



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

August 13, 1991

Howard J. Bicker
Executive Director
Minnesota State Board of Investment
Suite 105, MEA Bldg.
55 Sherburne Avenue
St. Paul, MN 55155

Re: Insurance Coverage of Retirement Accounts
(Your April 8, 1991, and August 2, 1991
Letters)

Dear Mr. Bicker:

The Minnesota State Board of Investment places retirement funds with Minnesota financial institutions through the purchase of certificates of deposit. Credit unions have expressed an interest in participating in the program. You have asked for confirmation that share insurance through the National Credit Union Share Insurance Fund (NCUSIF) passes through to each retirement plan participant in an amount equal to each participant's beneficial interest in the insured credit union, regardless of the size of the deposit. You have sent follow-up information which indicates that the retirement plans at issue are "qualified plans" within the meaning of the Internal Revenue Code.

ANALYSIS

Federal credit unions and federally insured state credit unions are insured by the NCUSIF. 12 U.S.C. §1783. Share insurance of up to \$100,000 is available for qualifying member share accounts of all types received by the credit union in its regular course of business. 12 C.F.R. §745.0. Funds deposited as part of a deferred compensation plan are insured up to \$100,000 per participant who is a credit union member, provided the plan specifically sets out the interest of each participant. 12 C.F.R. §745.9-3. This insurance would be in addition to that available for other member

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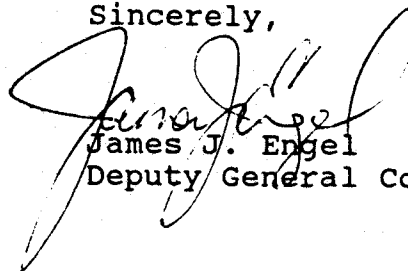
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accounts. The term "member" is defined as "those persons enumerated in the credit union's field of membership who have been elected to membership in accordance with the FCU Act or state law in the case of state credit unions. . ." 12 C.F.R. §745.1(b). This does not require the opening of a separate account at the credit union; signing a membership agreement and paying an entrance fee (if any) is sufficient to establish membership.

Nonmember participant funds in a deferred compensation account are generally not insured. However, where the plan is established as a trust and the settlor of the trust is a member of the credit union, or where the funds are public funds and are invested by an official custodian of the funds, nonmember interests are insured to a maximum of \$100,000 in the aggregate. 12 C.F.R. §§745.2(d)(2), 745.10. Based on the foregoing analysis, we can not provide assurance that NCUSIF share insurance passes through to each retirement plan participant; it does so only for those participants who are members of the credit union in which the funds are invested.

In response to your request for further information about NCUA and the NCUSIF, we have enclosed a copy of NCUA's insurance regulations, 12 C.F.R. Part 745, a booklet entitled Your Insured Funds, and the 1990 NCUSIF Annual Report.

Sincerely,



James J. Engel
Deputy General Counsel

Enclosures

GC/LH:sg
SSIC 8010
91-0419