

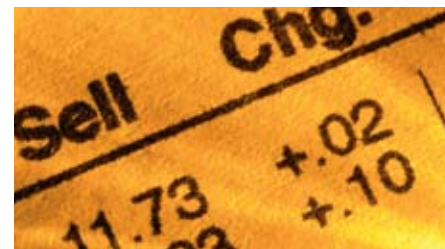
Plan 3 gain sharing payment completed in January 2008

Eligible Plan 3 members received a gain sharing payment of \$270.69 per year of service in January 2008. The gain sharing payment was applied to each member's Plan 3 defined contribution account and will be reflected on the May 2008 Plan 3 statement. If you wish to view the payment now, it is available online through Account Access at <http://www.icmarc.org/trs>.

To qualify for a 2008 gain sharing payment if you are a PERS Plan 3, SERS Plan 3 or TRS Plan 3 member, you must have been hired before July 1, 2007 and meet one of the following criteria:

- Earned service credit during the 12 months from September 1, 2006 to August 31, 2007, and had a balance of at least \$1,000 in your member account on August 31, 2007; or
- Be in receipt of the defined benefit component (as a retiree or survivor) of Plan 3; or
- Be in receipt of the defined contribution component of Plan 3; and you must:
 - have completed 10 service credit years; or
 - have completed five service credit years including at least 12 service credit months after age 44; or
- Have had a balance of at least \$1,000 in your member account on August 31, 2007 and have completed five service credit years and transferred to Plan 3 by the appropriate date (July 1, 1996 for TRS, September 1, 2000 for SERS, March 1, 2002 for PERS).

(See *Gain sharing payment*, p. 2)



MARKET COMMENTARY

as of November 30, 2007

Volatility continued to be the leading story in markets across the globe. Investors dealt with continued concerns surrounding the crumbling housing market, the uncertain direction of the federal funds rate, and the turmoil that has spread throughout the credit markets. Additionally, U.S. companies have experienced a significant slow-down as many have lowered future earnings projections. The U.S. market rebounded somewhat during the three-month period when the Fed cut the overnight rate twice to its current level of 4.5%. Unfortunately for investors, the future is unclear, at least in the near term, as many of these concerns may persist into 2008.

Bonds

Bond markets continued to benefit from the uncertainty in global markets. The most conservative bonds, particularly U.S. Treasuries, were the biggest beneficiaries of this uncertainty as investors sought higher quality bonds. The Lehman Brothers Aggregate Index rose 3.5% during the three-month period, while the more risky Lehman Brothers High Yield Index gained only 1.0%.

Stocks

Despite an impressive rally at the end of November, the U.S. stock market experienced its sharpest one-month decline in over five years.

TRS PLAN 3 WSIB TOTAL ALLOCATION PORTFOLIO (TAP)

AS OF 12/31/2007

	4th Qtr 2007	AVERAGE ANNUAL RETURNS		
		1-Year	3-Year	5-Year
TOTAL ALLOCATION PORTFOLIO	-0.50%	14.27%	15.27%	15.71%

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 12/31/2007

	4th Qtr 2007	1-Year	3-Year	5-Year
MONEY MARKET FUND	1.20%	5.21%	4.47%	3.11%
WASHINGTON STATE BOND FUND	3.09%	7.31%	4.39%	4.56%
SOCIALLY RESPONSIBLE BALANCED FUND*	1.57%	10.39%	6.11%	N/A
U.S. LARGE STOCK INDEX FUND	-3.30%	5.48%	8.58%	12.73%
U.S. STOCK MARKET INDEX FUND	-3.33%	5.09%	8.81%	13.48%
U.S. SMALL STOCK INDEX FUND	-4.67%	-1.66%	6.67%	16.02%
INTERNATIONAL STOCK INDEX FUND	-1.73%	11.30%	16.84%	20.98%
SHORT-HORIZON FUND	1.07%	7.19%	6.69%	7.66%
MID-HORIZON FUND	0.07%	7.73%	8.41%	10.89%
LONG-HORIZON FUND	-1.55%	7.56%	10.08%	13.74%

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

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.

(See *Commentary*, p. 2)

(Gain sharing payment from p. 1)

As a result of legislation passed in 2007 (EHB 2391), the January 2008 gain sharing payment will be the final gain sharing distribution. If you have questions about gain sharing or the new early retirement reduction factors, contact DRS or visit the DRS Web site at www.drs.wa.gov.

Enhanced Online Security Through Account Access

The Department of Retirement Systems, through its third-party record keeper, ICMA-RC, is taking steps to make it even safer to manage your account online. Previously, the User ID was your Social Security Number or reference code to log into the Account Access online system. You now have the ability to select your own user ID. Here's how it works:

- Your user ID must be between 6 and 32 characters, numbers or a combination of both.
- You will be required to answer three security questions that will identify you to the system, such as your high school, father's date of birth, pet's name, favorite color, etc.
- The system will also allow you to select a graphic that will indicate you are officially on Account Access, the secure Plan 3 web site.

If you already utilize Account Access, you can keep your current password.

If you have never utilized Account Access, take advantage of this tool to complete transactions, such as changing your investment allocation or transferring between funds in the Self-Directed Program with pre-existing limits.

You can also view the personal rates of return on your account for the past several years.

Log into Account Access at <http://www.icmarc.org/trs> and select Account Access from the menu. If you have questions, please contact Plan 3 Investor Services at 1-888-711-8773 between 5:30 a.m. and 6:00 p.m. PT.

(Commentary from p. 1)

During the month, investors found little refuge regardless of company size or investment style. The S&P 500 Index finished the quarter with a 1.0% gain while small company stocks fared much worse: the Russell 2000 Index lost 2.9%. Growth-oriented stocks once again outpaced value in what has recently become a consistent theme as each quarter passes. Sector returns were mixed during the quarter. Consistent with last quarter, Financials experienced the hardest impact as some of the most prominent financial institutions were hit with fallout from the challenges in the subprime market. Utilities and Consumer Staples provided the largest positive returns and undoubtedly were the primary drivers that kept the S&P 500 Index in positive territory for the period.

International stock markets once again fared better than domestic stocks. Currency continued to play a major role as the U.S. dollar lost ground to most major foreign currencies. While the outperformance of international stock markets versus the U.S. has been dramatic for some time, in general, international companies have not fared that much better than U.S. companies when valued in their own currency. The vast majority of the outperformance that international stocks have achieved has been heavily dependent on the currency tradeoff of a weakening U.S. dollar. For the quarter, the MSCI ACWI ex-US rose 7.5% while emerging markets continued to soar, with the MSCI EM gaining 14.7% during the three-month period.

Privacy Policy

The following is the privacy policy for DRS' Plan 3 record keeper (ICMA-RC).

We at ICMA-RC recognize the sensitive nature of your personal financial information, and take every precaution to protect your privacy. In order to provide services to you, DRS collects certain nonpublic personal information about you from your employer. DRS then provides that information to ICMA-RC, to allow your account to be serviced. Our policy is to keep this information strictly

confidential. We will use this information only as necessary to provide services to you or as otherwise required by law. Our contract with DRS also requires us to maintain the privacy of your personal information. You can be certain your financial information will only be used within our strict guidelines. Our privacy policy applies equally to nonpublic personal information about former clients and individuals who have inquired about our services.

Information We Collect

"Nonpublic personal information" is personally identifiable financial information about you as an individual or your family. Nonpublic personal information we have about you includes information provided by DRS and information you provide to us in telephone calls, forms, and correspondence.

Information We Disclose

We use this information to process your requests and transactions, for example, to provide you with additional information about the investments available in your plan or to process a withdrawal. In order to service your account and carry out your instructions, we may also provide your personal information to firms that assist us. For example, we will provide your address to the company that mails your quarterly financial statements. We do not provide customer names and addresses to outside firms, organizations or individuals except as provided to conduct official business on your behalf, or as otherwise allowed by law. In addition to our own policies, our contract with DRS requires us to keep all information regarding plan members confidential. We are prohibited from disclosing, using, selling or sharing your personal information except to conduct business on your behalf or as directed by DRS.

How We Safeguard Your Information

We restrict access to nonpublic personal information to those persons with ICMA-RC who need the information to provide services to you or who are permitted by law to receive it. We maintain internal policies and procedures to safeguard your personal information.