



State of Washington  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CREDIT UNIONS

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Interpretive Letter

Division of Credit Unions Interpretive Letter I-15-03

DATE: June 12, 2015

TO: Washington State Credit Unions

FROM: Linda Jekel, Director  
Division of Credit Unions

RE: A Director Emeritus is not Eligible for Compensation, Except for Expense Reimbursements

This letter replaces DCU Interpretive Letter I-11-01.

A Washington State chartered credit union (WSCCU) asked for reconsideration of permitting a director emeritus to be reimbursed for travel or training expenses. I have no objection to a WSCCU reimbursing a director emeritus if the individual provides services that are established by the board and that go beyond merely serving in an honorary capacity. This would include reimbursement for training and travel expenses that are appropriate to the service being provided. However, I do not believe a director emeritus is eligible to receive 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 Addendum.

**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 31.12.065(1)(d) requires the bylaws to designate the number of directors and the length of terms they serve. A WSCCU should amend its 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.

RCW 31.12.365 authorizes compensation to elected directors and supervisory committee members for the performance of their duties. A director emeritus is not a board director position, and therefore, does not qualify reasonable compensation, nor does it qualify for insurance benefits.

The Washington Credit Union Act also authorizes additional powers of a federal chartered credit union as of July 24, 2015<sup>1</sup>, also known as federal parity<sup>2</sup>. I looked to the Federal Credit Union Act<sup>3</sup> and opinion letters<sup>4</sup> previously published by the National Credit Union Administration (NCUA). NCUA published an opinion letter dated March 11, 2011 pertaining to volunteer members of non-voting, advisory committees, such as emeritus or associate directors, who provide services that are established by the board and go beyond merely serving in an honorary capacity would be eligible for training and training-related expenses that are appropriate to the service being provided. The NCUA opinion also states “any member of any volunteer committee established by the board and expressly authorize payment” (by reimbursement to an official or direct credit union payment to a third party) “for reasonable and proper costs incurred by an official in carrying out the responsibilities of the position to which that person has been elected or appointed, if the payment is determined by the board of directors to be necessary or appropriate to carry out the official business of the credit union, and is in accordance with the written policies and procedures, including documentation requirements, established by the board of directors.”

### **Conclusion**

I have no objection to a Washington State chartered credit union amending its bylaws to appoint a former director as a “director emeritus.” However, a bylaw amendment must be made 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. Additionally, the director emeritus is not eligible for insurance benefits but may be reimbursed for training and travel expenses if the individual provides services that are established by the board and that go beyond merely serving in an honorary capacity.

### **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 given to the credit union.

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

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<sup>1</sup> The federal parity date will change from July 22, 2001 to July 24, 2015 when Senate Bill 5300 (Chapter 224, Laws of 2015) becomes effective on July 24, 2015.

<sup>2</sup> 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>

<sup>3</sup> [http://www.ncua.gov/Resources/RegulationsOpinionsLaws/fcu\\_act/fcu\\_act.pdf](http://www.ncua.gov/Resources/RegulationsOpinionsLaws/fcu_act/fcu_act.pdf)

<sup>4</sup> NCUA Opinion Letter 03-1029R and 06-0337R

Sincerely,

A handwritten signature in black ink that reads "Linda Jekel". The signature is written in a cursive, flowing style.

Linda K. Jekel  
Director of Credit Unions

Enclosure: Addendum

## **Addendum**

A Washington State chartered credit union (WSCCU) 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 dictionary<sup>5</sup> 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 article<sup>6</sup>:

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; and
- If they are otherwise distinguished, having them on the stationery and in your annual report and publicity material.

The disadvantages include:

- 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; and
- 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?

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<sup>5</sup> “Emeritus”, *The Webster’s II Dictionary, New Riverside University Dictionary*, (1984).

<sup>6</sup> “Why Have a Director Emeritus?”, *Governance Matters To Nonprofits That Protect Our Environment*, [http://www.governancematters.org/index.cfm?organization\\_id=56&section\\_id=1117&page\\_id=7635](http://www.governancematters.org/index.cfm?organization_id=56&section_id=1117&page_id=7635)

Another article advises if a board of directors contemplates having more than one director emeritus position at a time, e.g. an emeritus board, the board of directors should decide on the following before establishing an emeritus designation<sup>7</sup>:

- 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-15-03 for my analysis and conclusion.



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<sup>7</sup> "Emeritus Board-How To", Governance Matters To Nonprofits That Protect Our Environment, [http://www.governancematters.org/index.cfm?organization\\_id=56&section\\_id=1117&page\\_id=7954](http://www.governancematters.org/index.cfm?organization_id=56&section_id=1117&page_id=7954)