

**CU\*ANSWERS**  
A CREDIT UNION SERVICE ORGANIZATION

# **CUSO GOVERNANCE OPPORTUNITIES**

**HANDBOOK 2018**



## DO YOU HAVE THE SOUL OF A OWNER?

**The lifeblood of any cooperative is the active owner.** Cooperatives rely on owners who are active not just as *consumers* of the cooperative's products and services, but also as *owners* with a passion for ensuring the cooperative is the type of organization they *want* to own.

To be successful, cooperatives must solicit owners who have a **shareholder's soul**. This means owners who not only *want* a return from their cooperative, but *act* to ensure the cooperative can deliver. An owner with a shareholder's soul understands the balance between the needs of consumers and owners, and works to maintain that balance, with equal respect for both points of view.

More than good intentions, an owner with a shareholder's soul **creates a mandate for the success of the cooperative**, creating a win for themselves, for other participants, and for the cooperative as an ongoing entity.

And an owner with a shareholder's soul does more than just drive the cooperative's technical agenda and help them deliver good products and services. The primary talent required of active cooperative owners is **understanding the participants of the cooperative community**: their agendas, their desires to excel with and through the cooperative, and their ability to relate to the win-win design as both customers and owners.

As a cooperative, CU\*Answers needs to cultivate a strong sense of ownership awareness among our participants. We need a healthy community of owners willing to act and engage in ownership opportunities. We need a strong set of leaders willing to lead, participate, and inspire the firm through their participation in the organization's governance and decision-making. **If you have a shareholder's soul, we hope this booklet will inspire you to participate.**

THIS IS A WORK IN PROGRESS...starting in 2018 with declaring our intentions. This year we will experiment with the design, tweak the rules and processes, and encourage a set of shareholders to be the first to fill these brand-new roles.

It is our intent to innovate on how cooperative organizations participate as owners in our CUSO. It may take several generations of new participants to become effective.


In 2018 we will open the door for our Board of Directors to call on new shareholders to step up. At the same time, the Board will take the first steps toward integrating these new capabilities in many different ways in the years to come.

## GOALS

This initiative has three overarching goals:

### GOAL 1: BROADEN THE TYPE OF PARTICIPANTS WE INCLUDE (RESUMES AND TITLES)

While there are many opportunities to participate as consumers of the CUSO's products and services, the options for contributing in its governance are limited to the Chief Executive Officer of a stockholder credit union. Since CEOs are uniquely positioned to represent both the consumer and owner perspectives, this format has served our cooperative well for nearly fifty years. Not only do CEOs typically have strong instincts for maximizing shareholder returns, they understand and can advocate



for the balance between the needs of their own organization's agenda and the needs of the cooperative. After all, if we can't win with the CEO, our model is not delivering on its potential for that credit union as an owner.

While we will likely always rely on our CEO community for our core pool of potential governance leaders, we recognize that credit union teams have a deep bench of strong leaders – CFOs, CIOs, COOs, even non-C-level roles being filled by leaders who were CEOs in the past. Adding new governance roles outside of our official Board seats will allow us to tap into these talented resource pools for the CUSO's benefit, as well as to help people with a shareholder's soul to gain experience as CUSO leaders on their way to being the CEOs of our future.

## **GOAL 2: BROADEN THE TYPE OF INFLUENCE WE INCLUDE**

As CU\*Answers has grown over the years, the demands on the CU\*Answers Board of Directors have changed significantly. This is true not only because the CUSO has gotten bigger, but also because the needs of our community have become much more diverse. This greater diversity requires Board members to be advocates and active leaders in many new areas.

While our Board members have always been willing to step up to these challenges, our intention in recruiting leaders from other shareholder pools is to help spread the work, to create team-building opportunities among the shareholder community, and to broaden the shareholder perspective in our cooperative's agenda and focus. Our cooperative needs to be influenced by a larger pool of leaders who have a shareholder's soul.

## **GOAL 3: BROADEN OUR TRUST OF THE CROWD**

There was a time when the cooperative owner community at CU\*Answers was a small one – one state, just a few organizations, a manageable set of teammates. When everyone knows everyone else, it's easy to trust the crowd. It's easy to be confident that giving proxy to a peer to lead is effective and in the best interest of shareholders.

But as cooperatives grow and the community becomes more diverse, it takes new designs, increased effort, and a very visible agenda to encourage that same level of confidence. It is said that in order to get trust you have to give trust. By expanding our governance activities to include a broader range of shareholders, we hope to make it clear that we have an agenda to build and maintain this trust throughout our entire community.

If you would like to participate, take a look at the opportunities presented in this booklet and consider putting your name forward as a candidate. And don't hesitate to challenge us on our commitment to these goals. We work for you.

The CU\*Answers Board of Directors

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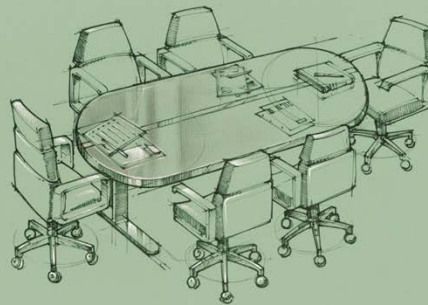
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### CU\*ANSWERS Board Sites

#### Paperless Planning for board meetings

A cost-effective method for your credit unions board members to consolidate and centralize documents and information to be used during meetings.

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# OPPORTUNITIES TO ADD YOUR VOICE TO THE GOVERNANCE OF THE CUSO

## SERVE ON THE CU\*ANSWERS BOARD OF DIRECTORS

An excerpt from the Board Member Handbook:

*"The primary function of the CU\*Answers Board of Directors is to ratify policy, plan CU\*Answers' course, ensure that CU\*Answers maintains its sound financial condition, keep communication open to educate Credit Unions about CU\*Answers initiatives, review the progress of the Chief Executive Officer (CEO) in achieving goals and objectives, and report to owners at the Annual Stockholders Meeting. Another critical function is making decisions related to the distribution of returns to owners."*



CU\*Answers has seven board directors, all of whom are CEOs of CUSO owner credit unions. Directors are elected for a three-year term at the annual Stockholders Meeting held every year in June.

REFER TO THE BOARD MEMBER HANDBOOK FOR COMPLETE DETAILS ON DIRECTOR RESPONSIBILITIES, ANNUAL CALENDAR, AND ATTENDANCE AND ELECTION PROCEDURES.

## BECOME AN ASSOCIATE BOARD DIRECTOR

Participate as a non-voting member in the CU\*Answers boardroom, lending your voice to our governance while helping us build a pool of Board-ready candidates that can take on special assignments or fill vacancies between election cycles.

SEE PAGE 6 FOR MORE DETAILS.

## SERVE ON BOARD COMMITTEES

Participate on one of the standing committees of the CU\*Answers Board of Directors, or serve on special project committees as the need arises.

SEE PAGE 7 FOR MORE DETAILS.

## FILL BOARD SEATS FOR COMPANIES IN WHICH WE HAVE AN EQUITY POSITION

Participate as a voting member of the board of a third-party CUSOs or other company in which CU\*Answers has an equity position and designated board seat(s).

SEE PAGE 10 FOR MORE DETAILS.

**Help Us Build This Program!** 2018 will be the inaugural year for allowing CU professionals to participate in the governance as the CUSO in a capacity other than as an official Board Director. Participants who get in on the ground floor will help the Board flesh out the rules and responsibilities for participants and make sure the program provides value to the CUSO, the Board, and to you as a participant.



# CU\*ANSWERS ASSOCIATE BOARD DIRECTORS

Associate Board Directors participate directly in the CU\*Answers boardroom, providing the CUSO with additional points of view across a broader spectrum of CUSO stakeholders. Although this is a non-voting position, an Associate Director has the opportunity to add their influence to the overall direction of the CUSO. Associate Directors also provide a pool of experienced candidates who can take on special assignments from the Board, or fill vacancies that occur between election cycles. And while serving as an Associate Director in no way implies eventual succession to the CU\*Answers Board of Directors, it will provide valuable experience for eligible leaders who are considering putting their name in the hat in a future Board election.

In 2018, its inaugural year, the Associate Board Director program is targeted to start with two positions. This will bring the total combined number of seats on the CU\*Answers Board of Directors to nine (seven Directors and two Associate Directors). Based on the success of the program, the CU\*Answers Board of Directors reserves the right to adjust the program going forward.

## PRIMARY DUTIES

Other than voting privileges and term of service, Associate Directors are subject to the same calendar and requirements as CU\*Answers Board Directors. **Refer to the current Board Member Handbook for complete details on director responsibilities, annual calendar, and attendance requirements.**

- Associate Directors will be expected to attend board meetings and participate based on the same calendar and agenda as CU\*Answers Board Directors. CU\*Answers will cover all travel and related expenses, according to the Board Member Handbook.
- Associate Directors must review meeting packets and other meeting materials, and must attend and actively participate in regular Board meetings, special meetings and planning sessions. Unlike Board Directors, Associate Directors may not vote on any matters.
- Associate Directors are excluded from executive sessions and closed committee meetings, such as those related to CEO compensation or other sensitive topics, as determined by the Board Chair.

## QUALIFICATIONS TO SERVE

Associate Board Directors are subject to the same requirements as regular Board members, as described in the current Board Member Handbook. In addition, candidates must meet all of the following qualifications:

- Candidates must either be the CEO or equivalent of a current CU\*Answers stockholder credit union.
- For the organization to qualify as a CU\*Answers stockholder, the organization must own stock and have been an active core processing client for at least one year.
- Candidates must agree to abide by rules and responsibilities of a CU\*Answers Board Director as outlined in the Board Member Handbook.
- Candidates must be willing to travel and participate in in-person meetings, conference calls, and special events or other meetings.


## NOMINATION PROCESS

The intent of this program is to maintain an ongoing pool of shareholders that would like the opportunity to serve as an Associate Board Director when seats are available. Qualified candidates should submit their desire to serve to any member of the Board Nominating Committee. Nominations can also be submitted to the CU\*Answers VP of Administration who will pass them along to the committee chairperson.

Nominations can be submitted at any time, independent of the normal Board election calendar. They will be reviewed by the Nominating Committee and presented to the Board for consideration once each year as follows:

- The CU\*Answers Board completes its annual reorganization at its first meeting of the new fiscal year (generally in October).
- The reorganization for Associate Director seats will be completed by the new Board of Directors at the next regular board meeting (generally in November) each year. The new Nominating Committee chairperson will present a slate of candidates, which will include currently seated Associate Directors, and the Board Chairperson will poll the board and make the appointment(s).
- Selected candidate(s) will be notified as soon as possible following that meeting. Associate Director terms will begin at the next regular meeting (usually in January) and will end at the conclusion of the fiscal year.
- Associate Directors can be reappointed annually with no term limits.
- Associate Board Directors will be evaluated annually by the Nominating Committee and the CU\*Answers Board Chair and either party can elect to terminate the relationship at any time.

Should openings come up during the year, the Board Chairperson will make the decision whether to move to fill the seats at the next regular board meeting following the Associate Director's resignation, or to leave the seat(s) open until the next annual reorganization meeting.

The graphic is a promotional banner for the 'Analytics Booth'. The left side features a blue background with white icons representing various data and business concepts: a laptop with a bar chart, a pie chart, a target, a clock, a mail icon, a bar chart, a line graph, a magnifying glass over a pie chart, and dollar signs. The right side has a white background. At the top, there is a blue square icon with a white lightbulb and a document. Below this, the words 'ANALYTICS' and 'BOOTH' are written in large, bold, blue capital letters. Underneath the title, there is a paragraph of text: 'Analytics Booth enables you to understand your credit union better than ever before. You'll never have to say you don't know the latest information happening right now. Your credit union's vitals are at your fingertips.' At the bottom, there is a line of text: 'Visit [cuanswers.com/solutions/asterisk-intelligence/analytics-booth/](https://cuanswers.com/solutions/asterisk-intelligence/analytics-booth/)'.

**ANALYTICS  
BOOTH**

Analytics Booth enables you to understand your credit union better than ever before. You'll never have to say you don't know the latest information happening right now. Your credit union's vitals are at your fingertips.

Visit [cuanswers.com/solutions/asterisk-intelligence/analytics-booth/](https://cuanswers.com/solutions/asterisk-intelligence/analytics-booth/)

# SERVING ON A BOARD COMMITTEE

The CU\*Answers Board of Directors currently has four standing committees, as well as the occasional special committee for projects that come up from time to time. Committee members review topics assigned to them by the Board Chairperson and Committee Chairperson and make recommendations to the Board of Directors for their consideration.

Starting in 2018, the Board will be compiling an approved pool of qualified individuals from our shareholder credit unions to be available to serve on CU\*Answers board committees at the discretion of the Board Chairperson (who sets committees annually) and the Chairperson of the assigned committee (who selects additional committee members).

Standing committees as of 2018:

- **Nominating Committee** – Responsible for the oversight of the annual election procedures and the selection of new Board members to fill unexpired terms.
- **Board Member Handbook Committee** – Responsible for updating the Board Member Handbook on an annual basis.
- **HR Committee** – Responsible for a bi-annual review of the Corporate Officer Contingency Plan and the Officer Travel Policy; a standing resource that the Chair of the Board can solicit for duties as assigned related to HR policies, interactions, and planning.
- **Investment Committee** – Assists the CU\*Answers Board of Directors in carrying out its responsibilities relating to corporate investments, including evaluating potential investment opportunities and commitments, monitoring and analyzing investment activities and the partner relationships, and making recommendations to the Board.

From time to time a special committee might also be appointed to provide leadership and insights for special development projects, to contribute a market-research perspective on a hot topic of the day, or to fill community outreach and ambassador roles for the CUSO and the Board.

And if you are considering participating on the CU\*Answers Board or the filling a seat on a partner CUSO's board, serving on a Board committee will be a great way to get your feet wet and learn about how the CU\*Answers governance process works.

## PRIMARY DUTIES

For standing committees, specific duties are outlined in the current Board Member Handbook. Participants will have voting rights within the committee itself, and the committee then provides recommendations to the CU\*Answers Board of Directors, who is ultimately responsible for any required decisions.

The term of service will depend on the particular committee. Standing committees have an annual term and are reorganized every year during the first regular board meeting of the Board of Directors (usually in October). Special project committees may serve for an even shorter period, according to the needs of the project.



## QUALIFICATIONS TO SERVE

Members of Board committees are subject to all of the rules and requirements as regular Board members, as described in the current Board Member Handbook. In addition, candidates must meet all of the following qualifications:

- Candidates must hold a senior-level leadership position at a CU\*Answers stockholder credit union.
- For the organization to qualify as a CU\*Answers stockholder, the organization must own stock and have been an active core processing client for at least one year.
- Candidates must agree to abide by rules and responsibilities of a board committee member as outlined in the Board Member Handbook or as otherwise specified by the Board Chairperson.
- Candidates must be willing to travel and participate in in-person meetings, conference calls, and special events or other meetings.

## NOMINATION PROCESS

The intent of this program is to maintain an ongoing pool of shareholders that would like the opportunity to serve as needed on board committees. Qualified candidates should submit their desire to serve to any member of the Board Nominating Committee. Nominations can also be submitted to the CU\*Answers VP of Administration who will pass them along to the committee chairperson.

Nominations can be submitted at any time, independent of the normal Board election calendar. They will be reviewed by the Nominating Committee and presented to the Board for consideration once each year as follows:

- During its annual reorganization meeting (October), the Board Chairperson determines which standing committees will be active for the upcoming year. At this time the Board of Directors may also create any additional special committees to function for the upcoming annual. The Board also has the right to discontinue one or more committees at that time.
- The Board Chairperson will determine the appropriate participants for each committee, including how many Board Directors will be included, and how many additional participants, if any, will be appointed to serve. If additional participants are desired, the Board Chairperson will direct the Committee Chair to solicit a volunteer from the pool of qualified candidates.
- Committee terms will begin as of the next scheduled committee meeting and will end at the conclusion of the fiscal year.
- If a non-Board Director committee participant elects to resign during that committee's term, the Committee Chairperson will be responsible for making a recommendation to the Board Chairperson as to whether or not a replacement candidate should be appointed to complete that term.
- Committee members can be reappointed annually with no term limits.

# FILLING SEATS ON OTHER BOARDS

Because of the CUSO's focus on building a network, starting businesses, and creating new entities to serve our communities and the marketplace, CU\*Answers often invests in firms where we are granted seats on their governing board. In some cases, the CU\*Answers Board of Directors may choose to assign leaders from other shareholders willing to represent our interests on the boards of these firms. Starting in 2018 CU\*Answers hopes to begin identifying a pool of qualified candidates (willing volunteers) that would enjoy representing the CUSO's interests by filling these board seats.

## WHY THERE ARE BOARD SEATS TO FILL

In order to ensure that credit union and CUSO interests are part of the makeup of a third-party firm in which we have an equity position, we often negotiate for one or more seats on their governance board. To date those seats have been filled either by having the CU\*Answers CEO assign a CU\*Answers Management Team leader, or by nominating and voting for a CU\*Answers Board Director to serve. For example, the current COO serves as a director on the CU\*NorthWest board, and a current CU\*Answers Board Director serves as a director on the Xtend board. These positions are reviewed annually.

As we have more and more opportunities to expand our influence and investment holdings, we will need more peers to be available for these opportunities. Therefore, this new program is designed to expand our approach to allow CU\*Answers to assign representatives of our qualified shareholders to serve on these boards as well.

It will still require a special circumstance for us to actually execute on this new strategy. Third parties need to agree to the appointment. For example: Bret Weekes has multiple board seats on the eDOC board, as does CU\*Answers. eDOC allows its owners to assign these seats as they see fit. Currently, CU\*Answers fills all three of its available seats with members of the CU\*Answers Executive Management Team, but in the future we might choose to have one executive, one current CU\*Answers Board Director, and one qualified shareholder to serve. But should we ever want to execute on this strategy, we first will need a pool of willing volunteers.

## QUALIFICATIONS TO SERVE

Individuals chosen to represent CU\*Answers on other boards are subject to all of the rules and requirements as the organization's regular Board members, as described in the published board member guidelines for that entity. Candidates should also review the Board Checklists chapter of the handbook entitled, "**Fundamentals for Your Board of Directors.**" This checklist includes recommendations such as carrying adequate insurance, understanding compliance responsibilities, and other tips for ensuring you are prepared to serve on a governing board. (*Contact the CU\*Answers VP of Administration for a current copy of this handbook.*)

Candidates must meet all of the following qualifications:

- Candidates must either be the CEO or equivalent of a current CU\*Answers stockholder credit union, or an executive who formerly held the title of CEO who is still employed by a CU\*Answers stockholder credit union.
- For the organization to qualify as a CU\*Answers stockholder, the organization must own stock and have been an active core processing client for at least one year.

- Candidates must agree to abide by rules and responsibilities of a board director as outlined in the published board member guidelines for that particular organization.
- Candidates must be willing to travel and participate in in-person meetings, conference calls, and special events or other meetings.

## NOMINATION PROCESS

The intent of this program is to maintain an ongoing pool of shareholders that would like the opportunity to serve as needed. Qualified candidates should submit their desire to serve to any member of the Board Nominating Committee. Nominations can also be submitted to the CU\*Answers VP of Administration who will pass them along to the committee chairperson.

Nominations can be submitted at any time, independent of the normal Board election calendar. They will be reviewed by the Nominating Committee and presented to the Board for consideration once each year as follows:

- During its annual reorganization meeting (October), the CU\*Answers Board of Directors will select candidates to fill open board seats at various equity partners.
- Selected candidate(s) will be notified by the Board Chairperson as soon as possible following that meeting. The service term will begin as of the next scheduled meeting for that board and will end at the conclusion of the fiscal year. If a participant elects to resign during that term, the CU\*Answers Board Chairperson will be responsible for appointing a replacement candidate to complete that term.
- Representatives can be reappointed annually with no term limits.





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