CITY OF MERIDEN

Pension Fund Update January 2010

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Meriden Retirement Board
Tuesday, January 12, 2009

Overview~

Earnings season began Monday with a cautionary signal from Alcoa, which posted another operating loss in the fourth quarter despite "massive restructuring, layoffs, idling plants, and cuts in both capital spending and dividends." ~Revenue improved from disaster levels of the prior comparable period, but profitability remains elusive. ~Much of corporate America has
repositioned its debt and reduced both its inventory and its workforce. ~In effect, businesses are still cutting expenses and treading water, praying for top-line growth - which is expected to emerge in some earnings reports over the next several weeks. ~ Unemployment remains the most visible problem. ~The most popular explanation for tepid demand in hiring involves
widespread concern for tax and healthcare policies, with analysts now forecasting little sustainable jobs growth until there is some resolution of major policy issues, perhaps after the mid-term elections next fall. ~The collateral damage of contraction or slower growth is evident in reduced tax revenues, raising concern for proper funding of public services. ~

~The US dollar remains under pressure from rising government spending, escalating debt levels, and persistently low interest rates. ~Currencies from commodity-rich nations are showing strength as global manufacturing demand has returned. ~Oil broke out from its range-bound trading, beginning this week at nearly $84 per barrel. ~Major stock indexes have crawled back to 15-month highs, but analysts are stretching out their forecasts for an economic recovery that might justify the stock market recovery of the past year. ~

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Meriden Retirement Funds

The Meriden Retirement funds closed December with a composite value of $225,128,303 - showing a loss of -0.26% for the month in preliminary calculations, but a gain of +5.26% for the quarter. ~Since the beginning of the fiscal year, the consolidated pension accounts have gained +16.88%. At year-end, the asset allocation of the portfolios showed approximately 35% in fixed income, 51% in equities, and 14% alternative investments. ~The composite portfolio shows a continued overweighting in both the materials (including gold) and information technology sectors and under-weighting of the financials and healthcare stocks. ~ ~ ~ ~
For the calendar year of 2009, Meriden gained 25.6% in market value after fees and expenses. ~The Wall Street Journal reports the Dow Jones Industrial Average ended the year with a gain of 18.8%, while the S&P 500 advanced 23.5%, and the Nasdaq Composite gained 43.9%. The Barclays Capital US Aggregate Bond Index was reported as gaining 5.93%. ~ ~ ~ ~~

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