

# PLAN 3 *special* REPORT

## New fund provides socially responsible alternative

In response to requests from members, the Washington State Investment Board (WSIB) will add a new Socially Responsible Balanced Fund to the Plan 3 self-directed investment line-up, effective April 1, 2004.

The WSIB has selected Walden Asset Management to provide low-cost, balanced fund management, incorporating both stocks and bonds to achieve competitive, consistent long-term returns. Walden is the socially responsive investment division of the Boston Trust & Investment Management Co. For 25 years Walden has served investors who choose to integrate their social and financial objectives.

*Business Ethics* magazine awarded their 2002 Money Manager of the Year Award to Walden for its “sterling performance both financially and socially.”

Walden screens investments based on key areas of corporate social performance such as the environment, labor practices, employee and community relations and corporate governance. Walden holds the view that good corporate governance and social responsibility are tightly interrelated.

Events in recent years have reinforced the importance of

corporate financial and social integrity. On behalf of its clients, Walden has engaged in dialogue with corporate management, and filed dozens of shareholder resolutions, urging positive change in company policies and practices in such issues as:

- Toxic waste
- Discrimination
- Sweatshop labor practices
- Board independence and accountability
- Auditor independence

The Department of Retirement Systems and the WSIB welcome Walden Asset Management as the manager for the Plan 3 socially responsible investment option.

### How to invest in the Socially Responsible Balanced Fund

If you choose to invest in the Socially Responsible Balanced Fund on or after April 1, you may move money into it from another fund in your Plan 3 account. Or you may change your allocation to direct some or all of your future contributions to the Socially Responsible Balanced Fund.

Move money or change your allocations within the Self-Directed Investment Program by accessing your account online at [www.icmarc.org/plan3](http://www.icmarc.org/plan3), or by calling ICMA-RC at 1-888-711-8773. If you wish to change your investment program for future contributions, contact your employer.



# SOCIALLY RESPONSIBLE BALANCED FUND

## Fund objective

The Washington State Investment Board (WSIB) Socially Responsible Balanced Fund seeks long-term capital growth through an actively managed portfolio of stocks, bonds and money market instruments.

## Investment strategy

The Socially Responsible Balanced Fund seeks to invest in a portfolio of companies that have demonstrated above average performance in a variety of social criteria. All holdings pass a broadly defined set of social screens, such as product safety and desirability, workplace issues, environmental impacts, international operations and weapons contracting. The portfolio is also actively engaged in promoting corporate change through advocacy.

The fund seeks to participate in rising markets while protecting against losses in falling markets. This is primarily accomplished in two ways. First, the fund actively adjusts the mix of stocks, bonds and cash over time. Second, the fund focuses on investments in the securities of companies with consistently strong histories of profitability and financial strength.

The portfolio strives to avoid investments in securities of companies with poor financial performance or excessive market risk. The fund will not invest in junk bonds.

## Investment risk

The fund is intended for participants who seek long-term growth of principle with a moderate level of risk. The fund seeks to replicate a composite of the S&P 500 Index (55%) and the Lehman Brothers Aggregate Index (45%).

## Investment manager

The Socially Responsible Balanced Fund is provided by the WSIB and managed by Walden Asset Management, a division of Boston Trust & Investment Management Company.

## Annualized performance as of 12/31/2003\*

	Socially Resp. Balanced Fund	Custom Index**
1 Year	n/a	17.24%
3 Year	n/a	1.54%
5 Year	n/a	3.04%
10 Year	n/a	9.55%

## Annual performance as of 12/31/2003\*

Year	Socially Resp. Balanced Fund	Custom Index**
6 months ended 12/31/03	9.58%	8.28%
Qtr ended 12/31/03	6.88%	6.75%
Qtr ended 9/30/03	2.53%	1.43%
2003	n/a	17.24%
2002	n/a	-8.21%
2001	n/a	-2.70%
2000	n/a	0.05%
1999	n/a	10.89%
1998	n/a	19.98%
1997	n/a	22.44%
1996	n/a	13.99%
1995	n/a	28.70%
1994	n/a	-0.54%

\*Historic performance is not necessarily indicative of actual future investment performance, which could differ substantially. All performance figures contained herein are provided net of management fees. All returns are calculated in U.S. Dollars.

\*\*55% S&P 500, 45% Lehman Brothers Aggregate Index: monthly rebalancing

## Annual fees

Management fee	0.4394%
Other expenses***	0.0944%
WSIB expenses	0.0129%
ICMA-RC record keeping fee	0.1500%
Total	0.6967%

\*\*\*Other expenses are the operating costs associated with portfolio management and may include items such as custodial fees, audit fees and transfer agent fees. They are usually fixed costs and decrease in percentage as the fund grows.

## Equity Characteristics as of 12/31/2003

	Socially Resp. Balanced Fund	S&P 500 Index
Price to earnings	21.1	21.3
Price to book	4.6	4.3
Yield	1.5%	1.8%
Number of holdings	74	500
Average capitalization (\$B)	\$50.0	\$89.7
Beta vs. S&P 500	0.8	1.0

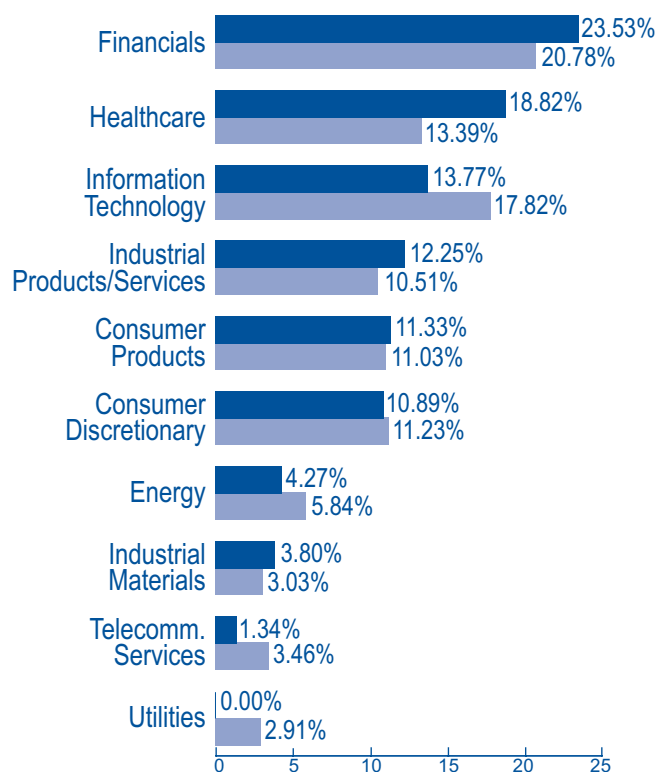
## Equity Composition as of 12/31/2003

### Top ten holdings

### % of total equity

	Socially Resp. Balanced Fund	S&P 500 Index
BP PLC - ADR	3.37	0.00
Illinois Tool Works	2.68	0.25
Intel Corp.	2.34	2.05
Pfizer Inc.	2.27	2.64
Johnson & Johnson	2.21	1.50
Sysco Corp.	2.12	0.24
Bank of America Corp.	2.05	1.17
Wilmington Trust Corp.	2.00	0.00
Price (T. Rowe) Group	1.90	0.06
Costco Wholesale Corp.	1.90	0.17

## Equity Sector weightings as of 12/31/2003

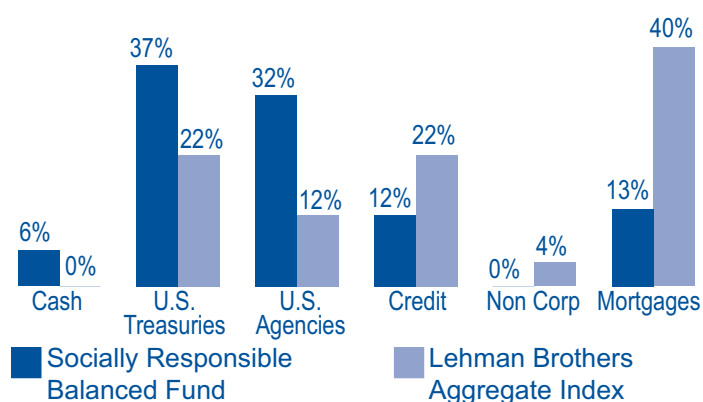


■ Socially Responsible Balanced Fund ■ S&P 500 Index

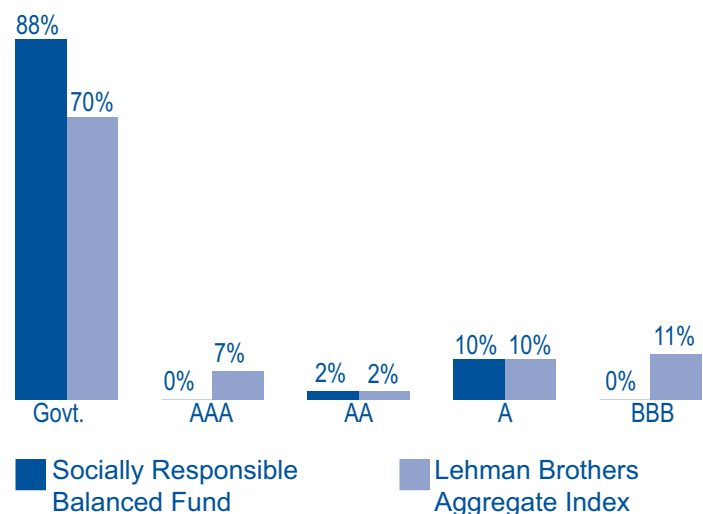
## Bond Characteristics as of 12/31/2003

	Socially Resp. Balanced Fund	Lehman Bros. Aggregate
Modified adjusted duration	3.7	4.5
Average maturity (in years)	6.3	7.6
Average coupon	4.3%	5.5%
Yield to maturity	4.0%	4.2%
No. of holdings	13	6,703

## Bond sectors as of 12/31/2003



## Bond quality distribution as of 12/31/2003



AAA+ } Highest ratings. *Standard & Poor's*  
AAA }

AA Rated very strong. Only slightly less secure than the highest rating. *Standard & Poor's*

A Rating is slightly more susceptible to adverse economic conditions. *Standard & Poor's*

BBB Rating is adequate. *Standard & Poor's*

Govt Securities backed by the full faith and credit of the U.S. government.

