

# PERS PLAN 3 REPORT

November  
2002

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

## Enhancements to your Plan 3 quarterly statement

The Department of Retirement Systems (DRS) is pleased to introduce a series of enhancements to your Plan 3 quarterly statement. DRS often receives suggestions from members for ways to enhance our publications, and the following suggestions have been implemented as a result of this member feedback:

- Plan 3 inception-to-date contributions will now appear in the Account Summary section. Plan 3 inception-to-date contributions include only those contributions and bill payments made to your defined contribution account since you became a member of Plan 3. It does not include any payments that may have been associated with transferring to Plan 3, for example transfer payments, gain share payments or Plan 2 account balance transfers.
- Year-to-date totals are now included in the Summary by Fund section. You will be able to view the year-to-date totals for all types of transactions including: contributions, bill payments, distributions, adjustments, earnings, program transfers, plan transfers and gain share payments.
- For each fund in which you are invested, the number of shares you own, and the price for each share, will be reflected as of January 1st of that year. This enhancement is in addition to the same information being shown as of the first and last day of the quarter.

Program transfers between the Self-Directed Investment Program and the Washington State Investment Board (WSIB) Investment Program, can impact the display of the Plan 3 inception-to-date contributions on your statement. If you make a partial program transfer (any amount less than 100%), you will continue to receive two statements and the inception-to-date totals on your WSIB Program and Self-Directed Investment Program statements will not change. However, if you transfer all of your funds (100%) into a single program, you will receive only the statement for the newly selected program and the inception-to-date total will be consolidated in the statement.

If you have questions about the new statement enhancements, or if you need additional detail on the quarterly statement, please review *A Guide to Your Quarterly Statement* at the following Web site: <http://www.icmarc.org/plan3/pubs/GuidetoQuarterlyStatement.pdf>. If you do not have Internet

## PERS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 09/30/2002

	AVERAGE ANNUAL RETURNS			
	3rd Qtr 2002	1-Year	3-Year	5-Year
<b>TOTAL ALLOCATION PORTFOLIO</b>	-7.26%	-6.18%	-1.72%	2.90%

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 09/30/2002

	3rd Qtr 2002	1-Year	3-Year	5-Year
<b>MONEY MARKET FUND</b>	0.47%	N/A	N/A	N/A
<b>WASHINGTON STATE BOND FUND</b>	4.05%	N/A	N/A	N/A
<b>U.S. LARGE STOCK INDEX FUND</b>	-17.25%	N/A	N/A	N/A
<b>U.S. STOCK MARKET INDEX FUND</b>	-17.16%	N/A	N/A	N/A
<b>U.S. SMALL STOCK INDEX FUND</b>	-21.28%	N/A	N/A	N/A
<b>INTERNATIONAL STOCK INDEX FUND</b>	-20.86%	N/A	N/A	N/A
<b>SHORT-HORIZON FUND</b>	-3.55%	N/A	N/A	N/A
<b>MID-HORIZON FUND</b>	-8.08%	N/A	N/A	N/A
<b>LONG-HORIZON FUND</b>	-13.59%	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 September 30, 2002.

N/A - Not Applicable

access, you may call Investor Services at 1-888-711-8773 and request this publication.

## Don't forget the quiet component of Plan 3

When you became a member of PERS Plan 3 you took responsibility for managing your investment in the retirement plan. You select your contribution rate and manage your portfolio. You are actively involved in building your retirement.

But Plan 3 is a dual component retirement plan. The defined contribution component, described above, can require a high level of communication, decision-making and action on your part. The second, less noisy component is a defined benefit. The

defined benefit is entirely financed by your employer. You receive an annual statement detailing the amount of service credit you have earned. Beyond designating a beneficiary, you need to take very few actions during your career. Do not mistake the low profile of the defined benefit as a lack of value.

Your defined benefit is a guaranteed monthly payment from the time you retire from the system until you die. And that is not all; you can select a payment option that will continue the monthly payments to your surviving beneficiary. Since the benefit is based on the number of years of service credit you earn and your salary, the size of the monthly benefit payment continues to grow as long as you are actively employed in a covered position.

Your monthly retirement benefit will be calculated by multiplying years of service credit times one percent times your average final compensation (AFC) (salary) for the 60 consecutive months of your highest earnings. This is the formula:

$$1\% \times \text{Years of Service} \times \text{AFC} = \text{Monthly Benefit}$$

If you retire after 30 years with a \$4,000 average monthly compensation your initial retirement benefit will be \$1,200 per month (30 percent of your salary). If you qualify for Social Security based on the same earnings history, then you have an income that makes up nearly two thirds of your wage at retirement. Add to that an annual cost of living increase of up to 3 percent of the defined benefit. And that's not all. If you leave service after earning at least 20 years of service, you can delay receipt of your monthly benefit and the benefit will continue to grow at a rate of 3 percent per year until you begin receiving payments. That's not bad for a quiet component.

## DRS offers free seminars on investment basics

These are challenging times for professional investors. For those new to the investment arena, the task can seem overwhelming. DRS offers investment education sessions that can help you develop and refine investment strategies to manage your assets.

The Investment Basics seminar provides members with comprehensive investment information on the Self-Directed Investment Program and the WSIB Investment Program. These seminars are offered at no-charge, and only require one-and-a-half hours of your time.

The Investment Basics seminar will help you analyze your time horizon and determine your personal risk profile. This assessment will help you tailor an investment mix that meets your time horizon, risk profile and retirement needs. To help develop your investment strategy, the Financial Education Specialists describe the important components of the funds.

You will receive valuable instruction concerning important investment concepts such as dollar-cost averaging, diversification, asset classes and the power of compounding. See additional information about key investment principles in the next article.

In addition to investment information, the seminar provides a refresher on important Plan 3 features such as contribution rate selection, retirement eligibility, and the defined benefit and defined contribution components.

To find a seminar that is convenient in time and location and to register online, go to

<http://www.icmarc.org/pers/joining/education/seminars.html>. If you do not have access to the Internet, you may contact Investor Services at 1-888-711-8773 for information on the seminars.

## Key investment principles

- All types of investments involve risk. Even short-term, government-backed Treasury bills carry risk because their returns may not beat inflation.
- Asset classes react differently to varying market conditions. Combinations of investments historically have worked together to reduce risk and improve the potential for return.
- History also shows that a steady strategy generally outperforms an approach that tries to anticipate moves in financial markets. Some investors try to avoid losses by only investing in stocks and bonds when they are going up, and holding cash while they drop. This is called market timing. However, virtually all investors and professionals that attempt market timing get caught twice—first by selling or buying too soon, and then by reversing that decision at the wrong time.
- Contributing consistently regardless of market action, called dollar cost averaging, is another key investment principle.
- Finally, time helps to reduce risk. Over time, an investment's short-term fluctuations tend to even out. That's a key principle to remember before and after retirement.

The principles outlined above were excerpted from the PERS Plan 3 publication, *PERS Plan 3 Investment Education: Journey to Retirement*. You can view this publication in its entirety on the Web (<http://www.icmarc.org/pers/pubs/>), or request it from ICMA-RC by calling 1-888-711-8773.

## Conduct your Plan 3 business online

The Internet provides quick secured access to information about your account. Just go to <http://www.icmarc.org/pers> and click the link "Your Account." Your User ID is your Social Security Number and you can create a new password online. Once you are in Account Access, you can select from a variety of information with the click of a mouse.

Your first stop in Account Access is the Message Center. DRS uses this page to pass along information that may have value to you.

The next tab titled "My Account" provides specific information about your account including your bal-

ance by investment fund, your contribution allocation information, and contribution detail. You may also change your email address and password within this tab.

Use the "Transactions" tab to perform fund transfers and make allocation changes from the comfort of your home or anywhere else you happen to logon to your account. Within the Self-Directed Investment Program you can perform these transactions as frequently as you need, because accounts are valued on a daily basis. Moving funds from the WSIB Investment Program, which is valued on a monthly basis, is a different process that is initiated when you complete a form and submit it to ICMA-RC.

You can view descriptions of your investment fund(s), long-term performance information, and daily share prices by clicking on the "Investments" tab. If you wish, you can customize your inquiry to display share price information for a specific period of time.

Just click the "Reports" tab and the history of your Internet fund transfers, contribution allocation changes, and contribution details are available for your review. And, you can view your statement online and select the period of time to review – quarter, month, annual or a specified date range.

The Account Access pages also offer planning tools and pie charts to assist you with analyzing your retirement investments and long-range planning.

Give Account Access a try. You'll find it's the fastest way to obtain Plan 3 account information and transact business 24 hours a day, 7 days a week.

## Unauthorized credit card solicitation

DRS and ICMA-RC would like to apologize for a recent unauthorized credit card solicitation that you may have received from ICMA-RC. DRS has a contract with ICMA-RC to provide record-keeping services for members who join PERS Plan 3. While preparing a special credit card promotion for their other customers, ICMA-RC unintentionally used a file containing PERS Plan 3 address data to produce the mailing list. This problem occurred because the PERS Plan 3 code within their record-keeping system had not been flagged to exclude PERS member address information. This system flag has since been set properly which will prevent any occurrence such as this from being repeated in the future.

DRS' contract with ICMA-RC prohibits the use of member information for any purpose other than providing record-keeping services. DRS has reaffirmed this obligation to ICMA-RC, and has received written assurances that all member data has been purged from the credit card bank's system so that no future mailings will take place. DRS and ICMA-RC value your privacy and confidentiality.