

BOARD TERM LIMITS

Boards serve an essential governance role within foundations. Each board varies in terms of their policies and procedures depending on the structure required to achieve their strategic goals and organizational mission. Foundations may choose between a wide spectrum of board terms, ranging from strict term limits to lifetime appointments. This document explores the pros and cons of board term limits, and provides insights on how to choose an optimal term limit length.

PROS OF BOARD TERM LIMITS

- Organizational boards are required to regularly incorporate new trustees who bring new expertise and perspective to the board. Many nonprofits turn to term limits as a means to bring on new trustees who can help with fundraising initiatives or fill significant skill gaps on the board (finance, legal, etc.).
- New board members help to guarantee that the relative age of a board does not surpass a reasonable point.
- The rotation of board members off the board allows for the retirement of fatigued trustees who may have lost their energy and passion for the organization. Term limits help to focus trustees on a more specific period of time to achieve their organization's goals.
- Implementing a term limit policy requires that the organization actively pursues, recruits and trains potential board members. In addition, organizations need to actively implement best practices regarding board orientation and raising up new leaders/advocates on behalf of the institution who can then fill board positions. Without these components and processes in place, an organizational board will likely weaken, regardless of the presence of a proper term limit policy in its bylaws.
- Theoretically, board term limits encourage boards to focus on the best interests of the institution, rather than pursuing individuals' self-interest. Specifically, individuals are far less likely to dominate the board (and its decisions) for an organization's foreseeable future when they are limited to only a certain term length and/or number of terms.
- Term limits also offer boards a simple means of removing trustees who may not be productive members of the board. The election cycle allows new members to be brought on while unproductive members may simply not be re-elected for an additional term.

CONS OF BOARD TERM LIMITS

- Board term limits may lead to the loss of essential institutional memory. In some cases, organizations establish "trustee emeritus" positions in order to ensure that certain individuals can maintain a high-level connection with the institution. Likewise, organizations sometimes place retired board members on advisory boards, key committees or other supporting roles.

CONS OF BOARD TERM LIMITS *(continued from previous page)*

- Similarly, some boards like to utilize board positions for high-level donors, founders and other individuals who have been active and highly successful trustees and representatives of the organization. Term limits would require these individuals to leave the board, regardless of their effectiveness in these roles.
- If term limits are not designed properly, short terms and high rates of board changeover can lead to strategic problems for an organization. Ideally, the board should have a means of focusing on the long-term benefit and strategy of the organization.

Staggering board terms, developing reasonable-length terms and creating a means to re-elect trustees helps an organization to develop institutional memory, encourage strategic decision making and navigate its long-term needs.

OPTIMAL TERM LIMIT LENGTH

According to some practitioners in the field, three-year terms are preferred, with a limit of two or three terms served. Three years allows for the board member to become acclimated to their role, especially during their first term. One- or two-year terms are considered too short for most board members to orient themselves to their respective roles and accomplish any long-term goals within the organization. Many organizations will stagger board terms so that only a portion of the board is retired or re-elected each year. Following similar logic, organizations often provide a mechanism for trustees to serve multiple terms, with the optimal number of total years served ranging between six and nine years. Some organizations also provide a mechanism for retired board members to be re-elected onto the board for a new set of terms following a hiatus of a year, term length, etc.

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