CITY OF MERIDEN

Pension Fund Update October 11, 2011

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Meriden Retirement Board
Tuesday – October 11, 2011

Overview

Headlines move our daily markets within a range of economic reality.~ But public spending commitments, unemployment, and regulatory anxiety all remain high, while expectations remain low for an autumn compromise in Washington or a fully-funded European bailout of years of excessive spending.~ The downgrade of US debt, the certainty of a structured Greek default, and continued concern over the potential collapse of one or more major European banks has dominated market news over the past few months.~ From July to September, the Dow Jones lost 12.1%, the Nasdaq 13%, and the S&P-500 index fell more than 14%, posting the worst quarterly returns since the 2008 Lehman collapse.~ The Conference Board's Consumer Confidence Index plunged sharply from 59.2 in July to 45.2 in August, and 45.4 in September, while analysts scrambled to downgrade their forecasts for corporate profits.~ Since July, consensus estimates for third quarter earnings on the S&P have fallen from 16.9% to 13.0%, and forecasts for the fourth quarter dropped from 15.7% to 13.3%.~ The reporting period begins today, likely shifting the market's focus for the next few weeks to actual results and corporate guidance for the end of this year and all of 2012.~ Absent an external shock, we remain optimistic for GDP growth in the fourth quarter and averting a double-dip recession.~

Meriden Retirement Funds

The Meriden retirement portfolios suffered losses during the third quarter, as September wiped out the positive bias established during the summer's debt ceiling and downgrade period.~ Stocks, gold and commodities all experienced serious sell-offs during the month, with bonds providing only limited offset. With a nice October rebound, the composite pension funds closed Monday down 5.5% for the fiscal year to date, and the OPEB is down 3.6%.~ The City Employees fund stands at $128.6 million, the Police Fire funds were at $102.3 million, and the OPEB fund at $6.7 million.~ Asset allocation ranges for each of the portfolios remain at 53% equities, 33% fixed and cash, and 14% in alternatives.~ International, gold, and large cap value managers all posted double-digit losses for September, with no place to hide in the downdraft.~ Only the Board-managed cash account posted a fractional gain for the month.~~~~

Investment Sub-Committee

Asset allocation of the investment portfolios is under review by the Board's Investment Sub-Committee, with consideration of potential adjustments to sectors, styles, and securities that historically provided different levels of risk and performance.~ The Committee also is conducting its annual review of the Board's Investment Policy Statement.~~~~~~~~~

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