

BWC Board of Directors
Wednesday, May 28, 2008, 1:00 PM
William Green Building
Neil Schultz Conference Center
Level 2 Room 3
30 W. Spring St., 2nd Floor (Mezzanine)
Columbus, OH 43215

Members Present: William Lhota, Chairman
James Harris, Vice Chairman
Alison Falls
James Hummel
James Matesich
Larry Price
David Caldwell
Robert Smith
Ken Haffey

Members Absent: Philip Fulton, Charles Bryan

Executive session

The Board met with Governor Strickland, in executive session, for the purpose of discussing personnel matters, more specifically, the performance of the Bureau Administrator. Upon motion by Mr. Haffey, seconded by Mr. Hummel, the Board adjourned into executive session, by a vote of 9-0. Mr. Fulton and Mr. Bryan were not present.

Administrator performance

Upon motion by Mr. Hummel, seconded by Mr. Caldwell, the Board approved its summary of the Administrator's evaluation, by a vote of 9-0. Mr. Bryan and Mr. Fulton were not present. The summary is incorporated by reference, into the minutes.

BWC Board of Directors
Thursday, May 29, 2008, 10:00 AM
William Green Building
Neil Schultz Conference Center
Level 2 Room 3
30 W. Spring St., 2nd Floor (Mezzanine)
Columbus, OH 43215

Members Present: William Lhota, Chairman
James Harris, Vice Chairman
Alison Falls
James Hummel
James Matesich
Larry Price
David Caldwell
Robert Smith
Ken Haffey
Philip Fulton
Charles Bryan

Members Absent: None

Call to order

Mr. Lhota reconvened the Board at 10:00 am, Thursday, 2008. Roll call was taken by the scribe, and all Directors were present.

House Bill 100 Educational session

Annual and Biennial Budget Discussion

Tracy Valentino, Chief of Fiscal and Planning, presented draft budget information, to the Board, for fiscal year July 1, 2008 through June 30, 2009. A handout and power point presentation is incorporated into the Board minutes. The Board approves annual and biennial budgets. There was discussion on the process of developing budgets, particularly within the context of providing customer service, reducing costs, and ensuring a continuing level of service. Monthly budget reports are provided to the Board. Mr. Harris inquired whether tuition reimbursement was available to union members. Ms. Valentino indicated that the tuition reimbursement budget item applied to all programs, including ones for exempt personnel. Marsha Ryan, Bureau Administrator, stated there is a robust fund for tuition reimbursement. Mr. Bryan raised the issue as to how the budget compares to the budgets of private insurers. Ms. Valentino stated that the budget has been flat in recent years. She further stated that it is difficult to compare the Bureau's budget to that of private insurers. Mr. Matesich inquired as to administrative costs and discrepancies in amounts. Ms. Valentino stated that she would address these issues later in her presentation.

Ms. Valentino made discussion of priority of expenses. Mr. Matesich inquired into the budget for Safety and Hygiene. Is the Safety and Hygiene budget funding other units? Ms. Valentino responded no. Mr. Harris inquired as to whether or not personnel in the service offices were paid

out of the Safety and Hygiene fund? Ms. Valentino responded that Safety and Hygiene personnel, stationed in services offices, were paid out of the Safety and Hygiene budget. Supervisors stationed at service offices, in other units, are not paid from the Safety and Hygiene budget. Ms. Ryan indicated there are safety items included in other budget areas, such as premium rebates for safety council participation. Mr. Bryan inquired as to whether that money was coming from employer premiums. Ms. Valentino stated yes. Ms. Falls inquired whether Safety and Hygiene costs included a pro rata share of utilities. Ms. Valentino stated yes. Ms. Valentino stated there is a three hundred million dollar cap, imposed by the General Assembly, for Bureau spending. Two hundred eighty million dollars is what the Bureau has budgeted. Mr. Price inquired as to whether materials for next month will include comparative data. Ms. Valentino stated yes, for estimated spending levels in 2008.

Mr. Fulton inquired as to whether the Bureau pays for the Attorney General workers' compensation section. Is it pay as you go? Ms. Valentino stated there is a memorandum of understanding, of outlining expected costs on a quarterly basis. Funding requests from the AG are reviewed quarterly and the requests are based on prior quarter actual activity. James Barnes, Chief Legal Officer, stated that expenditures for outside lawyers are monitored closely, and the budget for this has decreased, with more legal work being performed internally. Mr. Price inquired whether the budget is submitted in line item form? Ms. Valentino answered yes. Ms. Falls requested a department breakdown to further understand strategic allocation of resources and more discussion of the fifty "strategic hires." Mr. Harris inquired as to what subcommittee in the Ohio legislature considers the Bureau budget. It is the Insurance Commerce subcommittee. Mr. Lhota inquired whether or not the budget goes to the General Assembly once every two years. Ms. Valentino stated yes, every other year it is submitted to the General Assembly. The yearly budget is subject to an internal process. Mr. Lhota inquired whether or not the budget includes costs for the Inspector General. Ms. Valentino answered that the Bureau's budget does not include funding for the Inspector General. Mr. Smith inquired whether or not the Board approves the budget. Ms. Valentino said yes. Ms. Ryan discussed bonds issued for financing of the William Green building. The last bonds were issued in 2003. The amount funded is one hundred forty two million dollars. By 2014, the Bureau will have paid the bonds, and the building will be owned by the Bureau. The Bureau will be able to lease the office space. Mr. Matesich inquired as to the current percentage of space utilization in the building. Ms. Ryan indicated that perhaps six floors total are currently available. Mr. Bryan inquired as to tax implications with regard to the bonds. Mr. Bryan raised the issue as to whether or not it would be worthwhile to rent space. Ms. Ryan indicated that all options are being considered.

Mr. Fulton raised the issue of utilization of service offices. Ms. Ryan stated this is being evaluated as well. Mr. Price inquired as to who controls the William Green building. Ms. Ryan indicated that the Department of Administrative Services is the central point for real estate, but the important question is what rent will other agencies pay for office space in the building. Mr. Lhota indicated that he and Board Liaison Don Berno are working on the Board budget. The budget is just over one million dollars. Eighty one percent represents payroll, sixteen percent represents liability insurance, and the remainder represents miscellaneous expenses such as travel.

According to Ms. Valentino, the biennial budget submission is September 2008, therefore the Board needs to approve it in August 2008. The biennial budget process is different than the internal process for the annual budget. The budget is broken down for each year, with support for strategic goals. Requests are include justification based on criteria outlined by the Office of Budget and Management and the General Assembly. The biennial budget shall be for fiscal years 2010 and

2011. It is a high level submission with narrative. It is program level, as opposed to line item. The Office of Budget and Management establishes requirements for submission. The Board must approve at the August 29, 2008 meeting, for submission to the Office of Budget and Management September 15, 2008. Mr. Lhota inquired whether there will be a workshop for the budget. Ms. Ryan stated yes, the goals are to correlate with the biennial budget. The Deloitte-Touche study may impact the budget.

RECESS:

Upon motion by Mr. Matesich, seconded by Mr. Smith, roll call was taken and the meeting was recessed at 11:15 am. Roll call was unanimous in recessing the meeting.

BWC Board of Directors
Friday, May 30, 2008, 8:00 AM
William Green Building
Neil Schultz Conference Center
Level 2 Room 3
30 W. Spring St., 2nd Floor (Mezzanine)
Columbus, OH 43215

Members Present: William Lhota, Chairman
James Harris, Vice Chairman
Charles Bryan
Alison Falls
Philip Fulton
James Hummel
James Matesich
Robert Smith
Kenneth Haffey
Larry Price
David Caldwell

Members Absent: None

Others Present: John Williams, Assistant Attorney General

Call to order

Mr. Lhota reconvened the meeting at 8:00 am.

Roll call

Roll call was taken and all members were present.

Minutes of April 25, 2008 meeting

Upon motion of Mr. Harris, seconded by Mr. Bryan, the minutes of April 25, 2008 were approved unanimously.

Agenda

The agenda was reviewed by Mr. Lhota. There will be no business conducted after the executive session. The Board calendar was reviewed.

Committee reports

Actuarial Committee:

Mr. Bryan reported on committee matters. Mr. Bryan discussed the educational session of the committee, held by Ms. Valentino. There was discussion of different types of premium rates.

Motion was made by Mr. Bryan, seconded by Mr. Matesich, as follows: that the Bureau of Workers' Compensation Board of Directors consents to the Administrator's recommendation relating to the administrative cost contribution rule, beginning July 1, 2008, to adjust the administrative cost contributions from the various classes of employers for the operation of the Bureau, the Board of Directors, and the Industrial Commission. This motion consents to the Administrator amending rule 4123-17-36 of the Administrative Code as presented at the Actuarial Committee. Roll call was taken and the motion passed unanimously.

The rates are estimated by Bureau staff, and they don't consider efficiency.

Motion was made by Mr. Bryan, seconded by Mr. Hummel, as follows: that the Bureau of Workers' Compensation Board of Directors consents to the Administrator's recommendation relating to the private employer rate rules, beginning July 1, 2008. These rate rules achieve an overall five percent decrease in the total collectible premium rate from the previous year as approved earlier this year by the Board of Directors. This motion consent to the Administrator amending rules 4123-17-05 and 4123-17-06 of the Administrative Code as presented at the Actuarial Committee. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors consents to the Administrator's recommendation relating to the self-insuring employer assessment rule, beginning July 1, 2008, to adjust the assessments for self-insuring employers. This motion consents to the Administrator amending Rule 4123-17-32 of the Administrative Code, "self-insuring employer assessment based upon paid compensation," as presented at the Actuarial Committee. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Bryan, seconded by Mr. Hummel, as follows: that the Bureau of Workers' Compensation Board of Directors approve an amendment to their Committee Charter. This amendment outlines the process for the Committee to create a subcommittee. Roll call was taken, and the motion passed unanimously.

According to Mr. Bryan, Oliver Wyman is also working on a group rating plan. The Ohio Hospital decision presents the issues as to whether or not the Bureau will mutualize or charge back (to each employer), the seventy million dollar cost. The decision shall be the Administrator's decision. The MIRA II implementation process is proceeding as planned. The Bureau staff is doing an excellent job. Evaluation of implementation may begin around July 1, 2008.

Audit Committee:

Kenneth Haffey discussed Audit Committee matters. At the committee meeting, there was a rule discussion by Tom Sico, Assistant General Counsel. There was discussion of transferring funds from the pneumoconiosis fund to the mine safety fund if Senate Bill 323 is signed by Governor Strickland and enacted into law.

Motion was made by Mr. Haffey, seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors consents to the Administrator's Recommendation relating to rule 4123-21-03.1, rule to transfer funds from the pneumoconiosis fund to the mine safety fund. This motion consents to the Administrator filing rule 4123-21-03.1 of the Administrative Code as an emergency rule based upon provisions of Senate Bill 323, as presented at the Audit Committee, but only if the Governor signs Senate Bill 323 into law. Upon the Governor's approval of Senate Bill 323, the motion consents to the Administrator requesting that the Governor declare an emergency for the adoption of the rule, and consents to the Administrator also filing the rule under the normal chapter 119 rule making procedure. Roll call was taken, and the motion passed unanimously.

Motion was made by Mr. Haffey, seconded by Mr. Fulton, as follows: that the Bureau Board of Directors approve an amendment to their Committee Charter. This amendment outlines the process for the Committee to create a subcommittee. Roll call was taken, and the motion passed unanimously.

Joe Bell, Chief of Internal Audit, discussed fiscal year 2008, as well as third quarter executive updates on audit discussions. There was resolution of outstanding comments. House Bill 166 was reported on by Mr. Bell. Brian Walton, Director of Labor Relations, discussed Inspector General reports. An update of the external audit was also made. There was a litigation update by Mr. Barnes, in executive session.

Investment Committee:

Motion was made by Mr. Smith, seconded by Mr. Price, as follows: that the Bureau Board of Directors approve an amendment to their Committee Charter. This amendment outlines the process for the Committee to create a subcommittee. Roll call was taken and the motion passed unanimously.

Motion was made by Mr. Smith, seconded by Ms. Falls, as follows: that the Workers' Compensation Board of Directors adopt and approve the recommendation of the Investment Committee that the request for proposals ("RFP's") for commingled passive indexed investment managers, previously approved by the Board in December 2007, be amended to exclude the long duration fixed income asset class mandate at this time, for the reasons set forth in the memorandum of the Bureau's Chief Investment Officer dated May 16, 2008. The amended RFP process would therefore be for the U.S. TIPS, and Large Cap U.S. Equity asset class mandates for the State Insurance Fund, the Disabled Workers' Relief Fund and the Coal Workers' Fund. Roll call was taken and the motion passed unanimously.

There was an educational session presented by Mercer Consulting. There was discussion on fixed income securities lending. There was discussion on whether derivatives exposure to securities lending cash collateral management was appropriate at this time for the Bureau. Bruce Dunn, Chief Investment Officer shall present a report in June of 2008.

Governance Committee:

Ms. Falls discussed prospective Board self-evaluation process. This is a voluntary action, representing an industry best practice. It further emphasized the importance of risk management, and fosters healthy discussion of strategic issues. It shall enhance performance, and the processing of information on strategic issues. Action steps shall be derived from a survey, to be completed by Board Directors. The survey is included in a handout, incorporated by reference into the minutes.

The survey shall be finalized next month. Ms. Falls complimented Ms. Ryan on her excellent performance. She is demonstrating leadership by example.

Motion was made by Ms. Falls and seconded by Mr. Smith as follows: that the Bureau Board of Directors develops an annual self assessment process and survey. Roll call was taken and the motion passed unanimously.

Motion was made by Ms. Falls and seconded by Mr. Haffey as follows: that the Bureau Board of Directors approve an increase in the size of the Audit Committee from three to five members. Roll call was taken and the motion passed unanimously.

Discussion was made of the schedule for mandatory reports for the Board. The schedule was reviewed to ensure compliance. Reports are to go through the committee process, and then to the Board for approval.

Monthly financial report

Tracy Valentino, Chief of Fiscal and Planning, presented to the Board. A handout was included, and is incorporated by reference, into the minutes. Mr. Price commended Ms. Falls for leading the Administrator's review process. In addition, he thanked Bureau staff and the Administrator for the support and assistance that have been provided to him. Mr. Price then left the meeting at 8:35 AM. Ms. Valentino noted that Oliver Wyman has completed the quarterly reserve analysis. Ms. Valentino noted that the Bureau has experienced an increase in net assets. The funding of the administrative cost fund is a pay as you go basis of funding. With respect to the Ohio Hospital case, the approximately seventy million dollars amount is recognized as a contingent liability. Sixteen million dollars has been paid to date, with fifty seven million dollars remaining to be paid. The timeframe for repayment is contingent upon hospitals signing the release and waiver. The hospitals are individual members of the Ohio Hospital Association. One half of the hospitals have signed a release. This should be resolved by the end of the year.

Administrator briefing

There will be three vacancies on the Board as of June 12, 2008. The Nominating Committee will provide the Governor with a list of candidates for these positions after it meets in July 2008. RC 4121.12(B) provides for current Board members to continue to serve on the Board until a successor is appointed, for a period of sixty days.

Ms. Ryan has been visiting with newspaper editorial boards to discuss improvement in Bureau processes. The visits have been well received. The June 2008 public forum on medical issues is in the planning stages. There will be a press release June 2, 2008. Mr. Harris emphasized the importance of public notice for the forum. In order to testify, participants must sign up ahead of time. Robert Coury, Chief, Medical Services and Compliance, provided discussion on the Bureau's follow up on issues from the previous public forum. Most issues involved the removal of barriers to the system. The questions were categorized by Mr. Coury and medical services. Medical services tabulated and correlated these to strategic objectives of the Bureau. Speakers from the forum were responded to, and invited to respond and participate in work groups.

Some Board members are having difficulty opening attachments to e-mails. Mr. Berno will look into this issue.

Ms. Ryan continued discussion of the restoration of operational excellence. Keary McCarthy, Chief of Communications, has been coordinating activities with regard to the restoration of operational excellence. The Bureau's activities are consistent with the Governor's directives to restore excellence. Keary McCarthy presented to the Board, in conjunction with the information presented through the Bureau website. A handout was additionally included in the presentation, and is incorporated into the minutes by reference. The presentation discussed changes made over the past year. Goals achieved include issues such as stable costs, better services, accurate rates, and safe workplaces.

Upon motion by Mr. Caldwell, seconded by Mr. Matesich, the Board entered into executive session to discuss pending litigation, at 9:10 am. Roll call was taken and the motion passed 10-0. Mr. Price was not present.

Upon motion by Mr. Harris, seconded by Mr. Bryan, the meeting was reconvened at 9:34 am. Roll call was taken and the motion passed 10-0. Mr. Price was not present.

Deep dive

As a fact finding endeavor, the Board toured the Bureau customer contact center in the William Green building, at 9:50 am. The customer contact center is a restricted site.

Adjournment

Upon motion by Ms. Falls, seconded by Mr. Haffey, the meeting was adjourned at 11:07 am.

Minutes taken by Tom Woodruff, Bureau Staff Counsel