

TRS PLAN 3 REPORT August 1999

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Gain-Sharing Extended to Larger Group

Under a law signed by Governor Locke on May 10, 1999, TRS 2 members who transferred to TRS 3 on or after September 1, 1997, and before February 1, 1998, and meet the requirements passed in the original gain-sharing law are eligible to receive the July 1998 gain sharing payment. DRS mailed a letter, dated June 1, to eligible participants.

The payment, which is based on a member's service credit total as of August 31, 1997, was credited to eligible TRS Plan 3 defined contribution accounts in early June and appears in this quarter's shares statements. The payment was posted to the investment program to which the member is currently contributing. Therefore, if you are contributing to the Self-Directed Program, the posting appears on the July statement. If you are contributing to the State Investment Board's Total Allocation Portfolio, the payment will appear on the statement you receive in August.

How does gain-sharing work?

When earnings for the state retirement fund average more than 10 percent over a 4-year period, the portion over 10 percent is declared "extraordinary gains." The 4-year average is measured and gain-sharing

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)¹

AS OF 6/30/1999

AVERAGE ANNUAL RETURNS

	2nd Qtr 1999	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	5.33%	11.76%	16.29%	16.32%

¹ 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.

TRS PLAN 3 SELF-DIRECTED FUNDS

AS OF 6/30/1999

	2nd Qtr 1999	1-Year	3-Year	5-Year
TRS PLAN 3 SMALL STOCK INDEX	15.2%	0.7%	10.7%	14.9%
TRS PLAN 3 U.S. STOCK MARKET INDEX	8.1%	20.0%	N/A	N/A
TRS PLAN 3 LARGE STOCK INDEX	7.0%	22.6%	28.8%	27.6%
TRS PLAN 3 INTERNATIONAL STOCK INDEX	3.1%	8.2%	8.6%	8.0%
TRS PLAN 3 MONEY MARKET	1.3%	5.2%	5.4%	5.4%
TRS PLAN 3 BOND MARKET	-0.9%	2.4%	6.9%	7.5%

The TRS Plan 3 Self-Directed Funds' inception dates were in May 1997. Investment returns for periods prior to that date were constructed using the underlying State Street Global Advisors Funds' gross return and deducting current fees and expenses associated with each fund as if the fund had been in existence for the respective three and five year periods. The U.S. Stock Market Index Fund commenced September 1996 and has no investment performance history prior to that date.

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 *TRS Plan 3 Investment Guide*.

Returns on the TAP Fund cover the period ending 6/30/1999. Returns for the Self-Directed Funds cover the period ending 6/30/1999.

benefits are paid every two years. Gain-sharing data is based on fiscal years (July 1 to June 30). The gain-sharing payments made in 1998 and in 1999 were based on the years from July 1, 1993 through June 30, 1997. After 1998, if the 4-year average earnings top 10 percent, gain-sharing increases will be paid in January of even-numbered years.

Next Gain-Sharing Opportunity in January 2000

The next gain-sharing opportunity will be in January 2000, and will be based on state retirement fund earnings from July 1, 1995 through June 30, 1999. You are eligible for gain sharing when you meet the following eligibility requirements:

- 1) You are retired from TRS Plan 3, OR

- 2) You have at least \$1,000 in your defined contribution account as of August 31, the year preceding distribution; and, either
- a) You have earned service credit during the 12-month period from September to August immediately preceding the distribution (e.g., September 1998–August 1999 for the January 2000 payment), OR
 - b) Meet TRS Plan 3 retirement eligibility requirements. (See your *TRS Plan 3 Member Handbook* for retirement eligibility criteria.)

547-6657. If you call from the Olympia area, the number is 664-7000. You can also request the form by email at recep@drs.wa.gov or through the regular mail: DRS, PO Box 48380, Olympia, WA 98504-8380.

When you withdraw your money, the IRS requires DRS to withhold 20 percent for income taxes. If you are under age 59 1/2, the IRS adds a 10 percent penalty for early withdrawal. If you choose, you can avoid paying taxes by rolling your funds into a qualified retirement account. Keep in mind that you are not required to withdraw your investments when you leave TRS. You have the option to retain your TRS Plan 3 portfolio until you are age 70 1/2.

When can I withdraw funds from my TRS 3 account?

Each quarter you receive a statement telling how much your TRS Plan 3 account is worth. You can transfer funds between a variety of investment options any time you wish. But when can you access the funds?

In order to withdraw all or part of your money from TRS Plan 3, you must first terminate TRS-covered employment. Once this has occurred, obtain a *TRS Plan 3 Request for Payment of Defined Contributions* forms packet and submit the appropriate forms to DRS in Olympia. The forms packet is available by calling DRS toll-free at (800)

Depending on the program in which you are invested, you also have a variety of options in how you receive payment. For instance, if your investments are in the Self-Directed program, you can purchase an annuity that guarantees a set amount for life, or you can ask for a periodic payment from your account. DRS and the ICMA Retirement Corporation (RC) work to provide members with a reasonable amount of flexibility in how they receive payments. If you wish to talk to someone about payment options, call RC at (888) 711-TRS3 (8773).