



**BOARD ACTION MEMORANDUM**

**TO:** NCUA Board **DATE:** July 11, 2016  
**FROM:** Chief Financial Officer **SUBJ:** 2017–2021 NCUA Strategic Plan

**ACTION REQUESTED:** Board approval of the 2017–2021 NCUA Strategic Plan.

**DATE ACTION REQUESTED:** July 21, 2016

**OTHER OFFICES CONSULTED:** All Regional and Central Offices

**VIEWS OF OTHER OFFICES CONSULTED:** Concur

**SUBMITTED TO INSPECTOR GENERAL FOR REVIEW:** Yes

**RESPONSIBLE STAFF MEMBERS:** Deputy Chief Financial Officer Peggy Sherry, and Performance Analyst Melissa Lowden

**SUMMARY:**

The 2017–2021 Strategic Plan communicates the goals that NCUA aims to achieve, actions the agency will take to realize those goals and how we will manage challenges likely to be barriers to achieving the desired result. The Strategic Plan integrates the agency’s mission of “providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit” with clear goals and objectives for the next five years.

The strategic plan highlights the agency’s three strategic goals and supporting strategic objectives, which reflect the desired outcome or impact of the strategic goals. Senior executives are appointed as the goal leaders for each strategic goal. They are responsible for managing the strategic goal and corresponding objectives.

The three strategic goals in the NCUA Strategic Plan for 2017 to 2021 are to:

- Ensure a Safe and Sound Credit Union System.
- Promote Consumer Protection and Financial Literacy.
- Cultivate an Inclusive, Collaborative Workplace at NCUA that Maximizes Productivity and Enhances Impact.

In January 2016, the NCUA Board approved a 60 day public comment period for the proposed *2017–2021 Strategic Plan*. Comments were due April 4<sup>th</sup>, 2016; NCUA received seven comment letters. The primary nature of the comments included: 1) streamlining the examination cycle, 2) modernizing NCUA technology to focus on efficiency and interest in the

Automated Integrated Regulatory Examination System (AIRES) replacement initiative, 3) increasing collaboration with state regulators and 4) reducing supervision burden and time and resources credit unions spend on supervision activities.

The 2017–2021 Strategic Plan was drafted to provide long-term goals for the major functions and operations of the agency that are outcome-oriented and address the broader impacts desired by NCUA. The strategic goals and objectives, and performance goals within the Strategic Plan are designed to be comprehensive yet not so specific as to prevent our annual actions from being responsive to a changing economic environment and adapting to the needs of the credit union system throughout the life of the plan.

The Annual Performance Plan (APP) provides transparency and understanding around our performance goals by drawing a clear line from the agency’s strategic goals, strategic objectives and performance goals, to the more detailed and current performance indicators and targets articulated in the APP. Each year, the APP documents the specific actions to be taken, such as updates to policies, regulations or examination and supervision processes, and outcomes desired, to further the goals and objectives articulated in the Strategic Plan.

Many comments were too specific for the Strategic Plan and will be addressed in the APP. For instance, while the NCUA multi-year Enterprise Solutions Modernization (ESM) effort (AIRES replacement initiative) is articulated through the strategic objectives within Goal 1 and Goal 3 in the 2017–2021 Strategic Plan, the specific milestones and dates related to the ESM effort are documented and measured as part of the indicators and targets within the APP. Additionally, public comments that suggested additional metrics for NCUA’s rolling regulatory review will be considered during the development of NCUA’s 2017–2018 Annual Performance Plan.

Each strategic goal within the 2017–2021 Strategic Plan is supported by a number of strategies. These strategies are designed to demonstrate how the agency plans to make progress on the strategic objectives, to include: operational processes, human capital, training skills, technology, information, and other resources critical to mission delivery. The strategies under Strategic Goals 1 and 2, where the plan discusses NCUA’s collaboration with other federal regulators, were updated to also emphasize NCUA’s collaboration with the state regulators in response to input received from the public comments.

Strategic Goal 1, Ensure a Safe and Sound Credit Union System, contains strategic objectives and performance goals that enable NCUA to fully execute the requirements of the agency’s examination and supervision program, but allows for continuous improvement in NCUA processes, including the modernization of the exam process. On May 19, 2106, Chairman Rick Metsger established the Exam Flexibility Initiative to evaluate the agency’s examination and supervision program. Through this initiative, NCUA is looking at how to improve the efficiency of the examination process while still remaining effective, and how technology can be used in the process. Led by Region IV (Austin) Regional Director Keith Morton, the group is meeting with credit unions around the nation, from all asset sizes and charter types, to understand how to lessen the examination burden on credit unions, including extending the examination cycle for well-managed, financial sound credit unions, while ensuring the proper

regulatory safeguards remain in place to protect the system, the deposits of credit union members and the national credit union share insurance fund.

It is recommended that the Board retire two performance goals that measure annual exams within the 2014–2017 Strategic Plan and the 2016–2017 APP:

- Examine all federal credit unions annually.
- Examine all federally insured state credit unions with assets above \$250 million annually.

It is recommended that the Board also establish the following interim performance goal related to the examination program:

- Complete an efficient and effective federal and state examination program.

Until the Board implements any recommendations from the Exam Flexibility Initiative, Regional Directors will have greater discretion to examine federal credit unions and federally insured, state-chartered credit unions. Specifically, Regional Directors will have discretion to schedule exams of federal credit unions within their assigned budgets and without respect to a given calendar year; however, the time between completion of the most recent exam and completion of the next exam cannot exceed 23 months. The outer bound of 23 months is consistent with existing agency policy of an 8 to 23 month examination cycle for all federally chartered credit unions. For federally insured, state-chartered credit unions with assets above \$250 million, Regional Directors will no longer be required to examine these institutions each calendar year. Instead, within their assigned budgets Regional Directors will select federally insured, state-chartered credit unions for examination during a particular calendar year based on various factors, including but not limited to the risk profile of the institution, emerging trends, the time elapsed since the last NCUA onsite work, and coordination needs with state supervisory authorities. These two policy changes will be effective immediately.

NCUA is also seeking stakeholder views on updating the Call Report and Credit Union Profile systems with one goal being to streamline the quarterly reporting process. NCUA will use stakeholder comments to help improve the user experience, enhance the utility of supervisory data and help minimize the burdens associated with reporting without compromising the agency's ability to monitor and supervise risk in federal credit unions.

The final 2017–2021 Strategic Plan clearly articulates NCUA's mission, goals and objectives over the next five years.

**RECOMMENDED ACTION:** Approve the 2017–2021 NCUA Strategic Plan.

**ATTACHMENT:** 2017–2021 NCUA Strategic Plan