November 2001

TRS PLAN 3 REPORT

Visit ICMA-RC on the Internet at: http://www.icmarc.org/trs

An important message to Plan 3 participants from DRS

The thoughts and deepest sympathies of the Department of Retirement Systems (DRS) are with all of those affected by the tragedy of Tuesday, September 11,2001. While none of us have faced this kind of incident before, history shows that the United States and its financial systems and markets will recover and endure — as they previously have through war, natural and man-made disasters, and other world-shattering events.

The staff of the ICMA-Retirement Corporation,DRS' Plan 3 record keeper, are available to help answer questions by phone or through the Plan 3 Web site if you have questions or concerns about your defined contribution account during this difficult time, and any time in the future. DRS staff are also available to assist you with any questions you have about your Plan 3 defined benefit.

Markets reopen and resume operations

The full impact of the terrorist attacks against the United States on September 11, 2001,may not be known for years.However, as recovery efforts continue, Americans have come together and their resolve has not wavered.

The U.S. stock markets have not closed for four consecutive business days since World War I.In the days following the attack, Wall Street officials and others dedicated themselves to resuming market operations.

Investors can feel confident that the exchanges are once again functioning properly by providing a marketplace to buy and sell securities.

During this time of global uncertainty, we cannot foretell the direction of market trends.It is even more difficult to know which way stock prices will go on a given day. All we can do is counsel you to think long-term,stay diversified, remain patient, and avoid panic decisions.

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 09/30/2001

		AVERAGE ANNUAL RETURNS		
	3rd Qtr 2001	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-6.25%	-12.24%	5.69%	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.

TRS PLAN 3 SELF-DIRECTED FUNDS

AS OF 09/30/2001

	3rd Qtr 2001	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.96%	5.33%	5.48%	5.48%
WASHINGTON STATE BOND FUND*	4.71%	13.11%	N/A	N/A
U.S. LARGE STOCK INDEX FUND	-14.73%	-26.70%	1.85%	9.98%
U.S. STOCK MARKET INDEX FUND	-15.71%	-27.96%	2.70%	N/A
U.S. SMALL STOCK INDEX FUND	-20.66%	-21.09%	4.57%	4.21%
INTERNATIONAL STOCK INDEX FUND	-14.05%	-28.98%	-1.52%	-0.59%
SHORT-HORIZON FUND	-2.33%	-2.23%	N/A	N/A
MID-HORIZON FUND	-6.39%	-11.10%	N/A	N/A
LONG-HORIZON FUND	-11.55%	-21.21%	N/A	N/A

* The Bond Market Index Fund closed on August 31, 2000. Investments were transferred to the Washington State Bond Fund. Performance shown is from its September 1, 2000 inception date.

The TRS Plan 3 Self-Directed Index and Money Market Funds' inception dates were in May 1997. Investment returns for periods prior to that date were constructed using the underlying Funds' gross return and deducting current fees and expenses associated with each fund as if the fund had been in existence for the five-year period. The Horizon Funds were created for Washington State TRS Plan 3 participants in September 2000.The U.S. Stock Market Index Fund commenced September 1996 and has no investment performance history prior to that date. Please refer to the *Plan 3 Investment Guide* or the Web site http://www.icmarc.org/trs/investing for additional fund information and estimated long-term performance.

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.*

Returns cover the period ending September 30, 2001. **N/A - Not Applicable**

Defined benefit annual statements to be distributed

In November, DRS will distribute your annual statement for the defined benefit portion of TRS Plan 3.In addition to basic information about your defined benefit,the statement provides service credit information including the month-by-month accumulation for the 2000-2001 school year, and your total service credit through August 2001.

Annual statements are mailed directly to school districts, educational service districts or higher education employers for distribution to active members. Members who are not currently working in a position covered by TRS Plan 3 can request an annual statement by contacting the Department of Retirement Systems at P.O. Box 48380, Olympia, WA 98504-8380,and providing their mailing address.

The defined benefit component of TRS Plan 3 is funded solely by employer contributions.When you retire, your defined benefit payment will be based on your total service credit and your average final compensation (AFC). Your AFC equals the annual average of your 60 consecutive highest paid service credit months.If you meet eligibility requirements, this lifetime benefit is guaranteed.

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The investments available in Plan 3 are not offered by or through the ICMA Retirement Corporation, the ICMA Retirement Trust, or ICMA-RC Services, LLC. This publication is available in alternate formats. To request, call 1-888-711-8773 or TDD 1-800-669-7471.

FLY000-059-200111-109492

To be eligible for a monthly benefit from the defined benefit component of TRS Plan 3, you must meet certain age and service requirements. For a full benefit, you must be at least 65 and have:

- Completed 10 service credit years, OR
- Completed 5 service credit years, including 12 service credit months after attaining age 54, OR
- Completed 5 service credit years by July 1,1996 under TRS Plan 2 and transferred to Plan 3.

The Plan 3 defined benefit calculation formula:

1% x Years of Service Credit x AFC = Annual Benefit
Annual Benefit divided by 12 months = Monthly Benefit

You can receive an actuarially reduced benefit as early as age 55,if you have a minimum of 10 years of service credit. For more information about your defined benefit retirement, refer to your TRS Plan 3 Member Handbook. You can obtain a copy of the handbook through your employer. They are also available on the DRS Internet site (http://www.wa.gov/DRS/drs.htm). If you visit the site, check out the TRS Plan 3 benefit estimator. The benefit estimator calculates your TRS Plan 3 defined benefit based on the service credit and AFC criteria that you enter.

Member asks about gain-sharing

A DRS Retirement Services Analyst recently received this question about gain-sharing.
Question: If I withdraw my defined contribution money, am I still eligible for gain-sharing payments?

Answer: You will qualify for gain-sharing if you meet the following criteria:

1. You are retired from TRS Plan 3, OR
2. You have at least $1000 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, OR
   b. You meet TRS Plan 3 retirement eligibility requirements.

More about gain sharing: Gain-sharing is distributed when trust fund earnings average more than 10 percent over a four-year period. Gain-sharing payments are made in January of even-numbered years. The period of performance is based on a Fiscal Year — July 1 to June 30. Performance measures are collected in August of odd-numbered years. If the retirement fund does not earn in excess of 10 percent, there is no payment. Gain-sharing payments are credited to the investment program where your monthly contributions are invested. If gain-sharing payments are paid,they will appear on your 1st Quarter Statement in even-numbered years.

Internet Services Offer Easy Way to Manage Your Retirement Account

If you have not visited the TRS Plan 3 Web site (http://www.icmarc.org/trs/) recently, you will find new investment information and retirement planning services to help better manage your retirement account.

Investment Information

The TRS Plan 3 Web site offers a wide range of investment related information including fund descriptions,characteristics and performance data to help you make informed investment decisions.

Recently, TRS Plan 3 added several new pieces of useful information for managing your investments and planning for retirement. Now when you visit the Fund Performance area under the Investment Options button you will see a fund performance table containing standardized reporting. This means you will see fund performance for the latest quarter, year-to-date, and for 1,3,5,and 10 years. Financial experts say that when investors consider buying a fund,they should look at the fund's track record of the last several years. Standardized reporting periods provide a better tool to compare fund performance.

The new format for fund information is also useful for retirement investing. Many categories of fund statistics were streamlined by reduction in size or elimination. With these enhancements, you have information that is applicable to long-term retirement planning and investing.

Planning Tools & Education

While visiting the TRS Plan 3 site, check out some of the planning tools and investment education services. The Asset Allocation Tool provides a short questionnaire that helps you understand your personal investment requirements and comfort levels,then points you toward appropriate investment strategies.

Located in the Investment Options area of the Web site, within the TRS Plan 3 Investment Education section, you will find an online training class on investment choices. Or, if you prefer face-to-face interaction with a representative, use the online schedule to find out when an investment seminar will be in your area.