

ABC Federal Credit Union

5.0 Executive Succession Plan

Important

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Effective Date: 03/2009	
Revision Date: 07/2018	Policy Owner: Board of Directors
Next Review: 07/2019	Compliance Responsibilities: President & CEO

Policy Directives

1. **Process**

Periodically, the Board of Directors of ABC Federal Credit Union should review the President/CEO job requirements to ensure they are current and can serve as a basis for training its Vice President(s) & Directors (the Senior Management Team). The President/CEO is responsible for reviewing, on an annual basis, the president's job responsibilities, the succession plan and Senior Management Team career development plans. A report should be made to the Board of Directors upon completion of the review, indicating the preferred candidate(s) for Interim President/CEO should they change from the prior policy review date.

2. **Succession Planning and Preparation**

The Board of Directors and Management of ABC Federal Credit Union (ABC FCU) recognize that a realistic Succession Plan is critical to the future of a strong organization. To insure that committed, capable, and experienced management continues to occupy leadership positions, ABC FCU is adopting this specific process in order to:

- Insure continuous service to our membership;
- Anticipate future positions needs;
- Identify and prepare interested, capable team members for advancement opportunities;
- Fill vacancies using internal candidates where appropriate;

- Hire and groom future leadership.

This Executive Succession Plan assumes that:

- Equal consideration will be given to both internal and external candidates to fill a vacancy.
- The primary role of the Board of Directors is to set the general direction, stability, and soundness of this credit union. They pledge to protect the interest of the membership by establishment of policy and maintenance of financial strength.
- The primary role of the President/CEO is to direct the credit union in a way that considers both the long and short term interests of the membership, directors, and team members.
- The role of each Senior Management Team member is determined by the President/CEO and each report directly to the President/CEO.
- Each management team member is responsible for the day to day operations of their assigned area in compliance with board policies and the President/CEO's objectives.
- Each management individual will establish goals and objectives to assure that their responsibilities are on course and have been met. If they report to the President/CEO, these will be reviewed with the President/CEO on an annual basis at a minimum.
- Each management individual is responsible for their own functional duties and the coordination of duties between department and management personnel. They have responsibility for providing the President/CEO with timely information that would have impact on the well-being of the Credit Union.
- The Credit Union provides each position with backup and support where appropriate, thus insuring uninterrupted service to the team and the membership.
- The Credit Union encourages advancement from within the organization.
- The President/CEO will review career plans with all directly reporting management. Management will do the same with their employees.
- The Credit Union will provide education and training appropriate to the advancement of the individual and the organization.

3. President/CEO

The President/CEO is accountable to the Board of Directors for the efficient and effective operation of the Credit Union, the safeguarding of personnel, funds, records and property, carrying out the policies as contained in the bylaws, government regulations and promoting good member, employee, and public relations. It is imperative that successors are trained and in place in the event of an emergency need for an interim President/CEO. A controlled notification of

intent to vacate the President/CEO position allows for a more orderly preparation. This plan addresses both Emergency Succession and Planned Succession.

4. General Guidelines

- 4.1. The Board of Directors is responsible for appointing an appropriate interim President/CEO whenever necessary.
- 4.2. The Board of Directors shall have the authority to engage and compensate external expertise for the search and/or hire process. These may include, but not be limited to: attorneys, search consultants and/or relocation consultants.
- 4.3. The Board of Directors shall be responsible for all internal and external communications related to the departure of the current President/CEO, the recruitment process, and the announcement of a successor.
- 4.4. President/CEO candidates may request privileged, confidential and/or publicly distributed information relating to the business and financial affairs of ABC Federal Credit Union. The Board of Directors shall have the right to determine what information may be provided to the short list of qualified candidates. This information may include: financial, business, legal, regulatory, active or pending litigation, contractual and other. In some circumstances, the disclosure of, or failure to disclose, pertinent information to candidates may constitute a basis for subsequent legal recourse, and the Board of Directors may want their decision to be guided by legal counsel. A Confidentiality Agreement Form will be signed by candidates prior to release of information. See Attachment A for Confidentiality Agreement.
- 4.5. In the event of a change of President/CEO, an independent audit should be performed at the appropriate time by a credit union experienced auditing firm to protect both the outgoing and the incoming President/CEO. It is assumed that the best auditing firm will be the one currently under contract for the annual audit of the credit union due to their familiarity with the credit union and its team. See Attachment C.

5. Emergency Succession

- 5.1. In the event of the emergency absence of the President/CEO, the Board of Directors will at the earliest possible time, depending on circumstances, designate an interim President/CEO to assume the duties and responsibilities of the President/CEO until such time as the President/CEO returns or a new President/CEO is named.
- 5.2. ABC Federal Credit Union currently has a Senior Management Team that answers to the President/CEO. In an emergency situation, the Senior team would recommend to the Board one of its members to assume the Interim President/CEO role, for the Board to confirm or select another member from the team at its sole discretion.
- 5.3. THE FIRST 24 HOURS (*person/group responsible appears in parenthesis*)

- a. The Senior Management Team of ABC FCU will be jointly responsible for the operations of the Credit Union until the Board of Directors make the appointment of an interim President/CEO. (*Management*)
- b. The following will be contacted and informed of the vacancy: (see Attachment B for names and phone numbers) (*Management*)
 - Senior Management Team Members
 - Chairman – Board of Directors
 - Remaining Members – Board of Directors
 - Chairman – Supervisory Committee
- c. A meeting of the board of Directors will be convened as soon as possible by the Board Chairman preferably not more than 24 hours after notification of the emergency situation. (*Board Chairman or management if assigned*)
- d. An attorney familiar with labor laws will be contacted with questions or concerns relating to legal issues.
- e. A meeting of the full employee team / staff will be held to explain the situation and the anticipated actions. The team will be reminded that the Board of Directors is responsible for any communication related to the situation. Explanations of how they are allowed to relate the situation to members, etc. will be provided. (*Board Chairman or Interim President/CEO*)
- f. Considerations for discussion include:
 - Fact that former President/CEO is no longer responsible for ABC FCU.
 - Reason for departure – if it can be shared.
 - Response that team members are allowed to give to members, vendors and others who ask.
 - Person or persons responsible for providing information to the media, members, vendors, and others.
 - Person named as Interim President/CEO.
 - Projected process for replacement of President/CEO with anticipated time frames.
 - When and how additional information will be provided.

5.4. THE FIRST WEEK (*within 5 business days*)

- a. Board of Directors meeting with support of the Management Team will: (*Board*)
 - Determine course of action
 - Establish time frames

- b. Chairman to consider morale, organizational climate, and interim management styles. *(Chairman or Interim CEO and Human Resources)*
- c. Interim President/CEO will provide support to the Board. *(Interim President/CEO)*
- d. Determine appropriate compensation for Interim President/CEO. *(Board)*
- e. Appoint Search Committee, if not already in place. *(Board Chairman)*

5.5. THE FIRST MONTH

- a. The Board of Directors will proceed toward hiring of new President/CEO. Follow guidelines as indicated under Planning & Preparation (Page 1 of this plan) and General Guidelines (Page 2 of this plan). *(Search Committee)*
- b. Board will maintain strong communications with both the Management team and the Board members as to progress of events. It is critical that they feel informed and assured. *(Board Chairman)*
- c. Attempt to fill President/CEO position within six months or less. *(Search Committee and Board)*
- d. Consider necessity of more frequent board meetings. *(Board Chairman)*

6. **Planned President/CEO Replacement**

- 6.1. Normally a planned, timed replacement of the President/CEO allows appropriate preparation and transition of change. The Board of Directors would hope for 90 – 180 days of announcement of intent to leave in order to have an orderly transition. *(President/CEO)*
- 6.2. The following are the administrative guidelines on which ABC FCU may proceed to fill a proposed President/CEO vacancy.
- 6.3. The Board of Directors will follow the sequences below for the orderly replacement of President/CEO. The final schedule of these steps will be determined by the Board. *(Board)*
 - Assign Search Committee *(Board)*
 - Determine if Consultant will be used *(Board)*
 - Establish budget requirements *(Board)*
 - Refine attributes and expertise desired *(Board)*
 - Refine job description *(Board and President/CEO)*
 - Refine compensation package *(Board)*
 - Compile potential Consultant Firms *(Search Committee, Human Resources)*

- Prepare advertisement (*Search Committee, Human Resources*)
 - Publish advertisement (*Search Committee, Human Resources*)
 - Begin interviews (*Search Committee*)
 - Select short list of candidates (*Search Committee*)
 - Conduct second interviews (*Search Committee*)
 - Conduct testing, credential search and references (*Consultant/Search Committee*)
 - Confirm new President/CEO (*Board*)
 - New President/CEO begins position (*Board*)
 - Introduce new President/CEO at Annual Meeting (*Board*)
 - Current President/CEO retires (*President/CEO*)
- 6.4. The Board of Directors wishes to bring on board the determined new President/CEO not less than 60 days prior to the departure of the current President/CEO. It would be preferable to the Board to allow 90 days for this transition and exposure. (*Board and Search Committee*)
- 6.5. A Search Committee may be appointed by the Board of Directors with the responsibility of monitoring the plan, the timeliness of the process and to recommend the final candidates to the Board of Directors. The Search Committee will be made up in part or in total by members of the Board of Directors. It is recommended that the committee consist of three to five individuals.
- 6.6. It is advisable that the current President/CEO not be a member of the Search Committee and/or the selection of a new President/CEO. The committee would be wise, however, to have the current President/CEO provide guidance to the committee, including any knowledge of the reputation and experience of the candidates. (*Board Chairman*)
- 6.7. The Board of Directors will determine if the Search Committee will act on the full responsibilities of the search process, or if an outside consulting firm will be used for the bulk of the processes. If an outside consulting firm is hired, it is important to determine their responsibilities and cost and to solidify details in a signed, written contract. Assistance in determining a consulting firm can be received from the present auditors. It will be important to use a firm who is familiar with the needs and philosophy of credit unions. (*Board*)
- 6.8. The Board of Directors, with the assistance of the President/CEO and the Management Team, will update the Job Description and other appropriate information for the position and provide this data to the Search Committee or consulting firm. (*Search Committee*)
- 6.9. Advertising for the President/CEO position will include appropriate publications. Members of the Senior Management Team and other possible internal candidates should also be notified of their ability to apply and how

this should be performed; i.e. directly to the Search Committee or to the consulting firm. *(Search Committee/Interim CEO)*

- 6.10. Screening of qualified candidates may be the most time-consuming element in recruiting for the President/CEO position. The committee may want to review the means of conducting a comprehensive screening process. Normally all resumes will be reviewed for basic qualities and experience and reduced to a workable number. Final interview candidates will normally be limited to 3 – 5 candidates. Final presentation to the Board should be the one candidate determined to be the best by the Search Committee and/or consulting firm. If this selection is not accepted by the Board of Directors, the Search Committee and/or consulting firm should then present their second choice option. *(Search Committee)*
- 6.11. Verification of candidate credentials and employability may include, but not be limited to: *(Search Committee/Human Resources)*
 - a. Educational transcripts
 - b. Reference checks
 - c. Credit bureau reports
 - d. CUMIS bond check
- 6.12. Publish articles in appropriate publications. *(Board with Marketing)*
 - a. Announce retirement of current President/CEO
 - b. Introduction of new President/CEO

7. Long –Term Objectives

Development of Vice President(s) & Directors

- a. Job requirements of the President/CEO should be reviewed to identify any gaps that cannot be filled by Vice President(s) & Directors. Plans for each of the Vice Presidents & Directors should facilitate personal growth with particular emphasis on exposure to the Presidents/CEO's responsibilities. Both on the job training and formal education may be used. Any gaps identified can be satisfied by using either expertise of other managers or through additional training.
- b. All Vice President(s) & Directors are identified in Appendix B. The President/CEO should evaluate all of them as candidates for Interim President/CEO. Key ingredients in the process are individual employee profiles and performance evaluations.
- c. Training plans should be developed to assure the candidates have the needed skills to function effectively in the role as President/CEO. Both human and technical skills are essential.
- d. The current President/CEO has the responsibility of overseeing this development process.

Attachment A

CONFIDENTIALITY AGREEMENT FOR EXECUTIVE APPLICANTS

I understand, as an applicant for a position with ABC Federal Credit Union, that I may obtain certain confidential information (including but not limited to financial data; member account, credit and tax information; member lists; strategic planning and marketing plans; other proprietary information; etc.) that belong to ABC FCU.

I agree to only use or disclose any such confidential information in the evaluation of employment opportunities with ABC FCU. I understand that any improper use or disclosure of such information may cause termination of my involvement with ABC FCU, and could also cause legal action to be taken against me.

Signed _____
Date

Witness _____
Date

Attachment B

FIRST 24 HOUR CONTACT LIST:

<i>Senior Management Team Members</i>	Home	Mobile	Office
<i>Board of Directors</i>	Home	Mobile	Office
<i>Supervisory Committee</i>	Home	Mobile	Office

Attachment C

CHANGE OF PRESIDENT/CEO AUDIT

Change of President/CEO Audit review should include, but not be limited to the following:

1. Secure keys to all credit unions locks – main office and branches.
2. Change all locks and combinations, if deemed necessary – main office and branches.
3. Count all liquid assets of the credit union and reconcile to records. This will include cash, money orders, traveler's checks, etc.
4. Give President/CEO a receipt for funds under their control, if any.
5. Inventory and reconcile investments.
6. Review supply of blank checks, money orders, traveler's checks, etc.
7. Remove President/CEO's name from records authorizing them to perform business on behalf of the credit union.
 - Bank Accounts to include signature facsimile on all check endorsers
 - Security
 - Armored cars
 - Pension administrator
 - Insurance companies
 - Vendors
8. Request cut-off ABC FCU bank statements and reconcile.
9. Review President/CEO related accounts at credit union.
10. Review all loan documentation associated with accounts in item #9 for completeness.
11. Secure any credit cards issued to President/CEO in the credit union name. Notify issuing bank.
12. Supervise the removal of personal possessions.
13. Normal employee exit process will apply.
14. Inform employees of change and prepare a response for them for membership questions. Specific questions, particularly from third parties, should be handled by a person designated by the Board of Directors.