

Filene Research Institute 

CORPORATE GOVERNANCE IN CREDIT UNIONS: COMPARISONS & BEST PRACTICES

CCUL 2025

WELCOME

TODAY'S AGENDA

1. The Shifting Landscape
2. Why Governance?
3. BOD: Terms, Term Limits & Leadership
4. BOD: Composition, Assessment & Development
5. Break
6. CEO Evaluation, Compensation & Succession
7. Meetings: Format, Agenda, Executive Sessions
8. Summary/Wrap-Up



CHRISTIE KIMBELL

Executive Vice President

Filene Research Institute

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THE SHIFTING LANDSCAPE

CURRENT STATE...

New FTC Data Show a Big Jump in Reported Losses to Fraud to \$12.5 Billion in 2024

Consumers reported losing the most to investment scams at \$5.7 billion

March 10, 2025 | [f](#) [X](#) [in](#)



PRESIDENTIAL ACTIONS

ESTABLISHMENT OF THE STRATEGIC BITCOIN RESERVE AND UNITED STATES DIGITAL ASSET STOCKPILE

The White House | March 6, 2025

Google's Quantum Chip Can Do in 5 Minutes What Would Take Other Computers 10 Septillion Years

Google makes a quantum leap that suggests we may live in a multiverse.



By Kate Irwin Updated December 10, 2024 [@](#) [T](#) [i](#) [...](#)

Financial Health Pulse 2024: 70% of Americans Remain Financially Unhealthy as Day-to-Day Financial Health Weakens, Middle Income Households Hit Especially Hard

Major disaster in the US declared every four days in 2024, IIED analysis shows

The United States experienced a near record number of climate-related disasters last year, prompting FEMA to declare 90 major disasters - nearly double the annual average.

News, 25 March 2025



Percentage of Foreign-Born Residents in US Hits Highest Level Since 1910

Published Sep 12, 2024 at 12:50 PM EDT Updated Sep 12, 2024 at 9:53 PM EDT

FINANCE

JPMorgan Chase is giving its employees an AI assistant powered by ChatGPT maker OpenAI

PUBLISHED FRI, AUG 9 2024 7:00 AM EDT | UPDATED FRI, AUG 9 2024 10:46 AM EDT



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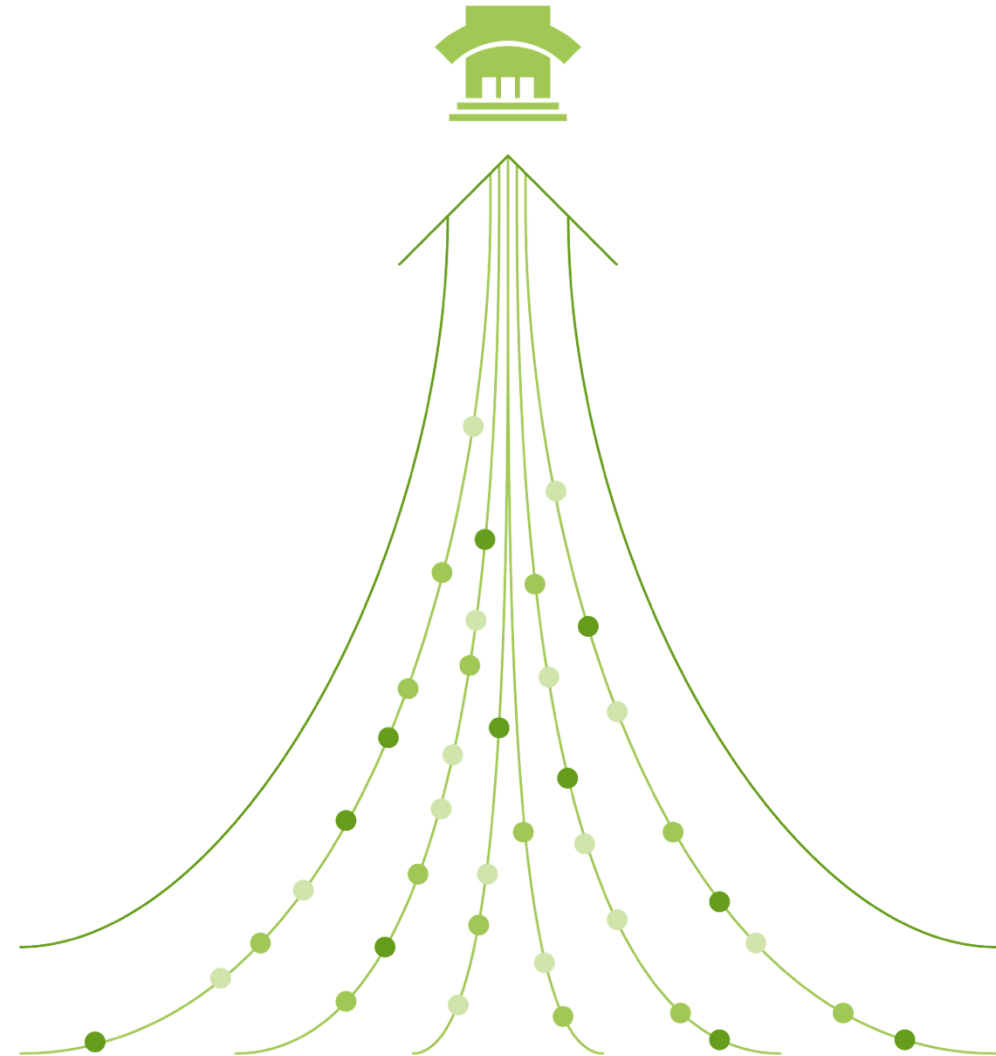
The unstoppable rise of digital wallets: a business case that stacks up

If you are not using a digital wallet yet, you soon will be. The relentless growth of digital wallets will see more than 5.3 billion users by 2026 - more than half the world's population. Yet, for some treasurers, adoption of this innovative and soon-to-be critical payment infrastructure can be hindered by misconceptions and a lackluster business case.

THE RACE IS ON

**Technology is evolving faster than ever,
and the pressure to keep pace is relentless.**

- Slow adoption isn't just a hurdle—it threatens long-term relevance.
- Outdated systems make transformation tough, but falling behind isn't an option.
- Stay ahead or risk becoming the ghost stories of tomorrow.



FRAGMENTATION IS CHANGING CONSUMER BEHAVIOR



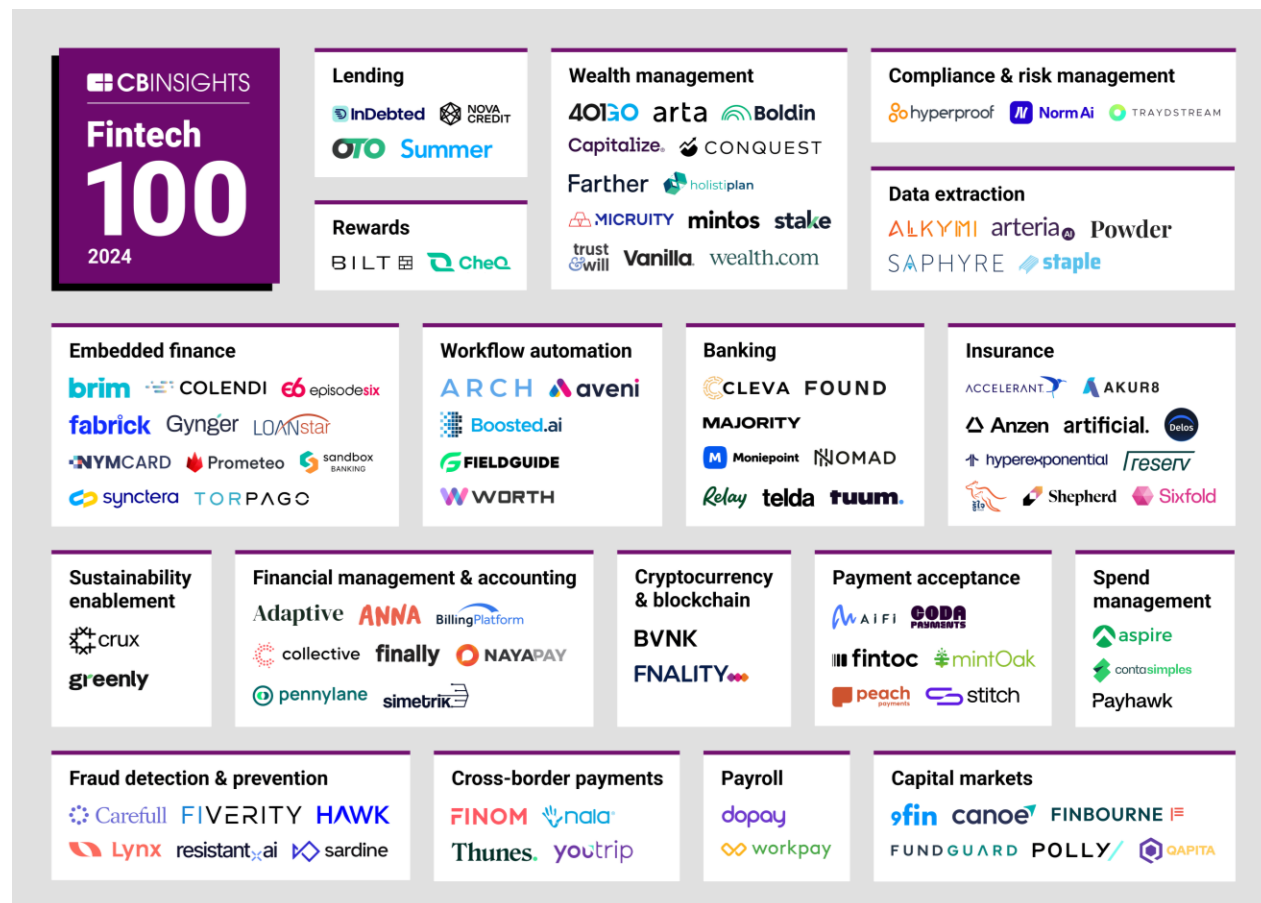
55% of credit union members use financial products from other financial institutions.¹

But...

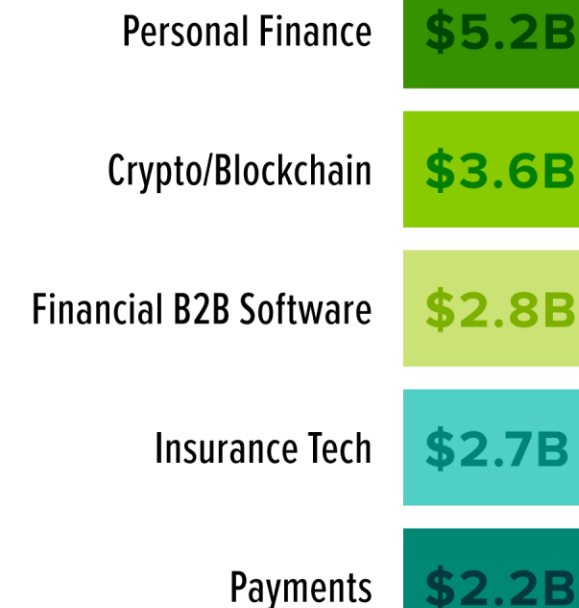


87% of credit union members (and 85% of bank customers) say they would prefer to use as few financial services providers as possible.²

FINTECH INVESTING: KEY SIGNALS FOR CREDIT UNIONS



Top 5 Areas of 2024 Investment



Source: CB Insights: Fintech 100: The most promising fintech startups of 2024; SVB: The Future of Fintech October 2024.

WHAT THIS MEANS FOR CREDIT UNIONS



- **Member expectations are shifting –**
Consumers demand seamless, digital-first experiences.
- **Tech-driven competitors are growing –**
Fintechs and digital-only banks are redefining financial services.
- **Payments, automation, and AI are key –**
Members expect fast, personalized, and data-driven interactions.
- **Digital capabilities will define success –**
Credit unions that invest in digital transformation will stay competitive.

2



WHY GOVERNANCE?

WHY GOVERNANCE?

SHIFTING CONDITIONS

- ▷ Financial services faces ecosystem disruption and changing demographics
- ▷ Expectations for leaders are shifting
- ▷ 40% of CEOs at retirement age; 80% of credit unions have no succession plan
- ▷ 90% of leaders say their staff face skills gaps



SOLUTIONS

- ▷ Revitalized approaches to leadership and C-suite roles
- ▷ Improved change management, skill development & business strategy
- ▷ Renewed boards focused on strategy and key contributions

Leadership, Strategy & Governance Center of Excellence



Led by Filene Fellow, Dr. Amy Hillman, the Center for Leadership, Strategy & Governance will deliver fresh approaches to leadership and governance as credit unions look to renew and rejuvenate the ways they operate, do business, and develop talent.



Dr. Amy Hillman

Professor of Management
W. P. Carey School of Business
Arizona State University



Jessica Gamache

Head of Research
Filene Research Institute

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OPTIMAL GOVERNANCE MODELS

What are the proven best practices and optimal **governance** models?

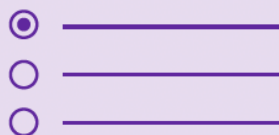


CREDIT UNION SURVEY RESULTS

ABOUT THE DATA

43

question survey
on board practices



Respondents from

85

U.S. credit unions



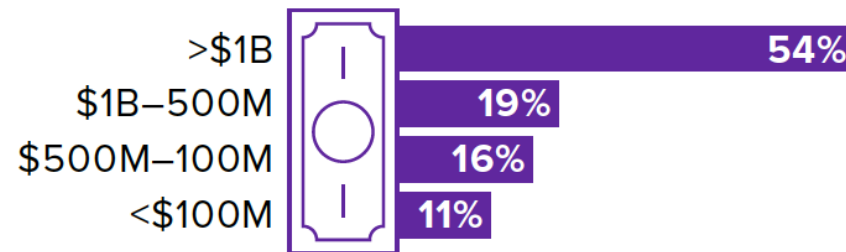
89%

CEOs/presidents

11%

other executives

ASSETS



44%

federally chartered



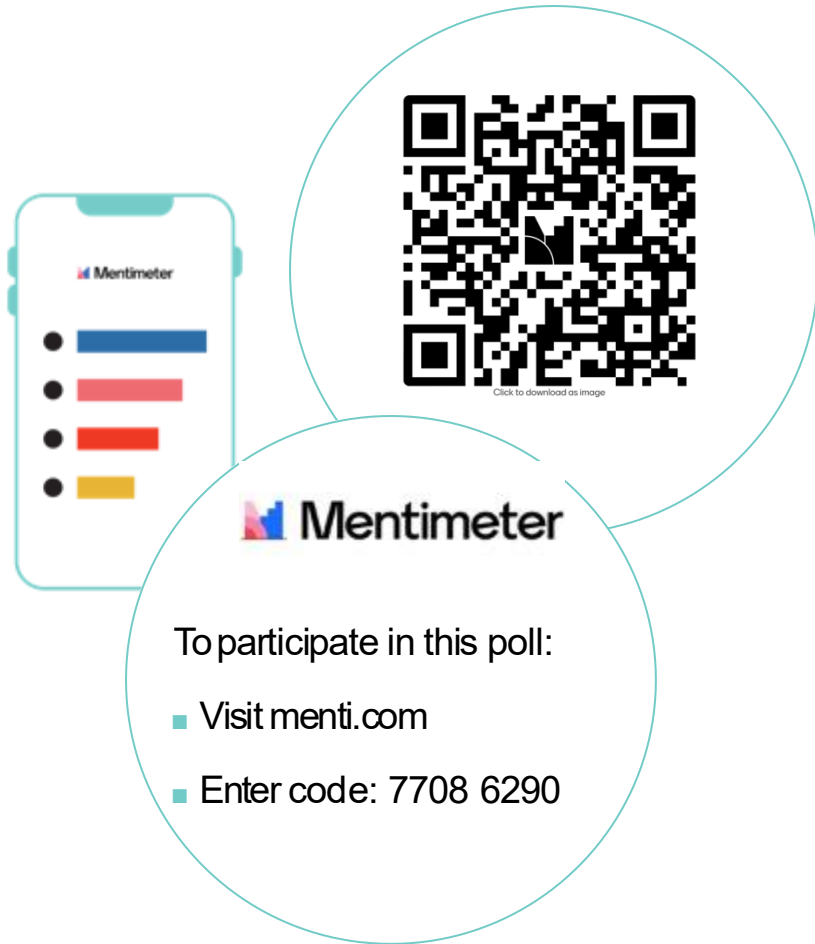
56%

state chartered



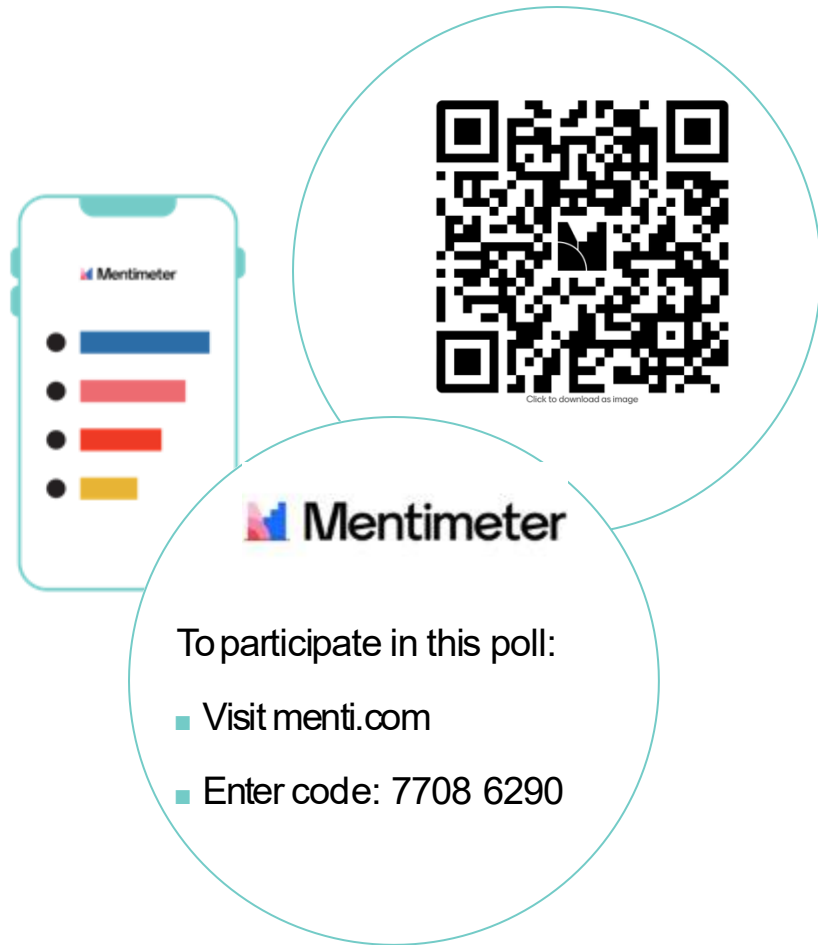
Board of Directors: Terms, Term Limits & Leadership

MENTIMETER POLL



Do you have term limits, either formally or informally, for your directors?

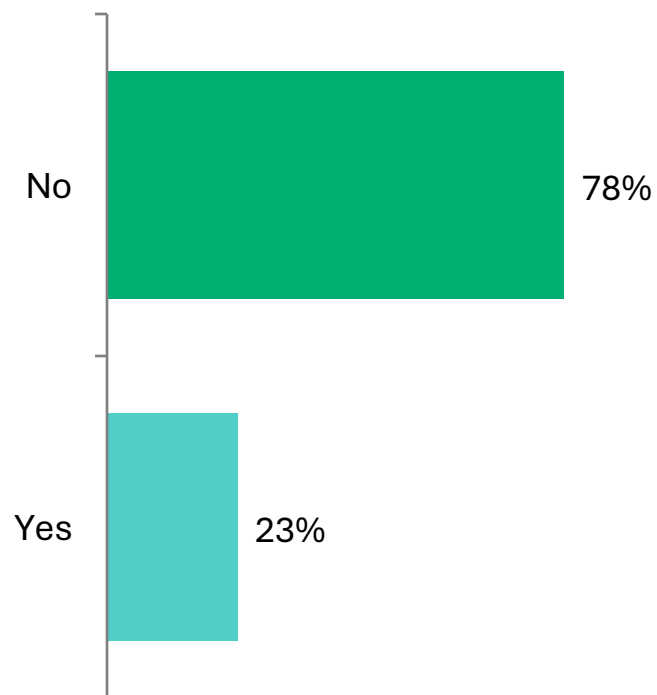
MENTIMETER POLL



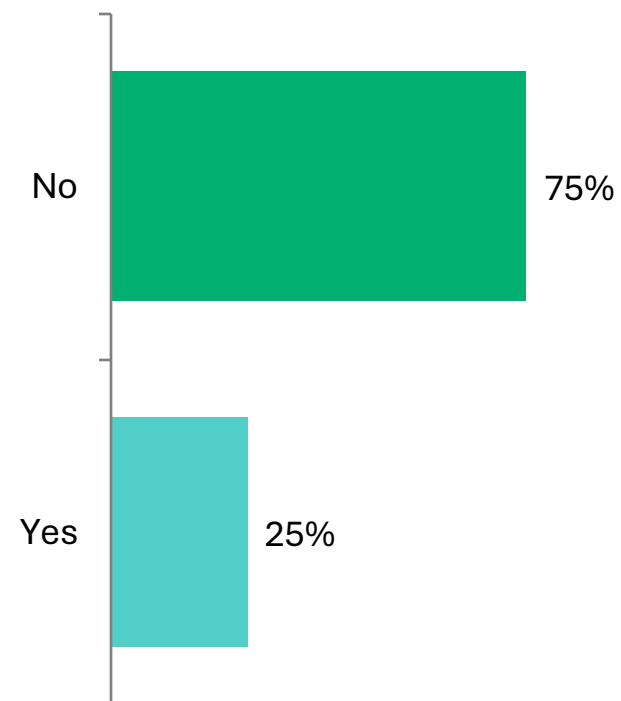
Do you have term limits for your board chair?

Benchmarking Survey Results

**Do you have term limits
for your voting directors?**



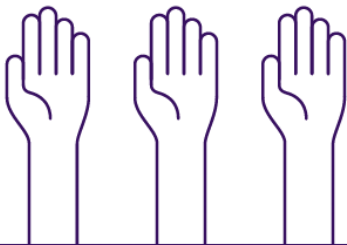
**Do you have term limits
for your board chair?**



Answered: 65 Skipped: 0

CREDIT UNION BOARD RENEWAL

Most credit union boards are volunteer boards, which makes telling a director “We need a fresh perspective” hard.



Two potential **formal mechanisms** for board renewal



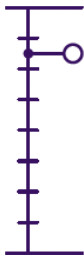
TERM LIMITS

Most credit union leaders would agree that they will not be well served by having the same directors for 20 years.

ONLY

25%

of credit unions have term limits.



RETIREMENT AGE

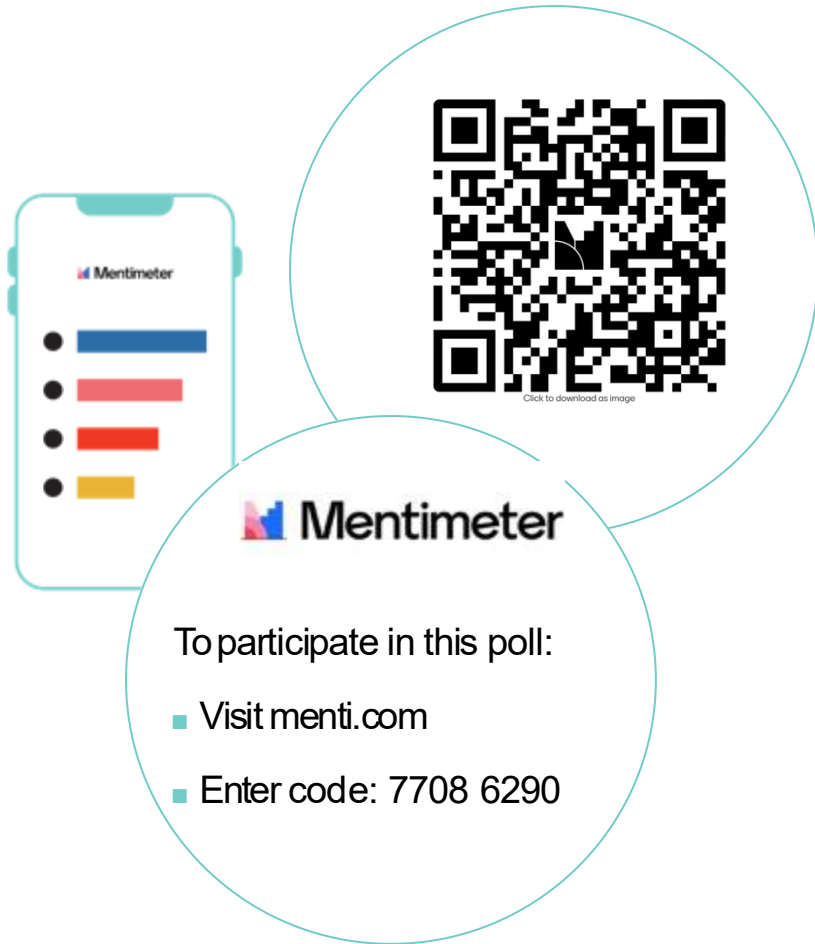
Credit union directors skew much older than members; while roughly 50% of members are younger than 50, only 22% of directors fall into that age group.

ONLY

5%

of credit unions have retirement ages.

MENTIMETER POLL



**Do you have staggered board terms
(such that no more than 1/3 of your
directors' terms are over in any given
year)?**

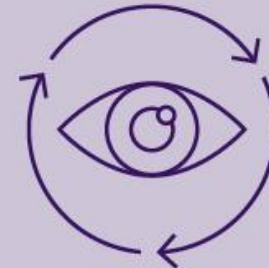
CREDIT UNION BOARD RENEWAL BEST PRACTICES



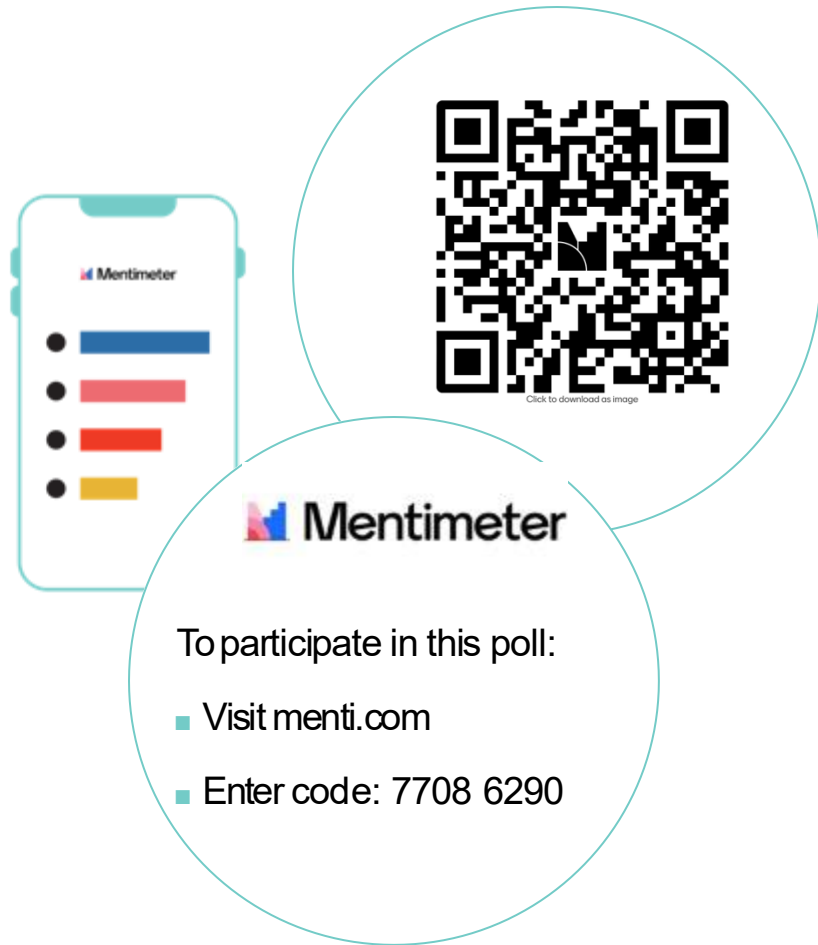
Credit unions should be thoughtful about how they renew their boards, balancing **experience** with **fresh perspectives**, through **staggered election of new directors**.



Assuming 3-year terms, a **3 or 4 term limit** balances the benefit of **experience** with **fresh perspectives**.



MENTIMETER POLL



Do you have a Conflict-of-Interest Policy?

CONFLICT-OF-INTEREST BEST PRACTICES



Conflict-of-Interest Policy should:

1. Be reviewed and committed to annually
2. Define conflicts
3. Explain how conflicts should be disclosed
4. Offer appropriate resolutions for conflicts (e.g., recusal from a discussion or vote)

DISCUSSION: TERMS, TERM LIMITS & LEADERSHIP

15 minutes to discuss:

- How important do you think term limits are to strong governance? Explain rationale
- If you don't have term limits – how are you incorporating fresh ideas/perspectives?

RECOMMENDATIONS

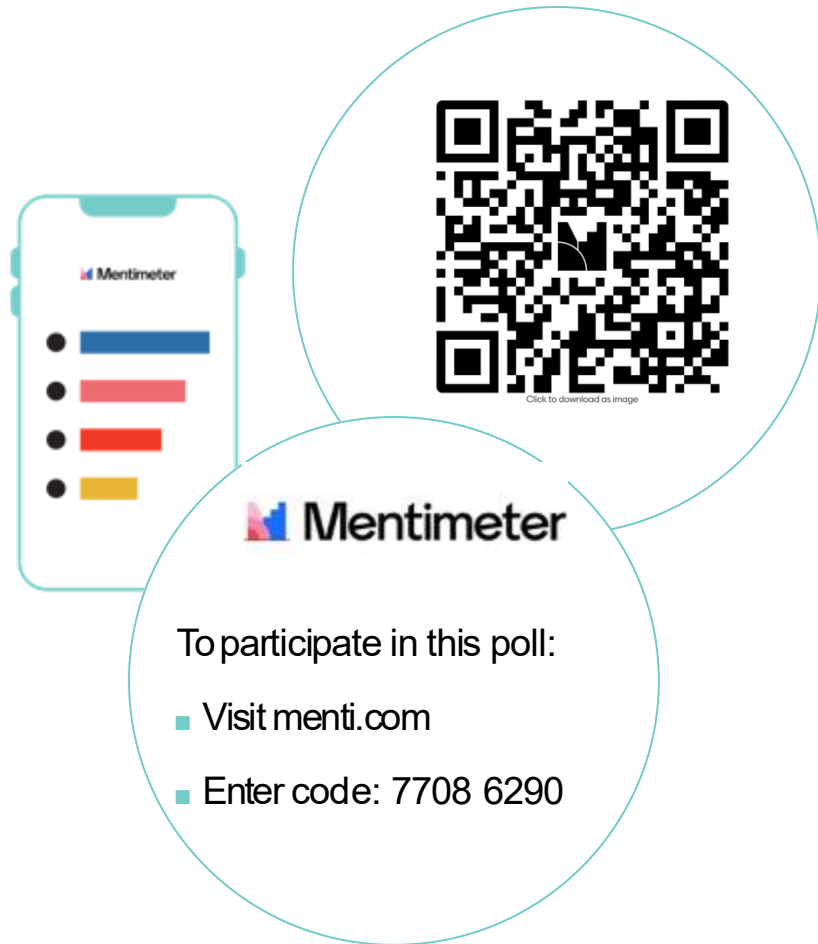
If you have 1 – 3 No's you might want to consider updating governance policies

1. Evaluate your board refreshment cycle and policies. Do they support healthy board and organizational performance?
2. Ensure you have a conflict-of-interest policy that gets reviewed with directors annually



Board Of Directors : Composition, Assessment & Development

MENTIMETER POLL



Do you have an attribute matrix for future director selection?

RECRUITMENT & SELECTION BEST PRACTICES

Think about the future board you need, rather than the current board you have.



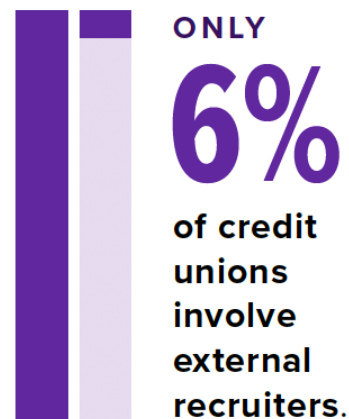
Create a **living framework to ensure purposeful selection of new directors**, considering:

- ☒ Diversity of thought
- ☒ Experience
- ☒ Connections
- ☒ Demography

Who is involved in recruitment and selection?

Heavy reliance on current directors' networks for recruitment can be problematic, causing a lack of diversity of thought, a reticence to call out director underperformance, and a low likelihood of reflecting your full membership base.

To ensure the strongest candidates, **100% of public companies use external recruiters** to source directors.

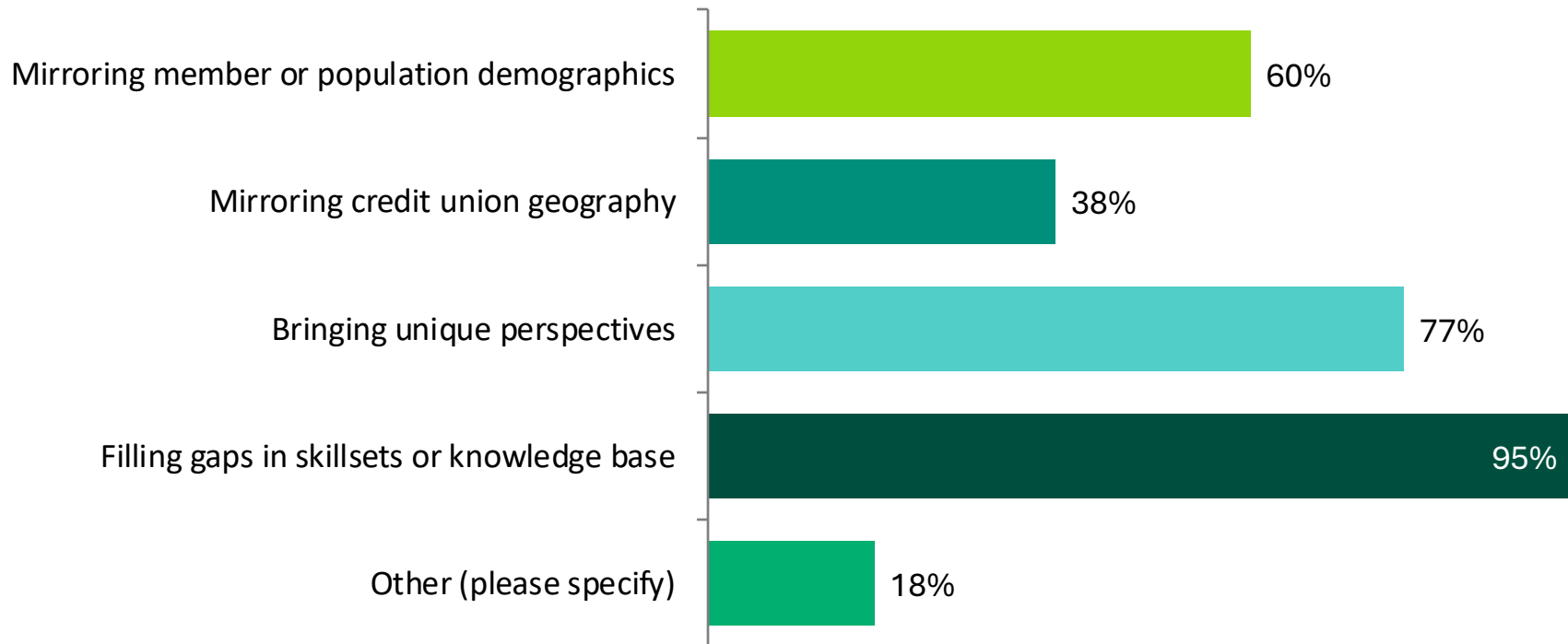


Consider an external recruiter in addition to the important internal voices when finding and selecting new directors.



SELECTION CRITERIA SURVEY RESULTS

**What criteria do you consider when selecting a new voting director?
Select all that apply.**

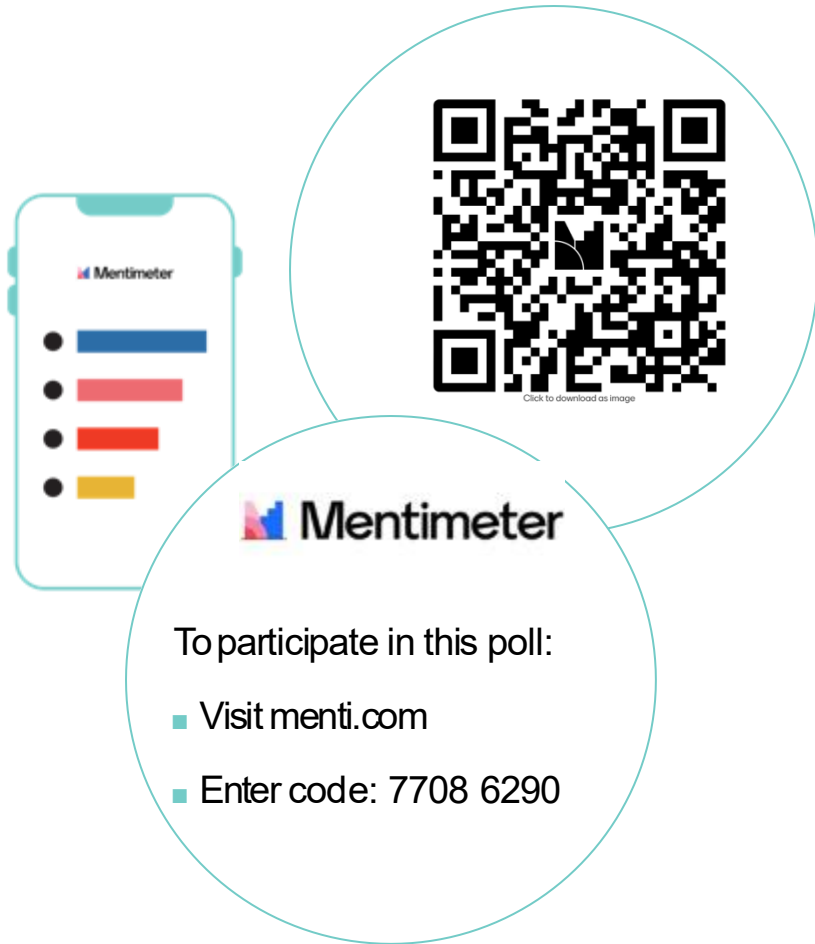


Other

- C-level management experience and ability to meet the Fitness and Propriety Prudential Standards
- CDFI Target Markets
- Credentials
- Cultural fit
- DEIBA
- Diversity
- Industry/Professional Experience
- And more

Answered: 65 Skipped: 0

MENTIMETER POLL



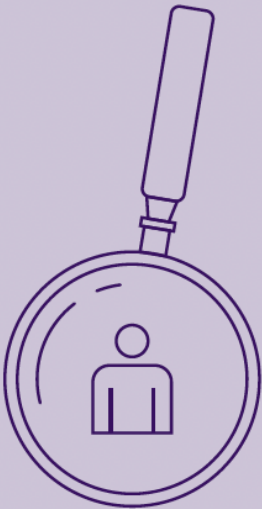
Do you assess your board?

CREDIT UNION DIRECTOR EVALUATION



Board evaluation is critical to guide the future of the board.

Assess your board annually, using both self-assessments and peer assessments.



How often are credit unions evaluating their boards?

ONLY

33%

of credit unions
evaluate their
boards **annually**.

47%

of credit unions
never evaluate
their boards.

CU DIRECTOR EVALUATION BEST PRACTICES

Of the credit unions
that conduct evaluations

91% of credit unions have
directors complete
self-assessments.

31% have directors
complete peer
assessments.

9% use external
evaluators

SELF-ASSESSMENTS



Have directors assess
themselves against a
clear matrix of what the
board needs to support
the organization today
and tomorrow.

PEER ASSESSMENTS



Verbal feedback
gathered from the
other directors and
conveyed by the
board chair is best.

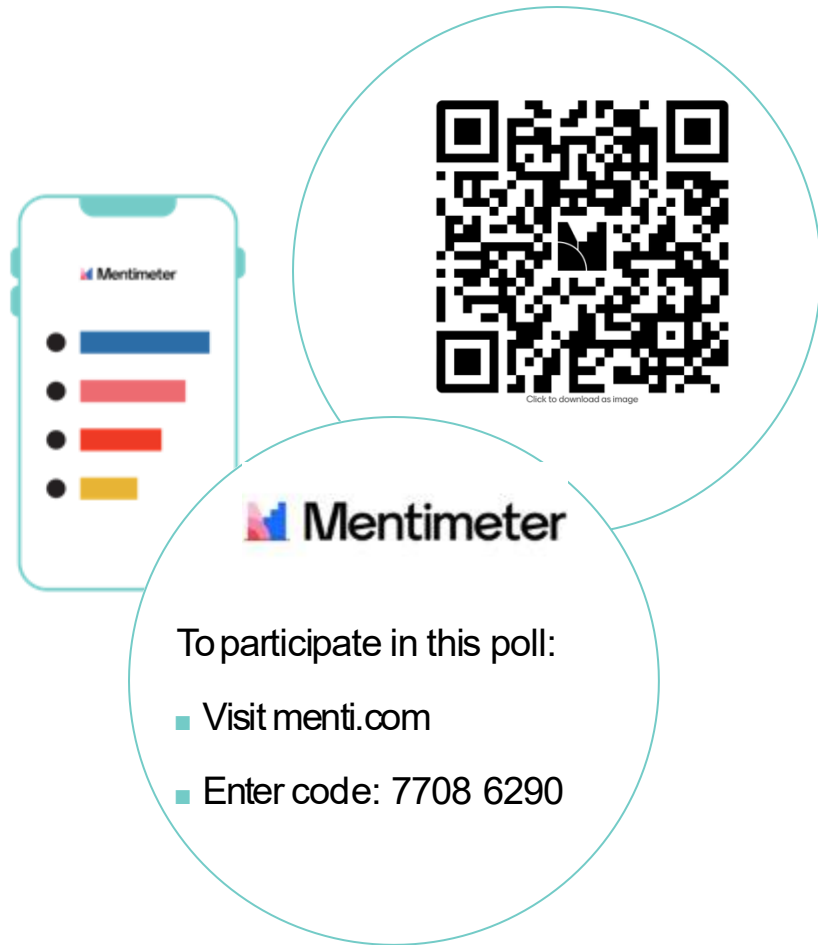


Considering an external evaluator?

Ensure you have very clear criteria or KPIs
to get helpful feedback from a 3rd party.

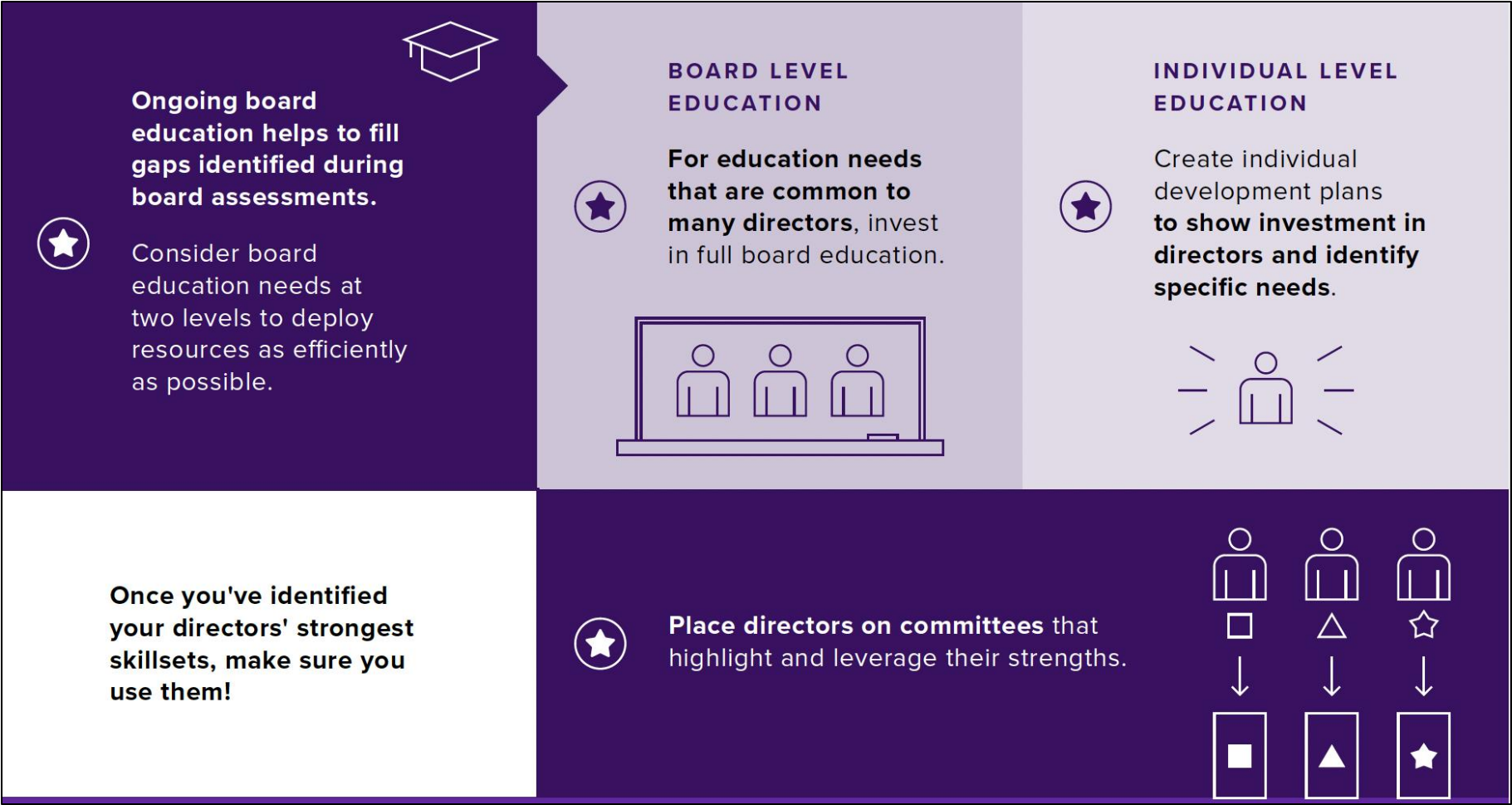


MENTIMETER POLL



Is board/director education tied to annual assessment/ development plans?

CU BOARD EDUCATION BEST PRACTICES



DISCUSSION: COMPOSITION, ASSESSMENT & DEVELOPMENT

15 minutes to discuss:

- How does your credit union find board candidates?
- What emerging skills or knowledge do you think are important for board members to possess?
- Besides this great event, how do you develop your board's skills and abilities?
- Have you utilized a matrix to assess your board's strengths? Did you find anything surprising?

RECOMMENDATIONS

If you have 1 – 2 No's you might want to consider establishing strategic assessment criteria

1. Take your board to the next level strategically by establishing strategic assessment criteria (i.e., an attribute matrix)
2. Implement annual assessments, and development plans tied to director education.
3. Every year, look back at development achievements and iterate on the process again.

4

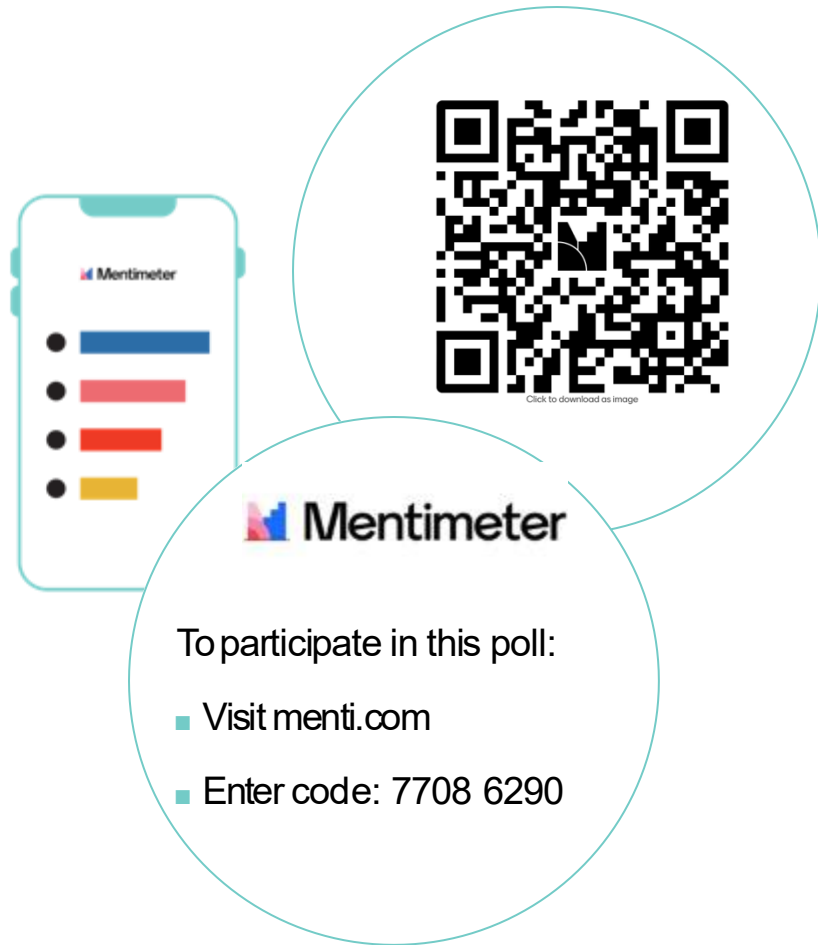


BREAK



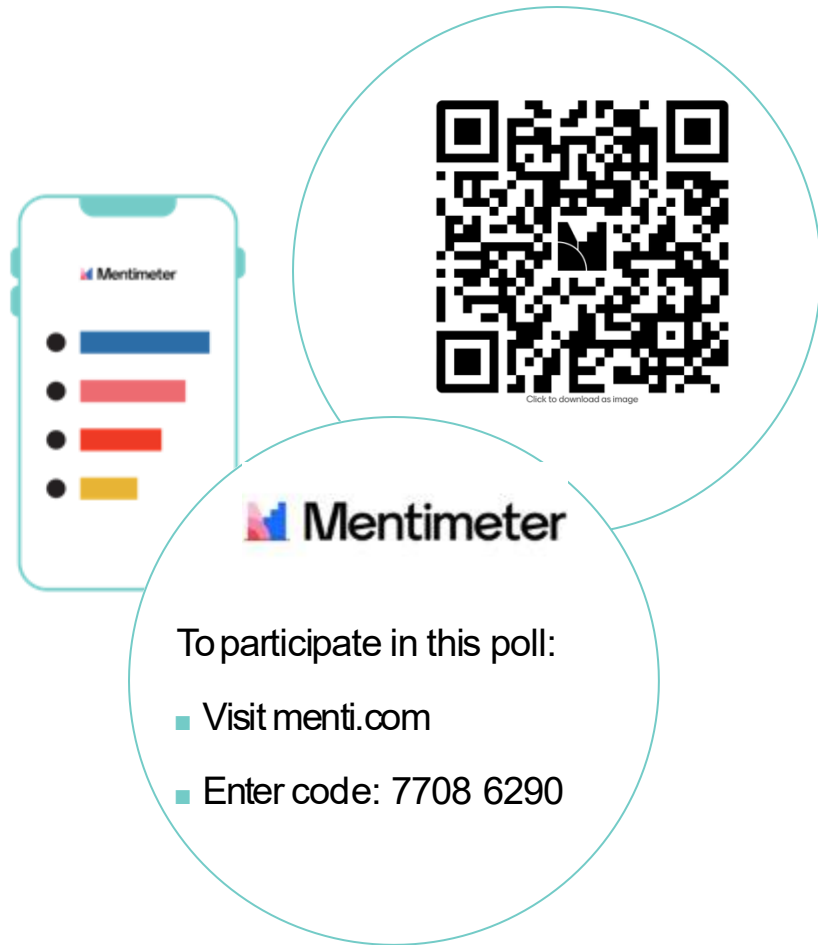
CEO Evaluation, Compensation & Succession

MENTIMETER POLL



Is a former CEO on the board?

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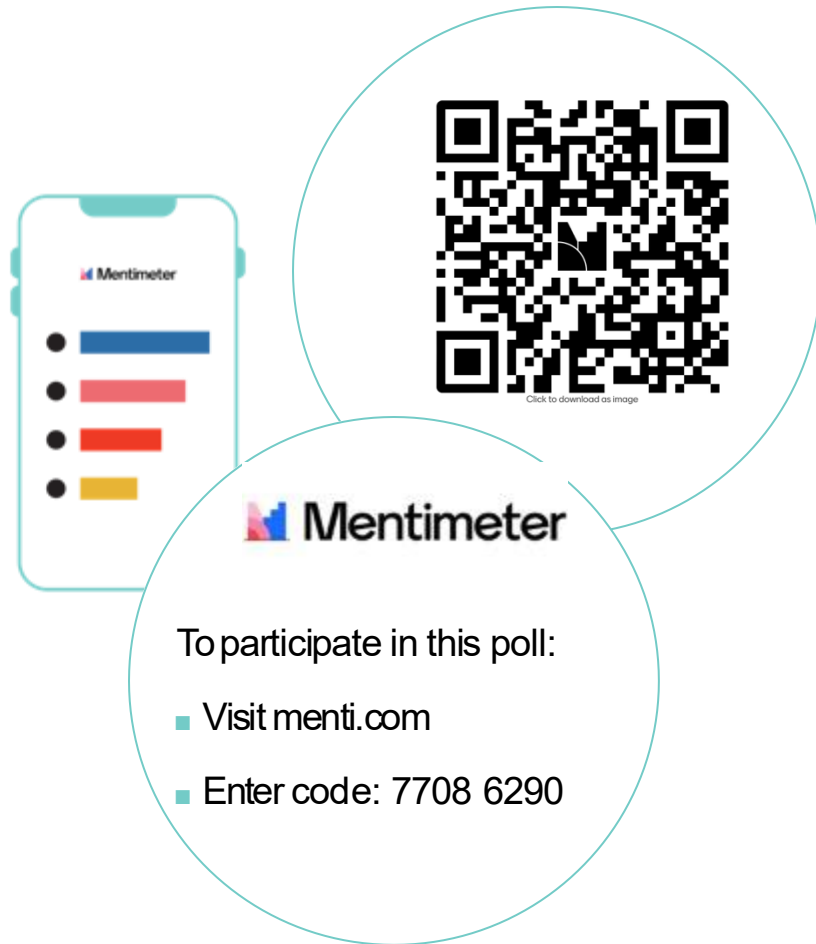


Do you assess your CEO annually?

CEO EVALUATION BEST PRACTICES



MENTIMETER POLL



Is CEO compensation tied partly to annual goals and/or metrics approved by the board (or committee)?

FIVE DIMENSIONS OF CEO PERFORMANCE

Leadership

- How well does the CEO motivate and energize the organization?
- Is the credit union's culture reinforcing its mission and values?

Strategy

- Is the strategy working?
- Is the credit union aligned behind it?
- Is it being implemented effectively?

People Management

- Is the CEO putting the right people in the right jobs?
- Is there a stream of appropriate people for succession and growth?

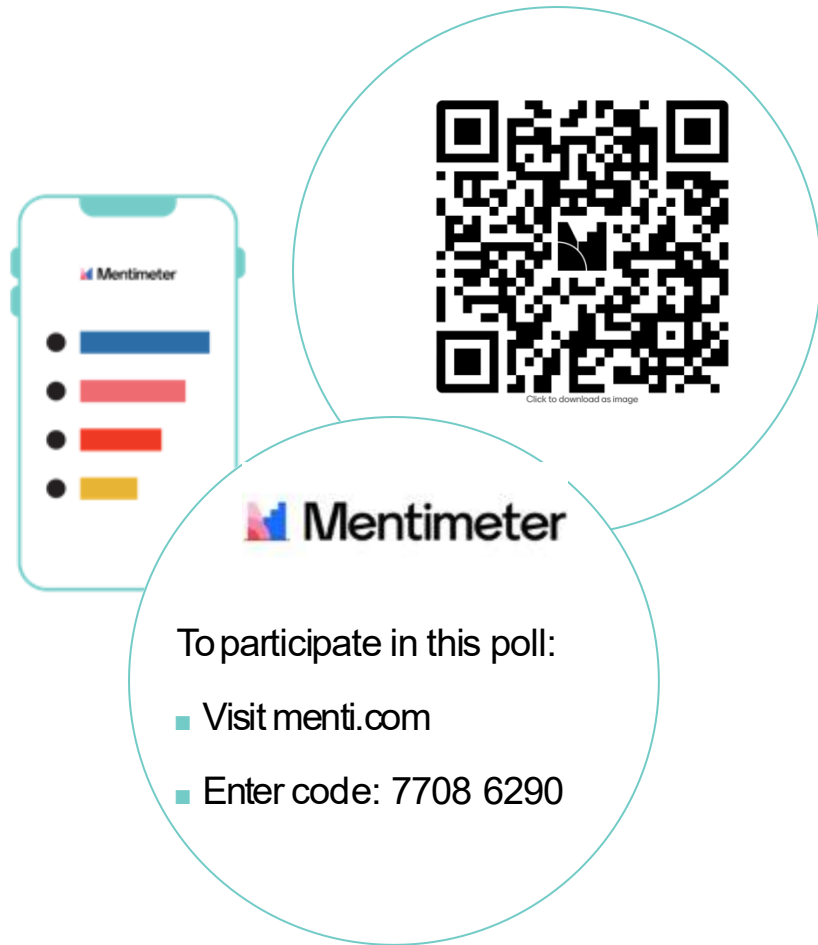
Operating Metrics

- Are sales, profits, productivity, asset quality, and member satisfaction heading in the right direction?

Relationships with External Constituencies

- How well does the CEO engage with the credit union's members, suppliers, and other stakeholders?

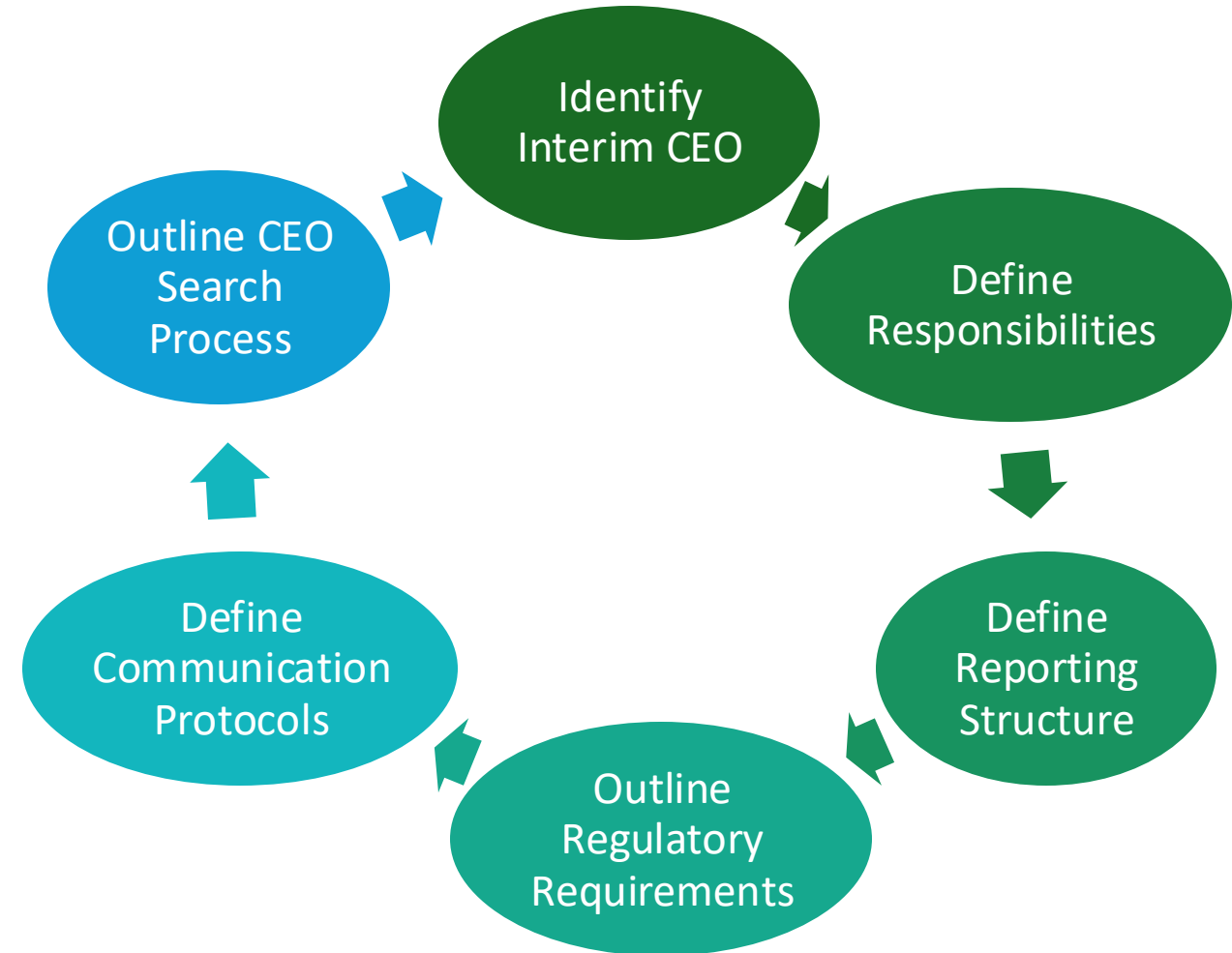
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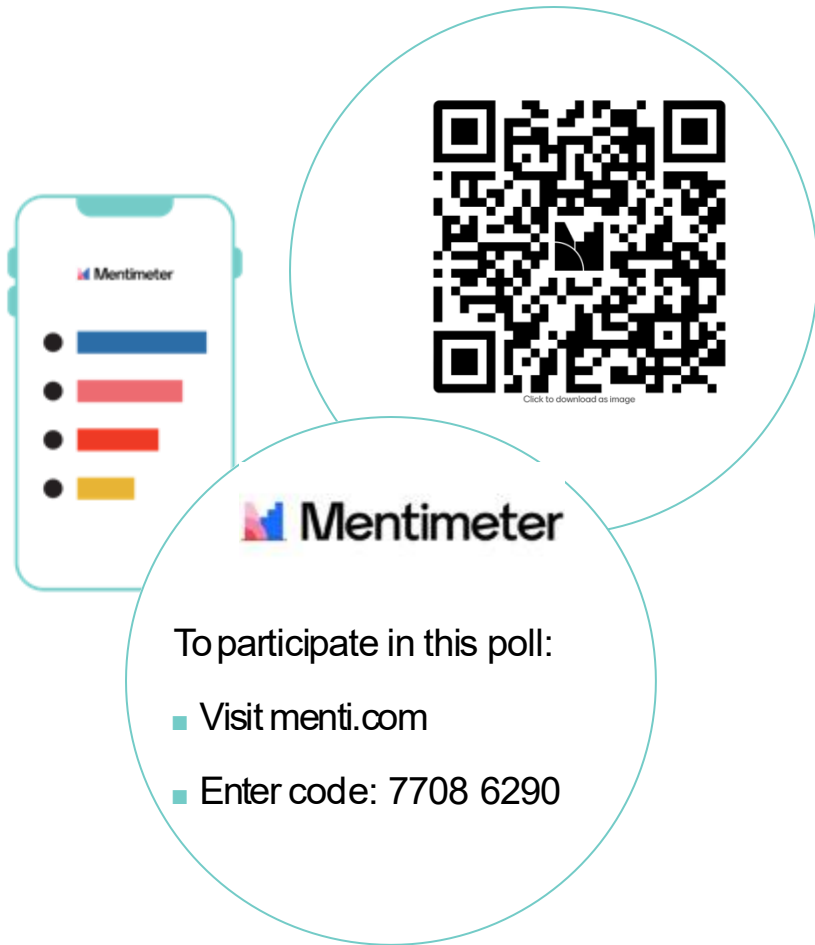
**Do you have an emergency CEO
succession plan in place?**

KEY ELEMENTS OF AN EMERGENCY CEO SUCCESSION PLAN

1. Included a named interim CEO – this could be an individual or a specified team
2. Define specific tasks and responsibilities and compensation of interim CEO
3. Reporting structure – who will the interim CEO report and who reports to CEO
4. Ensure plan outlines regulatory requirements for disclosures related to CEO departure
5. The plan should outline process for finding permanent CEO including criteria for evaluation
6. Include communication expectations with members, employees and regulatory bodies

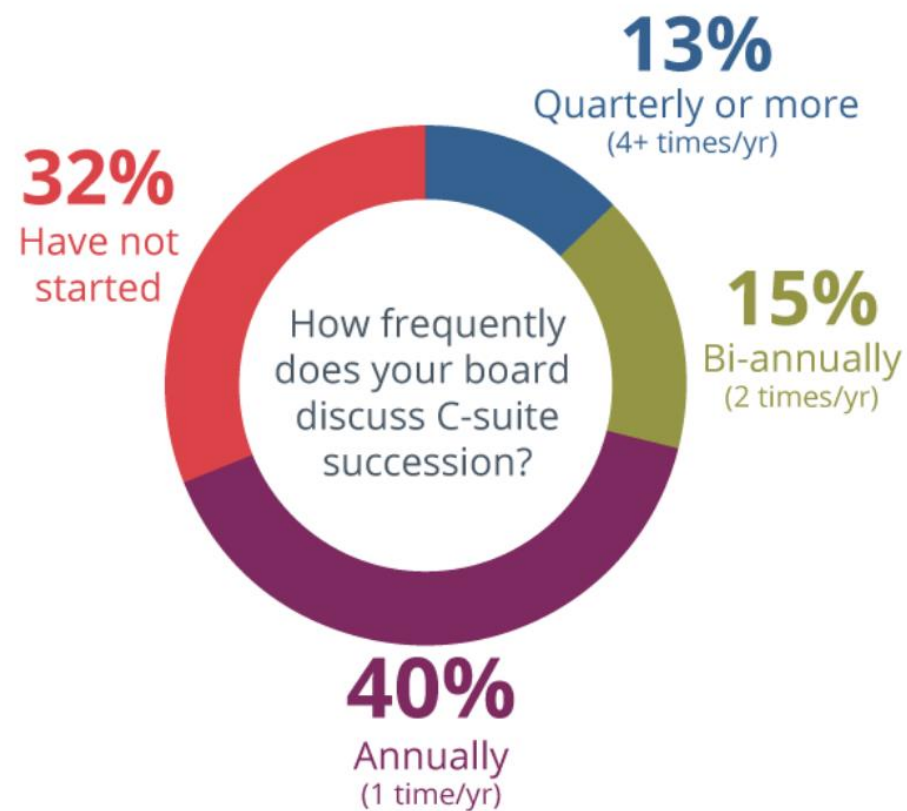


MENTIMETER POLL



**Do you have a long-term CEO
succession plan?**

FREQUENCY OF CEO SUCCESSION CONVERSATIONS



Source: DDI Webinar

WHAT IS INCLUDED IN PLANNED CEO SUCCESSION

Procedures for the board and/or responsible board committee (e.g., plan review and approval, candidate interviews)	54%
Candidate criteria (e.g., qualitative and quantitative skills and other attributes)	48%
Named individual(s) internal to the company as potential CEO successors	80%
Named individual(s) external to the company as potential CEO successors	13%
A third party to help facilitate a search and related processes	26%
Role of the board or a board committee in engaging a third party to help facilitate a search and related processes	39%
Professional development and readiness plan for internal candidates	49%
Onboarding and orientation procedures for incoming CEO	14%
Procedures and expectations for internal and/or external communications	32%
Don't know	10%
Other (please specify)	3%

DISCUSSION: CEO EVALUATION, COMPENSATION, AND SUCCESSION

15 minutes to discuss:

- How do you assess your credit union's CEO?
- Have you needed to use an emergency CEO succession plan? How well did you execute that plan?
- Has a long-term succession plan been successful for your credit union?

RECOMMENDATIONS

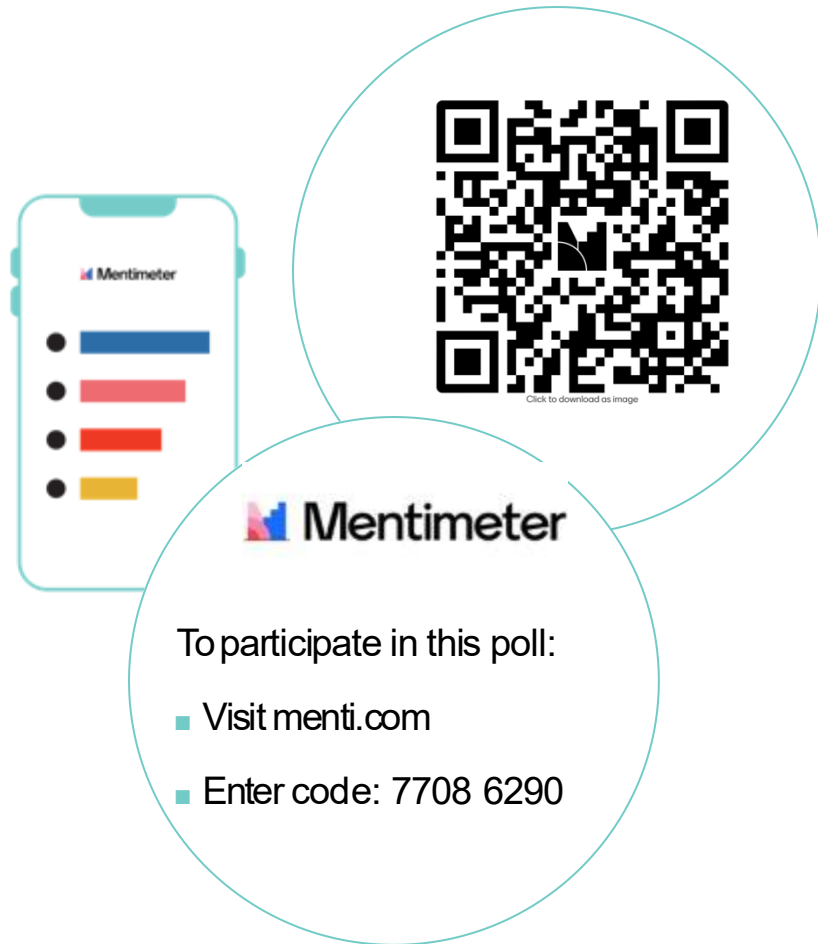
If you have 1+ No's: Your board might want to prioritize CEO assessment, evaluation and succession planning.

1. Assess your CEO annually
2. Tie CEO evaluation to achievement of board approved organization goals
3. Ensure there is an emergency CEO and planned CEO succession plan in place (ideally reviewed annually)



Meetings: Format, Agenda, Executive Sessions

MENTIMETER POLL



Do you allow for virtual, hybrid and in-person meetings?

BOARD MEETING TIME & FREQUENCY



On average each year, credit unions hold **9 face-to face** meetings and **5 virtual** meetings.

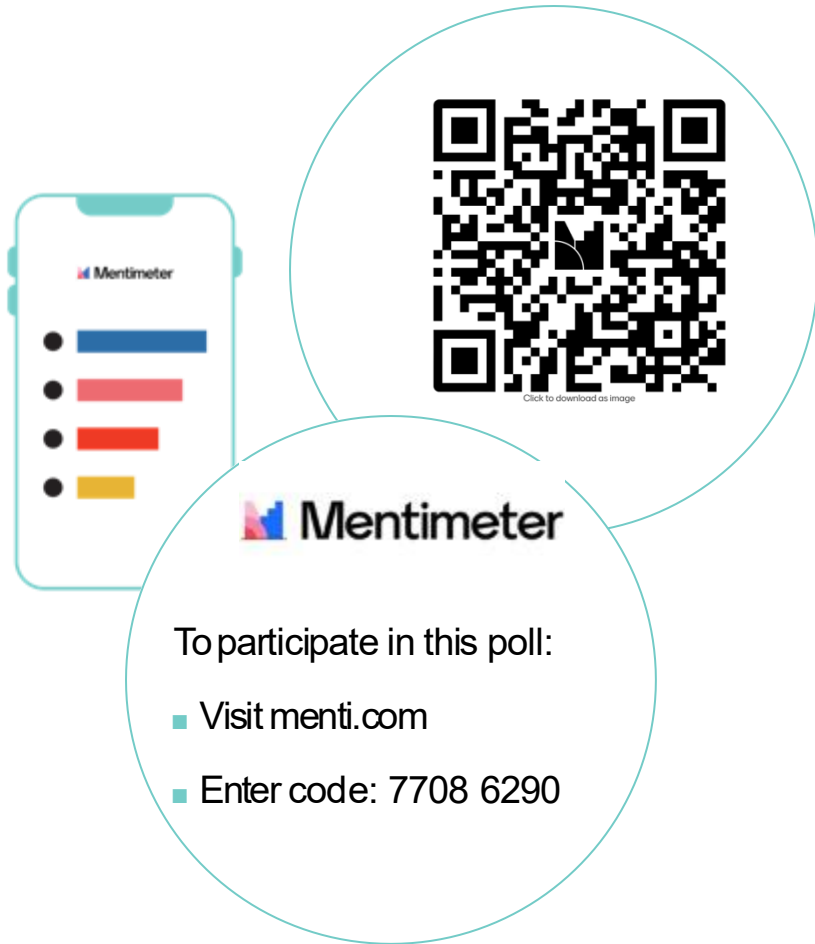
The most popular length for a board meeting?



65%

of credit unions say **1.5–2 hours**.

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Does every board meeting include an executive session?

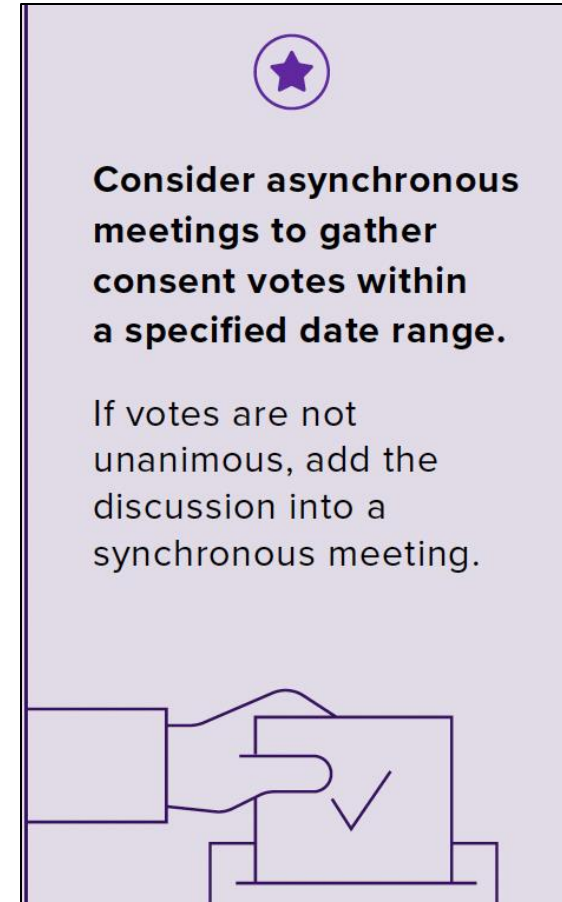
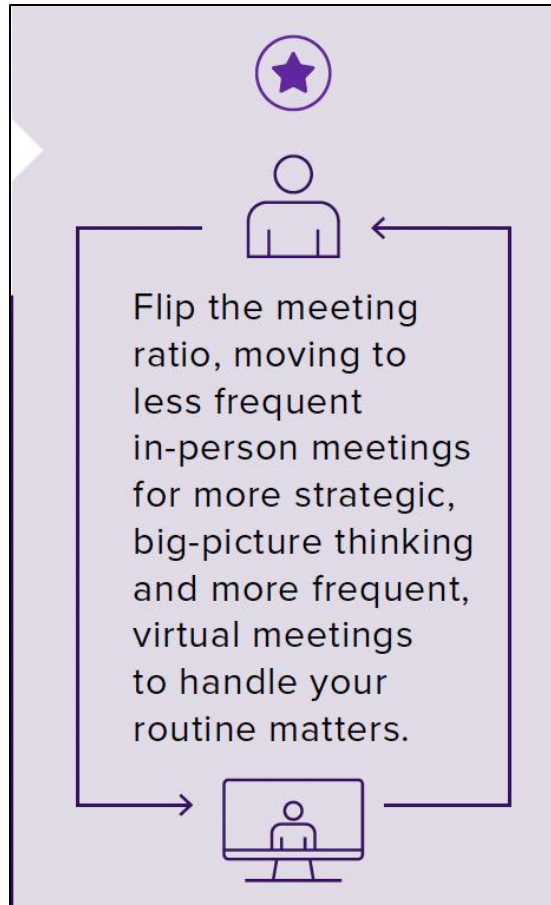
BOARD MEETING BEST PRACTICES



BOARD MEETING BEST PRACTICES



BOARD MEETING BEST PRACTICES



DISCUSSION: MEETINGS FORMAT, AGENDA, EXECUTIVE SESSIONS

15 minutes to discuss:

- How has your board adapted to virtual or hybrid meetings? Have you been able to keep board members engaged?
- Do you have regular executive sessions? Has your credit union board found them useful?
- What ideas do you have to make your board meetings more effective?

RECOMMENDATIONS

If you have 1+ No's: Your board might want to optimize meeting process and structure .

1. Embrace hybrid board meetings, prioritize in-person time for more complex, strategic meetings
2. Orient agenda and meeting time to spend more time on future oriented, strategic conversations vs everyday operations
3. Ensure every meeting includes an executive session without the CEO present

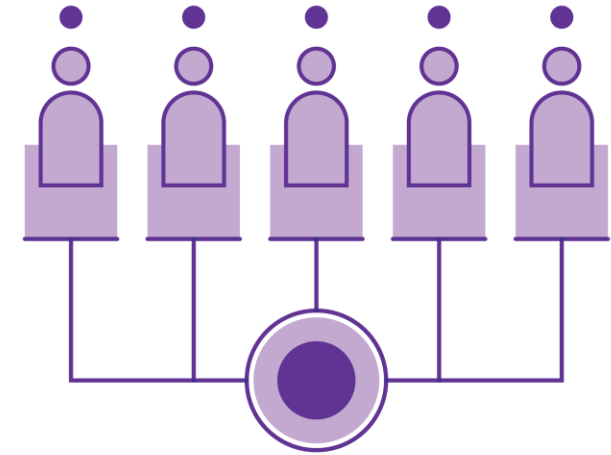
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Moving Forward

CEO PERSPECTIVES ON BOARD RELATIONSHIPS

- Good/great. Very positive.
- Very collegial, synergistic.
- Trust, transparency, very open.
- Know each other as people, planned fun.
- Constant challenge to build/maintain relationships as board changes.
- Easier to have 1 boss than 9.
- If one asks for information, they all receive.



Based on qualitative interviews with CU CEOs and former CEOs

CEO PERSPECTIVES ON BOARD OPPORTUNITIES

- Better understanding of the industry, context, “know what questions to ask”
- Better understanding of the company and how metrics can influence, even counter, each other
- More financial acumen, regulatory expertise
- Need balance when it comes to oversight: Too “in the weeds”
- What’s the board’s role and what’s management’s role?
- Their own succession planning
- Business development, quality referrals
- Consensus can be too laborious at times
- Needs to challenge thinking, not just clarify what’s being presented through questions
- Need new perspectives, directors have been there too long

Based on qualitative interviews with CU CEOs and former CEOs



Directors: Eyes, Ears, Noses In. Fingers Out.

Directors as Fiduciaries

- Board is there to monitor management on behalf of the members/owners
- When management's self-interest conflicts with the best interests of members, boards intervene
- Auditing risk, ratifying strategy
- Evaluating, rewarding CEO/President
- Ensuring succession

Directors as a Strategic Asset

- **“Board capital”**—the collective human and social capital of your board, enables:
 - Advice, expertise, counsel
 - Legitimacy, reputation
 - Connections to resources critical to the CU's success
 - Strategic sounding board
 - Diversity enables strategic problem solving

Research Agenda Updates

Planned or Potential Research	Timing
Risk assessment tool	Early June
Board-specific space on filene.org	Summer 2025
Mergers playbook	Summer/Fall 2025
Lessons from failed mergers	Summer/Fall 2025
Succession planning	Late 2025/ Early 2026
Governance model comparison	2026
Recruiting more diverse leadership	TBD – searching for collaborator

Published Research	Date
<u>Lessons on Governance from Credit Union CEOs</u>	October 2024
<u>Credit Union Governance Landscape</u> <ol style="list-style-type: none"> 1. Shaping Your Board to be a Strategic Asset 2. Making Your Boards More Effective 3. The CEO and the Board 4. Optimizing Board Meetings 	Sept-Oct 2024
<u>Big Strengths in Small Packages</u>	February 2025
<u>Credit Union Boards, Govern Thyself</u>	May 2025



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