

WAC 208-400-010 Reasonable compensation. (1) **Authority to compensate directors and supervisory committee members.** Subject to the provisions of this section, a credit union may pay compensation to its directors and supervisory committee members for their service as directors and supervisory committee members that is reasonable in accordance with subsection (4) of this section.

(2) **"Compensation."**

(a) As used in this section, "compensation" means anything of value that is both:

(i) Given to a director or supervisory committee member in exchange for services performed as a director or supervisory committee member; and

(ii) Required to be reported to the Internal Revenue Service as income.

(b) For purposes of this section, the term "compensation" excludes:

(i) Any advancement to or reimbursement to a director or supervisory committee member, or direct disbursement to a third party of reasonable expenses associated with credit union business-related travel of a director or supervisory committee member;

(ii) Payment of reasonable expenses associated with credit union business-related travel for one guest per director or supervisory committee member;

(iii) Payment for insurance coverage of a director or supervisory committee member, available to employees generally;

(iv) Payment of indemnification to a director or supervisory committee member and liability insurance coverage for directors and supervisory committee members; and

(v) Gifts to a director or supervisory committee member of minimal value.

(3) **Controls review.** A credit union shall implement and maintain appropriate controls to ensure that compensation is reasonable and that such compensation does not lead to material financial loss to the credit union. Such controls shall include, without limitation, the following:

(a) Prior to its initial determination to pay compensation to directors or supervisory committee members, or to increase any such payments, a credit union's board of directors shall in good faith review all policies related to compensation, and shall review the amount of compensation provided to the directors and supervisory committee members.

(b) The review set forth in (a) of this subsection must:

(i) Contain a written determination that compensation paid to the directors and supervisory committee members is reasonable, including a discussion of the factors considered in making such determination; and

(ii) Be included as part of the minutes of the meeting at which matters relating to compensation were deliberated and voted upon by the credit union's board of directors.

(4) **When compensation is reasonable.** Compensation is reasonable if it meets all of the following criteria:

(a) It is proportional to the services provided by the director or supervisory committee member;

(b) It is reasonable considering the financial condition of the credit union; and

(c) It is comparable to compensation paid by comparable organizations of a similar size, location, and operational complexity.

(5) **Disclosure to credit union membership.**

(a) A credit union shall annually disclose to credit union members prior to its annual membership meeting the compensation provided to directors and supervisory committee members in the prior calendar year and as scheduled for the current calendar year.

(b) The disclosure to a credit union's members:

(i) Shall be in writing and conspicuously set apart from other information provided to members;

(ii) Shall include the names of all the directors and supervisory committee members receiving compensation and the amount of compensation paid to each in the prior calendar year;

(iii) Shall include the schedule for compensation to be paid to directors and supervisory committee members in the current calendar year; and

(iv) Shall be included in the notice of the annual meeting of the members, a separate mailing to members, a periodic statement of account to members, a periodic publication of the credit union to members, posted electronically on a credit union's website, or through some other email publication to members.

(6) Notice to director.

(a) A credit union shall provide written notice to the director of credit unions of its intent to adopt a policy to compensate directors or supervisory committee members at least sixty days before adopting such policy.

(b) In providing notice to the director of credit unions, a credit union shall provide any additional information as required by the director of credit unions.

(7) Enforcement authority of director, prohibition.

(a) The director may prohibit or otherwise limit or restrict the payment of compensation to directors or supervisory committee members if, in the opinion of the director, the payment of compensation has or is likely to have a materially adverse effect on the credit union.

(b) The director may also prohibit or limit compensation if a credit union fails to comply with this rule.

[Statutory Authority: RCW 31.12.365 and 2013 c 34. WSR 14-03-132, § 208-400-010, filed 1/22/14, effective 2/22/14.]