



2025

WASHINGTON STATE INVESTMENT BOARD

FORTY-FOURTH ANNUAL REPORT



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LETTER OF TRANSMITTAL



In the closing months of 2024, U.S. equities rose as many investors were optimistic that the incoming presidential administration would implement policies promoting economic growth. It was a different story in fixed income markets as bonds experienced a steep sell-off on expectations that the U.S. Federal Reserve would hold interest rates in place in the face of sticky inflation. Markets moved higher over the past two quarters, and despite a bout of extreme volatility following the announcement of broad-based U.S. tariffs in April, many equity indexes reached all-time highs in the second quarter of 2025. Although the market environment was somewhat choppy over the past year, the Washington State Investment Board (WSIB) generated solid returns, with the Commingled Trust Fund (CTF) returning 9.04 percent for the fiscal year ending June 30, 2025.

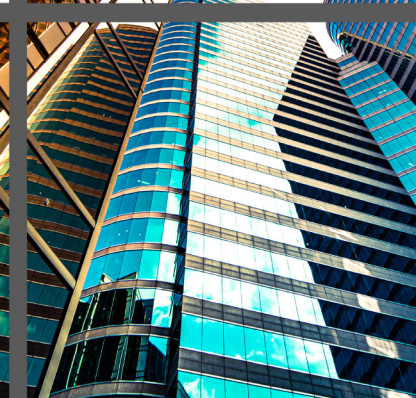
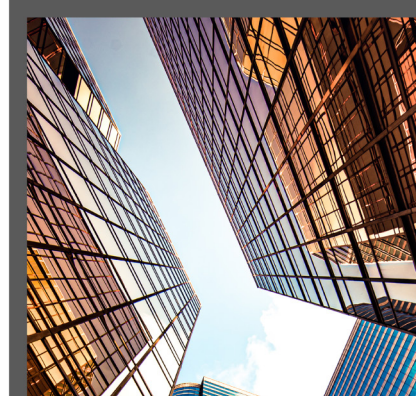
The WSIB has generated outstanding investment returns over four-plus decades, but past performance does not guarantee future results. Markets have become more complex, and we are seeing tectonic economic and market shifts playing out in real time. The impacts of climate change are increasing worldwide, while the rise of artificial intelligence (AI) has moved forward with blinding speed. In just a few short years, AI has grown from a nascent sector with promise to be the most likely dominant investment opportunity of this generation. Like the rise of the internet 30 years ago, AI will create many investment opportunities and risks, impacting almost all the WSIB's investments over the coming decades. Many companies are already harnessing the power of AI to drive efficiency and productivity, and that trend will only continue. At the same time, current AI technologies require a lot of electricity, which could have massive implications for the ongoing transition from fossil fuels to renewable energy sources. On the economic front, deglobalization continues to pick up steam, driven by geopolitical tensions and increased focus on national security. Major developed countries are taking steps to shorten supply chains and produce more goods and services at home. Waning global trade will have far-reaching effects on economic growth, inflation, and labor markets. Although the future is uncertain, the WSIB's broadly diversified global portfolio puts us in a strong position as we look to balance the investment opportunities and risks that lie before us.

The long-term success of the WSIB's investment program can be traced back to one thing: our people. Like many state agencies and private sector organizations, we have experienced higher turnover in the years since the pandemic. Almost half of our

current staff have joined the WSIB in the past 5 years. A big part of my role as CEO is to ensure that we maintain our culture and time-tested processes while innovating to stay ahead of the increasingly complex demands we face today. The WSIB is a lean organization, and we are experiencing workload growth amid an uncertain external environment. In the years ahead, we will focus on managing agency capacity and increasing resiliency. We are working hard to strengthen and enhance our processes to drive efficiency and reduce workloads while creating an environment where our employees can continue to grow and thrive.

Since our founding in 1981, the WSIB's mission has not changed. We invest the funds entrusted to us with integrity, care, and skill to maximize return over the long term at a prudent level of risk for the exclusive benefit of our beneficiaries. I am fortunate to work with many of our industry's best, brightest, and most dedicated individuals—supported by a truly outstanding Board. Long-term thinking is essential, and it requires prioritization, planning, preparation, and process. We will stay true to these hallmarks of our success so we can continue to deliver for the state and the beneficiaries we serve.

Sincerely,
Allyson Tucker, CFA, CAIA
Chief Executive Officer (CEO)



MESSAGE FROM THE CHAIR

As I near the end of my second year as Chair of the WSIB Board, I can't help but reflect on all that has changed since I joined the Board in 2017. We navigated a pandemic that upended the global economy with far reaching societal impacts. In 2022, inflation quickly rose, reaching levels we haven't seen in decades. I'm happy to say, the WSIB rose to meet these challenges. Since the WSIB's founding in 1981, one thing that hasn't changed is our long-term focus. We manage a diversified global portfolio that is built to withstand periods of market stress while generating strong returns over time.



Our Commingled Trust Fund, which holds most of the state's retirement assets, has delivered an annual rate of return 8.95 percent since inception. That investment return, which ranks among the highest in the country, has provided financial flexibility to the state, including lower contribution rates for retirement plan employers and members. As a firefighter for over 40 years, I have a deep appreciation for the hard work the WSIB has done on behalf of public employees across Washington.

We as Board members take our responsibility for setting policy and overseeing strategy seriously. We are supported by talented and experienced agency staff. Maintaining our success is an ongoing process. We face many challenges today and will need to work harder to generate the levels of returns our beneficiaries expect. At the same time, we are experiencing unprecedented levels of interest from advocacy groups and the public at large. We will remain true to our mission of maximizing returns at a prudent level of risk, without wavering from our fiduciary obligation to manage the assets entrusted to us for the exclusive benefit of our beneficiaries.

Leading the WSIB Board has been a distinct honor and a privilege. I want to thank our beneficiaries and participants for their continued support and trust, and the entire Board and staff of the WSIB for their hard work and dedication. With that, I am pleased to present the WSIB's Annual Report for the fiscal year ending June 30, 2025.

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.



Kathryn Leathers



Joel Sacks



Treasurer
Mike Pelliocciotti



Senator
June Robinson



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' (L&I) 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.

STACY CONWAY - CHIEF OF STAFF

The Chief of Staff works closely with the CEO to ensure smooth day-to-day operations of the organization, serving as a conduit between the Board, CEO, executive management team, and staff.

JAMES ABER - INSTITUTIONAL RELATIONS DIRECTOR

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

DAVID SCHUMACHER - PUBLIC AFFAIRS DIRECTOR

The Government and Public Affairs Director is responsible for public affairs and legislative relations. This role oversees the agency's engagement efforts with state and federal legislators, government officials, state agencies, and labor unions.

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 / ESG INTEGRATION

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 2025, the agency continued to focus on board accountability, including shareholder rights, climate-related risks, and executive compensation. The WSIB's asset stewardship efforts are primarily conducted through the agency's proxy voting and engagement programs. The WSIB engages with companies on a wide range of issues through various peer networks.
- Over the past year, the WSIB also updated its proxy voting guidelines to emphasize our voting practices around interstate reincorporations and directly reference our investment belief on climate-related risks and opportunities in the agency's proxy guidelines. Our approach to proxy voting has remained largely consistent, despite changing market conditions such as a decline in market support for shareholder proposals.

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. The WSIB has created an ESG Learning Library with resources for investment analysis and offers periodic training on ESG-related topics for staff.

HIGHLIGHTS

- All new prospective WSIB investments were assessed for material ESG-related risks and opportunities. The Head of Sustainability met with 36 current and prospective partners from January 1 through June 30, 2025 .
- The agency is implementing its Board-approved Climate and Diversity, Equity, and Inclusion (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 initial round of ESG education sessions for investment staff have been completed. We will leverage this content for a formal ESG onboarding process for new investment officers.

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

- 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.
- Staff participated in the Institutional Limited Partners Association (ILPA) Driving Inclusion in Alternatives Initiative Steering Committee, which advocates for improving diversity and inclusion in private markets as a way to enhance long-term value creation.
- The agency's Asset Stewardship Officer joined the Council of Institutional Investor's (CII) U.S. Asset Owners Advisory Council as vice chair.
- Allyson Tucker and WSIB staff also lend their time and expertise to Ownership Works, a nonprofit organization focused on expanding broad-based employee ownership across corporate America.

ANNUAL BUDGET

OBJECTS OF EXPENDITURE

APPROPRIATED

	Budget	Expenditures	Budget Variance
Salaries	\$31,654,980	\$23,023,691	\$8,631,289
Benefits	7,315,872	5,212,028	2,103,844
Professional Service Contracts	2,367,420	427,927	1,939,493
Goods and Services	6,991,621	4,790,786	2,200,835
Travel	1,915,447	501,065	1,414,382
Equipment	313,435	764,802	(451,367)
Treasury Note	316,030	-	316,030
SUBTOTAL APPROPRIATED	\$50,874,805	\$34,720,299	\$16,154,506

NON-APPROPRIATED

	Budget	Expenditures	Budget Variance
Public Equity	\$90,507,000	\$72,306,598	\$18,200,402
Private Equity	521,000,000	475,613,699	45,386,301
Real Estate	20,875,000	11,322,329	9,552,671
Tangible Assets	120,910,000	102,075,127	18,834,873
Innovation Portfolio	20,500,000	21,329,264	(829,264)
Securities Lending	4,500,000	2,499,884	2,000,116
Cash Management	5,500,000	3,707,664	1,792,336
Cash Overlay	1,000,000	602,654	397,346
General Consultants	1,015,000	421,300	593,700
Staff Consultants and Contractual Services	4,264,000	2,155,940	2,108,060
Legal Fees	3,000,000	498,860	2,501,140
Custodian Bank Fees and Trade Settlement Services	3,020,000	2,930,000	90,000
Portfolio Verification and Shadow Accounting System	693,000	696,186	(3,186)
Memberships	252,000	126,647	125,353
Research Services, Analytical Tools, and Other	4,442,000	4,096,254	345,746
SUBTOTAL NON-APPROPRIATED	801,478,000	700,382,407	101,095,593
TOTAL	\$852,352,805	\$735,102,706	\$117,250,099

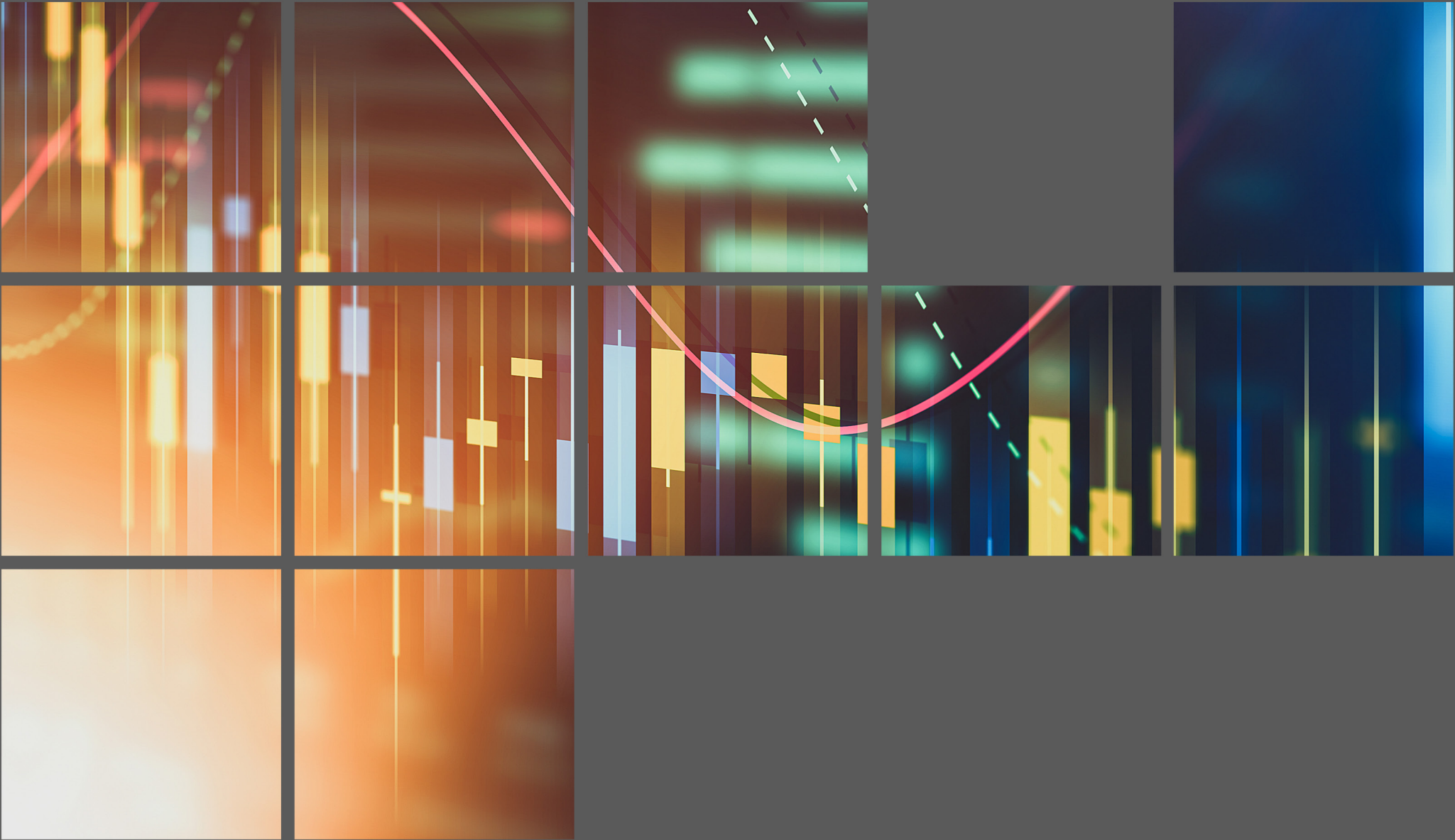
Note: Totals may not add up due to rounding.

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' and Reserve Officers' Relief and Pension Principal Funds (VFFRO). The asset class is also included in Labor and Industries' Funds, Permanent Funds, Long-Term Services and Supports Trust Account (LTSS) programs, Guaranteed Education Tuition (GET), Developmental Disabilities Endowment Trust Fund (DDETf), Washington State Opportunities Scholarship (WSOS), and Daily Valued Funds (DVF).

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 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

FUNDS UNDER MANAGEMENT

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 relative 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. This includes 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

RETIREMENT FUNDS

COMMINGLED TRUST FUND

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, School 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' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

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

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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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 invests the assets in fixed income.

GUARANTEED EDUCATION TUITION 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 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 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.

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

REAL ESTATE

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

TANGIBLES ASSETS

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

PUBLIC EQUITY

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

INNOVATION PORTFOLIO

Blue Torch Capital	GI Partners
Centerbridge	GSO Capital Partners
Francisco Partners Management	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

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

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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, LTSS, GET, VFFRO, DDEF, WSOS, 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, 2025, 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, 2025.

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:

Washington State Investment Board
2100 Evergreen Park Drive SW
PO Box 40916, Olympia, WA 98504-0916

Phone: 360-956-4600

Website: <https://www.sib.wa.gov>





RETIREMENT FUNDS



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, 2025, 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, 2025, 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 MATTERS

As discussed in Note 1, the financial statements present only the Retirement Funds, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, total investments in the Retirement Funds include investments valued at \$101.1 billion (55.6% of total investments) as of June 30, 2025, 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.

RETIREMENT FUNDS

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 29, 2025 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho

September 29, 2025

eidebailly.com

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, 2025. 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, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024, TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year

RETIREMENT FUNDS

Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.5 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the Retirement Funds' fiduciary net position, commonly referred to as net asset value (NAV), increased by \$13.3 billion in the fiscal year ending June 30, 2025. Investment Income – comprising interest, dividends, and ordinary income distributions, net of investment expense – totaled \$2.8 billion, contributing to a 1.7 percent increase in invested balances. Favorable market conditions resulted in market-related gains of \$13.1 billion, further increasing the NAV by 7.8 percent. Withdrawals of \$2.6 billion to help cover benefit payments, participant balance refunds, and administrative expenses reduced the NAV by 1.6 percent.

RETIREMENT FUNDS

Summarized Change in Restricted Fiduciary Net Investment Position and Returns by Asset Class (\$ Millions)											
Fiscal Year End June 30, 2025					Fiscal Year End June 30, 2024					Year Over Year Change	
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 Restricted Fiduciary Net Investment Position	\$ 2,499.4	\$ 24,997.5	\$ 45,046.6	\$ 95,906.4	\$ 168,449.9	\$ 2,128.8	\$ 23,798.8	\$ 40,007.8	\$ 92,168.8	\$ 158,104.2	\$ 10,345.7 6.5%
Investment Income:											
Interest, Dividends, and Other Investment Income	137.7	1,072.7	721.4	1,793.0	3,724.8	142.5	909.0	655.5	1,623.0	3,330.0	394.8 11.9%
Net Realized and Unrealized Gains (Losses)	(8.5)	710.6	6,011.9	6,367.1	13,081.1	21.1	191.8	6,802.8	2,995.8	10,011.5	3,069.6 30.7%
Less: Investment Expenses	(32.5)	(2.2)	(89.8)	(754.3)	(878.8)	(29.1)	(2.1)	(86.2)	(737.4)	(854.8)	24.0 2.8%
Net Investment Income	96.7	1,781.1	6,643.5	7,405.8	15,927.1	134.4	1,098.7	7,372.2	3,881.4	12,486.7	3,440.4 27.6%
Net Withdrawals and Rebalancing Transfers	446.4	650.0	(1,742.1)	(1,966.7)	(2,612.4)	236.1	100.0	(2,333.3)	(143.8)	(2,141.0)	471.4 22.0%
Ending Restricted Fiduciary Net Investment Position	\$ 3,042.5	\$ 27,428.6	\$ 49,948.0	\$ 101,345.5	\$ 181,764.6	\$ 2,499.4	\$ 24,997.5	\$ 45,046.6	\$ 95,906.4	\$ 168,449.9	\$ 13,314.7 7.9%
Increase in Restricted Fiduciary Net Investment Position	\$ 543.1	\$ 2,431.1	\$ 4,901.4	\$ 5,439.1	\$ 13,314.7						
Percent Change in Restricted Fiduciary Net Investment Position	21.7%	9.7%	10.9%	5.7%	7.9%						
CTF One Year Time Weighted Return - June 30, 2025	4.9%	7.0%	15.1%	6.9%	9.0%						
CTF One Year Time Weighted Return - June 30, 2024	5.6%	4.8%	19.6%	5.0%	8.5%						

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.

Restricted 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 \$3.4 billion, or 27.6 percent, during the current fiscal year, primarily driven by significantly higher returns in the debt and alternative investment portfolios. The Retirement Funds achieved a total 1-year return of 9.0 percent, a 54 basis point increase over the prior fiscal year's return. This improvement reflects a 15.0 percent increase in investment income, and a 30.7 percent increase in market-related gains compared to the previous fiscal year. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

Cash (Including Cash Equivalents) Returns:

The cash portfolio in the Commingled Trust Fund (CTF) includes cash held to meet liquidity needs. This may include benefit payments requested by the Washington State Department of Retirement Systems (DRS), capital calls in the alternative asset portfolio, and rebalancing of asset classes to their strategic targets.

Cash balances also include the investments and activity of the cash overlay program. This program seeks to maintain full market exposure by investing in futures and forward contracts in asset classes that are temporarily underweight in the CTF's equity or fixed income portfolios. Cash used for trading purposes in the equity and fixed income portfolios is excluded from the cash and cash equivalents reported in the preceding table.

Cash balances may fluctuate within a policy range up to 3.0 percent of the CTF's NAV and stood at 1.9 percent as of June 30, 2025. Overlay exposure, which is influenced by the level of cash in the portfolio, averaged 1.5 percent of the CTF's NAV during the year, with a range between 1.2 to 1.8 percent. The overlay program is restricted to long only positions in equity and fixed income markets.

RETIREMENT FUNDS

The overlay program generated market-related losses of \$8.5 million during the current fiscal year, resulting in a modest drag on overall cash returns. While both fixed income and equity markets delivered positive returns overall, the overlay's performance was negatively affected by its fixed income positioning. Specifically, the program maintained lower exposure during the first quarter, when the majority of fixed income gains occurred, and increased exposure in the second quarter, during a period of negative returns in the bond market.

Furthermore, the overlay program's fixed income investments were limited to U.S. Treasury futures and forward mortgage-backed securities (TBAs), and did not include credit sensitive instruments. As a result, the program did not benefit from the narrowing credit spreads and income from corporate bonds, which were key drivers of the benchmark's return.

Debt Securities Returns:

Positive fixed income returns for the fiscal year were driven by declining U.S. interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads — decreases in the difference between corporate and government bond yields — reflected improved market confidence and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points. Credit spreads also tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 7.0 percent, outperforming its benchmark, the Bloomberg U.S. Universal Bond Index, which returned 6.5 percent. The portfolio's overweight to emerging market credit contributed to this outperformance, as those spreads narrowed more significantly than others. In addition, security selection, particularly in Latin American issuers, further enhanced relative performance.

Equity Securities Returns:

The CTF invests in public equities across U.S., international developed, and emerging markets. The U.S. and international developed portfolios are passively managed to track the performance of relevant equity benchmarks which are market indexes that serve as standard measures of stock market performance. In contrast, active managers are used in global and emerging markets, where market inefficiencies may offer opportunities to outperform relative to the equity market benchmarks. Active management is pursued only when managers demonstrate consistent skill and the ability to add value beyond passive strategies.

As of June 30, 2025, the equity portfolio was composed of 67 percent passive strategies, with the remainder actively managed, and delivered a fiscal year return of 15.1 percent. While this performance was strong on an absolute basis, the portfolio underperformed its benchmark, the MSCI ACWI IMI with U.S. Gross, by 110 basis points, net of fees and expenses. The shortfall was primarily attributable to the actively managed global equity segment, which lagged its benchmark by more than 3.3 percentage points.

RETIREMENT FUNDS

The actively managed global portfolios in the CTF, collectively referred to as the active global composite, have consistently focused on investing in high-quality companies, such as those with strong profitability and high returns on investment. However, during the fiscal year, these types of companies significantly underperformed the broader market benchmark. In addition, some portfolio managers took a more cautious, defensive approach late in the year, which further dampened performance as markets continued to rise.

Alternative Investment Returns:

The alternative investment portfolio — which includes investments in private equity, real estate, tangible assets, and the innovation portfolio — represented 55.5 percent of total investment balances. One-year returns for each of these asset classes are presented in the table below.

Alternative Investment Returns	FY 2025	FY 2024
Private Equity	9.6%	8.4%
Real Estate	2.9%	-2.1%
Tangible Assets	6.6%	10.8%
Innovation Portfolio	6.3%	10.3%
Total Alternative Asset Return	6.9%	5.0%

Due to standard industry practices and the timing of data availability, alternative investment returns are reported on a one-quarter lag. Fair values are as of March 31, 2025, and have been adjusted for cash flow activity through the fiscal year end.

Fair values reported in the accompanying financial statements are unlagged. The difference in fair values between the performance returns (which are lagged) and the financial statements (which are unlagged) is primarily attributable to market appreciation recognized between March 31, 2025, and June 30, 2025 — a difference of \$2.4 billion. This appreciation is not reflected in the officially published Retirement Fund performance return of 6.9 percent for the fiscal year. Each return presented in the MDA, or market-related gains and losses reported in the accompanying financial statements, reflects activity over the 1-year period ending on the respective reporting date.

Private Equity

The private equity portfolio is structured to deliver superior long-term total returns relative to traditional asset classes. The program targets returns that exceed the MSCI ACWI IMI with U.S. Gross by 300 basis points over the long term. Investments are diversified across a broad range of strategies, including venture capital, corporate finance, growth equity, special situations, and distressed debt. Exposure is achieved through a combination of limited partnerships and direct investment vehicles.

For the current fiscal year, the private equity portfolio generated a return of 9.6 percent. While deal activity, defined as the buying, selling, and restructuring of companies, rebounded early in the fiscal year, momentum was temporarily disrupted by the implementation of new tariffs. These

RETIREMENT FUNDS

developments introduced uncertainty and dampened underwriting confidence across the market. As public equity markets began to stabilize and absorb the impact of the tariffs, private equity activity gradually resumed, leading to several successful exits within the portfolio.

Despite ongoing geopolitical and trade-related uncertainties, the portfolio benefited from several notable initial public offerings (IPOs) during the final quarter of the fiscal year. In addition, sponsor-led leveraged buyout (LBO) issuance represented a relative bright spot in an otherwise subdued debt issuance environment.

Real Estate

The real estate program is structured to provide stable, long-term returns for the Retirement Funds. Investments are primarily made through externally managed partnerships that own income-producing properties. Over time, these assets are expected to generate returns between those of fixed income and equities, supported by lease income and capital appreciation. The program's long-term performance has benefited from a disciplined strategy emphasizing diversification across property types and geographies, and a focus on high-quality locations in major urban markets.

Rental rates and occupancy levels showed modest improvement during the year. However, capitalization rates (cap rates) increased in certain sectors, most notably in U.S. industrial properties. Cap rates, which reflect the income investors expect from a property relative to its price, typically move inversely to property values — when cap rates rise, valuations tend to decline. This trend contributed to lower property valuations overall. Nonetheless, stronger performance in the United Kingdom and parts of Europe helped partially offset the downward pressure. Additionally, income distributions totaling \$1.1 billion further mitigated a year-over-year decline in returns. As a result, the portfolio delivered a 2.9 percent return for the fiscal year, representing a significant improvement over the prior year.

The portfolio's emphasis on necessity-oriented assets, such as residential properties, is expected to support its resilience across varying market conditions.

Tangible Assets

The tangible assets investment program is designed to deliver long-term, predictable income and capital appreciation that meets or exceeds the rate of inflation. As a key source of diversification within the CTF, the portfolio targets real assets that provide both inflation protection and income stability.

Over the past year, the portfolio's relative weight within the CTF declined, reflecting a slower pace of capital deployment compared to other asset classes, as well as the overall growth of the fund.

For the fiscal year, the portfolio generated a return of 6.6 percent, outperforming its benchmark — defined as the Consumer Price Index (CPI) plus 400 basis points, lagged by one quarter — by 19 basis points. This outperformance was primarily driven by strong results from infrastructure and energy investments. The portfolio has also exceeded its benchmark over the 3-, 5-, and 10-year periods, demonstrating the strategy's consistency and resilience across varying market conditions.

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Innovation Portfolio

The Innovation Portfolio provides the WSIB with flexibility to invest in emerging strategies and opportunities that fall outside traditional asset classes approved by the Board. A secondary goal is to test new investment ideas on a smaller scale before considering larger commitments.

For the fiscal year ended June 30, 2025, one new investment partnership was added to the portfolio. The portfolio's benchmark is a weighted average of the benchmarks tied to each individual investment. The Innovation Portfolio returned 6.3 percent for the year, underperforming its composite benchmark return of 9.8 percent. The main contributor to this underperformance was the portfolio's impact equity investments, which trailed broader market trends during the period.

Investment Income (Interest, Dividends, Income Distributions from Partnerships – Net of Expenses)

Due to rising interest rates during the current fiscal year, investment income earned in the debt portfolio increased by 18.0 percent from the prior year. The average coupon rate, a measure of annual interest rates received from bond issuers in the debt portfolio, was 4.0 percent at year end, up 38 basis points over the prior year. The higher invested balances from favorable market activity further contributed to the increase in income by expanding the base of interest-earning assets.

Investment income in the equity portfolio increased by 10.9 percent over the prior fiscal year, largely reflecting the growth in invested balances. As the invested balances increased due to favorable market conditions, a larger portion of assets were allocated to dividend-paying equities, which generated higher income in absolute terms. Dividend income can vary each year based on the composition of holdings, active versus passive management, distributions from commingled funds, and the timing of invested or uninvested cash flows.

Net investment income from the alternative investments program increased 90.8 percent during the year. This income includes realized market-related gains and losses as well as ordinary income and capital gain distributions from investment partners. It is reported net of investment-related expenses. Income distributed from alternative investments is generally not directly correlated with changes in invested capital or market-related changes. Each alternative investment portfolio is unique, and a range of factors contribute to variability in both the amount and timing of income distributions, to include:

- The tenure and maturity of invested capital.
- Fund structure and terms outlined in operating agreements.
- Timing and scale of exits from underlying portfolio companies.
- Specific investment strategies employed by fund managers.
- Management fees and other fund-level expenses.
- Macro trends such as fluctuations in rental income due to rising or falling rents globally.

Contributions, Withdrawals, and Asset Allocation Rebalancing

Net withdrawals of \$2.6 billion during the fiscal year were funded from a combination of net cash inflows from the alternative asset portfolio and liquidity raises. Overall, net withdrawals increased by 22.0 percent over the prior year, mainly from increased withdrawal requests from DRS.

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The Retirement Strategy Funds (RSFs) invested \$66.2 million in the CTF during the fiscal year, representing a 31.9 percent decrease compared to the prior year. The CTF serves as an investment component within each RSF vintage year's total fund value. Contributions and withdrawals are influenced by several factors, including strategic rebalancing to maintain target allocations within each vintage year and participant purchase and sale activity occurring throughout the rebalancing periods.

During the fiscal year, DRS withdrew \$2,678.6 million from the retirement trust funds, a 19.7 percent increase over the prior year. This growth was primarily driven by higher benefit payments, annuity disbursements, and refunds of contributions. Total benefit-related outflows rose 9.3 percent, reflecting a combination of factors: larger benefit calculations at retirement, cost-of-living adjustments (COLAs) for current retirees, and increased withdrawal activity due to employee separations. In addition, lower contribution collections from closed plans, which is the result of declining active membership, and reduced employer contributions influenced the increase in withdrawals and reduced the funds available for investment.

Several transactions during the fiscal year involved rebalancing trades and transfers across asset classes to support strategic investment objectives and liquidity needs. To raise \$1,100.0 million in cash for liquidity purposes, the portfolio sold \$500.0 million in fixed income securities and \$600.0 million in equity securities. Additionally, \$700.0 million of proceeds from equity sales were reinvested in fixed income for rebalancing to maintain strategic asset allocation targets. One equity manager was terminated, with an account value of \$511.3 million. Of that amount, \$450.0 million was reinvested in fixed income, while the remaining balance was allocated to cash.

During the current fiscal year, the alternative asset portfolio generated a net cash flow of almost \$2.0 billion, that was initially invested in cash for liquidity needs and for rebalancing to strategic investment targets, from the following activity:

(\$ Millions)	Total	Private Equity	Real Estate	Tangible Assets	Innovation
Capital Calls and Distributions:					
Capital Calls Net of Capital Returns	\$ (4,501.1)	\$ (2,804.7)	\$ (1,147.1)	\$ (486.7)	\$ (62.6)
Net Income Distributions	5,507.9	3,909.4	1,111.0	438.2	49.3
Net Distributions (Calls)	1,006.8	1,104.7	(36.1)	(48.5)	(13.3)
Other Transactions					
Proceeds from Stock Sales	953.9	-	-	953.9	-
Miscellaneous	6.0	-	-	6.0	-
Total Other	959.9	-	-	959.9	-
Total	\$ 1,966.7	\$ 1,104.7	\$ (36.1)	\$ 911.4	\$ (13.3)

RETIREMENT FUNDS

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 59.8 percent, and collateral held under securities lending agreements increased accordingly. General collateral loans accounted for a larger share of total lending activity, as demand for "specials" — securities that are scarce and in high demand — declined due to rising market uncertainty in late 2024 and early 2025. This shift was driven by geopolitical factors, including uncertainty surrounding the U.S. elections and new tariff announcements. By fiscal year end, equity markets rebounded sharply after the administration paused tariff implementation and passed legislation addressing tax policy and fiscal spending, leading to renewed investor confidence and increased securities lending activity.

	Summarized Change in Securities on Loan and Collateral (\$ Millions)			
	June 30, 2025	June 30, 2024	Increase	Percent Change
Securities on Loan Fiscal Year End	\$ 913.4	\$ 571.5	\$ 341.9	59.8%
Cash Collateral Held Under Securities Lending Agreements	666.2	408.2	258.0	
Non-Cash Collateral Held Under Securities Lending Agreements	281.4	192.0	89.4	
Total Collateral Held	\$ 947.6	\$ 600.2	\$ 347.4	57.9%

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

RETIREMENT FUNDS' STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Commingled Trust Fund	Plan-Specific Investments	Total	Percent of Total
ASSETS				
Investments				
CASH AND CASH EQUIVALENTS	\$ 3,322,497,117	\$ 90,075,136	\$ 3,412,572,253	1.9%
DEBT SECURITIES				
Corporate Bonds	16,441,027,382	-	16,441,027,382	
U.S. Government and Agency Securities	7,143,751,628	-	7,143,751,628	
Mortgage and Other Asset-Backed Securities	2,242,369,540	-	2,242,369,540	
Foreign Government and Agency Securities	1,962,540,773	-	1,962,540,773	
Total Debt Securities	27,789,689,323	-	27,789,689,323	15.3%
EQUITY SECURITIES				
Common and Preferred Stock	24,840,337,886	-	24,840,337,886	
Collective Investment Trusts and Mutual Funds	23,936,475,644	-	23,936,475,644	
Depository Receipts	541,177,881	-	541,177,881	
Real Estate Investment Trusts and Other Miscellaneous	267,961,916	-	267,961,916	
Total Equity Securities	49,585,953,327	-	49,585,953,327	27.3%
ALTERNATIVE INVESTMENTS				
Private Equity	52,669,928,915	-	52,669,928,915	
Real Estate	33,463,903,183	-	33,463,903,183	
Tangible Assets	12,858,191,515	-	12,858,191,515	
Innovation Portfolio	2,119,949,506	-	2,119,949,506	
Total Alternative Investments	101,111,973,119	-	101,111,973,119	55.5%
Total Investments	181,810,112,886	90,075,136	181,900,188,022	100.0%
Open Foreign Exchange Contracts Receivable	19,216,325,644	-	19,216,325,644	
Collateral Held Under Securities Lending Agreements	666,158,863	-	666,158,863	
Investment Earnings Receivable	628,030,275	1,546,111	629,576,386	
Receivables for Investments Sold	197,383,906	-	197,383,906	
Total Assets	202,518,011,574	91,621,247	202,609,632,821	
LIABILITIES				
Open Foreign Exchange Contracts Payable	19,216,311,878	-	19,216,311,878	
Payable for Investments Purchased	945,010,836	-	945,010,836	
Obligations Under Securities Lending Agreements	666,158,863	-	666,158,863	
Investment Management Fees Payable	17,533,074	24,028	17,557,102	
Total Liabilities	20,845,014,651	24,028	20,845,038,679	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 181,672,996,923	\$ 91,597,219	\$ 181,764,594,142	

RETIREMENT FUNDS

RETIREMENT FUNDS' STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Commingled Trust Fund	Plan-Specific Investments	Total
Additions:			
Investment Income			
Interest, Dividends, and Other Investment Income	\$ 3,704,444,507	\$ 20,341,236	\$ 3,724,785,743
Net Realized and Unrealized Gains on Investments	13,081,120,716	-	13,081,120,716
Less:			
Investment Expenses	(848,733,737)	(294,002)	(849,027,739)
WSIB Operating Expenses	(29,817,913)	-	(29,817,913)
Net Investment Income	15,907,013,573	20,047,234	15,927,060,807
Other Deductions:			
Net Withdrawals	(2,586,999,018)	(25,369,003)	(2,612,368,021)
Unusual or Infrequent Item:			
Removal of Pension Systems from Financial Statements - Note 11	-	(261,226,868)	(261,226,868)
Increase (Decrease) in Restricted Fiduciary Net Investment Position	\$ 13,320,014,555	\$ (266,548,637)	\$ 13,053,465,918
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	168,352,982,368	358,145,856	168,711,128,224
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 181,672,996,923	\$ 91,597,219	\$ 181,764,594,142

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. These consist of 6 state-administered public retirement systems for state and local governments, with 13 different retirement plans. In addition, there are seven Higher Education Retirement Plan Supplemental Benefit Funds (HERP) administered by each higher education institution.

The retirement plans included in the financial statements are limited to the Defined Benefit (DB), Defined Contribution (DC), and HERP plans invested in the CTF. The CTF is also commonly known as the self-directed DC investment option, the Total Allocation Portfolio, or TAP. However, 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 and plan administrators. 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.

RETIREMENT FUNDS

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, 2025, was \$20.8 million and expenses associated with securities lending were \$17.5 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 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 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.

RETIREMENT FUNDS

- 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

As of June 30, 2025					
RETIREMENT PLANS:	Plan Administrator	Commingled Trust Fund	Plan-Specific Investments	Total	Percent of Total
LEOFF 1	DRS	\$ 7,227,066,976	\$ 1,652,741	\$ 7,228,719,717	4.0%
LEOFF 2	DRS	23,938,204,675	6,958,844	23,945,163,519	13.2%
PERS 1	DRS	9,540,218,332	4,562,821	9,544,781,153	5.3%
PERS 2/3	DRS	75,791,287,690	11,238,933	75,802,526,623	41.6%
PSERS 2	DRS	1,964,207,181	11,347,395	1,975,554,576	1.1%
SERS 2/3	DRS	13,368,436,550	6,355,117	13,374,791,667	7.4%
TRS 1	DRS	1,666,583,812	153,503	1,666,737,315	0.9%
TRS 2/3	DRS	323,303,962	2,810,656	326,114,618	0.2%
WSP 1	DRS	7,019,297,518	3,560,965	7,022,858,483	3.9%
WSP 2	DRS	38,798,711,285	41,918,451	38,840,629,736	21.3%
HERP	Other	243,184,479	1,037,793	244,222,272	0.1%
RSF	See Note 2	1,792,494,463	-	1,792,494,463	1.0%
Total Restricted Fiduciary Net Investment Position		\$ 181,672,996,923	\$ 91,597,219	\$ 181,764,594,142	100.0%

RETIREMENT FUNDS

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

	Cash Management	Debt Securities	Equity Securities	Alternative Investments	Total Fees
Fees Paid					
Investment Management*	\$ 2,592,512	\$ 279,103	\$ 69,814,346	\$ 748,707,620	\$ 821,393,581
Securities Lending	-	-	17,527,286	-	17,527,286
Research Services	17,143	1,363,875	1,010,751	846,164	3,237,933
Consultants	3,713	39,401	350,768	3,063,272	3,457,154
Custody Expense	30,701	424,853	603,256	1,146,608	2,205,418
Accounting Systems	7,621	65,454	269,242	237,016	579,333
Legal Services	139	2,094	16,120	441,623	459,976
Professional Memberships	2,266	24,509	42,022	98,261	167,058
Total Fees Paid	2,654,095	2,199,289	89,633,791	754,540,564	849,027,739
Netted Fees**					
Investment Management*	-	-	1,174,978	367,200,000	368,374,978
Total Investment Fees and Expenses	<u>\$ 2,654,095</u>	<u>\$ 2,199,289</u>	<u>\$ 90,808,769</u>	<u>\$ 1,121,740,564</u>	<u>\$ 1,217,402,717</u>
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	<u>\$ 3,042,528,114</u>	<u>\$ 27,428,526,299</u>	<u>\$ 49,948,041,823</u>	<u>\$ 101,345,497,906</u>	<u>\$ 181,764,594,142</u>

* Alternative investments Include estimated management fees (net of waivers, rebates, and offsets) and other partnership expenses charged to WSIB's capital accounts by private market partners and cover the one year period ended March 31st.

** Netted fees are included in unrealized gains (losses) in the accompanying financial statements.

RETIREMENT FUNDS

NOTE 5. UNFUNDED COMMITMENTS

The Retirement Funds 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, 2025, the Retirement Funds had a total of \$29,387.2 million in unfunded commitments in the asset classes detailed in the table below.

	(\$ Millions)	
Private Equity	\$	16,902.7
Real Estate	\$	7,810.3
Tangibles	\$	3,770.0
Innovation	\$	904.2
Total	\$	29,387.2

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, 2025, 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, 2025, 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, 2025. 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.

RETIREMENT FUNDS

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, 2025, 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, 2025.

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 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, 2025.

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, 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, 2025, of \$1.0 billion invested in an emerging market commingled equity investment trust fund.

RETIREMENT FUNDS

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 the 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, 2025, was approximately \$913.4 million. The securities on loan remain in the Statement of Fiduciary Net Investment Position in their respective categories. At June 30, 2025, cash collateral received, totaling \$666.2 million, is reported as a securities lending obligation. The fair value of the reinvested cash collateral, totaling \$666.2 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, 2025, was \$947.6 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, 2025.

	Summarized Change in Securities on Loan and Collateral (\$ Millions)			
	Cash Collateral	Non-Cash Collateral	Total	
Yankee Certificate of Deposit	\$ 141.5	\$ -	\$	141.5
Commercial Paper	161.2	-		161.2
U.S. Treasuries	-	281.4		281.4
Cash Equivalents and Other	363.5	-		363.5
Total Collateral Held	\$ 666.2	\$ 281.4	\$	947.6

During the current fiscal year, securities lending transactions could be terminated on demand by either the WSIB or the borrower. As of June 30, 2025, the cash collateral held had an average duration of 15.5 days and an average weighted final maturity of 70.5 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

RETIREMENT FUNDS

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 WSIB investment operations, 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.

RETIREMENT FUNDS

The following table presents CTF fair value measurements as of June 30, 2025:

		Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS					
DEBT SECURITIES					
Corporate Bonds	\$ 16,441,027,382	\$ -	\$ 16,441,027,382	\$ -	
U.S. Government and Agency Securities	7,143,751,628	-	7,143,751,628	-	
Mortgage and Other Asset-Backed Securities	2,242,369,540	-	2,242,369,540	-	
Foreign Government and Agency Securities	1,962,540,773	-	1,962,540,773	-	
Total Debt Securities	27,789,689,323	-	27,789,689,323	-	
EQUITY SECURITIES					
Common and Preferred Stock	24,840,337,886	24,783,607,993	53,168,790	3,561,103	
Depository Receipts	541,177,881	541,177,881	-	-	
Mutual Funds and Exchange Traded Funds	1,687,135	1,687,135	-	-	
Real Estate Investment Trusts and Other Miscellaneous	267,961,916	267,371,002	-	590,914	
Total Equity Securities	25,651,164,818	25,593,844,011	53,168,790	4,152,017	
ALTERNATIVE INVESTMENTS					
Real Estate	753,354,549	-	-	753,354,549	
Tangible Assets	256,492,011	256,492,011	-	-	
Total Alternative Investments	1,009,846,560	256,492,011	-	753,354,549	
Total Investments By Fair Value Level	54,450,700,701	\$ 25,850,336,022	\$ 27,842,858,113	\$ 757,506,566	
INVESTMENTS MEASURED AT NET ASSET VALUE					
Collective Investment Equity Trusts	23,934,788,509				
Private Equity	52,669,928,915				
Real Estate	32,710,548,634				
Tangible Assets	12,601,699,504				
Innovation	2,119,949,506				
Total Investments at Net Asset Value	124,036,915,068				
Total Investments Measured at Fair Value	\$ 178,487,615,769				
OTHER ASSETS (LIABILITIES) AT FAIR VALUE					
Collateral Held Under Securities Lending Agreements	\$ 666,158,863	\$ -	\$ 666,158,863	\$ -	
Net Foreign Exchange Contracts Receivable - Forward and Spot	13,765	-	13,765	-	
Margin Variation Receivable - Futures Contracts	34,365,726	34,365,726	-	-	
Obligations Under Securities Lending Agreements	(666,158,863)	-	(666,158,863)	-	
Total Other Assets (Liabilities) Measured at Fair Value	\$ 34,379,491	\$ 34,365,726	\$ 13,765	\$ -	

RETIREMENT FUNDS

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 traded 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 CIT's 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.

RETIREMENT FUNDS

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. Contributions and withdrawals can be made on any business day. The CIT manager may choose to temporarily stop valuing the fund's investments or allowing money to be added or withdrawn when necessary. For example, if trading is restricted, pricing is difficult or impractical, or if doing so is in the best interest of the fund or its participants. The CIT manager 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 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 \$101.1 billion (or 55.6 percent of total investments) as of June 30, 2025. 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, 2025, reported net asset value.

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

- Private equity – 273 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 – 63 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, 2025, 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.

RETIREMENT FUNDS

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 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	\$ 84,149,440	\$ 7,658,893	\$ 227,730	\$ -	\$ 92,036,063	0.1%
3 to 9 years	10,141,723,335	407,117,900	1,087,857,708	212,797,841	11,849,496,784	11.8%
10 years and over	42,444,056,140	32,295,771,841	11,513,614,066	1,907,151,665	88,160,593,712	88.1%
Total	\$ 52,669,928,915	\$ 32,710,548,634	\$ 12,601,699,504	\$ 2,119,949,506	\$ 100,102,126,559	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, 2025, the Retirement Funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value, with changes

RETIREMENT FUNDS

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, 2025, the Retirement Funds’ counterparty risk was approximately \$390.3 million. The majority of the counterparties (83.9 percent) held a credit rating of Aa3 or higher on Moody’s rating scale. All counterparties held investment grade credit ratings of A1 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, 2025, the Retirement Funds had outstanding forward currency contracts with a net unrealized loss of \$74.5 million. At June 30, 2025, 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 both \$19,216.3 million. The contracts have varying settlement dates, ranging from September 17, 2025, to March 17, 2027.

The Retirement Funds’ fixed income portfolio held derivative instrument securities consisting of collateralized mortgage obligations with a fair value of \$41.1 million at June 30, 2025. 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.

RETIREMENT FUNDS

		Changes in Fair Value - Included in Investment Income	Fair Value at June 30, 2025 - Investment Derivative Instrument	
	Classification	Amount	Amount	Notional
FUTURES CONTRACTS:				
Bond Index Futures	Investment	\$ (15,685,808)	\$ 33,090,127	2,155,300,000
Equity Index Futures	Investment	8,860,517	1,275,599	628,455
Foreign Currency Futures	Investment	(117,099)	-	-
		<u>\$ (6,942,390)</u>	<u>\$ 34,365,726</u>	<u>2,155,928,455</u>
FORWARD CURRENCY CONTRACTS	Investment	\$ (74,493,101)	\$ 51,067	18,835,063,190

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 9.5 percent.

NOTE 11. REMOVAL OF PENSION SYSTEMS FROM FINANCIAL STATEMENTS

During the current fiscal year, the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds (VFFRO Funds) were removed from the Retirement Funds' financial statements. These funds are now reported in a separate financial statement issued independently from the Retirement Funds' financial report. As a result, the financial statements were adjusted by \$261,226,868 to reflect the removal of the VFFRO Funds' balances included in the Statement of Fiduciary Net Investment Position. The change was made to better align financial reporting with the VFFRO Funds' operational and legal structure.

Below is a summary of the investment and related balances as of June 30, 2024, that were removed during the current year and presented as an unusual or infrequent item in the accompanying financial statements.

	VFFRO Funds
Investments	
Cash and Cash Equivalents	\$ 410,393
Debt Securities	67,990,392
Equity Securities	<u>192,856,039</u>
Total Investments	<u>261,256,824</u>
Net Investment Receivables (Payables)	<u>(29,956)</u>
Restricted Fiduciary Net Investment Position	<u>\$ 261,226,868</u>

RETIREMENT FUNDS

NOTE 12. SUMMARY OF INVESTMENT POLICY

Per 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. 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 table below reflects the target allocations projected to be achieved at the conclusion of the current calendar year.

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.

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.

RETIREMENT FUNDS

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.

RETIREMENT FUNDS

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.

RETIREMENT FUNDS

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.

RETIREMENT FUNDS

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. CPI 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.

RETIREMENT FUNDS

SCHEDULE 1

CTF SCHEDULE OF MATURITIES

Investment Type	Total Fair Value	Maturity				Effective Duration*
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Internally Managed Fixed Income						
Corporate Bonds	\$ 16,441,027,382	\$ 239,875,008	\$ 6,209,069,880	\$ 5,856,139,630	\$ 4,135,942,864	6.7
Foreign Government and Agency Securities	1,962,540,773	-	550,321,211	751,294,101	660,925,461	7.5
Mortgage and Other Asset-Backed Securities	1,554,194,590	12,440,392	820,174,170	721,580,028	-	4.6
U.S. Government and Agency Securities	7,116,388,497	1,984,796,847	2,122,542,639	1,374,311,548	1,634,737,463	5.3
Total Internally Managed Fixed Income	27,074,151,242	2,237,112,247	9,702,107,900	8,703,325,307	6,431,605,788	6.3
Externally Managed Fixed Income						
Mortgage-Backed To Be Announced (TBA) Forwards	688,174,950	688,174,950	-	-	-	0.0
U.S. Government and Agency Securities	27,363,131	27,363,131	-	-	-	0.6
Total Externally Managed Fixed Income	715,538,081	715,538,081	-	-	-	0.0
Total Retirement Funds Investment Categorized	27,789,689,323	\$ 2,952,650,328	\$ 9,702,107,900	\$ 8,703,325,307	\$ 6,431,605,788	6.1
Investments Not Required to be Categorized						
Cash and Cash Equivalents	3,322,497,117					
Equity Securities	49,585,953,327					
Alternative Investments	101,111,973,119					
Total Investments Not Categorized	154,020,423,563					
Total Investments	\$ 181,810,112,886					

* Duration excludes cash and cash equivalents

RETIREMENT FUNDS

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	\$ 221,413,261	\$ 131,803,500	\$ 28,418,843	\$ 49,864,338	\$ 11,326,580
Aa1	9,587,096,207	143,495,650	118,824,385	2,192,351,124	7,132,425,048
Aa2	202,861,122	74,661,010	128,200,112	-	-
Aa3	825,458,205	788,436,978	37,021,227	-	-
A1	1,155,619,534	1,040,150,395	115,469,139	-	-
A2	2,033,573,170	1,933,040,922	100,378,170	154,078	-
A3	3,071,944,945	3,071,944,945	-	-	-
Baa1	2,536,832,286	2,426,961,319	109,870,967	-	-
Baa2	2,993,490,315	2,556,399,871	437,090,444	-	-
Baa3	1,750,405,395	1,557,276,096	193,129,299	-	-
Ba1 or Lower	3,410,994,883	2,716,856,696	694,138,187	-	-
Total	<u>\$ 27,789,689,323</u>	<u>\$ 16,441,027,382</u>	<u>\$ 1,962,540,773</u>	<u>\$ 2,242,369,540</u>	<u>\$ 7,143,751,628</u>

RETIREMENT FUNDS

SCHEDULE 3

CTF FOREIGN CURRENCY EXPOSURE

Foreign Currency Denomination	Investment Type In U.S. Dollar Equivalent						Total	Percent of Total Investment Balances
	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Assets	Open Foreign Exchange Contracts - Net			
AUSTRALIAN DOLLAR	\$ 1,733,970	\$ -	\$ 642,715,442	\$ 653,528,650	\$ (703,905)	\$	1,297,274,157	0.7%
BRAZILIAN REAL	952,990	-	325,252,589	-	58,709,511		384,915,090	0.2%
CANADIAN DOLLAR	6,537,772	-	1,380,717,336	-	(1,377,842)		1,385,877,266	0.8%
DANISH KRONE	1,255,334	-	506,500,208	-	(1,201,896)		506,553,646	0.3%
EURO CURRENCY	9,686,939	-	4,504,787,906	5,093,159,172	(32,479,168)		9,575,154,849	5.1%
HONG KONG DOLLAR	6,619,252	-	938,695,571	-	251,871		945,566,694	0.5%
INDIAN RUPEE	3,085,072	-	693,674,028	-	(3,135,967)		693,623,133	0.4%
INDONESIAN RUPIAH	968,035	-	110,321,214	-	(3,213,129)		108,076,120	0.1%
JAPANESE YEN	35,497,961	-	2,182,627,145	-	(337,889)		2,217,787,217	1.1%
MEXICAN PESO	243,704	-	130,509,071	-	(181,860)		130,570,915	0.1%
NEW ISRAELI SHEQEL	417,567	-	101,114,297	-	(24,307)		101,507,557	0.1%
NEW TAIWAN DOLLAR	1,082,652	-	621,523,388	-	(10,121,955)		612,484,085	0.3%
NORWEGIAN KRONE	1,709,081	-	122,863,409	-	166,732		124,739,222	0.1%
POUND STERLING	17,496,263	-	1,840,401,581	-	3,064,947		1,860,962,791	1.0%
SINGAPORE DOLLAR	982,559	-	175,357,411	-	5,150		176,345,120	0.1%
SOUTH AFRICAN RAND	328,771	-	92,292,625	33,319,032	(286,078)		125,654,350	0.1%
SOUTH KOREAN WON	322,952	-	473,712,523	-	(10,794,848)		463,240,627	0.3%
SWEDISH KRONA	2,426,745	-	377,384,168	-	456,265		380,267,178	0.2%
SWISS FRANC	5,163,895	-	900,181,330	-	8,238,186		913,583,411	0.5%
UAE DIRHAM	384,961	-	118,013,233	-	(218)		118,397,976	0.1%
YUAN RENMINBI	6,798,673	-	473,006,409	-	(8,013,547)		471,791,535	0.3%
OTHER	3,412,583	58,870,477	314,931,176	-	993,712		378,207,948	0.2%
Total Foreign Currency Exposure	\$ 107,107,731	\$ 58,870,477	\$ 17,026,582,060	\$ 5,780,006,854	\$ 13,765	\$	22,972,580,887	12.6%



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, 2025, 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 29, 2025.

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.

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RETIREMENT FUNDS

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho

September 29, 2025

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LABOR AND INDUSTRIES' FUNDS



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, 2025, 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, 2025, 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.

LABOR AND INDUSTRIES' FUNDS

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Labor and Industries' Funds, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

LABOR AND INDUSTRIES' FUNDS

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 29, 2025 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.



Boise, Idaho

September 29, 2025

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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, 2025. 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, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

LABOR AND INDUSTRIES' FUNDS

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 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 \$1,515.7 million in the fiscal year ending June 30, 2025. Investment Income — comprised of interest and dividend income net of investment expenses — totaled \$679.8 million and was reinvested within each asset class, contributing to this increase. Market-related gains of \$914.8 million increased the NAV by 4.6 percent, the result of positive investment returns for the fiscal year. Net withdrawals of \$78.9 million from invested balances partially offset these gains, reducing the NAV from the prior fiscal year.

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class (\$ Millions)										
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				Year Over Year Change	
	Debt Securities (*)	Equity Securities	Alternative Assets	Total	Debt Securities (*)	Equity Securities	Alternative Assets	Total	Increase (Decrease)	Percent Change
Beginning Restricted 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%
Investment Income:										
Interest, Dividends, and Other Investment Income	679.8	1.0	7.0	687.8	591.1	2.7	4.8	598.6	89.2	14.9%
Net Realized and Unrealized Gains (Losses)	393.2	520.8	0.8	914.8	(50.7)	575.6	(23.1)	501.8	413.0	82.3%
Less: Investment Expenses	(5.3)	(1.7)	(1.0)	(8.0)	(4.8)	(1.6)	(0.4)	(6.8)	1.2	17.6%
Net Investment Income (Loss)	1,067.7	520.1	6.8	1,594.6	535.6	576.7	(18.7)	1,093.6	501.0	45.8%
Net Contributions (Withdrawals) and Rebalancing Transfers	511.4	(668.3)	78.0	(78.9)	(113.0)	(86.4)	144.3	(55.1)	23.8	43.2%
Ending Restricted Fiduciary Net Investment Position (**)	\$ 17,795.2	\$ 3,469.2	\$ 283.7	\$ 21,548.1	\$ 16,216.1	\$ 3,617.4	\$ 198.9	\$ 20,032.4	\$ 1,515.7	7.6%
Increase (Decrease) in Restricted Fiduciary Net Investment Position	\$ 1,579.1	\$ (148.2)	\$ 84.8	\$ 1,515.7						
Percent Change in Restricted Fiduciary Net Investment Position	9.7%	-4.1%	42.6%	7.6%						
One Year Time Weighted Return - June 30, 2025	6.4%	16.2%	3.3%	7.9%						
One Year Time Weighted Return - June 30, 2024	3.3%	18.6%	-7.5%	5.6%						

(*) Includes cash balances used for trading purposes

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

LABOR AND INDUSTRIES' FUNDS

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 \$501.0 million, or 45.8 percent, due to substantially higher returns on debt securities and alternative assets as compared to the prior fiscal year, resulting in increased market-related gains. This improvement was partially offset by a decline in market-related gains from equity securities, which experienced a 2.4 percentage point decrease in returns year over year. Overall, L&I Funds' total return increased 226 basis points, increasing market-related gains by \$413.0 million from the previous fiscal year. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

Debt Securities Returns:

The L&I Funds are managed to ensure long-term financial solvency, maintain stable premium rates, and hold sufficient assets to meet both current and future claim obligations.

During the current fiscal year, the L&I Funds adopted a more flexible benchmark approach that allows the portfolios to align with differing risk and return profiles while maintaining diversified exposure to high-quality U.S. fixed income sectors. While each fund has a unique allocation, they share common exposure to key sectors within the U.S. fixed income markets. Each benchmark is composed of 50 percent of the Bloomberg U.S. Credit Index, 2.5 percent of the Bloomberg U.S. Securitized Index, with the remaining divided between intermediate and long-dated U.S. Government Bonds in varying proportions.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads — decreases in the difference between corporate and government bond yields — reflected improved market confidence and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

The composite fixed income portfolio finished the fiscal year up 6.4 percent, reflecting both strong income and market-related returns, supporting program goals for stable premiums and long-term solvency.

Equity Security Returns:

The L&I Funds' global equity portfolio is passively managed to closely track the performance of the MSCI ACWI IMI with U.S. Gross, which is a broad measure of global stock market performance across both developed and emerging markets. The portfolio returned 16.2 percent for the fiscal year, matching the benchmark's return. These results are consistent with return expectations for a passively managed portfolio designed to mirror overall market returns.

LABOR AND INDUSTRIES' FUNDS

Real Estate (Alternative Investment) Returns:

The L&I Funds' real estate program remains in the early stages of investment and portfolio construction, with a long-term objective of building a diversified portfolio. As of fiscal year-end, the portfolio consisted of 18 assets, including a mix of retail and residential properties across the U.S. and residential properties in Paris, France. During the year, the program deployed \$84.0 million into new acquisitions, continuing the strategic expansion of the portfolio.

The L&I real estate portfolio generated a return of 3.3 percent for the fiscal year, up substantially from the prior year. This improvement reflects several contributing factors: more income-generating assets were held for the full year; the portfolio grew in size and maturity; and the initial lag in performance commonly associated with the early-stages of creating a private real estate portfolio began to moderate as more properties were added. While valuation pressures persisted — particularly in the Austin, Texas; Atlanta, Georgia; and Paris, France markets — they were less widespread and impactful than in the previous year. As the portfolio continues to develop and stabilize, it is expected to generate more consistent income distributions and capital appreciation over time, in line with its long-term objectives.

Interest, Dividend, and Other Investment Income:

Due to rising interest rates during the current fiscal year, interest income increased by 15.0 percent from the prior year. The average coupon rate, a measure of annual interest rates paid by bond issuers, ranged from 3.8 to 3.9 percent, a 19 to 49 basis point increase over the prior fiscal year.

Dividend income declined by 63.0 percent compared to the prior fiscal year. This decrease was primarily driven by the timing of withdrawals and rebalancing activity totaling \$668.3 million. These transactions impacted the timing of equity investments and led to a reduction in the fair value of dividend paying holdings.

Invested balances in the real estate program increased by \$78.0 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 \$1.6 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 and comprises 1.3 percent of total invested balances as of June 30, 2025.

Net 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 \$78.9 million for the fiscal year were funded from liquidations in the debt portfolio. Net withdrawals from invested balances increased by 43.2 percent over the prior year, the result of increased time loss duration, medical costs and pensions awarded. Effective January 1, 2025, the Accident Fund rate increased by 6.7 percent, while the Medical Aid Fund rate decreased by 1.0 percent

Investment partners in the real estate program called capital, net of operating distributions, totaling \$78.0 million during the current fiscal year to fund property acquisitions. These capital calls were funded through liquidations primarily from debt investments. These amounts are reflected as net withdrawals in the Statement of Changes in Fiduciary Net Investment Position.

LABOR AND INDUSTRIES' FUNDS

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. WSIB staff manage the portfolio in alignment with investment policy, rebalancing assets as market conditions shift. During the current fiscal year, a net of \$670.0 million was liquidated from the equity portfolio and the proceeds were reinvested in debt securities to realign the investment holdings with strategic allocation targets.

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

LABOR AND INDUSTRIES' FUNDS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

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	\$ 44,952,867	\$ 44,761,568	\$ 30,519,315	\$ 37,100,658	\$ 157,334,408	0.7%
DEBT SECURITIES						
Corporate Bonds	4,716,608,699	4,260,889,831	3,553,963,254	1,937,250	12,533,399,034	
Foreign Government and Agency Securities	476,678,318	566,992,981	266,063,427	991,984	1,310,726,710	
Mortgage and Other Asset-Backed Securities	251,102,370	222,925,439	137,986,253	-	612,014,062	
U.S. Government and Agency Securities	1,064,594,006	942,336,897	789,125,788	208,532,958	3,004,589,649	
Total Debt Securities	6,508,983,393	5,993,145,148	4,747,138,722	211,462,192	17,460,729,455	81.8%
EQUITY SECURITIES						
Collective Investment Equity Trusts	1,224,210,591	1,647,752,743	597,309,590	-	3,469,272,924	
Total Equity Securities	1,224,210,591	1,647,752,743	597,309,590	-	3,469,272,924	16.2%
ALTERNATIVE INVESTMENTS						
Real Estate	102,988,016	103,561,531	77,181,127	-	283,730,674	
Total Alternative Investments	102,988,016	103,561,531	77,181,127	-	283,730,674	1.3%
Total Investments	7,881,134,867	7,789,220,990	5,452,148,754	248,562,850	21,371,067,461	100.0%
Investment Earnings Receivable	69,114,709	62,946,480	50,399,123	258,932	182,719,244	
Total Assets	7,950,249,576	7,852,167,470	5,502,547,877	248,821,782	21,553,786,705	
LIABILITIES						
Pending Trades and Other Investment Payables	5,214,745	328,533	115,479	11,223	5,669,980	
Total Liabilities	5,214,745	328,533	115,479	11,223	5,669,980	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 7,945,034,831	\$ 7,851,838,937	\$ 5,502,432,398	\$ 248,810,559	\$ 21,548,116,725	

LABOR AND INDUSTRIES' FUNDS

LABOR AND INDUSTRIES' FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Accident Fund	Medical Aid Fund	Pension Reserve Fund	Supplemental Pension Fund	Total
Additions:					
Investment Income					
Interest, Dividends and Other Investment Income	\$ 250,524,840	\$ 232,751,053	\$ 199,987,629	\$ 4,555,986	\$ 687,819,508
Net Realized and Unrealized Gains on Investments	338,614,194	403,736,656	165,395,356	7,065,487	914,811,693
Less:					
Investment Expenses	(1,496,233)	(1,624,721)	(977,460)	(210,778)	(4,309,192)
WSIB Operating Expenses	(1,327,876)	(1,327,762)	(946,779)	(41,976)	(3,644,393)
Net Investment Income	586,314,925	633,535,226	363,458,746	11,368,719	1,594,677,616
Other Additions (Deductions):					
Net Contributions (Withdrawals)	195,536,876	(107,121,238)	(207,418,221)	40,064,976	(78,937,607)
Increase in Restricted Fiduciary Net Investment Position	781,851,801	526,413,988	156,040,525	51,433,695	1,515,740,009
RESTRICTED 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
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 7,945,034,831	\$ 7,851,838,937	\$ 5,502,432,398	\$ 248,810,559	\$ 21,548,116,725

LABOR AND INDUSTRIES' FUNDS

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.

LABOR AND INDUSTRIES' FUNDS

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, 2025, 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, 2025, 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, 2025. 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, 2025, are presented in Schedule 2, using Moody's equivalent rating scale.

LABOR AND INDUSTRIES' FUNDS

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 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, 2025.

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, 2025, 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, 2025, the only derivative instrument securities held directly by the L&I Funds were collateralized mortgage obligations of \$165.2 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

LABOR AND INDUSTRIES' FUNDS

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 WSIB investment operations, 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, 2025:

		Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS					
DEBT SECURITIES					
Corporate Bonds	\$ 12,533,399,034	\$ -	\$ 12,533,399,034	\$ -	
Foreign Government and Agency Securities	1,310,726,710	-	1,310,726,710	-	
Mortgage and Other Asset-Backed Securities	612,014,062	-	612,014,062	-	
U.S. Government and Agency Securities	3,004,589,649	-	3,004,589,649	-	
Total Debt Securities	17,460,729,455	\$ -	\$ 17,460,729,455	\$ -	
INVESTMENTS MEASURED AT NET ASSET VALUE					
Collective Investment Equity Trusts	3,469,272,924				
Real Estate	283,730,674				
Total Investments Measured at Fair Value	\$ 21,213,733,053				

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.

LABOR AND INDUSTRIES' FUNDS

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 CIT's 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 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; however, the CIT manager may choose to temporarily stop valuing the fund's investments or allowing money to be added or withdrawn when necessary. These circumstances may include if trading is restricted, pricing is difficult or impractical, or if doing so is in the best interest of the fund or its participants. The CIT manager 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 \$283.7 million (or 1.3 percent of total investments) as of June 30, 2025. 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, 2025, 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 5 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, 2025.

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.

LABOR AND INDUSTRIES' FUNDS

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.

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.

The Supplemental Pension Fund is managed in a manner that recognizes the high liquidity needs of the portfolio.

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. Investment performance for the L&I Funds is evaluated primarily against the strategic investment objectives. Once those objectives are addressed, the actual rates of return for each portfolio are compared to the returns of their respective custom blended index.

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 fund's fixed income portfolio.
- 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 fund's fixed income portfolio.

LABOR AND INDUSTRIES' FUNDS

- If liquidity in the public markets is impaired, the fixed income sector and duration ranges 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.

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 equities will be the MSCI ACWI IMI with U.S. Gross. The equity portfolios are 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 WSIB's Fixed Income team actively manages the asset class. The duration of each fixed income portfolio is managed within 25 percent of the duration of each fund's custom fixed income benchmark. Duration refers to the length of time until securities mature and reflects their sensitivity to interest rate changes. In general, longer durations are associated with greater sensitivity. Accordingly, the duration of the Supplemental Pension Fund is kept short due to its high liquidity needs. 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.

LABOR AND INDUSTRIES' FUNDS

During the current fiscal year, the L&I Funds adopted a more flexible benchmark approach that allows the portfolios to align with differing risk and return profiles while maintaining diversified exposure to high-quality U.S. fixed income sectors. The benchmarks are depicted in the table below:

	Accident Fund	Pension Reserve Fund	Medical Aid Fund
Bloomberg U.S. Credit Index	50.0%	50.0%	50.0%
Bloomberg U.S. Government: Intermediate Bond Index	37.5%	25.0%	46.0%
Bloomberg U.S. Government: Long Bond Index	10.0%	22.5%	1.5%
Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index	2.5%	2.5%	2.5%

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 for funds other than the Supplemental Pension Fund are 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% - 75%
Credit Bonds	20% - 80%
Asset-Backed Securities	0% - 10%
Commercial Mortgage-Backed Securities	0% - 10%
Mortgage-Backed Securities	0% - 25%

The Supplemental Pension Fund is managed in a manner that recognizes the high liquidity needs of the portfolio.

LABOR AND INDUSTRIES' FUNDS

REAL ESTATE

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

- The benchmark for the real estate portfolio is a total net return of 6 percent measured over a rolling 10-year period. Due to lack of a relevant shorter-term benchmark, an annualized 6 percent return for all reporting periods is used for comparative purposes.
- 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.

NOTE 7. SUBSEQUENT EVENT

Washington State Senate Bill 5084 (Chapter 110, Laws of 2023), enacted during the 2023 legislative session, established a dedicated Self-Insurance Reserve Fund to hold self-insured pension assets. The bill went into effect July 1, 2025.

Prior to this date, self-insurance pension assets were held in the Accident Reserve Fund and commingled with state fund pension assets. On July 1, 2025, the WSIB completed an in-kind transfer of securities valued at \$715.3 million from the Accident Reserve Fund to the new Self-Insurance Reserve Fund. This transfer represented 13.0% of each asset class's fair value and of the Accident Reserve Fund's Fiduciary Net Investment Position as of June 30, 2025.

LABOR AND INDUSTRIES' FUNDS

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity				Effective Duration *	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Corporate Bonds	\$ 12,533,399,034	\$ 875,071,785	\$ 3,760,326,596	\$ 4,080,952,328	\$ 3,817,048,325	7.2	Schedule 2
Foreign Government and Agencies	1,310,726,710	221,375,926	561,695,693	269,994,925	257,660,166	5.6	Schedule 2
Mortgage and Other Asset-Backed Securities	612,014,062	5,882,190	437,615,633	168,516,239	-	3.6	Schedule 2
U.S. Government and Agency Securities	3,004,589,649	540,685,969	617,554,529	483,263,434	1,363,085,717	8.4	Aa1
	17,460,729,455	\$ 1,643,015,870	\$ 5,377,192,451	\$ 5,002,726,926	\$ 5,437,794,208	7.2	
Investments Not Required to be Categorized							
Cash and Cash Equivalents	157,334,408						
Collective Investment Equity Trusts	3,469,272,924						
Real Estate	283,730,674						
Total Investments Not Categorized	3,910,338,006						
Total L&I Funds Investments	\$ 21,371,067,461						

* Duration excludes cash and cash equivalents

LABOR AND INDUSTRIES' FUNDS

SCHEDULE 2

ADDITIONAL CREDIT RATINGS DISCLOSURE

Moody's Equivalent Credit Rating	Investment Type		
	Corporate Bonds	Foreign Government and Agency Securities	Mortgage and Other Asset Backed Securities
Aaa	\$ 236,507,450	\$ 108,155,418	\$ 171,305,620
Aa1	264,427,800	164,955,074	440,708,442
Aa2	129,202,100	234,402,781	-
Aa3	788,795,228	105,737,117	-
A1	1,279,834,097	226,778,336	-
A2	2,263,307,022	74,958,002	-
A3	2,531,025,922	-	-
Baa1	2,394,608,009	32,274,701	-
Baa2	1,818,527,770	237,841,840	-
Baa3	478,053,786	39,451,796	-
Ba1 or Lower	349,109,850	86,171,645	-
Total	<u>\$ 12,533,399,034</u>	<u>\$ 1,310,726,710</u>	<u>\$ 612,014,062</u>

LABOR AND INDUSTRIES' FUNDS

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE

Foreign Currency Denomination	Investment Type In U.S. Dollar Equivalent	
	Equity Securities	Percent of Total Investments
AUSTRALIAN DOLLAR	\$ 58,833,806	0.3%
BRAZILIAN REAL	14,035,758	0.1%
CANADIAN DOLLAR	100,507,510	0.5%
DANISH KRONE	18,153,076	0.1%
EURO CURRENCY	267,903,219	1.2%
HONG KONG DOLLAR	93,738,926	0.4%
JAPANESE YEN	190,763,551	0.8%
NEW TAIWAN DOLLAR	70,837,319	0.3%
POUND STERLING	116,966,452	0.5%
SAUDI RIYAL	12,861,695	0.1%
SINGAPORE DOLLAR	11,007,488	0.1%
SOUTH AFRICAN RAND	12,269,011	0.1%
SOUTH KOREAN WON	41,960,601	0.2%
SWEDISH KRONA	26,718,862	0.1%
SWISS FRANC	71,597,583	0.3%
YUAN RENMINBI	11,788,770	0.1%
OTHER	61,894,149	0.3%
Total Foreign Currency Exposure	\$ 1,181,837,776	5.5%



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, 2025, 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 29, 2025.

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.

LABOR AND INDUSTRIES' 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 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.

The signature of Eide Bailly LLP is written in a cursive, handwritten style in black ink.

Boise, Idaho

September 29, 2025

eidebailly.com



PERMANENT FUNDS



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, 2025, 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, 2025, 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.

PERMANENT FUNDS

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Permanent Funds, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

PERMANENT FUNDS

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 29, 2025 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.

The logo for Eide Bailly LLP, featuring the firm's name in a stylized, handwritten script.

Boise, Idaho
September 29, 2025

eidebailly.com

PERMANENT FUNDS

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, 2025. 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, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

PERMANENT FUNDS

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 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 \$101.6 million in the fiscal year ending June 30, 2025. Investment income — comprised of interest and dividend income net of investment expenses — of \$42.8 million was earned and subsequently distributed to the Permanent Fund beneficiaries, the Washington State colleges and universities. Market-related gains increased the NAV by \$89.1 million, or 6.8 percent, the result of positive investment returns for the fiscal year. Contributions (or corpus) of \$12.5 million received for investment from the Department of Natural Resources (DNR) on behalf of the Permanent Funds increased the NAV by 0.9 percent.

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				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 Restricted 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%
Investment Income:										
Interest, Dividends, and Other Investment Income	19,906	29,609,639	13,439,610	43,069,155	44,030	25,178,485	11,921,320	37,143,835	5,925,320	16.0%
Net Realized and Unrealized Gains (Losses)	-	17,727,932	71,411,511	89,139,443	-	(4,236,721)	86,828,773	82,592,052	6,547,391	7.9%
Less: Investment Expenses	(1,186)	(135,868)	(102,859)	(239,913)	(1,838)	(120,690)	(91,265)	(213,793)	26,120	12.2%
Net Investment Income	18,720	47,201,703	84,748,262	131,968,685	42,192	20,821,074	98,658,828	119,522,094	12,446,591	10.4%
Net Contributions and Rebalancing Transfers	1,927,054	37,548,573	(26,998,627)	12,477,000	(346,496)	64,184,227	(44,230,731)	19,607,000	(7,130,000)	-36.4%
Net Income Distributions	(26,871)	(29,456,705)	(13,338,125)	(42,821,701)	(46,548)	(25,041,774)	(11,831,585)	(36,919,907)	5,901,794	16.0%
Ending Restricted Fiduciary Net Investment Position (*)	\$ 2,798,392	\$ 804,128,042	\$ 610,069,600	\$ 1,416,996,034	\$ 879,489	\$ 748,834,471	\$ 565,658,090	\$ 1,315,372,050	\$ 101,623,984	7.7%
Increase in Restricted Fiduciary Net Investment Position	\$ 1,918,903	\$ 55,293,571	\$ 44,411,510	\$ 101,623,984						
Percent Change in Restricted Fiduciary Net Investment Position	218.2%	7.4%	7.9%	7.7%						
One Year Time Weighted Return - June 30, 2025	5.9%	6.2%	15.4%	10.2%						
One Year Time Weighted Return - June 30, 2024	5.2%	2.9%	20.4%	9.9%						

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

PERMANENT FUNDS

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 \$12.4 million, or 10.4 percent, during the current fiscal year, primarily due to stronger returns in the debt portfolios. The Permanent Funds posted a total return of 10.2 percent, 25 basis points higher than the previous year, leading to a 7.9 percent increase in market-related gains. Distributable investment income paid to beneficiaries rose by 16.0 percent, driven by higher interest rates earned in the debt portfolio, which significantly offset lower dividend yields earned in the equity portfolio. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

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 56.7 percent of the invested balances and is managed to maximize interest income to support the operations of beneficiaries and preserve long-term purchasing power stability.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads — decreases in the difference between corporate and government bond yields — reflected improved market confidence and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points. Credit spreads also tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 6.2 percent, outperforming its benchmark, the Bloomberg U.S. Aggregate Index, which returned 6.1 percent over the same period. An overweight allocation to emerging market credit contributed to this outperformance, as spreads in that sector narrowed more significantly than in investment grade debt.

Interest income net of investment expenses of \$29.5 million earned during the current year was distributed to the income beneficiaries, an increase of \$4.4 million, or 17.6 percent, over the prior fiscal year. The average coupon rate, a measure of the annual interest rates paid by bond issuers, increased to 3.7 percent by fiscal year end, an increase of 52 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 43.1 percent of the invested balances and is managed to maximize dividend income to support the operations of beneficiaries and preserve long-term purchasing power stability.

The CMEF invests in a mix of U.S. and non-U.S. developed market stocks. Its performance is measured against the MSCI World Investable Market Index (MSCI World IMI) with U.S. Gross, a broad market benchmark that measures performance of equity markets in developed countries around the world.

PERMANENT FUNDS

The strategy is designed to provide an above benchmark dividend yield to support distributions to the beneficiaries, while also aiming to minimize realized capital gains by keeping portfolio turnover low. Over the past 12 months, the portfolio's dividend yield was 2.1 percent, which is 1.2 times higher than the benchmark yield of 1.8 percent.

During the current fiscal year, the portfolio returned 15.4 percent, slightly underperforming the benchmark return of 16.4 percent. Despite this modest underperformance, mainly driven by the performance of specific stocks, the portfolio met its primary objective of generating above benchmark dividend income. Overall, the funds' results were in line with expectations.

Dividend income net of investment expenses of \$13.3 million earned during the current fiscal year was distributed to the income beneficiaries, an increase of \$1.5 million, or 12.7 percent, from the prior year. The dividend yield, a measure of the annual dividend income paid to investors, decreased by 11 basis points to 2.1 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.

Contributions and Asset Allocation Rebalancing:

Additional investment capital (corpus) of \$12.5 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.

WSIB staff manage the portfolio in alignment with investment policy, rebalancing assets as market conditions shift. During the current fiscal year, \$27.0 million was liquidated from the equity portfolio and the proceeds were reinvested in debt securities to realign the investment holdings with strategic allocation 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, investment returns, interest rates, and dividend yields.

PERMANENT FUNDS

PERMANENT FUNDS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

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	\$ 22,842	\$ 797,106	\$ 1,233,169	\$ 72,199	\$ 667,209	\$ 4,969	\$ 2,797,494	0.2%
DEBT SECURITIES	318,894	188,924,789	211,226,973	161,280,382	213,605,518	28,771,493	804,128,049	56.7%
EQUITY SECURITIES	-	143,588,607	160,973,252	122,917,604	160,631,956	21,958,178	610,069,597	43.1%
Total Investments	341,736	333,310,502	373,433,394	284,270,185	374,904,683	50,734,640	1,416,995,140	100.0%
Investment Earnings Receivable	934	859,039	961,744	733,736	966,972	130,971	3,653,396	
Total Assets	342,670	334,169,541	374,395,138	285,003,921	375,871,655	50,865,611	1,420,648,536	
LIABILITIES								
Distributions and Other Payables	934	858,596	960,924	733,849	967,227	130,972	3,652,502	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	<u>\$ 341,736</u>	<u>\$ 333,310,945</u>	<u>\$ 373,434,214</u>	<u>\$ 284,270,072</u>	<u>\$ 374,904,428</u>	<u>\$ 50,734,639</u>	<u>\$ 1,416,996,034</u>	

PERMANENT FUNDS

PERMANENT FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	American Indian Scholarship Endowment	Agricultural School	Normal School	Common School	Scientific School	State University	Total
Additions:							
Investment Income							
Interest, Dividends and Other Investment Income	\$ 12,920	\$ 10,133,646	\$ 11,364,103	\$ 8,660,968	\$ 11,349,676	\$ 1,547,842	\$ 43,069,155
Net Realized and Unrealized Gains on Investments	7,036	20,972,661	23,491,046	18,007,499	23,441,228	3,219,973	89,139,443
Less:							
Investment Expenses	(45)	(976)	(954)	(706)	(1,253)	(127)	(4,061)
WSIB Operating Expenses	(57)	(55,484)	(62,242)	(47,489)	(62,091)	(8,489)	(235,852)
Net Investment Income	19,854	31,049,847	34,791,953	26,620,272	34,727,560	4,759,199	131,968,685
Other Additions (Deductions):							
Contributions	-	3,425,000	2,109,000	802,000	6,125,000	16,000	12,477,000
Net Income Distributions	(5,107)	(10,078,236)	(11,300,215)	(8,612,759)	(11,286,110)	(1,539,274)	(42,821,701)
Increase in Restricted Fiduciary Net Investment Position	14,747	24,396,611	25,600,738	18,809,513	29,566,450	3,235,925	101,623,984
RESTRICTED 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
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 341,736	\$ 333,310,945	\$ 373,434,214	\$ 284,270,072	\$ 374,904,428	\$ 50,734,639	\$ 1,416,996,034

PERMANENT FUNDS

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.

PERMANENT FUNDS

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 \$0.9 million. Securities lending expenses during the fiscal year totaled \$0.8 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.

PERMANENT FUNDS

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, 2025, 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, 2025. 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, 2025, 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, 2025.

PERMANENT FUNDS

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, 2025, the fair value of the securities on loan in the CMEF was approximately \$30.7 million. The securities on loan are reported in Schedule 3 in their respective categories. At June 30, 2025, cash collateral received totaling \$21.2 million was reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling \$21.2 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, 2025, was \$32.1 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, 2025.

	Summarized Change in Securities on Loan and Collateral (\$ Millions)			
	Cash Collateral	Non-Cash Collateral	Total	
Yankee Certificate of Deposit	\$ 4.5	\$ -	\$	4.5
Commercial Paper	5.1	-		5.1
U.S. Treasuries	-	10.9		10.9
Cash Equivalents and other	11.6	-		11.6
Total Collateral Held	\$ 21.2	\$ 10.9	\$	32.1

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, 2025, the collateral held had an average duration of 15.5 days and an average weighted final maturity of 70.5 days. Because the securities lending agreements

PERMANENT FUNDS

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, 2025, the only derivative instrument securities were \$10.2 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

PERMANENT FUNDS

managed by WSIB investment operations, 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 5 days verified to current market status.

The following table presents fair value measurements as of June 30, 2025:

	Fair Value
INVESTMENTS - PERMANENT FUNDS	
INVESTMENTS MEASURED AT NET ASSET VALUE	
Commingled Monthly Bond Fund	\$ 804,128,049
Commingled Monthly Equity Fund	610,069,597
Total Investments at Net Asset Value	1,414,197,646
Total Investments Measured at Fair Value	<u>\$ 1,414,197,646</u>

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 ACWI IMI with U.S. Gross and the Bloomberg U.S. Aggregate 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.

PERMANENT FUNDS

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.

PERMANENT 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.

PERMANENT FUNDS

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%	55-65%
Global Equity	40%	35-45%

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.

PERMANENT FUNDS

SCHEDULE 1

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

Investment Type	Total Fair Value	Maturity				Effective Duration*	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Corporate Bonds	\$ 362,979,874	\$ 22,705,460	\$ 120,159,900	\$ 127,862,150	\$ 92,252,364	6.8	Schedule 2
Foreign Government and Agency Securities	32,104,657	14,769,948	4,891,186	4,515,023	7,928,500	5.0	Schedule 2
Mortgage and Other Asset-Backed Securities	153,458,941	889	69,856,350	83,601,702	-	4.5	Schedule 2
U.S. Government and Agency Securities	234,970,899	4,984,180	54,812,500	77,660,156	97,514,063	8.7	Aa1
Total Debt Securities	783,514,371	\$ 42,460,477	\$ 249,719,936	\$ 293,639,031	\$ 197,694,927	6.8	
Assets Not Required to be Categorized							
Cash and Cash Equivalents	15,881,844						
Investment Earnings Receivable	6,896,397						
CMBF Total Assets	806,292,612						
Less: CMBF Distributions and other payables	(2,164,563)						
CMBF Restricted Fiduciary Net Investment Position - June 30,	\$ 804,128,049						

* Duration excludes cash and cash equivalents

PERMANENT FUNDS

SCHEDULE 2

COMMINGLED MONTHLY BOND FUND CREDIT RATING (MOODY'S)

Moody's Equivalent Credit Rating	Investment Type		
	Corporate Bonds	Foreign Government and Agency Securities	Mortgage and Other Asset-Backed Securities
Aaa	\$ -	\$ -	\$ 14,202,258
Aa1	3,106,100	4,916,646	139,256,683
Aa2	4,930,700	9,879,915	-
Aa3	14,601,250	-	-
A1	20,904,860	12,671,897	-
A2	60,913,140	-	-
A3	89,629,350	-	-
Baa1	92,002,574	-	-
Baa2	67,733,450	4,636,199	-
Baa3	9,158,450	-	-
Total	\$ 362,979,874	\$ 32,104,657	\$ 153,458,941

PERMANENT FUNDS

SCHEDULE 3

COMMINGLED MONTHLY EQUITY FUND SCHEDULE OF FIDUCIARY NET INVESTMENT POSITION

	Total Fair Value
ASSETS	
Investments	
Cash and Cash Equivalents	\$ 1,683,849
Common and Preferred Stock	594,486,004
Real Estate Investment Trusts	12,711,066
Depository Receipts and Other Miscellaneous	1,339,770
Total Investments	610,220,689
Collateral Held Under Securities Lending Agreements	21,236,253
Income and Other Receivables	1,515,812
Total Assets	632,972,754
LIABILITIES	
Obligations Under Securities Lending Agreements	21,236,253
Distributions and Other Payables	1,666,904
Total Liabilities	22,903,157
CMEF Restricted Fiduciary Net Investment Position June 30, 2025	\$ 610,069,597

PERMANENT FUNDS

SCHEDULE 4

COMMINGLED MONTHLY EQUITY FUND SCHEDULE OF FOREIGN CURRENCY

Foreign Currency Denomination	Investment Type In U.S. Dollar Equivalent			
	Cash and Cash Equivalents	Equity Securities	Total	Percent of Total CMEF Funds Investments
AUSTRALIAN DOLLAR	\$ 10,475	\$ 12,294,880	\$ 12,305,355	2.0%
CANADIAN DOLLAR	9,474	16,709,194	16,718,668	2.7%
DANISH KRONE	2,165	2,207,713	2,209,878	0.4%
EURO CURRENCY	6,488	52,288,987	52,295,475	8.6%
JAPANESE YEN	87,805	35,409,617	35,497,422	5.8%
POUND STERLING	(9,307)	24,489,205	24,479,898	4.0%
SWEDISH KRONA	1,904	6,050,120	6,052,024	1.0%
SWISS FRANC	23,951	12,706,882	12,730,833	2.1%
OTHER	13,971	6,820,165	6,834,136	1.1%
Total Foreign Currency Exposure	\$ 146,926	\$ 168,976,763	\$ 169,123,689	27.7%



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, 2025, 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 29, 2025.

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.

PERMANENT 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 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.



Boise, Idaho

September 29, 2025

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LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT



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, 2025, 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 Long-Term Services and Supports Trust Account as of June 30, 2025, 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 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.

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LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Long-Term Services and Supports Trust Account, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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 29, 2025 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.



Boise, Idaho

September 29, 2025

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LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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, 2025. 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 for the year ended June 30, 2025. The summarized change in fiduciary net investment position table summarizes the changes for the fiscal year, and it compares investment performance, the results of financial operations, and other relevant information between June 30, 2024, and June 30, 2025. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the WA Cares Fund fiduciary net investment position, commonly called net asset value or NAV, increased by \$1,533.7 million in the fiscal year ending June 30, 2025, largely due to contributions of \$1,425.5 million received and invested during the current fiscal year. Investment income — comprised of interest income net of investment expenses — of \$79.5 million was reinvested in the fund, increasing the NAV by 8.4 percent.

Summarized Change in Fiduciary Net Investment Position and Returns				
WA Cares Fund				
Fiscal Year End June 30, 2025	Since Inception Through June 30, 2024	Year Over Year Change		
		Increase (Decrease)	Percent Change	
Beginning Restricted Fiduciary Net Investment Position (*)	\$ 945,855,544	\$ -	\$ 945,855,544	N/A
Interest Income Net of Expenses	79,544,424	14,792,228	64,752,196	437.7%
Net Realized and Unrealized Gains (Losses)	28,749,813	(1,489,964)	30,239,777	2029.6%
Net Investment Income	108,294,237	13,302,264	94,991,973	714.1%
Contributions	1,425,452,868	932,553,280	492,899,588	52.9%
Ending Restricted Fiduciary Net Investment Position (*)	\$ 2,479,602,649	\$ 945,855,544	\$ 1,533,747,105	162.2%
Increase in Restricted Fiduciary Net Investment Position	\$ 1,533,747,105			
One Year Time Weighted Return - June 30, 2025				7.3%
Since Inception Time Weighted Return - June 30, 2024				2.8%

(*) Restricted fiduciary net investment position includes accrued income, accrued expenses, and pending trades

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

The following summary highlights significant changes in fiduciary net investment position in the previous table:

Net investment income increased by \$95.0 million in the current fiscal year, reflecting the first full year of investment returns generated by the newly established fund. The WA Cares Fund returned 7.3 percent during the fiscal year and was invested solely in fixed income (debt) securities. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

Debt Securities Returns:

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads— decreases in the difference between corporate and government bond yields—reflected improved market confidence and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the interest rates on the 10-year U.S. Treasury fell by 17 basis points. Credit spreads also tightened: investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 7.3 percent, outperforming its benchmark, the Bloomberg U.S. Universal Bond Index, which returned 6.5 percent. The narrowing of the credit spreads and the portfolio's overweight to emerging market credit, contributed to this out performance.

Interest and Other Investment Income:

The average coupon rate, a measure of the annual interest rates paid by bond issuers, decreased to 4.9 percent by fiscal year end, a decrease of 14 basis points over the prior year. The slight decrease was attributable to the timing of cash flows received and invested throughout the fiscal year, along with the current fiscal year representing the first full year of investment activity.

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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

LTSS TRUST ACCOUNT STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

		Percent of Total
ASSETS		
Investments		
CASH AND CASH EQUIVALENTS		
Short Term Investment Funds	\$ 10,372,979	0.4%
DEBT SECURITIES		
Corporate Bonds	1,469,328,493	
Foreign Government and Agency Securities	129,419,167	
Mortgage and Other Asset-Backed Securities	132,301,172	
U.S. Government and Agency Securities	717,673,073	
Total Debt Securities	2,448,721,905	99.6%
Total Investments	2,459,094,884	100.0%
Investment Earnings Receivable	30,492,846	
Total Assets	2,489,587,730	
LIABILITIES		
Pending Trades and Other Investment Payables	9,985,081	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	<u>\$ 2,479,602,649</u>	

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

LTSS TRUST ACCOUNT STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

Additions:	
Investment Income	
Interest, Dividends and Other Investment Income	\$ 79,994,499
Net Realized and Unrealized Gains on Investments	28,749,813
Less:	
Investment Expenses	(184,759)
WSIB Operating Expenses	(265,316)
Net Investment Income	<u>108,294,237</u>
Other Additions:	
Contributions	<u>1,425,452,868</u>
Increase in Restricted Fiduciary Net Investment Position	<u>1,533,747,105</u>
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	<u>945,855,544</u>
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	<u><u>\$ 2,479,602,649</u></u>

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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 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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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, 2025, 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, 2025. 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

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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, 2025, 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, 2025.

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, 2025, 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 WSIB investment operations, 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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

The following table presents the WA Cares Fund fair value measurements as of June 30, 2025:

		Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS					
DEBT SECURITIES					
Corporate Bonds	\$1,469,328,493	\$ -	\$1,469,328,493	\$ -	
Foreign Government and Agency Securities	129,419,167	-	129,419,167	-	
Mortgage and Other Asset-Backed Securities	132,301,172	-	132,301,172	-	
U.S. Government and Agency Securities	717,673,073	-	717,673,073	-	
Total Debt Securities and Investments Measured at Fair Value	\$2,448,721,905	\$ -	\$2,448,721,905	\$ -	

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 the Department of Social and Health Services (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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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%

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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.

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity				Effective Duration *	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Corporate Bonds	\$ 1,469,328,493	\$ 8,005,860	\$ 494,550,320	\$ 725,160,425	\$ 241,611,888	6.4	Schedule 2
Foreign Government and Agencies	129,419,167	-	30,378,685	54,715,968	44,324,514	7.8	Schedule 2
Mortgage and Other Asset-Backed Securities	132,301,172	-	-	132,301,172	-	4.9	Aa1
U.S. Government and Agency Securities	717,673,073	70,630,884	406,506,720	90,711,719	149,823,750	5.6	Aa1
	2,448,721,905	\$ 78,636,744	\$ 931,435,725	\$ 1,002,889,284	\$ 435,760,152	6.2	
Investments Not Required to be Categorized							
Cash and Cash Equivalents	10,372,979						
Total Investments	\$ 2,459,094,884						

* Duration excludes cash and cash equivalents

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

SCHEDULE 2

ADDITIONAL CREDIT RATINGS DISCLOSURE

Moody's Equivalent Credit Rating	Investment Type	
	Corporate Bonds	Foreign Government and Agency Securities
Aaa	\$ 25,595,600	\$ -
Aa1	-	10,176,282
Aa2	9,796,650	17,493,783
Aa3	94,377,250	14,920,307
A1	79,343,822	7,145,073
A2	219,388,680	4,328,723
A3	290,355,173	-
Baa1	242,242,700	9,052,902
Baa2	252,903,880	44,200,912
Baa3	107,919,728	10,252,823
Ba1 or Lower	147,405,010	11,848,362
Total	<u>\$ 1,469,328,493</u>	<u>\$ 129,419,167</u>

LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT



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 year ended June 30, 2025, 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 29, 2025.

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.

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LONG-TERM SERVICES AND SUPPORTS TRUST ACCOUNT

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 29, 2025

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GUARANTEED EDUCATION TUITION FUND



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, 2025, 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, 2025, 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.

GUARANTEED EDUCATION TUITION FUND

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Guaranteed Education Tuition Fund, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

GUARANTEED EDUCATION TUITION FUND

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 29, 2025 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.



Boise, Idaho
September 29, 2025

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GUARANTEED EDUCATION TUITION FUND

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, 2025. 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, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

GUARANTEED EDUCATION TUITION FUND

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 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 \$138.9 million, in the fiscal year ending June 30, 2025. Investment income — comprised of interest and dividend income net of investment expenses — totaled \$13.7 million and was reinvested across the asset classes, contributing to the NAV increase. Market-related gains added \$179.6 million, or 10.2 percent, reflecting strong investment performance for the fiscal year. These gains were partially offset by \$54.3 million in participants withdrawals from both the debt and equity portfolios, which reduced the NAV 3.1 percent compared to the prior fiscal year.

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				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 Restricted 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%
Investment Income:										
Interest, Dividends, and Other Investment Income	431,137	-	14,986,029	15,417,166	431,560	-	15,194,221	15,625,781	(208,615)	-1.3%
Net Realized and Unrealized Gains	-	80,774,696	98,794,765	179,569,461	-	52,487,641	108,258,165	160,745,806	18,823,655	11.7%
Less: Investment Expenses	(21,317)	(179,184)	(1,529,759)	(1,730,260)	(18,571)	(157,901)	(1,198,546)	(1,375,018)	355,242	25.8%
Net Investment Income	409,820	80,595,512	112,251,035	193,256,367	412,989	52,329,740	122,253,840	174,996,569	18,259,798	10.4%
Net Withdrawals and Rebalancing Transfers	7,106,904	42,179,183	(103,600,967)	(54,314,880)	(5,094,226)	(3,842,100)	(26,628,734)	(35,565,060)	18,749,820	52.7%
Ending Restricted Fiduciary Net Investment Position (**)	\$ 19,938,635	\$ 1,096,829,889	\$ 776,179,028	\$ 1,892,947,552	\$ 12,421,911	\$ 974,055,194	\$ 767,528,960	\$ 1,754,006,065	\$ 138,941,487	7.9%
Increase in Restricted Fiduciary Net Investment Position	\$ 7,516,724	\$ 122,774,695	\$ 8,650,068	\$ 138,941,487						
Percent Change in Restricted Fiduciary Net Investment Position	60.5%	12.6%	1.1%	7.9%						
One Year Time Weighted Return - June 30, 2025	4.6%	8.0%	16.2%	11.3%						
One Year Time Weighted Return - June 30, 2024	5.3%	5.8%	18.8%	11.2%						

(*) Includes cash balances used for trading purposes

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

GUARANTEED EDUCATION TUITION FUND

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 \$18.3 million, or 10.4 percent during the current fiscal year, primarily driven by higher returns on debt securities, resulting in increased market-related gains. This improvement was partially offset by a decline in equity-related gains, as returns on equity securities fell by 2.6 percentage points compared to the prior year. Overall, the GET Fund's total return rose by 16 basis points year over year, contributing to a \$18.8 million increase in market-related gains. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current 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.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads, which are decreases in the difference between corporate and government bond yields, reflected improved market confidence during the fiscal year and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points and credit spreads tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 8.0 percent, outperforming its benchmark, the Bloomberg U.S. Intermediate Credit Index, which returned 7.6 percent. The portfolio's overweighting to emerging market credit as compared to the benchmark contributed to this outperformance, as those spreads narrowed more significantly than others.

Equity Securities Returns:

The GET global equity portfolio is passively managed to closely track the performance of the MSCI ACWI IMI with U.S. Gross, which is a broad measure of global stock market performance across both developed and emerging markets. The portfolio returned 16.2 percent for the fiscal year, matching the benchmark's return. These results are consistent with return expectations for a passively managed portfolio designed to mirror overall market returns.

Net Contribution and Withdrawals and Asset Allocation Rebalancing:

The GET Fund makes contributions to and withdrawals from invested balances based on participant investment decisions. During the fiscal year, net withdrawals totaled \$54.3 million, representing a 52.7 percent increase compared to the prior year. These withdrawals were primarily funded through the liquidation of debt and equity securities. Contribution and withdrawal activity are impacted by participants' need to fund college tuition but can also be influenced by factors such as unexpected expenses, investor confidence, interest rates, and market volatility. As a result, participant activity can vary significantly from year to year.

GUARANTEED EDUCATION TUITION FUND

The WSIB, in collaboration with the GET Fund’s Committee on Advanced Tuition Payment and College Savings, oversees asset allocation decisions for the GET Fund investments. WSIB staff manage the portfolio in alignment with investment policy, rebalancing assets as market conditions shift. During the current fiscal year, a net of \$78.0 million was liquidated from the equity portfolio and the proceeds were reinvested in debt securities to realign the investment holdings with strategic allocation targets of 60 percent fixed income and 40 percent equities.

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 18.3 percent, and collateral held under securities lending agreements increased accordingly.

General collateral loans accounted for a larger share of total lending activity, as demand for "specials" — securities that are scarce and in high demand — declined due to rising market uncertainty in late 2024 and early 2025. This shift was driven by geopolitical factors, including uncertainty surrounding the U.S. elections and new tariff announcements. By fiscal year end, equity markets rebounded sharply after the administration paused tariff implementation and passed legislation addressing tax policy and fiscal spending, leading to renewed investor confidence and increased securities lending activity.

	June 30, 2025	June 30, 2024	Increase	Percent Change
Securities on Loan Fiscal Year End	\$ 38,580,010	\$ 32,601,038	\$ 5,978,972	18.3%
Cash Collateral Held Under Securities Lending Agreements	29,328,350	25,032,426	4,295,924	
Non-Cash Collateral Held Under Securities Lending Agreements	10,599,600	9,221,594	1,378,006	
Total Collateral Held	\$ 39,927,950	\$ 34,254,020	\$ 5,673,930	16.6%

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

GUARANTEED EDUCATION TUITION FUND

GET FUND STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

		Percent of Total
ASSETS		
Investments		
CASH AND CASH EQUIVALENTS	\$ 25,556,386	1.4%
DEBT SECURITIES		
Commingled Intermediate Credit	1,096,829,889	
Total Debt Securities	1,096,829,889	58.0%
EQUITY SECURITIES		
Common and Preferred Stock	750,374,814	
Real Estate Investment Trusts	15,158,427	
Depository Receipts and Other	3,108,852	
Total Equity Securities	768,642,093	40.6%
Total Investments	1,891,028,368	100.0%
Collateral Held Under Securities Lending Agreements	29,328,350	
Pending Trades and Other Investment Receivables	2,122,391	
Total Assets	1,922,479,109	
LIABILITIES		
Obligations Under Securities Lending Agreements	29,328,350	
Pending Trades and Other Investment Payables	203,207	
Total Liabilities	29,531,557	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 1,892,947,552	

GUARANTEED EDUCATION TUITION FUND

GET FUND STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

Additions:

Investment Income	
Interest, Dividends and Other Investment Income	\$ 14,423,582
Securities Lending Income	993,584
Net Realized and Unrealized Gains on Investments	179,569,461

Less:

Securities Lending Rebates and Fees	(896,547)
Investment Expenses	(522,597)
WSIB Operating Expenses	(311,116)

Net Investment Income 193,256,367

Other Deductions:

Net Withdrawals	(54,314,880)
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Increase in Restricted Fiduciary Net Investment Position 138,941,487

RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024 1,754,006,065

RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025 \$ 1,892,947,552

GUARANTEED EDUCATION TUITION FUND

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 the fiscal year was \$1.0 million. Securities lending expenses during the fiscal year totaled \$0.9 million.

GUARANTEED EDUCATION TUITION FUND

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, 2025, 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, 2025. 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.

GUARANTEED EDUCATION TUITION FUND

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, 2025, 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, 2025.

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, 2025.

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 the 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, 2025, was approximately \$38.6 million. The securities on loan remain in the Statement of Fiduciary Net Investment Position in their respective categories. At June 30, 2025, cash collateral received totaling \$29.3 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling \$29.3 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, 2025, was \$39.9 million.

GUARANTEED EDUCATION TUITION FUND

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, 2025.

	Summarized Change in Securities on Loan and Collateral (\$ Millions)		
	Cash Collateral	Non-Cash Collateral	Total
Yankee Certificate of Deposit	\$ 6.2	\$ -	\$ 6.2
Commercial Paper	7.1	-	7.1
U.S. Treasuries	-	10.6	10.6
Cash Equivalents and Other	16.0	-	16.0
Total Collateral Held	\$ 29.3	\$ 10.6	\$ 39.9

During the current fiscal year, securities lending transactions could be terminated on demand by either the GET Fund or the borrower. As of June 30, 2025, the cash collateral held had an average duration of 15.5 days and an average weighted final maturity of 70.5 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. 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, 2025, the derivative instruments held by the GET Fund are considered investment derivative instruments and not hedging derivative instruments for accounting purposes.

GUARANTEED EDUCATION TUITION FUND

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, 2025, 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, 2025, 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.

	Classification	Changes in Fair Value - Included in	Fair Value at June 30, 2025 -	Notional
		Investment Income	Investment Derivative Instrument	
		Amount	Amount	
FUTURES CONTRACTS:				
Equity Index Futures	Investment	\$ 596,795	\$ 151,712	2,400

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 WSIB investment operations, 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.

GUARANTEED EDUCATION TUITION FUND

The following table presents fair value measurements as of June 30, 2025:

	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
INVESTMENTS				
EQUITY SECURITIES	\$ 768,642,093	\$ 767,623,604	\$ 751,672	\$ 266,817
Total Investments By Fair Value Level	768,642,093	767,623,604	751,672	266,817
INVESTMENTS MEASURED AT NET ASSET VALUE				
Commingled Intermediate Credit	1,096,829,889			
Total Investments Measured at Fair Value	<u>\$ 1,865,471,982</u>			
OTHER ASSETS (LIABILITIES) AT FAIR VALUE				
Collateral Held Under Securities Lending Agreements	\$ 29,328,350	\$ -	\$ 29,328,350	\$ -
Margin Variation Receivable - Futures Contracts	151,712	151,712	-	-
Obligations Under Securities Lending Agreements	(29,328,350)	-	(29,328,350)	-
Total Other Assets (Liabilities) Measured at Fair Value	<u>\$ 151,712</u>	<u>\$ 151,712</u>	<u>\$ -</u>	<u>\$ -</u>

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.

GUARANTEED EDUCATION TUITION FUND

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.

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.

GUARANTEED EDUCATION TUITION FUND

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.

GUARANTEED EDUCATION TUITION FUND

ASSET ALLOCATION

The asset allocation will be reviewed every 4 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, 2025. 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%

GUARANTEED EDUCATION TUITION FUND

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity				Effective Duration*	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Commingled Intermediate Credit	\$ 1,096,829,889	\$ 94,702,485	\$ 498,504,050	\$ 464,922,339	\$ 38,701,015	4.8	Schedule 2
Investments Not Required to be Categorized							
Equity Securities	768,642,093						
Cash and Cash Equivalents	25,556,386						
Total Investments Not Categorized	794,198,479						
Total Investments	\$ 1,891,028,368						

* Duration excludes cash and cash equivalents

GUARANTEED EDUCATION TUITION FUND

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit	
	Total Fair Value	
Aaa	\$	6,094,446
Aa1		24,030,728
Aa2		23,995,322
Aa3		28,250,469
A1		73,989,807
A2		159,409,017
A3		220,805,980
Baa1		189,512,577
Baa2		235,442,196
Baa3		129,250,198
Ba1 or Lower		6,049,149
Total	\$	<u>1,096,829,889</u>

GUARANTEED EDUCATION TUITION FUND

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE BY CURRENCY

Foreign Currency Denomination	Investment Type In U.S. Dollar Equivalent			
	Cash and Cash Equivalents	Equity Securities	Total	Percent of Total GET Funds Investments
AUSTRALIAN DOLLAR	\$ 57,294	\$ 13,235,637	\$ 13,292,931	0.7%
CANADIAN DOLLAR	90,039	21,910,561	22,000,600	1.2%
DANISH KRONE	30,601	4,300,194	4,330,795	0.2%
EURO CURRENCY	191,761	60,260,916	60,452,677	3.3%
HONG KONG DOLLAR	162,453	21,802,236	21,964,689	1.2%
INDIAN RUPEE	179,596	15,856,917	16,036,513	0.8%
JAPANESE YEN	567,665	42,535,266	43,102,931	2.4%
NEW TAIWAN DOLLAR	367,134	15,642,502	16,009,636	0.8%
POUND STERLING	200,492	27,189,335	27,389,827	1.4%
SOUTH KOREAN WON	17,882	9,280,056	9,297,938	0.5%
SWEDISH KRONA	119,674	6,420,580	6,540,254	0.3%
SWISS FRANC	46,856	15,867,708	15,914,564	0.8%
OTHER	1,975,610	26,729,873	28,705,483	1.5%
Total Foreign Currency Exposure	\$ 4,007,057	\$ 281,031,781	\$ 285,038,838	15.1%



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, 2025, 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 29, 2025.

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.

GUARANTEED EDUCATION TUITION FUND

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho

September 29, 2025

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VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WASHINGTON STATE INVESTMENT BOARD

OLYMPIA, WASHINGTON

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds (which are comprised of the Volunteer Firefighters' Relief and Pension Principal and Reserve Officers' Relief and Pension Principal) of the state of Washington as managed by the Washington State Investment Board (the VFFRO Funds) which comprise the statement of fiduciary net investment position as of June 30, 2025, 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 VFFRO Funds as of June 30, 2025, 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 VFFRO 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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VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the VFFRO Funds, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 VFFRO 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.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

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 29, 2025 on our consideration of the VFFRO 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 VFFRO 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 VFFRO Funds' internal control over financial reporting and compliance.



Boise, Idaho
September 29, 2025

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VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds (VFFRO Funds), 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 VFFRO 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 VFFRO Funds, as of June 30, 2025. 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 VFFRO Funds, for the year ended June 30, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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 VFFRO Funds. In prior years, the financial activity of the VFFRO Funds was reported within the WSIB Retirement Funds' financial statements. This is the first year the VFFRO Funds are presented separately in their own independent financial statements. See Note 5 for additional information.

GENERAL MARKET COMMENTARY

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, the VFFRO Funds' fiduciary net investment position, commonly called net asset value or NAV, increased by \$32.8 million in the fiscal year ending June 30, 2025. Market-related gains added \$35.9 million, an increase of 13.7 percent, reflecting strong investment performance for the fiscal year. These gains were partially offset by \$3.0 million in withdrawals primarily from the equity portfolio, which reduced the NAV 1.1 percent compared to the prior fiscal year.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				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 Restricted Fiduciary Net Investment Position (**)	\$ 412,146	\$ 67,990,392	\$ 192,824,330	\$ 261,226,868	\$ 1,002,437	\$ 64,292,254	\$ 167,546,077	\$ 232,840,768	\$ 28,386,100	12.2%
Investment Income:										
Interest, Dividends, and Other Investment Income	27,225	-	10,040	37,265	74,640	-	12,552	87,192	(49,927)	-57.3%
Net Realized and Unrealized Gains	-	6,032,246	29,834,273	35,866,519	-	3,698,138	30,357,194	34,055,332	1,811,187	5.3%
Less: Investment Expenses	(1,216)	(13,871)	(70,913)	(86,000)	(1,870)	(11,468)	(100,174)	(113,512)	(27,512)	-24.2%
Net Investment Income	26,009	6,018,375	29,773,400	35,817,784	72,770	3,686,670	30,269,572	34,029,012	1,788,772	5.3%
Net Withdrawals and Rebalancing Transfers	(267,950)	12,128,870	(14,839,687)	(2,978,767)	(663,061)	11,468	(4,991,319)	(5,642,912)	(2,664,145)	-47.2%
Ending Restricted Fiduciary Net Investment Position (**)	\$ 170,205	\$ 86,137,637	\$ 207,758,043	\$ 294,065,885	\$ 412,146	\$ 67,990,392	\$ 192,824,330	\$ 261,226,868	\$ 32,839,017	12.6%
Increase (Decrease) in Restricted Fiduciary Net Investment Position	\$ (241,941)	\$ 18,147,245	\$ 14,933,713	\$ 32,839,017						
Percent Change in Restricted Fiduciary Net Investment Position	-58.7%	26.7%	7.7%	12.6%						
One Year Time Weighted Return - June 30, 2025	4.5%	8.0%	16.1%	13.8%						
One Year Time Weighted Return - June 30, 2024	5.5%	5.8%	18.6%	14.9%						

(*) Includes cash balances used for trading purposes

(**) Restricted 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 \$1.8 million, or 5.3 percent during the current fiscal year, primarily driven by higher returns on debt securities, resulting in increased market-related gains. This improvement was partially offset by a decline in equity-related gains, as returns on equity securities fell by 242 basis points compared to the prior year. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

Debt Securities Returns:

The VFFRO Funds invest 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.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads, which are decreases in the difference between corporate and government bond yields, reflected improved market confidence during the fiscal year and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points and credit spreads tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 8.0 percent, outperforming its benchmark, the

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

Bloomberg U.S. Intermediate Credit Index, which returned 7.6 percent. The portfolio's overweighting to emerging market credit as compared to the benchmark contributed to this outperformance, as those spreads narrowed more significantly than others.

Equity Securities Returns:

The VFFRO Funds' global equity portfolios are passively managed and structured to closely track the performance of their benchmark, the MSCI ACWI IMI with U.S. Gross — a comprehensive measure of global equity market performance.

As of fiscal year end, the individual VFFRO Funds, Volunteer Firefighters' Relief and Pension Principal Fund (VFFRPF) and Reserve Officers' Relief and Pension Principal Fund (RORPF), reported returns of 16.1 and 17.0 percent, respectively. The composite return for both funds is 16.1 percent and was consistent with the benchmark return over the same period. The differences between individual funds are primarily due to the timing of cash flows. Overall, the results align with expectations for passively managed equity strategies.

Net Contributions, Withdrawals, and Asset Allocation Rebalancing:

The State Board for Volunteer Firefighters and Reserve Officers (BVFF) administers the operational aspects of the VFFRPF and RORPF programs, including making contributions to and withdrawals from invested balances based on participant investment decisions. During the current fiscal year, BVFF requested net withdrawals of \$3.0 million which were primarily funded through the liquidation of equity securities.

The WSIB, in collaboration with BVFF, oversees asset allocation decisions for the VFFRO Funds' investments. WSIB staff actively manage the portfolio in alignment with its investment policy, rebalancing assets as market conditions shift. In the current fiscal year, \$12.2 million was reallocated from equities and cash to debt securities to maintain alignment with strategic allocation targets.

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.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

VFFRO FUNDS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Volunteer Firefighters' Relief and Pension Principal	Reserve Officers' Relief and Pension Principal	Total	Percent of Total
INVESTMENTS				
CASH AND CASH EQUIVALENTS	\$ 149,705	\$ 19,907	\$ 169,612	Trace
DEBT SECURITIES	84,915,105	1,222,534	86,137,639	29.3%
EQUITY SECURITIES	204,705,863	3,064,488	207,770,351	70.7%
Total Investments	289,770,673	4,306,929	294,077,602	100.0%
NET INVESTMENT RECEIVABLES (PAYABLES)	(11,604)	(113)	(11,717)	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 289,759,069	\$ 4,306,816	\$ 294,065,885	

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

VFFRO FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Volunteer Firefighters' Relief and Pension Principal	Reserve Officers' Relief and Pension Principal	Total
Additions:			
Investment Income			
Interest, Dividends and Other Investment Income	\$ 36,480	\$ 785	\$ 37,265
Net Realized and Unrealized Gains on Investments	35,337,068	529,451	35,866,519
Less:			
Investment Expenses	(57,870)	19,103	(38,767)
WSIB Operating Expenses	(46,532)	(701)	(47,233)
Net Investment Income	35,269,146	548,638	35,817,784
Other Deductions:			
Net Withdrawals	(2,853,468)	(125,299)	(2,978,767)
Increase in Restricted Fiduciary Net Investment Position	32,415,678	423,339	32,839,017
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	257,343,391	3,883,477	261,226,868
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 289,759,069	\$ 4,306,816	\$ 294,065,885

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF FUND AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF FUNDS

The financial statements include the investments and related activity for the VFFRO Funds which consist of two voluntary retirement plans, the VFFRPF and RORPF, administered by BVFF. Each Plan provides death, disability, medical, and retirement benefits to volunteer firefighters, reserve officers, and emergency medical workers in cities, towns, and fire protection districts.

In prior years, the VFFRO Funds' financial reporting was included within the WSIB Retirement Funds' financial statements. During the current fiscal year, the VFFRO Funds were separated out and are now presented in these independently issued financial statements. The financial statements present only the activity of the VFFRO 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 VFFRPF and RORPF programs.

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 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 netted and are recorded when received or paid.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

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 VFFRO Funds' 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 VFFRO Funds will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2025, investment securities (excluding cash and cash equivalents) are registered and held in the name of the WSIB, for the benefit of the VFFRO 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 VFFRO Funds 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 VFFRO Funds' investments, as of June 30, 2025. 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 VFFRO Funds 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,

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

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 VFFRO Funds' rated debt investments, as of June 30, 2025, 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 VFFRO Funds' fair value at the time of purchase, nor shall its fair value exceed 6 percent of the VFFRO Funds' fair value at any time. There was no concentration of credit risk that exceeded these limits as of June 30, 2025.

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, 2025.

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 VFFRO Funds do not have a formal policy to limit foreign currency risk. The VFFRO Funds' exposure to foreign currency risk is presented in Schedule 3, which provides information on deposits and investments held in various foreign currencies.

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

VOLUNTEER FIREFIGHTERS’ AND RESERVE OFFICERS’ RELIEF AND PENSION PRINCIPAL FUNDS

WSIB investment operations, 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, 2025:

	Fair Value
INVESTMENTS MEASURED AT NET ASSET VALUE	
Commingled Intermediate Credit	\$ 86,137,639
Collective Investment Equity Trusts	207,770,351
Total Investments Measured at Fair Value	<u>\$ 293,907,990</u>

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 CIT’s 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 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; however, the CIT manager may choose to temporarily stop valuing the fund’s investments or allowing money to be added or withdrawn when necessary. These circumstances may include if trading is restricted, pricing is difficult or impractical, or if doing so is in the best interest of the fund or its participants. The CIT manager 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.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

NOTE 5. ESTABLISHING INDEPENDENT FINANCIAL STATEMENTS FOR THE VFFRO FUNDS

In prior years, the VFFRO Funds' financial reporting was included within the WSIB Retirement Funds' financial statements. During the current fiscal year, the VFFRO Funds were separated out and are now presented in these independently issued financial statements.

This change was implemented to better align financial reporting with the operational and legal structure of the VFFRO Funds. The current year's Statement of Fiduciary Net Investment Position reflects the VFFRO Funds' balances independently for the first time.

Below is a summary of the investment and related balances as of June 30, 2024, that are presented as beginning balances in these financial statements following the separation from the Retirement Funds' financial reporting.

	Volunteer Firefighters' Relief and Pension Principal	Reserve Officers' Relief and Pension Principal	Total	Percent of Total
INVESTMENTS				
CASH AND CASH EQUIVALENTS	\$ 379,463	\$ 30,930	\$ 410,393	0.2%
DEBT SECURITIES	66,970,536	1,019,856	67,990,392	26.0%
EQUITY SECURITIES	190,003,324	2,852,715	192,856,039	73.8%
Total Investments	257,353,323	3,903,501	261,256,824	100.0%
NET INVESTMENT RECEIVABLES (PAYABLES)	(9,932)	(20,024)	(29,956)	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 257,343,391	\$ 3,883,477	\$ 261,226,868	

NOTE 6. SUMMARY OF INVESTMENT POLICY

INVESTMENT OBJECTIVES

The VFFRO Funds' investment policy and standard of care are governed by applicable state statutes, including RCW 41.24.030, RCW 43.33A.030, RCW 43.33A.110, and 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. The investment objectives and policies detailed in this section apply equally to both the VFFRPF and RORPF.

The WSIB manages the VFFRO Funds with the objectives of promoting financial stability, ensuring benefit funding, achieving maximum returns at a prudent level of risk, and maintaining public trust.

Asset allocations for both Funds target 70 percent public equity, 30 percent fixed income, and 0 percent cash, with allowable short-term deviations. Public equity investments are passively managed to track the MSCI ACWI IMI with U.S. Gross benchmark. Fixed income assets are invested through the WSIB Bond Market

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

Fund, benchmarked to the Bloomberg U.S. Intermediate Credit Index. Cash, if held, is invested in U.S. government obligations and related instruments, benchmarked to the 90-day Treasury bill. See the Daily Valued Funds audited financial statements for additional information on the fixed income investments.

Performance is measured quarterly and reported to the WSIB Board and reviewed annually with BVFF. The WSIB Board and staff share responsibilities for policy oversight, implementation, and performance monitoring.

The performance of the VFFRO Funds shall be judged relative to their investment objectives, risk constraints, and investment approach. The VFFRO Funds have a relative performance objective to generate returns over the long term equal to or in excess of the benchmark, which is a custom blend of the benchmarks for the underlying asset classes based on their target allocations.

RISK CONSTRAINT STANDARDS

Assets managed by the WSIB are invested to maximize returns within a prudent level of risk, in accordance with RCW 43.33A.110 and RCW 43.33A.140. Individual corporate fixed income securities or common stock holdings may not exceed 3 percent of either Fund's fair value at the time of purchase, nor 6 percent of either Fund's fair value at any time thereafter. Fund assets are diversified at a prudent level to mitigate fluctuations in fair value.

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

SCHEDULE 1

SCHEDULE OF MATURITIES

Investment Type	Total Fair Value	Maturity				Effective Duration*	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Commingled Intermediate Credit	\$ 86,137,639	\$ 7,437,296	\$ 39,149,154	\$ 36,511,871	\$ 3,039,318	4.8	Schedule 2
Investments Not Required to be Categorized							
Collective Investment Equity Trusts	207,770,351						
Cash and Cash Equivalents	169,612						
Total Investments Not Categorized	207,939,963						
Total Investments	\$ 294,077,602						

* Duration excludes cash and cash equivalents

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

SCHEDULE 2

CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit	
	Total Fair Value	
Aaa	\$	478,617
Aa1		1,887,212
Aa2		1,884,431
Aa3		2,218,602
A1		5,810,662
A2		12,518,912
A3		17,340,614
Baa1		14,883,043
Baa2		18,490,046
Baa3		10,150,441
Ba1 or Lower		475,059
Total	\$	<u>86,137,639</u>

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

SCHEDULE 3

FOREIGN CURRENCY EXPOSURE

Foreign Currency Denomination	Investment Type In U.S. Dollar Equivalent	
	Equity Securities	Percent of Total Investment Balances
AUSTRALIAN DOLLAR	\$ 3,523,895	1.2%
BRAZILIAN REAL	840,682	0.3%
CANADIAN DOLLAR	6,019,973	2.0%
DANISH KRONE	1,087,292	0.4%
EURO CURRENCY	16,046,266	5.5%
HONG KONG DOLLAR	5,614,564	1.9%
JAPANESE YEN	11,425,927	3.9%
NEW TAIWAN DOLLAR	4,242,855	1.4%
POUND STERLING	7,007,891	2.4%
SAUDI RIYAL	770,361	0.3%
SINGAPORE DOLLAR	659,302	0.2%
SOUTH AFRICAN RAND	732,764	0.2%
SOUTH KOREAN WON	2,513,262	0.9%
SWEDISH KRONA	1,600,346	0.5%
SWISS FRANC	4,288,391	1.5%
YUAN RENMINBI	706,098	0.2%
OTHER	3,707,197	1.3%
Total Foreign Currency Exposure	\$ 70,787,066	24.1%

VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS



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 Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds' basic financial statements, and have issued our report thereon dated September 29, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds' internal control.

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VOLUNTEER FIREFIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION PRINCIPAL FUNDS

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 Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal 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 Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal 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 Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal 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 Volunteer Firefighters' and Reserve Officers' Relief and Pension Principal Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boise, Idaho

September 29, 2025

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DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND



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, 2025, 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, 2025, 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.

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DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Developmental Disabilities Endowment Trust Fund, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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 29, 2025 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.



Boise, Idaho
September 29, 2025

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DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Developmental Disabilities Endowment Trust Fund (DDEF) 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 DDEF 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 DDEF as of June 30, 2025. 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 DDEF for the year ended June 30, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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 DDEF financial statements.

GENERAL MARKET COMMENTARY

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 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 \$15.1 million in the fiscal year ending June 30, 2025. Interest and dividend income net of investment expenses of \$7.2 million was reinvested within each asset class, increasing the NAV by 5.8 percent. Market gains increased the NAV by \$7.5 million, or 6.0 percent, the result of positive investment returns for the fiscal year. Participants in the DDETf contributed \$0.5 million, which was invested mainly in a balanced fund, increasing the NAV by 0.4 percent from the prior fiscal year.

	Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class											
	Fiscal Year End June 30, 2025					Fiscal Year End June 30, 2024					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 Restricted 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%
Investment Income:												
Interest, Dividends, and Other Investment Income	985	-	391	7,229,092	7,230,468	1,903	-	7,929	4,591,837	4,601,669	2,628,799	57.1%
Net Realized and Unrealized Gains	-	727,490	837,995	5,896,909	7,462,394	-	489,946	843,222	9,550,937	10,884,105	(3,421,711)	-31.4%
Less: Investment Expenses	(44)	(1,649)	(2,144)	(23,892)	(27,729)	(76)	(1,453)	(2,437)	(19,347)	(23,313)	4,416	18.9%
Net Investment Income	941	725,841	836,242	13,102,109	14,665,133	1,827	488,493	848,714	14,123,427	15,462,461	(797,328)	-5.2%
Net Contributions (Withdrawals) and Rebalancing Transfers	(10,513)	191,649	(537,742)	823,167	466,561	5,840	(98,547)	(563,682)	4,353,868	3,697,479	(3,230,918)	-87.4%
Ending Restricted Fiduciary Net Investment Position (*)	\$ 8,229	\$ 9,922,519	\$ 5,439,306	\$ 123,444,373	\$ 138,814,427	\$ 17,801	\$ 9,005,029	\$ 5,140,806	\$ 109,519,097	\$ 123,682,733	\$ 15,131,694	12.2%
Increase (Decrease) in Restricted Fiduciary Net Investment Position	\$ (9,572)	\$ 917,490	\$ 298,500	\$ 13,925,276	\$ 15,131,694							
Percent Change in Restricted Fiduciary Net Investment Position	-53.8%	10.2%	5.8%	12.7%	12.2%							
One Year Time Weighted Return - June 30, 2025	5.9%	8.0%	16.2%	12.0%	11.9%							
One Year Time Weighted Return - June 30, 2024	4.8%	5.8%	18.8%	14.9%	14.3%							

(*) Restricted fiduciary net investment position includes accrued income and expenses

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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 decreased by 5.2 percent during the current fiscal year, primarily due to lower returns in the balanced fund portfolio, which saw a 38.3 percent decline in net market-related gains. This decrease was partially offset by a \$2.6 million increase in investment income net of expenses. The DDETf's total return declined by 2.5 percentage points (or 248 basis points), resulting in a \$3.4 million reduction in total market-related gains. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

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.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads, which are decreases in the difference between corporate and government bond yields, reflected improved market confidence during the fiscal year and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points and credit spreads tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 8.0 percent, outperforming its benchmark, the Bloomberg U.S. Intermediate Credit Index, which returned 7.6 percent. The portfolio's overweighting to emerging market credit as compared to the benchmark contributed to this outperformance, as those spreads narrowed more significantly than others.

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, which is a broad measure of global stock market performance across both developed and emerging markets. The portfolio slightly underperformed its benchmark by 3 basis points for the fiscal year, returning 16.2 percent, a decrease of 263 basis points over the prior fiscal year. The equity portfolio's performance for the fiscal year was in line with expectations for a passively managed portfolio designed to mirror overall market returns.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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 strategic asset allocation of 60 percent U.S. equities and 40 percent U.S. bonds. The fund is passively managed to track a custom benchmark composed of 60 percent Center for Research in Security Prices U.S. Total Market Index and 40 percent Bloomberg U.S. Aggregate Float Adjusted Total Return Index. The Balanced Fund returned 12.0 percent during the current fiscal year, a decrease of 291 basis points over the prior fiscal year's return of 14.9 percent. This performance was consistent with the benchmark and aligned with expectations for a balanced passive investment strategy.

Net Contributions and Asset Allocation Rebalancing:

The Washington State Department of Commerce (Commerce) administers all operational aspects of the DDETF program. This includes processing participant contributions and withdrawals and determining amounts available for investment, which can fluctuate significantly each year based on participant activity and Commerce's cash needs.

During the current fiscal year, Commerce directed the WSIB to invest \$0.5 million in net contributions from participants in the Balanced Fund in the DDETF private trust fund. Commerce also requested a \$0.3 million transfer from the state to the private trust fund during the current fiscal year. To facilitate this, investments were liquidated from the equity portfolios and reinvested in the Balanced Fund.

The WSIB, in collaboration with the Developmental Disabilities Endowment Governing Board, oversees asset allocation decisions for the DDETF. WSIB staff actively manage the portfolio in alignment with investment policy, rebalancing assets as market conditions shift. In the current fiscal year, \$0.2 million was reallocated from equities to debt securities to maintain alignment with strategic allocation targets.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

DDETf STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

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	\$ 740	\$ 7,458	\$ 8,198	Trace
BALANCED FUNDS	-	123,444,373	123,444,373	89.0%
DEBT SECURITIES	9,922,520	-	9,922,520	7.1%
EQUITY SECURITIES	5,439,570	-	5,439,570	3.9%
Total Investments	15,362,830	123,451,831	138,814,661	100.0%
NET INVESTMENT RECEIVABLES (PAYABLES)	(262)	28	(234)	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 15,362,568	\$ 123,451,859	\$ 138,814,427	

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

DDETf STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Developmental Disabilities Endowment Trust Fund State	Developmental Disabilities Endowment Trust Fund Private	Total
Additions:			
Investment Income			
Interest, Dividends and Other Investment Income	\$ 725	\$ 7,229,743	\$ 7,230,468
Net Realized and Unrealized Gains on Investments	1,565,484	5,896,910	7,462,394
Less:			
Investment Expenses	(1,271)	(3,897)	(5,168)
WSIB Operating Expenses	(22,561)	-	(22,561)
Net Investment Income	1,542,377	13,122,756	14,665,133
Other Additions (Deductions):			
Net Contributions (Withdrawals)	(326,608)	793,169	466,561
Increase in Restricted Fiduciary Net Investment Position	1,215,769	13,915,925	15,131,694
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	14,146,799	109,535,934	123,682,733
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 15,362,568	\$ 123,451,859	\$ 138,814,427

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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, 2025, 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, 2025. 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.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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, 2025, 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, 2025.

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, 2025, consists of \$2.0 million (excludes U.S. dollar denominated securities), or 1.4 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 WSIB investment operations, 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.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

The following table presents fair value measurements as of June 30, 2025:

		Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS					
BALANCED FUNDS					
Balanced Mutual Funds	\$ 123,444,373	\$ 123,444,373	\$ -	\$ -	-
Total Investments By Fair Value Level	123,444,373	<u>\$ 123,444,373</u>	<u>\$ -</u>	<u>\$ -</u>	-
INVESTMENTS MEASURED AT NET ASSET VALUE					
Collective Investment Equity Trusts	5,439,570				
Commingled Intermediate Credit	9,922,520				
Total Investments at Net Asset Value	<u>15,362,090</u>				
Total Investments Measured at Fair Value	<u>\$ 138,806,463</u>				

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, 2025, was \$49.84 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 CIT's 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.

Contributions to and withdrawals from CITs can be made on any business day; however, CIT managers may delay deposits, withdrawals, or valuations if they believe it is necessary due to market conditions or other events, or if it is in the best interest of the fund and its participants. CIT managers may also require withdrawals to be made partially or wholly in kind.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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.

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST 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 Fund's benchmark is the Bloomberg U.S. Intermediate Credit Index. See the Daily Valued Funds 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

Investment Type	Total Fair Value	Maturity				Effective Duration*	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Commingled Intermediate Credit	\$ 9,922,520	\$ 856,731	\$ 4,509,738	\$ 4,205,941	\$ 350,110	4.8	Schedule 2
Investments Not Required to be Categorized							
Cash and Cash Equivalents	8,198						
Collective Investment Equity Trusts	5,439,570						
Commingled Balanced Trust	123,444,373						
Total Investments Not Categorized	128,892,141						
Total Investments	\$ 138,814,661						

* Duration excludes cash and cash equivalents

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit	
	Fair Value	
Aaa	\$	55,134
Aa1		217,395
Aa2		217,075
Aa3		255,569
A1		669,352
A2		1,442,101
A3		1,997,531
Baa1		1,714,434
Baa2		2,129,937
Baa3		1,169,268
Ba1 or Lower		54,724
Total	\$	9,922,520

DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND



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, 2025, 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 29, 2025.

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.

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DEVELOPMENTAL DISABILITIES ENDOWMENT TRUST FUND

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.



Boise, Idaho

September 29, 2025

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WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND



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, 2025, 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, 2025, 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.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Washington State Opportunity Scholarship Fund, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

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WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

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 29, 2025 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.



Boise, Idaho
September 29, 2025

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WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

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, 2025. 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, 2025. The summarized change in fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

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The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 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 \$7.3 million in the fiscal year ending June 30, 2025. Market-related gains increased the NAV by \$10.2 million, or 10.4 percent, the result of positive investment returns for the fiscal year. The WSOS Fund administrator withdrew \$3.0 million, decreasing the NAV by 3.0 percent from the previous fiscal year.

Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				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 Restricted 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%
Investment Income:										
Interest, Dividends, and Other Investment Income	128,639	-	4,532	133,171	183,066	-	14,902	197,968	(64,797)	-32.7%
Net Realized and Unrealized Gains	-	4,921,808	5,266,670	10,188,478	-	3,299,920	5,404,271	8,704,191	1,484,287	17.1%
Less: Investment Expenses	(5,938)	(11,542)	(16,206)	(33,686)	(7,594)	(11,591)	(14,989)	(34,174)	(488)	-1.4%
Net Investment Income	122,701	4,910,266	5,254,996	10,287,963	175,472	3,288,329	5,404,184	8,867,985	1,419,978	16.0%
Net Withdrawals and Transfers	(1,446,174)	11,542	(1,540,368)	(2,975,000)	(2,032,633)	(277,150)	(2,674,734)	(4,984,517)	(2,009,517)	-40.3%
Ending Restricted Fiduciary Net Investment Position	\$ 1,814,887	\$ 66,714,871	\$ 37,124,874	\$ 105,654,632	\$ 3,138,360	\$ 61,793,063	\$ 33,410,246	\$ 98,341,669	\$ 7,312,963	7.4%
Increase (Decrease) in Restricted Fiduciary Net Investment Position	\$ (1,323,473)	\$ 4,921,808	\$ 3,714,628	\$ 7,312,963						
Percent Change in Restricted Fiduciary Net Investment Position	-42.2%	8.0%	11.1%	7.4%						
One Year Time Weighted Return - June 30, 2025	4.7%	8.0%	16.1%	10.6%						
One Year Time Weighted Return - June 30, 2024	5.4%	5.8%	18.7%	10.0%						

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

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

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 \$1.4 million, or 16.0 percent during the current fiscal year, primarily driven by higher returns from debt securities compared to the prior year, leading to an increase in market-related gains. Overall, the WSOS Fund's total return improved by 65 basis points year over year. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

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.

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads, which are decreases in the difference between corporate and government bond yields, reflected improved market confidence during the fiscal year and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points and credit spreads tightened — investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 8.0 percent, outperforming its benchmark, the Bloomberg U.S. Intermediate Credit Index, which returned 7.6 percent. The portfolio's overweighting to emerging market credit as compared to the benchmark contributed to this outperformance, as those spreads narrowed more significantly than others.

Equity Securities Returns:

The WSOS global equity portfolios are passively managed and structured to closely track the performance of their benchmark, the MSCI ACWI IMI with U.S. Gross, which is a comprehensive measure of global equity market performance.

As of the current fiscal year end, individual WSOS trust funds—the Scholarship Fund, Technical Scholarship Fund, Advanced Degree Scholarship Fund and Endowment Fund—reported returns ranging from 16.1 to 16.2 percent, with a combined return for all funds of 16.1 percent. The benchmark returned 16.2 percent over the same period. The slight differences from the benchmark return are primarily due to the timing of cash flows. Overall, the results align with expectations for passively managed equity strategies.

Net Contributions, Withdrawals, and Asset Allocation Rebalancing:

The WSOS Fund administrator is responsible for overseeing program operations and determining the amounts available for investment or required for withdrawal to support scholarships and operational expenses. During the current fiscal year, the administrator withdrew \$3.0 million, funded through a combination of \$1.5 million from liquidations of equity securities and the remainder from existing cash balances.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

The WSOS Fund administrator anticipates continued withdrawals to meet scholarship obligations. The amount and timing of future cash flows will depend on the receipt of pledged contributions in subsequent years and the level of new donations. Contributions are invested and withdrawals are liquidated by the WSIB from invested balances in a manner that maintains alignment with the strategic asset allocation targets.

The WSIB, with concurrence from the WSOS Fund administrator, oversees asset allocation decisions for the WSOS Fund's investments. WSIB staff manage the portfolio in alignment with investment policy, rebalancing assets as market conditions shift. No asset allocation rebalances were conducted 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, interest rates, and dividend yields.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

WSOS STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	WSOS Scholarship Fund	WSOS Endowment Fund	WSOS Cash Reserve	Total	Percent of Total
ASSETS					
Investments:					
CASH AND CASH EQUIVALENTS	\$ 970,952	\$ 819,944	\$ 22,383	\$ 1,813,279	1.7%
DEBT SECURITIES	65,329,783	1,385,088	-	66,714,871	63.2%
EQUITY SECURITIES	30,161,876	6,960,572	-	37,122,448	35.1%
Total Investments	96,462,611	9,165,604	22,383	105,650,598	100.0%
Investment Earnings Receivable	3,492	2,954	86	6,532	
Total Assets	96,466,103	9,168,558	22,469	105,657,130	
LIABILITIES					
Accrued Expenses Payable	1,947	547	4	2,498	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	<u>\$ 96,464,156</u>	<u>\$ 9,168,011</u>	<u>\$ 22,465</u>	<u>\$ 105,654,632</u>	

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

WSOS STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	WSOS Scholarship Fund	WSOS Endowment Fund	WSOS Cash Reserve	Total
Additions:				
Investment Income				
Interest, Dividends and Other Investment Income	\$ 100,541	\$ 31,974	\$ 656	\$ 133,171
Net Realized and Unrealized Gains on Investments	9,108,626	1,079,852	-	10,188,478
Less:				
Investment Expenses	(12,750)	(3,228)	(27)	(16,005)
WSIB Operating Expenses	(16,216)	(1,465)	-	(17,681)
Net Investment Income	9,180,201	1,107,133	629	10,287,963
Other Additions (Deductions):				
Net Withdrawals and Transfers	(2,980,393)	2,161	3,232	(2,975,000)
Increase in Restricted Fiduciary Net Investment Position	6,199,808	1,109,294	3,861	7,312,963
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	90,264,348	8,058,717	18,604	98,341,669
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	\$ 96,464,156	\$ 9,168,011	\$ 22,465	\$ 105,654,632

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

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.

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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, 2025, 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, 2025. 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,

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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, 2025, 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, 2025.

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, 2025, 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 WSIB investment operations, 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.

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The following table presents fair value measurements as of June 30, 2025:

	Fair Value
INVESTMENTS	
INVESTMENTS MEASURED AT NET ASSET VALUE	
Collective Investment Equity Trusts	\$ 37,122,448
Commingled Intermediate Credit	66,714,871
Total Investments at Net Asset Value	103,837,319
Total Investments Measured at Fair Value	<u>\$ 103,837,319</u>

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 CIT's 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; however, the CIT manager may choose to temporarily stop valuing the fund's investments or allowing money to be added or withdrawn when necessary. These circumstances may include if trading is restricted, pricing is difficult or impractical, or if doing so is in the best interest of the fund or its participants. The CIT manager 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.

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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

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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%

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SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity				Effective Duration*	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Commingled Intermediate Credit	\$ 66,714,871	\$ 5,760,295	\$ 30,321,597	\$ 28,278,983	\$ 2,353,996	4.8	Schedule 2
Investments Not Required to be Categorized							
Collective Investment Equity Trusts	37,122,448						
Cash and Cash Equivalents	1,813,279						
Total Investments Not Categorized	38,935,727						
Total Investments	\$ 105,650,598						

* Duration excludes cash and cash equivalents

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SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Commingled Intermediate Credit
	Fair Value
Aaa	\$ 370,696
Aa1	1,461,673
Aa2	1,459,520
Aa3	1,718,340
A1	4,500,443
A2	9,696,081
A3	13,430,564
Baa1	11,527,135
Baa2	14,320,812
Baa3	7,861,666
Ba1 and Lower	367,941
Total	<u>\$ 66,714,871</u>

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SCHEDULE 3

FOREIGN CURRENCY EXPOSURE

Foreign Currency Denomination	Investment Type	
	Equity Securities	Percent of Total Investments
AUSTRALIAN DOLLAR	\$ 629,568	0.6%
BRAZILIAN REAL	150,594	0.1%
CANADIAN DOLLAR	1,072,213	1.0%
DANISH KRONE	191,242	0.2%
EURO CURRENCY	2,862,437	2.8%
HONG KONG DOLLAR	1,010,819	1.0%
INDIAN RUPEE	818,156	0.8%
JAPANESE YEN	2,027,780	2.0%
NEW TAIWAN DOLLAR	759,049	0.7%
POUND STERLING	1,245,922	1.2%
SAUDI RIYAL	143,596	0.1%
SINGAPORE DOLLAR	121,032	0.1%
SOUTH AFRICAN RAND	134,618	0.1%
SOUTH KOREAN WON	447,405	0.4%
SWEDISH KRONA	284,633	0.3%
SWISS FRANC	768,041	0.7%
YUAN RENMINBI	126,336	0.1%
OTHER	680,777	0.6%
Total Foreign Currency Exposure	\$ 13,474,218	12.8%



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, 2025, 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 29, 2025.

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.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUND

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho

September 29, 2025

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DAILY VALUED FUNDS



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, 2025, 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, 2025, 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.

DAILY VALUED FUNDS

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements present only the Daily Valued Funds, and do not purport to, and do not, present fairly the financial position of the Washington State Investment Board or the state of Washington, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 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.

DAILY VALUED FUNDS

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 29, 2025 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.



Boise, Idaho
September 29, 2025

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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, 2025. 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, 2025. The summarized change in the fiduciary net investment position table compares the fiduciary net investment position of each major investment classification at June 30, 2025, with those at June 30, 2024. 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

FISCAL YEAR 2025 OVERVIEW (JULY 1, 2024 TO JUNE 30, 2025)

Global markets delivered positive results for the fiscal year ended June 30, 2025, despite periods of elevated volatility, evolving monetary policy, and geopolitical uncertainty. The MSCI All Country World Investable Market Index (ACWI IMI), a broad benchmark for global equity performance, rose 16.2 percent for the year. Fixed income markets also posted gains, with the Bloomberg U.S. Universal Index returning 6.5 percent, supported by strong income returns, easing inflation, and improved investor sentiment in the latter part of the year.

The fiscal year began with strong returns in both equity and fixed income markets following a rate cut from the Federal Reserve (the Fed) in September 2024. Falling inflation and softening labor market data supported a broad-based rally. In equities, emerging markets returned 8.2 percent, as measured by the MSCI Emerging Markets IMI, outperforming developed markets in the **first fiscal quarter**. The MSCI Developed Markets World IMI gained 6.7 percent during this same time period. U.S. interest rates fell sharply, with the 10-year Treasury yield declining 60 basis points to 3.8 percent. Credit spreads (a measure of investor risk tolerance) tightened, signaling improved investor sentiment and causing bond yields to fall. As bond yields fell, prices rose due to the inverse relationship between the two. As a result, fixed income markets gained 5.2 percent for the fiscal quarter.

Momentum slowed in the **second fiscal quarter**, despite continued monetary easing. Markets reacted positively to the outcome of the U.S. federal election and expectations of pro-growth fiscal policy. Despite the Fed cutting policy rates, yields rose sharply as investors expected fewer rate cuts in 2025, with the 10-year Treasury yield rising to 4.6 percent by December. As a result, fixed income returns turned negative for the quarter, declining 2.7 percent, although returns remained positive year to date. In equities, developed markets declined 0.4 percent, and emerging markets underperformed as well, falling 7.9 percent.

DAILY VALUED FUNDS

The **third fiscal quarter** was marked by mixed market signals. Investor sentiment was initially strong over potential pro-growth policies from the new Republican led administration. However, investor sentiment later cooled amid rising concerns over trade policies and tariffs. The Fed held the target range steady at 4.25 to 4.50 percent and inflation continued to moderate. Equity market performance was mixed, with developed markets down 2.0 percent and emerging markets gaining 1.7 percent. However, slowing growth expectations supported Treasury markets, with the 10-year yield falling 40 basis points to 4.2 percent. Fixed income markets recovered, returning 2.7 percent for the quarter.

In the **fourth fiscal quarter**, markets experienced sharp volatility following the announcement of broad-based tariffs. The equity markets initially declined but rebounded strongly after the administration paused the implementation of tariffs. A significant bill addressing tax rates and fiscal spending passed in June, which also supported investor optimism. Despite a modest contraction in Gross Domestic Product (GDP), equity markets rallied to end the year at near record highs. Developed equity markets returned 11.5 percent in the quarter and 16.1 percent for the fiscal year, while emerging markets rose 12.7 percent for the quarter and 14.3 percent for the year. Bond yields ended slightly higher, but credit spreads narrowed as risk appetite in bond markets returned. Fixed income markets returned 1.4 percent in the fourth quarter, closing out the fiscal year with a gain of 6.5 percent.

ANALYSIS OF CHANGES TO FIDUCIARY NET INVESTMENT POSITION

As shown in the following table, DVF's fiduciary net investment position, commonly referred to as net asset value or NAV, rose by \$408.7 million during the fiscal year ended June 30, 2025. Interest income net of investment expenses of \$136.4 million was reinvested within the DVF investment options, contributing to a 3.6 percent increase in the NAV. Additionally, market appreciation added \$116.4 million, reflecting positive investment returns for the fiscal year. Net contributions totaling \$155.9 million further increased invested balances by 4.2 percent.

	Summarized Change in Fiduciary Net Investment Position and Returns by Asset Class									
	Fiscal Year End June 30, 2025				Fiscal Year End June 30, 2024				Year Over Year Change	
	Bond Fund (*)	Savings Pool (*)	TIPS Fund (*)	Total	Bond Fund (*)	Savings Pool (*)	TIPS Fund (*)	Total	Increase (Decrease)	Percent Change
Beginning Restricted 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%
Additions:										
Investment Income:										
Interest Income	103,053,704	27,776,713	5,936,796	136,767,213	81,342,000	27,073,267	4,208,158	112,623,425	24,143,788	21.4%
Net Realized and Unrealized Gains	93,968,352	4,552	22,463,776	116,436,680	45,377,769	6,041	8,029,188	53,412,998	63,023,682	118.0%
Less: Investment Expenses	(218,568)	(151,785)	(35,269)	(405,622)	(192,306)	(163,738)	(30,873)	(386,917)	18,705	4.8%
Net Investment Income	196,803,488	27,629,480	28,365,303	252,798,271	126,527,463	26,915,570	12,206,473	165,649,506	87,148,765	52.6%
Net Contributions (Withdrawals)	126,502,331	(82,791)	29,471,823	155,891,363	42,641,485	(111,128,846)	52,467,630	(16,019,731)	171,911,094	1,073.1%
Ending Restricted Fiduciary Net Investment Position (**)	\$ 2,718,437,608	\$ 903,800,832	\$ 525,867,206	\$ 4,148,105,646	\$ 2,395,131,789	\$ 876,254,143	\$ 468,030,080	\$ 3,739,416,012	\$ 408,689,634	10.9%
Increase in Restricted Fiduciary Net Investment Position	\$ 323,305,819	\$ 27,546,689	\$ 57,837,126	\$ 408,689,634						
Percent Change in Restricted Fiduciary Net Investment Position	13.5%	3.1%	12.4%	10.9%						
One Year Time Weighted Return - June 30, 2025	8.0%	3.2%	5.8%	N/A						
One Year Time Weighted Return - June 30, 2024	5.8%	3.0%	2.7%	N/A						

(*) Includes cash balances used for trading purposes, Savings Pool holds cash equivalents as part of the investment strategy

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

DAILY VALUED FUNDS

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 \$87.1 million, or 52.6 percent, for the current fiscal year due to substantially higher returns and a 21.4 percent increase in interest income earned over the previous fiscal year. The Bond and TIPS Fund returns combined increased, on average, 2.7 percentage points (or 268 basis points) over the prior year, resulting in an increase of \$63.0 million in market related gains. Interest income increased by \$24.1 million from increased invested balances and significant increases in average coupon rates in all three funds. See the General Market Commentary for additional economic and market information impacting interest rates and returns in the current fiscal year.

Bond Fund Returns:

Positive fixed income returns for the fiscal year were driven by declining interest rates, narrowing credit spreads, and strong income returns. When interest rates decline, the value of existing bonds generally rises, increasing total returns. Narrower credit spreads, which are decreases in the difference between corporate and government bond yields, reflected improved market confidence during the fiscal year and boosted the value of credit holdings. Additionally, steady interest payments from bonds provided a consistent source of income and returns throughout the period.

During the current fiscal year, the yield on the 10-year U.S. Treasury fell by 17 basis points and credit spreads tightened -- investment grade by 11 basis points, high yield by 19 basis points, and emerging market credit by 42 basis points. The portfolio returned 8.0 percent, outperforming its benchmark, the Bloomberg U.S. Intermediate Credit Index, which returned 7.6 percent. The portfolio's overweighting to emerging market credit as compared to the benchmark contributed to this outperformance, as those spreads narrowed more significantly than others.

TIPS Fund Returns:

The TIPS Fund posted a positive return of 5.8 percent for the fiscal year. Strong performance in the first quarter of the fiscal year was driven by declines in both nominal interest rates and inflation-linked yields. However, negative returns in the final months of the calendar year 2024 offset some of these gains. A strong rebound in early 2025 helped the fund finish the fiscal year with solid overall results. The fund slightly underperformed its benchmark, the Bloomberg U.S. Treasury Inflation Protected Securities Index by just 3 basis points, primarily due to a modest duration difference maintained throughout the year.

Interest Income:

Interest income increased by 21.4 percent for the fiscal year, primarily due to higher average coupon rates and growth in invested balances. The average coupon rate, which represents the annual interest received from bond issuers, rose by 61 basis points in the Bond Fund, 26 basis points in the TIPS fund, and 39 basis points in the Savings Pool compared to the previous year. This improvement was further supported by elevated levels of contributions, which were invested in securities with more favorable yields. As of June 30, 2025, the average coupon rates were 4.2 percent for the Bond Fund, 1.3 percent for the TIPS Fund, and 3.5 percent for the Savings Pool.

Net Contributions to the DVF increased by \$171.9 million during the fiscal year, marking a significant increase year over year. Contributions are invested upon receipt in accordance with the investment policies governing each DVF. The three DVFs serve participants in self-directed retirement options and are integral to

DAILY VALUED FUNDS

the broader investment strategy within the Retirement Strategy Funds (RSF) offered through Washington State's defined contribution and deferred compensation programs. Since contributions and withdrawals are determined by participant-directed activity, flows can fluctuate annually. The Bond Fund and TIPS Fund also serve as foundational components of the RSF glide paths, with contribution and withdrawal activity influenced by investor sentiment, RSF asset allocation by vintage year, interest rate trends, and broader market conditions.

Investment related receivables and payables are included in the fiduciary net investment position of each DVF. These balances primarily comprise pending trades (securities purchased or sold but not yet settled as of fiscal year end), investment income receivables, and expenses payable. Pending trade amounts can fluctuate significantly from year to year, driven by changes in trading volume related to cash flows, market conditions, and portfolio rebalancing activity. As such, these balances typically do not correlate directly with total invested balances. In contrast, investment income receivables and expenses payable generally track more closely with changes in invested balances and prevailing interest and dividend rates within each asset class.

DAILY VALUED FUNDS

DVF STATEMENT OF FIDUCIARY NET INVESTMENT POSITION JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Bond Fund	Savings Pool	TIPS Fund	Total	Percent of Total
ASSETS					
Investments					
CASH AND CASH EQUIVALENTS	\$ 50,726,523	\$ 46,827,409	\$ 3,485,649	\$ 101,039,581	2.4%
DEBT SECURITIES					
Corporate Bonds	2,448,232,432	-	-	2,448,232,432	
Foreign Government and Agencies	192,976,070	-	-	192,976,070	
Guaranteed Investment Contracts	-	856,803,511	-	856,803,511	
U.S. Government and Agency Securities	19,929,876	-	519,985,829	539,915,705	
Total Debt Securities	2,661,138,378	856,803,511	519,985,829	4,037,927,718	97.6%
Total Investments	2,711,864,901	903,630,920	523,471,478	4,138,967,299	100.0%
Investment Earnings Receivable	31,521,800	179,601	2,396,354	34,097,755	
Total Assets	2,743,386,701	903,810,521	525,867,832	4,173,065,054	
LIABILITIES					
Investment Management Fees Payable	1,193	9,689	626	11,508	
Payable for Investments Purchased	24,947,900	-	-	24,947,900	
Total Liabilities	24,949,093	9,689	626	24,959,408	
RESTRICTED FIDUCIARY NET INVESTMENT POSITION	\$ 2,718,437,608	\$ 903,800,832	\$ 525,867,206	\$ 4,148,105,646	

DAILY VALUED FUNDS

DVF STATEMENT OF CHANGES IN FIDUCIARY NET INVESTMENT POSITION YEAR ENDED JUNE 30, 2025

SEE NOTES TO FINANCIAL STATEMENTS

	Bond Fund	Savings Pool	TIPS Fund	Total
Additions:				
Investment Income				
Interest Income	\$ 103,053,704	\$ 27,776,713	\$ 5,936,796	\$ 136,767,213
Net Realized and Unrealized Gains on Investments	93,968,352	4,552	22,463,776	116,436,680
Less:				
Investment Expenses	(218,568)	(151,785)	(35,269)	(405,622)
Net Investment Income	196,803,488	27,629,480	28,365,303	252,798,271
Other Additions (Deductions):				
Net Contributions (Withdrawals)	126,502,331	(82,791)	29,471,823	155,891,363
Increase in Restricted Fiduciary Net Investment Position	323,305,819	27,546,689	57,837,126	408,689,634
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2024	2,395,131,789	876,254,143	468,030,080	3,739,416,012
RESTRICTED FIDUCIARY NET INVESTMENT POSITION, JUNE 30, 2025	<u>\$ 2,718,437,608</u>	<u>\$ 903,800,832</u>	<u>\$ 525,867,206</u>	<u>\$ 4,148,105,646</u>

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 plus accrued interest. 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.

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, 2025:

Participants	Bond Fund	Savings Pool	TIPS Fund
Deferred Compensation Plan	10.5%	99.8%	N/A
Developmental Disabilities Endowment Trust Fund	0.4%	N/A	N/A
Guaranteed Education Tuition Program	40.3%	N/A	N/A
Judicial Retirement Account	Trace	0.2%	N/A
Reserve Officers' Relief and Pension Principal Fund	Trace	N/A	N/A
Retirement Strategy Funds (RSF)	28.7%	N/A	100%
Volunteer Firefighters' Relief and Pension Principal Fund	3.1%	N/A	N/A
Washington State Opportunity Scholarship Fund	2.5%	N/A	N/A
Washington State Retirement System Defined Contribution Participants	14.5%	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.

DAILY VALUED FUNDS

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 plus accrued interest. 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, 2025, 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, 2025. 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, 2025, are presented in Schedule 2, using Moody's equivalent rating scale.

DAILY VALUED FUNDS

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, 2025, 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, 2025, 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 WSIB investment operations, 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.

DAILY VALUED FUNDS

The following table presents fair value measurements as of June 30, 2025:

		Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
INVESTMENTS					
DEBT SECURITIES					
Corporate Bonds	\$ 2,448,232,432	\$ -	\$ 2,448,232,432	\$ -	
Foreign Government and Agency Securities	192,976,070	-	192,976,070	-	
U.S. Government and Agency Securities	539,915,705	-	539,915,705	-	
Total Debt Securities and Investments Measured at Fair Value	\$ 3,181,124,207	\$ -	\$ 3,181,124,207	\$ -	

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.

DAILY VALUED FUNDS

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 7 years. The portfolio must have a weighted average maturity of 4 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.

DAILY VALUED FUNDS

SCHEDULE 1

SCHEDULE OF MATURITIES AND CREDIT RATINGS

Investment Type	Total Fair Value	Maturity				Effective Duration *	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Corporate Bonds	\$ 2,448,232,432	\$ 137,776,088	\$ 1,141,293,130	\$ 1,093,041,814	\$ 76,121,400	4.8	Schedule 2
Foreign Government and Agencies	192,976,070	19,710,145	94,224,043	59,244,772	19,797,110	4.8	Schedule 2
Guaranteed Investment Contracts	856,803,511	209,875,487	646,928,024	-	-	N/A	Not Rated
U.S. Government and Agency Securities	539,915,705	19,929,876	282,088,989	162,202,302	75,694,538	6.9	Aa1
	4,037,927,718	\$ 387,291,596	\$ 2,164,534,186	\$ 1,314,488,888	\$ 171,613,048		
Investments Not Required to be Categorized							
Cash and Cash Equivalents	101,039,581						
Total Investments Not Categorized	101,039,581						
Total Investments	\$ 4,138,967,299						

* Duration excludes cash and cash equivalents

DAILY VALUED FUNDS

SCHEDULE 2

ADDITIONAL CREDIT RATING DISCLOSURES

Moody's Equivalent Credit Rating	Investment Type	
	Corporate Bonds	Foreign Government and Agency Securities
Aaa	\$ 14,786,400	\$ -
Aa1	14,958,500	23,415,188
Aa2	24,176,900	34,040,761
Aa3	63,656,170	4,885,367
A1	158,613,972	20,900,752
A2	381,598,000	5,161,567
A3	535,721,422	-
Baa1	459,797,090	-
Baa2	504,636,550	66,595,391
Baa3	275,610,928	37,977,044
Ba1 or Lower	14,676,500	-
Total	<u>\$ 2,448,232,432</u>	<u>\$ 192,976,070</u>



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, 2025, 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 29, 2025.

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.

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.

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DAILY VALUED FUNDS

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*.

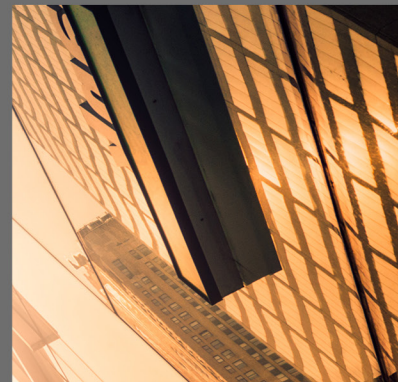
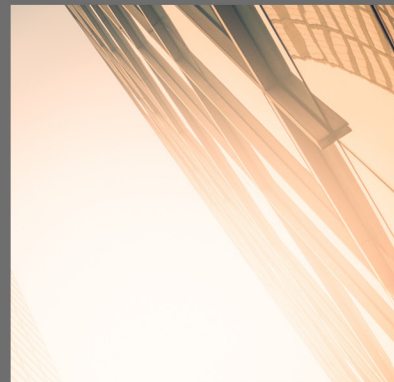
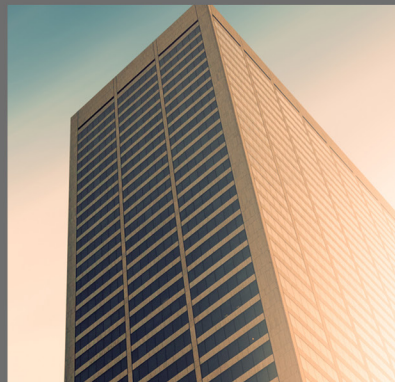
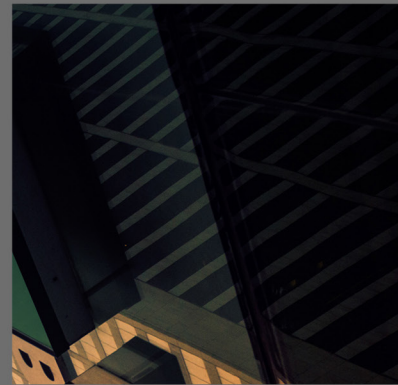
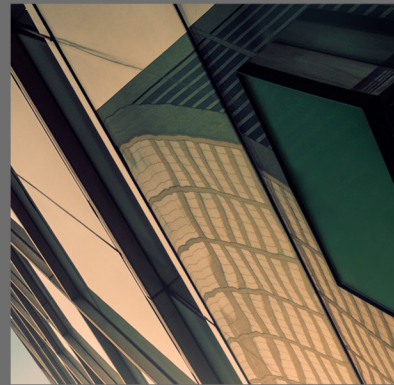
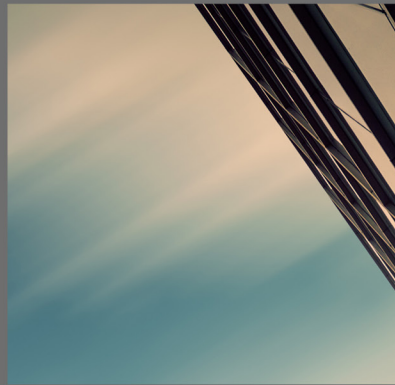
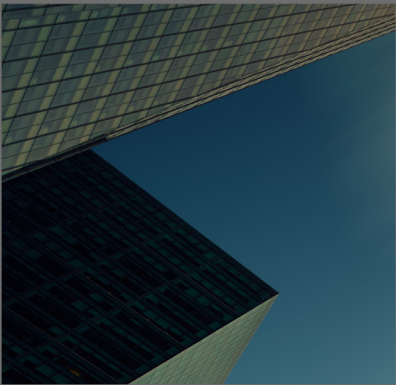
PURPOSE OF THIS REPORT

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.

The logo for Eide Bailly LLP is written in a cursive, handwritten-style font.

Boise, Idaho
September 29, 2025

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WASHINGTON STATE INVESTMENT BOARD
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