

## ADVISORY BULLETIN

**Issued To:** Colorado State-Chartered Credit Unions  
**Subject:** Guidance for Compensation of Credit Union Directors

**Date Issued:** October 31, 2016

In 2016, the Colorado Credit Union Act was amended to allow for credit union board of directors to be compensated for their services to the credit union as in reasonable accordance with state law. The purpose of this Advisory is to address compensation for credit union board of directors and to provide guidance to the industry regarding the definition of “compensation” as it relates to best practice as well as statutory definition. Please note, board compensation is a tool and resource which credit unions may utilize to show value to their members, but it is not required.

As detailed in C.R.S. 11-30-109 (3) and Rule 9.2(a), “compensation” is defined to include anything of value that is both given in exchange for services performed and required to be reported to the IRS as income. Statute leaves the designation of “reasonable” compensation open to the credit union and allows for discretion through internal controls as put forth by the credit union through internal best practices. The regulatory agency leaves room for the internal policies to implement compensation to its board.

The credit union is given room by the regulatory agency to encompass internal practices when determining what reasonable compensation like for their entity. Credit unions can adopt a policy which governs the participation of board member compensation and shall follow the specific criteria listed in C.R.S. 11-30-109 (3) and Rule 9.2(a). First, the compensation must be proportional to the services that are provided by the director. Second, the institution should consider its financial condition when looking at reasonable compensation; and lastly, the credit union should look at comparable institutions to determine a best practice when it comes to compensation of the board. The Advisory also provides additional recommendations to credit unions when it comes to determination of compensation for the board:

- Continually assess the flow of accountability and authority in your Credit Union
- Assess the effectiveness of your board of directors throughout the year to determine if there are opportunities to highlight a change in compensation
- Create and maintain a skills matrix to allow for your credit union to look at industry trends and assess what an ideal candidate would bring to your board
- Monitor your credit union’s performance to determine a best practice model for compensation to the board within your institution. This can include board renewals, process improvements within board meetings and strategic oversight.



The Advisory is meant to be a brief summary of key changes. It should not be solely relied upon as a comprehensive discussion for each section or item. Please consult the final rules and regulations text for comprehensive details about all the changes.

The Colorado Division of Financial Services remains committed to stable, effective and well-constructed regulation for credit unions when it comes to compensation of the board of directors. If you have any further questions, please do not hesitate to contact Deputy Commissioner Mark Valente at 303-894-7726.