CITY OF MERIDEN

Pension Fund Update, January 10, 2012

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Meriden Retirement Board

Tuesday – January 10, 2012

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Overview

Setting aside the politicking from the White House and from President Obama's critics, the employment report released last week gives a glimmer of hope that the US economy is improving. While the real rate of unemployment remains at 15.2%, the Labor Department reports more than 212,000 net new jobs were created last month, and initial claims for benefits stabilized at 372,000. The official unemployment rate fell to 8.5%, as more of the unemployed dropped out of the labor force or found part-time work to pay some bills. Nonetheless, the trend has turned favorable, giving stocks a quick lift into January.

Earnings reports for last quarter begin rolling out now, with analysts wishing for better stock performance and upward guidance in 2012. Stock returns for the past year were selective and generally flat, depending on the index you cite. It's fair to say that most investment managers were relieved to witness Lady Gaga drop the ball on the New Year in Times Square. The equity markets suffered significant mood swings throughout 2011, with routine Dow Jones index performance in triple-digits. Perhaps we all should have just gone to McDonalds, the leading NYSE performer of the year, with shares advancing more than 30%. And you got fries with that!

The undeniable existence of a global debt crisis is likely to dominate the investment markets for the next several months, although election years present a favorable climate for upside policy surprises. Earnings expectations have been falling, while corporations remain flush with opportunity cash. We believe these factors can combine for some pleasant gains over this next cycle.

Meriden Retirement Funds

The Meriden fund has enjoyed a healthy start to 2012, after posting a 2.5% gain in the past quarter. The composite fund continued to dig out from the Q1 loss, presently down 3.8% for the FYTD. The OPEB Trust continues to perform better, down 1.1% in the fiscal 2012 year-to-date. As of last Friday, the City Employees funds totaled $130.1 million, and the Police/Fire pensions, $103.4 million. Asset allocation is steady at 55% equities, 30% fixed income, and 15% in alternatives.

As requested by the Board, we have presented recommendations to the Investment Sub-Committee for an asset allocation rebalancing and a clarification of certain directives within the Board's policy guidelines.

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