CITY OF MERIDEN

Pension Fund Update, February 14, 2012

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Meriden Retirement Board

Tuesday – February 14, 2012

Overview

Public debts continue to rise, threatening economic and social stability. The crisis in Greece touched off riots, as that nation approved an austerity plan that raises tax rates and cuts entitlement programs for healthcare and pensions. Italy also began unraveling past guarantees for public workers and social welfare subsidies. And over the weekend, China backed away from an earlier pledge to buy European debt securities, suggesting continued uncertainty in those markets.

Here at home, President Obama has unveiled a $3.8 trillion 2013 federal budget proposal that relies on $2.9 trillion in federal revenues, and an additional $901 billion in borrowing. In keeping with last year's debt-ceiling agreement to reduce the rate of increased spending, the proposal recommends $4 trillion in deficit reduction over a ten-year period, and $1.5 trillion in tax increases, largely based on expiration of the Bush tax cuts in December. Total debt, now $15.3 trillion, is expected to reach $25.9 trillion by FY22.

Despite the recommendations of Simpson-Bowles, Rivlin-Domenici, and other bipartisan panels, the new plan sidesteps any attempt to reform entitlement programs such as Social Security or Medicare, or any restructuring of the federal tax code. Even with higher rates and new minimum tax on billionaires, the annual deficit is projected to drop from $1.33 trillion this year to only $575 billion by 2018, still higher than any level in history prior to the 2008 crisis – yet below a theoretical tipping point of 3% of GDP.

Meriden Retirement Funds

Meriden is experiencing good Q3 performance, now back in positive range for FY12. The OPEB fund is up more than 3.2%, and both the City Employees and Police/Fire pension funds have marginal gains. As of last Friday, the City Employees fund totals $134.7 million, the Police/Fire pension has $107.1 million, and the OPEB Trust tops $8 million. Each of the funds has gained more than 4% in calendar 2012, with leading performers: Thomas Weisel, Matrix, Armstrong Shaw, and Neuberger Berman. Wentworth also has had a strong Q3, yet joins Franklin Templeton as the laggards for the FYTD. About ten percent of the fund is committed to those international managers, with growth favored over value.

The Investment Sub-Committee will be meeting on February 28, March 27, and April 24 to hear manager presentations on past performance, favored sectors, and market outlooks.

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