

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

SAVINGS AND SECURITY PLAN NEWSLETTER

ANNUAL REVIEW

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In 2008 we saw historical market swings and felt painful milestones. The year started off on weak ground, but the bulk of the volatility and losses occurred in October and November.

All of the ongoing issues - real estate, financial crisis, energy worries, slowing world economy - came together to cause panic among investors.

This led to a flight to safety. Worldwide, record levels of money left stocks for more secure investments such as Treasuries. This high demand has caused downward pressure on short term U.S. Treasury yields, falling to close to 0%. This is significant as intermediate term Treasury rates fell as well; these rates are used as benchmarks for fixed income funds such as the Stable Value Fund in the Plan. The Stable Value Fund, which accounts for approximately 60% of the Plan assets, provides a guarantee

of principal and interest for participant withdrawals. Because the Fund's managers have spread the investments over an average of three years, the Fund was able to produce a yield of 3.99% for 2008.

Despite the fact that all of the major indexes are lower than they were 10 years ago, all but one of the Plan funds has maintained positive 10 year returns. All of the funds in our model portfolios have outperformed their indexes in the 10 year period. And, despite the challenging environment this year, most of the Plan funds beat their respective index benchmarks in 2008.

The enclosed statement reflects activity from October 1, 2008 through December 31, 2008. Your next statement will reflect activity from January 1, 2009 through March 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:

I have written to you in the past and as recently as last fall about the fact that throughout our history there have been numerous market declines and fewer crises. The common factor afterward is that the economy and the markets do recover and go on to higher levels.

The difference between the markets I have observed in the last forty years and now is that the broadness of the decline, affecting almost all countries of the world, is unprecedented. There are 67 markets around the world and all of them declined. It is ironic that the global economy that everyone has been talking about over the last ten years

has brought about a common economic and financial fate.

What is going to happen in 2009? In looking at the various forecasts from publications, newsletters, advisory letters, etc., the range of predictions goes from cautiously optimistic to gloom and doom. Actually, 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. Those on the cautious side think the problems will continue through 2009 and it will not be until 2010 that there will be stability.

The fundamental impediment is in the credit

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MODEL PORTFOLIO PERFORMANCE

	<i>10 Yr. Average Annual Return*</i>
Conservative	4.53%
Conservative Growth	4.56%
Moderate Growth	4.47%
Growth	4.49%
Aggressive Growth	4.36%

* Returns as of December 31, 2008

Includes investment management expenses but not plan expenses.

TODAY VS. THE GREAT DEPRESSION

Grim economic news has permeated the media headlines over this last year. More and more commentary is drawing comparisons between current market conditions and those that followed the stock market crash of 1929, leading to the Great Depression. These reports can make it challenging to stay focused on your long-term plan. We'd like to share why today is different from the Great Depression and steps you can take to pull through this.

While there are some similarities between today's financial and economic climate and the Great Depression; these similarities do not mean that we are destined to enter into a long-term depression. We are living in a very different world than 80 years ago. The following are key differences between the current environment and the Great Depression:

Unemployment: During the Great Depression, unemployment reached 25%, meaning one in four people were out of work. As of October 31, 2008, unemployment was 6.5%, having risen close to two percentage points during the past year. While indicators show that unemployment will go higher, even pessimistic economists tend to estimate a peak of around 10%.

Banking System: During the early 1930s there was no FDIC insurance. Nervousness among depositors caused many to withdraw their funds, leading to a "run on the banks." Eventually thousands of banks failed, causing the U.S. financial system to essentially collapse. Currently only 22 banks have failed. The government has increased the FDIC coverage levels and assisted in mergers to

protect depositors.

Federal Reserve's Monetary Policy:

There is evidence that the Fed was not particularly helpful in the 1930s. After the stock market crash in 1929, the Fed passively allowed the money supply to decline. In contrast, the current Federal Reserve has demonstrated the most ambitious monetary action in history. They are expanding the money supply by lowering interest rates and injecting liquidity into the financial system.

Government's Fiscal Policy:

Some policies during the Great Depression proved to worsen the downturn, such as raising tariffs on imports and increasing income taxes. Today's administration has taken drastic steps to combat the economic downturn. The government took over Fannie Mae, Freddie Mac, and AIG. It approved \$700 billion to re-capitalize the banking system. It provided \$100 billion of rebates to taxpayers and has taken initiatives to help struggling homeowners. And, there is likely much more to come as the incoming Obama Administration has indicated its intent to pursue additional economic stimulus programs.

Global Economy: In the 1930s the economic devastation spread from the U.S. to the rest of the globe. In response to the U.S. increasing tariffs, other countries raised their own tariffs and shut out imports. This effectively led to the collapse of global trade. Today, the scope of global policy response has been massive. European governments have injected money into the banking system and increased deposit guarantees. Many countries have put forth economic stimulus

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.

programs and almost every major country has lowered interest rates.

As bad as things seem now, they would have to deteriorate at a completely different magnitude to reach the economic devastation of the 1930s. It will take some time for stimulus efforts to turn things around. However, once the recovery occurs many have asked "**How do I get my money back?**" The following are pointers on how to put yourself in a better position to recover the decline in your account.

• **Stick with your plan:** Despite the market's meltdown, stocks remain the only investment with enough growth potential to help recoup your losses reasonably quickly and stay ahead of inflation longer term. In most cases, if your mix made sense to you a year ago, it is worth sticking with it.

• **If you got concerned and moved everything to Stable Value:** While fear of falling markets is completely understandable, shifting entirely out of stock can be a huge mistake. The key to recovering your losses is to still own your shares when the market recovers. Since it is unpredictable as to when the recovery will occur, those who wait on the sidelines tend to get back in the market well after the recovery is underway, losing out on the often large initial boost. If having everything in Stable Value will not accomplish your long-term goals, talk to us about a strategy for returning to the market that makes sense for you.

• **Revisit your budget and withdrawal rate:** Withdrawals are a big factor in how much your account will rebound. Because with-

drawals involve selling shares of your investments, the more you withdraw the fewer shares are left in your account to benefit from a market recovery. Since this is a retirement plan, it is expected that people will take money to cover expenses. However, times like this warrant taking a fresh look at your budget. Can certain expenses be cut or delayed? Can other sources of income be increased? Do you have other savings that can be tapped temporarily to avoid having to sell your stock investments at such low prices? Another consideration is to take your withdrawals from Stable Value only. The key to all these ideas is to keep as many shares of your stock investments in place.

• **If you are still working and contributing:** Those of you with many years until retirement should continue to contribute the maximum you can afford. Remember, your contributions are buying more shares now due to low prices. These shares have more growth potential once the market recovers.

PERFORMANCE OF FUNDS IN THE IBEW PLAN

As of December 31, 2008	1 Year	3 Years	5 Years	10 Years
Vanguard Asset Allocation Fund	-36.34%	-7.61%	-1.61%	0.34%
Vanguard Growth & Income Fund	-37.62%	-9.88%	-2.89%	-1.07%
Dodge & Cox Stock Fund	-43.31%	-12.37%	-2.59%	4.73%
Vanguard PRIMECAP Fund	-32.33%	-5.29%	1.81%	3.84%
T.Rowe Price Mid-Cap Value Fund	-34.57%	-7.50%	0.55%	6.76%
Vanguard Explorer Fund	-40.29%	-11.61%	-2.94%	3.54%
Harbor International Fund	-42.66%	-2.50%	5.73%	6.06%
Cohen & Steers Realty Shares Fund	-34.42%	-9.92%	3.08%	8.48%*
Standish Mellon Stable Value Fund	3.99%	3.94%	3.89%	4.53%

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)

NEW PARTICIPANT ACCOUNT WEBSITE & NEW PLAN FEE SCHEDULE

We are pleased to announce that beginning February 17, 2009 your participant account website will be new and improved. The new site will allow you to get around quickly and you will be able to find the information you need faster and easier with tabs on every page that will take you where you want to go in an instant. In addition to the improved navigation the new website will also provide you with more tools and features than before, such as:

- Customizable and Online Statements
- Personal Rates of Return
- Detailed Account Balance Information
- Detailed Account Activity Information
- Updated Fund and Benchmark Information
- New Tools and Calculators
- New Resources and Web Links
- And much more . . .

Your current User ID and PIN will remain the same. We hope you enjoy the new features and improved account website.

New Plan Fee Schedule

The last time the Plan had a fee increase was

in 1990 or nineteen years ago. At that time the Plan only offered two funds, we did not conduct one-on-one meetings, annual reviews and we only serviced participants in ten states. Since then, we have grown significantly in investment offerings, individualized service and responsibility offering a Plan with nine core funds plus access to over 8,000 more, individual meetings, annual account reviews for retirees and participants in 47 states. To provide these services we have added a staff of regional managers, retirement planning specialists and CERTIFIED FINANCIAL PLANNERS™ to service your investment needs.

We recently asked the local and bank trustees to approve an increase of our annual fee to 0.007 (seven-tenths of one percent) from the current fee of 0.005 (one half of one percent). As many of you know, this still puts us well below the 1% to 3% annual expenses of brokers who also have either up front or withdrawal charges. The trustees approved our request to be effective February 1, 2009. If you have any questions on this increase, please contact our office.

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markets. Banks are reluctant to lend in an uncertain environment and lending is the plumbing that makes the economy function. The Federal Reserve, late last year, loaned a number of key banks \$25 billion each in order to encourage them to lend money to stimulate the economy. However, almost all the banks put the money into their balance sheets and did not lend. Remarkably, in their haste to avoid further panic, the Treasury had not made the loans contingent upon the banks lending it to companies.

As this is being written, Congress is working with the Treasury to implement a broader, deeper stimulus to the economy. Some of the initial proposals by the incoming administration have been contested by both Democrats and Republicans who want to avoid the mistakes of last fall. It is a challenging task but the good thing is that there

seems to be a bi-partisan awareness that the right thing for the country needs to be done not the usual political maneuvering.

It is my feeling that once a comprehensive, well thought out stimulus program is put into effect, you will see credit opening up resulting in the stabilization of the markets here as well as overseas. Should you care about what happens overseas? The answer is yes, because in fact, we do have a global economy that affects us considerably. For example, 50% of U.S. Treasury obligations are owned by foreign interests.

My conclusion is the same conclusion that I conveyed last fall and in the past. We will recover; it is just a question of when, so stay the course.

Sincerely,



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