CITY OF MERIDEN

Pension Fund Update April 9, 2013

Printer-Friendly Version

Meriden Retirement Board

Tuesday – April 9, 2013

Overview

A severely disappointing March unemployment report splashed cold water on the face of the equity markets, and renewed debate over the efficiency and effectiveness of sequestration as a strategy for federal spending reductions. President Obama and Congressional Republicans remain divided over the need for additional taxes, although the new White House budget proposal reportedly includes the first plan from Democrats to address entitlement reform. Doomsday projections have been boosted by former Reagan budget chief David Stockman, who dared to total-up the accumulated debt we collectively have created, as he presented a series of policy recommendations (including balanced federal budgets, term limits, and a ban on lobbyists and government bailouts) which he believes are required to avert economic disaster. Stockman closed his recent column in the New York Times noting that Japan has now joined the stimulus/bailout culture, and bluntly concluded that a bubble in global currencies will end with collapse. While compelling in his assessment of ill-conceived government policy (including his own tenure), Stockman underestimates the wisdom of markets and the efficiency of self-preservation. Disaster forecasting often is based on static models, while the markets are dynamic. Thousands of adjustments in policy and practice drive the US and global economy. The markets remain focused on the realities of corporate earnings, municipal bankruptcies, rising healthcare costs, and political stalemates – all of which have caused Stifel strategist Barry Bannister to raise his 2013 target for the S&P 500 from 1600 to 1700.

Meriden Retirement Funds

Matrix Advisors, Anchor Capital and Armstrong Shaw posted the best performances of the quarter, advancing by 10-12% each, while fixed income accounts held flat, and the trimmed-back precious metals portfolios dropped by 15%. Overall, the composite pension fund gained 2.8% and the OPEB Healthcare account, 3.4%. Strength in domestic equities propelled the composite to a gain of 8.4% FYTD, closing March at $242.9 million. That represents a quarterly gain of more than $5.2 million, not including the distribution of over $1.4 million for retiree benefit payments. Custody of Meriden's retirement and healthcare assets transferred to Stifel Trust Company at the close of the quarter. Fixed income positions now account for less than 25% of the funds. Equity allocation for the City Employees fund presently stands at 60%, and at 64% for the combined Police/Fire accounts. Managed futures and Private Equity account for an additional 13% position for the City Employees, and 14% for Police/Fire. The OPEB Healthcare trust had a 79% equity exposure at the end of the month.

The Warburg Pincus fund added to Meriden's portfolios in September reported last week that one of its initial investments has provided an unusual early headline. The private equity fund holds a significant stake in a newly-formed energy exploration company, Venari Resources, that has just discovered what may be one of the largest oil fields ever identified in the Gulf of Mexico. Warburg is investing additional funds and will have an announcement in mid-May about the potential value of the project.

Virtual Towns & Schools Website