

Strategic Plan 2012

Conservation Employees' Credit union

It will be the policy of Conservation Employees' Credit Union to actively maintain and adhere to a Strategic Plan. This plan will identify several areas of consequence to the credit union's operation and outline the strategy for addressing each of these areas on a 1, 2-5, and 6-10 year time frame.

This Strategic Plan will be reviewed during CECU's annual planning process, generally occurring between August and October. However, due to the dynamic nature of market conditions and member needs, Strategic Plan revisions may be made at any time (with Board approval).

Conservation Employees' Credit Union Strategic Plan has currently identified each of the following areas of consequence:

Core Competency

What does the credit union do best? Do you expect this core competency to change? Is this core competency of sufficient value to sustain credit union growth?

1 Year: CECU understands the importance of competitive product pricing within the financial services marketplace. As such, ALCO recommendations and Board policies are designed to aggressively position credit union products. While excellent product pricing remains recognized as a credit union strength, excellent service delivery to MDC employees, retirees, and their family members is identified as the organization's core competency. With this being the case, CECU must demonstrate a daily commitment to not just maintaining, but improving service delivery. This improvement will be obtained through a program of coaching and positive reinforcement, as well as the development of a corporate culture where all employees feel empowered to positively reconcile all member concerns.

Excellent service delivery must be demonstrated at the time a new account relationship is established. As a measure of this quality of service, it will be expected that 75% of new accounts (for members 18 and over) will have 5 or more credit union services within 90 days of opening the account. Upward movement in total credit union product utilization per member is expected.

Member satisfaction surveys will be conducted regularly. In addition, CECU will contract to have at least one "secret shopping" survey conducted.

In the event of a CECU error, the affected member will be sent a personalized apology card.

Efforts will continue to improve product and service delivery through both personal and electronic delivery channels.

In an effort to strengthen branch service to members, the credit union will create and develop the position of a branch manager.

2-5 Year: CECU will remain committed to providing excellent member service to all credit union members, without regard to the location of the member or the choice for service delivery.

CECU must demonstrate a daily commitment to not just maintaining, but improving service delivery. This improvement will be obtained through a program of coaching and positive reinforcement, as well as the development of a corporate culture where all employees feel empowered to positively reconcile all member concerns.

6-10 Year: CECU will remain committed to providing excellent member service to all credit union members, without regard to the location of the member or the choice for service delivery.

CECU must demonstrate a daily commitment to not just maintaining, but improving service delivery. This improvement will be obtained through a program of coaching and positive reinforcement, as well as the development of a corporate culture where all employees feel empowered to positively reconcile all member concerns.

Loans

What is the expected level of loan growth? What segments of the loan portfolio will be the most active? What changes will be necessary to keep the lending program relevant?

1 Year: During the next 12 months, CECU expects moderate loan growth, likely to exceed 3%. This loan growth will be supported by an increased emphasis on identifying loan opportunities specific to member demographics. CECU will continue an effort to improve packaging of loan products targeted at existing students and recent graduates.

The credit union is committed to providing loan assistance to those members demonstrating significant need, especially where options may be limited with traditional loan programs.

The credit union will review and as necessary revise the structure of existing mortgage programs so as to ensure both competitive pricing and responsible return to the credit union. Fixed rate programs may be extended. New adjustable rate programs such as a seven year ARM may be considered. The existing cap on the first time homebuyer program may be removed. Additionally, CECU will reassess the applicability of existing policy cap proportions.

To better match market competition, new car loans may be priced at a rate below established used car loan rates.

It is expected that the loan to share ratio will remain in the range of 75% to 85%.

2-5 Year: In the 2 to 5 year time period, CECU will continue to review the relevance and popularity of all existing loan products. Along with this ongoing assessment, the credit union may also consider the implementation of programs such as business lending, indirect lending, reverse mortgages, and construction loans.

CECU may consider methods of automated underwriting, improved electronic processing of loan applications and delivery of loan proceeds, and the relevance of existing and introduced lending related products and services.

It is expected that the loan to share ratio will remain in the range of 75% to 85%.

6-10 Year: Long term, CECU will continue to consider methods of automated underwriting, improved electronic processing of loan applications and delivery of loan proceeds, and the relevance of existing and introduced lending related products and services.

It is expected that the loan to share ratio will remain in the range of 75% to 85%.

Deposits

What is the expected level of deposit growth? How will the credit union generate member deposits? What changes will be necessary to keep the deposit program relevant?

1 Year: Continued deposit growth in the upcoming year is expected to be in the range of 5 to 10 percent. As appropriate, these depositors will be directed to the CECU Wealth Management financial advisor, so that alternate methods of retirement savings/planning might be made available.

The credit union will continue to support an in-house Financial Planning program with an advisor committed to providing service and value to the CECU membership.

The credit union will also work to better capture newborn accounts and the expanded relationship resulting from member marriages. This will be accomplished through the development of a program of personalized and relevant follow-up.

All available marketing platforms will be utilized as these deposit opportunities are pursued.

2-5 Year: CECU will continue the current market based pricing strategy, remain watchful for changing market conditions, and ensure that an appropriate variety of products and services remain available for the membership.

6-10 Year: The credit union will review deposit account selection and structure and ensure that ongoing pricing philosophy and product design has a responsible impact on the overall financial condition of the organization.

Investments

What is the credit union's investment strategy? How is this strategy expected to change? What impact will investment planning have on overall credit union performance?

1 Year: For the next 12 months, the credit union expects to have the liquidity available to maintain an active program of investing. These investments will be structured in a way to maximize return, while maintaining a predictable stream of liquidity. Short term investments (with a maturity of less than 4 years) will be preferred.

Member lending will be considered as preferable to investing.

Investments will continue to be no risk, government backed or federally insured investments.

2-5 Year: Investments will be structured in a laddered format with a variety of investment products, seeking to maximize both investment yield and predictable cash flow. Member lending will be considered as preferable to investing.

6-10 Year: Investments will be structured in a laddered format with a variety of investment products, seeking to maximize both investment yield and predictable cash flow. Member lending will be considered as preferable to investing.

Fees

Does the credit union maintain a reasonable fee structure? Are there opportunities to increase or decrease current fee pricing? Is the fee structure appropriate for encouraging responsible consumer behavior?

1 Year: CECU remains committed to providing members with a no cost or low cost fee structure. While remaining adherent to this philosophy, the credit union also understands that a fee program may (at times) provide the member with an appropriate penalty for irresponsible consumer behavior.

The credit union will continually review the fee structure of area financial institutions and ensure that CECU fee pricing remains well below market levels. Fee income will not be considered as a primary source of credit union income.

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Staffing

Does the credit union have well trained, service oriented professional in each position? Is there back-up coverage available for all responsibilities within the credit union? Is there a need for additional staffing to properly respond to member/corporate needs? Is there excess staffing at the credit union?

1 Year: The credit union management team and staff will establish individual training programs designed to address individual employee's developmental opportunities. Additionally, back-up coverage for each employee and responsibility will be ensured and the assignment of designated back-up employees documented. Department Management responsibilities will be included in this program.

Audio and web based training through Cuna and MUA will be considered as an integral part of all employee development programs.

CECU will start an annual employee in-service day. This will be a day dedicated to enhancing employee performance, through educational and motivational training. This day will be scheduled on a CECU holiday and employees will be provided with a floating vacation day in return.

Credit union growth may require the addition of staff responsible for collections, IT, HR, marketing, transaction/loan processing, administration, and accounting.

As a primary objective for 2012, CECU will fill the position of Branch Manager. This individual will be responsible for coordinating branch service delivery, as well as ensuring staff training and organizational compliance objectives remain on track.

Job descriptions will be updated to ensure that each accurately represents the described position.

As new employees are hired, the credit union will do so with the intent of improving workforce diversity.

When hiring, part time employees will be considered before the addition of full time employees.

An annual staffing assessment will be conducted to review and ensure the adequacy and appropriateness of organization coverage.

2-5 Year: CECU will continually evaluate staffing as it is relative to similarly complex credit union, as well as member demand for service. Job descriptions will be evaluated to make sure of accuracy and accountability.

The credit union will consider providing full-time investment services to members.

As new employees are hired, the credit union will do so with the intent of improving workforce diversity.

An annual staffing assessment will be conducted to review and ensure the adequacy and appropriateness of organization coverage.

6-10 Year: In the longer term, credit union growth may require the addition of staff responsible for collections, IT, HR, marketing, and transaction/loan processing.

As new employees are hired, the credit union will do so with the intent of improving workforce diversity.

An annual staffing assessment will be conducted to review and ensure the adequacy and appropriateness of organization coverage.

Succession Planning

Does the credit union have in place a system of succession planning for leadership positions? Does the credit union have the ability to cover the responsibilities of key personnel on an interim basis?

1 Year: The credit union recognizes that the decision to hire and terminate the President rests with the Board of Directors. By implementing a program of succession planning for the President, the credit union does not assume any portion of this Board designated responsibility. The credit union does, however, hope to provide the Board with qualified internal applicants and with qualified interim coverage, should there be an unexpected or planned change in credit union leadership.

As such, the credit union president will implement a program of internal training to ensure that all aspects of the president's position are shared with qualified employees. Only employees active in credit union management/oversight will be considered as qualified. The training program will be comprehensive and will provide the credit union with needed stability, as transition plans are implemented.

CECU recognizes that a similar program should be in place for all senior management staff.

2-5 Year: CECU will remain prepared with qualified internal applicants for unexpected or planned changed in credit union leadership.

6-10 Year: CECU will remain prepared with qualified internal applicants for unexpected or planned changes in credit union leadership.

Technology

What is the credit union's position on technology adoption? Does a sufficient level of technology exist to adequately serve the member's needs? What are the planned technology changes?

1 Year: The credit union recognizes that opportunities exist to better protect member data. Identified opportunities include improved intrusion detection, enhanced server security, and an automated system of email retention. CECU expects to address each of these issues during next 12 months and document information relevant to IT structure and security.

A system of optical storage has been implemented to alleviate existing document storage concerns, relating to loan documents, new account cards, IRA documents, and other member information currently stored in paper format.

Opportunities to improve IT Support for CECU staff will be considered.

Opportunities to improve penetration of eServices will be developed and when appropriate, matched with incentives to membership.

Implementation of a mobile banking application will be considered to enhance existing mobile banking services.

Live chat services could be made available during regular operating hours.

2-5 Year: The credit union will ensure that both the DP and IT functions are adequate to meet member and staff needs, as well as provide substantial protection to all member related data.

6-10 Year: The credit union will ensure that both the DP and IT functions are adequate to meet member and staff needs, as well as provide substantial protection to all member related data.

Merger and Acquisition

Will the credit union consider mergers and/or acquisitions? What are the circumstances when the credit union would consider a merger and/or acquisition to be of benefit to the member? When would a merger and/or acquisition be of detriment to the member?

1 Year: CECU understands that the practice of mergers and acquisitions is becoming more common in the credit union movement and that such actions might sometimes

improve the financial condition of the involved credit union, as well as the service provided to the credit union member. At this time, however, no perceived or real benefit would be obtained for credit union members by either a CECU merger or acquisition.

2-5 Year: The credit union has no plans to pursue either a merger or acquisition, but will remain willing to consider available options based on current financial conditions.

6-10 Year: The credit union has no plans to pursue either a merger or acquisition, but will remain willing to consider available options based on current financial conditions.

Charter Conversion

Under what circumstances would the credit union consider a conversion? How would this conversion be of benefit or detriment to the membership? How could a conversion benefit credit union insiders?

1 Year: The credit union movement currently functions under a dual chartering system, state and federal. As a state chartered credit union, CECU currently will recognize no significant advantage in a conversion to a federal charter.

A conversion to a bank charter will not be considered.

2-5 Year: The credit union will remain aware of taxation, regulatory, and field of membership considerations associated with each credit union charter type. If significant advantages are identified with a federal charter, conversion may be considered.

A conversion to a bank charter will only be considered if significant and as of yet unidentified changes occur within the credit union regulatory and taxation environment. In any conversion, credit union insiders will be restricted from possible enrichment opportunities.

6-10 Year: The credit union will remain aware of taxation, regulatory, and field of membership considerations associated with each credit union charter type. If significant advantages are identified with a federal charter, conversion may be considered.

A conversion to a bank charter will only be considered if significant and as of yet unidentified changes occur within the credit union regulatory and taxation environment. In any conversion, credit union insiders will be restricted from possible enrichment opportunities.

Field of Membership

Is the credit union planning any changes to field of membership? Is the current field of membership sufficient to support continued growth and development of credit union programs?

1 Year: Through continued strength of reputation and an increased emphasis on marketing to specific demographics within the membership, the credit union will maximize growth opportunities within the current field of membership. No field of membership changes are expected.

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6-10 Year: Through continued strength of reputation and an increased emphasis on marketing to specific demographics within the membership, the credit union will maximize growth opportunities within the current field of membership. No field of membership changes are expected.

Volunteers

Does the credit union have an active Board and Supervisory Committee? Are volunteers provided with sufficient training to responsibly administer responsibilities? Is there a program in place to ensure the continued availability of qualified volunteers? Is the current election process appropriate?

1 Year: The credit union's elected volunteers will remain committed to a philosophy and practice of supporting and directing a member focused, service oriented organization. To help facilitate this commitment, CECU will provide improved volunteer training and all necessary support to ensure the continued recruitment of interested and active candidates for available positions.

As candidates are recruited to run for available positions, special attention will be given to make certain that the elected officials provide a reasonable representation of credit union membership.

An improved orientation and training program will be made available to newly elected and existing volunteers.

CECU will better define the responsibilities of a field representative and ensure that each individual understands their role and remains interested and available to perform requested duties. Field representatives will be primarily expected to refer member questions to qualified credit union employees. Requisite training and reference materials will be provided.

2-5 Year: It is expected that the CECU elected volunteers will remain representatives of the credit union membership and demonstrate a continued service and member oriented approach to corporate governance.

Election procedure will be regularly reviewed and bylaw revisions will be recommended as necessary.

CECU will ensure that all field representatives remain interested and available to perform requested duties. Additional product and service training may be provided to credit union field representatives. Although, field representatives will be primarily expected to refer member questions to qualified credit union employees.

6-10 Year: It is expected that the CECU elected volunteers will remain representative of the credit union membership and demonstrate a continued service and member oriented approach to corporate governance.

Election procedure will be regularly reviewed and bylaw revisions will be recommended as necessary.

CECU will ensure that all field representatives remain interested and available to perform requested duties. Additional product and service training may be provided to credit union field representatives. Although, field representatives will be primarily expected to refer member questions to qualified credit union employees.

Facilities

What is the current condition of the credit union's facility? Is there a maintenance program in place? Are additional facilities needed? Is there space and resources available to support anticipated growth?

1 Year: The credit union currently occupies a location of insufficient size to support growth for the foreseeable future. Options should be considered for major building modification, to provide necessary office space..

The expected short term maintenance needs are as follows:

- 1) Interior/Exterior of building
 - a. Additional storage solutions
 - b. Exterior Staining
 - c. Review/Expand lower parking lot and seal upper and lower lots
 - d. Repair gutters
 - e. Additional office space

2-5 Year: In the mid-term, the following additional maintenance may be required:

- 1) Grounds
 - a. Seal aggregate sidewalks around branch
 - b. Replacing and repairing sidewalks
 - c. Check roof and condensations point on drop ceiling

6-10 Year: CECU does not anticipate expanding beyond a single, central branch office. Credit union models exist that demonstrate one office can effectively serve large, widely distributed fields of membership.

Products and Services:

Does the credit union offer an appropriate variety of products and services? Are there any products that should be added? Are there any products that should be removed? Are products appropriately priced?

1 Year: CECU currently offers members an appropriate mix of competitively priced products and services. While the credit union may consider bundling certain groups of products to better market to demographics within the membership, there are no immediate plans to introduce new products or make significant changes to existing products.

E-statements are recognized as a safe, convenient, and cost effective alternative to traditional paper statements. CECU will work to optimize e-statement penetration among both new and existing credit union members.

Opportunities to expand online deposit (scanned check delivery) will be considered.

CECU will need to help members recognize the value and convenience available in all eServices, as well as traditional credit union products and services.

Members have an indicated interest in the online financial tool mint.com. CECU will continue to monitor the availability of this service through Fiserv.

Shared branching will be developed as a method for extending branch availability to members throughout Missouri (and the country).

2-5 Year: The credit union must remain in a position to better serve not only members local to Jefferson City, but also those members remote to the home office.

Chip cards may become a more secure option for debit and visa transaction.

The frequency of debit card reissues will be reviewed.

A regular review of products and services will be conducted to ensure that pricing leads the market, the products remain relevant, and that products are user friendly.

The credit union will consider opportunities to introduce a complete package of credit union products available by remote access.

6-10 Year: It is anticipated that CECU will continue to price products to be market leaders. The credit union will remain current with financial service industry changes and innovations.

Employee Compensation

Does the credit union offer an appropriate compensation package to employees? Is the compensation sufficient to attract and retain top quality employees? What changes are recommended to the compensation program?

1 Year: The current total compensation program (pay and benefits) offered by CECU is recognized as competitive within the credit union market in central Missouri.

CECU will always recognize that a balance must be maintained between a program of generous employee compensation and the responsible management of credit union resources.

The credit union will attempt to provide salary increases that remain in proportion to current changes in cost of living and increases in the cost of medical insurance coverage.

Part time employees are recognized as a more cost effective solution to anticipated staffing needs, as compared to full time employees.

As appropriate, employees may be given the opportunity to work from home, or work a flexible schedule.

Incentives programs will remain available, providing staff with the opportunity to earn additional pay for exceptional performance.

2-5 Year: CECU will administer a balanced and responsible approach to employee compensation.

6-10 Year: CECU will administer a balanced and responsible approach to employee compensation.

Regulatory

Does the credit union anticipate any regulatory concerns? Has the credit union identified any regulatory shortfalls? What is the credit union's program to ensure regulatory compliance?

1 Year: CECU remains committed to a program of regulatory compliance.

CECU will regularly update and distribute the Employee Handbook.

The annual ACH audit will program will be reviewed and outsourcing may be considered.

Lending policies will be updated to reflect changes resulting from recent revisions to regulation Z.

Credit union management will attend (no less than annually) comprehensive training relating to both new and existing regulatory issues.

2-5 Year: The credit union will remain committed to a program of regulatory compliance and will consider the designation of a single individual as responsible for the credit union's ongoing compliance program.

6-10 Year: Regulatory compliance programs will be updated regularly with significant resources devoted to the timely and appropriate response to all regulatory concerns.

Security

Are current security procedures and equipment adequate to protect against robbery, either from an internal or external source? Do we provide adequate protection to our member's data? Do we ensure that vendors adequately protect member data?

1 Year: CECU understands the many risks associated with the financial services industry and will work to ensure that employees, members, and member resources are continually protected from the risks.

The credit union will conduct a comprehensive robbery training program at least quarterly and work to continue to improve associated policies and procedures.

Recognized opportunities to better improve the security of member data will be implemented during the next 12 months. The credit union will also actively promote the utilization of passwords on all member accounts, prior to the exchange of any account related information.

A program of third party due diligence will be maintained to document vendor adherence to responsible security related procedures.

The disaster recovery plan will be reviewed and updated to ensure accuracy of information and overall relevance.

2-5 Year: As additional security related concerns are recognized, CECU will quickly reconcile these issues and continue to ensure the safety and security of employees, members, and member resources.

6-10 Year: As additional security related concerns are recognized, CECU will quickly reconcile these issues and continue to ensure the safety and security of employees, members, and member resources.

Marketing

What is the CECU Marketing Plan? How are current marketing dollars utilized? What is the measured return from the investment of these marketing dollars? How can the current marketing program be improved?

1 Year: CECU recognizes that effective marketing may be a key factor in the future success of the organization. As the opportunity to add new members is limited, the credit union must maximize its opportunities to effectively develop existing relationships. Programs will be defined in an annual, updated Marketing Plan.

In an effort to increase face to face interaction with membership, credit union employees (including the CECU Wealth Management financial advisor) will regularly visit MDC offices throughout Missouri. Product demonstration and educational sessions will be made available.

Direct mail marketing to particular membership demographics is a recognized opportunity.

CECU will work to collect member email addresses to better reach the membership electronically.

Virtual Branch may be better utilized to promote available products and eServices.

The credit union will work to promote the large number of surcharge free ATMs available to member's in Missouri, and throughout the country.

2-5 Year: Effective marketing strategies are recognized as a key element to the success of CECU and the credit union will remain committed to the development and enhancement of the overall marketing program.

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2011 Conservation Employees' Credit Union Goals

Conservation Employees' Credit Union is committed to the core objective of providing excellent service to our membership. While we continue to provide this excellent service delivery to members, it is understood that we must maintain specific targets relating to Net Worth, ROA, Loan to Share, etc... It is recognized that a great many factors

influence the movement of these target performance measures. As such, the Board of Directors has approved the following 3 goals. Action plans for each of these goals will be developed and implemented by credit union staff. Interim results will be regularly reported to the Board. Through this process, the aforementioned excellent service and financial stability will be achieved.

- 1) Products per Member – CECU will implement a program to increase the number of products utilized by each credit union member. It will be expected that 75% of new members (over the age of 18) will have at least 5 credit union products within the first 90 days of membership. Overall products per member is expected to increase by a minimum of 5% (from 4.35 to 4.57).
- 2) Organizational Development - During 2012, CECU will review and update credit union staffing and staff responsibilities in an effort to maximize service and value delivery to membership, as well as ensure that credit union employees receive necessary support.
- 3) Marketing – Credit union staff will conduct a minimum of 12 educational seminars for credit union members and MDC staff, at least 8 of which will be at MDC locations outside of Jefferson City.