

Polish Falcons of America

Proposed Amendments to the PFA Constitution and Bylaws

For The PFA Special Convention

July 29, 2022

Introduction

On July 29, 2022, a Special Convention of the Polish Falcons of America will be convened for the singular purpose to vote on a set of proposed amendments to the PFA Constitution and Bylaws. This is the first time since 1925 that a Special Convention has been called.

The purpose of this guide is to provide a comprehensive explanation of the proposed amendments in advance of the Convention so the Membership, and Delegates to the Convention, have a clear understanding of the proposals.

Background

When Polish Falcons of America was established as a Fraternal Benefit Society in 1928, the organization adopted a Constitution and Bylaws as its primary governing document. This detailed, comprehensive set of rules, regulations, and guidelines has served the organization well since that time. Over the years, the Constitution has been amended many times by Delegates to the National Convention. While these amendments changed many aspects of the organization, one of the things that remained unchanged has been the way in which the organization chooses the National Executive Officers to manage the daily operations of PFA.

These amendments are the most significant change to the structure of Polish Falcons since its founding. It should be noted that what is being proposed is not something new or revolutionary in the fraternal benefit industry. Most of the 60 plus fraternal in operation in the U.S. today have adopted similar changes to the governance of their organizations. All fraternal are unique in many ways, including their governance. No two systems are exactly alike. What is consistent is the underlying principle that the Chief Executive Officer (CEO, or National President in PFA) is chosen by the National Board of Directors, not the Convention.

In addition, for many years, regulators of the insurance industry have been encouraging fraternal to change their governance process, specifically, the election of executive officers. In 2011, the National Association of Insurance Commissioners (NAIC) published a white paper on corporate governance principles in the insurance industry. One of the conclusions of the paper stated, "Members of the Board, Senior Management, and Key Persons in Control Functions should possess the appropriate professional qualifications, knowledge and experience necessary to enable the individual to perform the duties required of her position." While there are no requirements that these processes be changed, this topic has been raised as part of our regular 5-Year Examination by the Pennsylvania Insurance Department for at least the past three examinations.

In 2008, PFA took the first step in changing the governance structure by changing the way the National Secretary/Treasurer was chosen. That was changed from an election at the Convention to the position being filled by the National President with the approval of the Board of Directors. That amendment has proven successful as the position has been filled by qualified, capable individuals.

Following the 2016 Convention, President Kuzma assembled a special committee to take the next step in this evolutionary process. Starting in 2017, this committee began work on new amendments that addressed the following critical functions of PFA National Headquarters:

- 1) Eliminate the election of all National Executive Officers, the President, First Vice President and Second Vice President.
- 2) Change the way the National President is chosen, from being elected at the National Convention to being hired by the National Board of Directors. The National President then hires a “team” of other officers and officials (formerly the Appointed Officials) to manage the daily operations of Polish Falcons of America.
- 3) Add the positions of Chairperson and Vice Chairperson of the Board, which will be elected by the National Convention.
- 4) Add minimum qualifications for individuals to serve on the National Board of Directors.

There are numerous amendments included in this proposal, but all are related to the four items above.

The original plan was to present these amendments to the Regular Convention in 2020. But due to COVID, the Convention was delayed and conducted virtually. Because of this, the Board decided to postpone the presentation of the amendments until a Special Convention that was originally scheduled for 2021. COVID once again forced the Convention to be delayed until July, 2022.

Following the Special Committee’s work, the Legal Committee began its review of the amendments. The Legal Committee closely examined each proposal and made changes to the original proposals. The Committee then passed the work to the entire Board of Directors which again reviewed, discussed, and made other changes. The Board puts its “seal of approval” on the final version. It is now up to the Delegates at the Convention to decide the fate of the proposals.

Keep in mind, that amendments to the Constitution require a 2/3 majority vote of the Delegates present and entitled to vote. In addition, all amendments must be approved by Pennsylvania Insurance Department before they become effective.

Why are we doing this?

In short, these amendments give PFA the best way to find the most qualified and capable people to manage the organization. As was pointed out, managing a fraternal insurance business requires a unique set of skills to meet the challenges of the 21st century markets and economy. Giving the Board of Directors the authority to find these people is a better way than leaving that selection to the Convention that meets every four years.

Is this going to change the organization overall?

No, these amendments only change the governance of PFA. They do not change the mission of the organization, its core principles, Nests or Districts. Polish Falcons of America is still Polish Falcons of America. Changing how the President is chosen does not change the organization.

Are other fraternal doing this?

Yes, many fraternal have adopted this new style of governance. Some have made much more dramatic changes, but the proposed changes for PFA are in line with what fraternal are doing. In addition, these new governance proposals are what is considered as “Best Practices” in the life insurance/fraternal industry.

Why is it better for the Board of Directors to hire the National President than the Convention electing an individual?

The selection of the National President, or CEO, is the most important decision for any organization. In today’s era of intense competition, heightened regulatory environment, and a vastly complex global economy, it is essential that an organization like Polish Falcons find the best possible person to lead the organization. The process to hire any person should be a rigorous one that includes things like interviews, reference checks, a background check, etc. The election process does not provide a thorough vetting process for candidates. It can be a “popularity” vote. That is not the way to choose a chief executive. On the other hand, the Board of Directors will now be empowered with the authority to select the best qualified candidate based on a diligent review of qualifications, experience and background that is best suited to the position.

In addition, if the person hired does not work out to the Board’s satisfaction, that individual can be removed by the Board and a replacement found. Under the current structure, that cannot be easily done, if at all. It is a high risk to an organization when an incapable or incompetent person is at the helm and cannot be easily replaced.

Does this mean the National Board of Directors will have more responsibility in this new structure?

Yes. This new governance structure shifts much of the responsibilities and authority in the organization from the President to the Board of Directors. Under the current rules, the President is the Chief Executive Officer and the Chairperson of the Board. That is a lot of authority in one person. While many organizations and businesses have such a structure, the Board will now be responsible for: 1) Hiring a President; 2) Setting the strategic goals for the organization; 3) Providing oversight of the President and the operational results of the

organization. It is the President's responsibility to carry out the goals, objectives, and plans of the Board of Directors. The Board is then responsible for reporting its actions directly to the National Convention. The direct and clear lines of authority and responsibility make for a better way for the organization to grow and thrive.

If adopted, why should PFA even bother with a Convention if the Board of Directors is going to do everything?

First, PFA is required by law and our Constitution to hold a regular Convention at least every four years. It is still the supreme governing body of the organization. There are numerous duties and responsibilities that are the sole purview of the Convention. Most importantly are the election of the National Directors, election of the Board Chairperson and Vice Chairperson, and the approval of Constitution amendments. The fact that the Convention will no longer elect the Executive Officers does not diminish its importance to the organization.

Why does the Nominations Committee and Board have a say in who a District chooses as Director?

There has to be a way for the organization to determine the qualifications for the Board nominees. Also, keep in mind that the Districts *nominate* a person to serve on the Board. The Convention *elects* the Board. Much of this document discusses the qualifications for the President, but the amendments also provide a process for finding qualified Board Members. After all, the Board is going to be making important decisions with new responsibilities. The proposals provide a way for the organization to find good Board candidates.

How will the new qualifications for the Board of Directors affect the current Members of the Board?

The new qualifications will only apply to individuals who are new to the Board. Because of their experience on the Board, the new qualifications will not apply to current Board Members, but they are encouraged to take the LOMA classes to increase their knowledge.

Will the Members still have the same relationship with the officers and staff at National Headquarters?

Yes, it will be the Board's responsibility to make sure that the President and staff continue to provide the best possible service related to their insurance and/or annuity needs. Equally important, the President and Board must continue to maintain the fraternal aspects of the organization.

Will the President come from within?

Not necessarily. It will be up to the Board to begin a search process for candidates. This could be from within the organization, but we have to acknowledge that is a limited pool of qualified individuals. The Board will establish the qualifications for the position and work toward finding the best fit.

Will a hired President have the same understanding of the organization?

A President hired from outside the organization may not have the same understanding as someone from within. But if that is the case, it is incumbent on the Board to stress to the President the importance of what Polish Falcons is, its history and its importance to all Members and the communities in which they live. In other words, the Board better make sure the President intimately knows the organization in short order.

How will the salary for the President and other Officers be determined?

The Convention will establish the compensation for the Board Chairperson, Board Vice Chairperson, and Board of Directors. The compensation for the President will be established by the Board of Directors.

Who is going to take care of the Awards Programs, Scholarship Programs, other fraternal programs and Nest/District relations?

The fraternal components of Polish Falcons are what sets us apart and makes us unique. All of these aspects of PFA will be retained; a new governance structure does not change that. It will be the President's responsibility to assign the appropriate resources and staff to make sure Polish Falcons accomplishes its fraternal mission. Equally important, the Board of Directors provides the oversight and approval for all operations of the organization. It is their collective responsibility to foster strong, healthy and appealing fraternal activities and programs. And ultimately, the Board will report to the National Convention on how it has managed the fraternal aspect of PFA, as well as its business operations.

What will happen to all the Appointed Officials like Communications Director or Legal Counsel?

That will be determined by the new President and Board of Directors. While these positions are no longer stated in the Constitution, the organization will still need these services. The President will define his staffing requirements, plans, etc., to the Board. Please note that the National Physical Education Director will remain in the Constitution.

How and when will these changes be implemented?

The current Executive Officers will remain in place through the 2024 National Convention. The Officers and Board will continue to function under the current Constitution through the 2024 Convention. At that point, all those terms will expire.

In addition, the 2024 Convention will function according to the current Constitution, except for current Section 21 which calls for the election of Board Chairperson and Vice Chairperson.

The only provisions of the new amendments that will take effect prior to 2024 are those related to the nominations process for the National Directors, Board Chairperson and Vice Chairperson. That will start in 2023 as provided in the proposed amendments.

The Board, along with a Chairperson and Vice Chairperson will be elected at the 2024 Convention. That Board will then be responsible for conducting the search for a President.