

August
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PERS PLAN 3 REPORT

Visit ICMA-RC on the Internet at: <http://www.icmarc.org/plan3/>

What's Inside the PERS Plan 3 Report?

Welcome to the Public Employees' Retirement System (PERS) Plan 3 and your first *PERS Plan 3 Report*. The *PERS Plan 3 Report* is a newsletter that is sent with quarterly statements to all PERS Plan 3 members. Contents of the *PERS Plan 3 Report* include returns for each of the funds and Plan 3 investment-related articles. You may also view current and future issues on the ICMA Retirement Corporation (ICMA-RC) Web site at <http://www.icmarc.org/plan3/>.

One of the services offered through PERS Plan 3 is the opportunity to review account activity on your quarterly statement. Since PERS Plan 3 was implemented on March 1, 2002, any contribution activity in March 2002 was incorporated into the second quarter PERS Plan 3 statement. The statement reflects March through June 2002 activity.

In addition to the information on your quarterly statement, access to your account is available to you through the VantageLine automated voice response system at 1-888-711-8773 (option #1), or you can access your account online at <http://www.icmarc.org/plan3/>. If you are using the online account access for the first time, you will need to obtain a password. In order to obtain your password online, you will need to identify your plan number, which is 107181. We hope you take the opportunity to utilize these features of the PERS Plan 3 retirement program.

If you have any questions regarding the activity reported on your statement, or how to utilize the VantageLine or online services, please contact Investor Services at 1-888-711-8773.

Member Statements

Enclosed, please find your quarterly statement for the second quarter of 2002. This is the first quarter for PERS Plan 3 activity.

Approximately 15 days after the end of each quarter, ICMA-RC will mail a quarterly statement to your home if you have

PERS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 06/30/2002

	AVERAGE ANNUAL RETURNS			
	2nd Qtr 2002	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-4.18%	-5.15%	0.15%	5.62%

The Washington State Investment Board (WSIB) periodically reviews and adjusts the TAP Fund's asset allocation. Over the last five years, the TAP Fund has shifted to a more aggressive asset mix. These returns reflect the actual asset mixes during the time periods shown.

PERS PLAN 3 SELF-DIRECTED FUNDS

AS OF 06/30/2002

	2nd Qtr 2002	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.62%	N/A	N/A	N/A
WASHINGTON STATE BOND FUND	1.98%	N/A	N/A	N/A
U.S. LARGE STOCK INDEX FUND	-13.32%	N/A	N/A	N/A
U.S. STOCK MARKET INDEX FUND	-13.20%	N/A	N/A	N/A
U.S. SMALL STOCK INDEX FUND	-8.23%	N/A	N/A	N/A
INTERNATIONAL STOCK INDEX FUND	-2.40%	N/A	N/A	N/A
SHORT-HORIZON FUND	-1.70%	N/A	N/A	N/A
MID-HORIZON FUND	-4.56%	N/A	N/A	N/A
LONG-HORIZON FUND	-7.72%	N/A	N/A	N/A

The PERS Plan 3 Self-Directed Funds were available for investment on March 4, 2002, and have no performance history prior to this date. Actual inception dates (start of fund activity) are: U.S. Stock Market Index, U.S. Large Stock Index, Mid-Horizon, Money Market, International Stock Index, U.S. Small Stock Index, Washington State Bond and Long-Horizon on March 27, 2002; Short-Horizon on March 28, 2002.

All returns are net of fees. Self-Directed funds are valued daily; your account balance and rate of return will vary accordingly. Past performance is no guarantee of future results. For more information about the funds, please see the *Plan 3 Investment Guide* or the Web site at <http://www.icmarc.org/pers/investing>.

Returns cover the period ending June 30, 2002.

N/A - Not Applicable

assets in the Self-Directed Investment Program. If you have assets in the WSIB Investment Program, your quarterly statement will be mailed to your home approximately 45 days after the end of each quarter. The quarterly statement contains details about your defined contribution account, such as employee contributions, gain sharing payments, transfer payments and earnings or losses from investments. For information about how to read this statement, the publication *A Guide to Your Quarterly Statement* is enclosed with this mailing.

In addition, an annual statement will be mailed in January if you are in the Self-Directed Investment Program, or in February if you are in the Washington State Investment Board (WSIB)

Investment Program. The annual statement reflects all financial activity for the four calendar quarters.

DRS also provides PERS Plan 3 members with an annual statement related to their defined benefit account. These statements are mailed directly to active members' employers in March (November for higher education) and contain important information concerning service credit.

Changing investment programs and allocations

As a PERS Plan 3 member, you have the flexibility to move all or part of your funds between the Washington State

Investment Board (WSIB) Investment Program and the Self-Directed Investment Program. The WSIB Investment Program has a predetermined investment portfolio called the Total Allocation Portfolio (TAP). In the Self-Directed Investment Program, you can select from a variety of investment types and freely move your money from one investment type to another.

Although you may move your money between the two investment programs, your monthly contributions can be sent to only one investment program. To change the investment program that your contributions are sent to, complete a *Plan 3 Change of Investment Program* form. These forms are available from your employer and also may be accessed via the Internet (<http://www.icmarc.org/plan3/>). Once completed, a *Change of Investment Program* form should be submitted to your employer.

If your contributions are directed to the Self-Directed Investment Program, you may change how they are allocated within the program by accessing your account via the Internet (<http://www.icmarc.org/plan3/>). You can transfer money between the WSIB and Self-Directed Investment Programs by contacting

ICMA-RC Investor Services at 1-888-711-8773.

IRS approves DRS proposal on TRS Plan 3 contribution rates

DRS recently received approval from the Internal Revenue Service (IRS) to provide an annual window for Teachers' Retirement System (TRS) Plan 3 members to change their contribution rates. DRS will seek executive request legislation during the 2003 session to authorize this change in state law. IRS approval of the DRS proposal opens the way for DRS to seek similar IRS approval for School Employees' Retirement System (SERS) Plan 3 and Public Employees' Retirement System (PERS) Plan 3 this summer.

The IRS must approve the SERS and PERS Plan 3 requests, and the legislature must enact the executive request legislation before DRS can implement these changes. Given these approvals, the first open window for Plan 3 members to change their contribution rates is anticipated to be January 2004.

Under current state law, a member's choice of contribution rate is irrevocable unless the member changes employers. DRS has

received numerous requests since the inception of TRS Plan 3 in 1996 to provide Plan 3 members with some flexibility to change their contribution rates. DRS worked with the Employee Retirement Benefits Board to develop the proposal that was submitted to the IRS as part of the formal TRS 3 plan qualification process.

Under this proposal an additional contribution rate has been added to the basic rate of 5 percent. This provides members with the flexibility to contribute amounts that will help them achieve their retirement goals. When added together, the rates equal the six options currently provided to Plan 3 members. See the proposed contribution rate table below.

PROPOSED PLAN 3 MEMBER CONTRIBUTION RATES*			
Option A	Mandatory Contribution	Additional Contribution	Total Contribution Rate
All ages	5%	0.0%	5%
Option B			
Up to age 35	5%	0.0%	5%
Age 35 to 44	5%	1.0%	6%
Age 45 and above	5%	2.5%	7.5%
Option C			
Up to age 35	5%	1.0%	6%
Age 35 to 44	5%	2.5%	7.5%
Age 45 and above	5%	3.5%	8.5%
Option D			
All ages	5%	2.0%	7%
Option E			
All ages	5%	5.0%	10%
Option F			
All ages	5%	10.0%	15%

* This rate table reflects the contribution rates approved by the IRS in DRS' recent TRS Plan 3 proposal. Before the rates can take effect, executive request legislation must pass in the State Legislature. For more information, see article above.