The Not-Too-Deferred Compensation Plan

NorthCountry FCU rewards and encourages loyalty by custom-fitting benefits to exec's life stage and priorities.

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By John Pesh

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

When $580 million NorthCountry Federal Credit Union, Burlington, Vt., with 44,000 members, promoted Bob Morgan, CSE, CCE, to the CEO position in 2012, the board wanted to offer an incentive for him to stay long term.

But they didn't simply offer him a supplemental retirement benefit, such as some off-the-shelf solutions many credit union boards have turned to. Instead, they launched a comprehensive, 16-month process of developing a compensation philosophy statement, and forming a management development and compensation committee.

The committee found that a traditional supplemental executive retirement plan might not be the best fit for Morgan.

"In our discussions, it became apparent that my financial priorities weren't solely based on retirement," Morgan recalls. "Back in 2012 and 2013, you might have heard me say, 'I'm sure I'll appreciate retirement benefits in 25 years. But right now, I'm really concerned about my kids' college education.'"

Morgan was 41 years old at the time and his children were 10, 5 and 2 years old.

The management development and compensation committee vetted three providers and chose CUNA Mutual Group to develop a reward and retention plan based on Morgan's life stage and priorities.

The committee landed on an executive compensation package that included a split-dollar life insurance plan to fund supplemental retirement income, and a 457(f) plan with payouts scheduled to coincide with the years Morgan's children would be college-bound.

Morgan says the committee "really dug into the weeds of the design of these plans, so that they thoroughly understood all the mechanics and options before making a recommendation. The plan was very well designed. Putting in some payouts for the life stage that was most on my mind was definitely impactful."

In addition to the plan for Morgan, NorthCountry FCU established 457(f) plans scheduled to vest after three years for its two EVPs. One of the EVPs was retiring at that time, and Morgan established an additional deferred compensation plan for the other EVP. As with Morgan's plan, the EVP's plan includes a supplemental retirement benefit and interim incentive payouts.

"If you look at simple psychology, the value of anything you're offered is a combination of the dollar amount and the immediacy of the reward," Morgan says. "There's a tendency to discard rewards that are too distant. The value of having a compensation plan (with disbursements) staggered at interims definitely makes it more meaningful."

John Pesh *is an executive benefits director for CUESolutions platinum provider CUNA Mutual Group, Madison, Wis. If your CU is in the process of considering supplemental benefits to help recruit and/or retain a top executive—or if you only have one or two executives who have such a plan—consider expanding it into a program for your entire top tier of talent. For more information about supplemental executive compensation, read the CUES ebook, "Non-Qualified Executive Benefits: A Guide for Credit Union Leadership." For information about providing content through CUESolutions, email Kari Sweeney, supplier relations manager.*

"Keep Turning the Hourglass" details board oversight of SERPs.

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