



SOCIETY OF ACTUARIES

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# SOA BOARD APPROVES GOVERNANCE TASK FORCE RECOMMENDATIONS

On April 20, 2015 the SOA Board of Directors approved:

- Two Board resolutions designed to make the time required to carry out the role of President more reasonable and make it more attractive to potential President-Elect candidates in a world where pressures on volunteer time continue to grow. These resolutions 1) commit the SOA to develop ways to distribute Presidential commitments more evenly among the Presidential officers, and 2) seek to eliminate the position of Penultimate Past President (4th year in office), thereby reducing by one year the time commitment required to be President.
- Two Board resolutions designed to make the SOA Board of Directors more effective by reducing its size, while preserving a broadly representative roster of Directors. These resolutions 1) change the number of Board members to be elected each year beginning in 2015 from 6 to 5, thereby reducing the number of elected Board members from 18 to 15, and 2) will ask SOA Fellows to approve a bylaw amendment eliminating the Vice-President position on future Boards, further reducing the size of the Board by six positions.

On May 13, 2015 the Board approved bylaw changes required to implement these resolutions. The membership will be required to approve one of these bylaw changes by proxy vote during the annual election process (see Position of Board Vice-President). Whether approved by the

Board itself or by the membership where required, a three-year transition process is expected.

## BACKGROUND

In February, 2014, the Society of Actuaries' Board of Directors approved a strategic governance review initiative, and formed a task force to research and develop recommendations to respond to governance issues observed by SOA Board members. The issues discussed focused on identifying ways that the SOA might best structure its various Board positions and responsibilities.

The Governance Task Force was charged with 1) developing an understanding of basic association governance principles and reviewing the current SOA governance structure; 2) examining relevant governance information and practices used by other associations and non-profit groups; and 3) recommending changes that would make the SOA's governance structure stronger and more efficient to better serve SOA members, candidates, stakeholders, other organizations, and the public.

Members of the Governance Task Force include Anne Button, FSA, EA, MAAA, chair, former Board member and previous Nominating Committee chair; Errol Cramer, FSA, MAAA, SOA President; Bob Beuerlein, FSA, CERA, MAAA, FCA, past SOA President; Andy Ferris, FSA, MAAA, Board member and Leadership Development Committee member; Rowen Bell, FSA, MAAA, Board member; and Alan Cooke, FSA, FCIA, MAAA, member-at-large and previous International Section chair.

The Task Force conducted its research and deliberations and provided its recommendations to the Board at the end of 2014. The Board reviewed the recommendations and resolved to approve recommendations listed below.

## BOARD RESOLUTIONS AND RATIONALE

### Presidential Commitments

#### *Board Resolution*

Presidential commitments—with regard to meetings and engagements—will be evenly distributed among the presidential officers starting in 2015. This process will be phased in over a three-year period.

#### *Rationale*

The SOA wishes to ensure the continual development of an ongoing stream of qualified candidates for leadership roles, including candidates for President-Elect. The time commitment required for the position of President is demanding and is preventing some potential candidates from running for President-Elect. The SOA's time requirements for President are described by past Presidents and Board members, leaders of other actuarial organizations, and outside experts in association governance as an "extraordinarily rigorous time demand for a volunteer association president." SOA Presidents report that the expectations of the role have become very demanding, making it difficult for members with full-time employment responsibilities to consider serving in the role. The redistribution of meeting and engagement responsibilities among the Presidential officers and other Board members will reduce the time commitments for the President, making it more reasonable and valuable for volunteers to serve in this presidential office. The SOA will continue to provide the leadership presence valued by stakeholders and required of an organization like the SOA, but in a more feasible way for those who serve.

## Office of Penultimate Past President

### *Board Resolution*

The office of Penultimate Past President will be eliminated and the presidential office service commitment will be reduced from four years to three years beginning with the 2015 election.

See Amendments to the SOA Bylaws at <http://bit.ly/1B3CasP>.

### *Rationale*

The unique SOA role of Penultimate Past President requires a four-year time commitment of officers moving through the roles of President-Elect, President, Past President and finally Penultimate Past President. A more common practice among associations is to have presidential officers retire from Board service after one year as Past President. The elimination of the fourth year of the presidential officer commitment will make it more reasonable and valuable for volunteers to run for and serve in the presidential office. Should the Board believe it needs additional historical context and information about a specific issue, the special perspective and experience of past presidents may still be sought without requiring Board service. Elimination of this office will also reduce the size of the Board of Directors, which supports the intent of the next resolution. This change will require a bylaw amendment, but the SOA's counsel has concluded that the amendment can be made by the Board itself.

## Board Size

### *Board Resolution*

The number of Board members (not Vice-Presidents) to be elected in each year will be reduced to five beginning with the 2015 election.

### *Rationale*

The relationship between Board size and Board effectiveness has been the subject

of significant research in recent years. The average size of an association Board of Directors in the U.S. is 16 to 18 members (BoardSource 2010 Governance Index Survey, Gazley and Bowers, 2013). Associations with larger budgets tend to have larger Boards; for example, those with budgets of \$10 million or greater have an average size of 18 members, while those that have budgets of less than \$1 million have an average size of 14 members (BoardSource 2010 Governance Index Survey). There is research to support the belief that Boards smaller in number are more effective at governing and making strategic decisions. In particular, a Board's ability to conduct discussion and consideration of issues is enhanced by creating an environment in which in-depth conversations and mutual consideration (e.g., a back and forth debate on an issue) is possible. The SOA's Board is large (28 members) currently. The Board concluded that a reduction in the number of Board members will improve the Board's effectiveness, allowing members to more easily engage in meaningful strategic dialogue. The Board believes this change can be implemented while preserving appropriate diversity and balance on the Board and by shifting some responsibilities (e.g., serving on some committees) from Board members to other member volunteers. This change will not affect any member currently elected to the Board; it will be implemented by electing one fewer new Board member each year, reducing over three years the number of elected Board members from 18 to 15.

## Position of Board Vice-President

### *Board Resolution*

The position of Vice President will be eliminated and a second three-year term as an Elected Board Member will be encouraged.

See Amendments to the SOA Bylaws at <http://bit.ly/1cJZbG1>. Board approval of these amendments subsequently require a vote of the Fellows of the SOA which will

occur by proxy voting in the next (Summer 2015) elections.

### *Rationale*

Except for the one Vice-President who serves as Secretary-Treasurer, SOA Vice-Presidents do not have special duties, responsibilities or powers that distinguish this position from those of other elected Board members. Essentially, it is a second, elected two-year term on the Board. The elimination of the office of Vice-President will accomplish several ends. Most important, it helps the SOA achieve the overall goal of reducing the size of the board. It also helps bring SOA Board member titles in line with reality and practice.

It is important for the Board to benefit from the experience and knowledge of elected Board members who have served well and may wish to serve a second term on the Board. To that end, this resolution also encourages Board members to consider putting their name forward for election to a second, three-year term on the Board. If elected they continue to provide important service from which the SOA will benefit for an additional year of service (three-year term versus two-year VP term). This resolution does not remove the current bylaw limitation that no member may serve more than two terms on the Board. In addition, the Board has discussed adding policy language to require that some proportion of the five board members elected each year be first-time members, in order to preserve the benefits of refreshing the Board with new members who bring new views and perspectives.

Questions and comments about this material is encouraged. Please write to [membercomms@soa.org](mailto:membercomms@soa.org). 