

GOVERNANCE COMMITTEE

Thursday, November 18, 2010, 8:00 a.m.

William Green Building

30 West Spring Street, 2nd Floor (Mezzanine)

Columbus, Ohio 43215

Members Present: Alison Falls, Chair
Larry Price, Vice Chair
William Lhota
Kenneth Haffey
Thomas Pitts

Members Absent: None

Other Directors Present: James Harris, James Hummel, Charles Bryan, James Matesich, Robert Smith (arrived 8:10)

Counsel Present: John Williams, Assistant Attorney General
James Barnes, General Counsel

Staff Present: Ann Shannon, Legal Counsel
Donald Berno, Board Liaison

Scribe: Jill Whitworth

CALL TO ORDER

Ms. Falls called the meeting to order at 8:00 AM and the roll call was taken.

MINUTES OF SEPTEMBER 23, 2010

The minutes were approved without changes by unanimous roll call vote on a motion by Mr. Haffey, seconded by Mr. Lhota.

REVIEW/APPROVE AGENDA

There were no changes to the agenda. The agenda was approved by unanimous roll call vote on a motion by Mr. Price, seconded by Mr. Pitts.

NEW BUSINESS / DISCUSSION ITEMS

1. Review of Governance Guidelines

Ann Shannon, Legal Counsel, presented a review of proposed changes to the Governance Guidelines. Her presentation included reference to the “Ohio Bureau of Workers’ Compensation Board Governance Guidelines” of May 28, 2010, as amended, which is incorporated by reference into the minutes.

Ms. Shannon initially noted the document has been revised to reflect the changes discussed at the September 23, 2010 Governance Committee meeting.

Additional changes to the Governance Guidelines were reviewed and discussed as follows:

- P. 7-8 per a suggestion from Fiduciary Counsel Ron O’Keefe, language has been added to stress the importance of the Board’s role in risk management oversight. Mr. Lhota suggested that in the last sentence of paragraph 1 under “Duty of Oversight”, the language should be moved to put “to require compliance with the law” before “to encourage ethical behavior”.
- P. 8 Mr. Lhota also asked about the purposes of the final two paragraphs in the “Duty of Oversight” section. Ms. Falls stated this language arose from a prior discussion regarding the proper role of the Board in asking questions of the Administrator and seeking alternative recommendations.
- P. 8 Mr. Matesich asked about the first full additional paragraph, second sentence, which addresses a requirement that the Administrator obtain the advice and consent of the Board prior to proceeding with recommended measures. Administrator Marsha Ryan and Ms. Falls clarified that the process is to prepare recommendations, which are then brought to the Board. It was determined to change the language to “implementing” recommended measures rather than “proceeding with”.
- P. 14 Ms. Falls noted that language has been clarified to reflect that the process for approving Board Committee and Chair/Vice Chair positions is for the Governance Committee to make recommendations to the Board Chair. The Board Chair will then bring the recommendations to the full Board for a vote.
- P. 15 Mr. Haffey suggested that under “Audit Committee”, the word “member” be left in the final sentence of the first paragraph. This will clarify that the CPA member of the Board does not act as CPA *for* the Board. The Committee acknowledged this change is also necessary for the Actuarial and Investment Committee sections of the Guidelines.

- P. 17 Per a question from Mr. Lhota, Mr. Berno confirmed that the Board Liaison provides copies of the Ohio Revised Code ethics requirements to all Board members on a yearly basis. Mr. Lhota suggested this be moved to page 13, at the end of the first full paragraph, to read “At that time, the Board Liaison shall provide copies of the ethics requirements within the Ohio Revised Code on a yearly basis to all Board members.”
- P. 18 Extensive discussion ensued regarding the process of providing financial disclosure statements to the Ohio Ethics Commission and the Attorney General’s Office. The language was further revised as follows in the first paragraph:
 “To meet its obligations under Ohio law, each Board member is required to file an annual Financial Disclosure Statement with the Ohio Ethics Commission for any year, in whole or part, in which the Board member served. The Board Liaison will coordinate and submit the forms as required, and also forward a copy of the annual Financial Disclosure Statement to the Board’s Legal Counsel.”
- P. 6 Language was added to clarify that members of the Actuarial, Audit and Investment Committees shall be reimbursed for their attendance at committee meetings, “if such meetings occur on a day other than the Board Meeting.”

Ms. Falls moved that the Governance Committee of the Ohio Workers’ Compensation Board of Directors approve the amended Governance Guidelines, and refer the amended Governance Guidelines to the Board for review and approval. The motion was seconded by Mr. Haffey, and approved by unanimous roll call vote.

2. Review of Committee Charters

Donald Berno, Board Liaison, reviewed the various draft Committee charters as amended at the September 23, 2010 meeting. His presentation included reference to the draft Charter documents for the Actuarial, Audit, Governance, Investment, and Medical Services and Safety Committees, which are incorporated by reference into the minutes.

With respect to the Governance Committee charter, incorporation of prior changes was noted. Bullet points under “Purpose” on page 1 will begin in lower case to conform to other charters. On page 3, item 7, Mr. Pitts suggested changing “which would impact” to “that would impact”. This change will be incorporated into the other charters.

Mr. Price moved that the Governance Committee of the Ohio Workers’ Compensation Board of Directors approve the amended Governance Committee

Charter, and refer the Charter to the Board of Directors for review and approval. The motion was seconded by Mr. Pitts, and approved by unanimous roll call vote.

Discussion ensued with respect to the Actuarial Committee charter, per a suggestion from Mr. Bryan that the opening sentence under “Purpose” in all charters conform to the language used in the Governance Committee charter. The language shall say “a standing committee” or “a statutory committee”, depending on the committee classification. This change was accepted.

Mr. Lhota also suggested that each charter contain the first bullet point language from the Governance Committee charter, revised to reflect the particular committee. This change was accepted.

Further discussion was had with respect to the role of the Board Chair as an ex officio member in voting. It was decided that all charters should contain the following revised language under “Membership”: “As an ex-officio member, the Board Chair shall vote last, and if his/her vote will create a tie, shall abstain from voting.”

In summary, all charters will conform to one another as follows:

- revisions to the opening paragraph
- addition of a new first bullet point under “Purpose”
- change of the verb tense in bullet points under “Purpose”
- revised sentence regarding the Board Chair vote
- revision from page 3, item 7 of the Governance Committee charter changing “which” to “that”.

The Audit, Investment and Medical Services and Safety charters were reviewed and no further changes were noted.

Mr. Price moved that the Governance Committee of the Ohio Workers’ Compensation Board of Directors approve the Actuarial Committee Charter as amended and refer to the Actuarial Committee for review and approval. The motion was seconded by Mr. Lhota, and approved by unanimous roll call vote.

Mr. Price moved that the Governance Committee of the Ohio Workers’ Compensation Board of Directors approve the Audit Committee Charter as amended and refer to the Audit Committee for review and approval. The motion was seconded by Mr. Haffey, and approved by unanimous roll call vote.

Mr. Price moved that the Governance Committee of the Ohio Workers’ Compensation Board of Directors approve the Investment Committee Charter as amended and refer to the Investment Committee for review and approval. The motion was seconded by Mr. Pitts, and approved by unanimous roll call vote.

Mr. Price moved that the Governance Committee of the Ohio Workers' Compensation Board of Directors approve the Medical Services and Safety Committee Charter as amended and refer to the Medical Services and Safety Committee for review and approval. The motion was seconded by Mr. Lhota, and approved by unanimous roll call vote.

Mr. Pitts commended Ms. Falls, Mr. Berno and Ms. Shannon for their work on the committee charters.

3. Committee Calendar

Before reviewing the calendar, Ms. Falls noted she had joined Chief Investment Officer Bruce Dunn and Director of Investments Lee Damsel to visit the Northern Trust and State Street investment firms. They met with the compliance and risk officers of State Street to discuss impact of compliance and risk management on the corporation.

Ms. Falls noted that the December session agenda has not changed with respect to the Administrator's performance review and Board self-assessment. The Committee will reconvene in April 2011 unless other issues arise for the Committee to address.

ADJOURNMENT

Mr. Pitts moved to adjourn the meeting at 9:04 AM, seconded by Mr. Haffey and approved by unanimous roll call vote.