

Anticipating the Impact of Board Retirement Policies

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EY [reports](#) that in the next five years, almost 20% of directors at S&P 1500 companies may be poised to leave their boards. The estimate is calculated based on the number of directors who are currently age 68 and have tenures of 10 years or longer, along with an average retirement age of 72 for Fortune 100 companies.

Director retirement and tenure policies are among the ways that companies seek to refresh their boards. According to EY, 83% of Fortune 100 boards have retirement-age policies, with 61% set at age 72 and 28% set at age 75. Four companies increased their retirement ages last year, and none lowered it. It is not common for directors to remain for long past the set retirement age at these companies, with only 2% of the Fortune 100 directors serving in this capacity. In total, about 8% of Fortune 100 directors are age 72 or older.

Policies limiting board tenure are still unusual. Only four Fortune 100 companies have term limits, established at 12 years, 15 years, 18 years and 20 years. It is still viewed as a “blunt instrument” that does not take into account specific circumstances of boards.

Although lengthy director tenure is drawing investor scrutiny, at the moment neither proxy advisory firms have stated policies for recommending against boards or directors based solely on tenure.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu

+1 212 450 4908

ning.chiu@davispolk.com

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