

<b>Act Number</b>	<b>Session</b>	<b>Bill Number</b>	<b>Total Number of Committee Pages</b>	<b>Total Number of House Pages</b>	<b>Total Number of Senate Pages</b>
PA 71-312		6943	8	1	1
<u>Committee Pages:</u> <ul style="list-style-type: none"> <li>• <i>Banking</i> 97-102</li> <li>• <i>Banking</i> 147-148</li> </ul>				<u>House Pages:</u> <ul style="list-style-type: none"> <li>• 2411</li> </ul>	<u>Senate Pages:</u> <ul style="list-style-type: none"> <li>• 1991</li> </ul>

**H-112**

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
1971**

**VOL. 14  
PART 5  
1968-2502**

Tuesday, May 11, 1971

10.

THE CLERK:

BUSINESS ON THE CALENDAR. TUESDAY, MAY 11, 1971, Page 1  
of the Calendar. CONSENT CALENDAR.

THE SPEAKER:

May we have your attention since we have reached  
Calendar Business. The Clerk has called the Consent Calendar.

The gentleman from the 95th.

MR. SARASIN: (95th)

Mr. Speaker, I move acceptance of the Joint Committee's  
favorable reports and passage of the bills on today's Consent  
Calendar, which are:

Cal. 683, Sub. for H.B. 7242, AN ACT AUTHORIZING THE CITY OF  
GROTON TO ISSUE PUBLIC IMPROVEMENT BONDS AND BORROW MONEY  
IN ANTICIPATION THEREOF. FILE 755.

Cal. 739, Sub. for H.B. 5192, AN ACT CONCERNING LOAN REPAYMENT  
SCHEDULES OF CREDIT UNIONS. File 741.

Cal. 740, Sub. for H.B. 6943, AN ACT CONCERNING THE COMPENSATION  
OF SAVINGS BANK ADVISORY BOARD MEMBERS AND DIRECTORS. F. 745.

Cal. 741, Sub. for H.B. 6946, AN ACT CONCERNING CHARITABLE  
CONTRIBUTIONS OF SAVINGS BANKS. File 734.

Cal. 744, Sub. for H.B. 6713, AN ACT CONCERNING BUSINESS  
ENTERPRISES WHICH FAIL TO PAY PERSONAL PROPERTY TAXES. F. 730.

Cal. 746, Sub. for H.B. 8930, AN ACT CONCERNING CHARTER  
POWERS IN REFERENCE TO MUNICIPAL OFFICES, BOARDS, COMMISSIONS  
AND AGENCIES. File 731.

Cal. 747, H.B. 8509, AN ACT CONCERNING MINIMUM PROVISIONS IN  
AUTOMOBILE LIABILITY POLICIES. F. 742.

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Favorable substitute report of the joint standing committee on Banks and Regulated Activities on Substitute House Bill 6943.  
An Act Concerning the Compensation of Savings Bank Advisory Board Members and Directors.

SENATOR BUCKLEY:

Mr. President, I move acceptance and passage.

THE CHAIR:

Will you remark?

SENATOR BUCKLEY:

Allows savings banks to compensate members of their advisory board. In most instances, they have been doing it anyway but a question came up in some audits as to whether they have statutory authority to do it.

THE CHAIR:

Question is on passage. Will you remark further: If not, all those in favor of passage signify by saying "aye". Opposed, nay. The ayes have it. The bill is passed.

THE CLERK:

Third item on Page 14. Calendar No. 719. File No. 734.  
Favorable substitute report of the joint standing committee on Banks and Regulated Activities on Substitute House Bill 6946.  
An Act Concerning Charitable Contributions of Savings Banks.

SENATOR BUCKLEY:

Mr. President, I move acceptance and passage.

THE CHAIR:

Will you remark?

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- Rep. Blake: Mr. Ritter, all of the insurance companies have this program, don't they?
- Rep. Ritter: Yes. I understand, but it would seem to me that one thing we would be struggling for here, as members of the Committee, is to understand whether the need is, in fact, being met or when another institution requests power, whether to do a certain thing, this implies, at least in their point of view, that maybe the need isn't being fully met. It may not imply that at all.
- Mr. Hickey: Yes, I realize that, Mr. Ritter. And, as I say, we'd be prepared to discuss or to give you information on the need. But, I would hope also that, when you consider that information, that you would give deep and serious thought, as I know you will, to the philosophy of banking in Connecticut - who is supposed to be doing what?
- Rep. Blake: Thank you, Mr. Hickey. Anyone else wish to speak in opposition of this bill? Hearing none, the hearing on 6942 is concluded.
- Now move on to 6943. Any in favor of 6943?
- Mr. Miles: I'm Jack Miles, Executive Vice-President of the Savings Bank Association of Connecticut. Bill 6943 would make explicit, the right of savings banks to compensate Advisory Board members. Savings Banks are increasingly using such Boards, as do the commercial banks, to both advise the Board of Trustees of the bank and to assist at branch locations. In addition, this bill would permit the use of retainer fees for members of the Board of Trustees. This has now become a common practice and, as the Boards of Trustees have to attract increasing numbers of people, and good quality people, this type of compensation is expected more frequently. There is, however, one small error in that bill and we would like to substitute a bill which includes that correction. The correction appears in the middle of the bill, where the words "Advisory Board Members" were added after the word "Trustees" and before the word "or Corporators".\*

\* See Schedule 10

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Rep. Blake: Mr. Miles, speaking in favor of this bill, there are no definite limits in the bill as to what would be a reasonable compensation. Do you not feel that it might be advisable to have some figures included in the bill, or do you consider that unrealistic?

Mr. Miles: I believe this is unrealistic. The bills - the statute currently gives the Board the right to set compensation. And, I think this depends a great deal upon the size of the bank, the nature of the duties, and so on. And, I think any limits in there would severely restrict the ability of banks to attract Directors. I think, in view of the proposed prohibition on inter-locks, etc. that there is going to be need to attract Trustees and Directors in the future. And, I think that this would unduly restrict the bank.

Rep. Blake: What protection would the public have, if the bank decided to come up with an unreasonable figure there, to take and pay as compensation?

Mr. Miles: Well, I believe here, the first line of protection would be the Banking Department and their annual supervisions and review of the bank operations. If they felt that these fees and compensations were out of line, that they would call attention to the bank and certainly would "ride herd" on this aspect of the bank expenses. I think that beyond that, it does require the good office of the Trustees of these banks. I think, again, this matter has been touched on before - that the people serving as Trustees of savings banks, are not doing so for the compensation in this, or for personal profit or gain. They do this, at least in part, as a public service and, therefore, they are inclined to act in that fashion.

Rep. Ritter: Ritter from the 6th. Could you share with us - what is a typical fee that is enjoyed by such folks throughout the state?

Mr. Miles: Well, this ranges quite widely, depending on the bank. Most of this is compensation for attendance



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at a meeting. And, the fees in the state are likely to run from \$10.00 a meeting to \$50.00 a meeting. It's possible there may be some higher than that - but I think fifty is about the top.

Rep. Ritter: The reason I ask is, it's generally - I don't say knowledge - but circulated that some banks pay \$100.00. Now, I would be very pleased if you could have this Committee learn otherwise. Because, this is what we've been told, to some of us privately, that some of the savings banks pay \$100 for a meeting. If you don't have that information, I would appreciate it if you could get it for us.

Mr. Miles: I do not have that information, but we certainly will investigate that.

Rep. Blake: Thank you, Mr. Miles. Mr. Bardeck, would you come forward for just a minute so that we could ask you a question?

In case the pass of this bill - as it is so written - in which you have almost unlimited powers by the savings bank to pay what they feel is a fair fee for attendance at these meetings, etc, and Mr. Miles has indicated here, the Department would have control, is that correct?

Mr. Bardeck: Of course, we have access to their records and, although it's never happened, I presume that if the examiner-in-charge felt that, you know, that the fees that were being paid to Directors and committeemen were excessive, why, there would be a comment in the report. And, if a comment of that nature did reveal in the report, it would be followed up by the Commissioner.

Rep. Blake: Thank you, Mr. Bardeck.

Rep. Healey: Mr. Bardeck, what power would the Commissioner then have?

Mr. Bardeck: Persuasion only, I'm afraid.

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- Rep. Blake: In other words, we are going right back to my original thought that, unless something - some safeguard is put in this bill, there is no real way of controlling the maximum.
- Mr. Bardeck: That's correct.
- Rep. Blake: Thank you, Mr. Bardeck.
- Rep. Clark: It would be - Clark of the 14th - beyond the realm that some officer, Director, or somebody could retire and so forth and, he could be hired back as a retainer at quite a sizeable fee, if it was at the discretion of the Board of Trustees, or the corporators. And, who could argue whether it was reasonable, if that man's knowhow and his tremendous ability was really, let's say, vital to, or very helpful to the bank, so that there could be an occasion where it might be a very sizeable fee or retainer? That's not beyond the realm of possibility is it? Or, probability, even?
- Mr. Bardeck: No. But, I think that situation would be unlikely. And, once a Director retires or resigns, it's unlikely that he would be hired back by a bank for any purpose.
- Rep. Clark: But in fact, a bill of this nature would allow for it. And, if the State Banking Department approved, and this Committee approved of any type of bill without limitation, that could happen?
- Mr. Bardeck: Well, it's possible, of course.
- Rep. Clark: Thank you.
- Mr. Hinman: Benjamin Hinman, Counsel for the Savings Bank Association, speaking in favor of this bill and to a considerable degree, in answer to the questions that members of the Committee have asked. First of all, you may remember, we did have a fixed limitation on Trustees and Director's fees until, I think 1965, when that was finally removed. It was only \$20.00, and it got very

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very badly out of line. And, needless to say, there's a tendency to make it very hard to get that kind of limit raised by the Legislature. Secondly, I want to point out to you that you have before you at this time, some bills barring interlocks in Directorships in financial institutions, which I think all of us are for, in one form or another. It's coming at this session. Say, these banks may be under a disadvantage with respect to commercial banks in attracting Directors, and it's certainly necessary that they be given the ability to be competitive in the Directors' fee that they pay. The third thing I'd like to remark on, is this retainer business. And, perhaps being a lawyer, I've had some experience with it. Where a Director's fee is paid, and related specifically to attendance at a meeting, the question comes up as to what the role of the Director is, at times other than meetings. And, I think lawyers particularly get inquiries made from outside parties, or your people interested in talking about merging with us, or something like that, where is your function as a Director ended, and your function as a lawyer begins, in which you are charging a fee for your services? And, I think that there is a real legitimate reason for modest retainer fees in addition to the fee for attending a meeting. And, as an indication, you say "for attending the meeting", in that there's the implication that's what you're paid for, and that's your duty. And, I think these retainer fees emphasize that there's a continual obligation, as a Director, and I think they are justified.

Rep. Blake:

Mr. Hinman, I'm afraid I must disagree in some respect there. Number one, I believe that the social implications of being elected to a Board of Directors of a bank, either a savings or commercial bank, is such in most communities, there are very few people who turn down that honor. I don't believe there's ever going to be any shortage of candidates for those positions. But, I am really worried about some banks deciding, probably a savings bank, with quite a

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lot of money locked in there, deciding all of a sudden they should pay their Directors \$500 a meeting, or some such thing as that.

Mr. Hinman: Well, I do say then, that there may not be so many candidates. And, there are certain people that are going to be in great demand for these boards. And, I think that the savings banks should be competitive.

Rep. Blake: Thank you.

Rep. Ritter: Not necessarily now, but at some point soon, could you and your counterpart, representing the commercial banks, see if you could get for us, information as to what are the practices in their realm - both commercial and savings - contingent payment of members of the Board? I think it might be helpful to us.

Mr. Hinman: Certainly.

Rep. Ritter: Thank you.

Rep. Blake: Anyone else wish to speak in favor of this bill? Any opposition? Hearing none, the hearing is concluded on 6943.

We'll now move on to 6944. Any in favor of 6944? Any opposition to 6944?

Mr. Miles: Jack Miles, Savings Bank Association of Connecticut. We would like also to include bill 6678, if we may. The two are similar.

Unknown: The clerk didn't put these in order.

Rep. Clark: This Clerk didn't put them in order, for the record. That is, some clerk didn't.

Rep. Blake: You wish to oppose 6678, also?

Mr. Miles: Yes. We would like to include both of these bills 6678 and 6944. Our general position is that we feel such legislation is not necessary.

## STATE OF CONNECTICUT,

Modified

Bill No. 6943

Page 1 of 2

Rep. Wenz - 141st Dist.

Introduced by Rep. Liskov - 135th Dist.

Date

Ref. to Committee on

General Assembly,

January Session, A. D., 19 71

**AN ACT CONCERNING** THE COMPENSATION OF SAVINGS BANK ADVISORY BOARD MEMBERS AND DIRECTORS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (1) of section 36-126a of the 1969 supplement to the general statutes is repealed and the following is substituted in lieu thereof: The directors or trustees of any savings bank may fix the compensation of its officers and employees, of the members of its advisory boards, and of the members of regularly constituted committees of the board of directors or trustees for attending committee meetings, or for auditing, or for appraising. Directors, trustees, advisory board members or corporators may receive such reasonable fees as the board of directors or trustees of the bank may, in its discretion, deem appropriate for attendance at any meeting of the corporators or of the board of directors or trustees and in addition thereto such reasonable compensation or retainer fee as such board, in its discretion, may deem appropriate for all members of such board to receive for service on such board; but directors, trustees or corporators who are also salaried officers or employees of the bank shall receive no additional compensation for attendance at any meeting of the corporators or of the board of directors or trustees, or any committee thereof.

Schedule 10

Sec. 2. This act shall take effect from its passage.

STATEMENT OF PURPOSE: To clarify the law concerning the compensation of savings bank advisory board members and directors.