CITY OF MERIDEN

Pension Fund Update March 2010

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Meriden Retirement Board

Tuesday, March 9, 2010

Overview

While the health care debate exhausts American patience/patients, Wall Street remains focused on a different End Game: the reduction or elimination of unfunded federal subsidies designed to stabilize the economy.~ Neither party believes the fiscal stimulus of the past year is sustainable.~ Both also acknowledge that the longer the US economy is propped up by massive borrowing, the more limited our choices in restoring a healthy, self-sustaining society.~ In raising the discount rate last month, the Federal Reserve Board has signaled its initial monetary response, but the more critical fiscal challenge will be addressed by Congress – during an election season.~~~

Encouraged by a surprisingly strong jobs report, stocks firmed last week and lifted the major market averages into positive performance for 2010.~ Stifel analyst Michael Widner cautions that Friday's BLS report might be less than first suggested, noting an "unusually generous seasonal adjustment added roughly 82,000 (jobs) to the headline number" and concluding that a more normal adjustment factor "would not have driven such a positive stock market reaction."~ Even if we ignore the possibility of political spin in the statistics, the jobs report remains anemic – with the greatest gains shown in sectors receiving federal injections (education, healthcare, and social work) and the worst performance in economic catalysts such as construction and transportation.

Meriden Retirement Funds

The composite Meriden Retirement fund continues to perform well in comparison to other public funds, with a 2009 calendar year performance of 26.64%.~ With average annual returns of 6.29% over the past five years, Meriden would rank in the top 5% of the large public pension plans tracked by the Bank of New York Mellon in its U.S. Master Trust Universe survey.~ The State Treasurer reports the Connecticut Municipal Employees Retirement Fund closed 2009 with one, three, and five-year returns of 18.08%, -0.37%, and 4.07%.~ Meriden's comparable performance was 26.64%, 2.68%, and 6.29%.~ All returns are annualized and net of fees.~~~~~

February closed with $218.2 million in the combined fund: $121.9 in the City Employees account and $96.3 in Police/Fire funds.~ Both the City Employee plan and the Police/Fire fund report 43% equity exposure, with the transition of $23 million into fixed income last month.~ Two weeks ago, the Investment Sub-Committee met to discuss strategies for the remainder of the 2010 Fiscal Year and additional diversification among fixed income disciplines.~

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