

BWC Board of Directors
Governance Committee
Thurs., April 24, 2008, 8:30 A.M.
William Green Building
30 W Spring St., 2nd Floor (Mezzanine)
Columbus, OH 43215

Members Present: Alison Falls, Chair
Bill Lhota
Robert Smith

Committee Members Absent: None

Other Directors Present: David Caldwell, Philip Fulton, Kenneth Haffey, James Harris, James Hummel, James Matesich and Larry Price

Counsel Present: John Williams, Assistant Attorney General

Call to order

Ms. Falls called the meeting to order at 8:30 a. m. and the roll call was taken.

Minutes of March 27, 2008

Mr. Lhota moved that the minutes of March 27, 2008, be approved. Mr. Smith seconded and the minutes were approved by a unanimous voice vote.

Discussion items

Ad hoc committee purpose

Ms. Falls opened the discussion of a draft of a new AD Hoc Legal Affairs Committee (incorporated by reference), which had been requested by the Board at the last meeting. She suggested the Committee review the draft purpose, discuss the role of the Governance Committee in advising the Chairman on the size of the subcommittee and the appointments to the subcommittee. She stated it is her belief that while the Governance Committee should recommend new committee/subcommittee processes and purpose to the Board, the current procedure that all legal issues should be reported to the Board through the Audit Committee, would remain in place.

In Ms. Falls' opinion, the key words in the draft were "special purpose." There was discussion about the size of the subcommittee(s). Mr. Lhota stated he has seen subcommittees with as many as five members, and as few as three members. Mr. Smith felt that smaller subcommittees were better. The Committee decided to encourage subcommittees of three members.

There was a wide ranging discussion of the terminology of "ad hoc" versus the standard nomenclature of "subcommittee". It was agreed that we were really discussing the ability of BWC

Board Committees to create subcommittees. It was also agreed that special purpose subcommittees would typically have a limited duration and vote to dissolve once the work of the subcommittee was finished. In other words, we were not looking to add structure and bureaucracy – but rather to facilitate flexibility and responsiveness as might be appropriate at the Board level.

After further discussion, the Committee members agreed with Mr. Lhota's suggestion that the Governance Committee will review and recommend language, during their May meeting, to give all Committees authority to create subcommittees with a recommendation as to size and the requirement that each subcommittee has a purpose clearly stated at the time of its formation.

Calendar

Ms. Falls reported on the Governance Committee calendar. The May meeting has a placeholder to begin a discussion regarding the design of a Board self-evaluation process; this discussion might carry-over into June. She also reviewed other months and currently scheduled items.

Mr. Lhota reported that the Workers' Compensation Board would be meeting with Governor Ted Strickland on May 28 at 1 p.m. for ninety minutes. He requested that all members attend. Ms. Falls will lead a discussion of performance review of Marsha Ryan, BWC Administrator. Pending the discussion with the Governor, the Board will proceed to finalize the draft of the Administrator's Evaluation. Ms. Falls requested that the meeting be added to all Workers' Compensation Board calendars. At the May 28th meeting, the Board will convene, accept a motion to go into Executive Session to discuss a personnel issue, return to a public meeting and adjourn. At the May 30 Board meeting, the Board will review the Administrator's evaluation, during Executive Session, then vote on the review during a public session.

Additional items

Mr. Fulton reported that he is getting many comments from members of the General Assembly which indicate they are not fully aware of the substantial progress at BWC and the work of the BWC Board. He suggested that the Workers' Compensation Board prepare a report for distribution which would proactively inform the Legislature and help avoid any perception of a need for new legislative proposals. Ms. Falls requested that this issue be added to the Workers' Compensation Board meeting agenda. Mr. Lhota suggested that he and Ms. Ryan would be very willing to testify to both house committees on the progress at BWC and the major accomplishments of the BWC Board. This communication would also be appropriately directed to the WCC; however, Don Berno, BWC Board Liaison, reported that the Workers' Compensation Council specified in HB 100 has not yet been formed.

Executive session

Mr. Lhota moved that the Governance Committee enter executive session pursuant to Ohio Revised Code §121.22(G)(3) for the purpose of discussing legal issues. Mr. Smith seconded and the motion was approved by unanimous roll call vote.

Adjournment from Executive session

Mr. Lhota moved that the Governance Committee adjourn from executive session. Ms. Falls seconded and the motion was approved by unanimous roll call vote.

Adjournment

There was a motion by Mr. Lhota, second by Mr. Smith and adjournment by Ms. Falls. Committee adjourned at 9:20 a.m.

Prepared by: Larry Rhodebeck, BWC Staff Counsel
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April 30, 2008

Draft language for creation of subcommittees

To be inserted as a bullet point under the Duties and Responsibilities section of all charters:

The Committee by majority vote may create a subcommittee consisting of one or more Directors on the Committee. In consultation with the chair, other board members may be appointed to the subcommittee as appropriate. The subcommittee shall have a specific purpose. Each subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Board of Directors through the Committee. The Committee by majority vote may dissolve the subcommittee at any time.

BWC Board of Directors
Audit Committee Charter
January 25, 2008

Purpose

The Audit Committee has been established to assist the Board of Directors of the Ohio Bureau of Workers' Compensation in fulfilling its fiduciary oversight responsibilities through:

- oversight of the integrity of financial reporting process;
- compliance with legal and regulatory requirements;
- monitoring the design and effectiveness of the system of internal control;
- confirming external auditor's qualifications and independence; and
- reviewing performance of the internal audit function and independent auditors.

Membership

The Committee shall be composed of a minimum of three (3) members. One member shall be the appointed certified public accountant member of the board. The Board, by majority vote, shall appoint two additional members to serve on the Audit Committee and may appoint additional members, who are not Board members, as the Board determines necessary. Members of the Audit Committee serve at the pleasure of the board and the board, by majority vote, may remove any member except the member of the committee who is the certified public accountant member of the board.

Each committee member will be independent from management. The Chair and Vice Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair if not a member is an ex-officio member, shall not vote if his/her vote will create a tie vote when serving as ex-officio.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

Meetings

The Audit Committee shall meet at least nine (9) times annually, or as frequently as needed and will provide activity reports to the Board of Directors. The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions with external auditors, when deemed appropriate in the performance of their duties. A quorum shall consist of a majority of the Committee members. The Committee will have a staff liaison designated to help it carry out its duties.

Duties and responsibilities

The Audit Committee shall have responsibility for the following:

1. Oversight of the integrity of the financial information reporting process:
 - a. Review with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
 - b. Review with management and the external auditor the results of the audit.
2. Review all internal audit reports on regular basis.
3. Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. Monitor implementation of any action plans created to correct problems noted in annual audit.
4. Serve as the primary liaison for Bureau of Workers' Compensation Board of Directors and providing a forum for handling all matters related to audits, examinations, investigations or inquiries of the Auditor of State and other appropriate State or Federal agencies
5. Develop an oversight process to assess the adequacy and effectiveness of internal controls and provide the mechanisms for periodic assessment of system of internal controls on an ongoing basis.
6. Oversee the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditor.
7. Consult on the appointment and/or removal of the Chief of Internal Audit and have oversight on the work of the Internal Audit Division.
8. Ensure the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by the external auditor.
9. After every meeting, report to the Board of Directors of the Bureau of Workers' Compensation on all activities, findings and recommendations of the Committee.
10. Establish policies and procedures to function effectively.
11. At least once every 10 years, have an independent auditor conduct a fiduciary performance audit of BWC's investment program, policies and procedures. Provide a copy of audit to the Auditor of State.
12. Recommend to the Board an accounting firm to perform the annual audit required under R.C. 4123.47. Recommend an auditing firm for the Board to use when conducting audits under R.C. 4121.125.
13. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
14. Seek any information it requires from employees—all of whom are directed to cooperate with the Committee's requests, or the requests of internal or external parties working for the Committee. These parties include, but are not limited to internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
15. All Committee actions must be ratified or adopted by the Board of Directors of the Bureau of Workers' Compensation to be effective.
16. Coordinate with the other Board Committees on items of common interest.
17. At least annually, this charter must be reviewed by the Audit Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.

BWC Board of Directors
Actuarial Committee Charter
January 24, 2008

Purpose

The Actuarial Committee has been established to assist the Ohio Bureau of Workers' Compensation Committee Board of Directors in fulfilling their responsibilities through:

- monitoring the actuarial soundness and financial condition of the funds and reviewing rates, reserves and level of net assets
- oversight of the integrity of the actuarial audit process
- compliance with legal and regulatory requirements
- monitor the design and effectiveness of the actuarial studies
- confirm external actuarial consultants' qualifications and independence
- review performance of independent external actuarial work product

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the appointed actuary member of the Board. The Board, by majority vote shall appoint four additional members. The Board may also appoint additional members who may or may not be on the Board. Members of the Actuarial Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the member of the committee who is the actuary member of the Board.

Each committee member will be independent from management. The Chair and Vice Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair if not a member is an ex-officio member, shall not vote if his/her vote will create a tie vote when serving as ex-officio.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

Meetings

By majority vote the Committee will recommend to the Board of Directors their meeting schedule. There shall be not less than nine (9) meetings each year. Reports shall be made to the Board after each meeting. The Committee also has the authority to convene additional meetings, as circumstances require. The Committee will invite members of management, external actuarial firms, internal actuarial staff and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions and private meetings with actuaries and auditors, when required in the performance of their duties. A quorum will be a majority of the Committee members.

Duties and Responsibilities

The Actuarial Committee shall have responsibility for the following:

1. Recommend actuarial consultants for the Board to use for the funds specified in the Ohio Revised Code.
2. Review calculation on rate schedules and performance prepared by the actuarial consultants with whom the Board contracts.
3. Supervise for the Board's consideration the preparation of an annual report of the actuarial valuation of the assets, liabilities and funding requirements of the state insurance funds to be submitted to the Workers' Compensation Council and the Senate and House.
4. Coordinate with other Board Committees on issues of common interest.
5. At least once every five (5) years have actuarial investigation of experience of employers; mortality, service and injury rate of employees; payment of benefits in order to update the assumptions on the annual actuarial report.
6. Have actuarial analysis prepared of any legislation expected to have measurable financial impact on the system, within 60 days after introduction of legislation.
7. Consult in the appointment of and oversee the work of any actuarial firm engaged by Ohio Bureau of Workers' Compensation to complete actuarial studies.
8. Recommend retention and oversight of consultants, experts, independent counsel and actuaries to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
9. Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests, or the request of internal or external parties working for the Committee. These parties include the internal actuaries, all external actuaries, consultants, investigators and any other specialties working for the Committee.
10. Make recommendations to the Board of Directors of the Ohio Bureau of Workers' Compensation for Board decisions.
11. At least annually, this charter must be reviewed by the Actuarial Committee and any proposed changes submitted to the Governance Committee and to the Board for approval

Actuarial Committee Charter.doc
Draft 092607
Review & Approved 112107, Chuck Bryan, Chair
Revised 012408

BWC Board of Directors
Governance Committee Charter
January 25, 2008

Purpose

The Committee shall assist the Ohio Bureau of Worker's Compensation Board of Directors in fulfilling its oversight responsibilities relating to developing and implementing sound governance policies and practices. The Committee is responsible for:

- reviewing and recommending to the Board the adoption of governance guidelines and committee charters;
- overseeing compliance with federal and state laws, ethics, regulations and policies;
- developing a process for the Board's assessment of its performance and the performance of Board committees and a self assessment by Directors; and
- recommending director assignments to Board committees; making recommendations for Board Vice-chair and committee chairs for the Chair's consideration.
- coordinate annual review process of the Administrator with the Board.

Membership

The Committee shall be composed of a minimum of three (3) members. One member shall be the Chair of the Ohio Bureau of Workers' Compensation Board of Directors. The Board, by majority vote shall appoint two additional members. The Chair and Vice-Chair is designated by the Board based on the recommendation of the Board chair.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee encourages all Board members to attend their meetings. The Governance Committee is a standing committee of the Ohio Bureau of Workers' Compensation (BWC) Board of Directors. The Committee will have a staff liaison designated to assist it in carrying out its duties. This Board liaison will be responsible for all communication, handling of responses and public record requests of the Board.

Meetings

The committee shall meet quarterly or more frequently as it shall determine is necessary to carry out its duties and responsibilities. The Chair will schedule regular meetings; additional meetings may be held at the request of two or more members of the Committee, or the Chair of the Board. A majority of the members shall constitute a quorum. At least one meeting shall be in executive session for the purpose of the performance review of the Administrator.

Duties and Responsibilities

In carrying out its oversight responsibilities, the Committee shall:

1. At least annually review the Board's Governance Guidelines and the charters of the Board's standing committees, and making such recommendations as the Committee determines necessary or appropriate; and consistent with HB 100, including recommendations concerning the structure, composition, membership and function of the Board and its committees, subject to Board approval.
2. Make recommendations for Board Vice-chair, committee chairs and committee members for the Chair's consideration and the Board's approval.
3. Develop and coordinate the annual self-assessment of the Board and its Committees.
4. Make recommendations to the Board for retaining fiduciary counsel.
5. The Committee shall oversee the process for the annual report by the Board for submission to the Governor, General Assembly or the Workers' Compensation Council as required by ORC 4121.12(F)(3).
6. Oversee compliance with laws, ethics, regulations and policies.
7. Oversee the BWC orientation process for newly appointed members of the BWC Board and assist the Board in its implementation. The Committee shall also regularly assess the adequacy of and need for additional continuing director education programs. At a minimum, the education components must meet the requirements of ORC 4121.12(F)(16). These requirements include: orientation for new members; continuing education for those Board members who have served for more than one year; board member duties and responsibilities; compensation and benefits; ethics; governance processes and procedures; actuarial soundness; investments; and any other subject matter the board believes is reasonably related to the duties of a board member.
8. Make reports to the Board following their meetings.
9. Coordinate with other Board committees on issues of common interest.
10. Perform such other duties required by law or otherwise as are necessary or appropriate to further the Committee's purposes, or as the Board may from time to time assign to the Committee.

Draft reviewed Oct. 4, 2007 and Oct. 14, 2007
Approved as edited 112107; Alison Falls, Chair
Revised 012308

BWC Board of Directors
Investment Committee Charter
January 24, 2008

Purpose

The purpose of the Investment Committee is to ensure that the assets of the Ohio Bureau of Workers' Compensation (OBWC) are effectively managed in accordance with the laws of the State of Ohio, and the Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines. The Investment Committee:

- provides assistance to the Board of Directors in the review and oversight of the State Insurance Fund and each Ancillary Fund (collectively the Funds) assets; and is
- responsible for developing and monitoring the implementation of the BWC's investment policy.

Membership

The Committee shall be composed of a minimum of five (5) members. Two of the members shall be the members of the Board who serve as the investment and securities experts on the Board. The Board, by majority vote, shall appoint three additional members to serve on the Investment Committee and may appoint additional members, either from the Board or someone not on the Board. Each additional non-Board member appointed must have at least one of the following qualifications: a) experience managing another state's pension funds or workers' compensation funds; or b) expertise that the Board determines is needed to make investment decisions.

The Chair and Vice Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair if not a member is an ex-officio member, shall not vote if his/her vote will create a tie vote when serving as ex-officio.

Members of the Investment Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the members of the Committee who are the investment and securities expert members of the Board.

Meetings

The Investment Committee will meet at least nine (9) times annually; additional meetings may be scheduled as the Committee or its chairperson deem advisable. The Investment Committee is governed by the same rules regarding meetings, notice, quorum and voting requirements as are applicable to the Board. A quorum at any Investment Committee meeting will consist of a majority of the Committee members.

The Chair of the Committee will be responsible for establishing the agendas for the meetings of the Committee. An agenda, together with information/background materials, will be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee will be prepared to document all actions to the Committee's discharge of its responsibilities. The Committee will have a staff liaison designated to help it carry out its duties.

Duties and Responsibilities

The Investment Committee is charged with overseeing all investment-related matters and activities of the BWC. The Committee evaluates proposals requiring Board action and makes recommendations for consideration by the Board. The Committee shall:

1. Develop and recommend the strategic asset allocation and investment policy for the Funds and submit to the Board for approval. The Committee will periodically review the investment policy in light of any changes in actuarial variables, market conditions, etc. and make recommendations for any changes, as appropriate to the Board for approval. Assist the Board to assure that the investment policy is reviewed and approved at least annually, published, and copies are made available to interested parties.
2. Evaluate and recommend an outside investment consultant to assist the Investment Committee in its duties. Submit a contract with the recommended investment consultant to the Board for approval.
3. Review the annual report on the investment performance of the funds and the value of each investment class and submit to the Board for approval. Once approved, this report must be submitted to the Governor, the president and Minority Leader of the Senate, and the Speaker and Minority Leader of the House of Representatives.
4. Recommend investment counsel to the Board for engagement.
5. Recommend to the Board for approval the criteria and procedures for the selection of the Investment Managers and General Partners. Approve the final selection, funding and termination of all Investment Managers and General Partners.
6. Monitor implementation of the investment policy by the Administrator and the Chief Investment Officer. Review performance of the Chief Investment Officer and any investment consultants retained by the BWC to assure compliance with the investment policy and effective management of the Funds.
7. Develop and recommend rules on due diligence standards for employees of BWC to follow when investing in each asset class. Develop and recommend policies and procedures to review and monitor the performance and value of each asset class. Submit these recommendations to the Board for approval.
8. Monitor and review the investment performance of the Funds on a quarterly basis to determine achievement of objectives and compliance with this investment policy.
9. Recommend prohibited investments, on a prospective basis, the Committee finds to be contrary to the investment objectives of the Funds and submit to the Board for approval.
10. Recommend the opening and closing of each investment class and submit to the Board for approval.
11. Report all activities/recommendations to the Board following each meeting of the Investment Committee.
12. The Investment Committee will coordinate with other Board committees on items of common interest.
13. At least annually, this charter must be reviewed by the Investment Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.

Board of Directors
Schedule of Mandatory Reports

updated 4-22-08

Code Section	Board Report <i>(Administrator)</i>	Due Date	Submit To
4121.12 (F)(3)	Annual Financial Report	After fiscal year ends	Gov, Sen Pres, Speaker and WCC
4123.22	Annual Report of BWC & IC operations, info from preceding year	Not Specified	Governor and for public view
4121.37	Have Supt of Safety & Hygiene prepare annual report on purpose & amount of expenditures, research results and investigations.	Not Specified	Governor
4121.125 (C) (1),(F)(12)	Annual Actuarial Report	1-Sep-2008	LSC, standing legislative committees with primary responsibility for WC legis., WCC
4123.47 (A)	At least once yearly arrange actuarial audits of all funds	Not Specified	Audit Committee and (at cost) to the public
.	Education Program Circullium Approval	Not Specified	WCC
4121.12 (F)(8)	Annual Report on the performance & value of each investment class	Not Specified	Gov, 4 legislative caucus leaders
4121.125(C)(6), (G)	Actuarial Analysis of Legislation	60 days after introduction	LSC, standing legislative committees with primary responsibility for WC legis., WCC
4121.125(C)(5)	Actuarial Investigation	At least once by Nov, 2012, every 5 years after	standing legislative committees with primary responsibility for WC legis., WCC
4121.125 (I)	Fiduciary Performance Audit	At least once every 10 years	Auditor of State

4. I believe management's regular presentations on various aspects of the BWC's business are:
- Clear and understandable 1 2 3 4 5
 - Helpful in providing an accurate picture of the BWC's performance. 1 2 3 4 5

Comments:

5. The process by which the Board evaluates the Administrator's performance works well. 1 2 3 4 5

Comments:

6. I believe the rationale for proposed Board and Committee actions is adequately explained prior to action being taken. 1 2 3 4 5

Comments:

7. The pre-meeting reading materials are generally helpful and relevant. 1 2 3 4 5

Comments:

8. I am satisfied with the conduct of Board meetings in these respects:

- Agendas 1 2 3 4 5
- Opportunity for discussion 1 2 3 4 5
- Frequency 1 2 3 4 5

Comments:

9. Overall, I believe each of the Board's committees work well.

- Actuary Committee 1 2 3 4 5
- Audit Committee 1 2 3 4 5
- Investment Committee 1 2 3 4 5
- Governance Committee 1 2 3 4 5

Comments:

10. I believe the Board's review of the BWC's audit, audit process, accounting policies and financial statements enables me to gain a clear picture of the state of BWC's overall health. 1 2 3 4 5

Comments:

11. Overall, I believe I am provided the resources and tools I need to effectively exercise my fiduciary and oversight responsibilities. 1 2 3 4 5

Comments:

12. Overall, I believe the Board makes the appropriate use of the skills and experience of its members. 1 2 3 4 5

Comments:

13. Overall, I believe the Board engages in full and candid discussions of the issues before it and personally feel comfortable expressing my views at Board and Committee meetings. 1 2 3 4 5

Comments:

14. If there is one change I would make, it is . . .

Signature (Optional)

