

## Prepare the Board for the Future

### *Establish a succession plan to address turnover among board members.*

One responsibility of the board of directors is to make sure there's a CEO succession plan in place.

But do you have a plan for turnover involving members of the board?

It's not unheard of for board members to serve many years, or for directors to have personal reasons for stepping away. At some point, your board will need to add new members to the board.

"It can happen all at one time," says Yvonne Evers, CEO of YME Coaching and Consulting LLC and board vice chair at \$2.7 billion asset UW Credit Union in Madison, Wis. "And that's the last thing you want"

Evers addressed board succession planning and how to overcome common challenges boards face during "Board Planning: Recruiting, Onboarding,

Succession Planning," a CUNA Councils webinar.

Boards that don't have a succession plan in place run the risk of experiencing:

- **Major** turnover.
- **Difficulty** finding new board members.
- **Insufficient** skills on the board.
- **Lack** of experience for board leadership.
- **Unanticipated** change in board culture.

"Don't be surprised if this story sounds familiar to you," Evers says, "because it's happening all over the country."

Some directors might be skeptical about creating a board succession plan. Evers says the goal isn't to drive out long-term

or older board members, or even judge current members based on their skill level.

Instead, it's all about preparation.

"You're doing it to be prepared for turnover and to know what skills to look for in future directors," Evers says.

She cites six steps to creating a board succession plan:

**1. Assess your credit union's needs.** Look at where the organization is in terms of its strategic plan.

This is an important part of creating a succession plan for both CEOs and board members.

**2. Compile a list of critical competencies.** What competencies and skills are critical for board members to have? Which of these skills are merely desired?

**3. Determine gaps.** Which of the desired competencies and skills are missing from your board?

**4. Develop a process to anticipate departures.** Ask board members how long they plan to stay on the board.

**5. Build a list of potential board members.** You might come across someone you believe would be an excellent fit for the board, but they might not be available. Keep in touch with them.

"Sometimes you have to wait for people," Evers says. Keep these individuals engaged with the credit union by calling or meeting with them regularly.

### 'BE PREPARED FOR TURNOVER AND KNOW WHAT SKILLS TO LOOK FOR IN FUTURE DIRECTORS.'

YVONNE EVERS

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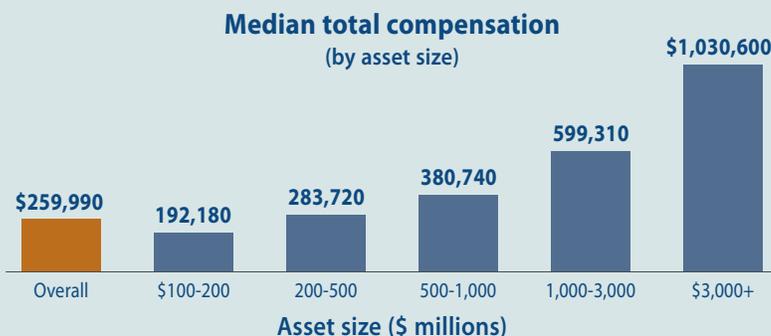
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## QUICK TAKE FOR YOUR NEXT BOARD MEETING

### CEO COMPENSATION INCREASES

The median total compensation in 2018 for CEOs at credit unions with assets of \$100 million or more is \$259,990, up from \$250,810 the prior year, according to CUNA's 2018-2019 CEO Total Compensation Report.



\*Excludes employee retirement, pension, profit-sharing plans, and supplemental executive retirement plans  
Source: CUNA's 2018-2019 CEO Total Compensation Report ([cuna.org/compensation](http://cuna.org/compensation))



CUNA Councils:  
[cunacouncils.org](http://cunacouncils.org)

**6. Develop a formal policy.** Some boards adopt a policy that places age limits on board members or number of terms served. Others develop policies

that require board members to fill out a form each year indicating when they anticipate stepping down from the board.

## Find Your Next Board Member: Seven Steps

Yvonne Evers, CEO of YME Coaching and Consulting LLC and board vice chair at \$2.7 billion asset UW Credit Union in Madison, Wis., offers seven board recruitment strategies:

**1. Send** emails to members. "If your credit union has a hard time finding board members, send out a blast email to members," Evers says.

**2. Advertise** the search on the credit union's website.

**3. Ask** current board members to suggest potential directors, or ask the CEO for input.

**4. Form** a recruiting or search committee. Focus on finding individuals with the right skills and background.

**5. Recruit** from other credit union committees, including the supervisory and audit committees. Be aware, however, that you may need to create a succession plan for committee members, too.

**6. Include** a flyer in members' monthly statements or an article in the credit union's newsletter to let members know about upcoming elections or how to apply. Consider placing flyers in the branch lobbies.

**7. Hold** a job fair for interested candidates.

While the CEO should be involved in recruiting new board members, Evers says it's the board's responsibility to vet candidates.



CUNA Environmental  
Scan resources:  
[cuna.org/escan](http://cuna.org/escan)

## Strategic Planning: Five Questions to Consider

*Consider these topics during strategic planning sessions.*

As your board begins its strategic planning process, the Raddon Report says it should consider five questions that could shape your credit union's strategy in the future:

**1. How can your credit union remain relevant and preserve revenue as consumers change their purchase and payment behaviors?** Technology is changing the payments landscape, including mobile and person-to-person payments, virtual assistants, and social media. Research what's coming and explore ways to use data to manage disruptions.

**2. What's the connection between "high tech" digital delivery and a "high-touch," thoughtful experience?** Members value a thoughtful experience, but credit unions often struggle to balance providing a personal experience with the high-tech convenience members demand.

Also, consider where branches fit into this issue: 22% of consumers say branches are no longer necessary, according to Raddon.

**3. How can credit unions maximize member loyalty?** Member loyalty is integral to growth, but

just having a member's checking account doesn't always mean they'll be loyal.

What can your credit union do to improve member loyalty, increase growth, and remain financially sound?

**4. How can your credit union retain rate-sensitive deposits?** Rising rates are putting pressure on financial institutions' funding costs, as rate-sensitive consumers seek the opportunity to increase the earning potential of their savings.

Raddon research shows that 57% of consumers either currently use or would consider an internet-only, high-rate savings account. Explore how your credit union can update its deposit strategy playbook to retain at-risk dollars while keeping its overall cost of funds as low as possible.

**5. How can your credit union leverage its strengths to fill the funding gap for small businesses?** During the recession, many financial institutions decreased lending to small businesses. Raddon research suggests that small businesses would be willing to use small financial institutions.

Look for ways to overcome the challenges presented by underwriting and processing of small business loans, and capitalize on small business opportunities.

# Design an Effective Supervisory Committee

## Five recommendations for overcoming common challenges.

Your supervisory and audit committees are under increasing pressure. In many parts of the country, examiners have ramped up their review and expectations of the supervisory committee.

As credit unions have become more complex, it has become more challenging to keep up with regulations, product and service offerings, delivery systems, and security threats.

Some challenges we've observed during our interactions with boards and these committees:

■ **Recruitment.** It's not uncommon to see higher turnover among the committees, and it's challenging to find and retain people who have the right aptitudes, skills, and desire to serve.

■ **Consistency.** Volunteering isn't easy. It requires a high and consistent level of commitment.

■ **Scope of audit.** Many committees are working from old scope of audits, or audits that are no longer current or lack the red flags for fraud, regulatory issues, or other risks that have emerged. Audits need to remain relevant to current and emerging risks.

■ **Depth of training.** Board members must go beyond surface-level training to ensure they know the potential underlying risks of what they are auditing.

Consider these five recommendations when building your credit union's supervisory and audit committees:

**1. Recruit and train.** Consider leveraging your commitment to community and social impact to attract millennial volunteers. According to the 2016 Millennial Impact Report, most millennials believe they can have an impact and make the country a better place to live.

Insist on regular training for supervisory committee members to ensure they have the skills necessary to carry out their responsibilities. This includes having a board training budget and communicating your expectations.

Provide timely and thorough onboarding for new members to get them up to speed quickly. Make sure training clearly identifies roles and responsibilities for committee members.

**2. Be timely and consistent.** Establish a regular and reoccurring meeting time, and commit enough time to complete an appropriate level of oversight.

It's difficult to have consistently thorough audits when the committee meets for one hour per month. The time invested by the committees should be commensurate with the complexity of the credit union and potential risks.

**3. Consider the scope of work.** Ensure that the board and management have established appropriate practices and procedures to properly safeguard assets.

The committee must also ensure an appropriate level of audit to check the accuracy and reliability of accounting data, and that management has established effective internal controls.

Conduct an account verification at least every two years. In addition to an annual external audit, conduct an internal supervisory committee audit on a consistent schedule. Retain all internal audit documents.

**4. Communicate.** Communication with auditors is important. Review reports and materials ahead of time. Use the review session to ask questions, get auditors' perspective on market trends, and request recommendations.



Provide an open avenue of communication among the independent accountants, financial and senior management, internal audit department, and the board of directors.

**5. Look at the big picture.** The board is responsible for the credit union's vision and accountability to the membership. The board hires and supports the CEO in managing resources and communicating with members.

The CEO is responsible for managing daily operations and reporting progress to the board.

The supervisory committee needs to effectively interact with the board and management. Each has key responsibilities that, when carried out correctly, provide a solid foundation.

The health and long-term viability of credit unions depends on quality and consistent oversight. Member-centric accountability is a hallmark of our not-for-profit financial operative model.

If you haven't done so in a while, do an honest assessment of your supervisory or audit committee's effectiveness. If it's not effective, set a course of action to get there.

**SCOTT BUTTERFIELD** is the principal at Your Credit Union Partner ([yourcupartner.com](http://yourcupartner.com)).



CUNA Supervisory Committee & Internal Audit Conference, Dec. 2-5, Las Vegas: [cuna.org/sciac](http://cuna.org/sciac)



CUNA volunteer resources:  
[cuna.org/volunteer](http://cuna.org/volunteer)

## Value Volunteers' Expertise

*Bellco CU director makes the most of marketing and business development background.*

Every director brings a unique perspective to the board. Alejandra "Ale" Spray is no different.

As marketing director for a construction firm, Spray offers the Bellco Credit Union board 20 years of expertise in marketing and business development—welcome qualities in any organization seeking growth.

This expertise allows her to bring strategic ideas—and a different perspective—to the board of the \$4.7 billion asset credit union in Greenwood Village, Colo.

"I'm able to offer fresh approaches that perhaps haven't been tried in the credit union world," Spray says. "I appreciate the fact that the Bellco board is open to exploring new strategies and tactics when it comes to marketing and business development."

Spray says credit unions face many of the same challenges other businesses face today. "It's a crowded, noisy marketplace, and they must find a way to rise above that noise and stand apart from their competitors—be they large banks, other credit unions, or even businesses in other industries that provide exceptional experiences that members measure them against," Spray says.

Building relationships often comes down to face-to-face interactions, Spray says, but technology is crucial to building trust and loyalty.

Spray says Bellco's strategic priorities focus on people first and foremost. "Bellco places a strong emphasis on its members and how to meet their evolving needs," she says. "This includes constantly improving technology and information security, and being financially sound."

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ALEJANDRA 'ALE' SPRAY



"Bellco aims to have strong employee engagement: satisfied employees will provide best-in-class service to members," Spray adds. "Bellco also prioritizes advocacy both in the local communities and the credit union industry as a whole. It supports a variety of nonprofit organizations that improve the quality of life for many in the Denver metropolitan area."

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B3. Sales through dealers, vendors and counter sales	0	0
B4. Other classes mailed	0	0
C. Total paid distribution	1,926	1,865
D1. Free outside-county	12	0
D2. Free in-county	0	0
D3. Other classes mailed	0	0
D4. Free outside the mail	0	0
E. Total free distribution	12	0
F. Total distribution	1,938	1,865
G. Copies not distributed	294	130
H. TOTAL	2,232	1,995
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b. Total paid print + paid electronic	2,114	2,057
c. Total print dist. + paid electronic	2,126	2,057
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