

PLAN 3 *special* REPORT

New international fund will have lower costs

In January 2004 the Washington State Investment Board (WSIB) will replace the current International Stock Index Fund with a new International Stock Index Fund expected to provide Plan 3 members with improved performance opportunities.

The WSIB expects the new fund to provide stronger returns that more closely mirror the Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) index. The increased fund performance will benefit all Plan 3 members who invest in the International Stock Index Fund.

All Plan 3 members who are currently invested in the current fund will have their fund balances automatically transferred to the new fund on December 31, 2003.

Why should the new fund have improved performance?

The new fund's investment manager, State Street Global Advisors (SSgA), is able to reduce the costs of managing the index by requiring low turnover in the new fund. The lower turnover also allows the SSgA to manage the cash more efficiently. To meet the requirements of the new fund, Plan 3 turnover will be lowered by instituting a trading restriction.

How does the trading restriction impact me?

If you transfer dollars out of the fund, you will not be allowed to transfer dollars back into the fund for 30 calendar days. Basically, your transfer out of the fund starts a 30-day clock, and you won't be able to transfer dollars back into the fund until those 30 days are up.

So if you have \$1000 dollars in the fund and transfer \$500 dollars to another Plan 3 fund on January 2, this would start the 30-day clock. (See the graphic at right

for a visual example of this process.) You would have to wait until the 30-day clock stops on February 2 before you are able to transfer any dollars back into the fund. It is important to note that if you decided to transfer another \$250 out of the fund on January 5, this would re-set your clock, and you would not be able to transfer dollars back into the fund until February 5.

Again, lower turnover within the fund is expected to offer opportunity for improved performance.

What about my deferrals?

Normal contributions you make to the fund each payday are not included in the restriction. So even if you were paid several times within the 30-day timeframe, you would still be able to transfer additional cash into the fund once every 30 days.

What if I'm planning to withdraw?

The trading restriction does not impact members who have left state service and are withdrawing from Plan 3.

Other than the trading restriction, is the new fund different than the old fund?

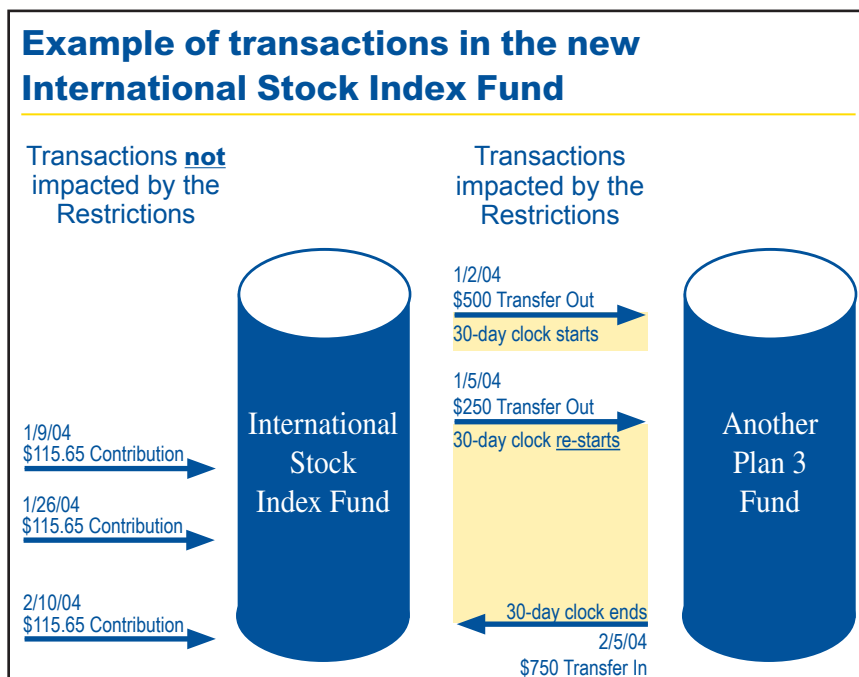
Only that the new fund should generally have less turnover, lower costs and better investment performance. Both funds share the same fund objective, investment strategy, and investment risk. See the attached information for more details about the new fund.

When will the new fund be implemented?

The current fund will be discontinued when markets close on December 31, 2003. The new fund will open January 2, 2004 after the market holiday.

Does the trading restriction impact any other Plan 3 funds?

No. Only the International Stock Index Fund option will be impacted.



INTERNATIONAL STOCK INDEX FUND

Fund objective

The International Stock Index Fund seeks to match the performance of the Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index while providing daily liquidity.

Investment strategy

The MSCI EAFE Index consists of approximately 1,000 stocks in 21 countries outside of North and South America and represents approximately 85 percent of the total market capitalization in those countries. The International Stock Index Fund employs an index replication approach to construct a fund seeking to replicate the returns of the index. The fund attempts to buy and hold all of the index securities in market-weighted proportion; stocks are traded when there is a change to the index. This approach minimizes turnover and transaction costs while at the same time reducing risk through diversification across all 21 markets. To facilitate daily liquidity, the International Stock Index Fund may hold up to 20 percent of its value in international equity index futures.

Investment risk

The International Stock Index Fund is intended for participants who want an investment designed to parallel the returns of the MSCI EAFE Index. It is intended as a long-term investment vehicle due to the higher volatility of returns on international common stocks over short-term periods.

Investment manager

The International Stock Index Fund is provided by the Washington State Investment Board and managed by State Street Global Advisors.

Investment Restrictions

Once a member has transferred money out of the fund, he or she will not be allowed to transfer money back into the fund for thirty days. The thirty day window will be based on the last time the member made a transfer out of the fund. This restriction will not effect members' monthly/bi-monthly deferrals or his or her ability to leave state service and withdraw from Plan 3.

Top Ten Holdings

as of 9/30/2003

	% of Total Fund
BP	2.43%
HSBC Holdings	2.32%
Vodafone Group	2.19%
Glaxosmithkline	2.02%
Total Fina ELF	1.58%
Royal Dutch Petroleum	1.56%
Nestle SA	1.53%
Novartis AG	1.51%
Toyota Motor Corp	1.29%
Nokia OYJ	1.22%

Characteristics as of 9/30/2003

	Int'l Stock Index Fund	MSCI EAFE Index
Price-to-earnings	27.1	16.7
Price-to-book	1.9	1.8
Yield	2.8%	2.6%
No. of holdings	1,030	1,010
Weighted avg. capitalization	\$36.0B	\$39.0B

Country weightings as of 9/30/2003

	International Stock Index Fund	MSCI EAFE Index
Australia	5.1%	5.0%
Austria	0.2%	0.2%
Belgium	1.1%	1.0%
Denmark	0.8%	0.8%
Finland	1.8%	1.7%
France	9.4%	9.3%
Germany	6.1%	6.2%
Greece	0.4%	0.4%
Hong Kong	1.8%	1.8%
Ireland	0.8%	0.8%
Italy	3.3%	3.8%
Japan	23.1%	23.1%
Netherlands	5.3%	5.0%
New Zealand	0.2%	0.2%
Norway	0.4%	0.5%
Portugal	0.4%	0.4%
Singapore	0.8%	0.9%
Spain	2.9%	3.4%
Sweden	2.3%	2.2%
Switzerland	7.7%	7.4%
United Kingdom	26.1%	25.9%

Annual fee as of 9/30/2003

Management fee	0.0000%
Other expenses *	0.0600%
WSIB expenses	0.0145%
ICMA-RC record-keeping fee	<u>0.1500%</u>
Total	0.2245%

* Other expenses are the operating costs associated with portfolio management and may include items such as custodial fees, audit fees and transfer agent fees. They are usually fixed costs and change in percentage as the fund balance changes.

Fees are calculated based upon your daily account balance.

Annualized returns as of 9/30/2003

	Int'l Stock Index Fund
1 Year	26.17%
3 Year	-8.76%
5 Year	0.64%
10 Year	-
Since inception	2.67%

Fund inception was 2/1/1997

Annual performance as of 9/30/2003

Year	Int'l Stock Index Fund *	MSCI EAFE Index
2003 YTD	18.37%	18.37%
2002	-15.76%	-15.94%
2001	-21.49%	-21.44%
2000	-14.67%	-14.17%
1999	27.76%	26.96%
1998	20.89%	20.00%
1997	1.45%	1.78%
1996	6.04%	6.05%
1995	11.53%	11.21%
1994	7.97%	7.78%
1993	-	32.56%

* Investment Operations for the SSgA Daily EAFE Securities Lending Fund Series T began February 28, 2003. For periods prior to that date, the performance shown reflects the performance of the sole underlying fund in which the Series T Fund invests (the "SSgA Daily EAFE Securities Lending Fund")

Historic performance is not necessarily indicative of actual future investment performance, which could differ substantially. All performance figures contained herein are provided net of management fees and other expenses. All returns are calculated in U.S. dollars.

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index represents more than 1,000 stocks traded on the major foreign markets, including Japan, the United Kingdom, France and Germany. The MSCI EAFE Index represents approximately 85 percent of the total market capitalization of those countries.