



State of Washington

**DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS**

P.O. Box 41200 • Olympia, Washington • 98504-1200

Courier Address: 150 Israel Rd. SW • Tumwater, WA • 98501-6456

Telephone (360) 902-8701 • TDD (360) 664-8126 • (800) 372-8303 • FAX (877) 330-6870 • <http://www.dfi.wa.gov>

January 24, 2011

“A”

“B”



Delivered by Email

DCU Interpretive Letter I-11-01

Subject: Whether a director emeritus is eligible for expense reimbursement for travel or training expenses, or qualifies for insurance benefits

Dear “A”:

Thank you for your email dated January 6, 2011, inquiring about a director emeritus position at “B”.

Question

“B” is considering adopting a formal director emeritus position that would be added to their by-laws. The draft policy has been written but not approved until all the details have been ironed out.

Since this is an honorary, non-voting position with limited attendance requirements, what is the Division of Credit Union’s position on the following:

1. Expense reimbursement for travel
2. Expense reimbursement for training
3. Insurance Benefits

Before beginning my analysis, I did research on the reasons for a director emeritus designation and my research is included in the attached Appendix.

Analysis

I checked the Washington Credit Union Act, but I did not find the term of “director emeritus” so I reviewed the sections related to the board of directors. RCW 31.2.065(1)(d) requires the bylaws to designate the number of directors and the length of terms they serve. You are correct to amend your bylaws to establish the director emeritus designation, its term of service, what are the requirements for attendance at board meetings, and prohibit the director emeritus from voting on board of directors’ business.

I understand RCW 31.12.365 to authorize reimbursement to elected directors and regular members of committees for the performance of their duties. I do not find a director emeritus to be eligible to receive reimbursement for travel and training, nor to qualify for insurance benefits. A director emeritus is typically an honorary title and may provide experience-based advice to elected officials. Training should be allocated to elected officials and regular committee members who have clear responsibilities and standards of care for their duties.

The Washington Credit Union Act also authorizes additional powers of a federal chartered credit union as of July 22, 2001, also known as federal parity¹. I looked to the Federal Credit Union Act² and opinion letters³ previously published by the National Credit Union Association (NCUA). NCUA published an opinion letter dated October 23, 2003 pertaining to a director emeritus as an individual acting in an honorary or advisory capacity with no voting privileges and is not entitled to the same benefits as those charged with the full responsibility of an elected position. NCUA concluded a director emeritus at a federal chartered credit union is not eligible for expense reimbursement for travel and training, nor does this position qualify for insurance benefits.

Conclusion

I have no objection to the “B” Board of Directors amending its bylaws to appoint a former director(s) as a “director emeritus.” I expect the bylaw amendment to establish the director emeritus designation, its term of service, the requirements for attendance at board meetings, and to prohibit the director emeritus from voting on board of directors’ business. The director emeritus is not eligible for expense reimbursement for travel, training, or insurance benefits. Please send a copy of the amended by-laws to the Division of Credit Unions for our records.

¹ RCW 31.12.404, a copy is available at <http://apps.leg.wa.gov/rcw/default.aspx?cite=31.12&full=true#31.12.404>

² http://www.ncua.gov/Resources/RegulationsOpinionsLaws/fcu_act/fcu_act.pdf

³ NCUA Opinion Letter 03-1029R and 06-0337R

Closing

The Division of Credit Unions does not provide legal advice. This letter is intended to provide general guidance only and is not a substitute for legal advice to the credit union.

If you have any additional questions, I can be reached at linda.jekel@dfi.wa.gov or by phone (360) 902-8778.

Sincerely,

“s”

Linda K. Jekel
Director of Credit Unions

Enclosure: Addendum

Addendum

CEO “A” of the “B” asked whether a director emeritus is entitled to expense reimbursements for travel and training or eligible for insurance benefits.

Before I began my analysis of the Washington Credit Union Act, I did research on the reasons for a director emeritus designation. The dictionary⁴ defines “emeritus” as “retired but retaining an honorary title corresponding to that held immediately before retirement.” I found an interesting article that listed pros and cons for establishing a director emeritus position(s) for a nonprofit organization. Below is an excerpt from the article⁵:

The advantages include:

- keeping important and passionate people involved with your organization;
- moving board members from the active board to a place where they still feel valued by the organization;
- if they are otherwise distinguished, having them on the stationery, and in your annual report and publicity material.

The disadvantages can be the opposite of the advantages!

- The emeritus board member remains involved with the organization. If the idea was to move the person on and out gracefully, emeritus status may not be the answer.
- It sets a precedent. How many emeritus board members might you have over the next 5 or 10 years? Will attrition keep the number under control?

The article also recommended the board approve a policy on the emeritus designation that addresses the following:

- Who could/will/might be considered for this honor?
- Who decides? The whole board? The Governance Committee? Board Development?
- How many emeritus board members will the organization have at any one time?
- What involvement with the organization is the honoree expected to have?
- Is s/he expected (allowed) to attend meetings or not? Which meetings? Attend events? Donate money? Raise money?
- How and to what extent will the emeritus board member be informed about board activities?

⁴ “Emeritus”, The Webster’s II Dictionary, New Riverside University Dictionary, (1984), .

⁵ “Why Have a Director Emeritus?”, Governance Matters To NonProfits That Protect Our Environment, http://www.governancematters.org/index.cfm?organization_id=56§ion_id=1117&page_id=7635

Another article advises if a board of directors contemplates having more than one director emeritus position at a time, i.e. an emeritus board, the board of directors to decide on the following before establishing an emeritus designation⁶:

- Why are we doing this? Why is it important to the organization? (In this case, is it to honor past board members who have contributed time, money and energy "above and beyond" during their work on the board or to continue to count on them for knowledge, fundraising, expertise, etc.)
- What will you expect from members of this group? Attendance at events? Availability for advice to the executive director? Will they be allowed to come to board meetings? Is there a financial expectation?
- How will the board and staff communicate with the emeritus board as a group and with the individuals within the group? An email once a month? More frequently? Less frequently?

I considered this background information during my analysis of the authority in the Washington Credit Union Act to establish a director emeritus designation and whether a director emeritus is eligible for expense reimbursements and insurance benefits. Please see DCU Interpretive Letter I-11-01 for my analysis and conclusion.



⁶ "Emeritus Board-How To", Governance Matters To NonProfits That Protect Our Environment, http://www.governancematters.org/index.cfm?organization_id=56§ion_id=1117&page_id=7954