

**BWC Board of Directors  
Governance Committee**

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**DRAFT**

**Thursday, July 24, 2008, 2:10 P.M.**

**William Green Building**

Neil Schultz Conference Center  
30 W. Spring St., 2nd Floor (Mezzanine)  
Columbus, OH 43215

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Members Present: Alison Falls, Chair  
Larry Price, Vice Chair  
James Hummel  
Bill Lhota  
Robert Smith

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Member Absent: None

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Other Directors Present: Philip Fulton, Ken Haffey, James Harris, and James Matesich.

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Counsel Present: John Williams, Assistant Attorney General

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**CALL TO ORDER**

Ms. Falls called the meeting to order at 2:10 p. m. and the roll call was taken.

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**MINUTES OF JUNE 25, 2008**

Mr. Price moved that the minutes of June 25, 2008, be approved. Mr. Lhota seconded and the minutes were approved by a unanimous voice vote.

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**NEW BUSINESS/ACTION ITEMS**

**BOARD SELF-ASSESSMENT**

**EXECUTIVE SESSION**

Ms. Falls moved that the Governance Committee enter executive session pursuant to Ohio Revised Code §121.22(G)(1) for the purpose of discussing personnel issues. Mr. Hummel seconded and the motion was approved by unanimous roll call vote.

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## ADJOURNMENT FROM EXECUTIVE SESSION

~~4~~Ms. Falls moved that the Governance Committee adjourn from executive session. Mr. Lhota seconded and the motion was approved by unanimous roll call vote.

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~~4~~The Committee reviewed a summary of the Board's self-assessment. The overall score was 4.56 on a 5.0 point scale. The summary is incorporated by reference in these minutes. The summary contained six action steps for the Board. They are:

~~4-1~~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.

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~~2-2~~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.

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~~3-3~~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.

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~~4-4~~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.

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~~5-5~~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.

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~~6. 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.

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~~4~~Mr. Lhota moved that the Governance Committee of Workers' Compensation Board of Directors recommend to the Board that it approve the summary of the Workers' Compensation Board of Directors Self-Assessment. Mr. Smith seconded and the motion was approved by unanimous roll call vote.

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## REVIEW OF MANDATED BOARD REPORTS AND COMMITTEE OVERSIGHT RESPONSIBILITIES

▲ —Ms. Falls presented the Schedule of Mandatory Reports of the Workers' Compensation Board.▲  
The schedule has been reviewed by BWC staff.

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—Don Berno, Board Liaison, reported that the schedule of reports had been approved at the June meeting. Additional details regarding process have been added by Ann Shannon, Legal Counsel, and Peggy Concilla, Liaison to the Workers' Compensation Council.

—Mr. Berno further reported that it will not be possible to deliver the actuarial audit to the Workers' Compensation Board by the September 1 deadline. The BWC Legal Division will be requesting an extension. Marsha Ryan, BWC Administrator, added that the September 1 deadline was prescribed by the General Assembly without knowledge of the need to close the books and compile data before completing the actuarial audit.

—Ms. Falls recommended that the various reports are hereby assigned to their respective committees.

## BOARD EDUCATION PLAN

▲ —Ms. Falls presented a draft education calendar. She reviewed specific topics and the months they▲ would be conducted to comply with Ohio Revised Code § 4121.12(F)(16). She requested that Mr. Berno clarify the March session to indicate the topic will be compensation and benefits of injured workers.

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—Mr. Smith moved that the Governance Committee of the Workers' Compensation Board of Directors recommend adoption of the education plan for 2008/09. Mr. Lhota seconded and the motion was approved by unanimous roll call vote.

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## DISCUSSION ITEMS

### CALENDAR

▲ —Ms. Falls proposed changing the calendar of the Governance Committee so that five or six▲ meetings are to be held on Thursdays at 9 a.m. from April through November. The remaining 9 a.m. Thursday slots are reserved for public forums and board education sessions. Mr. Berno reported the public forums are now scheduled for January, March, August, and October. Ms. Falls added that to the extent possible, H. B. 100 educational sessions will be held during Workers' Compensation Board meetings.

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▲ —The next Governance Committee meeting will be held September 25 at 8 a.m.

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## ADJOURNMENT

There was a motion by Mr. Lhota, second by Mr. Smith and adjournment by Ms. Falls at 4:00 pm.

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Prepared by: Larry Rhodebeck, BWC Staff Counsel

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July 28, 2008

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To: Governance Committee  
From: Donald C. Berno, Board Liaison  
Date: August 29, 2008  
Re: New Board Member Orientation

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ORC 4121.12(F)(16) outlines the responsibility of the Board to develop an education program that includes "an orientation component for newly appointed members".

Based on the education requirements itemized in other portions of the statute, I propose the following topics and responsible department.

Board liaison will arrange for introduction to, and schedule meetings with: Administrator, COO, Board Liaison, Chief Legal Officer, Chiefs of Actuary, Internal Audit, Investments, Medical Services, Ombudsman and the Chief Fiscal and Planning Officer, and the Assistant Attorney General assigned to the Board as soon as possible. Meetings should also be held with Chiefs of Human Resources, Information Services, and Communications.

Board liaison will arrange for introduction to, and schedule meetings with: Board Chair, Committee chairs and other Board members as desired. These meetings may be one-on-one or in coordination with the briefing sessions outlined below.

Briefing sessions will be conducted on the following topics (staff responsibility is in parentheses):

**Board member duties and responsibilities (Board Liaison, BWC Legal Counsel and Chair of Governance Committee)**

1. Summary of HB 100 legislation
2. Ethics rules (Chapter 4123-15)
3. Fiduciary responsibility memo from fiduciary counsel
4. Governance Processes and Responsibilities
  - a. Governance Guidelines
  - b. Committee charters

5. "Restoring Operational Excellence" document from January 2008 Board meeting
6. Administrator evaluation process and report
7. Board self-assessment process, report and action plan

### **Injured worker compensation and benefits (Customer Services and Medical Services)**

1. Life Cycle of a Claim
  - a. Notification (FROI, BWC/MCO responsibilities, etc.)
  - b. Initial Decision (Miller criteria, BWC and Industrial Commission processes, employer and employee due process rights, etc.)
  - c. Outcome Management (BWC service office locations, benefit levels and calculations)
  - d. Claims Outcome (return to work, maximum medical improvement, etc.)

### **Ethics**

1. August Board meeting briefing by the Executive Director of the Ohio Ethics Commission
2. Review of fiduciary responsibilities by the Board's outside fiduciary counsel

### **Actuarial soundness (Actuarial staff and Chair of Actuarial Committee)**

1. "Improving experience rating and group rating program", the project plan proposal presented by John Pedrick at the June 26, 2008 Board meeting.
2. June and August, 2008 presentations and materials from Deloitte Consulting
3. Issues and process for determining net assets
4. Ratemaking: local governments (PEC), state government (PES) and private employer rates (PA)
5. Self-insurance (eligibility, regulations, guaranty fund)
6. Reserves (State Fund and all ancillary funds, calculation methodology)
7. Discount rate, policy, analysis and approval process
8. Previous reports and analysis of BWC reserves (especially AON report)

### **Investments (Investment staff and Chair of Investment Committee)**

1. Investment Policy Statement
2. Most current Mercer Portfolio Performance Report
3. Mercer education presentations
4. Mercer 5-Step decision-making Framework
5. Detailed report of each Fund, approved asset allocation and market value

6. Additional education materials regarding the BWC discount rate and decision-making process

**Budgeting and Financial Reporting (Chief Fiscal and Planning Officer and Chair of Audit and Finance Committee)**

1. Most recent Annual Report
2. Monthly enterprise report
3. Insurance ratios
4. Administrative Cost Fund
5. Assessments (DWRF, DWRF2, self-insured guaranty fund, etc.)
6. Annual and Biennial budget documents and process
7. External audit process and schedule
8. Accounting methodologies

**Audit (Internal Audit staff and Chair of Audit and Finance Committee)**

1. Quarterly Executive Summaries
2. Internal audit process and procedures
3. Process mapping
4. Internal audit schedule

**Additional Reference Materials (Board Liaison)**

1. Meeting schedules
2. Organization chart
3. Board and staff contact information
4. Committee rosters
5. COEMP policy
6. Open meeting Guidelines
7. BWC acronyms and forms

Each of the above briefings would be approximately 2 hours long, and be completed within 3 to 6 months of appointment. Exact schedule would be dependent on the availability of new Board member(s) and staff.



