MISUSE OF REFERENCED MATERIAL IN MR. SEIDEL'S DOCUMENT:

- Page 32/144 of Mr. Seidel's document:
  "Most significantly, conflicts of interest at investment consulting firms were found to result in substantial financial harm to plans by the U.S. Government Accountability Office ("GAO") in a 2007 report, i.e., plans using consultants with undisclosed conflicts of interest had annual returns generally 1.3 percent lower. For almost twenty years, from 1988 through December 31, 2007, Merrill Lynch, a broker-affiliated investment consultant, served as the investment consultant to the Board. If, as the GAO study found, pension consultant conflicts cost plans 1.3 percent, then over a 20-year period, with compounding, such conflicts may have cost the Fund almost 30 percent of its value—perhaps $300-$500 million."

- **Here is what the GAO 2007 report actually says**:
  http://www.gao.gov/new.items/d07703.pdf
  - "Though data are limited on the prevalence of conflicts involving plan fiduciaries and consultants, a 2005 SEC staff report examining 24 registered pension consultants identified 13 [specific consultants] that failed to disclose significant conflicts. GAO's analysis found that, in 2006, these 13 [specific] consultants had over $4.5 trillion in U.S. assets under advisement. GAO also analyzed a sample of ongoing DB plans associated with the 13 [specific] consultants that, as of year-end 2004, had total assets of $183.5 billion and average assets of $155.3 million.
    Additional sample analysis showed that the DB plans using these 13 [specific] consultants had annual returns **generally** 1.3 percent lower than those that did not.
    Because many factors can affect returns, and data as well as modeling limitations limit the ability to generalize and interpret the results, this finding should not be considered as proof of causality between consultants and lower rates of return, although it suggests the importance of detecting the presence of conflicts among pension plans."

- The following information was also in the same GAO 2007 Report. Insert "City of Jacksonville" in place of "United Airlines" to get a picture of why it is important to not have the City of Jacksonville control the fund:

  - "According to experts we interviewed, fiduciaries of pension plans often have an inherent conflict of interest because they are frequently employees of the plan sponsor. As fiduciaries, they are charged by law to act solely in the interest of plan participants and beneficiaries, but they may also have loyalty to the plan sponsor. For example, in 2004, United Airlines, a plan sponsor, appointed itself fiduciary of its employee pension plans after all three members of its plan trustee board resigned during bankruptcy negotiations. A conflict of interest existed because the newly appointed fiduciaries would have reason to make decisions that would benefit the plan sponsor instead of the plan participants. In this instance, the fiduciaries of the United Airlines' plans faced the obligation to ensure that minimum funding standards explicitly set in ERISA were satisfied by the plan sponsor. United Airlines subsequently decided to stop making contributions to the pension plans it was attempting to terminate. Labor stated that United Airlines' decision to stop funding its pension plans made clear the need to appoint an independent fiduciary to represent the interest of workers and retirees and resolve this conflict of interest. Subsequently, Labor and United Airlines agreed that United Airlines would appoint an independent fiduciary."