

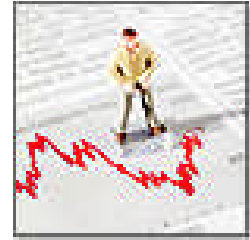
UNITED STAFF UNION

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



The New Year—Can Market Returns Repeat?

As the attending data will show, market returns have been very good after an awful 2008. In fact it's been pretty much an awful decade as the graphic here shows – a 10 year Rip Van Winkle snooze left you just about where you started IF your focus was just US stocks. It's a different story if you invested in bonds, foreign (including emerging) markets, realty, and commodities where gains were made. Gold increased 10 times more than stocks.



Okay, you may ask who cares, what's up for the next decade? Probably more volatility, unfortunately. Here's the typical market return playbook – a recession, followed by a snap back return off a bottom (March 2009), and then a pause.

2010

While you hear in the media the discussion from the talking heads about 'growth', it doesn't matter as much as how far valuations shot past a correction point. While this is anything but a normal recession, we now see evidence of growth (such as increased rail car shipments (you don't ship product if there aren't any buyers), rig counts (energy to fuel cars and industry), and semiconductor orders (equipment to build technology changes and advances). You also have a lot of federal stimulus kicking in 2010. Another atypical recovery factor.

On the downside is the structural unemployment – much more like Europe -- that occurred as companies feared the worse and this time laid off service workers, something that was previously confined to production workers. No work, not much consumption, as the public tries to repair its balance sheet now that housing has corrected so dramatically.

Here's a **7 year forecast** done by an institutional investment group that manages billions. The data is REAL returns before inflation adjustments [So if we have 2-3% inflation (non existent now), add to the returns to compare with what you normally see]:

Category	Returns
US Stocks Historical Long Term	6.5%
US Large Cap	1.8%
International Large Cap	5.5%
Emerging Markets	4.4%
US Government Bonds	0.7%

Note where they believe growth will be in the next 2/3rds of the decade. The return prediction has a margin of error of about +- 6% (bonds about 4%), so the S&P 500 could range from -2% to +6% per year (plus inflation).



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Missed the Bottom? It's your next move that matters

Bear markets occur – that's a fact. So you know it happened after the fact but then what? The table below shows the impact on large and small-capitalization stocks when the Bear (defined as a 20% correction) occurred. The data suggests you don't need to spend much time now 'woulda, shoulda, coulda-ing' because you missed out on the good returns in 2009.

According to the AI Frank funds the table below suggests the greatest returns to outperform if you invest in small undervalued stocks funds.

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

<http://buckinghamreport.squarespace.com/issues/beauty-from-the-beast.html>

Worst Footnotes of 2009

Some pretty bad secrets are buried deep inside Security and Exchange Commission (SEC) filings.

- ▶ Chesapeake Energy disclosing it spent \$12.1 million to purchase Aubrey McClendon's antique map collection.
- ▶ InfoGroup saying the cost of the yacht for former CEO Vinod Gupta was really \$873,078 instead of the zero that it had previously reported.
- ▶ Freddie Mac which took more than \$50 billion in money from the government to stay afloat, giving its new CFO a \$1.95 million signing bonus in addition to other goodies.



Feeling Ripped Off??



WEA Insurance / USU Pension Plan

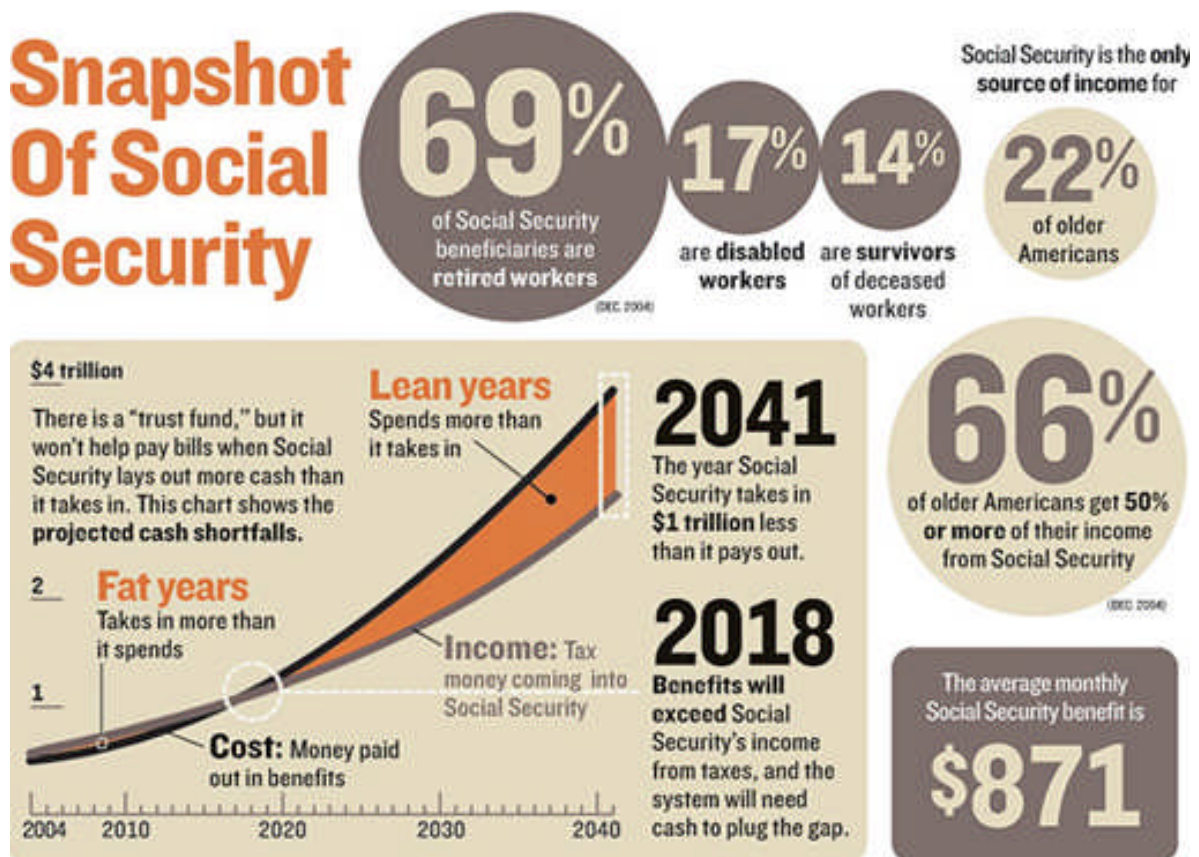
12/31/09

Investment Name	YTD 12/31/09	Prior 3 Months %	Three Year %	Five Year %
<i>Stable Value</i>				
Guaranteed Long Term	4.85%	1.2%	4.9%	4.6%
<i>Fixed Income</i>				
American High Income Trust RITEX	48.39%	5.3%	2.9%	4.8%
<i>IncomeFlex Lifetime</i>				
IncomeFlex LT Income & Equity Fund	15.72%	1.7%	0.4%	N/A
IncomeFlex LT Conservative Growth	20.01%	2.2%	(1.7%)	N/A
IncomeFlex LT Balanced	21.76%	2.5%	(2.9%)	N/A
IncomeFlex LT Growth	22.94%	2.6%	(3.5%)	N/A
IncomeFlex LT Aggressive Growth	24.53%	2.9%	(4.8%)	N/A
<i>Balanced</i>				
Lifetime Income Equity Fund	17.04%	1.9%	1.6%	3.6%
Lifetime Conservative Growth Fund	21.25%	2.5%	(0.7%)	3.0%
Lifetime Balanced Fund	23.00%	2.7%	(1.9%)	2.5%
Lifetime Growth Fund	24.15%	2.9%	(2.5%)	2.4%
Lifetime Aggressive Growth Fund	25.68%	3.1%	(3.9%)	1.8%
<i>Large Cap Stock</i>				
Dryden S&P 500 Index	26.34%	6.0%	(5.7%)	0.3%
Vanguard Total Mkt Index VTSSX (VTSAX -- 5 Yr)	28.85%	5.9%	(5.0%)	1.0%
Large Cap Growth / Turner	37.34%	6.3%	(5.4%)	0.8%
Large Cap Value / AJO Fund	17.54%	4.5%	(8.0%)	(1.2%)
Domini Inst. Social Equity DIEQX	N/A	6.7%	(4.8%)	0.0%
<i>Mid Cap Stock</i>				
Mid Cap Growth - Artisan Partners	50.08%	5.2%	0.3%	3.8%
Vanguard Mid Cap Index VIMSX	40.22%	6.5%	(4.7%)	2.3%
Mid Cap Value - Wellington	42.00%	5.4%	(5.1%)	2.0%
Arial Fund ARGFX	63.41%	7.8%	(6.0%)	(1.5%)
Arial Appreciation Fund CAAPX	62.95%	10.4%	(1.6%)	1.7%
<i>Small Cap Stock</i>				
Vanguard Small Cap Index NAESX	36.12%	4.1%	(4.2%)	1.8%
Sm. Cap Growth - TimesSquare	38.13%	8.1%	0.9%	5.2%
Target Small Cap Value (TASVX)	26.69%	5.2%	(2.6%)	3.7%
<i>International</i>				
International Equity - Artio / (Julius Baer) BJBIX	22.69%	2.4%	(7.5%)	3.4%
Calvert World Values Int'l CWVIX	22.88%	(1.0%)	(12.0%)	(0.6%)
<i>Other - Specialty</i>				
Alpine Int'l Real Estate EGLRX	109.00%	2.4%	(14.8%)	0.1%
American Cent. Real Estate REACX	26.69%	8.7%	(15.4%)	(1.1%)
T. Rowe Price New Era {Nat. Resources} PRNEX	49.36%	7.2%	1.5%	9.7%

*Italic = Socially Conscious fund

Name	YTD	Q4 '09	3-Year	5-Year
S&P 500	26.5	6.0	-5.6	0.4
Foreign Index (USD)	31.8	2.2	-6.0	3.5
Emerging Mkts (UDS)	74.5	8.3	2.7	12.8
Long-Only Commodity	18.4	7.1	1.1	5.3
Natural Resources	48.5	7.2	2.4	11.7
Real Estate	31.3	8.7	-13.4	-0.8
Core Bond	4.8	0.2	6.6	5.3
High Yield Bond	46.5	5.5	3.1	4.3

Why You Should Worry About Social Security



Terry Savage, author and columnist, discusses why the recession and unemployment bring Social InSecurity. (Video Link)

<http://articles.moneycentral.msn.com/video/default-ap.aspx?cp-documentid=542e2cf0-531c-4f66-98cd-78cc12999ca0%26tab=Market%20News>

Social Security's New Math: Who Wins, Who Doesn't



Come January 2010, seniors may do a double take after seeing their Social Security checks. The two to three percentage-point increase in benefits they usually get each year won't be there.

That's because, for the first time in three decades, there isn't a cost of living adjustment (COLA). "People notice when their checks don't change," says Bruce Meyer, a professor at the University of Chicago's Harris School of Public Policy.

In the context of degraded home prices and investment losses, the change will feel like a loss to many seniors, even though benefit amounts for 2010 won't shrink. Social Security benefits are adjusted every year to keep up with inflation, so that seniors can retain their purchasing power. Adjustments are based on the consumer price index for urban wage earners (*CPI-W*^U) between the third quarter (July-September) of the previous year and the third quarter of the current year. The 2010 COLA is based on a period marked by sharp drops in prices and deflation.

Legislation was introduced that would provide a one-time \$150 payment for Social Security beneficiaries to compensate for the lack of an adjustment.

Still, anxious seniors should keep in mind that they will actually come out ahead of inflation. *"In a sense, older people are going to do fine because the cost of living is down and they're not going to have their benefits cut,"* says John Laitner, the director of the Retirement Research Center at the University of Michigan.



Reasons to Fret

- **Next COLA increase will be in 2012:** Medicare Trustees project no cost of living adjustment for 2011 and only a modest 1.4% increase in 2012.
- **Rising health-care costs:** Seniors are disproportionate users of the health-care system and pay about 20% higher out-of-pocket health care costs.
- **Higher Medicare premiums for some:** Medicare Part B premiums have increased almost every year to keep pace with the growth in Part B expenditures.

<http://www.smartmoney.com/personal-finance/retirement/social-securitys-new-math-who-wins-who-doesnt/>

Medicare Part B Premium Increase

According to Kaiser, Part B premiums will be **\$104.20 (8.1%) a month in 2010 and \$120.20 (15.3%) in 2011, up from \$96.40 in 2009.** How these different rates will be reconciled for a 2009 and a 2010 retiree when social security increases is unclear.

Ask Grandma Why Your Brain Wants to Waste That Gift Card



Gift cards have always been an unhappy medium: more thoughtful than cash, less thoughtful than an actual gift. But with recent changes to the laws governing these products, restricting fees and expiration dates, gift cards are about to become less thoughtful than ever.

How is giving consumers more time to use a gift and stopping companies from nickel-and-diming them in the meantime bad for consumers? Because the real problem with gift cards isn't that you have too little time to redeem them — it's that you have too much.

It's counterintuitive, but the way to make people more likely to redeem their gift cards would be to shorten the time before they expired.

In the *Journal of Marketing Research* (and written up in the *May Atlantic* by Virginia Postrel) sixty four (64) undergraduates coupons were given for a slice of cake and a beverage at a French pastry shop. Half got a certificate that expired in three weeks, half got one that expired in two months.

The shorter timeframe made the students much more likely to redeem their certificates; 10 of the 32 students (31%) redeemed the three-week certificates, only two of the 32 students (6%) redeemed the two-month certificates.

What's more, the students who failed to use their certificates were plagued with regret. The most common reasons they gave for not using the certificates: "I was too busy and ran out of time."

The lesson is clear: We procrastinate not just when it comes to unpleasant experiences, but when it comes to pleasant experiences as well. We're always too busy. We always think there's more time — until there's not.

Ideally, a gift card should even let the funds revert to the giver if the recipient doesn't cash it in. In fact, such a product already exists — though you won't find it on offer at any store. It's called a check. Ask your grandma.

Source: *SmartMoney* <http://www.smartmoney.com/spending/deals/why-your-brain-wants-to-waste-that-gift-card/?hpadref=1>

Till Death Do Us Part



The number of yearly U.S. deaths linked to lack of health insurance is now about 2.5 times more than previous estimates seven years ago. That means one person dies every 12 minutes. Why the jump? The [study in the *American Journal of Public Health*](#) points to an increase in the number of uninsured -- at least 46 million today -- and a fraying medical safety net. Deaths associated with lack of health insurance now exceed those caused by many common killers such as kidney disease, the study says.

Current Wisconsin Tax Law -- 2010 IRA Conversions

The following is from the Wisconsin Department of Revenue website (<http://www.revenue.wi.gov/taxpro/news/091030.html>).

As of this date, Wisconsin has not adopted the provisions of federal P.L. 109 222 related to converting a regular IRA to a Roth IRA in 2010. Until Wisconsin adopts P.L. 109 222, taxpayers who make the conversion from a regular IRA to a Roth IRA in 2010 will have different tax treatments for federal and state income tax purposes. For federal income tax purposes, persons who make the conversion in 2010 may elect to postpone payment of tax on the converted amount until they file their 2011 and 2012 income tax returns. Because Wisconsin has not adopted the provisions of P.L. 109 222, the tax on the converted amount will be due with 2010 Wisconsin income tax returns.



Persons who make the conversion and who have modified adjusted gross income over \$100,000 will be subject to certain Wisconsin penalties. If the person is under age 59½, the person would be subject to an early distribution penalty.

The penalty is equal to 3.33% of the amount converted. The person would also be subject to a 2% penalty for an excess contribution to the Roth IRA. This penalty would be applied each year until the excess contribution is withdrawn. Persons age 59½ or over would only be subject to the excess contribution penalty. The department will publish further guidance on this issue if P.L. 109 222 is adopted in the next legislative session that begins in January 2010.

The 100 most useful Web sites

Here are my favorite Internet destinations that deal with money. All are worth bookmarking. But I'd like your help in discovering other cool sites.

<http://articles.moneycentral.msn.com/SmartSpending/FindDealsOnline/the-100-most-useful-web-sites.aspx?page=all>

Best Coupon-Clipping Web Sites

CouponCabin.com

Why the experts like it: CouponCabin.com keeps its discount fare fresh, says Linda Sherry, a spokeswoman for Consumer Action⁷, a consumer advocate. Staffers update deals three times a day, and frequently check each coupon code to ensure it works. Sections for "most-used coupons" and "favorite deals" point shoppers toward the best ongoing promotions at online retailers. An added bonus: A weekly email newsletter alerts consumers to the latest deals every Monday.

RetailMeNot.com

Why the experts like it: RetailMeNot.com's dedicated community is what makes this site stand out. Users indicate whether a discount code worked for them or not, helping shoppers quickly filter out bad deals, says Hunt. They also add comments, pointing out when a code last worked, or any strings attached. "It's pretty darn reliable," she says. Email alerts notify you when new codes are posted for your favorite retailers.

“Experts” Hot Stock Tips

Look at the stocks the ‘experts’ told you to buy ten (10) years ago. The most widely recommended -- according to a quick survey at the time in the Washington Post -- were America Online, Cisco Systems, Qualcomm, MCI WorldCom, Lucent Technology, and Texas Instruments.

Any people who invested in that portfolio have lost about two-thirds of their money. The average stock picked at random was up 3%, including dividends.

Source: WSJ: Brett Arends <http://online.wsj.com/article/SB126126238767798771.html>

The Zeroes’ Heroes

There’s no better way to gauge the value of most long-term stock picks than to compare the decade’s top stock performers with some of the ‘stocks for the next decade’ most widely touted 10 years ago.

If you had invested \$1,000 on Dec. 31, 1999, your holdings today would be worth...

Among the best shares of a bad decade		And for the most popular expert picks	
Southwestern Energy (SWN)	\$57,500	Texas Instruments (TXN)	\$520
XTO Energy (XTO)	34,570	Qualcomm (QCOM)	510
Range Resources (RRC)	23,290	Cisco Systems (CSCO)	430
Precision Castparts (PCP)	16,390	America Online (AOL)	275
		Lucent Technology (ALU)*	10**
		MCI WorldCom†	0

*Now Alcatel-Lucent **estimate †Defunct
Sources: Washington Post; Ned Davis Research; Standard & Poor’s; FactSet; the companies

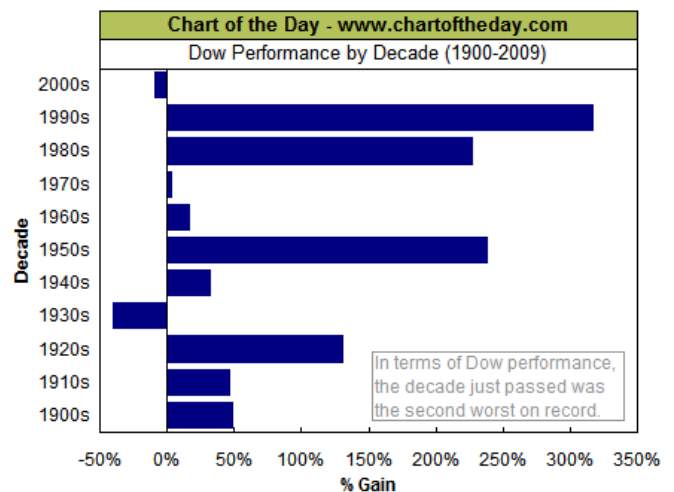


The Next 10 Years of Returns

So why would a decade of investing in the top 10 stocks

turn out so horrible? And does this mean it could repeat? Almost impossible. The top 10 stocks in the Dow in 2000 were selling at a price /earnings (PE) multiple that averaged 43! Today the new list (the GEs, Microsoft’s, etc.) sell at a multiple of 14, right near the historical long term average. For more on this visit:

<http://www.morningstar.com/Cover/videoCenter.aspx?id=320591>



Get ready for the Roaring '10s



Columnist Jon Markman argues why the past 10 years was a cleansing decade, highlights some Vanguard ETFs that should do well in the next 10 years (emerging market theme), focuses on why agriculture should be a very good investment, and highlights how *one simple indicator* can help you avoid losing money when the financial clouds darken. <http://articles.moneycentral.msn.com/Investing/SuperModels/markman-get-ready-for-the-roaring-10s.aspx?page=all>