

**CLASS ACTION NOTICE TO MEMBERS OF
RETIREMENT SYSTEMS ADMINISTERED BY
THE WASHINGTON STATE DEPARTMENT OF
RETIREMENT SYSTEMS**

THIS IS AN IMPORTANT NOTICE OF A LAWSUIT
AND A PROPOSED CLASS ACTION SETTLEMENT
THAT MAY AFFECT YOUR LEGAL RIGHTS

Probst v. Department of Retirement Systems
Thurston County Superior Court Case No. 05-2-00131-1

The Washington State Department of Retirement Systems (the "Department") has agreed, subject to approval by the Court, to settle claims relating to the calculation of interest on individual account balances that were:

- Transferred from PERS Plan 2 to PERS Plan 3 on or after January 20, 2002; or
- Withdrawn from PERS Plan 2 on or after January 20, 2002; or
- Transferred from TRS Plan 2 to TRS Plan 3, on or after January 20, 2002; or
- Withdrawn from TRS Plan 2 on or after January 20, 2002.

This Notice provides you with information about the lawsuit and how the proposed Class Action Settlement may affect your rights. This Notice has been approved by the Court. Please read it carefully.

1. What is this lawsuit about?

The lawsuit claimed that the Department failed to correctly calculate the amount payable to class members when they transferred from Plan 2 to Plan 3, or when they withdrew from Plan 2. In particular, the lawsuit claimed that the Department should have used a different method for calculating interest on the transferred or withdrawn amounts and that the proper calculation would have resulted in increased interest for members.

The Department believes that its method for calculating interest was proper and within its discretionary authority. The Court did not decide which party was right and, by entering into this Settlement, neither side is making any concession or admission. Rather than continuing the lengthy litigation which had an uncertain outcome, both sides accepted a mediator's proposal for settling the case to ensure a resolution and to provide benefits to Settlement Class Members.

2. Who is affected by the Settlement?

The Settlement Class consists of people who (a) transferred from PERS Plan 2 to PERS Plan 3 on or

before December 14, 2007 or (b) withdrew from PERS Plan 2 from January 20, 2002 through December 14, 2007; or (c) transferred from TRS Plan 2 to TRS Plan 3 on or after January 20, 2002 and on or before December 14, 2007; or (d) withdrew from TRS Plan 2 from January 20, 2002 through December 14, 2007. Any person who withdrew as described in (b) or (d) above and subsequently returned to work and restored those withdrawn contributions on or before the Effective Date will not receive an Individual Recovery Amount.

The fact that you received this Notice does not necessarily mean that you will be entitled to any Individual Recovery Amount under the Settlement. The scope of the Settlement Class and the rights of the Settlement Class Members are determined exclusively by the terms of the Settlement Agreement and the Court's orders regarding the Settlement Agreement.

3. What are the key points of the Settlement?

If the Settlement is approved and becomes final:

- Settlement Class Members who qualify will receive an Individual Recovery Amount determined by a detailed plan of allocation contained in the Settlement Agreement and approved by the Court. Individual Recovery Amounts will not be paid if the amount is less than \$15.00. You can see if your estimated Individual Recovery Amount is less than \$15.00 at www.drs.wa.gov/settlement.
- Settlement Class Members' claims relating to the issues in the lawsuit will be fully resolved and the Department will be fully released from those claims.

4. Who will receive money if the Settlement is approved?

The Department will pay a total of \$5.5 million if the Settlement is approved. Attorneys' fees and costs will be paid to Class Counsel and an award to the Class Representative will be paid out of this amount. The remaining amount (the "Net Settlement Proceeds") will be divided among Settlement Class Members in accordance with an allocation plan that will be approved by the Court.

5. How does the Settlement allocate the Net Settlement Proceeds to Settlement Class Members?

The Settlement Agreement provides for a method of allocating the Net Settlement Proceeds among the Settlement Class Members. Using the approved plan of allocation, the Department will total:

- a) an individual Settlement Class Member's accumulated contributions at the time of transfer or withdrawal; and

- b) that person's "transfer basis" (if he or she transferred from PERS Plan 2 to PERS Plan 3 and received a "transfer payment").

This amount will be divided by the total of:

- a) the amount transferred by all PERS and TRS Settlement Class Members, plus
- b) the amounts withdrawn by Settlement Class Members of TRS Plan 2 and PERS Plan 2 since January 20, 2002, plus
- c) the total amount of all PERS Settlement Class Members' transfer bases.

This ratio will be multiplied by the Net Settlement Proceeds to calculate the award to an individual Settlement Class Member. The actual calculations of the Individual Recovery Amounts to be paid to Settlement Class Members depend upon a number of factors that are not fixed at this time, so the Department can only provide estimated amounts of recovery at this time.

6. How will the distributions be delivered if the Settlement is approved?

Current Accounts: Members who currently have contributions or earnings in (a) the PERS or TRS Plan 2 account from which they withdrew (by virtue of having returned to work), or (b) their PERS or TRS Plan 3 account will receive a credit to that Plan 2 or Plan 3 account. For Plan 3 accounts, the Individual Recovery Amount will be invested in the investment program in effect at the time the credit is made. For members in the self-directed program, the Individual Recovery Amount will be invested according to the investment allocations in effect at the time the credit is made.

"No Balance" Accounts: For members with no contributions or earnings in their Plan 2 or Plan 3 account, the Department will credit any amount owed into the Plan 2 or Plan 3 account. For Plan 3 accounts, the credited funds will be invested in a money market fund. The Department will then distribute any such payment to the member out of his or her Plan 2 or Plan 3 account in the same manner and following the same instructions provided at the time of prior withdrawal. If you would like the Department to distribute the payment from your Plan 2 or Plan 3 account in a different manner, please use the Probst Class Action Settlement Claim Form to change your distribution instructions. You can also obtain a copy of the Claim Form at www.drswa.gov/settlement or by calling 1-866-904-2636 (toll-free) or (360) 664-7960 (Olympia area).

7. When will the Individual Recovery Amounts be received?

The Court will hold a hearing on March 21, 2008 to decide whether to give the Settlement final approval and whether and how much to award to Class Counsel for fees and costs.

If the Court finally approves the Settlement Agreement and enters the Dismissal Order, the parties must wait 30 days to see if any Settlement Class Member files an appeal. If no appeals are filed, the Court's approval of the Settlement Agreement should become final and the Individual Recovery Amounts should be credited to Class Members' accounts within 60 days after the Effective Date. It is possible that someone could appeal the Dismissal Order, in which case the Settlement will not be "final" until that appeal is resolved. It is therefore difficult to predict exactly when the Individual Recovery Amounts will be credited.

8. Am I required to participate in the Settlement?

If the Settlement Agreement is approved by the Court, it will certify the Settlement Class. Settlement Class Members will not have the right to exclude themselves from the Settlement Class and will automatically be bound by all of the terms of the Settlement Agreement. Settlement Class Members will not be allowed to sue, continue to sue, or be part of any other lawsuit against the Department regarding the claims released by the Settlement Class Members pursuant to the Settlement Agreement. The Court's orders will apply to and legally bind all Settlement Class Members.

9. Do I have a lawyer in this case?

The Court appointed the law firm of Bendich, Stobaugh & Strong, P.C. to represent the Settlement Class Members. These lawyers are called Class Counsel. Settlement Class Members will not be separately charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

10. How will Class Counsel be paid?

Class Counsel has asked the Court for \$1.65 million in attorneys' fees and expenses to be paid out of the Settlement Amount. Class Counsel believe that this amount, i.e., 30% of the Settlement Amount (\$5.5 million) is reasonable compensation for their efforts. Class Counsel has also requested an award for the Class Representative of \$7,500 to be paid out of the Settlement Amount. The Court will decide the amount for Class Counsel and the Class Representative. The remaining

balance will be the Net Settlement Proceeds available for awards to Settlement Class Members.

11. What should I do if I want to object to the Settlement?

As a Settlement Class Member, you may object to the Settlement. To be considered, an objection and each of the reasons for it must be submitted in writing by no later than March 10, 2008. It must refer to the case: Jeffrey Probst v. Department of Retirement Systems, Case No. 05-2-00131-1. Be sure to include your name, address, telephone number, your signature, and the reasons you object to the Settlement. Mail an original copy of the objection to each of the addresses below, postmarked no later than March 10, 2008.

Class Counsel
Stephen K. Strong, Esq.
Bendich, Stobaugh & Strong,
P.C.
900 Fourth Avenue, Suite 3800
Seattle, WA 98164

Clerk of the Court
Thurston Co Superior Court
2000 Lakeridge Drive SW
Olympia, WA 98502-6045

Department Counsel
Tim J. Filer, Esq.
Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299

If you are required to file a Claim Form, you must do so whether or not you file an objection.

12. When and where will the Court consider giving final approval of the Settlement?

The Court will hold the Final Approval Hearing March 21, 2008 at the Thurston County Superior Court for the State of Washington, Room 229. At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court may listen to people who have asked to speak at the Final Approval Hearing. The Court may also decide how much to pay to Class Counsel. Either at or some time after the Final Approval Hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take.

You may come to the hearing at your own expense, but you are not required to do so. You may ask the Court for permission to speak at the Final Approval Hearing. To do so, you must send a letter referring to "Notice of Intention to Appear in Jeffrey Probst v. Department of Retirement Systems." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be postmarked no

later than March 10, 2008 and must be sent to the Clerk of the Court, the Department's Counsel, and Class Counsel at the three addresses in Paragraph 11.

13. What happens if I do nothing at all?

If you do nothing and you are a Settlement Class Member who is entitled to receive an Individual Recovery Amount under the Settlement Agreement, it will be credited to you as outlined in Paragraph 6 above. You won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Department about the legal issues in this case. Please note that if you received a Claim Form with this notice, you must complete it and send it to the Department no later than March 10, 2008 or you will not be eligible for an Individual Recovery Amount.

14. What if I didn't receive a Claim Form with this notice?

Not all class members are required to submit a Claim Form. If you did not receive a Claim Form with this notice, you are automatically a class member and don't need to submit a form. You will receive an Individual Recovery Amount unless your amount is less than \$15.00 or you withdrew your contributions from a Plan 2 account and restored them before the Effective Date.

However, if you did not receive a Claim Form and you have no contributions left in your account and you would like to have your Individual Recovery Amount distributed in a different manner than your original withdrawal or distribution, you can submit a Claim Form for the purpose of selecting a different distribution method. The Claim Form is available online at www.drs.wa.gov/settlement and must be postmarked by March 10, 2008.

15. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. Your rights are governed by the Settlement Agreement. You can obtain a copy of the Settlement Agreement at www.drs.wa.gov/settlement or by calling 1-866-904-2636 (toll-free) or (360) 664-7960 (Olympia area).

**DO NOT CONTACT THE COURT WITH
QUESTIONS ABOUT THIS SETTLEMENT.**

Probst v. Department of Retirement Systems
Thurston County Superior Court Case No. 05-2-00131-1
Class Action Settlement Claim Form
CLAIM FILING DEADLINE: March 10, 2008

You are a Settlement Class Member under this proposed Class Action Settlement. To be considered for an Individual Recovery Amount, you must fill out this Claim Form completely and return it before the end of the Claim Period. The Claim Form must be postmarked by March 10, 2008. If your claim form is postmarked after this date, you will not receive an Individual Recovery Amount.

If you have received this Claim Form as a legal representative or beneficiary of a potential class member, please check the appropriate box under Part 1. Understand that you may be required to submit additional documentation. Failure to provide the required additional information will make your Claim Form incomplete.

This form includes a request for your Social Security number. We will use your Social Security number to ensure that any Individual Recovery Amounts disbursed to you are properly reported to the Internal Revenue Service and to track all data with regard to your retirement account. We will not disclose your Social Security number to any party unless we are required to do so by law.

Part 1: Identifying information

Please complete the following information. For this form to be considered complete, you must fill in each field unless it is shown as optional, and the information must be legible. **Please print in blue or black ink.**

Note: The *member* is the person enrolled in the retirement system covered by the settlement.

1. Member's First, Middle and Last Name: _____
2. Member's Maiden Name (optional): _____
3. Member's 9-digit Social Security Number: _____
4. Member's Date of Birth: _____

Note: The *claimant* is the member's legal representative or surviving beneficiary who is authorized to fill out this form, if the member cannot. If you are the *member*, you are also the *claimant*.

5. Claimant's Name: _____
6. Claimant's Address: _____
City: _____ State: _____ Zip: _____
Claimant's Phone Number: _____
7. Claimant's E-Mail Address (optional): _____

8. Provide the following information only if you are *not* the member. Check the box that applies.

- I have been designated as the member's Attorney-in-fact. (If you check this box, you must send documentation with this form that supports your designation as Attorney-in-fact.)
- I am the member's legal guardian. (If you check this box, you must send documentation with this form that supports your status as legal guardian.)
- I am the executor for the member's estate.
- I am the member's surviving beneficiary.
- Other (please explain): _____

Part 2: Distribution of any settlement amount due

If your account has no balance on the Effective Date, we will use the instructions you gave when your retirement account was initially paid out to distribute any Individual Recovery Amount. If you would like to change those instructions, please select one of the options below. If you don't wish to make a change, you may skip Part 2 and go on to Part 3. For additional information, please refer to Question 6 on the Notice.

Please change my distribution to:

- Warrant or check (will be sent to your mailing address)
- Direct rollover into another eligible retirement plan
- Direct rollover into an Individual Retirement Account

If you elect to roll over your individual recovery amount, the accepting agent must complete and sign the section below.

Information for the accepting institution: DRS accounts are 401(a) accounts. The institution named below agrees to accept transfer of these tax-deferred funds on a trustee-to-trustee basis. It is the client's intention that this transfer shall not constitute actual or constructive receipt for income tax purposes.

Make Check Payable To: _____

Accepting Agent's Name (please print): _____

Phone Number: _____

Institution Name: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Account Number: _____

Agent's Signature _____ Date _____

Part 3: Mailing instructions

You must send your completed Claim Form by U.S. Mail to: Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380. Your form must be postmarked no later than March 10, 2008. If your form has a later postmark, is incomplete, or is illegible, you will not be eligible to receive an individual recovery amount. If you attempt to deliver the form in person or by any means other than U.S. Mail, it will not be accepted.

Part 4: Acknowledgements and signature

To ensure the completeness and validity of this form, be sure to sign in the appropriate place below.

Member's signature: I acknowledge that I have read and understand the Class Notice and all instructions on this Claim Form. I attest that all information I have provided on this form is true and correct, to the best of my knowledge.

Signature of Member _____ Date _____

Claimant's signature, if member cannot sign: I have the authority to sign this Claim Form for the member. I acknowledge that I have read and understand the Class Notice and all instructions on this Claim Form. I attest that all information I have provided on this Claim Form is true and correct, to the best of my knowledge.

Signature of Claimant _____ Date _____

