

TRS PLAN 3 REPORT

October
2004

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

January 2005 Contribution Rate Flexibility

Teachers' Retirement System (TRS) Plan 3 members have an opportunity to change their contribution rate selection during January 2005. If you wish to change your contribution rate, you must submit the TRS Plan 3 Contribution Rate Change Form to your employer during the period of January 1-31, 2005. Otherwise, your current contribution rate will remain in effect. For more information regarding changing your contribution rate or to obtain a copy of the form, see the TRS Plan 3 Web site at www.icmarc.org/plan3/trs/ or call 1-888-711-8773 or TDD 1-800-669-7471. You may also contact your employer to obtain a copy of the form.

Plan 3 quarterly statements available electronically

DRS' *eDelivery* service enables Plan 3 members to view, print and download quarterly account statements directly from the Web.

eDelivery also allows you the option of receiving email notification when your statement is ready to view.

Enrolling in *eDelivery* is easy. In Account Access (www.icmarc.org/trs), click on the *eDelivery* link on the left side of the page. Next, click on the box to indicate that you want to receive your quarterly statement via *eDelivery*. Finally, select whether you would like to receive email notification when your statement is ready for viewing.

Once you've submitted your request, you will receive a confirmation.

For more information about *eDelivery*, contact ICMA-RC at 1-888-711-8773.

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 6/30/2004

	AVERAGE ANNUAL RETURNS			
	2nd Qtr 2004	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	0.82%	16.72%	4.48%	3.85%

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 9/30/2004

	3rd Qtr 2004	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.30%	0.99%	1.51%	3.15%
WASHINGTON STATE BOND FUND*	2.70%	2.93%	5.82%	N/A
SOCIALLY RESPONSIBLE BALANCED FUND*	-0.44%	9.14%	N/A	N/A
U.S. LARGE STOCK INDEX FUND	-1.98%	13.69%	3.89%	-1.47%
U.S. STOCK MARKET INDEX FUND	-1.94%	14.00%	5.13%	-0.22%
U.S. SMALL STOCK INDEX FUND	-2.89%	18.65%	13.47%	7.26%
INTERNATIONAL STOCK INDEX FUND	-0.26%	21.76%	7.01%	-2.28%
SHORT-HORIZON FUND	0.99%	6.54%	5.22%	N/A
MID-HORIZON FUND	0.48%	10.43%	6.61%	N/A
LONG-HORIZON FUND	-0.65%	13.90%	6.59%	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 Socially Responsible Balanced Fund inception date is April 1, 2004.

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 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 www.icmarc.org/trs/investing.

Returns cover the period ending September 30, 2004.

N/A - Not Applicable

Plan 3 transactions may be downloaded into financial software programs

Account Access offers the capability to download your Plan 3 transactions into financial software tools that can help you manage all of your personal finances, including your retirement assets. You may log on to Account Access at www.icmarc.org/plan3/trs.

To download your transactions, select the Activity History report within the Reports Tab. After you have specified

the transaction type, the results will be displayed online. Then, you can select the "Download to Quicken" link to download the information into Quicken 2005, the most recent version. The "Download QIF file" link can be used to download transactions into Microsoft Money or earlier versions of Quicken.

If you have questions regarding this enhancement, please contact the Phone Support Center at 1-888-711-8773 between 5:30 a.m. - 6:00 p.m. Pacific time.

Upcoming Plan 3 Investment Education Seminars

Whether you are new to TRS Plan 3 or have been managing your retirement investment account for years, the Department of Retirement Systems offers educational seminars to help you better understand your benefits.

The free seminars cover the basics of TRS Plan 3 as well as investment related topics. The investment education seminar topics include the fundamentals of investing, the Plan 3 investment options, and distribution choices for retirement plan strategies.

To view descriptions of the seminars log on to TRS Plan 3 Web site at www.icmarc.org/plan3/trs/planning, and click the Investment Education Schedule link. While there you can also register for a seminar and select a time and location convenient for you. Seminars are held at various locations throughout the state.

Gaining a better understanding of TRS Plan 3 and the investment options available will provide you with increased flexibility in retirement planning. So, log on today and register for a seminar near you.

Reminder about email security

DRS and its contracted vendor, ICMA-RC, would like to remind you that we do not solicit your personal account information via email.

DRS and ICMA-RC take every precaution to protect your privacy and the security of your account information. If you have any questions, please contact ICMA-RC at 1-888-711-8773.

Market Commentary

This market commentary is written as of August 31, 2004. Market activity is subject to change and may not reflect activity as of the release of this publication.

The pace of economic growth in the United States slowed somewhat during the quarter. The gross domestic product grew at a 3 percent rate during the second quarter, well below the 4.5 percent rate in the first quarter and less than the 3.6 percent rate expected by economists. Consumers continued to be the driving force behind the economic recovery, accounting for nearly two-thirds of the economy. The heydays of low-cost borrowing may be coming to an end, however, as the Federal Reserve raised its key target rate for overnight funds by a quarter of a point in two different sessions during the three-month period. Investors continue to be deterred by high oil prices, the threat of future interest rate hikes and ongoing concerns around the world.

Bonds

Rising interest rates are typically synonymous with declining bond prices. However, it appears that investors correctly anticipated the recent Fed moves, as the impact was already priced into the market. Bond prices actually recovered during the period; the poor news surrounding the stock market was interpreted as good news for bonds. Domestic bonds finished the three-month period with strong gains, particularly in August, as the Lehman Brothers Aggregate Index rose 3.5 percent while the Lehman Brothers High Yield Index finished the quarter with a solid 4.8 percent gain. Longer-maturity bonds outperformed shorter-maturity bonds while corporates slightly outperformed government bonds.

Stocks

While the mixed economic signals boosted the bond market, the stock market declined, even after rebounding in May and June. Continuing the trend from the prior quarter, large company stocks outperformed their small company counterparts, while style preference shifted from the prior quarter: value stocks handily beat more growth-oriented companies. Technology stocks bore the brunt of the market's poor performance, along with Healthcare and Consumer-related sectors. Energy-related stocks continued to benefit from high energy prices, and Industrial and Basic Material companies also realized strong gains. Investors proved difficult to impress as the health of the economy came into question in July with some key economic reports coming in weaker than expected. Despite the market's poor performance, corporate earnings have been holding up their side of the equation.

International stocks fared slightly better than U.S. stocks, as the MSCI All Country World Index lost only 0.8 percent for the trailing three-month period in U.S. dollar terms. China continued to perform well; the country's strong economic growth continues to drive the Asia-Pacific region. The Japanese economic picture grew dim as industrial production and consumer sales fell in June, resulting in a sell-off of Japanese stocks. Europe experienced mixed results as the U.K. performed on par with the broad index while some of the Nordic countries such as Finland and the Netherlands experienced sharp losses in July. The U.S. dollar held its ground against most major foreign currencies during the period.

***By Arnerich Massena & Associates
Due to printing requirements, this article
includes market activity as of August 2004.***