International Union of Operating Engineers
Local 487 Health & Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152-9451
Phone: 877-291-2387
www.associated-admin.com

MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS
LOCAL 487 HEALTH & WELFARE FUND
THURSDAY, AUGUST 22, 2013
MIAMI LAKES, FLORIDA

The following Trustees were present:

LABOR TRUSTEES	**MANAGEMENT TRUSTEES**
M. Schaunaman, Chairman	J. Turk, Secretary
J. Mullen	J. Epperson
W. Utreras	F. Villella

Also present were:

L. DuVall – Associated Administrators, LLC
E. Feld – S I Gordon & Company, PA
S. Gordon – S I Gordon & Company, PA
D. Haverly – SEI Global Institutional Group
J. Johnson – The Segal Company
D. McCullers – Apprenticeship Director
K. Phillips – Phillips, Richards, & Rind, PA

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 23, 2013, which were circulated 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 23, 2013 as presented.**

III. ADMINISTRATIVE MANAGER'S REPORT

A. Income and Expense Statement

Ms. DuVall reviewed the Income and Expense Statement for June 30, 2013, a copy of which is attached to and made a part of these minutes as Exhibit A. She reported total assets were \$3,633,401.31. She said the Fund had total income for the month in the amount of \$292,310.97 and total expenses in the amount of \$294,648.33, resulting in a net income of (\$2,337.36) for June 2013. She reviewed the income and expenses on the twelve-month rolling Comparative Income Statement.

B. Disbursements

Ms. DuVall presented the general check register for June 2013, which indicated total disbursements of \$295,401.52.

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

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

C. Provision (e) Terminations

Ms. DuVall reported that there had been no participants whose benefit coverage had terminated since April 1, 2013 under paragraph (e) in the "Termination" section of the Summary Plan Description. The Plan states that eligibility for benefits will terminate on the last day of the third month after which the participant has ceased employment, except for unavailability due to disability or retirement.

IV. INVESTMENT CONSULTANT'S REPORT

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

A. Performance Report

Mr. Haverly distributed SEI's investment management report dated August 22, 2013, a copy of which is attached to and made a part of these minutes as Exhibit B. Mr. Haverly reported that the Fund assets in the SEI-only portion of the portfolio as of July 31, 2013 had a market value of \$2,687,515. He said that the fiscal year-to-date net return was 0.71% compared to the total index return of 0.76%. Mr. Haverly stated that the portfolio had a net return of 7.58% compared to the total index return of 6.15% for the period June 1, 2010 to July 31, 2013. The asset allocation was 73.5% in fixed income, 21.5% in U.S. equity and 4.9% in World equity. Mr. Haverly recommended reducing investments in the Core Fixed Income Fund. He stated that no Board action was needed, given that such change is within the scope of the investment manager's discretion.

Mr. Haverly reported that the Fund assets in the total portfolio as of July 31, 2013 had a market value of $2,870,015. He said that the fiscal year-to-date net return was 0.66% compared to the total index return of 0.56%. He stated that the total portfolio net return was 4.81% compared to the total index return of 6.14% for the period June 1, 2010 to July 31, 2013. The asset allocation was 68.9% in fixed income, 20.2% in U.S. equity, 4.6% in World equity and 6.4% in Auction Rate Securities ("ARS").

B. Auction Rate Securities ("ARS")

Mr. Haverly stated that he sees no value in holding onto the ARS, as issuer redemptions are not on the current horizon and the recent rise in interest rates has further reduced the value of the ARS. He stated that the current bid/ask price on average is approximately 70% of par value. He recommended selling the ARS at between 50-70% of par value. After discussion and on motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to authorize SEI to sell the Fund's Auction Rate Securities at between 50-70% of par value, as recommended by the Fund's Investment Manager.**

Mr. Haverly stated that proceeds from the sale would be allocated based on the SEI-only asset allocation targets.

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

V. AUDITOR'S REPORT

The Trustee's welcomed Mr. Steven I. Gordon and Mr. Eric Feld from the CPA firm of S I Gordon & Company, PA to the meeting.

A. Financial Statements

Mr. Gordon presented the Financial Statements for Plan years ended March 31, 2013 and 2012, a copy of which is attached to and made a part of these minutes as Exhibit C. Mr. Gordon expressed an unqualified opinion on the financial statements, meaning that in his opinion, the financial statements present fairly, in all material respects, the financial status of the Fund as of March 31, 2013 and 2012. Mr. Feld reported that the net assets as of March 31, 2013 were $3,904,482 compared to $3,704,490 as of March 31, 2012, which represented an increase of $199,992 in net assets. Mr. Feld reviewed with the Trustees the Notes to Financial Statements as of and for the years ended March 31, 2013 and 2012.

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

RESOLVED to accept the Auditor's Financial Statement as presented.

B. IRS Form 990 for Plan Year Ended March 31, 2013

Mr. Gordon confirmed that the Form 990 for the Plan year ended March 31, 2013 was filed on August 19, 2013, under the allowable extension of time to file.

VI. CONSULTANT'S REPORT

The Trustees welcomed Mr. Jeff Johnson from The Segal Company to the meeting.

A. FASB ASC 965 – Actuarial Valuation

Mr. Johnson reviewed the results of the actuarial valuation of the Fund's postretirement welfare benefits as of March 31, 2013 under FASB Accounting Standards Codification 965 (FASB ASC 965, formerly SOP 92-6), a copy of which is attached to and made a part of these minutes as Exhibit D. Mr. Johnson reported that the accumulated postretirement benefit obligation (APBO) was $2,381,689 as of March 31, 2013 compared to $2,274,095 as of March 31, 2012, which was a $107,594 increase in the APBO.

B. Annual Limit on Out-of-Pocket Maximums in 2014

Mr. Johnson said that as of January 1, 2014, the Affordable Care Act ("ACA") will require non-grandfathered plans to comply with a new annual limit on cost-sharing, which is also known as an out-of-pocket maximum. He said that for the Plan year beginning April 1, 2014, the annual limitation on the out-of-pocket maximum will be $6,350 for an individual and $12,700 for a family. He said that the Coventry HMO and PPO plans are compliant with this maximum for major medical coverage but the plans will need to implement a mechanism whereby all co-pays by participants, including prescription drugs, are included for purposes of reaching the out of pocket maximum limits. Discussion ensued. Trustees requested that the Fund's health consultant, Mr. Bob Sudler of Sudler Insurance Services, Inc., be invited to attend the next Board meeting to discuss this change under ACA.

C. Model Employer Notice To Employees under ACA

Mr. Johnson discussed the requirement under the Affordable Care Act (ACA) that Employers send a notice to employees by October 1, 2013, and to new employees hired after that date, alerting them to the option of purchasing health insurance on the Health Insurance Marketplace. He said that the new employer notice is required under section 18B of the Fair Labor Standards Act. Mr. Johnson suggested that the Fund send its own notice to employers providing relative information about the fund's coverage and to covered employees to help explain how the Fund's coverage negates the need to purchase coverage through the ACA Marketplaces. Discussion ensued. The Trustees agreed with Mr. Johnson's suggestion and directed that notices be sent to Employers, reminding them of their responsibility to send a notice to their employees and providing information relative to the Fund's coverage that will help them satisfy their responsibility, and to participants, notifying them of the letter to be received from their Employer and also providing information relative to the Fund's coverage in the context of the individual mandate under ACA. Mr. Johnson said that he would draft the notices for Fund counsel's review.

D. Model COBRA Election Notice

Mr. Johnson said that the COBRA election notice must be modified to inform employees of their option to purchase coverage on the Health Insurance Marketplace under ACA. The guidance does not include a deadline by which to make such changes to the COBRA election notice. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to modify the Fund's COBRA election notice to reference the Health Insurance Marketplace and for the Fund Office to start using the revised COBRA election notice as soon as practicable.**

E. Defense of Marriage Act ("DOMA")

Mr. Johnson reported that the U.S. Supreme Court had recently ruled, in the so-called Windsor Decision, that individuals in legal same-gender marriages are no longer prohibited from being treated as married under federal law. He said that the Court accomplished this by declaring the language that created the prohibition unconstitutional, thereby removing it from DOMA. Ms. Phillips said that the State of Florida does not recognize same-sex marriage; therefore, the change to DOMA is not applicable in Florida. Discussion ensued. Questions arose concerning what steps Coventry may be taking to address this issue and whether the Fund should consider changing the Plan's definition of dependent. Ms. Phillips said that she would review the matter and report back at the next Board meeting.

The Trustees thanked Mr. Johnson for his report and he was excused from the meeting.

VII. ATTORNEY'S REPORT

Ms. Kathleen Phillips distributed a report titled Trustees' Report dated August 22, 2013, a copy of which is attached to and made a part of these minutes as Exhibit E.

A. Restated Collection and Audit Procedures ("Procedures")

Ms. Phillips distributed copies of the restated Collection and Audit Procedures, a copy of which are attached to and made a part of these minutes as Exhibit F. She said that the procedures had been reviewed by the Fund's Collection Committee, Auditor and Administrative Manager. After discussion, on Motion made and seconded, Trustees voted unanimous approval of the following resolution:

RESOLVED to adopt the restated Collection and Audit Procedures as presented.

B. Payroll Audits

Ms. Phillips provided the following payroll audit status report:

Betancourt Construction

Ms. Phillips said that a random audit of Betancourt Construction found that it complied with the Collective Bargaining Agreement during the period January 1, 2012 through June 1, 2013 as it related to fringe benefit contribution requirements.

Commonwealth Contractors

Ms. Phillips said that the random audit of Commonwealth Contractors was in process.

Fred Teitelbaum Construction

The random audit of Fred Teitelbaum Construction found that it had not complied with the Collective Bargaining Agreement during the period November 1, 2012 through April 30, 2013 as it related to fringe benefit requirements. She said that the audit revealed delinquencies in the amount of $579.67, plus liquidated damages in the amount of $57.97, and interest in the amount of $2.31 totaling $639.95.

Little Steve Florida, LLC

Ms. Phillips said that Little Steve Florida, LLC was not cooperating with the audit. In the course of seeking to obtain compliance with the audit, she found that Little Steve Florida is a limited liability corporation of which Stephen Brady is the sole officer and, therefore, is not eligible to participate in the Plan. A letter was sent on August 16, 2013 advising Mr. Brady that his participation in the Plan would be terminated unless he is able to provide documents to the contrary within ten days of the date of the letter.

Pre-Con Construction, Inc.

Ms. Phillips said that a random audit of Pre-Con Construction, Inc. found that it complied with the Collective Bargaining Agreement during the period June 1, 2011 through June 1, 2013 as it related to fringe benefit contribution requirements.

C. Delinquency and Collections

Ms. Phillips provided an update on delinquency and collections involving Bunnell, Central Maintenance Welding, Inc., East Coast Hoist, Fred Teitelbaum Construction, Pre-Con Construction, Inc., R.W. Harris, Inc., Sims Crane, and Stone & Webster.

R. W. Harris, Inc.

Ms. Phillips presented this employer's request for a waiver of service fees in the amount of $467.61 incurred by R. W. Harris, Inc. for late payment of contributions for January, February, and March 2013. Ms. Phillips said that the Audit and Collection Procedures provide for no more than a two-month consecutive waiver. After discussion, on Motion made and seconded, Trustees voted unanimous approval of the following resolution:

RESOLVED to waive fees, in accordance with the Audit and Collection Procedures, incurred by R.W. Harris in the amount of $275.16 for the months of January and February 2013 and to pursue collection of service fees for March 2013 in the amount of $192.45.

Sims Crane

Ms. Phillips recommended waiving a service fee in the amount of $5,975.57 incurred by Sims Crane for late payment of contributions for August 2010. The employer had responded to a demand letter with a request for the waiver. The collection committee reviewed the request and granted the waiver based on the Audit and Collection Procedures. After discussion, on Motion made and seconded, Trustees voted unanimous approval of the following resolution:

RESOLVED to waive a service fee, in accordance with the Audit and Collection Procedures, incurred by Sims Crane in the amount of $5,975.57 for the month of August 2010.

Stone & Webster

Ms. Phillips recommended waiving a service fee in the amount of $71.40 incurred by Stone & Webster for late payment of contributions for August 2011. She said that Stone & Webster had paid service fees totaling $288.36 for late payment of contributions for December 2011, January and March 2012, and had requested a waiver of the August 2011 service fees. After discussion, on Motion made and seconded, Trustees voted unanimous approval of the following resolution:

RESOLVED to waive a service fee, in accordance with the Audit and Collection Procedures, incurred by Stone & Webster in the amount of $71.40 for the month of August 2011.

VIII. OTHER FUND BUSINESS

A. Audit Engagement Letter

Ms. DuVall presented an engagement letter from S I Gordon & Company, PA for the Plan year ended March 31, 2013 for Trustee approval. She stated that the proposed fee for services in the amount of $7,825 did not represent an increase over the prior year. The Trustees approved the engagement. Chairman Schaunaman and Secretary Turk signed the engagement letter on behalf of the Board.

B. Aetna-Coventry Merger

Ms. DuVall stated that Mr. Bob Sudler of Sudler Insurance Services, Inc. reported that Coventry and Aetna are gradually integrating their systems into one company, which could take several months. She said that Mr. Sudler expected Coventry and Aetna to continue to operate as two companies for now, but once, and if, they become one company, the Fund may be able to utilize the Aetna National HMO. He said that he would keep the Board updated as the acquisition progresses.

C. Mutual of Omaha

Ms. DuVall said that she contacted a representative of Mutual of Omaha to inquire whether it would be willing to send information about conversion coverage and premium rates to Fund participants. Mutual of Omaha declined at this time, but indicated that it may be able to comply with the request in the future.

D. Enrollment for Plan Coverage

Ms. DuVall said that there are a few participants who are eligible to enroll in Fund coverage but have not completed enrollment applications. Since health coverage will be mandatory under ACA in 2014, she asked the Board if the Fund should mail an additional enrollment packet to those participants to provide them another opportunity to enroll prior to January 1, 2014. After discussion, Trustees directed that the Fund Office mail another enrollment packet to the Local 487 members who have earned eligibility for benefits but failed to complete the enrollment process.

IX. MEETING DATE

The next Board meeting was scheduled for Thursday, November 21, 2013 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,

____

Jonathan Turk, Fund Secretary

These Minutes were adopted on _________________________________, 2013.

Attachments:
Exhibit A: Income and Expense Statement, June 30, 2013
Exhibit B: SEI Investment Management Report dated August 22, 2013
Exhibit C: Financial Statements for Plan Years Ended March 31, 2013 and 2012
Exhibit D: FASB ASC 965 – Actuarial Valuation as of March 31, 2013
Exhibit E: Trustees' Report from Fund Counsel dated August 22, 2013
Exhibit F: Restated Collection and Audit Procedures