



2019 NAFCU-BFB GALLAGHER

Executive Compensation and Benefits Survey

Trends in Executive Benefits

Rich Brock, National Practice Leader, Executive Benefits

Dr. Jack Clark, President, Clark Research Associates



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Welcome

- This year's survey
- Compensation and benefit trends – 2015 to 2019
- Takeaways
- Q&A



BFB Gallagher is the NAFCU Services Preferred Partner for Executive Benefits and Compensation Consulting. More educational resources are available at www.nafcu.org/BFB.



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Purpose

- Show what Credit Unions pay top five executives
- Assist your decision-making process
- Important to understand the information you are being given



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Sample Table – Top Executive Officer

Credit Unions with Total Assets of \$150 Million to Less Than \$400 Million

Percentile	2019 Potential Total Compensation (Base + Bonus)	2019 Base Salary	Target Bonus		Comparison Credit Unions				
			% of Base	\$ Dollar Amount	Total Assets (M)	Loans/ Leases (M)	Number of Members	Employees	Branches
10th	\$171,600	\$156,000	3	\$5,624	\$160	\$119	11,530	34	2
25th	\$199,218	\$187,460	5	\$9,960	\$186	\$133	15,686	47	4
40th	\$221,800	\$199,200	10	\$23,400	\$212	\$156	17,921	62	5
50th	\$231,000	\$203,000	12	\$26,260	\$231	\$165	21,091	69	5
60th	\$248,640	\$222,898	15	\$31,471	\$258	\$183	23,689	72	6
75th	\$288,200	\$252,000	20	\$38,439	\$299	\$221	28,326	92	8
90th	\$380,289	\$303,953	25	\$53,250	\$373	\$268	37,748	111	9

Results based upon surveying 75 top executives in this asset group



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Sample Table – Top Executive Officer

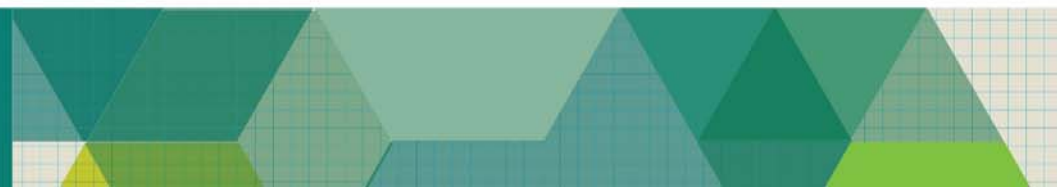
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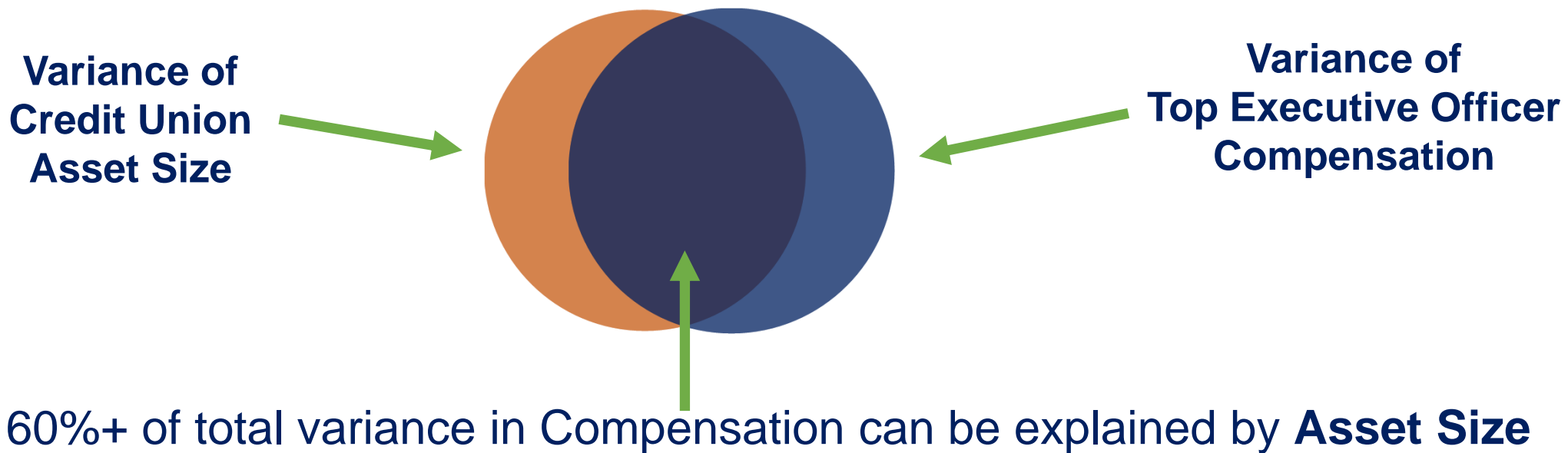
Percentile – On a scale of 100, the percent of a distribution that is equal to or below it



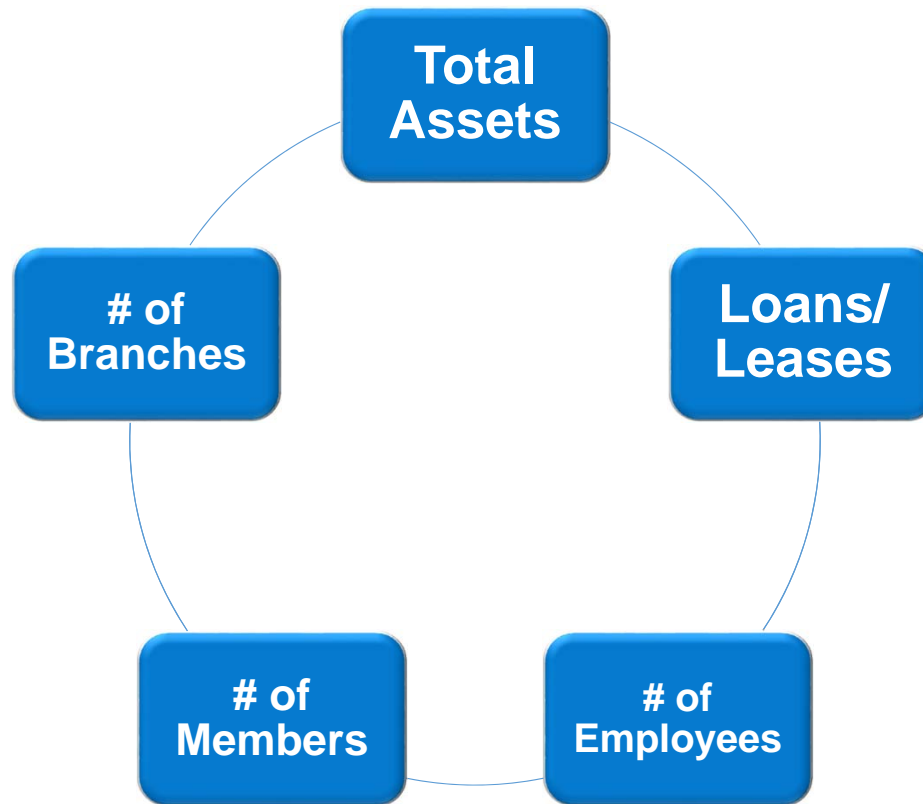
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Relationship Between Asset Size and Total Compensation



Credit Union Size



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Focus on Interquartile Range



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Focus on Interquartile Range

Top Executive: Total Compensation (in thousands)

CU Total Assets:	<\$10M	\$10M- <\$20M	\$20M- <\$40M	\$40M- <\$75M	\$75M- <\$150M	\$150M- <\$400M	\$400M- <\$1B	\$1B+
10th Percentile	18	47	68	88	113	172	273	432
25th Percentile	28	55	79	111	138	199	306	588
40th Percentile	43	60	85	136	151	222	333	634
50th Percentile	47	72	93	142	160	231	346	678
60th Percentile	51	74	105	147	172	249	400	716
75th Percentile	56	79	112	153	186	288	459	805
90th Percentile	82	95	135	180	220	380	552	896

Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Focus on Interquartile Range

Top Executive: Total Compensation (in thousands)

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Each Column Is Independent



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How Does Your Credit Union Compare to This Peer Group?



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Other Factors Affect Compensation

- Performance – Return on assets, net income growth, loan growth, net worth
- Efficiency
- Member/Employee Satisfaction
- Products/Services
- Market Characteristics
- Tenure at Position
- Cost of Living
- Other factors related to your goals



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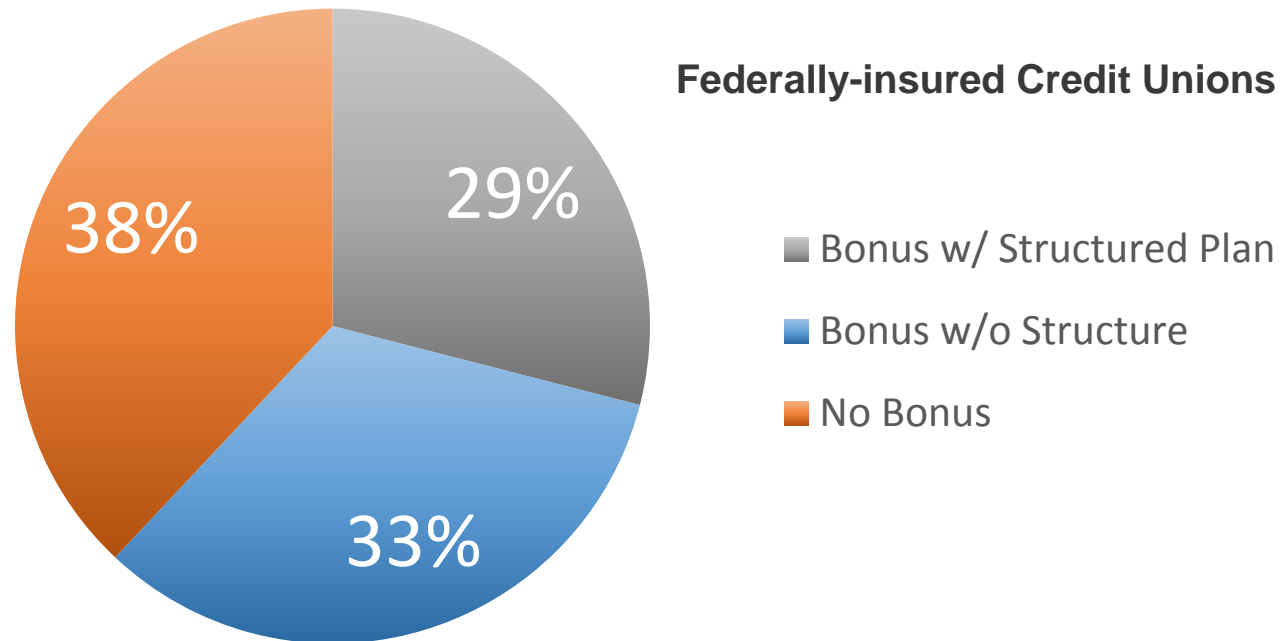
Cost-of-Living Index

- www.coli.org – Council for Community and Economic Research (C2ER)



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Credit Union CEO: Bonus and Bonus Plans



Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Bonus and Bonus Plans

CU Total Assets:	<\$10M	\$10M– <\$20M	\$20M– <\$40M	\$40M– <\$75M	\$75M– <\$150M	\$150M– <\$400M	\$400M <\$1B	\$1B+
# of Federally-Insured CUs:	1,421	680	792	643	611	581	338	305
Have a Bonus	25%	53%	53%	83%	84%	92%	92%	92%
Have Structured Plan*	7%	8%	19%	36%	46%	58%	47%	81%
No Structured Plan	18%	45%	35%	47%	38%	34%	45%	11%
No Bonus	75%	47%	47%	17%	16%	8%	8%	8%

*Does the **CEO** have a structured plan for his or her bonus, incentive, or variable pay that involves achieving specific goals?

Source: 2019 NAFCU-BFB
Gallagher Executive Compensation
and Benefits Survey



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“Which components are used to determine this bonus/ incentive/ variable pay plan for the chief executive?”

Return on Assets (ROA)	52%	Savings/Checking Growth	22%
Loan Growth	47%	Charge-offs	20%
Membership Growth	43%	Member Satisfaction	18%
Net Income Growth	38%	Loans-to-Share Ratio	17%
Net Worth	36%	CAMELS Rating	11%
Asset Growth	30%	Total Income	11%
Delinquency Measures	27%	Efficiency Ratios	10%
Discretionary Board Eval.	24%	Employee Satisfaction	10%
Expense Ratios	23%	Products/Services per Member	7%
		Compliance	7%

Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Bonus Plan Components

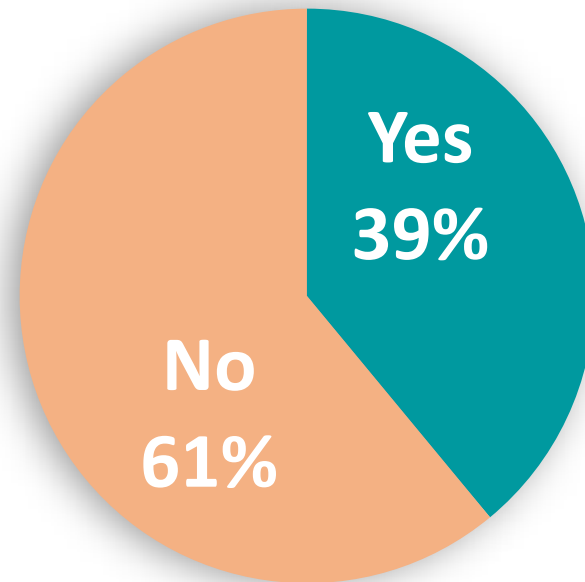
	Total CUs	Under \$75M	\$75M–<\$400M	\$400M+
Have a Structured Plan	187	41	76	70
Return on Assets (ROA)	52%	35%	65%	53%
Loan Growth	47%	41%	56%	42%
Membership Growth	43%	31%	52%	46%
Net Income Growth	38%	52%	32%	30%
Net Worth	36%	46%	37%	23%
Asset Growth	30%	24%	36%	31%
Delinquency Measures	27%	25%	36%	17%
Discretionary Board Evaluation	24%	17%	28%	28%
Expense Ratios	23%	18%	32%	18%
Savings/Checking Growth	22%	10%	31%	25%
Charge-offs	20%	13%	28%	17%
Membership Satisfaction	18%	1%	18%	41%
Loans-to-Shares Ratio	17%	25%	16%	7%
CAMELS Rating	11%	8%	16%	9%
Total Income	11%	16%	11%	4%
Efficiency Ratios	10%	1%	13%	18%
Products/Services per Member	7%	4%	6%	11%
Compliance	7%	10%	5%	5%

Source: 2019 NAFCU–BFB Gallagher
Executive Compensation and Benefits Survey



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Top Executive:
Does this executive
have the potential to
exceed the targeted
bonus amount?"

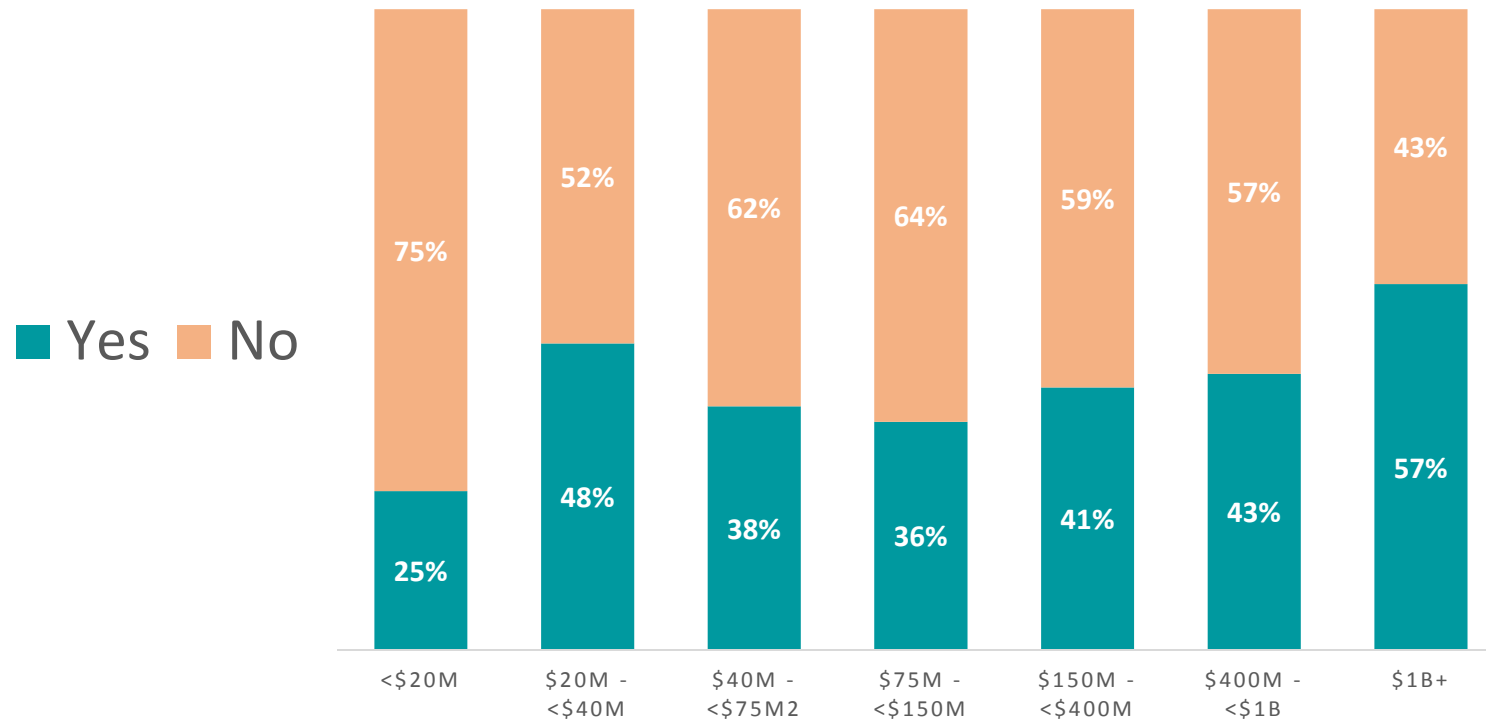


Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Potential to *Exceed* the Targeted Bonus Amount?



Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Percent of Target Bonus Received in 2018

	<\$20M	\$20M- <\$40M	\$40M- <\$75M	\$75M- <\$150M	\$150M- <\$400M	\$400M- <\$1B	\$1B+
Average	71	85	90	93	95	92	96
10th Percentile	0	33	46	67	65	42	73
25th Percentile	0	68	73	80	81	83	89
40th Percentile	96	100	100	100	89	100	100
50th Percentile	100	100	100	100	100	100	100
60th Percentile	100	100	100	100	100	100	100
75th Percentile	100	100	100	100	100	100	100
90th Percentile	100	100	118	125	106	113	123

Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Compensation and Benefits 2015 vs 2019



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Top Executive: Total Compensation

Base + Bonus

Assets \$400M+	2015	2019	Change
Average	\$479,215	\$534,846	+12%
Median	\$447,829	\$520,000	+16%
Assets \$75M–\$400M			
Average	\$189,288	\$208,528	+10%
Median	\$176,400	\$197,479	+12%
Less than \$75M			
Average	\$70,107	\$79,667	+14%
Median	\$64,272	\$73,440	+14%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Has a Bonus Plan

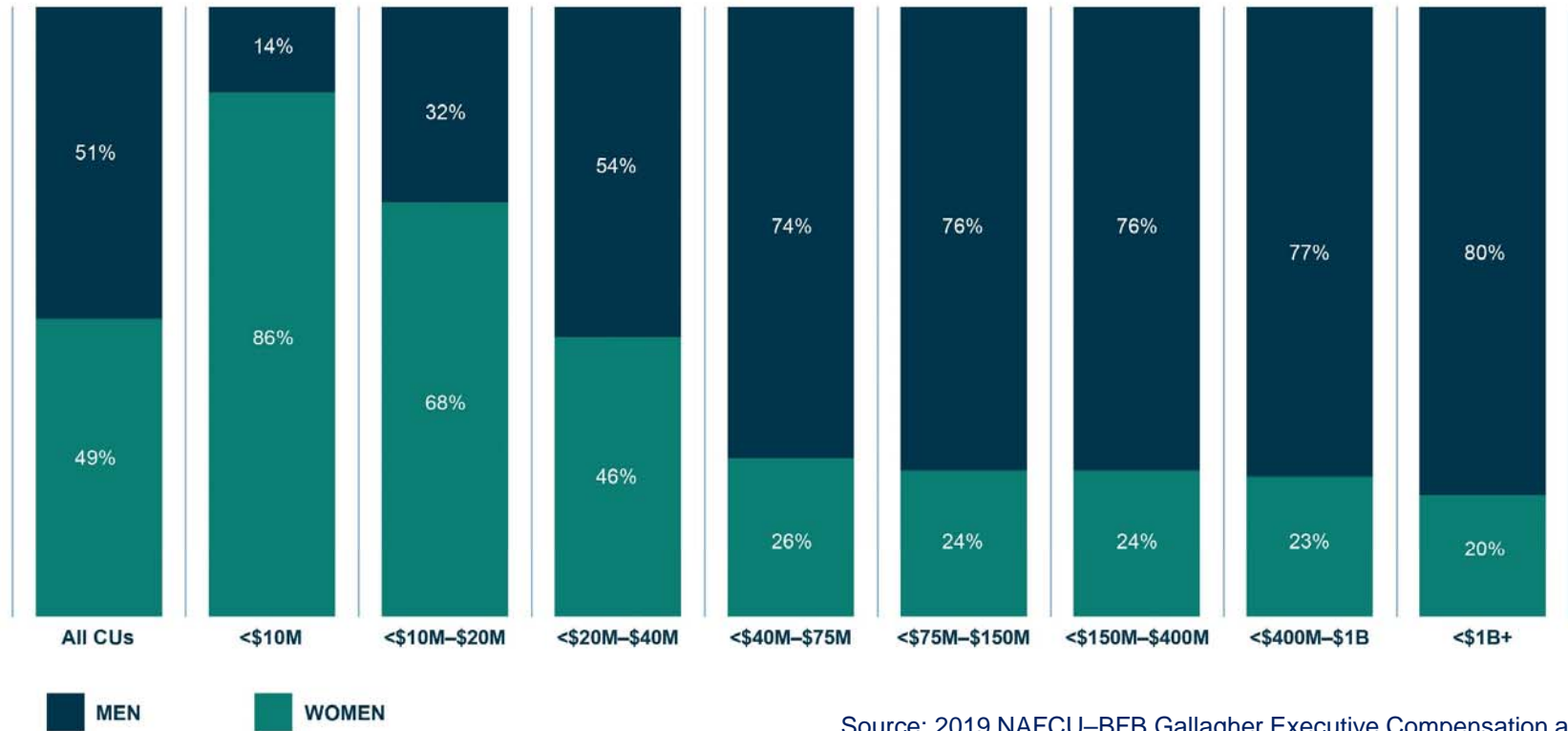
Assets \$400M+	2015	2019	Change
Have Bonus Plan	85%	92%	+7%
w/Formal Structure	64%	63%	-1%
Assets \$75M–\$400M			
Have Bonus Plan	70%	88%	+18%
w/Formal Structure	31%	52%	+21%
Less than \$75M			
Have Bonus Plan	43%	47%	+4%
w/Formal Structure	14%	15%	+1%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Gender



Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Top Executive: Gender

Assets \$400M+	2015	2019	Change
Male	82%	78%	-4%
Female	18%	22%	+4%
Assets \$75M–\$400M			
Male	72%	76%	+4%
Female	28%	24%	-4%
Less than \$75M			
Male	42%	37%	-5%
Female	58%	63%	+5%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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#2 Executive: Gender

Assets \$400M+	2015	2019	Change
Male	81%	66%	-15%
Female	19%	34%	+15%
Assets \$75M–\$400M			
Male	59%	55%	-4%
Female	41%	45%	+4%
Less than \$75M			
Male	27%	25%	-2%
Female	73%	75%	+2%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Nonqualified Plans for Top Five Executives

Assets \$400M+	2015	2019	Change
Have NQ Benefit Plans	77%	85%	+8%
Assets \$75M–\$400M			
Have NQ Benefit Plans	50%	58%	+8%
Less than \$75M			
Have NQ Benefit Plans	13%	10%	-3%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Nonqualified Plans for Top Executives

Assets \$400M+	2015	2019	Change
SERP 457(b)	47%	57%	+10%
SERP 457(f)	44%	43%	-1%
Split Dollar	17%	32%	+15%
Assets \$75M–\$400M			
SERP 457(b)	27%	19%	-8%
SERP 457(f)	24%	21%	-3%
Split Dollar	15%	28%	+13%
Less than \$75M			
SERP 457(b)	5%	3%	-2%
SERP 457(f)	6%	4%	-2%
Split Dollar	2%	3%	+1%

Source: NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



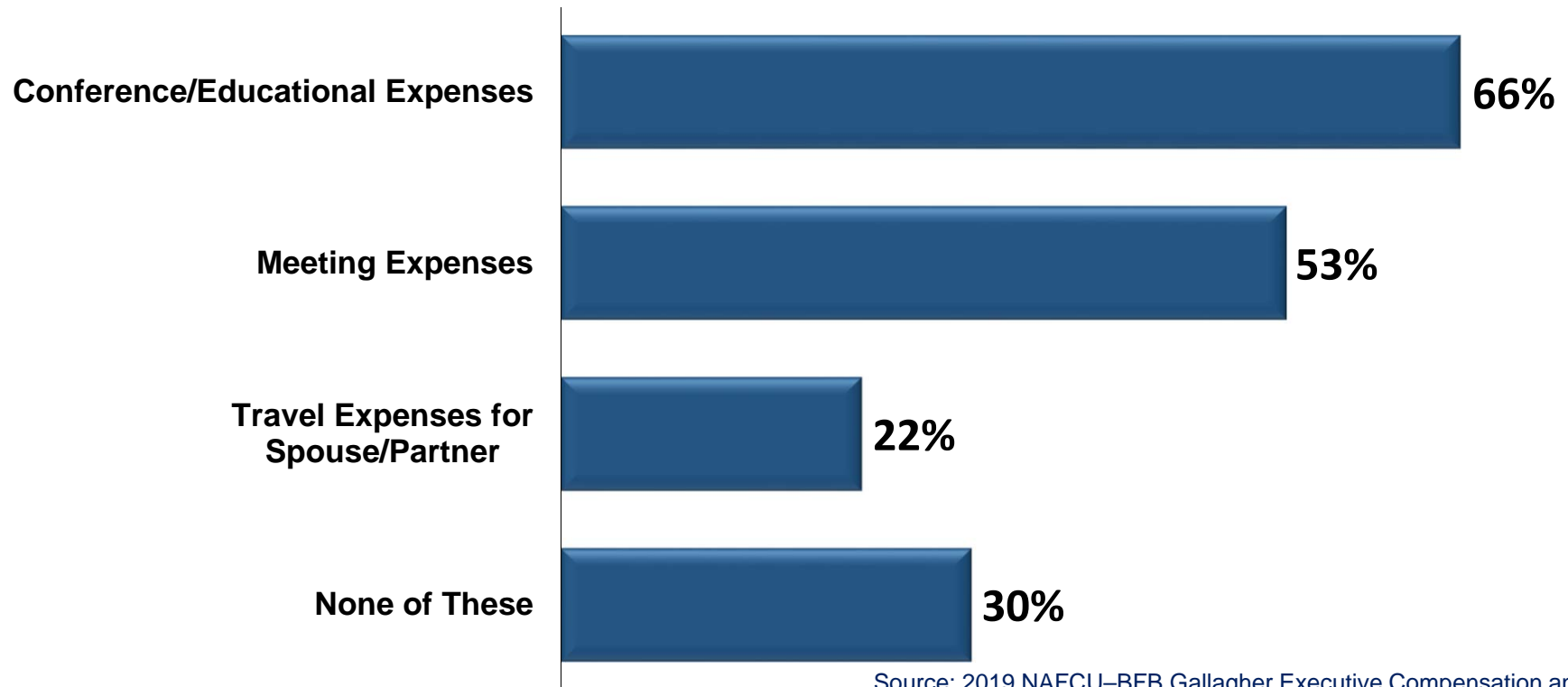
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Board Volunteers



Expenses/Benefits Provided to Directors



Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Expenses/Benefits Provided to Directors

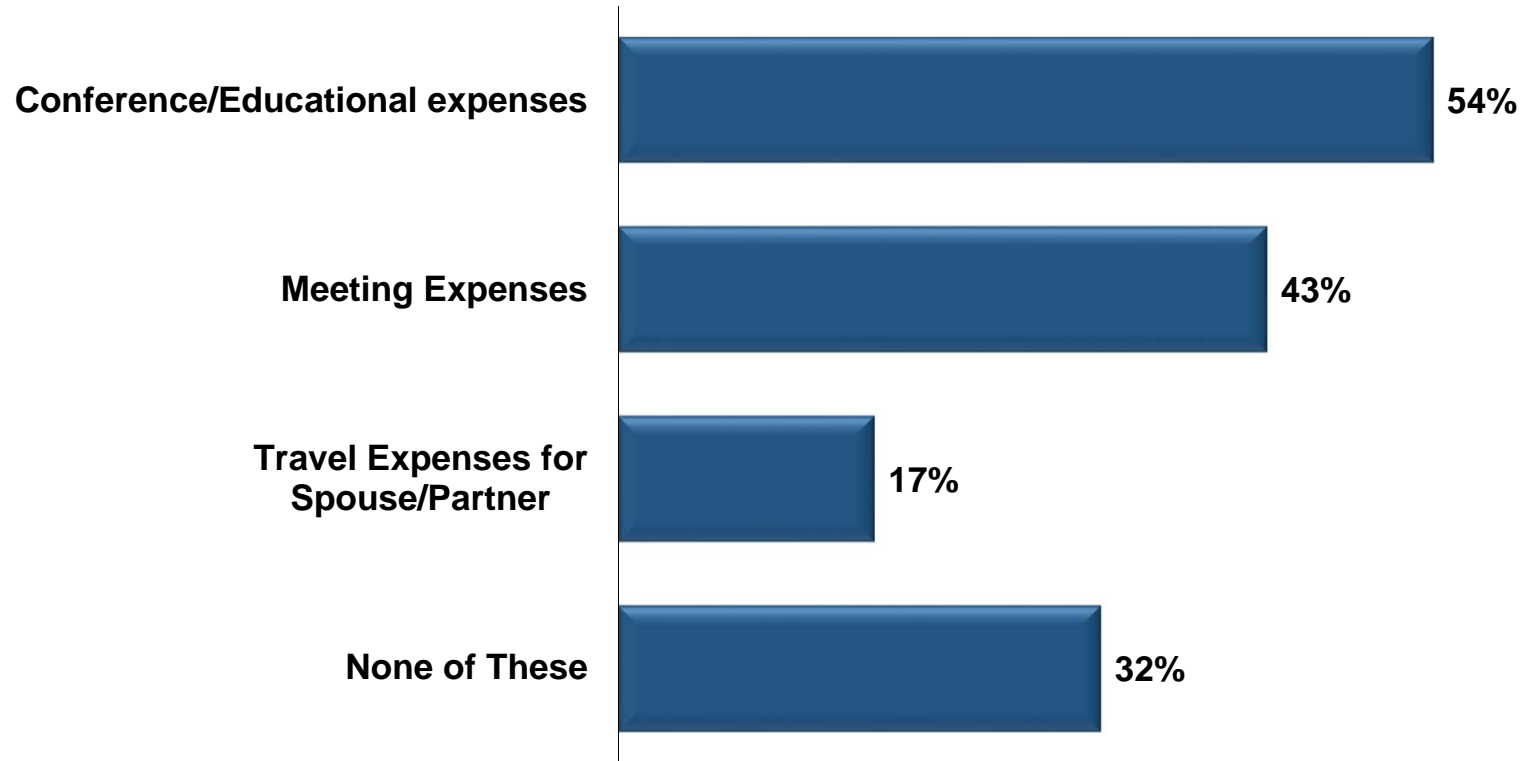
Total Assets:	<\$10M	\$10M– \$20M	\$20M– \$40M	\$40M– \$75M	\$75M– \$150M	\$150M– \$400M	\$400M– \$1B	\$1B+
Expenses for . . .								
Conference/Educational	28%	64%	72%	78%	88%	96%	89%	90%
Meetings	18%	56%	67%	63%	62%	77%	69%	79%
Spouse/Partner Travel	5%	15%	16%	19%	35%	41%	51%	59%
None are provided	69%	31%	29%	15%	6%	---	8%	6%

Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Expenses/Benefits Provided to Supervisory Members



Source: 2019 NAFCU-BFB Gallagher Executive Compensation and Benefits Survey



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Expenses/Benefits Provided to Supervisory Members

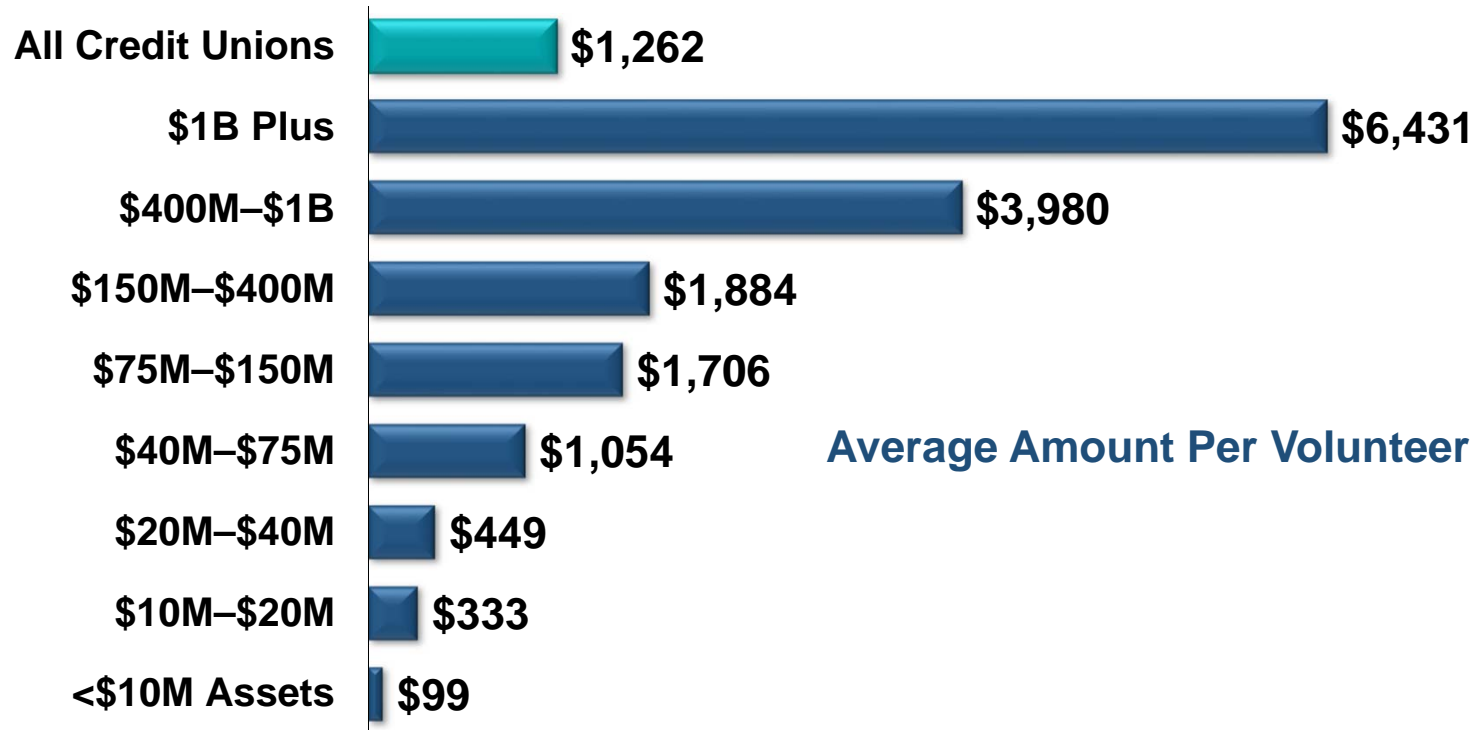
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Expenses for . . .								
Conference/Educational	25%	48%	63%	62%	73%	82%	82%	81%
Meetings	7%	48%	63%	49%	54%	65%	60%	74%
Spouse/Partner Travel	5%	13%	13%	12%	26%	26%	45%	60%
None are provided	70%	32%	24%	17%	10%	---	8%	8%

Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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How Much Is Budgeted Annually for Volunteer Training?



Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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How Much Is Budgeted Annually for Volunteer Training?

Total Assets:	<\$10M	\$10M– \$20M	\$20M– \$40M	\$40M– \$75M	\$75M– \$150M	\$150M– \$400M	\$400M– \$1B	\$1B+
Average	\$99	\$333	\$449	\$1,054	\$1,706	\$1,884	\$3,980	\$6,431
10th Percentile	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25th Percentile	\$0	\$0	\$0	\$86	\$28	\$14	\$0	\$0
40th Percentile	\$0	\$18	\$71	\$214	\$417	\$332	\$0	\$857
50th Percentile	\$0	\$100	\$150	\$438	\$667	\$950	\$1,636	\$3,000
60th Percentile	\$0	\$136	\$222	\$556	\$1,000	\$1,118	\$2,778	\$6,429
75th Percentile	\$0	\$222	\$417	\$769	\$1,333	\$2,000	\$5,000	\$8,333
90th Percentile	\$62	\$417	\$714	\$1,250	\$2,273	\$3,000	\$6,250	\$10,091

Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey

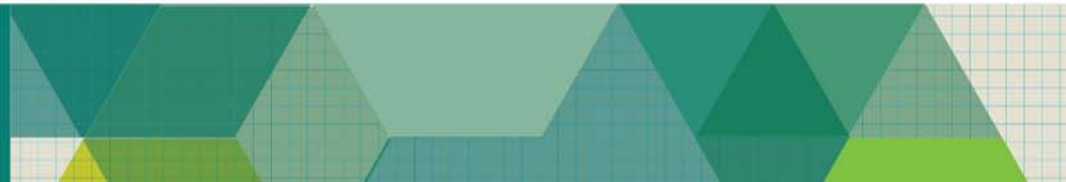


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Two Takeaways

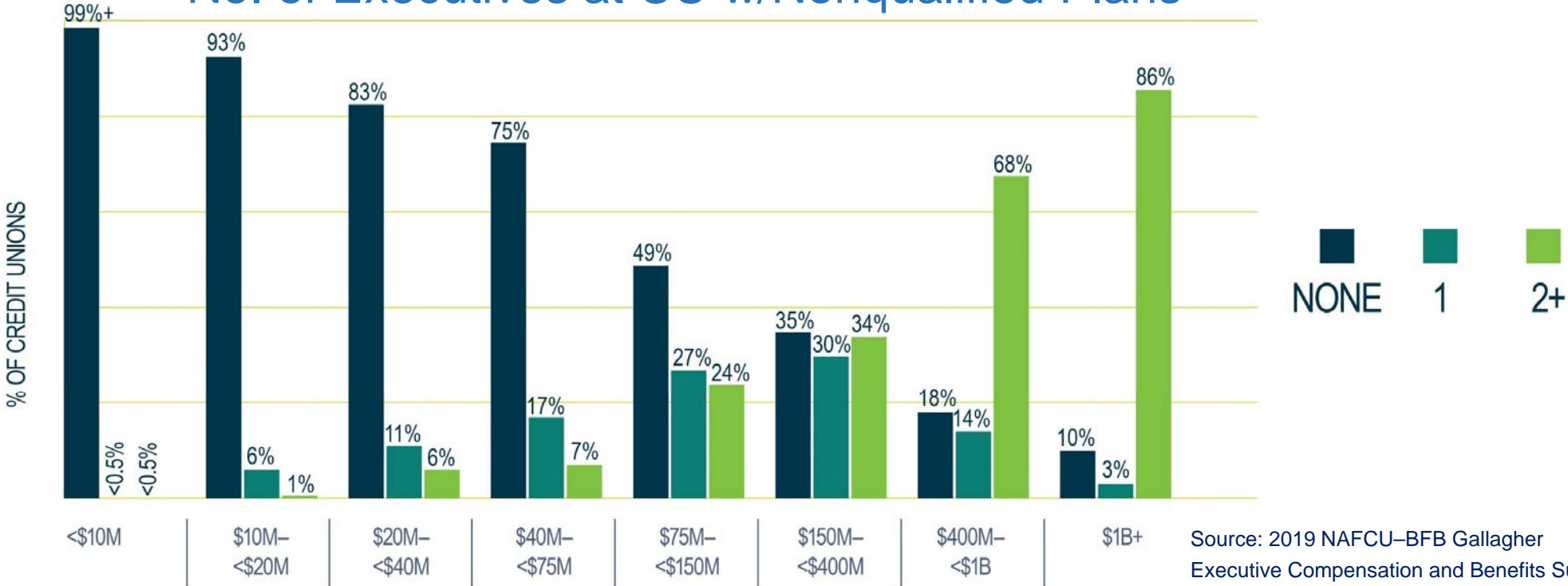


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1. Retain the Entire Executive Team

No. of Executives at CU w/Nonqualified Plans



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2. CEO Succession Planning

- 76% of CEOs are age 50+
- 32% of CEOs are age 60+

Source: 2019 NAFCU–BFB Gallagher Executive Compensation and Benefits Survey



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Thank you!



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Clark Research Associates
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BFB Gallagher is the NAFCU Services Preferred Partner for Executive Benefits and Compensation Consulting.

www.BFBGallagher.com



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How to Order the 2019 Report

Select one:

- 1) Fill out a survey request card with your address and/or email address
- 2) Go online to bitly.com/2019BFBsurvey

Link is case-sensitive



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