

UNITED STAFF UNION

§ Dennis Eisenberg, *Chairperson, Pension and Benefits Committee*



The Reluctant Bull

Ever hear that September and October are months to fear if you're in the stock market? Or that if we got a 15.9% rebound in quarter two (Q2) that this Q3 quarter couldn't be good because the markets have gone too far too fast?

So, are we in the "New Normal" or will some of the psychological "brain games" play a role in *your* returns and that of the market?

The next part of this discussion is adapted from a John Markman newsletter that the author receives.

"There was a widespread expectation, as you know, that September would be a negative, nasty month for the market. When softness did not materialize by late in the second week of the month, which was last Friday, a lot of skeptical fund managers and individuals started to feel the urge to participate -- and quickly.

A colleague who is lead analyst at a Midwestern investment research firm talked about the angst he picked up after a visit to his customers over the past couple of weeks around the world. Fund managers with the discretion to be short or in cash and did well last year have done poorly this year because they have been fighting the advance all the way. Here's what he said in a letter to clients this week:

Fund Name	Last Three Months
Alpine Int'l Real Estate	EGLRX 37.4%
American Cent. Real Estate	REACX 33.2%
Mid Cap Growth - Turner	TMGFX 23.5%
US Global Resources	PSPFX 22.9%
Lazard Emerging Markets Open	LZOEX 22.3%
International Value - LSV Asset Mgt	22.0%
Mid Cap Value - Wellington	22.0%
Large Cap Value - LSV Asset Mgt.	18.9%
International Equity - Artio /(Julius Baer)	BJBIX 18.6%
RS Global Natural Resources	RSNRX 17.3%
Mid Cap Growth - Artisan Partners	ARTMX 16.7%
Vanguard Total Mkt Index	VTSSX (VTSAX 3, 5 Yr) 16.5%
Small Cap Value - Munder	16.0%
Calvert Social Investment	15.8%
Small Cap Growth - TimesSquare	15.1%
Large Cap Growth - Turner Invest. Partners	15.1%
Goldman Sachs High Yield (A)	GSHAX 14.3%
Oakmark Equity & Income (Class I)	OAKBX 10.8%
PIMCO Commodity Real Return	PCRAX 9.3%
Guaranteed Long Term	1.2%

Fund Name	Three Months
T. Rowe Price Retire 2040 Fund Advisor	PARDX 16.9%
T. Rowe Price Retire 2030 Fund Advisor	PARCX 16.5%
T. Rowe Price Retire 2020 Fund Advisor	PARBX 15.0%
T. Rowe Price Retire 2010 Fund Advisor	PARAX 12.5%
T. Rowe Price Retire Income Fund Advisor	PARIX 9.6%

"People are reluctantly being pushed into the equity market. The firms which can allocate to stocks or choose to stay out of the market, are the firms being pressured to go in. Their complaint is that the correct description of the current situation is that the economic fundamentals do not line up with the way in which the market is behaving. The market is too high, or the market is disconnected from the fundamentals, are common objections I have heard. The old hands who have been in business longer than I have, and that would require 32 years or more, are very skittish about stocks.



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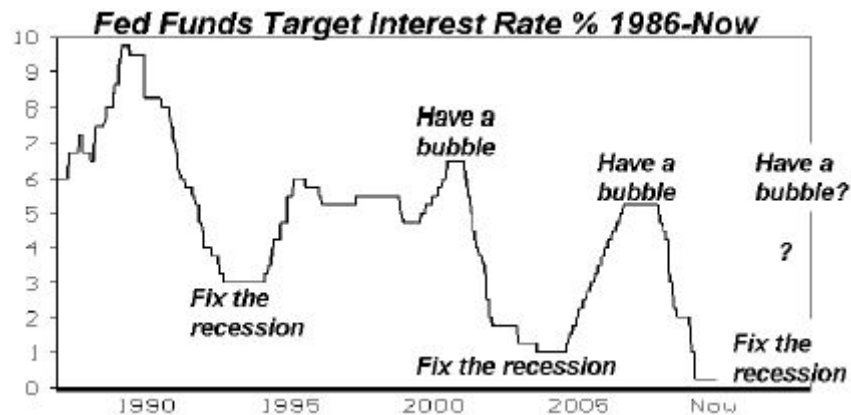
"So am I, but liquidity is driving this market, not fundamentals and the central banks have shown no sign of letting up. Indeed since the G-20 Finance Ministers' meeting last weekend revealed there was no exit strategy from global stimulus programs, we have had another hint of how far governments are willing to go. Secretary Geithner held a town hall meeting on CNBC the other night in which he basically made the case that overdoing it on the stimulus side now would be less costly than reining in the stimulus too soon. He argued, with some vigor, for a stimulus overshoot.

"Now think about that. He must know what the effects will be on financial markets. Are governments intentionally trying to create a bubble in equities as a way of stimulating not only financial markets, but also economies?"

S&P 500 2009	% Return
Q1	-11.0%
Q2	15.9%
Q3	15.5%

Intentionally or unintentionally, the outcome I think will be the same. A bubble in equities will form, though it may take months or years to complete. If we pay too much attention to how the system works in normal time periods, we will not catch the move.

What's unique about the big jump off the March lows is that it's been propelled by governments and central bankers who believe that they have just one shot to get the global economy set back on the right path. We are in "fix the recession" mode, as shown in the chart provided by researcher Michael Belkin, and that has its own rules.



My forecast is that upcoming data releases will confirm a meaningful cyclical rebound is taking place in retail sales, industrial production and labor markets. The speculation that will be unleashed when this is better recognized by the public will likely be comparable to the 1991-1999 period, or at least 2003-2007. There will be a bubble, you can count on that, but this is way too early to worry about anticipating that it will be popped.

So really, this bull cycle has a long way to go. Relax and enjoy, and expect all setbacks of 3% to 7% to be treated as a buying opportunity."

Source: Strategic Advantage Newsletter, 9-16-09

"PESSIMISM IS YOUR FRIEND, euphoria the enemy." -- Warren Buffett, in his 2009 letter to shareholders

WEAC / USU Pension Plan

09/30/09

Investment Fund Name	YTD %	Last Three Months	Rate of Return 1 Yr. (%)	Rate of Return 3 Yr. (%)	Rate of Return 5 Yr. (%)
<i>Stable Value</i>					
Guaranteed Long Term	3.6%	1.2%	4.9%	4.8%	4.5%
<i>Fixed Income</i>					
Goldman Sachs High Yield (A) GSHAX	42.5%	14.3%	15.7%	2.9%	4.9%
<i>Balanced</i>					
Oakmark Equity & Income (Class I) OAKBX	14.9%	10.8%	1.3%	4.1%	6.4%
<i>Target Date Auto Balanced</i>					
T. Rowe Price Retire Income Fund Advisor PARIX	18.4%	9.6%	6.4%	2.0%	4.3%
T. Rowe Price Retire 2010 Fund Advisor PARAX	23.1%	12.5%	4.9%	0.4%	4.3%
T. Rowe Price Retire 2020 Fund Advisor PARBX	27.9%	15.0%	3.3%	(1.2%)	3.9%
T. Rowe Price Retire 2030 Fund Advisor PARCX	30.9%	16.5%	1.7%	(2.5%)	3.7%
T. Rowe Price Retire 2040 Fund Advisor PARDX	31.6%	16.9%	1.3%	(2.8%)	3.5%
<i>Large Cap Stock</i>					
Vanguard Total Mkt Index VTSSX (VTSAX 3, 5 Yr)	21.7%	16.5%	(5.9%)	(4.7%)	N/A
Calvert Social Investment	27.7%	15.8%	(3.5%)	(1.8%)	2.5%
Large Cap Growth - Turner Invest. Partners	29.1%	15.1%	(4.5%)	(5.7%)	2.0%
Large Cap Value - LSV Asset Mgt.	18.7%	18.9%	(9.0%)	(9.2%)	0.6%
<i>Mid Cap Stock</i>					
Mid Cap Growth - Artisan Partners ARTMX	42.7%	16.7%	1.9%	0.8%	5.3%
Mid Cap Growth - Turner TMGFX	39.4%	23.5%	(0.6%)	(2.0%)	4.4%
Mid Cap Value - Wellington	34.8%	22.0%	6.0%	(4.0%)	3.3%
<i>Small Cap Stock</i>					
Small Cap Growth - TimesSquare	27.8%	15.1%	0.2%	0.3%	6.4%
Small Cap Value - Munder	27.0%	16.0%	(12.1%)	(13.3%)	N/A
<i>International</i>					
Lazard Emerging Markets Open LZOEX	60.0%	22.3%	11.0%	8.4%	19.2%
International Equity - Artio (Julius Baer) BJBIX	19.8%	18.6%	(2.2%)	(4.3%)	6.2%
International Value - LSV Asset Mgt	32.3%	22.0%	(0.1%)	(7.4%)	N/A
<i>Natural Resources - Specialty</i>					
RS Global Natural Resources RSNRX	38.2%	17.3%	(2.5%)	1.3%	10.3%
US Global Resources PSPFX	54.2%	22.9%	(8.1%)	(2.8%)	11.4%
PIMCO Commodity Real Return PCRAX	24.9%	9.3%	(19.9%)	(3.9%)	(0.5%)
<i>Realty - Specialty</i>					
Alpine Int'l Real Estate EGLRX	104.5%	37.4%	17.9%	(10.6%)	3.3%
American Cent. Real Estate REACX	16.5%	33.2%	(34.5%)	(15.3%)	(0.4%)

Save Gas, Money, and the Environment with Properly Inflated Tires

Diane Loviglio was one of eight students from Carnegie Mellon's Sustainable Earth Club to measure the air pressure in the tires of 81 cars parked on campus.

"After seeing the numbers I was really surprised to see just how much properly inflated tires make a difference," she says.



WANT TO SAVE HUNDREDS AT THE GASOLINE PUMP? It's easy. Instead of hunting for the best price in town, try checking the air pressure in your tires. Proper air pressure results in better gas mileage.

It's October. As we head into winter tire pressure drops 1 PSI for each 10 degree temperature drop. So even if your tires were properly inflated this summer at 70 degrees they're underinflated by 5 PSI when the temperature drops into the 20's.

If you think this is all a lot of "hot air," think again.

If you're the typical car owner and your tire pressure is not at the maximum air pressure stated on the tires' sidewall, your four tires are under-inflated by a total average of 20%.

If you do the math to calculate the extra fuel cars consume due to under-inflated tires, consider the Environmental Protection Agency standard that a **1% loss of fuel efficiency occurs for every 2 PSI of air under the maximum level**. At \$2.50 per gallon, **each car owner is spending \$360 for gas each year that they really don't need to do.**

And if money isn't a big enough incentive, how about helping to preserve the environment? Less fuel consumption results in less carbon dioxide being emitted into the atmosphere. **Each car emits an extra 1 1/2 tons of carbon dioxide annually if tires are under inflated.**

Math Takeaway: What would you do if management said they were going to deduct \$360 from your paycheck as a 'hot air tax' [*I'm sure some of you are thinking the tax ought to be on them, eh?*]. If you're in the 30% tax bracket that's like taking a **\$470 pay cut** because you don't regularly check your tire pressure.

Separation Financial Anxiety

You don't need to speak Russian to know what's going on here:

<http://www.flixxy.com/rich.htm>

David and Goliath

According to a study done by AI Frank Asset Management:

In the table below we use historical month-end stock price data for the last 60 years from research firm Morningstar to highlight bear market occurrences in large- and small-capitalization stocks. Irrespective of the ultimate depth of each correction, we show the performance of equities in the ensuing one-, two-, three-, and five-year periods from the point in time when the Bear (defined as a 20% correction) occurred.

We would suggest that this data is not as much compelling as it is comforting, for it should help alleviate the common anxiety of feeling like one needs to time the bottom perfectly (which by the way is an extremely low probability wager).

We cannot predict with certainty the timing or magnitude of the current correction. What we do believe, however, is that market history and our experiences at AI Frank inform our perspective that the greatest opportunities for outperformance can often result from buying undervalued stocks during times of great uncertainty.

Prior Peak	Down 20% 'Bear'	Total Return Subsequent to Meeting a Bear Threshold			
		1-year	2-year	3-year	5-year
<i>Large Company Stocks</i>					
12/31/61	6/30/62	23%	53%	61%	91%
11/30/68	4/30/70	35%	53%	50%	42%
12/31/72	4/30/74	10%	25%	25%	44%
8/31/87	10/31/87	23%	61%	55%	122%
8/31/00	3/31/01	-13%	-24%	-7%	14%
	Average	16%	33%	37%	63%
<i>Small Company Stocks</i>					
3/31/62	6/30/62	22%	50%	75%	235%
04/30/66	9/30/66	75%	143%	125%	77%
12/31/68	7/31/69	-33%	-12%	-7%	-45%
8/31/78	10/31/78	38%	111%	138%	321%
8/31/87	10/31/87	24%	44%	10%	91%
7/31/89	8/31/90	37%	54%	107%	203%
4/30/98	8/31/98	22%	70%	45%	109%
2/29/00	5/31/00	7%	10%	13%	72%
	Average	24%	59%	63%	133%

Returns not annualized. While small stocks corrected over 20% in 2002, by a slim margin they had not yet eclipsed their former month-end peak from February 2000.
SOURCE: AI Frank using month end data from Morningstar over the period from 1948 to 2007

So, isn't one possible conclusion that you ought to hold small company mutual stock funds coming out of a recession? What's your allocation to our small cap value and small cap growth funds?

If the allocation is not what you want, don't procrastinate. Change your allocation by calling Pru at 800-25-FACTS or go to the web: <https://login.prudential.com/auth/Login?GAREASONCODE=-1&GARESOURCEID=res83&GAURI=https://www.retirement.prudential.com/RSO/login.jsp&Reason=-1&APPID=res83&URI=https://www.retirement.prudential.com/RSO/login.jsp>

10 Questions you must ask your doctor

1. Do I really need this test?

"Doctors often adhere to a better-safe-than-sorry philosophy, ordering tests just to protect themselves in the event of a lawsuit," says David Sandmire, MD, coauthor of *Medical Tests That Can Save Your Life*.

A full 16 percent of prostate-cancer screenings, for example, are unnecessary, say Harvard researchers. Since 80 percent of PSA results are false positives, thousands of men undergo needless biopsies each year. Another overused procedure: CT scans. The radiation from these tests causes an estimated 5,695 cancer cases a year, say British researchers.



2 Where would you send your wife or children?

Like our tax code and the judicial system, medicine is supposed to treat everyone equally, but it's clear that some people receive better treatment than others. "General practitioners who work within a particular system routinely refer patients to specialists within that health-care system," says Kevin Soden, MD, coauthor of *Special Treatment: How to Get the Same High-Quality Health Care Your Doctor Gets*. "However, oftentimes the best surgeon is in a completely different facility on the other side of town, and you can bet that's where your doctor would send his family."

3 How many surgeries do you perform each year?

Nowhere is the saying "practice makes perfect" more applicable than in the operating room. Urologists who perform more than 40 prostatectomies a year, for example, experience 50 percent fewer complications than those who perform fewer than 40.

The same goes for hospitals performing more than 200 coronary bypass surgeries a year, according to a report in the journal *Circulation*. Bottom line: Your health hinges on your surgeon's experience.

4 Can I schedule my surgery for the morning?

Arrive early and you'll get the undivided attention of an alert medical staff. A recent study of 90,000 surgeries by researchers at Duke University found that patients who had operations in the morning were four times less likely to have anesthesia complications—nausea, post-op pain, fluctuating blood pressure—than those who had them in the afternoon.

5 If I get sick, will you see me in the hospital?

In the past 10 years, the number of hospitalists—a new breed of physicians who specialize in inpatient care—has grown from a few hundred to nearly 20,000.

"So if you require hospitalization, odds are your primary-care physician won't be at your bedside," says Evan Scott Levine, MD, author of *What Your Doctor Won't (or Can't) Tell You*. "You'll be dealing with a new doctor who doesn't know you or your medical history." Make sure your GP makes hospital calls.

6 Do you earn bonuses based on performance?

Before you schedule a surgery, check the hospital's physician reward system. Insurance companies reimburse hospitals based on the type of treatment provided, not the length of your

stay. As a result, "Many hospitals pay their physicians bonuses based on how quickly they move patients out the door," says Dr. Levine. "Quality of care is sacrificed in the interest of increasing patient turnover."



7 When did you graduate from medical school?

In an analysis of 62 studies, researchers at Harvard Medical School discovered that doctors who have been out of medical school for more than 20 years were up to 48 percent less likely to stay up-to-date on developments in their fields. They are equally likely to be unaware of current treatment guidelines, such as prescribing aspirin to treat angina (chest pain caused by decreased blood flow to the heart). If you don't want to ask your doctor directly, check out how long it has been since he graduated at www.healthgrades.com.

8 What the hell does that say?

No doctor would prescribe Zolofit for high cholesterol, but that's what you might end up with if your pharmacist can't read Zocor in your doctor's chicken scratch. Poor penmanship isn't just an old stereotype; it's responsible for up to 61 percent of medication errors and more than 1.5 million patient injuries per year, according to a recent report from the National Academies of Sciences' Institute of Medicine.

"If you can't read a prescription, chances are your pharmacist can't either," says Dr. Soden. "Get your doctor to print out the name of the medication."

9 Will you remove that wedding ring?

When scientists at Rush University Medical Center, in Chicago, analyzed the hands of 66 nurses, they found that those with wedding rings had 10 times more bacteria than those without.

"Bacterial infections are the leading cause of death in American hospitals; about 98,000 people die from them each year," says Dr. Soden. "That means you can contract a secondary infection at the hospital."

10 What else can I do to treat my condition?

Recent studies suggest that diet and exercise are essential for treating and preventing everything from heart attacks to prostate cancer, yet only one in six doctors discusses how to use nutrition to prevent disease, according to a study in the American Journal of Clinical Nutrition.

Researchers in Colorado, meanwhile, found that only 28 percent of doctors mention exercise to their patients. Many primary-care physicians work with dietitians and trainers who can help treat patients with lifestyle-influenced health problems, such as type 2 diabetes. So even if your doctor doesn't have answers regarding nutrition and exercise, he likely knows someone who does.

Cryptic credit scores cost consumers

U.S. consumers could reduce credit-card finance charges by \$105 annually if they raised their credit score by just 30 points, Washington Mutual has estimated. The major catch: More research confirms that it's too tough for consumers to figure out exactly what a credit score truly means. The confusion makes it much harder to know what to do to raise scores.

<http://www.marketwatch.com/story/story/print?guid=EC3D4AFE-B4AE-4AC7-B39E-0773FE1FD02D>

The Cyclical Recovery Timeline



This timeline is for illustrative purposes only and is intended to represent where certain events would occur if they were to follow the timeline shown.

Source: "Anatomy of a Bear" - Russ Napier (2007) (Based on averages of 23 recession periods from 1985 to present).

How to get a credit report for free

All Americans are entitled to free credit reports every year from each of the three major credit bureaus. The credit reports used to cost as much as \$9.50 each.

The three major credit-reporting agencies, Equifax, TransUnion, and Experian, are each required to provide consumers, upon request, a free copy of their credit report once every 12 months.

The reports will not be sent automatically. Each consumer must request reports one of these three ways:

- Go to <https://www.annualcreditreport.com/cra/index.jsp>, which is the only authorized source for consumers to access their annual credit report online for free.
- Call (877) 322-8228.
- Complete the form on the back of the Annual Credit Report Request brochure, and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The brochure, which can be ordered or printed, is available from the Federal Trade Commission <http://www.ftc.gov/freereports>

Banks have declared war -- on you

Changes are coming fast to the credit card world, and you can expect your bank to raise rates, slash credit limits, add fees and cut rewards. Consumers, brace yourselves.

So here's your game plan for the next nine months:

<http://articles.moneycentral.msn.com/Banking/CreditCardSmarts/banks-have-declared-war-on-you.aspx?page=all>