

SERS PLAN 3 REPORT

May
2002

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On-Line Registration is available now

Registering for Plan 3 seminars and workshops is quick, easy and you can do it at your leisure from any computer. Using the new online registration system, select the session you would like to attend – Investment Basics, Distribution, Benefits Fair, or Combination (Investment and Distribution) – and find a location that is convenient for you. Some employers also offer ICMA-RC presentations at their new employee orientations.

You can register by visiting <http://www.icmarc.org/sers/newmember/education/schedule.html> and follow the instructions. The system will list all scheduled seminars that meet your criteria. Select the one that best meets your needs and register. If online registration is permitted for the selected seminar, you may register and receive an immediate confirmation. However, some employers require that you register through them directly; in that case, the Internet site provides your employer's contact name, phone number and email address for your convenience.

Unfortunately, many do not choose to attend until they are close to retirement. Do not wait. Register to attend a seminar today. Planning for your retirement early in your career is vital to maximizing your potential retirement benefits. Even if you are close to retirement, it is not too late to get up-to-date information. These seminars are informative and offer opportunities to ask questions.

If you cannot attend a seminar, or have additional questions, contact Investor Services at 1-888-711-8773 between 5:30 a.m. and 6:00 p.m. Hearing impaired members may call the TDD line at 1-800-669-7471.

SERS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 03/31/2002

	AVERAGE ANNUAL RETURNS			
	1st Qtr 2002	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	0.69%	0.94%	3.35%	8.53%

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 03/31/2002

	1st Qtr 2002	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.55%	3.39%	N/A	N/A
WASHINGTON STATE BOND FUND	-0.26%	6.03%	N/A	N/A
U.S. LARGE STOCK INDEX FUND	0.27%	0.14%	N/A	N/A
U.S. STOCK MARKET INDEX FUND	0.96%	1.59%	N/A	N/A
U.S. SMALL STOCK INDEX FUND	3.88%	14.03%	N/A	N/A
INTERNATIONAL STOCK INDEX FUND	0.60%	-8.58%	N/A	N/A
SHORT-HORIZON FUND	0.20%	3.41%	N/A	N/A
MID-HORIZON FUND	0.44%	2.68%	N/A	N/A
LONG-HORIZON FUND	0.61%	0.97%	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 March 31, 2002.

N/A - Not Applicable

New Reference Code to Protect Your Privacy

Safeguarding member information is a priority for the Department of Retirement Systems (DRS). That is why a new initiative to protect confidential information in member correspondence was put in place. Beginning with the 1st quarter statement, your Social Security Number will no longer appear on your Plan 3 quarterly statement. Instead, a new

“reference code” will be displayed on the quarterly statement for tracking purposes. If you execute any transactions online or on the telephone, the confirmation letter will contain the reference code.

New Quarterly Statement Enhancements

In an effort to simplify your quarterly statement, several enhancements

have been made. These improvements are included in the enclosed 1st quarter statement. The changes include the following:

- The Plan Summary information contains your Plan 3 balances by taxed, non-taxed and earnings. In addition, contributions are shown for the quarter and for the calendar year-to-date.
- The Summary by Fund section now shows Bill Payments as a separate line item, instead of being combined with Contributions.
- The Summary by Source section was removed, since all of your contributions are an employee source.
- The Contribution/Bill Payment section is now categorized by Non-taxed and Taxed sources.

If you have any questions about these changes, contact Investor Services at 1-888-711-8773.

The Enron impact and defined contribution plans

The Washington State Investment Board's (SIB) policy is to provide pension participants with well-diversified investment options to protect them from risk associated with an event such as the recent Enron situation. As a result, the Enron situation was not a major problem – the Enron portion of investment options for defined contribution plans was less than one quarter of one percent.

For example, if you had invested \$10,000 in the Total Allocation Portfolio (TAP), which had 0.23 percent exposure to Enron, you had approximately \$23 invested in Enron. However, even with the Enron situation, all investment options had a positive return for the quarter ending December 31, 2001.

Other defined contribution options had less exposure to Enron than the TAP – some investment options had no exposure at all.

The SIB, like all investors, relied on publicly available information when investing in Enron bonds within the TAP investment option, based on sound investment principles. The bonds continued to “appear” to be good corporate investments right up to the point when recent Enron developments became known, at which time the market value immediately dropped.

The SIB, through the Office of the Attorney General, is seeking to recoup losses by participating in a class action lawsuit for the losses of the TAP investment option.

Factoring time into your investment strategy

When investing, consider the length of time that must pass before you can retire. It is important to match your investments to that amount of time. If you will need some of your retirement savings soon, you may want to keep that portion of your portfolio in investments that will not fluctuate much over the short-term.

If you have five or more years until you draw on all or a portion of your assets, you may want to consider investments with more risk. While volatility is always a concern, time reduces its impact. Studies show that as the holding period of an investment increases, its average annual return becomes more predictable. This is especially true for common stocks. Investors who held stocks for one-year periods since 1925 received returns ranging from a 54 percent gain to a 43 percent loss. But those who held stocks for 20-year periods averaged annual gains as much as 17 percent and never less than 3 percent.