CITY OF MERIDEN

Pension Fund Update May 2010

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Meriden Retirement Board

Tuesday – May 11, 2010

Overview

After a double shot of economic adrenaline, provided by strong quarterly earnings reports and encouraging GDP growth, the US financial markets now face the challenge of Goldman and the Greeks.~ The debt crisis in Greece triggered violence in the streets after an EU/IMF bailout plan demanded government spending restraint beyond the tolerance of that publicly-funded economy.~ Bailouts aside, unsustainable public debt is not unique to Greece, of course, and regulators have noted the irony of other debt-laden EU partners such as Spain and Portugal contributing to the Greek stabilization plan. Here in the States, efforts to pass financial reform also have taken a dramatic turn, as the world's most powerful investment banking firm was accused of disclosure violations by the SEC and vilified by the president and numerous Senators for profiting from investments in securities that gained in value when the US housing market collapsed in 2008.

April closed with a positive bias, marking the fourteenth month of recovery without a ten percent correction.~ With the notable exception of international markets, most of the benchmarks for April remained positive, despite reversals on the Goldman news and subsequent wild trading volatility.~ The historical data suggests investors should remain mindful of the rising likelihood of a market correction. The Greek crisis provides one trigger, but other factors persist as well.

Meriden Retirement Funds

Heading into the final stretch of the 2010 fiscal year, the composite Meriden retirement funds are maintaining significant double-digit performance, while defensively positioned.~ The funds closed April with an estimated composite gain of more than 18% for the first ten months of the fiscal year, dropping to 16% in last week's sell-off.~ Both the City and Police/Fire accounts entered this volatile period with 42% of their assets in common stocks, and more than a quarter of that equity allocated to gold and mining positions.~ As of last Friday, the City Employees Retirement funds totaled $122.7 million, and the combined Police & Fire pension plan assets were $97.3 million.~~

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