

TRS PLAN 3 REPORT July 2000

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New Record Keeping Contract Affects TRS Plan 3

The new School Employees' Retirement System (SERS) will open this fall and classified employees in the school districts will be considering the same choices teachers did when TRS Plan 3 opened in 1996.

The ICMA Retirement Corporation (ICMA-RC) was selected to provide record keeping services for SERS Plan 3. The good news for teachers is that the Department of Retirement was able to take advantage of the economies of scale of SERS and TRS to negotiate lower fees and expanded services for TRS Plan 3 members.

ICMA-RC Reduces Self-Directed Program Administration Fees

Effective July 1, 2000 administration fees for TRS Plan 3 members who are invested in Self-Directed Program funds will be lowered from 25 basis points to 15 basis points or .15 percent.

Web Site to be Updated and Expanded

ICMA-RC's expanded, Plan 3 Web site is scheduled to come online August 1, 2000. On that date, the site address will change to <http://www.icmarc.org/plan3/>. Members who use the old address will find a link to the new site. The site includes a new look and feel, improved navigation, and many new features. Among these are a variety of interactive tools for retirement planning, a full array of Plan 3 publications and forms, and fund activity reports that are updated daily. Members will still be able to

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)¹

AS OF 03/31/2000

	AVERAGE ANNUAL RETURNS			
	1st Qtr 2000	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	4.48%	20.55%	18.02%	17.52%

¹The 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 06/30/2000

	2nd Qtr 2000	1-Year	3-Year	5-Year
TRS PLAN 3 SMALL STOCK INDEX	-3.9%	13.7%	9.7%	13.8%
TRS PLAN 3 U.S. STOCK MARKET INDEX	-3.7%	9.7%	18.5%	N/A
TRS PLAN 3 LARGE STOCK INDEX	-2.7%	7.0%	19.4%	23.5%
TRS PLAN 3 INTERNATIONAL STOCK INDEX	-4.1%	16.3%	9.9%	11.0%
TRS PLAN 3 MONEY MARKET	1.5%	5.5%	5.4%	5.4%
TRS PLAN 3 BOND MARKET	1.3%	3.6%	5.4%	5.8%

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 3/31/2000. Returns for the Self-Directed Funds cover the period ending 06/30/2000.

access their personal accounts and complete transactions through the site.

New Washington State Bond Fund Will Replace Current TRS Plan 3 Bond Market Fund

On September 1, 2000, a new bond fund administered by the Washington State Investment Board (WSIB) will replace the current TRS Plan 3 Bond Market Fund. At that time all investments remaining in, or funds allocated

for transfer to the TRS Plan 3 Bond Market Fund, will be automatically reinvested in the new fund.

Members who are currently invested in the TRS Plan 3 Bond Market Fund and do not wish to have their funds reinvested in the TRS Plan 3 Washington State Bond Fund are advised to transfer to another investment option prior to September 1. You can initiate a fund transfer by calling

the ICMA-RC Automated Service Line at 1-888-711-8773 or by accessing the Plan 3 Web site and using your personal pin number.

The Plan 3 Washington State Bond Fund will be based on the Lehman Brothers Intermediate Credit Index. The current bond fund is based on the Lehman Brothers Aggregate Index and is managed by State Street Global Advisors. The decision to move to the new fund was motivated by several factors, most prominent among these are:

- The WSIB's bond management has consistently outperformed the current bond fund; and
- Members will benefit from lower administrative fees (new fees = .1620 percent, current fees = .2320 percent).

DRS and the WSIB are confident that the TRS Plan 3 Washington State Bond Fund will be a solid addition to the portfolio options provided to Plan 3 members.

Information About New Offerings Will be Mailed to Members in August

In August, DRS will send additional details about the new bond fund, and information about a new group of WSIB balanced fund offerings called the "Horizon Funds." The Horizon Funds, which will be available on September 1, will provide conservative, intermediate and aggressive investment choices, and will take advantage of the WSIB's proven fund management practices.

Substitute Teachers Service Credit Reporting Process Improved

The process for substitute teachers to receive service credit for teaching can be time-consuming and confusing. As a result of feedback from substitute teachers and school districts, and an extensive review of internal processes, DRS created a new publication called *The Substitute Teacher's Guide to Obtaining Service Credit*. The publication includes all of the necessary forms including a new application and work log

that allows substitutes to determine whether they qualify to receive service credit and to estimate the cost for purchasing service credit. The publication will be mailed to substitute teachers who applied for service credit after the 1998-1999 school year and will be provided to employers for distribution in August. The publication can also be downloaded from the Forms Archive on the DRS Web site at: <http://www.wa.gov/DRS/drs.htm>.