



August 3, 2017

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

Re: Proposed Rule Making on Voluntary Mergers; and Voluntary Mergers of Federally Insured Credit Unions (12 CFR Parts 701, 708a and 708b)

Alaska USA Federal Credit Union (Alaska USA) appreciates the opportunity to comment on the NCUA's proposed Rule on Voluntary Mergers, Parts 701, 708a and 708b. Alaska USA is a federally chartered credit union with over \$6.9 billion in assets, serving over 625,000 members.

As noted in the proposed rule, mergers and consolidations are a natural and healthy part of any mature industry. Additionally, as operating costs continue to rise, specifically the cost of complying with added regulations and technological change, mergers allow credit unions to more efficiently serve their membership. Members gain greater access to branches and ATMs, improved on-line and mobile access, and better rates and fees, because the increased scale of the combined credit unions provides operating efficiencies that allow the larger institutions to deliver more value back to members. Mergers often serve to improve the safety and soundness of credit unions, thus protecting the National Credit Union Share Insurance Fund (NCUSIF). All of this enables credit unions to more effectively compete with banks in their markets, ensuring more people have access to affordable financial services.

As part of the merger process, Section 205 of the Federal Credit Union Act (the Act) already provides for the submittal of an information packet to the National Credit Union Administration Board (Board) by the involved credit unions, and requires written approval from the Board before a merger or consolidation can be finalized. This aspect of the Act and subsequent Board rules enacted to administer it, already allows for the Board's complete review, in an effort to ensure the merger is in the best interest of the members and of the NCUSIF.

While Alaska USA does support some aspects of the above-noted proposed rule-making, we believe other aspects of this proposal might make the process unnecessarily more complex, and may limit future mergers which are in the best interest of certain credit unions and the industry as a whole.

Several of the proposed changes are positive and should be noted as such. Specifically, revisions and clarifications around the content and format of member notices; the authority of FCU boards to set the "record date" by which a member must be a member in order to participate in a merger vote; the requirement of both the merging and continuing credit union to submit board minutes referencing the merger and noting there are no merger-related financial arrangements other than those disclosed to the members; some aspects of the enhanced information about payments and compensation offered to staff

and board members as discussed below in detail; and the increased notice periods to members to allow time for research, questions and responses. Other proposed changes, though, may be detrimental to merger activity by creating undue work and complexity, while not producing any benefit for the NCUA or the credit union's members.

Alaska USA supports the proposed requirement to disclose information concerning payments and compensation offered to staff and board members that may create a conflict of interest in merger decisions. However, we would caution against expanding the area of oversight to the extent that it creates unnecessary complexity or captures individuals who should not have their private and confidential information communicated widely. Through a merger, there may be valid reasons for changes in compensation that are simply an effort to cause the merger to finalize, such as differences in pay scales at each credit union and the need to bring them in line, or different benefits packages offered to all employees. It is our belief that the disclosure of merger-related financial information should be restricted to senior executive level positions and board members only.

While Alaska USA would support aspects of the Board's proposal to remove the definition of "senior management official" and rather insert a definition for "covered person", to include the credit union's chief executive officer or manager, the four most highly compensated employees other than the chief executive officer or manager, and any member of the board of directors or supervisory committee, we believe any further additional expansion of this will cause unnecessary work with no material benefit. In addition to the above, the Board is seeking specific comments on whether the number of covered persons should be expanded to include additional employees with management responsibility or who are in a position of influence, and if the credit union should be required to disclose merger-related financial arrangements for all employees regardless of management responsibility or level of influence. We would suggest this is an unwarranted overreach that will create added complexity and hamper merger and consolidation activity, as well as disclose employees' private financial information.

Furthermore, the Board's efforts to expand the definition of "merger-related financial arrangement" from what it adopted as a definition in 2010, seem to also create unnecessary work with limited benefit to membership. The current definition, as noted in part 708b, already covers "any material increase in compensation or benefits that any board member or senior management official of a merging credit union may receive in connection with a merger transaction", with material defined very conservatively as an increase that exceeds 15% or \$10,000. Additionally, golden parachutes are already addressed in part 750. The Board suggests there is confusion about the open-ended aspect of this look-back period and that in an effort to "simplify compliance" with this rule, they are proposing to redefine compensations for covered persons to all increases in compensation or benefits received during the prior 24 months. We do not believe this clarifies or simplifies the process at all, but rather increases the tracking and reporting burden by extending to a period greater than any reasonable party would ever suggest was connected to a merger-related activity and by requesting disclosure of this information for all employees. As noted, this will lead to private compensation and benefits being reported and disclosed to members, for employees who are not relevant decision makers or have any influence on the merger. We recommend leaving the rule intact and, instead, include the NCUA's desired clarification of increases in compensation or benefits that would not have been provided but for the merger, regardless of whether that increase is made before, during or after the completion of the merger. We also recommend that the amended language include information on all forms of compensation and/or benefits, excluding health care, retirement, and other benefits offered on a nondiscriminatory basis to all employees of the credit union. Capturing and relaying 24 months of compensation and benefits for all employees adds significant effort and workload and discloses private information, but we do not believe it assists the NCUA in achieving the proposed objective.

Lastly, Alaska USA believes the proposal to allow member-to-member communications regarding the proposed merger creates unnecessary workload and complexity, with limited to no value to members, and a lack of thoughtful oversight to prevent inaccurate comments from potentially disrupting the merger.

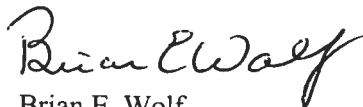
We believe the NCUA is misunderstanding the fact that more members who attend the in person vote end up voting against the proposed merger, than those who vote via mail. It is suggested that this is due to the ability of these members to garner additional information, have discussion and provide input in person, that they do not currently receive via mail. Further, this suggests that once members know the facts, they are relatively more likely to vote against a merger than for it. More than likely, this is simply due to the fact that those who are concerned and/or against the merger from the start are more motivated to invest the time and energy to attend the vote in person and have their voice heard.

The proposed changes would allow member-to-member communication by providing for the submittal of comments to the merging credit union, which would then have to consolidate all comments and send them on to all voting members. While the proposal does provide for false, misleading or off topic comments to be submitted to the regional office for review, it does not allow the merging credit union to provide any additional information, clarification or rebuttal on the remaining comments that are distributed to members.

Members do not always have all of the information, and we believe allowing them to influence other members without the ability to provide clarifying statements, context or clarity could be dangerous to the process. If this aspect of the proposed changes does move forward, we recommend credit union management be allowed to provide additional information along with the member comments.

In closing, there are several proposed rule changes Alaska USA supports, but Alaska USA is not in support of the overly broad capture and disclosure of personal compensation and benefits information under the header of "merger-related financial information" or of the proposed member-to-member communication requirement as proposed.

Sincerely,



Brian E. Wolf
Chief Operations Officer