

**WORKERS' COMPENSATION
BOARD OF DIRECTORS**

ACTUARIAL COMMITTEE

**TUESDAY, NOVEMBER 20, 2007, 2:00 P.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215**

Members Present: Charles Bryan, Chair
James Hummel
Jim Matesich

Members Absent: None

CALL TO ORDER

Mr. Bryan called the meeting to order at 2 P. M. and the roll call was taken.

MINUTES OF NOVEMBER 14, 2007

Mr. Matesich moved that the minutes of November 14, 2007, be approved and Mr. Hummel seconded. Marsha Ryan, BWC Administrator, and members of the committee amended pages 1 and 2 of the minutes to show that the November 14 session began with Mr. Bryan calling and adjourning "a public forum" in the morning session. Also, the motion on page 3 recommending changes to the credibility tables is amended to show the Actuarial Committee will present recommended changes to group rating by June 30, 2008, not 2007.

Mr. Matesich moved that the minutes of November 14, 2007, be approved as amended. Mr. Hummel seconded and the amended minutes were approved by a unanimous roll call vote.

NEW BUSINESS/ACTION ITEMS

ACTUARIAL COMMITTEE CHARTER

Mr. Bryan read the recent changes of the proposed charter. References to the Governance Committee should be removed from the wording of the Actuarial Committee

charter. Mr. Hummel moved that the Actuarial Committee Charter be adopted as presented. Mr. Matesich seconded and the motion was approved by unanimous voice vote.

GROUP RATING RESOLUTION

Mr. Bryan reviewed the recommendation of the Actuarial Committee on the credibility tables which he would be presenting to the Workers' Compensation Board on November 21.

RESERVE AUDIT

Jeffery Scott and Jeffery Scholl, Oliver Wyman Consulting Actuaries, gave the report on the reserve audit. Mr. Scott reported that the actuarial reserve on the balance sheet of the BWC financial statements is calculated by Oliver Wyman and represents the present value of the liability remaining for all injuries occurring June 30, 2007, and prior years. The present value assumes an annual investment return of 5% per year. Finally, reserves are estimated by fund.

Mr. Scott described each of the funds. The discounted reserve total of the funds is \$19.3 billion; the undiscounted reserve would be \$37 billion. The liabilities for the Disabled Workers' Relief Fund (DWRF) and the Self-Insuring Employer's Guaranty Fund are offset by receivables. The portion of the State Insurance Fund for state agencies is also offset by a receivable. There are factors that can make the actual results higher or lower than the reserve estimate. These can include changes in wage and benefit levels, legislative changes, changes in claims management programs, unexpected judicial interpretations, changes in medical inflation, and changes in medical utilization. Finally, Mr. Scott presented a more detailed report on medical inflation and the sources of information on inflation.

Mr. Scholl reviewed actuarial methodology, using payments for permanent total disability benefits (PTD) to illustrate reserving, payments, and results.

HB 100 REQUEST FOR PROPOSAL

John Pedrick, BWC Chief Actuary, reviewed the requirements of uncodified §512.50 of HB 100 that the Administrator obtain a study of the State Insurance Fund from an actuary not used by BWC in the past five years. The Request for Proposal (RFP) will be distributed to the Actuarial Committee for its advice, but not its approval. James Barnes, BWC Chief Legal Counsel, advised the Actuarial Committee on the requirements of the Ohio Open Meetings law regarding "deliberation." Mr. Pedrick reported that the RFP process would begin in the near future in order to meet the 2009 deadline for the actuary's report.

DISCUSSION ITEMS

REPORT OF THE CHIEF ACTUARY

Mr. Pedrick gave the report of the Chief Actuary. The timeline for MIRA 2 is to complete adoption by the end of the fiscal year. A BWC team has been selected to implement MIRA 2 by the deadline. The implementation will include a public forum and meetings with internal and external stakeholders. BWC will obtain Controlling Board approval to extend the contract for MIRA to June 30, 2008 when MIRA 2 will be implemented.

Mr. Pedrick also reported on the number of staff for his department. The Actuarial Department has one credentialed actuary, a director, an assistant director, three supervisors, and twelve underwriters and support staff. He would like to increase the number of staff in order to do more actuarial work internally.

Elizabeth Bravender, BWC Actuarial Director, responded to an earlier question from Mr. Matesich on the differences between reserves of MIRA and those of the audit reserves. The audit reserve discounts all forms of compensation. MIRA only discounts death and PTD benefits. MIRA also does not do future development. Hence, MIRA reserves underestimate future expense.

ADJOURNMENT

There was a motion by Mr. Hummel, second by Mr. Matesich, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, BWC Staff Counsel
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November 27, 2007