CITY OF MERIDEN

Pension Fund Update April 2010

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Meriden Retirement Board

Tuesday – April 13, 2010

Overview

Earnings season began this week with a forecast that the S&P 500 will post stunning gains during the first quarter of seventy percent over last year's dismal results.~ Sales revenues are being fueled by replacement necessity domestically, and by growth in demand from developing nations.~ Some of the overseas sales volume is government sponsored or supported, but the income is real for US corporations serving a global marketplace.~ There is demand growth, but bottom-line profitability remains based on a foundation of reduced labor and lending costs.~ Layoffs have slowed, but substantial new hiring has yet to materialize.~ Last month's report showed a modest improvement in joblessness, although the latest survey included an alarming note that fulltime unemployment now exceeds 16%.~ (The "U-6 Unemployment Rate" is reported by the Bureau of Labor Statistics to *include part-time workers* who are actively seeking fulltime jobs.)

Interest rates are creeping higher, and public debt is growing.~ State and local political leaders have yet to feel the worst of the revenue shortfalls from the Great Recession.~ Analysts tracking the financial drama in Greece soon might find parallels in California or Connecticut.~ Municipal defaults have occurred in the past and over-extended cities and states could potentially face the question that paralyzed the banks last year: Which among us is "too big to fail?"

Meriden Retirement Funds

Last week's strength in both equities and gold lifted the composite value of the retirement funds to $225.3 million, representing a gain of 18.5% for the current fiscal year.~ The funds have grown nearly $29 million in market value since last June, while returning more than $7.1 million in cash benefits for the retirement plans.~ The composite asset allocation remains defensive entering the final quarter of the fiscal year, with 42% equity exposure, 15% in alternatives, and the remaining 43% in fixed income and money market funds.~~~~

The City Employees Retirement fund closed the quarter with $124.4 million, and the combined Police/Fire Pension funds totaled $98.5 million.~ The Board's value managers provided the best equity performance during the quarter, with Armstrong Shaw up nearly 6%, and Anchor Capital over 4%.~ Gold manager Orrell Capital closed the quarter lower by 2.3%, but those portfolios have already posted 7% positive returns during the first ten days of April.~ As the Board directed last month, portions of the fixed income assets previously managed by Madison Advisors have now been assigned to Capstone Management and to Pacific Investment Management (PIMCO).~~~~~~~

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