CITY OF MERIDEN

Pension Fund Update December 2010

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Meriden Retirement Board
Tuesday – December 14, 2010

Overview

Remember the discussion of "green shoots" in the spring and "the summer of recovery?"~ Economic forecasts are finally perking up, and stock prices are responding as we race toward the end of the year.~ But the past two months have troubled the bond market as interest rates are on the move and bond prices are sliding.~ Many investors, including some of the nation's top college endowments, may be "wistfully looking over their shoulders," to quote LA Times columnist Tom Petruno, having reduced their equity exposure seeking safety in bonds after suffering significant losses during the financial crisis.~ Petruno notes double-digit returns for equities this year and accelerating losses in fixed income since the midterm elections.~ Forecasters watching the tax debate in Washington are citing growth indicators for next year, and institutional managers could drive stocks higher over the next two weeks, as they scramble to realign portfolios.~ The Commonfund Institute, a research firm that tracks endowment performance, reports that many top universities dampened their fiscal year returns by reducing equity exposure.~ December rebalancing could help stocks.

Meriden Retirement Funds

Meriden's pension funds continue to perform well, gaining 14.6% since July first, while the City OPEB health benefits account has added 9.8%. ~November performance was flat, however stock portfolios and managed futures have performed strongly during the first two weeks of December.~ The fund composite equity allocation, which was maintained at 40% just six months ago, currently represents more than 59% of the market value of the funds. ~Within that equity exposure, $32.3 million is allocated to gold and precious metals, representing just over 14.5% of the total account value.~ As of last Friday, the City Employees Retirement fund totaled $131.1 million and the combined Police/Fire pension fund was valued at $106.5 million.~ The OPEB account, which is receiving quarterly contributions, presently stands at $4,092,421 and is now fully invested with an asset allocation aligned to the larger pension accounts.

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