

CUNA
**Volunteer Leadership
and Engagement**
Best Practices for CU Boards

A white paper sponsored by the
CUNA Volunteer Leadership Committee

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Introduction

Edward Marvin remembers years ago when he'd attend credit union conferences and find little that was relevant to him as a volunteer. "I'd try to find a breakout session to go to, but none really applied to me," says Marvin, a director at \$5.7 billion asset Randolph-Brooks Federal Credit Union, Live Oak, Texas.

How things have changed. These days when Marvin attends credit union conferences, he finds much he can use to help him carry out his director duties. "Now there are many sessions of interest," he says. "I can't even begin to go to them all."

That's just one indicator of the evolution of the role of credit union directors over the years—and the changing perception of that role within the credit union movement. Today, board members are recognized as essential players in any credit union's reach for success.

"Directors are members who want to make a difference in their credit union," says Rudy Pereira, president/CEO of \$1.4 billion asset Royal Credit Union, Eau Claire, Wis. "It's critical that they provide leadership and strategic direction, and that they engage in discussions with the management team for the betterment of the members."

In recognition of directors' vital role, CUNA created the Volunteer Leadership Committee, comprised of 11 board members from credit unions of various sizes from across the country. The chair of that committee—currently John Sackett from Royal—participates in CUNA Board meetings in a nonvoting position.

The CUNA Board charged the committee to explore three key areas:

- 1. Director involvement** in credit union advocacy;
- 2. Planning** for board succession; and
- 3. Strategies** to advance board education.

"As our committee's discussions have progressed, it's become clear to us that there is no one source that coordinates information on all three of these areas," Sackett says. "We wanted to put together a resource that would be helpful for all volunteers."

This white paper, sponsored by the Volunteer Leadership Committee, discusses best practices to encourage engagement and involvement in advocacy, succession planning, and education. The intention is to provide information and perhaps inspiration. Board members then can choose to adopt and adapt these practices to fit their own credit union.

Advocacy

Directors have an important role to play in credit union advocacy, according to Harriet May, former president/CEO of \$2 billion asset GECU, El Paso, Texas, and former CUNA board chair.

Advocacy demands moving past the fears that too often haunt credit unions and their boards, according to May.

“They live in fear of regulators, bankers, and taxation,” May says. “We need to stop being afraid and instead stand up and make sure people understand our position. We shouldn’t constantly be defending ourselves, but rather promoting ourselves.”

Like many of his peers, Jack Wilster attends CUNA’s annual Governmental Affairs Conference, participates in Hike the Hill events, and makes trips to Columbus to visit state legislators. Wilster is the board chair of \$805 million asset Seven Seventeen Credit Union, Warren, Ohio.

When he sits down with state or federal legislators, he emphasizes a single message: He’s there on behalf of the nearly 67,000 fellow members of his credit union. He also points out that he’s a volunteer, not a paid credit union employee.

“I think that has some value when I’m meeting with these folks,” he says. “They

CREATE CONNECTIONS

When you visit legislative representatives, you want to make a good impression. Keep in mind these tips:

- **Be prepared.** Know the representative’s stance on the issues and tailor your materials and conversations appropriately.
- **Strategize.** Decide a plan of attack and the desired outcomes. Appoint a primary speaker, a manager to keep your meeting on topic, and a secretary to take notes.
- **Practice professionalism.** Dress appropriately. Show up early. Introduce yourself confidently. Plan for meetings to start late and take longer than expected. And leave your business card with the staff—and request their cards as well.
- **Value staff.** They’re essential in the legislative process and might be more informed than legislators on a specific issue.

- **Stay on point.** Focus on no more than three issues. Explain how a law, rule, or policy specifically impacts people in the district. Don’t discuss elections and donations.

- **Listen.** Passion for an issue often leads to more talking than listening. Be concise, then pay attention to responses from representatives and staff.

- **Solicit insight.** Ask supporters, “How can we as constituents move this issue forward and support your stance?” Ask nonsupporters, “What can we as constituents do to make this an issue you can support?”

- **Keep the ball rolling.** Publicize your visit on social media and through other communications. Send a thank-you note. Encourage supportive representatives to rally other legislators, and to write an op-ed for a newspaper.

realize I'm a retired factory worker, not a Harvard graduate."

Directors and other volunteers command attention from legislators in a way others cannot, says Dan Kester, president/CEO of \$275 million asset Sooper Credit Union, Arvada, Colo.

He recalls meeting with a legislator who high-fived a credit union board member upon hearing he was a volunteer. "The board member said to him, 'I'm a grocery store manager and a volunteer, and I'm here because I believe strongly in my credit union,'" recalls Kester, who's also a member of CUNA's Governmental Affairs Committee. "I think that resonates with legislators. They listen differently to volunteers."

Face-to-face interaction with legislators is a highly effective way to deliver the credit union message. Still, not all board members feel comfortable sitting down with legislators. They might feel more inclined to write letters or participate in CUNA's Don't Tax My Credit Union social media campaign.

It isn't essential that every director participate in in-person meetings, May points out. "But the board as a whole has to agree that political advocacy is important," she adds. "And it's critical that they embrace the idea of management also being active in advocacy."

Local Relationships

In his 27 years on the board of \$2 billion asset SAFE Credit Union in North Highlands, Calif., Ron Seaman has made efforts to build relationships with local elected officials because they could become state or federal legislators someday.

For many years, Seaman attended community meetings convened by a county supervisor who later won a seat in the state assembly. By that time, she knew Seaman well.

"When you get to know people," he says, "you have a much better chance of getting your views across."

Recent events in South Dakota illustrate the need for political advocacy at the local level. In a recent campaign, the state's banking industry has turned to county commissioners, local school boards, and city councils across the state, urging them to pass resolutions calling on Congress to remove credit unions' tax exemption.

71% of CUs say their CEOs are the primary people responsible for coordinating advocacy activities. **17%** have a management person in charge of that, and **3%** have board members or volunteers in charge of advocacy. (Source: CUNA)

At \$110 million asset Aberdeen Federal Credit Union in Aberdeen, S.D., a board member, who was also a former state legislator, is the board's designated legislative director. As the bankers waged their taxation campaign, he stayed in touch with key people in local government agencies.

"If the issue was to come up on their agenda, someone would inform us right away so we could take action," says board member Jean Peterson. "You have to have your finger on the pulse of what's going on, not only nationally and statewide, but also locally."

Political Advocacy Tips

Boards must include advocacy among their CEOs' job responsibilities and also among the boards' responsibilities, recommends May. By doing so, "the board clearly acknowledges that advocacy is important," she says.

For example, \$1.7 billion asset University Federal Credit Union, Austin, Texas, lists the following among the duties outlined in its CEO's job description:

"Serves as an externally-focused, strategically, and politically-minded executive who leverages the credit union's scale, resources, and competitive strength to:

1. Support the cooperative's vision, mission, and corporate values;
2. Position the organization as a corporate role model within its marketplace, ensuring all business strategies and practices reflect legal and ethical integrity; and
3. Secure representation on boards of directors or key committees of influential trade, political, and/or community organizations intent on ensuring viability of the credit union movement and vitality of our region's economy and quality of life."

The job description then goes on to list seven specific advocacy activities expected of the CEO, such as regular contacts with legislators and keeping members and staff informed of credit union political affairs, among others.

Similarly, University Federal's director position description states that directors will:

"Represent UFCU in the community. Directors serve as ambassadors within the community-at-large, clearly communicating the value of credit union membership within the workplace, in federal and state legislative settings, and through civic and other organizations to which board members provide leadership. Directors bring social and political capital to the cooperative, enhancing its reputation and capacity."

Additional political advocacy strategies include:

- **Form an advocacy committee.** At Randolph-Brooks Federal Credit Union, the political action committee consists of three volunteers (either directors or advisory committee members) and two management representatives.

Include **advocacy** among your CEO's responsibilities and among the **board's responsibilities.**

"The volunteer leadership usually takes the chair position on the committee," says Marvin, board member and former committee chair. "I think that's evidence of the importance the volunteers, as well as the managers, place on political action and advocacy."

Similarly, at Seven Seventeen, the political action committee consists of the CEO and two directors and is responsible for reports to the full board.

Each month the board receives reports of the overall political atmosphere of our business, Wilster says.

- **Stay on message.** Directors have a key role to play in advocacy, but some controls must be in place, says Mark Brantley, board chair at \$2 billion asset Municipal Credit Union, New York. He notes that his board has 12 members, but when it comes to advocacy, they all need to speak with one voice, rather than 12 different voices.

"I remind directors at our meetings that they need to stay on message," Brantley

says, “because if you have different messages, you can create some reputation risk.”

To help in that regard, board members get talking points they can use when they’re meeting with legislators or speaking to community groups. These talking points revolve around key credit union themes, such as “not for charity, but for service” and “people helping people.”

Directors also must remember that nonpartisanship is critical, advises Marvin, an experienced advocate who has won national awards for his grassroots activism. He remembers in his early days of credit union advocacy that it was sometimes difficult to put aside his own political preferences.

“But it’s extremely important that volunteers and staff be apolitical,” he says.

“When it comes to credit unions, it’s not about a party, it’s about a position.”

- **Deliver your message close to home.**

Keep in mind that members of Congress have field offices located across their home states, says Marvin. Stop by and visit a nearby office.

“You can call on a district field office at a much lower cost than sending people to Washington,” he points out. “I think we’d do well by enhancing our local visits.”

When you attend district meetings, wear your credit union attire, says Howard Spencer, board chair at \$273 million asset Northland Area Federal Credit Union, Oscoda, Mich. “We’ve had great success with legislators singling out credit union members in attendance that way.”

Advocacy doesn’t have to happen in a formal sit-down with a legislator, Brantley

WEAR YOUR ADVOCACY LIKE THE SHIRT ON YOUR BACK

Even little things can measure up to big advocacy impact. Dale Rutt, board chair at \$276 million asset Sooper Credit Union, Arcada, Colo., recalls running into credit union advocate Harriet May a while ago at a conference.

She noted he was wearing his Sooper Credit Union polo shirt, as he did at all credit union conferences. May asked him if he wore credit union attire back home. He said he didn’t, and she suggested he do so. Rutt took her advice to heart.

Now you might find him running errands around town wearing a favorite t-shirt he won years ago in a door-prize drawing at a league annual meeting. On it appear the words: “Credit unions: Where everybody knows your name.”

Rutt sees this as a great way to advertise that he’s a believer in the credit union cause. “Instead of wearing a t-shirt that says Denver Broncos or Colorado Rockies,” he says, “I put on my credit union t-shirt.”

says. Even social events can present opportunities. He takes advantage of those when he's at social gatherings around the five boroughs of New York City that his credit union serves. Legislators or elected city officials often are in attendance.

"If you're having a social conversation," Brantley suggests, "you can sometimes politely interject some bit of credit union philosophy or information about the movement. I think that can go a long way" in raising awareness.

To reach out to legislators, Seven Seventeen invites them into the credit union world in various ways. State representatives, senators, and judges receive invitations to attend the credit union's annual membership meeting. Each August, state and federal legislators join in the annual credit union golf outing.

"We invite politicians we have relationships with," Wilster says, "as well as some we're trying to cultivate relationships with."

Seven Seventeen also invites politicians to stop by any of the credit union's 10 branches for a walk-through and to meet employees and members. Politicians sometimes speak at chapter meetings.

All such interactions with political figures "give them a feel for the credit union environment," Wilster says.

Beyond Politics

Royal Credit Union's Sackett takes a broad view of advocacy. It involves political action, but it also involves what you do in your community, he says. This includes getting involved in local affairs and how you represent your credit union.

"When you talk about advocacy, you're talking about more than politics and positions," says Sackett, also chair of the CUNA Volunteer Leadership Committee.

Spencer echoes that sentiment. His credit union sponsors many community events, such as a recent ceremony to

honor disabled veterans. Board members attend these events, and they also belong to various civic organizations, such as the local Rotary club.

"Board members go to a lot of local functions, even though some of our branches are 100 miles away," Spencer says. "We do that because we're concerned about our reputational image, not just our financial image."

Invite legislators
to your **annual
meetings** and
events you sponsor
in your community.

Being visible in the community also ties in well with the Michigan Credit Union League's statewide promotional campaign to boost credit union awareness. "We have people on our board who will tell you in a heartbeat how much they love their credit union," Spencer says. "We get out there and talk about it."

At University Federal, board members' job expectations include being highly active in the Austin community.

Directors are to be "ambassadors within their communities and bring social and political capital to the cooperative," says President/CEO Tony Budet.

This approach brings results. Budet notes that University Federal is growing at twice the rate of the top 100 U.S. credit unions, and at five times the rate of all U.S. credit unions.

"Growth is all about relationships," Budet says. "That's what drives business."

Board Education

Simply stated, a credit union director's responsibility is to represent members' interests. Every director knows, however, that carrying out that responsibility is anything but simple.

In fact, the demands on directors continue to expand with each passing year. New laws emerge. Regulations become more rigorous. Credit union operations increase in complexity in an evolving financial services environment.

NCUA describes its view regarding federal credit union directors' duties as follows:

"The board of directors is responsible for the general direction and control of the affairs of each federal credit union. While a federal credit union board of directors may delegate the execution of operational functions to federal credit union personnel, the ultimate responsibility of each federal credit union's board of directors for that federal credit union's direction and control is non-delegable."

Today's directors face major challenges as they strive to execute their duties competently, ethically, and efficiently. Education is more essential than ever.

"Being on a board is not a right; it's a privilege that members elected us to take part in," says Royal Credit Union's Sackett. "We have an obligation to do the best we can. There's no such thing as too much education. The more you have, the better job you can do."

Jean Peterson, director at \$110 million asset Aberdeen (S.D.) Federal Credit Union, echoes those sentiments. "As a progressive board," she says, "we feel that in order to make decisions about what's best for our members, we need to stay on top of trends. The only way we feel we can do that is to continually learn. We have

DESIGN A SKILLS MATRIX

Volunteer credit union boards display a broad range of competence and engagement, according to a Filene Research Institute study. Many boards use a customized skills matrix to monitor specific skills that already are present and those that should be enhanced or added.

Most important skills for effective CU boards



to know what's going on. We are not a rubber-stamp board."

Education Best Practices

Here are a few strategies and techniques boards can use to get the most out of their education efforts:

- **Commit to education.** Develop a written policy that clearly states expectations for board education.
- **Assess needs.** Your board could use a self-assessment tool or work with a consultant to help you identify areas in which each director and the full board need further education. That allows you to get the

best payback for your training budget.

- **Create a reporting system.** Find a method by which each director reports back to the full board after attending an educational event. It might consist of written or oral reports, or both.
- **Mentor new board members.** A tenured director can partner with a newly elected one to answer questions, provide background information, suggest training opportunities, and so on.
- **Create a culture that places high value on continuous learning.** Consider the following examples of how some boards put these practices into action.

Royal CU Eau Claire, Wis.

New board members at Royal are expected to complete six Volunteer Achievement Program (VAP) modules and receive the Board Financial Literacy Certificate from CUNA within the first six months. In the next year, they complete six more VAP modules, and another six in the year following. After that, directors must complete two VAP modules per year.

Royal also has begun to take advantage of the CUNA Certified Credit Union Volunteer (CCUV) program. "We would like to have two board members become certified each year, if possible," Sackett says.

The board has a training budget, but prefers to keep it fluid, Sackett says. Each year, the board estimates the amount it will cost for needed educa-

tion. "But we're not locked into that number," he explains. "We will spend what we need to keep our board members up to date."

Each new director gets assigned a mentor from the board. The relationship lasts one year or longer if the directors choose. They might meet over lunch a couple of times a month to talk over board issues. "There are a lot of mundane tasks that a new board member might have questions about," Sackett points out.

He mentored his successor as board chair over a three-year period. This was the one person who expressed interest in someday assuming the chair position. "So whenever I went to conferences that were specific to board leadership," Sackett says, "I made sure he came along. That education was a tool for him to be ready to take over as chair."

Aberdeen Federal CU Aberdeen S.D.

When Aberdeen Federal directors return from a training event or conference, they must deliver a report to their fellow directors. This includes providing the board:

- **A written summary;**
- **Relevant handouts** from the event;
- **An oral presentation** summarizing training topics covered; and
- **Any recommendations** for the board or management to consider.

“Everybody on the board gets a chance to ask questions,” Peterson says. “A lot of times it spurs people to say, ‘I’ve never been to that conference. Maybe I’ll go next year.’”

Aberdeen Federal has a written policy that lists education requirements for directors. Each board member must complete one unit of training per calendar year. Because the credit union values networking opportunities, it requires that two of the three training

units a director completes during a three-year term must be from conferences or league meetings.

The one unit of required training could be:

- **Basic** financial literacy training (must be completed within the first six months on the board);
- **Two** modules of CUNA’s VAP or Volunteer Certification Program (VCP);
- **Two** online training sessions;
- **Three** chapter meetings;
- **League** annual meeting;
- **League** marketing meeting;
- **CUNA** Governmental Affairs Conference; or
- **Multiday** industry-sponsored conference.

Consultations with Aberdeen Federal’s CEO, league staff, or NCUA examiners after their visit can all be helpful in determining training needs, according to Peterson. “Look at your credit union and determine how complex it is,” she says. “Then sit down and come up with criteria for board education.”

Guadalupe CU Santa Fe, N.M.

New board members often feel like “a deer caught in the headlights,” says Linda Medina, board chair at \$132 million asset Guadalupe Credit Union, Santa Fe, N.M. That’s why the credit union has a mentoring program that pairs an experienced director with each new board member.

In the first year, new directors must complete three CUNA VAP modules, followed by three more in the second year.

In subsequent years, directors are required to take 24 hours of continuing education per year, and at least half of that must be in the form of VAP modules. The remainder can be other types of training events.

“We all go to at least one national conference a year,” Medina says, “and usually two in-state conferences.” The various education requirements are spelled out in a written policy that the board first created about a dozen years ago and updates as needed.

Guadalupe allocates roughly \$5,000 a year for training for each of its five

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Guadalupe CU Santa Fe, N.M.

directors. “That’s pretty generous for a credit union our size,” Medina says.

After attending an educational event, directors give an oral report at the next board meeting. If directors fail to complete the education

requirements, they’re not eligible for renomination at the end of their three-year term.

Oversight of board education is essential because those training dollars “belong to the members,” Medina emphasizes. “We need to be sure we’re seeing some kind of payback. Going to a conference is not a vacation.”

Ongoing education is essential today as directors strive to execute their duties **competently, ethically,** and **efficiently.**

Arizona State CU Phoenix

Arizona State uses a formal process to determine board education needs. Each year, the directors complete a self-evaluation focusing on their contribution to the board. Then every two years, a consultant comes in to interview directors individually and provide feedback on self-assessments, and also on how each director’s colleagues view his or her performance.

“One of the benefits is that this consultant is so kind in how he provides feedback,” says Marquette White, board member at the \$1.6 billion asset credit union in Phoenix. “He tells people that if they want to up their game a bit, here’s what they could do.”

From the assessments, directors receive guidance on what types of training would be most useful. They must attend at least one educational

or advocacy event per year and submit a written report to the full board about the programs they attend.

“The education requirement is in the board governance policy,” White explains. “So it’s official, and we review it annually” to check for directors’ compliance.

While education is a requirement, directors have leeway as to which events they choose. “We request that they go to the CUNA Governmental Affairs Conference,” says Board Chair Sam Wheeler. “But for the most part, they can go to any conferences within our guidelines and budget.”

Wheeler says educational events and conferences have a tangible payback for the board. Board members learn that they’re not alone in dealing with certain issues, he says. And they learn about trends they need to watch. “I think we get a huge bang for our buck,” Wheeler says.

Board Succession Planning

The rising tide of CEO retirements in the past few years has prompted many credit unions to devise a succession plan for their top executive. Still, generally speaking, succession planning for credit union directors evokes less of a sense of urgency—until a situation arises.

Such was the case years ago at Seven Seventeen Credit Union. In 2007, Jack Wilster became board chair. The recession hit a year-and-a-half later, and over a two-year period the credit union lost six of its 13 volunteers, including four directors and two audit committee members.

“It’s hard enough to get a volunteer,” Wilster says. “But when you’re trying to bring in six of them, it’s virtually impossible. I sat down with the CEO and said we have to come up with a plan so we never get stuck in this position again.”

Many boards have arrived at the same realization. In the succession planning process, boards must weigh several questions, such as:

- **How** will we attract the types of directors our board needs?
- **What** do we want our board to look like going forward?
- **How** do we assure transitions will be as smooth as possible when new directors join the board?

Recruiting Board Candidates

Putting out a call to members—whether in newsletters, emails, or other channels—is a typical recruitment strategy to solicit nominations for board candidates. But these days more proactive measures often are necessary. For example, a credit union might:

- **Have** each existing director suggest at least one strong candidate for the board to consider. Board members often

know people in different sectors of the community.

- **Ask** for recommendations from the CEO, who also has ties with other community leaders. Just be sure it’s understood that you’ll vet all candidates in the same manner.

- **Talk** to leaders in employee groups or community subsets that the credit union is targeting for membership growth. Seek their suggestions regarding possible board candidates.

A Boost to Recruiting

A common lament today is that it’s increasingly difficult to find people who are willing to assume the responsibilities and invest the time it takes to be a credit union board member. But University Federal Credit Union has found a solution that’s made recruitment far easier.

“A few years ago, we made a concerted effort to turn our organization outward,” says Tony Budet, president/CEO and also a member of the CUNA Board.

As CEO, Budet spends about one-third of his time internally, primarily on cultural and values-related issues, and mostly turns over the day-to-day running of the credit union to an executive vice president. The other two-thirds of his time is devoted to civic affairs and leadership in trade organizations.

Budet and others on his executive team who join in the outward focus are highly involved in the community and serve on multiple boards of other organizations. As a result, they have built strong relationships and made the credit union highly visible in Austin.

“That prompts people to come to us to express interest in getting on our board,” Budet says. “We don’t have to go out and beat the bushes to recruit candidates.”

Developing Board Candidates

Many boards find ways to create a pool of future potential candidates who stand prepared to step into board positions, when the need arises.

Some ideas include:

- **Volunteer committees.** People interested in board positions at \$783 million asset Wright Patman Congressional Federal Credit Union, Oakton, Va., volunteer first for any of several committees, after undergoing a vetting process.

While serving on a committee, the member attends board meetings and becomes familiar with the credit union. The board also gets a chance to assess if the member is a good match philosophically and is willing to do the work, according to Curtis Prins, who's served on the board for 45 years.

"If we need to replace board members in the future," Prins says, "we feel comfortable we have at least five people now serving on committees who could jump in and fill those board spots immediately."

At Seven Seventeen, the volunteer audit committee serves as a steppingstone to the board. Still, service on that committee doesn't guarantee a seat on the board someday.

"And we no longer work under a seniority system," Wilster says. "So being on the committee for 15 years doesn't mean you'll be the next up to the board instead of someone who's been on for three years." All this is explained up front to interested volunteers.

Coupled with that process, Seven Seventeen is making a concerted effort to reach out into the community to diversify its audit committee and hence its board. "When all of you sitting at a board meeting are 65- to 75-year-old white men, you know you don't reflect your membership," Wilster says. "We're trying to change that."

- **Associate directors.** Creating a more diverse board is also a goal at Sooper Credit Union. "It's taken us six or seven years to get diversified," says Board Chair Dale Rutt. "We couldn't have done it without the Associate Director Program."

Sooper has a 12-year term limit for directors. While the board knows when vacancies will occur, unplanned vacancies also arise with some frequency. About five years ago, the board decided it needed a process to enable smoother transitions in bringing on new directors. "We felt we needed to have people in line who were trained and ready to step in," Rutt says.

Thus, the Associate Director Program came to be. The board named it the Evergreen Program because, Rutt explains, "we're always alive and thriving."

At any given time, there are two associate directors appointed by the board. The board relies on recommendations from the nominating committee, which interviews interested volunteers and conducts background checks.

Associate directors attend meetings, engage in discussions, and can serve on committees, excluding the executive committee, but have no voting power on committees or the board. Appointments are for one year, with no limit placed on the number of reappointments.

Each associate director is required to complete six CUNA VAP modules in the first year. Plus, each one gets a mentor—a director who provides further orientation by explaining credit union history, board responsibilities, training opportunities, and so on.

When a director opening occurs during someone's term, the board fills that spot with an associate director, who later runs for election by the full membership. Members also can run for the board without first serving as associate directors. They face the same initial training requirements and also receive mentoring.

"We really like the Evergreen Program,"

Rutt says. “We can recruit associate directors who meet our specific needs and who look like our field of membership. And we bring in new blood.”

- **Directors pro tem.** A similar system to prepare for board succession exists at SAFE Credit Union. There the board has created two director pro tem and two student director pro tem positions. Directors pro tem fully participate in board meetings, but do not vote, and may move into director positions as the need arises.

“They have the opportunity to show what they can do and develop a rapport with the directors,” explains SAFE’s President/CEO Henry Wirz.

The addition of student directors pro tem is an effort to bring younger perspectives to the board. Board member Ron Seaman says this has been invaluable to keep the credit union in touch with the needs and preferences of younger members.

“Last year we had one student pro tem

director,” he says. “When the nominating committee interviewed the student candidates this year, they were so impressed that they came to the board and suggested we add a second one.”

The board also has done two self-assessments in recent years to gauge board performance as a group and individually. “It’s a good tool,” Seaman says. “It’s helped us come up with some action steps that we’ve since taken. One was that we needed to become a more diverse board. We’re working on that.”

Thus, the board has used the pro tem positions to recruit younger volunteers and people with varied work experience, backgrounds, and ethnicity who can someday step up to be full directors.

The board also developed a matrix to gain a firmer grasp of the board’s needs. The matrix identifies the age, gender, race, community connections, business experience, educational background, and other characteristics for each

BOARD RENEWAL POLICIES

Only **45%** of credit union boards surveyed in a Filene Research Institute study have policies in place designed to bring new directors onto the board. These are often called “renewal policies.”

Of those boards with renewal policies, fewer than **2%** have mandatory retirement age policies while **28%** have term-limit policies. The most prevalent policy used by boards to bring new directors onto the board is a policy to hold regular elections (employed by **74%** of credit union boards).

of the current directors.

“Last year we added one more item,” Seaman says. “We asked each board member to state when he or she expected to step down from the board.” That revealed that the board could lose seven or eight directors during the next five years.

Serving as a board member himself on several community organizations over the years, Wirz has seen the problems that can result in such a situation. “You have all this turnover,” he says, “and you

retain no institutional knowledge. Our board saw that coming. They’re bringing in people now who will be ready to fill future vacancies.”

The Term-Limit Question

Any discussion of board succession planning invariably brings up the topic of term limits. Some credit union boards have them; many don’t. And most agree that term limits present both benefits and disadvantages.

SAFE Credit Union has no term limits,

SEVEN STEPS TO A BOARD SUCCESSION PLAN

These seven steps can help your board create a board succession plan, according to Yvonne Evers, founder and owner of YME Coaching & Consulting LLC, in the CUNA Environmental Scan:

- 1. Assess your credit union’s needs.** This includes reviewing your mission, vision, and values along with your strategic plans and priorities. Then identify the critical issues and risks you’ll face in the next three to five years.
- 2. List required attributes.** List the ideal attributes your board should embody, including experience, knowledge, functional skills, competencies, and demographic representation.
- 3. Assess current board members.** Using the list of attributes, assess current board members, rating the prevalence of each attribute from the list.
- 4. Provide opportunities for development.** From the assessment, determine where gaps are prevalent and provide educational opportunities to one or more board members.
- 5. Develop a process to anticipate voluntary board member departures.** This could come in the form of term limits or a more informal process of having directors inform the board of anticipated departure dates.
- 6. Build a list of potential board members and start to orient them to the credit union.** Ask all board members and senior executives for names of potential directors. Create opportunities for orientation to the board and credit union. Create nonvoting “associate director” or “board intern” positions or find opportunities for these prospects to serve on committees.
- 7. Develop a formal board member succession policy.** A formal policy will help hold the board accountable for the creation and maintenance of the plan.

but has devised processes that prevent the board from becoming stagnant, according to Wirz.

By combining board self-assessments to spot strengths and weaknesses and recruiting for pro tem director positions with an eye on diversifying the board's composition, "I think our board is staying fresh and effective," he says.

Prins from Wright Patman Congressional Federal is among those who stand opposed to board term limits. His view stems partially from his experience as a former Congressional staff member during the savings and loan fiasco years ago. He witnessed what happens when boards don't know what they're doing.

"To me, stability is important," Prins says. "If you have board members who are doing a good job, why would you want to get rid of them? If the credit union is operating in a safe and sound manner and it's serving member needs, then I see no reason to change the board solely because of term limits."

Sooper Credit Union instituted board term limits about 16 years ago, not long after Kester became president/CEO. As a new CEO, he wasn't about to broach the topic of term limits, he points out.

"The discussion was driven solely by the board," he says. "I don't know where they picked up on it. It was still a very new idea in credit unions back then."

The entire board now consists only of directors who have worked under the term-limit system. Kester says he sees both sides of the term-limit debate. "You do lose some good people," he says. "But overall, I think it errs on the side of

keeping things fresh and creating a diverse board."

Reinventing the Board

No term limits exist at University Federal because NCUA bylaws disallow board term limits for federal credit unions. "But if it were up to our board," Budet says, "they would probably enact term limits. Several see term limits as a way to bring in new thinking and perspectives."

Not able to enact formal term limits, the board has struck on other solutions. For instance, each director candidate must sign a code of conduct, which has a provision stating that failure to meet performance standards will result in removal from the board.

Also, under consideration is an informal agreement enabling directors to serve three three-year terms consecutively. If enacted, the governance committee will not renominate directors for a fourth term, although they can run on their own if they choose.

These provisions may help assure that the board gets new directors from time to time, even without term limits. Still, Budet says, the board would probably favor having a formal structure that drives turnover.

"We got some new people on our board three years ago," he says, "and it's been remarkable to see the attention given governance issues by both new and veteran directors. The board has been reinvented. It's always been a good board, but today I think it's an exceptional board."

Acknowledgements

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Resources

CUNA, cuna.org:

- Volunteer leadership training, including the annual National Credit Union Roundtable for Board Leadership
- *Credit Union Directors Newsletter*
- CUNA Environmental Scan

Filene Research Institute: filene.org

NCUA: ncua.gov

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