

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

SAVINGS AND SECURITY PLAN NEWSLETTER

QUARTERLY REVIEW

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The stock market rally that began in the early spring gained steam over the summer, ending the third quarter near its highs for the year. These strong returns represent the biggest quarterly return since the fourth quarter of 1998 and the best third quarter since 1939. In many cases, the market's leaders were the stocks that no one wanted earlier this year and in 2008. In general, those categories that lost the most during the downturn have rebounded the most this year. As a result, financial stocks as well as riskier asset classes such as International, REIT and Small Cap stocks have seen the highest returns so far this year.

The Plan funds have participated greatly in this rally. Cohen & Steers Realty Shares again led the way for the quarter posting a gain of 35.85%. T. Rowe Price Mid Cap Value posted the highest year-to-date return at 39.59%. The Harbor International Fund also posted impressive gains of 21.91% for the quarter

and 31.18% for the year. Vanguard Explorer is up 17.66% for the quarter and 30.39% for the year. Vanguard Primecap gained 14.65% for the quarter and 23.81% for the year.

Most of the Plan funds outperformed their respective indexes for the year. The T. Rowe Price Mid Cap Value Fund outperformed the Russell Mid Cap Value Index by 12.02% year-to-date! Also notable, the Dodge & Cox Stock Fund gained 25.64% for the year, which is ahead of the S&P 500 Index by 6.38%.

The Stable Value Fund, which accounts for approximately 60% of the Plan assets, provides a guarantee of principal and interest for participant withdrawals. The Fund produced a year-to-date annualized yield of 3.14%.

The enclosed statement reflects activity from July 1, 2009 through September 30, 2009. Your next statement will reflect activity from October 1, 2009 through December 31, 2009.

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:

This message has become a prophetic one over the last few issues, as I have been trying to respond to what I hear from participants. I do not intend to make this a permanent job, because as Yogi Berra once said, "It is hard to make predictions, especially about the future."

This past January when some of the gloom and doom appeared, I wrote the following: "Throughout our history, there have been numerous market declines and fewer crises. The common factor afterward is that the economy and markets do recover and go on to higher levels."

Further on, I wrote "A good many people are predicting that matters will stabilize in the second half of 2009 and both the economy and the markets will begin to grow once again." This was not a new message; it is something we have been saying for a long time and as you will see at the end of this letter, will be saying again.

So what brought about this recovery, where the S&P Index is up 56% from its March low and the global index of all stocks around the world is up 24% year to date?

There were a number of factors. The stimulus program did work, although at a cost that I will address later, so banks

MODEL PORTFOLIO PERFORMANCE

	<i>10 Yr. Average Annual Portfolio Return*</i>
Conservative	4.74%
Conservative Growth	5.08%
Moderate Growth	5.33%
Growth	5.70%
Aggressive Growth	5.90%

* Returns as of September 30, 2009

Includes investment management expenses but not plan expenses.

SOCIAL SECURITY'S ROLE

Given what we've all been through recently in the markets, Social Security is once again taking a central role in retirement income planning. Social Security currently provides 50% of the income for more than half of married retired couples. Although Social Security was never intended to cover all of your retirement needs, it is designed to provide an income stream that cannot be outlived.

To demonstrate the significance of this benefit, consider an example of someone collecting \$1,600 per month from Social Security. If we translate this to a prudent withdrawal amount from a portfolio, it reflects a 4% annual withdrawal from a \$480,000 portfolio.

Given the complexity of the Social Security calculations, it is challenging to figure out how to make the most of it. Here, we'll address some of the questions that Plan participants often ask and give input on how to make the best decisions regarding your benefits.

Will it be there for me? Yes. Despite what we hear about the system going broke, the funds from worker's payroll taxes will cover all retirees' payments until 2016. After that the Social Security Administration can cover full benefits until 2037 by using its Treasury Bonds from the Social Security trust fund. Following that, payroll tax income would be enough to cover about 75% of benefits for decades.

That said, the government is looking at ways to secure the system. Possible solutions include increased payroll taxes, imposing Social Security payroll taxes on higher

incomes and raising the retirement age.

The general consensus is that people who are in or near retirement (over 55) are likely to see little or no change in benefits. Younger workers can continue to include Social Security in their retirement plans but may want to consider how the possible "fixes" may affect them. We suggest not making important decisions about your Social Security benefits based solely on the fear of the system failing.

How much will I receive? Your primary insurance amount is the amount you would receive at your full retirement age and is calculated using the highest 35 years of earnings history, adjusted for inflation. Each year, three months prior to your birthday, you will receive an estimate of your future benefit if you collect at age 62, your full retirement age or age 70. Because your earnings record is key to how much you will receive, we encourage people of all ages to check the accuracy of their reported earnings on their annual Social Security estimate.

Depending on your birth date, your full retirement age varies between 65 and 67. Spouses, starting as early as age 62, will receive the greater of up to 50% of their husband or wife's full retirement age payment or the benefit based on their own working history. After a spouse's death, widows receive a survivor's benefit of up to 100% of the deceased spouse's benefit, if that amount is higher than their own payment.

Every January, your payments will automatically be adjusted for inflation, as measured by the Consumer Price Index, to protect the purchasing power of the benefit. Payments

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.

IN RETIREMENT PLANNING

increased by 5.8% in 2009, however given the near-term inflation forecast, there may not be a cost-of-living increase for the next few years.

When should I start collecting?

The question of when to begin Social Security is the real issue in today's planning. Although full retirement ages range from 65 to 67 years old, everyone is allowed to collect a reduced benefit at age 62. The majority of people take Social Security before full retirement age, but it often pays to delay. At age 62, the reduction in benefits is between 25% and 35% for the rest of your life. So, how does one decide whether it is better to collect a smaller check for more years or a greater check for fewer years?

One consideration is the Breakeven Age which is when the accumulated benefits of higher monthly payments begin to outweigh the benefits of starting Social Security earlier. Generally, we often see breakeven points at approximately age 78. Although no one knows just how long they will live, we can consider our current health and family history to judge the probability of living past this age.

Based on these factors, if you feel you are not likely to make it to your breakeven age, you may consider starting benefits early. On the other hand, if you feel there is a good chance that you will live beyond the breakeven age, you will receive a greater total benefit by delaying until your full retirement age.

Since there is always a chance that you or your spouse may live to a ripe old age, delaying Social Security could provide

"longevity insurance" by providing a higher benefit guaranteed to last your lifetime.

There are other important considerations when deciding when to start collecting including:

Retirement Assets Available to Generate Income

- If you have adequate savings and investments to produce a sustainable income, you may want to delay benefits. However, if you are forced to withdraw at high rates in order to pay your bills and your assets are likely to deplete, you may need to start early. Also, planners agree that it is smarter to collect early if it will prevent you from accumulating debt.

Are you still working? If you are still working, it is usually better to delay benefits. Since most people earn more in their later working years than in their earliest years, working a few extra years will cause earlier, low-paid years to drop out of the calculation, increasing the benefit you will ultimately receive.

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PERFORMANCE OF FUNDS IN THE IBEW PLAN

As of September 30, 2009	Year-to Date	1 Year	5 Years	10 Years
Vanguard Asset Allocation Fund	14.65%	-9.51%	0.61%	1.68%
Vanguard Growth & Income Fund	16.03%	-11.15%	-0.37%	-0.36%
Dodge & Cox Stock Fund	25.64%	-3.68%	0.82%	5.97%
Vanguard PRIMECAP Fund	23.81%	-3.90%	4.65%	4.35%
T.Rowe Price Mid-Cap Value Fund	39.59%	6.45%	5.82%	10.16%
Vanguard Explorer Fund	30.39%	-3.66%	2.41%	5.75%
Harbor International Fund	31.18%	2.65%	10.46%	8.07%
Cohen & Steers Realty Shares Fund	21.90%	-21.56%	3.79%	10.77%*
BNY Mellon Stable Value Fund	3.14%**	3.33%	3.77%	4.35%

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) **Annualized return.

SOCIAL SECURITY'S ROLE IN RETIREMENT PLANNING (CONT...)

If you collect early and work at the same time, your checks will be reduced by \$1 for every \$2 you earn over an annual limit, currently \$14,160. The penalty reduces to \$1 for every \$3 over \$37,680 in the calendar year in which you reach your full retirement age. These dollars are not lost forever though because once your full retirement age is reached, the benefit level will be recalculated to reflect the additional work record.

Married Couples - Couples should aim to maximize their benefits over both their lifetimes. Generally, the best strategy is for the highest earning spouse to delay taking benefits for as long as possible since survivor benefits are based on the larger of the couple's checks. The lower-earner should usually claim benefits early. This strategy often provides the greatest amount of income as well as security in old age.

If only one spouse is eligible, there is an option for that spouse to claim benefits early but immediately suspend payment. This allows the other spouse to begin collecting the 50% spousal benefit while the eligible spouse delays benefits for a higher payout later.

Married people with similar earnings may also consider another strategy when one person claims spousal benefits at full retirement age and switches to his or her own higher benefit later.

Will I pay income tax on my Social Security?

Many people are surprised to learn that a portion of their benefits may be taxable. If one-half of your benefits plus all other income is more than \$25,000 (single) or \$32,000 (married filing jointly) you will pay income tax on 50% of your Social Security benefits. If this amount is over \$34,000 (single) or \$44,000 (married) you will owe tax on 85% of your benefits. The Social Security Administration now offers tax withholding from your checks if you request it.

Due to this, proper planning can save money at tax time. It may be possible to keep under these income levels by adjusting withdrawals from taxable accounts and supplementing income by using non-taxable sources such as personal savings or Roth IRAs.

You can call a Retirement Planning Specialist at 800-223-7608 with any questions, to discuss your situation or even calculate your own breakeven age. Please have your most recent Social Security statement handy.

started lending again. The housing market stabilized; consumer demand picked up, which motivated U.S. companies to start producing again. Manufacturing activity also saw a climb, and this is closely watched because it is a good predictor for growth.

The unemployment figure, which is fast approaching 10%, is an ongoing concern. If it climbs to the 12% range, this will be one of the early indicators that the recovery will have a hard time sustaining itself.

The other cloud is that the Federal Reserve has replaced banks as lenders to a great degree and if the Fed does start to withdraw, as some have predicted for this fall, this could create another problem, unless the banks start lending at a greater rate.

Hopefully, the Fed is smart enough to figure this out, so that there will not be an abrupt exit. I do have some concerns about the ultimate bill for all of this federal spending because eventually, it will call for more taxes and the debt overload could retard future growth.

Because of the shallowness of this recovery and the fact that it has gone up so much so soon, many people are predicting a 'correction' as a 50% growth rate in six months is too far too soon. So if and when this happens, I want you to keep in mind the position I cited at the beginning of this newsletter, that we will recover and we will go on to new highs.

Sincerely,



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