Information Request from Participant

(responses in red)

I just looked at the DRS statement that was e-mailed and I see that the average yearly return is better than the MEBT returns.

That is correct. See below for comparisons

3Q07 returns for MEBT = 2.13%; 3Q for DRS = 4.2%;

1 yr returns for the period ending 3Q07 for MEBT = 13.88%; 1 yr returns for DRS = 21.44%;

3-yr returns for the period ending 3Q07 MEBT = 11.46%; DRS = 18.22%;

10-yr returns for the period ending 3Q07 MEBT = 6.91%; DRS = 9.57%

Why are our Voluntary 401(k) returns so conservative (barely above a 5 year CD rate)?

MEBT returns in 1, 3, + 10 year time periods are far in excess of a 5-year CD returns

I would think that our investment strategy should be quite a bit more aggressive for long term growth, especially since there is the option to switch your account status to a more conservative fund when you near retirement.

The Investment Advisory Committee (IAC) and MEBT have been MORE conservative, not more aggressive because these dollars may be considered Social Security replacement dollars.

If my MEBT contributions weren't replacing what I & the city pay into Social Security, then I would put this money in a more lucrative Mutual Fund such as the Fidelity Magellan fund or some other PROVEN mutual fund that has averaged over a 20% yearly return, over the last 5-10 years.

We were not able to find a mutual fund with this kind of return over that length of time.

Following are the returns for Fidelity Magellan as of 9/30/07, which has been invested in approximately 95-100% stocks (much more aggressive than MEBT) for the last 8 years.

1 yr = 22.7%; 3-yr = 12.99%; 7-yr = 1.28% (vs. MEBT 7-yr of 5.84%); 10yr = 6.09% (underperforming MEBT by 82bp annualized).

In 2000, 2001 and 2002, Fido Magellan had returns of -9.29%, -11.65%, and -23.66% versus MEBT 2000, 2001 and 2002 returns of +0.25%, -1.72% and -11.16%.

That's not to say Magellan is not a decent mutual fund, but it is comparing apples to oranges with MEBT and MEBT has outperformed in long run with much less volatility.

Is there some sort of law, scope or other agreement that limits our ability to get the most return possible with a middle of the road risk factor?

MEBT is a pooled fund with professionally managed accounts. As mentioned above, the IAC and MEBT have been more conservative because these dollars are considered to replace Social Security.

Is there a vote as to which MEBT members can participate in, which will determine asset allocation of OUR money.

Participants may attend MEBT meetings and express their views. Nonetheless, the fiduciary responsibility rests with the IAC and the MEBT Trust committee to select the investments and asset allocation mix in the best interest of participants and beneficiaries .

I was also wondering if the fees paid each year to the administer is based on profits for the year or if it is based on total asset value. If it is the later isn't that like double-dipping since they are guaranteed money each and every year based solely on that years contributions at a minimum. I think I figured it out one time and it was like $500 a year per participant, obviously the people with higher assets are paying more than that and likewise the smaller the account the smaller their fees.

Fees for the Recordkeeper and Trustee are about $140 per year on an average MEBT account of $165,000. The actual calculation and allocation to each account is somewhat complicated and is based on contributions. I would be happy to meet with you if you would like more information.

I would like to know if there are meetings that members can attend?

The MEBT Plan and Trust Committee meetings are public and are noticed. They are also listed on our website and in your MEBT quarterly newsletter. We encourage attendance.

I'm not trying to get down on the committee or the plan, I'm just wondering if our strategy should be re-evaluated with some input from the participants.

The IAC evaluates the investment policy on a regular basis. They have reviewed alternative investment vehicles with our Investment Advisor and have made changes they believe are appropriate, carefully balancing risk and reward.

Thank you for your time and your commitment to the members.

Finally some other very distinctly different aspect of DRS versus MEBT.

DRS is $66 Billion + and can afford much greater economies of scale and is likely much less complicated from a recordkeeping standpoint vs. MEBT.

DRS allocation is roughly:

23% US Equity (seemingly mostly passive or passive enhanced (lower fees)),

23% International (more emerging market exposure (more risk) than MEBT);

21% Fixed Income (seems to be run in-house which means lower fees);

20% Private Equity (MEBT has chosen not to include any alternatives);

11% Real Estate, presumably much of it direct ownership) (MEBT has real estate only through their active managers that choose to include real estate).

DRS US Equity portion has underperformed benchmark in ALL current annualized periods except the 10-year time period

DRS International portion has underperformed benchmark in ALL annualized time periods

DRS Fixed Income has outperformed benchmark in ALL annualized time periods (MEBT is beginning an evaluation of their Cored Fixed Income Manager as we speak)

DRS Private Equity has generated the vast majority of the returns for the portfolio (up 8.8% for 3Q07 and up 33.7% for trailing 1-year time period (MEBT has chosen no alternative exposure) Private Equity investments are not publicly traded and carry much more risk and volatility.

DRS Real Estate has generated the other vast majority of performance for DRS (up 6.5% for 3Q07 and up 30.9% for the 1-yr time period. (MEBT does not have any direct Real Estate exposure because of the heightened risk and volatility associated with that asset class.)

Note: Our comments compare 3Q07 composition and returns because they were the most recently available information from DRS. The DRS data comes for the DRS link and is believed reliable but has not been verified.