City of Meriden, CT

Meriden City Hall, 142 East Main Street, Meriden, CT 06450

Pension Fund Update February 14, 2017

Meriden Retirement Board
Tuesday – February 14, 2017

Overview

His presidency may be testing political comity, but markets are posting strong growth in the opening weeks of Donald Trump's administration. Corporations are encouraged (or browbeaten, depending on your viewpoint) to announce capital investment and expanded employment. Regulations are revised with the stroke of a pen, and consumer confidence remains at historic highs. Facing strident political resistance and widespread media skepticism, the administration unveils daily initiatives challenging bureaucratic orthodoxy. Thoughtful analysts debate the likelihood of congressional approval, while the White House attempts to deliver on campaign pledges that still may lack the required specifics of actual policy.

Those debating the wisdom, viability, or reality of President Trump's initiatives may be missing the greater impact of November's election. Rather than weigh specific proposals being offered, perhaps the analysts should view the change in administration as a directional adjustment – a significant finding of voter sentiment following the unexpected result. Americans, as represented in the Electoral College, were less inclined to embrace the policies presented by the victorious candidate, as they were determined to unravel the direction of our federal government under several previous administrations. In short: how you change the direction of the government seemed less urgent than that you change it. Hence, the surprising appeal of both Mr. Trump and Senator Sanders. But only one of them won the keys to the White House.

This political realignment is impacting economic conditions and opportunities. Hans Olsen, global head of investment strategy for Stifel, spent the past month traveling the country and found the landscape cautious yet hopeful. "The mood of the commercial class is encouraging. Business is good and the optimism shown in surveys of middle market companies is echoed in the conversations I had with business owners. Our call for a quickening pace of economic growth appears to be on firm foundation, although rising concern about policies the administration may bring is impossible to escape. The early days of any new government," he adds, "are fraught with chances for mistakes. Importantly, these concerns do not seem to have impeded the inclination to invest in their businesses."

Meriden Retirement Fund

After two relatively flat fiscal years, the Meriden investment funds are tracking their best performance since 2014, as the combined pensions gained 1.5% last month, and the healthcare fund advanced 1.6%. The retirement funds have gained 5.6% for the fiscal year to date, while OPEB is up 7.0% through last Friday. During the past month, we consolidated equity

portfolios, substantially reduced account fees, and allocated additional OPEB assets to market-indexed ETFs that provide global exposure. Asset allocation remains weighted 49% toward domestic equities, 12% international, 19% in fixed income and cash, and the 20% in hedge funds, private equity, and trend-following managed futures strategies that perform best during periods of market volatility. The City Employees Retirement fund held $134.8 million at month's end, the Police/Fire pension value was $101.0 million, and the Healthcare Trust value was $29.3 million.