

**OHIO BUREAU OF WORKERS' COMPENSATION
BOARD
GOVERNANCE GUIDELINES**

Approved by the Board:

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INTRODUCTION AND PURPOSE

The Ohio Bureau of Workers' Compensation ("BWC") is a state agency that provides medical and compensation benefits to Ohio employees for work-related injuries, diseases and deaths. Ohio employers pay premiums for these benefits to Ohio's State Insurance Fund and/or its specialty funds: Disabled Workers' Relief Fund, Coal-Workers' Pneumoconiosis Fund (CWPF), Public Work-Relief Employees Compensation Fund (PWREF), the Marine Industry Fund (MIF), and the Administrative Cost Fund (ACF). In addition to benefits paid, the BWC makes available and provides loss prevention services to Ohio employers. Ohio's workers' compensation system has the largest state fund in the nation and is the fourth largest underwriter of workers' compensation insurance in the country. Also, the BWC oversees compliance with statutes and rules of employers who choose to self-insure. There is also oversight of the Self-insured Employers Guaranty Fund (SIEGF) which provides payment for workers who were injured while working for self-insured employers who are now bankrupt.

The BWC Board of Directors ("Board") was created by Ohio law and its authority and responsibilities are set forth in detail in the Ohio Revised Code.¹ The primary areas of Board focus are to establish the overall administrative policy of the BWC, to review the progress of the BWC in meeting its cost and quality objectives and to provide advice and consent regarding actions proposed by the BWC Administrator, who is responsible for the management of the day-to-day operations of the agency.² The Board operates in collaboration with other state entities, including the Office of the Attorney General, the Inspector General, the Workers' Compensation Council, Workers' Compensation Board of Directors Nominating Committee, the State Office of Internal Audit, the Industrial Commission, and the Ombuds Office.

The Board and its members have fiduciary responsibilities to the BWC. A fiduciary is a person having a duty, created by an undertaking, to act *primarily for the benefit of another* in matters connected with that undertaking. The monies paid into the workers' compensation funds constitute a trust fund for the benefit of employers and employees.³ The members of the BWC Board are obligated by law to adhere to the highest standards of judgment and care when making decisions or taking actions that may affect the financial integrity and soundness of the workers' compensation funds.⁴ In order to properly discharge the Board's fiduciary responsibilities, the Board should be guided by three primary considerations with respect to matters that come before it: (1) the provisions of Ohio law that directly impact the Board's activities; (2) the duty of loyalty to protect the workers' compensation funds and to act in good faith and in the interests of all the stakeholders of the BWC, taken as a whole; and (3) the duty of care in ensuring that all Board decisions and actions are the result of an informed deliberative process in which the significant information items relevant to the proposed decision or action are identified and considered by the Board.

Accordingly, it is incumbent upon the Board to operate with the integrity appropriate to its fiduciary duties as it oversees the business of BWC. The Board aspires to implement

the best practices of corporate governance and to incorporate all significant developments in this area into its policies and procedures. The Board has adopted the measures set forth in this document to describe the governance structure and guidelines by which the Board shall conduct its business. It is the intention of the Board to review these guidelines at least annually.

ORGANIZATION OF THE BWC BOARD OF DIRECTORS

Board Composition

The BWC Board of Directors consists of eleven (11) members. Board members are appointed by the Governor of Ohio from a list of candidates prepared by the Workers' Compensation Board of Directors Nominating Committee and with the advice and consent of the Ohio Senate. It is provided by statute that one member of the Board shall be a representative of employees; two members of the Board shall be representatives of employee organizations; three members of the Board shall be representatives of employers with one of the three representing self-insuring employers; two members of the Board shall be investments and securities experts; one member of the Board shall be a certified public accountant (CPA); one member of the Board shall be an actuary; and one member of the Board shall represent the public.⁵ The Governor of Ohio selects the Chair of the Board of Directors, who serves at the pleasure of the Governor.

Ohio law established that the members of the Board of Directors will serve staggered three year terms of office. One group consists of the employee representative, one of the employer representatives, and the public representative. The second group consists of another employer representative, one of the employee organization representatives, one of the investment and securities expert and the CPA representative. The third group consists of the third employer representative, the other employee organization representative, the other investment and securities expert, and the actuary representative. There are no term limits. Ohio law sets forth detailed procedures for the filling of vacancies occurring as a result of the expiration of a Board member's term of office or otherwise.⁶ The current Board members and their respective terms of office are listed in a document attached hereto as Exhibit A.

Board members shall aspire to maintain the highest ethical standards and integrity in fulfilling their responsibilities, and shall demonstrate a willingness to act on and be accountable for Board decisions. Members shall strive to utilize their diverse backgrounds, talents and experiences to provide wise, informed and thoughtful counsel to BWC management. Members shall demonstrate loyalty and commitment to the success of the BWC. It is expected that members may hold differing points of view on issues before the Board and are encouraged to express their points of view. Regardless of their particular points of view, members shall at all times act in the best interests of the BWC and its stakeholders as a whole. Members shall devote an appropriate amount of effort in preparation for meetings, participate fully in the activities of the Board and its Committees, and shall strive to be prompt and regular in attendance at Board and Committee meetings. Board members shall be compensated for their attendance at Board

and Committee meetings, and shall be reimbursed for all reasonable and necessary expenses while engaged in the performance of their duties, all as provided by statute.⁷

Duties & Responsibilities

Under Ohio law,⁸ the Board's responsibilities include the following:

- establish overall administrative policy for BWC;
- review BWC's progress in meeting cost and quality objectives, and its compliance with the Ohio Revised Code;
- meet with the Governor of Ohio annually to discuss the Administrator's performance;
- advise and consent on rules that BWC wishes to pursue;
- contract with an actuarial firm, outside investment consultant and independent fiduciary counsel to assist the Board in fulfilling its duties;
- contract with an actuarial consultant to prepare an annual actuarial report, an actuarial investigation of employers' experience and injured workers' benefits every five years (by 2012), and actuarial analysis of legislation expected to have measurable financial impact on the system;
- review investment policy annually, approve investment policy changes for BWC, prohibit investments that are contrary to Board-approved investment policy, vote to open investment classes, and adopt rules establishing due diligence standards for BWC employees to follow when investing in an open investment class and establish policies and procedures to review and monitor the performance and value of each investment class;
- contract with an independent auditor to conduct a fiduciary performance audit of BWC's investment program at least once every ten years (by 2017).
- review all independent financial audits of BWC;
- submit an annual report to the Ohio General Assembly, the Governor, and the Workers' Compensation Council regarding BWC operations and progress;
- submit an annual report on the performance and value of BWC investments to the Governor and the Ohio General Assembly;
- develop and participate in an education program for the Board members, and submit the education program to the Workers' Compensation Council; and
- study issues as requested by the Governor or the Administrator.

Administrator's Performance Objectives & Evaluation

Annually the Board shall oversee a process for the evaluation of the Administrator's performance and shall also develop prospective performance objectives for the Administrator for the coming fiscal year. At the end of the review year, the Board will examine the Administrator's actual performance against the Board's objectives as well as the Governor's objectives. The Board's process for the Administrator's evaluation shall include (i) a review by the Governance Committee of the Specific Performance Objectives contained in the Administrator's Flexible Performance Agreement with the Governor, as well as leadership attributes that the Board believes are important to an overall evaluation of the Administrator's performance, (ii) the development of an evaluation form to be completed by all qualified Directors⁹ with respect to the

Administrator's evaluation, (iii) the review by the Board of the compilation of all Director responses to the evaluation form, (iv) the review, comment and finalization of a draft Annual Evaluation Report prepared by the Governance Committee with the assistance of fiduciary counsel, revised to reflect input from individual Board members, (v) the review, comment and finalization of the Annual Evaluation Report by the full Board, and (vi) the discussion of the Annual Evaluation Report first with the Administrator and then with the Governor at a meeting of the Board for that purpose. The final written Annual Evaluation Report shall be made publicly available.

Board Self-Assessment Process

Although not required by Ohio law, the Board of Directors shall engage in a yearly self-assessment process for the purpose of continuous self-improvement. This process provides an occasion for input from all Board members regarding their opinion on a range of Board issues, including receipt of information, discussion and decision-making. The objective is for the Board to take time to be introspective and then use the self-assessment process to be proactive in recommending action steps to continuously develop the Board's processes and effectiveness. The self-assessment will assist the Board members to identify opportunities for improvement, as well as recognition of past areas of success. The self-assessment will contain a balance of both objective and subjective observations. The self-assessment process shall be evaluated on a yearly basis to ensure continued relevancy of all questions posed.

Duty of Oversight

In general, the Board is responsible for approving the strategic direction proposed by BWC management. In order to approve any such plans, it is necessary and appropriate for the Board to develop a depth of knowledge regarding BWC operations that shall enable the Board to analyze the effectiveness and feasibility of the strategic proposals of the Administrator. In addition, the Board shall monitor the performance of BWC as it works to fulfill the business approach adopted by the agency. As the Board monitors BWC performance, it shall be necessary for the Board to review and approve BWC's financial objectives, plans and actions, as well as to review and approve any transactions not in the ordinary course of business. To enable successful fulfillment of BWC objectives, the Board shall ensure that BWC is structured to encourage ethical behavior, to require compliance with the law, and that sound accounting principles, actuarial standards and auditing practices are instituted.

In exercising their fiduciary responsibilities, Board members shall be guided by the specific provisions of Ohio law relative to the Board and the BWC. To assist the Board in fulfilling its fiduciary responsibilities, the Board shall retain independent fiduciary counsel.¹⁰ BWC shall obtain fiduciary liability insurance for the Board.

The Board of Directors may be required to provide information to the Workers' Compensation Council as it fulfills its duties. Such information shall be provided with all due speed. The Board of Directors shall provide its annual report, as well as its actuary report to the Workers' Compensation Council. The Board shall submit its annual education program to the Workers' Compensation Council.

BOARD PROCEDURES

Board of Directors' Meetings

The Board of Directors conducts its business through open and public meetings in compliance with the Ohio Open Meetings Act. Members of the public and press are invited to attend these meetings. Advance notice of the time and place of all meetings shall be provided to the media at least twenty-four (24) hours in advance, and shall be posted on BWC's web site. Notice shall be provided subject to a test of reasonableness. The Chair of the Board shall set the meeting dates of the Board as necessary to perform the duties of the Board. The Board shall meet at least twelve times a year.¹¹ Minutes of all Board and Committee open public meetings shall be taken and maintained. Robert's Rules of Order is generally followed at both Board and Committee meetings. The Chair of the Board presides at Board meetings. In the event that the Chair is unable to attend, the Vice Chair of the Board shall preside at the Board meeting.

Conduct at Meetings

A Board member desiring to speak shall address the Board Chair and, upon recognition by the Board Chair, shall confine discussion to the issue before the Board and shall observe appropriate courtesy of behavior including: avoiding discussion of personalities or personal matters, avoiding the use of indecorous language, and refraining from personal attacks and verbal abuse. A Board member, once recognized, shall not be interrupted while speaking unless called to order by the Board Chair, unless a point of order is raised by another Board member, or unless the speaker chooses to yield to questions from another member. If a Board member is called to order while speaking, that member shall cease speaking immediately until the question of order is determined. If ruled to be in order, the member shall be permitted to proceed. If ruled to be not in order, the member shall remain silent or make additional remarks in accordance with the rules of the Board.

A Board member desiring to question a BWC staff member shall address such questions to the Board Chair, the Administrator or the appropriate Board Committee Chair. Such person shall be entitled either to answer the inquiries or to designate some member of the BWC staff for that purpose. Board members shall treat with respect members of the BWC staff, who shall observe the same rules of decorum as the BWC Board members.

Whenever possible, motions and amendments to motions should be in writing and distributed to all Board members prior to the Board and Committee meetings. Formal motions shall be made to approve the minutes of the Board and Committee meetings, and to approve meeting agendas as well as modification to the agendas. To adjourn a Board or Committee meeting, a motion shall also be made. All votes taken by the Board and its Committees shall be done by roll call vote.

Agenda Development & Distribution

The Board Chair, in cooperation with the Administrator and/or the Board Liaison, shall prepare the agenda for the Board meeting. Any Board member desiring to do so is encouraged to submit suggestions or requests for agenda topics relevant to the conduct of the Board's duties to the Board Chair. At a minimum of a week prior to each regular Board meeting informational material with respect to that meeting shall be delivered to the Board, including a preliminary agenda and supporting documents with respect to the matters to be considered at the meeting. Whenever practical, and particularly for major policy initiatives or major rule changes, background and informational material shall be provided to the members of the Board more than a week in advance of scheduled Board meetings to allow additional time for review and reflection. This same process shall be followed for Committee meetings. A Board member may request that an agenda item be deferred, removed or added by making the request to the Board or Committee Chair. The request to defer, remove or add an agenda item shall be considered by the Board or Committee Chair and implemented where practical. Should the Board member's request to defer, remove or add an agenda item be refused, the Board member may make a motion to have the Committee or the full Board consider the request by vote.

Reports by Board Committees

At the Board's monthly meeting, the Committee Chairs shall regularly provide a report of the activities of the Committees. This agenda item enables Committee Chairs or designated representatives to report any actions or pending actions taken by Committees and to request Board approval of Committee recommendations as appropriate.

Committee Meetings

Committee meetings are conducted as often as determined necessary by majority vote of the Board of Directors. Only members of the Committee may participate in voting on Committee matters. All members of the Board are encouraged to attend and participate in discussion at Committee meetings. The Committee Chair shall develop the agenda for the Committee meetings. Ample opportunity shall be given for any Board member to submit suggestions or requests for agenda topics to the Committee Chair. Committee agendas and supporting documents shall be provided to the Board and appropriate BWC staff prior to the Committee meeting. Minutes of Committee meetings shall include identification of Committee members and other Board members present, agenda items and official actions taken by the Committee. Committee minutes shall follow all the requirements for minutes for the full Board meetings, as noted below in "Minutes of Board Meetings and Committee Meetings".

Rules/New Business Submittal Process

Generally, BWC staff should submit proposed rules and new business items to the Board Liaison at least two weeks prior to the upcoming Board meeting or Committee meeting. It is recognized that unforeseen circumstances may prevent such advance submission. For issues concerning the various Committees, the Board Chair, with the advice and consent of the Committee Chair, shall determine whether issues are presented to the Board for resolution.

Information regarding major policy initiatives or rule changes that may be contemplated by BWC should be submitted for the agendas of the Committees for a “first reading” and subsequent reporting by the Committee chair to the full Board. The same major policy initiative or rule change would then be included on the agendas of the Committee at a later meeting for a “second reading” and possible approval. The first and second readings provide the Board and its Committee members the opportunity to obtain background information, ask questions of BWC staff members, and engage in discussion regarding the topics that are under consideration. The same major policy initiative or rule change would proceed from a first reading to a second reading at a later Committee meeting before the Board would consider approval.

This process of providing both a first and second reading ensures a fully informed vote by the Board concerning a major policy initiative or rule change. However, the Committee may wish to waive a “second reading” of a major policy initiative or rule change. In the event a Committee wishes to waive the second reading of a major policy initiative or rule change, a motion to waive shall be submitted for consideration, and voted upon by roll call vote. If the motion to waive the second reading passes at the Committee level by a majority vote, the Committee may then proceed to consider the underlying major policy initiative or rule change for recommendation to the Board.

Administrator’s Report

At the Board’s monthly meeting, the Administrator shall regularly provide a report. This agenda item provides an opportunity for the Administrator to present information on issues of interest to the Board and others.

Minutes of Board Meetings & Committee Meetings

There shall be detailed minutes kept of each Board and Committee meeting. The minutes record the formal actions taken by the Board and Committees and a summary of important reports and discussions. These minutes should reflect the length and intensity of the discussion of key issues before the Board or Committee, and also record with precision the actions of the Board or Committee with respect to the matters on which it takes action. Minutes should contain appropriate details of the meetings, and should reflect the Board’s or Committee’s fulfillment of applicable fiduciary standards of conduct. In its decision-making processes, the Board and Committees shall give thoughtful attention to the issues before it; the minutes shall indicate the full consideration given by the Board or Committee. The minutes should also document such matters as whether further follow up was requested from the Administrator or Staff. The minutes shall demonstrate the Board’s or Committee’s adherence to the Governance Guidelines. Board or Committee members may request that specific comments be included in the minutes. Minutes should usually be reviewed and voted on for approval at the next subsequent Board meeting, at which individual Board members may offer suggestions of amendment to the minutes. Accordingly, a draft of the Board and Committee minutes, in substantially final form, shall be furnished to the Board members in the next subsequent Board package. The Board shall approve the Board minutes by majority vote; the members of each Committee shall approve the minutes of the

respective Committees by majority vote. Once approved, the minutes constitute the official record of the Board's or Committee's actions and decisions.

Executive Session

Consistent with Ohio law,¹² the Board and its Committees may move to go into Executive Session (i.e. exclude the public from attendance) under a limited set of circumstances by stating the reason for the executive session and taking a roll call vote, with passage requiring a majority vote. The proper purposes for Executive Session are to discuss any of the following issues:

- personnel (to consider appointment, employment, performance evaluation, dismissal, discipline, promotion, demotion or compensation of a public employee or official, or to consider the investigation of charges or complaints against a public employee or official);
- property (to consider the purchase or sale of property if disclosure of the information would result in a competitive advantage to the other side);
- court action (to discuss pending or imminent court action with legal counsel);
- collective bargaining (to prepare for, conduct or review collective bargaining strategy);
- confidential matters (to discuss matters required to be kept confidential by federal law, rules or state statute);
- security arrangements (to discuss details of security arrangements and emergency response protocols where disclosure could be expected to jeopardize the security of the Board of Directors); and
- As otherwise permitted by law and approved by legal counsel.

No action or any votes may be taken in Executive Session. A motion to adjourn the executive session and return to public session is not necessary.¹³ Any voting on matters discussed in Executive Session shall be taken in public session. Attendance at Executive Sessions is limited to Board members and others invited by the Board Chair or Committee Chair as necessary.

Director Education Program¹⁴

The Board of Directors shall develop an education program for its members with the oversight of the Governance Committee. The education program shall contain an orientation component for newly appointed members, as well as a continuing education component for members who have served at least one year. For orientation of new members, information regarding all activities of BWC shall be provided, as well as information regarding the roles of the Board and its Committees. The Board Liaison shall schedule new members for briefing sessions with other Board members, Board legal counsel, as well as BWC staff. The briefing sessions and ongoing education curriculum shall cover the following topics:

- information about Board member duties and responsibilities;
- information concerning injured worker compensation and benefits paid under Chapters 4121, 4123, 4127, and 4131 of the Ohio Revised Code;
- summary of HB 100 legislation and amendments thereto;

- Ohio ethics statutes and rules, BWC ethics policy, and all ethics opinions from the Ohio Ethics Commission concerning Board members;
- fiduciary responsibility including memorandum from fiduciary counsel;
- governance processes and responsibilities;
- BWC Administrator and agency goals and objectives (e.g. “Restoring Operational Excellence” for fiscal year 2008-09);
- Administrator evaluation process;
- Board self-assessment process;
- Concepts of actuarial soundness;
- Investments;
- Budgeting and financial reporting;
- Auditing processes and procedures;
- any other topic reasonably related to the duties of the Board.

The Board of Directors shall submit the education program it develops to the Workers’ Compensation Council. All sessions, classes, and other events for the education program developed by the Board and approved by the Workers’ Compensation Council shall be held in the State of Ohio. Education sessions can be conducted at Committee or Board meetings, as long as a majority of Board members attend. If a Board member is unable to attend a particular session, that member should attend a “make-up session.” The Board shall review and approve its education program annually and submit it to the Workers’ Compensation Council. At least annually, both the Director of the Ethics Commission as well as Board fiduciary counsel shall be invited to address the Board on their respective areas of subject matter expertise.

Public Forum Process

The Administrator, in consultation with the Board, shall annually create a plan for public forums to solicit views from the public on various issues, to be held periodically throughout the coming year. Each public forum shall address a topic or topics deemed by the Administrator or the Board to be of interest to BWC stakeholders. Members of the public shall be provided notice of and have an opportunity to provide comments and/or register to speak at such forums. The Administrator and the Board may also invite certain stakeholders with an interest in the topic to speak. Appropriate written comments provided during the meeting shall be posted on the BWC web page. The Board and BWC shall follow the Policies and Procedures for Public Forums, as adopted by the Board and attached hereto as Exhibit B.

Communication Guidelines

As a general rule, it is the Board’s position that the BWC Administrator, or BWC management appointed for such purpose by the Administrator, speaks for the agency as a whole.

Members of the public can provide written submission of comments to BWC’s website at OhioBWC.com. Comments on pending legislation should be limited to those necessary to conduct the business of the Board of Directors. Comments beyond that should be directed to members of the Ohio General Assembly or the Workers’ Compensation Council. The

Chair of the Board of Directors reserves the right to limit comments from the public during meetings.

Communications received directly by Board members from persons outside the BWC shall be forwarded to the Board Liaison. If the communication is to the entire Board, the Board Liaison shall work with the Board Chair and prepare the appropriate response. The response shall be shared with the Board. If the communication is addressed to an individual Board member, the Board member receiving such communication shall work with the Board Liaison to prepare the appropriate response. The original communication and response shall be provided to the entire Board. The Board Liaison shall be responsible for retention of the Board's public records and communications with the public. The Board Liaison shall follow state law and BWC policies for records retention.

BOARD COMMITTEES – COMPOSITION AND RESPONSIBILITIES

By law,¹⁵ the Board of Directors shall establish three Committees: the Actuarial Committee, the Audit Committee, and the Investment Committee. Additional Committees may be established by the Board of Directors as needed.¹⁶ Currently, the Board of Directors has established a Governance Committee and a Medical Services and Safety Committee in addition to the statutorily mandated Committees. At least annually, shortly after scheduled Board appointments, the appointment of Committee members, the Committee Chair, and the Committee Vice Chair shall be considered and shall be approved by the majority vote of the Board.

The Committee Chairs shall preside at Committee meetings. In the absence of a Committee Chair, the Vice Chair of the Committee shall preside at the Committee meeting. If both the Chair and Vice Chair are not available, the Chair of the Board shall appoint an acting Chair for that Committee meeting. Additional detail regarding the Board's Committees, including the roles and responsibilities of all Committees, are further defined by the Committee Charters, as approved by the Committees and adopted by the Board. Each Charter shall be reviewed and updated as necessary on an annual basis. The Charters of the Board's Committees are attached hereto as Exhibit C.

Actuarial Committee

Although Ohio law requires a minimum of three members to be part of the Actuarial Committee, the Board has determined that the Actuarial Committee should consist of a minimum of five members of the Board of Directors. One member shall be the member of the Board who is an actuary. The Board, by majority vote, shall appoint additional members of the Board to serve on the Actuarial Committee. The Board may also appoint additional members who may not be on the Board, as the Board determines necessary through majority vote. 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.

The Actuarial Committee performs several functions mandated by law.¹⁷ It recommends actuarial consultants for the Board to use for actuarial analysis of BWC funds, and reviews the annual report of the actuarial valuation of the assets, liabilities, and funding requirements of the State Insurance Fund. In addition, the Actuarial Committee reviews the calculations on rate schedules and performance prepared by the actuarial consultants retained by the Board. The Actuarial Committee reviews all administrative code rules proposed for change, rescission, or addition that concern rate making. The Actuarial Committee has actuarial analysis conducted for any legislation expected to have a measurable financial impact on the BWC system. At least once every five (5) years, the Actuarial Committee arranges for an actuarial investigation of: the experience of employers; mortality, service and injury rate of employees; and payment of benefits, in order to update the assumptions on the annual actuarial report. This actuarial investigation shall be conducted next in the year 2012.

Audit Committee

Although Ohio law requires a minimum of three members to be part of the Audit Committee, the Board has determined that the Audit Committee shall consist of a minimum of five members of the Board of Directors. One member shall be the member of the Board who is the certified public accountant. The Board, by majority vote, shall appoint additional members of the Board to serve on the Audit Committee. The Board may also appoint additional members who may not be on the Board, as the Board determines necessary through majority vote. 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.

The Audit Committee performs several functions mandated by law.¹⁸ It makes recommendations to the Board regarding the accounting firm that performs BWC's annual audits. It also recommends to the Board the accounting firm(s) that the Board uses when conducting the fiduciary performance audit of BWC's investment program, and other management and financial audits that the Board may deem necessary under R.C. §4121.125. The Audit Committee reviews the results of each annual financial audit and management review, assessing and developing appropriate courses of action to correct any problems that may arise. The Audit Committee also monitors the implementation of any action plans it creates, and reviews all internal audit reports on a regular basis. The committee follows the process as described in the "Board Procedures" section of this document. The Audit Committee also oversees the annual and biennial agency budget process by providing initial review to BWC budget materials prior to Board review and approval. The Audit Committee assists the Board in providing oversight of the integrity of BWC's financial statements.

The Audit Committee is responsible for strategic financial policies for assuring the appropriate level of net assets for the appropriate BWC funds. The Audit Committee is responsible for an annual review of the funding ratio and the net leverage ratio pursuant to BWC's Net Asset Policy, which is attached hereto as Exhibit D. As part of this policy, the Audit Committee and then the Board shall review BWC staff recommendations in

order to establish guidelines for funding ratio and net leverage ratio. The Audit Committee shall also take the lead in the process for establishing the discount rate for reserves. Pursuant to BWC's Reserve Discount Rate Policy, attached hereto as Exhibit E, the Administrator has the responsibility and authority to establish the discount rate for reserves with the review and guidance of the Audit Committee and the concurrence of the Board.

Investment Committee

Although Ohio law requires a minimum of four members to be part of the Investment Committee, the Board has determined that the Investment Committee shall consist of a minimum of five 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 additional members of the Board to serve on the Investment Committee. The Board may also appoint additional members who may not be on the Board, as the Board determines necessary through majority vote. Each additional non-Board member appointed shall have at least one of the following qualifications: a) experience managing another state's pension or workers' compensation funds; or b) expertise that the Board determines is needed to make investment decisions. 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.

The Investment Committee performs several functions mandated by law.¹⁹ It develops the investment policy for BWC, and submits it to the Board for approval. The Investment Committee must assure that BWC invests in accordance with its investment policy, and that the best possible return on investment is achieved while protecting the solvency of the State Insurance Fund. The Investment Committee monitors implementation by BWC of the investment policy. It recommends an outside investment consultant for the Board. Finally, the Investment Committee reviews the performance of BWC's Chief Investment Officer and the investment consultants retained by BWC.

Governance Committee

The Governance Committee was established by the Board of Directors under its authority to create additional Committees as it deemed necessary.²⁰ The Governance Committee consists of a minimum of three members. One member is the Chair of the Board of Directors. Members of the Governance 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 Board Chair.

The Governance Committee is responsible for developing governance policies and advising as to best governance practices for the Board. The Governance Committee assists in the establishment of the Board's annual performance objectives for the Administrator and coordinates and facilitates the process for the Board's annual performance evaluation of the Administrator. The Governance Committee is responsible for the initial review of rules with the exception of actuarial ratemaking rules and other rules specific to another committee. In addition, the Governance Committee coordinates

and facilitates the Board's annual self-assessment process, and monitors any follow up or action steps that may result from that assessment. The Governance Committee oversees the Board's educational programs, recommends the selection of independent fiduciary counsel to the Board for its approval, and makes recommendations to the Board Chair for the Vice Chair of the Board, Committee Chairs, Vice Chairs of the Committees, and Committee memberships.

Medical Services and Safety Committee

The Medical Services and Safety Committee was established by the Board of Directors under its authority to create additional Committees as it deemed necessary.²¹ The Medical Services and Safety Committee consists of a minimum of three members. The Board may also appoint additional members who may not be on the Board, as the Board determines necessary through majority vote. Members of the Medical Services and Safety Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member.

The Medical Services and Safety Committee is responsible for assisting the Board of Directors and BWC in the development of strategic policy for the provision of quality, cost-effective prevention, treatment, and rehabilitation of workplace injuries for the mutual benefit of injured workers and employers. The Committee will provide review and oversight of BWC's policies with respect to its medical provider network and practice guidelines; managed care and disability prevention delivery models; and outcome metrics for the above.

BOARD GOVERNANCE -- GENERAL

Ethics

The Board of Directors is committed to following ethical standards that promote the integrity of the workers' compensation system in Ohio. The Board is charged to comply fully with all federal and state laws, rules, regulations and policies applicable to the BWC. In particular, it is necessary that Board members become familiar with the applicable ethics requirements in order to ensure compliance with them. These requirements include the provisions of the Ohio Revised Code, the Governor's Executive Orders addressing ethics, and the opinions of the Ohio Ethics Commission pertaining to the BWC Board of Directors, as identified in Exhibit F hereto. The Board Liaison shall provide copies of the ethics requirements within the Ohio Revised Code on a yearly basis to all Board members.

The Board is also subject to BWC's Code of Ethics, as found in the BWC Employee Handbook. To meet its obligations under Ohio law, each Board member shall submit to the Board's legal counsel at the Attorney General's office a copy of the annual Financial Disclosure Statement, required by the Ohio Ethics Commission. The BWC Legal Counsel and the Board's legal counsel at the Attorney General's office shall review the statements for potential conflicts of interest. In keeping with the guidance of the Ethics Commission, the Board shall give broad interpretation to the requirements to report any

other board membership, fiduciary relationship, business or other association when completing the annual Financial Disclosure Statement. The Board views the requirements of Ohio law and BWC policy with respect to ethics as a minimum measure for its standard of conduct. It is the aspiration of the Board to perform its duties in accordance with the highest ethical standards.

To adhere to these standards, the Board's Directors must avoid conflicts of interest. A conflict of interest is a situation in which a Director has professional or personal interests that compete with the interests of BWC. Because each Director has a duty of loyalty to BWC, a conflict of interest should not be permitted to breach that duty. To avoid any potential conflict each Director should determine if there is a possibility of an actual conflict of interest or the appearance of a conflict of interest with any issues coming before the Board. If there is an actual conflict of interest or even the appearance of a conflict of interest the Director should recuse himself/herself from participating in any way in the decision, including discussions, of the issue creating the conflict of interest or appearance of a conflict of interest. The Director should state for the record the reason for the conflict of interest or appearance of a conflict of interest, and excuse himself/herself from the Committee or Board table for the duration of discussion and possible voting on the issue that created the conflict of interest or the appearance of a conflict of interest. Finally, the record should indicate that the Director in question did not participate in any way on the matter requiring recusal.

Board Oversight Process Guidelines

In order for the Board to fulfill its fiduciary responsibilities regarding oversight of the BWC, it must receive accurate and reliable information from the Administrator and BWC staff. Further, the Board must do its part in promoting the provision of quality information by making sure that measures are in place to ensure, to the extent practicable, that it is receiving the best information available. A related responsibility of the BWC, as an Ohio state governmental agency, is to develop, implement, and enforce policies and procedures that prevent or reduce the risk of wrongful acts and omissions by its officers and employees. In furtherance of the Board's oversight role, the Board has regularly scheduled meetings in which information exchange between it and BWC takes place. In addition, Charters have been established for all Committees and the Governance Committee was created to oversee governance issues. Furthermore, information exchange between the Board and the Inspector General's ("IG") office has been established. The Board Chair shall periodically contact the IG to invite sharing of information regarding IG investigations relative to the BWC. It was acknowledged in this connection that, in some cases, the IG may not be able to share information due to the confidentiality and other constraints imposed by statute on the IG's office. The Board Oversight Process Guidelines are attached hereto as Exhibit G.

As detailed in its charter, the Audit Committee is the arm of the Board that has the formal responsibility of interacting with the Auditor of State, the State Office of Internal Audit, and other agencies within the Ohio and federal governmental systems. In the event there is an internal BWC investigation which is not referred to the deputy IG, and the Administrator has determined that there is no need for confidentiality with respect to such matter, the Audit Committee shall be informed of such matter at a regular meeting. If

there is a need for confidentiality, as determined by the Administrator, in consultation with the Board Chair, the Audit Chair shall be informed of such matter, and the Audit Chair shall make a judgment as to whether or not there is a need to inform others on the Board regarding the investigation. The policy underlying this procedure is that, in any such event, either the Board, the Board Chair, or the Audit Chair shall know what is occurring.

There are several reports mandated by law that the Board of Directors must submit to various bodies. In order to coordinate the preparation, review and release of these reports, the Board has asked the Governance Committee to assume appropriate oversight of the general process and assign responsibility to the various Committees for oversight of specific reporting processes. Generally speaking, no Board of Director reports that are required by statute may be released without express Board review and approval. The Governance Committee of the Board provides general oversight of this process. However, the respective committees with specific expertise with respect to any such report will provide the supervision necessary for completion of the report. The various committees will work with BWC staff, review the report product, and provide any feedback necessary for finalization of the documents to be released. The timetables for completion of these reports shall be established by the committee responsible for the report, and the responsible parties shall comply with any mandatory due dates set forth therein or with respect thereto. A document detailing the division of responsibility and accountability for each report, as well as a general timetable for completion has been established called "Board of Directors Schedule of Mandatory Reports," which has been adopted by the Board of Directors and is attached hereto as Exhibit H.

Referral Process for Wrongdoing

The Board of Directors is fully committed to the detection, investigation and prevention of wrongdoing at BWC. In the event a Board member receives information concerning possible wrongdoing at BWC, it is the member's obligation to promptly notify the Board Chair and the Administrator of the information so that the matter can be fully investigated and handled. In some instances, matters may be referred to the IG's office for investigation.

The Board of Directors shall comply with BWC's Employee Handbook regarding requirements for the reporting of wrongdoing. In addition, the Board shall also follow the Governor of Ohio's requirements for the reporting of wrongdoing, as contained in the memorandum from the Governor's Chief Legal Counsel Kent Markus dated October 11, 2007, which is attached hereto as Exhibit I.

BWC staff is responsible for keeping the Board of Directors fully informed of investigations and their outcomes. To this end, the Administrator shall provide updates to the Board as necessary. In some instances, updates regarding investigations of wrongdoing shall be provided in executive session, as permitted by Ohio law.

R.C. 124.341 establishes the procedures and responsibilities incumbent upon all state agency employees with respect to the reporting of wrongdoing, as well as the

responsibilities of supervisory personnel within state agencies with respect to whistleblowing occurrences, including referral of the report to the appropriate authority and the protection of the whistleblower. The Board shall similarly follow such procedures and observe the requirements of Ohio law regarding whistleblowing.

Annual Review, Revision & Approval 11/21/08 Board of Directors
Annual Review, Revision & Approval 2/29/08 Board of Directors

¹ R.C. 4121.12(F)

² R.C. 4121.121(B)

³ R.C. 4123.30

⁴ Ohio Attorney General Opinion No. 89-033 (1989)

⁵ R.C. 4121.12(A)

⁶ R.C. 4121.12(C)

⁷ R.C. 4121.12(D)

⁸ R.C. 4121.12(F)

⁹ Ohio Ethics Commission Opinion dated July 30, 2007 provides that a Director who receives compensation to represent clients on matters before the BWC is disqualified from any matters before the Board that directly affect an individual official or employee of the BWC. For example, a Director who is an attorney representing clients before BWC is disqualified from participating in the evaluation of the Administrator's performance.

¹⁰ R.C. 4121.12(F)(6)(c)

¹¹ R.C. 4121.12(D)(4)

¹² R.C. 121.22

¹³ Ohio Sunshine Laws: An Open Government Resource Manual, 2009; Richard Cordray, Attorney General; Mary Taylor, CPA, Auditor of State; p. 101

¹⁴ R.C. 4121.12(F)(16)

¹⁵ R.C. 4121.129

¹⁶ R.C. 4121.12(G)(2)

¹⁷ R.C. 4121.129(B)

¹⁸ R.C. 4121.129(A)

¹⁹ R.C. 4121.129(C)

²⁰ R.C. 4121.12(G)(2)

²¹ R.C. 4121.12(G)(2)

OBWC Board of Directors Actuarial Committee Charter

Purpose

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

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

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the member of the Board who is an actuary. The Board, by majority vote, shall appoint at least four additional members of the Board to serve on the Actuarial Committee and may appoint additional members who are not Board members, as the Board determines necessary. Bureau management personnel cannot serve as a committee member.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board Chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, the Board chair shall not vote if his/her vote will create a tie.

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.

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.

Meetings

The Committee shall meet at least nine (9) times annually. The Committee Chair will provide a meeting report at the next subsequent Board meeting. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

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.

Minutes for all meetings of the Committee will be prepared to document the actions of the Committee's in the discharge of its responsibilities.

Duties and Responsibilities

The Actuarial Committee shall be responsible for the following statutory requirements:

- Recommend actuarial consultants for the Board to use for the funds specified in Chapters 4121, 4123, 4127, and 4131 of the Revised Code (RC 4121.129 (B)(1))
- Review the calculation of rate schedules prepared by the actuarial consultants with whom the Board contracts (RC 4121.129 (B)(2))
- 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 the House. (RC 1421.125(C) and 4123.47)
- Arrange for an actuarial analysis of any legislation expected to have measurable financial impact on the system, within 60 days after introduction of the legislation. (RC 4121.125(C)(6) and (7) and 4121.125(G)).
- At least once every five (5) years, contract for an actuarial investigation of experience of employers; mortality, service and injury rate of employees; and payment of benefits in order to update the assumptions on the annual actuarial report. (RC 4121.125(C)(4) and RC 4121.125(F))
- Review, and make recommendations to the Board, regarding rate-making administrative code rules. (RC 4121.12(F)(13)(a))

1. Coordinate with other Board Committees on issues of common interest.
2. At least annually, review this charter and submit any proposed changes to the Governance Committee and to the Board for approval.
3. Create, by majority vote, a subcommittee consisting of one or more Directors on the Committee. As appropriate, and in consultation with the Chair, appoint other Board members to the subcommittee. The subcommittee shall have a specific purpose. The subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Committee. At any time, the Committee, by majority vote, may dissolve the subcommittee.
4. 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.

Actuarial Committee Charter.doc
Draft 092607
Review & Approved 112107, Chuck Bryan, Chair
Revised 012408
Revised 092408
Annual Review and Revision 112108
Annual Review and Revision 112009

OBWC Board of Directors Audit Committee Charter

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:

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

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the member of the Board who is a certified public accountant. The Board, by majority vote, shall appoint at least four additional members of the Board to serve on the Audit Committee and may appoint additional members, who are not Board members, as the Board determines necessary. Bureau management personnel cannot serve as a committee member.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board Chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, he/she shall not vote if his/her vote will create a tie vote.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. In the absence of the Committee Chair, the Committee Vice-Chair will assume the Chair's responsibilities. The Committee will have a staff liaison designated to assist it in carrying out its duties.

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.

Meetings

The Committee shall meet at least nine (9) times annually. The Committee chair will provide a meeting report at the next subsequent Board meeting. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information as necessary.

Minutes for all meetings of the Committee will be prepared to document all actions of the Committee in the discharge of its responsibilities.

Duties and responsibilities

1. The Audit Committee shall be responsible for the following statutory requirements:

- Recommend to the Board an accounting firm to perform the annual audit required under RC 4123.47. (RC 4121.129 (A)(1))
- Recommend an auditing firm for the Board to use when conducting audits under RC 4121.125. (RC 4121.129 (A)(2))
- Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. (RC 4121.129 (A)(3))
- Monitor implementation of any action plans created to correct problems noted in each annual audit. (RC 4121.129 (A)(4))
- Review management's biennial appropriation requests and recommend approval to the Board. (RC 4121.121 (B)(10).
- Review and recommend to the Board the proposed annual fiscal year Administrative Cost budget prepared by management. Also, advise the Board of any adjustments made to the proposed budget. (RC 4121.121 (B)(10).
- Review all internal audit reports as summarized in the Quarterly Executive Summary document on a regular basis. (RC 4121.129(A)(5))
- 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. (RC 4121.125(I))

- Provide input to the Board when the Administrator seeks the advice and consent of the Board on the appointment and/or removal of the Chief of Internal Audit. (RC 4121.125 (J))
2. 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.
 3. Serve as the primary liaison for Bureau of Workers' Compensation Board of Directors and provide 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.
 4. 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.
 5. Oversee the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditor.
 6. 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.
 7. Review the internal financial statements upon the request of a committee member or BWC staff.
 8. Receive and review reports from management regarding the status of appropriations bills.
 9. At least annually, meet with General Counsel and Chief of Internal Audit to review BWC Code of Ethics to ensure that it is adequate and up-to-date. Report on review and recommended changes, if necessary, to the Board.
 10. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities.
 11. 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.
 12. Coordinate with the other Board Committees on items of common interest, especially discussions and decisions concerning the net asset policy and the annual review of guidelines for a funding ratio and a net leverage ratio.
 13. At least annually, review the Audit Committee charter and submit any proposed changes to the Governance Committee and to the Board for approval.
 14. 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 Committee. The Committee by majority vote may dissolve the subcommittee at any time.

15. 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.

Audit Committee Charter.doc
Draft 092607
Review & Approved 112107, Ken Haffey, Chair
Revised 012408
Revised 012508
Revised 092408
Annual Review and Revision 112108
Annual Review and Revision 112009

OBWC Board of Directors Governance Committee Charter

Purpose

The Ohio Bureau of Workers' Compensation Board of Directors has created the Governance Committee under authority granted by RC 4121.12(G)(2). The Governance Committee is a standing committee of the Board of Directors. The Committee shall assist the 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, regulations, policies and ethical requirements;
- developing a process for the Board's assessment of its performance and the performance of Board committees;
- overseeing the process for orientation of new Board members and the continuing education program for all Board members;
- making recommendations for Board Vice-Chair, Committee Chairs and Vice-Chairs and Director assignments to Board committees for the Chair's consideration; and
- coordinating processes and procedures for the Administrator's annual performance review.

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

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 at least two (2) additional members of the Board. Bureau management personnel cannot serve as a Committee member. The Chair and Vice-Chair are 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 will have a staff liaison designated to assist it in carrying out its duties.

Members of the Governance Committee serve at the pleasure of the Board, and the Board, by majority vote, may remove any member except the Board chair.

Meetings

The Governance Committee shall meet at least four (4) times annually. The Committee chair will provide a report of the meeting at the next subsequent Board meeting. Additional meetings may be requested by the Committee chair, 2 or more members of the Committee, or the Board Chair.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, fiduciary counsel, and/or others to attend meetings and provide pertinent information as needed.

Minutes for all meetings of the Committee will be prepared to document the actions of the Committee in the discharge of its responsibilities.

Duties and Responsibilities

1. The Governance Committee shall assist the Board in meeting the following statutory requirements:

- Assist in the establishment of the Board's annual prospective performance goals and objectives for the Administrator; coordinate and facilitate the process for the Board's annual performance evaluation of the Administrator (RC 4121.12(F)(15)).
- Oversee the BWC orientation process and its implementation for newly appointed members of the BWC Board. The Committee shall also regularly assess the adequacy of and need for additional continuing Director education programs. 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; injured worker 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 (RC 4121.12(F)(16)).
- Make recommendations to the Board for retaining fiduciary counsel. (RC 4121.12 (F)(6)(c)).

- Oversee the process for all statutorily required reports of the Board for submission to the Governor, General Assembly or the Workers' Compensation Council (RC 4121.12(F)(3), 4121.125).
2. 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, appropriate, and consistent with Ohio law, including recommendations concerning the structure, composition, membership and function of the Board and its committees, subject to Board approval.
 3. Make recommendations for Board Vice-Chair, Committee Chairs and Vice-Chairs, and Director assignments to Board committees for the Chair's consideration and the Board's approval.
 4. Develop and coordinate the annual self-assessment of the Board and its Committees.
 5. Oversee compliance with laws, regulations, policies and ethical requirements.
 6. Act as the lead committee for rule review and changes with the exception of actuarial rules or other rules assigned to an existing committee. The Committee will follow the process for rule review as outlined in the Governance Guidelines.
 7. Coordinate with other Board committees on issues of common interest.
 8. Create by majority vote 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. The subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Committee. The Committee by majority vote may dissolve the subcommittee at any time.
 9. 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
Revised 092408
Annual Review and Revision 112108
Annual Review and Revision 112009

OBWC Board of Directors Investment Committee Charter

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:

- assists the Board of Directors in the review and oversight of the State Insurance Fund and each Specialty Fund (collectively the Funds) assets;
- develops and monitors the implementation of the BWC's investment policy

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

Membership

The Committee shall be composed of a minimum of five (5) members. Two members shall be the members of the Board who are the investment and securities experts. The Board, by majority vote, shall appoint at least three additional members of the Board to serve on the Investment Committee and may appoint additional members, who are not Board members, as the Board determines necessary. 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 (RC 4121.129(C)(1)). Bureau management personnel cannot serve as a Committee member.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, the Board chair shall not vote if his/her vote will create a tie.

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.

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. The Committee Chair will provide a report of the meeting at the next subsequent

Board meeting. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, investment advisors, fiduciary counsel and/or others to attend meetings and provide pertinent information as necessary

Minutes for all meetings of the Committee will be prepared to document the actions of the Committee in the discharge of its responsibilities.

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. Assist the Board in meeting the following statutory requirements:
 - Develop and recommend the strategic asset allocation and investment policy for the Funds in accordance with RC 4123.442 and submit to the Board for approval.
 - 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. (RC 4121.12(F)(7))
 - 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. (RC 4121.12(F)(8))
 - Prohibit, on a prospective basis, any investment the Committee finds to be contrary to the investment objectives of the Funds and submit to the Board for approval (RC 4121.12(F)(9)).
 - Recommend the opening and closing of each investment class and submit to the Board for approval. (RC 4121.12(F)(10))
 - 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. (RC 4121.12(F)(11))
 - 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. (RC 4121.12(F)(12))

- Monitor implementation of the investment policy by the Administrator and the Chief Investment Officer (RC 4121.129(C)(2)(c)).
 - Recommend outside investment counsel with whom the Board may contract to assist the Investment Committee in fulfilling its duties (RC 4121.129(C)(2)(d)).
 - Review the 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 (RC 4121.129(C)(2)(e)).
 - Consult with the Administrator and recommend to the Board the appointment of the Chief Investment Officer. (RC 4123.441)
2. 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.
 3. Monitor and review the investment performance of the Funds on a quarterly basis to determine achievement of objectives and compliance with this investment policy.
 4. Coordinate with other Board committees on items of common interest.
 5. At least annually, review this charter and submit any proposed changes to the Governance Committee and to the Board for approval.
 6. Create, by majority vote, 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. The subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Committee. The Committee by majority vote may dissolve the subcommittee at any time.
 7. 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.

InvestmentCommitteeCharter.doc
Review & Approved 112107, Bob Smith, Chair
Revised 012408
Revised 092408
Annual Review and Revision 112108
Annual Review and Revision 112009

MOTION OF THE BOARD OF DIRECTORS TO APPROVE THE MEDICAL SERVICES AND SAFETY COMMITTEE CHARTER

I MOVE THAT THE WORKERS' COMPENSATION BOARD OF DIRECTORS APPROVE THE AMENDED CHARTER OF THE MEDICAL SERVICES AND SAFETY COMMITTEE AS RECOMMENDED BY THE MEDICAL SERVICES AND SAFETY COMMITTEE.

Have a second

Open for discussion

Amendment to conform to other charters by changing #2, second to last bullet: The sentence "Each subcommittee shall keep minutes of its meetings." would be amended to say "The subcommittee shall keep minutes of its meetings."

Second to the amendment

Vote on amendment

I MOVE THAT THE WORKERS' COMPENSATION BOARD OF DIRECTORS APPROVE THE AMENDED CHARTER OF THE MEDICAL SERVICES AND SAFETY COMMITTEE AS RECOMMENDED BY THE MEDICAL SERVICES AND SAFETY COMMITTEE AND AS AMENDED HERE TODAY.

Second

Vote

Guard/ Safeguard Discussion and Recommendation

At the April 28, 2009 meeting of the Bureau of Workers' Compensation Board of Directors Governance Committee, an issue was raised concerning the use of the terms "guard/ing" and "safeguard/ing" in the context of the BWC Division of Safety and Hygiene administrative code rules. The Committee asked the Division of Safety and Hygiene, working with an external stakeholder committee, to recommend to the Board on how to define and use the words "guard" and "safeguard" .

The current definitions in Ohio Administrative Code 4123:1-5 -01, Scope and Definitions, state as follows:

"Guard" : the covering, fencing, railing, or enclosure which shields an object from accidental contact (See also "safety guard")

"Guarded" : means that the object is covered, fenced, railed, enclosed, or otherwise shielded from accidental contact

The term "safeguard" is not defined in 4123:1-5. However, the term is found in the rule identifying the need for guarding of power presses, industrial trucks, and other general provisions.

The word "guard" appears 57 times in the workshops and factories rules (4123:1-5), 26 times in the construction rules (4123:1-3) and 15 times in the other safety rules (e.g. steelmaking), for a grand total of 98 references in our safety rules. The word "safeguarding" appears 3 times in 4123:1-5 and 2 times in 4123:1-3.

"Safeguarded" occurs 2 times in 4123:1-5. Therefore, the grand total for words that have "safeguard" as a root in the BWC, Division of Safety and Hygiene's rules is 7.

A review of literature in the occupational safety and health field, the Occupational Safety and Health Administration (OSHA) federal standards, the American National Standards Institute (ANSI) standards and the American Society for Testing and Material (ASTM) standards provides insight into the common use of the terms "guarding" and "safeguarding" in the safety literature and reference guides. These documents were reviewed and the commonalities identified. The following paragraphs provide a summary of the results.

According to *The Safety Professionals Handbook*,¹ the term “safeguarding” is defined as “any means of preventing a worker or user from contacting a dangerous part of a machine, product or other device.” Further, a “guard” is defined as “a physical barrier that prevents any body part from contacting the hazard”.

Roger Brauer² states “Guards, one type of machine safeguard, are preferred over other types. Guards on machines are intended to keep people and their clothing from coming into contact with hazardous parts of machines and equipment.” He continues “Safeguards include guards, devices, distance or location.”

Accordingly, both references identify safeguarding as the concept of protecting employees from the hazards of the equipment and processes they are exposed to and guards are just one of the methods used to accomplish that goal. The ANSI R15.06-1999 standard: *Safety Requirements for Industrial Robots and Robot Systems* defines safeguard as “a barrier guard, device or safety procedure designed for the protection of personnel.” It further defines safeguarding as “the act of providing personnel with protection from a hazard.” It also defines a safeguarding device as “A means that detects or prevents access to a hazard”. This is consistent with the definitions provided by Brauer and Mroszczyk.

The OSHA General Industry regulations only defines guard in relation to the mechanical power press section of the code and defines “guard” as meaning “a barrier that prevents entry of the operator's hands or fingers into the point of operation.” This definition is narrower than the current definition in the BWC, Division of Safety & Hygiene rules. The term “guard” and its variations are used in contexts broader than the power press environment in the Division of Safety and Hygiene rules. For example, in Ohio Administrative Code 4123:1-5(C)(1)(a)(i), the term “guarded” is used as follows: “Floor openings, not including hoistway openings, shall be guarded with standard railing or with fixed safety covers with flush hinges.”

The Legal Division of the Bureau of Workers Compensation researched the use of the terms “guarding” and “safeguarding” in other states codes. In 19 of the 50 states, the terms “guard/ing” and “safeguard/ing” are used synonymously. The

¹ John Mroszczyk, *The Safety Professionals Handbook*, ed. Joel M. Haight (American Society of Safety Engineers, 2008), p. 129.

² Roger Brauer, *Safety and Health for Engineers* (Hoboken, N.J.: John Wiley and Sons, 2006).

other 31 states used separate definitions for “guarding” and “safeguarding” or did not define the terms at all.

In particular, the Legal Division closely examined the thirteen states which have programs similar to our VSSR penalty structure. They found that five states use “guard” and “safeguard” synonymously. Those five states are: Arkansas, Illinois, Massachusetts, Missouri, and Utah. The remaining eight states (including Ohio) use separate definitions for “guard” and “safeguard” ; or don’t define the terms at all.

As such, the Division of Safety & Hygiene approached the stakeholder group for input. We asked the stakeholders to consider changing the definition of guard and guarded and the addition of a definition for “safeguard” in all applicable Ohio Administrative Codes.

We offered the following options to our stakeholders:

1. Leave definitions as currently defined.
2. Change the definitions guard/guarded/guarding and add a new definition for safeguard/safeguarded/safeguarding.
3. Develop a new definition based on information from the stakeholder group.
4. Consider only defining the term “safeguard” to clarify the differences between “guard” and “safeguard” .

The staff’s proposed change in definition, based on similar language found in the literature, offered to the stakeholders read as follows:

Guard - a securely attached physical barrier, that is not readily removable, that prevents entry of any part of the body into the point of operation or other hazard area by reaching through, over, under or around the barrier

Guarded – means that the hazard is shielded from accidental contact by a securely attached physical barrier that is not readily removable, that prevents entry of any part of the body into the point of operation or other hazard area by reaching through, over, under or around the barrier

We received three responses from the stakeholder group. They were all consistent and all recommended no change to the current definition of guard, but

expressed support for the concept of defining the term “safeguard” and its permutations.

The response from the Ohio Manufacturer Association representative stated:

“It is my opinion that we should consider only defining the term “safeguard” to clarify the differences between “guard” and “safeguard”. I think we should use the proposed definition of Safeguarding- any means of preventing a worker or user from contacting a dangerous part of a machine, product or other device.”

The attorney with the Industrial Commission who represented public employee groups stated:

“We would open up cans of worms that would take decades to straighten out if we tried to change the usage of ‘guard.’ In particular, making the terms synonymous would be a disaster. A definition of ‘safeguard’ should only be added to clarify the distinction between ‘safeguard’ and ‘guard.’”

Further, internal concern was raised about any significant change in the settled definition of the term “guard”. There is potential for unforeseen consequences for injured workers and employers alike, depending on the way the Industrial Commission hearing officers and the courts interpret a new, untested definition.

Based on the input from the stakeholders and internal concern that changing the definition of guard could have unforeseen consequences, we recommend to the Governance Committee that the definition of the term “guard” not be changed. Based on stakeholder input, we recommend that the term “safeguard” and its derivatives be defined. If this Committee agrees with this recommendation, we will research safety literature to develop a recommended definition of “safeguard” and present it for the consideration of this Committee at the November meeting.

Agency Rule Review

Chapter	Title	# of rules	Legal Authority			Type of Review		JCARR review	Staff Contact	Review due	Proposed Sched	Proposed Timeline						Filed
			S	J	O	5YRR	Non 5 YRR					complete internal review	complete external review	Senior Staff Review Date	BOD Bk. Ddln*	BOD 1st read	BOD Vote	
4123:1-7	Metal casting	14	x			√		Yes	M. Ely	2008	Mar-09	Complete	2/24/09	2/26/09	6-Mar	19-Mar	30-Apr	7/31/2009
4123:1-9	Steel Making, Manuf, & Fabrica.	5	x			√		Yes	B. Loughner	2008	Mar-09	complete	2/15/09	2/26/09	6-Mar	19-Mar	30-Apr	7/31/2009
4123:1-11	Laundry & Dry Cleaning	5	x			√		Yes	R. Gaul	2008	Mar-09	complete	2/24/09	2/26/09	6-Mar	19-Mar	30-Apr	7/31/2009
4123-5	Miscellaneous Provisions	6		x	x	√		Yes	K. Robinson	2009	Apr-09	complete		4/2/09	10-Apr	28-Apr	29-May	7/10/2009
4123-18	Rehab of Inj and Dis Workers	16	x		x	√		Yes	K.Fitsimmons, K Robinson	2008	Apr-09	complete	in process	4/2/09	10-Apr	28-Apr	29-May	7/10/2009
4123:1-1	Elevators	5	x			√		Yes	R. Gaul	2008	Apr-09	complete	2/24/09	4/2/09	10-Apr	28-Apr	29-May	7/31/2009
4123:1-13	Rubber & Plastics	4	x			√		Yes	M. Lampl	2008	Apr-09	complete	3/17/09	4/2/09	10-Apr	28-Apr	29-May	7/31/2009
4123:1-17	Window Cleaning	7	x			√		Yes	D. Feeney	2008	Apr. 09	complete	3/24/09	4/2/09	10-Apr	28-Apr	29-May	7/10/2009
4123-6-08	2009 Provider & Service Fee Schedule						x		Graff		Apr-09	3/15/09	4/10/09	4/2/09	10-Apr	28-Apr	29-May	
4123-14	Non-complying employer	6	x			√		Yes	D.C. Skinner	2008	May-09			4/30/09	8-May	29-May	29-Jun	7/10/2009
4123-18-09	2009 Vocational Rehab Services Fee Schedule						x		K. Fitzsimmons, Graff		Jun-09	4/30/09	5/15/09	5/28/09	10-Jul	30-Jul	28-Aug	9/1/2009
4123-6-01 to 18	HPP- Program	49	x	x	x	√		Yes	F. Johnson, T. Mihaly	2009	Jun-09	4/6/09	5/7/09	5/28/09	5-Jun	18-Jun	30-Oct	
4123-6-50 to 73	HPP/QHP	24	x	x	x	√		Yes	F. Johnson, Leeper	2009	Jul-09	5/1/09	6/14/09	7/2/09	10-Jul	30-Jul	30-Oct	
4123-6-16.2	C9 Rule Change						x		Phillips		Jul-09	5/1/09	6/1/09	7/2/09	10-Jul	30-Jul	28-Aug	
4123-9	General Policy	12	x		x	√		Yes	J. Smith, TK, RM	2008	Jul-09		6/15/09	7/2/09	10-Jul	30-Jul	28-Aug	9/1/2009
4123:1-5	Workshops & Factories	32	x			√		Yes	M. Ely	2008	Aug-09	7/15/09	7/17/09	7/30/09	7-Aug	27-Aug	24-Sep	
4123-6-19 to 46	HPP- Provider	33	x	x	x	√		Yes	F. Johnson	2009	Sep-09			8/27/09	4-Sep	24-Sep	30-Oct	
4123-6-37.1	2010 Inpatient Fee Schedule						x		Graff, Casto		Sep-09	6/1/09	7/25/09	8/27/09	4-Sep	24-Sep	30-Oct	
4123 - 7	Payments to Health Care Prov.	30	x	x	x	√		Yes	F. Johnson	2009	Oct-09	7/15/09	9/15/09	10/1/09	9-Oct	29-Oct	30-Oct	
4123-6-37.3	2010 ASC Fee Schedule						x		Graff, Casto		Oct-09	7/15/09	9/1/09	10/1/09	9-Oct	19-Nov	20-Nov	
4123-6-37.2	2010 Hospital Outpatient Fee Schedule						x		Casto, TBD		Nov-09	8/15/09	9/30/09	10/22/09	31-Oct	19-Nov	17-Dec	
	total rules for 08-09	248																

S=Statutory
J=Judicial
O=Operational

* materials in final form

completed 5 year rule review

12-Month Governance Committee Calendar

Date	November 2009	Notes
11/19/2009	1. Governance Guidelines (2 nd reading)	
	2. Committee Charters (2 nd reading)	
	3. Guard/Safeguard discussion	
Date	December 2009	
12/16/2009	1. Director and Officer Liability Coverage	
Date	January 2010	
1/21/2010	1. Administrator Performance Review and Action Items to date	
	2. Board Self-assessment and Action Items to date	
Date	February 2010	
2/25/2010		
Date	March 2010	
3/25/2010		
Date	April 2010	
4/29/2010	1. Launch Administrator Review	
Date	May 2010	
5/27/2010	1. Finalize Administrator Review	
	2. Launch Board and Committee Self-assessment	
Date	June 2010	
6/17/2010	1. Finalize Board and Committee Self-assessment	
	2. Committee membership recommendations	
	3. Develop Education Plan	
	4. Administrator's Objectives for FY 11	
Date	July 2010	
7/29/2010		
Date	August 2010	
8/26/2010		
Date	September 2010	
9/23/2010		
Date	October 2010	
10/21/2010		