

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

SAVINGS AND SECURITY PLAN NEWSLETTER

QUARTERLY REVIEW

The stock market extended its rally in the first quarter of 2010 as the trends that helped stage the remarkable recovery in 2009 continued to provide a favorable backdrop for U.S. stocks. Corporate earnings again came in stronger than expected and the battered U.S. economy continued to heal.

The Plan funds have rebounded considerably over the past year. As part of our monitoring process, we compare their performance with that of their benchmark index and we are happy to report that many have outperformed significantly.

Cohen & Steers Realty posted the highest gains for the first quarter at 9.71% and for the one year period at 110.20%! Vanguard Explorer also posted impressive returns of 8.57% for the quarter and 60.25% over the past year. Dodge and Cox Stock gained

6.66% for the quarter and 64.45% for the one year period, beating the S&P 500 Index by 1.27% and 14.68%.

Pimco Total Return, a new fund in the Plan, gained 15.49% over the past year, surpassing its bond index of 7.70%. The fund manager, William Gross, was recently awarded the title of "Fixed Income Manager of the Decade" by Morningstar!

Interest rates continue to be at historically low levels. The Stable Value Fund, which provides a guarantee of principal and interest for participant withdrawals, produced an annualized return of 2.73% for the quarter.

The enclosed statement reflects activity from January 1, 2010 through March 31, 2010. Your next statement will reflect activity from April 1, 2010 through June 30, 2010.

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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:

We have gone through some harsh weather throughout the country this winter and the effects are still seen with uprooted trees, bad roads, damaged property, etc.

The financial storm that hit our country and for that matter, the world, seems to have calmed down too as the American economy is expected to grow by around 3% in 2010 after shrinking by 2.4% in 2009. However, just as the countryside is no longer the same because of weather damage, our economy is not the same either. High unemployment is still with us. There are millions of foreclosed homes and many, if not most

of our state governments are laboring under enormous budget shortfalls.

There are some encouraging indicators that are reflected in your Plan fund returns for the first quarter of 2010. Factory orders are up, many banks have paid back their loans and the government has actually made money on some of them. For example, the projected cost of the bail out is now estimated to be \$89 billion, not exactly chump change but a year ago, it was estimated to be \$250 billion. GM and AIG may be out from under the government within a year. Who would've thought that a year ago?

Another development has taken place where our inclination as consumers was to spend a

SCARBOROUGH'S PORTFOLIO

MODEL PORTFOLIO PERFORMANCE

	<i>10 Yr. Average Annual Portfolio Return*</i>
Conservative	4.50%
Conservative Growth	4.72%
Moderate Growth	4.83%
Growth	5.04%
Aggressive Growth	5.11%

* Returns as of March 31, 2010

Includes investment management expenses but not plan expenses.

With the start of the new decade, some commentators have looked back at the 2000's and referred to it as "the lost decade." This comment is based on the 10 year return of the Standard & Poor's 500 Index. The S&P 500 Index is comprised of the 500 leading companies in leading industries of the U.S. economy. It is widely regarded as a benchmark for the overall U.S. stock market. The 10-year average annual return for the index through the end of 2009 was -0.95%.

Fortunately, those invested with Scarborough who followed the time-tested tenets of investing on which we educate participants, did not have a "lost decade." The average annual returns over the past 10 years of Scarborough's model portfolios as of December 31, 2009 are as follows:

Portfolio	10-Year Average Annual Return
Conservative	4.55%
Conservative Growth	4.78%
Moderate Growth	4.88%
Growth	5.11%
Aggressive Growth	5.17%

Although these returns are lower than previous decades, the returns are much better than the S&P 500 index alone. Despite including two severe bear markets, money was made during this past decade by using proven investment principles. These include:

Diversification spreads your money among several types of investments within a portfolio. The rationale is to reduce overall risk because positive performance of some investments can help offset negative performance in others.

The stock portion of Scarborough's model portfolios does not simply contain S&P 500 stocks. Instead, the stock exposure is diversified to include large, mid, and small cap stocks as well as international and real estate stocks. Also, the model portfolios recommended to those in or close to retirement, include a significant amount of fixed income exposure in stable value and bonds.

Staying the Course by keeping the nerve to stay invested during volatile times was important in achieving these returns over this past decade. When people move money out of stocks when the market falls, they often don't put it back until long after the recovery begins. Missing out on the initial boost of the recovery can cost you whole percentage points in annual returns.

Staying the course is also important for those using Dollar Cost Averaging, the practice of investing a percentage or fixed dollar amount at set time intervals regardless of market conditions. Active employees use this strategy by making 401(k) contributions through payroll deduction. Others may have used this approach when entering into stock investments over the past few years. Participants that kept making routine investments into the falling market bought

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.

OS STILL CAME OUT AHEAD

more shares at lower prices and benefited more from the recovery than those that ceased investing in stocks.

Rebalancing is a way to maintain the risk / reward ratio that you initially chose for your investments. For example, assume that based on your initial goals and risk tolerance, you decided to invest in a mix of 40% stock mutual funds and 60% fixed income.

As time goes by, your portfolio will shift as market conditions impact the value of your holdings. You might drop to 30% stocks and rise to 70% fixed income (stable value and bonds), or increase to 50% stocks and fall to 50% fixed income.

Whatever shift occurs, rebalancing involves selling or buying shares to return to your initial stock / fixed income ratio. Rebalancing involves trimming holdings by selling high and adding to holdings by buying low. This can help make sure that your portfolio continues to reflect your financial goals and tolerance for risk.

Scarborough participants can rebalance by calling a representative or by enrolling in automatic rebalancing, which is available quarterly, semi-annually, or annually.

Monitoring the investments in the Plan is another important aspect of achieving these returns. Our goal is to provide participants with a diversified line-up of top-performing, low-cost funds. In the previous newsletter, we discussed our extensive investment monitoring process and announced four enhancements. The Vanguard Growth &

Income and Asset Allocation Funds were replaced with the Vanguard 500 Index and Oakmark Equity & Income Funds. This transfer occurred on March 30th and is reflected on the enclosed statement. To add further diversification options to the Plan, we also added two new funds, the Pimco Total Return and Pimco All Asset.

The enclosed Investor Profile includes the new model portfolios, updated to include the new funds. We encourage you to review the new models and compare them to your current mix. If it has been a while since you last completed the Investor Profile, you may want to use this tool to see if your current mix is still on track with your current financial situation.

You will notice that the Pimco Total Return Fund (a core bond fund) has been added to the portfolios to help diversify the Stable Value

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PERFORMANCE OF FUNDS IN THE IBEW PLAN

As of March 31, 2010	1 Year	3 Years	5 Years	10 Years
PIMCO All Asset Fund	29.57%	4.25%	5.44%	8.65% ¹
Vanguard 500 Index Fund	49.89%	-4.12%	1.90%	-0.70%
Dodge & Cox Stock Fund	64.45%	-7.89%	0.58%	6.31%
Vanguard PRIMECAP Fund	47.37%	1.68%	6.02%	1.87%
T.Rowe Price Mid-Cap Value Fund	68.29%	-0.12%	6.24%	10.80%
Vanguard Explorer Fund	60.25%	-3.56%	2.94%	2.80%
Harbor International Fund	64.17%	-1.87%	9.19%	7.56%
Cohen & Steers Realty Shares Fund	110.20%	-8.82%	5.61%	12.31%
Oakmark Equity & Income Fund	33.52%	4.49%	7.36%	9.84%
PIMCO Total Return Fund	15.49%	9.63%	7.54%	7.73%
BNY Mellon Stable Value Fund	2.97%	3.58%	3.67%	4.22%
Vanguard Asset Allocation Fund ²	37.15%	-6.02%	0.76%	1.36%
Vanguard Growth & Income Fund ²	47.43%	-6.61%	0.36%	-0.88%

*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. ¹Since inception: July 31, 2002 ²Not available for investment after March 30, 2010

portion. The Stable Value Fund will remain the safest investment option in the Plan, with no fluctuation of principal. On the other hand, the Pimco Total Return Fund may experience low to moderate fluctuations largely influenced by changes in interest rates, but has the potential for higher returns. Please note that the fund's 2009 return of 13.83% is not typical of this type of fund.

The Pimco All Asset Fund has been added to the model portfolios. There are several benefits to adding this fund. The fund acts as a hedge against inflation by targeting solid after-inflation returns, aiming to surpass the Consumer Price Index by 5% per year over the long-term. Adding

this fund designates a portion of the portfolio to be actively allocated depending on current economic factors across a range of traditional and alternative asset classes which can shift in and out of favor over time. Enhanced diversification is another benefit of adding this fund by investing in a variety of asset classes and strategies, which helps manage risk.

If you would like to discuss the new portfolios or reallocate your account, please call our Retirement Planning Specialists at 800-223-7608. Other options are available for adding the new funds to your portfolio including dollar transfers, percent transfers, and dollar cost averaging. Reallocations and transfers may also be done on the website.

Scarborough Alliance Corporation **CONTINUED FROM PAGE 1**

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lot of money and to borrow a lot of money, has now switched to investments and savings. This is encouraging for us and for the global economy, but it has some pitfalls associated with it.

Consumer spending used to represent 70% of our economy, but now, since Americans are saving more and borrowing less, bankers are now cutting back on credit or the ability for people and businesses to borrow money in the manner they were used to.

With more consumers now forcing themselves to live within their means, instead of spending more than they earn, American companies have to sell more to the rest of the world. If this does take place, the result will be a more balanced American economy and a healthier global economy. However, if the rest of the world reduces spending, the global economy will stagnate.

What is the solution? As I have said before in this column, we also have to change how we as a country spend money. Adding the programs that we have, however well intentioned, are growing the government at an unprecedented rate. The current trend to pay for this is to increase taxes on income

and investments and not tax consumption. This is a recipe for failure, as history has shown that when you increase tax rates, investors go elsewhere and tax revenue goes down. For example, to pay for healthcare reform, the proposal before Congress right now will raise taxes on investment gains from 15% to 20% in 2011 and 23.5% in 2013. So, the incentive to invest will be significantly reduced.

In 1962, JFK reduced capital gains taxes and saw tax revenue increase. Another example of how incentives work was the Investment Tax Credit plan for corporations that expired in December 2009. Realizing they were running out of time, many companies invested heavily in new equipment, services, etc. in the last quarter and it helped contribute to the significant 5.6% fourth quarter growth of our economy. We have to create incentives for businesses to invest and that will, in turn, create jobs which in turn will help the economy have a sustained turnaround.

We can do it. We just have to have the wisdom and the courage to do it the right way.

Sincerely,

