

TRS PLAN 3 REPORT

Visit Your Plan 3 on the Web at: www.icmarc.org/plan3/trs

DEPARTMENT OF RETIREMENT SYSTEMS QUARTERLY UPDATE • FEBRUARY 2009

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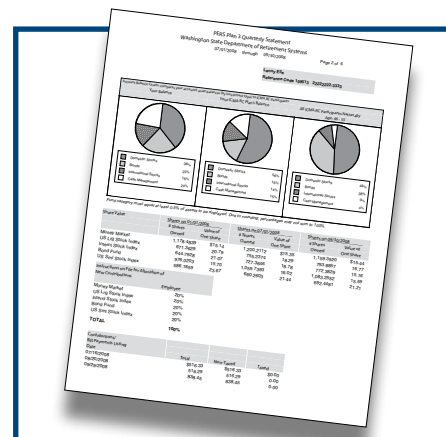
Experiencing statement shock?

It's safe to say that recent market performance has tested the nerve of even the most experienced investors.

All investments involve risk and we understand this is a difficult and challenging time for Plan 3 members. As you review your results from this quarter, you may be thinking about making changes. If so, it could be helpful to keep two things in mind:

History. This isn't the first time the market has taken a dramatic plunge and it's not likely to be the last. Two examples from the fairly recent past: The Internet bubble, when the market hit bottom in March 2003 and the oil crisis, when the market bottomed out in October 1974. As painful as they can be to endure, however, weak markets often lead to sound recoveries. The market rebounded from the 2003 and 1974 turbulence and patience paid off for those investors who were able to persevere.¹

The long term nature of investing for retirement. The Washington State Investment Board (WSIB) advises that a steady and determined focus on one's diversified investment plan, combined with the *(See Statement Shock, p. 2)*



Plan 3 Quarterly Statements Available Electronically

As a Plan 3 member, you can view, print and download your quarterly statements directly from the Web.

You also have the option of receiving an e-mail notification when your statement is ready to view.

Enrolling is easy. Once you have logged into your Plan 3 account (www.icmarc.org/trs), click on the Statements tab and the menu option Sign up for Online Statements. Next, click on the box that you want to receive your quarterly statement via eDelivery. Finally, select whether you would like to receive e-mail notification when your statement is ready for viewing.

For more information please call 888-711-8773.

CONTACT INFORMATION

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TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 12/31/2008

	4th Qtr 2008	AVERAGE ANNUAL RETURNS		
		1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-10.59%	-21.68%	1.81%	6.38%

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 asset mixes during the time periods shown.

TRS PLAN 3 SELF-DIRECTED FUNDS

AS OF 12/31/2008

	4th Qtr 2008	1-Year	3-Year	5-Year
MONEY MARKET FUND	0.32%	2.31%	4.18%	3.36%
WASHINGTON STATE BOND FUND	-1.09%	-1.78%	3.05%	2.92%
SOCIALLY RESPONSIBLE BALANCED FUND*	-9.16%	-15.73%	-0.28%	1.83%
U.S. LARGE STOCK INDEX FUND	-21.82%	-36.94%	-8.35%	-2.22%
U.S. STOCK MARKET INDEX FUND	-22.79%	-37.27%	-8.66%	-2.01%
U.S. SMALL STOCK INDEX FUND	-25.93%	-33.63%	-8.32%	-0.98%
INTERNATIONAL STOCK INDEX FUND	-21.11%	-43.24%	-7.27%	1.70%
SHORT-HORIZON FUND	**	**	**	**
MID-HORIZON FUND	**	**	**	**
LONG-HORIZON FUND	**	**	**	**

* The Socially Responsible Balanced Fund became available for investment on April 1, 2004. The fund inception date is July 1, 2003.

** The three Horizon Funds were closed on October 3, 2008 and replaced by Retirement Strategy Funds. The performance data for the new Retirement Strategy Funds will show on the first quarterly statement in 2009 with the first complete quarter for the new funds.

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.

(Statement Shock from p. 1)

courage to stick to it, is the primary tool to control risk. That is, the board says on its Web site, one of the profound lessons of the past. (For more from the WSIB, see the Frequently Asked Questions at www.sib.wa.gov.)

As you review your fund's performance, try not to make changes that are driven by emotions. Instead, review your investment strategies, as well as the *Plan 3 Investment Guide* and other materials available on the Plan 3 Web site, and take a thoughtful approach to determining whether changes are necessary.

When you're ready to retire, you'll be glad you did. 

¹ Sources: *Standard & Poor's and AllianceBernstein*

Important timelines to keep in mind if you make transfers

You can choose to make a program transfer at any time. If you do, please be aware of these timelines.

Self-Directed to WSIB

Total Allocation Portfolio (TAP)

Transfer instructions that are complete and received by 1:00 p.m. Pacific Time on a business day are posted to your account at that day's closing price. If your transfer instructions are received after 1:00 p.m. Pacific Time, or on a non-business day, your account will reflect the closing price of the next business day.

Because the TAP is valued only once a month, your transfer will need to move into the WSIB's Short-Term Investment Fund (STIF) before reconciliation happens. If your program transfer request is received on or before the fourth business day from the end of the month, your assets will move into the TAP fund on the first business day of the next month.

WSIB TAP to Self-Directed


You may submit program transfers from the WSIB Investment Program to

the Self-Directed Investment Program daily, but transfers only occur monthly.

If your transfer instructions are complete and received by 1:00 p.m. Pacific Time on or before the third-to-last business day of the month, units of the TAP will be redeemed from the WSIB Investment Program on the second-to-last business day of the next month.


Your assets will move into the Short-Term Investment Fund for one month while the TAP reconciliation takes place. Shares in the Self-Directed Investment Program are purchased the second business day of the month following the month-long reconciliation period of the TAP.

If you are transferring into the Self-Directed Investment Program, you must select an asset allocation. To complete an allocation, log into Account Access at www.icmarc.org/plan3, call the Plan 3 Investor Services at 888-711-8773 or complete the *Plan 3 Self-Directed Investment Allocation* form.


For more information on program transfers, refer to the *Plan 3 Investment Guide*. 

Lehman Brothers Index replaced by Barclays Global

On September 22, 2008 Barclays Capital acquired the Lehman Brothers North American Investment Banking and Capital Markets businesses. As part of the transaction, Lehman Brothers' indices (benchmarks used to measure investment products) became part of Barclays Capital. Those indices are used with the Washington State Bond Fund, Socially Responsible Balanced Fund and the Retirement Strategy Funds.

Barclays has announced that it intends to continue publishing all Lehman Brothers indices. You can learn more about the fund indices in the *Plan 3 Investment Guide* available at www.icmarc.org/plan3. 

2008 Disbursements and Tax Reporting

If you received a distribution from your Plan 3 Defined Contribution Account in 2008, you should have received a Form 1099-R in the mail during the third week of January 2009. In addition to taxable distributions, rollovers to other retirement plans and IRAs are also reported to the Internal Revenue Service on Form 1099-R with a special code that indicates it is a rollover. If you have general questions about the Form 1099-R, please call the Plan 3 Investor Services at 888-711-8773. You may also wish to consult with a professional tax advisor or review the *IRS Publication 575, Pension and Annuity Income* and *IRS Publication 590, Individual Retirement Arrangements*, available at www.irs.gov. 

TRS Plan 3 Contribution Rate Change Window

TRS Plan 3 members have the opportunity each January to select a different contribution rate. To change your rate, you must complete a TRS Plan 3 Contribution Rate Change form and submit it to your employer during the period of January 1-31, 2009. Otherwise, your current contribution rate will remain in effect. For more information, or to obtain a copy of the form, visit the TRS Plan 3 Web site at www.icmarc.org/plan3/trs or call 888-711-8773 or TDD 800-669-7471. You may also contact your employer to obtain a copy of the form.