South Florida Operating Engineers
Apprenticeship and Training Fund
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MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
SOUTH FLORIDA OPERATING ENGINEERS
APPRENTICE AND TRAINING FUND
THURSDAY, AUGUST 23, 2012
MIAMI LAKES, FLORIDA

The following Trustees were present:

LABOR TRUSTEES	**MANAGEMENT TRUSTEES**
M. Schaunaman, Chairman	J. Turk, Secretary
J. Mullen	R. Ebsary
S. Singer	F. Villella
W. Utreras	

Also present were:

L. DuVall – Associated Administrators, LLC
D. Haverly – SEI Global Institutional Group
J. Johnson – The Segal Company
J. McCann – Thistle Asset Consulting, Inc.
D. McCullers – Apprentice & Training Director
K. Phillips – Phillips, Richards, & Rind, PA
B. Vavrica – Thistle Asset Consulting, Inc.

I. CALL TO ORDER

A quorum being present, Chairman Schaunaman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on May 31, 2012, which were circulated to the Trustees in advance of the meeting. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the minutes of the regular Board meeting held on May 31, 2012 as presented.**

III. INVESTMENT EVALUATION CONSULTANT'S REPORT

[The following was presented at the Board of Trustees meeting of the IUOE Local 487 Pension Fund held prior to this meeting and is recorded in these minutes because it also applies to this Fund.]

The Trustees welcomed Mr. John McCann and Mr. Brendon Vavrica of Thistle Asset Consulting, Inc. ("Thistle") to the meeting.

Mr. McCann distributed an Executive Summary dated March 31, 2012, copy of which is attached to and made a part of these minutes as Exhibit A. He discussed the performance evaluation for the IUOE Pension Fund, Health and Welfare Fund and the South Florida Operating Engineers Apprentice and Training Fund for the Plan year ended March 31, 2012. The report indicated that SEI Global Institutional Group's ("SEI") performance returns outperformed the policy returns for the 12-month period ended March 31, 2012. The Pension Fund rate of return was 5.90% compared to 5.09%; Health & Welfare was 6.62% compared to 5.79% and Apprentice & Training was 7.11% compared to 6.31%.

Mr. McCann distributed an Executive Summary dated June 30, 2012, copy of which is attached to and made a part of these minutes as Exhibit B. He discussed the performance evaluation for the IUOE Pension Fund, Health and Welfare Fund and the South Florida Operating Engineers Apprentice and Training Fund for the 15-month period ended June 30, 2012. The report indicated that the SEI performance return for Pension was 3.13% compared to the policy return of 3.19%; the SEI performance return for Health & Welfare was 5.19% compared to the policy return of 4.83%; and SEI performance return for Apprentice & Training was 6.39% compared to the policy return of 5.87% for the 15-month period ended June 30, 2012.

Mr. Vavrica distributed a report titled Performance Evaluation for the IUOE Pension Fund, Health and Welfare Fund and the South Florida Operating Engineers Apprentice and Training Fund for the Period Ending August 23, 2012, a copy of which is attached to and made a part of these minutes as Exhibit C. Mr. Vavrica reviewed the SEI aggregate equity analysis performed by Thistle. He stated that the Funds' portfolio holdings were consistent with the Funds' Investment Policy Statement ("IPS"). He presented an asset allocation analysis performed by Thistle. He stated that the existing benchmarks do not appropriately represent two asset classes currently held in the Funds' portfolio. He suggested that the IPS be updated to include appropriate benchmarks for emerging markets and high yield bonds. He reviewed the investment management service fees SEI charged the Funds during the 12-month period ended March 31, 2012. He stated that the fees were consistent with the Funds' fee arrangement with SEI and were comparable to investment management services fees charged to similarly situated benefit trust funds.

The Trustees thanked Mr. McCann and Mr. Vavrica for their reports and excused them from the meeting.

IV. <u>INVESTMENT CONSULTANT'S REPORT</u>

The Trustees welcomed Mr. Donald Haverly from SEI Global Institutional Group ("SEI") to the meeting.

<u>Performance Report</u>

Mr. Haverly distributed SEI's investment management report dated August 23, 2012, a copy of which is attached to and made a part of these minutes as Exhibit D. He reported that the Fund assets in the total portfolio as of July 31, 2012 had a market value of $610,231. The asset allocation was 87.1% in fixed income and 12.9% in U.S. equity.

Mr. Haverly stated that the Fund's portfolio had a net return of 6.34% compared to the Total Index of 4.87% for the period June 1, 2010 to July 31, 2012. He said that the fiscal year-to-date net return was 2.11% compared to the Total Index of 2.12%.

The Trustees asked Mr. Haverly to discuss the benchmarks used for the High Yield and Emerging Markets Debt assets held in the Fund's portfolio. Mr. Haverly stated that in the fixed income piece, SEI seeks to add value to core fixed income by utilizing High Yield and Emerging Markets Debt and that the added/detracted value is reflected in the excess/shortage relative to the Barclays aggregate. He stated that SEI would add another index line to the total portfolio return showing the direct benchmarks as weighted in the portfolio.

The Trustees thanked Mr. Haverly for his report and excused him from the meeting.

V. APPRENTICE & TRAINING DIRECTOR'S REPORT

Mr. Daniel McCullers distributed a Director's Report dated August 23, 2012, copy of which is attached to and made a part of these minutes as Exhibit E. Mr. McCullers reported the following:

A. Apprentices

One apprentice graduated, four apprentices joined, and four dropped out of the Apprentice Program since the last Board meeting. Twenty-eight apprentices are registered in the Program.

B. Upgrading Program

An Excess Property Assessment was paid for on-site equipment. The Property Tax renewal for 2012 was submitted. Classes planned for this quarter include Stewards Training on September 1, Roadway Safety (Flagger) on October 6, and Backhoe Trenching and Shoring on November 3, 2012.

C. Broward County School Board

The Broward County School Board will hold a New School Year Apprenticeship Coordinators Meeting on September 7, 2012. Broward County's hourly contribution rate increased from $ 0.85 to $0.90 per hour for each class hour and on–the-job training hour.

D. Apprenticeship Council

Mr. McCullers reported that he attended the 54th Florida Apprenticeship Conference on July 10-13, 2012 in Cocoa Beach, Florida. He also attended the State Apprenticeship Advisory Council Meeting held on July 23, 2012 in Ponte Vedra Beach, Florida.

E. Equipment Program

Two of the boom cylinders on the Badger were rebuilt; the outrigger solenoid on the P&H was repaired; the Badger was repaired but is still not in working order; the valve body on the backhoe was rebuilt; the stick cylinder on the backhoe was rebuilt; and the outrigger beam cylinder on the large hydro was rebuilt.

F. Training Center Site

Ryan Lee was hired on May 10, 2012 as an Instructor. Mr. McCullers and Mr. Lee attended a TSP (Operator Practical Evaluation) on August 13-15, 2012 at IUOE Local 17 in Buffalo, New York. Fifteen members received OSHA cards on July 7 and 8; ten members received forklift certifications on July 20, 2012.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Disbursements

Ms. DuVall presented the expense check register for June 2012, which indicated total disbursements of $15,870.49. She reviewed the payroll check register for June 2012, which indicated total payroll of $9,307.33.

B. Income and Expense Statement

Ms. DuVall reviewed the Income and Expense Statement for June 2012, copy of which is attached to and made a part of these minutes as Exhibit F. She said total assets for the month of June 2012 were $2,168,902.38. She said the Fund had total income for the month of June 2012 in the amount of $32,131.54 and total expenses in the amount of $24,525.95 resulting in a total net income of $7,605.59 for the month of June 2012. Ms. DuVall reviewed the income and expenses on the twelve-month rolling Comparative Income Statement.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to accept the Administrative Manager's Report as presented.**

VII. ATTORNEY'S REPORT

Ms. Kathleen Phillips distributed a report titled Trustees' Report dated August 23, 2012, copy of which is attached to and made a part of these minutes as Exhibit G.

A. Delinquency and Collection Matters

Ms. Phillips provided an update on delinquency and collection matters involving Bunnell, Powermix Industries and Nicholson Construction.

B. Payroll Audits

Ms. Phillips stated that on June 11, 2012 Jimmy's Equipment Rental remitted the sixth and final payment in accordance with a promissory note in the total amount of $2,951, plus interest at 4.75%.

C. Florida Department of Education Compliance Review

Ms. Phillips reported that she was working with Mr. McCullers on the Florida Department of Education compliance review of the Fund's apprenticeship program. She stated that the compliance review is a standard examination of the operation of State registered apprenticeship programs.

D. Investment Performance Compliance Audits

Ms. Phillips discussed the performance evaluation reports presented by Thistle. She said it would be prudent to conduct periodic independent compliance audits of SEI's investment performance for the Funds. Discussion ensued. It was suggested that a compliance audit be conducted every two years. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to conduct an independent compliance audit of SEI's investment performance every two years.**

VIII. OTHER FUND BUSINESS

A. Form 990 – IRS Return of Organization Exempt From Income Tax

Ms. DuVall stated that the Fund auditor confirmed that Form 990 for the Plan year ended March 31, 2012 would be filed by November 13, 2012 under the allowable extension of time to file.

B. Trustee Representation Letter from Fund Auditor

Ms. DuVall presented a Trustee Representation Letter regarding the audit of the Fund for the Plan year ended March 31, 2012 received from the Fund auditor and reviewed by Fund Counsel. Chairman Schaunaman signed the letter on behalf of the Board.

C. Apprenticeship Director Salary

Ms. DuVall stated that the Fund Office received a payroll requisition from the Apprentice & Training School indicating an increase to the Apprenticeship Director's hourly rate of pay effective August 1, 2012. The trustees were reminded that the director's pay was related to the pay for crane operators and as the rates went up in the collective bargaining agreement, the director's rates went up. The Trustees discussed that the forty-hour per week compensation for the position of Apprenticeship Director should correspond to the hourly rate of pay of a Master Mechanic. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to amend the Fund's Apprenticeship Director's Agreement to pay the Apprenticeship Director a weekly salary based on the current wage rate of a Master Mechanic effective August 1, 2012.**

IX. NEXT MEETING DATE

The next quarterly Board meeting was scheduled for Thursday, November 29, 2012 at 10:00 a.m. in Miami Lakes, Florida.

X. ADJOURNMENT

There being no further business to come before the Board of Trustees, the meeting was adjourned.

Respectfully submitted,

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Jonathan Turk, Fund Secretary

These Minutes were adopted on __________________________________, 2012.

Attachments:
Exhibit A: Thistle Executive Summary dated March 31, 2012
Exhibit B: Thistle Executive Summary dated June 30, 2012

Exhibit C: Thistle Performance Evaluation for the Period Ending August 23, 2012
Exhibit D: SEI Investment Management Report dated August 23, 2012
Exhibit E: Apprentice & Training Director's Report dated August 23, 2012
Exhibit F: Income and Expense Statement, June 2012
Exhibit G: Trustees' Report from Fund Counsel dated August 23, 2012