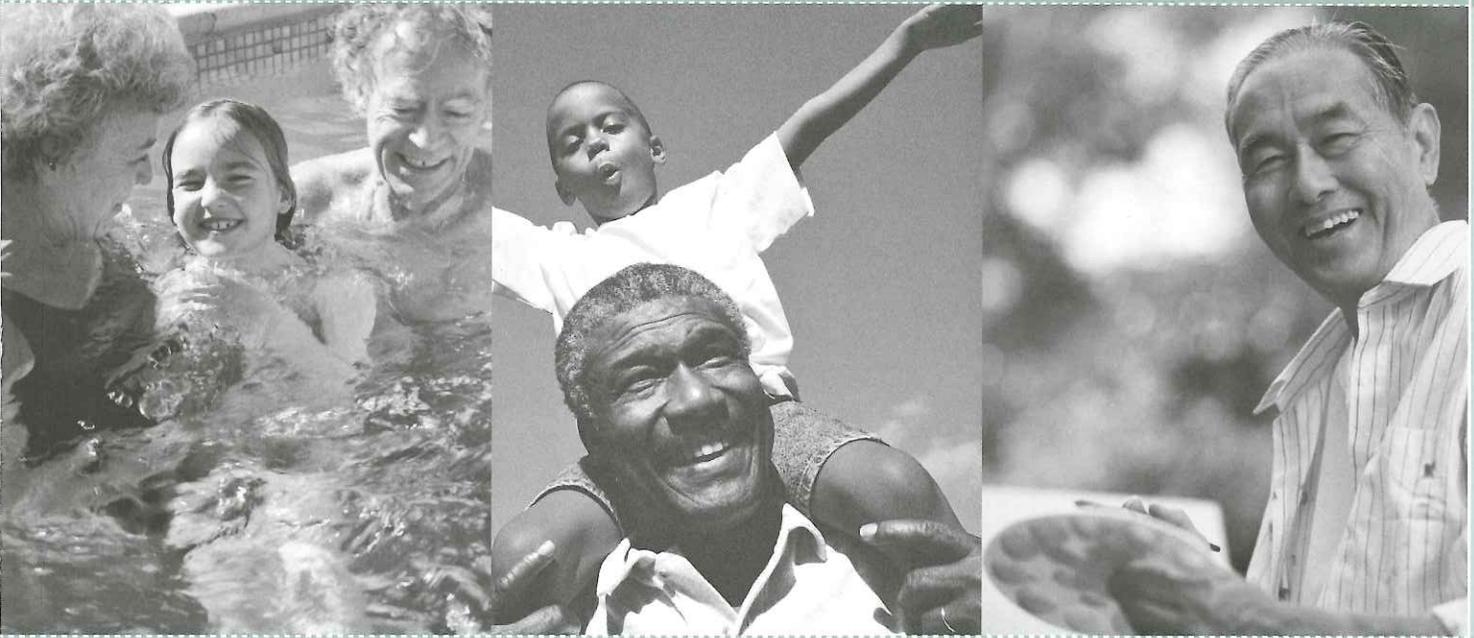


WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS



2004

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Funds of the State of Washington for the year ended June 30, 2004

Washington State Department of Retirement Systems

Funds of the State of Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

Prepared by the Washington State Department of Retirement Systems

Located at: 6835 Capitol Boulevard • Tumwater, Washington
Mailing address: P.O. Box 48380 • Olympia, Washington 98504-8380
Phone: 360-664-7000 in Olympia, or 1-800-547-6657
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Department of Retirement Systems

Guiding Principles

1

We will treat our customers and each other with respect, fairness, honesty, and consistency.

2

We will communicate openly and considerately.

3

We will foster a climate in which innovation, initiative, and accountability are expected and supported.

4

We will work with our customers to improve our responsiveness in meeting their needs.

5

We will maximize the use of technology and emphasize user-friendly interface.

Table of Contents

Introductory Section

Message from the Director.....	9
Department of Retirement Systems' Organization	10
Pension System Roles and Responsibilities.....	11
Letter of Transmittal	16
Government Finance Officers' Association Certificate of Achievement for Excellence in Financial Reporting	21
Public Pension Coordinating Council Certificate.....	22
Overview of Agency Operations.....	23
2004 Washington State Legislative Actions	24

Financial Section

Independent Auditor's Report.....	27
Management's Discussion and Analysis	28
Basic Financial Statements (BFS)	
Statement of Plan Net Assets—Pension and Other Employee Benefit Trust Funds by Plan and Agency Fund	33
Statement of Changes in Plan Net Assets—Pension Trust Funds by Plan	37
Balance Sheet/Statement of Net Assets—Special Revenue Fund	41
Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities—Special Revenue Fund.....	42
Notes to the Financial Statements	
Note 1: Summary of Significant Accounting Policies and Plan Asset Matters.....	43
Note 2: General Description of the Retirement Systems.....	52
Required Supplementary Information	
Schedules of Funding Progress.....	67
Schedule of Contributions from Employers and Other Contributing Entities.....	69
Notes to the Required Supplementary Information—Defined Benefit Pension Plans.....	70
Supporting Schedules	
Schedule of Administrative Expenses.....	72
Schedule of Investment Expenses—Pension Trust Funds.....	73
Schedule of Payments to Consultants.....	74
Statement of Changes in Assets and Liabilities—Dependent Care Agency Fund.....	75

Investment Section

Report On Investment Activity	79
Summary of Investment Policies	81
Schedule of Investment Management Fees and Commissions	83
Schedule of Broker Equity Volume and Equity Commissions Paid	84
Summary of Investments Owned—Pension Trust Funds	87

Actuarial Section

State Actuary’s Certification Letter.....	95
Summary of Plan Provisions.....	99
Summary of Actuarial Assumptions and Methods.....	100
Additional Actuarial Schedules	
Schedules of Active Member Valuation Data	110
Schedules of Retirees and Beneficiaries Added to and Removed from Rolls	114
Solvency Tests.....	118
Analyses of Selected Experience.....	122

Statistical Section

Distribution of Membership.....	127
Schedules of Additions to Plan Net Assets by Source	128
Schedules of Benefit Recipients by Type of Benefit	133
Schedules of Average Benefit Payments to Service Retirees in Year of Retirement	139
Schedules of Benefit Expenses and Refunds by Type	150
Employers Covered by DRS-Administered Retirement Systems	154
Deferred Compensation Program (DCP) and Dependent Care Assistance Program (DCAP)	
Background	165
What is DCP?.....	165
What is DCAP?.....	165
Deferred Compensation Program Status Report	166
Deferred Compensation Program—Performance	167
Deferred Compensation Program—Net Investment Asset Growth	168
Deferred Compensation Program—Participation	168
Dependent Care Assistance Program—Participation Report.....	169

Introductory Section

Message from the Director

I am pleased to present you with the 2004 Washington State Department of Retirement Systems (DRS) Comprehensive Annual Financial Report.

Our mission is to administer, with the highest degree of integrity, efficiency and fiscal responsibility, the retirement plans of those who devote a career to public service. Our members tell us, time and again, how much they value the guarantee of a defined benefit at retirement and the ease of working with DRS. We, in turn, appreciate the opportunity to provide knowledgeable, responsive and personalized service throughout the many phases of a member's life.

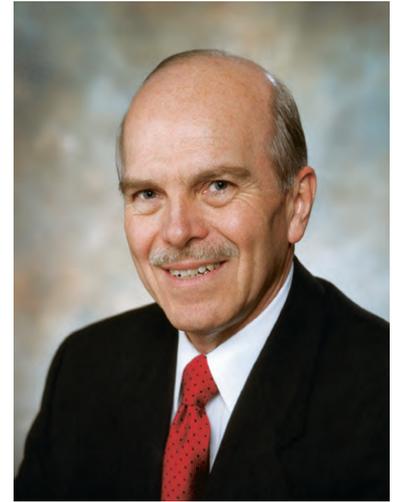
Fulfilling our mission guides us in all we do, including planning and developing new services. In 2004 we launched online account access, giving members the ability to securely view their account information via the Internet. The new service met with immediate success. Our members are now able to access retirement planning data at any time of the day or night.

We continued to offer time and money-saving electronic services for the nearly 1,300 employers that report information to DRS. And an external study confirmed our pension administration to be one of the most cost-effective and efficient in the nation. It is a distinction we are proud to consistently earn.

Perhaps most importantly, our customer service remains exceptional, as evaluated this year by those whose opinion we value most – our customers.

If you have questions about this report or would like to request additional information, please call us toll-free at 1-800-547-6657. In the Olympia area, dial 664-7000. You may also write us at P.O. Box 48380, Olympia, WA 98504-8380 or visit our Web site at www.drs.wa.gov.

Making the most of changing technology while maintaining personal service is a key part of carrying out our vision of "Delighted customers, proud staff." It is a pleasure to report that the results of fiscal year 2004 demonstrate we are making that vision a reality.



We look forward to serving our members in 2005.

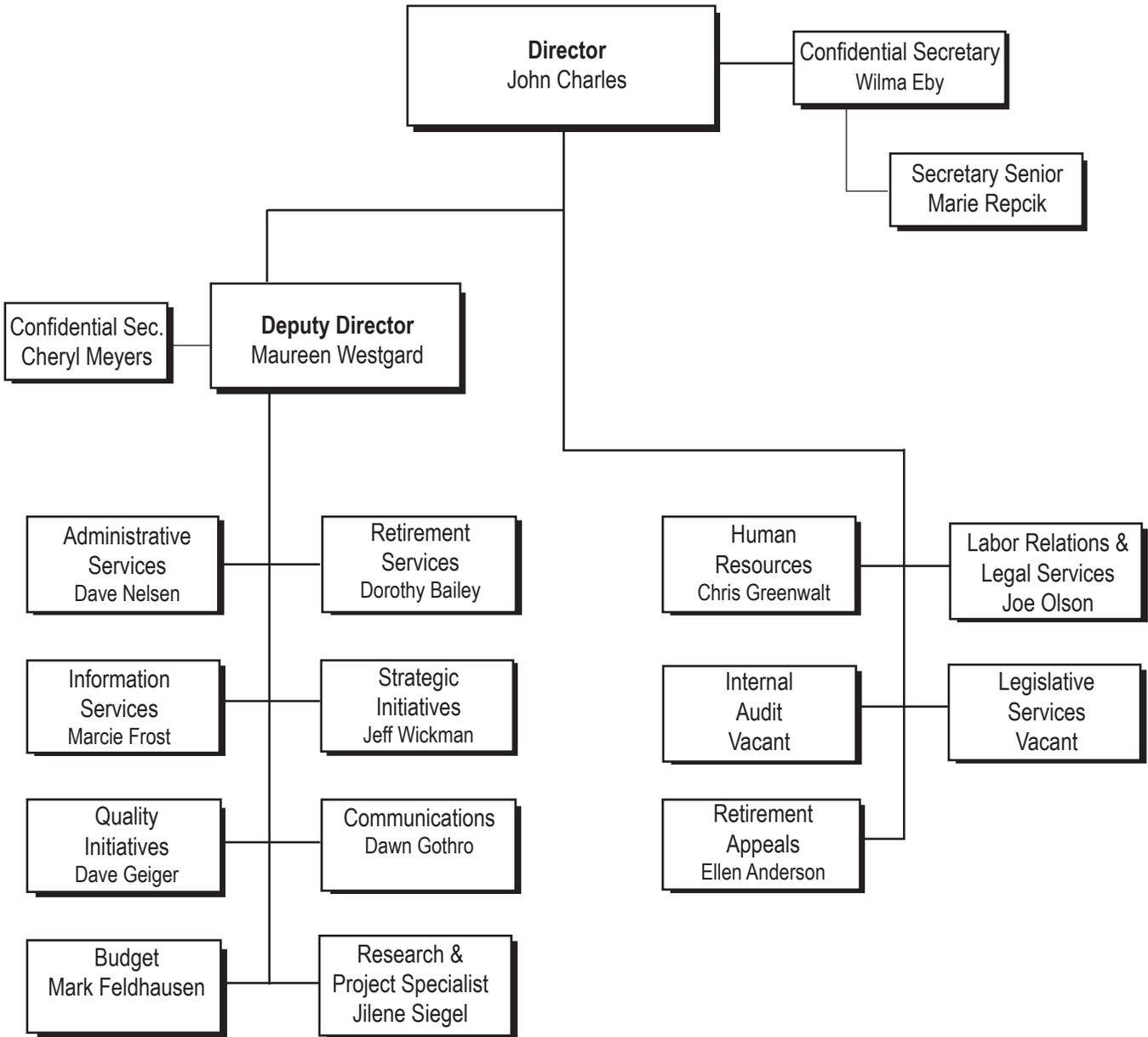
Sincerely,

A handwritten signature in black ink, appearing to read "John F. Charles". The signature is fluid and extends to the right.

John F. Charles
Director

Department of Retirement Systems' Organization

June 2004



Pension System Roles and Responsibilities

Department of Retirement Systems (DRS)

Collects and accounts for employer and employee contributions; maintains retirement records; pays benefits; communicates pension information; provides investment education; and administers the Deferred Compensation and Dependent Care Assistance Programs.

The governor appoints the director of DRS.

P.O. Box 48380, Olympia, WA 98504-8380
Telephone: (360) 664-7000, in Olympia, or toll-free at 1-800-547-6657
Web site: www.drs.wa.gov

Legislative Fiscal Committees

Review and report on retirement bills to the full Legislature.

The legislative fiscal committees are the House Appropriations Committee and the Senate Ways and Means Committee.

House Appropriations Committee
P.O. Box 40600, Olympia, WA 98504-0600
Telephone: (360) 786-7573 or toll-free 1-800-562-6000
(Legislative Hotline)
Web site: www.leg.wa.gov

Senate Ways and Means Committee
P.O. Box 40482, Olympia, WA 98504-0482
Telephone: (360) 786-7715 or toll-free 1-800-562-6000
(Legislative Hotline)
Web site: www.leg.wa.gov

Select Committee On Pension Policy

Studies pension issues and retirement finances. Develops pension policies and recommends pension legislation.

The Select Committee on Pension Policy is composed of four members of the Senate, four members of the House of Representatives, four representatives of active state retirement system members, two representatives of retired members, four employer representatives and the directors of the Office of Financial Management and the Department of Retirement Systems.

Committee Membership

(June 30, 2004)

Representative Gary Alexander	Leland Goeke - TRS and SERS Employers
Elaine Banks - TRS Retirees	Bob Keller - PERS Active
Marty Brown - Director, Office of Financial Management	Corky Mattingly - PERS Employers
Senator Don Carlson	Doug Miller - PERS Employers
John Charles - Director, Department of Retirement Systems	Glenn Olson - PERS Employers
Representative Steve Conway (Vice Chair)	Diane Rae - TRS Active
Representative Larry Crouse	Senator Debbie Regala
Richard Ford - PERS Retirees	Pat Thompson - PERS Active
Senator Karen Fraser	David Westberg - SERS Active
Representative Bill Fromhold	Senator Shirley Winsley (Chair)

P.O. Box 40914, Olympia, WA 98504-0914
 Telephone: (360) 753-9144

Pension Funding Council

Adopts economic assumptions for pension funding and member and employer pension contribution rates for PERS, SERS, TRS, LEOFF Plan 1 and WSPRS.

Membership consists of the directors of DRS and Office of Financial Management, and the Chairs and Ranking Minority Members of the Senate Ways and Means Committee and House Appropriations Committee.

Council Membership

John Charles—Director, Department of Retirement Systems, Chairperson
 Marty Brown—Director, Office of Financial Management
 Senator Joseph Zarelli—Chair, Ways and Means Committee
 Senator Margarita Prentice—Ranking minority member, Ways and Means Committee
 Representative Barry Sehlin—Ranking minority member, Appropriations Committee
 Representative Helen Sommers—Chair, Appropriations Committee

Can be contacted through DRS. See information on preceding page.

Office of Financial Management

Advises the governor on pension and funding policies and issues.

The governor appoints the director of OFM.

P. O. Box 43113, Olympia, WA 98504-3113
 Telephone: (360) 902-0555
 Web site: www.ofm.wa.gov

Washington State Investment Board

Invests and accounts for pension funds. The Board consists of nine voting members.

Membership consists of the director of DRS; the state treasurer; the director of Department of Labor and Industries; a state senator; a state representative; an active member of PERS, SERS, LEOFF and TRS; and a retired member of one of the seven systems.

Board Members (Voting Members, June 30, 2004)

Deborah Brookman
 Representative of PERS

Michael J. Murphy
 State Treasurer

John F. Charles
 Director, Department of Retirement Systems

David Scott
 Representative of TRS

Glenn Gorton
 Representative of SERS

Representative Helen Sommers

George Masten (Chair)
 Representative of Retired Members

Paul Trause
 Director, Department of Labor and Industries

Patrick McElligott (Vice Chair)
 Representative of LEOFF

Senator Joseph Zarelli

Board Members (Nonvoting Members, June 30, 2004)

Jeffrey Hanna
 Investment Professional

John Magnuson
 Investment Professional

Jeffrey Seely
 Investment Professional

Charles A. Kaminski
 Investment Professional

Robert S. Nakahara
 Investment Professional

P.O. Box 40916, Olympia, WA 98504-0916
 Telephone: (360) 956-4600
 Web site: www.sib.wa.gov

Office of the State Actuary

Acts as an advisory agency to the legislature and director of DRS. Performs actuarial studies and reports on retirement bills. Creates formulas used to compute benefit payment adjustments that are based on early retirement, cost-of-living or long-term survivor benefits.

The State Actuary is appointed by the Select Committee on Pension Policy.

P.O. Box 40914, Olympia, WA 98504-0914

Telephone: (360) 753-9144

Employee Retirement Benefits Board

Provides recommendations to the Washington State Investment Board on self-directed investment options for defined contribution plans; determines the payment options available for Plan 3 members; approves administrative charges assessed to members who participate in self-directed investment options; and provides recommendations on investment options for the Deferred Compensation Program. Board members are appointed by the governor. As of June 30, 2004, the board members were:

Board Chairperson

- John F. Charles—Director, Department of Retirement Systems

Representing experience in defined contribution plan administration:

- Kathy Pine—Director of Client Services, Russell Investment Group
- Al Symington (Vice-Chair)—Retired

Representing Public Employees' Retirement System members:

- Claude Burfekt—DSHS/Fircrest School
- Dr. Robert Lenigan—Psychologist/Program Coordinator,
Western State Hospital
- Gene Otis—Retired

Representing Teachers' Retirement System members:

- Nancy Baldwin—Retired
- Dr. Alison Olzendam—Washington State University
- Herbert Sargo—Science Teacher, Burlington-Edison School District

Representing School Employees' Retirement System members:

- Virginia Drummond—Personnel Report Technician, Tacoma School District
- Marian Harrison—Retired
- Judi Owens—Head Secretary Maintenance Department, Central Valley School District

Representing Deferred Compensation Program Participants:

- Kathy Whitlock—Retired

Can be contacted through DRS. See information on page 11.

DRS Advisory Committee

Serves in an advisory role to the director of DRS on retirement administrative issues. Advisory Committee membership is distributed in the following manner:

The committee consists of 12 members representing active and retired members of the retirement systems administered by DRS.

Committee Membership (June 30, 2004)

PERS

Marian Harrison
Retired

Christopher Melly
Active

John I. Payne
Active

Mary L. Sherman
Active

LEOFF

Dick Hybak
Active
(law enforcement officer)

Patrick McElligott
Active
(fire fighter)

Richard Warbrouck
Retired

TRS

Nancy Baldwin
Retired

Todd Beese
Active
(teacher)

Darrell Heisler
Active
(administrator)

WSPRS

Captain Timothy Braniff
Active

JRS

Judge Donald Haley
Active

Can be contacted through DRS. See information on page 11.

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board

The LEOFF Plan 2 Retirement Board is a policy-making board with the responsibility to study pension issues, be fiduciaries of the LEOFF Plan 2 retirement plan, set contribution rates, and recommend pension policy to the Legislature solely in the interest of LEOFF Plan 2 members and beneficiaries.

Kelly Fox, Chair
(fire fighter)

Jack Simington, Vice Chair
(law enforcement officer)

Doug Cochran
(employer)

Michael Edwards
(law enforcement officer)

Senator Linda Evans Parlette
(Legislator)

Pat Hepler
(fire fighter)

Mark Johnston
(fire fighter)

Maureen Morris
(employer)

David Moseley
(employer)

Doug Pendergrass
(law enforcement officer)

Representative Geoff Simpson
(Legislator)

P.O. Box 40918, Olympia, WA 98504-0918
Telephone: (360) 586-2320
Web site: www.leoff.wa.gov

Letter of Transmittal



STATE OF WASHINGTON

DEPARTMENT OF RETIREMENT SYSTEMS

P.O. Box 48380 • Olympia, Washington 98504-8380

December 31, 2004

The Honorable Gary Locke, Governor
Members of the Fifty-Eighth Legislature
Members of the Select Committee on Pension Policy
 State of Washington
 Olympia, Washington 98504

We are pleased to present to you the Department of Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This CAFR is designed to comply with the requirements of chapters 41.50.050(4) RCW, 41.50.780(9) RCW, and 41.04.630(2) RCW.

Responsibility for the accuracy of the data and the fairness and completeness of this presentation, including all disclosures, rests with the management of the Department of Retirement Systems (DRS). To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to provide a fair representation of the financial position and results of the operations of the department.

This report consists of five sections:

- (1) The Introductory Section, which contains a message from the Director of DRS, this letter of transmittal, which is designed to complement the Management's Discussion and Analysis and which presents a narrative introduction, overview and analysis of the financial statements, and information about the agency's administrative structure and operations;
- (2) The Financial Section, which contains the report of the independent auditors, Management's Discussion and Analysis, the financial statements, the notes to the financial statements, required supplementary information, and additional financial information;
- (3) The Investment Section, which contains the report of the Washington State Investment Board (WSIB), investment policies, results, associated fees and commissions, and additional investment information;
- (4) The Actuarial Section, which contains the report of the State Actuary, a summary of actuarial assumptions and methods, and actuarial schedules and data; and
- (5) The Statistical Section, which contains significant data pertaining to the retirement systems.

Agency Description and History

DRS administers seven statewide public employee retirement systems, which are comprised of 11 defined benefit pension plans and three combination defined benefit/defined contribution plans. The purpose of DRS is to administer pension plan coverage for state employees, teachers and classified educational employees, law enforcement officers and firefighters, and other employees of participating political subdivisions. As of June 30, 2004, there were 1,274 covered employers participating in multiple systems and/or plans administered by DRS. The eligibility requirements and provisions of each plan can be found in Note 2 of the Notes to the Financial Statements. DRS also administers a deferred compensation program and a dependent care reimbursement program. Additionally, DRS is responsible for all accounting and reporting services for the Judicial Retirement Account (JRA), which is a defined contribution pension plan administered by the State of Washington Administrative Office of the Courts.

The Washington State Legislature created the Department of Retirement Systems in 1976 to administer the Public Employees' (PERS), Teachers' (TRS), Law Enforcement Officers' and Fire Fighters' (LEOFF), Washington State Patrol (WSPRS), and Judicial (JRS) retirement systems, and the Judges' Retirement Fund (Judges).

Significant events in DRS history are listed below:

1930s-1940s

The PERS, TRS, WSPRS, Judges and many local police and firefighters' retirement systems were created.

1950s-1960s

Independent administration of individual retirement systems continued.

1960s-1970s

Local police and firefighters' retirement systems were consolidated into LEOFF.

1976

The Department of Retirement Systems was created to administer state retirement systems. The Office of the State Actuary was created to provide pension cost estimates.

1977

PERS Plan 2, TRS Plan 2, and LEOFF Plan 2 were created.

1981

The State Investment Board was created to handle investment of all state trust funds.

1987

The Joint Committee on Pension Policy was created.

1995

TRS Plan 3 was created effective July 1, 1996.

1996

The state Deferred Compensation and Dependent Care programs were transferred to DRS. DRS assumed accounting and reporting responsibility for the Judicial Retirement Account (JRA) defined contribution plan

1998

School Employees' Retirement System (SERS) Plans 2 and 3 were created effective September 1, 2000.

The Pension Funding Council was created.

1999

PERS Plan 3 was created effective March 1, 2002, for state and higher education employees, and effective September 1, 2002, for local government employees.

2001

WSPRS Plan 2 was created effective January 1, 2003.

2003

The Joint Committee on Pension Policy became the Select Committee on Pension Policy effective July 27, 2003.

The LEOFF 2 Board was established effective July 1, 2003.

2004

Public Safety Employees' Retirement System (PSERS) was created effective July 1, 2006.

Accounting System and Internal Control

This report has been prepared to conform with the principles of accounting and reporting established by the Governmental Accounting Standards Board (GASB). The basic financial statements are presented in accordance with guidelines established by GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans*, and other GASB statements, as appropriate. Specific accounting treatments are detailed in the Notes to the Financial Statements found in the Financial Section of this report.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments* (GASB 34). In June 2001, the GASB issued Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, which amended certain provisions of GASB 34. Effective for Fiscal Year 2002 reporting, DRS implemented the provisions of GASB 34. GASB 34 had no monetary impact on the financial statements of DRS, but did require additional disclosure. As a result of the implementation of GASB 34, the Management's Discussion and Analysis has been included as required supplementary information and precedes the financial statements.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. In addition, budgetary controls are maintained by the Office of Financial Management and the Washington State Legislature.

Additions To Pension Plan Net Assets

The primary sources of additions for the retirement trust funds include contributions from employers, active system members, the state, and investment earnings. The main sources of additions for the deferred compensation plan include participant contributions and investment earnings. Total additions to the retirement trust funds and the deferred compensation plan for Fiscal Year 2004 amounted to \$7,336.6 million, an increase of \$4,386.7 million from Fiscal Year 2003. The following schedule is a summary of the additions to the pension trust funds for the years ended June 30, 2004, and June 30, 2003.

(dollars in millions)		
Additions to	Fiscal Year	Fiscal Year
Plan Net Assets	2004	2003
Retirement Contributions	\$ 703.0	\$ 616.2
Deferred Compensation Participant Contributions	147.6	135.9
Net Investment Income	6,429.7	1,554.0
Charges for Services	28.0	27.6
Transfers From Pension Plans	25.4	614.6
Other Additions	2.9	1.6
Total	\$7,336.6	\$2,949.9

The increase in total pension trust fund additions resulted primarily from an increase in net investment income. The increase in net investment income was the result of improved

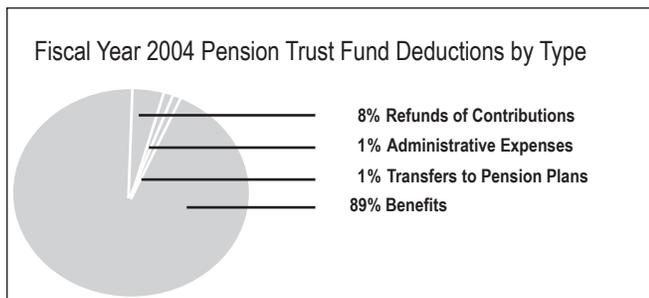
investment market conditions and performance. The increases and decreases between current year and prior year additions are discussed in more detail in the Management’s Discussion and Analysis, which is presented on pages 28-32 in the Financial Section of this report.

Deductions To Pension Plan Net Assets

The primary deductions for the retirement trust funds include the payment of benefits to retirees and beneficiaries, the refund of contributions to former retirement system members, and the cost of administering the retirement systems. Benefit payments to members include both pension and annuity benefits. Expenses for the management of trust funds are incurred by the Washington State Investment Board and funded from earnings on investments. The main deductions for the deferred compensation plan include refunds paid to plan participants and administrative expenses. Total deductions to the retirement trust funds and the deferred compensation plan for Fiscal Year 2004 were \$2,175.2 million, a decrease of \$477.7 million from Fiscal Year 2003. The following schedule is a summary of the deductions to the pension trust funds for the years ended June 30, 2004, and June 30, 2003.

Deductions to	Fiscal Year	Fiscal Year
Plan Net Assets	2004	2003
Benefits	\$1,940.6	\$1,855.4
Refunds of Contributions	183.9	154.1
Transfers to Pension Plans	25.4	614.6
Administrative Expenses	25.3	28.8
Total	\$2,175.2	\$2,652.9

The decrease in total pension trust fund deductions resulted primarily from a decrease in transfers between pension plans. The decrease in transfers between pension plans was largely due to the implementation of PERS Plan 3 in Fiscal Year 2003 which did not affect Fiscal Year 2004. The increases and decreases between current year and prior year deductions are discussed in more detail in the Management’s Discussion and Analysis, which is presented on pages 28-32 in the Financial Section of this report.



Funding

The goal of pension funding is to accumulate enough money during a member's working career to pay retirement benefits after the member retires. Measurements of funding status indicate how well a retirement plan is accomplishing that goal. There are two standard indicators of funding status: the funding ratio and the existence of an unfunded liability. Both measure the benefit obligations, or liabilities, of a plan against its assets. If the funding level is adequate, the ratio of total accumulated assets to total liabilities will be larger and more funds will be available for investment purposes. Also, an adequate funding level gives the participants assurance that their pension benefits are secure.

The actuarial value of assets available as of the latest actuarial date for all systems was \$43,869 million. The accrued liability is \$47,130 million. The accrued liability exceeds the net actuarial value of assets available for benefits by \$3,261 million. The ratio of assets to liabilities is 93 percent compared to 96 percent last year. Current contribution rates remain in keeping with the goal of attaining a funding ratio of 100 percent by the amortization dates applicable to each plan (June 30, 2024, or earlier), as required by chapter 41.45 RCW. Valuations are performed for all DRS-administered retirement systems on a yearly (October 1 to September 30) basis. These calculations are prepared by the Office of the State Actuary and reflect the latest valuation results. Additional actuarial information is included in the Actuarial Section of this report.

Investments

The Washington State Investment Board (WSIB) has sole

authority and responsibility for the investment of all state and local pension fund assets. The enabling statute requires the WSIB to "... establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk." The policies adopted by the WSIB include provisions for the setting of strategic asset allocation objectives, as well as strategies and return objectives for individual asset classes. A summary of the asset allocation can be found in the Investment Section of this report. For Fiscal Year 2004, the commingled trust fund (CTF) investments provided a 16.06 percent rate of return. The CTF annualized rate of return over the last three years was 4.21 percent and 3.97 percent over the last five years. The day-to-day management of pension fund assets is the responsibility of WSIB staff. Further investment information is included in the Investment Section of this report.

Departmental Initiatives

The department's activities are highlighted in the Introductory Section of this report under the heading "Overview of Agency Operations."

Independent Audit

An audit of DRS' basic financial statements was conducted by Peterson Sullivan PLLC, independent auditors. The independent auditor's report on our financial statements is included in the Financial Section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to DRS for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the tenth consecutive year that DRS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual

financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In November 2004, DRS also received the Public Pension Standards 2004 Award from the Public Pension Coordinating Council (PPCC). The PPCC is a coalition of three national associations, serving public pension funds, that represents substantially all employees of state and local government in the United States. Eligibility for this award entails meeting the professional standards for plan design and administration set forth in the Public Pension Standards. These standards are intended to reflect minimum expectations for public retirement system management and administration.

Acknowledgments

This report was made possible by the staff of DRS based in part on information provided by the Office of the State Actuary, the Office of Financial Management, and the Washington State Investment Board. Each member of these agencies has our sincere appreciation for the contributions made in the preparation of this report. The report will be provided to the Governor, the members of the Select Committee on Pension Policy, the members of the DRS Advisory Committee, and other interested parties.

This report is intended to provide complete and reliable information that can be used to make management decisions, determine compliance with legal provisions, and evaluate responsible stewardship of DRS-administered retirement system funds.

A handwritten signature in black ink, appearing to read 'John F. Charles', with a long horizontal flourish extending to the right.

John F. Charles
Director

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington State Department of Retirement Systems

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Edward Haney

President

Jeffrey R. Emer

Executive Director



**Public Pension Coordinating Council
Public Pension Standards
2004 Award**

Presented to

Washington State Department of Retirement Systems

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Overview of Agency Operations

Key 2004 accomplishments are summarized below.

New member service delivers information day or night

With our members' busy schedules, retirement planning isn't always convenient during business hours. In 2004, we developed and launched a secure online service that allows our members to access their defined benefit account information via the Internet. The new service provides an individual's service credit, employment history and account balance, any time of the day or night – all at the touch of a fingertip. This technology is available only in a limited number of state retirement systems across the country.

A member or retiree can also review his or her beneficiary designation, annual statement and the latest news from DRS. In designing the new service, we carefully analyzed the questions we receive most often and tailored online access to offer that information.

Response time expedited

DRS completed a key project to electronically image member files, speeding response to customer inquiries and creating a secure disaster recovery process. More than half a million files were imaged during the three-year project, which served as the foundation for the agency's move from a paper environment to electronic services.

High marks for customer service

Over the years, we've earned a reputation for responsive, prompt service. In the past fiscal year, DRS staff answered 93 percent of over 212,000 phone calls within 30 seconds.

More than 2,200 members who arrived at DRS without an appointment were met by a retirement specialist in less than three minutes. Staff responded to 90 percent of 28,000 pieces of correspondence within five days, and more than 16,000 retirement estimates were completed in an average of four days.

Not only do our customers tell us they appreciate a quick response to their questions, but they also write and call to

say how much they appreciate the friendliness and personal, knowledgeable service they receive. In this year's survey of active members, retired members and Deferred Compensation Program participants, the average customer satisfaction score was 4.54 on a five-point scale.

Cost efficiency earns national recognition

Once again, DRS participated in an independent national study of public pension administrators, conducted by Cost Effectiveness Management, Inc.

This year's Benefit Administration Benchmarking Analysis showed DRS' administrative costs (actual cost per member) to be 31 percent lower than our peer pension systems across the nation, given levels of complexity and service.

Eighth consecutive clean audit

DRS processed more than \$700 million in retirement contributions in fiscal year 2004 and paid out \$1.9 billion in retirement benefits. We are pleased to report that, for the eighth year in a row, the agency received a clean annual audit from the State Auditor's Office. Our commitment to the highest level of fiduciary responsibility is clearly reflected in the audit results.

2004 Washington State Legislative Actions

The 2004 Washington State Legislature enacted the following significant changes in retirement law.

Purchase of additional service credit in PERS Plans 2 and 3 or SERS Plans 2 and 3

This bill allows a member who applies for early retirement in PERS or SERS Plan 2 or 3 to purchase up to five years of additional service credit at the time of retirement. The cost of the service credit is actuarially equivalent to the resulting increase in the member's benefit. The purchase of additional service credit cannot be used to qualify a member for early retirement.

Public Safety Employees' Retirement System (PSERS) Plan 2

This bill created a new retirement system, effective in 2006, for public safety employees in specific job classes. Positions such as corrections, custody and probation officers, park rangers and liquor enforcement officers are eligible for membership in the Public Safety Employees' Retirement System (PSERS).

PSERS will provide a retirement benefit at age 65 with at least 5 years of service credit or at age 60 with at least 10 years of PSERS service credit. A benefit reduced for early retirement will also be an option at age 53 with at least 20 years of service credit.

Minimum monthly benefit for PERS Plan 1 and TRS Plan 1 Retirees

This bill establishes a minimum benefit for PERS Plan 1 and TRS Plan 1 members who have at least 25 years of service credit and have been retired at least 20 years.

The legislation identifies \$1,000 as the minimum benefit, however, any adjustments made at the time of retirement, such as a survivor benefit or annuity withdrawal, reduce that amount.

Asset Smoothing Corridor

This bill establishes a 30% asset-smoothing corridor for actuarial valuations used in the funding of the state retirement systems.

WSPRS and LEOFF Plan 2 Death Benefits

Two separate bills establish that beneficiaries of a WSPRS or LEOFF Plan 2 member killed in the course of employment will receive benefits without actuarial reduction for early retirement. The member must have had at least 10 years of service.

LEOFF Plan 2 Disability Benefits

This bill entitles qualifying LEOFF Plan 2 members, who leave employment because of a duty-related disability, to receive additional benefits and/or exempt their benefits from federal income tax.

Financial Section

Independent Auditor's Report



PETERSON SULLIVAN PLLC

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Mr. John Charles, Director
Department of Retirement Systems
Olympia, Washington

We have audited the accompanying financial statements (including the individual fund financial statements) of the Washington State Department of Retirement Systems as of and for the year ended June 30, 2004. The Department of Retirement Systems is a part of the State of Washington's primary government. These financial statements are the responsibility of the Department of Retirement Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Washington State Department of Retirement Systems' June 30, 2003, financial statements and in our report dated November 18, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Department of Retirement Systems as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the financial statements present fairly, in all material respects, the financial position of each of the individual funds of the Washington State Department of Retirement Systems as of June 30, 2004, and the results of operations of such funds for the year then ended in conformity with accounting principles generally accepted in the United States.

The accompanying management discussion and analysis and required supplementary information listed in the accompanying table of contents is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements of the Washington State Department of Retirement Systems. Such information has been subject to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

The introductory, actuarial, investment, and statistical sections of this report are not required parts of the financial statements, and we did not audit or apply limited procedures to such information and do not express any assurance on such information.

Peterson Sulliv PLLC
November 19, 2004

Management's Discussion and Analysis

This discussion and analysis of the Washington State Department of Retirement Systems (DRS) financial performance provides an overview of DRS' financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Letter of Transmittal beginning on page 16 and DRS' financial statements, which begin on page 33 of this report.

FINANCIAL HIGHLIGHTS

The following financial highlights occurred during the fiscal year ended June 30, 2004:

- The combined plan net assets of all the pension funds administered by DRS increased by \$5,161.4 million during Fiscal Year 2004.
- The covered payroll requiring both employee and employer pension contributions reported during the year totaled \$12,796.7 million, representing an increase of 2%. Employee contributions increased by 17% and employer contributions increased by 5%.
- Net investment earnings (net appreciation in the fair value of investments, plus interest and dividend income, less investment expenses) increased by 314% compared to last fiscal year.
- Pension benefits paid to retirees and beneficiaries increased \$85.2 million bringing the total benefit payments to \$1,940.6 million. Refunds of contributions paid to former retirement system members upon termination of employment increased from \$154.1 million to \$183.9 million.
- Administrative expenses totaled \$25.3 million, a decrease of 12% from last fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the DRS basic financial statements, which consist of the following components: basic financial statements, notes to the financial statements, required supplementary information, and other supporting schedules.

Basic Financial Statements

The basic financial statements presented for the fiduciary funds are fund financial statements and include a Statement

of Plan Net Assets and a Statement of Changes in Plan Net Assets. The fiduciary funds include defined benefit and defined contribution pension trust funds, the deferred compensation program trust fund, and the dependent care assistance program agency fund. The Statement of Plan Net Assets presented on pages 33-36 reports the assets, liabilities and resulting net assets available for pension and other benefits as of June 30, 2004. The Statement of Changes in Plan Net Assets presented on pages 37-40 reports the additions to, deductions from, and resulting net change in net assets for the fiscal year ending June 30, 2004.

The basic financial statements presented for the governmental fund include a Balance Sheet/Statement of Net Assets and a Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities. The governmental fund administered by DRS is a special revenue fund used to account for the administrative revenues and operating expenditures incurred in administering the dependent care assistance program. The Balance Sheet/Statement of Net Assets presented on page 41 has three separate columns: Balance Sheet, Adjustments, and Statement of Net Assets. The "Balance Sheet" column presents the assets, liabilities, and fund balance using the current financial resources measurement focus and the modified accrual basis of accounting. The "Statement of Net Assets" column presents the difference between assets and liabilities as net assets and uses the economic resources measurement focus and accrual basis of accounting. The "Adjustments" column displays the changes needed to adjust the Balance Sheet line items to the line items in the Statement of Net Assets. This statement reports the assets, liabilities and fund balance/net assets for the special revenue fund as of June 30, 2004. The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities presented on page 42 has three separate columns: Statement of Revenues, Expenditures and Changes in Fund Balance; Adjustments; and Statement of Activities. The "Statement of Revenues, Expenditures, and Changes in Fund Balance" column presents the inflows, outflows and balances of current financial resources using the current financial resources measurement focus and the modified accrual basis of accounting. The "Statement of Activities" column is presented using the economic resource-

es measurement focus and accrual basis of accounting. The “Adjustments” column displays the changes needed to adjust the Statement of Revenues, Expenditures and Changes in Fund Balance line items to the line items in the Statement of Activities. This statement reports the revenues, expenditures, and resulting fund balance/net assets for the special revenue fund for the fiscal year ending June 30, 2004.

Notes to the Financial Statements

The notes to the financial statements presented on pages 43-66 of this report are an integral part of the financial statements and include additional information not readily evident in the statements themselves. Note 1 provides a summary of significant accounting policies and plan asset matters including the reporting entity, measurement focus, basis of accounting, investments, reserves, capital assets, long-term liabilities, financial statement formatting, and any accounting and reporting changes. Note 2 provides a general description of DRS, plan descriptions, and funding policy.

Required Supplementary Information

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the plan’s ongoing plan perspective. The required supplementary information consists of two historical trend schedules and related notes. The Schedules of Funding Progress presented on pages 67-68 include historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Contributions from Employers and Other Contributing Entities presented on page 69 includes historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans. The Notes to the Required Supplementary Information presented on pages 70-71 accompany the two trend schedules and summarize the actuarial and economic methods and significant assumptions used for the most recent year.

Supporting Schedules and Other Financial Information

These schedules and the Statement of Changes in Assets and Liabilities--Dependent Care Agency Fund are presented on pages 72-75 and they provide additional detailed information useful in evaluating the condition of the plans administered by DRS. These schedules include information on administrative expenses, investment expenses, payments to consultants, and other additional information.

FINANCIAL ANALYSIS OF DRS FUNDS

Analysis of Net Assets – Fiduciary Funds

Net Assets	Fiscal Year 2004	<i>(dollars in millions)</i>		
		Fiscal Year 2003	Increase (Decrease) Amount	Increase (Decrease) Percentage
Assets				
Cash and Pooled				
Investments	\$47.9	\$37.0	\$10.9	29%
Receivables	269.7	444.5	(174.8)	(39%)
Capital Assets, Net of Depreciation	1.1	1.2	(0.1)	(8%)
Investments, Noncurrent	49,843.4	42,837.1	7,006.3	16%
Other Assets	1.2	1.3	(0.1)	(8%)
Total Assets	<u>50,163.3</u>	<u>43,321.1</u>	<u>6,842.2</u>	<u>16%</u>
Liabilities				
Obligations Under Security Lending Agreements	3,310.1	1,435.2	1,874.9	131%
Other Short-Term Liabilities	113.1	307.1	(194.0)	(63%)
Long-Term Obligations	1.2	1.3	(0.1)	(8%)
Total Liabilities	<u>3,424.4</u>	<u>1,743.6</u>	<u>1,680.8</u>	<u>96%</u>
Total Net Assets	<u>\$46,738.9</u>	<u>\$41,577.5</u>	<u>\$5,161.4</u>	<u>12%</u>

Total trust fund assets as of June 30, 2004 were \$50,163.3 million and were mostly comprised of investments and contributions due from employers. This is an increase of \$6,842.2 million or 16% over the last fiscal year, and is primarily due to increased investment earnings in the U.S., non-U.S. and private equity asset classes.

Total trust fund liabilities as of June 30, 2004 were \$3,424.4 million and were mostly comprised of obligations under securities lending. This is an increase of \$1,680.8 million or

96% over the last fiscal year, and is primarily due to an increase in obligations under securities lending agreements, resulting from increased market demand for these investment products.

Total combined trust fund plan net assets as of June 30, 2004 were \$46,738.9 million, which is an increase of \$5,161.4 million or 12% over the last fiscal year.

Analysis of Changes in Net Assets – Fiduciary Funds

Changes in Net Assets	Fiscal Year 2004	<i>(dollars in millions)</i>		
		Fiscal Year 2003	Increase (Decrease) Amount	Increase (Decrease) Percentage
Additions				
Employer Contributions	\$174.1	\$166.0	\$8.1	5%
Member Contributions	502.2	427.5	74.7	17%
State Contributions	26.7	22.7	4.0	18%
Participant Contributions	147.6	135.9	11.7	9%
Net Investment Income	6,429.1	1,552.1	4,877.0	314%
Net Securities Lending Income	0.6	1.9	(1.3)	(68%)
Charges For Services	28.0	27.6	0.4	1%
Transfers from Other Pension Plans	25.4	614.6	(589.2)	(96%)
Other Additions	2.9	1.6	1.3	81%
Total Additions	<u>7,336.6</u>	<u>2,949.9</u>	<u>4,386.7</u>	149%
Deductions				
Benefits	1,940.6	1,855.4	85.2	5%
Refunds of Contributions	183.9	154.1	29.8	19%
Transfers to Other Pension Plans	25.4	614.6	(589.2)	(96%)
Administrative Expenses	25.3	28.8	(3.5)	(12%)
Total Deductions	<u>2,175.2</u>	<u>2,652.9</u>	<u>(477.7)</u>	(18%)
(Decrease)/Increase in Net Assets	<u>\$5,161.4</u>	<u>\$297.0</u>	<u>\$4,864.4</u>	1,638%

Additions to the retirement trust funds primarily consist of contributions from employers, active system members, the state, and investment earnings. Additions to the deferred compensation trust fund primarily consist of participant contributions and investment earnings. Total trust fund additions (excluding transfers) for Fiscal Year 2004 amounted

to \$7,311.2 million, an increase of \$4,975.9 million or 213% over Fiscal Year 2003. This is primarily due to an increase in net investment income, resulting from increased earnings in the U.S., non-U.S. and private equity asset classes.

Deductions to the retirement trust funds primarily consist of the payment of benefits to retirees and beneficiaries, the refund of contributions to former retirement system members, and the cost of administering the retirement systems. Benefit payments to members include both pension and annuity benefits. Expenses for the management of trust funds are incurred by the Washington State Investment Board and funded from earnings on investments. Deductions to the deferred compensation trust fund primarily consist of refunds paid to plan participants and administrative expenses. Total trust fund deductions (excluding transfers) for Fiscal Year 2004 totaled \$2,149.8 million, an increase of \$111.5 million or 5% over Fiscal Year 2003. This is primarily due to an increase in benefits paid to retirees and beneficiaries. Benefit payments increased by 5% as a result of an increase in the number of retirees. Administrative Expenses for Fiscal Year 2004 totaled approximately \$25.3 million, a decrease of 12% from last fiscal year. The decrease in expenses reflects a decrease in project costs, particularly the cost of implementing PERS Plan 3 in Fiscal Year 2003.

Transfers from Other Pension Plans and Transfers to Other Pension Plans represent transfers between the various pension plans administered by DRS. Total transfers for Fiscal Year 2004 amounted to \$25.4 million, a decrease of \$589.2 million or 96% from last fiscal year. The transfers for this fiscal year were lower due to the implementation of PERS Plan 3 in Fiscal Year 2003. The PERS Plan 2 members that opted to transfer to PERS Plan 3 accounted for \$609.2 million of the total transfers during Fiscal Year 2003. Fiscal Year 2004's activity is more representative of routine transfer activity.

Analysis of Net Assets – Governmental Fund

(dollars in thousands)				
Net Assets	Fiscal Year 2004	Fiscal Year 2003	Increase (Decrease) Amount	Increase (Decrease) Percentage
Assets				
Cash and Pooled Investments	\$90	\$87	3	3%
Total Assets	<u>90</u>	<u>87</u>	<u>3</u>	3%
Liabilities				
Due to Other Agencies	2	1	1	100%
Accrued Liabilities	5	5	-	-
Total Liabilities	<u>7</u>	<u>6</u>	<u>1</u>	17%
Total Net Assets	<u>\$83</u>	<u>\$81</u>	<u>\$2</u>	2%

Governmental fund total assets as of June 30, 2004 were \$90,000, and were almost entirely comprised of cash. This is an increase of \$3,000 over the last fiscal year and is primarily due to an increase in the amount of cash on hand at year end.

Governmental fund total liabilities as of June 30, 2004 were \$7,000 and were mostly comprised of accrued salaries and administrative costs. Total liabilities increased by \$1,000 or 17% over the last fiscal year due to an increase in the amount of payments due to other agencies.

Analysis of Changes in Net Assets – Governmental Fund

(dollars in thousands)				
Changes in Net Assets	Fiscal Year 2004	Fiscal Year 2003	Increase (Decrease) Amount	Increase (Decrease) Percentage
Revenues				
Charges For Services	\$179	\$181	\$(2)	(1%)
Total Revenues	<u>179</u>	<u>181</u>	<u>\$(2)</u>	(1%)
Expenses				
Administrative Expenses	177	181	(4)	(2%)
(Decrease)/ Increase in Net Assets	<u>\$2</u>	<u>\$0</u>	<u>\$2</u>	-

Governmental fund revenues primarily consist of charges for services. DRS bills state agencies with participating employees a percentage of the payroll taxes saved by the agency and uses these amounts (charges for services) to operate the program. Total governmental fund revenues for Fiscal Year 2004 amounted to \$179,000, a decrease of \$2,000 or 1% from Fiscal Year 2003. This was due to a decrease in the amount of charges for services.

The only expenses for the governmental fund are for the cost of administering the program. Administrative expenses for this fund include personnel expenses, goods and services, travel, and other miscellaneous expenses. Administrative Expenses for Fiscal Year 2004 totaled \$177,000, a decrease of \$4,000 or 2% from last fiscal year. This was primarily due to a decrease in the amount of personnel expenses offset in part by an increase in the amount of expenses for goods and services.

CAPITAL ASSETS

DRS' investment in capital assets for its fiduciary activities as of June 30, 2004, amounts to \$2.8 million, with accumulated depreciation of \$1.7 million, leaving a net book value of \$1.1 million. This amount represents a decrease of 14% from last year, which was mainly due to an increase in accumulated depreciation. This investment in capital assets includes furnishings and equipment, and improvements other than buildings. Additional information on DRS' capital assets can be found in section H of Note 1 to the financial statements.

LONG-TERM OBLIGATIONS

At year-end, DRS had \$1.2 million in outstanding general long-term obligations, which represented a 6% decrease from the prior year. These long-term obligations represent DRS' liability for accumulated annual and sick leave. Additional information on DRS' long-term debt obligations can be found in section J of Note 1 to the financial statements.

CONTACTING DRS' FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of DRS' finances. If you have questions about this report or need additional financial information, contact the Department of Retirement Systems' Administrative Services Division, P. O. Box 48380, Olympia, WA 98504-8380.

Financial Statements

Statement of Plan Net Assets Pension and Other Employee Benefit Trust Funds by Plan and Agency Fund As of June 30, 2004 (page 1 of 4) (expressed in thousands)

	Pension Trust				
	PERS Plan 1	PERS Plan 2/3	PERS Plan 3 Defined Contribution	SERS Plan 2/3	SERS Plan 3 Defined Contribution
ASSETS					
Cash and Pooled Investments	\$ 10,161	\$ 4,820	\$ 56	\$ 1,046	\$ 776
Receivables					
Due from Other Governments	4,625	7,681	2,824	1,289	3,864
Member Accounts Receivable (Net of Allowance)	584	66	-	1	-
Interest and Dividends	27,032	31,170	1,245	4,422	1,277
Investment Trades Pending Receivable - Short Term	14,025	16,196	647	2,297	664
Due from Pension Funds	531	708	4,050	895	3,954
Due from Other Washington State Agencies	5	5	-	1	-
Other Receivables - Short Term	1	1	-	-	-
Total Receivables	<u>46,803</u>	<u>55,827</u>	<u>8,766</u>	<u>8,905</u>	<u>9,759</u>
Capital Assets, net of depreciation	<u>251</u>	<u>268</u>	<u>-</u>	<u>23</u>	<u>-</u>
Investments, Noncurrent					
Equity in CTF	9,889,662	11,420,081	456,363	1,619,500	467,861
Money Market Investments	1,334	4,979	199	2,649	765
Other Noncurrent Investments	1,805	347	394,938	276	189,624
Total Investments, Noncurrent	<u>9,892,801</u>	<u>11,425,407</u>	<u>851,500</u>	<u>1,622,425</u>	<u>658,250</u>
Other Assets	<u>275</u>	<u>295</u>	<u>-</u>	<u>25</u>	<u>-</u>
TOTAL ASSETS	<u>9,950,291</u>	<u>11,486,617</u>	<u>860,322</u>	<u>1,632,424</u>	<u>668,785</u>
LIABILITIES					
Obligations under Security Lending Agreements	705,977	813,443	32,469	115,549	33,287
Accounts Payable	7,529	2,654	87	396	89
Investment Trades Pending Payable - Short Term	10,910	12,598	503	1,787	516
Due to Other Governments	5,225	566	-	66	-
Due to Pension Funds	201	4,948	139	4,186	851
Due to Other Washington State Agencies	82	76	-	7	-
Deposits Payable - Short Term	2	1	-	-	-
Other Short-Term Liabilities	1	1	-	-	-
Other Long-Term Obligations	275	295	-	25	-
Accrued Salaries	120	129	-	11	-
Deferred Revenue	451	345	-	3	-
TOTAL LIABILITIES	<u>730,773</u>	<u>835,056</u>	<u>33,198</u>	<u>122,030</u>	<u>34,743</u>
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER BENEFITS					
(Schedules of funding progress for pension benefits are presented beginning on page 67.)	\$ <u>9,219,518</u>	\$ <u>10,651,561</u>	\$ <u>827,124</u>	\$ <u>1,510,394</u>	\$ <u>634,042</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Plan Net Assets Pension and Other Employee Benefit Trust Funds by Plan and Agency Fund As of June 30, 2004 (page 2 of 4) (expressed in thousands)

	Pension Trust				
	TRS Plan 1	TRS Plan 2/3	TRS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and Pooled Investments	\$ 8,520	\$ 2,753	\$ 2,931	\$ 3,960	\$ 1,944
Receivables					
Due from Other Governments	3,827	3,068	15,177	-	5,603
Member Accounts Receivable (Net of Allowance)	338	34	-	64	42
Interest and Dividends	22,874	10,950	3,464	13,805	8,536
Investment Trades Pending Receivable - Short Term	11,866	5,687	1,799	7,166	4,434
Due from Pension Funds	457	3,617	12,243	264	120
Due from Other Washington State Agencies	4	3	-	3	1
Other Receivables - Short Term	1	-	-	-	-
Total Receivables	<u>39,367</u>	<u>23,359</u>	<u>32,683</u>	<u>21,302</u>	<u>18,736</u>
Capital Assets, net of depreciation	<u>215</u>	<u>120</u>	<u>-</u>	<u>125</u>	<u>58</u>
Investments, Noncurrent					
Equity in CTF	8,367,387	4,010,236	1,268,662	5,052,884	3,126,293
Money Market Investments	11,026	8,242	2,607	512	7,404
Other Noncurrent Investments	1,398	699	1,062,272	716	200
Total Investments, Noncurrent	<u>8,379,811</u>	<u>4,019,177</u>	<u>2,333,541</u>	<u>5,054,112</u>	<u>3,133,897</u>
Other Assets	<u>236</u>	<u>132</u>	<u>-</u>	<u>137</u>	<u>63</u>
TOTAL ASSETS	<u>8,428,149</u>	<u>4,045,541</u>	<u>2,369,155</u>	<u>5,079,636</u>	<u>3,154,698</u>
LIABILITIES					
Obligations under Security Lending Agreements	597,186	286,279	90,261	360,488	222,753
Accounts Payable	5,729	1,126	241	2,570	646
Investment Trades Pending Payable - Short Term	9,231	4,424	1,400	5,574	3,449
Due to Other Governments	4,511	89	-	39	-
Due to Pension Funds	199	12,756	3,372	50	164
Due to Other Washington State Agencies	66	33	-	34	17
Deposits Payable - Short Term	-	-	-	-	-
Other Short-Term Liabilities	1	-	-	-	-
Other Long-Term Obligations	236	132	-	137	63
Accrued Salaries	102	57	-	60	28
Deferred Revenue	448	144	-	1	7
TOTAL LIABILITIES	<u>617,709</u>	<u>305,040</u>	<u>95,274</u>	<u>368,953</u>	<u>227,127</u>
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER BENEFITS					
(Schedules of funding progress for pension benefits are presented beginning on page 67.)	\$ <u>7,810,440</u>	\$ <u>3,740,501</u>	\$ <u>2,273,881</u>	\$ <u>4,710,683</u>	\$ <u>2,927,571</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Plan Net Assets Pension and Other Employee Benefit Trust Funds by Plan and Agency Fund As of June 30, 2004 (page 3 of 4) (expressed in thousands)

	Pension Trust				
	WSPRS Plan 1/2	JRS	JUDGES	JRA Defined Contribution	Deferred Compensation
ASSETS					
Cash and Pooled Investments	\$ 998	\$ 525	\$ 4,360	\$ 6	\$ 4,621
Receivables					
Due from Other Governments	55	15	-	-	-
Member Accounts Receivable (Net of Allowance)	-	-	-	-	1,107
Interest and Dividends	1,944	4	4	-	4
Investment Trades Pending Receivable - Short Term	1,010	-	-	-	-
Due from Pension Funds	31	-	-	-	-
Due from Other Washington State Agencies	-	-	-	-	-
Other Receivables - Short Term	-	-	-	-	-
Total Receivables	<u>3,040</u>	<u>19</u>	<u>4</u>	<u>-</u>	<u>1,111</u>
Capital Assets, net of depreciation	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments, Noncurrent					
Equity in CTF	711,795	-	-	-	-
Money Market Investments	301	4,338	-	-	-
Other Noncurrent Investments	<u>145</u>	<u>97</u>	<u>760</u>	<u>12,949</u>	<u>1,742,132</u>
Total Investments, Noncurrent	<u>712,241</u>	<u>4,435</u>	<u>760</u>	<u>12,949</u>	<u>1,742,132</u>
Other Assets	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>716,313</u>	<u>4,979</u>	<u>5,124</u>	<u>12,955</u>	<u>1,747,864</u>
LIABILITIES					
Obligations under Security Lending Agreements	50,822	98	760	1	701
Accounts Payable	404	111	9	-	31
Investment Trades Pending Payable - Short Term	785	-	-	-	-
Due to Other Governments	151	29	3	-	-
Due to Pension Funds	4	-	-	-	-
Due to Other Washington State Agencies	5	-	-	-	12
Deposits Payable - Short Term	-	-	-	-	-
Other Short-Term Liabilities	-	-	-	-	15
Other Long-Term Obligations	18	-	-	-	-
Accrued Salaries	8	-	-	-	35
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>52,197</u>	<u>238</u>	<u>772</u>	<u>1</u>	<u>794</u>
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER BENEFITS					
(Schedules of funding progress for pension benefits are presented beginning on page 67.)	\$ <u>664,116</u>	\$ <u>4,741</u>	\$ <u>4,352</u>	\$ <u>12,954</u>	\$ <u>1,747,070</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Plan Net Assets Pension and Other Employee Benefit Trust Funds by Plan and Agency Fund As of June 30, 2004 (page 4 of 4) (expressed in thousands)

	Agency Dependent Care	Totals	
		June 30, 2004	June 30, 2003
ASSETS			
Cash and Pooled Investments	\$ 474	\$ 47,951	\$ 37,047
Receivables			
Due from Other Governments	-	48,028	40,477
Member Accounts Receivable (Net of Allowance)	-	2,236	2,760
Interest and Dividends	-	126,731	110,979
Investment Trades Pending Receivable - Short Term	-	65,791	23,316
Due from Pension Funds	-	26,870	266,903
Due from Other Washington State Agencies	-	22	14
Other Receivables - Short Term	-	3	3
Total Receivables	-	269,681	444,452
Capital Assets, net of depreciation	-	1,076	1,245
Investments, Noncurrent			
Equity in CTF	-	46,390,724	39,991,792
Money Market Investments	-	44,356	40,899
Other Noncurrent Investments	-	3,408,358	2,804,362
Total Investments, Noncurrent	-	49,843,438	42,837,053
Other Assets	-	1,181	1,253
TOTAL ASSETS	474	50,163,327	43,321,050
LIABILITIES			
Obligations under Security Lending Agreements	-	3,310,074	1,435,211
Accounts Payable	-	21,622	20,154
Investment Trades Pending Payable - Short Term	-	51,177	6,885
Due to Other Governments	-	10,679	9,887
Due to Pension Funds	-	26,870	266,903
Due to Other Washington State Agencies	-	332	775
Deposits Payable - Short Term	-	3	3
Other Short-Term Liabilities	474	492	869
Other Long-Term Obligations	-	1,181	1,253
Accrued Salaries	-	550	570
Deferred Revenue	-	1,399	1,050
TOTAL LIABILITIES	474	3,424,379	1,743,560
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER BENEFITS			
(Schedules of funding progress for pension benefits are presented beginning on page 67.)	\$ 0	\$ 46,738,948	\$ 41,577,490

The accompanying notes are an integral part of this statement.

Statement of Changes in Plan Net Assets
Pension Trust Funds by Plan
For the Year Ended June 30, 2004 (page 1 of 4)
(expressed in thousands)

	Pension Trust				
	PERS Plan 1	PERS Plan 2/3	PERS Plan 3 Defined Contribution	SERS Plan 2/3	SERS Plan 3 Defined Contribution
ADDITIONS					
Retirement Contributions					
Employer	\$ 22,789	\$ 69,377	\$ -	\$ 9,076	\$ -
Plan Member	57,196	60,953	53,208	3,501	43,833
State	-	-	-	-	-
Plan Member Restorations	4,639	2,917	-	291	-
Total Retirement Contributions	<u>84,624</u>	<u>133,247</u>	<u>53,208</u>	<u>12,868</u>	<u>43,833</u>
Participant Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Income					
Net Appreciation (Depreciation) in Fair Value of Investments	1,113,199	1,225,571	86,157	171,620	68,587
Interest	115,078	127,101	6,157	18,113	5,626
Dividends	95,677	106,481	4,371	14,938	4,449
Less: Investment Expense	(4,925)	(5,081)	(814)	(708)	(526)
Net Investment Income	<u>1,319,029</u>	<u>1,454,072</u>	<u>95,871</u>	<u>203,963</u>	<u>78,136</u>
Securities Lending Income					
Securities Lending Income	6,800	7,851	314	1,113	322
Less: Costs of Lending Securities	(6,674)	(8,014)	-	(1,408)	-
Net Securities Lending Income	<u>126</u>	<u>(163)</u>	<u>314</u>	<u>(295)</u>	<u>322</u>
Charges For Services	5,451	6,761	696	1,258	270
Transfers from Other Pension Plans	310	251	21,143	1,631	484
Miscellaneous	<u>57</u>	<u>71</u>	<u>-</u>	<u>13</u>	<u>-</u>
TOTAL ADDITIONS	<u>1,409,597</u>	<u>1,594,239</u>	<u>171,232</u>	<u>219,438</u>	<u>123,045</u>
DEDUCTIONS					
Benefits	828,765	86,174	-	6,692	-
Refunds of Contributions	5,628	27,082	26,581	2,025	12,364
Annuity Payments	-	-	-	-	-
Transfers to Other Pension Plans	4	22,918	251	545	290
Administrative Expenses	4,917	5,779	523	1,080	226
TOTAL DEDUCTIONS	<u>839,314</u>	<u>141,953</u>	<u>27,355</u>	<u>10,342</u>	<u>12,880</u>
NET INCREASE (DECREASE)	570,283	1,452,286	143,877	209,096	110,165
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Beginning of Year: July 1	<u>8,649,235</u>	<u>9,199,275</u>	<u>683,247</u>	<u>1,301,298</u>	<u>523,877</u>
End of Year: June 30	<u>\$ 9,219,518</u>	<u>\$ 10,651,561</u>	<u>\$ 827,124</u>	<u>\$ 1,510,394</u>	<u>\$ 634,042</u>

The accompanying notes are an integral part of this statement.

Statement of Changes in Plan Net Assets
Pension Trust Funds by Plan
For the Year Ended June 30, 2004 (page 2 of 4)
(expressed in thousands)

	Pension Trust			
	TRS Plan 1	TRS Plan 2/3	TRS Plan 3 Defined Contribution	LEOFF Plan 1
ADDITIONS				
Retirement Contributions				
Employer	\$ 11,385	\$ 29,921	\$ -	\$ 1
Plan Member	42,706	3,108	173,052	-
State	-	-	-	-
Plan Member Restorations	2,673	611	-	85
Total Retirement Contributions	<u>56,764</u>	<u>33,640</u>	<u>173,052</u>	<u>86</u>
Participant Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	938,287	424,260	281,619	561,324
Interest	97,155	44,869	14,711	58,037
Dividends	80,722	36,953	11,967	48,395
Less: Investment Expense	(4,150)	(1,726)	(2,157)	(2,440)
Net Investment Income	<u>1,112,014</u>	<u>504,356</u>	<u>306,140</u>	<u>665,316</u>
Securities Lending Income				
Securities Lending Income	5,753	2,757	872	3,474
Less: Costs of Lending Securities	(5,647)	(3,562)	-	(3,410)
Net Securities Lending Income	<u>106</u>	<u>(805)</u>	<u>872</u>	<u>64</u>
Charges For Services	4,617	3,504	293	2,782
Transfers from Other Pension Plans	147	439	892	-
Miscellaneous	48	39	(1)	29
TOTAL ADDITIONS	<u>1,173,696</u>	<u>541,173</u>	<u>481,248</u>	<u>668,277</u>
DEDUCTIONS				
Benefits	640,006	13,416	-	272,118
Refunds of Contributions	1,792	2,858	25,932	133
Annuity Payments	52,237	-	-	-
Transfers to Other Pension Plans	-	1,003	380	27
Administrative Expenses	3,926	2,940	250	2,450
TOTAL DEDUCTIONS	<u>697,961</u>	<u>20,217</u>	<u>26,562</u>	<u>274,728</u>
NET INCREASE (DECREASE)	475,735	520,956	454,686	393,549
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of Year: July 1	7,334,705	3,219,545	1,819,195	4,317,134
End of Year: June 30	<u>\$ 7,810,440</u>	<u>\$ 3,740,501</u>	<u>\$ 2,273,881</u>	<u>\$ 4,710,683</u>

The accompanying notes are an integral part of this statement.

Statement of Changes in Plan Net Assets
Pension Trust Funds by Plan
For the Year Ended June 30, 2004 (page 3 of 4)
(expressed in thousands)

	Pension Trust			
	LEOFF Plan 2	WSPRS Plan 1/2	JRS	Judges
ADDITIONS				
Retirement Contributions				
Employer	\$ 30,773	\$ 1	\$ 197	\$ -
Plan Member	50,698	1,322	196	-
State	20,193	-	5,995	500
Plan Member Restorations	625	56	-	-
Total Retirement Contributions	<u>102,289</u>	<u>1,379</u>	<u>6,388</u>	<u>500</u>
Participant Contributions	-	-	-	-
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	330,557	78,212	(5)	(46)
Interest	34,306	8,090	64	73
Dividends	28,836	6,760	-	-
Less: Investment Expense	(1,827)	(335)	(5)	(7)
Net Investment Income	<u>391,872</u>	<u>92,727</u>	<u>54</u>	<u>20</u>
Securities Lending Income				
Securities Lending Income	2,149	489	-	-
Less: Costs of Lending Securities	(2,110)	(480)	-	-
Net Securities Lending Income	<u>39</u>	<u>9</u>	<u>-</u>	<u>-</u>
Charges For Services	1,728	392	3	3
Transfers from Other Pension Plans	-	121	-	-
Miscellaneous	18	4	-	-
TOTAL ADDITIONS	<u>495,946</u>	<u>94,632</u>	<u>6,445</u>	<u>523</u>
DEDUCTIONS				
Benefits	6,043	25,724	8,404	685
Refunds of Contributions	5,720	303	-	-
Annuity Payments	-	-	-	-
Transfers to Other Pension Plans	-	-	-	-
Administrative Expenses	1,490	347	2	2
TOTAL DEDUCTIONS	<u>13,253</u>	<u>26,374</u>	<u>8,406</u>	<u>687</u>
NET INCREASE (DECREASE)	482,693	68,258	(1,961)	(164)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of Year: July 1	2,444,878	595,858	6,702	4,516
End of Year: June 30	<u>\$ 2,927,571</u>	<u>\$ 664,116</u>	<u>\$ 4,741</u>	<u>\$ 4,352</u>

The accompanying notes are an integral part of this statement.

Statement of Changes in Plan Net Assets
Pension Trust Funds by Plan
For the Year Ended June 30, 2004 (page 4 of 4)
(expressed in thousands)

	Pension Trust		Totals	
	JRA Defined Contribution	Deferred Compensation	June 30, 2004	June 30, 2003
ADDITIONS				
Retirement Contributions				
Employer	\$ 570	\$ -	\$ 174,090	\$ 166,059
Plan Member	570	-	490,343	418,091
State	-	-	26,688	22,654
Plan Member Restorations	-	-	11,897	9,409
Total Retirement Contributions	<u>1,140</u>	<u>-</u>	<u>703,018</u>	<u>616,213</u>
Participant Contributions	<u>-</u>	<u>147,660</u>	<u>147,660</u>	<u>135,901</u>
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	1,131	160,210	5,440,683	610,163
Interest	221	28,327	557,928	635,804
Dividends	102	17,677	457,328	348,057
Less: Investment Expense	-	(2,114)	(26,815)	(41,877)
Net Investment Income	<u>1,454</u>	<u>204,100</u>	<u>6,429,124</u>	<u>1,552,147</u>
Securities Lending Income				
Securities Lending Income	-	-	31,894	50,155
Less: Costs of Lending Securities	-	-	(31,305)	(48,276)
Net Securities Lending Income	<u>-</u>	<u>-</u>	<u>589</u>	<u>1,879</u>
Charges For Services	-	206	27,964	27,579
Transfers from Other Pension Plans	-	-	25,418	614,613
Miscellaneous	<u>18</u>	<u>2,578</u>	<u>2,874</u>	<u>1,571</u>
TOTAL ADDITIONS	<u>2,612</u>	<u>354,544</u>	<u>7,336,647</u>	<u>2,949,903</u>
DEDUCTIONS				
Benefits	282	-	1,888,309	1,772,873
Refunds of Contributions	-	73,485	183,903	154,160
Annuity Payments	-	-	52,237	82,497
Transfers to Other Pension Plans	-	-	25,418	614,613
Administrative Expenses	16	1,373	25,321	28,793
TOTAL DEDUCTIONS	<u>298</u>	<u>74,858</u>	<u>2,175,188</u>	<u>2,652,936</u>
NET INCREASE (DECREASE)	2,314	279,686	5,161,459	296,967
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of Year: July 1	10,640	1,467,384	41,577,489	41,280,523
End of Year: June 30	<u>\$ 12,954</u>	<u>\$ 1,747,070</u>	<u>\$46,738,948</u>	<u>\$41,577,490</u>

The accompanying notes are an integral part of this statement.

Balance Sheet/Statement of Net Assets
Special Revenue Fund
As of June 30, 2004
(expressed in thousands)

	Dependent Care Administrative Fund		
	Balance Sheet	Adjustments	Statement of Net Assets
ASSETS			
Cash and Pooled Investments	\$ 90	\$ -	\$ 90
TOTAL ASSETS	90	-	90
LIABILITIES			
Due to Other Washington State Agencies	2	-	2
Accrued Salaries	5	-	5
TOTAL LIABILITIES	7	-	7
FUND BALANCE/NET ASSETS:			
Fund Balance:			
Unreserved, Reported in Special Revenue Funds	83	(83)	-
Total Fund Balance	83	(83)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 90		
Net Assets:			
Unrestricted		83	83
TOTAL NET ASSETS		\$ 0	\$ 83

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities
Special Revenue Fund
For the Year Ended June 30, 2004
(expressed in thousands)**

REVENUES	Dependent Care Administrative Fund		
	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Charges for Services	\$ <u>179</u>	\$ -	\$ <u>179</u>
TOTAL REVENUES	179	-	179
EXPENDITURES/EXPENSES			
Current:			
Personnel Services	119	-	119
Goods and Services	56	-	56
Miscellaneous	<u>2</u>	<u>-</u>	<u>2</u>
Total Expenditures/Expenses	<u>177</u>	<u>-</u>	<u>177</u>
TOTAL EXPENDITURES/EXPENSES	177	-	177
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2	(2)	-
CHANGE IN NET ASSETS	-	2	2
FUND BALANCE/NET ASSETS:			
Beginning of Year: July 1	<u>81</u>	<u>0</u>	<u>81</u>
End of Year: June 30	\$ <u><u>83</u></u>	\$ <u><u>0</u></u>	\$ <u><u>83</u></u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 1: Summary of Significant Accounting Policies and Plan Asset Matters

A. Reporting Entity

The Department of Retirement Systems (DRS) is a part of the primary government of the state of Washington. The Governmental Accounting Standards Board has developed criteria relating to elements of financial accountability to be used to determine the reporting entity. Financial accountability is manifest when the primary government appoints a voting majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, or to set rates or charges without substantive approval by another government. Based on this criteria, DRS is considered part of the state of Washington financial reporting entity and is included in the state's comprehensive annual financial report as the administrator of the pension trust funds. Copies of the state of Washington's Comprehensive Annual Financial Report may be obtained by writing to:

Washington State Office of Financial Management
300 Insurance Building
P.O. Box 43113
Olympia, WA 98504-3113

The state of Washington, through DRS, administers seven retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement

System, the School Employees' Retirement System, the Teachers' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The Director of DRS is appointed by the Governor. The state Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The members of the public retirement systems together with their employers and the state provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels. Based upon these criteria, DRS views itself as part of the state of Washington's primary government.

B. Basic Financial Statements

Separate financial statements are provided for the fiduciary funds and the governmental fund.

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. DRS' fiduciary funds include the retirement pension trust funds, the deferred compensation trust fund, and the dependent care assistance program agency fund. The statements presented for the fiduciary funds include a Statement of Plan Net Assets and a Statement of Changes in Plan Net Assets. The statements provide a separate column for each plan administered by DRS. The Statement of Plan Net Assets includes information about the assets, liabilities, and net assets for each plan. The Statement of Changes in Plan Net Assets includes information about the additions to, deductions from, and net increase (or decrease) in net assets for each plan for the year.

DRS' governmental fund is a special revenue fund used to account for the administrative revenues and operating expenditures incurred in administering the dependent care program. Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The statements presented for the special revenue fund include a Balance Sheet/Statement of Net Assets and a Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. The statements for the special revenue fund are presented following the statements for the fiduciary funds because the fiduciary funds are the main focus of DRS. Since the special revenue fund is a minor administrative fund for DRS, showing this fund on a statement preceding the fiduciary fund statements would improperly put more focus on it.

The Balance Sheet/Statement of Net Assets for the special revenue fund has three separate columns: Balance Sheet, Adjustments, and Statement of Net Assets. The Balance Sheet column presents the assets, liabilities, and fund balance using the current financial resources measurement focus and the modified accrual basis of accounting. The Statement of Net Assets column presents the difference between assets and liabilities as net assets and uses the economic resources measurement focus and accrual basis of accounting. The Adjustments column contains the reconciliation between these two different bases of accounting.

The Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities for the special revenue fund has three separate columns: Statement of Revenues, Expenditures, and Changes in Fund Balance; Adjustments; and Statement of Activities. The Statement of Revenues, Expenditures, and Changes in Fund Balance column presents the inflows, outflows, and balances of current financial resources using the current financial resources measurement focus and the modified accrual basis of accounting. The Statement of Activities is presented using the economic resources measurement focus and accrual basis of accounting. The Adjustments column contains the reconciliation between these two different bases of accounting.

C. Measurement Focus and Basis of Accounting

DRS' financial statements have been prepared in conformity with generally accepted accounting principles (GAAP).

The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The deferred compensation plan is accounted for in a pension trust fund using the flow of economic resources measurement focus and the accrual basis of accounting. Participant contributions are recognized as revenues in the period in which the contributions are due. Refunds are recognized when due and payable in accordance with the terms of the plan. DRS maintains an administrative fund to account for the administrative revenues and operating expenditures incurred in administering the deferred compensation plan. Since these costs are incurred in the administration of the deferred compensation plan, they have been reported within the deferred compensation plan.

The dependent care assistance program is accounted for in two separate funds. The administrative revenues and operating expenditures incurred in administering the dependent care program are accounted for in the dependent care administrative fund. This fund is classified as a special revenue fund using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available to finance current expenditures of the fund. The dependent care salary reduction plan is classified as an agency fund and is accounted for using the accrual basis of accounting. Agency funds are custodial in nature and do not measure the results of operations or have a measurement focus.

D. Method Used to Value Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Venture capital and leveraged buy out investments are determined by independent investment advisors based on an analysis of the audited financial statements of the underlying partnerships. The pension funds have no investments of any commercial or industrial organization whose market value exceeds five percent or more of each plan's net assets.

E. Allocation

DRS maintains an administrative fund to account for the administrative additions and deductions incurred in administering the pension plans (excluding any fees incurred while protecting the pension plans). All additions received are based on a legislatively approved percent of employer contributions. These additions and deductions have been allocated to the pension plans based on asset balance.

DRS maintains a general capital assets fund to account for the capital assets incurred in administering the pension plans. These capital assets have been allocated to the pension plans based on asset balance. DRS also maintains a general long-term obligation fund to account for accumulated compensated absences incurred in administering the pension plans. These general long-term obligations have also been allocated to the pension plans based on asset balance.

F. Deposits, Investments, and Securities Lending:

Deposits: DRS' deposits are managed by the Office of the State Treasurer (OST) and are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and by the Washington Public Deposit Protection Commission (PDPC). State law (chapter 43.84.080 RCW) specifies that whenever there is a fund or cash balance in the state treasury more than sufficient to meet the current expenditures properly payable therefrom, the OST may invest or reinvest such portion of

such funds or balances as the OST deems expedient. Statute authorizes the OST to buy and sell the following types of instruments: U.S. Government and Agency securities, banker's acceptances, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above. DRS receives its proportionate share of investment earnings from surplus balances in the state treasury based upon its daily balance for the period. DRS' deposits are separately displayed on the Statement of Plan Net Assets as cash and pooled investments.

Governmental Accounting Standards Board (GASB) Statement Number 3 requires governmental entities to categorize deposits for the purpose of giving an indication of the level of risk assumed by the entity at year end. The three categories of risk are:

- 1) Insured or collateralized with securities held by DRS or its agent in the name of DRS.
- 2) Collateralized with securities held by the pledging financial institutions trust department or agent in the name of DRS.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institutions or by its trust department or agent, but not in the name of DRS.

As of June 30, 2004, the carrying amount of DRS' cash and pooled investments is \$47.5 million for the pension trust funds, \$0.5 million for the dependent care agency fund, and \$90,000 for the dependent care special revenue fund, all of which represents category one risk.

Investments: The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for pension and deferred compensation funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy. The WSIB is authorized and invests in the following: U.S. Treasury Bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. Gov-

ernment and Agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to: investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, or other forms of private equity; asset backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions.

WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. WSIB mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2004 or 2003. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use, and holdings of derivative securities by passive equity index fund managers is unavailable. At June 30, 2004, the only derivative securities held directly by WSIB were collateralized mortgage obligations of \$1.39 billion.

The fees paid by the WSIB are accounted for as a reduction of investment income to the trust funds. These fees include investment management fees and commissions, investment consultant fees, and legal fees. As of June 30, 2004, total investment management fees were \$58.1 million. For a detailed disclosure, refer to the Schedule of Investment Expenses in the Financial Section of this report.

GASB Statement Number 3 requires governmental entities to categorize investments for the purpose of giving an indication of the levels of risk assumed by the entity at year end. The three categories of risk are:

- 1) Insured or registered, or securities held by DRS or its agent in the name of DRS.
- 2) Uninsured and unregistered with securities held by the counterparty's trust department or agent in the name of DRS.
- 3) Uninsured and unregistered with securities held by the counterparty, or its trust department or agent, but not in the name of DRS.

Certain investment types in DRS' portfolio cannot be categorized within the guidelines established by GASB Statement Number 3. These investments total approximately \$33.6 billion in both carrying value and fair value. DRS' investments are classified in three categories of risk to give an indication of the level of risk assumed by DRS as of year end. The table on page 47 presents the carrying value and fair value of the investments by type, as well as deposits, as of June 30, 2004.

There were approximately \$551.4 million repurchase agreements outstanding at June 30, 2004. Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by DRS' agent in DRS' name. Repurchase agreements outstanding as of June 30, 2004 are typical of the level of activity during the year.

State law permits DRS to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus

a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, DRS would suffer

an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during the year and there were no liabilities outstanding as of June 30, 2004.

Investments by Type on June 30, 2004-Pension Trust Funds (expressed in thousands)

Investment Type	Carrying Value by GASB Categories*			Total Carrying Value	Total Fair Value
	1	2	3		
Asset Backed Securities	\$ 48,352	\$ -	\$ 108,333	\$ 156,685	\$ 156,685
Certificates of Deposit	-	-	810,101	810,101	810,101
Collateralized Mortgage Obligations	1,387,593	-	-	1,387,593	1,387,593
Commercial Paper	-	-	192,491	192,491	192,491
Corporate Bonds-Domestic	2,933,583	-	46,803	2,980,386	2,980,386
Corporate Bonds-Foreign	1,275,990	-	-	1,275,990	1,275,990
Corporate Stock-Domestic	2,101	-	-	2,101	2,101
Corporate Stock-Foreign	3,647,534	-	-	3,647,534	3,647,534
Government Securities-Domestic	346,162	-	226,361	572,523	572,523
Government Securities-Foreign	80,201	-	-	80,201	80,201
Life	32	-	-	32	32
Repurchase Agreements	6,557	-	544,883	551,440	551,440
Variable Rate Notes	-	-	1,365,147	1,365,147	1,365,147
Subtotal for GASB Categories	\$ 9,728,105	\$ -	\$ 3,294,119	\$ 13,022,224	\$ 13,022,224
Investment Type-Unclassified As to Risk					
Commingled Index Funds-Domestic				14,549,211	14,549,211
Commingled Index Funds-Foreign				3,059,625	3,059,625
Currencies				20,157	20,157
Guaranteed Investment Contracts				576,357	576,357
Money Market Funds				1,050,194	1,050,194
Mortgages				1,401,542	1,401,542
Mutual Funds				2,825,411	2,825,411
Private Equity				6,052,840	6,052,840
Real Estate				4,085,388	4,085,388
Subtotal Investment Types-Unclassified As to Risk				33,620,725	33,620,725
Securities on Loan-Domestic				2,866,224	2,866,224
Securities on Loan-Foreign				334,265	334,265
Total Investments-6/30/2004				\$49,843,438	\$49,843,438

* See text for definition of categories.

The WSIB has entered into agreements that commit the DRS pension funds, upon request, to make additional investment purchases up to a stated amount. As of June 30, 2004, the DRS pension funds had the following unfunded investment commitments in millions of dollars:

Private Equity Partnerships	\$4,633.3
Real Estate	\$677.4

Securities Lending: Securities lending management responsibilities as authorized by statute are as follows:

WSIB—State law and Board policy permit the WSIB to participate in securities lending transactions. The Board has entered into an agreement with State Street Bank and Trust to act as agent for the WSIB in securities lending transactions. As State Street Bank and Trust is the custodian bank for the WSIB, it is a counterparty to securities lending transactions. Therefore, cash collateral reinvested by State Street Bank and Trust is reflected as Category 3 for custodial credit risk disclosure purposes.

Securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2004, were \$3,300.5 million and \$3,200.5 million, respectively.

During Fiscal Year 2004, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 45 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short term investment pool (average weighted maturity of 358 days) or term loans. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Bank and Trust indemnified the WSIB by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Bank and Trust's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During Fiscal Year 2004, there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2004 resulting from a default by either the borrowers or the securities lending agents.

OST—Statute authorizes the OST to buy and sell the following types of instruments: U.S. government and agency securities, banker's acceptances, commercial paper, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above.

The OST has statutory authority to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with a third party securities lending agent, The Bank of New York, to lend the OST's U.S. government and agency securities portfolio. The agent lends

securities for collateral in the form of cash or other securities at 102 percent of the loaned securities value. The collateral for the loans is maintained at 102 percent.

At June 30, 2004, OST has no credit risk exposure to borrowers because the amounts the OST owes borrowers exceeds the amounts that the borrowers owe the OST. The contract with the agent requires it to indemnify the OST if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or if the borrower fails to pay OST for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the OST or the borrower. Cash collateral is invested in accordance with the investment guidelines approved by the OST. The OST cannot pledge or sell collateral securities received unless the borrower defaults. Generally, the maturity of the securities on loan is matched with the term of the investment of the cash collateral.

During Fiscal Year 2004, there were no violations of legal or contractual provisions nor any losses resulting from a default by either the borrowers or the securities lending agent.

G. Reserves

Member Reserves: The member reserves reflect the total liability for all contributions made by members. These reserves are increased by employee contributions and interest earnings and are decreased by contributions refunded and contributions transferred to the benefit reserves for current year retirees. The member reserves are considered fully funded.

Because the PERS Plan 3, SERS Plan 3 and TRS Plan 3 defined contribution plans each offer two separate investment programs to members, DRS is required to maintain two separate member reserves for each defined contribution plan. The "PERS Plan 3-WSIB," "SERS Plan 3-WSIB," and "TRS Plan 3-WSIB" reserves account for members who participate in the investment programs offered by the Washington State Investment Board (WSIB). The "PERS Plan 3-SELF," "SERS Plan 3-SELF," and "TRS Plan 3-SELF" reserves ac-

count for members who participate in the self-directed investment offerings established by the Employee Retirement Benefits Board (ERBB).

Member reserves as of June 30, 2004 and 2003 are as follows:

	June 30, 2004	June 30, 2003
	(expressed in thousands)	
PERS Plan 1	\$1,523,446	\$1,588,091
PERS Plan 2/3	3,215,444	3,104,651
PERS Plan 3-WSIB	430,570	347,685
PERS Plan 3-SELF	396,554	335,735
SERS Plan 2/3	208,607	201,567
SERS Plan 3-WSIB	443,001	357,860
SERS Plan 3-SELF	191,041	166,060
TRS Plan 1	1,181,814	1,234,665
TRS Plan 2/3	381,773	370,198
TRS Plan 3-WSIB	1,203,920	954,107
TRS Plan 3-SELF	1,069,962	865,131
LEOFF Plan 1	106,753	117,838
LEOFF Plan 2	915,700	832,078
WSPRS Plan 1/2	52,410	52,299
JRS	5,131	5,345
Judges	-	-
Total Member Reserves	\$11,326,126	\$10,533,310

Benefit Reserves: The benefit reserves reflect the funded liability associated with all retired members of DRS administered systems. These reserves are increased by employer contributions, state contributions, investment earnings, and employee contributions which are attributable to current year retirees. These reserves are decreased by the amounts of pensions actually paid in the current year, interest payments transferred to the member reserves, and administrative expenses in support of the trust funds.

Benefit reserves as of June 30, 2004 and 2003 are as follows:

	June 30, 2004 (expressed in thousands)	June 30, 2003 (expressed in thousands)
PERS Plan 1	\$7,692,486	\$7,058,454
PERS Plan 2/3	7,432,224	6,091,959
SERS Plan 2/3	1,301,460	1,099,620
TRS Plan 1	6,625,545	6,097,726
TRS Plan 2/3	3,357,008	2,848,235
LEOFF Plan 1	4,602,142	4,197,977
LEOFF Plan 2	2,011,038	1,612,275
WSPRS Plan 1/2	611,474	543,391
JRS	(389)	1,353
Judges	4,375	4,494
Total Benefit Reserves	\$33,637,363	\$29,555,484

The funded status of each of the benefit reserves is the same as the funded status of each of the respective pension plans. The funded status of the pension plans is shown in the Solvency Test schedules in the Actuarial Section of this report.

H. Capital Assets

All capital assets with a unit cost (including ancillary costs) of \$5,000 or greater are capitalized and reported in the accompanying financial statements. Capital leases with a net present value or fair market value, whichever is less, of \$10,000 or more are capitalized and also included in these financial statements. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost and fair market value are derived by factoring price levels from the current period to the time of acquisition.

Capital asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Depreciation is calculated using the straight-line method with estimated useful lives of 5 to 50 years for buildings, and 3 to 50 years for furnishings and equipment, other improvements, and miscellaneous capital assets.

Following is a summary of changes in capital assets for Fiscal Year 2004:

Assets	Beginning Balance	Acquisition/ Increase Depreciation	Disposal	Ending Balance
(expressed in thousands)				
Improvements				
Other Than Buildings	\$ 531	\$ 23	\$ -	\$ 554
Furnishings & Equipment	2,120	271	(167)	2,224
Accumulated Depreciation	(1,406)	(444)	148	(1,702)
Total	\$ 1,245	\$ (150)	\$ (19)	\$ 1,076

I. Leases

DRS leases land, office facilities, office and computer equipment. Lease terms vary. Leases are considered non-cancelable for financial reporting purposes. All DRS leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following schedule presents future minimum payments for operating leases as of June 30, 2004:

Operating Leases (expressed in thousands)	
By Fiscal Year:	
2005	\$1,251
2006	1,243
2007	1,262
2008	1,213
2009	692
Total Future Minimum Payments	<u>\$5,661</u>

The total operating lease rental expenditure for Fiscal Year 2004 was \$1.2 million.

J. Long-Term Liabilities

Annual Leave: DRS employees accrue annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date. The expense and accrued liability is recognized when the annual leave is earned. DRS' liability for accumulated annual leave was \$0.9 million as of June 30, 2004.

Sick Leave: Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the department does not pay employees for unused sick leave upon termination except upon employee death or retirement, at which time DRS is liable for 25 percent of the employee's accumulated sick leave. In addition, the department has a "sick leave buyout option" in which each January, employees who accumulate sick leave in excess of 60 days may redeem sick

leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave. The expense and accrued liability is recognized when the sick leave is earned. DRS' liability for accumulated sick leave was \$0.3 million as of June 30, 2004.

Following is a summary of changes in compensated absences for the fiduciary funds for Fiscal Year 2004:

Compensated Absences	Beginning Balance	Additions	Deletions	Ending Balance
(expressed in thousands)				
Annual Leave	\$913	\$972	\$1,030	\$855
Sick Leave	340	144	158	326
Total	<u>\$1,253</u>	<u>\$1,116</u>	<u>\$1,188</u>	<u>\$1,181</u>

K. Interfund Transfers

Interfund transfers, as reported in the financial statements, reflect routine transfers among the various trust funds resulting from plan membership changes and member-directed defined contribution plan selections.

Note 2: General Description of the Retirement Systems

A. General

The Department of Retirement Systems (DRS) administers retirement systems covering eligible employees of the state and local governments. The state Legislature establishes laws pertaining to the creation and administration of all public retirement systems, and the Governor appoints the Director of DRS to manage the systems. Information pertinent to each system is provided later in this section.

Administration of the PERS, SERS, TRS, and LEOFF systems and plans was funded by an employer rate of .22 percent of employee salaries. Administration of the WSPRS, JRS, and Judges' plans was funded by means of legislative appropriations.

As established in the Revised Code of Washington (RCW) chapter 41.50, DRS administers seven retirement systems comprising 11 defined benefit pension plans and three combination defined benefit/defined contribution plans as follows:

Public Employees' Retirement System (PERS)

Plan 1—defined benefit

Plan 2—defined benefit

Plan 3—defined benefit/defined contribution

School Employees' Retirement System (SERS)

Plan 2—defined benefit

Plan 3—defined benefit/defined contribution

Teachers' Retirement System (TRS)

Plan 1—defined benefit

Plan 2—defined benefit

Plan 3—defined benefit/defined contribution

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Plan 1—defined benefit

Plan 2—defined benefit

Washington State Patrol Retirement System (WSPRS)

Plan 1—defined benefit

Plan 2—defined benefit

Judicial Retirement System (JRS)

Defined benefit

Judges' Retirement Fund (Judges)

Defined benefit

Number of Participating Members

Plan	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled to But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total
PERS Plan 1	54,372	3,142	18,355	1,385	77,254
PERS Plan 2	10,904	16,089	72,343	44,919	144,255
PERS Plan 3	86	770	9,771	7,777	18,404
SERS Plan 2	736	1,902	14,613	6,891	24,142
SERS Plan 3	306	1,648	11,492	16,218	29,664
TRS Plan 1	33,855	1,649	10,898	277	46,679
TRS Plan 2	957	2,493	6,936	701	11,087
TRS Plan 3	385	2,418	18,646	28,617	50,066
LEOFF Plan 1	8,054	14	991	-	9,059
LEOFF Plan 2	316	439	10,557	4,003	15,315
WSPRS Plan 1	735	93	825	220	1,873
WSPRS Plan 2	-	-	-	34	34
JRS	129	3	21	-	153
Judges	17	-	-	-	17
Total	110,852	30,660	175,448	111,042	428,002

The latest actuarial valuation date for all plans was September 30, 2003.

Source: Washington State Office of the State Actuary

Number of Participating Employers

Plan	State Agencies	School Districts	Counties/Municipalities	Other Political Subdivisions	Total
PERS Plan 1	155	246	207	251	859
PERS Plan 2	170	-	269	448	887
PERS Plan 3	147	-	170	214	531
SERS Plan 2	9	288	-	-	297
SERS Plan 3	10	288	-	-	298
TRS Plan 1	83	284	-	-	367
TRS Plan 2	40	269	-	-	309
TRS Plan 3	42	292	-	-	334
LEOFF Plan 1	-	-	99	22	121
LEOFF Plan 2	9	-	221	137	367
WSPRS Plan 1	1	-	-	-	1
WSPRS Plan 2	1	-	-	-	1
JRS	3	-	-	-	3
Judges	-	-	-	-	-
Total	670	1,667	966	1,072	4,375

Employers can participate in multiple systems and/or plans. The actual total number of participating employers as of June 30, 2004 is 1,274.

For a listing of the covered employers, refer to the Statistical Section of this report.

B. Plan Descriptions

Public Employees' Retirement System (PERS): PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2004, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS defined contribution benefits are financed from employee contributions and investment earnings. Employees in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); judges of district and municipal courts; and employees of local governments. TIAA/CREF is not administered by DRS. Approximately 51 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. See section D of Note 2 for a description of the defined contribution component of PERS Plan 3.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2003 session provides a \$150,000 death benefit to the beneficiary of an employee of schools,

higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries.

There were no material changes in PERS benefit provisions for the fiscal year ended June 30, 2004.

PERS pension benefit provisions have been established by chapter 41.40 RCW.

School Employees' Retirement System (SERS): SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a combination defined benefit/defined contribution plan. As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977 and by August 31, 2000 are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3. SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS is comprised of two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by DRS. During Fiscal Year 2004, the DRS-established rate on employee contributions was 5.5 percent compounded

quarterly. Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. SERS defined contribution benefits are financed from employee contributions and investment earnings. Employees in SERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from SERS-covered employment.

Membership in the system includes classified employees of school districts or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to September 1, 2000. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same

cost-of-living allowance as Plan 2. See section D of Note 2 for a description of the defined contribution component of SERS Plan 3.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2003 session provides a \$150,000 death benefit to the beneficiary of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries.

There were no material changes in SERS benefit provisions for the fiscal year ended June 30, 2004.

SERS pension benefit provisions have been established by chapter 41.35 RCW.

Teachers' Retirement System (TRS): TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. TRS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by June 30, 1996 are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan

3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2003, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. Employees in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from TRS-covered employment.

TRS was legislatively established in 1938. Eligibility for membership requires service as a certificated employee in grades K-12 in the public schools. TRS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

TRS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years), capped at 60 percent.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older

with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in TRS Plan 2 by July 1, 1996 and transferred to Plan 3. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. See section D of Note 2 for a description of the defined contribution component of TRS Plan 3.

TRS Plan 1 provides death and duty disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-\$400 (if at least 10 years of membership service), active members-\$600. Members on temporary disability receive a temporary life annuity of \$180 per month payable up to two years. After five years of service, members on a disability retirement receive an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3, the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Legislation passed in the 2003 session provides a \$150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries.

There were no material changes in TRS benefit provisions for the fiscal year ended June 30, 2004.

TRS pension benefit provisions have been established by chapters 41.32 and 41.34 RCW.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF): LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2004, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

LEOFF Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of FAS
20+	2.0%
10 - 19	1.5%
5 - 9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, and to reflect the choice of a survivor option.

Legislation passed in the 2004 session allows members of LEOFF Plan 2 who leave service because of a line of duty disability to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary. If the two percent per year of service disability benefit, actuarially reduced for the difference between age 53 and age at retirement, results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the FAS is not subject to federal income tax. The line-duty disability benefit applies to all LEOFF Plan 2 members disabled in the line of duty on or after January 1, 2001.

There were no other material changes in LEOFF benefit provisions for the year ended June 30, 2004.

LEOFF pension benefit provisions have been established by chapter 41.26 RCW.

Washington State Patrol Retirement System (WSPRS):

WSPRS is a single-employer defined benefit retirement system. WSPRS participants who joined the system by December 31, 2002 are Plan 1 members. Those who joined on or after January 1, 2003 are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by DRS. During Fiscal Year 2004, the DRS-established rate on employee contributions was 5.5 percent compounded annually and posted monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in state statute and may be amended only by the state Legislature.

WSPRS retirement benefits are vested after an employee completes five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service. The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually).

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability. In addition, a duty death benefit of \$150,000 is provided to WSPRS members.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime. Death benefits for these members, if on active duty, consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10% for each additional child, subject to a 60 percent limitation of AFS.

For WSPRS Plan 2 members, AFS is based on the average of the five consecutive highest-paid service credit years and

excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits. Death benefits for these members, if on active duty, consist of the following: (1) If the member is single or has less than 10 years of service, the return of the member’s accumulated contributions; or (2) If the member is married, has an eligible child, or has completed 10 years of service, a reduced benefit allowance reflecting a joint and 100 percent survivor option or 150 percent of the member’s accumulated contributions, at the survivor’s option.

Legislation passed in the 2004 session provides that beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment would receive retirement benefits without actuarial reduction for retirement prior to normal eligibility. The legislation applies to any member killed in the course of employment, as determined by the Director of the Department of Labor and Industries, on or after June 10, 2004.

There were no other material changes in WSPRS benefit provisions for the fiscal year ended June 30, 2004.

WSPRS pension benefit provisions have been established by chapter 43.43 RCW.

Judicial Retirement System (JRS): JRS is an agent multiple-employer retirement system comprised of a single defined benefit plan. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, employee contributions, and a special funding situation in which the state pays the remaining contributions. JRS employees accrue no interest on contributions and may not elect to withdraw their contributions upon termination.

JRS was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1,

1988, with new judges joining PERS Plan 2. JRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service.

The benefit per year of service calculated as a percent of average final compensation (AFC) is as follows:

Term of Service	Percent of AFC
15+	3.5%
10 - 14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires ten or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit a member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member’s retirement benefit or 25 percent of the AFC. For members with ten or more years of service, a disability benefit of 50 percent of AFC is provided.

There were no material changes in JRS benefit provisions for the fiscal year ended June 30, 2004.

JRS Pension benefit provisions have been established by chapter 2.10 RCW.

Judges’ Retirement Fund: The Judges’ Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. Retirement benefits are financed on a pay-as-you-go basis from a combination of employee contributions, employer contributions, and a special funding situation in which the state pays the remaining contributions. Employees do not earn interest on their contributions, nor can they elect to withdraw their contributions upon termination.

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to RCW 2.12, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington. Subsequent legislation required that all judges first appointed or elected to office on or after August 9, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

There were no material changes in Judges' benefit provisions for the fiscal year ended June 30, 2004.

Pension benefit provisions have been established by chapter 2.12 RCW.

C. Funding Policy

PERS: Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for State agencies and local government unit employees, and at 7.5 percent for State government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who

participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2004 were as follows:

PERS Actual Contribution Rates			
	Plan 1	Plan 2	Plan 3
Employer Rates:			
State Agencies*	1.40%	1.40%	1.40% **
Local Governmental Units*	1.40%	1.40%	1.40% **
State Government Elected Officials*	1.99%	1.40%	1.40% **
Employee Rates:			
State Agencies	6.00%	1.18%	***
Local Governmental Units	6.00%	1.18%	***
State Government Elected Officials	7.50%	1.18%	***
*Includes an administrative expense rate of 0.22 percent.			
**Plan 3 defined benefit portion only.			
***Variable from 5% to 15% based on rate selected by the member.			

SERS: Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. SERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of SERS Plan 3 do not contribute to the defined benefit portion of SERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.35 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2004 were as follows:

SERS Actual Contribution Rates		
	Plan 2	Plan 3
Employer Rates:		
State Agencies*	1.07%	1.07% **
Local Governmental Units*	1.07%	1.07% **
Employee Rates:		
State Agencies	0.85%	***
Local Governmental Units	0.85%	***

*Includes an administrative expense rate of 0.22 percent.
 ** Plan 3 defined benefit portion only.
 ***Variable from 5% to 15% based on rate selected by the member.

TRS: Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for State agencies and local government unit employees, and at 7.5 percent for State elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under TRS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee’s age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2004 were as follows:

TRS Actual Contribution Rates

	Plan 1	Plan 2	Plan 3
Employer Rates*	1.39%	1.39%	1.39% **
Employee Rates:			
State Agencies	6.00%	0.87%	***
Local Governmental Units	6.00%	0.87%	***
State Government Elected Officials	7.50%	0.87%	***

*Includes an administrative expense rate of 0.22 percent.
 **Plan 3 defined benefit portion only.
 ***Variable from 5% to 15% based on rate selected by the member.

LEOFF: Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by DRS in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2004 were as follows:

LEOFF Actual Contribution Rates

	Plan 1	Plan 2
Employer Rates:		
Cities, Counties, Fire Districts, etc.*	0.22%	3.26%
Ports and Universities*	n/a	5.29%
Employee Rates:		
Cities, Counties, Fire Districts, etc.	--	5.07%
Ports and Universities	n/a	5.07%
State of Washington Contributions	n/a	2.03%

*Includes an administrative expense rate of 0.22 percent.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For Fiscal Year 2004, the state contributed \$20.2 million to LEOFF Plan 2.

WSPRS: State statute (chapter 43.43 RCW) obligates employees to contribute at a fixed rate of 2 percent for Fiscal Year 2004. Contribution rates for the employee and the state are adopted by the Pension Funding Council as per chapter 41.45 RCW. The employee and the state are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2004 were as follows:

WSPRS Actual Contribution Rates

	Plan 1	Plan 2
Employer Rate	--	--
Employee Rate	2.00%	2.00%

JRS: Contributions made are based on rates set in 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the JRS on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2004, the state contributed \$6.0 million.

Judges: Contributions made are based on rates set in 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement fund on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2004, the state contributed \$0.5 million.

D. Employer Contributions Required and Paid

The following table presents DRS' required contributions to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

	2004	2003	2002
(amounts expressed in thousands)			
PERS Plan 1	\$ 28.3	\$ 26.9	\$ 37.6
PERS Plan 2/3	137.0	133.1	163.4
TRS Plan 1	<u>0.6</u>	<u>0.5</u>	<u>1.3</u>
Total	\$ 165.9	\$ 160.5	\$ 202.3

E. Defined Contribution Plans

Public Employees' Retirement System Plan 3: The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through DRS. Eligible employees include: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); judges of district and municipal courts; and employees of local governments. PERS participants who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants who joined the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. As of June 30, 2004, there are 531 participating employers in PERS Plan 3. See section B of Note 2 for PERS plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.40, employee contribution rates to the defined contribution component range from 5 percent to

15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

Membership in PERS Plan 3 consisted of the following as of the latest actuarial valuation date of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	86
Terminated Plan Members Entitled to but Not Yet Receiving Benefits	770
Active Plan Members Vested	9,771
Active Plan Members Nonvested	<u>7,777</u>
Total	18,404

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member’s self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For Fiscal Year 2004, employee contributions were \$53.2 million, and plan refunds paid out were \$26.6 million.

School Employees’ Retirement System Plan 3: The School Employees’ Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through DRS. Eligible employees include classified employees of school districts and educational service districts who joined PERS Plan 2 on or after October 1, 1977 and by August 31, 2000, and were transferred to SERS Plan 2 on September 1, 2000. Members transferred from PERS Plan 2 to SERS Plan 2 may exercise an option to transfer their membership to SERS Plan 3. SERS participants joining the system on or after September 1, 2000, are also members of SERS Plan 3. As of June 30, 2004, there are 298 participating employers in SERS Plan 3. See section B of Note 2 for SERS plan descriptions.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.35, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

Membership in SERS Plan 3 consisted of the following as of the latest actuarial valuation date of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	306
Terminated Plan Members Entitled to but Not Yet Receiving Benefits	1,648
Active Plan Members Vested	11,492
Active Plan Members Nonvested	<u>16,218</u>
Total	29,664

SERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member’s self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS 2/3 defined benefit plan.

For Fiscal Year 2004, employee contributions were \$43.8 million, and plan refunds paid out were \$12.4 million.

Teachers’ Retirement System Plan 3: The Teachers’ Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through DRS. Eligible employees include certificated employees in grades K-12 in the public schools. TRS participants who joined on or after October 1, 1977 and by June 30, 1996 are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. As of June 30,

2004, there are 334 participating employers in TRS Plan 3. See section B of Note 2 for TRS plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by RCW 41.34, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

Membership in TRS Plan 3 consisted of the following as of the latest actuarial valuation date of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	385
Terminated Plan Members Entitled to but Not Yet Receiving Benefits	2,418
Active Plan Members Vested	18,646
Active Plan Members Nonvested	<u>28,617</u>
Total	50,066

TRS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS 2/3 defined benefit plan.

For Fiscal Year 2004, employee contributions required and made were \$173.1 million and plan refunds paid out were \$25.9 million.

Judicial Retirement Account: The Judicial Retirement Account (JRA) was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state of Washington Administrative Office of the Courts, under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of the

PERS for their services as a judge. Vesting is full and immediate. At June 30, 2004, there were 189 active members and 15 inactive members in JRA. There are three participating employers in JRA.

Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, shall contribute an equal amount on a monthly basis. Contributions are collected by the Administrator for the Courts. The employer and employee obligations to contribute are established per RCW 2.14. Plan provisions and contribution requirements are established in state statute and may be amended only by the State Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall be paid to such a person or persons having an insurable interest in the member's life, per written designation of the member.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. DRS shall be responsible for all record keeping, accounting, and reporting of member accounts. The WSIB shall have the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

F. Deferred Compensation Plan

The state of Washington offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation plan pursuant to RCW 41.50.770, in accordance with Internal Revenue Code section 457. Under the plan, eligible employees elect to defer a portion of their salary until future time periods. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable financial emergency. This deferred compensation plan is administered by DRS.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, shall be held in trust by the Washington State Investment Board (WSIB), as set forth under RCW 43.33A.030, for the exclusive benefit of the state deferred compensation plan's participants and their beneficiaries. Neither the participant, nor the participant's beneficiary or beneficiaries, nor any other designee, has any right to commute, sell, assign, transfer, or otherwise convey the right to receive any payments under the plan. These payments and rights thereto are nonassignable and nontransferable.

Employees participating in the state deferred compensation plan administered by DRS shall self-direct the investment of the deferred portion of their income through the selection of investment options. These options are provided by the WSIB after consultation with the Employee Retirement Benefits Board. The WSIB has the full power to invest moneys in the state deferred compensation plan in accordance with RCW 43.84.150, 43.33A.140, and 41.50.770. Pursuant to RCW 41.50.770, no state board, commission, agency, or any officer, employee or member thereof is liable for any loss or deficiency resulting from participant investments selected, or from reasonable efforts to implement investment directions.

The deferred compensation plan offers a stable principal Savings Pool and eleven other diversified investment options. The investment options consist of the following:

- Savings Pool
- Fidelity Equity-Income Fund
- Fidelity Growth Company Fund
- Fidelity Independence Fund
- Fidelity Overseas Fund
- U.S. Small Stock Index Fund
- U.S. Stock Market Index Fund
- Washington State Bond Fund
- Washington State Long-Horizon Fund
- Washington State Mid-Horizon Fund
- Washington State Short-Horizon Fund
- Washington State Social Balanced Fund

More detailed information and discussion regarding investment strategies and an overview of investments in general can be obtained by contacting DRS.

G. Dependent Care Assistance Program

The state of Washington offers its employees a dependent care assistance program pursuant to RCW 41.04.600, in accordance with Internal Revenue Code Section 129. Under the program, eligible employees elect to reduce their taxable salary (before federal income and social security taxes) by amounts paid or incurred by the employer for dependent care assistance provided to the employee. This dependent care assistance program is administered by DRS.

Participation requires the employee to estimate the amount of dependent care expense he/she expects to incur during the plan year. The amount of salary reduction elected should not exceed those expenses. The reductions are taken in equal amounts each regular pay period and deposited into a dependent care account. Eligible expenses are charges for care of a qualifying person inside or outside the employee's home which enable the employee to work. If the eligible employee is married, the expenses must also occur while the employee's spouse is employed (or if the employee's spouse is a full-time student, on days the spouse attends school). Qualifying persons are as follows:

- Children under age 13 who qualify as IRS dependents;
- Any other IRS dependent who is physically and/or mentally incapable of self-care; or
- A spouse who is physically or mentally incapable of self-care.

Every action taken by DRS in administering the dependent care assistance program shall be presumed to be a fair and reasonable exercise of the authority vested in or the duties imposed upon it. DRS shall be presumed to have exercised reasonable care, diligence, and prudence and to have acted impartially as to all persons interested unless the contrary be proved by clear and convincing affirmative evidence.

Required Supplementary Information

Schedule of Funding Progress: PERS Plan 1

	(dollars in millions)					
	2003	2002	2001	2000	1999	1998
Actuarial Valuation Date	9/30/03	9/30/02	9/30/01	12/31/00	12/31/99	12/31/98
Actuarial Value of Plan Assets	\$10,227	\$10,757	\$10,990	\$11,111	\$10,456	\$9,219
Actuarial Accrued Liability	\$12,692	\$12,560	\$12,088	\$11,695	\$11,636	\$11,227
Unfunded Actuarial Liability	\$2,465	\$1,803	\$1,098	\$584	\$1,180	\$2,008
Percentage Funded	81%	86%	91%	95%	90%	82%
Covered Payroll	\$945	\$1,023	\$1,085	\$1,132	\$1,184	\$1,233
Unfunded Actuarial Liability as a Percentage of Covered Payroll	261%	176%	101%	52%	100%	163%

Source: Washington State Office of the State Actuary

Schedule of Funding Progress: TRS Plan 1

	(dollars in millions)					
	2003	2002	2001	2000	1999	1998
Actuarial Valuation Date	9/30/03	9/30/02	9/30/01	6/30/00	6/30/99	6/30/98
Actuarial Value of Plan Assets	\$9,086	\$9,366	\$9,342	\$9,372	\$8,696	\$7,819
Actuarial Accrued Liability	\$10,325	\$10,235	\$9,895	\$9,566	\$9,529	\$9,354
Unfunded Actuarial Liability	\$1,239	\$869	\$553	\$194	\$833	\$1,535
Percentage Funded	88%	92%	94%	98%	91%	84%
Covered Payroll	\$692	\$741	\$800	\$957	\$984	\$1,046
Unfunded Actuarial Liability as a Percentage of Covered Payroll	179%	117%	69%	20%	85%	147%

Source: Washington State Office of the State Actuary

Schedule of Funding Progress: LEOFF Plan 1

	(dollars in millions)					
	2003	2002	2001	2000	1999	1998
Actuarial Valuation Date	9/30/03	9/30/02	9/30/01	12/31/00	12/31/99	12/31/98
Actuarial Value of Plan Assets	\$4,803	\$5,095	\$5,369	\$5,440	\$5,150	\$4,568
Actuarial Accrued Liability	\$4,275	\$4,259	\$4,153	\$4,002	\$4,125	\$3,906
Unfunded Actuarial Liability	\$(528)	\$(836)	\$(1,216)	\$(1,438)	\$(1,025)	\$(662)
Percentage Funded	112%	120%	129%	136%	125%	117%
Covered Payroll	\$71	\$80	\$87	\$95	\$106	\$117
Unfunded Actuarial Liability as a Percentage of Covered Payroll	(744)%	(1,045)%	(1,398)%	(1,513)%	(966)%	(566)%

Source: Washington State Office of the State Actuary

Schedule of Funding Progress: JRS

	(dollars in millions)					
	2003	2002	2001	2000	1999	1998
Actuarial Valuation Date	9/30/03	9/30/02	9/30/01	12/31/00	12/31/99	12/31/98
Actuarial Value of Plan Assets	\$6	\$8	\$10	\$10	\$9	\$8
Actuarial Accrued Liability	\$91	\$92	\$92	\$93	\$94	\$97
Unfunded Actuarial Liability	\$85	\$84	\$82	\$83	\$85	\$89
Percentage Funded	7%	9%	11%	11%	10%	8%
Covered Payroll	\$3	\$3	\$3	\$4	\$4	\$4
Unfunded Actuarial Liability as a Percentage of Covered Payroll	2,833%	2,800%	2,733%	2,075%	2,125%	2,225%

Source: Washington State Office of the State Actuary

Schedule of Funding Progress: Judges

	(dollars in millions)					
	2003	2002	2001	2000	1999	1998
Actuarial Valuation Date	9/30/03	9/30/02	9/30/01	12/31/00	12/31/99	12/31/98
Actuarial Value of Plan Assets	\$5	\$5	\$5	\$5	\$4	\$4
Actuarial Accrued Liability	\$5	\$6	\$6	\$6	\$6	\$7
Unfunded Actuarial Liability	\$-	\$1	\$1	\$1	\$2	\$3
Percentage Funded	100%	83%	83%	83%	67%	57%
Covered Payroll	\$-	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Unfunded Actuarial Liability as a Percentage of Covered Payroll	n/a	1,000%	1,000%	1,000%	2,000%	3,000%

Source: Washington State Office of the State Actuary

Note on PERS Plan 2/3, SERS Plan 2/3, TRS Plan 2/3, LEOFF Plan 2, and WSPRS Plan 1/2: These plans use the aggregate actuarial cost method which does not separately amortize unfunded actuarial liabilities, therefore, schedules of funding progress are not presented for these plans.

Schedule of Contributions from Employers and Other Contributing Entities

The following schedule covers the fiscal years ended 1999-2004.

	(dollars in millions)											
	Annual Required Contribution*						Percentage Contributed					
	2004	2003	2002	2001	2000	1999	2004	2003	2002	2001	2000	1999
PERS Plan 1	\$ 295.1	\$ 228.9	\$ 164.3	\$ 118.8	\$ 199.2	\$ 237.6	8%	25%	42%	153%	101%	99%
PERS Plan 2/3	192.6	141.7	72.0	55.6	103.6	86.6	36%	27%	71%	207%	98%	275%
SERS Plan 2/3**	52.3	44.2	19.5	6.7	--	--	17%	14%	58%	297%	n/a	n/a
TRS Plan 1	185.7	153.4	119.8	90.6	176.1	209.7	6%	13%	50%	156%	104%	106%
TRS Plan 2/3	96.2	79.5	66.7	40.4	56.2	45.9	31%	23%	70%	172%	134%	218%
LEOFF Plan 1	--	--	--	--	6.3	6.9	n/a	n/a	n/a	n/a	100%	104%
LEOFF Plan 2	69.2	56.8	43.7	33.8	44.9	37.2	74%	74%	91%	155%	96%	152%
WSPRS Plan 1/2	2.6	--	--	--	--	--	--	n/a	n/a	n/a	n/a	n/a
JRS	18.5	16.2	14.2	13.3	12.5	12.2	34%	38%	44%	55%	58%	72%
Judges	0.2	0.1	0.2	0.2	0.3	0.3	250%	300%	150%	400%	267%	267%

* The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from those used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation) and different actuarial cost methods. For these reasons, the actual contributions will not match the Annual Required Contributions.

** SERS Plan 2/3 became effective on September 1, 2000
Source: Washington State Office of the State Actuary

Notes to the Required Supplementary Information Defined Benefit Pension Plans For the Fiscal Year Ended June 30, 2004

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	SERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Valuation - Date	9/30/2003	9/30/2003	9/30/2003	9/30/2003	9/30/2003
Actuarial Cost Method	entry age	aggregate**	aggregate**	entry age	aggregate**
Amortization Method					
Funding	level %	n/a	n/a	level %	n/a
GASB	level \$	n/a	n/a	level \$	n/a
Remaining Amortization Period (Closed)	6/30/2024	n/a	n/a	6/30/2024	n/a
Asset Valuation Method	8-year graded smoothed fair value****				
Actuarial Assumptions:					
Investment Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected Salary Increases					
Salary Inflation at 4.5%, Plus the Merit Increases Described Below:					
Initial Salary Merit (Grades Down to 0%)	6.1%	6.1%	7.0%	6.2%	6.2%
Merit Period (Years of Service)	17 yrs				
Includes Inflation at Cost of Living Adjustments					
	n/a Uniform COLA* Gainsharing COLA*	3.50% CPI increase, maximum 3%	3.50% CPI increase, maximum 3%	n/a Uniform COLA* Gainsharing COLA*	3.50% CPI increase, maximum 3%

* Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year. The Uniform COLA increase is added every July. On 7/1/1999 it was \$0.77 per year of service. The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are achieved. In 1998 it was \$0.11. On 1/1/2000 it was \$0.28 per year of service. On 1/1/2002 it was \$0.00 per year of service. On 1/1/2004 it was \$0.00 per year of service. The next Uniform COLA amount is calculated as the last Uniform COLA amount plus any Gainsharing COLA amount, all increased by 3%. On 7/1/2000 it was $(\$0.77 + \$0.28) \times 1.03 = \$1.08$. On 7/1/2001 it was $(\$1.08 + \$0.00) \times 1.03 = \$1.11$. On 7/1/2002 it was $(\$1.11 + \$0.00) \times 1.03 = \$1.14$. On 7/1/2003 it was $(\$1.14 + \$0.00) \times 1.03 = \$1.18$. On 7/1/2004 it was $(\$1.18 + \$0.00) \times 1.03 = \$1.21$.

** The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

*** "Pay As You Go" for funding.

**** The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years, the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years, or if fewer, the completed years since adoption, at the following rates per year (annual recognition):

Annual Gain/Loss					
Rate of Return	Smoothing Period	Annual Recognition	Rate of Return	Smoothing Period	Annual Recognition
15% and up	8 years	12.50%	6-7%	2 years	50.00%
14-15%	7 years	14.29%	5-6%	3 years	33.33%
13-14%	6 years	16.67%	4-5%	4 years	25.00%
12-13%	5 years	20.00%	3-4%	5 years	20.00%
11-12%	4 years	25.00%	2-3%	6 years	16.67%
10-11%	3 years	33.33%	1-2%	7 years	14.29%
9-10%	2 years	50.00%	1% and lower	8 years	12.50%
7-9%	1 year	100.00%			

Source: Washington State Office of the State Actuary

Chart continued on page 71

Chart continued from page 70

LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	Judicial	Judges
9/30/2003	9/30/2003	9/30/2003	9/30/2003	9/30/2003
entry age	aggregate**	aggregate**	entry age***	entry age***
level %	n/a	n/a	n/a	n/a
level \$	n/a	n/a	level \$	level \$
6/30/2024	n/a	n/a	12/31/2008	12/31/2008
8-year graded smoothed fair value****	8-year graded smoothed fair value****	8-year graded smoothed fair value****	market	market
8.00%	8.00%	8.00%	8.00%	8.00%
11.7%	11.7%	6.0%	0.0%	0.0%
21 yrs	21 yrs	20 yrs	n/a	n/a
3.50%	3.50%	3.50%	3.50%	3.50%
CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	3.00%	none

Supporting Schedules

Schedule of Administrative Expenses
For the Year Ended June 30, 2004
(expressed in thousands)

	Retirement Pension Trust Funds	Deferred Compensation Pension Trust Fund	Dependent Care Administrative Special Revenue Fund	Totals	
				June 30, 2004	June 30, 2003
Current					
Personnel:					
Salaries and Wages	\$10,494	\$762	\$95	\$11,351	\$11,992
Employee Benefits	2,441	189	24	2,654	2,726
Personal Service Contracts	1,108	40	-	1,148	2,461
Total Personnel Expenses	<u>14,043</u>	<u>991</u>	<u>119</u>	<u>15,153</u>	<u>17,179</u>
Goods and Services:					
Supplies and Materials	48	4	1	53	63
Communications	506	12	3	521	640
Utilities	90	7	1	98	95
Rental and Leases	1,114	92	12	1,218	1,167
Repairs and Alterations	110	3	-	113	118
Printing and Reproduction	244	41	11	296	580
Employee Professional Development and Training	111	5	-	116	128
Subscriptions	13	10	-	23	30
Facilities and Services	263	37	5	305	312
Data Processing Services	1,333	30	13	1,376	2,128
Attorney General Services	62	15	4	81	84
Personnel Services	46	4	1	51	60
Medical Consultant Services	59	-	-	59	79
Insurance	87	8	1	96	91
Other Contractual Services	2,325	26	1	2,352	2,900
Vehicle Maintenance	8	5	-	13	9
Actuary Services	1,142	-	-	1,142	955
Pension Funding Council Services	-	-	-	-	39
Audit Services	203	18	2	223	136
Archives and Records Management	44	4	1	49	45
Legal Fees	865	-	-	865	945
Bad Debts Expense	5	-	-	5	71
Fraudulent Collections	106	-	-	106	102
OWMBE Services	1	-	-	1	2
Other Goods and Services	28	2	-	30	30
Total Goods and Services	<u>8,813</u>	<u>323</u>	<u>56</u>	<u>9,192</u>	<u>10,809</u>
Miscellaneous Expenses:					
Travel	102	19	2	123	102
Noncapitalized Equipment	402	38	-	440	278
Total Miscellaneous Expenses	<u>504</u>	<u>57</u>	<u>2</u>	<u>563</u>	<u>380</u>
Total Current Expenses	<u>23,360</u>	<u>1,371</u>	<u>177</u>	<u>24,908</u>	<u>28,368</u>
Capital Outlays:					
Furnishings, Equipment and Software	271	-	-	271	177
Improvements Other than Buildings	21	2	-	23	9
Total Capital Outlays	<u>292</u>	<u>2</u>	<u>-</u>	<u>294</u>	<u>186</u>
Depreciation - Capital Assets	<u>296</u>	<u>-</u>	<u>-</u>	<u>296</u>	<u>420</u>
Total Administrative Expenses	<u>\$23,948</u>	<u>\$1,373</u>	<u>\$177</u>	<u>\$25,498</u>	<u>\$28,974</u>

**Schedule of Investment Expenses
Pension Trust Funds
For the Year Ended June 30, 2004
(expressed in thousands)**

	Investment Management Expense
Public Equity Securities	
Passive Equity Managers	\$ 552
International Active Equity Managers	9,796
International Passive Equity Managers	143
Total Public Equity Securities	<u>10,491</u>
Alternative Investments	
Private Equity	7,825
Total Alternative Investments	<u>7,825</u>
Securities Lending	
Securities Lending Fees	6,841
Securities Lending Broker Rebates Paid	24,464
Total Securities Lending	<u>31,305</u>
Other Expenses	
Consultants and Advisors	1,770
Custodians	1,635
Legal Fees	368
PERS Plan 3 Management Fees	606
SERS Plan 3 Management Fees	316
TRS Plan 3 Management Fees	1,599
Deferred Compensation Management Fees	2,114
Miscellaneous Fees	54
OST Operating Costs	37
Total Other Expenses	<u>8,499</u>
Total Investment Expenses	<u>\$ 58,120</u>

**Schedule of Payments to Consultants
For the Year Ended June 30, 2004
(expressed in thousands)**

	Commission/Fee
Communications	
Daniels Brown Communications	\$ 19
Risdon and Associates	5
Total Communications	24
Computer/Technology	
Aetea Information Technology Inc.	158
Ajilon	153
Coastal Business Service Group, Inc.	726
Daniels Consulting	276
ImageSource, Inc.	3
Logicalis, Inc.	15
Martin Analysis and Programming, Inc.	280
Milestone Technology	155
Seitel Leeds & Associates, Inc.	14
Smith McCann Computer Resources, Inc.	135
Workflow Systems LLC	236
Total Computer/Technology	2,151
Legal	
Dixie Cattell & Associates	8
Ice Miller Legal & Business Advisors	39
Lane Powell Sears Lubersky LLP	29
Total Legal	76
Management	
Cost Effective Measurement	25
DHK Associates	2
Mercer Investment Consulting, Inc.	52
Peterson Sullivan PLLC	49
Professional Personnel Services	96
Total Management	224
Recordkeeping	
ICMA Retirement Corporation	1,000
Total Recordkeeping	1,000
Total Payments to Consultants	\$ 3,475

For fees paid to investment professionals, refer to the Investment section of this report.

Statement of Changes in Assets and Liabilities
Dependent Care Agency Fund
For the Year Ended June 30, 2004
(expressed in thousands)

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
ASSETS				
Cash and Pooled Investments	\$ 614	\$ 4,645	\$ 4,785	\$ 474
Total Assets	<u>\$ 614</u>	<u>\$ 4,645</u>	<u>\$ 4,785</u>	<u>\$ 474</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 4,780	\$ 4,780	\$ -
Other Short-Term Liabilities	614	4,645	4,785	474
Total Liabilities	<u>\$ 614</u>	<u>\$ 9,425</u>	<u>\$ 9,565</u>	<u>\$ 474</u>

Investment Section

Report On Investment Activity Prepared by the Washington State Investment Board

Overview

The Washington State Investment Board (WSIB) manages retirement fund assets to maximize return at a prudent level of risk (chapter 43.33A.110 RCW). Investment decisions are made within the framework of a Strategic Asset Allocation Policy, and a series of written WSIB-adopted investment policies for the various asset classes in which WSIB invests.

The Retirement Funds, collectively called the Commingled Trust Fund (CTF), increased in value by \$4.7 billion during fiscal 2004 to \$43.5 billion. The CTF return was 16.06 percent for the fiscal year.

Performance

The chart below shows the returns for the CTF on a total fund basis, as well as by asset class. Appropriate benchmark returns are provided for comparison purposes.

	Periods Ending 6/30/2004		
	1 Year	3 Year	5 Year
TOTAL FUND	16.06%	4.21%	3.97%
<i>MAP Benchmark</i>	17.53	3.31	1.65
U.S. Equity	21.44%	0.71%	-0.66%
<i>Wilshire 5000</i>	21.24	0.79	-1.03
Non-U.S. Equity	29.99%	4.73%	2.13%
<i>MSCI ACWI Free ex-U.S</i>	32.50	5.25	0.96
Fixed Income	1.54%	7.10%	7.57%
<i>Lehman Universal</i>	1.00	6.65	7.08
Cash	1.03%	1.73%	2.50%
<i>90 Day T-Bills</i>	0.98	1.71	3.29
Private Equity	21.48%	0.72%	5.87%
<i>S&P 500 + 500 bp</i>	24.11	4.31	2.79
Real Estate	10.58%	10.58%	11.31%
<i>NCREIF + 100 bp</i>	11.83	8.97	10.41

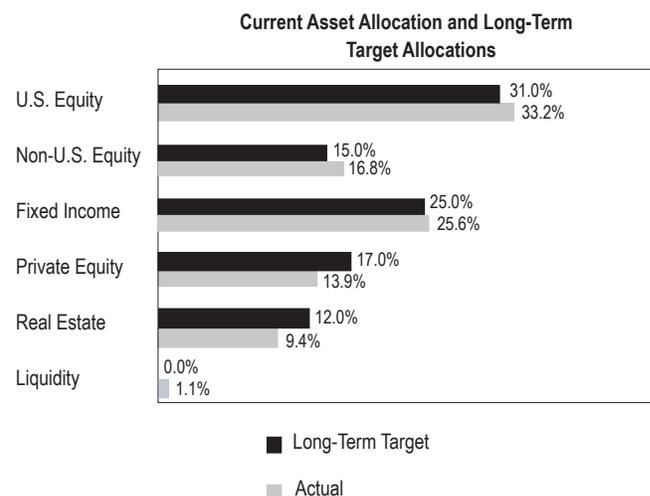
Performance information is compiled by the custodian, State Street Bank and Trust. Performance numbers are reported net of management fees, and are prepared using a time-weighted rate of return based on the current market value using the Association for Investment Management and Research (AIMR) Calculation Standards.

Asset Allocation

Investment performance is a result of two primary factors: individual asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate). Studies suggest that more than 90 percent of investment performance can be explained by asset allocation decision.

Accordingly, the WSIB sets a specific long-term target asset mix and adopts tight ranges around those targets to control the overall risk and return of the CTF. On a daily basis, the WSIB reviews the asset allocation in relation to the established ranges. The staff shifts assets whenever the allocation range for an asset exceeds the approved range or when cash is needed elsewhere. The WSIB reviews changes to the overall asset mix every three to four years.

The chart below shows the CTF's asset allocation as of June 30, 2004, as well as the long-term target allocations.



U.S. Equity

The U.S. Equity portfolio is structured to capture the returns of the broad U.S. equity market as measured by the Dow Jones Wilshire 5000 Index. The index is comprised of all U.S. domiciled common equities for which pricing information is readily available, and currently represents more than 5,000 companies. The portfolio is managed externally using a passive management strategy, that closely tracks the index.

Retirement Fund's Ten Largest U.S. Equity Holdings as of 6/30/2004

General Electric Corp.	2.7%	Intel Corp.	1.4%
Microsoft Corp.	2.3%	Bank of America Corp.	1.4%
Exxon Mobil Corp.	2.3%	Johnson & Johnson	1.3%
Pfizer Inc.	2.1%	American Int'l Group, Inc.	1.3%
Citigroup Inc.	1.9%	Cisco Systems, Inc.	1.3%

Non-U.S. Equity

Over 89 percent of the non-U.S. equity portfolio is invested in the developed markets with the remaining portion invested in the emerging markets. Portfolios are managed by external managers employing a combination of both active and passive management strategies.

Retirement Fund's Ten Largest Exposures by Country as of 6/30/2004

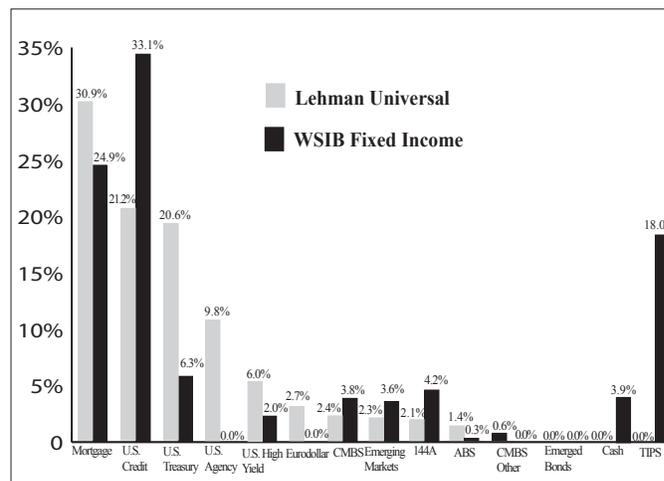
	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	19.8%	21.2%	Netherlands	4.3%	4.1%
Japan	19.5%	20.4%	Australia	4.0%	4.1%
France	7.4%	8.0%	Canada	3.7%	5.3%
Germany	5.6%	5.8%	Spain	3.6%	3.0%
Switzerland	4.7%	6.1%	Italy	2.7%	3.2%

The ten largest country exposures comprise 75.3% of the portfolio versus the index at 81.4%.

Fixed Income

The Fixed Income portfolio is internally managed by WSIB staff with the Lehman Universal Index as the performance benchmark. The management strategy is primarily one of sector selection. The portfolio is structured to be over- or under-weighted relative to the index's sectors: primarily treasuries, agencies, credit, mortgage backed securities and asset backed securities. The duration of the portfolio is 18 percent shorter than that of the Lehman Universal Index.

Retirement Fund's Fixed Income Sector Distribution as of 6/30/2004



Private Equity

The private equity portfolio, originated in 1981, is primarily invested in partnerships that acquire or create ongoing businesses or operating companies. The WSIB has investments in all stages of the business life cycle, from private start-up technology companies to large multinational public concerns. These are long-term investments, typically 10 to 12 years in life. They are expected to generate investment return well in excess of public equity securities. Approximately 19 percent of this portfolio is invested in international private equity, primarily in Europe.

Real Estate

The Real Estate portfolio is invested in a diversified group of properties including office buildings, retail facilities, apartments, warehouses and specialty properties. The majority of these investments have been made in partnerships with operating management groups. The WSIB invests in real estate both in the United States and internationally.

Portfolio Holdings

A complete list of portfolio holdings is available by contacting:

Washington State Investment Board
 2100 Evergreen Park Drive SW
 P.O. Box 40916
 Olympia WA 98504-0916
 (360) 956-4600

Summary of Investment Policies

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk (RCW 43.33A.110).

Retirement Fund Asset Allocation

WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

Retirement funds are invested in the Commingled Trust Funds (CTF). The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three or four years. WSIB reviews the asset allocation in relation to the established ranges on a monthly basis.

Public Markets Equity

The Public Markets equity program seeks to:

- Achieve the highest return possible consistent with the desire to control asset volatility;
- Ensure protection for long-term liabilities, since shorter term liabilities are more suitably protected by lower volatility instruments such as fixed income securities; and
- Provide diversification to the WSIB's overall investment program.

The public markets equity portion of the retirement fund includes strategies in the U.S., developed international, and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely (100

percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, such as the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market; therefore, more active management will be included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program will be similar to the weightings of the MSCI All Country World ex. U.S. which serves as the benchmark for the WSIB's entire non-U.S. program.

Fixed Income

The WSIB's fixed income investments are to be actively managed to exceed the return of the Lehman Universe Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3% of cost at the time of purchase or 6% of market value thereafter of the fund, and no high yield issues shall exceed 1% of cost or 2% of market value of the fund.

Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage-backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages, and Washington State Housing Finance Commission (HFC) taxable municipal bonds up to a total of \$25 million with a maximum of \$10 million per year. Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

Private Equity Investing

The WSIB can invest in any appropriate private equity investment opportunity which has the potential for returns superior to traditional investment opportunities and which is not

prohibited by the WSIB's policies or by law. As previously indicated, these investment types are divided into venture capital investments, corporate finance (including leveraged, management and employee buyouts), distressed, international, and mezzanine investments. Private equity investments are made through limited partnership vehicles.

To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

Real Estate Program

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate portfolio is managed to deliver risk-adjusted returns that are

consistent with the Board's long term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

Volatility within the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own commercial real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including international markets, and in various property types. Fourth, WSIB partners invest at different points within the asset's capital structure and life cycle.

The WSIB's current return objective for real estate calls for a target benchmark of one to three percent above the NCREIF index.

Schedule of Investment Management Fees and Commissions For the Year Ended June 30, 2004

(expressed in thousands)

	Assets Under Management*	Total Fees and Commissions Expenses at 6/30/04
Public Equity Securities:		
Passive Equity Managers	\$ 14,598,953	\$ 552
International Active Equity Managers	5,381,833	9,796
International Passive Equity Managers	1,863,537	143
Equity Commissions Paid	3,083,153	6,391
Alternative Investments:		
Private Equity	6,052,840	124,773
Real Estate	4,085,385	25,728
Other Fees:		
Consultants and Advisors	-	1,770
Custodians	-	1,635
Legal Fees	-	368
Securities Lending Fees	-	6,841
Securities Lending Broker Rebates Paid	-	24,464
PERS Plan 3 Management Fees	851,500	606
SERS Plan 3 Management Fees	658,250	316
TRS Plan 3 Management Fees	2,333,542	1,599
Deferred Compensation Management Fees	1,742,018	2,114
Miscellaneous Fees	-	54
OST Operating Costs	-	37
Total	\$ 40,651,011	\$ 207,187

* This schedule excludes those assets managed by the Washington State Investment Board.

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 1 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
ABD SECURITIES	\$ 2,061,179	160,912	\$ 6,781	\$ 0.04	\$ -	\$ -
ABG	3,813,128	821,276	15,869	0.02	-	-
ABN AMRO SECURITIES	34,990,904	12,281,712	158,784	0.01	-	-
ALFA CAPITAL	192,630	31,025	1,414	0.05	-	-
ALPHA BROKERAGE AE	90,077	6,085	271	0.04	-	-
AMADON CORPORATION	74,274	31,125	223	0.01	-	-
AUERBACH GRAYSON	1,616,794	176,848	5,101	0.03	-	-
BANCO SANTANDER DE NEGOCIOS	3,239,799	7,353,330	18,189	0.00	-	-
BANK AM BELLEVUE ZURICH	1,481	10,247	1,481	0.14	-	-
BANK OF NY SECURITIES INC	1,502,930	82,077	3,789	0.05	-	-
BANK VONTOBEL	3,331,872	34,746	9,997	0.29	-	-
BANQUE NATIONAL DE PARIS	1,891,390	212,682	17,296	0.08	-	-
BARING SECURITIES	35,263,605	5,722,461	88,666	0.02	-	-
BBVA SECURITIES	25,182	2,294	63	0.03	-	-
BEAR, STEARNS & CO.	28,623,208	10,168,005	102,532	0.01	-	-
BERNSTEIN SANFORD	1,156,553	35,504	1,830	0.05	-	-
BESTINVER S.A. S.V.B.	195,409	9,078	489	0.05	-	-
BHF SECURITIES	1,587,865	2,610,799	27,672	0.01	-	-
BHV	1,806,119	122,655	542	0.00	-	-
BLOOMBERG TRADEBOOK	1,143,700	828,680	3,531	0.00	-	-
BNP SECURITIES	1,878,896	2,977,802	18,248	0.01	-	-
BROCKHOUSE & COOPER	1,420,354	88,832	2,614	0.03	-	-
BROWN (ALEX) & SONS INC.	10,711,614	802,702	18,806	0.02	-	-
BUNTING WARBURG INC	3,271,455	289,002	8,875	0.03	-	-
BURNS FRY & TIMMINS	485,017	12,370	618	0.05	-	-
BURTON J VINCENT	870,200	102,752	4,327	0.04	-	-
CABOTO	961,183	489,905	2,403	0.00	-	-
CANNON SEC., INC.	2,310,717	302,364	6,925	0.02	-	-
CANTOR FITZGERALD	12,786,060	1,963,421	40,598	0.02	-	-
CARNEGIE	1,880,800	344,419	6,462	0.02	-	-
CAZENOVE & CO.	8,103,848	1,679,999	27,816	0.02	-	-
CDC MARCHE	494,867	11,173	495	0.04	-	-
CHASE MANHATTAN BANK	254,736	48,148	1,974	0.04	-	-
CHEVREUX DE VIRIEU	7,037,925	805,201	49,118	0.06	-	-
CIBC WORLD MARKETS CORP	1,599,349	90,246	2,919	0.03	-	-
CITIGROUP	3,492,036	197,524	3,143	0.02	-	-
COLLINS STEWART	7,200	17,857	263	0.01	-	-
COMMERZBANK AG	6,776,252	774,581	22,835	0.03	-	-
CREDIT AGRIGOLE	61,060,848	12,177,578	38,190	0.00	-	-
CREDIT LYONNAIS	7,741,188	11,159,848	43,424	0.00	-	-
CREDIT SUISSE FIRST BOSTON LTD	49,763,881	11,632,133	185,471	0.02	2,346,337	-
DAIWA SEC. AMERICA	18,557,315	1,559,225	55,798	0.04	-	-
DAVY STOCKBROKERS	26,672	1,796	53	0.03	-	-
DEN DANSKE	71,598	4,469	143	0.03	-	-
DEUTSCHE BANK GOVT SEC INC	12,010,301	1,484,861	45,531	0.03	-	-
DEUTSCHE BANK SECURITIES	63,579,613	17,286,147	287,425	0.02	-	-
DEUTSCHE MORGAN GRENFELL	2,760,807	722,237	9,663	0.01	-	-
DEUTSCHE SECURITIES	2,779,831	878,333	8,667	0.01	-	-
DIRECT BROKERAGE SVCS.	205,761	15,762	1,540	0.10	-	-
DRESDNER BANK	2,741,973	339,420	13,336	0.04	-	-
ECONO TRADING	1,726,273	74,819	3,372	0.05	-	-
ENSKILDA SECURITIES	20,117	1,532,357	20,117	0.01	-	-
ETRADE	9,385,699	7,005,495	24,675	0.00	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 2 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
EUROMOBILIARE	\$ 1,628,905	628,213	\$ 6,908	\$ 0.01	\$ -	\$ -
EXANE	5,433,763	698,817	39,479	0.06	-	-
EXECUTION SERVICES INC	6,040,228	493,718	10,646	0.02	-	-
FIRST BOSTON CORPORATION	49,376,838	14,459,602	193,095	0.01	10,193,397	-
FIRST SOUTHWEST CO.	2,117,664	187,847	6,415	0.03	-	-
FORTIS BAN	6,935,352	508,523	19,090	0.04	-	-
FOX PITT KELTON INC	4,394,352	758,922	25,575	0.03	-	-
FUJI SECURITIES	5,009,427	56,759	7,716	0.14	-	-
G-TRADE SE	3,414,844	1,163,562	20,938	0.02	-	-
GOLDMAN SACHS & COMPANY	1,390,718,680	591,701,860	1,873,027	0.00	1,672,992,097	-
GOODBODY STOCKBROKERS	2,838,212	466,150	9,215	0.02	-	-
HSBC INVESTMENT BANK PLC	10,802,114	1,538,301	47,414	0.03	-	-
HSBC SECURITIES INC	7,941,368	8,051,639	96,211	0.01	-	-
ING BARING SECURITIES	1,635,744	277,530	3,191	0.01	-	-
INSTINET	8,782,435	2,458,845	25,910	0.01	-	-
INTERDIN B.	256,668	12,969	642	0.05	-	-
INTERMOBILIARE SEC.	3,192,557	2,147,479	18,353	0.01	-	-
INTERMONTE	3,537,265	2,157,551	16,493	0.01	-	-
INVESTMENT TECHNOLOGY GRP INC	29,532,647	2,165,260	34,975	0.02	-	-
ITG INC	2,569,027	447,038	3,425	0.01	-	-
J & E DAVY	2,285,550	135,452	5,123	0.04	-	-
J.B. WERE & SON	475,984	960,857	6,975	0.01	-	-
J.P. MORGAN SECURITIES INC	69,944,404	12,218,370	224,932	0.02	-	-
JAMES CAPEL	1,476,202	176,773	11,682	0.07	-	-
JEFFERIES & CO	92,354,530	3,597,170	2,694	0.00	-	-
JULIUS BAER	3,899,942	1,026,817	22,150	0.02	-	-
KBC FINANCE	3,453,058	322,621	18,965	0.06	-	-
KEB SMITH BARNEY SECURITIES	790,542	169,002	12,312	0.07	-	-
KEPPLER EQ	1,457,294	13,966	4,372	0.31	-	-
KLEINWORTH BENSON INC	18,729,956	5,132,903	52,817	0.01	-	-
KNIGHT SEC	30,370,629	2,019,567	250	0.00	-	-
LATINVEST	18,679	589	37	0.06	-	-
LAZARD FRERES & CO	173,264	9,876	494	0.05	-	-
LEERINK SWANN	17,364,460	617,018	6,126	0.01	-	-
LEGG MASON	788,385	68,634	3,070	0.04	-	-
LEHMAN BROTHERS INC	60,618,482	12,613,467	168,287	0.01	-	-
MACQUARIE EQUITIES	18,388,900	5,090,129	33,689	0.01	-	-
MALONEY & CO	874,802	87,090	3,484	0.04	-	-
MCDONALD & COMPANY	267,956	3,392	170	0.05	-	-
MERRILL LYNCH INTERNATIONAL	39,019,727	18,855,797	114,529	0.01	-	-
MERRILL LYNCH PIERCE	91,428,690	19,561,585	285,977	0.01	43,392	-
MIZUHO	29,658	200	44	0.22	-	-
MONTGOMERY SECURITIES	1,292,243	143,254	1,155	0.01	-	-
MORGAN STANLEY & CO	66,842,389	19,172,464	299,012	0.02	-	-
NATIONAL A	254,682	112,196	1,161	0.01	-	-
NATIONAL BANK OF CANADA	434,522	11,073	497	0.04	-	-
NCB STOCKBROKERS	3,084,835	306,800	4,803	0.02	-	-
NESBITT BURNS	197,093	47,286	2,016	0.04	-	-
NEUE ZURICH	3,114,565	74,600	11,020	0.15	-	-
NOMURA SECURITIES INTL	17,922,559	4,180,884	51,306	0.01	-	-
NZB	234,292	15,263	1,595	0.10	-	-
ODDO SECURITIES	974,090	51,176	3,080	0.06	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2004 (page 3 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
OPPENHEIMER & CO	\$ 1,105,420	90,881	\$ 3,391	\$ 0.04	\$ -	\$ -
PANMURE GORDON	1,136,071	43,491	4,388	0.10	-	-
PERSHING & COMPANY	192,673,948	39,500,314	149,594	0.00	-	-
PICTET & CO	2,238,077	45,288	4,569	0.10	-	-
RBC DOMINION SECURITIES	6,919,597	303,467	12,486	0.04	-	-
SALOMON BROTHERS	113,944,891	23,041,944	347,751	0.02	-	-
SAMSUNG SECURITIES CO LTD	1,002,664	30,352	14,186	0.47	-	-
SANFORD BERNSTEIN	4,286,410	1,188,173	23,281	0.02	-	-
SANTANDER INVESTMENT SEC'S	457,740	22,745	1,098	0.05	-	-
SCOTIA CAPITAL MARKET	1,792,567	75,218	3,054	0.04	-	-
SCOTIA MCLEOD	291,528	73,223	2,809	0.04	-	-
SG COWEN SECURITIES CORP	31,711	599	79	0.13	-	-
SKANDINAVISKA ENSKILDA	35,371	1,596	71	0.04	-	-
SNS BANK NETHERLAND	331,474	18,906	663	0.04	-	-
SOCIETE GENERAL	11,769,366	853,947	44,763	0.05	-	-
SPEAR, LEEDS & KELLOGG	203,723	46,024	523	0.01	-	-
STATE STREET BROKERAGE SERVICE	40,946,497	3,958,502	20,896	0.01	-	1,792,469,727
SVENSKA HANDELSBANKEN	3,098,581	322,183	8,482	0.03	-	-
SWISS BANK	17,640,261	1,128,908	36,190	0.03	-	-
THOMAS C BOWLES & CO	1,520,725	45,362	6,408	0.14	-	-
THOMAS WEISEL PARTNERS	1,427,549	722,859	2,397	0.00	-	-
TOKYO MITSUBISHI INTL	163,022	36,774	661	0.02	-	-
TORONTO DOMINION SEC INC	1,180,479	53,172	1,504	0.03	-	-
TULLET & CO	5,653	125,038	5,653	0.05	-	-
U.S. BANK	-	-	-	-	1,235,902	-
UBS SECURITIES	114,887,489	13,789,455	192,868	0.01	-	-
UBS-DB CORPORATION	1,748,486	290,802	7,333	0.03	-	-
UOB SECURITIES PTE LTD	261,485	2,332,770	28,201	0.01	-	-
USCC/SANTANDER	827,887	63,447	2,917	0.05	-	-
WAGNER SCOTT & CO	764,496	82,102	3,284	0.04	-	-
WARBURG DILLON READ LLC	32,895,535	10,124,799	126,332	0.01	-	-
WARBURG SECURITIES	9,030,639	3,403,667	83,129	0.02	-	-
WEST DEUTSCHE LANDESBANK	2,563,151	175,571	11,317	0.06	-	-
WEST LB SECURITIES	1,868,035	130,325	7,495	0.06	-	-
Total	\$3,083,153,467	956,873,079	\$6,390,679	\$0.01	\$1,686,811,125	\$1,792,469,727

Source: Washington State Investment Board

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 1 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
INVESTMENTS		
Currencies		
E.M.U.-Euro	\$ 13,313,534	0.03%
Japan-Yen	2,180,498	--
Norway-Krone	1,565,336	--
Singapore-Dollar	1,329,020	--
South Korea-Won	1,224,156	--
Others	544,375	--
Total Currencies	<u>20,156,919</u>	<u>0.04%</u>
Money Market Funds		
State Street Bank & Trust Co.	1,050,193,817	2.11%
Total Money Market Funds	<u>1,050,193,817</u>	<u>2.11%</u>
Government Securities-Domestic		
U.S. Treasury Inflation Index	570,552,849	1.14%
U.S. Treasury Inflation Index	551,697,557	1.11%
U.S. Treasury Inflation Index	248,802,313	0.50%
U.S. Treasury Inflation Index	223,109,002	0.45%
U.S. Treasury Bond	146,568,242	0.29%
U.S. Treasury Inflation Index	141,581,117	0.28%
U.S. Treasury Inflation Index	126,122,628	0.25%
U.S. Treasury Bond	108,243,741	0.22%
U.S. Treasury Inflation Index	99,932,800	0.20%
U.S. Treasury Inflation Index	90,949,582	0.18%
U.S. Treasury Bond	70,420,835	0.14%
Others	425,125,939	0.85%
Total Government Securities-Domestic	<u>2,803,106,605</u>	<u>5.62%</u>
Less: Securities on Loan	<u>(2,287,968,683)</u>	<u>(4.59%)</u>
Net Government Securities-Domestic	<u>515,137,922</u>	<u>1.03%</u>
U.S. Agencies		
GNMA G2 003443	45,592,013	0.09%
GNMA Pool #G23428	45,371,614	0.09%
GNMA Pool #G23427	44,703,039	0.09%
FNMA FN555445	38,071,793	0.08%
FNMA FN662945	29,914,327	0.06%
FNMA FN683364	25,974,411	0.05%
FNMA FN670370	17,947,190	0.04%
FNMA FN681377	17,054,659	0.03%
FHLMC	12,872,863	0.03%
FNMA Pool #583169	4,527,941	0.01%
FNMA 95-W1 A7	3,727,068	0.01%
Others	26,504,233	0.05%
Total U.S. Agencies	<u>312,261,151</u>	<u>0.63%</u>
Less: Securities on Loan	<u>(254,875,692)</u>	<u>(0.51%)</u>
Net U.S. Agencies	<u>57,385,459</u>	<u>0.12%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 2 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
Government Securities-Foreign		
Mexican United States	\$ 40,504,172	0.08%
Republic of Italy	30,718,430	0.06%
Republic of Argentina	8,978,330	0.02%
Total Government Securities-Foreign	<u>80,200,932</u>	<u>0.16%</u>
Pass Through Mortgages		
FHLM FGE 01343	56,535,015	0.11%
FNMA FN7763699	49,245,258	0.10%
FNMA FN704519	47,913,392	0.10%
FHLMC FGB 12930	47,703,950	0.10%
FNMA FN759854	46,880,498	0.09%
FGE 01489	45,930,071	0.09%
FNMA FNR 759225	45,752,641	0.09%
FNMA FN742089	42,807,306	0.09%
FNMA FN254803	40,926,345	0.08%
FNMA FN704572	39,468,248	0.08%
FGE 96536	36,348,226	0.07%
Others	865,359,176	1.74%
Total Pass Through Mortgages	<u>1,364,870,126</u>	<u>2.74%</u>
FHA Project/SBA Loans		
FHA PRJ-Reilly Mortgage Group #55	5,136,728	0.01%
GNMA 383716 Lowell Emerson Apt.	4,477,604	0.01%
Mission Towers	1,462,916	--
Sutter Village	719,159	--
Burien Haus	418,680	--
Total FHA Project/SBA Loans	<u>12,215,087</u>	<u>0.02%</u>
FHA/VA Residential		
GNMA Pool 458902	824,916	--
GNMA Pool 404208	560,648	--
GNMA Pool 463999	529,590	--
GNMA Pool 471803	486,426	--
GNMA Pool 480120	428,003	--
GNMA Pool 471729	394,588	--
GNMA Pool 471802	327,528	--
GNMA Pool 458909	325,707	--
GNMA Pool 471774	189,673	--
Total FHA/VA Residential	<u>4,067,079</u>	<u>0.01%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 3 of 6)

Description	Total Market Value	Percent of Total Market Value
Conventional Residential Mortgages		
FNMA Pool 252162	\$ 4,933,205	0.01%
FNMA	3,628,871	0.01%
FNMA Pool 455600	2,604,718	0.01%
FNMA	2,528,874	0.01%
FNMA FN568468	1,676,911	--
FNMA	1,351,288	--
FHLMC Gold 1998 PL C00650	916,759	--
FNMA FN568471	873,487	--
FNMA Pool #571021	484,073	--
FNMA	466,348	--
FNMA Pool 455819	301,985	--
Others	622,972	--
Total Conventional Residential Mortgages	20,389,491	0.04%
Collateralized Mortgage Obligations		
FHR 2419 DE	29,856,929	0.06%
FNR 2002-67 AN	29,362,033	0.06%
FHR 2510 AJ	28,618,086	0.06%
CCMSC 1999-2 A2	27,871,303	0.06%
FNR 2003-67 TJ	27,385,226	0.05%
FUNBC 2001-C2 A2	27,295,682	0.05%
CSFB 2002-CKP1 A3	26,967,365	0.05%
First Union Lehman Brothers 98-C2 A2	26,961,802	0.05%
CSFB 2001-CK6 A3	26,891,030	0.05%
JPMCC 2001-CIBC A3	26,741,442	0.05%
Others	1,109,642,324	2.23%
Total Collateralized Mortgage Obligations	1,387,593,222	2.78%
Asset Backed Securities		
FUNBC 2001-C3 A3	19,843,473	0.04%
Standard Credit Card 1995-9A ABS	15,679,186	0.03%
Standard Credit Card Master Trust	12,829,726	0.03%
Others	108,333,130	0.22%
Total Asset Backed Securities	156,685,515	0.31%
Corporate Bonds-Domestic		
CSX Corp.	86,125,458	0.17%
Goldman Sachs	79,859,680	0.16%
HBOS Treas Services	73,701,254	0.15%
International Finance Corp.	64,704,674	0.13%
British Sky Broadcasting	57,494,868	0.12%
Norfolk Southern Corp.	55,228,671	0.11%
US Bank NA	53,759,438	0.11%
SLM Corp.	49,911,913	0.10%
Merrill Lynch	49,885,542	0.10%
American Honda Finance	47,708,916	0.10%
Others	2,685,386,024	5.39%
Total Corporate Bonds-Domestic	3,303,766,438	6.63%
Less: Securities on Loan	(323,379,792)	(0.65%)
Net Corporate Bonds-Domestic	2,980,386,646	5.98%

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 4 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
Corporate Bonds-Foreign		
Braskem SA	\$ 74,382,970	0.15%
Quebec Province CDA	61,208,814	0.12%
Province of Manitoba	51,849,866	0.10%
Cia. Brasil de Bebidas	48,794,733	0.10%
Petro Bras Intl.	48,707,440	0.10%
YPF Sociedad Anonima SA	47,048,943	0.09%
Nordic Investment Bank	47,023,883	0.09%
Export Development CDA	46,978,085	0.09%
Vale Overseas	40,901,281	0.08%
European Investment Bank	40,704,810	0.08%
Others	<u>768,389,318</u>	<u>1.54%</u>
Total Corporate Bonds-Foreign	<u>1,275,990,143</u>	<u>2.56%</u>
Variable Rate Notes		
Variable Rate Notes	1,365,146,796	2.74%
Total Variable Rate Notes	<u>1,365,146,796</u>	<u>2.74%</u>
Private Equity		
KKR 1996 Fund	462,637,704	0.93%
KKR Millenium Fund	344,485,555	0.69%
KKR European Fund	262,224,753	0.53%
Warburg Pincus Equity Partners, LP	238,807,391	0.48%
Fortress Investment Fund LLC	226,285,198	0.45%
Welsh Carlson Anderson Stowe IX	149,787,885	0.30%
Warburg Pincus Private Equity VIII	146,153,229	0.29%
APAX Europe IV-A, LP	138,536,209	0.28%
Doughty Hanson & CO III, LP	132,860,158	0.27%
KKR 1987 Fund	130,483,566	0.26%
Others	<u>3,820,578,889</u>	<u>7.67%</u>
Total Private Equity	<u>6,052,840,537</u>	<u>12.14%</u>
Real Estate		
Hometown America, LLC	730,771,968	1.47%
Principal Enterprise Capital I	620,472,248	1.24%
Hawthorne Timber LLC	290,715,745	0.58%
Lonestar Fund III	288,057,276	0.58%
MSREF IV International	258,451,425	0.52%
Lonestar IV (us) LP	257,873,910	0.52%
Pactrust Realty Assoc. LP	237,202,530	0.48%
European Investment Properties Limited	215,291,826	0.43%
Olympia Properties LLC	206,526,721	0.41%
Union Square LP	197,765,940	0.40%
Others	<u>782,258,265</u>	<u>1.57%</u>
Total Real Estate	<u>4,085,387,854</u>	<u>8.20%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 5 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
Corporate Stock-Domestic		
Alliance Data Systems Corp.	\$ 2,100,670	--
Total Corporate Stock-Domestic	<u>2,100,670</u>	<u>--</u>
Corporate Stock-Foreign		
Ishares Inc	66,748,597	0.13%
Toyota Motor Corp.	65,763,540	0.13%
Telefonica CA	59,881,478	0.12%
BP Amoco	58,987,679	0.12%
Total SA Service B Ordinary	57,840,212	0.12%
Glaxo Smith Kline	53,896,928	0.11%
Canon Inc.	53,132,101	0.11%
Royal Dutch Petrol	50,564,633	0.10%
BG Group	45,880,773	0.09%
Others	<u>3,469,103,009</u>	<u>6.96%</u>
Total Corporate Stock-Foreign	3,981,798,950	7.99%
Less: Securities on Loan	<u>(334,264,867)</u>	<u>(0.67%)</u>
Net Corporate Stock-Foreign	<u>3,647,534,083</u>	<u>7.32%</u>
Commingled Index Funds-Domestic		
BGI US Equity Market Fund	14,540,705,220	29.17%
WSIB US Equity R/S	8,505,780	0.02%
Total Commingled Index Funds-Domestic	<u>14,549,211,000</u>	<u>29.19%</u>
Commingled Index Funds-Foreign		
MSCI EAFE	1,753,736,982	3.52%
World EX US Alpha Tilts	606,152,453	1.22%
Capital Guardian Growth Fund	179,028,567	0.36%
GMO TR	167,719,992	0.34%
Foreign Colonial Emerging Market Group TR	126,502,311	0.25%
Schroder Emerging	116,684,871	0.23%
Canada MSCI Index Fund	<u>109,799,518</u>	<u>0.22%</u>
Total Commingled Index Funds-Foreign	<u>3,059,624,694</u>	<u>6.14%</u>
Commercial Paper		
Commercial Paper	192,490,706	0.39%
Total Commercial Paper	<u>192,490,706</u>	<u>0.39%</u>
Repurchase Agreements		
BNP	209,779,743	0.42%
Deutsche Bank	175,043,486	0.35%
Morgan Stanley & Company Inc.	128,169,629	0.26%
Lehman Brothers	34,055,153	0.07%
Daiwa Securities American Inc.	3,248,350	0.01%
Bear Stearns	1,109,191	--
Goldman Sachs & Co. Inc.	<u>33,750</u>	<u>--</u>
Total Repurchase Agreements	<u>551,439,302</u>	<u>1.11%</u>

Summary of Investments Owned on June 30, 2004
Pension Trust Funds (page 6 of 6)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
Securities on Loan		
Securities on Loan-Domestic	\$ 2,866,224,168	5.75%
Securities on Loan-Foreign	334,264,867	0.67%
Total Securities on Loan	<u>3,200,489,035</u>	<u>6.42%</u>
Guaranteed Investment Contracts		
Savings Pool	576,357,143	1.16%
Total Guaranteed Investment Contracts	<u>576,357,143</u>	<u>1.16%</u>
Life		
G.E. Capital Assurance	31,778	--
Total Life	<u>31,778</u>	<u>--</u>
Mutual Funds		
U.S. Stock Market Index Fund	400,325,791	0.80%
Fidelity Equity-Income Fund	365,930,151	0.73%
U.S. Large Stock Index Fund	311,984,491	0.63%
Fidelity Independence Fund	296,562,136	0.59%
Washington State Money Market Fund	285,607,834	0.57%
U.S. Small Stock Index Fund	271,444,793	0.54%
Washington State Bond Fund	256,289,881	0.51%
Fidelity Growth Company Fund	211,469,214	0.42%
International Stock Index Fund	133,568,716	0.27%
Washington State Mid-Horizon Fund	96,214,957	0.19%
Others	196,013,287	0.39%
Total Mutual Funds	<u>2,825,411,251</u>	<u>5.67%</u>
Certificates of Deposit		
Certificates of Deposit	810,101,142	1.63%
Total Certificates of Deposit	<u>810,101,142</u>	<u>1.63%</u>
TOTAL INVESTMENTS	\$ <u>49,843,438,349</u>	<u>100.00%</u>

Actuarial Section



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

November 22, 2004

Mr. John F. Charles, Director
Department of Retirement Systems
P.O. Box 48380
Olympia, Washington 98504-8380

Dear Mr. Charles:

The purpose of this letter is to:

- (1) Certify the actuarial adequacy of contributions being made to the pension plans administered by your department, the State of Washington, and participating political subdivisions;
- (2) Discuss the funding of these plans; and
- (3) Certify that our other submissions meet the GFOA certification standards for actuarial reporting.

The information in this letter pertains to the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), School Employees Retirement System (SERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), Washington State Patrol Retirement System (WSPRS), Judicial Retirement System (JRS), and Judges' Retirement System (Judges). The state contributes to other pension plans which are not administered by your agency.

The Office of the State Actuary performs annual actuarial valuations for all systems listed above. The most recent valuation date for these systems was September 30, 2003.

The assumptions used in our actuarial valuation fall into two categories: economic and demographic. The economic assumptions were prescribed by the Legislature as of July 1, 2001 and include salary increases, inflation, the investment earnings rate, and population growth. The Pension Funding Council is scheduled to review these assumptions every four years. Demographic assumptions include such things as retirement, mortality, termination, and disability rates. These rates are derived by our office from studying the actual experience of these systems. These studies are reviewed annually and studied in depth every six years. The legislature adopted the demographic assumptions effective April 1, 2002 based on our 1995-2000 Experience Study.

Mr. Charles
November 22, 2004
Page 2

The material pension changes made during the 2003 Legislative Session that became effective during (and after) the 2003 Fiscal Year were disclosed in last year's annual report.

Pension legislation enacted during the 2004 Legislative Session is summarized below (chapter and law year references are provided parenthetically):

- A 30% asset smoothing corridor was added to the asset valuation method for PERS, TRS, SERS, LEOFF and WSPRS. (Chapter 93, Laws of 2004)
- A \$1,000 minimum monthly benefit is established in PERS Plan 1 and TRS Plan 1, before optional payment reductions, for those members with at least 25 years of service and who have been retired at least 20 years. (Chapter 85, Laws of 2004)
- Members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary. (Chapter 4, Laws of 2004)
- Survivors of a LEOFF Plan 2 member with 10 years of service who is killed in the course of employment will receive retirement benefits without actuarial reduction. (Chapter 5, Laws of 2004)
- Beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment will receive benefits without actuarial reduction. (Chapter 170, Laws of 2004)
- Legislation passed in the 2004 session creates the Public Safety Employees Retirement System (PSERS) Plan 2 effective July 1, 2006. Employees in specified job classes will be eligible to participate in PSERS Plan 2. Prospective membership in PSERS Plan 2 will be offered to public safety employees enrolled in PERS Plan 2 and Plan 3 on July 1, 2006. PSERS Plan 2 provides for an Unreduced Retirement at age 60 with 10 years of service credit in PSERS, early retirement at age 53 with 20 years of service credit with a 3% reduction per year prior to age 60, and disability retirement with 10 years of service credit in PSERS actuarially reduced from age 60. (Chapter 242, Laws of 2004)

There were no other material pension changes during the 2004 Session.

In 1989, the Legislature adopted the objective of amortizing the Unfunded Actuarial Accrued Liability (UAAL) for PERS 1, TRS 1, LEOFF 1 by June 30, 2024. Subsequent benefit increases are funded over this same period. The funding method for these three plans is a modified aggregate method where the normal cost is imputed from PERS 2/3, TRS 2/3, and LEOFF 2, respectively. The amortization calls for payments as a level percentage of system payroll. Employer contributions to the PERS 1 and TRS 1 unfunded liability were suspended for the 2003-2005 biennium. The amortization date, however, remains unchanged. (Chapter 11, Laws of 2003, E1). During fiscal year 2004 the systems were funded according to this method and, if continued following resumption of contributions, the UAAL will be amortized as scheduled.

Mr. Charles
November 22, 2004
Page 3

LEOFF 1 does not have a UAAL at this time.

PERS 2, TRS 2/3, SERS 2/3, LEOFF 2 and WSP use the aggregate funding method which does not develop a UAAL. These systems are well funded at this time.

The Judicial and Judges Systems are funded on a pay-as-you-go basis. Both systems are closed to new members and have very small liabilities when compared to other state plans. Although they are poorly funded systems, it is expected that the state can continue to meet its obligations by funding on a pay-as-you-go basis because of the small size of the obligations in these two plans.

In performing these valuations, we relied on unaudited member and beneficiary data provided by your department. Both the Department of Retirement Systems and the Office of the State Actuary performed a series of edits to check the quality of the data. In our opinion, the data is sufficient and reliable for the purpose of annual valuations. Unaudited asset and financial information was provided from three sources: the Department of Retirement Systems, the State Investment Board, and the Washington State Treasurer's Report.

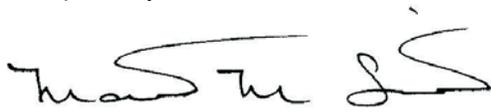
The following schedules (or updates to them) were prepared by this office for inclusion in the 2004 Comprehensive Annual Financial Report:

- Schedules of Funding Progress
- Schedule of Employer Contributions
- Summary of Actuarial Assumptions and Methods
- Schedules of Active Member Valuation Data
- Schedules of Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency Tests
- Analysis of Selected Experience

Mr. Charles
November 22, 2004
Page 4

The actuarial assumptions and methods prescribed by the Legislature were used for reporting funding items. GASB disclosure items were provided in accordance with GASB statements 25 and 27. As a result, disclosure items may not match comparable funding items disclosed in our most recent actuarial valuation report. The funding policy and reporting items are discussed in Notes to the Required Supplementary Information, as well as in the section Funding Policy, both in the Financial Section of the CAFR.

Respectfully submitted,



Matthew M. Smith
State Actuary



Philip Martin McCaulay
Associate Actuary

Summary of Plan Provisions

A narrative summary of retirement plans managed by DRS is provided in Section B of Note 2 in the Financial Section of this CAFR. A tabular summary of key plan provisions as of June 30, 2004, is provided below.

Plan	Membership Eligibility	Vesting	Retirement Eligibility	Benefit
PERS Plan 1 (By 9/30/77)	State employees, elected officials, employees of local governments, legislative committees, community/technical colleges, classified employees of school districts, district/municipal court judges, and some employees of the Supreme, Appeals, and Superior Courts	After five years of eligible service	After 30 years of service, or at age 60 with five years service, or at age 55 with 25 years of service	2% of average final compensation (AFC) per year of service
PERS Plan 2 (On or after 10/1/77)	Same as PERS Plan 1, except classified school district employees; new employees hired on or after 3/1/02 at state agencies and higher education, or on or after 9/1/02 at all other employers, must choose Plan 2 or Plan 3	After five years of eligible service	At age 65 with five years of service, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service
PERS Plan 3 (Varies by employer)	Same as PERS Plan 2; new employees hired on or after 3/1/02 at state agencies and higher education, or on or after 9/1/02 at all other employers, must choose Plan 2 or Plan 3	Varies	At age 65 if vested or an actuarially reduced benefit at age 55 with 10 years of service (defined benefit portion)	1% of AFC per year of service (defined benefit portion)
SERS Plan 2 (On or after 9/1/00)	All classified employees of school districts or educational service districts	After five years of eligible service	At age 65 with five years of service, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service
SERS Plan 3 (On or after 9/1/00)	All classified employees of school districts or educational service districts	Varies	At age 65 if vested or an actuarially reduced benefit at age 55 with 10 years of service (deferred benefit portion)	1% of AFC per year of service (defined benefit portion)
TRS Plan 1 (By 9/30/77)	All certificated public school employees	After five years of eligible service	Any age with 30 years of service, or at age 60 with five years of service or at age 55 with 25 years of service	2% of AFC per year of service
TRS Plan 2 (On or after 10/1/77 and by 6/30/96)	All certificated public school employees	After five years of eligible service	At age 65 with five years of service, or an actuarially reduced benefit at age 55 with 20 years of service	2% of AFC per year of service
TRS Plan 3 (On or after 7/1/96)	All certificated public school employees	Varies	At age 65 if vested or an actuarially reduced benefit at age 55 with 10 years of service (defined benefit portion)	1% of AFC per year of service (defined benefit portion)
LEOFF Plan 1 (By 9/30/77)	All full-time, fully compensated law enforcement officers and fire fighters	After five years of eligible service	At age 50 with five years of service	20 years of service = 2% of final average salary (FAS) per year of service 10-19 = 1.5% FAS per year of service 5-9 = 1% FAS per year of service
LEOFF Plan 2 (On or after 10/1/77)	All full-time, fully compensated law enforcement officers and fire fighters	After five years of eligible service	At age 53 with five years of service or a benefit at age 50 with 20 years of service reduced 3% for each year under age 53	2% of FAS per year of service
WSPRS Plan 1 (On or after 8/1/47 and by 12/31/02)	Commissioned employees of the Washington State Patrol	After five years of eligible service	At age 55 or after 25 years of service	2% of average final salary per year of service
WSPRS Plan 2 (On or after 1/1/03)	Commissioned employees of the Washington State Patrol	After five years of eligible service	At age 55 or after 25 years of service	2% of average final salary per year of service
JRS (On or after 8/9/71 and by 6/30/88 - New judges on or after 7/1/88 join PERS Plan 2)	Judges elected or appointed to the Supreme Court, the Court of Appeals and Superior Courts	After 15 years of service	At age 60	15 years of service = 3.5% of AFC per year of service 10-14 = 3% of AFC per year of service
Judges (By 8/8/71)	Judges elected or appointed to the Supreme Court, the Court of Appeals and Superior Courts	After 12 years of service	At age 70 with 10 years of service or any age with 18 years of service	1/2 of the monthly salary

DRS publishes handbooks describing the rights and benefits for each system and plan, including disability and survivor benefits. These handbooks are provided to members by their employers. They are also available from DRS and are on the DRS Web site at www.drs.wa.gov.

Summary of Actuarial Assumptions and Methods

1. Actuarial Assumptions and Methods Selection:

Economic Assumptions and Methods: Developed in accordance with Washington State law and the Pension Funding Council.

Demographic Assumptions and Methods: Derived by the Washington State Office of the State Actuary and are based on the 1995-2000 Experience Studies (adopted April 1, 2002). The latest actuarial valuation includes additional assumptions for subsequent events and law changes.

2. Investment Return: 8.0% per annum

3. Mortality Tables:

Mortality rates are based on the RP-2000 Combined Healthy Table published by the Society of Actuaries. These rates are adjusted to better reflect expected mortality for the particular group. Rates are adjusted by an age set back or set forward. A minimum rate is also applied to disabled mortality.

Class	Contributing Members and Members Retired from Service	Disabled Members
PERS	RP-2000 Combined Healthy Table	RP-2000 Combined Healthy Table; males set forward six years, minimum 5%; females set forward six years, minimum 3.5%
SERS	RP-2000 Combined Healthy Table; males unadjusted; females set back two years	RP-2000 Combined Healthy Table; males set forward five years, minimum 3%; females set forward two years, minimum 3%
TRS	RP-2000 Combined Healthy Table; males set back two years; females set back two years	RP-2000 Combined Healthy Table; males set forward five years, minimum 3%; females set forward two years, minimum 1.75%
LEOFF	RP-2000 Combined Healthy Table	RP-2000 Combined Healthy Table; males set forward two years, minimum 0.5%; females set forward two years, minimum 0.5%
WSPRS	RP-2000 Combined Healthy Table	RP-2000 Combined Healthy Table; males set forward two years, minimum 0.5%; females set forward two years, minimum 0.5%
JRS	RP-2000 Combined Healthy Table	RP-2000 Combined Healthy Table; males set forward six years, minimum 5%; females set forward six years, minimum 3.5%

4. Retirement (page 1 of 3): Probabilities of service retirement are illustrated in the following tables:

PERS Plan 1
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Male	Female
50	64%	40%
51	57%	43%
52	52%	37%
53	52%	33%
54	52%	52%
55	22%	26%
56	22%	18%
57	22%	18%
58	22%	22%
59	22%	37%
60	22%	18%
61	22%	22%
62	40%	37%
63	26%	26%
64	30%	26%
65	49%	46%
66-69	30%	26%
70	100%	100%

SERS Plan 2/3
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Service Less Than 30 Years		Service Greater Than or Equal to 30 Years	
	Male	Female	Male	Female
54	2%	2%	4%	4%
55	5%	5%	7%	7%
56	5%	5%	7%	7%
57	5%	5%	7%	7%
58	10%	5%	14%	7%
59	10%	5%	14%	7%
60	14%	14%	21%	21%
61	14%	18%	21%	27%
62	33%	30%	50%	45%
63	26%	26%	39%	39%
64	79%	82%	90%	90%
65	52%	49%	52%	49%
66	30%	30%	30%	30%
67	22%	26%	22%	26%
68	22%	26%	22%	26%
69	100%	100%	100%	100%

PERS Plan 2/3
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Service Less Than 30 Years		Service Greater Than or Equal to 30 Years	
	Male	Female	Male	Female
55	5%	5%	7%	7%
56	5%	5%	7%	7%
57	5%	5%	7%	7%
58	10%	5%	14%	7%
59	10%	5%	14%	7%
60	14%	14%	21%	21%
61	14%	18%	21%	27%
62	33%	30%	50%	45%
63	26%	26%	39%	39%
64	79%	82%	90%	90%
65	52%	49%	52%	49%
66	30%	30%	30%	30%
67	22%	26%	22%	26%
68	22%	26%	22%	26%
69	26%	22%	26%	22%
70	100%	100%	100%	100%

TRS Plan 1
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Service Less Than 30 Years		Service Greater Than or Equal to 30 Years	
	Male	Female	Male	Female
54	25%	20%	40%	30%
55	20%	20%	35%	30%
56	20%	20%	35%	30%
57	20%	20%	40%	30%
58	20%	25%	45%	30%
59	20%	25%	45%	30%
60	20%	20%	60%	35%
61	45%	35%	60%	55%
62	30%	25%	60%	50%
63	25%	20%	60%	50%
64	45%	45%	90%	90%
65	45%	35%	90%	90%
66	35%	30%	90%	90%
67	30%	35%	90%	90%
68	30%	25%	90%	90%
69	100%	100%	100%	100%

4. Retirement (page 2 of 3):

TRS Plan 2/3
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Service Less Than 30 Years		Service Greater Than or Equal to 30 Years	
	Male	Female	Male	Female
54	5%	3%	8%	5%
55	5%	5%	8%	8%
56	5%	10%	8%	15%
57	5%	10%	8%	15%
58	5%	10%	8%	15%
59	20%	15%	30%	23%
60	40%	20%	60%	30%
61	30%	30%	45%	45%
62	30%	30%	45%	45%
63	60%	50%	90%	75%
64	50%	50%	50%	50%
65	50%	30%	50%	30%
66	50%	25%	50%	25%
67	50%	25%	50%	25%
68	50%	40%	50%	40%
69	100%	100%	100%	100%

WSPRS Plan 1/2
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Rate
45-50	31%
51-55	23%
56-59	28%
60+	100%

LEOFF
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Plan 1 Rate	Plan 2 Rate
50	9%	10%
51	7%	10%
52	8%	10%
53	8%	16%
54	10%	19%
55	16%	24%
56	16%	25%
57	16%	25%
58	23%	33%
59	23%	33%
60	23%	33%
61	28%	37%
62	28%	37%
63	28%	37%
64	40%	48%
65	100%	100%

JRS
Probabilities of Service Retirement
Among Members Eligible to Retire

Age	Rate
60	1%
61	1%
62	14%
63	14%
64	18%
65	30%
66	33%
67	18%
68	18%
69	18%
70	22%
71	22%
72	22%
73	22%
74	22%
75	100%

4. Retirement (page 3 of 3):

**PERS Plan 1
Probabilities of Disablement**

Age	Male	Female
20	0.0000%	0.0000%
25	0.0000%	0.0000%
30	0.0000%	0.0000%
35	0.0310%	0.0319%
40	0.0762%	0.0710%
45	0.1481%	0.1431%
50	0.2542%	0.3023%
55	0.8240%	0.6411%
60*	1.1701%	0.6502%
64	1.1701%	0.5495%

* Plan 1 we assume no disabilities for ages 60+.

**PERS Plan 2/3
Probabilities of Disablement**

Age	Male	Female
20	0.0000%	0.0000%
25	0.0052%	0.0000%
30	0.0115%	0.0056%
35	0.0156%	0.0194%
40	0.0235%	0.0275%
45	0.0476%	0.0467%
50	0.0922%	0.1003%
55	0.2630%	0.2782%
60	0.7603%	0.7681%
64	1.0244%	1.0271%

**SERS Plan 2/3
Probabilities of Disablement**

Age	Male	Female
20	0.0000%	0.0000%
25	0.0000%	0.0000%
30	0.0000%	0.0048%
35	0.0081%	0.0176%
40	0.0258%	0.0164%
45	0.0568%	0.0201%
50	0.1102%	0.0738%
55	0.3428%	0.2876%
60	0.9292%	0.5589%
64	1.2272%	0.6589%

**WSPRS Plan 1/2
Probabilities of Disablement**

The assumed rate of disability is 0.1% at all ages.

**TRS Plan 1
Probabilities of Disablement**

Age	Male	Female
20	0.0013%	0.0014%
25	0.0091%	0.0092%
30	0.0187%	0.0190%
35	0.0321%	0.0326%
40	0.0428%	0.0434%
45	0.0944%	0.0957%
50	0.1634%	0.1656%
55	0.3347%	0.3393%
60*	0.4686%	0.4750%
64	0.7213%	0.7311%

* Plan 1 we assume no disabilities for ages 60+.

**TRS Plan 2/3
Probabilities of Disablement**

Age	Male	Female
20	0.0003%	0.0003%
25	0.0024%	0.0019%
30	0.0048%	0.0040%
35	0.0083%	0.0068%
40	0.0111%	0.0091%
45	0.0244%	0.0201%
50	0.0422%	0.0347%
55	0.0866%	0.0712%
60	0.1212%	0.0997%
64	0.1865%	0.1534%

**LEOFF Plan 1 and Plan 2
Probabilities of Disablement**

Age	Plan 1 Rate	Plan 2 Rate
20	0.10%	0.00%
25	0.10%	0.00%
30	0.80%	0.00%
35	1.48%	0.00%
40	2.35%	0.01%
45	4.24%	0.02%
50	7.34%	0.05%
55	10.35%	0.10%
60	12.17%	0.10%

JRS-Probabilities of Disablement

A 1 percent rate of disability is assumed at all ages after ten years of service.

5. Other Terminations of Employment (page 1 of 2): Probabilities of termination are illustrated in the following tables.

**PERS Plan 1 and Plan 2/3
General Employment Turnover
Probabilities of Termination**

Years of Service	Male	Female
0	25.90%	26.39%
1	15.46%	16.72%
2	10.20%	11.72%
3	7.69%	9.25%
4	6.39%	7.69%
5	5.31%	6.53%
6	4.35%	5.87%
7	4.07%	5.31%
8	3.73%	4.69%
9	3.54%	4.11%
10	3.25%	3.87%
11	3.10%	3.54%
12	3.05%	3.15%
13	2.86%	3.10%
14	2.76%	3.00%
15	2.66%	2.86%
16	2.37%	2.62%
17	2.13%	2.27%
18	1.83%	1.98%
19	1.49%	1.73%
20	1.14%	1.44%
21	0.95%	1.14%
22	0.75%	0.95%
23	0.60%	0.80%
24	0.55%	0.55%
25	0.50%	0.45%
26+	0.40%	0.40%

**SERS Plan 2/3
General Employment Turnover
Probabilities of Termination**

Years of Service	Male	Female
0	25.90%	19.45%
1	16.09%	12.87%
2	11.54%	10.07%
3	10.07%	7.60%
4	8.52%	6.58%
5	7.28%	5.97%
6	6.06%	5.31%
7	5.59%	5.21%
8	4.93%	4.83%
9	4.64%	4.64%
10	4.26%	4.50%
11	4.02%	4.45%
12	3.83%	4.40%
13	3.73%	4.40%
14	3.25%	4.21%
15	2.96%	4.26%
16	2.66%	3.78%
17	2.42%	3.44%
18	2.03%	3.10%
19	1.59%	2.62%
20	1.24%	2.03%
21	1.14%	1.59%
22	0.85%	1.29%
23	0.65%	0.85%
24	0.65%	0.75%
25	0.50%	0.75%
26+	0.50%	0.75%

5. Other Terminations of Employment (page 2 of 2):

**TRS Plan1 and Plan 2/3
General Employment Turnover
Probabilities of Termination**

Years of Service	Male	Female
0	9.65%	10.00%
1	6.00%	7.00%
2	4.00%	5.50%
3	4.00%	4.50%
4	3.50%	4.00%
5	3.00%	3.50%
6	2.20%	3.00%
7	2.10%	2.60%
8	2.00%	2.00%
9	1.90%	1.95%
10	1.80%	1.90%
11	1.80%	1.70%
12	1.00%	1.40%
13	1.00%	1.40%
14	1.00%	1.40%
15	1.00%	1.40%
16	0.95%	1.10%
17	0.90%	0.90%
18	0.80%	0.90%
19	0.70%	0.90%
20	0.50%	0.50%
21	0.50%	0.50%
22	0.50%	0.50%
23	0.50%	0.50%
24	0.50%	0.50%
25	0.50%	0.50%
26+	0.50%	0.50%

**WSPRS Plan 1/2
General Employment Turnover
Probabilities of Termination**

Years of Service	Probability
0-4	2.4%
5-9	1.4%
10-14	0.9%
15-19	0.6%
20-25	0.2%
25+	0.0%

**LEOFF Plan 1 and Plan 2
General Employment Turnover
Probabilities of Termination**

Years of Service	Turnover Rate
0	10.43%
1	4.69%
2	2.37%
3	2.08%
4	1.98%
5	1.94%
6	1.94%
7	1.94%
8	1.67%
9	1.67%
10	1.67%
11	1.42%
12	1.42%
13	1.42%
14-16	0.99%
17-28	0.70%
29+	0.00%

**JRS
Other Rates of Termination
Probabilities of Termination**

A 2 percent rate of termination is assumed for the first ten years of service.

6. Future Salaries (page 1 of 2): The following tables indicate the scale of relative salary values used to estimate future salaries for valuation purposes. In addition to increases in salary due to promotions and longevity, there is an assumed 4.5 percent per annum rate of increase in the general salary level of the membership.

**PERS Plan 1 and Plan 2/3
Merit Salary Increases**

Years of Service	Percent Increase	Final Salary over Current Salary
1	6.1%	1.275
2	4.8%	1.201
3	3.8%	1.146
4	2.9%	1.104
5	2.1%	1.073
6	1.3%	1.051
7	1.0%	1.038
8	0.8%	1.027
9	0.6%	1.019
10	0.4%	1.013
11	0.3%	1.009
12	0.2%	1.006
13	0.1%	1.004
14	0.1%	1.003
15	0.1%	1.002
16	0.1%	1.001
17+	0.0%	1.000

**TRS Plan 1 and Plan 2/3
Merit Salary Increases**

Years of Service	Percent Increase	Final Salary over Current Salary
1	6.2%	1.476
2	4.4%	1.390
3	4.2%	1.331
4	3.5%	1.278
5	3.1%	1.235
6	2.7%	1.197
7	2.6%	1.166
8	2.3%	1.136
9	2.1%	1.111
10	1.9%	1.088
11	1.7%	1.068
12	1.6%	1.050
13	1.4%	1.033
14	0.9%	1.019
15	0.8%	1.010
16	0.2%	1.002
17+	0.0%	1.000

**SERS Plan 2/3
Merit Salary Increases**

Years of Service	Percent Increase	Final Salary over Current Salary
1	7.0%	1.280
2	3.9%	1.196
3	2.8%	1.151
4	2.3%	1.120
5	2.2%	1.095
6	1.5%	1.071
7	1.2%	1.055
8	1.0%	1.043
9	0.8%	1.032
10	0.7%	1.024
11	0.7%	1.017
12	0.3%	1.010
13	0.3%	1.007
14	0.2%	1.004
15	0.1%	1.002
16	0.1%	1.001
17+	0.0%	1.000

**LEOFF Plan 1 and Plan 2
Merit Salary Increases**

Years of Service	Percent Increase	Final Salary over Current Salary
1	11.7%	1.810
2	8.1%	1.621
3	6.6%	1.499
4	4.5%	1.406
5	3.2%	1.346
6	2.5%	1.304
7	2.2%	1.272
8	2.0%	1.245
9	2.0%	1.221
10	2.0%	1.197
11	1.9%	1.173
12	1.8%	1.151
13	1.7%	1.131
14	1.6%	1.112
15	1.6%	1.095
16	1.6%	1.077
17	1.6%	1.060
18	1.6%	1.044
19	1.4%	1.027
20	1.3%	1.013
21+	0.0%	1.000

6. Future Salaries (page 2 of 2):

**WSPRS Plan 1/2
Merit Salary Increases**

Years of Service	Percent Increase	Final Salary over Current Salary
1	6.0%	1.678
2	6.0%	1.583
3	6.0%	1.493
4	6.0%	1.409
5	6.0%	1.329
6	6.0%	1.254
7	1.3%	1.183
8	1.3%	1.168
9	1.3%	1.153
10	1.3%	1.138
11	1.3%	1.123
12	1.3%	1.109
13	1.3%	1.095
14	1.3%	1.081
15	1.3%	1.067
16	1.3%	1.053
17	1.3%	1.040
18	1.3%	1.026
19	1.3%	1.013
20	0.0%	1.000
21+	0.0%	1.000

**JRS
Future Salaries**

General salary levels are assumed to increase 4.5% per year.

Relative Salary Values

	PERS/SERS	TRS	LEOFF	WSPRS	JRS
Annual Percent Increase	5.81%	5.44%	5.81%	5.81%	4.50%
Attributed to Growth in Active Group Size	1.25%	0.90%	1.25%	1.25%	0.00%
Attributed to the Effects of Inflation on Salaries	4.50%	4.50%	4.50%	4.50%	4.50%

7. Other Specific Assumptions that Have a Material Impact on Valuation Results:

- Members of PERS Plan 1 increase their Average Final Compensation by an average of up to 5 percent by cashing out sick leave or annual leave pay, or by increasing overtime.
- Members of TRS Plan 1 increase their Average Final Compensation by an average of up to 1 percent by cashing out sick leave or annual leave pay, or by increasing overtime.
- LEOFF Plan 1 post-retirement increases are assumed to be 3.5 percent each year.
- Members of WSPRS Plan 1 increase their Average Final Compensation by an average of up to 7.5 percent by cashing out sick leave or annual leave pay, or by increasing overtime.
- The value of gainsharing benefits for PERS, TRS and SERS has been included in the liabilities and contribution rates for the latest actuarial valuation.
- Other assumptions include the recognition of service earned in another plan (portability), the probability of a vested terminated member not withdrawing his/her contributions from the plan, the probability of being married, military service, single life annuity refund on death, and beneficiary age. More details on these and other assumptions can be obtained from the Office of the State Actuary.

8. Change in Assumptions:

None.

9. Actuarial Cost Method:

Valuation assets are at market value with gains/losses recognized on a graded scale over an eight-year period. Additionally, the actuarial value of assets may not exceed 130%, nor drop below 70%, of the market value of assets. JRS and Judges use the market value of assets for valuation assets.

PERS Plan 1, TRS Plan 1, LEOFF Plan 1, JRS, and Judges:

Funding: A variation of the Aggregate Cost Method is used. The contribution toward the UAAL has been developed in the valuation as a level percentage of expected future covered payrolls which will amortize the UAAL over the period to June 30, 2024. While the LEOFF Plan 1 UAAL is fully funded no contributions are required. JRS and Judges are funded on a pay-as-you-go basis.

Disclosure: The funding method described in the previous paragraph for PERS Plan 1, TRS Plan 1, and LEOFF Plan 1 is not an acceptable method for the GASB Statement Number 25 disclosures. In order to meet GASB Statement Number 25 requirements, the Entry Age cost method has been used for these plans. The UAAL is amortized as a level dollar amount over the applicable amortization period. For PERS, TRS and LEOFF the end of the amortization period is June 30, 2024. For JRS and Judges, the end of the amortization period is December 31, 2008.

PERS Plan 2/3, SERS Plan 2/3, TRS Plan 2/3, LEOFF Plan 2, and WSPRS Plan 1/2:

The Aggregate Actuarial Cost Method is used to calculate the contribution rates. Under this method the unfunded actuarial present value of fully projected benefits is amortized over the projected earnings of the active group. The entire contribution is normal cost, and no UAAL exists. All gains and losses are amortized over future salaries of current active members.

10. Change in Actuarial Cost Method:

The assets valuation method was modified to include a market value corridor. The actuarial value of assets may not exceed 130%, nor drop below 70%, of the market value of assets.

11. Material Changes in Benefit Provisions and Contribution Rates:

The GASB disclosure contribution rates are based on the latest actuarial valuations as of September 30, 2003.

The funding contribution rates in effect at the close of fiscal year were based on the 2001 actuarial valuations in accordance with funding policy. The rates include appropriate adjustments for subsequent law changes.

The following laws enacted in 2004 had an immediate impact on the latest actuarial valuation contribution rates:

- LEOFF Plan 2 duty disability benefits (Chapter 4, Laws of 2004)
- LEOFF Plan 2 duty death benefits (Chapter 5, Laws of 2004)
- PERS and TRS Plan 1 \$1,000 minimum benefit (Chapter 85, Laws of 2004)

Additional Actuarial Schedules

Schedule of Active Member Valuation Data: PERS Plan 1

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	19,740	\$945.1	\$47,876	1.7%
9/30/02	21,737	1,023.4	47,080	4.1%
9/30/01	23,981	1,084.6	45,226	3.2%
12/31/00	25,833	1,132.2	43,827	4.2%
12/31/99	28,168	1,184.3	42,045	3.6%
12/31/98	30,374	1,233.2	40,601	3.4%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: PERS Plan 2

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	117,262	\$5,142.5	\$43,855	3.5%
9/30/02	116,939	4,952.6	42,352	4.0%
9/30/01	128,955	5,249.4	40,707	3.7%
12/31/00	126,428	4,964.2	39,265	19.1%
12/31/99	168,214	5,546.2	32,971	3.8%
12/31/98	161,476	5,131.4	31,778	1.9%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: PERS Plan 3

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	17,548	\$786.6	\$44,823	(1.8%)
9/30/02	15,509	707.8	45,638	n/a
9/30/01*	--	--	--	--
12/31/00*	--	--	--	--
12/31/99*	--	--	--	--
12/31/98*	--	--	--	--

* PERS Plan 3 became effective on March 1, 2002.

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: SERS Plan 2

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	21,504	\$493.9	\$22,967	6.4%
9/30/02	22,870	493.8	21,593	6.9%
9/30/01	24,063	485.9	20,193	(1.3)%
12/31/00	25,714	526.3	20,466	n/a
12/31/99*	--	--	--	--
12/31/98*	--	--	--	--

* SERS Plan 2 became effective on September 1, 2000.

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: SERS Plan 3

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	27,710	\$638.7	\$23,051	4.8%
9/30/02	26,921	591.9	21,988	3.1%
9/30/01	24,284	517.8	21,324	(3.4)%
12/31/00	22,011	485.8	22,073	n/a
12/31/99*	--	--	--	--
12/31/98*	--	--	--	--

* SERS Plan 3 became effective on September 1, 2000

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: TRS Plan 1

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	11,175	\$692.3	\$61,954	4.1%
9/30/02	12,456	741.1	59,496	3.9%
9/30/01	13,971	799.7	57,243	3.0%
6/30/00	17,222	957.2	55,580	5.8%
6/30/99	18,737	984.4	52,540	1.3%
6/30/98	20,165	1,046.4	51,891	3.6%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: TRS Plan 2

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	7,637	\$414.9	\$54,333	6.3%
9/30/02	7,809	399.2	51,123	5.3%
9/30/01	8,056	391.2	48,563	5.0%
6/30/00	8,356	386.3	46,230	7.5%
6/30/99	8,663	372.7	43,022	2.2%
6/30/98	9,058	381.3	42,090	4.1%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: TRS Plan 3

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	47,263	\$2,308.1	\$48,836	5.3%
9/30/02	45,798	2,123.6	46,369	4.6%
9/30/01	44,193	1,958.3	44,312	2.4%
6/30/00	38,280	1,657.1	43,288	5.6%
6/30/99	35,284	1,445.9	40,979	0.7%
6/30/98	32,605	1,326.8	40,694	19.2%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: LEOFF Plan 1

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	991	\$71.3	\$71,924	3.2%
9/30/02	1,147	79.9	69,667	5.6%
9/30/01	1,315	86.7	65,959	4.2%
12/31/00	1,499	94.9	63,296	4.3%
12/31/99	1,743	105.8	60,683	3.1%
12/31/98	1,986	116.9	58,841	6.3%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: LEOFF Plan 2

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	14,560	\$966.6	\$66,388	3.2%
9/30/02	14,011	901.6	64,347	5.2%
9/30/01	13,585	830.6	61,139	2.9%
12/31/00	13,133	780.2	59,410	4.2%
12/31/99	12,713	725.0	57,031	4.3%
12/31/98	11,870	649.3	54,700	5.5%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: WSPRS Plan 1

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	1,045	\$64.6	\$61,848	2.4%
9/30/02	1,035	62.5	60,422	3.1%
9/30/01	1,027	60.2	58,633	1.5%
12/31/00	1,013	58.5	57,745	0.4%
12/31/99	968	55.7	57,496	4.8%
12/31/98	929	50.9	54,842	5.0%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: WSPRS Plan 2

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	34	\$1.4	\$41,018	n/a
9/30/02	-	-	-	-
9/30/01	-	-	-	-
12/31/00	-	-	-	-
12/31/99	-	-	-	-
12/31/98	-	-	-	-

* WSPRS Plan 2 became effective on January 1, 2003.

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: JRS

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	21	\$2.6	\$124,636	2.4%
9/30/02	24	2.9	121,741	6.3%
9/30/01	26	3.0	114,475	2.6%
12/31/00	32	3.6	111,570	6.1%
12/31/99	38	4.0	105,196	2.2%
12/31/98	40	4.1	102,935	1.4%

Source: Washington State Office of the State Actuary

Schedule of Active Member Valuation Data: Judges

Valuation Date	Active Members	Annual Payroll in Millions	Average Annual Pay	Annualized % Increase in Average Pay
9/30/03	-	\$0.0	\$0	n/a
9/30/02	1	0.1	134,584	2.3%
9/30/01	1	0.1	131,558	6.4%
12/31/00	1	0.1	123,600	3.0%
12/31/99	1	0.1	120,000	7.1%
12/31/98	1	0.1	112,078	7.3%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: PERS Plan 1

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	2,661	\$63,493,857	2,295	\$21,236,351	54,372	\$815,176,602	\$14,993	7.3%
09/30/02	2,783	62,818,651	2,315	20,053,126	54,006	759,744,392	14,068	7.8%
09/30/01	2,077	44,457,501	1,700	14,141,440	53,538	704,757,211	13,164	6.3%
12/31/00	2,831	59,251,651	2,185	17,226,292	53,161	663,195,163	12,475	9.0%
12/31/99	2,680	52,982,694	2,113	16,128,342	52,515	608,698,282	11,591	7.7%
12/31/98	2,481	44,980,199	2,131	15,415,477	51,948	565,036,942	10,877	7.2%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: PERS Plan 2

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	1,403	\$12,591,831	240	\$1,365,574	10,904	\$80,863,349	\$7,416	19.3%
09/30/02	1,328	10,886,277	238	1,489,346	9,741	67,775,431	6,958	19.5%
09/30/01	855	6,840,039	131	707,695	8,651	56,726,796	6,557	15.3%
12/31/00	1,319	9,807,863	157	868,467	7,927	49,210,077	6,208	25.5%
12/31/99	1,198	8,229,229	118	549,264	6,765	39,204,885	5,795	27.3%
12/31/98	1,020	6,637,345	108	483,716	5,685	30,786,831	5,415	28.2%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: PERS Plan 3

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	77	\$375,280	--	\$--	86	\$419,481	\$4,878	859.8%
09/30/02	9	43,707	--	--	9	43,707	4,856	n/a
09/30/01	--	--	--	--	--	--	--	--
12/31/00*	--	--	--	--	--	--	--	--
12/31/99*	--	--	--	--	--	--	--	--
12/31/98*	--	--	--	--	--	--	--	--

*PERS Plan 3 became effective on March 1, 2002.

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: SERS Plan 2

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	307	\$1,968,085	8	\$45,290	736	\$4,573,302	\$6,214	76.5%
09/30/02	251	1,550,754	5	19,458	437	2,591,035	5,929	150.3%
09/30/01	165	884,752	1	1,873	191	1,035,001	5,419	583.5%
12/31/00	27	151,432	--	--	27	151,432	5,609	n/a
12/31/99*	--	--	--	--	--	--	--	--
12/31/98*	--	--	--	--	--	--	--	--

*SERS Plan 2 became effective on September 1, 2000.

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: SERS Plan 3

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	124	\$376,893	3	\$8,584	306	\$849,635	\$2,777	80.3%
09/30/02	109	272,549	2	3,471	185	471,143	2,547	137.8%
09/30/01	78	198,145	--	--	78	198,145	2,540	n/a
12/31/00	--	--	--	--	--	--	--	--
12/31/99*	--	--	--	--	--	--	--	--
12/31/98*	--	--	--	--	--	--	--	--

*SERS Plan 3 became effective on September 1, 2000.

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: TRS Plan 1

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	1,667	\$41,501,938	960	\$11,973,348	33,855	\$625,084,100	\$18,464	6.5%
09/30/02	1,892	46,113,665	939	11,361,709	33,148	587,202,226	17,715	7.9%
09/30/01	3,524	81,519,141	1,168	13,045,875	32,195	544,358,707	16,908	17.5%
06/30/00	1,799	38,290,541	880	9,273,313	29,839	463,256,486	15,525	8.2%
06/30/99	1,677	34,602,902	898	8,961,508	28,920	427,968,688	14,798	7.6%
06/30/98	1,632	33,153,335	823	7,977,486	28,141	397,649,379	14,131	7.7%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: TRS Plan 2

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	151	\$1,770,105	17	\$133,929	957	\$10,809,534	\$11,295	21.1%
09/30/02	120	1,493,131	6	50,461	823	8,927,586	10,848	22.8%
09/30/01	204	2,339,594	14	153,589	709	7,267,477	10,250	50.9%
06/30/00	126	1,299,148	5	32,227	519	4,814,556	9,277	38.9%
06/30/99	90	902,554	4	24,541	398	3,466,085	8,709	37.8%
06/30/98	83	731,178	2	12,944	312	2,515,288	8,062	43.0%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: TRS Plan 3

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	105	\$578,041	3	\$9,313	385	\$1,879,859	\$4,883	47.3%
09/30/02	81	360,835	1	6,282	283	1,276,593	4,511	42.7%
09/30/01	113	527,667	2	6,706	203	894,795	4,408	150.8%
06/30/00	42	180,129	--	--	92	356,823	3,879	101.6%
06/30/99	40	145,317	--	--	50	176,974	3,539	475.8%
06/30/98	6	19,834	--	--	10	30,735	3,074	181.9%

*TRS Plan 3 became effective on July 1, 1996.

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: LEOFF Plan 1

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	234	\$9,466,933	167	\$5,043,126	8,054	\$270,247,173	\$33,554	3.3%
09/30/02	259	9,948,573	166	4,995,289	7,987	261,664,183	32,761	5.4%
09/30/01	233	8,351,533	119	3,479,510	7,894	248,160,932	31,437	5.7%
12/31/00	325	11,645,461	168	4,566,907	7,780	234,869,646	30,189	6.1%
12/31/99	348	11,397,460	159	4,062,564	7,623	221,408,074	29,045	6.0%
12/31/98	381	12,231,130	127	3,366,345	7,434	208,973,849	28,111	7.5%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: LEOFF Plan 2

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	77	\$1,551,039	5	\$33,065	316	\$5,083,630	\$16,087	46.2%
09/30/02	61	1,069,822	1	11,964	244	3,476,883	14,250	48.1%
09/30/01	44	747,153	3	20,400	184	2,347,816	12,760	48.6%
12/31/00	45	610,415	2	15,024	143	1,579,593	11,046	66.4%
12/31/99	23	271,079	3	31,542	100	949,552	9,496	38.6%
12/31/98	13	158,887	--	--	80	685,058	8,563	31.5%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: WSPRS Plan 1

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	28	\$1,222,157	11	\$216,943	735	\$25,438,609	\$34,610	7.1%
09/30/02	35	1,156,113	13	194,199	718	23,743,788	33,069	7.4%
09/30/01	36	1,440,257	12	224,122	696	22,105,141	31,760	9.0%
12/31/00	37	1,367,942	12	105,489	672	20,271,907	30,167	8.6%
12/31/99	49	1,507,418	14	231,872	647	18,670,760	28,857	9.2%
12/31/98	38	1,304,229	6	104,581	612	17,097,410	27,937	9.5%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: JRS

Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		Average Annual Allowance	Percentage Increase in Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
09/30/03	6	\$367,945	8	\$415,446	129	\$8,373,681	\$64,912	1.4%
09/30/02	4	229,792	7	294,080	131	8,258,774	63,044	2.1%
09/30/01	6	411,383	3	126,097	134	8,090,219	60,375	6.6%
12/31/00	7	406,024	8	228,527	131	7,588,432	57,927	4.2%
12/31/99	7	252,731	9	464,254	132	7,284,962	55,189	(0.7)%
12/31/98	6	200,878	7	275,335	134	7,336,530	54,750	1.5%

Source: Washington State Office of the State Actuary

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls: Judges

Year Ended	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowance	Percentage Increase in Annual Allowance
09/30/03	2	\$94,021	3	\$20,715	17	\$698,277	\$41,075	11.7%
09/30/02	1	37,131	1	74,261	18	624,971	34,721	(5.6%)
09/30/01	--	--	--	--	18	662,102	36,783	--
12/31/00	--	--	--	--	18	662,102	36,783	--
12/31/99	--	--	1	5,427	18	662,102	36,783	(0.8)%
12/31/98	1	74,261	--	--	19	667,529	35,133	12.5%

Source: Washington State Office of the State Actuary

Solvency Test: PERS Plan 1

(dollars in millions)

Accrued Liabilities (Entry Age Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$1,411.3	\$8,327.8	\$2,952.8	\$12,691.9	\$10,227.3	100%	100%	17%
9/30/02	1,462.7	7,848.9	3,248.8	12,560.4	10,756.8	100%	100%	44%
9/30/01	1,515.9	7,231.7	3,340.8	12,088.4	10,989.9	100%	100%	67%
12/31/00	1,685.8	6,795.8	3,213.2	11,694.8	11,110.6	100%	100%	82%
12/31/99	1,581.0	6,453.8	3,601.2	11,636.0	10,455.5	100%	100%	67%
12/31/98	1,712.9	5,922.7	3,591.5	11,227.1	9,218.8	100%	100%	44%

Source: Washington State Office of the State Actuary

Solvency Test: PERS Plan 2/3

(dollars in millions)

Accrued Liabilities (Aggregate Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$1,962.7	\$1,582.3	\$7,297.3	\$10,842.3	\$10,842.3	100%	100%	100%
9/30/02	1,891.8	1,386.2	7,422.8	10,700.8	10,700.8	100%	100%	100%
9/30/01	2,118.5	1,217.6	7,695.5	11,031.6	11,031.6	100%	100%	100%
12/31/00	2,416.0	1,095.6	7,237.0	10,748.6	10,748.6	100%	100%	100%
12/31/99	2,294.8	968.9	8,107.3	11,371.0	11,371.0	100%	100%	100%
12/31/98	2,392.9	774.0	6,339.0	9,505.9	9,505.9	100%	100%	100%

Source: Washington State Office of the State Actuary

Solvency Test: SERS Plan 2/3

(dollars in millions)

Accrued Liabilities (Aggregate Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$173.8	\$150.0	\$1,222.2	\$1,546.0	\$1,546.0	100%	100%	100%
9/30/02	174.5	97.4	1,247.1	1,519.0	1,519.0	100%	100%	100%
9/30/01	171.9	49.6	1,250.2	1,471.7	1,471.7	100%	100%	100%
12/31/00	353.4	3.2	1,495.9	1,852.5	1,852.5	100%	100%	100%
12/31/99*	--	--	--	--	--	--	--	--
12/31/98*	--	--	--	--	--	--	--	--

* SERS Plan 2/3 became effective on September 1, 2000
Source: Washington State Office of the State Actuary

Solvency Test: TRS Plan 1

(dollars in millions)

Accrued Liabilities (Entry Age Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	Total (1+2+3) Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$1,049.5	\$6,934.0	\$2,341.6	\$10,325.1	\$9,085.9	100%	100%	47%
9/30/02	1,091.2	6,627.2	2,516.6	10,235.0	9,365.9	100%	100%	65%
9/30/01	1,173.8	6,120.5	2,600.6	9,894.9	9,341.8	100%	100%	77%
6/30/00	1,408.0	5,140.0	3,017.7	9,565.7	9,372.0	100%	100%	94%
6/30/99	1,384.1	4,917.0	3,227.9	9,529.0	8,696.1	100%	100%	74%
6/30/98	1,466.0	4,506.0	3,382.0	9,354.0	7,819.3	100%	100%	55%

Source: Washington State Office of the State Actuary

Solvency Test: TRS Plan 2/3

(dollars in millions)

Accrued Liabilities (Aggregate Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	Total (1+2+3) Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$264.5	\$364.5	\$3,320.0	\$3,949.0	\$3,949.0	100%	100%	100%
9/30/02	259.3	314.3	3,226.6	3,800.2	3,800.2	100%	100%	100%
9/30/01	259.0	254.0	3,034.2	3,547.2	3,547.2	100%	100%	100%
6/30/00	331.4	183.2	2,735.1	3,249.7	3,249.7	100%	100%	100%
6/30/99	238.5	156.4	2,512.9	2,907.8	2,907.8	100%	100%	100%
6/30/98	108.1	125.2	2,333.8	2,567.1	2,567.1	100%	100%	100%

Source: Washington State Office of the State Actuary

Solvency Test: LEOFF Plan 1

(dollars in millions)

Accrued Liabilities (Entry Age Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	Total (1+2+3) Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$115.2	\$3,718.5	\$441.2	\$4,274.9	\$4,803.3	100%	100%	100%
9/30/02	126.6	3,648.3	484.1	4,259.0	5,095.0	100%	100%	100%
9/30/01	138.3	3,505.0	509.7	4,153.0	5,368.9	100%	100%	100%
12/31/00	154.2	3,299.3	548.9	4,002.4	5,439.6	100%	100%	100%
12/31/99	165.6	3,313.5	646.2	4,125.3	5,149.7	100%	100%	100%
12/31/98	178.0	3,036.5	691.2	3,905.7	4,567.5	100%	100%	100%

Source: Washington State Office of the State Actuary

Solvency Test: LEOFF Plan 2

(dollars in millions)

Accrued Liabilities (Aggregate Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$820.0	\$137.2	\$1,783.2	\$2,740.4	\$2,740.4	100%	100%	100%
9/30/02	750.8	99.9	1,795.3	2,646.0	2,646.0	100%	100%	100%
9/30/01	686.8	72.1	1,816.7	2,575.6	2,575.6	100%	100%	100%
12/31/00	650.3	55.2	1,753.8	2,459.3	2,459.3	100%	100%	100%
12/31/99	568.8	38.7	1,555.4	2,162.9	2,162.9	100%	100%	100%
12/31/98	511.5	33.3	1,227.2	1,772.0	1,772.0	100%	100%	100%

Source: Washington State Office of the State Actuary

Solvency Test: WSPRS Plan 1/2

(dollars in millions)

Accrued Liabilities (Aggregate Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$47.4	\$335.4	\$281.2	\$664.0	\$664.0	100%	100%	100%
9/30/02	46.9	313.2	328.9	689.0	689.0	100%	100%	100%
9/30/01	46.7	294.8	370.3	711.8	711.8	100%	100%	100%
12/31/00	51.7	270.2	390.1	712.0	712.0	100%	100%	100%
12/31/99	46.3	230.1	161.1	437.5	662.2	100%	100%	100%
12/31/98	47.3	211.5	152.1	410.9	576.1	100%	100%	100%

Source: Washington State Office of the State Actuary

Solvency Test: JRS

(dollars in millions)

Accrued Liabilities (Entry Age Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$4.9	\$74.5	\$11.4	\$90.8	\$6.3	100%	2%	--
9/30/02	5.1	74.4	12.7	92.2	8.1	100%	4%	--
9/30/01	5.0	74.1	12.4	91.5	9.6	100%	6%	--
12/31/00	5.8	72.8	14.5	93.1	9.9	100%	6%	--
12/31/99	6.2	70.6	17.3	94.1	9.1	100%	4%	--
12/31/98	6.1	72.6	17.5	96.2	7.6	100%	2%	--

This is a relatively small fund administered by DRS which is funded on a pay-as-you-go basis.

Source: Washington State Office of the State Actuary

Solvency Test: Judges

(dollars in millions)

Accrued Liabilities (Entry Age Cost Method):					Portion of Accrued Liabilities Covered by Assets			
Valuation Date	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability	(1+2+3) Total Accrued Liability	Valuation Assets	(1) Active Members Contributions	(2) Inactive Members Liability	(3) Excess Accrued Liability
9/30/03	\$ --	\$5.2	\$--	\$5.2	\$4.5	n/a	87%	n/a
9/30/02	--	4.7	0.8	5.5	4.7	100%	100%	--
9/30/01	--	5.3	0.8	6.1	4.9	100%	92%	--
12/31/00	--	5.3	0.7	6.0	4.7	100%	89%	--
12/31/99	--	5.7	0.8	6.5	4.4	100%	77%	--
12/31/98	--	5.8	0.7	6.5	4.1	100%	70%	--

This is a relatively small fund administered by DRS which is funded on a pay-as-you-go basis.

Source: Washington State Office of the State Actuary

**Analysis of Selected Experience: PERS Plan 1
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience**

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$679.7)	(\$702.2)	(\$422.3)	\$86.2	\$856.5	\$644.4
Salary Gains	90.8	(14.7)	(16.8)	(38.8)	15.6	26.7
Termination of Employment	16.4	8.5	13.2	12.7	8.4	7.1
Return to Work from Terminated Status	(16.6)	(15.5)	(35.2)	(49.1)	(53.1)	(57.0)
Gain (or Loss) During Year from Selected Experience	(\$589.1)	(\$723.9)	(\$461.1)	\$11.0	\$827.4	\$621.2

Source: Washington State Office of the State Actuary

**Analysis of Selected Experience: PERS Plan 2/3
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience**

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$802.9)	(\$680.5)	(\$430.8)	\$45.9	\$886.7	\$602.8
Salary Gains	245.5	(12.1)	(21.3)	(76.3)	30.1	47.1
Termination of Employment	41.5	4.2	33.1	41.0	38.4	31.5
Return to Work from Terminated Status	(77.9)	(65.8)	(71.8)	(72.4)	(95.4)	(95.0)
Gain (or Loss) During Year from Selected Experience	(\$593.8)	(\$754.2)	(\$490.8)	(\$61.8)	\$859.8	\$586.4

Source: Washington State Office of the State Actuary

**Analysis of Selected Experience: SERS Plan 2/3*
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience**

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$101.4)	(\$107.2)	(\$52.6)	\$16.0	\$ --	\$ --
Salary Gains	5.8	(0.3)	11.3	13.9	--	--
Termination of Employment	32.0	6.9	4.8	4.0	--	--
Return to Work from Terminated Status	(9.5)	(18.0)	(18.9)	(23.3)	--	--
Gain (or Loss) During Year from Selected Experience	(\$73.1)	(\$118.6)	(\$55.4)	\$10.6	\$ --	\$ --

* SERS Plan 2/3 became effective September 1, 2000

Source: Washington State Office of the State Actuary

Analysis of Selected Experience: TRS Plan 1
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$405.9)	(\$409.1)	(\$300.3)	\$496.3	\$552.7	\$689.8
Salary Gains	(2.1)	13.3	49.4	(70.2)	184.3	34.8
Termination of Employment	14.9	6.0	6.5	5.5	2.8	2.7
Return to Work from Terminated Status	(12.1)	(13.8)	(21.8)	(19.1)	(20.6)	(15.8)
Gain (or Loss) During Year from Selected Experience	(\$405.2)	(\$403.6)	(\$266.2)	\$412.5	\$719.2	\$711.5

Source: Washington State Office of the State Actuary

Analysis of Selected Experience: TRS Plan 2/3
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$160.1)	(\$159.7)	(\$118.1)	\$164.0	\$187.7	\$234.3
Salary Gains	1.1	32.7	65.2	(50.8)	107.5	18.6
Termination of Employment	78.5	15.3	5.9	10.1	7.7	5.2
Return to Work from Terminated Status	(46.7)	(20.6)	(36.4)	(30.6)	(25.4)	(13.0)
Gain (or Loss) During Year from Selected Experience	(\$127.2)	(\$132.3)	(\$83.4)	\$92.7	\$277.5	\$245.1

Source: Washington State Office of the State Actuary

Analysis of Selected Experience: LEOFF Plan 1
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$422.1)	(\$513.7)	(\$205.1)	\$44.3	\$427.3	\$321.3
Salary Gains	17.9	9.4	24.7	16.9	0.6	0.2
Termination of Employment	0.0	0.5	0.6	0.5	0.1	0.7
Return to Work from Terminated Status	(2.4)	(0.5)	(0.5)	(1.1)	(1.5)	(0.2)
Gain (or Loss) During Year from Selected Experience	(\$406.6)	(\$504.3)	(\$180.3)	\$60.6	\$426.5	\$322.0

Source: Washington State Office of the State Actuary

Analysis of Selected Experience: LEOFF Plan 2
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience

(dollars in millions)

Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$198.6)	(\$246.2)	(\$99.5)	\$9.1	\$165.4	\$109.9
Salary Gains	113.9	28.8	39.9	(0.3)	2.0	(25.0)
Termination of Employment	20.9	0.9	1.1	1.1	0.4	0.9
Return to Work from Terminated Status	(21.3)	(2.0)	(2.0)	(2.1)	(4.4)	(2.3)
Gain (or Loss) During Year from Selected Experience	(\$85.1)	(\$218.5)	(\$60.5)	\$7.8	\$163.4	\$83.5

Source: Washington State Office of the State Actuary

Analysis of Selected Experience: WSPRS Plan 1
Selected Gains and Losses During Years Ended 1998 to 2003
Resulting from Difference Between Assumed Experience and Actual Experience

(dollars in millions)

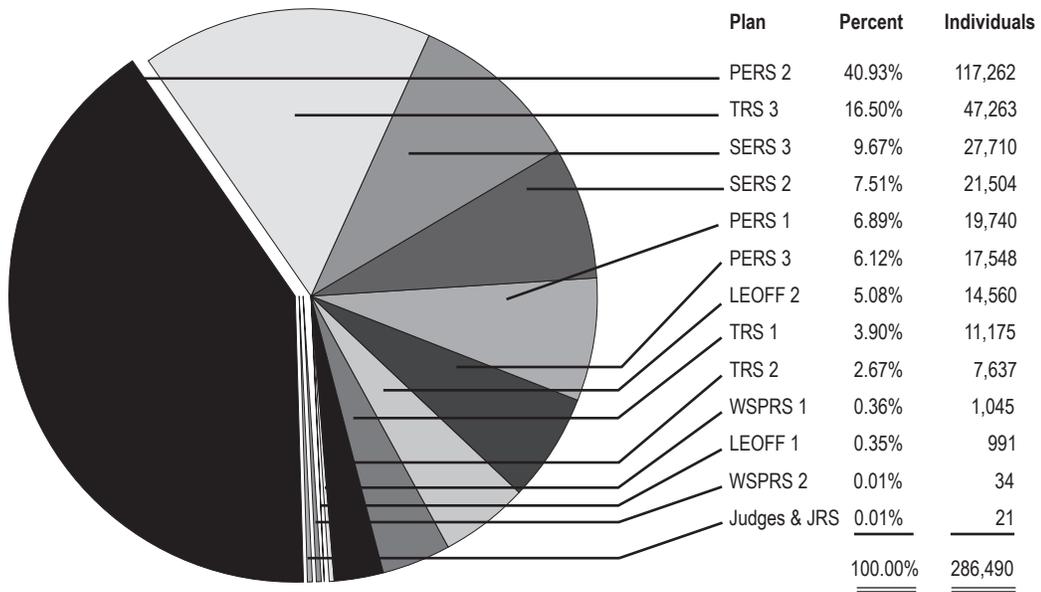
Type of Activity	\$ Gain (or Loss) For Year					
	2003	2002	2001	2000	1999	1998
Investment Gains	(\$55.6)	(\$68.1)	(\$27.3)	\$5.0	\$53.5	\$39.6
Salary Gains	11.2	6.9	4.1	3.7	(6.2)	(6.9)
Termination of Employment	(0.9)	0.3	0.1	0.2	0.1	0.1
Return to Work from Terminated Status	(0.7)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Gain (or Loss) During Year from Selected Experience	(\$46.0)	(\$61.1)	(\$23.2)	\$8.8	\$47.3	\$32.7

Source: Washington State Office of the State Actuary

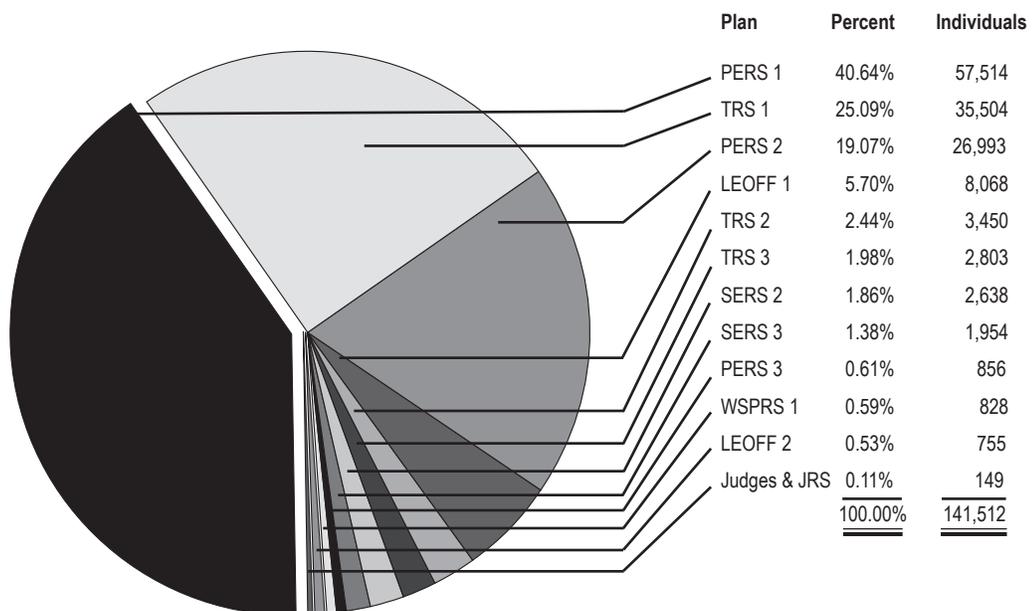
Statistical Section

Distribution of Membership For the Year Ended September 30, 2003

Active Members by System and Plan



Inactive and Retired Members by System and Plan



There were no inactive or retired WSPRS Plan 2 members as of the latest valuation date of September 30, 2003.

Source: Washington State Office of the State Actuary

Schedule of Additions to Plan Net Assets by Source: PERS Plan 1

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$57,196	\$22,789	2.3%	\$310	\$1,329,302	\$1,409,597
06/30/03	62,065	56,618	5.4%	487	331,055	450,225
06/30/02	67,670	68,631	6.1%	355	(633,439)	(496,783)
06/30/01	70,266	181,711	15.7%	789	(653,438)	(400,672)
06/30/00	73,260	200,135	16.6%	663	1,327,697	1,601,755
06/30/99	74,706	234,076	18.9%	1,295	1,114,654	1,424,731

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: PERS Plan 1

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$828,765	\$4,917	\$5,628	\$4	\$839,314
06/30/03	776,683	5,596	5,678	358	788,315
06/30/02	718,730	6,181	7,446	245	732,602
06/30/01	669,877	6,847	8,466	408	685,598
06/30/00	617,114	5,811	8,807	252	631,984
06/30/99	571,410	5,742	8,620	97	585,869

Schedule of Additions to Plan Net Assets by Source: PERS Plan 2/3

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$60,953	\$69,377	1.9%	\$251	\$1,463,658	\$1,594,239
06/30/03	34,498	38,287	0.7%	602	374,315	447,702
06/30/02	48,579	50,953	0.9%	275	(649,272)	(549,465)
06/30/01	116,564	115,039	2.2%	727	(592,159)	(359,829)
06/30/00	102,549	101,869	1.8%	443	1,446,407	1,651,268
06/30/99	237,048	237,706	4.7%	493	1,170,036	1,645,283

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: PERS Plan 2/3

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$86,174	\$5,779	\$27,082	\$22,918	\$141,953
06/30/03	72,460	6,054	30,835	611,867	721,216
06/30/02	60,551	6,270	42,087	31,165	140,073
06/30/01	50,798	6,638	48,311	1,903,538	2,009,285
06/30/00	40,976	5,989	59,394	1,192	107,551
06/30/99	32,400	5,814	53,206	707	92,127

Schedule of Additions to Plan Net Assets by Source: SERS Plan 2/3

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$3,501	\$9,076	0.8%	\$1,631	\$205,230	\$219,438
06/30/03	1,827	6,154	0.5%	1,970	56,651	66,602
06/30/02	5,171	11,313	1.1%	17,923	(88,839)	(54,432)
06/30/01	14,168	19,939	2.4%	1,902,646	(151,356)	1,785,397
06/30/00	**	**	**	**	**	**
06/30/99	**	**	**	**	**	**

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

** SERS Plan 2/3 became effective September 1, 2000.

Schedule of Deductions from Plan Net Assets by Type: SERS Plan 2/3

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$6,692	\$1,080	\$2,025	\$545	\$10,342
06/30/03	4,305	1,113	2,220	355	7,993
06/30/02	2,048	1,117	2,397	1,495	7,057
06/30/01	285	1,098	1,397	478,439	481,219
06/30/00	**	**	**	**	**
06/30/99	**	**	**	**	**

** SERS Plan 2/3 became effective September 1, 2000.

Schedule of Additions to Plan Net Assets by Source: TRS Plan 1

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$42,706	\$11,385	1.4%	\$147	\$1,119,458	\$1,173,696
06/30/03	46,790	20,352	2.4%	333	281,490	348,965
06/30/02	50,180	59,434	6.7%	253	(541,604)	(431,737)
06/30/01	55,898	141,351	15.6%	355	(561,104)	(363,500)
06/30/00	57,538	182,982	19.1%	397	1,148,184	1,389,101
06/30/99	59,238	222,516	22.6%	211	968,045	1,250,010

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: TRS Plan 1

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$692,243	\$3,926	\$1,792	\$-	\$697,961
06/30/03	689,254	4,555	1,521	283	695,613
06/30/02	679,009	5,132	2,313	207	686,661
06/30/01	632,674	5,619	2,762	348	641,403
06/30/00	579,261	4,673	2,188	199	586,321
06/30/99	532,933	4,761	2,755	94	540,543

* Benefits include withdrawn annuities at retirement.

Schedule of Additions to Plan Net Assets by Source: TRS Plan 2/3

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$3,108	\$29,921	1.1%	\$439	\$507,705	\$541,173
06/30/03	633	18,225	0.7%	429	139,588	158,875
06/30/02	5,433	46,359	1.9%	369	(221,155)	(168,994)
06/30/01	11,078	69,579	3.2%	296	(194,654)	(113,701)
06/30/00	12,744	75,311	3.9%	140	392,723	480,918
06/30/99	22,097	100,190	5.7%	1,288	324,313	447,888

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: TRS Plan 2/3

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$13,416	\$2,940	\$2,858	\$1,003	\$20,217
06/30/03	10,862	3,093	3,537	956	18,448
06/30/02	8,669	3,108	4,510	1,704	17,991
06/30/01	6,810	3,053	3,871	3,574	17,308
06/30/00	4,943	2,433	4,964	77,351	89,691
06/30/99	3,529	2,158	5,632	152,597	163,916

Schedule of Additions to Plan Net Assets by Source: LEOFF Plan 1

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	State	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$-	\$1	-%	\$-	\$-	\$668,276	\$668,277
06/30/03	40	62	0.1%	-	168	164,983	165,253
06/30/02	76	98	0.1%	-	163	(312,009)	(311,672)
06/30/01	21	130	0.1%	-	256	(321,268)	(320,861)
06/30/00	6,300	6,303	6.0%	-	117	652,374	665,094
06/30/99	7,099	7,196	6.3%	48,793	376	551,062	614,526

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: LEOFF Plan 1

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$272,118	\$2,450	\$133	\$27	\$274,728
06/30/03	264,618	2,789	158	166	267,731
06/30/02	252,625	3,088	92	135	255,940
06/30/01	238,938	3,218	12	203	242,371
06/30/00	225,175	2,612	82	372	228,241
06/30/99	211,949	2,655	102	1,983	216,689

Schedule of Additions to Plan Net Assets by Source: LEOFF Plan 2

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	State	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$50,698	\$30,773	3.1%	\$20,193	\$-	\$394,282	\$495,946
06/30/03	41,372	25,583	2.7%	16,404	234	100,385	183,978
06/30/02	39,401	23,997	2.7%	15,551	62	(153,464)	(74,453)
06/30/01	52,939	31,450	3.9%	20,919	96	(144,765)	(39,361)
06/30/00	43,729	26,214	3.5%	17,093	54	275,091	362,181
06/30/99	56,680	34,310	5.1%	22,210	72	219,095	332,367

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: LEOFF Plan 2

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$6,043	\$1,490	\$5,720	\$-	\$13,253
06/30/03	4,059	1,528	5,124	94	10,805
06/30/02	2,743	1,477	9,143	109	13,472
06/30/01	1,726	1,450	8,343	165	11,684
06/30/00	929	1,092	11,054	135	13,210
06/30/99	800	1,042	10,192	399	12,433

Schedule of Additions to Plan Net Assets by Source: WSPRS Plan 1/2

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$1,322	\$1	-%	\$121	\$93,188	\$94,632
06/30/03	1,314	-	-%	144	23,160	24,618
06/30/02	1,245	-	-%	265	(41,663)	(40,153)
06/30/01	1,817	-	-%	252	(42,079)	(40,010)
06/30/00	4,050	15	-%	403	84,099	88,567
06/30/99	3,755	5,935	11.1%	650	69,899	80,239

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: WSPRS Plan 1/2

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$25,724	\$347	\$303	\$-	\$26,374
06/30/03	24,047	378	221	23	24,669
06/30/02	22,316	398	199	16	22,929
06/30/01	20,359	410	88	26	20,883
06/30/00	18,787	324	317	15	19,443
06/30/99	17,147	327	173	6	17,653

Schedule of Additions to Plan Net Assets by Source: JRS

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	State	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$196	\$197	7.5%	\$5,995	\$-	\$57	\$6,445
06/30/03	215	215	7.5%	6,000	-	120	6,550
06/30/02	229	229	7.5%	6,000	-	249	6,707
06/30/01	257	257	7.5%	7,000	-	582	8,096
06/30/00	306	306	7.5%	7,000	-	507	8,119
06/30/99	307	307	7.5%	8,500	-	373	9,487

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

Schedule of Deductions from Plan Net Assets by Type: JRS

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$8,404	\$2	\$-	\$-	\$8,406
06/30/03	8,279	4	-	-	8,283
06/30/02	8,060	6	-	-	8,066
06/30/01	7,719	5	-	1	7,725
06/30/00	7,331	5	-	-	7,336
06/30/99	7,368	4	-	-	7,372

Schedule of Additions to Plan Net Assets by Source: Judges

(dollars in thousands)

Year Ended	Employee Contributions	Employer Contributions: Amount	Employer Contributions: % of covered payroll	State	Transfers	Investment Income Miscellaneous*	Total Additions
06/30/04	\$-	\$-	**	\$500	\$-	\$23	\$523
06/30/03	6	6	**	250	-	112	374
06/30/02	8	8	**	250	-	218	484
06/30/01	8	8	6.5%	750	-	338	1,104
06/30/00	8	8	6.5%	750	-	192	958
06/30/99	8	8	6.5%	750	-	181	947

* Investment earnings reflect dividends, interest, realized capital gains and unrealized gains and losses. Miscellaneous additions include restorations of employee contributions.

** Data not available.

Schedule of Deductions from Plan Net Assets by Type: Judges

(dollars in thousands)

Year Ended	Benefits	Administrative Expenses	Refunds	Transfers	Total Deductions
06/30/04	\$685	\$2	\$-	\$-	\$687
06/30/03	639	3	-	-	642
06/30/02	656	3	-	-	659
06/30/01	662	4	-	-	666
06/30/00	662	2	-	-	664
06/30/99	665	2	-	-	667

**Schedule of Benefit Recipients by Type of Benefit: PERS Plan 1
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 0-100	181	115	33	9	24	146	19	15	1
101-200	1,932	1,326	-	143	463	1,274	451	205	2
201-300	3,124	2,234	8	197	685	2,054	713	351	6
301-400	3,496	2,536	55	170	735	2,332	753	405	6
401-500	3,396	2,531	1	179	685	2,220	711	454	11
501-600	3,433	2,605	2	149	677	2,249	659	510	15
601-700	3,174	2,441	2	139	592	2,028	592	541	13
701-800	3,095	2,477	4	132	482	1,987	580	510	18
801-900	2,784	2,325	3	101	355	1,798	523	447	16
901-1,000	2,535	2,123	3	84	325	1,600	521	394	20
Over 1,000	<u>27,222</u>	<u>25,588</u>	<u>4</u>	<u>357</u>	<u>1,273</u>	<u>17,354</u>	<u>4,398</u>	<u>4,645</u>	<u>825</u>
Totals	<u>54,372</u>	<u>46,301</u>	<u>115</u>	<u>1,660</u>	<u>6,296</u>	<u>35,042</u>	<u>9,920</u>	<u>8,477</u>	<u>933</u>

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,
4 - Beneficiary receives two-thirds the monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: PERS Plan 2
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	323	125	-	170	28	222	91	7	3
101-200	1,169	784	-	293	92	818	288	44	19
201-300	1,335	968	-	241	126	898	340	66	31
301-400	1,260	996	-	162	102	868	294	68	30
401-500	1,139	959	-	118	62	776	264	79	20
501-600	994	873	-	61	60	663	230	74	27
601-700	921	816	-	59	46	640	183	65	33
701-800	749	680	-	39	30	498	147	67	37
801-900	668	630	-	23	15	460	114	75	19
901-1,000	544	513	-	18	13	384	78	60	22
Over 1,000	<u>1,802</u>	<u>1,748</u>	<u>-</u>	<u>26</u>	<u>28</u>	<u>1,256</u>	<u>240</u>	<u>225</u>	<u>81</u>
Totals	<u>10,904</u>	<u>9,092</u>	<u>-</u>	<u>1,210</u>	<u>602</u>	<u>7,483</u>	<u>2,269</u>	<u>830</u>	<u>322</u>

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,
4 - Beneficiary receives two-thirds the monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: PERS Plan 3
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 0-100	2	-	-	2	-	2	-	-	-
101-200	19	16	-	1	2	11	7	1	-
201-300	16	15	-	-	1	9	5	1	1
301-400	13	13	-	-	-	10	1	2	-
401-500	11	10	-	-	1	10	1	-	-
501-600	8	8	-	-	-	6	2	-	-
601-700	5	5	-	-	-	4	-	1	-
701-800	4	4	-	-	-	2	1	-	1
801-900	3	3	-	-	-	2	-	1	-
901-1,000	3	3	-	-	-	3	-	-	-
Over 1,000	2	2	-	-	-	2	-	-	-
Totals	86	79	-	3	4	61	17	6	2

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,
4 - Beneficiary receives two-thirds the monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: SERS Plan 2
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	22	7	-	14	1	13	9	-	-
101-200	105	78	-	21	6	79	22	3	1
201-300	107	84	-	13	10	79	25	2	1
301-400	99	91	-	5	3	73	20	3	3
401-500	85	78	-	7	-	68	13	3	1
501-600	79	72	-	4	3	61	9	9	-
601-700	57	56	-	1	-	46	7	4	-
701-800	46	45	-	1	-	36	4	5	1
801-900	33	30	-	2	1	25	5	2	1
901-1,000	26	26	-	-	-	22	1	2	1
Over 1,000	77	76	-	1	-	58	10	7	2
Totals	736	643	-	69	24	560	125	40	11

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,
4 - Beneficiary receives two-thirds the monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: SERS Plan 3
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	37	33	-	4	-	28	6	2	1
101-200	130	117	-	6	7	99	24	4	3
201-300	75	70	-	3	2	60	13	-	2
301-400	30	30	-	-	-	23	4	2	1
401-500	15	14	-	1	-	13	1	1	-
501-600	7	6	-	1	-	6	-	1	-
601-700	4	4	-	-	-	3	-	1	-
701-800	4	4	-	-	-	4	-	-	-
801-900	2	2	-	-	-	2	-	-	-
901-1,000	1	1	-	-	-	1	-	-	-
Over 1,000	1	1	-	-	-	1	-	-	-
Totals	306	282	-	15	9	240	48	11	7

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,

4 - Beneficiary receives two-thirds the monthly benefit for life.

Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: TRS Plan 1
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	64	63	-	-	1	47	11	6	-
101-200	448	384	12	-	52	321	102	22	3
201-300	661	555	33	-	73	469	146	43	3
301-400	742	590	37	-	115	491	181	65	5
401-500	766	556	53	-	157	482	169	114	1
501-600	884	639	54	-	191	563	156	162	3
601-700	994	702	49	-	243	557	212	220	5
701-800	1,091	772	52	-	267	608	210	270	3
801-900	1,162	886	57	-	219	705	225	226	6
901-1,000	1,264	1,010	55	-	199	743	282	236	3
Over 1,000	25,779	24,497	423	-	859	16,617	4,679	3,821	662
Totals	33,855	30,654	825	-	2,376	21,603	6,373	5,185	694

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,

4 - Beneficiary receives two-thirds the monthly benefit for life.

Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: TRS Plan 2
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	16	7	-	8	1	11	4	1	-
101-200	26	17	-	7	2	15	10	1	-
201-300	50	37	-	9	4	36	14	-	-
301-400	68	57	-	4	7	41	21	5	1
401-500	62	51	-	7	4	47	11	3	1
501-600	65	52	-	6	7	41	22	2	-
601-700	74	63	-	8	3	50	14	8	2
701-800	68	57	-	6	5	38	25	3	2
801-900	71	65	-	1	5	53	12	4	2
901-1,000	60	59	-	1	-	43	11	4	2
Over 1,000	397	390	-	4	3	288	61	30	18
Totals	957	855	-	61	41	663	205	61	28

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life, 4 - Beneficiary receives two-thirds the monthly benefit for life.

Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: TRS Plan 3
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	6	2	-	4	-	2	4	-	-
101-200	60	38	-	9	13	36	19	3	2
201-300	80	61	-	7	12	54	21	4	1
301-400	79	78	-	1	-	70	6	1	2
401-500	52	51	-	-	1	47	4	1	-
501-600	36	36	-	-	-	30	4	1	1
601-700	25	24	-	-	1	23	1	1	-
701-800	19	19	-	-	-	17	-	1	1
801-900	15	15	-	-	-	13	1	-	1
901-1,000	8	8	-	-	-	7	1	-	-
Over 1,000	5	5	-	-	-	4	1	-	-
Totals	385	337	-	21	27	303	62	12	8

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life, 4 - Beneficiary receives two-thirds the monthly benefit for life.

Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: LEOFF Plan 1
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type			
		Service	Duty Disability	Nonduty Disability	Survivor Payment
\$ 1-100	5	5	-	-	-
101-200	7	7	-	-	-
201-300	14	9	-	-	5
301-400	9	8	-	-	1
401-500	17	16	-	-	1
501-600	14	12	-	-	2
601-700	27	20	-	-	7
701-800	23	17	-	-	6
801-900	21	17	-	-	4
901-1,000	17	9	1	-	7
Over 1,000	<u>7,900</u>	<u>2,449</u>	<u>3,701</u>	<u>599</u>	<u>1,151</u>
Totals	<u><u>8,054</u></u>	<u><u>2,569</u></u>	<u><u>3,702</u></u>	<u><u>599</u></u>	<u><u>1,184</u></u>

All beneficiaries receive basic monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: LEOFF Plan 2
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type				Option Selected*			
		Service	Duty Disability	Nonduty Disability	Survivor Payment	1	2	3	4
\$ 1-100	2	1	-	1	-	2	-	-	-
101-200	3	-	-	3	-	2	1	-	-
201-300	9	6	-	2	1	4	4	1	-
301-400	9	5	-	2	2	6	2	1	-
401-500	14	11	-	2	1	7	6	1	-
501-600	16	15	-	-	1	7	5	1	3
601-700	20	16	-	3	1	12	7	1	-
701-800	19	17	-	-	2	12	6	1	-
801-900	15	11	-	3	1	10	3	1	1
901-1,000	14	11	-	2	1	8	2	2	2
Over 1,000	<u>195</u>	<u>175</u>	<u>-</u>	<u>14</u>	<u>6</u>	<u>114</u>	<u>48</u>	<u>18</u>	<u>15</u>
Totals	<u><u>316</u></u>	<u><u>268</u></u>	<u><u>-</u></u>	<u><u>32</u></u>	<u><u>16</u></u>	<u><u>184</u></u>	<u><u>84</u></u>	<u><u>27</u></u>	<u><u>21</u></u>

* 1 - Retiree's lifetime, 2 - Beneficiary receives same monthly benefit for life, 3 - Beneficiary receives half the monthly benefit for life,
4 - Beneficiary receives two-thirds the monthly benefit for life.
Source: Washington State Office of the State Actuary

**Schedule of Benefit Recipients by Type of Benefit: WSPRS Plan 1
For the Year Ended September 30, 2003**

Monthly Benefit Amount	Number of Retirees	Retirement Type			
		Service	Duty Disability	Nonduty Disability	Survivor Payment
\$ 1-100	-	-	-	-	-
101-200	2	2	-	-	-
201-300	3	-	-	-	3
301-400	2	2	-	-	-
401-500	3	-	-	-	3
501-600	11	2	-	-	9
601-700	16	1	-	-	15
701-800	12	2	-	-	10
801-900	8	-	-	-	8
901-1,000	7	-	-	-	7
Over 1,000	671	617	-	-	54
Totals	<u>735</u>	<u>626</u>	<u>-</u>	<u>-</u>	<u>109</u>

All beneficiaries receive basic monthly benefit for life.
Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: PERS Plan 1

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98						
Average Monthly Benefit*	\$355.35	\$677.53	\$1,006.77	\$1,338.49	\$2,106.62	\$2,385.54
Average Final Salary (Monthly)*	\$2,356.44	\$2,583.30	\$3,009.49	\$3,027.76	\$3,822.24	\$4,247.70
Number of Active Retirees	46	72	95	482	756	347
Period 1/1/99 to 12/31/99						
Average Monthly Benefit*	\$404.00	\$747.37	\$1,093.49	\$1,428.98	\$2,253.87	\$2,440.78
Average Final Salary (Monthly)*	\$2,848.46	\$2,951.93	\$3,163.59	\$3,145.52	\$4,067.96	\$4,331.37
Number of Active Retirees	50	71	127	492	858	426
Period 1/1/00 to 12/31/00						
Average Monthly Benefit*	\$334.45	\$631.61	\$1,048.38	\$1,515.01	\$2,317.25	\$2,532.19
Average Final Salary (Monthly)*	\$3,085.45	\$2,661.97	\$3,146.53	\$3,283.62	\$4,192.22	\$4,448.62
Number of Active Retirees	121	131	138	505	973	479
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$307.83	\$678.34	\$1,100.55	\$1,552.78	\$2,314.61	\$2,595.25
Average Final Salary (Monthly)*	\$3,458.70	\$2,774.76	\$3,303.24	\$3,331.65	\$4,174.12	\$4,535.78
Number of Active Retirees	109	104	87	301	755	394
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$307.42	\$725.55	\$1,095.01	\$1,718.64	\$2,489.82	\$2,707.39
Average Final Salary (Monthly)*	\$3,341.89	\$2,928.81	\$3,286.45	\$3,704.50	\$4,498.05	\$4,728.35
Number of Active Retirees	117	110	155	361	1,010	511
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$352.67	\$745.84	\$1,216.41	\$1,696.38	\$2,672.02	\$2,902.88
Average Final Salary (Monthly)*	\$3,143.11	\$3,052.16	\$3,572.79	\$3,686.95	\$4,815.61	\$4,995.48
Number of Active Retirees	138	118	157	243	988	504

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: PERS Plan 2

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98						
Average Monthly Benefit*	\$304.00	\$623.27	\$902.60	\$986.82	\$-	\$-
Average Final Salary (Monthly)*	\$2,295.58	\$2,601.21	\$2,812.72	\$3,193.26	\$-	\$-
Number of Active Retirees	188	206	220	14	-	-
Period 1/1/99 to 12/31/99						
Average Monthly Benefit*	\$322.89	\$667.16	\$858.96	\$1,007.80	\$-	\$-
Average Final Salary (Monthly)*	\$2,254.63	\$2,722.44	\$2,708.99	\$3,010.29	\$-	\$-
Number of Active Retirees	217	190	255	84	-	-
Period 1/1/00 to 12/31/00						
Average Monthly Benefit*	\$320.99	\$686.13	\$923.82	\$972.29	\$-	\$-
Average Final Salary (Monthly)*	\$2,348.25	\$2,824.36	\$2,928.27	\$2,908.84	\$-	\$-
Number of Active Retirees	344	279	300	150	-	-
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$337.87	\$684.28	\$979.64	\$1,182.54	\$1,005.31	\$-
Average Final Salary (Monthly)*	\$2,437.56	\$2,861.20	\$3,144.89	\$3,409.91	\$3,361.68	\$-
Number of Active Retirees	220	198	169	122	1	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$330.72	\$683.82	\$1,029.00	\$1,201.49	\$-	\$-
Average Final Salary (Monthly)*	\$2,394.70	\$2,829.33	\$3,212.41	\$3,521.90	\$-	\$-
Number of Active Retirees	313	300	267	182	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$339.47	\$743.37	\$1,081.58	\$1,281.20	\$1,301.54	\$2,733.22
Average Final Salary (Monthly)*	\$2,553.67	\$3,028.09	\$3,360.33	\$3,497.56	\$2,957.96	\$4,853.02
Number of Active Retirees	298	319	297	201	10	1

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: PERS Plan 3

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/99 to 12/31/99**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/00 to 12/31/00**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/01 to 9/30/01**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 10/1/01 to 9/30/02**						
Average Monthly Benefit*	\$-	\$297.95	\$367.83	\$673.48	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$4,619.45	\$3,071.63	\$3,766.71	\$-	\$-
Number of Active Retirees	-	4	3	2	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$196.52	\$274.26	\$487.31	\$600.85	\$-	\$-
Average Final Salary (Monthly)*	\$3,629.00	\$3,898.30	\$3,868.59	\$4,409.49	\$-	\$-
Number of Active Retirees	2	24	30	14	-	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

** PERS 3 became effective March 1, 2002

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: SERS Plan 2

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/99 to 12/31/99**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/00 to 12/31/00**						
Average Monthly Benefit*	\$215.88	\$520.57	\$577.60	\$790.56	\$-	\$-
Average Final Salary (Monthly)*	\$1,467.89	\$1,905.60	\$1,859.92	\$2,565.72	\$-	\$-
Number of Active Retirees	6	7	10	2	-	-
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$194.00	\$405.98	\$607.23	\$800.16	\$-	\$-
Average Final Salary (Monthly)*	\$1,436.54	\$1,653.89	\$1,772.23	\$2,140.37	\$-	\$-
Number of Active Retirees	40	38	35	31	-	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$240.96	\$415.32	\$730.68	\$829.12	\$-	\$-
Average Final Salary (Monthly)*	\$1,534.65	\$1,697.54	\$2,185.84	\$2,177.96	\$-	\$-
Number of Active Retirees	45	54	60	49	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$211.05	\$452.92	\$669.60	\$798.53	\$1,215.34	\$-
Average Final Salary (Monthly)*	\$1,396.53	\$1,818.45	\$2,039.61	\$2,148.25	\$2,652.12	\$-
Number of Active Retirees	63	61	64	81	4	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

** SERS became effective September 1, 2000.

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: SERS Plan 3

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/99 to 12/31/99**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/00 to 12/31/00**						
Average Monthly Benefit*	\$-	\$-	\$-	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$-	\$-	\$-
Number of Active Retirees	-	-	-	-	-	-
Period 1/1/01 to 9/30/01**						
Average Monthly Benefit*	\$155.58	\$178.65	\$201.73	\$325.92	\$-	\$-
Average Final Salary (Monthly)*	\$2,150.78	\$1,883.80	\$1,972.90	\$2,372.24	\$-	\$-
Number of Active Retirees	10	24	28	12	-	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$107.15	\$170.83	\$255.17	\$397.87	\$-	\$-
Average Final Salary (Monthly)*	\$1,460.85	\$1,916.83	\$1,919.31	\$2,326.24	\$-	\$-
Number of Active Retirees	13	41	31	12	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$163.96	\$203.20	\$280.10	\$363.17	\$586.34	\$-
Average Final Salary (Monthly)*	\$2,396.04	\$2,116.34	\$2,046.41	\$2,213.72	\$2,291.93	\$-
Number of Active Retirees	17	34	40	23	1	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited)

** SERS became effective September 1, 2002.

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: TRS Plan 1

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/97 to 6/30/98						
Average Monthly Benefit*	\$439.30	\$787.27	\$1,115.08	\$1,533.71	\$1,985.26	\$2,014.68
Average Final Salary (Monthly)*	\$3,075.22	\$3,403.57	\$3,854.23	\$4,175.42	\$4,405.69	\$4,541.03
Number of Active Retirees	14	26	48	160	654	448
Period 7/1/98 to 6/30/99						
Average Monthly Benefit*	\$396.88	\$715.87	\$1,159.08	\$1,503.29	\$2,005.94	\$2,038.77
Average Final Salary (Monthly)*	\$3,403.67	\$3,482.60	\$3,890.87	\$4,261.02	\$4,481.23	\$4,600.30
Number of Active Retirees	11	23	44	192	700	407
Period 7/1/99 to 6/30/00						
Average Monthly Benefit*	\$295.10	\$588.36	\$1,088.95	\$1,575.42	\$2,072.88	\$2,083.78
Average Final Salary (Monthly)*	\$3,033.65	\$2,818.93	\$3,783.64	\$4,294.24	\$4,614.38	\$4,724.18
Number of Active Retirees	61	58	64	188	814	418
Period 7/1/00 to 9/30/01						
Average Monthly Benefit*	\$274.13	\$733.44	\$1,134.70	\$1,688.10	\$2,180.01	\$2,207.91
Average Final Salary (Monthly)*	\$2,785.27	\$3,264.23	\$4,152.92	\$4,541.32	\$4,896.71	\$4,936.26
Number of Active Retirees	98	118	122	374	1,526	1,040
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$254.31	\$803.93	\$1,157.14	\$1,861.65	\$2,396.72	\$2,473.71
Average Final Salary (Monthly)*	\$2,597.54	\$3,432.41	\$4,037.84	\$4,841.25	\$5,162.29	\$5,246.20
Number of Active Retirees	79	66	83	229	770	483
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$328.49	\$866.35	\$1,289.24	\$1,843.72	\$2,623.39	\$2,662.54
Average Final Salary (Monthly)*	\$2,814.56	\$3,588.64	\$4,100.72	\$4,601.64	\$5,352.38	\$5,360.55
Number of Active Retirees	92	93	95	156	665	358

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: TRS Plan 2

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/97 to 6/30/98						
Average Monthly Benefit*	\$420.47	\$913.02	\$1,252.09	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$3,521.53	\$3,802.50	\$3,964.16	\$-	\$-	\$-
Number of Active Retirees	17	13	19	-	-	-
Period 7/1/98 to 6/30/99						
Average Monthly Benefit*	\$465.45	\$956.60	\$1,342.24	\$875.44	\$-	\$-
Average Final Salary (Monthly)*	\$3,432.16	\$3,759.73	\$4,317.44	\$3,516.92	\$-	\$-
Number of Active Retirees	16	13	28	2	-	-
Period 7/1/99 to 6/30/00						
Average Monthly Benefit*	\$477.49	\$806.42	\$1,340.51	\$1,368.88	\$-	\$-
Average Final Salary (Monthly)*	\$3,292.52	\$3,519.21	\$4,130.82	\$3,985.34	\$-	\$-
Number of Active Retirees	37	30	32	11	-	-
Period 7/1/00 to 9/30/01						
Average Monthly Benefit*	\$502.96	\$944.22	\$1,246.40	\$1,497.10	\$-	\$-
Average Final Salary (Monthly)*	\$3,386.67	\$3,859.24	\$4,071.52	\$4,098.62	\$-	\$-
Number of Active Retirees	55	44	50	36	-	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$498.47	\$920.61	\$1,350.13	\$1,710.86	\$-	\$-
Average Final Salary (Monthly)*	\$3,408.04	\$3,873.98	\$4,265.37	\$4,362.12	\$-	\$-
Number of Active Retirees	33	25	21	30	-	-
Period 10/01/02 to 9/30/03						
Average Monthly Benefit*	\$440.63	\$927.24	\$1,316.90	\$1,744.68	\$-	\$-
Average Final Salary (Monthly)*	\$3,377.29	\$4,076.97	\$4,256.03	\$4,673.16	\$-	\$-
Number of Active Retirees	38	40	33	25	-	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: TRS Plan 3

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 7/1/97 to 6/30/98						
Average Monthly Benefit*	\$143.82	\$274.92	\$416.11	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$5,722.32	\$3,739.84	\$4,121.50	\$-	\$-	\$-
Number of Active Retirees	1	2	2	-	-	-
Period 7/1/98 to 6/30/99						
Average Monthly Benefit*	\$204.33	\$274.94	\$444.58	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$4,630.42	\$3,676.21	\$4,108.33	\$-	\$-	\$-
Number of Active Retirees	2	13	15	-	-	-
Period 7/1/99 to 6/30/00						
Average Monthly Benefit*	\$129.91	\$284.85	\$527.43	\$431.09	\$-	\$-
Average Final Salary (Monthly)*	\$3,245.45	\$3,850.47	\$4,450.93	\$4,342.86	\$-	\$-
Number of Active Retirees	3	19	14	2	-	-
Period 7/1/00 to 9/30/01						
Average Monthly Benefit*	\$248.98	\$343.19	\$479.65	\$571.69	\$-	\$-
Average Final Salary (Monthly)*	\$4,040.17	\$4,098.63	\$4,240.39	\$4,429.45	\$-	\$-
Number of Active Retirees	15	37	28	20	-	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$220.32	\$343.01	\$485.97	\$558.34	\$-	\$-
Average Final Salary (Monthly)*	\$3,727.15	\$4,114.94	\$4,282.65	\$4,355.04	\$-	\$-
Number of Active Retirees	9	27	16	16	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$215.81	\$376.46	\$545.68	\$730.52	\$-	\$-
Average Final Salary (Monthly)*	\$3,948.35	\$4,622.77	\$4,386.17	\$4,580.21	\$-	\$-
Number of Active Retirees	17	25	31	21	-	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: LEOFF Plan 1

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98						
Average Monthly Benefit*	\$-	\$-	\$1,409.20	\$2,317.78	\$2,893.12	\$3,822.23
Average Final Salary (Monthly)*	\$-	\$-	\$3,523.00	\$4,787.24	\$5,192.90	\$5,838.70
Number of Active Retirees	-	-	2	16	77	30
Period 1/1/99 to 12/31/99						
Average Monthly Benefit*	\$-	\$-	\$-	\$2,433.96	\$2,953.55	\$3,753.25
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$5,047.65	\$5,205.80	\$5,754.30
Number of Active Retirees	-	-	-	17	71	31
Period 1/1/00 to 12/31/00						
Average Monthly Benefit*	\$-	\$-	\$1,650.47	\$2,689.59	\$3,032.38	\$3,750.90
Average Final Salary (Monthly)*	\$-	\$-	\$3,990.61	\$5,121.64	\$5,608.80	\$6,132.45
Number of Active Retirees	-	-	3	48	141	60
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$345.68	\$894.28	\$1,579.67	\$2,816.73	\$3,109.33	\$3,584.16
Average Final Salary (Monthly)*	\$2,610.67	\$2,696.79	\$4,023.37	\$5,434.91	\$5,763.09	\$5,837.19
Number of Active Retirees	2	2	6	39	87	49
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$-	\$-	\$2,331.10	\$2,988.91	\$3,274.02	\$3,885.10
Average Final Salary (Monthly)*	\$-	\$-	\$5,080.50	\$6,074.97	\$6,046.00	\$6,405.84
Number of Active Retirees	-	-	2	20	95	56
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$2,025.18	\$2,222.50	\$790.85	\$2,759.90	\$3,608.96	\$3,963.91
Average Final Salary (Monthly)*	\$4,050.36	\$4,445.00	\$2,747.33	\$5,517.10	\$6,558.24	\$6,465.99
Number of Active Retirees	2	1	1	10	89	60

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: LEOFF Plan 2

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98						
Average Monthly Benefit*	\$470.21	\$904.73	\$1,422.44	\$-	\$-	\$-
Average Final Salary (Monthly)*	\$3,210.43	\$4,021.01	\$4,803.66	\$-	\$-	\$-
Number of Active Retirees	4	1	6	-	-	-
Period 1/1/99 to 12/31/99						
Average Monthly Benefit*	\$570.78	\$854.44	\$1,475.41	\$2,577.73	\$-	\$-
Average Final Salary (Monthly)*	\$4,065.54	\$3,620.92	\$4,020.36	\$6,211.40	\$-	\$-
Number of Active Retirees	6	6	6	1	-	-
Period 1/1/00 to 12/31/00						
Average Monthly Benefit*	\$650.73	\$1,027.96	\$1,346.56	\$1,976.68	\$-	\$-
Average Final Salary (Monthly)*	\$5,539.05	\$3,806.93	\$4,218.39	\$5,245.36	\$-	\$-
Number of Active Retirees	7	10	13	5	-	-
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$626.16	\$943.10	\$1,885.84	\$2,066.47	\$-	\$-
Average Final Salary (Monthly)*	\$4,995.09	\$4,004.33	\$5,212.68	\$5,146.12	\$-	\$-
Number of Active Retirees	8	8	12	11	-	-
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$634.41	\$1,202.59	\$1,637.57	\$2,313.58	\$-	\$-
Average Final Salary (Monthly)*	\$3,952.56	\$4,737.99	\$4,821.85	\$5,533.30	\$-	\$-
Number of Active Retirees	8	9	14	14	-	-
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$669.51	\$988.59	\$1,809.39	\$2,396.28	\$1,704.94	\$-
Average Final Salary (Monthly)*	\$4,892.20	\$4,219.61	\$5,132.09	\$5,531.87	\$3,602.73	\$-
Number of Active Retirees	12	9	18	26	1	-

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Average Benefit Payments to Service Retirees in Year of Retirement: WSPRS Plan 1

Retirement Effective Dates	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	31+
Period 1/1/98 to 12/31/98						
Average Monthly Benefit*	\$-	\$-	\$-	\$2,661.26	\$3,028.54	\$4,001.54
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$5,261.77	\$5,416.48	\$5,838.87
Number of Active Retirees	-	-	-	7	18	8
Period 1/1/99 to 12/31/99						
Average Monthly Benefit*	\$-	\$-	\$-	\$2,861.87	\$3,186.29	\$3,197.98
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$5,633.93	\$5,578.02	\$4,817.43
Number of Active Retirees	-	-	-	7	21	7
Period 1/1/00 to 12/31/00						
Average Monthly Benefit*	\$-	\$-	\$-	\$3,211.61	\$3,277.30	\$3,488.65
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$6,332.66	\$5,870.93	\$5,447.32
Number of Active Retirees	-	-	-	7	21	6
Period 1/1/01 to 9/30/01						
Average Monthly Benefit*	\$-	\$-	\$-	\$2,024.21	\$3,604.37	\$4,322.36
Average Final Salary (Monthly)*	\$-	\$-	\$-	\$4,264.99	\$6,348.08	\$6,362.57
Number of Active Retirees	-	-	-	2	12	15
Period 10/1/01 to 9/30/02						
Average Monthly Benefit*	\$-	\$562.42	\$2,534.99	\$3,475.76	\$3,691.11	\$3,722.77
Average Final Salary (Monthly)*	\$-	\$2,502.73	\$6,208.20	\$7,146.99	\$6,784.48	\$5,449.78
Number of Active Retirees	-	1	1	7	9	7
Period 10/1/02 to 9/30/03						
Average Monthly Benefit*	\$-	\$-	\$1,100.95	\$3,502.58	\$3,708.64	\$4,234.55
Average Final Salary (Monthly)*	\$-	\$-	\$2,861.31	\$7,149.96	\$6,584.12	\$6,437.39
Number of Active Retirees	-	-	1	3	10	11

Retirees with missing or invalid data elements were excluded.

* At retirement (may not be audited).

Source: Washington State Office of the State Actuary

Schedule of Benefit Expenses and Refunds by Type: PERS Plan 1
For the Years Ended 1999-2004
 (expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 760,454	\$ 710,565	\$ 656,113	\$ 635,006	\$ 588,662	\$ 540,638
Disability	14,970	15,210	14,506	14,198	13,255	12,964
Survivor	53,341	50,908	48,111	45,946	43,556	40,689
Refunds						
Separations	4,309	4,224	5,422	5,799	7,407	7,322
Death	1,319	1,453	2,024	1,486	1,413	1,612
Total	<u>\$ 834,393</u>	<u>\$ 782,360</u>	<u>\$ 726,176</u>	<u>\$ 702,435</u>	<u>\$ 654,293</u>	<u>\$ 603,225</u>

Schedule of Benefit Expenses and Refunds by Type: PERS Plan 2/3
For the Years Ended 1999-2004
 (expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 77,193	\$ 64,733	\$ 54,065	\$ 49,589	\$ 40,969	\$ 32,220
Disability	5,456	4,920	4,310	3,958	3,507	3,076
Survivor	3,525	2,807	2,177	1,863	1,527	1,130
Refunds						
Separations	23,729	27,645	38,626	36,945	53,785	52,744
Death	3,353	3,190	3,460	2,703	3,570	3,171
Total	<u>\$ 113,256</u>	<u>\$ 103,295</u>	<u>\$ 102,638</u>	<u>\$ 95,058</u>	<u>\$ 103,358</u>	<u>\$ 92,341</u>

Schedule of Benefit Expenses and Refunds by Type: PERS Plan 3*
For the Years Ended 1999-2004
 (expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disability	-	-	-	-	-	-
Survivor	-	-	-	-	-	-
Refunds						
Separations	25,601	5,515	-	-	-	-
Death	980	222	-	-	-	-
Total	<u>\$ 26,581</u>	<u>\$ 5,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* PERS Plan 3 became effective March 1, 2002.

Schedule of Benefit Expenses and Refunds by Type: SERS Plan 2/3*
For the Years Ended 1999-2004
 (expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 5,902	\$ 3,647	\$ 1,646	\$ 931	\$ 27	\$ -
Disability	568	442	355	131	4	-
Survivor	222	216	47	15	1	-
Refunds						
Separations	1,855	1,972	2,090	2,328	608	-
Death	170	248	307	259	16	-
Total	<u>\$ 8,717</u>	<u>\$ 6,525</u>	<u>\$ 4,445</u>	<u>\$ 3,664</u>	<u>\$ 656</u>	<u>\$ -</u>

* SERS Plan 2/3 became effective September 1, 2000.

Schedule of Benefit Expenses and Refunds by Type: SERS Plan 3*
For the Years Ended 1999-2004
(expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disability	-	-	-	-	-	-
Survivor	-	-	-	-	-	-
Refunds						
Separations	11,731	10,528	10,498	8,781	-	-
Death	633	800	373	-	-	-
Total	<u>\$ 12,364</u>	<u>\$ 11,328</u>	<u>\$ 10,871</u>	<u>\$ 8,781</u>	<u>\$ -</u>	<u>\$ -</u>

* SERS Plan 3 became effective September 1, 2000

Schedule of Benefit Expenses and Refunds by Type: TRS Plan 1
For the Years Ended 1999-2004
(expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 601,323	\$ 652,419	\$ 644,218	\$ 521,534	\$ 481,936	\$ 446,676
Disability	11,129	10,916	10,691	10,337	9,930	9,493
Survivor	27,554	25,919	24,100	23,058	21,297	19,558
Refunds						
Separations	1,792	1,521	2,313	1,306	1,478	1,945
Death	-	-	-	788	1,210	483
Total	<u>\$ 641,798</u>	<u>\$ 690,775</u>	<u>\$ 681,322</u>	<u>\$ 557,023</u>	<u>\$ 515,851</u>	<u>\$ 478,155</u>

Schedule of Benefit Expenses and Refunds by Type: TRS Plan 2/3
For the Years Ended 1999-2004
(expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 12,389	\$ 9,988	\$ 7,876	\$ 6,999	\$ 5,368	\$ 3,740
Disability	521	406	437	477	333	282
Survivor	506	467	356	304	262	192
Refunds						
Separations	2,432	3,082	4,220	3,178	9,065	4,805
Death	426	456	290	449	1,087	344
Total	<u>\$ 16,274</u>	<u>\$ 14,399</u>	<u>\$ 13,179</u>	<u>\$ 11,407</u>	<u>\$ 16,115</u>	<u>\$ 9,363</u>

Schedule of Benefit Expenses and Refunds by Type: TRS 3*
For the Years Ended 1999-2004
(expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disability	-	-	-	-	-	-
Survivor	-	-	-	-	-	-
Refunds						
Separations	23,911	18,611	17,375	18,223	19,356	12,877
Death	2,021	720	1,020	1,194	458	852
Total	<u>\$ 25,932</u>	<u>\$ 19,331</u>	<u>\$ 18,395</u>	<u>\$ 19,417</u>	<u>\$ 19,814</u>	<u>\$ 13,729</u>

* TRS Plan 3 became effective July 1, 1996.

**Schedule of Benefit Expenses and Refunds by Type: LEOFF Plan 1
For the Years Ended 1999-2004
(expressed in thousands)**

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 95,318	\$ 89,457	\$ 83,586	\$ 82,789	\$ 77,262	\$ 71,669
Disability	139,544	139,236	135,537	131,427	125,340	119,272
Survivor	37,256	35,925	33,502	31,911	29,709	27,593
Refunds						
Separations	4	153	6	3	12	80
Death	129	5	87	94	73	-
Total	<u>\$ 272,251</u>	<u>\$ 264,776</u>	<u>\$ 252,718</u>	<u>\$ 246,224</u>	<u>\$ 232,396</u>	<u>\$ 218,614</u>

**Schedule of Benefit Expenses and Refunds by Type: LEOFF Plan 2
For the Years Ended 1999-2004
(expressed in thousands)**

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 5,338	\$ 3,596	\$ 2,481	\$ 2,073	\$ 1,199	\$ 795
Disability	498	319	200	145	77	42
Survivor	207	144	61	41	23	9
Refunds						
Separations	5,367	4,810	8,554	7,357	10,571	9,428
Death	353	314	590	234	579	885
Total	<u>\$ 11,763</u>	<u>\$ 9,183</u>	<u>\$ 11,886</u>	<u>\$ 9,850</u>	<u>\$ 12,449</u>	<u>\$ 11,159</u>

**Schedule of Benefit Expenses and Refunds by Type: WSPRS Plan 1
For the Years Ended 1999-2004
(expressed in thousands)**

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 24,111	\$ 22,536	\$ 20,874	\$ 20,066	\$ 18,286	\$ 16,780
Disability	-	-	-	-	-	-
Survivor	1,613	1,511	1,442	1,355	1,292	1,206
Refunds						
Separations	303	221	199	124	173	243
Death	-	-	-	-	33	-
Total	<u>\$ 26,027</u>	<u>\$ 24,268</u>	<u>\$ 22,515</u>	<u>\$ 21,545</u>	<u>\$ 19,784</u>	<u>\$ 18,229</u>

**Schedule of Benefit Expenses and Refunds by Type: JRS
For the Years Ended 1999-2004
(expressed in thousands)**

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 7,076	\$ 6,966	\$ 6,769	\$ 6,768	\$ 6,247	\$ 6,183
Disability	-	34	56	55	55	14
Survivor	1,328	1,279	1,235	1,228	1,173	1,135
Refunds						
Separations	-	-	-	-	-	-
Death	-	-	-	-	-	-
Total	<u>\$ 8,404</u>	<u>\$ 8,279</u>	<u>\$ 8,060</u>	<u>\$ 8,051</u>	<u>\$ 7,475</u>	<u>\$ 7,332</u>

Schedule of Benefit Expenses and Refunds by Type: JUDGES
For the Years Ended 1999-2004
(expressed in thousands)

	06/30/04	06/30/03	6/30/02	12/31/01	12/31/00	12/31/99
Benefit Expenses						
Service	\$ 597	\$ 567	\$ 603	\$ 622	\$ 622	\$ 622
Disability	-	-	-	-	-	-
Survivor	88	72	53	40	40	41
Refunds						
Separations	-	-	-	-	-	-
Death	-	-	-	-	-	-
Total	\$ <u>685</u>	\$ <u>639</u>	\$ <u>656</u>	\$ <u>662</u>	\$ <u>662</u>	\$ <u>663</u>

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 1 of 11)

State Agencies

Administrative Office of the Courts	Economic Development Finance Auth.	Personnel Appeals Board
Board for Volunteer Firefighters	Environmental Hearings Office	Rainier School
Board of Industrial Insurance Appeals	Fircrest School	Senate
Board of Tax Appeals	Frances H. Morgan Ctr.	Soldiers Home of WA State
Child Study & Treatment Ctr.	Governor's Office of Indian Affairs	Special Commitment Ctr.
Consolidated Support Services	Green Hill School	State Board for Community & Technical Colleges
County Road Administration Board	Health Care Facilities Authority	State Board of Accountancy
Court of Appeals	Higher Education Coordinating Board	State Investment Board
Dept. of Agriculture	Home Care Quality Authority	State of WA Caseload Forecast Council
Dept. of Community, Trade & Economic Development	House of Representatives	Statute Law Committee
Dept. of Corrections:	Human Resource Info. System Division	Students Book Corporation
<i>Airway Heights Correction Ctr.</i>	Indeterminate Sentence Review Board	Superintendent of Public Instruction
<i>McNeil Island Correction Ctr.</i>	Interagency Committee for Outdoor Recreation	Superior Court
<i>WA Correction Ctr.</i>	Joint Legislative Audit & Review Committee	Supreme Court
<i>WA State Penitentiary</i>	Joint Legislative Systems Committee	Transportation Improvement Board
<i>WA State Reformatory</i>	Lakeland Village	Veterans Home - Spokane
Dept. of Ecology	Law Library	WA Pollution Liability Insurance Agency
Dept. of Employment Security	Leap Committee	WA State Bar Assn.
Dept. of Financial Institutions	LEOFF Retirement Plan 2 Board	WA State Ferries
Dept. of Fish & Wildlife	Liquor Control Board	WA State Health Care Auth.
Dept. of General Administration	Maple Lane School	WA State Historical Society
Dept. of Health	Military Dept.	WA State Patrol
Dept. of Info. Services	Naselle Youth Camp	WA State School Directors' Assn.
Dept. of Labor & Industries	Office of Administrative Hearings	WA State School for the Blind
Dept. of Licensing	Office of Financial Mgmt.	WA State School for the Deaf
Dept. of Natural Resources	Office of Minority & Women's Business Enterprises	WA Veterans' Home
Dept. of Personnel	Office of Public Defense	Western Washington Growth Mgmt. Hearings Board
Dept. of Printing	Office of the Attorney General	Western State Hospital
Dept. of Retirement Systems	Office of the Forecast Council	Workforce Training & Education Coordinating Board
Dept. of Revenue	Office of the Governor	Yakima Valley School
Dept. of Services for the Blind	Office of the Insurance Commissioner	
Dept. of Social & Health Services	Office of the Lieutenant Governor	State Commissions
Dept. of Transportation	Office of the Secretary of State	African American Affairs
Dept. of Veterans' Affairs	Office of the State Actuary	Apple
Eastern State Hospital	Office of the State Auditor	Arts
Eastern WA State Historical Society	Office of the State Treasurer	Asian American Affairs
Echo Glen Children's Ctr.		

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 2 of 11)

State Commissions (continued)

Barley	Auburn	Conway
Beef	Bainbridge Island	Cosmopolis
Columbia River Gorge	Battle Ground	Coulee
Conservation	Bellevue	Coupeville
Criminal Justice Training	Bellingham	Crescent
Dairy Products	Benge	Creston
Fruit	Bethel	Curlew
Fryer	Bickleton	Cusick
Gambling	Blaine	Damman
Hispanic Affairs	Boistfort	Darrington
Hop	Bremerton	Davenport
Horse Racing	Brewster	Dayton
Housing Finance	Bridgeport	Deer Park
Human Rights	Brinnon	Dieringer
Judicial Conduct	Burlington-Edison	Dixie
Legislative Transportation	Camas	East Valley (Spokane Co.)
Lottery	Cape Flattery	East Valley (Yakima Co.)
Marine Employees'	Carbonado	Eastmont
Parks & Recreation	Cascade	Easton
Potato	Cashmere	Eatonville
Public Disclosure	Castle Rock	Edmonds
Public Employment Relations	Centerville	Ellensburg
Puget Sound Pilotage	Central Kitsap	Elma
Salaries for Elected Officials	Central Valley	Endicott
Sentencing Guidelines	Centralia	Entiat
Traffic Safety	Chehalis	Enumclaw
Tree Fruit Research	Cheney	Ephrata
Utilities & Transportation	Chewelah	Evaline
Wheat	Chimacum	Everett
Wine	Clarkston	Evergreen (Clark Co.)
	Cle Elum-Roslyn	Evergreen (Stevens Co.)
	Clover Park	Federal Way
	Colfax	Ferndale
	College Place	Fife
	Colton	Finley
	Columbia (Stevens Co.)	Franklin Pierce
	Columbia (Walla Walla Co.)	Freeman
	Colville	Garfield
	Concrete	Glenwood

School Districts

Aberdeen
Adna
Almira
Anacortes
Arlington
Asotin Anatone

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 3 of 11)

School Districts (continued)

Goldendale	Longview	North River
Grand Coulee Dam	Loon Lake	North Thurston
Grandview	Lopez	Northport
Granger	Lyle	Northshore
Granite Falls	Lynden	Oak Harbor
Grapeview	Mabton	Oakesdale
Great Northern	Mansfield	Oakville
Green Mountain	Manson	Ocean Beach
Griffin	Mary M. Knight	Ocosta
Harrington	Mary Walker	Odessa
Highland	Marysville	Okanogan
Highline	McCleary	Olympia
Hockinson	Mead	Omak
Hood Canal	Medical Lake	Onalaska
Hoquiam	Mercer Island	Onion Creek
Inchelium	Meridian	Orcas Island
Index	Methow Valley	Orchard Prairie
Issaquah	Mill A	Orient
Kahlotus	Monroe	Orondo
Kalama	Montesano	Oroville
Keller	Morton	Orting
Kelso	Moses Lake	Othello
Kennewick	Mossyrock	Palisades
Kent	Mount Adams	Palouse
Kettle Falls	Mount Baker	Pasco
Kiona-Benton City	Mount Pleasant	Pateros
Kittitas	Mount Vernon	Paterson
Klickitat	Mukilteo	Pe Ell
La Center	Naches Valley	Peninsula
La Conner	Napavine	Pioneer
LaCrosse	Naselle-Grays River Valley	Pomeroy
Lake Chelan	Nespelem	Port Angeles
Lake Stevens	Newport	Port Townsend
Lake Washington	Nine Mile Falls	Prescott
Lakewood	Nooksack Valley	Prosser
Lamont	North Beach	Pullman
Liberty	North Franklin	Puyallup
Lind	North Kitsap	Queets-Clearwater
	North Mason	Quilcene

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 4 of 11)

School Districts (continued)

Quillayute	Sprague
Quinault Lake	Stanwood-Camano
Quincy	Star
Rainier	Starbuck
Raymond	Stehekin
Reardan-Edwall	Steilacoom Historical
Renton	Steptoe
Republic	Stevenson-Carson
Richland	Sultan
Ridgefield	Summit
Ritzville	Sumner
Riverside	Sunnyside
Riverview	Tacoma
Rochester	Taholah
Roosevelt	Tahoma
Rosalia	Tekoa
Royal	Tenino
Saint John	Thorp
San Juan Island	Toledo
Satsop	Tonasket
Seattle	Toppenish
Sedro Woolley	Touchet
Selah	Toutle Lake
Selkirk	Trout Lake
Sequim	Tukwila
Shaw Island	Tumwater
Shelton	Union Gap
Shoreline	University Place
Skamania	Vader
Skykomish	Valley
Snohomish	Vancouver
Snoqualmie Valley	Vashon Island
Soap Lake	Wahkiakum
South Bend	Wahluke
South Kitsap	Waitsburg
South Whidbey	Walla Walla
Southside	Wapato
Spokane	Warden Jr. Consolidated
	Washougal

Washtucna
Waterville
Wellpinit
Wenatchee
West Valley (Spokane Co.)
West Valley (Yakima Co.)
White Pass
White River
White Salmon
Wilbur
Willapa Valley
Wilson Creek
Winlock
Wishkah Valley
Wishram
Woodland
Yakima
Yelm
Zillah

Educational Service Districts

E.S.D. 101
E.S.D. 105
E.S.D. 112
E.S.D. 113
E.S.D. 123
E.S.D. 189
North Central WA E.S.D.
Olympic E.S.D.
Puget Sound E.S.D.

Community Colleges, Technical Colleges

Bates Technical College
Bellevue Community College
Bellingham Technical College
Big Bend Community College
Cascadia Community College

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 5 of 11)

Community Colleges, Technical Colleges (continued)

Clark Community College
Clover Park Technical College
Columbia Basin Community College
Community College District 12
Community College of Spokane
Edmonds Community College
Everett Community College
Grays Harbor College
Green River Community College
Highline Community College
Lake Washington Technical College
Lower Columbia Community College
Olympic College
Peninsula College
Pierce College
Renton Technical College
Seattle Community College
Shoreline Community College
Skagit Valley College
South Puget Sound Community
College
Tacoma Community College
Walla Walla Community College
Wenatchee Valley College
Whatcom Community College
Yakima Valley College

Universities

Central Washington University
Eastern Washington University
The Evergreen State College
University of Washington
Washington State University
Western Washington University

Cities & Towns

Aberdeen
Airway Heights
Algona
Anacortes
Arlington
Asotin
Auburn
Bainbridge Island
Battle Ground
Beaux Arts Village
Bellevue
Bellingham
Benton City
Bingen
Black Diamond
Blaine
Bonney Lake
Bothell
Bremerton
Brewster
Bridgeport (Town of)
Brier
Buckley
Burien
Burlington
Camas
Carbonado (Town of)
Carnation
Cashmere
Castle Rock
Cathlamet (Town of)
Centralia
Chehalis
Chelan
Cheney
Chewelah
Clarkston
Cle Elum

Clyde Hill
Colfax
College Place
Colton (Town of)
Colville
Concrete (Town of)
Connell
Cosmopolis
Coulee City (Town of)
Coulee Dam (Town of)
Coupeville (Town of)
Creston (Town of)
Cusick (Town of)
Darrington (Town of)
Davenport
Dayton
Deer Park
Des Moines
Dupont
Duvall
East Wenatchee
Eatonville (Town of)
Edgewood
Edmonds
Electric City (Town of)
Ellensburg
Elma
Elmer City (Town of)
Entiat
Enumclaw
Ephrata
Everett
Everson
Federal Way
Ferndale
Fife
Fircrest
Forks
Friday Harbor (Town of)

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 6 of 11)

Cities & Towns (continued)

Garfield (Town of)	Marysville	Palouse
George	Mattawa (Town of)	Pasco
Gig Harbor	McCleary	Pateros
Goldendale	Medical Lake	Port Angeles
Grand Coulee	Medina	Port Orchard
Grandview	Mercer Island	Port Townsend
Granger (Town of)	Metaline Falls (Town of)	Poulsbo
Granite Falls (Town of)	Mill Creek	Prosser
Harrington (Town of)	Millwood (Town of)	Pullman
Hoquiam	Milton	Puyallup
Hunts Point (Town of)	Monroe	Quincy
Ilwaco	Montesano	Rainier
Issaquah	Morton	Raymond
Kalama	Moses Lake	Reardan (Town of)
Kelso	Mossyrock	Redmond
Kenmore	Mount Vernon	Renton
Kennewick	Mountlake Terrace	Republic
Kent	Moxee	Richland
Kettle Falls	Mukilteo	Ridgefield
Kirkland	Naches (Town of)	Ritzville
Kittitas	Napavine	Rosalia (Town of)
La Center	Newcastle	Roslyn
La Conner (Town of)	Newport	Roy
Lacey	Nooksack	Royal City
Lake Forest Park	Normandy Park	Ruston (Town of)
Lake Stevens	North Bend	Sammamish
Lakewood	North Bonneville	Seatac
Langley	Oak Harbor	Seattle
Leavenworth	Oakesdale (Town of)	Sedro Woolley
Liberty Lake	Oakville	Selah
Lind (Town of)	Ocean Shores	Sequim
Long Beach	Odessa (Town of)	Shelton
Longview	Okanogan	Shoreline
Lynden	Olympia	Skykomish (Town of)
Lynnwood	Omak	Snohomish
Mabton	Oroville	Snoqualmie
Mansfield (Town of)	Orting	Soap Lake
Maple Valley	Othello	South Bend
	Pacific	South Cle Elum (Town of)

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 7 of 11)

Cities & Towns (continued)

Spangle (Town of)
Spokane
Spokane Valley
Sprague
Springdale (Town of)
Stanwood
Steilacoom (Town of)
Stevenson
Sultan
Sumas
Sumner
Sunnyside
Tacoma
Tekoa
Tenino
Tieton (Town of)
Toledo
Tonasket
Toppenish
Tukwila
Tumwater
Twisp (Town of)
Union Gap
Uniontown (Town of)
University Place
Vader
Vancouver
Waitsburg
Walla Walla
Wapato
Warden
Washougal
Washtucna (Town of)
Waterville (Town of)
Wenatchee
West Richland
Westport
White Salmon (Town of)

Wilbur (Town of)
Winlock
Winthrop (Town of)
Woodinville
Woodland
Woodway (Town of)
Yacolt (Town of)
Yakima
Yarrow Point (Town of)
Yelm
Zillah

Counties

Adams
Asotin
Benton
Chelan
Clallam
Clark
Columbia
Cowlitz
Douglas
Ferry
Franklin
Garfield
Grant
Grays Harbor
Island
Jefferson
King
Kitsap
Kittitas
Klickitat
Lewis
Lincoln
Mason
Okanogan
Pacific
Pend Oreille

Pierce
San Juan
Skagit
Skamania
Snohomish
Spokane
Stevens
Thurston
Wahkiakum
Walla Walla
Whatcom
Whitman
Yakima

Air Quality Authorities

Benton Clean Air Auth.
NW Air Pollution Auth.
Olympic Region Clean Air Agency
Puget Sound Clean Air Agency
SW Clean Air Agency
Spokane Co. Air Pollution
Yakima Regional Clean Air Auth.

Area Agencies on Aging

Aging & Adult Care of Central WA
Aging & Long-Term Care of Eastern WA
Lewis, Mason, Thurston Area Agency on Aging
Olympic Area Agency on Aging

Conservation Districts

Clallam
Columbia
Cowlitz
King
Kittitas
Pacific
Snohomish
Stevens Co.
Thurston

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 8 of 11)

Conservation Districts (continued)

Wahkiakum

Fire Protection Districts

Adams Co. FPD 5
Asotin Co. FPD 1
Bainbridge Island Fire Dept.
Benton Co. FPDs 1, 2, 4 & 6
Central Kitsap Fire & Rescue
Central Whidbey Island Fire & Rescue
Chelan Co. FPDs 1, 3, 5, 7 & 9
Clallam Co. FPDs 2 & 3
Clark Co. FPDs 1, 3, 5, 6, 9, 11, 12 & 13
Cowlitz Co. FPDs 2 & 5
Douglas Co. FPD 2
Federal Way Fire Dept.
Franklin Co. FPD 3
Grant Co. FPDs 3, 4, 5 & 8
Island Co. FPDs 1-3
Jefferson Co. FPDs 1-6
King Co. FPDs 2, 10, 14, 16, 20, 25-27, 34, 37, 40, 43-45 & 50
Kitsap Co. FPDs 7 & 18
Kittitas Co. FPD 2
Lewis Co. FPD 3, 6, 10, 12 & 14
Marysville Fire Dist. 12
Mason Co. FPDs 2-6 & 13
North Highline Fire Dist.
North Kitsap Fire & Rescue
North Olympia Fire Dept.
North Whatcom Fire & Rescue
Okanogan Co. FPD 5 & 6
Pacific Co. FPD 1
Pend Oreille FPD 3 & 4
Pierce Co. FPDs 1-3, 5, 6, 8, 10, 12, 14, 16-18, 20-23 & 27
Prosser FPD 3
San Juan Co. FPDs 2-4

Shoreline Fire Dept.
Skagit Co. FPD 8
Snohomish Co. FPDs 1, 3-5, 7, 8, 14, 15, 17-19, 26 & 28
South Pierce Fire & Rescue 15
Spokane Co. FPDs 1, 3, 4 & 8-10
Stevens Co. FPD 1
Thurston Co. FPDs 1, 3, 5, 6, 8, 9, 11 & 13
Vashon Island Fire & Rescue
Walla Walla Co. FPDs 4 & 5
Whatcom Co. FPDs 2, 4, 7, 8 & 14
Woodinville Fire-Life Safety Dist.
Yakima Co. FPDs 4, 5 & 12
Yelm Fire Dist.

Public Health

Asotin Co. Health Dist.
Benton-Franklin Health Dist.
Chelan-Douglas Health Dist.
Garfield Co. Health Dist.
Grant Co. Health Dist.
Greater Columbia Behavioral Health
King Co. Public Health Dept.
Kitsap Co. Health Dist.
North Central WA Regional Support Network
North Sound Mental Health Administration
Snohomish Health Dist.
Spokane Regional Health Dist.
Yakima Co. Health Dist.

Emergency Service & Communication Districts

Chelan Co. Emergency Mgmt.
Emergency Services Coordinating Agency
Franklin Co. Emergency Mgmt.
Grays Harbor Communications

Island Co. Emergency Services Communication Ctr.
KITTCOM
Multi Agency Communications Ctr.
North Country Emergency Medical Service RIVERCOM
San Juan Co. Emergency Medical Services Skagit 911 (SECOM)
Snocom Medic-7
Snohomish Co. Emergency Radio System
South Beach Ambulance Service
Valley Communication Ctr.

Housing Authorities

Anacortes
Asotin Co.
Bellingham
Bremerton
Clallam Co.
Everett
Grant Co.
Grays Harbor Co.
Island Co.
Jefferson Co.
Kelso
Kennewick
King Co.
Kitsap Co. Consolidated
Kittitas Co.
Longview
Mason Co.
Othello
Pasco/Franklin Co.
Pierce Co.
Renton
Richland
Seattle
Skagit Co.
Snohomish Co.

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 9 of 11)

Housing Authorities (continued)

Spokane
Tacoma
Thurston Co.
Vancouver
Walla Walla

Insurance Authorities

Transit Insurance Pool of WA
WA Cities Insurance Auth.
WA Counties Risk Pool
WA Governmental Entity Pool
Water & Sewer Insurance Pool

Irrigation, Sewer & Water Districts

Agnew Irrigation Dist.
Ahtanum Irrigation Dist.
Alderwood Water Dist.
Annapolis Water Dist.
Beacon Hill Sewer Dist.
Belfair Water Dist.
Benton Irrigation Dist.
Birch Bay Water & Sewer Dist.
Brewster Flat Irrigation Dist.
Cascade Irrigation Dist.
Cedar River Water & Sewer Dist.
Clinton Water Dist.
Coal Creek Utility Dist.
Coalition for Clean Water
Columbia Irrigation Dist.
Consolidated Diking Improvement
Dist. 1 & 2
Consolidated Irrigation Dist. 19
Covington Water Dist.
Cowlitz Sewer Board
Cross Valley Water Dist.
Diamond Lake Water & Sewer Dist.

Douglas Co. Sewer Dist. 1
Drainage Improvement Dist. 8
East Columbia Basin Irrigation Dist.
East Spokane Water Dist.
East Wenatchee Water Dist.
Evergreen Water-Sewer Dist. 19
Fall City Water Dist.
Franklin Co. Irrigation Dist. 1
Gardena Farms Dist. 13
Glacier Water Dist.
Grays Harbor Co. Water Dist. 1
Greater Wenatchee Irrigation Dist.
Hazel Dell Sewer Dist.
Highland Irrigation Dist.
Highline Water Dist.
Holmes Harbor Sewer Dist.
Icicle Irrigation Dist.
Irvin Water Dist. 6
Karcher Creek Sewer Dist.
Kennewick Irrigation Dist.
King Co. Water Dist. 19, 20, 45, 49, 54, 90,
111, 119 & 125
Kiona Irrigation Dist.
Kittitas Reclamation Dist.
Lake Chelan Reclamation Dist.
Lake Forest Park Water Dist.
Lake Stevens Sewer Dist.
Lakehaven Sewer Dist.
Lakehaven Utility Dist.
Lakewood Water Dist.
Loon Lake Sewer Dist. 4
LOTT Alliance
Malaga Water Dist.
Manchester Water Dist.
Midway Sewer Dist.
Moab Irrigation Dist. 20
Model Irrigation Dist. 18
Mukilteo Water Dist.
Naches-Selah Irrigation Dist.

NE Sammamish Sewer & Water Dist.
North Perry Ave. Water Dist.
North Spokane Irrigation Dist. 8
Northshore Utility Dist.
Okanogan Irrigation Dist.
Olympic View Water Dist.
Olympus Terrace Sewer Dist.
Orchard Ave. Irrigation Dist.
Oroville-Tonasket Irrigation Dist.
Pasadena Park Irrigation Dist. 17
Point Roberts Water Dist. 4
Quincy-Columbia Basin Irrigation Dist.
Ronald Wastewater Dist.
Roza Irrigation Dist.
Samish Water Dist.
Sammamish Plateau Water & Sewer Dist.
Selah-Moxee Irrigation Dist.
Shoreline Water Dist.
Silverdale Water Dist. 16
Silverlake Water Dist.
Skyway Water & Sewer Dist.
Snoqualmie Pass Utility Dist.
Soos Creek Water & Sewer Dist.
South Columbia Basin Irrigation Dist.
South King Co. Regional Water Assn.
SW Suburban Sewer Dist.
Stemilt Irrigation Dist.
Stevens Pass Sewer Dist.
Sunland Water Dist.
Sunnyside Valley Irrigation Dist.
Terrace Heights Sewer Dist.
Trentwood Irrigation Dist. 3
Val Vue Sewer Dist.
Valley Water Dist.
Vera Irrigation Dist. 15
Wenatchee Reclamation Dist.
Whatcom Co. Water Dist. 7 & 10
Whitstone Reclamation Dist
Whitworth Water Dist. 2
Willapa Valley Water Dist.

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 10 of 11)

Irrigation, Sewer & Water Districts (continued)

Woodinville Water Dist.
Yakima-Tieton Irrigation Dist.

Weed Control Districts

Ferry Co. Weed Board
Grant Co. Noxious Weed Board
Grant Co. Weed Dist. 1 & 3
Pierce Co. Noxious Weed Board
Spokane Co. Noxious Weed Control
Board

Mosquito Districts

Adams Co. Mosquito Dist.
Benton Co. Mosquito Control Dist.
Columbia Mosquito Control Dist.
Yakima Co. Mosquito Control

Libraries, Library Districts

Fort Vancouver Regional Library
King Co. Law Library
King Co. Public Library
Kitsap Regional Library
La Conner Regional Library
Lopez Island Library Dist.
Mid-Columbia Regional Library
North Central Regional Library
North Olympic Library System
Orcas Island Library Dist.
Pend Oreille Library
Pierce Co. Law Library
Pierce Co. Rural Library Dist.
San Juan Island Co. Library
Sno-Isle Regional Library
Spokane Co. Law Library
Spokane Co. Library Dist.
Stevens Co. Rural Library

Timberland Regional Library
Upper Skagit Library Dist.
Walla Walla Co. Rural Library
Whatcom Co. Public Library
Whitman Co. Rural Library
Yakima Valley Regional Library

Ports

Anacortes
Bellingham
Benton
Bremerton
Brownsville
Camas-Washougal
Centralia
Chelan Co.
Clarkston
Douglas Co.
Edmonds
Ephrata
Everett
Grays Harbor
Ilwaco
Kalama
Kennewick
Kingston
Klickitat
Longview
Mattawa
Moses Lake
Olympia
Orcas
Othello
Pasco
Peninsula
Port Angeles
Port Townsend
Ridgefield
Royal Slope

Seattle
Shelton
Skagit Co.
Skamania Co.
Sunnyside
Tacoma
Vancouver
Wahkiakum Co.
Walla Walla
Warden
Whitman Co.
Willapa Harbor
Woodland

Public Utility Districts

Asotin Co. PUD 1
Benton Co. PUD 1
Chelan Co. PUD 1
Clallam Co. PUD 1
Clark Co. PUD
Cowlitz Co. PUD
Douglas Co. PUD 1
Energy Northwest
Ferry Co. PUD 1
Franklin Co. Public Works
Franklin Co. PUD 1
Grand Coulee Project Hydroelectric
Auth.
Grant Co. Public Works
Grant Co. PUD 2
Grays Harbor Co. PUD 1
Jefferson Co. PUD 1
Kitsap Co. PUD 1
Kittitas Co. PUD 1
Klickitat Co. PUD 1
Lewis Co. PUD 1
Mason Co. PUDs 1 & 3
Okanogan Co. PUD 1
Pacific Co. PUD 2

Employers Covered by DRS-Administered Retirement Systems as of June 30, 2004 (page 11 of 11)

Public Utility Districts (continued)

Pend Oreille Co. PUD 1
Skagit Co. PUD 1
Skamania Co. PUD 1
Snohomish Co. PUD 1
Wahkiakum Co. PUD 1
Wells Hydroelectric Project

Transit Authorities, Transportation Districts

Benton-Franklin P.T.B.A.
Central Puget Sound Transit Auth.
Chelan-Douglas P.T.B.A.
Clallam Transit System
Clark Co. P.T.B.A.
Community Transit
Grays Harbor Transportation Auth.
Intercity Transit
Island Transit
Jefferson Transit Auth.
King County Metro
Kitsap Transit
Lewis P.T.B.A.
Mason Co. Transportation Auth.
Pacific Transit System
Pierce Co. P.T.B.A.
Spokane Regional Transportation Council
Valley Transit
Whatcom Transportation Auth.

Associations, Unions

Assn. of Washington Cities
Inland Boatmans Union
International Organization of Masters,
Mates-Pilots
King County Directors Assn.
King County Assn. of Suburban Cities
Public School Employees of WA

WA Assn. of County Officials
WA Federation of State Employees
WA Public Employees Assn.
WA Public Ports Assn.
WA State Assn. of Counties
WA State Council of County-City
Employees

Airports, Airport Boards

Centralia-Chehalis Airport Board
Snohomish Co. Airport
Spokane International Airport
Walla Walla Regional Airport
Yakima Air Terminal

Councils

Cowlitz-Wahkiakum Council of
Governments
Grays Harbor Council of Governments
Northwest Regional Council
Pacific Council of Governments
Puget Sound Regional Council
Skagit Council of Governments
Thurston Regional Planning Council
Whatcom Council of Governments

Parks & Recreation Districts

East County Park & Recreation Dist.
Eastmont Recreation Service Area
Fidalgo Pool & Fitness Ctr.
Metropolitan Park Dist. of Tacoma
San Juan Island Park & Recreation Dist.
Si View Metropolitan Park Dist.

Development Authorities/ Districts

Cultural Development Auth. of King Co.
Grays Harbor Public Development Auth.
Tricounty Economic Development Dist.

Cemetery Districts

Clark Co. Cemetery Dist. 4
Cowlitz Co. Cemetery Dist. 1 & 2
Pend Oreille Co. Cemetery Dist. 1
Skagit Co. Cemetery 2

Road Departments

Chelan Co. Roads
Lincoln Co. Highway Dept.

Public Facility Districts

Lynnwood Public Facilities Dist.
Public Stadium Auth.
Spokane Public Facility Dist.

Other Government Entities

Pierce Co. Law Enforcement Support
Agency
Snohomish Co. Police Staff Auxiliary
Tacoma-Pierce Co. Employment &
Training Consortium
WA School Information Processing
Cooperative

Deferred Compensation Program and Dependent Care Assistance Program

Background

In 1981, the Washington State legislature established the Deferred Compensation Program (DCP) and created the Committee for Deferred Compensation (CDC) as the governing body. From 1981 to 1984, the Committee contracted with the National Plan Coordinators Inc. to provide administrative and marketing services. In 1985, the Committee took over responsibility for administering the program, and assumed marketing responsibility in 1986.

In 1988, the Committee initiated the Dependent Care Assistance Program (DCAP) for state employees. In 1989, the Committee began managing investments for the Judicial Retirement Account (JRA) as a result of an agreement with the Administrative Office of the Courts. In 1995, the state legislature decided to transfer administrative responsibility for the program to DRS. The merger of DCP and DRS took effect on July 1, 1996.

What is DCP?

The program is a voluntary retirement savings plan established for employees of the state and other political subdivisions, elected and appointed state officials, members of the state legislature, and some judges. The program meets the requirements of Section 457 of the Internal Revenue Code.

The intent of the program is to provide additional income to participants upon retirement. By deferring part of their income, participants can reduce their taxable income each year. Participants can choose to invest in a number of different investment options, from a low-risk savings pool to higher-risk stock funds. The investments made each month grow tax free until they are withdrawn. The program provides participants with a means to easily save money and help supplement their other retirement income.

For more information about DCP, call the DCP Information Line at 1-888-327-5596 (for TDD call 1-877-847-6041). Representatives are available Monday through Friday, 8:00 AM to 5:00 PM Pacific Time except on holidays observed by the New York Stock Exchange.

Contact DCP by email: dcpinfo@drs.wa.gov

Mailing Address:

Department of Retirement Systems
Deferred Compensation Program
PO Box 40931
Olympia, WA 98504-0931

What is DCAP?

The program allows eligible employees to set aside a portion of their income, before federal and social security taxes, for reimbursement of child or elderly care expenses. The program meets the requirements of Section 129 of the Internal Revenue Code.

For more information about DCAP, call 1-800-423-1524 (for TDD call 1-360-586-5450).

Contact DCAP by email: katiej@drs.wa.gov

Mailing Address:

Department of Retirement Systems
Dependent Care Assistance Program
PO Box 40931
Olympia, WA 98504-0931

Deferred Compensation Program Status Report (dollars in thousands)

FUNDING MEDIA	June 30, 2004		June 30, 2003		June 30, 2002		June 30, 2001		June 30, 2000	
	Plan Balance	%								
Savings Pool	\$571,790	32.84	\$539,970	36.95	\$463,982	34.30	\$418,606	28.60	\$384,810	24.18
U.S. Small Stock Index Fund ¹	33,788	1.94	4,620	0.32	--	--	--	--	--	--
U.S. Stock Market Index Fund ²	84,955	4.88	57,304	3.92	48,248	3.57	48,561	3.32	47,408	2.98
Washington State Bond Fund ³	70,776	4.07	85,999	5.89	52,445	3.88	41,005	2.80	--	--
Washington State Long-Horizon Fund ⁴	12,745	0.73	4,785	0.33	3,046	0.23	1,660	0.11	--	--
Washington State Mid-Horizon Fund ⁴	14,528	0.83	6,395	0.44	3,379	0.25	1,741	0.12	--	--
Washington State Short-Horizon Fund ⁴	7,548	0.43	4,491	0.31	2,018	0.15	1,104	0.07	--	--
Washington State Social Balanced Fund ⁵	37,079	2.13	--	--	--	--	--	--	--	--
Fidelity Equity-Income Fund	363,619	20.88	289,313	19.80	317,669	23.49	352,111	24.06	324,213	20.37
Fidelity Growth Company Fund	209,736	12.05	153,105	10.48	136,675	10.10	197,718	13.51	260,554	16.37
Fidelity Independence Fund ⁶	293,937	16.88	264,735	18.12	275,006	20.33	346,223	23.65	488,730	30.71
Fidelity Intermediate Bond Fund	--	--	--	--	--	--	--	--	24,082	1.51
Fidelity Overseas Fund	40,802	2.34	19,788	1.35	20,534	1.52	22,550	1.54	29,182	1.83
Calvert Social Investment Fund - Balanced Portfolio	--	--	30,619	2.09	29,556	2.18	32,442	2.22	32,548	2.05
TOTAL	\$1,741,303	100.00	\$1,461,124	100.00	\$1,352,558	100.00	\$1,463,721	100.00	\$1,591,527	100.00

¹ This investment option was added in October 2002.

² This investment option was added in July 1998.

³ This fund replaced the Fidelity Intermediate Bond Fund as of September 1, 2000.

⁴ These investment options were added on September 1, 2000.

⁵ This fund replaced the Calvert Social Investment Fund-Balanced Portfolio as of July 1, 2003.

⁶ The Fidelity Retirement Growth Fund was renamed Fidelity Independence Fund effective January 27, 2001.

Deferred Compensation Program Performance— Periods Ending June 30, 2004

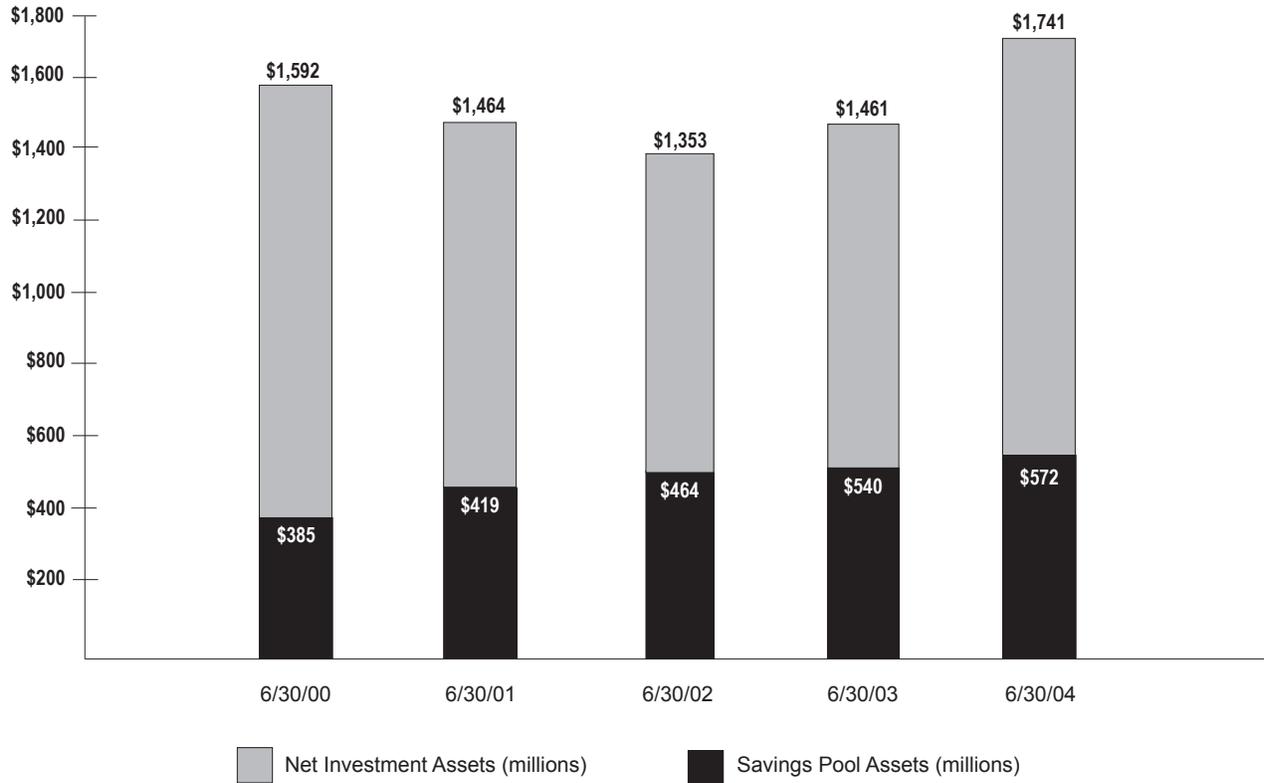
Fund Name	3 Month Return	Performance History ¹ Average Annual Total Returns			
		1 Year	3 Year	5 Year	10 Year
<i>Benchmark</i>					
Savings Pool	1.23%	5.27%	5.77%	6.10%	6.45%
U.S. Small Stock Index Fund	0.62%	33.46%	6.26%	6.71%	**
<i>Russell 2000 Index</i>	0.47%	33.37%	6.23%	6.63%	10.93%
U.S. Stock Market Index Fund	1.34%	21.30%	0.71%	(0.67)%	11.70%
<i>Wilshire 5000 Index</i>	1.35%	21.24%	0.79%	(1.04)%	11.53%
Washington State Bond Fund	(2.50)%	0.09%	6.69%	**	**
<i>Lehman Intermediate Credit Index</i>	(2.82)%	0.44%	7.14%	7.38%	7.56%
Washington State Long-Horizon Fund	0.43%	19.08%	2.72%	**	**
<i>Long-Horizon Custom Benchmark²</i>	0.32%	19.36%	3.28%	1.35%	9.46%
Washington State Mid-Horizon Fund	(0.52)%	12.77%	4.28%	**	**
<i>Mid-Horizon Custom Benchmark²</i>	(0.70)%	13.08%	4.82%	3.53%	8.95%
Washington State Short-Horizon Fund	(0.74)%	7.13%	4.24%	**	**
<i>Short-Horizon Custom Benchmark²</i>	(0.91)%	7.42%	4.68%	4.45%	7.55%
Washington State Social Balanced Fund	1.01%	13.22%	**	**	**
<i>Social Balanced Custom Benchmark²</i>	(0.17)%	10.40%	**	**	**
Fidelity Equity-Income Fund	1.63%	21.64%	2.24%	1.66%	11.28%
<i>Russell 3000 Value</i>	0.88%	22.14%	3.63%	2.62%	12.65%
Fidelity Growth Company Fund	2.36%	25.37%	(3.44)%	0.86%	12.46%
<i>Russell 3000 Growth</i>	1.79%	18.82%	(3.49)%	(6.05)%	9.78%
Fidelity Independence Fund	2.02%	16.39%	(0.82)%	0.69%	10.23%
<i>Russell 3000</i>	1.33%	20.46%	0.15%	(1.07)%	11.66%
Fidelity Overseas Fund	(4.57)%	31.50%	1.81%	0.23%	5.21%
<i>MSCI EAFE</i>	0.22%	32.37%	3.87%	0.06%	4.05%

**Data not available. These funds have not been in existence long enough to have performance history for these periods.

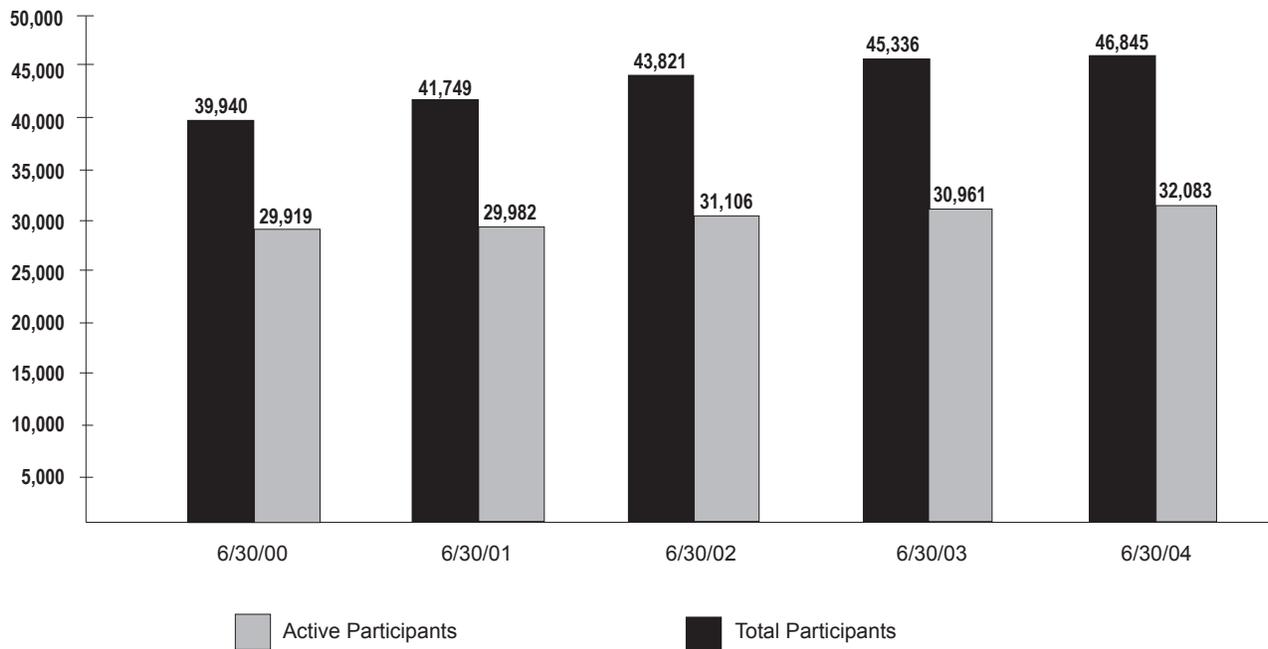
¹ Historic performance is not necessarily indicative of actual future investment performance, which could differ substantially. Total return assumes that an investment is made at the beginning of the period and redeemed at the end of the period after reinvestment of any dividends and capital gains distributions. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the contributions to your individual account. All returns are calculated in U.S. dollars.

² Estimated returns the portfolio would have earned using the return data from the various components.

Deferred Compensation Program Net Investment Asset Growth For the Years Ended June 30, 2000-2004



Deferred Compensation Program Participation For the Years Ended June 30, 2000-2004



**Dependent Care Assistance Program
Participation Report
For the Years Ended December 31, 1999-2003
(dollars in thousands)**

	End of 2003	End of 2002	End of 2001	End of 2000	End of 1999
Total Participants	1,224	1,215	1,270	1,344	1,379
Increase (Decrease) Over Prior Year	9	(55)	(74)	(35)	(135)
Percentage Change Over Prior Year	0.74%	(4.33)%	(5.51)%	(2.54)%	(8.92)%
	Estimated Benefits to State				
	End of 2003	End of 2002	End of 2001	End of 2000	End of 1999
Taxable Wage Base	\$87.0	\$84.9	\$80.4	\$76.2	\$72.6
FICA Rate	7.65%	7.65%	7.65%	7.65%	7.65%
Salary Reductions	\$4,714	\$4,635	\$4,801	\$5,150	\$5,138
OASDI & Medicare Savings	\$338	\$337	\$346	\$366	\$374
Earnings ¹	12	19	27	28	25
Forfeitures ^{1&2}	5	11	10	6	10
Estimated Gross Benefit to State	355	367	383	400	409
Expenditures ³	163	186	160	174	153
Benefit to State	<u>\$192</u>	<u>\$181</u>	<u>\$223</u>	<u>\$226</u>	<u>\$256</u>

¹ Revenues associated with the Dependent Care Salary Reduction Program flow initially to various state agencies in the form of employer OASDI and Medicare tax savings, the State Treasurer in the form of interest, and to the dependent care administrative fund in the form of forfeitures. The figures for OASDI estimated tax savings are after removal of salary reductions deemed to occur above the taxable wage base.

² The agency attempts to avoid forfeitures. Forfeiture is required under federal law when a participant sets aside a greater amount than s/he incurs and is able to have reimbursed by the program. The number and amount of forfeitures are determined as of March 31, the annual deadline for submitting claims for reimbursement of expenses.

³ Effective July 1, 1993, by legislative direction, the Committee for Deferred Compensation (now DRS) bills state agencies with participating employees a percentage of the payroll taxes saved by the agency and uses these amounts to operate the program. Previously, agencies were permitted to retain all of these payroll tax savings. Now they retain approximately 49 percent of the savings.