

**BWC Board of Directors
Governance Committee
Thursday, June 25, 2008, 4:00 P.M.
William Green Building
Neil Schultz Conference Center
30 W. Spring St., 2nd Floor (Mezzanine)
Columbus, OH 43215**

Members Present: Alison Falls, Chair
Bill Lhota
Robert Smith

Member Absent: None

Other Directors Present: Charles Bryan, David Caldwell, Philip Fulton, James Harris,
James Hummel, and James Matesich.

Counsel Present: John Williams, Assistant Attorney General

CALL TO ORDER

Ms. Falls called the meeting to order at 4 p. m. and the roll call was taken.

MINUTES OF MAY 28, 2008

Ms. Falls requested that the minutes be corrected for proper capitalization in subject headings. Mr. Lhota moved that the minutes of May 28, 2008, be approved as amended. Mr. Smith seconded and the amended minutes were approved by a unanimous voice vote.

NEW BUSINESS/ACTION ITEMS

BOARD SELF-ASSESSMENT PROCESS

Ms. Falls highlighted the key points in the June 18th memo to the Governance Committee regarding the self-assessment process. of the Workers' Compensation Board. First, she has been advised by Mr. Williams that the Board may review the assessment in executive session. James Barnes, BWC Chief Legal Officer, has concurred in this opinion. Second, the Workers' Compensation Board will use Mr. O'Keefe, Fiduciary Counsel to compile the assessment responses. Third, Mr. O'Keefe endorsed the time-line: compile the assessment by July 18, review the results by

the Governance Committee in executive session on July 24, and review by the Workers' Compensation Board in executive session on July 25.

Ms. Falls indicated that if the Committee decided to proceed with the schedule the Governance Committee would add a new meeting on July 24 from 9:30 to 11:30 a.m. to discuss the self-assessment. Mr. O'Keefe will likely participate by phone, but would be available to meet with the Committee, at its discretion. Ms. Falls noted one edit to the self-assessment form suggested by Mr. Lhota that the term "financial position" replace the term "overall health."

Mr. Smith moved that the Governance Committee recommend to the Workers' Compensation Board the process and form for self-assessment as presented today. Mr. Lhota seconded and the motion was approved by unanimous roll call vote.

REVIEW COMMITTEE ASSIGNMENTS

Ms. Falls reviewed the role of the Governance Committee in the role of committee assignments. Per the Committee Charter, "The Committee shall make recommendations for Board Vice-chair, committee chairs and committee members for the Chair's consideration and the Board's approval."

The Committee discussed several recommendations, as follows – recommend Mr. Harris and Mr. Matesich be added to the Audit Committee, Mr. Caldwell be added to the Actuarial Committee in place of Mr. Harris, and Mr. Price and Mr. Hummel added to the Governance Committee, with Mr. Price serving as vice-chair of the Governance Committee. There are no changes to the membership of the Investment Committee.

There was a general discussion of the general composition of the committees and some specific requirements of HB 100. No motion is needed, and the recommendation for the new committee assignments has been made to Mr. Lhota. A document with the new committee assignments was distributed by Mr. Lhota at the June 25 Board meeting, and is included by reference in these minutes.

REVIEW MANDATED BOARD REPORTS AND COMMITTEE OVERSIGHT RESPONSIBILITIES

Ms. Falls presented the Schedule of Mandatory Reports of the Workers' Compensation Board, as prepared by BWC staff. The schedule lists the reports, the responsible committees, and the date due for each. She inquired as to when the annual report and the Safety and Hygiene report is due. Marsha Ryan, BWC Administrator, replied that the annual report is compiled by September 1 and submitted in October. and that the Safety and Hygiene report was part of the annual report. Committee oversight responsibilities were added for these reports.

Mr. Bryan asked for the distinction between the Board's annual actuarial report and the yearly actuarial audit of the Administrator. Ann Shannon, Legal Counsel, replied that BWC is construing the requirement as the same report, but the issue will be subject to discussion by the Actuarial Committee on June 26.

Mr. Smith moved that the Governance Committee recommend to the Workers' Compensation Board that it adopt the Schedule of Mandatory Reports presented as amended by the discussion, with the understanding that the respective committees would determine the appropriate due dates for the reports. . Mr. Lhota seconded and the motion was approved by unanimous roll call vote.

DISCUSSION ITEMS

REVIEW BOARD EDUCATION PROGRAM AND BEGIN FY2009 CURRICULUM PLANNING

Ms. Ryan stated that HB 100 requires the Workers' Compensation Council (WCC) to approve the educational program of the Workers' Compensation Board. Ms. Falls asked if the approval is retroactive or prospective. Ms. Ryan provided materials reflecting the Board's education effort to date to WCC. In addition, Ms. Shannon indicated the WCC may wish to review the education program periodically. Ms. Falls stated that the Governance Committee calendar should include an annual review of the coming year's schedule of education.

Ms. Falls solicited suggestions for educational sessions. Mr. Lhota requested annual ethics training by David Freel, Executive Director, Ohio Ethics Commission. Mr. Smith suggested several sessions on investments, and consideration of inviting outside experts to make presentations. Mr. Fulton added he would not object to an additional meeting which was devoted to injured worker compensation and benefits. Ms. Falls stated she envisions six meetings of the Governance Committee per year on the same day as the other committee meetings and that in other months the time would be taken up with education sessions. Ms. Falls indicated she would consult with Mr. Berno and they would propose a schedule for the 2008/2009 education sessions for the next committee meeting.

ADMINISTRATOR EVALUATION PROCESS AND MODIFICATIONS

Ms. Falls solicited comments and requested ideas for changes for future administrator evaluations. Mr. Lhota commended the Workers' Compensation Board for the presentation and full participation before Governor Strickland.

Mr. Hummel inquired as to the feed-back from the Governor. Ms. Ryan reported that he felt the meeting was great and uplifting. The only media coverage was from Gongwer's Ohio Report and the Hannah Report. Mrs. Strickland asked Ms. Ryan to summarize the meeting for the Cabinet meeting. There have been several commendations from BWC staff as well.

CALENDAR

Ms. Falls asked the Administrator for a status on her recommendation to the Board on the Administrator's goals for 2009. Ms. Ryan replied that she intended to have the 2009 objectives

ready for review at either the July or August meetings. Ms. Ryan also indicated that the Deloitte report would provide a blueprint for key issues to be addressed over the coming year.

The first draft of the education calendar will be submitted in July for the Board's consideration and subsequent submission to the Workers' Compensation Board. Mr. Hummel asked when the Workers' Compensation Board will know their meeting schedule for next year. Mr. Lhota stated it will be discussed at the June 27, 2008 board meeting and will involve comments from directors. Mr. Berno reported on requests for changes of meeting dates for 2009.

ADJOURNMENT

There was a motion by Mr. Lhota, second by Mr. Smith and adjournment by Ms. Falls at 5:30 pm.

Prepared by: Larry Rhodebeck, Staff Counsel
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June 30, 2008

**OHIO BUREAU OF WORKERS' COMPENSATION
BOARD OF DIRECTORS -- SELF-ASSESSMENT**

SUMMARY OF DIRECTOR RESPONSES

Dated: JULY 25, 2008

The following questions were ranked on a scale from 1 – 5

Key: 1=Room for improvement 3=Satisfied 5=Area of considerable strength

Note: Following each rating table is a summary of director comments with respect to the rated topic.

The Governance Committee of the Board of Directors of the Ohio Bureau of Workers' Compensation (BWC) hereby submits, for consideration by the BWC Board of Directors, a summary of director responses to the self-assessment process voluntarily undertaken by the Board and related action steps. The self-assessment process included the use of a numerical rating system and input was solicited from all Board members. The summary reflects an overall assessment rating for FY 2007/2008 of 4.56 on a rating scale in which 5.0 = "Area of considerable strength" and 3.0 = "Satisfied." The objective of the self-assessment process was for the Board to take time to be introspective and then use the individual Director responses to be proactive in recommending action steps in an effort to continuously improve the Board's processes and effectiveness.

1. I believe I am well informed about the BWC's:

	None	1	2	3	4	5	Rating
Mission and strategic plans				x	xxx	xxxxxxx	4.5
Insurance business				xxxx	xxx	xxxx	4.0
Actuarial soundness				xx	xxxx	xxxxxx	4.3
Investment portfolio				xxx	xx	xxxxxxx	4.3
Financial performance				xxxx	xxx	xxxx	4.0
Cumulative Rating							4.2

The directors generally believe that they have worked hard to assimilate much information on diverse topics in order to understand a complex organization. The educational sessions by the BWC Staff have been very helpful in making progress. Some directors feel unsure of their grasp of certain topics and some would like to see further refinement of financial reporting in order to better evaluate financial performance. Questions were noted as to whether the BWC should be evaluated as an insurance business and whether the mission of the BWC is primarily that of a social insurance agency as opposed to an insurance business.

2. I believe the information I am sent for Board and Committee meetings is:

	None	1	2	3	4	5	Rating
Timely			x	xx	x	xxxxxxx	4.3
Complete			x	xxx	x	xxxxxx	4.1
Understandable				xx	xx	xxxxxxx	4.5
Cumulative Rating							4.3

The directors were generally very complimentary of the efforts of the Administrator and Staff in providing relevant information of good quality in a timely fashion prior to meetings. Several directors

would like more information and more time for review in advance of meetings. Some frustration was expressed regarding situations where information has been provided shortly before or at a meeting where decisions are expected to be made or positions taken on that matter at the meeting.

3. I believe I receive information of sufficient clarity and quality to enable me to understand BWC’s business and financial risks.

Rating	None	1	2	3	4	5	Rating
Tally				xx	xxxxx	xxxx	4.2

The directors generally believe that they understand the business and financial risks of the BWC much better today than they did a year ago. The quality and clarity of the information provided was commended. Some found that the volume of information can be difficult to fully assimilate. Concerns were expressed as to obtaining a better understanding of the nuances of the BWC’s business and financial risks. Reference was made to expectations regarding the forthcoming Deloitte study as providing guidance regarding key business and strategic issues. In terms of subject matter, a concern was expressed regarding gaining a better understanding of the Ohio Industrial Commission.

4. I believe management’s regular presentations on various aspects of the BWC’s business are:

	None	1	2	3	4	5	Rating
Clear and understandable					xxxx	xxxxxxx	4.6
Helpful in providing an accurate picture of the BWC’s performance					xxx	xxxxxxx	4.7
Cumulative Rating							4.7

The directors were generally very complimentary of the ability of BWC management to effectively communicate an accurate picture of the BWC’s performance in understandable terms in presentations and Q&A sessions. A suggestion was made that the Administrator’s report be moved to the front of the agenda for Board meetings, with ample time allotted for Q&A. Another suggestion was made that management should consider including in presentations and reports, where appropriate, opposing views and potential negatives.

5. The process by which the Board evaluates the Administrator’s performance works well.

Rating	None	1	2	3	4	5	Rating
Tally					x	xxxxxxxxxxx	4.9

The directors were united in their strong expression of satisfaction with the process by which the Board evaluated the Administrator’s performance. This speaks well of the care and attention devoted to the process by the Governance Committee, and to the active involvement of all eligible directors in the evaluation process.

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

Rating	None	1	2	3	4	5	Rating
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Tally				x	xxxxx	xxxxx	4.4
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The directors were generally firm in their belief that the rationale for Board and Committee actions is adequately explained prior to action being taken. Several directors remarked on the thoroughness of the discussion and debate that takes place prior to action being taken. In the context of Committee meetings, a concern was expressed that some actions may require more time for reflection after discussions at the meeting.

7. The pre-meeting reading materials are generally helpful and relevant.

Rating	None	1	2	3	4	5	Rating
Tally					xxxxxx	xxxxx	4.5

The directors generally believe that the pre-meeting reading materials are helpful and relevant. Suggestions included consideration of organizing material by subject matter and continuing the recent practice of transmitting material for major presentations to the directors in advance of the complete Board book.

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

	None	1	2	3	4	5	Rating
Agendas				x		xxxxxxxxxxx	4.8
Opportunity for discussion				x		xxxxxxxxxxx	4.8
Frequency						xxxxxxxxxxx	5.0
Cumulative Rating							4.9

The directors strongly expressed satisfaction with the conduct of the Board meetings, the meeting agenda and the frequency of the meetings. The leadership of the Board Chair in setting the tone for the meetings was acknowledged. One director indicated reports of satisfaction with the Board meetings by BWC stakeholders. A concern was voiced that individual directors may not have sufficient input into the meeting agendas unless they are Committee chairs.

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

	None	1	2	3	4	5	Rating
Actuarial Committee					xx	xxxxxxxxxxx	4.8
Audit Committee					x	xxxxxxxxxxx	4.9
Investment Committee					x	xxxxxxxxxxx	4.9
Governance Committee					x	xxxxxxxxxxx	4.9
Cumulative Rating							4.9

The directors were united in their strong expression of satisfaction with the workings of the Board Committees. Directors remarked favorably on the attendance of Committee meetings by non-Committee directors, which fosters cross-committee understandings of what other Committees are doing. One director remarked that the Committee meetings are significant in laying the major groundwork for issues addressed by the Board.

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.

Rating	None	1	2	3	4	5	Rating
Tally				xxx	xx	xxxxxxx	4.3

The directors were somewhat divided regarding whether they have gained a clear picture of the state of the BWC's overall soundness through the review of the BWC audit, audit process, accounting policies and financial statements. Some directors who did not provide the highest rating in this category expressed their expectation that, over time and with more study and fine-tuning of financial reporting, the picture would become clearer.

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

Rating	None	1	2	3	4	4.5	5	Rating
Tally					xxxxx	x	xxxxxx	4.5

The directors were generally united in their satisfaction that they are provided the resources and tools needed to effectively exercise their fiduciary and oversight responsibilities. One director noted the abundance of resources available and was very complimentary of the BWC Staff in responding to information requests from individual Board members.

12. Overall, I believe the Board makes the appropriate use of the skills and experience of its members.

Rating	None	1	2	3	4	5	Rating
Tally					xxx	xxxxxxxx	4.7

The directors were generally of the strong belief that the Board makes appropriate use of the skills and experience of its members. The diversity of experience and expertise represented on the Board was noted, as well as the balance and strength that those qualities bring to the Board.

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.

Rating	None	1	2	3	4	5	Rating
Tally					x	xxxxxxxxxxx	4.9

The directors were unified in their belief that the Board engages in full and candid discussions of the issues before it. The directors were unanimous in stating that they personally felt comfortable expressing their views at Board and Committee meetings. This was noted as being a strength of the Board. Also noted was the hard work and resulting gratification that comes with service on a diverse Board engaging in free and open discussions while dealing with difficult issues.

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

Summary of Individual Director Comments:

A strong theme running through a majority of the individual comments is the need for more efficient time management. This was expressed as a desire to shorten the total monthly time commitment to BWC Board and Committee service while continuing to be diligent in devoting the proper amount of time to critical areas of study, discussion and action, especially at the Committee level. Other comments included

clarifying the Board's responsibility regarding the oversight of the financial performance and operational efficiency of the BWC, and an observation that the BWC staff should be treated with respect, especially when they are in the public eye presenting to the Board and responding to questions.

Individual Director Comments:

- Keeping our time together to just two days a month if possible.
- The length of the Thursday meeting day consisting of a public forum followed by Committee meetings.
- Time management. Presently, given the newness of this Board we need to spend a lot of time getting up to date on numerous items. But, over time we need to carefully consider the time requirement of Board members as well as the time for staff to prepare for Board meetings.
- The time for committee meetings needs to be longer and allow more items and fuller discussion. Perhaps we could start committee meetings earlier on Thursday and allow the chairs to request more than 2 hours.
- Clarification of the process of the oversight of the financial performance and operational efficiency of the BWC.
- Keeping meetings and education sessions to 2 days per month. It is difficult to be in Columbus 3 days per month.
- I want to make sure that staff are not treated inappropriately. They should always be treated with respect, understanding also that there is a certain way that directors are to be treated and addressed.
- That we could move faster!
- Allowing for breaks between the committee meetings.
- Honestly, at this time I cannot think of any. The manner in which this board has assimilated itself, in such a short time, is amazing. We seem to improve, change and correct course as we go.

Recommendations – Specific Follow-Up Action Steps

After a review and discussion of the summary results, the Governance Committee recommends that the Board affirm the following action steps:

1. The Board would encourage strategic discussions at future Board meetings focused on gaining a better understanding of the nature of the insurance aspects of the BWC's operations, including using insurance business vs. social insurance agency comparisons, while also understanding the implications of this analysis for setting the appropriate goals and metrics.
2. The Board would encourage continued attention to timely delivery of materials. Committees and committee chairs are encouraged to adopt a two-step process for major decisions. This would mean planning such that there is an introduction to the topic with discussion at the first monthly meeting, with any follow up with more detail, further discussion and a decision at the second monthly meeting.
3. The Board would encourage a Board and committee planning process resulting in a schedule of meetings over two rather than three days. This process would involve long-range planning and coordination of committee and Board agendas as well as expansion of the Thursday or Friday time schedule to accommodate the requisite discussion and deliberation.
4. The Board would task the Audit Committee to expand its charter, with an appropriate change in the Committee's name, to include oversight responsibilities for finance as well as audit policies

and processes. At the same time, the Board would continue to devote significant time and attention to the overall financial performance and condition of the BWC.

5. All Board members are encouraged to provide, as they may deem appropriate, input regarding the content and structure of future Board and committee meetings by contacting the Board Chair, the committee chairs or the Board Liaison.
6. The Board would continue to expect Board and Committee meetings to be conducted with decorum and respect for directors and BWC staff, while continuing to encourage an open and candid exchange of views.



Mandatory Reports Process Documents

July 23, 2008

Attached please find a thorough review of the mandatory board reports along with suggested process and procedures to follow for each. Also attached is a matrix indicating responsible staff, committee, and delivery date.

Five of the required reports will be combined into two entities. The Annual Actuarial Report, which is currently prepared by Oliver Wyman and includes the yearly audits of all funds, and the Comprehensive Report of BWC Operations. The comprehensive report will include the investment performance review, the annual report of BWC, the Industrial Commission, and the division of Safety and Hygiene operations. Since this report is based on audited financials approved by the State Auditor, we cannot release it until given the go ahead from the State Auditor. During an election year, this most likely will be post election. To simplify the delivery process both reports will be released at the same time to the same entities.

The process document is arranged by report title and contains the statutory language, followed by comments and suggested process and procedures.

Not included in this document is the Board Education Program that, according to statute, must be submitted to the Workers' Compensation Council for approval. We are working on the schedule for FY 08-09 education programs so that we can submit it for approval prior to completion of the sessions. This past June we submitted a document outlining the areas and topics covered during the education sessions for FY 07-08.

Mandatory Board Report Process

ANNUAL ACTUARIAL REPORT (Currently prepared by Oliver Wyman)

Sec. 4121.125. (A) The bureau of workers' compensation board of directors, based upon recommendations of the workers' compensation actuarial committee, **may contract** with one or more outside actuarial firms and other professional persons, as the board determines necessary, to assist the board in measuring the performance of Ohio's workers' compensation system and in comparing Ohio's workers' compensation system to other state and private workers' compensation systems. The board, actuarial firm or firms, and professional persons shall make such measurements and comparisons using accepted insurance industry standards, including, but not limited to, standards promulgated by the National Council on Compensation Insurance.

(C) The **board shall** do all of the following:

1. Contract to have prepared annually by or under the supervision of an actuary a report that meets the requirements specified under division (E) of this section and that consists of an actuarial valuation of the assets, liabilities, and funding requirements of the state insurance fund and all other funds specified in this chapter and Chapters 4123., 4127., and 4131. of the Revised Code;
 2. Require that the actuary or person supervised by an actuary referred to in division (C)(1) of this section complete the valuation in accordance with the actuarial standards of practice promulgated by the actuarial standards board of the American academy of actuaries;
 3. Submit the report referred to in division (C)(1) of this section to the workers' compensation council and the standing committees of the house of representatives and the senate with primary responsibility for workers' compensation legislation not later than the **first day of September** following the year for which the valuation was made.
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NOTE: The September 1 due date required by statute does not coincide with the availability of the information required for the report. For 2008, Legal will request an extension. It is recommended that we request an amendment to the statute to change the due date to early November to coincide with the release of our financial information from the Auditor. This report could be then submitted at the same time as the Comprehensive Report of BWC Operations.

Sec. 4123.47 (A). The administrator of workers' compensation shall have actuarial audits of the state insurance fund and all other funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code made at least once each year. The audits shall be made and certified by recognized insurance actuaries who shall be selected by the bureau of workers' compensation board of directors. The audits shall cover the premium rates, classifications, and all other matters involving the administration of the state insurance fund and all other funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code. The expense of the audits shall be paid from the state insurance fund. The administrator shall make copies of the audits available to the workers' compensation audit committee at no charge and to the public at cost.

All statutory requirements are met by the current Oliver Wyman Report.

Process and Procedure

- Early July BWC provides independent actuary with claim payment data.
- Actuary analyzes data in ongoing communications with BWC.
- Actuary produces report of actuarial liabilities as of June 30 the end of FY.
- Report is sent to BWC by the end of August. Chief Actuary reviews the findings.
- BOD Actuarial Committee receives report at September meeting.
- BWC Actuarial staff works with Finance Department to incorporate report findings into financial statement.
- Communications will be responsible for distribution of the report to the standing committees with primary responsibility for WC legislation, the WCC and BWC Library.

COMPREHENSIVE REPORT OF BWC OPERATIONS

Sec. 4121.12 (F) (3) The board shall . . . submit an annual report to the president of the senate, the speaker of the house of representatives, the governor, and the workers' compensation council and include all of the following in that report:

- (a) An evaluation of cost and quality objectives of the bureau;
 - (b) A statement of the net assets available for the provision of compensation and benefits under this chapter and Chapters 4123, 4127, and 4131 of the Revised Code as of the last day of the fiscal year;
 - (c) A statement of any changes that occurred in the net assets available, including employer premiums and net investment income, for the provision of compensation and benefits and payment of administrative expenses, between the first and last day of the fiscal year immediately preceding the date of the report;
 - (d) The following information for each of the six consecutive fiscal years occurring previous to the report:
 - (i) A schedule of the net assets available for compensation and benefits;
 - (ii) The annual cost of the payment of compensation and benefits;
 - (iii) Annual administrative expenses incurred;
 - (iv) Annual employer premiums allocated for the provision of compensation and benefits.
 - (e) A description of any significant changes that occurred during the six years for which the board provided the information required under division (F)(3)(d) of this section that affect the ability of the board to compare that information from year to year.
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Historically the BWC Annual Report contains information specified in (a) through (c) above and comes from the audited information provided by an independent public accounting firm.

HB 100 mandates several additional reports that can easily be incorporated into one Comprehensive Report of BWC Operations: The Administrator's report of BWC and IC operations; the Superintendent of Safety and Hygiene's annual report; and the annual report on the performance and value of each investment class easily fit into the scope of one comprehensive report. The Annual Actuarial Report could also be included if the due date is successfully changed to November of each year.

Process and Procedure

- Current practice is to submit the financial audit from the independent auditor to OBM by September 30.
- The audit is sent to the Auditor of State at the same time, and cannot be released to the public until we receive authorization from the State Auditor.
- Authorization is usually obtained in October during non-election years but current practice in an election year is to release it after an election.
- If desired, the BOD could review it in Executive Session in September prior to the authorization to release, which could expedite the public release once we get authorization.
- Information from the previous six years is available, but has never been compiled before. Finance will put this information together for inclusion.
- All information is then sent to Communications where the Annual Report publication is designed.
- Communications will be responsible for distribution of the report to the Governor, President of the Senate and the Speaker of the House, the WCC, and BWC Library.
- Expected publication date is mid October to early November of each year.

FY Investment Report

Sec. 4121.12 (F)(12). Submit a report annually on the performance and value of each investment class to the governor, the president and minority leader of the senate, and the speaker and minority leader of the house of representatives.

Process and Procedure

Tracking the performance of the value and performance of each investment class is an ongoing function at BWC and contained in the monthly financials. This information is contained in the current Annual Report.

- The Chief Investment Officer will present a pre-audit valuation to the BOD Investment committee in August.
- Finance will send this information to the independent auditors.

- Audited information is sent to Communications for inclusion in the Annual Report.
- This information should receive a special section in the Comprehensive Report of BWC Operations.

Administrator Reports defined by statute

Sec. 4121.37. The superintendent [of safety and hygiene], under the direction of the administrator, shall prepare an annual report, addressed to the governor, on the amount of the expenditures and the purposes for which they have been made, and the results of the investigations and researches. The administrator shall include the administrative costs, salaries, and other expenses of the division of safety and hygiene as a part of the budget of the bureau of workers' compensation that is submitted to the director of budget and management and shall identify those expenditures separately from other bureau expenditures.

In the current BWC Annual Report, there is general financial information on Safety & Hygiene agency expenses. This will continue in the Comprehensive Report of BWC Operations.

Process and Procedure

- July-August Superintendent compiles report from previous FY
- Finance will prepare expenditure information
- September 1 – submits to Chief of Customer Services Division for review and comments
- September 15 – Final draft to COO for approval
- October 1 – Final safety annual report to Communications for inclusion in the Comprehensive Report of BWC Operations.

Sec. 4123.22. The administrator of workers' compensation shall prepare and publish annually a complete report of the bureau of workers' compensation's and the industrial commission's operations for the preceding year. The annual report shall be submitted to the governor and shall be made available to all employees, employers, and the general public upon request. As a part of its annual report the bureau shall make a report for the preceding fiscal year of the number of awards made by the commission, a general statement of the causes of accidents leading to the injuries for which awards were made, a general statement of the causes of occupational diseases for which awards were made, and a detailed statement of the condition of its respective funds. In such report, he may bring to the attention of the governor the diseases arising out of and due to industrial processes as he believes should be made compensable as occupational diseases.

The bureau may collate general information as to the business transacted by the bureau and commission as in its judgment is desirable for distribution to employers and employees.

This information is currently included in the BWC Annual Report and will remain in the Comprehensive Report of BWC Operations.

ACTUARIAL ANALYSIS OF PROPOSED LEGISLATION

Sec. 4121.125 (C)(6) Have prepared by or under the supervision of an actuary an actuarial analysis of any introduced legislation expected to have a measurable financial impact on the workers' compensation system;

Sec. 4121.125 (C)(7) Submit the report required under division (G) of this section to the legislative service commission, the standing committees of the house of representatives and the senate with primary responsibility for workers' compensation legislation, and the council not later than sixty days after the date of introduction of the legislation.

Sec. 4121.125 (G) The actuary or person whom the board designates to conduct the actuarial analysis under division (C)(6) of this section shall prepare a report of the actuarial analysis and shall submit that report to the board. The actuary or person shall complete the analysis in accordance with the actuarial standards of practice promulgated by the actuarial standards board of the American academy of actuaries. The actuary or person shall include all of the following information in the report:

1. A summary of statutory changes being evaluated;

2. A description of or reference to the actuarial assumptions and actuarial cost method used in the report;
3. A description of the participant group or groups included in the report;
4. A statement of the financial impact of the legislation, including the resulting increase, if any, in employer premiums, in actuarial accrued liabilities, and, if an increase in actuarial accrued liabilities is predicted, the per cent of premium increase that would be required to amortize the increase in those liabilities as a level per cent of employer premiums over a period not to exceed 30 years.
5. A statement of whether the employer premiums paid to the bureau of workers' compensation after the proposed change is enacted are expected to be sufficient to satisfy the funding objectives as established by the board.

Process and Procedure

Currently there is no money budgeted for this type of ongoing analysis. Oliver Wyman can do the review but it is not in our current contract. The 60 day timeframe is very tight and may be difficult to meet. To adequately perform this task it has been suggested that we have an actuarial firm on retainer.

- Once legislation is introduced, BWC Legislative Liaisons will work with actuarial division to obtain this information and keep the WCC Liaison informed of status.
- BWC Board of Directors will be informed of results prior to information being provided to the WCC.
- WCC liaison is responsible for sending the information to the WCC, LSC, and **the standing committees of the house of representatives and the senate with primary responsibility for workers' compensation legislation.**

Sec. 4121.78(A). *The workers' compensation council shall . . . study all changes to this chapter and Chapters 4123., 4125., 4127., and 4131. of the Revised Code proposed to the general assembly and report to the general assembly on their probable costs, actuarial implications, and desirability as a matter of public policy;*

FIVE YEAR ACTUARIAL INVESTIGATION

Sec. 4121.125(C)(4). Have an actuary or a person who provides actuarial services under the supervision of an actuary, at such time as the board determines, and at least once during the five-year period that commences on the effective date of this amendment and once within each five-year period thereafter, conduct an actuarial investigation of the experience of employers, the mortality, service, and injury rate of employees, and the payment of temporary total disability, permanent partial disability, and permanent total disability under sections 4123.56 to 4123.58 of the Revised Code to update the actuarial assumptions used in the report required by division (C)(1) of this section;

Sec. 4121.125(F) The actuary or person whom the board designates to conduct an actuarial investigation under division (C)(4) of this section shall prepare a report of the actuarial investigation and shall submit the report to the board. The actuary or person shall prepare the report and make any recommended changes in actuarial assumptions in accordance with the actuarial standards of practice promulgated by the actuarial standards board of the American academy of actuaries. The actuary or person shall include all of the following information in the report:

1. A summary of relevant decrement and economic assumption experience;
 2. Recommended changes in actuarial assumptions to be used in subsequent actuarial valuations required by division (C)(1) of this section;
 3. A measurement of the financial effect of the recommended changes in actuarial assumptions.
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10 YEAR FIDUCIARY PERFORMANCE AUDIT

Sec. 4121.125 (I). The board shall have an independent auditor, at least once every ten years, conduct a fiduciary performance audit of the investment program of the bureau of workers' compensation. That audit shall include an audit of the investment policies approved by the board and investment procedures of the bureau. The board shall submit a copy of that audit to the auditor of state.

The cost of this function needs to be built into the long term budget planning process.

**Board of Directors
Schedule of Mandatory Reports**

	Board Report	Staff Member	Responsible Committee/ Month	Final Delivery Date	Submit To
1	Education Program Approval	Berno/Concilla	Governance/ May	June, 2008- completed	WCC
2	Annual Actuarial Report Oliver Wyman by	J. Pedrick	Actuarial/Sept	9/1/2008 (per HB 100)	standing legislative committees with primary responsibility for WC legis., WCC
	<i>includes</i>			requesting date change	
	At least once yearly actuarial audits of all funds arranged by Administrator	J. Pedrick	Audit/ongoing	Covered in Wyman Reports	Audit Committee and (at cost) to the public
3	Comprehensive Report of BWC Operations	T. Valentino	Audit/ September (audited)	Oct/Nov pending release by the State Auditor	Gov, Sen. Pres, Speaker and WCC
	<i>includes</i>				
	Annual Report on the performance & value of each investment class	T. Valentino	Investment/August (pre-audit)	Oct/Nov pending release by the State Auditor	Gov, 4 legislative caucus leaders
	Administrator's Annual Report of BWC & IC operations, info from preceding year	T. Valentino	Audit/October	Oct/Nov pending release by the State Auditor	Governor and for public view
	Directed by Administrator, Supt of Safety & Hygiene's annual report on purpose & amount of expenditures, research results and investigations.	T. Kielmeyer	Audit/September	Oct/Nov pending release by the State Auditor	Governor
4	Actuarial Analysis of Legislation	J. Pedrick	Actuarial/ongoing	60 days after introduction	LSC, standing legislative committees with primary responsibility for WC legis., WCC
5	Review of Actuarial Assumptions used in Annual Actuarial Audit	J. Pedrick	Actuarial/October	At least once by Nov. 1, 2012, every 5 years after	Standing legislative committees with primary responsibility for WC legis., WCC
6	Fiduciary Performance Audit of BWC Investment Program	Chief Auditor	Audit/Investment	At least once every 10 years	Auditor of State

Draft Education Calendar (FY 2009)

Ohio Revised Code section 4121.12(F)(16) states the Ohio Bureau of Workers' Compensation Board of Directors shall: *Develop and participate in a bureau of workers' compensation board of directors education program that consists of all of the following:*

- (a) An orientation component for newly appointed members;*
- (b) A continuing education component for board members who have served for at least one year;*
- (c) A curriculum that includes education about each of the following topics:*
 - (i) Board member duties and responsibilities;*
 - (ii) Compensation and benefits paid pursuant to this chapter and Chapters 4123., 4127., and 4131. of the Revised Code;*
 - (iii) Ethics;*
 - (iv) Governance processes and procedures;*
 - (v) Actuarial soundness;*
 - (vi) Investments;*
 - (vii) Any other subject matter the board believes is reasonably related to the duties of a board member.*
- (17) Submit the program developed pursuant to division (F)(16) of this section to the workers' compensation council for approval;*
- (18) Hold all sessions, classes, and other events for the program developed pursuant to division (F)(16) of this section in this state.*

The following calendar is proposed to meet the above requirements. Other than the July new Board member orientation, these would all fall under the continuing education requirement and be provided according to the following schedule:

July 2008: New Board member orientation (if needed)

August 2008: (during Board meeting):

Ethics (to satisfy 4121.12(F)(16)(c)(iii))

Fiduciary Responsibility (to satisfy 4121.12(F)(16)(c)(vii))

October 2008 (during Board meeting)

Board member duties and responsibilities (to satisfy 4121.12(F)(16)(c)(i))

Governance Process and Procedures (to satisfy 4121.12(F)(16)(c)(iv))

December 2008: (Education session)

Actuarial soundness (to satisfy 4121.12(F)(16)(c)(v))

January 2009: (Education session)

Guest speaker: Outside investment expert (to satisfy 4121.12(F)(16)(c)(vi))

March 2009: (Education session)

Compensation and Benefits (to satisfy 4121.12(F)(16)(c)(ii))

May 2009: Key Financial Indicators (to satisfy 4121.12(F)(16)(c)(vii))

Also, individual committees may schedule education topics during their regularly scheduled meetings as they feel necessary and appropriate.

**2009 Proposed Calendar
Governance Committee**

Wednesday, April 29, 2009 9:00 am – 11:00 am
Launch Administrator Review

Thursday, May 28, 2009, 9:00 am – 11:00 am
Finalize Administrator Review
Launch Board Self-assessment

June/ July
Finalize Board Self-assessment
Review Committee Assignments
Develop Education Plan

Thursday, September 24, 2009, 9:00 am – 11:00 am
Review Governance Guidelines
Review Committee Charters

Thursday, November 19, 2009, 9:00 am – 11:00 am
TBD