International Union of Operating Engineers
Local 487 Health & Welfare Fund
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MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
INTERNATIONAL OPERATING ENGINEERS LOCAL 487
HEALTH & WELFARE 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. <u>INVESTMENT EVALUATION CONSULTANT'S REPORT</u>

[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. INVESTMENT CONSULTANT'S REPORT

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

Performance Report

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 Fund assets in the total portfolio as of July 31, 2012 had a market value of $2,693,911. The asset allocation was 66.5% in fixed income, 26.8% in U.S. equity, and 6.5% in Auction Rate Securities ("ARS"), and 0.2% in cash and equivalents.

Mr. Haverly stated that the SEI managed portion of the Fund's portfolio had a market value of $2,518,511 as of July 31, 2012. He stated that the portfolio's net return was 8.02% compared to the total index of 6.84% for the period June 1, 2010 to July 31, 2012. He stated that the fiscal year-to-date net return was 0.90% compared to the Total Index of 1.31% for the SEI managed portion of the Fund's portfolio.

Mr. Haverly reviewed a list of remaining ARS and stated that they would be sold per the prior instructions of the Board and rules thereon.

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. ADMINISTRATIVE MANAGER'S REPORT

A. Disbursements

Ms. DuVall presented the general check register for March 2012, which indicated total disbursements of $356,462.20.

B. Income and Expense Statement

Ms. DuVall reviewed the Income and Expense Statement for June 2012, a copy of which is attached to and made a part of these minutes as Exhibit E. She reported total assets were $3,504,210.79. She said the Fund had total income for the month of June 2012 in the amount of $429,754.52 and total expenses in the amount of $356,692.30, resulting in a net income of $73,062.22 for June 2012. She 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.**

VI. CONSULTANT REPORT

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

A. Health Benefits Reports – Fiscal Year Ending March 31, 2013

Mr. Johnson distributed a report titled Health Benefits Reports – Fiscal Year Ending 2013, a copy of which is attached to and made a part of these minutes as Exhibit F. Mr. Johnson reviewed key findings and recommendations outlined in the report. He stated that based on current income and expense calculations and Segal's standard forecasting assumptions, the Fund was estimated to have sufficient income and assets to meet current obligations through the fiscal year ending March 31, 2015.

B. 2010 Affordable Care Act ("ACA")

Mr. Johnson spoke about health insurance exchanges that are scheduled to take effect January 1, 2014. He explained that health insurance exchanges are, for most states, new entities that will function as a marketplace for buyers of health insurance, giving individuals and groups choices for health coverage. The exchanges will offer a variety of certified health plans and provide information and educational services to help consumers understand their options. He stated that ACA gives states the option to establish one or more state or regional exchanges, partner with the federal government to run the exchange, or to merge with other state exchanges. If a state chooses not to create an exchange, the federal government will set up the exchange(s) in the state. He stated that as a result, multiemployer plans could see some threats in that the health insurance exchanges will provide an alternative to multiemployer plans after January 1, 2014.

It was discussed that Florida had not applied for federal funds related to health insurance exchanges and that its governor had announced that Florida would not implement a state health insurance exchange because of the potential rise in cost for health insurance premiums.

The Trustees discussed a recent news release announcing that Aetna was acquiring Coventry Health Care, the Plan's current health insurance carrier. The Trustees asked Ms. DuVall to invite Robert Sudler, the Fund's insurance broker, to the next Board meeting to discuss the Fund's contract with Coventry Healthcare of Florida, which is scheduled to expire on March 31, 2013.

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

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 provided the payroll audit status report from the CPA firm of Stephen I. Gordon indicating that Jimmy's Equipment Rental had remitted the sixth and final payment in the amount of $498.42 on June 11, 2012 in accordance with a promissory note in the amount of $2,951, plus interest at 4.75%.

C. 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. Trustee Expense Voucher

Ms. DuVall presented a report dated August 23, 2012 listing Trustee travel expenses incurred in attending the IUOE Healthcare Initiatives Conference in Washington, D.C., a copy of which is attached to and made a part of these minutes as Exhibit H. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED that the expenses listed on the Trustee Voucher Report dated August 23, 2012 were approved for reimbursement.

IX. OTHER FUND BUSINESS

A. Zeiger Crane – New Contributing Employer

Ms. DuVall reported that Zeiger Crane had been set up as a new contributing employer and that thirteen Zeiger Crane employees completed the required enrollment process and became eligible for benefits on August 1, 2012 in accordance with the Plan rule providing for immediate eligibility for employees of a new employer.

B. Medical Loss Ratio ("MLR") Notices

Ms. DuVall stated that she received confirmation from Coventry Health Care of Florida that it met the minimum MLR requirements set forth in the ACA for its large and small group market and, therefore, no rebates were due. Coventry confirmed that it mailed MLR notices in July 2012 to each Plan participant.

C. Summary of Benefits and Coverage ("SBC")

Ms. DuVall reported that Coventry Healthcare of Florida would create the SBC in the ACA required format and that the Fund Office would distribute the SBC to the Plan participants in accordance with the ACA established timeline.

D. TriCor® Class Action Settlement

Ms. DuVall reported that a check in the amount of $339.60 had been received by the Fund Office representing the Fund's share in the TriCor® Indirect Purchasers Antitrust Litigation settlement.

E. Revised Summary Plan Description ("SPD")

Ms. DuVall reported that Fund Counsel drafted a revised SPD and that Segal and Fund Office staff reviewed the draft. She stated that updates to the draft were nearing completion and would then be circulated to Trustees and Fund Counsel for final review.

X. NEXT MEETING DATE

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

XI. ADJOURNMENT

There being no further business to come before the Board of Trustees, the meeting 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: Income and Expense Statement, June 2012
Exhibit F: Segal Health Benefits Reports – Fiscal Year Ending 2013
Exhibit G: Trustees' Report from Fund Counsel dated August 23, 2012
Exhibit H: Trustee Expense Voucher dated August 23, 2012