



Fall, 2013

MSIC'S Center for Credit Union Governance sponsors the Chairmen/CEO Forum



The International Golf Club & Resort in Bolton, Massachusetts

The MSIC Center for Credit Union Governance sponsored the first Chairmen/CEO Forum event in Bolton, MA at The International Golf Club & Resort on August 15. The Forum was organized by Norm Halls and Mike Ostrowski, Chairman and CEO, respectively, of MSIC member credit union STCU, Springfield, MA. MSIC's Mike Hanson provided a brief overview of the economy and the credit union industry. Bob Albright, Ph.D, Professor of Management at RPI presented an educational session on "Leadership in Challenging Times" based upon the journals of polar explorer Ernest Shackleton.



Representatives of fifty-eight credit unions attend the event.

Events

September 22-25, 2013

Volunteer Leadership Institute – East
Omni Amelia Island Plantation Resort
Amelia Island, Florida

October 16, 2013

Filene Research Institute Impact Meeting (sponsored by MSIC & MCUL)
Seaport Hotel, Boston, MA
8:30-11:00 AM

October 24, 2013

Kearney, Donovan & McGee, P.C. Reception for Joint Financial Services Committee Chairman Mike Costello
40 Court Street, Boston, MA
12:00 (Noon)

December 12, 2013

MSIC's 52nd Annual Meeting and Holiday Reception
Worcester Art Museum,
55 Salisbury Street, Worcester, MA
5:00-8:00 PM

January 24-25, 2014

MSIC Executive Leadership Conference in conjunction with the Tuck School of Business at Dartmouth College
Hanover Inn, Hanover, NH

February 5-8, 2014

Paragon Group Volunteer Leadership Institute
Wailea Beach Marriott Resort & Spa
Wailea-Maui, HI

February 23-27, 2014

CUNA 2014 Government Affairs Conference
Washington, DC

After the session, most of the participants remained for a round of golf at The International, one of New England's finest golf courses. Many of the credit union leaders attending the event said that they would like the Forum to meet annually in order to provide opportunities for board leadership and CEOs to discuss the issues facing the industry.

Massachusetts Legislative Hearing



Massachusetts Joint Committee on Financial Services, May 14, 2013.

The Massachusetts Joint Committee on Financial Services held a legislative hearing on May 14, 2013 on a number of proposals, including the four bills sponsored by MSIC in the current legislative session. The MSIC proposals expand MSIC's investment powers, authorize the State Treasurer and municipalities to deposit government funds in credit unions, enhance CUSO investment powers, and revise and update the Massachusetts List of Legal Investments. MSIC's Mike Hanson, Ken DelRossi and Debbie Guiney testified on behalf of these proposals. Also in attendance were: MSIC: Erika Morin, Tony St. Pierre, Geoff Plume, James Boachie, Jonathan Fine; Southbridge CU: Jeff Davenport; AllCom CU: Ryan Marshall, Laura Cummings; Tewksbury CU: Shelley Robinson, Maureen Montecalvo; STCU: Mike Ostrowski; Mass Bay CU: John Thomas; Alpha CU: David Snow, Mike Swant; NMTW CU: Ray Wrobel; Polish National CU: James Nagy; KDM: Paul Donovan. Thanks to all for helping in this effort.

If any member would like to assist our legislative process, please contact Mike Hanson at mhanson@msic.org or by calling 617.758.0540.

MSIC to Roll-out its Liquidity Reserve Fund

Plans are under way for MSIC to roll-out its Liquidity Reserve Fund in November. Last year the new Liquidity Reserve Fund was authorized by the Massachusetts Legislature with the passage of Chapter 220 of the Massachusetts Acts of 2012. The Act provides MSIC with depository powers so that it may create a modest voluntary liquidity reserve fund to be used by MSIC member credit unions. MSIC anticipates that it will begin offering deposits to Massachusetts-chartered member credit unions in the next few months, and make emergency liquidity loans available by year end.

MSIC and The Paragon Group Sponsor the Volunteer Leadership Institute-East Coast

On September 22-25, 2013, MSIC's Center for Credit Union Governance again partnered with The Paragon Group to sponsor a Volunteer Leadership Institute for credit union directors and executive officers. The conference was held at the Omni Amelia Island Plantation Resort & Spa in Amelia Island, Florida. Credit union representatives from across the nation attended this event. This is the second VLI-East sponsored by MSIC and The Paragon Group. Last fall, a similar session was held at the Stowe Mountain Lodge in Stowe, Vermont.

The sessions provided world-class training for credit union leadership and a unique forum for discussion of the pressing issues facing the industry. This year's speakers list included: Tim Harrington, President of T.E.A.M. Resources; Amy Whitehead, Senior Management Analyst, Florida

Office of Financial Regulations; Bob Schumacher, Senior Consultant of The Paragon Group; Francois G. Henriquez, II, of Counsel of Shutts & Bowen, LLP; Michael Moss, Financial Control Analyst of the Division of Financial Institutions, Florida; Alix Patterson, COO of Callahan & Associates; John D. Worth, Ph.D., Chief Economist of the NCUA; Mary Beth Spuck, CEO of The Paragon Group; Jack M. Antonini, President & CEO of NACUSO; Mike Hanson, President & CEO of MSIC; Michael D. Lozoff, Partner of Shutts & Bowen, LLP; Julie Lynch, Ph.D., President of Turning Pointe Consulting; James L. This, Ph.D., President of The Paragon Group; and Herb Yolles, Director, Region III of the NCUA.



Omni Amelia Island Plantation Resort & Spa, Amelia Island, Florida.



James L. This, Ph.D., President of the The Paragon Group, discusses Asset/Liability Management (ALM) in a bonus session for early attendees.

For the past 17 years, The Paragon Group has hosted a similar institute in Hawaii in February. The MSIC-Paragon partnership allows this unique conference format to be more readily accessible to credit unions on the East Coast. The VLI-Hawaii will next be held at the Wailea Beach Marriott Resort & Spa, Wailea-Maui, Hawaii on February 5-8, 2014. For further information, please visit www.theparagongroup.com

Future of the Payments System

MSIC's Mike Hanson attended a Filene Research Institute colloquium on the Future of the Payments System on May 30, 2013 in Salt Lake City, Utah. Global consulting company McKinsey and Company presented a survey on the current state of the payments system and changes that will likely affect all credit unions in the years to come. Over 200 participants attended the session from all over the nation. "A substantial portion of credit union revenues are derived from the payments system. Technology enhanced changes in this system could have a dramatic effect on credit union profitability in the years to come" said Mike. Copies of the colloquium materials are available to MSIC member institutions upon request.

Director Training



Polish National Credit Union sponsored a director training session on June 11 at its Wilbraham branch office. Mike Hanson presented an industry and economic overview and trends in board governance to thirty seven CEOs, senior staff and Directors. Representatives of Polish National, Greater Springfield, Chicopee Municipal, STCU and Southbridge Credit Unions were in attendance.

MSIC Advisory Committee



Cranwell Resort & Spa in Lenox, Massachusetts

MSIC's Board of Directors and Advisory Committee met jointly at the Cranwell Resort in Lenox, Massachusetts on July 24-25, 2013. The session included a presentation by Ben Rogers, Research Director of the Filene Research Institute, on methods for collaboration. Participants discussed in detail MSIC's plans for large scale collaboration in order to assist member institutions in reducing operating expenses and creating new revenue opportunities. "MSIC's membership is very interested in pursuing the CUSO opportunity. This type of large scale collaboration will be necessary if credit unions are going to be able to reduce their operating costs in this difficult financial environment" said Ken DelRossi, Chairman of the MSIC Board of Directors.

MSIC currently has a bill pending in the Massachusetts legislature which will enhance its CUSO investment powers to help facilitate the use of CUSOs to sponsor large scale collaboration among MSIC member credit unions.

Corporate Notes

- Jan and Mike Hanson attended the Washington reception for The One Fund on May 15 with the Massachusetts Congressional Delegation. The One Fund is a charity created to support the victims of the Boston Marathon bombings. MSIC had previously made a charitable contribution of \$5,000 to the fund.
- MSIC Chairman Ken DelRossi and President Mike Hanson had lunch with former MSIC President John Buddle in Boston on May 22. John and Jackie are doing well and living at their home in British Columbia. They both spend a substantial amount of time in Southern California with their family members. John expressed his best wishes to all MSIC members.
- On May 29, MSIC co-sponsored the Student Essay Contest with the Massachusetts Credit Union League. The Essay Contest awards event was held at the State House. MSIC's Geoff Plume and Erika Morin attended, and Treasurer Steve Grossman was the keynote speaker. Eight middle school students were recognized for the quality of their essays concerning "People Helping People" from nearly 1300 entries.
- In June MSIC celebrated James Boachie's 5th year anniversary with the company. Thank you, James!
- Mike Hanson was a speaker at the CUNA America's Credit Union Conference in New York City on July 1-3, 2013. Mike was a co-presenter at a break-out session: "Increasing Consumer Access to Financial Services – Supplemental Capital Reform." These remarks highlighted the work of the Coalition for Credit Union Access which is actively supporting House Bill 719. The bill would provide the NCUA the authority to create a supplemental capital structure for insured credit unions.
- On July 1, 2013 Mike Hanson attended the annual meeting of the Filene Research Institute in New York City. The speaker at the event was Rob Rubin who discussed younger member development. Rob conducted two workshops for MSIC on this topic last year.
- Mike Hanson spoke at the 80th annual Telephone Advisory Council in Portsmouth, New Hampshire on September 6. His topic was "New Requirements in Strategy."
- Mike Hanson has graduated from the Program in Organizational Leadership at the Saïd Business School at Oxford University. Jan and Mike attended the end of program ceremony on September 21.

Director Highlight

Mike Murphy
President and CEO
Holyoke Credit Union



Mike Murphy is the President and CEO of Holyoke Credit Union. He has nearly 30 years experience in the credit union industry and has been a Director of MSIC since 1990. Mike is a graduate of Westfield State College and has completed numerous credit union finance, computer and regulatory compliance courses and seminars. Mr. Murphy currently serves as a Member of the Holyoke Economic Development and Industrial Corporation (HEDIC). He fills the commercial banking role for HEDIC. HEDIC has the authority to buy and sell property, manage projects, approve financing and assist private developers. HEDIC administers the Holyoke Industrial Development Loan Program to assist new and existing companies meet their capital needs. HEDIC works to improve economic conditions in the City of Holyoke by assisting the growth of existing businesses, attracting new businesses to the City, and in developing a Comprehensive Economic Development Master Plan.

Mike is a past Chairman of the Board of MSIC. Currently he serves as Chairman of the Legal Services Committee and is a member of the Audit, Investment and By-law Committees. Mike is very active in the YMCA movement and presently serves as a board member of the Greater Springfield YMCA.

"I'm very proud of MSIC's long history of providing excess deposit insurance for members of Massachusetts credit unions. This service is a unique competitive advantage for our credit unions. I'm also pleased and excited about MSIC's new initiatives concerning corporate governance. For example, I found the workshop on loan participations to be very helpful. These programs are an example of MSIC's proactive approach to strengthening not only member credit unions but the entire credit union industry".

MSIC's 52nd Annual Meeting & Holiday Reception

MSIC will combine its 52nd Annual Meeting with its 3rd Annual Holiday Reception for MSIC members at the Worcester Art Museum on December 12, 2013. The event will be held from 5-8 PM. The Annual Meeting will begin at 5:00 PM; the Holiday Reception will begin at 5:30 PM. During the reception many of the galleries will be open to attendees. All MSIC Member Institution, CEOs, Senior Officers and Directors are invited to attend along with their respective guests. Invitations and further information concerning the event will be mailed to member institutions this fall.

Executive Leadership Conference: January 24 - 25, 2014

Leading Membership Organizations

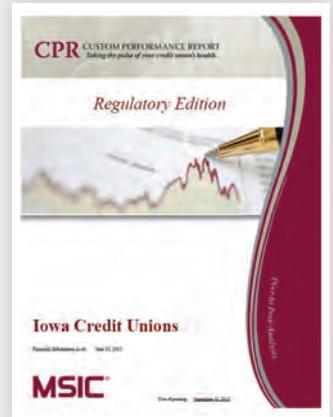


**Tuck School of Business
at Dartmouth**

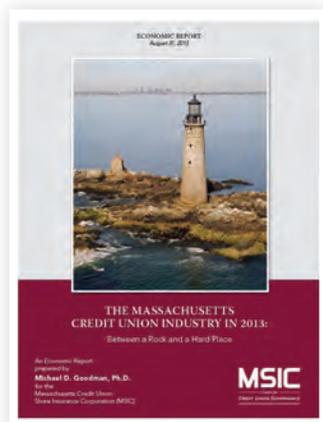
MSIC has again partnered with Professors Paul Argenti and Punam Keller of the Tuck School of Business at Dartmouth College to provide an Executive Leadership Conference on January 24-25, 2014. The event will be held at The Hanover Inn in Hanover, NH. The Tuck Professors will be presenting a day long program on Saturday, January 25, focused on improving credit union leadership and enhancing the relationship between the institution and its members. MSIC will pay the total cost for one delegate from each member institution. Additional attendees may participate at a cost of \$600. To register, please contact Erika Morin at emorin@msic.org.

Regulatory Edition CPRs

Regulatory edition Custom Performance Reports were issued to all 50 states by MSIC on May 3. The report provides a practical tool for state regulators to evaluate the financial condition of credit unions operating in their jurisdictions. These reports were distributed to the 50 state regulators free of charge. MSIC received a number of letters of thanks from around the country, including a letter from former NCUA Chairman Jo Ann Johnson, who is now Superintendent of Credit Unions in the state of Iowa.



MSIC's 3rd Economic Report on Massachusetts



MSIC issued its 3rd annual report on the Massachusetts economy and the credit union industry on August 31, 2013. The report was again authored by Professor Michael D. Goodman, Ph.D.

Professor Goodman is associate professor and chair of the Department of Public Policy at the University of Massachusetts, Dartmouth, and is a leading analyst of the New England economy.

The report highlights the current state of the Massachusetts economy and the challenges facing Massachusetts credit unions over the next year. The report is intended to assist member institutions in their strategic planning process to evaluate their current marketplace challenges.

This report is available to all MSIC member credit unions free of charge. Additional copies may be downloaded in the Members Only area of the MSIC website. Non MSIC member credit unions interested in obtaining a copy of the report should contact Erika Morin at emorin@msic.org.

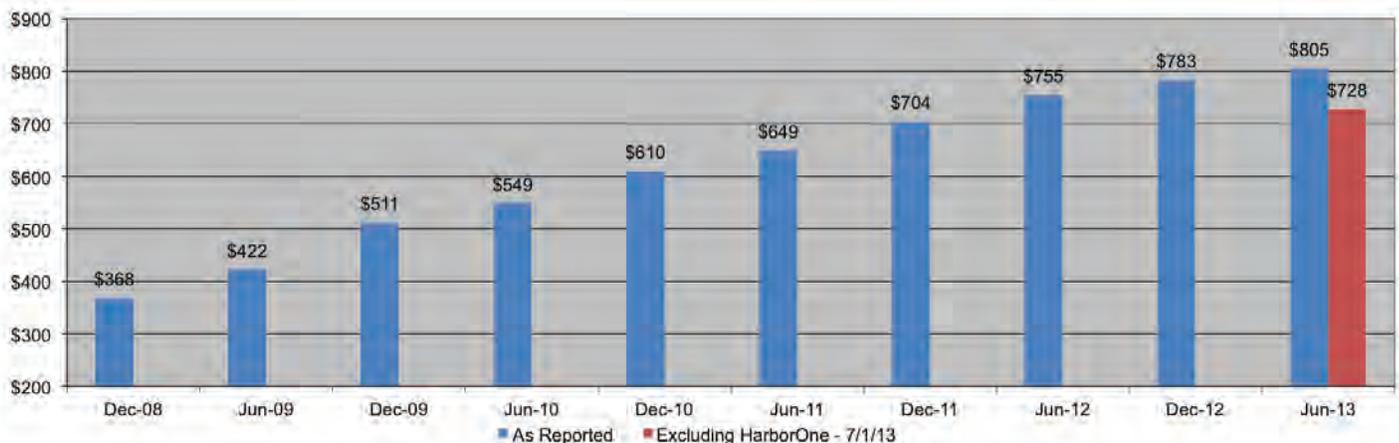
June 30th Excess Shares Continue Upward Trend

By Geoff Plume, Vice President and Treasurer

Excess shares and deposits among MSIC's membership continued to grow moderately during the first six months of 2013. Annualized growth was 5.7% during the period to \$805.3 million. This growth rate exceeded the 4.9% annualized growth rate of all shares and deposits for the first six month of the year.

MSIC member HarborOne Credit Union terminated its membership on July 1st, after completing its conversion to a mutual cooperative bank charter. HarborOne's departure had a noticeable effect on MSIC's coverage ratio. Insured Excess Shares and deposits declined by \$77.7 million to \$727.6 million as a result of HarborOne's departure, and the MSIC gross insurance coverage ratio improved by 80 basis points to 8.0%. The gross coverage ratio was 7.6% at December 31, 2012. MSIC continues to maintain the highest coverage ratio of any deposit insurer in the United States.

**Growth in MSIC Member Excess at \$250,000
(\$ in millions)**



Examination Trends

By Jonathan Fine, Credit Union Monitoring Analyst

Recent trends indicate that examiners are continuing to concentrate their attention on risk management during the supervisory process. Their comments have been directed towards the organization's efforts to manage risk. While the concept of risk management applies to all aspects of a credit union's operations, there are two areas to which special attention has been focused. The first is Information Technology (IT), where a multitude of risks are present. The examiners are reviewing the organization's IT policies, procedures and controls as well as management's responses to the findings of internal and external audits.

The second area of attention is Asset/Liability Management (ALM), which is critical given the eventual return to more normal interest rates from the current low interest rate environment. Here, the examiners have been assessing management's efforts to measure, monitor and control the credit union's short- and long-term interest rate risk as well as the effectiveness of its ALM modeling process. In addition to the foregoing, the examiners have been reviewing management's ongoing due diligence, particularly in areas into which the credit union may have recently expanded, such as Member Business Lending and student loans. Finally, given that the Board of Directors is ultimately responsible for the credit union's operations, attention has been placed on the extent to which the Board and its committees, such as Audit Committee, Credit Committee and ALCO, have been effectively engaged with senior management.



Meeting the Challenges Facing Today's Credit Unions

- Strategic Planning
- Board Training
- Governance Consulting
- Innovative Workshops & Conferences
- Custom Performance Reports (CPR)
- Merger Advisory Services
- Enterprise Risk Management
- Regulatory Consulting
- Industry & Economic Analysis
- Leadership Training

For further Information please contact Mike Hanson at mhanson@msic.org or at 617.758.0540