CITY OF MERIDEN

Pension Fund Update March 2011

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Meriden Retirement Board
Tuesday – March 8, 2011

Overview

In recent months a confluence of factors, including unrest in northern Africa and the Arabian Peninsula, unpredictable weather, stronger than expected world growth, and further monetary policy accommodations in the US, has led to a sharp and in many instances destabilizing rise in food and energy prices.~ Faster growing countries – India, Brazil and China for example – run the risk of overheating, while developed world policymakers could potentially be sowing the seeds for future inflation.~ ***Krishna Memani, Director of Fixed Income, Oppenheimer Funds***

At a press conference on Thursday, President Trichet gave a strong indication that the ECB will hike rates soon, saying that "strong vigilance is warranted" and that "an increase of interest rates in the next meeting is possible."~ Our economists believe that a 25 bps hike on April 7th is almost a certainty.~ ***Credit Suisse research note***

The month of March marks the two-year anniversary of one of the most robust rallies in stock market history.~ The question is whether the current rally is part of a long-term recovery from a decade of equity underperformance, or if stocks are becoming overextended and ripe for a sizable correction.~ Both scenarios are likely.~ Stocks pulled back almost 16% in the middle of last year before resuming their advance.~ ***Richard Cripps, Equity Compass Strategies, Stifel Nicolaus***

The systemic risk that was prevalent in the global credit markets in 2007 and 2008 has not subsided; rather, it has simply been transferred from the private sector to the public sector.~ We are currently in the midst of a cyclical upswing driven by the most aggressively pro-cyclical fiscal and monetary policies the world has ever seen.~~ ***J. Kyle Bass, Managing Partner, Hayman Advisors***

Meriden Retirement Funds

As of last night, the City Employees Retirement accounts totaled $139.3 million, the Health Benefits (OPEB) Trust had $4.7 million, and the combined Police/Fire funds, $110.9 million.~ The present asset allocation shows 59% equities, 15% alternatives, and 26% in fixed income.~

Meriden's investment funds fared well in February, posting gains of 3.7% in the City Employees and Police/Fire pension funds, and 3.2% in the OPEB Trust.~ Early March saw a softening, as the markets reacted to global and domestic events, including the spike in oil prices and the continuing battle over public spending commitments.~ While enjoying outstanding investment performance this fiscal year – now better than 20% – complacency can be costly.~ As the Board has in the past, we recommend a more defensive approach during the last quarter of the fiscal year, incrementally rebalancing funds to shorter term fixed income from the more aggressive equity sectors, such as international growth stocks and domestic large cap equity.~

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