

# Executive Compensation: State of the (Credit) Union

Tom Telford, BFB Gallagher

Bob Lemke, Human Resources & Compensation Consulting

May 2018



A DIVISION OF  
Gallagher Benefit Services, Inc.

## Welcome

---

- Compensation
- Trends
- Fair and Reasonable
- Market Surveys
- Case Study
- Q & A



## Protecting Human Capital

---

- Delay in achieving strategic goals
- Negative impact on performance
- Negative impact on morale, motivation
- Poor impression on constituents, potential candidates
- Lack of leadership in day-to-day operations

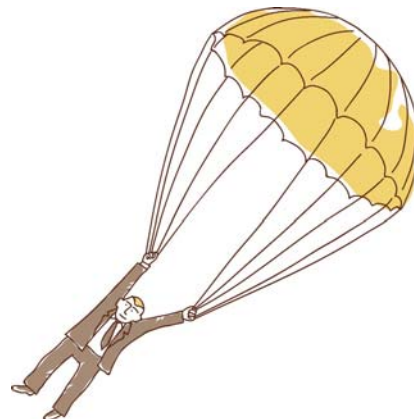
BFB

## Executive Compensation

---

Recruit, Motivate, Retain

- Base salary
- Bonus and incentives
- Health and welfare benefits
- Perquisites
- Supplemental benefits



BFB

## Executive Retirement

---

Executive teams are being disrupted



2017 NAFCU – BFB Gallagher Executive Compensation and Benefits Survey

**BFB**

## Vacancies

---

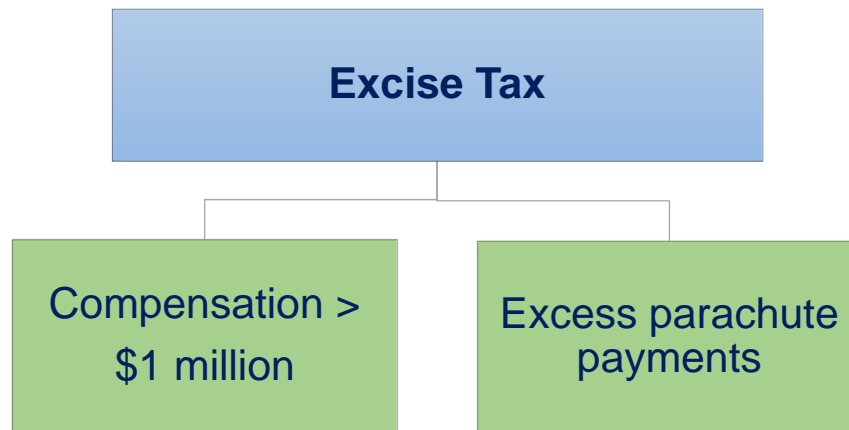
- Quick search: 52 executive openings
- Laterals and promotions



**BFB**

## Tax Cuts and Jobs Act

---



BFB

## Compensation Philosophy

---

Is compensation an expense or an investment?

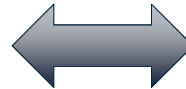
- Mission statement
- Benchmarks competitive market
- Sets target percentiles
- Strategic roadmap and consistency
- Due diligence documentation

BFB

# Destination Employer



Insurance | Risk Management | Consulting



ATTRACT talent

DEVELOP leadership

ENGAGE staff

REWARD success

9

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

# Our Perspective – Total Rewards



Insurance | Risk Management | Consulting



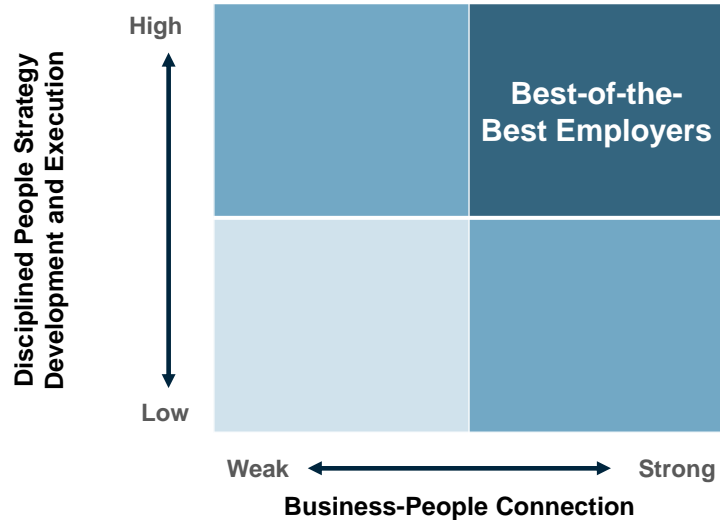
10

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Best of the Best



Insurance | Risk Management | Consulting



11

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Trends



Insurance | Risk Management | Consulting

### Key Themes

- Longer-term planning and enhanced strategic integration to rewards
- Re-thinking employee benefits, evolving preferences
- Variable compensation, incentive calibration & funding
- Succession

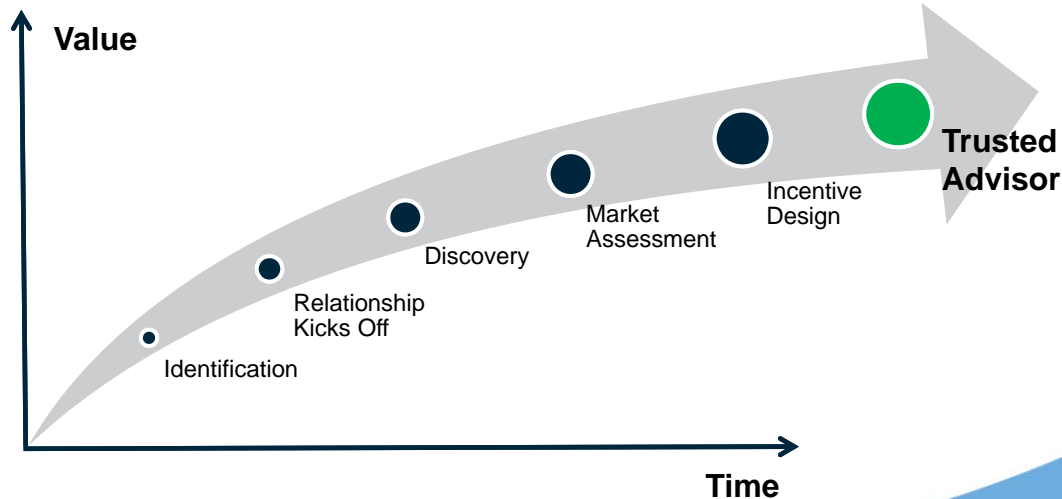
12

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Committee's Experience



Insurance | Risk Management | Consulting



13

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Consulting Qualifications



Insurance | Risk Management | Consulting

- **Experience**: Advises boards and their compensation committees
- **Independence**: Meets requirements of the Treasury Regulations
- **Specialized**: Regularly performs executive compensation studies for tax exempt entities
- **Written opinion**: Reasonableness of compensation to better comply with NCUA's Rules and Regulations
- **Adds value**: Supports the organization's mission, vision, and strategy

14

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Scope of Services



Insurance | Risk Management | Consulting

- Defined Compensation Philosophy
- Competitive Total Compensation
- Aligned Incentives
- Meaningful Rewards for Meaningful Results
- Salary Administration Practices
- Sustainable Leadership Practices
- Ongoing Advisory Support

15

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Illustrative Client: CEO Transition



Insurance | Risk Management | Consulting

- CEO Search
- Offer structure vs current programs
  - Internal equity
- Reasonableness
  - Board due diligence and understanding
  - Total compensation
  - Third party survey data
- Assimilation & engagement of new executive



16

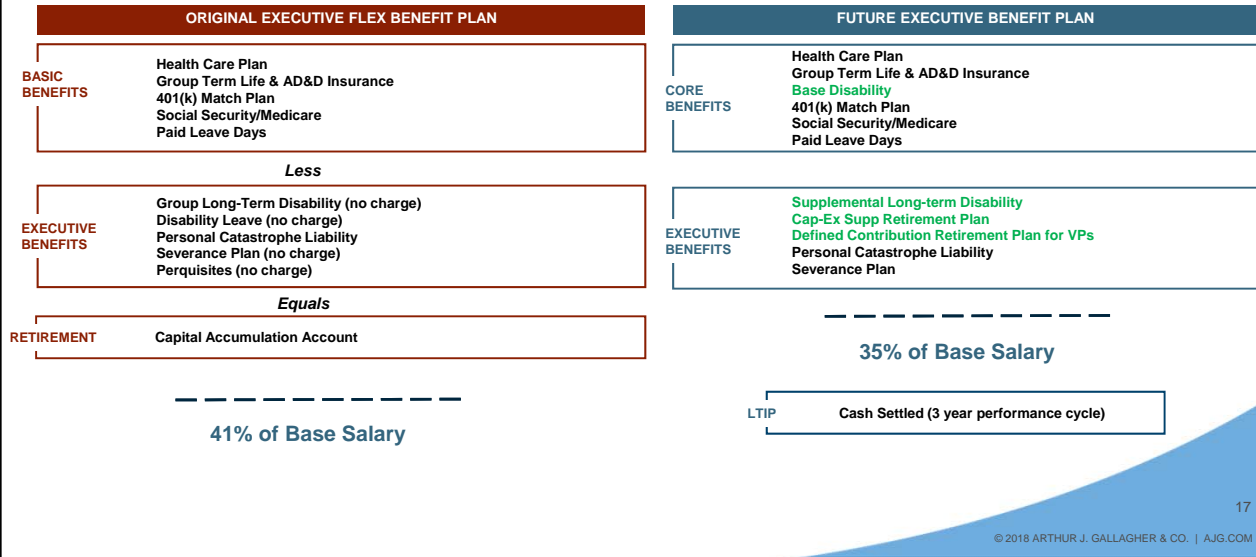
© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM



# Illustrative Client: Rebalance Rewards



Insurance | Risk Management | Consulting



17

© 2018 ARTHUR J. GALLAGHER & CO. | AJG.COM

## Thank you!



Tom Telford, Principal  
BFB Gallagher  
Tom\_Telford@ajg.com



Bob Lemke, CCP, SPHR, Principal  
Human Resources & Compensation  
Consulting  
Bob\_Lemke@ajg.com



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

**BFB**