CITY OF MERIDEN

Pension Fund Update May 10, 2011

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Meriden Retirement Board
Tuesday – May 10, 2011

Overview

The elimination of Osama Bin Laden caused little immediate market response, as investors weighed the symbolic justice of his death against the troubling potential of terrorist retaliation.~ The raid into Pakistan coincided with a developing market realignment, as the Federal Reserve confirmed a more cautious intervention policy, acknowledging continued activity in the markets, but declaring that further escalation of Quantitative Easing is unlikely.~ Under QE2, the Fed has been bolstering US GDP, hoping to promote job growth, but last week unemployment returned to 9.0% while new hiring fell short of demographic growth.~ The U-6 report from the Bureau of Labor Statistics now has "real" unemployment (including those people working part-time while seeking fulltime positions) back at 15.9%.

Range-bound equities continue to provide better yields than Treasuries, but remain vulnerable to persistent unemployment and concern for retail demand once the economy is left on its own by the Fed.~ After an eight year run, commodities began a harsh selloff this month, and Stifel Nicolas market strategist Barry Bannister believes this is not merely a correction, but a significant shift in market leadership. Cheaper US dollars continue to power earnings and stock prices, under a cloud of extraordinary debt obligations, and economist Robert Arnott notes that US economic policy decisions are being based on GDP statistics that increasingly rely upon government tax revenues and borrowing, and less on private production.~ Consumption, he notes, is not the same as prosperity.~~

Meriden Retirement Funds

After outstanding performance in April, the markets began May with a thud.~ However, the Meriden pension accounts were positioned for a correction, and avoided some of the worst of last week's downturn, maintaining a fiscal year-to-date composite performance of 23.0%.~ Energy and materials stocks were volatile in the new month, and gold stocks suffered a significant downturn. Meriden's bond managers showed strength.~ As of last Friday's close, the City Employees Retirement Fund stood at $141.1 million, and the Police/Fire pension funds totaled $112.5 million.~ The asset allocation of the composite fund shows 50% in equities, 36% in fixed income and cash, and 14% in alternative investments.~ The composite totaled $253.6 million.~ The OPEB Health Trust stood at $5.2 million as of Friday.~

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