CITY OF MERIDEN

Pension Fund Update, September 10, 2013

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Meriden Retirement Board

Tuesday – September 10, 2013

Overview

While the Syrian drama plays out on the world stage, investors remain focused on next week's meeting of the Federal Reserve and an anticipated reduction in monetary stimulus. Chairman Ben Bernanke rattled the markets in May with his suggestion that improving economic conditions might support easing away from the $85 billion monthly bond purchase program, and many analysts believe the Fed's credibility is on the line in taking its first step this month. The Institute for Supply Management reports improvement in both manufacturing and service-sector jobs (the fastest growth since 2005) and employment trends are said to be the best in five years. Long-term unemployment remains a worrisome issue, but auto sales and home prices have strengthened. In his final months as chairman, Bernanke is hoping to ease off the gas.

Whatever Congress decides about military intervention in the Middle East, President Obama's surprise consultation will likely impact a long list of pending policy issues, each with significant economic impact and market ramifications. Deadlines are approaching for raising the debt ceiling, addressing the federal budget sequester, selecting a new Fed chairman, and funding the implementation of the national health care program. Other issues, such as immigration reform, NSA surveillance, and jobs legislation, are also likely off the table as the endorsement or repudiation of reprisal airstrikes dominates Washington.

Meriden Retirement Funds

The Meriden retirement fund is holding its fiscal year gains, despite a 2.9% S&P downturn in August. Through last Friday, the City Employees fund has posted a 4.1% gain, and the combined Police/Fire pension fund is up 4.4%. Gold and international stocks have performed best, with interest-rate sensitive bond funds and real estate struggling. The City Employees fund totals $134.2 million, with 61% equity exposure, 25% in fixed income, and 14% in alternatives. The Police/Fire account has $104.9 million, with an allocation of 65/20/15. The separately-managed OPEB Health Trust account closed last week at $14.3 million, with a present allocation of 78/14/8. The OPEB is up 3.1% FTYD, with greater sensitivity to the equity selloff in August. The bond portfolios remain cautious, with a 2.3 year average duration.

Funding levels for the Police/Fire distribution account have been drawn down, requiring an additional transfer of money funds to assure timely

payments. Also, we anticipate a call for additional deposits to the Carlyle and Warburg Pincus private equity holdings, a second level commitment to the EJF Debt Opportunities fund, and initial deposits to the previously approved Portfolio Advisors fund that includes secondary units from diversified vintage years.

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