International Union of Operating Engineers
Local 487 Pension 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 PENSION 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 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.

A. 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 the Fund assets in the total portfolio as of July 31, 2012 had a market value of $48,934,894. The asset allocation was 47.4% in fixed income, 43.9% in U.S. equity, 7.5% in International equity, 1.1% in Auction Rate Securities ("ARS") and 0.1% in cash and equivalents. He stated that the total portfolio net return was 7.02% compared to the Total Index of 8.99% for the period June 1, 2010 to July 31, 2012.

Mr. Haverly reported that the SEI managed portion of the Fund's portfolio had a market value of $48,373,632 as of July 31, 2012. He stated that for the SEI portion of the Fund's portfolio, the net return was 9.62% compared to the Total Index of 9.38% for the period June 1, 2010 to July 31, 2012. He stated that the SEI managed portion of the Fund's portfolio for the fiscal year-to-date net return was –1.08% compared to the Total Index of 0.02%.

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.

B. SEI Core Property Fund ("CPF")

Mr. Haverly provided an overview of the SEI CPF, a Fund of funds investing in direct commercial property funds primarily in the United States. He explained that the CPF is a collective trust that is 100% invested in private equity real estate funds investing in office, retail, industrial, and multi-family properties. He provided a list of the asset classes in the Fund's portfolio as of May 30, 2012, following the Ullico J for Jobs redemption. He presented suggested portfolio changes based on both a 5% and a 10% investment in the CPF. He recommended investing 10%, the majority of which would come from the Core Fixed Income asset class. He stated that the expected net rate of return would be 8.1% over time. Mr. Haverly stated that the CPF liquidity is quarterly and there should be no problem getting in or out of the CPF, as there is no lock-up period. He added that he would need to know by August 30, 2012 for an October 1, 2012 entry into the CPF or by December 31, 2012 for a January 1, 2013 entry into the CPF.

After discussion and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to invest 5% of the Fund's portfolio in the SEI Core Property Fund effective October 1, 2012.

Mr. Haverly stated that 5% would represent approximately $2.5 Million of the Fund's current portfolio value. He stated that there were forms to be completed to effectuate the Fund's entry into the CPF and that amendments would be needed to Schedule A (Investment Strategy) and Schedule C (Fee Schedule) of the SEI Investment Management Agreement with the Fund.

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

V. ADMINISTRATIVE MANAGER'S REPORT

A. Disbursements

Ms. DuVall presented the check register for June 2012, which indicated total disbursements of $11,331.67.

B. Income and Expense Statements

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 $49,371,687.29. She said the Fund had total income for the month of June 2012 of $1,450,642.52 and total expenses of $433,784.49, resulting in a net income of $1,016,858.03 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.**

C. Pension Benefit Report

Ms. DuVall presented the pension benefit report for the period April 1 through June 30, 2012. She reviewed the pension roll, applications approved for payment, changes and adjustments, reinstatements, pending administrative holds, and deceased retirees.

Ms. DuVall presented a list of pension applications submitted for the Trustees' approval, a copy of which is attached to and made a part of these minutes as Exhibit F. Ms. DuVall provided the Trustees with a copy of each pension calculation worksheet prepared by the Fund Office for each pension application being submitted for their approval. After discussion and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the pension applications for Edward Bohres, Paul McHone, Rosh Moore, Christopher Strates, Joe Jackson, William Roode, Eugene Swain and Eugene Saunders.**

VI. 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. Miscellaneous Participant Issue

Ms. Phillips stated that in the matter of Stacy Lambe v. William E. Penland, Sr. involving a Writ of Garnishment, the Judge was provided with a proposed Order Granting Garnishee's Motion of Summary Judgment as requested. The Judge has not yet ruled on the Motion.

D. Central Pension Fund ("CPF") of the International Union of Operating Engineers

Ms. Phillips stated the Union sent a letter to the CPF inquiring about a potential merger of the Fund into the CPF. The CPF responded in a letter dated August 21, 2012. The letter described the CPF merger process, enclosed certain CPF documents and requested similar Fund documents be provided to the CPF to initiate a preliminary evaluation by the CPF's Actuary, Horizon Actuarial Services. Ms. Phillips asked the Trustees if they were interested in participating in a preliminary evaluation. After discussion and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to provide Fund documents to the Central Pension Fund to initiate a preliminary evaluation of a potential merger of the Fund into the Central Pension Fund.**

Ms. Phillips requested that Ms. DuVall send her a copy of the documents requested by the CPF and that she would communicate with the CPF.

E. 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.

VII. OTHER FUND BUSINESS

A. 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.

B. IRS Form 8955-SSA

Ms. DuVall reported that data had been provided to the Fund auditor for completion of the Funds' Form 8955-SSA. She presented the completed Form 8955-SSA, Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits, for Trustee signature. Chairman Schaunaman and Secretary Turk signed the Form on behalf of the Board. Ms. DuVall will mail the Form to the IRS.

C. ERISA Section 408(b)(2) Fee Disclosure

Ms. DuVall reported working with Fund counsel regarding Section 408(b)(2) fee disclosure requirements. She stated that letters were mailed on April 20, 2012 to each of the Fund's service providers requesting that they provide fee disclosure information July 1, 2012. One response was still pending.

D. Annual Retiree Certification Forms

Ms. DuVall reported that a retiree certification form was mailed on June 20, 2012 to each pension recipient under the age of 75, as previously directed by the Board. A second request notice was mailed on August 14, 2012 to thirty-three pensioners who had not returned a completed certification form. A notice to each pension recipient age 75 and older was mailed on July 27, 2012 as a reminder of the right to change tax withholdings.

E. 2012 Zone Certification

Ms. DuVall reported that on June 29, 2012 Segal filed the Fund's Actuarial Certification of Plan Status as of April 1, 2012 with the Internal Revenue Service as required by ERISA. The Plan is in neither critical status nor endangered status. It is in the Green Zone.

F. Annual Funding Notice

Ms. DuVall reported that the Annual Funding Notice for the Plan year ended March 31, 2012 was mailed to participants, beneficiaries, participating unions and contributing employers, as required by the Department of Labor.

G. Pension Benefit Guaranty Corporation

Ms. DuVall reported that the premium rates paid to the PBGC are increasing for $9.00 to $12 per Plan participant in 2013.

VIII. NEXT MEETING DATE

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

IX. 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 ________________________________, 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 for June 2012
Exhibit F: Pension Applications Submitted for Approval, April 1 through June 30, 2012
Exhibit G: Trustees' Report from Fund Counsel dated August 23, 2012