

Online NCUA Examiner's Guide

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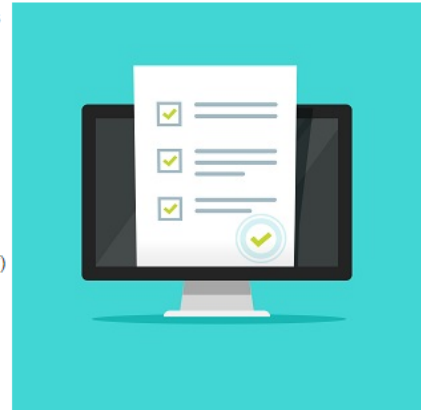
Powerful tool for managing benefits investments

Making investments to fund employee and executive benefits programs can be complicated, because the NCUA rules allow credit unions to make investments that many have little or no experience with.

It's not unusual for these investments to stop NCUA examinations cold. Sometimes, credit unions struggle to find supporting documentation, or board members and executives are unable to answer basic questions about the investment strategies and products they've deployed to, for example, pre-fund employee health plan expenses, fund a CEO's 457(f) plan, etc.

Avoid these difficult, time-consuming examination glitches by using a powerful tool the NCUA has installed: the online [NCUA Examiner's Guide](#).

The NCUA published the online Guide in late 2016, and if you weren't aware of it or you haven't done more than glance at it, you're probably in very good company.



You may also be interested in:

[How Holes Appear in Executive Benefits Plans](#)

[Close the Gender Retirement Gap: A 7-Point SERP Checklist](#)

Navigating the Guide

First, a navigation tip: If your browser isn't displaying the Guide's table of contents menu on the left of your screen, click on the menu icon (the three stacked horizontal bars) on the top left of the page, then click "Contents."

The Guide material we'll be covering in this series is mostly in the folder, "[Employee Benefits and Investments for Employee Benefits.](#)"

On this folder's main page, the NCUA establishes that it "...allows federal credit unions to fund employee benefit obligations with investments that are not subject to the investment limitations of the Federal Credit Union Act and [Part 703](#) or, as applicable, [Part 704](#) of NCUA rules and regulations."

Immediately after granting credit unions this extra measure of freedom, the NCUA warns against "unsafe and unsound practices" such as exposing a credit union's net worth to excessive risk, and failing to perform adequate due diligence.

Most credit union leaders understand the basic underlying premise articulated in these two statements: Yes, you can use investments we otherwise don't permit—but you'd better be VERY careful about it.

And this is why some credit unions choose not to take advantage of potentially higher performing investments—they may not be convinced that the prospective upside of these investments is worth the due diligence—and ongoing oversight—they require.

Take the time to make an informed decision about whether these investments can help your credit union make your employee and executive benefits more competitive. In the future articles, we'll cover in more detail how the Guide addresses three critical areas covered in NCUA examinations:

1. **Risks:** Most credit union executives and board members are familiar with the seven key risks identified by the NCUA: credit, interest rate, liquidity, transactional/operational, compliance, strategic, and reputation. Each of these risks is covered in the folder, "[Risks Associated with Employee Benefits Programs and the Investments that Fund them.](#)" Some risks can be quantified and some can't, but it's important to document that you've addressed them when investing to fund benefits such as health insurance, 401(k), 457(b), 457(f), and split-dollar life insurance plans.

- Investments:** The folder, "[Investments that Fund Employee Benefits for FISCUs](#)," details investment portfolio elements that often trigger extra scrutiny by examiners. For example: "When a federally insured credit union's exposure to otherwise-impermissible investments exceeds 25 percent of its net worth and the risk is not borne by one or more beneficiaries, field staff must **expand the examination scope of review**." Other folders that cover important investment guidance are, "[Insurance Products Typically Used to Fund Employee Benefit Plans](#)," and "[Direct Relationship Requirement](#)."
- Examination prep:** NCUA officials have described certain parts of the Guide as "an open-book exam," such as the "[Exam Procedures](#)," and "[Pre-Purchase Analysis of Investments for Employee Benefits](#)" folders, in addition to most of the folders mentioned in #2 above.

Who doesn't prefer open-book exams to pop quizzes you're not ready for? Becoming familiar with the online Guide can only help all aspects of your credit union's next NCUA exam go more smoothly. Also, it can open the door to a more complete and effective investment policy that will give your credit union an ongoing edge in attracting and keeping the best available talent while maintaining safe and sound operations.

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