

# Director Departures in the Russell 3000

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## Director Departures in the R3000 2017 vs. 2018

### What Does the Data Say About Director Departures?

The companies in the Russell 3000 index have a total of some 26,000 directors serving on their boards. A certain amount of churn among these directors is standard and expected due to life events, mergers and acquisitions, terminations, voluntary resignations, and mandated retirements.

This report looks at director churn in 2017 and 2018 through several lenses and focuses on director departures related to mandated retirement ages.

### Major Findings

- **Less Than 10% Departed** - 6% of R3000 directors left in 2017, and 8% left in 2018. See Table 1 and Chart 1 on p. 4.
- **More Than 80% Left Before They Had To** - An impressive 84% and 86% of directors subject to a mandatory retirement age left voluntarily before they were required to in both 2017 and 2018. See Table 3 and Chart 3 on page 7.
- **500% Increase in Full Board Resignations** - 2018 saw a 500% increase in full board resignations, caused by a significant uptick in mergers and acquisitions. See Table 1 and Chart 1 on page 4.
- **53% Left Via Resignation** - 53% of directors who left before they were required to in 2018 did so through resignation as opposed to retirement or not standing for re-election. See Table 4 and Chart 4 on pages 8-9.
- **657 and 905** - Our review indicates that 657 directors in 2017 and 905 directors in 2018 who left were subject to a mandatory retirement age. See Table 3 and Chart 3 on page 7.

## Methodology

We used our CompanyIQ™ platform to review 8-K filings for Russell 3000 companies in 2017 and 2018.

Not all R 3000 companies disclose if they have a mandatory retirement age.

## Why Do Directors Leave?

The overwhelming majority of directors leave for two reasons: resignation or retirement. 2018 saw an increase in both.

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### 41 Percent Increase in Board Resignations

2018 saw a 41% increase in directors departing company boards in the Russell 3000, primarily caused by a significant jump in directors leaving due to entire boards resigning. There were 79 companies with full or partial board resignations in 2018 leading to the departure of 617 directors. Almost all were due to mergers and acquisitions such as Express Scripts and Cigna (NYSE: CI) and Keurig and Dr. Pepper (NYSE: KDP).

In comparison, there were 116 directors that left as part of 21 full or partial board resignations in 2017. Here too, almost all were due to mergers such as Caesars Entertainment Corporation (NASDAQ: CZR) and Caesars Acquisition Company.

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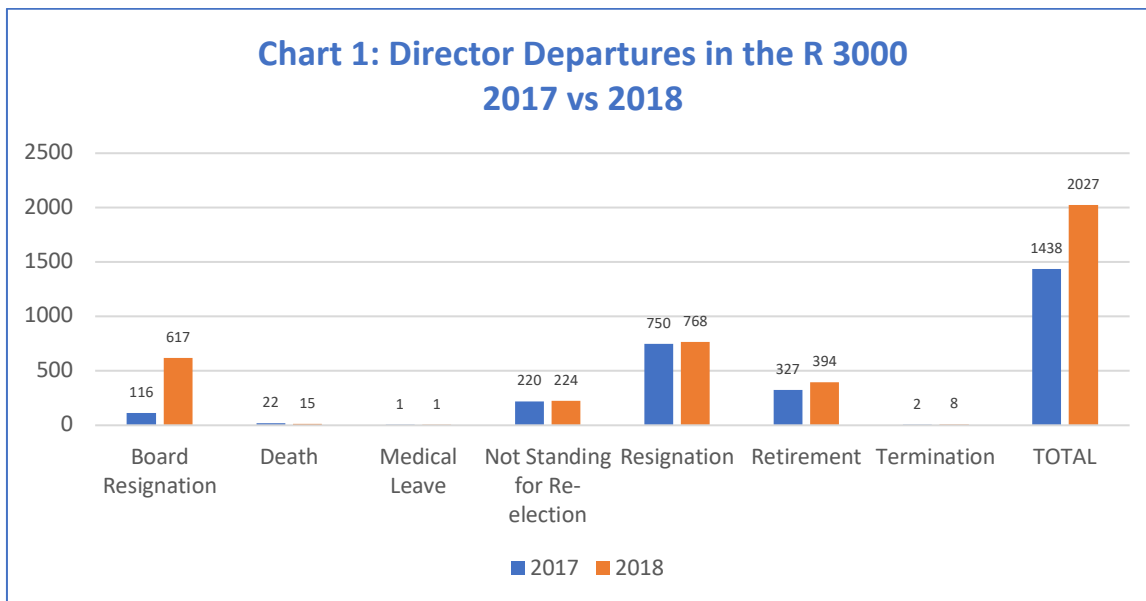
### 20 Percent Increase in Retirements

Retirements also increased in 2018. They were up by 20% compared to 2017.

Table 1 and Chart 1 below have the details.

**Table 1: 2017 & 2018 R3000 Overall Director Departures**

Reason	2017	2018
Board Resignation	116	617
Death	22	15
Medical Leave	1	1
Not Standing for Re-election	220	224
Resignation	750	768
Retirement	327	394
Termination	2	8
<b>Total</b>	<b>1438</b>	<b>2026</b>



## Why Did They Leave if They Were Supposed to Leave?

Of the total directors who left the Russell 3000 in 2017, 657 of them faced a disclosed mandatory retirement. In 2018, 905 faced a time limit. The vast majority of them left voluntarily for the following cited reasons.

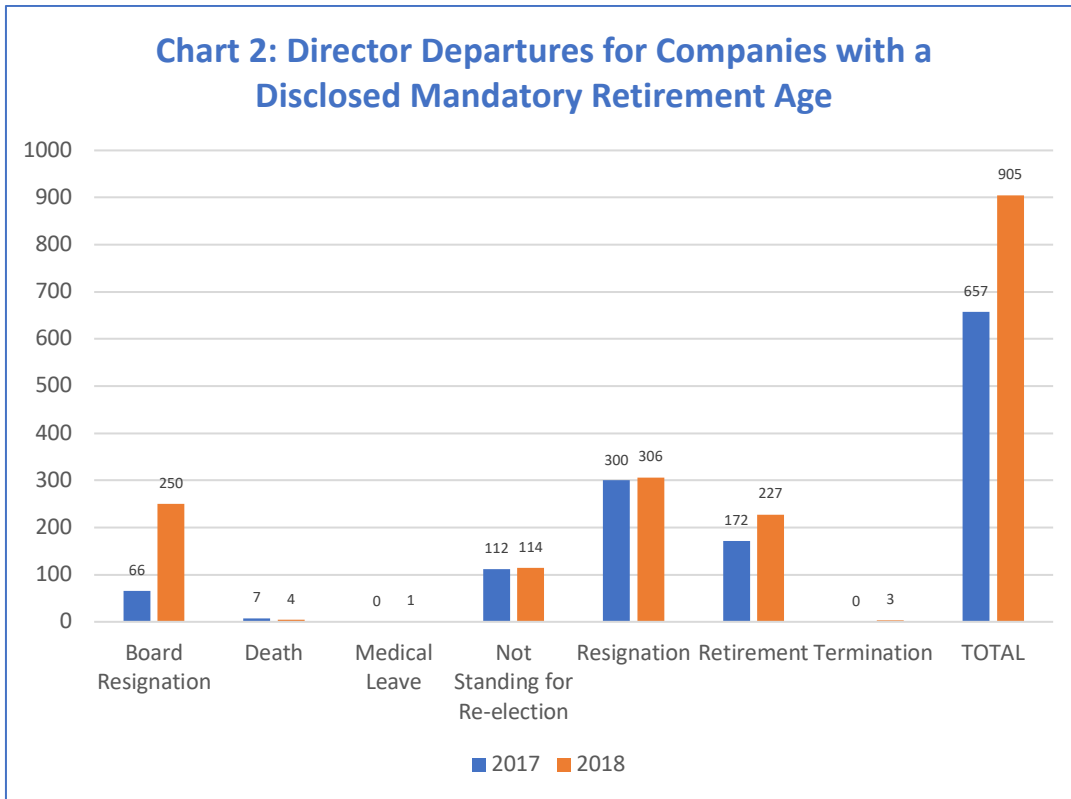
- 46 Percent and 36 Percent Resignations in 2017 and 2018
- 26 Percent and 25 Percent Retirements in 2017 and 2018
- 17 Percent and 13 Percent Not Standing for Re-election in 2017 and 2018

Table 2 and Chart 2 indicate the reasons cited by companies for director departures.

**Table 2: Director Departures with a Disclosed Mandatory Retirement Age - Voluntary & Involuntary Departures**

Reason	2017	2018
Board Resignation	66	250
Death	7	4
Medical Leave	0	1
<b>Not Standing for Re-election*</b>	<b>112</b>	<b>114</b>
<b>Resignation*</b>	<b>300</b>	<b>306</b>
<b>Retirement*</b>	<b>172</b>	<b>227</b>
Terminated	0	3
Total	657	905

\*Voluntary departure



\*Voluntary departures

### Did They Leave When They Were Supposed To?

The vast majority of directors in the R3000 did leave before their mandatory retirement ages. 84% left when they were supposed to in 2017, and 86% did in 2018.

This suggest that mandated retirement ages are producing the board refreshment that is considered a good corporate governance practice.

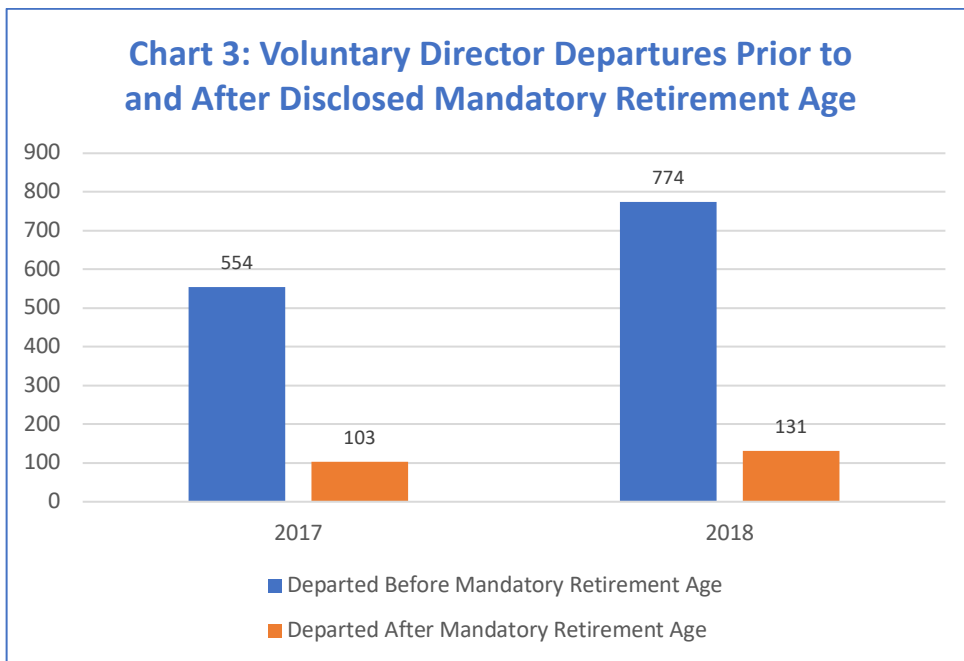
Of course this raises the question of what the remaining 14-16% of directors are doing once they have gone past the mandated retirement age. In most cases, it appears that they have been grandfathered in or are serving out their term before stepping down.

- 84 Percent Left Before They Had to in 2017
- 86 Percent Left Before They Had to in 2018

Table 3 and Chart 3 have the details.

**Table 3: Voluntary Director Departures in the R3000 Prior to and After Disclosed Mandatory Retirement Ages**

When Departed	2017	2018
Before Mandatory Retirement Age	554	774
After Mandatory Retirement Age	103	131
Total	657	905



## Why Did They Leave Before They Were Supposed To?

Of those directors who voluntarily left before they were required to, more than half do so through resignation. Another approximately one-third cite retirement as the reason for their voluntary departures. The balance of approximately 18% indicated that they were not standing for re-election.

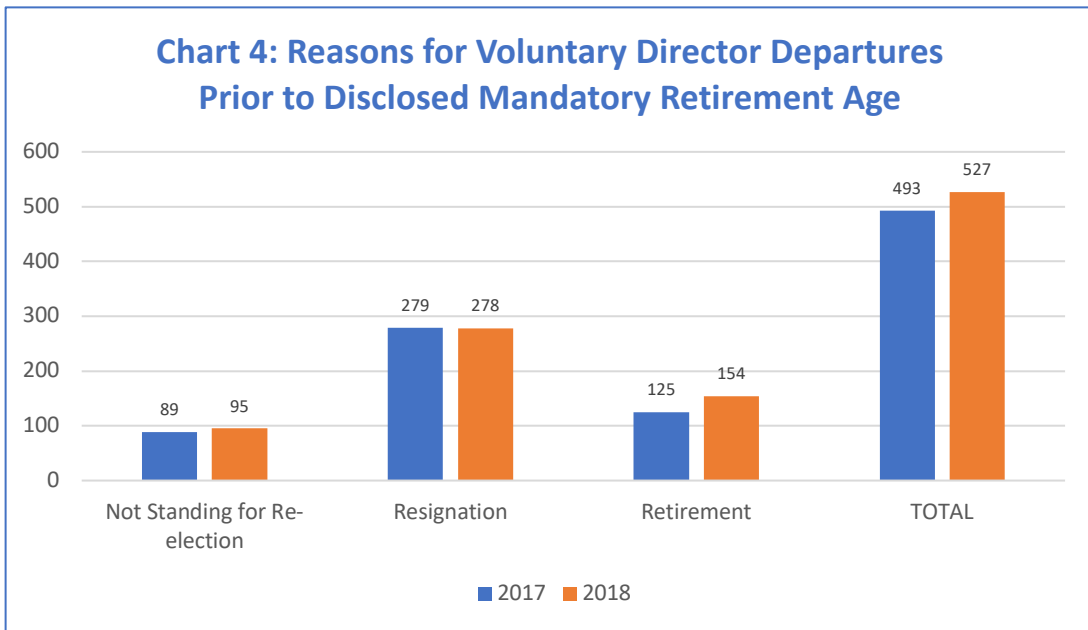
- 50 Percent Plus Left via Resignation
- One-Third Left via Retirement
- 20 Percent Chose Not to Stand for Re-election

Table 4 and Chart 4 have the details.

**Table 4: Reasons for Voluntary Director Departures Prior to Disclosed Mandatory Retirement Ages**

Reason	2017	2018
Not Standing for Re-election	89	95
Resignation	279	278
Retirement	125	154
<b>Total</b>	<b>493</b>	<b>527</b>





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