

I B E W L O C A L U N I O N S

SAVINGS AND SECURITY PLAN NEWSLETTER

QUARTERLY REVIEW

For much of the first quarter of 2009, the decline from the previous quarter continued. However, toward the end of the quarter as the Federal Reserve, Treasury, and governments around the world stepped up efforts to address the financial crisis, investors saw a glimmer of hope. This optimism led to a 23% rally over the span of three weeks, putting the market into a bull market by definition. Since then, the market has had some ups and downs but has remained close to the level achieved during the rally.

The major stock indexes fell for a sixth consecutive quarter. The S&P 500 Index, which is the benchmark for the three large company stock funds in the Plan, fell 11.01% for the quarter. The international index MSCI EAFE finished the quarter down by 13.94%.

Looking at the Plan funds, Primecap and Mid Cap Value posted single digit declines of 5.39% and 7.50%, whereas their respective indexes declined almost twice as much. All funds within the model portfolios remain ahead of the indexes for the 10-year time period.

The Stable Value Fund, which accounts for approximately 60% of the Plan assets, provides a guarantee of principal and interest for participant withdrawals (see the main article for more details). It produced an annualized yield of 3.46% for the quarter.

The enclosed statement reflects activity from January 1, 2009 through March 31, 2009. Your next statement will reflect activity from April 1, 2009 through June 30, 2009.

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M E S S A G E F R O M T H E P R E S I D E N T

Dear Participant:

There are signs of Spring in several places this year, including the stock market and the credit market. As this letter is being written in the first week of April, there has been a four week rally where the S&P 500 Index, the benchmark for many of the Plan funds, has risen 23%. The credit markets, where the financial crisis began, are also showing signs of a spring awakening.

Companies with good credit are borrowing more money. Confidence in the banking industry seems to be returning, despite the daily ups and downs of financial shares. Analysts are saying these improvements suggest that investors are

starting to get some of their nerve back, mainly because of sweeping federal efforts to get credit flowing again.

Let's look at the economy. The unemployment rate rose to 8.5% but there were some encouraging trends as consumer confidence improved, construction spending beat expectations, factory orders rose for the first time in six months, and the manufacturing sector continued a modest recovery.

All of this is welcome news for consumers, companies, and the broader economy.

Home buyers are seeing some benefits of the credit thaw. Interest rates on a 30 year

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MODEL PORTFOLIO PERFORMANCE

	<i>10 Yr. Average Annual Return*</i>
Conservative	4.10%
Conservative Growth	3.89%
Moderate Growth	3.53%
Growth	3.27%
Aggressive Growth	2.84%

* Returns as of March 31, 2009

Includes investment management expenses but not plan expenses.

WHAT INVESTORS ARE ASKING

We've been through a challenging year together. The following questions have been asked of us throughout this period and we would like to share our responses and rationale.

Should I continue to stick with my investment mix?

In general, for those participants who are invested in an appropriate, well diversified mix of funds and are withdrawing at reasonable rates, we still strongly suggest riding this out.

With the overwhelming negativity in the media, it's natural to overestimate the permanence of today's market conditions. Just as when the markets were growing strongly, we urged participants not to expect it to last forever, the same holds true now. The current market conditions will not last forever. At some point, the stock market will stage a steady recovery.

Many investors question whether it is better to move everything to Stable Value.

Although moving everything to Stable Value would prevent future market losses, it would not allow your account to rebound and would not guarantee the money to last depending on your withdrawal rate. In fact, a new study by T. Rowe Price shows that switching completely to fixed income investments after the market crash would give you only a 31% chance of your nest egg lasting through retirement¹.

Although those waiting on the sidelines can get back into the market in the future, this is easier said than done because unfortunately nobody knows exactly when the recovery will

take place and when the right time to buy back in will be. Uncertainty is always present, so people who take this approach typically wait until the market has risen for an extended period before getting back in. As a result, they miss out on much or all of the rebound. Missing just a few key days of gains makes a substantial difference in the long-run.

Does diversification still matter?

The severe downturn in the financial markets has led many investors to question the benefits of portfolio diversification. Although diversification may not have sheltered your account from all losses, it remains the best way to balance risk and return over long investment horizons.

First, although diversification did not prevent losses, it did reduce them. The Stable Value Fund is part of the diversified mix that we recommend to all retirees. If you have Stable Value in your portfolio, the overall losses in your account are a fraction of what would have occurred in an all stock portfolio.

By using a diversified group of mutual funds, the model portfolios eliminate what is known as "business risk." This is the risk of losing your money due to the failure of a particular company or industry. We've all heard the unfortunate stories of retirees who lost everything because all of their money was invested in one stock which subsequently went bankrupt.

The seven stock mutual funds in the portfolios represent over 1600 stocks of different companies. Additionally, these companies cover all of the sectors of our economy including energy, health care,

¹Assumes a 30 year retirement period, a 4% withdrawal rate, and 3% annual inflation.

Scarborough's Mission

We are dedicated to helping IBEW members enjoy a financially secure retirement.

Scarborough provides members with access to low cost, top performing investments and personalized retirement plans that address their individual needs.

Our role does not end when an IBEW member retires, its just the beginning.

technology, telecommunications, financial, etc. These companies range from giant to small corporations and are located both in the U.S. and abroad. Therefore, the failure of one company or industry will not cause you to lose everything.

Maintaining your diversified mix will help you to recover your losses. Typically, when the economy starts its recovery, certain sectors will lead the way. Sticking with your mix will ensure that you have exposure to whatever rebounds first and strongest.

Is my money in good hands?

Scarborough has selected the Plan funds from the top money managers in the industry. Our goal is to offer a top performing, low cost fund for each of the major investment categories, selected from the most well regarded fund companies such as Vanguard, Dodge & Cox, T. Rowe Price, etc.

We make sure that the fund managers have the experience, talent, and proven track history to make decisions now that will benefit the fund's investors in years to come. These money managers and their extensive research teams are in the market daily evaluating what companies remain strong and whose stock is now available at attractive low prices while also determining which companies stock should be sold.

Our ongoing role is to monitor these funds. Sometimes even good funds see significant declines. Therefore, we evaluate the merit of our funds by comparing their performance to that of a benchmark index and other funds in the same category. We also review the

reports and data from the fund companies and independent sources such as Morningstar.

Due to the high quality of fund management and the diversification that the funds offer, we are confident that the Plan funds will follow the market back up when the recovery occurs.

Is the Stable Value Fund safe?

Yes. Since the beginning of the fund in 1979, no one has ever lost money. The Stable Value Fund has always been managed with the primary goal of safety of principal and a stable rate of interest.

How is safety achieved?

Only AAA investments are selected for direct investment by the fund. A rating of AAA means that independent agencies have determined these investments to have the highest credit worthiness with the least risk of default. Safety is also achieved by diversification with investments in over 3500 fixed income securities in various sectors. The issuers of the investments guarantee the

PERFORMANCE OF FUNDS IN THE IBEW PLAN

As of March 31, 2009	1 Year	3 Years	5 Years	10 Years
Vanguard Asset Allocation Fund	-36.93%	-12.07%	-4.18%	-0.85%
Vanguard Growth & Income Fund	-39.64%	-14.70%	-5.77%	-2.77%
Dodge & Cox Stock Fund	-45.20%	-18.36%	-6.58%	2.60%
Vanguard PRIMECAP Fund	-31.32%	-9.06%	-0.33%	2.67%
T.Rowe Price Mid-Cap Value Fund	-35.27%	-11.61%	-1.89%	6.49%
Vanguard Explorer Fund	-37.11%	-16.96%	-5.40%	3.48%
Harbor International Fund	-47.68%	-11.42%	1.56%	4.04%
Cohen & Steers Realty Shares Fund	-55.98%	-23.92%	-6.36%	4.93%*
BNY Mellon Stable Value Fund	3.83%	3.90%	3.86%	4.48%

The mutual funds past performance is no guarantee of future results and does not reflect Plan administrative expenses. The investment rate of return and principal value of an investment in mutual funds will fluctuate and when redeemed may be worth more or less than the original investment. The Stable Value fund past performance does reflect Plan administrative expenses. * 10 year return is for retail share class (CSRSX)

WHAT INVESTORS ARE ASKING (CONTINUED)

payment of principal and interest. Any investment owned directly by the fund would be replaced if it were to fall below AAA.

Investments held in the index portion of the fund have an AA+ rating and would be replaced if they fall below investment grade. Fund assets are held in a separate account only for the benefit of Plan participants. This means that the funds are not part of the general assets of Scarborough, US Bank, or Standish Mellon. Therefore, these assets would not be affected if something should happen to the financial security of these institutions.

Another layer of protection is achieved by wrapper contracts issued by five substantial banking and insurance firms. These contracts provide additional guarantees that allow the fund to offer participants a guarantee of principal and interest for all withdrawals.

What is the current status of the fund?

The Stable Value Fund currently has an overall credit rating of AA+ with 84% being AAA (highest credit rating). All of the invest-

ments have made interest payments on time and they are expected to continue doing so. None of the underlying investments have had credit rating downgrades despite the current financial crisis. To date, the wrapper agreements have never been needed in our Plan. They are extra protection.

Who manages the fund?

Standish Mellon Stable Value Group, part of the BNY Mellon Asset Management Corporation, manages approximately \$16.2 billion in stable value assets. Standish Mellon, headquartered in Boston, is one of the nation's largest managers specializing in fixed income securities.

How do they select the investments?

They have a risk management process that takes into account liquidity (the ability to sell the investment), credit (the rating assigned by rating agencies) and interest rates. They also take into consideration the term (number of years) and sector (government, corporate, etc.) for each investment. All of this is supported by analysis provided by specialized credit analysts and traders.

mortgage fell to 4.61%, the lowest level on record. Last year, mortgage rates were more than 6%. The housing market has begun a recovery in some areas of the country. Driven by historically low interest rates, first time buyers are entering the market along with bargain hunters. Buyers are finding out that the monthly costs are lower than renting in parts of the country. Since the U.S. is part of a global economy, we have to be concerned about what is happening around the world. Britain, Switzerland, Japan, Brazil and New Zealand are injecting cash into their financial sectors in a similar fashion as our Federal Reserve and Treasury.

What does all of this mean for us?

If there is confidence that the Administration's plan and the global plans are going to work, then the markets

will continue to climb. However, there are still some doubts about the assumptions that are being used. Until those doubts are resolved, the roller coaster effect where markets go up dramatically one day and down equally dramatically the next day will probably continue.

After sifting through the sometimes conflicting factors, I believe there is more to be stabilized before there is a long term, sustainable market recovery. That may not take place this year, but when it does, there are estimates that there is \$4 trillion sitting in cash on the sidelines as the large institutional investors are waiting to jump back into the market. Some did so in March and in time, others will follow.

Sincerely,



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