

# TRS PLAN 3 REPORT

May  
2002

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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.

## TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 03/31/2002

	AVERAGE ANNUAL RETURNS			
	1st Qtr 2002	1-Year	3-Year	5-Year
<b>TOTAL ALLOCATION PORTFOLIO</b>	0.69%	0.94%	3.36%	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.

## TRS PLAN 3 SELF-DIRECTED FUNDS

AS OF 03/31/2002

	1st Qtr 2002	1-Year	3-Year	5-Year
<b>MONEY MARKET FUND</b>	0.55%	3.39%	5.05%	5.20%
<b>WASHINGTON STATE BOND FUND*</b>	-0.17%	6.02%	N/A	N/A
<b>U.S. LARGE STOCK INDEX FUND</b>	0.20%	0.07%	-2.72%	9.94%
<b>U.S. STOCK MARKET INDEX FUND</b>	0.89%	1.59%	-0.98%	9.88%
<b>U.S. SMALL STOCK INDEX FUND</b>	3.96%	14.03%	9.48%	9.19%
<b>INTERNATIONAL STOCK INDEX FUND</b>	0.70%	-8.58%	-5.83%	0.92%
<b>SHORT-HORIZON FUND</b>	0.30%	3.41%	N/A	N/A
<b>MID-HORIZON FUND</b>	0.44%	2.68%	N/A	N/A
<b>LONG-HORIZON FUND</b>	0.61%	0.97%	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 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.