

**CREDIT UNION COMMISSION
MEETING MINUTES
OCTOBER 16, 2015**

A. CALL TO ORDER - ASCERTAIN A QUORUM – Vice Chairwoman Allyson “Missy” Morrow declared that a quorum was present and called the meeting to order at 8:05 a.m. in the conference room of the Credit Union Department office, Austin, Texas, pursuant to Chapter 551 of the Government Code. Other members present included Beckie Stockstill Cobb, Yusuf Farran, Steven “Steve” Gilman, Sherri Merket, Kay Stewart, Gary Tuma, and Vik Vad. Chairman Manuel “Manny” Cavazos was absent due to illness. Assistant Attorney General Zindia Thomas was in attendance to serve as legal counsel. Representing the Department staff were Harold E. Feeney, Commissioner, and Shari Shivers, Assistant Commissioner and General Counsel. Vice Chairwoman Morrow appointed Isabel Velasquez as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted **(October 5, 2015, TRD#2015006767)**.

❖ **INVITATION FOR PUBLIC INPUT FOR FUTURE CONSIDERATION** – Vice Chairwoman Morrow invited public input on matters that were not scheduled items on today’s agenda for possible future consideration by the Commission. No public comments were received.

❖ **RECEIVE REQUESTS AND MOTIONS FOR EXCUSED ABSENCES** – Vice Chairwoman Morrow inquired if there were any requests or motions to excuse an absence. Mr. Vad moved to excuse Chairman Manuel “Manny” Cavazos from the Commission meeting on October 16, 2015. Mrs. Merket seconded the motion, and the motion was unanimously adopted.

B. RECEIVE MINUTES OF PREVIOUS MEETING (August 12, 2015).
The Vice Chairwoman referred the members to the draft minutes contained in the

agenda packet. Mr. Gilman moved for approval of the minutes of August 12, 2015 as presented. Mrs. Stewart seconded the motion, and the motion was unanimously adopted.

C. COMMUNICATIONS

The Vice Chairwoman referred members to the correspondence contained in the agenda packet. Commissioner Feeney recognized the hard work that staff has done on the Continuity of Operation Plan and reported that the Office of Risk Management indicated that the Department has successfully met the initial standards. Mr. Feeney also reported that as required by Rule 97.113, formal notification is given that he has waived the operating fee for the two credit unions that are in process of liquidation.

D. COMMITTEE REPORTS

Rules Advisory Committee -- Mr. Vad, Rules Committee Chairman, reported on the Committee's public meeting held on October 15, 2015. He explained that the Committee had adopted ten recommendations for consideration by the Commission and after describing each recommendation he planned to make one motion to adopt the recommendations in their entirety.

(1) Discussion of and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.401 Concerning Purchase, Lease, or Sale of Fixed Assets. Mr. Vad noted that it was the Committee's recommendation that the Commission adopt the proposed amendments to 7 TAC Section 91.401 as previously published.

(2) Discussion of and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.802 Concerning Other Investments. Mr. Vad noted that it was the Committee's recommendation that the Commission adopt the proposed amendments to 7 TAC Section 91.802 as previously published.

(3) Discussion of and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.803 Concerning Investment Limits and Prohibitions. Mr. Vad noted that it was the recommendation of the Committee that the Commission adopt the proposed amendments with one non-substantive change to the proposed amendments to 7 TAC Section 91.803 that were previously published.

(4) Discussion of and Possible Vote to Adopt the Proposed Amendments to 7 TAC Section 91.805 Concerning Loan Participation Investments. Mr. Vad noted that it was the recommendation of the Committee that the Commission adopt the proposed amendments to 7 TAC Section 91.805 as previously published.

(5) Discussion of and Possible Vote to adopt 7 the Proposed Amendments to TAC Section 91.901 Concerning Reserve Requirements. Mr. Vad noted that it was the recommendation of the Committee that the Commission adopt the proposed amendments to 7 TAC Section 91.901 as previously published.

(6) Discussion of and Possible Vote to adopt the Proposed New Subchapter K of 7 TAC Chapter 91 Concerning Credit Union Development Districts. Mr. Vad noted that it was the recommendation of the Committee that the Commission adopt the proposed new Subchapter K of 7 TAC Chapter 91 as previously published.

(7) Discussion of and Possible Vote to adopt 7 the Proposed New 7 TAC Section 97.206 Concerning Posting of Certain Contracts and Enhanced Contract and Performance Monitoring. Mr. Vad noted that it was the recommendation of the Committee that the Commission adopt the proposed new 7 TAC Section 97.206 as previously published.

(8) Discussion of and Possible Vote to Readopt 7 TAC Part 6, Chapter 91, Subchapter O (Relating to Trust Powers) in its entirety. Mr. Vad noted it was the recommendation of the Committee that the Commission find the reasons for initially adopting the Rules 91.6001 (Fiduciary Duties), 91.6002

(Fiduciary Capacities), 91.6003 (Notice Requirements), 91.6004 (Exercise of Fiduciary Powers), 91.6005 (Exemption from Notice), 91.6006 (Policies and Procedures), 91.6007 (Review of Fiduciary Accounts), 91.6008 (Recordkeeping), 91.6009 (Audit), 91.6010 (Custody of Fiduciary Assets), 91.6011 (Trust Funds), 91.6012 (Compensation, Gifts, and Bequests), 91.6013 (Bond Coverage), 91.6014 (Errors and Omissions Insurance), and 91.6015 (Litigation File) continue to exist and that these rules be readopted without change.

(9) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.101 Concerning Definitions and Interpretations. Mr. Vad noted that it was the Committee's recommendation that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.101.

(10) Discussion of and Possible Vote to Recommend that the Credit Union Commission Approve for Publication and Comment the Proposed Amendments to 7 TAC Section 91.301 Concerning Field of Membership. Mr. Vad noted that it was the Committee's recommendation that the Commission approve for publication and comment the proposed amendments to 7 TAC Section 91.301.

Mr. Vad then made a motion on behalf of the Rules Committee that the Commission adopt the Committee's ten delineated recommendations. A second was not needed and the motion passed unanimously.

(b) Commissioner Evaluation Committee – Chair Merket reported on the Committee's public meeting held on October 15, 2015. She explained that the Committee had adopted three recommendations:

(1) Discussion, Consideration and Possible Vote to Recommend that the Credit Union Commission Approve the Proposed Modifications to the Commissioner's FY 2016 Performance Evaluation Form and Associated

Performance Measures. Mrs. Merket indicated that the Committee recommends that the Commission adopt the revised Commissioner's FY 2016 evaluation form and associated performance measures. Coming upon a recommendation from the Commissioner Evaluation Committee, no second was needed, and the motion was passed unanimously.

(2) Discussion, Consideration and Possible Vote to Recommend that the Credit Union Commission Delegate Authority to the Commissioner to Establish an Annual Regular Meeting Schedule for the Commission that will meet Statutory Requirements and Allow the Commission to Function Efficiently. Mrs. Merket noted that to fully implement the new evaluation procedures, a revision to the Commission's regular meeting schedule was necessary. Mrs. Merket reported that the Committee recommends that the Commission delegate to the Commissioner the authority to annually establish a meeting schedule for the Commission that meets statutory requirements and allows the Commission to function efficiently. Coming upon a recommendation from the Commissioner Evaluation Committee, no second was needed and the motion passed unanimously. After future discussion, it was the consensus of the Commission that future meetings should start at 9:00 a.m. Commissioner Feeney indicated that a tentative 2016 schedule would include meetings on March 4, July 8, and November 4.

(3) Discussion, Consideration and Possible Vote to Recommend that the Credit Union Commission the Proposed FY 2015 Performance Evaluation and FY 2016 Remuneration for the Commissioner. Mrs. Merket noted that the Committee has developed a proposed performance evaluation for the Commissioner and the Commission will have an opportunity, in Executive Session, to edit or revise the proposal prior to presenting the FY 2015 evaluation to the Commissioner.

E. UNFINISHED BUSINESS

(a) Discussion and Consideration of the Department's FY 2015 Financial Performance and the FY 2016 Budget. Commissioner Feeney reported that for FY 2015 total revenues were \$3,502,415, which is \$15,013 more than the budgeted amount. He noted that during the same period, \$3,066,134 was spent operating the Department, which is \$437,000 under budget. He noted that Phase II of the electronic document management system was not completed so some of the funds obligated in FY 2015 will actually be spent in the current fiscal year and we may also have to revisit the FY 2016 budget to accommodate some additional expenses associated with the electronic document repository.

Commissioner Feeney reported that for the first month of FY 2016, revenues of \$1,938,194 had been collected, which is the exact YTD budgeted amount. He further indicated that \$251,076 was spent operating the Department. Mr. Feeney reminded the Commission that because of the State's prompt payment law, the Department is not allowed to pay most bills until 30 days after the due date so several expenses are not reflected in the September budget numbers but will appear in the October statement. After a brief discussion, no formal action was taken by the Commission.

(b) Discussion and Consideration of Current Status of the Financial Services Market and the Effect on Credit Unions Regulated by the Department. Commissioner Feeney indicated that since Deputy Commissioner Baxter was unable to attend the meeting, he planned to briefly summarize the information in the agenda packet. He noted that while there are a small number of credit unions experiencing a combination of financial and operational challenges, overall Texas state credit union system's performance in FY 2015 had favorable results and, in general, were in line with the current economic conditions. Further, he explained that monetary policy continues to compress the interest margins and many credit unions are looking for ways to supplement their earnings by turning to longer term investments which subjects them to additional interest rate risk. He

also noted that cyber intrusions continues to advance and it is imperative that credit unions improve their cyber risk analysis in order to overcome and manage these threats. Commissioner Feeney indicated that credit unions will be required to improve their cyber security and the Department needs to provide training for its staff to assist credit unions with these threats. He further indicated that the Department will start reviewing credit unions internal cyber risk assessments during each examination starting somewhere around the middle of calendar year 2016.

After a brief discussion, no formal action was taken by the Commission.

F. NEW BUSINESS

(a) Discussion, Consideration, and Possible Vote to Readopt the Department's Equal Employment and Workforce Diversity Plan. Commissioner Feeney noted that Section 15.313, Finance Code, requires the Commission to prepare and maintain a written policy statement to assure implementation of a program of equal employment opportunity. He indicated the Commission originally approved the Plan back in 1997 and that the Plan covers a 12-month period, and therefore, must be ratified annually.

After a brief discussion, Mrs. Merket moved that the Commission adopt the revised Department's Equal Employment and Workforce Diversity Plan as recommended by Staff. Mrs. Stewart seconded the motion and the motion was unanimously adopted.

G EXECUTIVE SESSION—Mrs. Morrow stated that the Commission would be entering into Executive Session as provided under Section 551.074 of the Government Code, for the purpose of discussing certain personnel issues related to the Commissioner's Annual Performance Evaluation and FY 2016 Remuneration.

The Commission entered into Executive Session at 8:35 a.m. and reconvened in open session at 9:13 a.m.

Vice Chairwoman Morrow noted that no final action, decision, or vote on matters deliberated during the Executive Session was made by the members.

H. OTHER BUSINESS Vote on Matters Discussed in Executive Session:

(a) Discussion and Possible Vote to Adjust the Commissioner's FY 2016 Remuneration. Mrs. Merket made a motion that Commissioner Feeney's salary be increased to \$185,375. Mrs. Stewart seconded the motion and the motion passed with seven votes in favor, and Commission Member Vik Vad voting no.

(b) Next Commission Meeting – Vice Chairwoman Morrow reminded everyone that the next regular meeting of the Commission has been tentatively scheduled for March 4, 2016 at 9:00 a.m. in Austin.

ADJOURNMENT – There being no further business for the Credit Union Commission, Vice Chairwoman Morrow adjourned the meeting at 9:14 a.m.

Manuel "Manny" Cavazos
Chair

Isabel Velasquez
Recording Secretary

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