,868	3,697,479	(2,922)	301,488	(297,694)	136,521	137,393	3,560,086	2591.2%
Ending Fiduciary Net Investment Position (*)	**$ 17,801**	**$ 9,005,029**	**$ 5,140,806**	**$ 109,519,097**	**$ 123,682,733**	**$ 10,134**	**$ 8,615,083**	**$ 4,855,774**	**$ 91,041,802**	**$ 104,522,793**	**$ 19,159,940**	**18.3%**
Increase in Fiduciary Net Investment Position	**$ 7,667**	**$ 389,946**	**$ 285,032**	**$ 18,477,295**	**$ 19,159,940**							
Percent Change in Fiduciary Net Investment Position	**75.7%**	**4.5%**	**5.9%**	**20.3%**	**18.3%**							
One Year Time Weighted Return - June 30, 2024	**4.8%**	**5.8%**	**18.8%**	**14.9%**	**14.3%**							
One Year Time Weighted Return - June 30, 2023	**3.6%**	**2.2%**	**17.2%**	**10.7%**	**10.3%**							

(*) Fiduciary net investment position includes accrued income and expenses

The following summary highlights significant changes in fiduciary net investment positions for each of the main investment categories in the previous table:

Net investment income increased by 59.5 percent for the current fiscal year due to substantially higher returns in all asset classes and a 93.5 percent increase in dividend income net of investment expenses received from the Balanced Fund portfolio. The DDETF's total return increased by 4.1 percentage points (or 409 basis points), increasing market-related gains by $3.6 million in the current fiscal year. The Balanced Fund's investment balances grew by 20.3 percent during the fiscal year, which increased the dividends received by $2.2 million.

Debt Securities Returns:

The DDETF invests the state trust funds in the Daily Valued Bond Fund (Bond Fund), a commingled investment fund managed by the WSIB. Accordingly, interest income is retained and reinvested within the commingled fund and is reflected in net realized and unrealized gains and losses.

Performance for the Bond Fund, an Intermediate credit portfolio, was 5.8 percent for the current fiscal year, an increase of 3.6 percentage points (or 357 basis points) over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio outperformed its benchmark by 15 basis points, the Bloomberg U.S. Intermediate Credit Index, which returned 5.6 percent. The Bond Fund maintained an overweighting to emerging market credit compared to the benchmark during the fiscal year. Emerging markets credit spreads narrowed more than investment grade spreads, which resulted in the portfolio outpacing its benchmark. In addition, the portfolio benefited from strong returns in a handful of securities throughout the year.

Equity Securities Returns:

The DDETF invests the state trust funds in a passively managed collective equity index fund designed to closely track the performance of its global benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross. The portfolio slightly outperformed its benchmark by 6 basis points for the fiscal year, returning 18.8 percent, an increase of 159 basis points over the prior fiscal year. The equity portfolio's performance for the fiscal year was in line with expectations.

Balanced Fund Returns:

The DDETF invests the private trust funds in a publicly traded mutual fund, the Vanguard Balanced Index Fund Institutional Shares (ticker VBAIX), for capital appreciation, current income, and long-term growth through a mix of 60 percent U.S. equities and 40 percent U.S. bonds. The Balanced Fund returned 14.9 percent during the fiscal year, an increase of 416 basis points over the prior year’s return. As a Balanced Fund, positive returns in equity and fixed income markets drove the fund’s total return year-over-year increase. The fund outperformed its custom benchmark return by 15 basis points, a blend of 60 percent Center for Research in Security Prices (CRSP) U.S. Total Market Index and 40 percent Bloomberg U.S. Aggregate Float Adjusted Total Return Index, which returned 14.7 percent for the fiscal year.

See the General Market Commentary for additional information impacting returns and market gains in the current year.

Net Contributions and Asset Allocation Rebalancing:

The Washington State Department of Commerce (Commerce) performs all administrative functions for the DDETF program. Commerce processes all participant contributions and withdrawals and determines the amounts available for investment, which can vary substantially each year based on participant demands. Commerce instructed the WSIB to invest $3.7 million of the net contributions received from participants in the private trust fund in the current fiscal year, which the WSIB invested in the Balanced Fund. Cash available for investment received from the administrator included two fiscal years of activity, resulting in a substantial increase over the prior year's contribution amount.

During the current fiscal year, Commerce requested that the WSIB transfer $0.7 million from the state to the private trust fund. Investments were sold in the debt and equity portfolios, and the proceeds were reinvested in the Balanced Fund.

The WSIB, in concurrence with the Developmental Disabilities Endowment Governing Board, makes asset allocation decisions for the DDETF investments. WSIB staff rebalances the DDETF’s assets between asset classes as markets move, pursuant to WSIB policy. No asset allocation rebalancing transfers were made during the current fiscal year.

DDETF STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Developmental Disabilities Endowment Trust Fund State	Developmental Disabilities Endowment Trust Fund Private	Total	Percent of Total
INVESTMENTS				
CASH AND CASH EQUIVALENTS	$ 961	$ 16,764	$ 17,725	Trace
BALANCED FUNDS	-	109,519,098	109,519,098	88.5%
DEBT SECURITIES	9,005,031	-	9,005,031	7.3%
EQUITY SECURITIES	5,141,184	-	5,141,184	4.2%
Total Investments	14,147,176	109,535,862	123,683,038	100.0%
NET INVESTMENT RECEIVABLES (PAYABLES)	(377)	72	(305)	
FIDUCIARY NET INVESTMENT POSITION	**$ 14,146,799**	**$ 109,535,934**	**$ 123,682,733**	

DDETF STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Developmental Disabilities Endowment Trust Fund State	Developmental Disabilities Endowment Trust Fund Private	Total
Net Investment Income			
Investment Income			
Interest, Dividends and Other Investment Income	$ 8,025	$ 4,593,644	$ 4,601,669
Net Realized Capital Gains	260,662	-	260,662
Unrealized Gain	1,072,505	9,550,938	10,623,443
Less:			
Investment Expenses	(1,657)	(3,177)	(4,834)
WSIB Operating Expenses	(18,479)	-	(18,479)
Net Investment Income	1,321,056	14,141,405	15,462,461
Net Contributions (Withdrawals)	(647,619)	4,345,098	3,697,479
Increase in Fiduciary Net Investment Position	673,437	18,486,503	19,159,940
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	13,473,362	91,049,431	104,522,793
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 14,146,799	$ 109,535,934	$ 123,682,733

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The DDETF was created by the Washington State Legislature in 1999 as a supplemental special needs trust program. It allows individuals with developmental disabilities and their families to set aside funds for future use without impacting their eligibility for certain government services and benefits. To qualify for a trust account, participants must reside in Washington, meet the state definition of having a developmental disability, and be under 65 when they enroll.

The WSIB was appointed as trustee and investment manager under the Revised Code of Washington (RCW) 43.330.432. The endowment is funded jointly through a combination of public funds from Washington State and dedicated family or individual contributions. The accompanying financial statements segregate these two distinct pools of assets for investment, safekeeping, and reporting purposes.

The financial statements present only the activity of the DDETF investments as managed by the WSIB. The financial statements do not present the financial position or results of operations of the WSIB or the activity of the DDETF program.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments, which are short-term investment funds valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 4.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the U.S., requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the DDETF's investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB operating expenses are allocated to the funds under management based on relative fair values, in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the DDETF will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash and cash equivalents) are registered and held in the name of the WSIB for the benefit of the DDETF and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The DDETF investment policy requires the duration range for the commingled intermediate credit fund not exceed plus or minus 25 percent of the Bloomberg U.S. Intermediate Credit Index. Fixed income securities may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows until rebalancing to duration targets can be achieved without financial harm to the portfolio. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

Schedules 1 and 2 provide information about the interest rate risks associated with the DDETF investments, as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, considering possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The DDETF invests in the Bond Fund, a collective intermediate credit fund managed by the WSIB. The Bond Fund's investment policy limits the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The DDETF's rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Bond Fund's investment policy states that no corporate fixed income issue's cost at the time of purchase or fair value at any time shall exceed 3 percent of the Bond Fund's fair value, which is a more restrictive constraint than the requirements noted in Revised Code of Washington (RCW) 43.33A.140. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The DDETF has no formal policy to limit foreign currency risk. The only securities held by the DDETF with foreign currency exposure as of June 30, 2024, consists of $1.8 million (excludes U.S. dollar denominated securities), or 1.5 percent of the total portfolio, invested in various global commingled equity index funds.

NOTE 4. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, the method used is to default to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration Unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly, and any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents fair value measurements as of June 30, 2024:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
BALANCED FUNDS				
Balanced Mutual Funds	$ 109,519,098	$ 109,519,098	$ -	$ -
Total Investments By Fair Value Level	109,519,098	$ 109,519,098	$ -	$ -
INVESTMENTS MEASURED AT NET ASSET VALUE				
Collective Investment Trust Equity Index Funds	5,141,184			
Commingled Intermediate Credit	9,005,031			
Total Investments at Net Asset Value	14,146,215			
Total Investments Measured at Fair Value	$ 123,665,313			

BALANCED FUNDS (LEVEL 1)

The DDETF invests in a publicly traded mutual fund, ticker VBAIX, which is actively traded on the New York Stock Exchange (NYSE). The closing market price of the shares at June 30, 2024, was $47.39 per share, which was verified to independent sources by WSIB staff. The Balanced Fund invests roughly 60 percent in stocks and 40 percent in bonds by tracking two indexes that represent broad barometers for the U.S. equity and U.S. taxable bond markets.

COMMINGLED INVESTMENT FUNDS (INVESTMENTS MEASURED AT NET ASSET VALUE)

Collective Investment Trust Funds (CITs) allow multiple institutional investors to pool assets into a single fund, providing greater diversification and lower costs. CITs are managed by a trustee or financial institution and regulated by the Office of the Comptroller of the Currency (OCC) or state banking regulators, depending on the trustee. CITs are open-ended funds that issue or redeem shares for purchases and redemptions. The number of shares associated with these transactions is calculated at the end of each trading day based on the CITs per-share price. The trustee determines the share price by obtaining fair values of all the securities in the pool using reputable pricing sources and adjusting for accrued income and expenses of the pooled investments. The underlying holdings in each CIT are publicly traded securities.

The DDETF invests in eight CITs that are passively managed to approximate the broad global stock market, as defined by the MSCI ACWI IMI with U.S. Gross. Each CIT Fund has monthly openings, and contributions and withdrawals can be made on each opening date. The fund manager reserves the right to delay the processing of deposits and withdrawals from each investment vehicle to ensure that securities transactions will be carried out in an orderly manner. The CIT Fund may suspend valuation and withdrawal rights when, at the fund manager’s sole discretion, prevailing market conditions or other circumstances, events, or occurrences make the withdrawal or valuation of investments impracticable or inadvisable or when the fund manager otherwise considers such action to be in the best interests of the fund and participants.

The DDETF invests in the Bond Fund, managed by the WSIB, whose audited financials are included in the Daily Valued Funds section of the WSIB's audited financial statements. The fund invests in publicly traded debt securities and is actively managed to meet or exceed the return of the Bloomberg U.S. Intermediate Credit Index. The Bond Fund is an open-ended "mutual fund" type investment that issues or reduces outstanding shares for purchases and redemptions of the fund. The Bond Fund manager computes a unit price at the end of each business day by obtaining fair values of the underlying holdings, using reputable pricing sources, and computing an overall net asset value per share. The DDETF may redeem some or all of its holdings on any business day without restriction.

NOTE 5. SUMMARY OF INVESTMENT POLICY

Under RCW 43.33A.030, the trusteeship of the DDETF is vested in the voting members of the WSIB. The Legislature has established a standard of care for the investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives of the DDETF.

INVESTMENT OBJECTIVES

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk for a program relative to the needs of the Developmental Disabilities Endowment Governing Board and the participants. Based on this requirement, the order of the strategic investment objectives shall be to:

- Maximize return at a prudent level of risk based on identified investment time horizons.
- Ensure sufficient assets are available to fund the expected needs.
- Invest in a manner that will not compromise public confidence in the program.

RISK CONSTRAINT STANDARDS

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk, in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140.
- In accordance with RCW 43.33A.140, no corporate fixed income issues or common stock holding's cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time (RCW 43.33A.140).
- Assets shall be diversified at a prudent level to moderate fluctuations in the fair value of the fund.

PERMISSIBLE INVESTMENTS AND BENCHMARKS

The WSIB has approved the following investments for DDETF:

- State Funds:
  - Fixed income is invested in the WSIB Daily Valued Bond Fund. The benchmark for the Bond Market Fund is the Bloomberg U.S. Intermediate Credit Index. See the Daily Valued Fund audited financials for further information.
  - Public equity is invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity component is the MSCI ACWI IMI with U.S. Gross.
  - Cash is invested in a portfolio of short-term securities issued or guaranteed by the U.S. government. The benchmark is the 90-day Treasury bill return.
- Private Funds: A tax-eligible mutual fund with low turnover to minimize taxable events and low fees to minimize costs. The asset allocation is targeted to a beneficiary with a long-term time horizon and moderate risk level.

ASSET ALLOCATION

The asset allocation policy has been developed with the following investment performance objectives:

- State Funds:
  - Short-term: Earn a rate of return that exceeds inflation with a bias toward preservation of corpus.
  - Long-term: Earn a rate of return that exceeds inflation.
- Private Funds:
  - Generate a return that generally tracks the benchmark for the selected investment vehicle.

Assets are rebalanced across asset classes when fair values fall outside respective policy targets or ranges. The timing of the rebalancing will be based on market opportunities and the consideration of transaction costs and need not occur immediately. The Board approved strategic investment targets for the DDETF are as follows:

State Funds	Target	Range
Cash	0%	+ 5%
Fixed Income	65%	± 3%
Public Equity	35%	± 3%

Private Funds	Target
Fixed Income	40%
Public Equity	60%

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

		Maturity					
Investment Type	**Total Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Effective Duration***	**Credit Rating**
Commingled Intermediate Credit	$ 9,005,031	$ 1,607,436	$ 4,053,217	$ 3,147,941	$ 196,437	4.1	Schedule 2
Investments Not Required to be Categorized							
Cash and Cash Equivalents	17,725						
Collective Investment Trust Equity Index Funds	5,141,184						
Commingled Balanced Trust	109,519,098						
Total Investments Not Categorized	114,678,007						
Total Investments	$ 123,683,038						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit Fair Value
Aaa	$ 88,380
Aa1	152,650
Aa2	156,741
Aa3	301,678
A1	808,368
A2	1,317,942
A3	1,847,649
Baa1	1,578,483
Baa2	1,591,460
Baa3	1,071,786
Ba1 or Lower	89,894
Total	$ 9,005,031

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Developmental Disabilities Endowment Trust Fund as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Developmental Disabilities Endowment Trust Fund's basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Developmental Disabilities Endowment Trust Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Developmental Disabilities Endowment Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Developmental Disabilities Endowment Trust Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Developmental Disabilities Endowment Trust

Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Developmental Disabilities Endowment Trust Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Developmental Disabilities Endowment Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Developmental Disabilities Endowment Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Washington State Opportunity Scholarship Fund (which is comprised of WSOS – Scholarship Fund, WSOS – Endowment Fund, and WSOS – Cash Reserve Fund) of the state of Washington as managed by the Washington State Investment Board (the Washington State Opportunity Scholarship Fund), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Washington State Opportunity Scholarship Fund as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Washington State Opportunity Scholarship Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Washington State Opportunity Scholarship Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Washington State Opportunity Scholarship Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Washington State Opportunity Scholarship Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington State Opportunity Scholarship Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Washington State Opportunity Scholarship (WSOS) Fund is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section of the report covers the WSOS Fund only.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the WSOS Fund, as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance, and other increases and decreases in the fiduciary net investment position, of the WSOS Fund for the year ended June 30, 2024. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements of the WSOS Fund.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the WSOS Fund's fiduciary net investment position, commonly called net asset value or NAV, increased by $3.9 million in the fiscal year ending June 30, 2024. Interest, dividend, and other investment income net of investment expenses of $0.2 million was reinvested within each asset class, increasing the NAV by 0.2 percent. Market gains increased the NAV by $8.7 million, or 9.2 percent, the result of positive investment returns for the fiscal year. The WSOS Fund administrator withdrew $5.0 million, decreasing the NAV by 5.3 percent from the previous fiscal year.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

	Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class									
	Fiscal Year End June 30, 2024				Fiscal Year End June 30, 2023				Year Over Year Change	
	Cash and Cash Equivalents(*)	Debt Securities	Equity Securities (*)	Total	Cash and Cash Equivalents(*)	Debt Securities	Equity Securities (*)	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position	$ 4,995,521	$ 58,781,884	$ 30,680,796	$ 94,458,201	$ 13,018,819	$ 55,938,437	$ 22,123,200	$ 91,080,456	$ 3,377,745	3.7%
Investment Income:										
Interest, Dividends, and Other Investment Income	183,066	-	14,902	197,968	302,894	-	7,795	310,689	(112,721)	-36.3%
Net Realized and Unrealized Gains	-	3,299,920	5,404,271	8,704,191	-	1,254,947	4,287,683	5,542,630	3,161,561	57.0%
Less: Investment Expenses	(7,594)	(11,591)	(14,989)	(34,174)	(19,966)	(9,644)	(12,050)	(41,660)	(7,486)	-18.0%
Net Investment Income	175,472	3,288,329	5,404,184	8,867,985	282,928	1,245,303	4,283,428	5,811,659	3,056,326	52.6%
Net Contributions (Withdrawals) and Rebalancing Transfers	(2,032,633)	(277,150)	(2,674,734)	(4,984,517)	(8,306,226)	1,598,144	4,274,168	(2,433,914)	2,550,603	104.8%
Ending Fiduciary Net Investment Position	**$ 3,138,360**	**$ 61,793,063**	**$ 33,410,246**	**$ 98,341,669**	**$ 4,995,521**	**$ 58,781,884**	**$ 30,680,796**	**$ 94,458,201**	**$ 3,883,468**	**4.1%**
Increase (Decrease) in Fiduciary Net Investment Position	**$ (1,857,161)**	**$ 3,011,179**	**$ 2,729,450**	**$ 3,883,468**						
Percent Change in Fiduciary Net Investment Position	**-37.2%**	**5.1%**	**8.9%**	**4.1%**						
One Year Time Weighted Return - June 30, 2024	**5.4%**	**5.8%**	**18.7%**	**10.0%**						
One Year Time Weighted Return - June 30, 2023	**3.7%**	**2.2%**	**16.5%**	**6.5%**						

(*) Fiduciary net investment position by asset class includes investment earning receivable and accrued expenses

The following summary highlights significant changes in fiduciary net investment positions for each of the main investment categories in the previous table:

Net investment income increased by 52.6 percent for the current fiscal year due to higher returns in all asset classes. The WSOS Fund's total return increased by 3.5 percentage points (or 350 basis points) over the prior year, resulting in an increase of $3.2 million in market-related gains.

Debt Securities Returns:

The WSOS Fund invests in the Daily Valued Bond Fund (Bond Fund), a commingled investment fund managed by the WSIB. Accordingly, interest income is retained and reinvested within the commingled fund, which is reflected in net realized and unrealized gains and losses.

Performance for the Bond Fund, an Intermediate credit portfolio, was 5.8 percent for the current fiscal year, an increase of 3.6 percentage points (or 357 basis points) over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio outperformed its benchmark by 15 basis points, the Bloomberg U.S. Intermediate Credit Index, which returned 5.6 percent. The Bond Fund maintained an overweighting to emerging market credit compared to the benchmark during the fiscal year. Emerging markets credit spreads narrowed more than investment grade spreads, which resulted in the portfolio outpacing its benchmark. In addition, the portfolio benefited from strong returns in a handful of securities throughout the year.

Equity Securities Returns:

The WSOS Fund's global equity portfolio is passively managed to closely track the performance of its global benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI) with U.S. Gross. Overall, the equity security portfolio's performance aligned with the benchmark, both returning 18.7 percent for the fiscal year, an increase of 2.2 percentage points, or 222 basis points over the prior year's return.

The WSOS Scholarship and Endowment Fund portfolios returned 18.7 percent during the fiscal year. The WSOS Advanced Education Fund, initially funded in December 2022, returned 18.5 percent, slightly below the global benchmark. The slight difference in the fund's annual return is due to differences in the timing of cash flows.

See the General Market Commentary for additional information impacting returns and market gains in the current year.

Net Contribution and Withdrawals and Asset Allocation Rebalancing:

The WSOS Fund administrator oversees program operations and determines funds available for investment or the amount of withdrawals required from invested balances to fund scholarships and operational expenses. The administrator withdrew $5.0 million during the current fiscal year, an increase of $2.6 million over the prior fiscal year. The withdrawals were funded from investment balances: $1.5 million from equity securities, $2.0 million from existing cash balances, and the remainder from debt securities.

Currently, the WSOS administrator expects to continue withdrawing to fund scholarship liabilities. The amount depends on the timing of pledge payments received in subsequent years and the size of new donations. Contributions are invested, and withdrawals are liquidated by the WSIB from the invested balances to maintain strategic asset allocation targets.

The WSIB, with concurrence from the WSOS Fund administrator, makes the asset allocation decisions for the WSOS Fund's investments. The WSIB staff rebalance the WSOS Fund's assets between asset classes as markets move, pursuant to WSIB policy. During the current fiscal year, $1.2 million was liquidated from the equity portfolio and the proceeds reinvested in debt securities to rebalance investment balances to strategic investment targets.

Investment related receivables and payables are reflected in each asset class's fiduciary net investment position. These balances fluctuate yearly based on invested balances, interest rates, and dividend yields.

WSOS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	WSOS Scholarship Fund	WSOS Endowment Fund	WSOS Cash Reserve	Total	Percent of Total
ASSETS					
Investments:					
CASH AND CASH EQUIVALENTS	$ 2,468,498	$ 639,661	$ 18,522	$ 3,126,681	3.2%
DEBT SECURITIES	60,510,158	1,282,905	-	61,793,063	62.8%
EQUITY SECURITIES	27,276,903	6,133,797	-	33,410,700	34.0%
Total Investments	90,255,559	8,056,363	18,522	98,330,444	100.0%
Investment Earnings Receivable	10,937	2,832	85	13,854	
Total Assets	90,266,496	8,059,195	18,607	98,344,298	
LIABILITIES					
Accrued Expenses Payable	2,148	478	3	2,629	
FIDUCIARY NET INVESTMENT POSITION	**$ 90,264,348**	**$ 8,058,717**	**$ 18,604**	**$ 98,341,669**	

WSOS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	WSOS Scholarship Fund	WSOS Endowment Fund	WSOS Cash Reserve	Total
Net Investment Income				
Investment Income				
Interest, Dividends and Other Investment Income	$ 160,070	$ 37,211	$ 687	$ 197,968
Net Realized and Unrealized Gains	7,668,940	1,035,251	-	8,704,191
Less:				
Investment Expenses	(13,684)	(2,898)	(26)	(16,608)
WSIB Operating Expenses	(16,213)	(1,353)	-	(17,566)
Net Investment Income	7,799,113	1,068,211	661	8,867,985
Transfers	17,845	1,609	(19,454)	-
Net Contributions (Withdrawals)	(5,004,517)	-	20,000	(4,984,517)
Increase in Fiduciary Net Investment Position	2,812,441	1,069,820	1,207	3,883,468
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	87,451,907	6,988,897	17,397	94,458,201
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 90,264,348	$ 8,058,717	$ 18,604	$ 98,341,669

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The WSOS Fund was created by the Washington State Legislature in 2011 to encourage student participation in high employer-demand programs of study. The investment responsibility for the WSOS Fund is granted to the WSIB, in accordance with Revised Code of Washington (RCW) 28B.145.090. The WSOS Fund is comprised of four distinct pools of assets, each funded by a mix of private funds and state matching funds (RCW 28B.145.040). The four pools are comprised of three scholarship accounts and one endowment account. The primary distinction between the two account types is that scholarships may be paid out of both principal and earnings from the scholarship accounts, while scholarships out of the endowment account, if eligible, must be paid out of investment earnings. The financial statements present only the activity of the WSOS Fund as managed by the WSIB. The financial statements do not present the financial position or results of operations of the WSIB or the activity of the WSOS Fund not managed by the WSIB.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments comprised of short-term investment funds valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 4.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the WSOS Fund’s investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB’s operating expenses are charged to the funds based on actual costs incurred to manage the investments. The WSIB’s operating expenses are allocated to the funds under management based on relative fair values in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the WSOS Fund will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash and cash equivalents) are registered and held in the name of the WSIB for the benefit of the WSOS Fund and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The WSOS Fund investment policy requires the duration range for the commingled intermediate credit fund not exceed plus or minus 25 percent of the Bloomberg U.S. Intermediate Credit Index. Fixed income securities may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows, until rebalancing to duration targets can be achieved without financial harm to the portfolio. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

Schedules 1 and 2 provide information about the interest rate risks associated with the WSOS Fund's investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WSOS Fund invests in the Bond Fund, a collective intermediate credit fund managed by the WSIB. The Bond Fund's investment policy limits fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The WSOS Fund's rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Bond Fund's investment policy states that no corporate fixed income issue's cost at the time of purchase or fair value at any time shall exceed 3 percent of the Bond Fund's fair value, which is a more restrictive constraint than the requirements noted in RCW 43.33A.140. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The WSOS Fund has no formal policy to limit foreign currency risk. The only security held by the WSOS Fund with foreign currency exposure as of June 30, 2024, was an investment in an international commingled equity index fund (MSCI ACWI IMI). The WSOS Fund's exposure to foreign currency risk is presented in Schedule 3.

NOTE 4. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72), specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, the method used is to default to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration Unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly, and any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents fair value measurements as of June 30, 2024:

	Fair Value
INVESTMENTS	
INVESTMENTS MEASURED AT NET ASSET VALUE	
Collective Investment Trust Equity Index Funds	$ 33,410,700
Commingled Intermediate Credit	61,793,063
Total Investments at Net Asset Value	95,203,763
Total Investments Measured at Fair Value	$ 95,203,763

COMMINGLED INVESTMENT FUNDS (INVESTMENTS MEASURED AT NET ASSET VALUE)

Collective Investment Trust Funds (CITs) allow multiple institutional investors to pool assets into a single fund, providing greater diversification and lower costs. CITs are managed by a trustee or financial institution and regulated by the Office of the Comptroller of the Currency (OCC) or state banking regulators, depending on the trustee. CITs are open-ended funds that issue or redeem shares for purchases and redemptions. The number of shares associated with these transactions is calculated at the end of each trading day based on the CITs per-share price. The trustee determines the share price by obtaining fair values of all the securities in the pool using reputable pricing sources and adjusting for accrued income and expenses of the pooled investments. The underlying holdings in each CIT are publicly traded securities.

The WSOS Fund invests in CITs that are passively managed to approximate the broad global stock market, as defined by the MSCI ACWI IMI with U.S. Gross. Contributions and withdrawals can be made on any business day. The CIT manager may suspend contributions and redemptions if it is determined to be reasonably necessary to prevent a material adverse impact on the fund or other investors. They may also require withdrawals to be made partially or wholly in kind.

The WSOS Fund invests in the Bond Fund, managed by the WSIB, whose audited financials are included in the Daily Valued Funds section of the WSIB's audited financial statements. The Bond Fund invests in publicly traded debt securities and is actively managed to meet or exceed the return of the Bloomberg U.S. Intermediate Credit Index. The Bond Fund is an open-ended "mutual fund" type investment that issues or reduces outstanding shares for purchases and redemptions of the fund. The Bond Fund manager computes a unit price at the end of each business day by obtaining fair values of the underlying holdings, using reputable pricing sources, and computing an overall net asset value per share. The WSOS Fund may redeem some or all of its holdings on any business day without restriction.

NOTE 5. SUMMARY OF INVESTMENT POLICY

Under RCW 43.33A.030, trusteeship of the WSOS Fund is vested in the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as they make their investment decisions and seek to meet the following investment objectives.

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk for a program relative to the needs of the WSOS Fund Board. Based on this requirement, the order of the objectives shall be:

- Maintain the financial stability of the program.
- Ensure sufficient assets are available to fund the scholarship goals of the program over a 10-year time horizon.
- Subject to the above, manage the assets to achieve a maximum return at a prudent level of risk.
- Invest in a manner that will not compromise the confidence in the program.

RISK CONSTRAINT STANDARDS

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk, in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140, subject to the unique risk tolerances of the WSOS program.
- No corporate fixed income issue's or common stock holding's cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time (RCW 43.33A.140).
- Assets shall be sufficiently diversified to moderate fluctuations in the fair value of the program.

SCHOLARSHIP AND ENDOWMENT ACCOUNT

Washington State provides matching scholarship funds to the WSOS program. The investment eligibility of the matching funds is determined by the Washington State Constitution. Private funds held in the scholarship accounts are comprised of donations from corporations and individuals and are not subject to the same constitutional investment restrictions.

STATE MATCH FUNDS

Eligible investments for state matching funds are government agency and U.S. Treasury securities pursuant to Washington State laws. Investments in Short-Term Investment Funds (STIF) are allowable, including repurchase agreements, provided they are invested within the constitutional limitations. The benchmark for state funds is the 90-day Treasury Bill return.

PRIVATE FUNDS

Public equity is invested passively to track the return of a broad global equity benchmark. The benchmark for the public equity portfolio is the MSCI ACWI IMI with U.S. Gross.

Fixed income is invested in an intermediate credit portfolio, known as the Bond Fund, managed by the WSIB. The Bond Fund's benchmark is the Bloomberg U.S. Intermediate Credit Index, with a duration range not to exceed plus or minus 25 percent of the duration of this index. Fixed income securities may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows until rebalancing to its targets can be achieved without financial harm to the portfolio. See Daily Valued Fund audited financials for further information.

Cash balances are invested in short-term securities issued or guaranteed by the U.S. government. The benchmark is the 90-day Treasury bill return.

ASSET ALLOCATION TARGETS:

The following table provides the strategic asset allocation targets for the WSOS Funds. The policy ranges noted are long-term investment targets and are allowed to deviate temporarily due to interim market movements. The timing of rebalancing will be based upon market opportunities and the consideration of transaction costs and, therefore, need not occur immediately.

State Match Funds - Scholarship and Endowment	Target	Range
Cash	100%	N/A
Private Fund Scholarship	**Target**	**Range**
Public Equity	30%	± 5%
Fixed Income	70%	± 5%
Cash	0%	+ 5%
Private Fund Endowment	**Target**	**Range**
Public Equity	80%	± 5%
Fixed Income	20%	± 5%
Cash	0%	+ 5%

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity: Less than 1 year	1-5 years	6-10 years	More than 10 years	Effective Duration*	Credit Rating
Commingled Intermediate Credit	$ 61,793,063	$ 11,030,322	$ 27,813,426	$ 21,601,355	$ 1,347,960	4.1	Schedule 2
Investments Not Required to be Categorized							
Collective Investment Trust Equity Index Funds	33,410,700						
Cash and Cash Equivalents	3,126,681						
Total Investments Not Categorized	36,537,381						
Total Investments	$ 98,330,444						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit Fair Value
Aaa	$ 606,468
Aa1	1,047,493
Aa2	1,075,565
Aa3	2,070,132
A1	5,547,070
A2	9,043,797
A3	12,678,687
Baa1	10,831,642
Baa2	10,920,692
Baa3	7,354,661
Ba1 and Lower	616,856
Total	$ 61,793,063

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE

	Investment Type		
Foreign Currency Denomination	**Equity Securities**		**Percent of Total Investments**
AUSTRALIAN DOLLAR	$	599,504	0.6%
BRAZILIAN REAL		146,152	0.1%
CANADIAN DOLLAR		897,296	0.9%
DANISH KRONE		291,193	0.3%
EURO CURRENCY		2,418,500	2.5%
HONG KONG DOLLAR		750,262	0.8%
INDIAN RUPEE		770,848	0.9%
JAPANESE YEN		1,878,816	1.9%
NEW TAIWAN DOLLAR		712,646	0.7%
POUND STERLING		1,150,876	1.2%
SAUDI RIYAL		139,784	0.1%
SINGAPORE DOLLAR		100,528	0.1%
SOUTH AFRICAN RAND		106,534	0.1%
SOUTH KOREAN WON		436,399	0.4%
SWEDISH KRONA		277,083	0.3%
SWISS FRANC		693,309	0.7%
YUAN RENMINBI		117,601	0.1%
OTHER MISCELLANEOUS CURRENCIES		605,777	0.6%
Total Foreign Currency Exposure	$	12,093,108	12.3%

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Washington State Opportunity Scholarship Fund as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Washington State Opportunity Scholarship Fund's basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Washington State Opportunity Scholarship Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington State Opportunity Scholarship Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Washington State Opportunity Scholarship Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Washington State Opportunity Scholarship Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

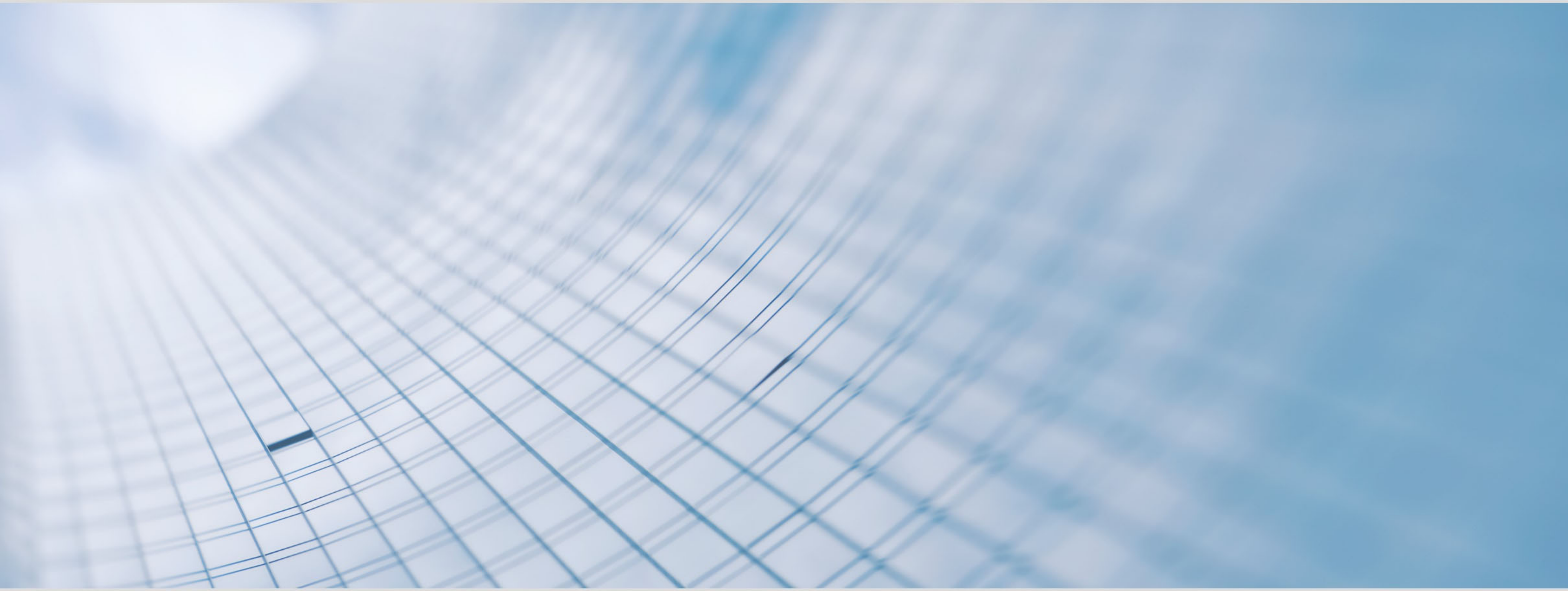
As part of obtaining reasonable assurance about whether the Washington State Opportunity Scholarship Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Washington State Opportunity Scholarship Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington State Opportunity Scholarship Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024



LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Long-Term Services and Supports Trust Account of the state of Washington as managed by the Washington State Investment Board, which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the period from inception of November 20, 2023 through June 30, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Long-Term Services and Supports Trust Account as of June 30, 2024, and the changes in fiduciary net investment position for the period from inception of November 20, 2023 through June 30, 2024 in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Long-Term Services and Supports Trust Account and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Long-Term Services and Supports Trust Account’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Long-Term Services and Supports Trust Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Long-Term Services and Supports Trust Account's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long-Term Services and Supports Trust Account's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Long-Term Services and Supports (LTSS) Trust Account, commonly referred to as the WA Cares Fund, is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section of the report covers only the WA Cares Fund.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the WA Cares Fund, as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the WA Cares Fund from the inception date of November 20, 2023 through June 30, 2024. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements of the WA Cares Fund.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

The Washington State Legislature enacted the LTSS Program in 2019. Premiums to fund the program began in July 2023 and long-term care benefits are anticipated to begin paying out in 2026. The Department of Health and Human Services (DSHS) determines the amount available for investment in the WA Cares Fund and transfers those amounts to the WSIB quarterly. Fiscal Year (FY) 2024 was the WA Cares Fund’s first year of investment activity.

As shown in the following table, the WA Cares Fund fiduciary net investment position, commonly called net asset value or NAV, increased to $945.9 million as of the fiscal year ending June 30, 2024. Contributions of $932.6 million were received and invested during the current fiscal year. Interest income net of investment expenses of $14.8 million was reinvested in debt securities, increasing the NAV by 1.6 percent. Net market losses decreased the NAV by $1.5 million, or 0.2 percent.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

	WA Cares Fund
	Since Inception Through June 30, 2024
Beginning Fiduciary Net Investment Position (*)	$ -
Interest Income Net of Expenses	14,792,228
Net Realized and Unrealized Losses	(1,489,964)
Net Investment Income	**13,302,264**
Contributions	932,553,280
Ending Fiduciary Net Investment Position (*)	**$ 945,855,544**
Increase in Fiduciary Net Investment Position	**$ 945,855,544**
Since Inception Time Weighted Return - June 30, 2024	**2.8%**

(*) Fiduciary net investment position includes accrued income, accrued expenses, and pending trades

The WA Cares Fund returned 2.8 percent from its initial investment date of November 20, 2023, through fiscal year end, and was invested solely in fixed income (debt) securities. Quarterly contributions for the second through fourth quarters of FY 2024 averaged $310.8 million each quarter.

The timing of cash flows received and invested during the year impacted the overall returns in the debt portfolio, which incurred market losses of $1.5 million during the current fiscal year despite the return of 2.8 percent since inception. The debt portfolio's current yield was 5.2 percent, and the average coupon rate, a measure of the annual interest rate received from bond issuers, was 5.0 percent at the end of the fiscal year.

Overall, debt markets experienced positive returns during the fiscal year. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio's benchmark, the Bloomberg U.S. Universal Index, returned 3.5 percent for the fiscal year. See the General Market Commentary for additional information.

Investment-related receivables and payables are reflected in the fiduciary net investment position. These include investments purchased and sold pending settlement over year end, income receivables, and expenses payable. Pending trade balances vary due to fluctuations in trading volumes and due to the timing of additional cash flows, market movements, and the rebalancing of investments within a portfolio. Accordingly, there is generally minimal correlation to invested balances, and balances can vary substantially from year to year. Investment income receivables and expenses payable typically fluctuate within each asset class based on the invested balances and interest rate changes.

LTSS TRUST ACCOUNT STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	WA Cares Fund	Percent of Total
ASSETS		
Investments		
CASH AND CASH EQUIVALENTS		
Short Term Investment Funds	$ 13,200,232	1.4%
DEBT SECURITIES		
Corporate Bonds	569,077,660	
Foreign Government and Agency Securities	52,126,005	
Mortgage and Other Asset-Backed Securities	47,682,555	
U.S. Government and Agency Securities	264,680,813	
Total Debt Securities	933,567,033	98.6%
Total Investments	946,767,265	100.0%
Investment Earnings Receivable	12,016,692	
Total Assets	958,783,957	
LIABILITIES		
Pending Trades and Other Investment Payables	12,928,413	
FIDUCIARY NET INVESTMENT POSITION	$ 945,855,544	

LTSS TRUST ACCOUNT STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION SINCE INCEPTION THROUGH JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	WA Cares Fund
Net Investment Income	
Investment Income	
Interest and Other Investment Income	$ 14,895,527
Realized and Unrealized Losses	(1,489,964)
Less:	
Investment Expenses	(72,095)
WSIB Operating Expenses	(31,204)
Net Investment Income	13,302,264
Contributions	932,553,280
Increase in Fiduciary Net Investment Position	945,855,544
FIDUCIARY NET INVESTMENT POSITION, NOVEMBER 30, 2023	-
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 945,855,544

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The LTSS Trust Account, commonly referred to as the WA Cares Fund, was created by the Washington State Legislature in 2019 as part of the Long-Term Services and Supports Trust Act. It provides insurance to help Washington employees cover the cost of long-term care. Cash deposited into the WA Cares Fund is generated through an employee payroll premium that went into effect in July 2023. Participants contribute 0.58 percent of their pay to the fund, which will begin paying out benefits in July 2026. The investment responsibility for the WA Cares Fund is granted to the Washington State Investment Board (WSIB), in accordance with Revised Code of Washington (RCW) 50B.04.110. The financial statements present only the activity of the WA Cares Fund as managed by the WSIB. The financial statements do not present the financial position and results of operations of the WSIB, or the activity of WA Cares Funds not managed by the WSIB.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments comprised of short-term investment funds valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 4.

VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the WA Cares Fund's investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB's operating expenses are charged to the funds based on actual costs incurred to manage the investments. The WSIB's operating expenses are allocated to the funds under management based on relative fair values in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the WA Cares Fund will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities (excluding cash and cash equivalents) are registered and held in the name of the WSIB, for the benefit of the WA Cares Fund, and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. This risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The WA Cares Fund investment policy requires the duration range for the fixed income portfolio not to exceed plus or minus 25 percent of the Bloomberg U.S. Universal Index. Fixed income securities may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows until rebalancing to duration targets can be achieved without financial harm to the portfolio. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

Schedules 1 and 2 provide information about the interest rate risks associated with the WA Cares Fund investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities and takes into account possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WA Cares Fund investment policy limits mortgage-backed, asset-backed, and commercial mortgage-backed securities to investment grade or higher at the time of purchase. The par value of the bonds from any one issuer with a below investment grade rating shall not exceed 1 percent of the total portfolio's par value. The total fair value of below investment grade credit bonds shall not exceed 15 percent of the fair value of the fixed income portfolio. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating. The WA Cares Fund rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The WA Cares Fund investment policy limits the cost of corporate fixed income issues at the time of purchase and the fair value at any time to a maximum of 3 percent of the total fair value of the WA Cares fund. There was no concentration of credit risk that exceeded these limits as of June 30, 2024.

FOREIGN CURRENCY RISK

Foreign currency risk is defined as any deposits or investments denominated in foreign currencies that bear a potential risk of loss arising from changes in currency exchange rates. The WA Cares Fund has no formal policy to limit foreign currency risk. As of June 30, 2024, the WA Cares Fund had no foreign currency exposure.

NOTE 4. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72), specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure the fair value might fall in different levels of the fair value hierarchy. The fair value of the WA Cares Fund is measured using the lowest level input that is significant to the fair value measurement of each investment with Level 3 being the lowest level. The determination of fair value of an investment is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly. Any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents the WA Cares Fund fair value measurements as of June 30, 2024:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
DEBT SECURITIES				
Corporate Bonds	$ 569,077,660	$ -	$ 569,077,660	$ -
Foreign Government and Agency Securities	52,126,005	-	52,126,005	-
Mortgage and Other Asset-Backed Securities	47,682,555	-	47,682,555	-
U.S. Government and Agency Securities	264,680,813	-	264,680,813	-
Total Debt Securites and Investments Measured at Fair Value	$ 933,567,033	$ -	$ 933,567,033	$ -

DEBT SECURITIES (LEVEL 2)

Investments classified as Level 2 in the above table were comprised of publicly traded debt securities. These securities have fair values derived from proprietary models that use market-based measurements representing the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market-corroborated inputs.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, which include, but are not limited to, the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks on fixed income securities, which include researching and corroborating day-over-day price changes of 2 percent or greater and unchanged prices from the previous day.

NOTE 5. SUMMARY OF INVESTMENT POLICY

Investment responsibility for the WA Cares Fund is granted to the WSIB in accordance with RCW 50B.04.110, which states DSHS shall have the WSIB invest the funds of the WA Cares program. Under RCW 43.33A.030, trusteeship of WA Cares Fund is vested within the voting members of the WSIB. The Legislature has established a standard of care for the investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the WA Cares Fund investment objectives.

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinant is identifying the prudent level of risk for a program relative to the needs of the LTSS Trust Commission. Based on this requirement, the order of investment objectives for the WA Cares Fund shall be:

- Maintain benefit adequacy.
- Maintain fund solvency and sustainability.
- Limit fluctuations in premium rates.

PERMISSIBLE FIXED INCOME INVESTMENTS AND PERFORMANCE OBJECTIVES

The program's fixed income investments are actively managed to meet or exceed the return of the Bloomberg U.S. Universal Index.

All fixed income securities are considered permissible unless specifically prohibited. Permissible investments include, but are not limited to, the following:

- U.S. Treasuries and Government Agencies.
- Credit Bonds including bank deposits.
- Investment Grade Mortgage-Backed Securities.
- Investment Grade Asset-Backed Securities.
- Investment Grade Commercial Mortgage-Backed Securities.

Other fixed income segments and instruments may be added as they are developed or deemed appropriate. Investment grade is defined by the Bloomberg U.S. Global Family of Fixed Income Indices.

Funds are invested in fixed income securities with the following sector allocation targets:

Target Sector Allocations	Range
U.S. Treasuries and Government Agencies	10% - 45%
Credit Bonds	10% - 80%
Mortgage-Backed Securities	0% - 45%
Asset-Backed Securities	0% - 10%
Commercial Mortgage-Backed Securities	0% - 10%

RISK CONSTRAINT STANDARDS

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk, in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue's cost at the time of purchase or fair value at any time shall exceed 3 percent of the WA Cares Fund fair value, which is a more restrictive constraint than the requirements noted in RCW 43.33A.140.
- The par value of bonds from any one issuer with a below investment grade rating shall not exceed 1 percent of the total portfolio's par value.
- Total fair value of below investment grade credit bonds shall not exceed 15 percent of the fair value of the fixed income portfolio. Non-rated bonds are permissible investments. WSIB staff will assign a rating to such bonds based on the most objective measures available.
- Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total fair value of these downgraded securities shall not exceed 5 percent of the fair value of the fixed income portfolio.
- If liquidity in the public markets is impaired, the sector and duration ranges described in this policy will be suspended. Once liquidity returns, the ranges will be reinstated as soon as feasible.

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

		Maturity					
Investment Type	**Total Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Effective Duration ***	**Credit Rating**
Corporate Bonds	$ 569,077,660	$ 4,834,750	$ 162,510,950	$ 301,696,690	$ 100,035,270	6.8	Schedule 2
Foreign Government and Agencies	52,126,005	-	12,440,494	18,803,012	20,882,499	7.7	Schedule 2
Mortgage and Other Asset-Backed Securities	47,682,555	-	-	47,682,555	-	5.0	Aa1
U.S. Government and Agency Securities	264,680,813	14,650,851	163,416,212	24,953,125	61,660,625	5.5	Aa1
	933,567,033	$ 19,485,601	$ 338,367,656	$ 393,135,382	$ 182,578,394	6.4	
Investments Not Required to be Categorized							
Cash and Cash Equivalents	13,200,232						
Total Investments	$ 946,767,265						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATINGS DISCLOSURE

	Investment Type	
Moody's Equivalent Credit Rating	Corporate Bonds	Foreign Government and Agency Securities
Aaa	$ 4,966,000	$ -
Aa1	-	4,977,058
Aa2	4,901,800	4,926,627
Aa3	29,691,300	1,958,992
A1	26,858,130	7,004,309
A2	93,824,500	4,309,618
A3	97,891,730	-
Baa1	101,752,620	-
Baa2	81,579,860	14,542,439
Baa3	46,929,050	-
Ba1 or Lower	80,682,670	14,406,962
Total	$ 569,077,660	$ 52,126,005

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Long-Term Services and Supports Trust Account as of and for the period from inception of November 20, 2023 through June 30, 2024, and the related notes to the financial statements, which collectively comprise the Long-Term Services and Supports Trust Account's basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Long-Term Services and Supports Trust Account's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Long-Term Services and Supports Trust Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Long-Term Services and Supports Trust Account's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Long-Term Services and Supports Trust Account's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

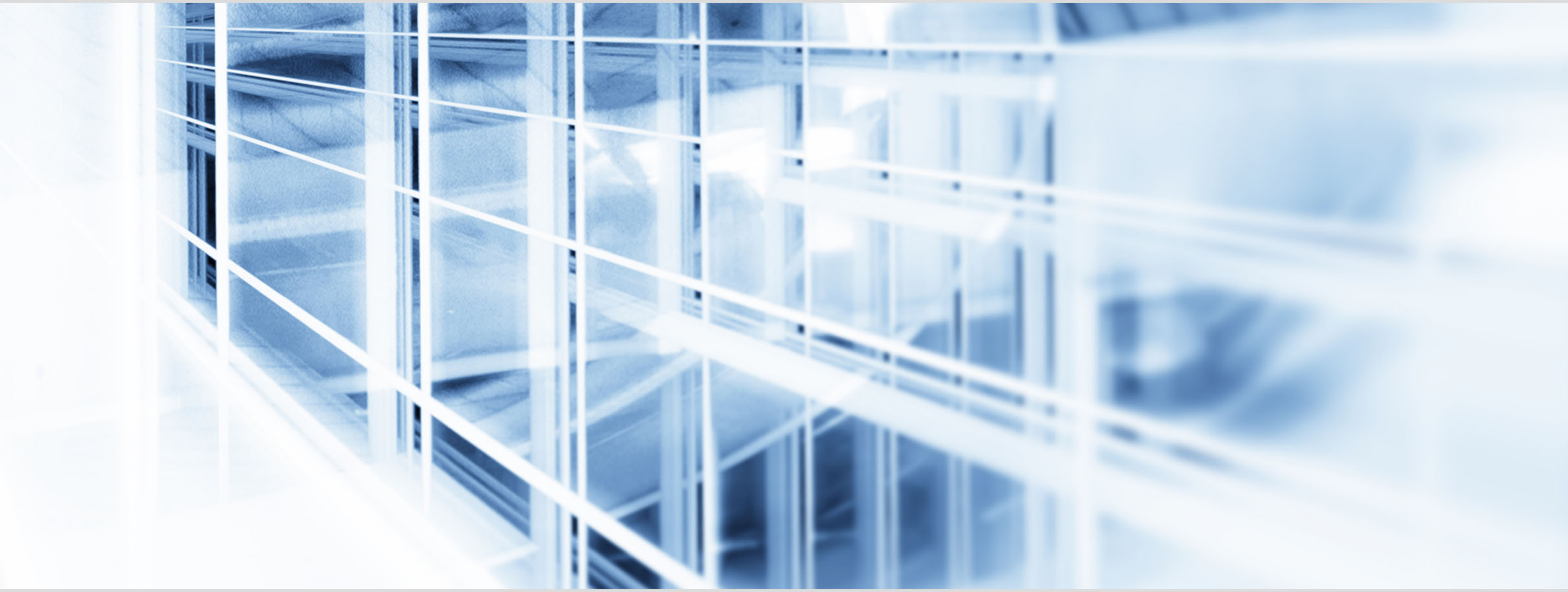
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Long-Term Services and Supports Trust Account's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Long-Term Services and Supports Trust Account's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Long-Term Services and Supports Trust Account's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho
September 26, 2024



DAILY VALUED FUNDS

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Daily Valued Funds (which are comprised of the Bond Fund, Savings Pool, and TIPS Fund) of the state of Washington as managed by the Washington State Investment Board (the Daily Valued Funds), which comprise the statement of fiduciary net investment position as of June 30, 2024, and the related statement of changes in fiduciary net investment position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net investment position of the Daily Valued Funds as of June 30, 2024, and the changes in fiduciary net investment position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Daily Valued Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Daily Valued Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Daily Valued Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Daily Valued Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daily Valued Funds' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Daily Valued Funds (DVF) of Washington State is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year and to provide a comparison to the prior year's activities and results. The Washington State Investment Board (WSIB) manages funds for other Washington State departments. This section of the report covers the DVF only.

The financial statements and footnotes follow this section of the report. The Statement of Fiduciary Net Investment Position provides information on the types of investments, assets, and liabilities of the DVF as of June 30, 2024. The Statement of Changes in Fiduciary Net Investment Position provides information on investment performance and other increases and decreases in the fiduciary net investment position of the DVF for the year ended June 30, 2024. The summarized change in the fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2024, with those at June 30, 2023. In addition, the table summarizes the changes in each major investment classification for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the DVF financial statements.

GENERAL MARKET COMMENTARY

MARKET ENVIRONMENT FISCAL YEAR 2024

Fiscal Year (FY) 2024 began with momentum following a strong fourth fiscal quarter (April–June 2023) to close out FY 2023. Global equity markets rallied as signs of cooling inflation sparked hopes that the U.S. Federal Reserve (Fed) would end its series of interest rate hikes. U.S. inflation, as measured by the Consumer Price Index (CPI), fell to 3.0 percent year-over-year in June as energy costs declined. The economy, more broadly, entered FY 2024 in good health. The U.S. labor market remained historically tight, with the unemployment rate increasing to 3.6 percent by the last quarter of FY 2023, up from 3.5 percent over the prior quarter. Concerns around the U.S. debt ceiling were also put to rest, and excitement around generative artificial intelligence (AI) helped boost equity returns.

FIRST QUARTER OF FISCAL YEAR 2024 (JULY TO SEPTEMBER 2023)

During the first quarter of FY 2024, the positive momentum from the previous quarter came to a halt as investors reacted negatively to stubborn U.S. inflation (CPI) and higher global interest rates. At its July 2023 meeting, the Fed hiked the Federal Funds Target Rate range by 0.25 percent. According to the Bureau of Labor Statistics, the U.S. labor market remained strong, but the unemployment rate increased by 0.2 percent to 3.8 percent during the quarter. The number of unemployed people in the U.S. increased by 350,000 to 6.3 million (after revisions). The U.S. Services Purchasing Managers' Index (PMI), a gauge of economic conditions, came in at 50.1 in September, down from 50.5 in August and just above 50, the level separating an expanding economy from a contracting one. The Institute for Supply Management (ISM) Manufacturing PMI remained below 50, solidly in contractionary territory. Together, the results suggested that the U.S. economy was cooling. PMI data showed that the eurozone private sector remained in contraction, although the composite reading increased to 47.2 in September from 46.7 in August. The European Central Bank raised interest rates twice during the quarter to combat persistent inflation in the eurozone.

The surprise jump in U.S. inflation and softening economic outlook weighed on equity markets. The Morgan Stanley Capital International (MSCI) Developed Markets World Investable Market Index (IMI) declined 3.6 percent for the quarter. Emerging market countries outperformed developed markets during the quarter, with the MSCI Emerging Markets IMI losing only 2.1 percent, comparatively. U.S. interest rates, as measured by the U.S. 10-year Treasury rate, were higher for the quarter as the 10-year yield ended the quarter at 4.6 percent, an increase of 0.7 percentage points. Credit spreads were mixed and mostly unchanged for the quarter. The higher interest rates were negative for fixed income market returns, and the broad Bloomberg U.S. Universal Index lost 2.9 percent for the quarter.

SECOND QUARTER OF FISCAL YEAR 2024 (OCTOBER TO DECEMBER 2023)

The second quarter of FY 2024 delivered exceptionally strong global equity market returns as economic data released during the quarter lifted hopes that central banks would cut rates sooner than anticipated in 2024. A series of softer inflation prints in the U.S. and Europe led investors to anticipate impending interest rate cuts from the central banks. U.S. inflation (CPI) came in at 3.4 percent year-over-year in December, a significant drop from the 3.7 percent figure in September. Expectations of potential rate cuts were further supported at the December Fed meeting, where the Fed's projections suggested a total of three rate cuts during 2024. U.S. economic growth for the first quarter of FY 2024 was revised downward to 4.9 percent from 5.2 percent, as previously recorded. The U.S. labor market remained tight for the quarter, with an unemployment rate of 3.7 percent in December, down 0.1 percent from the prior quarter.

The MSCI Developed World IMI returned 11.5 percent for the quarter and 22.9 percent for the calendar year 2023. Emerging markets also performed well but trailed developed markets during the quarter. The MSCI Emerging Markets IMI returned 8.0 percent for the quarter and 11.7 percent for the calendar year. Interest rates declined on the expectation of future central bank cuts. The yield on the U.S. 10-year Treasury dropped 0.7 percentage points to end calendar year 2023 at 3.9 percent, which was unchanged from one year earlier. Credit spreads narrowed along with the rally in global equities. With interest rates lower and credit spreads tighter, the Bloomberg U.S. Universal Index gained 6.8 percent for the quarter and 6.2 percent for the calendar year.

THIRD QUARTER OF FISCAL YEAR 2024 (JANUARY TO MARCH 2024)

Calendar year 2024 saw global equity markets get off to a strong start as data pointed to a resilient economy that stoked investor hopes for a soft landing. In the U.S., the annualized growth rate of gross domestic product (GDP), a measure of economic output, was revised up to 3.4 percent for the fourth calendar quarter of 2023. Non-farm payrolls were robust, although the unemployment rate rose slightly during the quarter to end at 3.8 percent, up 0.1 percent from December. The ISM Manufacturing PMI signaled expansion after 16 straight months of contraction, rising to 50.3 in March. U.S. inflation (CPI) came in higher than expected at 3.5 percent year-over-year in March, triggering the Fed to backpedal on the dovish comments it made in December and driving interest rates higher. In the eurozone, inflation continued to cool in the quarter. The annual inflation rate was 2.4 percent in March, down from 2.9 percent in December.

The MSCI Developed World IMI returned 8.4 percent for the quarter, while the MSCI Emerging Markets IMI rose 2.2 percent for the same period. Interest rates rose on robust economic data and hawkish Fed comments. The yield on the U.S. 10-year Treasury jumped 0.3 percentage points to 4.2 percent for the quarter, and credit spreads narrowed in support of the strong equity markets. With rates higher and spreads narrower, the returns in fixed income trailed behind that of the equity markets, and the Bloomberg U.S. Universal Index fell 0.5 percent.

FOURTH QUARTER OF FISCAL YEAR 2024 (APRIL TO JUNE 2024)

In the final quarter of FY 2024, investors continued to focus on the reignited economic momentum from the prior quarter and the hopes of an economic soft landing remained in place. The last three months of the fiscal year were another positive period for equity markets. Early in the quarter, investors dialed back expectations for Fed interest rate cuts as the U.S. economy appeared to be overheating. U.S. inflation (CPI), however, appeared to be cooling, with a June reading of 3.0 percent year-over-year. The U.S. labor market, while still historically tight, saw the unemployment rate increase to 4.1 percent in June. Companies associated with AI outperformed other parts of the market, and strong earnings from technology firms made growth stocks the top-performing asset class. U.S. economic data softened over the quarter, coming in below consensus in May and June. Despite the softening economic data, the Fed struck a hawkish tone at their June meeting regarding future interest rate cuts.

The MSCI Developed World IMI returned 2.1 percent for the quarter and gained 19.0 percent for FY 2024. Emerging markets, in large part due to the Chinese authorities supporting their ailing real estate sector, outperformed the developed markets for the quarter. The MSCI Emerging Markets IMI was up 5.1 percent for the quarter and returned 13.6 percent for the fiscal year. Interest rates rose on fading expectations of future central bank cuts. The yield on the U.S. 10-year Treasury increased by 0.2 percentage points to end the fiscal year at 4.4 percent, 0.6 percentage points higher from one year earlier. Credit spreads were mixed during the quarter and considerably lower by fiscal year end. With interest rates lower and credit spreads mixed, the Bloomberg U.S. Universal Index gained 0.2 percent for the quarter to close out FY 2024 up 3.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the DVF's fiduciary net investment position, commonly called net asset value or NAV, increased by $149.6 million in the fiscal year ending June 30, 2024. Interest income net of investment expenses of $112.2 million was reinvested within the DVF investment options, increasing the NAV by 3.1 percent. Market gains increased the NAV by $53.4 million, the result of positive investment returns for the fiscal year. Net contributions received of $95.1 million in the Bond and Treasury Inflation-Protected Securities (TIPS) Funds, were offset by net withdrawals from the Savings Pool of $111.1 million, decreasing the overall NAVs by $16.0 million from the prior fiscal year.

DAILY VALUED FUNDS

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2024				Fiscal Year End June 30, 2023				Year Over Year Change	
	Bond Fund (*)	Savings Pool (*)	TIPS Fund (*)	Total	Bond Fund (*)	Savings Pool (*)	TIPS Fund (*)	Total	Increase (Decrease)	Percent Change
Beginning Fiduciary Net Investment Position (**)	$ 2,225,962,841	$ 960,467,419	$ 403,355,977	$ 3,589,786,237	$ 2,195,648,805	$ 998,297,955	$ 396,378,065	$ 3,590,324,825	$ (538,588)	0.0%
Investment Income:										
Interest Income	81,342,000	27,073,267	4,208,158	112,623,425	69,691,963	27,080,466	2,882,610	99,655,039	12,968,386	13.0%
Net Realized and Unrealized Gains (Losses)	45,377,769	6,041	8,029,188	53,412,998	(23,082,841)	-	(5,991,856)	(29,074,697)	82,487,695	283.7%
Less: Investment Expenses	(192,306)	(163,738)	(30,873)	(386,917)	(266,485)	(187,986)	(31,983)	(486,454)	(99,537)	-20.5%
Net Investment Income (Loss)	126,527,463	26,915,570	12,206,473	165,649,506	46,342,637	26,892,480	(3,141,229)	70,093,888	95,555,618	136.3%
Net Contributions (Withdrawals) and Rebalancing Transfers	42,641,485	(111,128,846)	52,467,630	(16,019,731)	(16,028,601)	(64,723,016)	10,119,141	(70,632,476)	(54,612,745)	-77.3%
Ending Fiduciary Net Investment Position (**)	**$ 2,395,131,789**	**$ 876,254,143**	**$ 468,030,080**	**$ 3,739,416,012**	**$ 2,225,962,841**	**$ 960,467,419**	**$ 403,355,977**	**$ 3,589,786,237**	**$ 149,629,775**	**4.2%**
Increase (Decrease) in Fiduciary Net Investment Position	**$ 169,168,948**	**$ (84,213,276)**	**$ 64,674,103**	**$ 149,629,775**						
Percent Change in Fiduciary Net Investment Position	**7.6%**	**-8.8%**	**16.0%**	**4.2%**						
One Year Time Weighted Return - June 30, 2024	**5.8%**	**3.0%**	**2.7%**	**N/A**						
One Year Time Weighted Return - June 30, 2023	**2.2%**	**2.8%**	**-0.8%**	**N/A**						

(*) Includes cash balances used for trading purposes, Savings Pool holds cash equivalents as part of the investment strategy

(**) Fiduciary net investment position includes accrued income, accrued expenses, and pending trades within each asset class

The following summary highlights significant changes in fiduciary net investment positions for each of the main investment categories in the previous table:

Net investment income increased by $95.6 million, or 136.3 percent, for the current fiscal year due to substantially higher returns and a 13.0 percent increase in interest income earned over the previous fiscal year. The Bond and TIPS Fund returns both increased, on average, 3.6 percentage points (or 355 basis points) over the prior year, resulting in an increase of $82.5 million in market-related gains. Interest income increased by $13.0 million due to rising interest rates during the fiscal year.

Bond Fund Returns:

Performance for the Bond Fund, an Intermediate credit portfolio, was 5.8 percent for the current fiscal year, an increase of 3.6 percentage points (or 357 basis points) over the prior year's return. Downward pressure on bond market returns from rising U.S. interest rates was offset during the year by narrowing credit spreads and strong income returns. The rate on the 10-year U.S. Treasury bond increased by 56 basis points, investment grade spreads narrowed by 29 basis points, high yield spreads narrowed by 81 basis points, and emerging market credit narrowed by 64 basis points during the year. The portfolio outperformed its benchmark by 15 basis points, the Bloomberg U.S. Intermediate Credit Index, which returned 5.6 percent. The Bond Fund maintained an overweighting to emerging market credit compared to the benchmark during the fiscal year. Emerging markets credit spreads narrowed more than investment grade spreads, which resulted in the portfolio outpacing its benchmark. In addition, the portfolio benefited from strong returns in a handful of securities throughout the year.

TIPS Fund Returns:

The TIPS Fund's performance was 2.7 percent for the current fiscal year, an increase of 3.5 percentage points (or 352 basis points) over the prior year's return. During the first two months of the fiscal year, nominal interest rates and inflation-linked yields increased, placing downward pressure on TIPS returns. Strong performance in the last quarter of the calendar year brought the return into positive territory. The returns remained positive at fiscal year end despite the volatility experienced throughout the year. The TIPS Fund finished the fiscal year slightly under its benchmark, the Bloomberg U.S. Treasury Inflation-Protected Securities Index, by three basis points for the same period. The TIPS Fund’s negative excess return resulted from maintaining a slightly longer duration than the benchmark throughout the fiscal year, which left the fund more sensitive to rising interest rates.

Interest Income:

Interest income earned in the Bond and TIPS Funds increased during the current fiscal year due to rising interest rates. The average coupon rate, a measure of the annual interest rate received from bond issuers, increased by 43 basis points in the Bond Fund and 26 points in the TIPS Fund over the previous fiscal year. Both funds experienced significant contributions during the fiscal year, which were invested in higher interest rate bonds, increasing the interest earned and average coupon rate in each portfolio. In addition, as bonds matured, the proceeds were reinvested in higher earning securities. As of June 30, 2024, the average coupon rate for the Bond Fund was 3.6 percent, and the TIPS Fund was 1.0 percent.

See the General Market Commentary for additional economic and market information.

Net withdrawals from the DVF decreased by 77.3 percent in Fiscal Year 2024. Participant contributions to the Bond and TIPS Funds increased by $58.7 million and $42.3 million, respectively, from the prior fiscal year. This influx of investable dollars was offset by increased withdrawals from the Savings Pool of $46.4 million year-over-year.

All three DVFs include participants from the self-directed retirement options or are part of the overall investment strategy of the Retirement Strategy Funds (RSF) for the defined contribution (DC) and deferred compensation programs of the state of Washington. As such, individual contributions or withdrawals are made based on instructions received from individual members and can fluctuate from year to year. The Bond and TIPS Funds are also underlying components of each RSF glide path. The contributions and withdrawals within these options are impacted by various factors, which include investor confidence, asset allocation within each RSF vintage year, interest rates, and market volatility.

Investment related receivables and payables are reflected in each asset class’s fiduciary net investment position. These include investments purchased and sold pending settlement over year end, income receivables, and expenses payable. Pending trade balances vary due to fluctuations in trading volumes due to the timing of additional cash flows, market movements, and rebalancing of asset classes within a portfolio. Accordingly, there is generally minimal correlation to invested balances, and balances can vary substantially from year to year. Investment income receivables and expenses payable typically fluctuate within each asset class based on the invested balances and interest rate changes.

DVF STATEMENT OF FIDUCIARY NET INVESTMENT POSITION
JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Bond Fund	Savings Pool	TIPS Fund	Total	Percent of Total
ASSETS					
Investments					
CASH AND CASH EQUIVALENTS	$ 15,815,826	$ 56,368,097	$ 7,855,092	$ 80,039,015	2.1%
DEBT SECURITIES					
Corporate Bonds	2,147,723,103	-	-	2,147,723,103	
Foreign Government and Agencies	222,745,148	-	-	222,745,148	
Guaranteed Investment Contracts	-	815,326,704	-	815,326,704	
U.S. Government and Agency Securities	-	-	458,457,551	458,457,551	
Total Debt Securities	2,370,468,251	815,326,704	458,457,551	3,644,252,506	97.9%
Total Investments	2,386,284,077	871,694,801	466,312,643	3,724,291,521	100.0%
Investment Earnings Receivable	23,810,611	4,572,562	1,718,644	30,101,817	
Total Assets	2,410,094,688	876,267,363	468,031,287	3,754,393,338	
LIABILITIES					
Investment Management Fees Payable	29,799	13,220	1,207	44,226	
Payable for Investments Purchased	14,933,100	-	-	14,933,100	
Total Liabilities	14,962,899	13,220	1,207	14,977,326	
FIDUCIARY NET INVESTMENT POSITION	$ 2,395,131,789	$ 876,254,143	$ 468,030,080	$ 3,739,416,012	

DVF STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION
YEAR ENDED JUNE 30, 2024

SEE NOTES TO FINANCIAL STATEMENTS

	Bond Fund	Savings Pool	TIPS Fund	Total
Net Investment Income				
Investment Income				
Interest Income	$ 81,342,000	$ 27,073,267	$ 4,208,158	$ 112,623,425
Net Realized and Unrealized Gains	45,377,769	6,041	8,029,188	53,412,998
Less:				
Investment Expenses	(192,306)	(163,738)	(30,873)	(386,917)
Net Investment Income	126,527,463	26,915,570	12,206,473	165,649,506
Net Contributions (Withdrawals)	42,641,485	(111,128,846)	52,467,630	(16,019,731)
Increase (Decrease) in Fiduciary Net Investment Position	169,168,948	(84,213,276)	64,674,103	149,629,775
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2023	2,225,962,841	960,467,419	403,355,977	3,589,786,237
FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	$ 2,395,131,789	$ 876,254,143	$ 468,030,080	$ 3,739,416,012

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The DVF of Washington State consists of three commingled investment options managed exclusively by WSIB staff. All three investment options are valued daily at fair value or at cost. The Bond Fund is available for investment by any fund under the trusteeship of the WSIB. The trust is established to invest primarily in intermediate-maturity credit bonds. The Bond Fund is valued at fair value and is suitable for qualified and non-qualified assets for which an intermediate credit bond investment is desired. The Savings Pool is invested in cash and guaranteed investment contracts (GICs) and is available for investment by the Deferred Compensation Plan and the Judicial Retirement Account. The GICs are valued at cost. The TIPS Fund was established to invest solely in TIPS and is available to any of the funds under the trusteeship of the WSIB. The TIPS Fund is valued at fair value.

DAILY VALUED FUNDS

Participants are allowed to buy and sell units within these options daily. The following are the participants and ownership percentages by each DVF as of June 30, 2024:

Participants	Bond Fund	Savings Pool	TIPS Fund
Alliance Bernstein Retirement Strategy Funds	28.2%	N/A	100%
Deferred Compensation Plan	10.5%	99.8%	N/A
Developmental Disabilities Endowment Trust Fund	0.4%	N/A	N/A
Guaranteed Education Tuition Program	40.6%	N/A	N/A
Judicial Retirement Account	Trace	0.2%	N/A
Volunteer Firefighters' Relief and Pension Principal Fund	2.8%	N/A	N/A
Reserve Officers' Relief and Pension Principal Fund	Trace	N/A	N/A
Washington State Opportunity Scholarship Fund	2.6%	N/A	N/A
Washington State Retirement System Defined Contribution Participants	14.9%	N/A	N/A

The WSIB has exclusive control of the investments held by the DVF. The financial statements do not present the financial position or the results of operations of the WSIB.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. for governments prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments, including short-term investment funds, which are valued at cost. Accordingly, these investments are excluded from the fair value schedule of the basic financial statements found in Note 4.

VALUATION OF INVESTMENTS

All investments are reported at fair value, except for GICs, which are reported at cost. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values daily. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Investment Position.

REVENUE RECOGNITION

Interest and dividend income are recognized when earned. Realized gains and losses are recognized on a trade date basis. Purchases and sales of investments are also recorded on a trade date basis.

CONTRIBUTIONS AND WITHDRAWALS

Contributions and withdrawals are recorded when received or paid. There are no restrictions on the amount of contributions or withdrawals by any participant to the DVF.

USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

NOTE 2. FEES AND EXPENSES

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the DVF’s investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB operating expenses are charged directly to participants within each DVF, based upon actual costs incurred to manage the investments. The WSIB operating expenses are allocated to the funds under management based on relative fair values in accordance with state statutes.

NOTE 3. DEPOSIT AND INVESTMENT RISK DISCLOSURES

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the DVF will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2024, investment securities are registered and held in the name of the WSIB for the benefit of the DVF participants and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment’s exposure to fair value changes arising from changes in interest rates. The DVF investment policies require the duration range for the Bond Fund not exceed plus or minus 25 percent of the Bloomberg U.S. Intermediate Credit Index. The Bond Fund may temporarily exceed the duration target for changes in market interest rates, asset allocation rebalancing to policy targets, or significant stakeholder cash flows until rebalancing to duration targets can be achieved without financial harm to the portfolio. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. The duration of securities in the TIPS Fund shall not exceed plus or minus 25 percent of the Bloomberg U.S. Treasury Inflation Protected Securities Index, other than during short periods of time as described previously.

Schedules 1 and 2 provide information about the interest rate risks associated with the DVF investments as of June 30, 2024. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, considering possible prepayments of principal.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Each DVF's investment policy limits credit risk exposure as follows:

- Bond Fund: Fixed income securities are limited to investment grade or higher at the time of purchase. Investment grade securities are defined by the Bloomberg Global Family of Fixed Income Indices. These indices evaluate ratings from Moody's, Standard and Poor's, and Fitch, utilizing the middle rating to classify each security. In cases where a security is rated by only two agencies, the index uses the more conservative rating.
- Savings Pool: At the time of purchase, the company must have an Insurance Financial Strength rating of A+ or equivalent from a nationally recognized rating agency. It should also have adjusted capital and surpluses of at least $250 million.
- TIPS Fund: The fund is limited to investments in U.S. TIPS and cash. Currently, U.S. TIPS are rated Aa1 on Moody's equivalent rating scale, which translates to a high-quality, very low risk creditor.

The DVF's rated debt investments, as of June 30, 2024, are presented in Schedule 2, using Moody's equivalent rating scale.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Each DVF's investment policy limits its concentration of credit risk as follows:

- Bond Fund: No corporate fixed income issue's cost at the time of purchase or fair value at any time shall exceed 3 percent of the Bond Fund's fair value, which is a more restrictive constraint than the requirements noted in the Revised Code of Washington (RCW) 43.33A.140.
- Savings Pool: The total principal value of term contracts by an issuer shall not exceed 20 percent of the savings pool upon execution of a new contract with that issuer. Contracts with any one company should not exceed 5 percent of that company's capital and surpluses.

As of June 30, 2024, there were no concentrations of credit risk exceeding the policy limits noted above.

FOREIGN CURRENCY RISK

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The DVF has no formal policy to limit foreign currency risk. All securities held in the DVF are denominated in U.S. dollars and, accordingly, no foreign currency exposure existed as of June 30, 2024, or during the fiscal year.

NOTE 4. FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72), specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels, listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, the method used is to default to the lowest level input that is significant to the fair value measurement of each investment, with Level 3 being the lowest level. The determination of fair value of an investment within the hierarchy of classifications above is not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the WSIB performed a detailed analysis of the assets and liabilities that are subject to Statement 72. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly. Any third-party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

The following table presents fair value measurements as of June 30, 2024:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
DEBT SECURITIES				
Corporate Bonds	$ 2,147,723,103	$ -	$ 2,147,723,103	$ -
Foreign Government and Agency Securities	222,745,148	-	222,745,148	-
U.S. Government and Agency Securities	458,457,551	-	458,457,551	-
Total Debt Securities and Investments Measured at Fair Value	$ 2,828,925,802	$ -	$ 2,828,925,802	$ -

DEBT SECURITIES (LEVEL 2)

Investments classified as Level 2 in the above table were comprised of publicly traded debt securities. These securities have fair values derived from proprietary models that use market-based measurements representing the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market-corroborated inputs.

Fair value prices for publicly traded fixed income securities are obtained from reputable pricing sources, including the Bloomberg Valuation Service and Interactive Data Corporation (IDC). The custodian bank performs daily tolerance checks which include researching and corroborating day-over-day price changes in excess of 2 percent and validating all unchanged prices from the previous day.

NOTE 5. SUMMARY OF INVESTMENT POLICY

Under RCW 43.33A.030, the trusteeship of the DVF is vested in the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the following investment objectives. In accordance with RCW 43.33A.110, the portfolios are managed to achieve a maximum return at a prudent level of risk.

BOND FUND

The Bond Fund is actively managed to meet or exceed the return of the Bloomberg U.S. Intermediate Credit Index, given a similar level of risk. Although fixed income securities rated below investment grade may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Permissible investments include all fixed income securities unless specifically prohibited. The portfolio shall be made up of large, liquid credit bonds to provide for daily pricing and to meet all participant withdrawals. The duration range shall not exceed plus or minus 25 percent of the Bloomberg U.S. Intermediate Credit Index. If the duration is outside the range due to changes in market interest rates, rebalancing, or managing stakeholder cashflows, the portfolio may remain outside the guidelines until it can be rectified without harming the portfolio. Exposure to any corporate issuer will not exceed 3 percent of the fund’s fair value.

SAVINGS POOL

The primary objective for the Savings Pool is to ensure the preservation of principal, defined as the maintenance of a one-dollar net asset value. The fund must hold sufficient cash to meet withdrawal requests. The Savings Pool attempts to earn the highest return possible consistent with maintaining the objectives of safety of principal and adequate liquidity. In general, the Savings Pool will strive to earn a return in excess of U.S. Treasury Securities of similar maturities. A minimum of 1 percent of the savings pool funds should be retained in cash. Credit eligibility guidelines have been established for GICs and include the following: issuer must hold a certificate of authority in Washington State, have an Insurance Financial Strength rating of A+ or equivalent, have adjusted capital and surplus of at least $250 million, and contracts with any one company should not exceed 5 percent of that company’s capital and surplus. The total principal value of term contracts by an issuer shall not exceed 20 percent of the Savings Pool upon execution of a new contract with that issuer. The maximum maturity of any GIC will not exceed seven years. The portfolio must have a weighted average maturity of four years or less.

TIPS FUND

The investment objectives of the TIPS Fund include maintaining safety of principal, maximizing return at a prudent level of risk, and investing in a manner that will not compromise public trust. The fund is actively managed to meet or exceed the return of the Bloomberg U.S. Treasury Inflation Protected Securities Index. Permissible investments include all U.S. TIPS and cash. The durations of the portfolio shall not exceed plus or minus 25 percent of the Bloomberg U.S. Treasury Inflation Protected Securities Index, other than during short periods of time while managing stakeholder cash flows.

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

		Maturity					
Investment Type	**Total Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**More than 10 years**	**Effective Duration ***	**Credit Rating**
Corporate Bonds	$ 2,147,723,103	$ 368,573,480	$ 961,722,803	$ 779,952,320	$ 37,474,500	4.1	Schedule 2
Foreign Government and Agencies	222,745,148	34,304,092	116,340,241	57,327,645	14,773,170	4.1	Schedule 2
Guaranteed Investment Contracts	815,326,704	121,513,025	693,813,679	-	-	N/A	Not Rated
U.S. Government and Agency Securities	458,457,551	-	264,284,316	125,598,136	68,575,099	6.7	Aa1
	3,644,252,506	$ 524,390,597	$ 2,036,161,039	$ 962,878,101	$ 120,822,769		
Investments Not Required to be Categorized							
Cash and Cash Equivalents	80,039,015						
Total Investments Not Categorized	80,039,015						
Total Investments	$ 3,724,291,521						

* Duration excludes cash and cash equivalents

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

	Investment Type	
Moody's Equivalent Credit Rating	Corporate Bonds	Foreign Government and Agency Securities
Aaa	$ 9,335,300	$ 13,929,648
Aa1	9,576,350	30,606,966
Aa2	4,083,400	37,176,797
Aa3	74,622,920	4,790,229
A1	187,969,160	24,824,196
A2	312,628,593	34,304,092
A3	486,372,130	-
Baa1	415,516,920	-
Baa2	373,603,930	45,329,065
Baa3	250,350,950	31,784,155
Ba1 or Lower	23,663,450	-
Total	$ 2,147,723,103	$ 222,745,148

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Daily Valued Funds as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Daily Valued Funds' basic financial statements, and have issued our report thereon dated September 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Daily Valued Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

DAILY VALUED FUNDS

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Daily Valued Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Daily Valued Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daily Valued Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
September 26, 2024

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