CITY OF MERIDEN

Pension Fund Update February 2011

Printer-Friendly Version

Meriden Retirement Board
Tuesday – February 8, 2011

Overview

While investment markets may react to international crisis headlines, the primary factors that are driving our economy remain public debt and private employment: too much of one, not enough of the other.~ Stimulus spending has added debt, not jobs.~ In fact, last week's employment report included an annual "Census Bureau adjustment" that simply dropped a half-a-million people from the employable US population.~ While the headline (U-3) unemployment rate dropped to 9.0%, fewer people are being counted.~ Deep in its report, the BLS reports the U-6 unemployment rate (which includes those available for work and those accepting part-time work for lack of a full time job) is 16.1%.~ This week, President Obama defended government regulation as a benefit to society, suggesting to a business group that all Americans want clean air, fair lending, and a safe workplace.~ The White House has been urging corporations to expand and invest in new jobs, yet business leaders remain concerned about healthcare and other government mandates that might add significant costs.~

Despite these serious concerns, corporate profits have been strong and the stock market has been hitting new recovery highs in a rally fueled in part by rising commodity prices and rising interest rates in the bond market.~ Inflation is again in the forecast, and equities provide the best defense in the earlier stages of an inflationary cycle.~ A stock market correction should be expected to follow any extended rally.~ The S&P 500 has gained over 90% since March, 2009, despite its nasty six-week correction last April/May.~ Investors who were scared off by falling averages have missed the strongest rally on record since 1936.~ Of course, history shows that the 1936 rally was not sufficient to end the Great Depression, another indication that the economy and the stock market often march to different drummers.

Meriden Retirement Funds

The composite pension funds underperformed the broad market during January, as a downturn in the value of bonds and gold offset marginal gains in stocks.~ However, the first week of February provided a nice recovery, with the combined retirement accounts closing last Friday fractionally higher for the calendar year and up more than 18% for the current fiscal year.~ Global stocks are performing well, but bonds remain under pressure.~ The City Employees Retirement fund closed last week at $137.2 million and the Police/Fire accounts, at $109.2 million.~ Separately, the OPEB Trust is also slightly higher for 2011 and up 10.2% for the FYTD.~ The value of the OPEB Trust lifted back to $4.6 million.~

Virtual Towns & Schools Website