

An E-Scan Report

SENIOR EXECUTIVE COMPENSATION

Credit Unions With
\$100 Million + in Assets | 2009



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Credit Union
National Association

An E-Scan Report

Senior Executive Total Compensation Survey Report

For Human
Resources Planning | 2009-2010



Credit Union National Association

Senior Executive Total Compensation Survey Report

The 2009-2010 Senior Executive Total Compensation Survey Report
is produced by the Market Research Department
of the Credit Union National Association

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This report summarizes the results of an online survey conducted by CUNA's Center for Research & Advice between January and June of 2009. The survey was hosted by enetrix™, a recognized leader in the field of Web-based compensation surveys. Their state-of-the-art technology and advanced security measures ensured the safety of the compensation data.

In January of 2009, a four-page questionnaire was mailed to the human resources VPs/directors at the 1,165 credit unions in the sample. A cover letter requesting the credit union's participation in the survey was included with the survey. As an incentive, credit unions were offered a discount on the report if they responded to the survey. The surveys could be filled out online or returned directly to CUNA Market Research in postage-paid envelopes.

Responses were monitored. After three weeks, credit unions that did not respond to the initial mailing were sent a follow-up, again requesting their participation and providing instructions. In April, a third invitation to participate in the survey was sent to CEOs of the sampled credit unions that had not yet participated in the survey.

By June 2009, 260 usable questionnaires were completed, resulting in a response rate of 22%. The data was stratified by assets and weighted to adjust for the over- or under-representation of credit unions in any strata. Weighting is a standard survey analysis procedure designed to increase the reliability of the survey results, done to ensure that the results are not biased by a specific group of credit unions.

As a result of the survey being limited to credit unions with assets of \$100 million or more, all

references to "credit unions" in the following summaries refer to that universe of credit unions.

Based on a sample of 260 respondents, the maximum sampling error for the overall percentages is + 5.36% at a 95% confidence level. That is, in 95 of 100 similar samples, the overall percentages would fall within 5.36 percentage points of those observed in the data tables.

Purpose of this report

Due to the degree of competition for high-performing executives and in anticipation of required disclosure, credit unions need to examine their current executive compensation philosophy to ensure it is in line with industry standards and reflects the interests of the credit union's members as well as current or potential senior executives. For that purpose, this inaugural credit union senior executive compensation survey presents nationwide credit union figures categorized by asset size, region, contract status, number of employees, and many other points of comparison.

About the Regions



REGIONS

Northeast = New England (ME, NH, VT, MA, RI, CT); Middle Atlantic (NY, NJ, PA)

**Midwest = East North Central (OH, IN, IL, MI, WI);
West North Central (MN, IA, MO, ND, SD, NE, KS)**

**South = South Atlantic (DE, MD, DC, VA, WV, NC, SC, GA, FL);
East South Central (KY, TN, AL, MS); West South Central (AR, LA, OK, TX)**

West = Mountain (MT, ID, WY, CO, NM, AZ, UT, NV); Pacific (WA, OR, CA, AK, HI)

Credit Union and Respondent Characteristics

Note: As is the case with all the data in this report, the following averages are weighted by asset size.

Asset size

Credit unions in the sample average just over \$500 million in assets, overall. At roughly \$740 million, the average asset size of credit unions in the South Atlantic and Pacific regions are the highest of all regions. Conversely, credit unions in the New England region have the lowest average asset size at about \$275 million. The table lists the asset distribution of responding credit unions.

Region

Just over 20% of respondents are located in the East North Central region. The South Atlantic and Pacific regions account for 15% and 14%, respectively, of responding credit unions. In contrast, only 5% of credit unions are located in the New England region. The table lists the region distribution of responding credit unions.

Branch offices

The average credit union respondent has nine branch offices, including the main branch. About 45% have five to nine locations, while 27% have 10 or more. Ten percent have just one or two offices.

Number of full-time employees

On average, credit unions in the sample have 140 full-time employees. This figure ranges from an average of 45 among credit unions with \$100 million to \$150 million in assets up to 480 among credit unions with assets of \$1 billion or more.

Asset size	% of credit unions	Average asset size
\$100M – \$150M	25%	\$125,571,229
\$150M – \$200M	14%	\$168,604,693
\$200M – \$300M	18%	\$245,508,352
\$300M – \$400M	9%	\$343,739,177
\$400M – \$600M	10%	\$486,146,052
\$600M – \$1B	11%	\$741,082,650
\$1B or more	11%	\$2,143,177,167

Region	% of credit unions
New England	5%
Middle Atlantic	11%
East North	22%
West North	6%
South Atlantic	15%
East South	6%
West South	10%
Mountain	11%
Pacific	14%

Branches	% of credit unions
1 – 2	10%
3 – 4	17%
5 – 9	46%
10 or more	27%

Full-time employees	% of credit unions
10 – 49	20%
50 – 74	24%
75 – 99	13%
100 – 199	24%
200 or more	19%

Members	% of credit unions
2,000 – 20,000	25%
20,000 – 30,000	21%
30,000 – 40,000	15%
40,000 – 70,000	21%
70,000 or more	18%

Loans outstanding

Credit union respondents average almost \$360 million in loans outstanding, overall. The average ranges from nearly \$85 million among credit unions with \$100 million to \$150 million in assets up to \$1.5 billion among those with \$1 billion or more in assets.

Loans	% of credit unions
\$25M – \$80M	11%
\$80M – \$125M	23%
\$125M – \$175M	17%
\$175M – \$250M	12%
\$250M – \$400M	13%
\$400M or more	24%

Number of members

The average credit union in the sample has 51,744 members. Credit unions with \$100 million to \$150 million in assets have an average membership of 16,350, while those with \$1 billion or more in assets have 190,694.

Credit Union Characteristics

Age

Senior executives of responding credit unions are 45 to 50 years old, on average. Chief Information Officers (CIOs) are somewhat younger than the other credit union senior executives, at an average age of 45. In comparison, Executive Vice Presidents (EVPs), Chief Financial Officers (CFOs) and Chief Operating Officers (COOs) average 48 to 50 years old. In addition, half (52%) of CIOs are between the ages of 28 and 44. In contrast, about 25% to 35% of EVPs, CFOs and COOs are between the ages of 28 and 44. EVPs, CFOs and COOs are more likely to be between the ages of 45 to 59, at roughly 55% to 60%, whereas 35% of CIOs are 45 to 59. Approximately 10% of all four senior executive positions studied are 60 or older.

Age	% of EVPs
28 – 39	12%
40 – 44	15%
45 – 49	23%
50 – 54	16%
55 – 59	23%
60 – 64	9%
65 and older	2%

Age	% of CFOs
28 – 39	15%
40 – 44	19%
45 – 49	23%
50 – 54	16%
55 – 59	15%
60 – 64	10%
65 and older	2%

Age	% of COOs
28 – 39	11%
40 – 44	19%
45 – 49	27%
50 – 54	23%
55 – 59	9%
60 – 64	10%
65 and older	0%

Age	% of CIOs
28 – 39	28%
40 – 44	24%
45 – 49	14%
50 – 54	14%
55 – 59	7%
60 – 64	10%
65 and older	2%

The publicity over excessive executive pay – especially outrageous bonuses – amidst a harsh economic climate and government bailouts has touched off an outcry among indignant workers, shareholders and the general public. As a result, regulators are setting stricter disclosure requirements and pay limits, especially on companies receiving funds under the Emergency Economic Stabilization Act's (EESA) federal Troubled Asset Relief Program (TARP). In addition, the president signed the American Recovery and Reinvestment Act of 2009 (ARRA), under which the U.S. Treasury can seek reimbursement for compensation payments considered inconsistent with the ARRA or public interest. The Obama administration is also calling for additional legislation regarding “say on pay” (which require disclosures and shareholder votes on executive compensation packages) and higher independence standards for compensation committees. Other proposals to control and modify compensation practices are being debated by lawmakers.

Executive compensation plans typically include the top executives. However, organizations are not required to disclose pay data for all senior executives. Currently, the U.S. Securities and Exchange Commission (SEC) regulations only require publicly-traded companies to provide pay data on the CEO, the Chief Financial Officer and the next three highest earners. In credit unions, the next three highest earners are typically the Executive Vice President, Chief Operating Officer, and Chief Information Officer.

Cash compensation

Incentives, primarily in the form of equity, are the center of compensation packages for executives of publicly traded companies. Credit unions cannot offer these same equity vehicles. Therefore, base salary represents the bulk of a credit union CEO's total compensation package. On average, base salary accounts for 86% to 89% of senior executive total compensation among credit unions with \$100 million or more in assets. As of January 1st 2009, median base salary among credit union senior executives ranges from about \$90,000 to \$115,000. Executive Vice Presidents (EVPs) earn higher median salaries than other senior executives, at \$114,431. In contrast, Chief Information Officers (CIOs) earn the lowest median salaries, at \$91,456. Chief Financial Officers (CFOs) and Chief Operations Officer (COOs) each earn roughly \$100,000.

When bonus and incentive awards are factored into the equation, cash compensation accounts for just over 90% of the senior executive's total compensation package. Overall, 77% of EVPs received a bonus or incentive reward in 2008, compared with about 70% of CFOs and COOs and 57% of CIOs.

Median variable pay – bonus and/or incentive payments – ranged from about \$20,000 to \$27,000 or 18% to 20% of base salary for EVPs, CFOs and COOs. Median variable pay was just over \$12,000 or 9% of base salary for CIOs.

Breaking down variable pay, we find that in 2008 about 45% to 50% of credit union senior executives received bonus payments – after-the-fact rewards for a job well done.

The median bonus award ranged from about \$6,000 to \$9,000 or 7% to 8% of base salary.

Furthermore, roughly 40% of credit unions had incentive plans in place for senior executives – rewards tied to pre-set expectations and performance levels. Among credit unions offering incentives, about 55% to 60% of senior executives received an incentive payment in 2008, overall.

For senior executive performance-based pay, loan growth was the top criteria for EVPs, followed by savings growth, with earnings (ROA, ROE, or ROI) and membership growth tying for third. For the other three senior executives, earnings was the top criteria, followed by loan growth. The median senior executive incentive payment was between \$9,000 and \$11,000. This represents 7% to 10% of base salary or 79% to 82% of the maximum amount. EVPs, CFOs and COOs were eligible to earn and 100% of the maximum amount. CIOs were eligible to earn.

In 2008, credit union EVPs received a median of nearly \$124,000 in total cash compensation – base pay plus variable pay. CFOs and COOs received a median of about \$106,000 and \$105,000, respectively, in total cash compensation, while CIOs earned a median of just over \$96,000.

In this difficult operating environment, with the financial crisis and uncertainty over when the economy will improve, it is useful for credit unions to recruit and retain top performers from a pool of talent that is not limited to just credit unions. Additionally, with continued scrutiny from regulators – and potentially from members



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