



State of Washington
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CREDIT UNIONS

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Interpretive Letter

Division of Credit Unions Interpretive Letter I-15-02

DATE: June 12, 2015

TO: Washington State Credit Unions

FROM: Linda Jekel, Director
Division of Credit Unions

RE: An Associate Board Member is Eligible for Insurance, Reimbursement for Training and Travel Expenses that are Appropriate to the Service Being Provided

Issue Presented

A Washington State chartered credit union (WSCCU) asked me to reconsider whether associate board members are eligible for payment or reimbursement for appropriate training and travel to training and designated meetings. Associate board members are a growing trend in credit unions throughout the U.S. Some Washington State chartered credit unions have added “associate” board members to their board of directors with the guidance we published in Interpretive Letter I-08-01. An issue was raised about reasonable compensation for associate board members, and additional guidance was requested of the Division of Credit Unions (“Division”).

Analysis

I checked the Act, but I did not find the term “associate board member” so I reviewed the sections of the Act related to the board of directors. Although the Act does not directly address associate board members, our analysis concludes that associates must meet all of the same statutory requirements for fiduciary duty, confidentiality, meeting attendance, and avoidance of conflict of interest that apply to full board members. At a minimum, the following sections of the Act apply to associate board members¹:

- RCW 31.12.115 amendment of bylaws
- RCW 31.12.235 qualifications of directors

¹ DCU Interpretive Letter I-08-01

RCW 31.12.255 board powers
RCW 31.12.267 fiduciary relationship to credit union
RCW 31.12.269 limitation on personal liability
RCW 31.12.365 compensation

Associate board members are nonvoting and are appointed by the board, rather than elected by the members. Given that associate board members are not elected and have varying degrees of responsibilities from credit union to credit union, it is not prudent to include them in the Reasonable Compensation Rule (WAC 208-400-010). Reasonable compensation only applies to directors and supervisory committee members, neither of which adequately describes an associate board member. Additionally, associate board members are also not considered board members because they are not elected².

Determination

The Division recognizes the need for credit unions to develop talented, committed individuals, and that having associate directors on the board helps with future recruitment of qualified board members. We agree that an associate board member may receive expense reimbursement for training and travel authorized by the credit union, because they act in voluntary positions established by the board of directors. However, reimbursement must be limited to training and travel expenses that are appropriate to the service being provided. Also, the credit union may directly pay for the training costs of associate board members, rather than reimbursing the training costs. Lastly, an associate board member is not eligible for compensation for board duties because RCW 31.12.365 covers only elected directors and supervisory committee members.

A Washington State chartered credit union wishing to utilize associate board members must vote to amend its bylaws to include associates, and delineate the limits and conditions under which they serve. Basic conditions include: the associate's term of office, the method of (non-elected) appointment, their nonvoting status, indemnification and insurance, the limitation on personal liability, and the applicability of the statutory standards of fiduciary duty relevant to board members. Being consistent with the standards for board members, associate supervisory committee members can also receive training and travel expenses that are appropriate to the service being provided.

Conclusion

Washington State chartered credit unions may appoint associate board members, but they may not compensate them as if they were elected directors, supervisory committee members, or board officers. However, an associate board or supervisory committee member may receive reimbursement of training and travel expenses that are appropriate to the service being provided. Also, as stated in Interpretive Letter I-08-01, associates may need to be covered by insurance, just like full board members.

² RCW 31.12.265

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The Division of Credit Unions does not provide legal advice. This interpretive letter is applicable to all state-chartered credit unions and is not a substitute for legal advice given to a credit union.

If you have any questions, please contact Linda K. Jekel, Director of Credit Unions, at linda.jekel@dfi.wa.gov, or (360) 902-8778.