

TRS PLAN 3 REPORT ^{July} 1999

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Gain-Sharing Extended to Larger Group

Under a law signed by Governor Locke on May 10, 1999, TRS 2 members who transferred to TRS 3 on or after September 1, 1997, and before February 1, 1998, and meet the requirements passed in the original gain-sharing law are eligible to receive the July 1998 gain sharing payment. DRS mailed a letter, dated June 1, to eligible participants.

The payment, which is based on a member's service credit total as of August 31, 1997, was credited to eligible TRS Plan 3 defined contribution accounts in early June and appears in this quarter's shares statements. The payment was posted to the investment program to which the member is currently contributing. Therefore, if you are contributing to the Self-Directed Program, the posting appears on the July statement. If you are contributing to the State Investment Board's Total Allocation Portfolio, the payment will appear on the statement you receive in August.

How does gain-sharing work?

When earnings for the state retirement fund average more than 10 percent over a 4-year period, the portion over 10 percent is declared "extraordinary gains." The 4-year average is measured and gain-sharing

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)¹

AS OF 3/31/1999

AVERAGE ANNUAL RETURNS

	1st Qtr 1999	1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	2.68%	8.11%	15.30%	15.00%

¹ 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 6/30/1999

	2nd Qtr 1999	1-Year	3-Year	5-Year
TRS PLAN 3 SMALL STOCK INDEX	15.2%	0.7%	10.7%	14.9%
TRS PLAN 3 U.S. STOCK MARKET INDEX	8.1%	20.0%	N/A	N/A
TRS PLAN 3 LARGE STOCK INDEX	7.0%	22.6%	28.8%	27.6%
TRS PLAN 3 INTERNATIONAL STOCK INDEX	3.1%	8.2%	8.6%	8.0%
TRS PLAN 3 MONEY MARKET	1.3%	5.2%	5.4%	5.4%
TRS PLAN 3 BOND MARKET	-0.9%	2.4%	6.9%	7.5%

The TRS Plan 3 Self-Directed Funds' inception dates were in May 1997. Investment returns for periods prior to that date were constructed using the underlying State Street Global Advisors Funds' gross return and deducting current fees and expenses associated with each fund as if the fund had been in existence for the respective three and five year periods. The U.S. Stock Market Index Fund commenced September 1996 and has no investment performance history prior to that date.

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 *TRS Plan 3 Investment Guide*.

Returns on the TAP Fund cover the period ending 3/31/1999. Returns for the Self-Directed Funds cover the period ending 6/30/1999.

benefits are paid every two years. Gain-sharing data is based on fiscal years (July 1 to June 30). The gain-sharing payments made in 1998 and in 1999 were based on the years from July 1, 1993 through June 30, 1997. After 1998, if the 4-year average earnings top 10 percent, gain-sharing increases will be paid in January of even-numbered years.

Next Gain-Sharing Opportunity in January 2000

The next gain-sharing opportunity will be in January 2000, and will be based on state retirement fund earnings from July 1, 1995 through June 30, 1999. You are eligible for gain sharing when you meet the following eligibility requirements:

- 1) You are retired from TRS Plan 3, OR

- 2) You have at least \$1,000 in your defined contribution account as of August 31, the year preceding distribution; and, either
 - a) You have earned service credit during the 12-month period from September to August immediately preceding the distribution (e.g., September 1998–August 1999 for the January 2000 payment), OR
 - b) Meet TRS Plan 3 retirement eligibility requirements. (See your *TRS Plan 3 Member Handbook* for retirement eligibility criteria.)

Rebalance Your Investment Portfolio

The strong performance of the stock market in recent years has surprised almost all of the experts. For many members it has been a rewarding time with double digit, 12-month returns not uncommon. Members with investments in the Self-Directed Program may now find that the percentage of their portfolios invested in stocks has climbed above their original investment plan.

As a result, your Self-Directed portfolio may have become “out of balance”. This means that fluctuations in the financial

markets have skewed the percentage of stocks, bonds, and cash investments in your portfolio. These asset allocation changes to your portfolio mean you’ve most likely taken on more risk, as the better performing asset classes (usually equities) grow in proportion to the weaker performers. It is important to review your investment goals to ensure that your allocation remains aligned with your investment objectives, time horizon, risk/return characteristics, and personal financial situation.

It may be time to “rebalance” your Self-Directed portfolio. As a general rule of thumb, you should consider altering your asset mix if it has deviated from its target by five percentage points.

Rebalancing can be achieved fairly easily. You can rebalance your portfolio by:

- 1) Redirecting future contributions to the asset class that falls below its target percentage, OR
- 2) Transferring money out of the asset class that exceeds its’ target into other investments funds.

Members investing in the Washington State Investment Board’s Total Allocation Portfolio (TAP) buy shares that are based on the current value of the total fund.

The TAP is composed of a variety of investment types of varying levels of risk. Fund managers regularly review and rebalance TAP holdings.

To initiate a fund transfer among your TRS Plan 3 Self-Directed investment options and/or change your allocation instructions for future contributions to the Self-Directed Investment Program, call VantageLine at 1-888-711-8773, access VantageLink (www.icmarc.org), or submit a TRS Plan 3 Member Transfer and Investment Allocation Form to R.C.