

TRS PLAN 3 REPORT October 1999

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Teachers To Receive Annual Statements In November

Annual statements for all teachers' retirement plans will be shipped to employers in November. The annual statements, which are produced and distributed by DRS, incorporate a member's defined benefit account information with a summary description of the system and plan to which he or she belongs.

TRS Plan 3 has a dual benefit structure. Your contributions are invested in your personal retirement account, and employer contributions are invested in a separate defined benefit account. The annual statement represents only the defined benefit portion of your plan and therefore provides only a total of service credit earned. Financial statements outlining your contributions and earnings are processed by ICMA Retirement Corporation (RC) and accompany this newsletter.

Annual statements are automatically generated for all members who are currently employed in TRS-covered positions. Members who leave TRS-covered employment, but choose to keep their contributions in their TRS account can obtain an annual statement by contacting DRS.

You can contact DRS by telephone at 1-800-547-6657, from the Olympia area call 664-7000. You can also reach DRS via e-mail: recep@drs.wa.gov, or by writing DRS, PO Box 48380, Olympia, WA 98504-8380.

Investment Board Implements Declared Unit Values

Legislation passed last Spring provided the Washington State Investment Board (WSIB) authority to declare a unit value for the TRS Plan 3 Total Allocation Portfolio (TAP) on a monthly basis. The legislation affirms WSIB's responsibility for determining the monthly unit value of TAP and clarifies that the declared value is an approximation of the portfolio or fund values.

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 9/30/1999

	3rd Qtr 1999	1-Year	3-Year	5-Year
TRS PLAN 3 SMALL STOCK INDEX	-6.7%	17.7%	8.1%	11.9%
TRS PLAN 3 U.S. STOCK MARKET INDEX	-6.4%	27.2%	21.9%	N/A%
TRS PLAN 3 LARGE STOCK INDEX	-6.3%	27.6%	24.8%	24.7%
TRS PLAN 3 INTERNATIONAL STOCK INDEX	4.0%	31.3%	10.1%	8.9%
TRS PLAN 3 MONEY MARKET	1.3%	5.1%	5.4%	5.4%
TRS PLAN 3 BOND MARKET	0.4%	-1.2%	6.4%	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 9/30/1999.

The TAP contains assets that are valued on a monthly or quarterly basis. The unit value for TAP, as determined by the Washington State Investment Board, is declared on a monthly basis. The declared unit value is an approximate value, not an actual market value.

The TAP contains both liquid (stocks and bonds) and illiquid (real estate, private equity, private debt) assets within the portfolio. The illiquid assets provide increased diversification for the portfolio, but the values of these assets can only be estimated on a lagged quarterly basis. For illiquid assets, the value declared for

a specific month is the estimated value from the end of the previous lagged quarter, adjusted for subsequent cash flows. For example, the unit value declared for July is based on: 1) market values as of the end of July for liquid assets, and 2) estimated values as of the end of March, adjusted for cash flows between April and July, for illiquid assets. In accordance with statute, the WSIB declares the monthly unit values for the portfolio. The declared unit value is an approximate value of the total portfolio. When unit values are declared by WSIB, DRS adjusts the member's account to reflect the new declared value.

New Enhancement To Your TRS Plan 3 Statement

Your TRS Plan 3 quarterly statement has been enhanced to help you better understand your TRS Plan 3 Self-Directed Investment portfolio. Beginning with this statement you will find a set of three pie charts. The pie charts provide snapshots of:

- Your portfolio's diversification,
- The diversification of complete TRS Plan 3 Self-Directed program (a composite of all TRS Plan 3 members in the program), and
- The diversification for people in your age group in all the plans that RC administers nationally.

These pie charts illustrate how investments are divided among four basic asset classes:

- Domestic Stocks
- Bonds
- International Stocks
- Cash Management

Knowing how you have invested your funds among the four asset classes is important in maintaining your asset allocation strategy. Any changes in asset allocation could impact your tolerance for risk and the time horizon for achieving your financial goals.

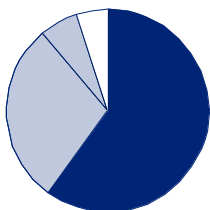
While the pie charts on your statement illustrate how you divide asset balances among the four asset classes, it is important to note how the specific TRS Plan 3 funds are categorized by each class. For example, the International Stock Index Fund falls into the International Stocks class while the Money Market Fund is included in the Cash Management category. In addition, more than one TRS Plan 3 fund can be part of a single category – both the U.S. Stock Market Index and the Large Stock Index funds are considered part of the Domestic Stocks category. The “Make-Up of Asset classes” chart below illustrates the category for each fund.

(Please note that funds in the Pending Transfer Account are considered part of the Cash Management category. This fund holds the cash value of amounts awaiting transfer between the WSIB and the Self-Directed Investment programs.)

These charts are intended to provide you with a higher level of information. You should consider them along with other factors such as your time horizon and risk tolerance in making your investment decisions.

For questions and additional information on your account, please call RC at 1-888-711-TRS3 (8773).

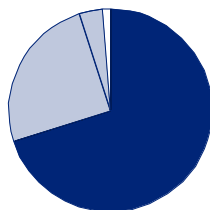
Your Balance



■ DOMESTIC STOCKS	60%
■ BONDS	29%
■ INTERNATIONAL STOCKS	6%
■ CASH MANAGEMENT	5%

This chart shows how you have invested your funds among the **four major asset classes** in your plan. These are Domestic Stocks, International Stocks, Bonds and Cash Management. Fund categories must equal at least 0.5% of assets to be displayed in the chart.

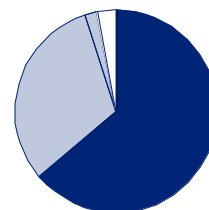
Your RC Plan's Balance



■ DOMESTIC STOCKS	70%
■ BONDS	25%
■ INTERNATIONAL STOCKS	4%
■ CASH MANAGEMENT	1%

This chart shows how others in TRS Plan 3 have invested their savings among the same four asset classes.

All RC Plans Nationally



■ DOMESTIC STOCKS	64%
■ BONDS	31%
■ INTERNATIONAL STOCKS	2%
■ CASH MANAGEMENT	3%

This chart shows how participants in your age group in plans administered in RC have invested their savings among the same four asset classes.

Make-up of Asset Classes

■ DOMESTIC STOCKS	= TRS3 U.S. Stock Market Index (61), TRS3 Large Stock Index (62), TRS3 Small Stock Index (63)
■ BONDS	= TRS3 Bond Market Index (64)
■ INTERNATIONAL STOCKS	= TRS3 International Stock Index (65)
■ CASH MANAGEMENT	= TRS3 Contribution STIF (04), TRS3 Money Market Fund (66), TRS3 Pending Transfer Account (95)