



**Policies & Procedures Committee Meeting Minutes
October 18, 2017 Ten Pin Building Conference Room**

PRESENT

Board: Colin Fiske, Mary Ella Anderson, Ed Strong

Staff: Emily Walter, Melanie Bettenhausen, Laurie Talbert, Allana Cooke, Alisha Hammer

Members: John Lucas

1. Welcome/Introductions/Agenda Review and Additions

Meeting commenced at 4:05pm. Colin Fiske welcomed everyone.

2. Approval of Minutes

August 16, 2017 minutes were approved by consensus.

3. Member Comments

None.

4. Follow-up from August/September Board Meetings

The board approved PPC recommendations at the September Board meeting.

5. Unclaimed Equity Policies – reported by Melanie

- Melanie explained to the group that a committee of staff have been working with an attorney (Therese) to come up with policies and procedures in relation to Co-op memberships. We don't currently have strict policies for how to deal with different membership scenarios, such as what to do as each membership is closed/redeemed, or what happens when a membership needs to close or someone wants to remove a member from their membership. Of the 17,000+ Co-op members, many are not actually active. We know that some of these members are deceased but don't have a process for legally removing them as members. It is costly to mail "non-active" members annually. We want to establish and be clear about what membership rights are.

Three Goals

- 1) Establish beneficiary on all memberships so that redemption can be treated equally
- 2) Establish procedure for dormancy status that will allow the Co-op to terminate memberships when appropriate
- 3) Produce a report

The group reviewed a memo from Therese and her proposed changes to the Board Policy Manual.

Establish Beneficiary

- All Co-op member applications from 2011 to present indicate a first and second member but don't designate redemption rights.
 - o This is problematic because there is no clear identifier of which member is in control of the membership.
 - o This is a burden to staff and creates a liability issue because each member is an equal legally.
 - o We only collect one address and generally have no way of contacting the second person on a membership.
 - o Even if we know who the beneficiary is, we still need to know who has the authority to close the account.
- Beneficiary request letter: The default if there is no response to the letter is that the second person on the membership will be the beneficiary... doesn't specify who can close the account.
- If a married couple has separate memberships and one dies, is their partner automatically the beneficiary?
 - o They would have legal rights to claim the deceased estate even if not declared the beneficiary.
 - o You can't give or transfer a membership to someone. You can transfer the proceeds from a membership.
- John L. – it would be simpler to push all members to single memberships rather than create a beneficiary system. It will be hard to get people to respond to submitting beneficiaries.
 - o The beneficiary letter will clean things up. If they don't respond there is still a default outcome.

- Melanie – we can't clean up the database until we establish new policies.
- Colin – we can encourage people to shift to single person membership.
- Melanie – this is the Co-op explaining “this is the status of your membership.” This is an education campaign. Letting people know what their rights are.

Dormancy Status

- You can't have “active” vs. “inactive” members. This is not the correct procedure. We must continue sending mail to members to show that we have attempted contact. Once this is established, then there is a process for removing the member.
- Dormant Status – Defines what no contact means. No contact for 3 years.
 - Colin – the language should read “shall,” (not may) become dormant after 3 years of no contact.
 - Memo needs revision
 - The idea is that after the third year of being dormant they qualify for notice of transfer to the Co-op.
- California's legal definition of “no contact” is vague.
- We will define what we consider “no contact.”
 - No cashing of dividends
 - No response to mail/returned mail by the postal service
 - A member can have patronage and still meet the “no contact” rule
- Colin – we separated the patronage from no contact. How can there be membership following expulsion?
 - Melanie – The intent is that a membership is terminated after the second year of no contact, we then have a year to redeem equity interest. By the time the third year of no contact comes around, and they have not redeemed their shares, then at that point, the funds can transfer to the Co-op.
- Ed - The policy makes it sound like a membership status vs a policy status. Melanie will correct.

ACTION: Add language specifying that after two years of no contact, the board shall vote to expel the member.

- Melanie – Therese is drafting notices that would be used over the three years so the member can see where they are in the process.
- Colin – the board “shall” expel the member.... Not “may.”
- Melanie – the proprietary interest does not change if the membership status changes. The clock does not start over.
- Colin – if a membership is terminated, they still have a proprietary interest.
- Laurie specifically asked Therese if there is anything that restarts the no contact clock. The only thing that restarts the clock is contact. Patronage does not.
- John – the bylaws say we are compelled to repurchase the shares. Sending notice that they are available is an attempt.
- Colin- do we need to change the bylaws? No.

ACTION: use the words “no contact” instead of the status of dormancy.

- Section D should be parallel to section B in talking about procedure for expulsion in terms of no contact and no patronage. D should lay out no contact similar to how section B explains no patronage. It needs to say we plan to expel after 2 years of no contact.
- Melanie – top 3 priorities for cleaning up current member database. Start the process for:
 - 1) members with unclaimed checks from previous patronage refunds
 - 2) members with unclaimed checks from terminated out of state members
 - 3) members with documented no contact for more than 3 years

Produce a Report

- We are working to improve our database to hold more details with better reports.
- Add fields for tracking “no contact” for year 1, 2, 3.
- Track any notifications that are sent to members.
- Track members who claim/redeem equity/shares.
- Every member gets at least 2 mailings/year (annual statement and election materials). C share members get additional quarterly mailings.
- There is a cost to all of this. Costs of printing/ mailing/ staff time to update and enter info into database. Another potential cost is the sum of shares that some members will claim and redeem.

- Colin – this process has gotten complicated because it’s a mixture of board policy and operations. For future process when we get to the point of board policy, we should stick to the board attorney.
 - o Melanie – there is the policy and the procedure to carry it out. The intent was to add the procedures piece, that follows the policy.
- Colin – it’s good that we’ve added some specifics about trusts, joint membership, beneficiaries, etc... I think there are some issues that need to be addressed. Is it better to have PPC mark it up or have Therese or staff edit?
 - o John believes this proposal is similar to what was approved one year ago, only it includes more procedural nuances.
 - o Melanie – it makes more sense to have Therese revise based on feedback we give her. Then we can review and see if it deviates from the original policy. It detangles the patronage and no contact and adds procedures. If the procedures are not done correctly, it can affect the nature of memberships and create liability.
 - o Colin is okay with Therese revising for PPC to review. The final version will need legal review prior to approval.
- John believes the outcome of the election will influence the direction we need to take.
- Melanie – Therese has seen the draft of single membership that is up for vote. Regardless of single or joint, we need to Redeem and Re-issue, rather than transfer proceeds to beneficiaries.
- Colin – member correspondence should “encourage” members to transfer to single membership.
- Ed – noted that on the designation of beneficiary form (page 21 of the PPC packet) needs ITIN changed to TIN to be consistent with the rest of the form.
- Ed – reissuing membership numbers as the same number might not be possible with current system.
 - o Melanie – following the election we need to look at the best course for reissuing memberships
- Laurie – in the procedures we need to define what annually means. Is it based on fiscal year or based on when someone becomes a member?
- Colin – it’s based on fiscal years.

6. Member Action Committee Charter

Tabled

7. Review Hotlist Items: None

8. Agenda Items for Next meeting:

- Hotlist
- Unclaimed Equity Policy
- MAC Charter

9. Next meeting: November 15 at 4pm

Meeting adjourned 5:53pm by consensus.

Minutes by Emily Walter