

TRS PLAN 3 REPORT

May
2003

Visit ICMA-RC on the Internet at: <http://www.icmarc.org/plan3/>

TRS quarterly statements now available online

TRS Plan 3 members can now take advantage of a new online service called eDelivery that enables you to view, print and download quarterly account statements.

eDelivery takes full advantage of the Internet by giving you secure electronic access to your quarterly account statement as soon as it is available.

eDelivery allows you the option to receive email notification that your statement is ready to view.

If you signed up for eDelivery, you will no longer receive a printed statement in the mail. If you need a printed statement, they can be printed from the Website or a copy can be requested from ICMA-RC at 1-888-711-8773.

Enrolling in eDelivery is easy. In Account Access (<http://www.icmarc.org/trs>), click on the eDelivery link on the left side of the page, which takes you to the eDelivery registration page. Next, click on the box to indicate you want to receive quarterly statements via eDelivery, and then select whether you would like to receive email notification when your statement is available to view.

After you submit your request, a confirmation will appear showing you have successfully signed up for eDelivery. (Once you are enrolled you will get a notification in the Message Center on where to find your most recent statement.) That's all you need to do.

If you selected email notification, eDelivery will notify you shortly after the quarter ends. You can log on to your account, click on the Reports Tab, then click on the eDocs option to see your quarterly statement.

While online don't forget to try some of the other features available through Account Access. Account Access allows you to check your account balance, perform fund transfers or check fund performance.

Market Outlook

Market Outlook is a summary of general market trends. It represents market conditions for the three months ending February 28, 2003. Market Outlook will be an ongoing feature of the Plan 3 Reports.

Although robust growth is not expected in 2003, neither is a renewed recession. In the last three months ending February 28, 2003, investors continued to worry that the economy has not yet

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 3/31/2003

	AVERAGE ANNUAL RETURNS			
	1st Qtr 2003	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-1.90%	-9.58%	-6.09%	1.54%

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 3/31/2003

	1st Qtr 2003	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.31%	1.72%	3.83%	4.43%
WASHINGTON STATE BOND FUND*	2.39%	10.58%	N/A	N/A
U.S. LARGE STOCK INDEX FUND	-3.15%	-24.76%	-16.18%	-3.92%
U.S. STOCK MARKET INDEX FUND	-3.15%	-24.76%	-15.97%	-3.72%
U.S. SMALL STOCK INDEX FUND	-4.44%	-26.85%	-11.03%	-4.49%
INTERNATIONAL STOCK INDEX FUND	-8.61%	-25.85%	-20.88%	-8.01%
SHORT-HORIZON FUND	-0.31%	-2.59%	N/A	N/A
MID-HORIZON FUND	-1.42%	-9.23%	N/A	N/A
LONG-HORIZON FUND	-3.27%	-17.97%	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 Horizon Funds were created for Washington State TRS Plan 3 participants in September 2000. 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* or the Web site at <http://www.icmarc.org/trs/investing>.

Returns cover the period ending March 31, 2003.

N/A - Not Applicable

turned around. Consumer confidence fell to a nine-year low in January, as fears of war and a declining job market further affected the economic outlook. The situation did not improve in February. The job market continued to weaken, energy prices increased, and the trade deficit reached a record level. Additionally, war jitters continued to impact business and consumer spending.

Bonds

The Federal Reserve Board did not adjust the short-term interest rate during December, January, or February. The last change was made in November 2002, when it declined by 0.50 percent. Therefore, short-term bond yields remained at near record lows. In addition, intermediate and long-term yields decreased over the three months ending February 28, 2003. As stock prices began declining in December, investors bid up bond prices.

The increased demand for bonds pushed bond prices higher, especially in the case of corporate bonds. (The higher yields offered by corporate bonds are expected to provide protection relative to other lower-yielding types of bonds, if interest rates rise and bond prices decline.) Mortgage bonds were the poorest performing sector, primarily due to their short duration – the result of heavy refinancing due to the current low interest rate environment. High yield bonds posted positive returns, ending the three-month period higher.

Stocks

The Dow Jones Industrial Average closed higher in November for the eighth week in a row. Unfortunately, the rally faded quickly as the stock market's momentum reversed course the beginning of December.

Continued negative economic news, combined with the increasing likelihood of a war in the Middle East, dampened investors' spirits and affected stock prices. Some are optimistic that a quick end to the conflict with Iraq may be a potential catalyst for renewed investor confidence and help stock prices to increase. Stocks as a whole suffered their worst performance in December, although they declined for each of the three months ending February 28, 2003. Small company stocks experienced the worst performance, while mid-size company stocks performed the best. Despite this disappointing performance among stocks, it was much better than during the same period of 2002. International stocks performed similar to U.S. stocks. Europe performed poorly for the three-month period, while Asia Pacific was the strongest performing region. Once again, emerging market countries outperformed developed markets.

*By Arnerich Massena & Associates.
Due to printing requirements, this article includes market activity as of February 2003.*

Frequently asked questions

To enhance your understanding of Plan 3, we've provided the answers to some of the most frequently asked questions received by DRS through our third-party record-keeper ICMA-RC. We hope this information will assist you in the management of your Plan 3 investments.

Q1: When do I call DRS and when do I call ICMA-RC?

A1: Contact the Department of Retirement Systems (DRS) if you have questions about the following:

- Defined Benefit
- Contributions
- Service credit
- Bill payments
- Beneficiary information
- Defined Benefit related TRS Plan 3 publications such as your *Member Handbook*

Contact ICMA-RC for information about the following:

- Investment funds
- Investment education seminars
- Quarterly statements
- Plan 3 forms
- Defined Contribution related TRS Plan 3 publications/brochures, such as the *Plan 3 Investment Guide* and *TRS Plan 3 Journey to Retirement*
- Transferring money between Self-Directed funds
- Changing your Self-Directed allocation
- Transferring money from one investment program to another (Washington State Investment Board (WSIB) to Self-Directed or Self-Directed to WSIB)

- Account balance
- Fund administration fees
- Status of withdrawal requests (or to request withdrawal forms)
- Tax withholding related to withdrawals

Q2: How do I redirect my contributions from one investment program to the other? (e.g., from WSIB to Self-Directed or from Self-Directed to WSIB)? Where do I get the form? Where do I send my completed form?

A2: You can change where your contributions are directed by using the *Plan 3 Change of Investment Program* form. This form can be obtained from your employer or from the Publications and Forms section at <http://www.icmarc.org/trs/pubs>. Return your completed form to your employer.

Q3: How do I transfer balances between the WSIB and Self-Directed Investment Programs?

A3: You can transfer balances between the two investment programs by either calling an ICMA-RC representative at 1-888-711-8773 or by using the *Plan 3 Investment Program Transfer* form available from your employer, ICMA-RC, or the Publications and Forms section at <http://www.icmarc.org/trs/pubs>. Send your completed form directly to ICMA-RC.

Q4: How do I establish an investment allocation for the Self-Directed Investment Program or transfer money between self-directed funds?

A4: The quickest methods to initiate a change or establish an allocation are:

- Access the Account Access on the Internet at <http://www.icmarc.org/trs>. You will need to request a password before you can access your account; or
- Call ICMA-RC at 1-888-711-8773 and use VantageLine or speak directly with an ICMA-RC service representative; or

A third option to initiate a change or establish an allocation, which may take longer, is:

- Obtain the *Plan 3 Investment Allocation* form from your employer, ICMA-RC, or the Publications and Forms section on the Internet at: <http://www.icmarc.org/trs/pubs>. Mail your completed form directly to ICMA-RC.

Q5: If I leave TRS-covered employment, can I leave money in my account?

A5: Yes. You have the option of leaving your defined contribution money in TRS Plan 3 or withdrawing your money. Funds left in TRS Plan 3 will continue to earn at market rate and you will continue to receive quarterly statements of account. As long as you have money in your Plan 3 account, you can request transfers between Self-Directed funds or between the two investment programs. You can initiate Program to Program transfers, or transfer

funds between Self-Directed investment options by calling ICMA-RC at 1-888-711-8773. Remember, if you leave TRS employment and change your place of residence, you need to inform DRS of your new address.

Q6: Can I take a lump sum or roll my money over to an IRA or other qualified plan when I leave TRS Plan 3?

A6: Yes. You may take a lump-sum payment (subject to IRS 20% withholding and 10% early withdrawal penalty before age 59 1/2) or rollover your account balance to an IRA or other qualified plan.