

# PERS PLAN 3 REPORT

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DEPARTMENT OF RETIREMENT SYSTEMS QUARTERLY UPDATE • AUGUST 2009

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## WSIB Monitors Plan 3 Funds for Quality

**T**HE WASHINGTON STATE INVESTMENT BOARD (WSIB) hires and monitors all the investment firms and individual managers that provide investment options to Plan 3 members.

At DRS we're occasionally asked what WSIB does to ensure the funds offered through Plan 3 continue to be quality investments for your retirement savings. In its fiduciary role, WSIB regularly monitors each fund manager's organization, team, mandate, philosophy, process, performance, portfolio holdings, market environment, trading, client service, operations, and regulatory compliance.

Were an investment fund manager to fall short of expectations, WSIB staff would act quickly to determine the reasons for the shortfall and assess its seriousness. Factors taken into consideration would include the magnitude of the issue, time period, market conditions, and whether the manager recognizes the issue and is taking positive steps toward resolving it. *(See Fund Monitoring, p. 2)*

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

AS OF 6/30/2009

	2nd Qtr 2009	1-Year	3-Year	5-Year
<b>TOTAL ALLOCATION PORTFOLIO</b>	6.10%	-22.84%	-2.57%	4.06%

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 asset mixes during the time periods shown.

#### PERS PLAN 3 SELF-DIRECTED FUNDS

AS OF 6/30/2009

	2nd Qtr 2009	1-Year	3-Year	5-Year
<b>MONEY MARKET FUND</b>	0.00%	0.98%	3.42%	3.29%
<b>WASHINGTON STATE BOND FUND</b>	7.03%	6.43%	6.71%	5.03%
<b>SOCIALLY RESPONSIBLE BALANCED FUND</b>	7.42%	-10.93%	0.41%	1.82%
<b>U.S. LARGE STOCK INDEX FUND</b>	16.00%	-25.94%	-8.15%	-2.23%
<b>U.S. STOCK MARKET INDEX FUND</b>	16.87%	-26.43%	-8.34%	-1.87%
<b>U.S. SMALL STOCK INDEX FUND</b>	20.73%	-24.70%	-9.86%	-1.74%
<b>INTERNATIONAL STOCK INDEX FUND</b>	25.61%	-31.08%	-7.81%	2.39%
<b>2050 RETIREMENT STRATEGY</b>	20.13%*	N/A	N/A	N/A
<b>2045 RETIREMENT STRATEGY</b>	20.00%*	N/A	N/A	N/A
<b>2040 RETIREMENT STRATEGY</b>	19.89%*	N/A	N/A	N/A
<b>2035 RETIREMENT STRATEGY</b>	19.92%*	N/A	N/A	N/A
<b>2030 RETIREMENT STRATEGY</b>	20.16%*	N/A	N/A	N/A
<b>2025 RETIREMENT STRATEGY</b>	20.10%*	N/A	N/A	N/A
<b>2020 RETIREMENT STRATEGY</b>	19.18%*	N/A	N/A	N/A
<b>2015 RETIREMENT STRATEGY</b>	18.00%*	N/A	N/A	N/A
<b>2010 RETIREMENT STRATEGY</b>	16.65%*	N/A	N/A	N/A
<b>2005 RETIREMENT STRATEGY</b>	14.62%*	N/A	N/A	N/A
<b>2000 RETIREMENT STRATEGY</b>	12.33%*	N/A	N/A	N/A

\* The Retirement Strategy Funds became available for investment on October 6, 2008.

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 [www.icmarc.org/pers/investing](http://www.icmarc.org/pers/investing).

The investments available in Plan 3 are not offered by or through the ICMA Retirement Corporation, the VantageTrust, or ICMA-RC Services, LLC.


FLY000-089-200908

## **(Fund Monitoring from p. 1)**

WSIB has many sources of information available to conduct this review, including:

1. Face-to-face portfolio review meetings
2. On-site due diligence meetings
3. Monthly and quarterly reports, performance attribution and analysis from the managers
4. Monthly reports from WSIB's custodian on performance and compliance
5. Access to daily holdings and daily performance for managers
6. Quarterly trade execution analysis reports
7. Media news of significance to markets and/or the investment management firms
8. Phone calls and e-mails with the managers

In the event of a serious question about a manager's ability to perform, WSIB staff discuss their concerns with the Chief Investment Officer and the Department of Retirement Systems. Any termination recommendation would be forwarded to WSIB's internal Investment Committee for consideration before going to the Public Markets Committee and then the full Board.

These ongoing activities, on behalf of Plan 3 members, ensure high quality investment options. 

## **Your Plan 3 Options During a Career Change**

If you find yourself in a career transition, you have some important decisions to make about your Plan 3 account. These decisions can affect your future retirement income so you'll want to consider your options carefully.

When you leave your job, you have three options:

1. Retire if you are eligible and begin receiving your defined benefit; or
2. Wait until you're eligible to retire or ready to access your defined contribution account; or
3. Withdraw your contributions plus earnings.

### **You can retire and draw your defined benefit**

There are three ways to meet retirement eligibility. You are eligible to retire with a full benefit at age 65 if you have at least:

- 10 years of service credit; or
- Five years of service credit (if at least 12 service credit months were earned after age 44); or
- Five years of service credit earned in Plan 2 before you transferred to Plan 3.

If you have at least 10 years of service credit and are age 55 or older, you can choose to retire early with a reduced benefit.

### **You can wait**

If you have at least 20 years of service credit, your defined benefit will be increased by three percent each year, from the date you leave employment until you begin drawing your defined benefit.

Your defined contribution retirement account will retain the ability to grow (subject to market conditions), while you maintain control of your investment choices.


### **You can withdraw the money in your defined contribution account**

Withdrawing your contributions will not affect your defined benefit, but it is important to remember that your contributions are intended to be part of your retirement income. If you access your contributions early, the total money available when you do retire will be less.

Also, you will owe income tax when you withdraw your funds. The IRS

requires that 20 percent be withheld. If you are under age 59½ when you take payment, an additional 10-percent tax for early withdrawal may be assessed by the IRS when you file your annual tax return. If you wish to avoid the withholding and 10-percent additional tax, you may roll the funds directly into a tax deferred account or other qualified employer-sponsored retirement plan.

There are a variety of payment options available. To learn more, obtain the *Plan 3 Request for Payment of Defined Contribution Funds* brochure available at [www.icmarc.org/plan3](http://www.icmarc.org/plan3).

If you have questions, call the Plan 3 Investor Services associates at 888-711-8773. 

## **Change in Plan 3 Management Fee**

Effective July 1, the Washington State Investment Board's (WSIB) management fee for the Self-Directed Plan 3 investments increased from 0.0154 percent to 0.0265 percent. This translates to an increase of approximately \$0.70 per quarter on a daily account balance of \$25,000.

The WSIB continues to make major enhancements to its investment research and risk management capabilities which are essential steps to meet the return objectives of our clients with an increasingly challenging market environment. The fee includes additional costs related to investment management searches, corporate governance and proxy voting services, risk management, and research. The WSIB continues to be a cost effective investment manager and remains below the peer median benchmark cost compared to other U.S. pension funds. For details, please refer to the *Plan 3 Investment Guide* at [www.icmarc.org/plan3](http://www.icmarc.org/plan3), or you may call Investor Services at 888-711-8773. 