

**RULES COMMITTEE
MEETING MINUTES
FEBRUARY 20, 2014**

A. CALL TO ORDER – Chairman Rob Kyker called the meeting to order at 2:00 p.m. in the boardroom of the Texas Higher Education Coordinating Board, Austin, Texas pursuant to Chapter 551 of the Government Code. Other members present included Sherri Merket, Kay Stewart, John Yoggerst, and ex-officio member Manny Cavazos. Missy Morrow was absent due to a scheduling conflict. Commission Members Gary Tuma, Vik Vad, and Gary Janacek also attended the meeting but did not participate in the deliberations of the Committee. Assistant Attorney General Jim Crowson was also in attendance. Staff members in attendance were Harold E. Feeney, Commissioner and Stacey McLarty, Assistant Commissioner and General Counsel. Chairman Kyker appointed Isabel Velasquez as recording secretary. The Chair also inquired and the Commissioner confirmed that the notice of the meeting was properly posted (**February 11, 2014, TRD#2014001044**).

- **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Chairman Kyker invited public input on matters regarding rulemaking for future consideration by the committee. There was none.

B. RECEIVE MINUTES OF PREVIOUS MEETING (June 14, 2012)

Ms. Merket moved to accept the minutes of the June 14, 2012 meeting as presented. Mr. Yoggerst seconded the motion, and the motion was unanimously adopted.

C. NEW BUSINESS

(a) **Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Adopt the Proposed Amendments to 7 TAC Section 91.401.** Commissioner Feeney noted that the Commission had previously approved for publication and comment the proposed amendments to Rule 91.401. He reported that no comments were received during the comment period regarding the proposed amendments.

After a short discussion, Ms. Stewart moved to recommend that the Commission adopt the proposed amendments to **7 TAC Section 91.401** as previously published in the *Texas Register*. Ms. Merket seconded the motion and the motion was unanimously adopted.

(b) **Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Adopt the Proposed Amendments to 7 TAC Section 91.405.** Commissioner Feeney noted that the Commission had previously approved for publication and comment the proposed amendments to Rule 91.405. He reported that no comments were received during the comment period regarding the proposed amendments.

After a short discussion, Ms. Stewart moved to recommend that the Commission adopt the proposed amendments to **7 TAC Section 91.405** as previously published in the *Texas Register*. Ms. Merket seconded the motion and the motion was unanimously adopted.

(c) **Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Repeal 7 TAC Part 6, Chapter 91, Subchapter K.** Commissioner Feeney noted that the Commission had previously approved for publication and comment the proposed repeal of 7 TAC Part 6, Chapter 91,

Subchapter K in its entirety. He reported that no comments were received during the comment period regarding the proposed repeal of these rules.

After a short discussion, Ms. Merket moved to recommend that the Commission repeal **7 TAC Part 6, Chapter 91, Subchapter K** as previously published in the *Texas Register*. Ms. Stewart seconded the motion and the motion was unanimously adopted.

(d) Discussion, Consideration, and Possible Vote to Recommend that the Credit Union Commission Readopt 7 TAC Part 6, Chapter 93. Commissioner Feeney noted that as required by Section 2001.39 of the Government Code and the Commission's Rule Review Plan, staff reviewed all of the rules within 7 TAC Part 6, Chapter 93 in its entirety. He explained that staff believes that the reasons for adopting these rules continue to exist and that no changes should be made at this time. He further noted that no comments were received during the review period.

After a brief discussion, Mr. Yoggerst moved to recommend that the Commission find that the reasons for adopting the rules contained in **7 TAC Part 6, Chapter 93** continue to exist and that all of the rules be readopted without change. Ms. Merket seconded the motion and the motion was unanimously adopted.

(e) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.501 Concerning Director Eligibility and Disqualification. Commissioner Feeney indicated that given the significant changes in regulations and corporate governance, continuing education programs are important components of board effectiveness. He noted that these programs can help directors further understand their roles and develop the technical knowledge needed to discharge their responsibilities effectively. Accordingly, staff is proposing to clarify that the credit union's policy should include a requirement that credit unions annually plan to provide continuing education for their directors. Mr. Feeney pointed out that it is not the intent of this proposal to increase examiner scrutiny of the skills of individual directors. Rather, examiners will evaluate whether the credit union has a plan in place to make available training to enhance the knowledge of its directors.

Mr. Yoggerst inquired about the availability and affordability of continuing education courses for the smaller credit union directors. Mr. Feeney noted that the trade associations, both on the state and national level, provide a number of educational opportunities for directors. He further explained that the Cornerstone Credit Union League is sympathetic to the impact that training cost can have on smaller institutions and it provides scholarships and offers various low-cost opportunities for smaller credit unions to get the needed training.

Ms. Merket inquired about the number of training hours each director would be required to complete each year. Commissioner Feeney noted that the proposal does not prescribe a specific amount of training. The proposal allows the credit union to tailor the annual plans to the individual needs of each director and the operations of the credit union.

Chairman Kyker recognized a number of credit union representatives who were present to speak on this proposal.

John Lederer – President, Credit Union of Texas. Mr. Lederer expressed support for the idea of continuing education for directors. He explained that several years ago Credit Union of Texas implemented a continuing education plan, which requires each director to complete 9 clock hours of training every year. He further indicated that the credit union’s board of directors believes in continuing education and is supportive of the proposal.

Ed Zingleman – Board Member, Texas Dow Employees Credit Union. Mr. Zingleman indicated that Texas Dow Employees Credit Union has also implement a director’s continuing education program and there really is no need to specify in the rule a specific number of training hours that must be completed each year.

After a lengthy discussion, Ms. Merket moved to recommend that the Commission approve for publication and comment the proposed amendments to **7 TAC Section 91.501** concerning director eligibility and disqualification. Ms. Stewart seconded the motion and the motion was unanimously adopted.

(f) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.502 Concerning Director/Committee Member Fees, Insurance, Reimbursable Expenses, and Other Authorized Expenditures. Commissioner Feeney indicated that the Texas Finance Code specifically provides that a person may not receive compensation for serving as a director of a credit union. The statute does allow credit unions to pay director fees as authorized by the Commission. He explained that the Commission promulgated

Rule 91.502, which authorizes the payment of reasonable fees for directors and/or committee members attending duly called meetings. Mr. Feeney reported that few credit unions have actually exercised this authority; however, over the years the amount of the fees being paid has escalated raising the question of whether the fees are, in fact, reasonable. Mr. Feeney suggested that the decision regarding the appropriate amount of a fee should be left to each board in the context of the circumstances of their credit union. However, the decision to pay these fees should be transparent and based on principles that ensure fairness, reasonableness, and accountability. Accordingly, the proposal emphasizes disclosure rather than imposing limits or ceilings on the amount of the fees. He further explained that the proposal also eliminates the requirement for advance notice regarding the payment of fees and replaces it with specific enforcement power to limit or restrict the payment of fees if circumstances warrant.

After a short discussion, Ms. Merket moved to recommend that the Commission approve for publication and comment the proposed amendments to **7 TAC Section 91.502** concerning director eligibility and disqualification. Mr. Yoggerst seconded the motion and the motion was unanimously adopted.

Chairman Kyker designated Sherri Merket to serve as the presiding officer (Vice Chair) of the Rules Committee in the Chair's absence or inability.

Chairman Kyker reminded everyone that the next regular meeting of the Committee has been tentatively scheduled for June 19, 2014, at 2:00 p.m., in Austin.

ADJOURNMENT -- There being no other items to come before the Committee, and without objection, the meeting was adjourned at 2:38 p.m.

Rob Kyker
Chairman

Isabel Velasquez
Recording Secretary

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