Deferred Compensation: Not Just for CEOs

American Heritage FCU expands leadership retention program across top tier. February 12, 2018

By John Pesh

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The following is adapted from a case study in the CUES ebook, Non-Qualified Executive Benefits: A Guide for Credit Union Leadership.

When Bruce Foulke joined American Heritage Federal Credit Union in 1979, it was a $5 million financial institution serving 4,000 members. Under the CUES member's leadership as president/CEO, the credit union has grown to $2 billion. Over time, says Chair Cecilia Grady, "We began to hear warnings: 'You have to be careful about compensating him well, because as he makes a name for himself, other credit unions may try to steal him from you.' We began looking at other forms of compensation that would entice Bruce to stay with our credit union."

The board's executive committee took on the task of gathering information about options for structuring deferred compensation plans to supplement Foulke's salary and annual bonus. About 15 years ago, the board voted to offer him a 457(f) plan structured to enhance retention. In addition, a split-dollar life insurance program was put in place for him in 2016.

American Heritage FCU now offers deferred compensation plans to its full senior management team:

- Ten vice presidents and executives qualify for a 457(b) retirement account after completing a year of service in their management positions, funded annually with the equivalent of two weeks salary. They have the option of allocating additional amounts from their paychecks to those accounts, up to the mandatory limit.
- Foulke has also put in place 457(f) plans as a retention tool for the more experienced members of his senior staff. These forms of compensation are structured to take advantage of the greater number of investment options—and higher potential returns—offered by these plans, he notes.

The CU's personnel committee leads the ongoing oversight of the compensation program, including reviewing the performance of the investments funding the plans on a quarterly basis and updating the board. In addition, the strategic plan assigns the HR department the responsibility to undertake an annual review of salaries and benefits for all staff, to ensure that the credit union stays competitive in the talent market.

Directors serving on the board come from a variety of backgrounds, including the blue-collar sector where executive compensation might seem excessive by comparison. But Foulke notes that the board has been committed to staying informed about current compensation practices and remains "very fair in terms of market rates for executives."

John Pesh *is an executive benefits director for CUESolutions platinum provider CUNA Mutual Group, Madison, Wis. For more information about supplemental executive compensation, read the CUES* ebook, Non-Qualified Executive Benefits: A Guide for Credit Union Leadership. *To learn more about becoming a CUESolutions provider, email Kari Sweeney.*

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