

**BWC Board of Directors
Actuarial Committee**

Thurs., Jan. 24, 2008, Noon

William Green Building
The Neil Schultz Conference Center
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present: Charles Bryan, Chairman
Philip Fulton
James Harris
James Hummel
Jim Matesich
William Lhota, ex officio

Members Absent: None

Call to Order

Mr. Bryan called the meeting to order at 12:00 noon and the roll call was taken. Also present were Workers' Compensation Board members Alison Falls, Larry Price and Robert Smith. Director David Caldwell joined the meeting at 1:25 pm.

New Business/Action Items

Committee Calendar Review for 2008

Mr. Bryan reported that in March, the Workers' Compensation Board would receive the rate indication for private employers. Additional items for the calendar should be submitted to Don Berno, Board Liaison.

Mr. Hummel asked when the Actuarial Committee will be meeting with other committees to discuss matters of joint interest. Mr. Bryan identified the two issues for discussion are the discount rate and the setting of an appropriate surplus. Marsha Ryan, BWC Administrator, reported that there will be discussions of investment issues at the February meeting. Mr. Pedrick stated there would be many decisions due by the month of May and urged that there be as many education sessions as possible before then. Mr. Bryan suggested that February or March would be a good time to have a joint meeting on a discussion of the discount rate; the discussion on the surplus can be deferred.

Minutes of Dec 19, 2007

Mr. Bryan requested that “in conjunction with” replace “in connection with” on the last page. Mr. Matesich moved that the minutes of December 19, 2007, be approved as amended. Mr. Hummel seconded and the minutes were approved by a unanimous roll call vote.

Discussion Items

Actuarial Committee Charter

Mr. Berno reported that there was one substantive change in the charter, along with several grammatical changes. Provisions regarding a vice chair and his or her role as a substitute have been added to all charters in situations when the chair does not attend the meeting. On page 2, provisions 10 & 11 are reversed. Also, the Governance Committee has deleted “voting”, when referring to the chair of the Workers' Compensation Board as an ex officio committee member. Ms. Falls then read all changes.

Mr. Harris moved that the Actuarial Committee of the Workers' Compensation Board of Directors approve the draft of the Actuarial Committee Charter, and that the Committee submit the Charter to the Board of Directors with the recommendation that the board approve and adopt it. Mr. Matesich seconded and the motion was approved by unanimous roll call vote of six ayes.

Mr. Bryan asked how the vice chair is chosen. Mr. Lhota reported that the chair of the Governance Committee will recommend a candidate to the chair of the Workers' Compensation Board and the Workers' Compensation Board will have the power of approval. Mr. Bryan stated he would report the recommendation on the committee charter to the Workers' Compensation Board on January 25. Mr. Lhota also recommended selection of the committee vice chairs on January 25, and requested that a volunteer be submitted to Ms. Falls before then. Ms. Falls reported that the selection of a vice chair would obviate the need to select a substitute chair when the permanent chair is unavailable. Mr. Matesich requested that the vice chair participate in discussions with BWC senior staff on all issues with the equivalent time and information previously given to the chairs. Mr. Pedrick added that staff would contact all committee members in the process of planning future meetings.

Managed Care Organizations (MCO) Costs and Allocation

Mr. Pedrick reported on the allocation of fees to Managed Care Organizations (MCOs). At the December meeting, the Workers' Compensation Board approved the MCO fee assessment for state agencies.

Mr. Hummel asked if the state agency MCO fees will be a carve-out or load-on. Mr. Pedrick replied that for the July 1, 2008 rate, the MCO fees are an add-on. Mr. Lhota asked why the percentages were set at 7% for active employers, 14% for first reports of injury, 14% for bill processing, and 65% for active claims. Mr. Pedrick replied that was because of the contract negotiated between BWC and the MCOs. Mr. Fulton asked if loading was a new concept. Ms. Bravender replied that loading has been part of the design for all other employer groups from the beginning and has only now been added to state agency rates. Mr. Smith asked why self-insuring employers would use an MCO. Ms. Bravender also explained that the MCO assessment identified for Self Insured Employers is used for bankrupt employers whose claims are managed by BWC.

Private Employer Rate Indication

Mr. Pedrick gave a presentation on Private Employer Ratemaking. The process complies with the requirements of the Ohio Revised Code, the Ohio Administrative Code, and actuarial principles. He illustrated the process by which the 2007 rate indication resulted in a “no change” decision.

Mr. Matesich asked if BWC used frequency and severity as factors would it lead to a different risk. Mr. Pedrick replied that use of these factors would not change the risk, however, it would change the measure of that risk.

Ms. Bravender continued with a report on the determination of private employer rates. The process involves fifteen steps to arrive at a recommendation and takes place between January and May of each year.

Mr. Harris asked when the Safety and Hygiene rate was raised from ½ % to 1%. Ms. Bravender replied she did not know, but would research that issue for the next meeting. Mr. Bryan asked what the Division budget was. Ms. Bravender stated that she would forward that request to Tracy Valentino, Chief of Fiscal & Planning.

Discount Rate Selection Methodology

Mr. Bryan tabled the presentation on the selection of the discount rate until a joint meeting in February or March. Mr. Pedrick reported that there were two papers on the discount rate placed in the meeting materials. The first is the white paper used by the BWC to analyze and determine the discount rate. The second is the Actuarial Standard of Practice regarding reserve discounting.

Chief Actuarial Officer Report

Mr. Pedrick reviewed key agency initiatives, with their time lines. Concerning the study required by HB 100, BWC has received six letters of intent, which are required before the

Request for Proposal (RFP) is submitted. The RFP is due today at 2 p.m. A staff member from the Office of Budget and Management will be present to witness opening of RFPs. The scoring and selection is to be finished by February 7. The selection committee is Mr. Pedrick, Ms. Bravender, Mr. Hummel, Todd Spence, Director of Employer Management and Tina Kielmeyer, Chief of Customer Service. The RFP staff team consists of Larry King, Dave Childress, and Donna Ludwig. In June and July, the vendor will make its first preliminary report. Mr. Bryan requested that the actuarial consultants keep the committee briefed on progress.

The study regarding group rating originated from a charge from the Workers' Compensation Board. The team consists of Jeremy Jackson, team leader; Dave Childress and Terry Potts, Actuarial; Paul Flowers, Communications; Jean Krum, Legal; Joy Bush, Employer Services; Scott Longar and Kathy Sanker, IT; and Bill Hansen, Oliver Wyman.

Ms. Falls asked what the role of Oliver Wyman is. Mr. Pedrick replied that it was a resource for the team. Mr. Price asked when BWC would bring the report to the Workers' Compensation Board. Mr. Bryan reported that the preliminary report on group rating would be in March and April. The Workers' Compensation Board will need the report in June or July for action. Mr. Pedrick reported that the team plans presentations for the March or April meeting and is on schedule. The executive sponsors are Mr. Pedrick, Ms. Kielmeyer, and Keary McCarthy, Chief Communications Officer.

Mr. Pedrick reported the MIRA 2 project is on target for completion. Rex Blatieri is the team leader and members include Ms. Sanker, IT; Kelly Grawe, Actuarial; Richard Blake, Legal; Deby Pancoast, Claim Policy; Julie Phillips and Hans Neugebauer Field Operations; Michael Glass, Employer Services; Matt Gill, training; Kim Monder, Bob Loomis, and Shane Blair, Communications; and Sherif El-Bokhary, Enterprise Project Management Office. The executive sponsors are Mr. McCarthy, Ms. Kielmeyer, and Leo Genders, Chief Information Officer.

With respect to day-to-day issues, Mr. Pedrick reported that private employer rate calculations and the group application deadlines are in February. BWC is on schedule for setting the July 1, 2008 rates. Rate calculations for Self-insured Assessments, the Disabled Workers' Relief Fund, the Marine Industry Fund, and the Black Lung Fund are also on time.

Mr. Pedrick reported that the Actuarial Department is reviewing applications for two open underwriter positions. BWC is also creating a new actuarial staff classification for actuaries in training.

Adjournment

There was a motion by Mr. Hummel, second by Mr. Matesich, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, Staff Counsel
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February 6, 2008