

Senate Commerce Committee

Aaron Jones 271-2609

SB 25, allowing credit union members to pay members of the board of directors for their services as a board member.

Hearing Date: January 14, 2025

Time Opened: 10:02 a.m.

Time Closed: 10:19 a.m.

Members of the Committee Present: Senators Innis, Murphy, McGough, Fenton and Reardon

Members of the Committee Absent : Senator Ricciardi

Bill Analysis: This bill allows credit union members to pay members of the board of directors for their services as a board member.

Sponsors:
Sen. Innis

Who supports the bill: Senator Daniel Innis, Ron McLean (Cooperative Credit Union Association), Scott MacKnight (Triangle Credit Union)

Who opposes the bill: No one

Who is neutral on the bill: Emelia Galdieri (NH Banking Department)

Summary of testimony presented in support:

Senator Daniel Innis

- This bill was filed on behalf of the Credit Union Association and credit unions throughout the state.
- New Hampshire is home to the nation's first credit union, St. Mary's Bank, which was founded in 1909.
- Sixteen other states allow the membership of state chartered credit unions to vote to allow compensation of board members.
- Board members bring expertise, and they are responsible for compliance and governance.
- Presently, board members are not compensated for their service. If they were compensated, Senator Innis said it would help to attract quality candidates and it would improve the overall performance of credit unions.
- This bill would not force credit unions to compensate their board members.

Ron McLean, President and CEO, Cooperative Credit Union Association

- In New Hampshire, there are over 800,000 credit union members and they contribute \$1.1 billion to the state's economy.
- This bill would recognize the time commitment, responsibilities, and expertise required of board members.
- This bill would be purely enabling, and it would empower credit unions to decide democratically for themselves on what is in the best interest of their members.
- Compensation would be modest compared to the fees given to directors of commercial banks.
- Mr. McLean said fair compensation would ensure credit unions could attract and retain talented leaders that are able to navigate the complexities of today's increasingly competitive financial landscape.
- Other associations have been advocating on this issue across the country. Washington and Tennessee were the most recent to adopt similar legislation. Notably, Mr. McLean said all 9 state chartered credit unions in Rhode Island offer compensation to their board members.

Scott MacKnight, CEO, Triangle Credit Union

- As financial institutions have grown increasingly complex, the expectations of board members have expanded significantly.
- Board members are responsible for ensuring regulatory compliance, safeguarding governance standards, and upholding fiduciary duties.
- To ensure the safety and soundness of financial institutions, board members require an understanding of the financial system and risk management.
- Mr. MacKnight said compensation has proven to be an effective means of attracting qualified candidates from specialized professions. In addition, it would increase accountability with an expectation of high performance and an engagement in responsible governance.
- Mr. MacKnight said his board is comprised of 9 members that include executives, business owners, and professionals.
 - To fulfill regulatory compliance, Mr. MacKnight created 7 separate committees that perform a deep dive into certain specialty areas.
 - For example, the HR Committee has discussions on benefits and labor laws being passed, so it is important to have a board member on it who understands it.
- Compensation could take various forms, including monetary payments, committee fees, or health insurance. It would not include reimbursement for travel, conference fees, or equipment.
- Reimbursements could include babysitting services while a director is engaged in business or reimbursement for vacation time used to attend special meetings.
- Mr. MacKnight said these distinctions are made to maintain transparency as well as ensure compensation is focused on the direct responsibilities of directors.

- This bill would help to ensure the long-term success and stability of state chartered credit unions.
- **Senator Innis** asked where Triangle Credit Union was located.
 - **Mr. MacKnight** said their headquarters is in Nashua; however, they serve communities in southern New Hampshire and northern Massachusetts.
- **Senator Fenton** said it seemed like a nightmare to pay board members because there could be board metrics or board members fixing others pay from time to time at the annual meeting. He said he would be concerned, especially if they are going through tough financial times.
 - **Mr. MacKnight** replied that board members are elected by the members themselves. As stewards of the credit union, they are held responsible and accountable to the membership.
- **Senator Fenton** asked if board member pay would be publicly disclosed.
 - **Mr. MacKnight** said it would not be a large amount. He would like to get younger individuals involved, which would make babysitting a reasonable reimbursement. Compensation helps to reward or acknowledge that board members have value, especially when members can serve between 4 and 7 hours in a month.
 - **Mr. McLean** stated that every state chartered credit union must file a Form 990, which is public information.
- **Senator Fenton** asked what would happen if they had to downsize, and the board was in charge of paying itself.
 - **Mr. MacKnight** said they would likely pay between \$50 and \$60 for a committee meeting; however, the president would recommend what would be voted on. Since they must file a Form 990, information will be accessible at the annual meeting, which helps to serve as a check and balance.
 - **Mr. McLean** said as a member owned cooperative, every member has one vote. If they are not pleased, they can vote the board out.
- **Senator Innis** did not believe boards would behave any differently than any other corporate board.
 - **Mr. MacKnight** stated that was correct.

Summary of testimony presented in opposition: None

Neutral Information Presented: None