

February 4, 1998

Al Beltran, Chief Executive Officer
Hidalgo Federal Credit Union
P.O. Box 4829
McAllen, TX 78501

Re: Annuity Plan for Volunteer Board Members, Your letter dated December 12, 1997.

Dear Mr. Beltran:

You asked if a federal credit union (FCU) can institute an annuity plan for its volunteer board members. No, it cannot.

The Federal Credit Union Act (the Act) only permits one director, as elected by the board, to be compensated as a board officer. 12 U.S.C. §1761a. All other board and committee members must serve without compensation. 12 U.S.C. §1761(c). The Act expressly limits the benefits that may be provided to volunteer board and committee members to health, accident or similar insurance and the reimbursement of reasonable expenses. Id.

NCUA's regulations interpreting these provisions in the Act provide that "reasonable health, accident and related types of personal insurance" will not be considered compensation. 12 C.F.R. §701.33(b)(2)(ii). The regulations identify life insurance as impermissible compensation and further state that any insurance protection provided "must cease immediately upon the insured person's leaving office, without providing residual benefits other than from pending claims." Id. An annuity is not a type of personal insurance as permitted in the Act but is more akin to a retirement plan or benefit. Our regulation providing that an FCU may provide retirement benefits contemplates such benefits only for employees and compensated officers. 12 C.F.R. §701.19(a).

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/MSc:bhs
SSIC 3601
97-1257

cc: Region V