

SERS PLAN 3 REPORT

January
2002

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

Web site enhancements make managing your account easier

Managing your Plan 3 retirement investments online is easier now. Thanks to recent enhancements to Account Access, you will have the information in a format that shows the progress you're making toward your retirement savings goals.

If you have not visited the Plan 3 Web site (<http://www.icmarc.org/plan3/>) recently, you may want to take a look. Here are some of the new features added to Account Access:

- **Balance Summary Page** – Your account balance now displays under the “My Account” tab. The balance is summarized and can be viewed on the first page. If you have balances in both the WSIB Investment Program and the Self-Directed Investment Program, this page displays the balances from both programs. A Plan Selector, located at the upper right of each page, can be used to toggle between account summaries for each program.
- **Personal Information** – You can now review your personal information (e.g. address) to ensure that it is current.

Besides adding more information about your retirement account, Account Access has a new “look and feel”. You will immediately notice new graphics and tabs to navigate through your account information quickly.

Other enhancements include:

- **Quick Links to Transactions** – “Quick Links” provide fast navigation to the transaction pages for entering fund transfers and allocation changes in the Self-Directed program.
- **Instant Password Access** – If you forget your password, use the password feature to request a password while online and receive it instantly. If you prefer,

SERS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 09/30/2001

	3rd Qtr 2001	1-Year	AVERAGE ANNUAL RETURNS	
			3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-6.25%	-12.26%	5.68%	8.73%

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.

SERS PLAN 3 SELF-DIRECTED FUNDS

AS OF 12/31/2001

	4th Qtr 2001	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.71%	4.34%	N/A	N/A
WASHINGTON STATE BOND FUND	0.87%	9.92%	N/A	N/A
U.S. LARGE STOCK INDEX FUND	10.63%	-12.00%	N/A	N/A
U.S. STOCK MARKET INDEX FUND	11.65%	-11.59%	N/A	N/A
U.S. SMALL STOCK INDEX FUND	20.92%	2.39%	N/A	N/A
INTERNATIONAL STOCK INDEX FUND	6.41%	-22.00%	N/A	N/A
SHORT-HORIZON FUND	3.52%	1.21%	N/A	N/A
MID-HORIZON FUND	6.01%	-3.37%	N/A	N/A
LONG-HORIZON FUND	8.85%	-9.25%	N/A	N/A

The SERS Plan 3 Self-Directed Funds were available for investment on September 1, 2000 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 and Money Market Fund on October 6, 2000; International Stock Index, U.S. Small Stock Index, Washington State Bond, Short-Horizon and Long-Horizon on October 10, 2000.

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/sers/investing>.

Returns cover the period ending December 31, 2001.

N/A - Not Applicable

you can receive a password reminder via email, or receive the password through the mail.

- **Online Help** – Click on OnLine Help and you will see information to answer your questions.
- **PDF Print Format** – Simply push the print button to produce high quality documents in PDF format.

While you are visiting Account Access, try the other valuable features of VantageLink. You will find a variety of easy-to-use planning tools and helpful investment information. As always, you can obtain account information, transfer funds, change allocations and order a statement 24 hours a day, seven days a week.

Look for future enhancements that will make managing your account even more convenient.

When should I start planning for my retirement?

With the monthly mortgage or rent payments, kids to educate and double digit years before you can draw your first Social Security payment, retirement planning probably ranks pretty low on your “things to do” list. “That’s a mistake,” said Rich Liebe, DRS’ Retirement Planning Program Manager. “It is never too early to begin planning.”

Each year over 10,000 DRS retirement system members attend retirement planning seminars that DRS provides throughout the

state. "The average member attends a seminar when they are within a year or two of retirement," said Liebe. "I can't count the number of members who tell us that they wish they had attended when they first began their career. Had they done so," he said, "they could have developed a long-range retirement plan and made informed decisions throughout their careers." Those decisions can add up to significant rewards at retirement. As it is, quite a few seminar attendees decide to work a few additional years to correct oversights that they learned of in a seminar.

DRS' Retirement Planning Seminars, appropriately entitled, "Planning for the Rest of My Life," are full-day information exchanges featuring experts in financial planning, estate planning, health insurance and Social Security. In addition, every seminar includes pension workshops for the DRS-administered retirement plans.

Seminar schedules can be found in the DRS newsletter, Retirement Outlook, or on the DRS Internet site (http://www.wa.gov/drs/member/roa_current/workshop.htm). Members can register using the online registration form. They can also register by U.S. mail or by phone. Call 1-888-711-6676 between 8 a.m. and 5 p.m. From the Olympia area, call (360) 664-7300. Hearing impaired members may call the TDD line (360) 586-5450.

Markets close on a positive note but down for the year

Stocks rebounded sharply in the fourth quarter following lows after the September 11th attacks. Led by surging technology stocks the major market indexes finished above pre-attack levels. Technology stocks surged.

For the quarter, growth stocks outperformed value stocks, and small- and mid-cap stocks outdistanced their large-cap counterparts. Looking at the numbers: the S&P/BARRA Growth Index rose 13 percent while the S&P/BARRA Value Index gained 7 percent. The Wilshire 4500 Index, representing small- and mid-cap stocks, gained 20 percent, compared to 10 percent for the S&P 500 Index.

Among economic sectors, Technology had the biggest gains during the quarter, rising 35 percent; despite this gain, the sector lost 26 percent for the year. The transportation sec-

tor posted the second best gains, rising 20 percent. Utilities and Communication Services fell 4 percent and 10 percent, respectively.

Bond market takes a dip

Increasing confidence and the rally in stocks trumped three interest rate cuts by the Federal Reserve, sending long bond yields higher and prices lower. Investors who sought the safety of bonds after the terrorist attacks began unwinding their positions as the fear of subsequent attacks waned. A growing sense that the worst economic news is behind us, and that the economy will recover sometime this year, also pressured the bond market.

For the quarter, the Lehman Brothers Aggregate Bond Index remained nearly unchanged, rising 0.05 percent, and the Lehman Brothers U.S. Treasury Index slipped 0.75 percent.

International stocks also rise

Markets overseas joined in the rebound, though not to the same extent. Growth in Europe was weak and Japan slipped into recession. Both factors acted as a drag on performance. The MSCI EAFE Index rose 7 percent, but the Euro and Japanese Yen each fell against the dollar, dampening returns for U.S. investors.

Economy officially in recession

In November, the National Bureau of Economic Research (NBER) declared the U.S. economy in recession. The recession began in March 2001 according to the NBER.

Nevertheless, many economists and investors believe the economy is at or near its bottom, and will recover this year. Sustained strength in housing and consumer spending, combined with low interest rates and improvements in other areas of the economy, seem to confirm their outlook.

Gain sharing will not occur in 2002

For the first time since the 1998 Washington State Legislature established gain sharing, there will be no payments. Gain sharing occurs only when the retirement fund's four-year annual earnings average experiences "extraordinary gains" by exceeding the 10

percent benchmark. The four-year earnings average ending in fiscal year 2001 was 8.8 percent.

When applicable, gain sharing payments are deposited in Plan 3 member accounts in January of even-numbered years. The four-year average is based on the four fiscal years preceding a payment year. Eligible Plan 3 members received gain sharing payments in 1998 and in 2000.

New rollover law affects Plan 3

One aspect of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) was to provide more flexibility with rollovers and trust-to-trust transfers for the purchase of service credit. Plan 3 members can now roll funds from additional types of tax-deferred retirement accounts into Plan 3 to pay contributions for optional service credit. Two common situations when a Plan 3 member may choose to apply for optional service credit are temporary disability and military service that interrupts public service employment.