

Nominations Process Task Force March 12-13, 2012 Board of Directors Report

Executive Summary

The Nominations Process Task Force recommends the following:

1. Continue to empower the Nominating Committee to select all candidates for the election ballot. Do not establish a process by which nominees can gain placement on the ballot via petition.
2. Structure the Nominating Committee with more diversity and fewer ties to current and recent Boards.
3. Require departing Nominating Committee members to wait out one election cycle before ballot eligibility.
4. Provide the membership with additional insight into the Nominating Committee process, such as by publishing the questions asked of nominees.
5. Provide feedback, when requested, to nominees who were not selected for the ballot.

Details of these recommendations, including the process and rationale used to reach them, follow.

I. Background

The Nominations Process Task Force was created by President Don Segal to review the SOA's nominations process and, specifically, whether the Nominating Committee should have the only say in creating the SOA election ballot.

Following a 2004-05 governance study, the SOA amended its Bylaws in 2006 to discontinue the then-current two-ballot election process. It established a Nominating Committee responsible for selecting the candidates for Board positions. Under this process, the Nominating Committee reviews all nominees for office and selects those best suited to serve the current and future needs of the SOA, based on the skills and experience needed on the Board, the issues facing the profession, the strategic initiatives of the organization, and the policies and priorities of the Board. Upon Board approval, those selected become the "candidates for election" and are placed on the ballot for election by the voting members.

During 2010, some members questioned whether this process – in particular the exclusive role of the Nominating Committee in determining the ballot – was a correct application of the amended Bylaws and, if so, whether the amendment of the Bylaws in that fashion was legally appropriate. Upon legal review, the SOA concluded that the current process is the correct and intended application of the Bylaws, and that the amendment of the Bylaws in this fashion was fully compliant with Illinois law. The Task Force was not expected to revisit those questions.

Rather, the Task Force was asked to consider the pros and cons of the current process in light of its use for the past five years and assess the need for changes. The Task Force charter (attached as Appendix 1) specifically asks the Task Force members to address whether:

- the SOA should establish a petition process by which nominees could gain a place on the election ballot by obtaining member signatures or

- the current process should continue unchanged

In addition, the Task Force was encouraged to present to the Board any other suggestions it might develop during its review and discussion.

II. Task Force Members and Schedule

In creating the Task Force, President Segal appointed five members with diverse Board, Nominating Committee and Section Council experience:

Task Force Member	SOA Volunteer Experience	Primary Area of Practice	Geographic Location
Peter Hepokoski Chair	2010 Nominating Committee Chair Former Board member	Investment (Retired)	US
Robert L. Brown	SOA Past President and Former Board Member	Academic	Canada
Peggy Hauser	Current Board Member 2009 Nominating Committee Member	Health Benefits	US
Paula Hodges	Product Development Section Council, Vice Chair Management and Personal Development Section Council, Former Chair Technology Section Council, Former Chair	Life Insurance	US
Josephine E. Marks	2009 Nominating Committee Chair Former Board member	Finance	Canada

The project was launched with a 2½-hour in-person meeting in October 2011 during the SOA Annual Meeting, at which time the Task Force: reviewed the history and background of the current election process; developed its shared hopes with respect to the assignment; and established a plan of work.

Subsequently, the Task Force held 11 conference calls of 60-90 minutes each, with agendas set to allow ample time for discussion. Each call was prefaced by a prep call among the Chair and SOA staff members. Between calls the Task Force engaged in frequent email exchange over issues it was addressing.

SOA staff support included: Executive Director, Governance Director, Legal Counsel and the Managing Director of Strategy and Information Technology.

III. Methodology

a. Background

Information binders were sent to Task Force members prior to the kick-off meeting. Documents included history/background of the 2003 Governance Audit Task Force, Leadership Development Committee minutes, previous Bylaws, 2004-05 Task Force on Nominations and Elections minutes, nominations processes of actuarial and not-for-profit associations, and the SOA Policy Manual.

b. SOA Membership Input

The Task Force requested input from the membership via *SOA News Today*, the SOA Blog, and LinkedIn. Twenty-three responses were received.

c. Shared Hopes

Following the concept outlined in the SOA e-learning module for Decision-Making and Communication (DMAC), the Task Force began by exploring its "shared hopes." (This technique for group decision-making is straight-forward: Before launching into solutions, members describe what they see as desired outcomes. The rationale is to unify diverse interests and to potentially uncover solutions that might otherwise be overlooked. The same shared hopes approach learned by our candidates is used by many SOA volunteer groups and task forces.)

The Task Force identified the following shared hopes:

- 1. The nominations process results in leaders whose skills and competencies address the changing needs of the organization and the profession.**
- 2. The process avoids insularity.¹**
3. The SOA membership understands and has confidence in the process
4. Members have and use the opportunity to impact the profession through their selection of leaders.
5. Elections involve competition among varying points of view.
6. The process balances the need for transparency with respect for the privacy of the nominees.
7. The Nominating Committee process incorporates ongoing feedback from members.

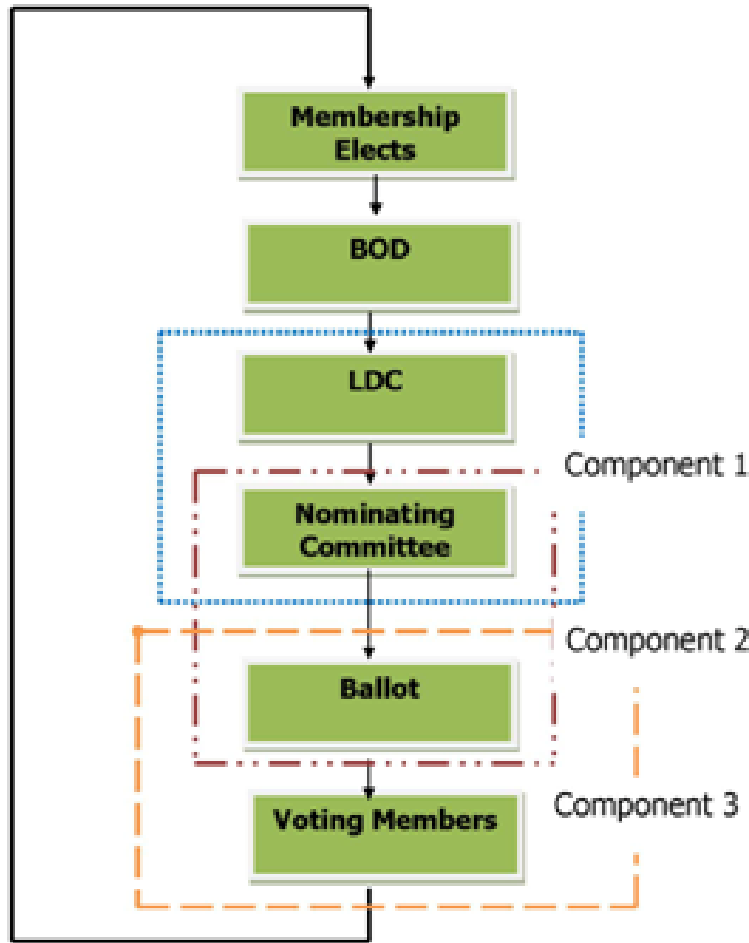
The Task Force agreed that numbers 1 through 4 were primary. Eventually, numbers 1 and 2 became the focal points as the Task Force weighed the idea of introducing a petition process.

d. Structured Discussion

Because the nomination process involves more than just the ballot creation, the Task Force explored several components and interdependencies within the process. The following chart depicts the process.

¹ The Task Force wrestled with the term "insularity," but did not find a better term. When used throughout this report, "insularity" refers to the concept of a like-minded leadership group that assures continuation of its agenda via strong influence over who the successor leaders will be.

**Nominations Process Task Force
Components**



Component 1

The Leadership Development Committee (LDC) is a Board of Directors standing committee typically composed of current Board members (although it could have non-Board members). Members are appointed by the incoming President, approved by the Leadership Team, and ultimately by the Board.

The LDC appoints the Nominating Committee with approval and feedback from the Leadership Team and Board. The LDC reviews geographic area as well as primary area of practice when filling out vacancies to maintain the appropriate representation.

Component 2

Nominating Committee members are Fellows who are not current Board members and who are not currently running for election. The Committee selects a Chair and Vice Chair, subject to Board approval. The Committee is responsible for creating the elections ballot.

Component 3

The Nominating Committee presents the ballot to the Board, and upon approval the ballot is announced to the membership. No other candidates can gain placement on the ballot.

The Task Force began its deliberations with Component 3, because conclusions with respect to Component 3 would materially affect its deliberation of Components 1 and 2.

Appendix 2 outline issues the Task Force considered under each of the three components.

IV. Recommendations

After review and deliberation, the Nominations Process Task Force recommends:

***Recommendation 1:** The SOA should maintain its current process of having the Nominating Committee select candidates for the Board of Directors ballot; it should not adopt a process that would allow nominees to bypass the Nominating Committee and gain access to the ballot by petition.*

The Task Force reviewed the survey responses of members who voted in recent elections and sought input from members via a discussion thread on the SOA's LinkedIn group and solicitations on the SOA blog and in SOA News Today (blast e-mail).

A majority of respondents favored some sort of access to the ballot by petition. Among the other respondents, there were two other themes: return to the two-ballot process, and continue the current process as is.

Given the small number of respondents and the tendency for individuals favoring change to be more vocal than those satisfied with the status quo, the Task Force did not view this as a groundswell of dissatisfaction with the current process nor a compelling cry for change from the SOA membership at large.

Of those respondents wanting a change, several argued that exclusive reliance on the Nominating Committee gives too much responsibility for the selection of leaders to a small group of individuals and diminishes the "say" of the members at large. Some suggested that the Nominating Committee itself might be co-opted by the incumbent leadership of the SOA, leading to control of the organization by a tight circle of like-minded individuals. In their view, the solution is to allow nominees to gain placement on the ballot by means other than selection by the Nominating Committee, such as by petition or a return to using a first ballot to determine the final candidates for election.

The Task Force reviewed the notes and reports of the predecessor task force (in 2004-2005) in order to understand the *rationale and philosophy* behind the current approach, and it gathered information on the policies, procedures and workings of the Nominating Committee to understand how it operates *in practice*. The Task Force also considered the experience of other organizations that have used or are using a petition process, and various approaches to how such a process might work. It discussed whether its "shared hopes" could be better met by the current process or by one incorporating a petition process.

The Task Force came away convinced that the Nominating Committee has, in recent years, been performing its function fairly and effectively. The Task Force rejected the notion that the Nominating Committee has created or has been used to create an insular leadership cadre. Nominating Committee processes are well-designed to evaluate nominees even-handedly and in good faith, based on criteria that is relevant to their prospective roles on the Board. The

Nominating Committee does not apply any “litmus tests” to the way nominees think about current issues facing the profession. It is not unduly influenced by current leadership on the Board.

The Task Force recognized, however, that the current integrity of the process is no guarantee that a *future* Nominating Committee couldn’t be stacked or dominated by persons with an agenda. As long as the process relies on a relatively small group to select all candidates for election, there may always be some *risk* that insularity could creep in. The Task Force also acknowledges that some will *perceive* that reliance on a Nominating Committee creates insularity, however unfounded that perception may be.

The Task Force therefore acknowledged that a fair argument can be made for adopting a petition process. Such a process would naturally serve as a prophylactic measure against the prospect of misguided control by the small group. Introducing a petition process would help align the nomination/election process with a primary shared hope of “avoiding insularity” by lowering the *risk* and/or *perception* of insularity.

On the other hand, the Task Force recognized that a petition process would introduce a “downside” with regard to another primary shared hope, namely that the process results in leaders whose skills and competencies will address the needs of the organization and the profession. Today the Nominating Committee plays a key role in achieving that goal.

The Nominating Committee, in winnowing the field of nominees, helps optimize the selection of new leadership by choosing those whose skills and competencies are *best* aligned with the current needs of the organization. The Nominating Committee does so via a rigorous process of reviewing resumes, evaluating responses to its nominee questionnaire, conducting telephone interviews, and considering input from Board members and the Leadership Team. The process usually leads to well-qualified nominees being left off the ballot (due to sheer numbers), but at times it also involves excluding nominees who are not well-suited for leadership positions on the Board.

A petition alternative that bypasses the Nominating Committee screening process poses two risks:

1. Nominees who are not well-suited for a role on the Board could gain placement on the ballot, with the attendant risk of having such persons elected, thereby compromising the future work of the Board.
2. There could be numerous additional candidates on the ballot, conceivably taxing the ability and willingness of voting members to review resumes and position statements of candidates before voting carefully.

The Task Force stresses that the current nominations process does not guarantee that every candidate for election would be an effective Board member, nor would the adoption of a petition process inevitably result in “bad” leaders being elected.

The gist of the issue is an inherent tension between the two primary shared hopes:

- *Without* a petition process, we rely exclusively on the Nominating Committee for the selection of candidates. This leads some members to *perceive* that the process is already unfair or insular, and it may pose some risk of insularity in the future. Introducing a petition process may alleviate some of that perception and risk.

- On the other hand, *having* a petition process means enabling nominees to become candidates for election without being screened by the Nominating Committee. This could lead to the dilution of the election ballot and possibly to the election of individuals not well-suited to the leadership role.

In balancing these tensions and risks, the Task Force determined that the greater risk to the SOA and the profession would lie in adopting a petition process. Therefore the Task Force recommends that **the Nominating Committee continue to have sole responsibility for selecting the candidates for the ballot.**

The Task Force believes the vast majority of the SOA membership has confidence in the current nominations process, does not perceive the SOA to be threatened by insular leadership, and is not clamoring for drastic change in the nomination and election process.

The Task Force was not unanimous in this recommendation. There was a minority position favoring a process whereby (i) a sufficient number of petitioning signatures (3%, say) would gain a nominee placement on the ballot; (ii) the Nominating Committee would select candidates as before, and their selections would be denoted on the ballot as having Nominating Committee endorsement; and (iii) petitioned candidates could apply for Nominating Committee endorsement if they wish. Underlying this position was a view that a petition process is important for the SOA's overall credibility and that the risk of an unendorsed candidate with insufficient leadership skills being elected would be slight.

Having reached its recommendation with respect to the responsibility for determining the election ballot, the Task Force addressed other aspects of the nominations process, especially those that touch on the issue of perception and risk of insularity. This led to additional recommendations which follow:

Recommendation 2: Introduce changes to how the Leadership Development Committee selects Nominating Committee members:

- *Hold an open call to membership interested in serving on the Nominating Committee*
- *Seek to achieve a Nominating Committee with diversity of opinion, which could include members from specific geographic location, area of practice, employment category and/or strategic initiative experience/knowledge*
- *Encourage the Leadership Development Committee to select no more than one recent Board member per year for the Nominating Committee, where recent service is considered to be within the prior three years*
- *Require retiring Nominating Committee members to wait out one election cycle before running for a Board position*

This recommendation addresses the shared hope: "The process avoids insularity. "

Recommendation 3: Better communicate with members and nominees regarding the process:

- Let members know the questions from the election questionnaire and initial interview question posed to nominees by the Nominating Committee for use in their ballot deliberations.
- Provide nominees who did not make the ballot, but only at their request and without violating confidentiality, with specific feedback regarding Nominating Committee opinions regarding their skills, experience, strategic thinking and communication.

This recommendation addresses the shared hopes: "The SOA membership understands and has confidence in the process" and "The process balances the need for transparency with respect for the privacy of the nominees."

V. Board Action

Having had the privilege of serving the SOA with regard to this appointment, the Task Force hereby encourages the Board of Directors to:

- adopt the aforementioned recommendations, and
- deem the assignment complete and dismiss the Task Force.

NOMINATIONS PROCESS TASK FORCE

Task Force Charter

Updated: July 2011

Background

During the 2010 SOA election cycle, a member of the Board of Directors raised questions about the SOA's nominations process. Those questions were discussed by the Board on several occasions and in public forums. The principal question raised concerned the authority of the Nominating Committee to determine which candidates will be on the election ballot presented to members. The current election process is the result of a governance audit done in 2006 which included member feedback.

Since 2006, the Nominating Committee has had the responsibility of assessing nominees for the ballot and determining, subject to Board approval, the ballot that is presented to members for election. SOA legal counsel has reviewed questions about the Nominating Committee's role and advised the Board that the SOA's process, including the role of the Nominating Committee, is compliant with Illinois law and the Bylaws.

Task Force Creation

Don Segal, SOA President, is appointing a Nominations Process Task Force to review the question of whether the SOA's nomination process should allow nominees to be placed on the election ballot by means other than Nominating Committee selection.

In particular, the Task Force is asked to address the question of whether

- the SOA should establish a petition process by which nominees could gain a place on the election ballot by obtaining member signatures or
- the current process should continue unchanged.

The task force may offer other suggestions it may develop in the course of their deliberation. Other questions to be explored, if the Task Force believes such a process should be established, might include

- the number of signatures required,
- from which classes of membership signatures must be obtained,
- what qualifies as a "signature,"
- procedures for verifying the validity of signatures,
- the period for which a given signature is valid and.
- how such candidates should be identified on the ballot.

If the Task Force believes no change is warranted, these questions will obviously not need to be addressed.

Task Force Work and Deliverables

The Nominations Process Task Force will consult as needed with the Chair of the Nominating Committee, Governance Director, General Counsel, and others as it may feel necessary.

The Task Force will seek to understand all aspects of the questions presented, including:

- The work and conclusions of previous SOA governance process reviews (as they relate to the questions presented), and also considering what factors warrant revisiting to the

elections process, as well as the Board of Director's discussions and conclusions regarding the same.

- The operation of the SOA's system today, including the identification, recruitment, and nomination of individuals, as well as the Nominating Committee's evaluation and selection process for candidates.
- Comparative information on nomination processes used by other associations (within and outside the actuarial profession).
- Pros and cons of the current process, as well as the likely impact of any changes suggested (benefits and drawbacks) including, but not limited to, the additional administrative costs and time required by any proposed process.
- Review of the web survey satisfaction ratings and comments from several previous elections.

Throughout this process review, the Task Force should consider whether changes are necessary or whether the SOA's current nomination process should remain in place unchanged.

The Task Force will be supported by SOA staff (Sheree Baker, Director of Governance & Richard Veys, General Counsel) and may request from the Leadership Team additional resources (e.g., financial resources) it may need to complete its charge.

Deliverables

The Task Force is expected to produce two main deliverables by December 1, 2011:

1. A report to the Board of Directors on its review and decisions, including the process used and principal issues addressed; and
2. Any recommendations they may have for the Board of Directors regarding the nominations process. Decisions regarding any such recommendations are reserved to the Board.

Task Force Members

The Task Force will be comprised of 4-7 members and should include:

- one or more current or past Presidential officers, Vice Presidents, or Board members because of their experience as a candidate with the nominations process;
- one or more past chairs of the Nominating Committee, and
- other members representative of the membership.

The President will appoint the members of the Task Force after consultation with the Leadership Team. The President may, in his discretion, remove members of the Task Force at any time.

Timing

The Task Force will serve until its assignment and deliverables are completed.

Appendix 2—Election process Components

Background

The Task Force has reviewed historical information regarding the development of the current nominations and elections process; the objective was to understand the goals and aspirations that led to the adoption of the current system. The Task Force has also gathered and reviewed comments from members who believe the current system should be changed in some fashion, and it will continue to do so. The objective is to ensure an open-minded and critical evaluation of how the current system functions. Taking into account both these historical and current perspectives, the Task Force has identified certain “shared hopes” that will serve as the guideposts for its review of the current process and its consideration of any potential changes.

Next Steps

The ultimate questions before the Task Force: On balance, does the current nomination-election process align with the shared hopes the Task Force has identified? Would some changes to the process help us better align with those hopes?/

Several ideas for change have already been put on the table for discussion. The following framework is suggested for evaluating and discussing these ideas. The framework involves a further breakdown of the overall nomination-election process into three distinct components, each of which generates its own set of questions for further exploration:

1. The process for selecting the Nominating Committee.

Given the critical role played by the Nominating Committee in our current process, the Task Force is looking at how that body is selected and considers whether any changes in current practices would bring the process into closer alignment with the shared hopes. For example:

- a. Is the composition of the Nominating Committee representative of the membership, in terms of geography, practice area, gender, age, and other criteria? Does it need to be?
- b. Should the Nominating Committee be larger? Smaller?
- c. Does the selection of the Nominating Committee by the Leadership Development Committee (a committee of the Board) lead to insularity? What checks and balances prevent it?
- d. Should there be some form of member input on the appointments to the Nominating Committee?
- e. Do members understand how the Nominating Committee is selected?

2. The process by which the Nominating Committee selects candidates for election.

The stated goal of the Nominating Committee is to “select as candidates for election those nominees who would be best suited to serve the current and future needs of the SOA.” Is the process followed by the Nominating Committee well-designed to satisfy that objective?

- a. What criteria do the Nominating Committee apply in evaluating the nominees? (Competencies? SOA volunteer experience? Name recognition?) Are the criteria relevant to the goal?

Appendix 2—Election process Components

- b. How does the Nominating Committee identify “the current and future needs of the SOA?” Does this lead to group-think and the selection of like-minded individuals?
- c. Does the Nominating Committee gather enough information from the nominees to make a valid assessment?
- d. Transparency. Do nominees understand what the Nominating Committee is looking for; do they have a fair opportunity to present their qualifications for office? If not selected, should they receive feedback as to why not?
- e. How important is confidentiality to the Nominating Committee’s processes with respect to the materials received from nominees, its evaluations of the nominees, and its deliberations in selecting candidates?
- f. Should the Nominating Committee be involved in “recruiting” nominees?
- g. Should the Nominating Committee give different weight to self-nominations versus those nominated by other Fellows?
- h. Should nominees be required to obtain some degree of support or endorsement from other Fellows in order to be considered? What weight, if any, should the Nominating Committee give to the number of endorsements?
- i. Should there be a mechanism by which the Nominating Committee each year solicits feedback from nominees and/or voting members about the nominations and ballot creation process?

3. The process by which a final ballot is presented to the voting members.

This is the ultimate question we must get to: Should the candidates selected by the Nominating Committee be the only candidates allowed on the ballot? Should there be other pathways to the ballot or election?

- a. Should a nominee be allowed on the ballot by petition? If so, what should be the threshold for successful petition?
- b. If so, should there nevertheless need to be a limit to the number of candidates on the ballot? How do you make that choice?
- c. Should write-in votes be allowed?

Background for Component 1 Leadership Development Committee and Nominating Committee Selection

Members elect the ***Board*** (President-Elect, Vice Presidents and Elected Board Members).

The ***Leadership Team*** is a Committee of the Board that has the authority of the Board between meetings of the Board. The Leadership Team is made up of the current President, the President-Elect, the two most recent Past Presidents, the Secretary/Treasurer and the Executive Director.

Appendix 2—Election process Components

The *Leadership Development Committee* (LDC) is also a standing Committee of the Board; it does not, however, have the authority of the Board. While the LDC may include SOA members who are *not* members of the Board, it currently and typically is made up entirely from members of the Board of Directors. Board member assignments to the LDC and other committees are made annually by the incoming President. These assignments are approved by the Leadership Team, and then approved by the BOD through a consent agenda report at the October Board of Directors Meeting.

The *Nominating Committee* is appointed by the LDC, with input from the Board and the Leadership Team. The Nominating Committee is **not** a committee of the Board; its composition and role are defined in an entirely separate provision of the Bylaws (see Article IX, below). The Nominating Committee is made up of Fellows who do *not* serve concurrently on the Board of Directors; in addition, no member of the Nominating Committee may at the same time stand as a candidate for election. A term on the Nominating Committee is for three years. There are currently nine members on this committee, and there are usually three new committee members appointed each year in November/December. The LDC reviews the Nominating Committee demographics and looks at geographical distribution, areas of practice, industry/employment sectors and gender to make sure that the committee is representative of the SOA membership. Names for potential members of the Nominating Committee come from a variety of sources: the LDC, current and retiring Nominating Committee members, SOA staff actuaries in specific practice areas and SOA members that have voiced interest in joining the committee. Over the past few years, it has not always been easy to recruit members to join this committee.

SOA Bylaws in regards to the Nominating Committee:

ARTICLE IX - NOMINATIONS AND ELECTIONS

SECTION 2. *Nominating Committee.* The Nominating Committee is responsible for nominating candidates for election in accordance with SOA policies and may establish guidelines for conducting elections consistent with SOA policies. The Nominating Committee is composed of Fellows appointed by the Leadership Development Committee, with input from the Board of Directors and the Leadership Team. Nominating Committee members may not be candidates for election. No person may serve concurrently both as a member of the Nominating Committee and the Board of Directors. The membership of the Committee should be reasonably representative of the geographical distribution and occupational interests of the membership. The Committee selects the chair and vice-chair of the Committee, subject to the approval of the Board of Directors. Each member of the Nominating Committee serves a three-year term. No individual may serve more than two (2) terms on the Committee.