

d. hilton associates inc.

# Board Survey Results *2016*

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*The materials have been prepared for informational purposes only. The views expressed are subject to change at any time.*



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# 2016 Survey Methodology





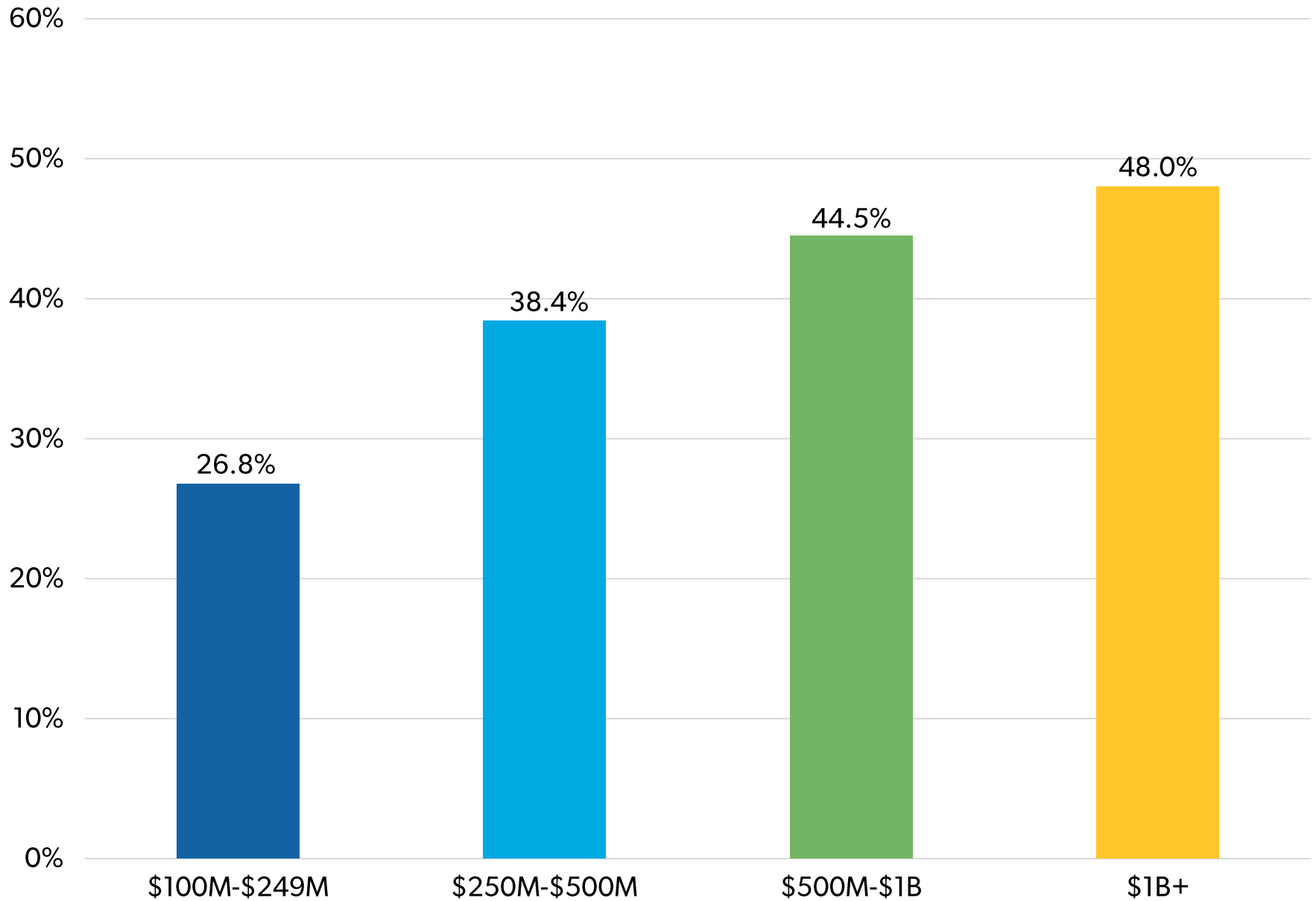
On April 13, 2016, D. Hilton Associates mailed the five page 2016 Board Survey to the chief executive officers and chairpersons of **1,549 credit unions nationwide** with assets over \$100 million. D. Hilton Associates provided recipients with the option to complete the survey online if preferred.

Upon the survey deadline, D. Hilton Associates had received responses from 548 individual credit unions, for an overall **response rate of 35%**, yielding a confidence level of 95% ( $\pm 4.9\%$ ). D. Hilton Associates had a response rate of 26.8% among credit unions with assets of \$100 million - \$250 million, 38.4% among the \$250 million - \$500 million asset group, 44.5% for the \$500 million - \$1 billion group, and 48.0% among the \$1 billion and over asset group.

D. Hilton Associates wants to express special thanks to all the board chairs and chief executive officers who took the time to respond to our survey and provide us with their valuable input. We hope you find the following report helpful in leading your institution.



### Response Rate by Asset Group





# CEO Compensation

*Section One*



## CEO Compensation

The relationship between the board of directors and CEO is paramount to continued growth and success. Credit unions that want to thrive in a sea of banking and lending competitors need to be informed about CEO compensation as much as possible. Retaining and attracting top executive decision makers is one of the greatest challenges credit unions face today. Establishing a competitive compensation package that considers more than base pay is one of the best ways to encourage retention in an organization.

In 2016, 80% of credit unions indicate that the full board of directors determines CEO compensation, while 29% utilize an executive compensation committee. Usage of a third party for assistance in evaluating CEO compensation is a common practice and 70% of all credit union boards of directors feel that a third party is an appropriate method for determining executive compensation packages. The use of both an executive compensation committee and a third party is higher at larger asset sized credit unions.

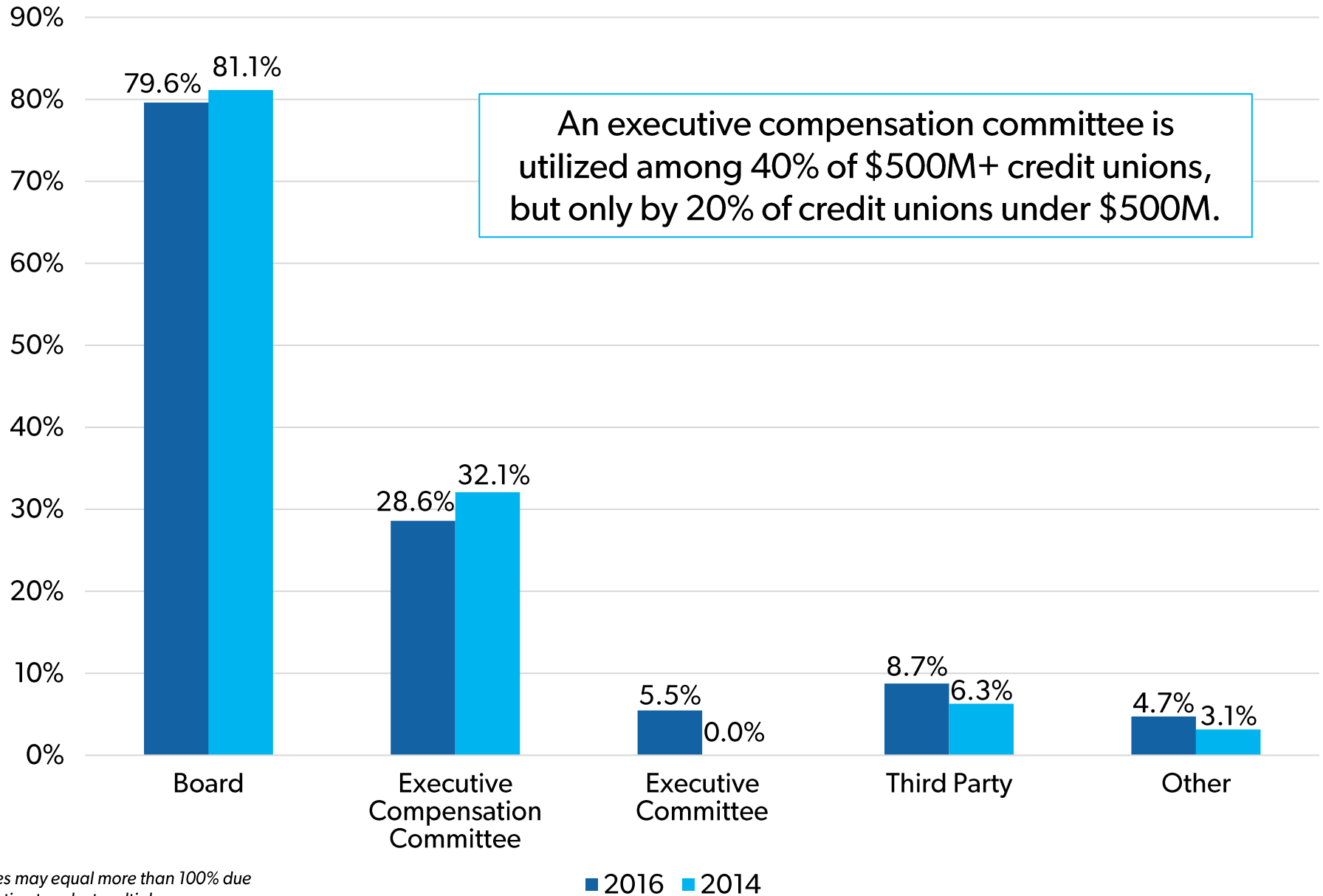
The overall use of incentive plans increased by 5.3% in 2016 to 80.6% compared to data reported in 2014. More than 90% of credit unions with assets of \$500 million and greater offer incentive plans and over 85% feel that their incentive plan is effective. Nearly 50% of CEOs with incentivized compensation reach 75% - 99% of their allotted target bonus.

Extremely effective incentive plans are ones in which managers achieve a large portion of the target and boards of directors are extremely satisfied with the results. Less than 3% feel their incentive plan is not effective when 50% or more of the target was achieved. Establishing goals and highlighting clear performance metrics in incentive plans are industry standards: nearly 85% of boards of directors state that annual goals are essential to CEO compensation plans.

CEO succession is an area that has garnered more attention over the past several years in response to the Baby Boomer retirement wave. More than three in four credit unions report having a succession plan in place for their CEO. While a majority report the plan as extremely effective or effective, 26% are neutral in its effectiveness, followed by 5% who say the plan is ineffective. Directors should focus even more on succession in the coming years for all C-suite positions to ensure the credit union remains successful.



### Who determines CEO compensation?

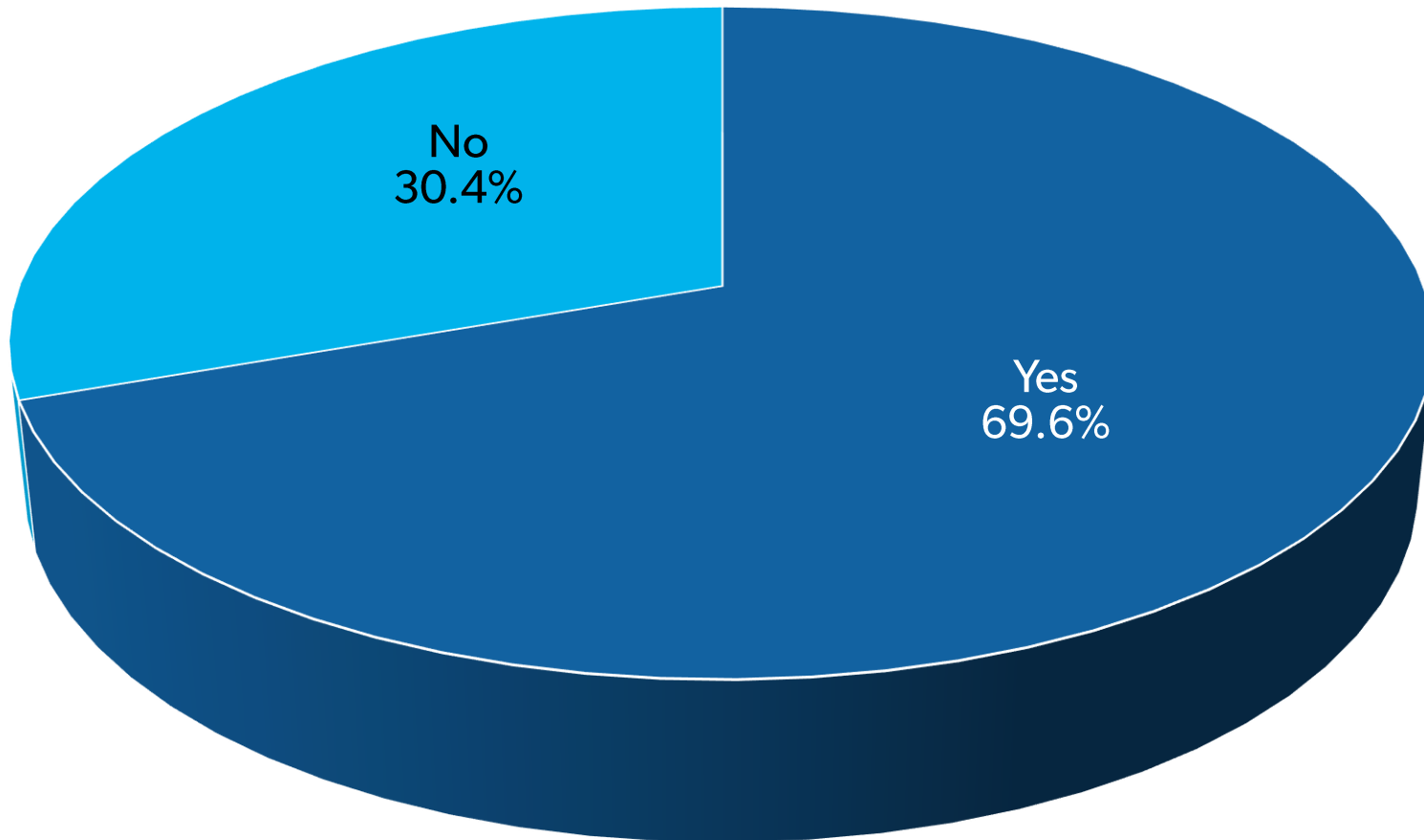


Percentages may equal more than 100% due to the option to select multiple answers.





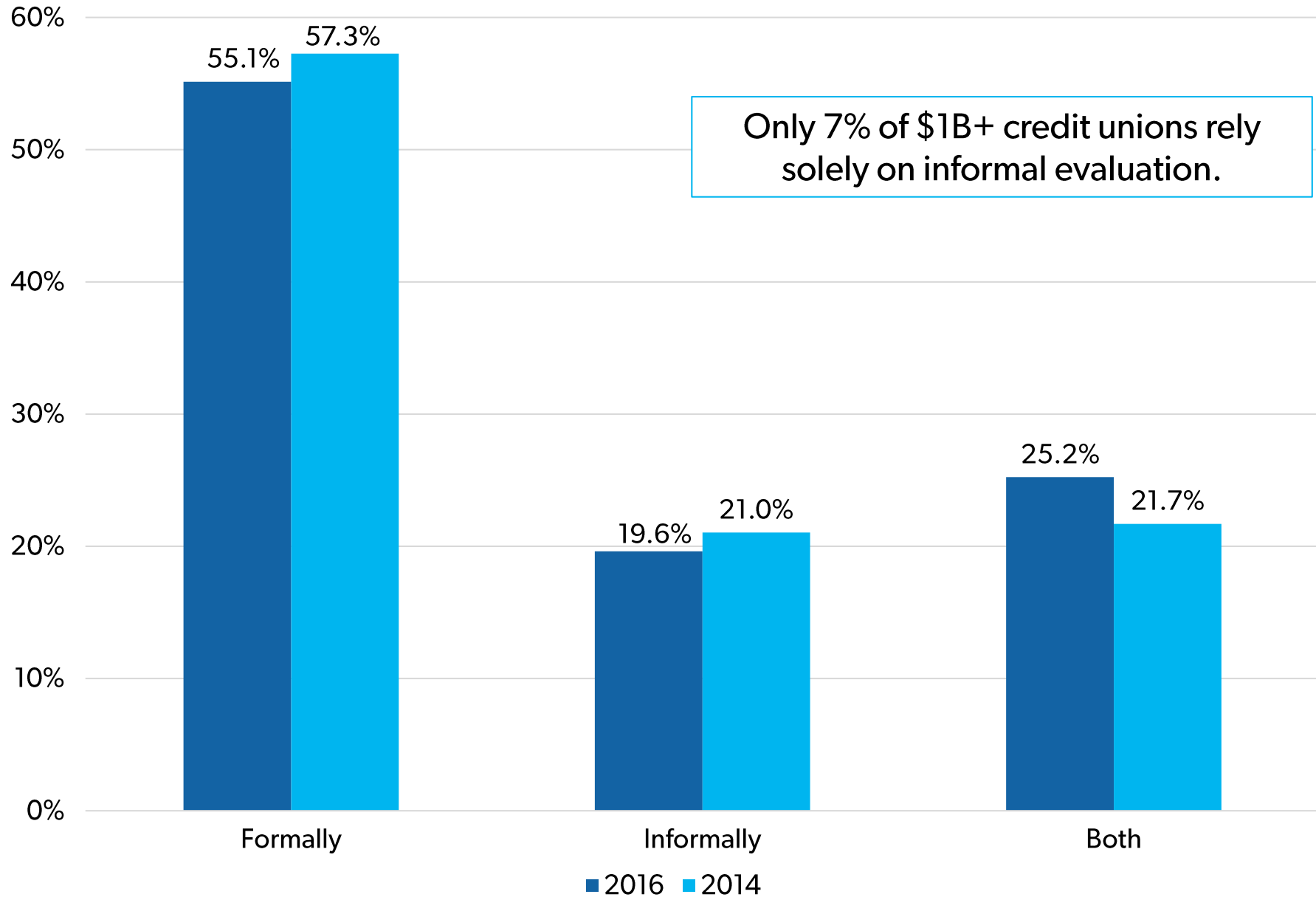
Does the board use or do you feel the board should utilize a third party to assist in determining CEO pay?



Usage of a third party is directly correlated to asset size. Credit unions in the \$500M-\$1B and \$1B+ groups are more likely to report use of a third party than their smaller counterparts.

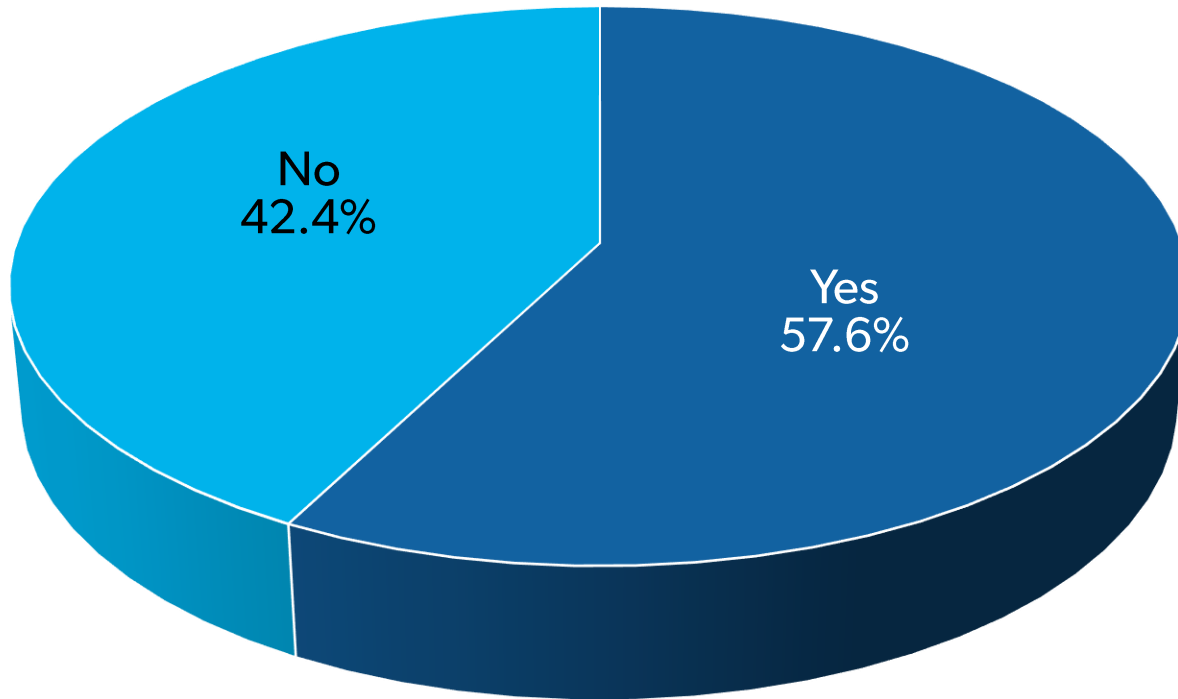


### How is the CEO evaluated?





Does the CEO evaluation include subjective categories that are not easily measured?

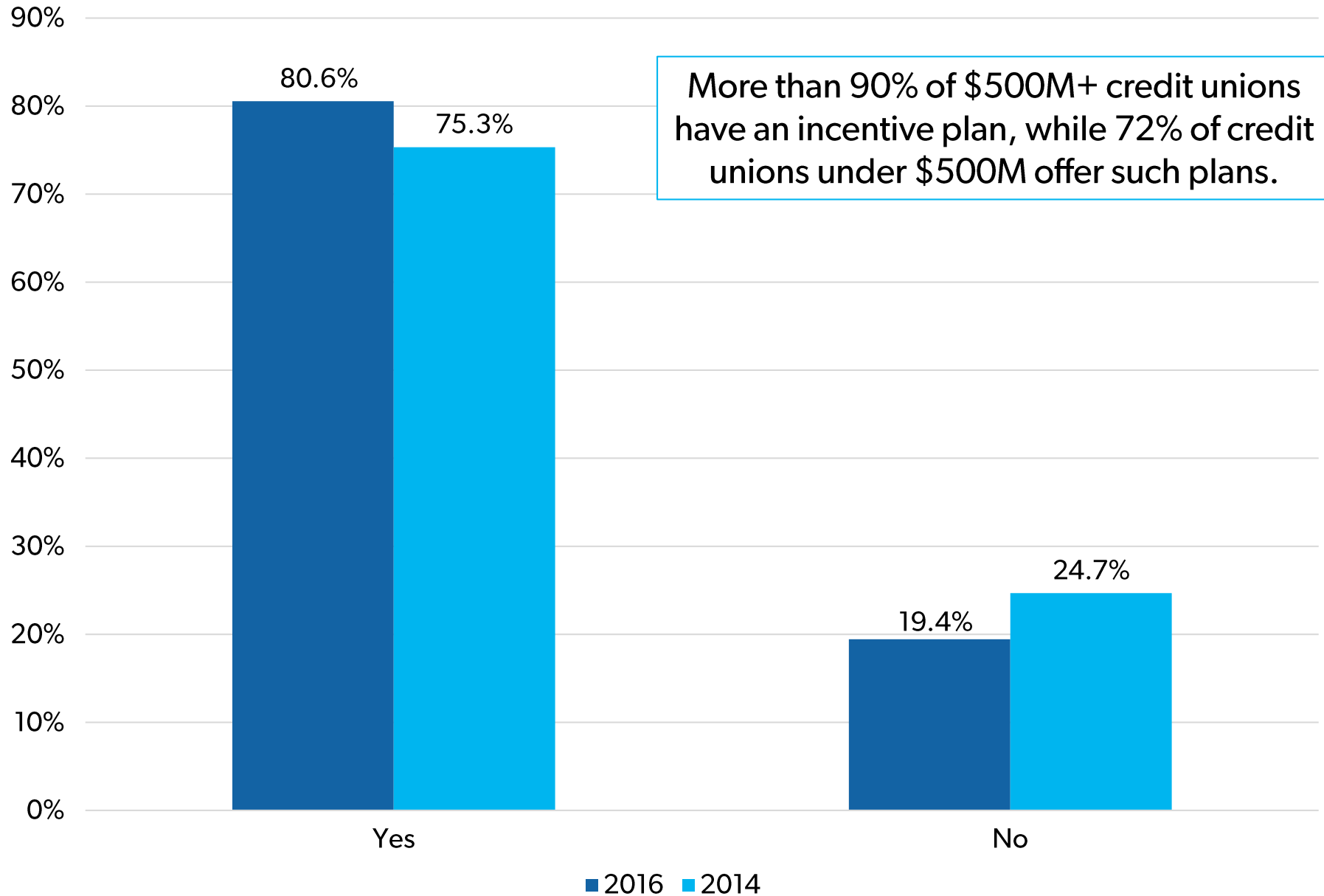


Subjective Measurements	Yes
\$100M-\$249M	54.6%
\$250M-\$499M	56.0%
\$500M-\$999M	62.3%
\$1B+	59.4%

Despite the challenges of subjective evaluations, credit unions of all sizes indicate subjective elements are included in their CEO evaluations.

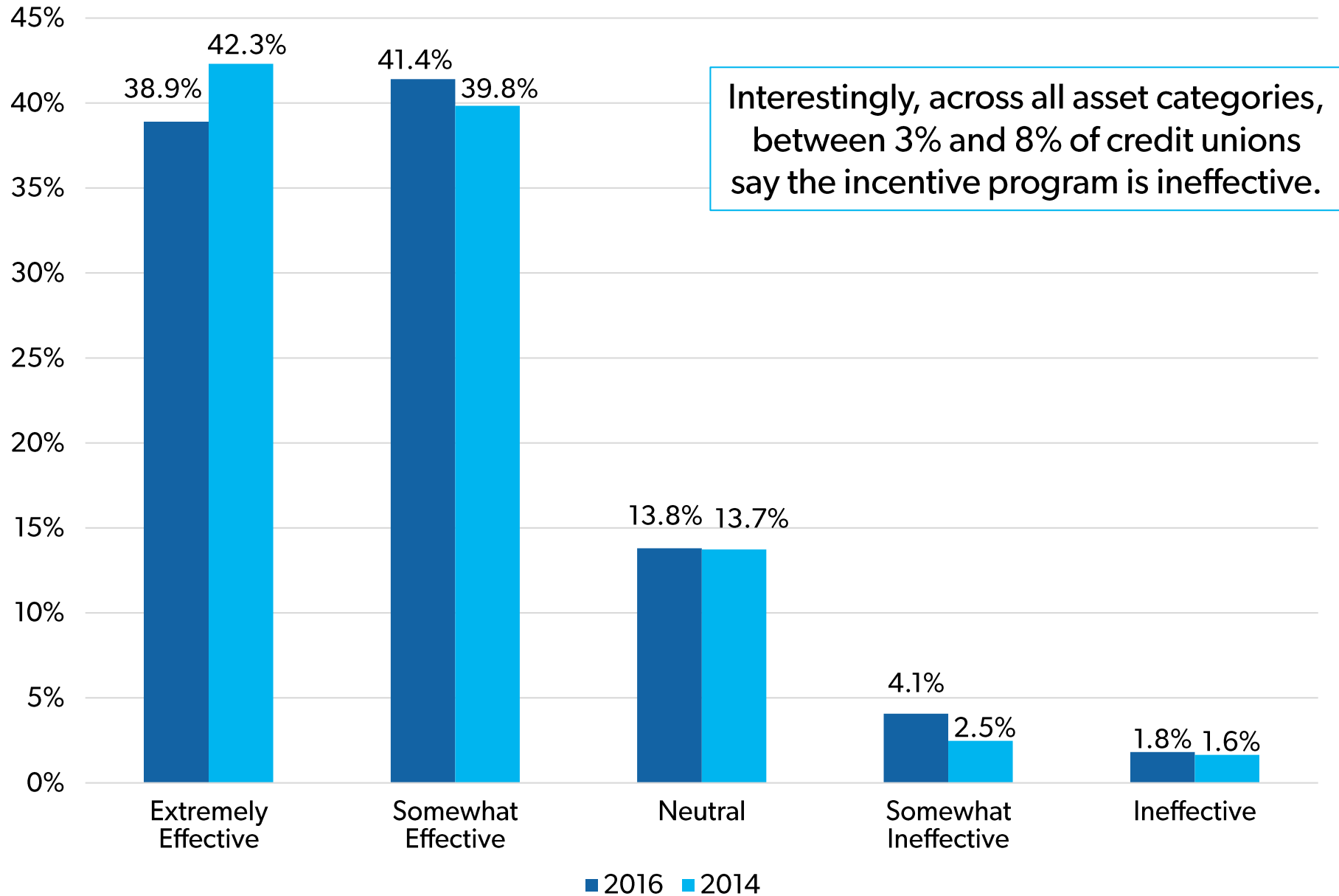


### Does the CEO have an annual bonus/incentive plan?





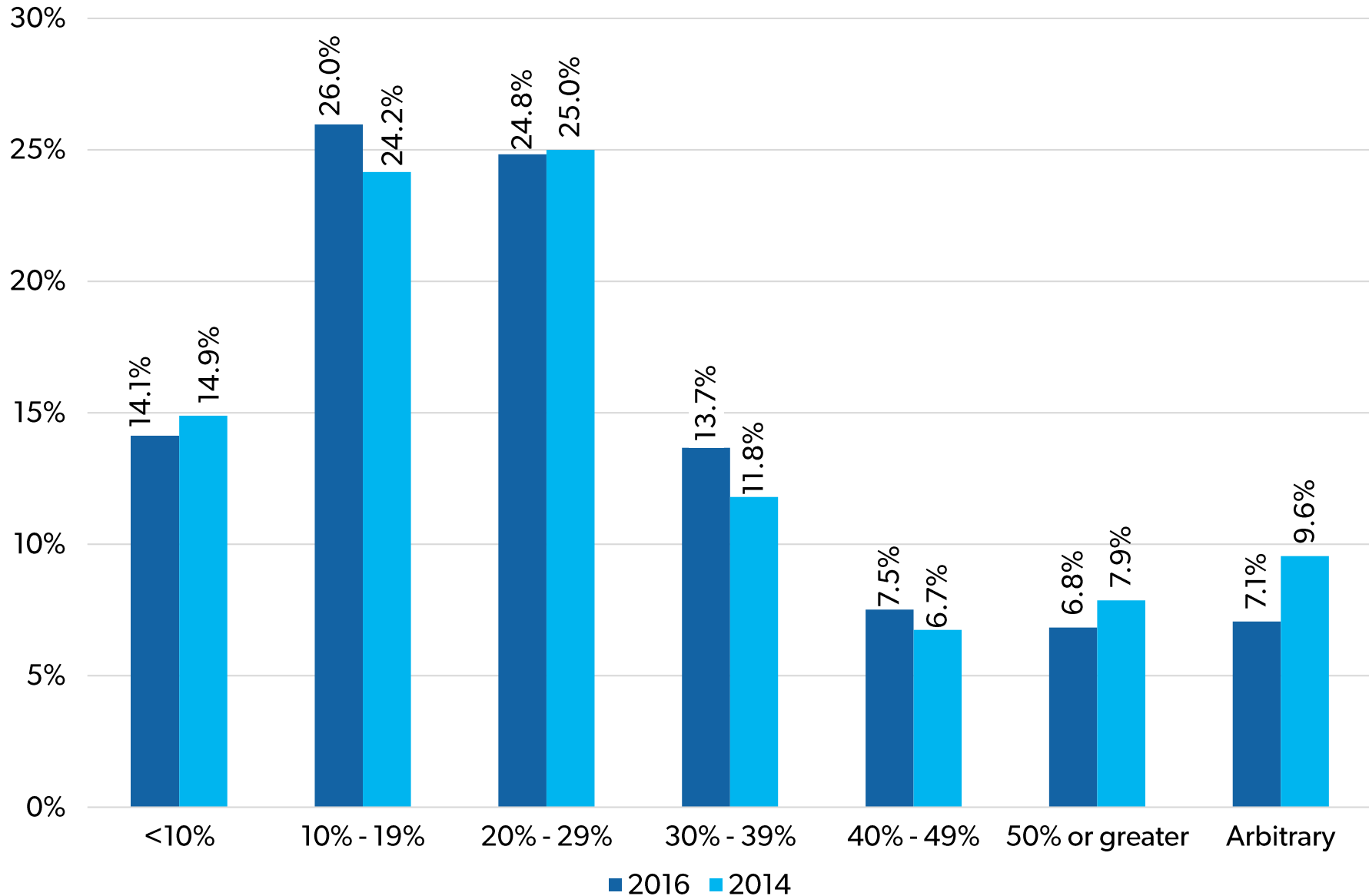
### How effective is the annual bonus/incentive plan?







### What is the maximum potential for the annual bonus/incentive plan as a percentage of annual salary?





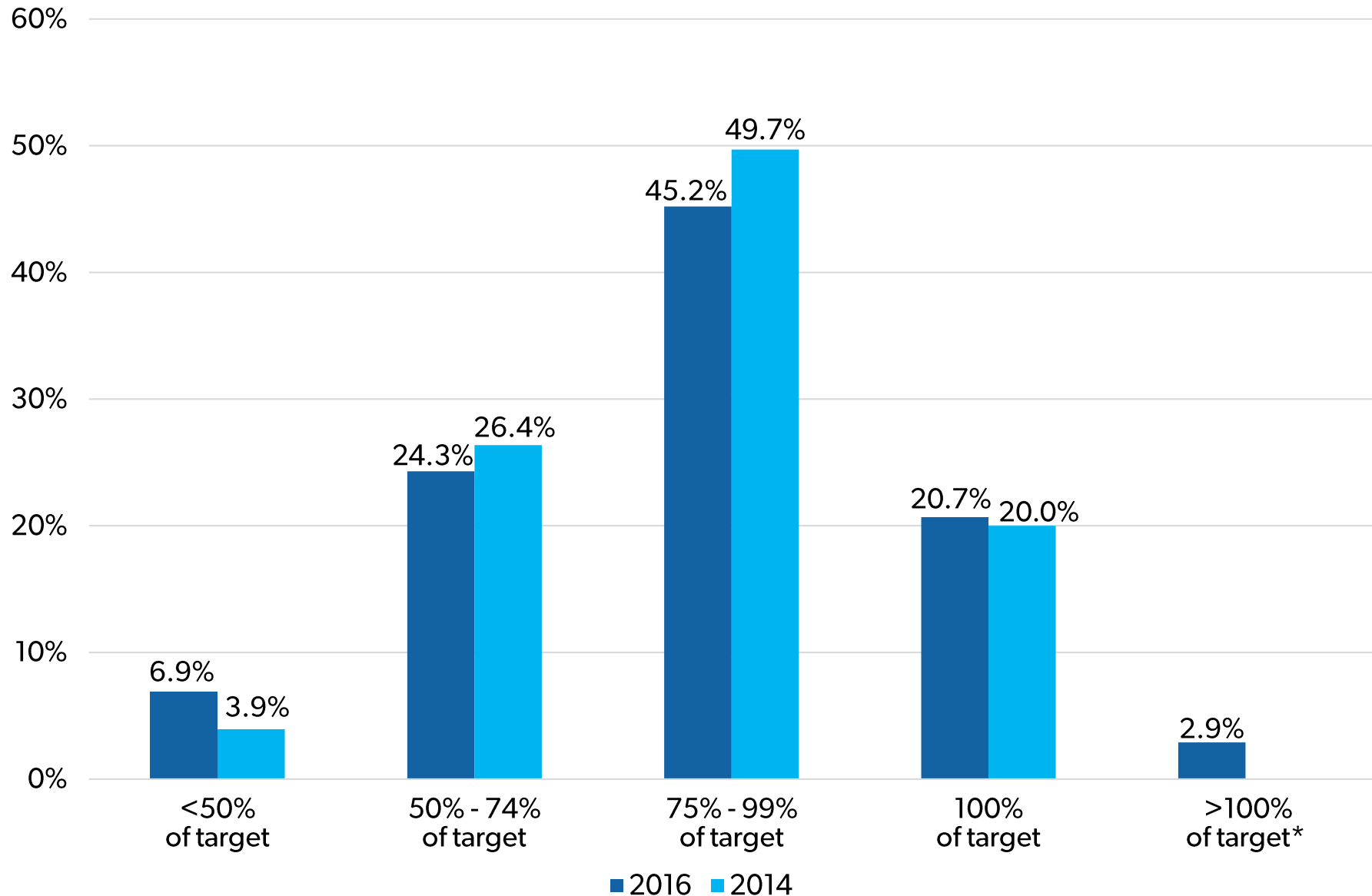
### How effective is the annual bonus/incentive plan?

Maximum potential as a percentage of annual salary	Extremely Effective	Somewhat Effective	Neutral	Somewhat Ineffective	Ineffective
< 10%	19.7%	44.3%	26.2%	8.2%	1.6%
10% - 19%	24.6%	51.8%	19.3%	3.5%	0.9%
20% - 29%	45.4%	42.6%	6.5%	4.6%	0.9%
30% - 39%	49.1%	43.9%	3.5%	3.5%	0.0%
40% - 49%	66.7%	27.3%	6.1%	0.0%	0.0%
50% or greater	78.6%	17.9%	3.6%	0.0%	0.0%
Arbitrary	16.1%	35.5%	29.0%	6.5%	12.9%

Effectiveness of the plan is directly correlated to the size of the incentive.



### What percentage of the annual bonus/incentive plan is typically achieved?



\*Answer option not provided in 2014 Board Survey



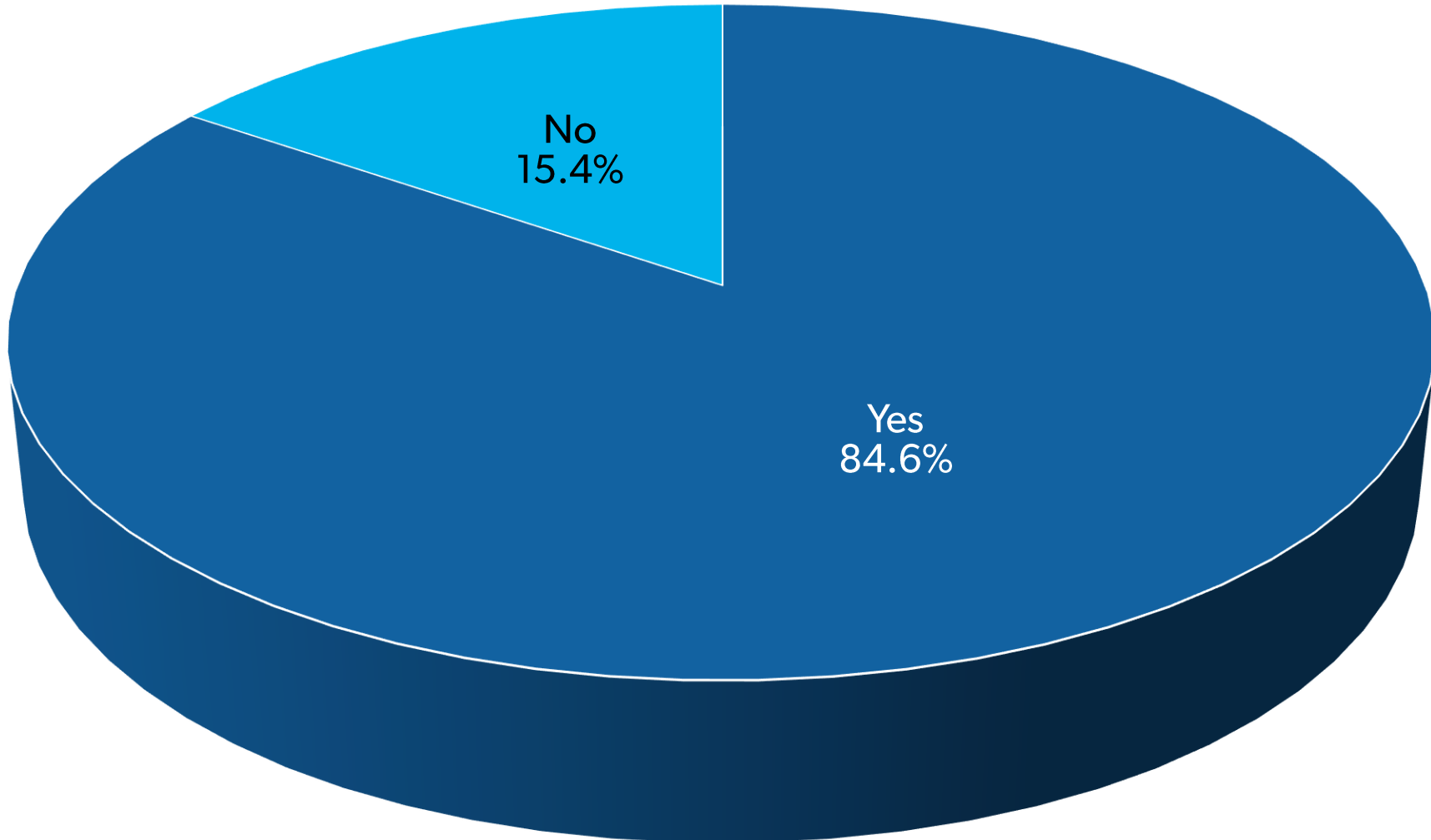
### How effective is the annual bonus/incentive plan?

Percent of bonus/incentive plan typically achieved	Extremely Effective	Somewhat Effective	Neutral	Somewhat Ineffective	Ineffective
<50% of target	7.1%	39.3%	25.0%	25.0%	3.6%
50% - 74% of target	28.7%	50.5%	15.8%	5.0%	0.0%
75% - 99% of target	47.1%	40.1%	10.2%	1.6%	1.1%
100% of target	48.8%	38.1%	9.5%	2.4%	1.2%
Over 100% of target	66.7%	25.0%	8.3%	0.0%	0.0%

Extremely effective incentive plans are ones in which managers achieve a large portion of the target.



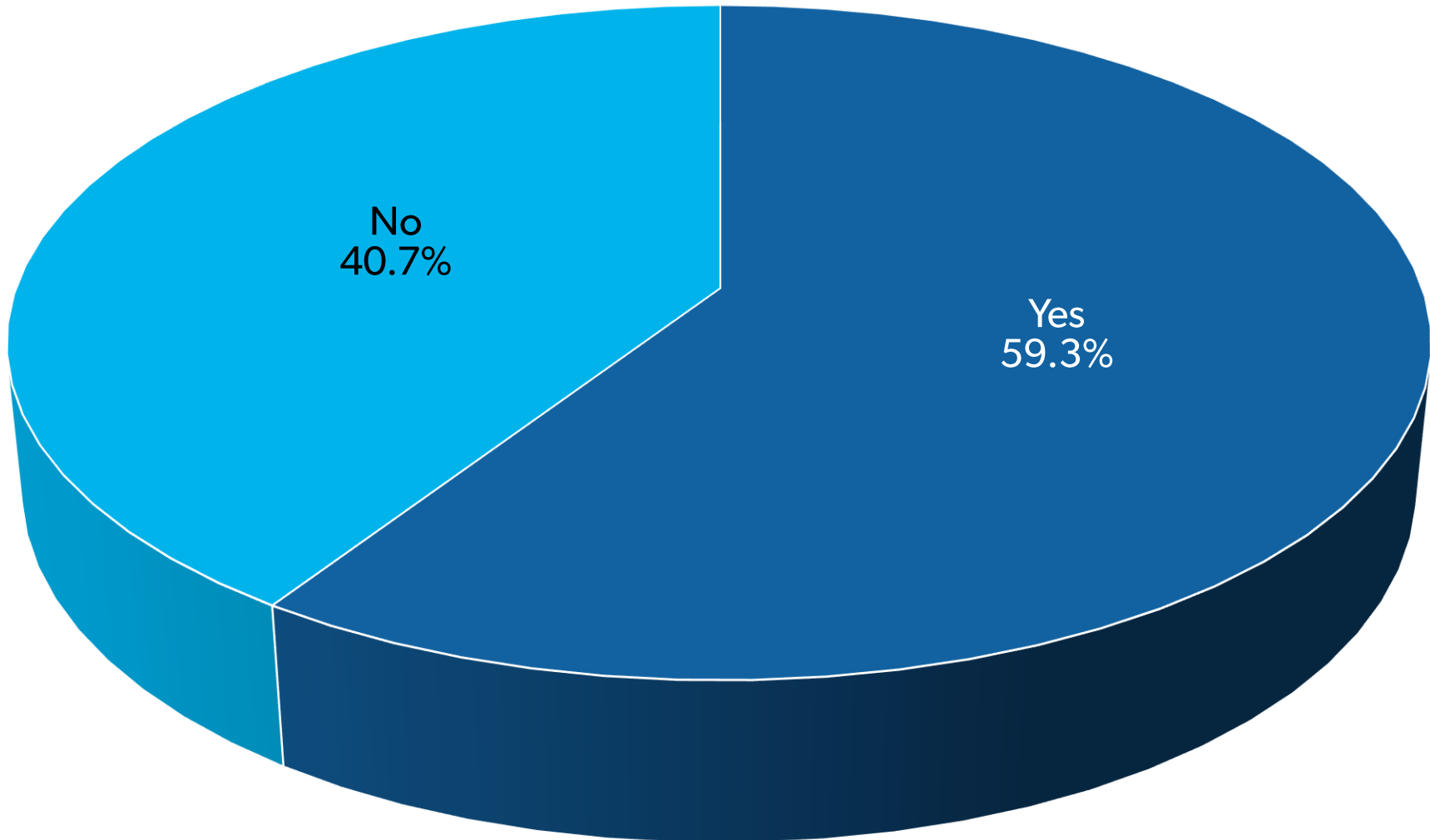
Is the CEO incentive plan tied directly to annual goals and metrics (established in the strategic plan)?





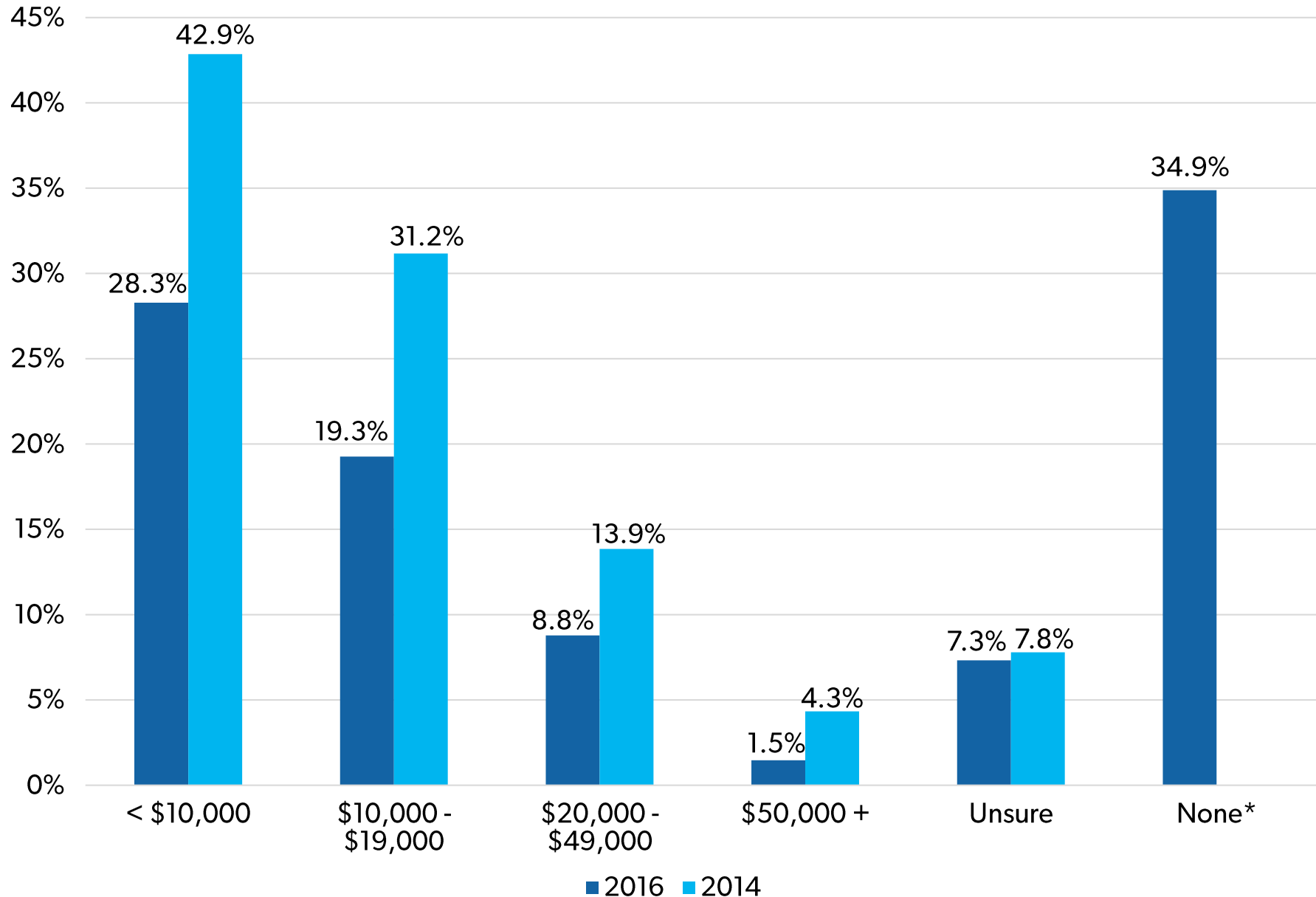


Does the CEO have a 457(f) SERP?





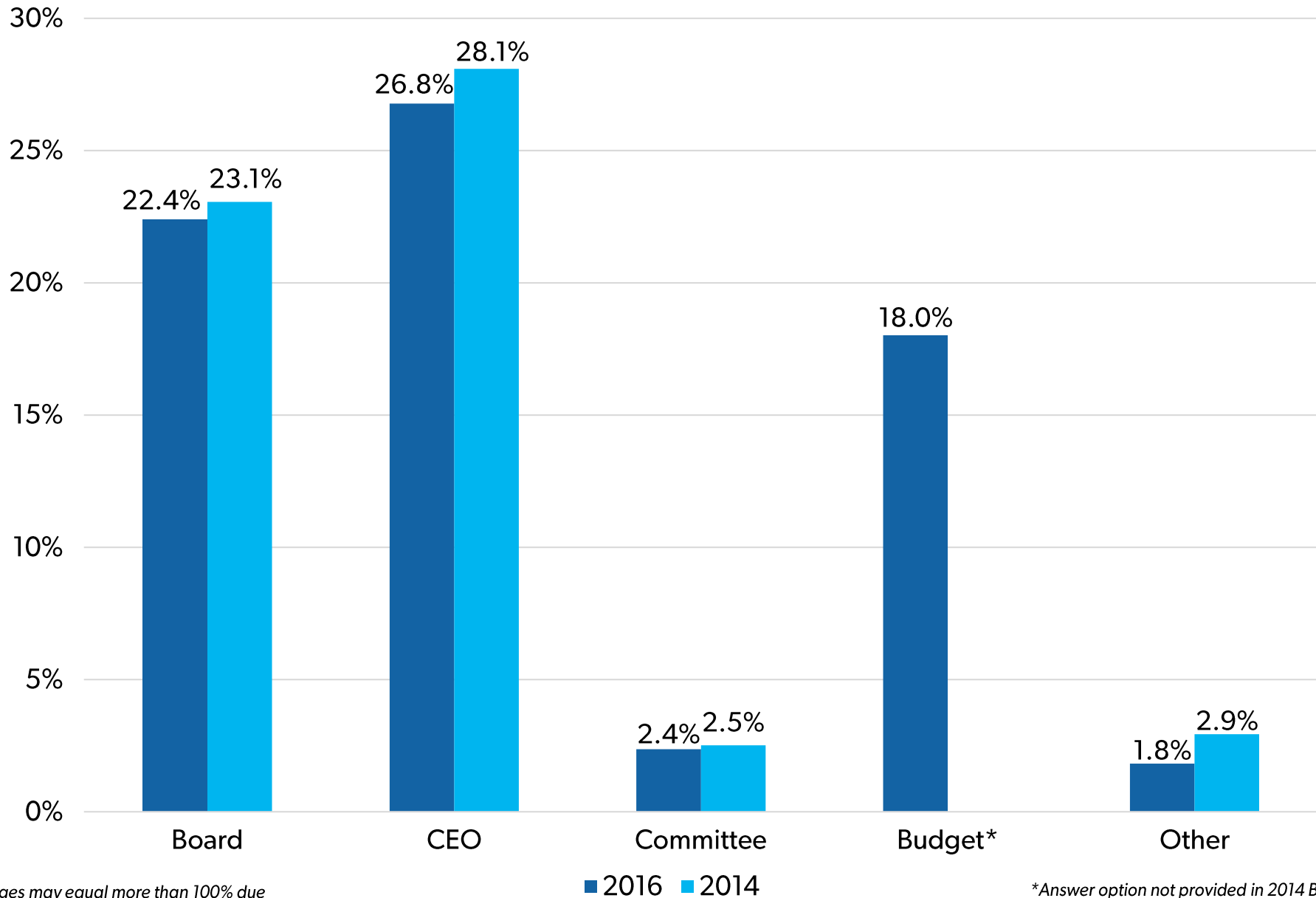
### Does the CEO have an annual individual travel budget for business travel?



\*Answer option not provided in 2014 Board Survey



### Who determines the CEO's travel budget?

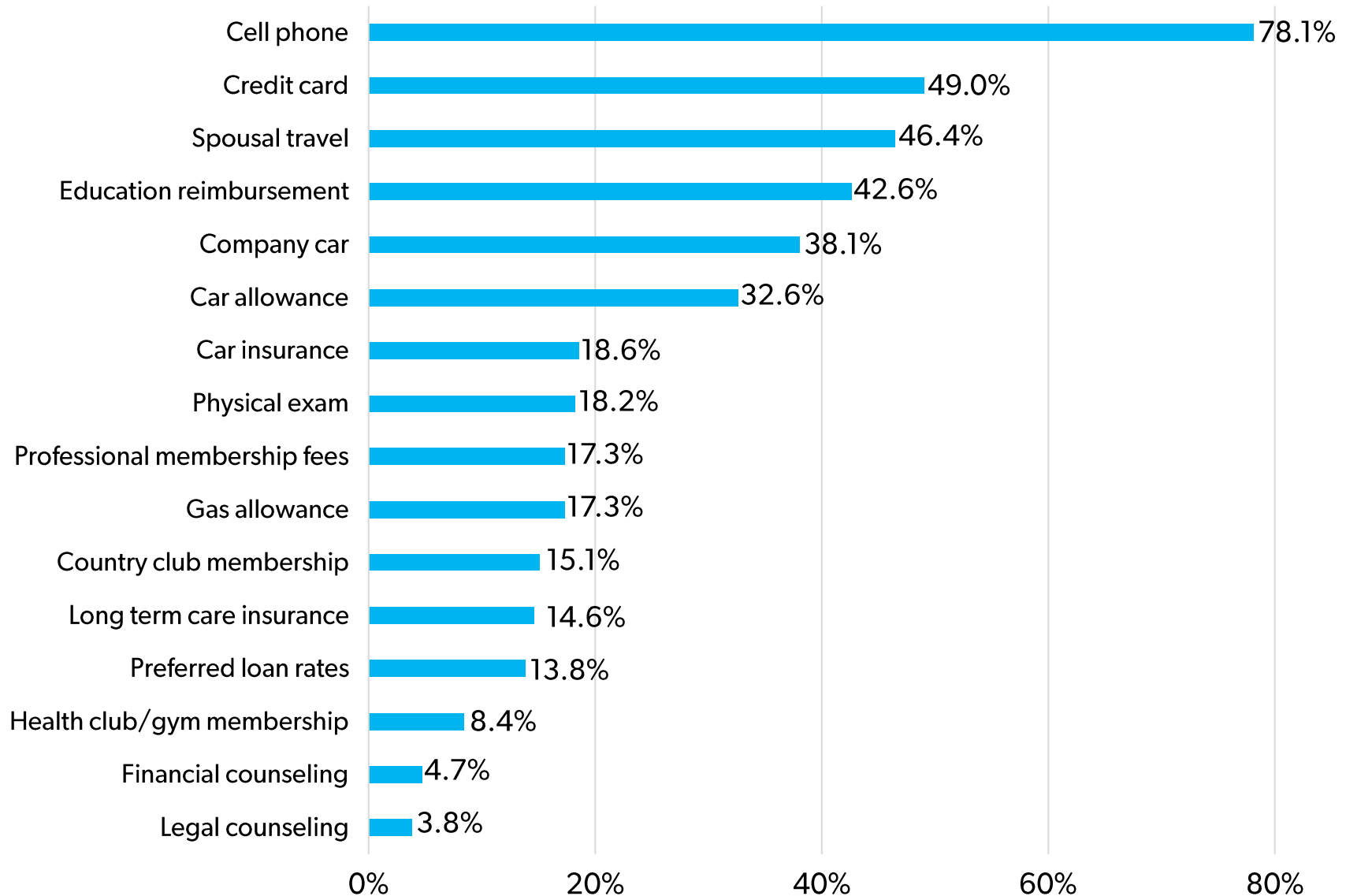


Percentages may equal more than 100% due to the option to select multiple answers.

\*Answer option not provided in 2014 Board Survey



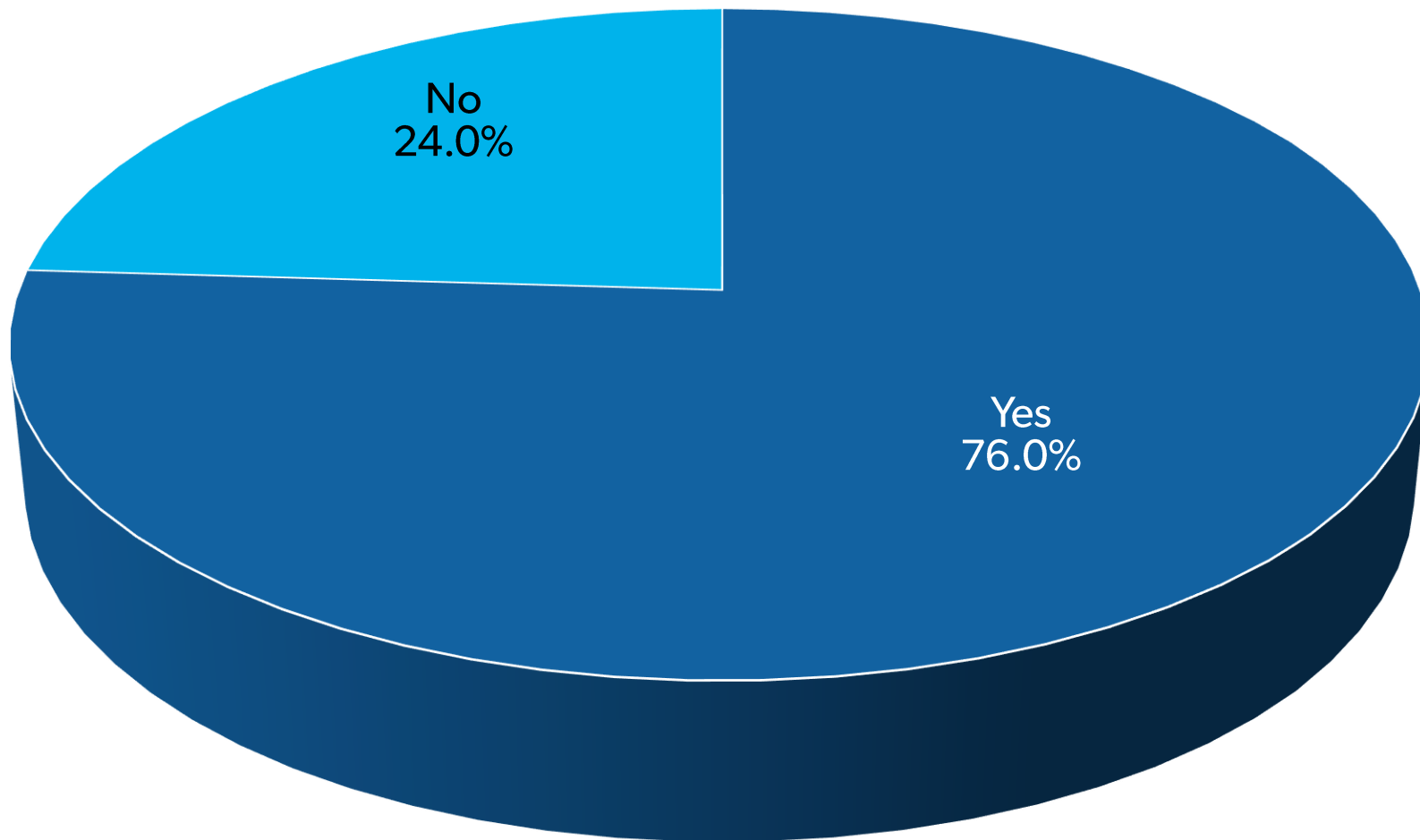
### Is the CEO provided any of the following perquisites at no cost to the executive?



Percentages may equal more than 100% due to the option to select multiple answers.



Does the board have a succession plan in place for the CEO?

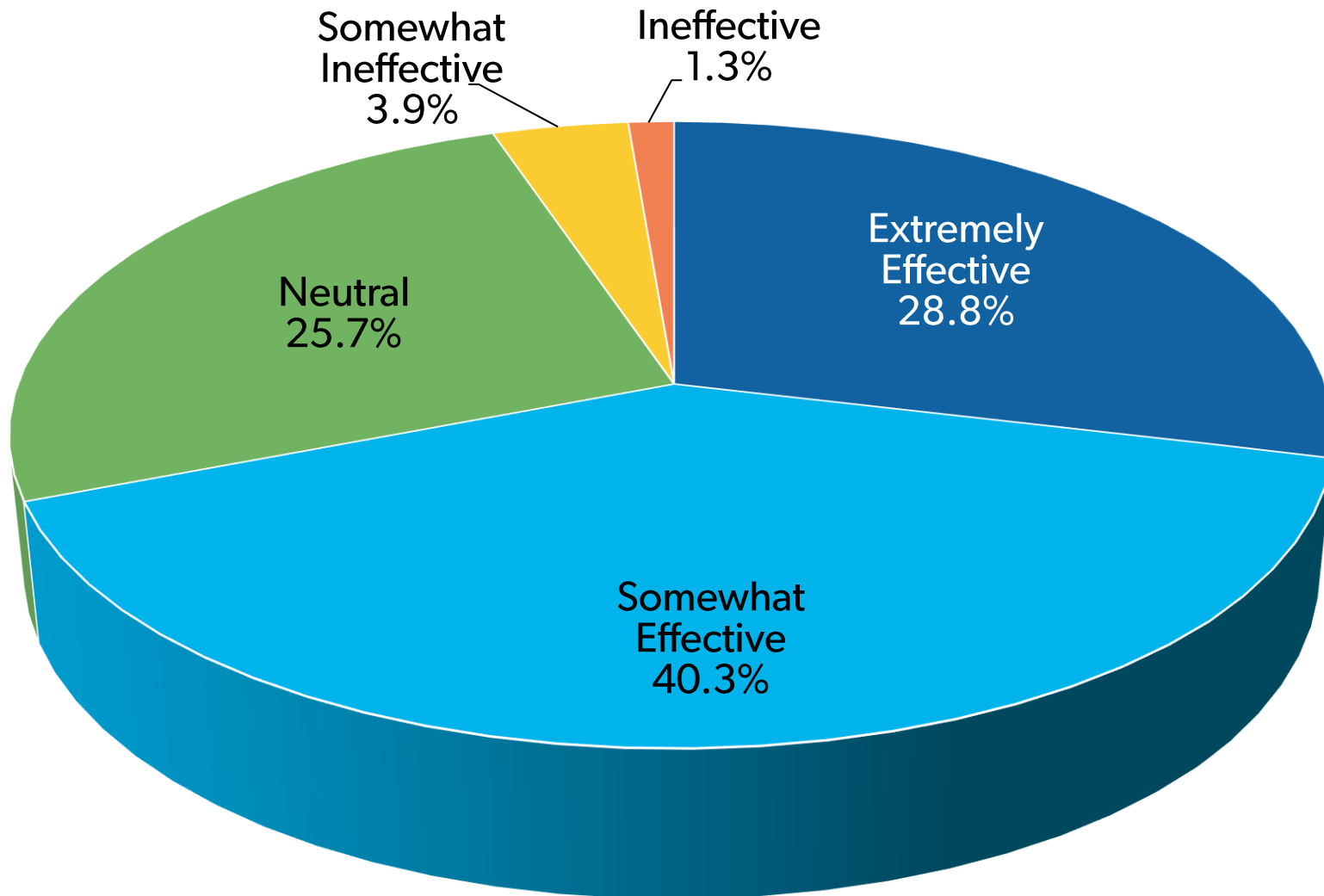


Across all asset categories, between 73% and 84% of credit unions say they have a succession plan in place for their CEO.





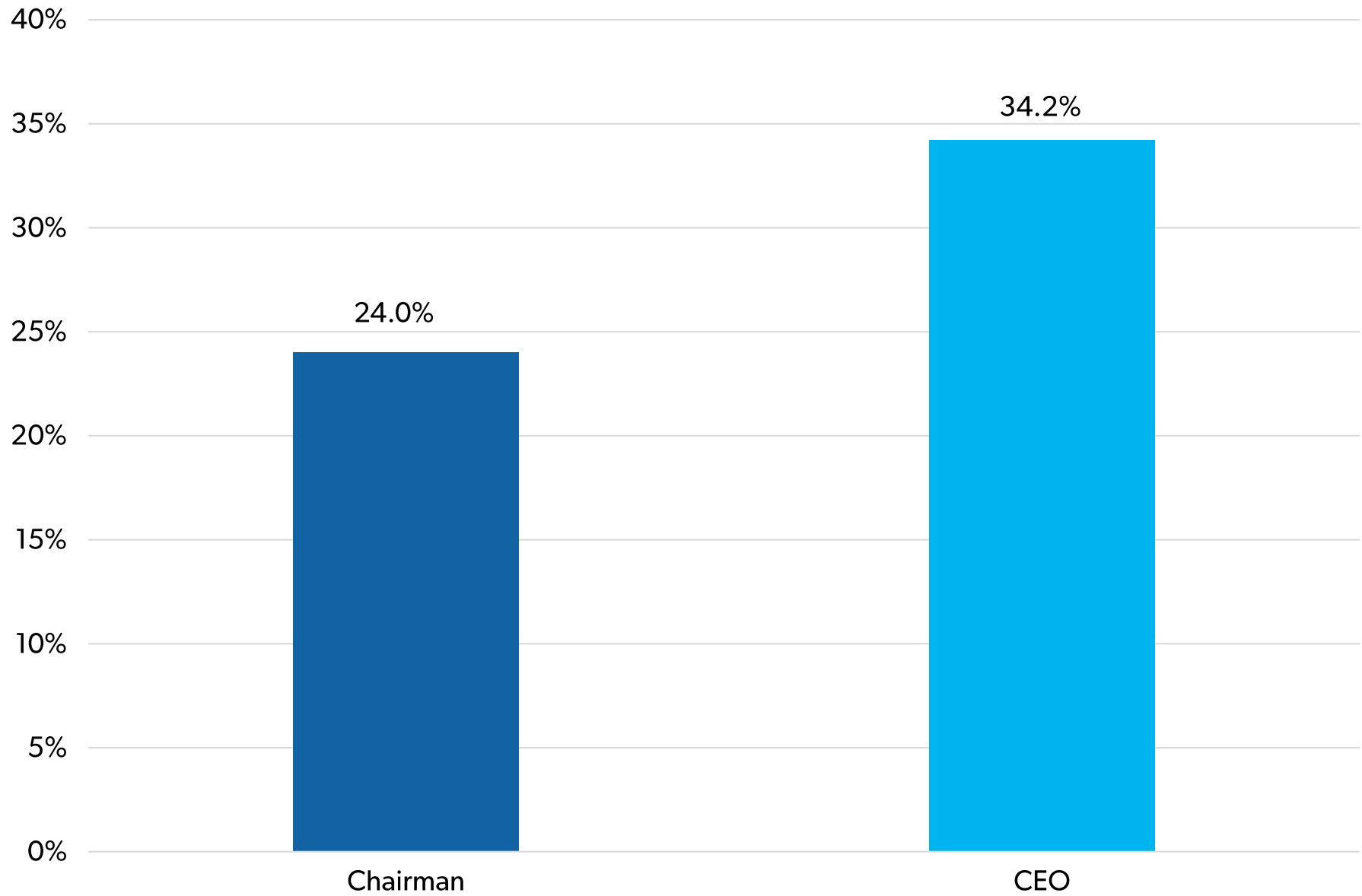
### How effective is the succession plan for the CEO?



Even among \$1B+ credit unions, 19% were neutral when considering the effectiveness of the CEO succession plan.



### % of respondents that felt that succession plan for CEO was less than effective





# Strategic Planning

*Section Two*



## Strategic Planning

A credit union's strategic direction is perhaps the most important determination of the performance, growth, and health of the credit union. Of the 97% of credit unions that conduct a strategic planning session, 87% have at least one planning session a year, while one in five credit unions with \$500 million plus in assets have at least two sessions a year. Greater frequency in planning sessions is continuing to gain popularity as board members look to devote more attention on strategic direction and less time on routine business.

These sessions serve as an important time to meet with the executive management team: over 93% state that CEOs are included and over 86% said other members of management are present. Credit unions increasingly see the value in off-site sessions, as 45% conduct off-site local sessions and 31% conduct off-site non-local sessions.

Almost 65% of credit unions use a third party facilitator and 85% of which say the facilitator is a worthwhile investment. Use of a facilitator does not vary based on asset size, as evidenced by every peer group reporting usage over 50%.

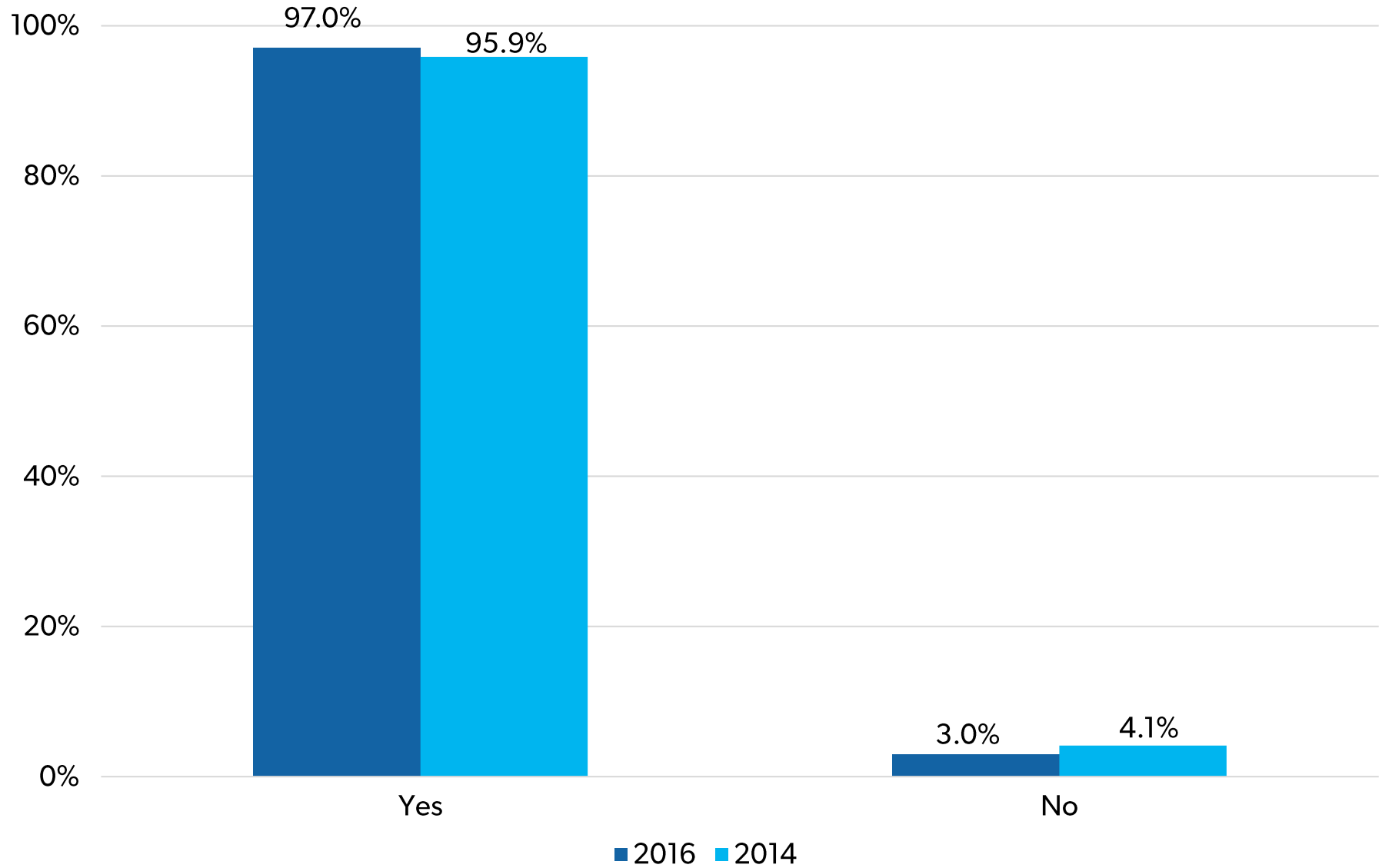
The value of strategic planning is clearly a worthwhile investment as 45% of credit unions say their strategic planning session is extremely effective, with another 48% reporting it is somewhat effective. Credit unions with less than \$500 million in assets are less likely to say their session is effective, with 88% of credit unions in the \$250 million - \$500 million asset group reporting their sessions are effective, compared to 97% of credit unions with more than \$1 billion in assets.

Most boards of directors try to keep strategic planning related issues at the forefront of their thinking throughout the year with 64% reporting that planning topics are discussed at board meetings every 2-3 months or more. The largest opportunity for improvement appears to be the frequency of strategic discussions, as 33% indicate that these discussions occur just a few times a year.

Credit unions are increasingly finding that an effective strategic planning process includes continued emphasis on dialogue between the board and management concerning plan progress. In a race to remain competitive, one can expect the sophistication and time allotment of strategic planning to further develop in the years to come.

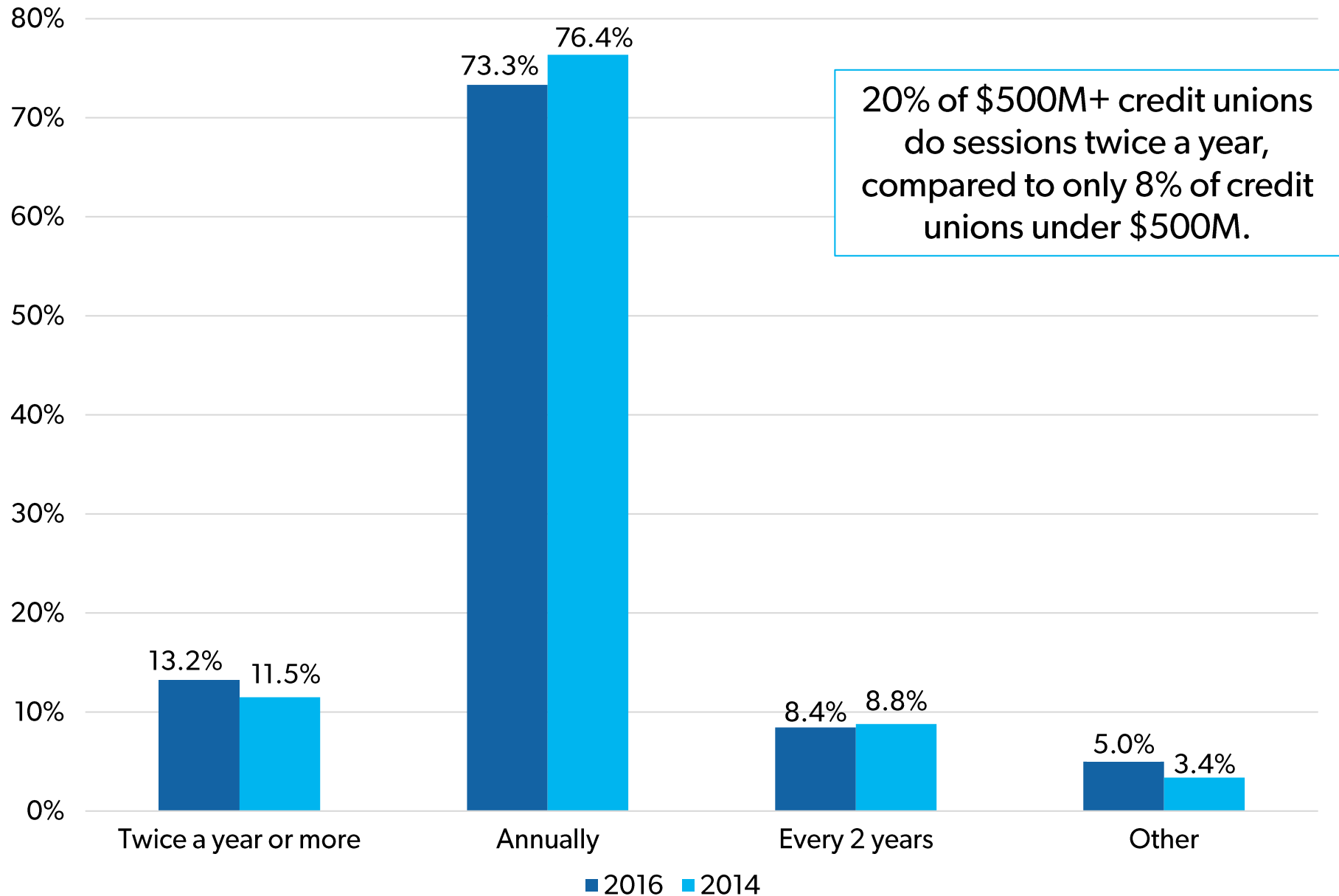


### Does your credit union conduct a strategic planning session?



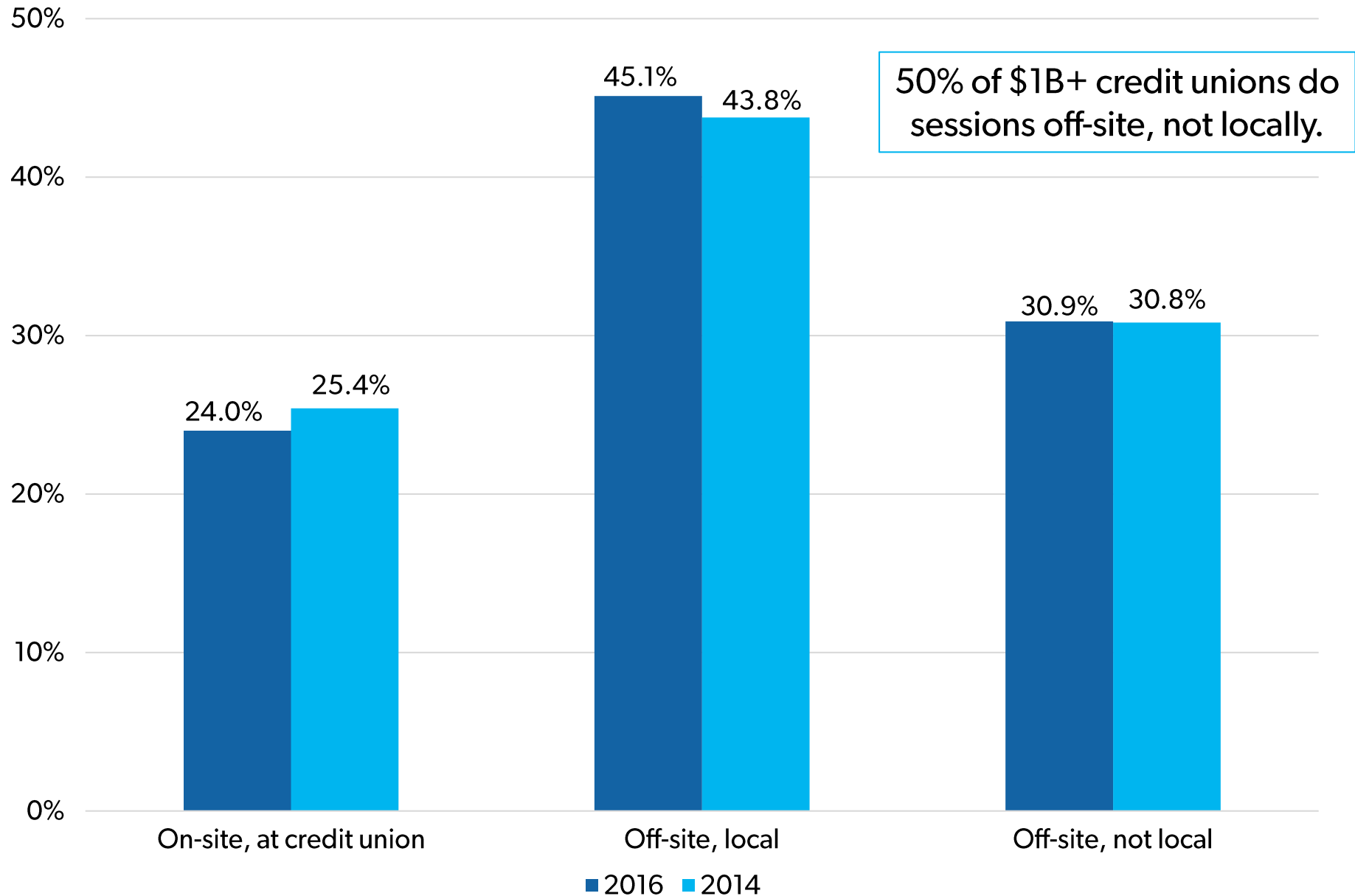


### How often do your strategic planning sessions take place?



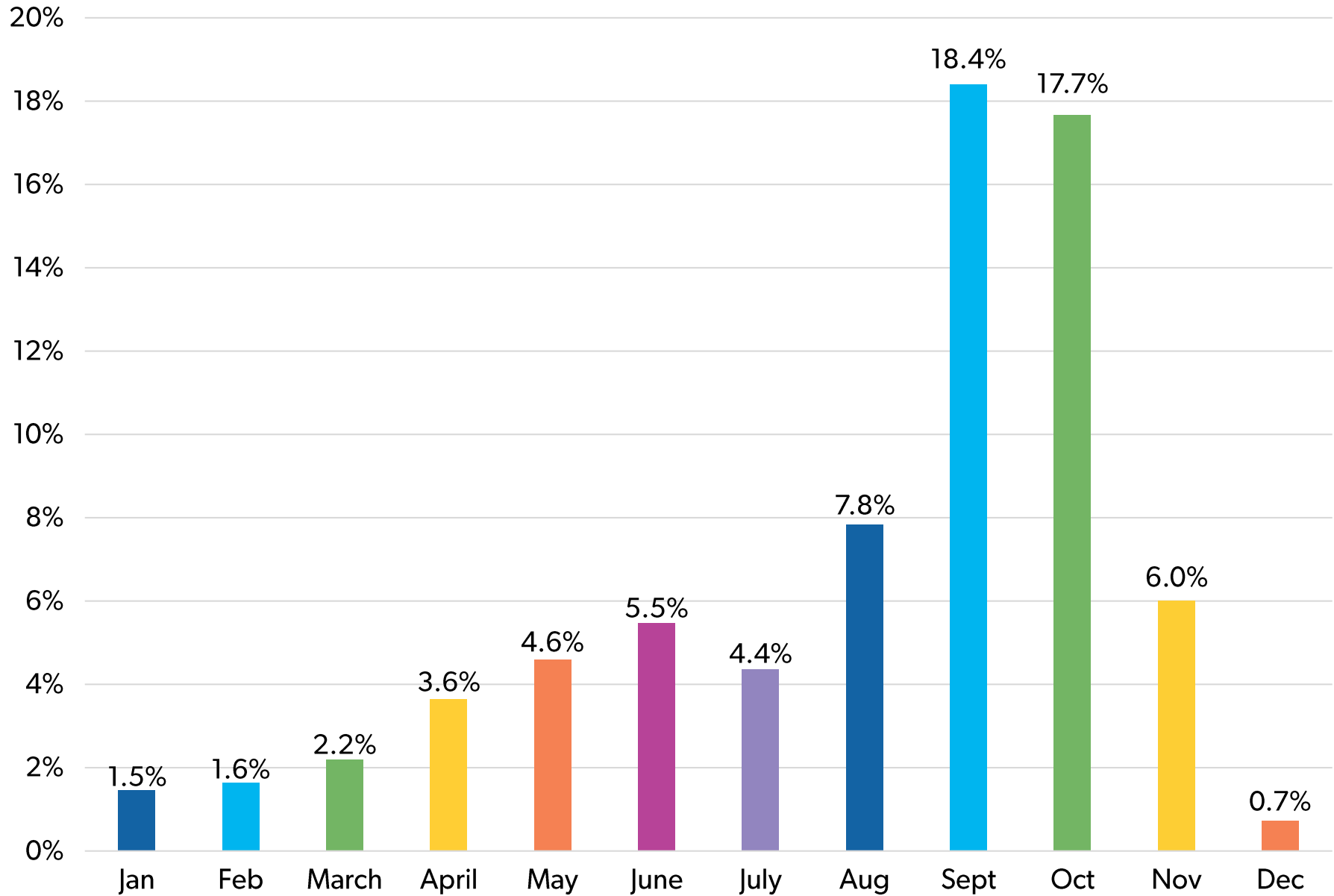


### Is the strategic planning session on-site or off-site?





### In what month(s) does the strategic planning session(s) typically take place?

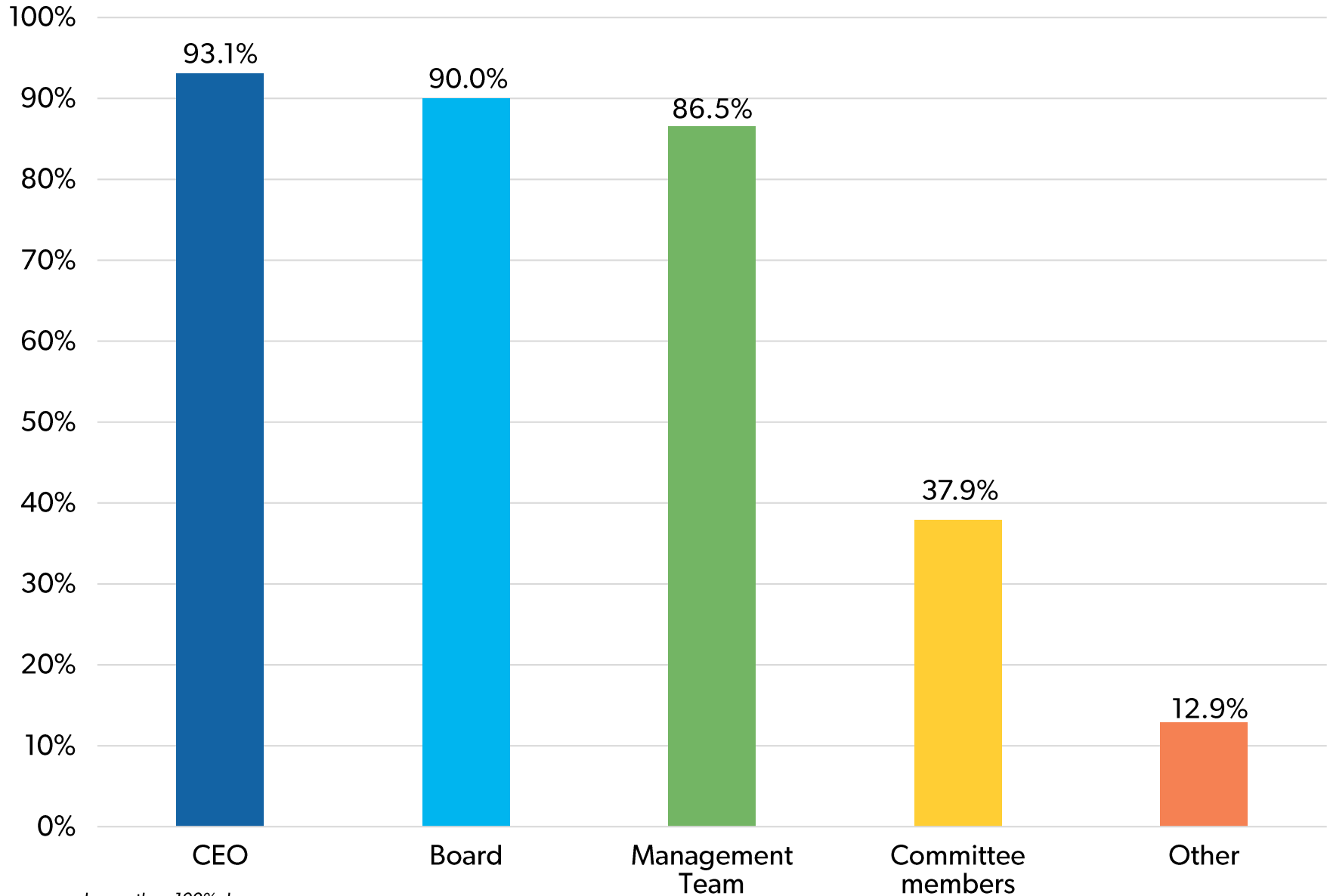


Percentages may equal more than 100% due to the option to select multiple answers.





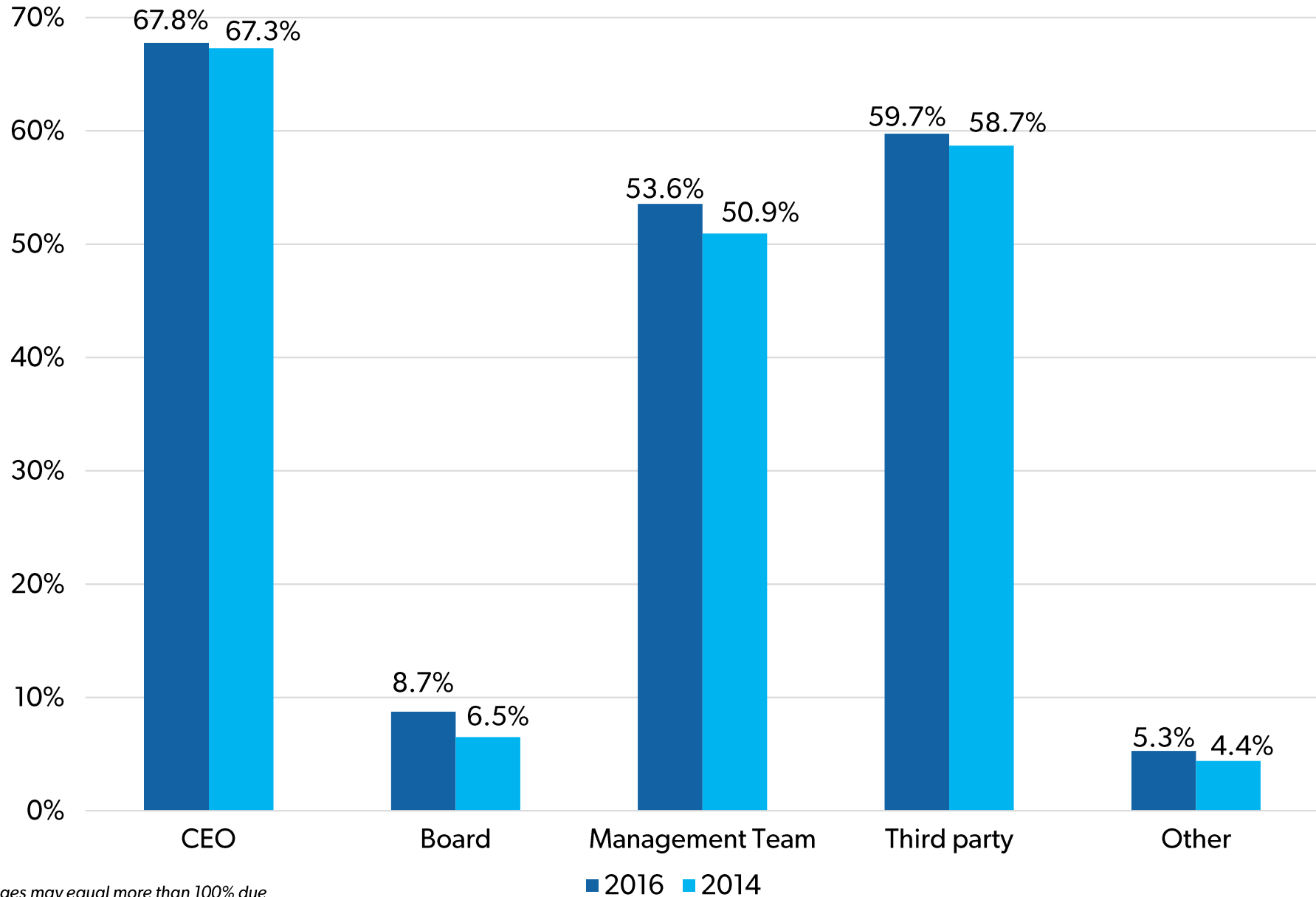
### Who participates in the strategic planning session?



Percentages may equal more than 100% due to the option to select multiple answers.



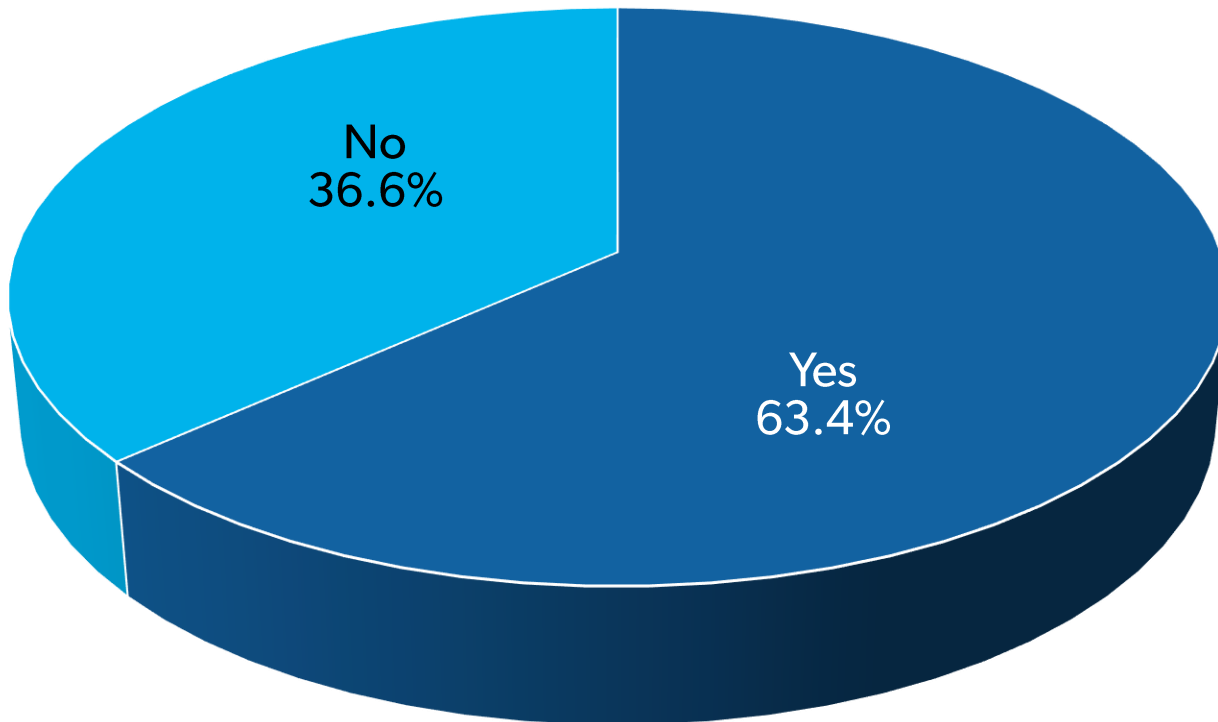
### Who typically presents at the strategic planning session?



Percentages may equal more than 100% due to the option to select multiple answers.



Does the board use an outside party to facilitate the planning session?

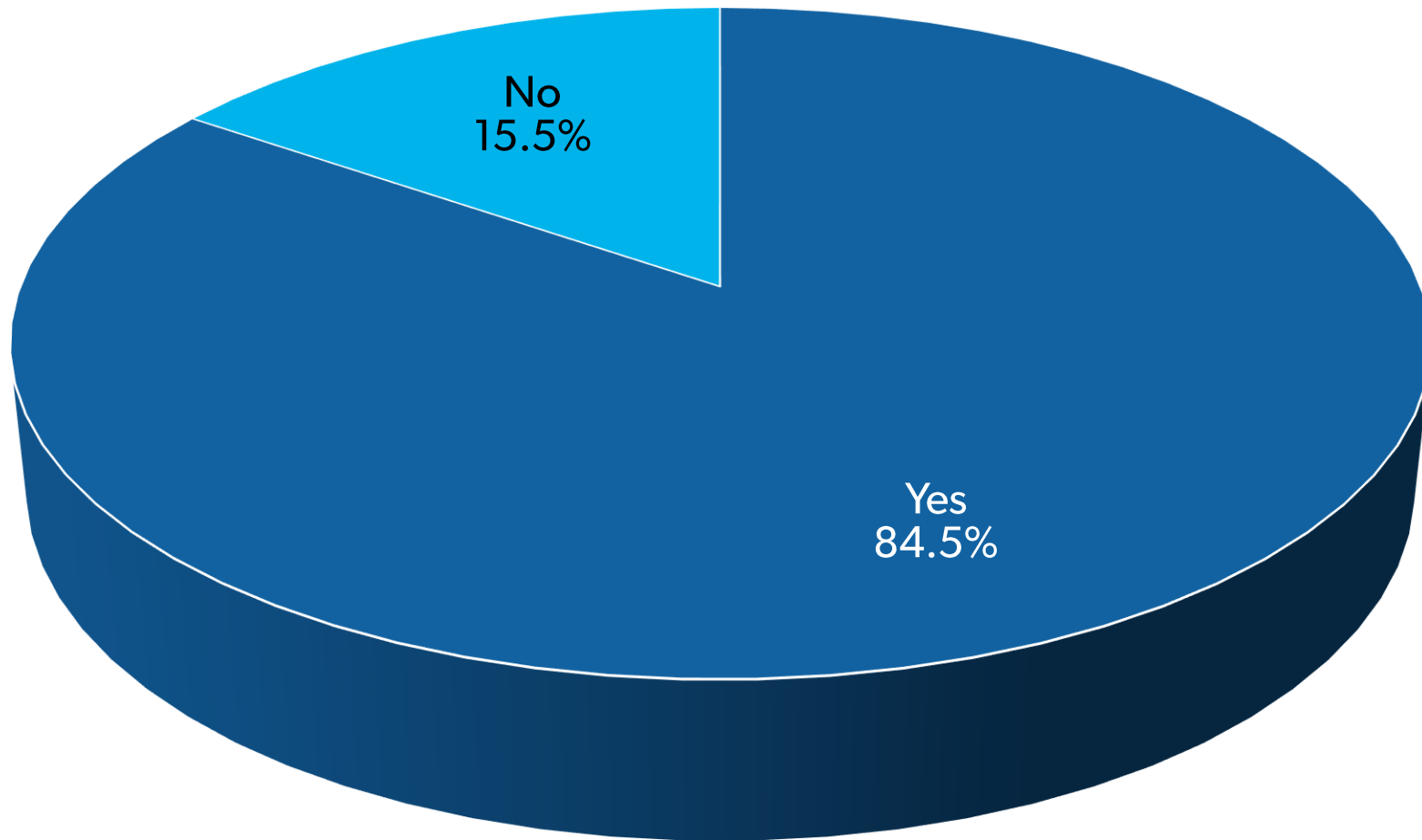


Third Party	Yes
\$100M-\$249M	68.2%
\$250M-\$499M	68.6%
\$500M-\$999M	62.6%
\$1B+	51.3%

Despite the advantages of having an outside perspective, larger credit unions are less likely to utilize a third party.



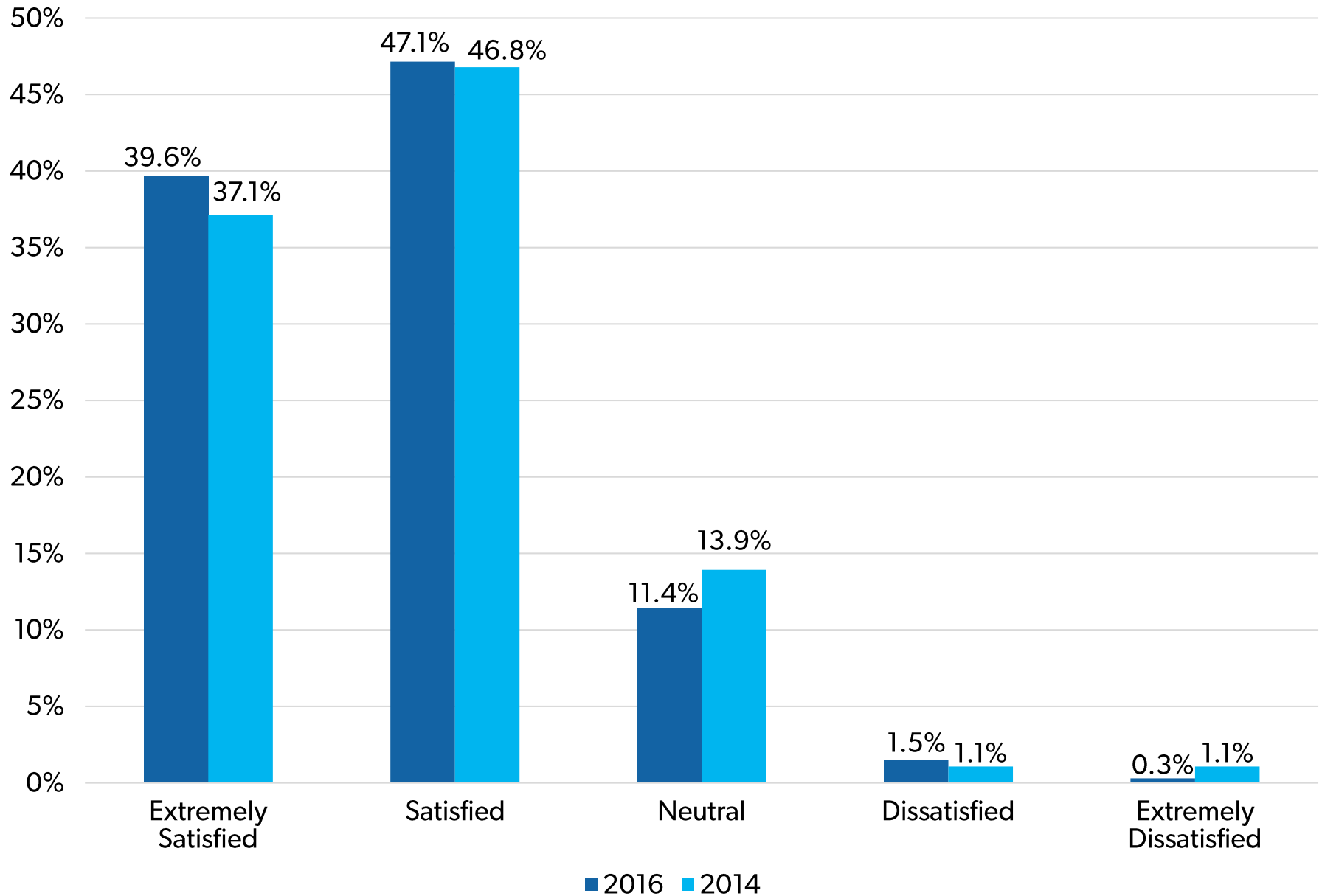
Do you believe using an outside third party facilitator is worth the investment?



75% of those \$1B+ credit unions who use a facilitator find the investment worthwhile.

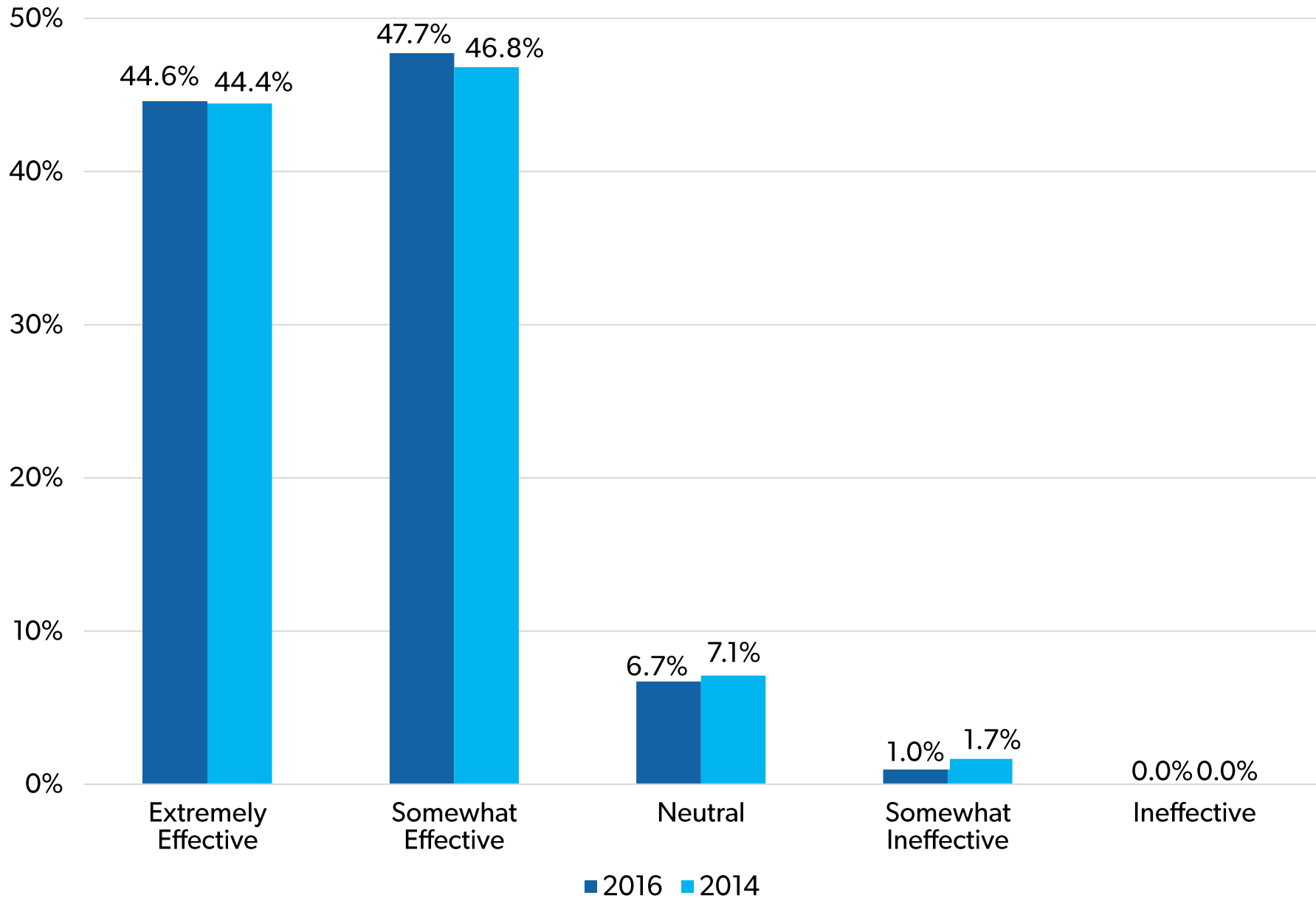


### How satisfied are you with your third party facilitator?



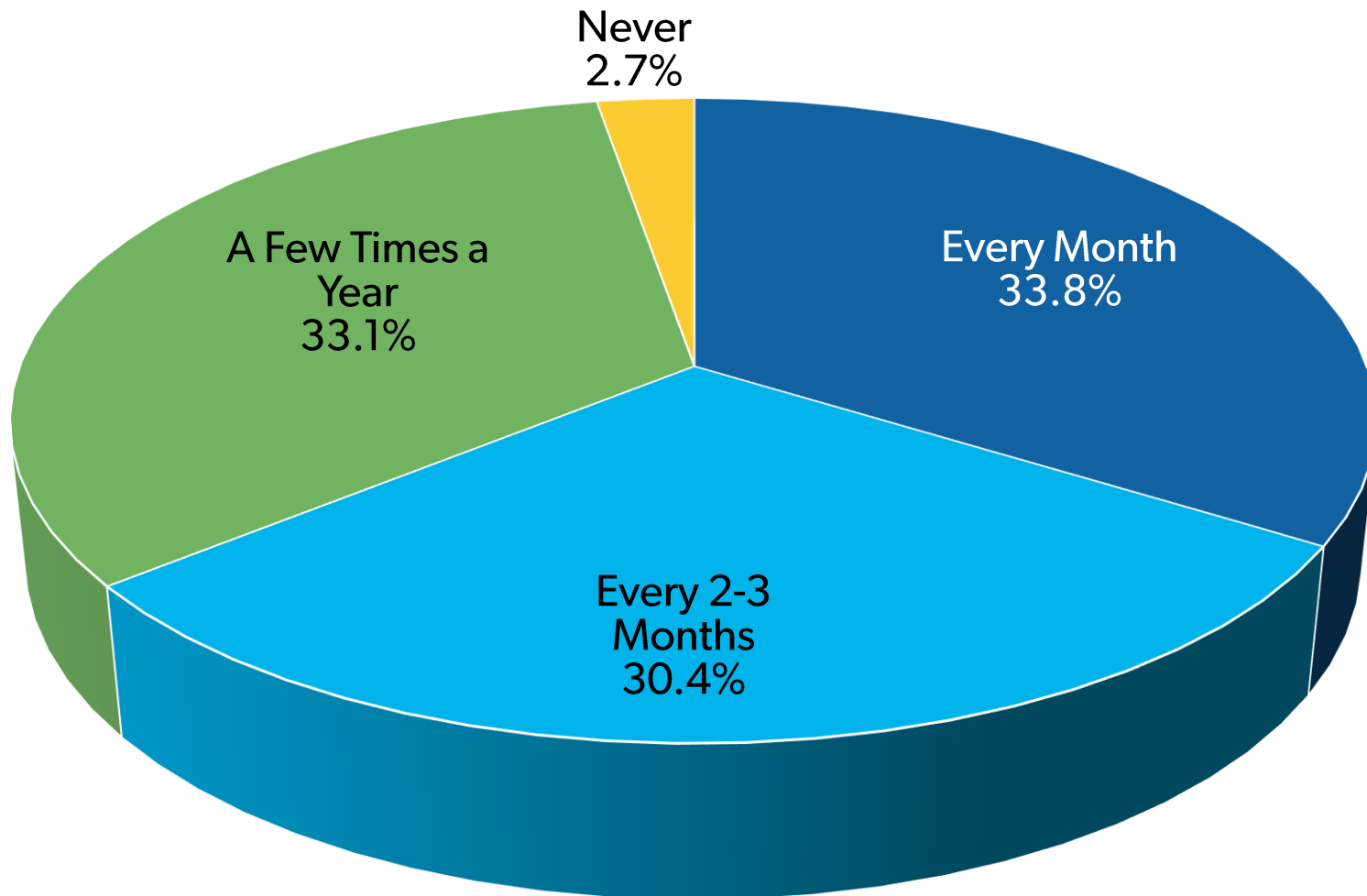


### How do you rate the effectiveness of your strategic planning sessions?





How often do strategic planning related discussions occur in regular board meetings?





# Board Demographics

*Section Three*





## Board Demographics

As credit unions adapt and change to an evolving financial services marketplace, the need to accurately represent a field of membership while at the same time provide exemplary governance, presents a continuing challenge for most boards of directors. Every board of directors is different and represents the uniqueness of the membership it serves, however it can be difficult to find board members that represent the full spectrum of a membership.

Nearly 84% of credit unions report their directors have a mix of professional backgrounds. Approximately, 60% of boards of directors report a bachelor's degree as the predominant education level of board members, followed by 25% who have master's degrees, and 4.1% who report professional degrees such as a Ph.D., J.D., or M.D.

Boards of directors at credit unions everywhere are struggling to find younger members as their long-term directors step down due to age, lifestyle, and the growing time commitment of the position. Despite the value of a diverse board of directors, just 57% say their board of directors accurately represents the demographics of their membership. Furthermore, almost 65% of credit unions report their average director tenure is 10 years or greater, virtually unchanged compared to two years ago.

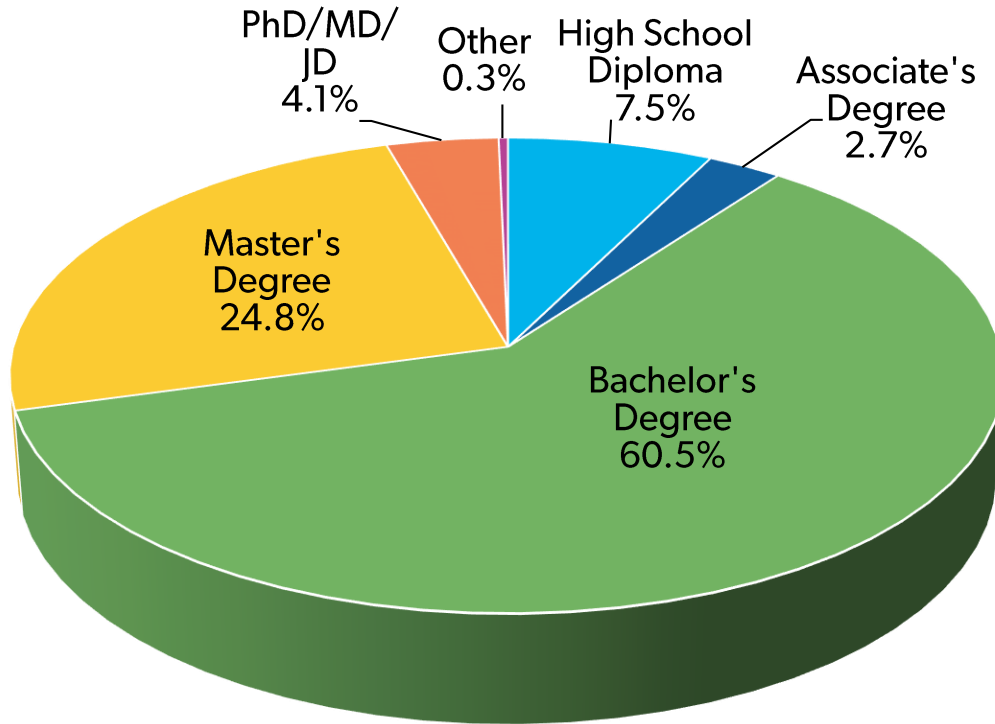
Eight out of ten boards of directors have seven or nine members and only 14% have 11 or more members. Half of boards with 11 members and 82% of boards with 13 members feel they have too many board members. In an effort to better prepare for director retirements, 31% of boards of directors in 2016 have associate/advisory members, an increase of 4% from 2014.

Traditionally, the focus has been on how management teams are performing, but as strong governance becomes a greater concern for many credit unions, the focus has shifted towards evaluating board performance as well. A successful credit union is a reflection of both the management team and the board of directors. Almost a quarter of boards of directors reported they self-evaluate on an annual basis, while another 60% report they never self-evaluate. Of those boards of directors that do self-evaluate, 43% are formal evaluations and 35% are informal.

Effective board governance and succession is one of the greatest opportunities for credit unions. While many report a formal strategy, continuing to strengthen that strategy will be at the forefront for years to come.



### What is the predominant education level of board members?

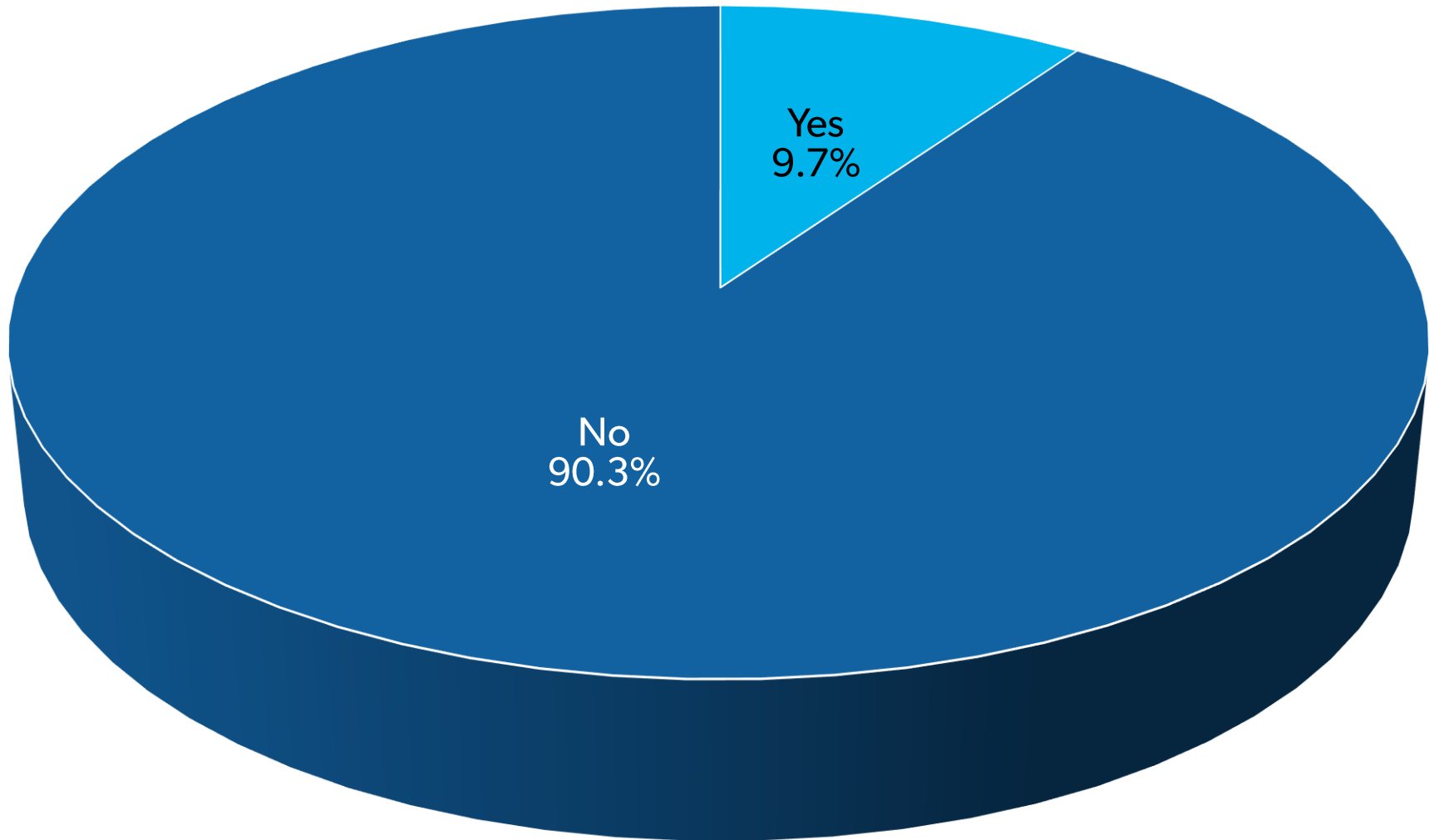


	\$100M- \$249M	\$250M- \$499M	\$500M- \$999M	\$1B+
High school diploma	13.4%	6.9%	3.4%	3.0%
Associate's degree	4.1%	4.2%	0.0%	1.5%
Bachelor's degree	64.9%	63.9%	66.1%	45.5%
Master's degree	13.4%	20.8%	25.4%	45.5%
PhD/MD/JD	4.1%	2.8%	5.1%	4.5%
Other	0.0%	1.4%	0.0%	0.0%

Master's degrees are much more likely at \$1B+ credit unions.

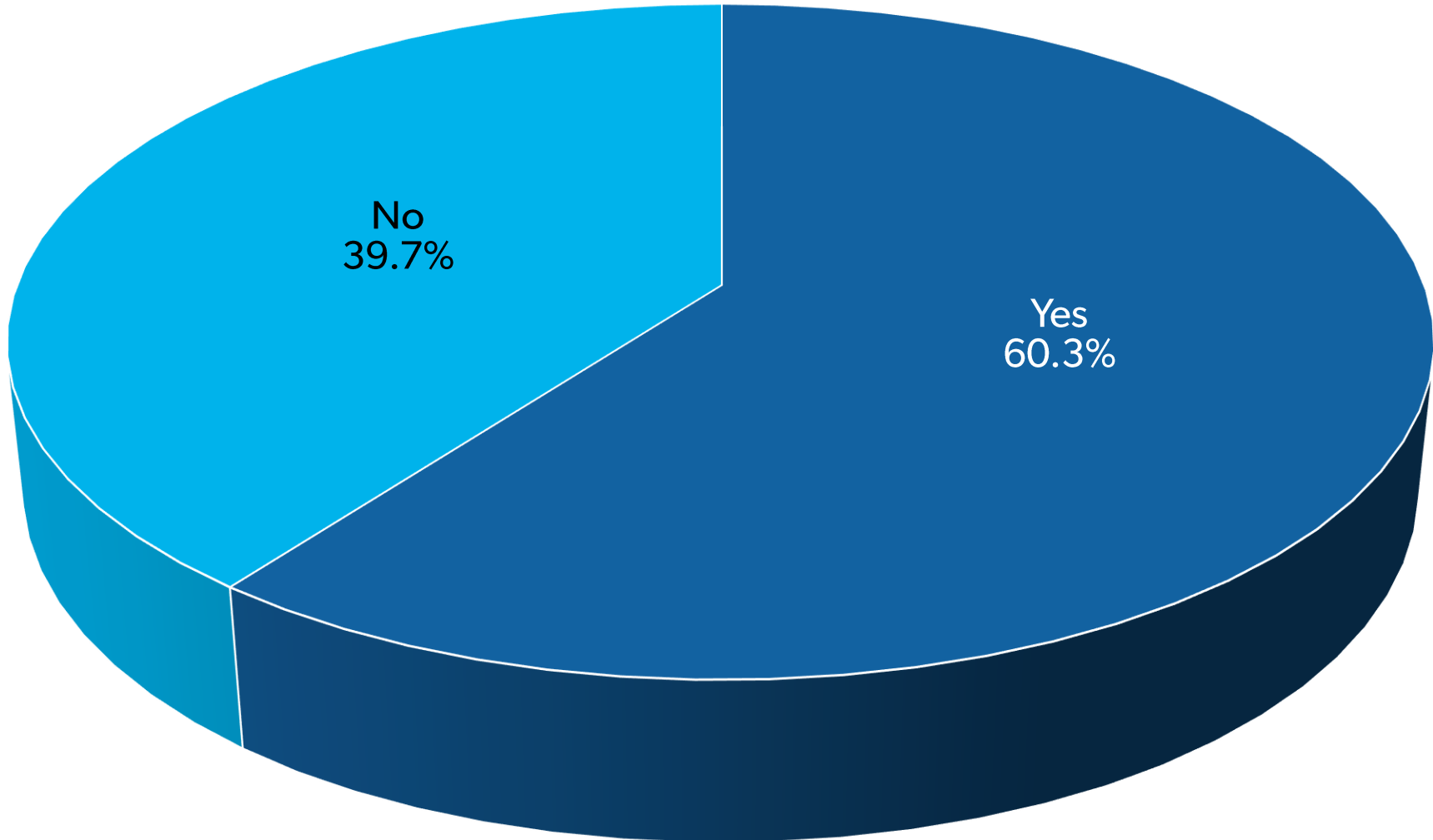


### Is the current CEO on the board?



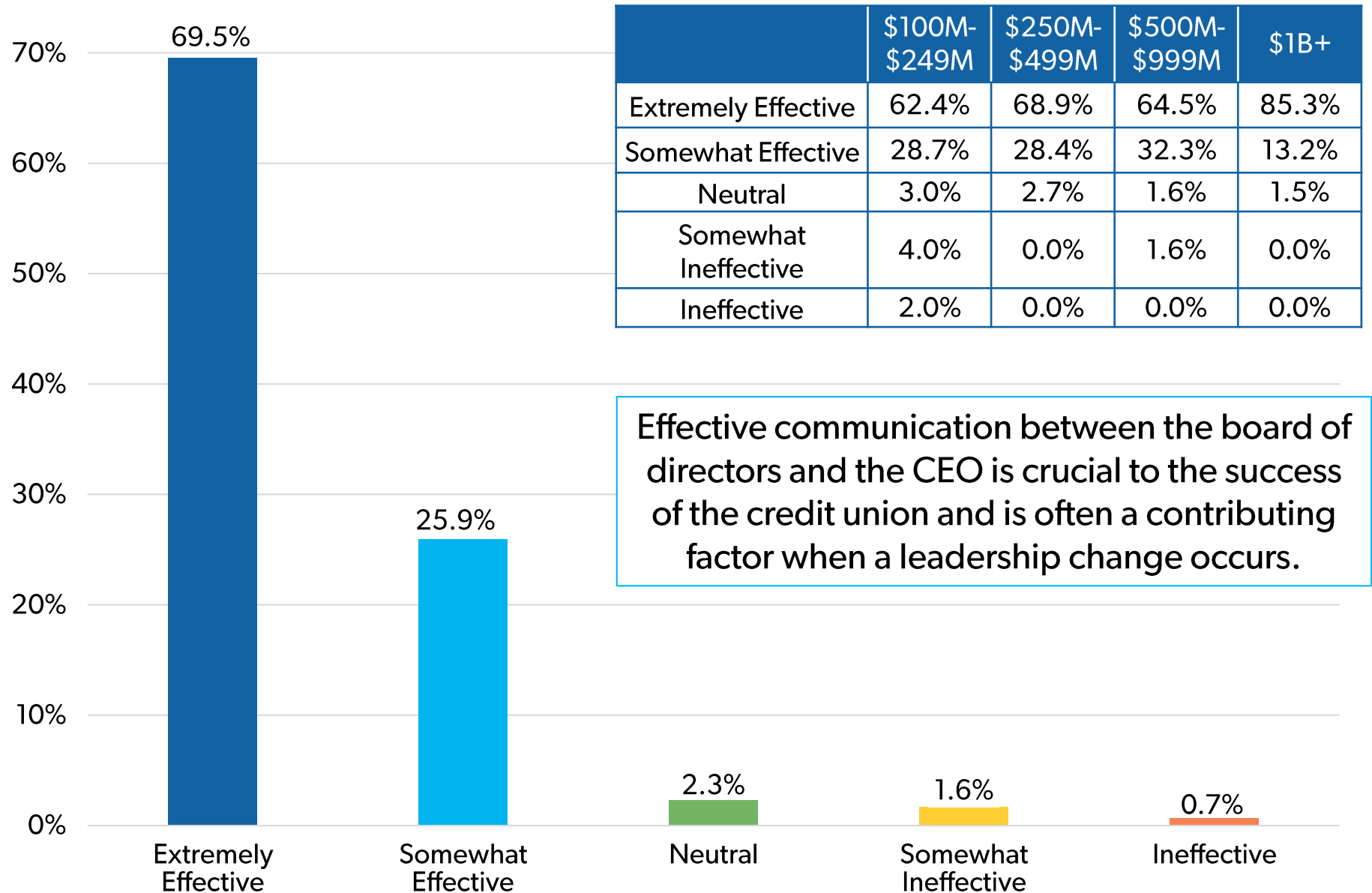


Do you feel there is a conflict of interest if the CEO serves on the board?



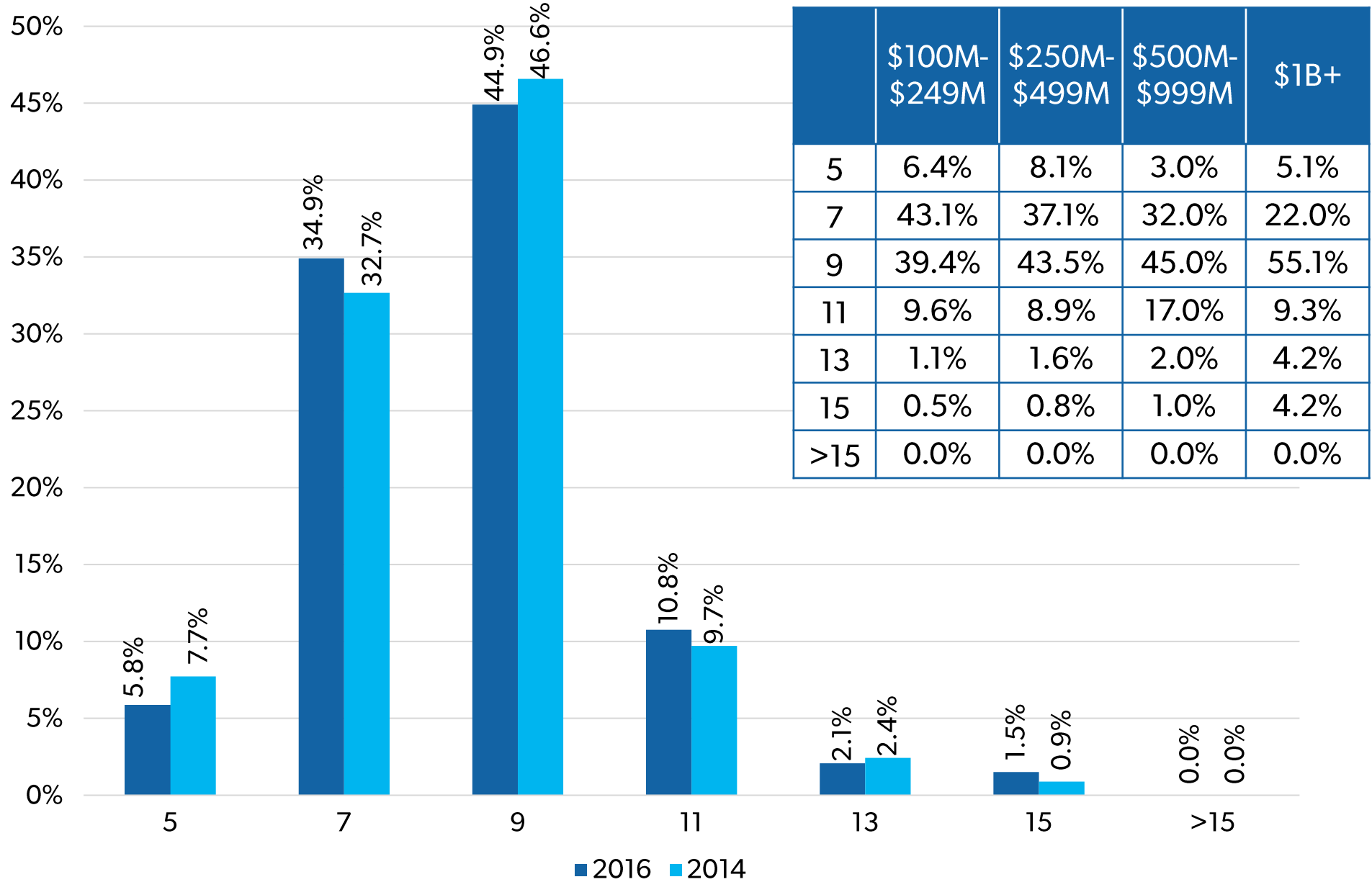


### How would you rate communication between the board and CEO?



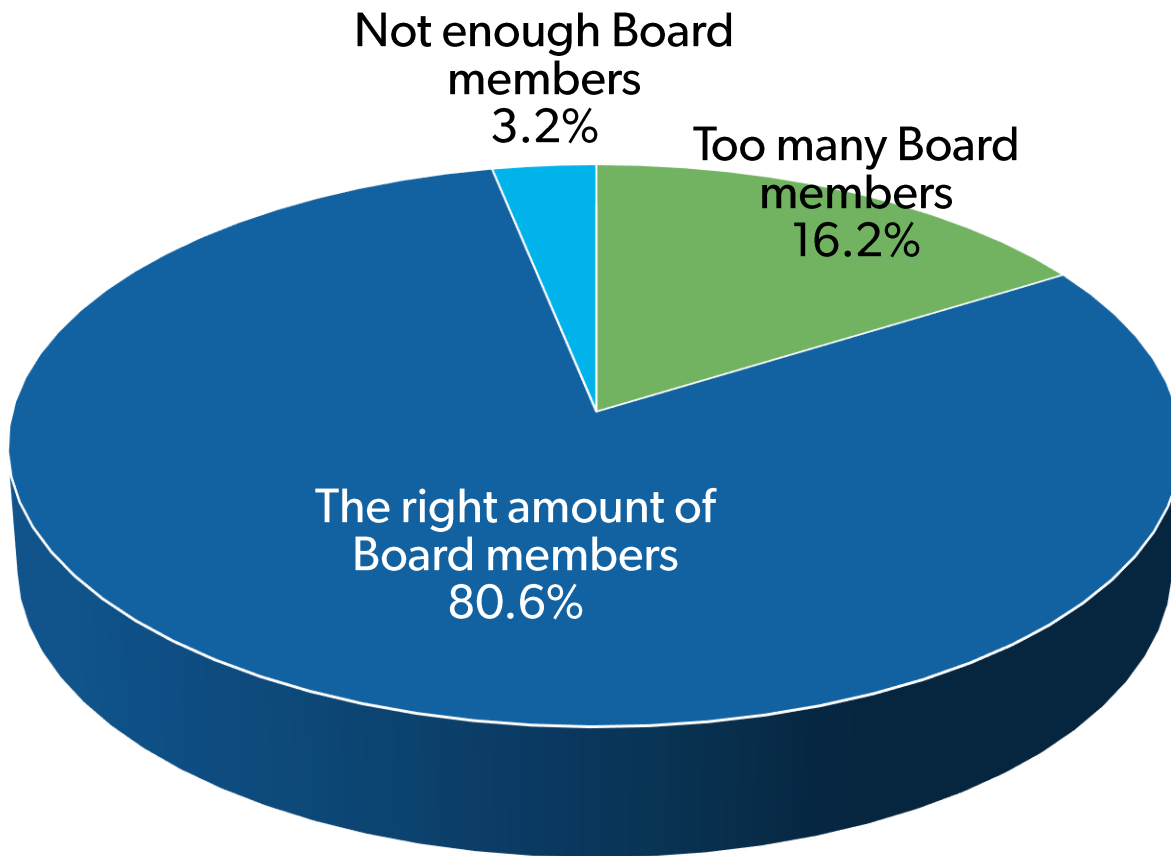


### How many individuals serve on the board?





Concerning the size of the your board, do you feel that there are:

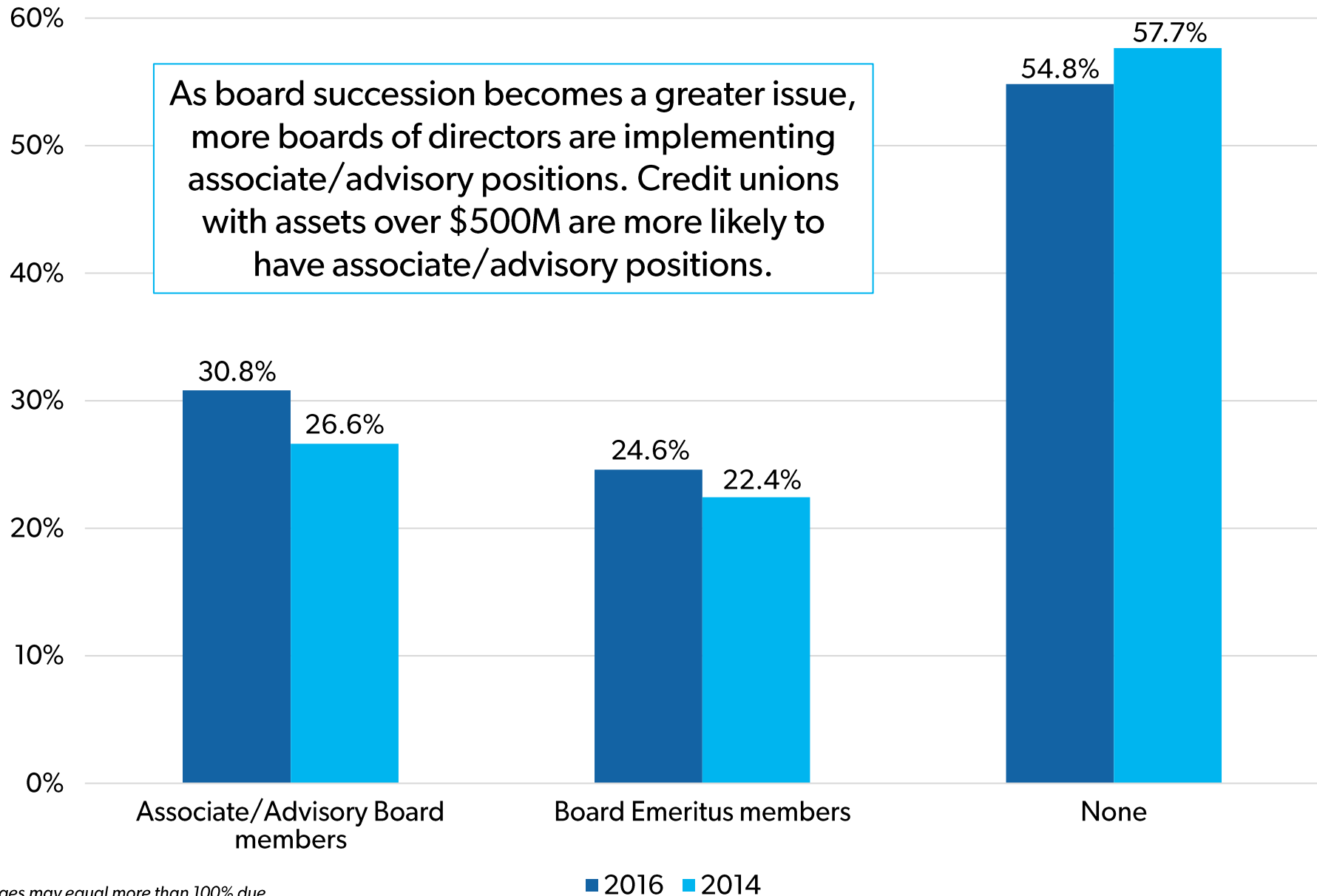


Too many board members is a popular sentiment among board sizes of 11+ members.

Board size	Too many Board members	The right amount of Board members	Not enough Board members
5	0.0%	80.0%	20.0%
7	0.5%	94.6%	4.9%
9	17.9%	81.3%	0.9%
11	50.0%	50.0%	0.0%
13	81.8%	18.2%	0.0%
15	57.1%	42.9%	0.0%



### Does your board have any of the following?

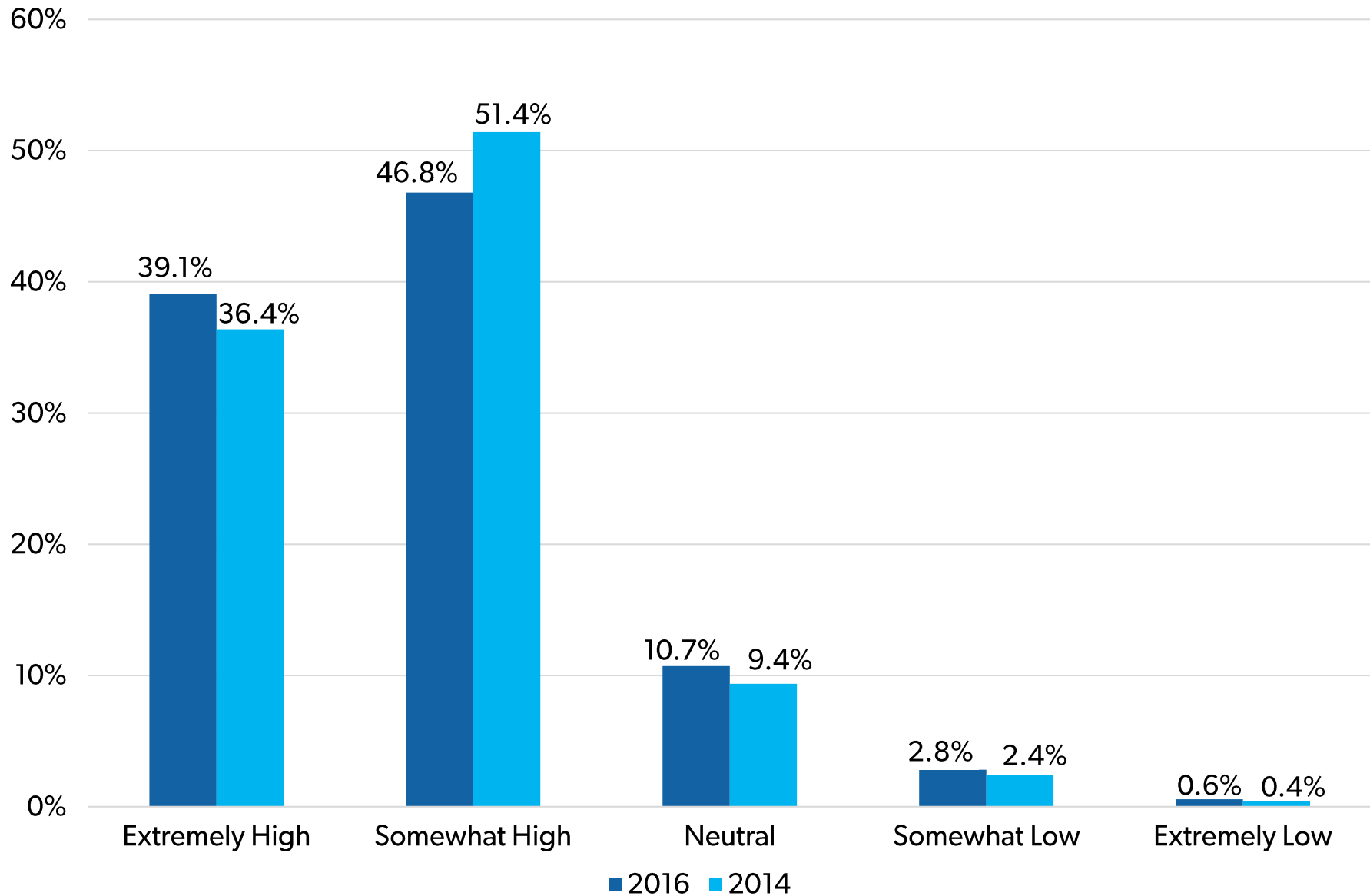


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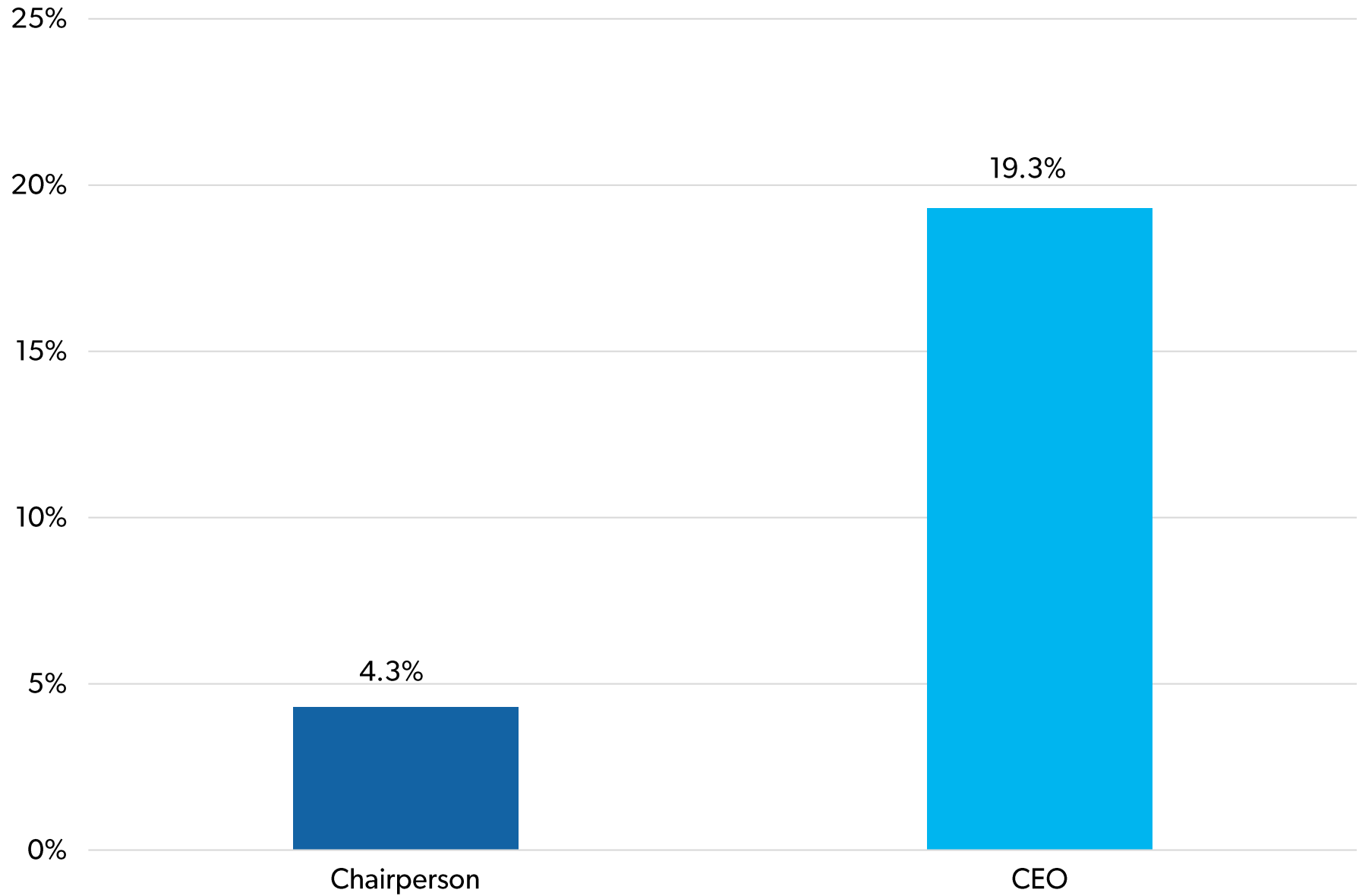


### How would you describe the interest level of the individuals on the board of directors?



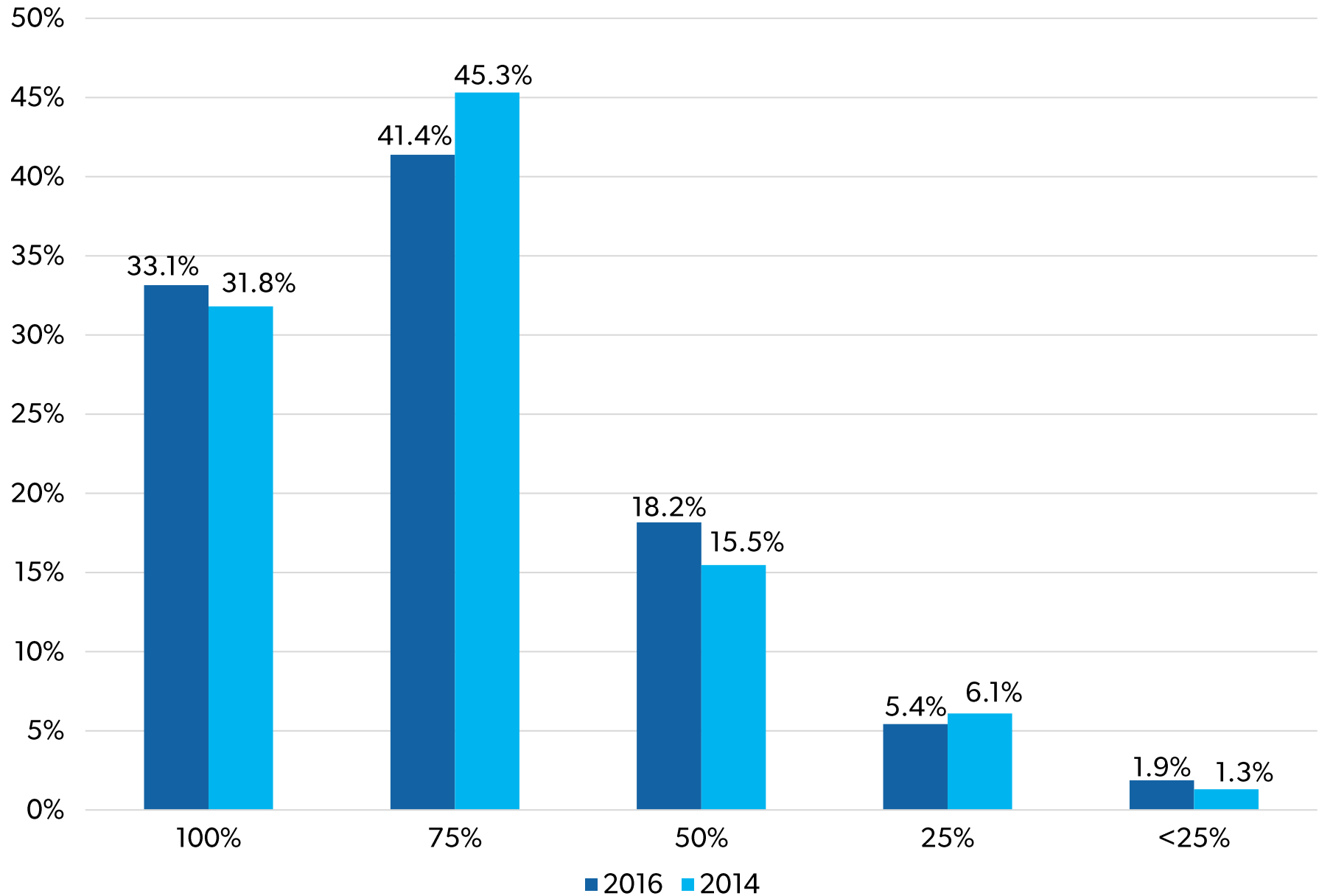


(%) who felt that board members' interest level during meetings was somewhat low or extremely low



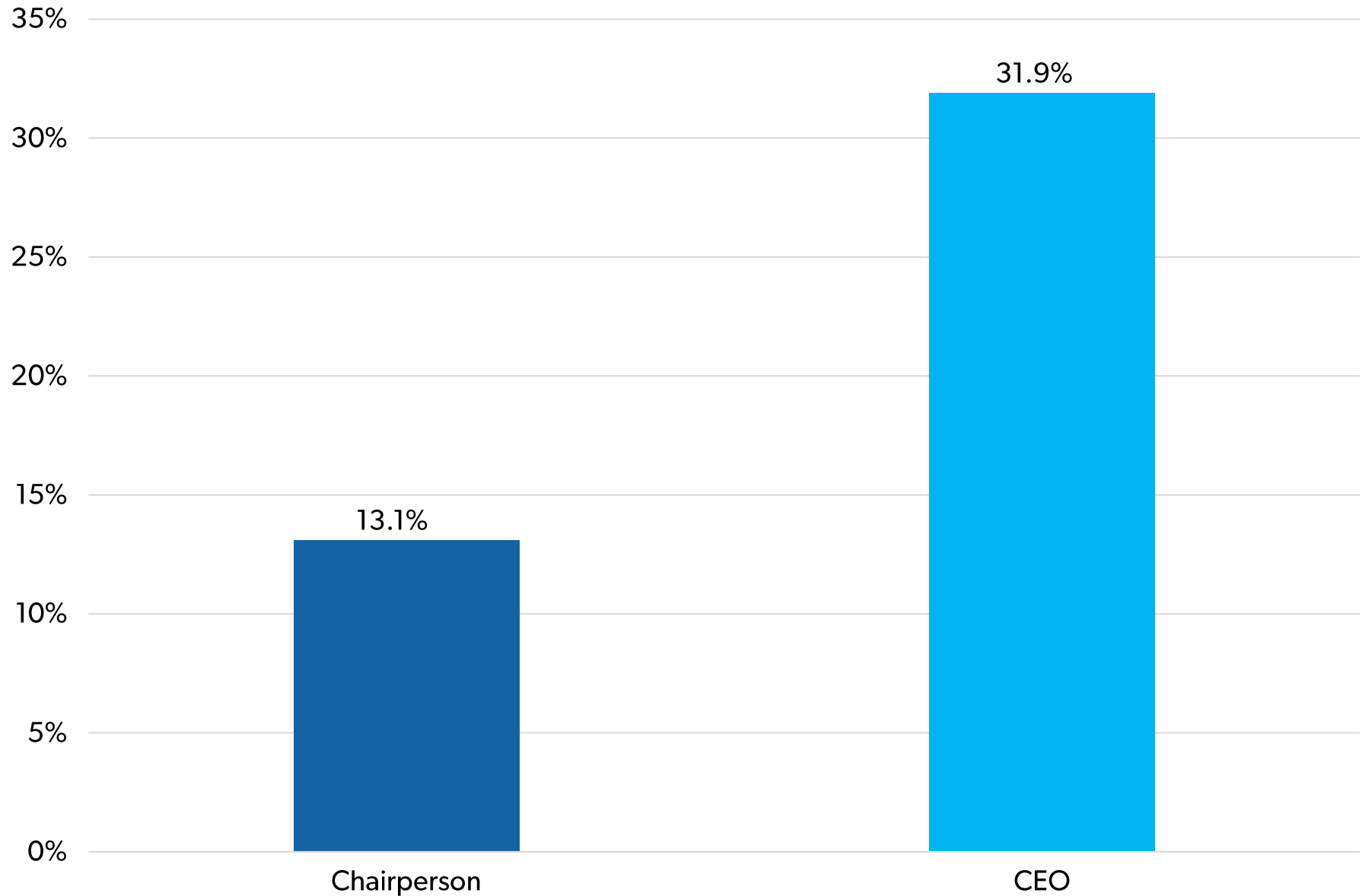


### What portion of the board do you believe is actively engaged?



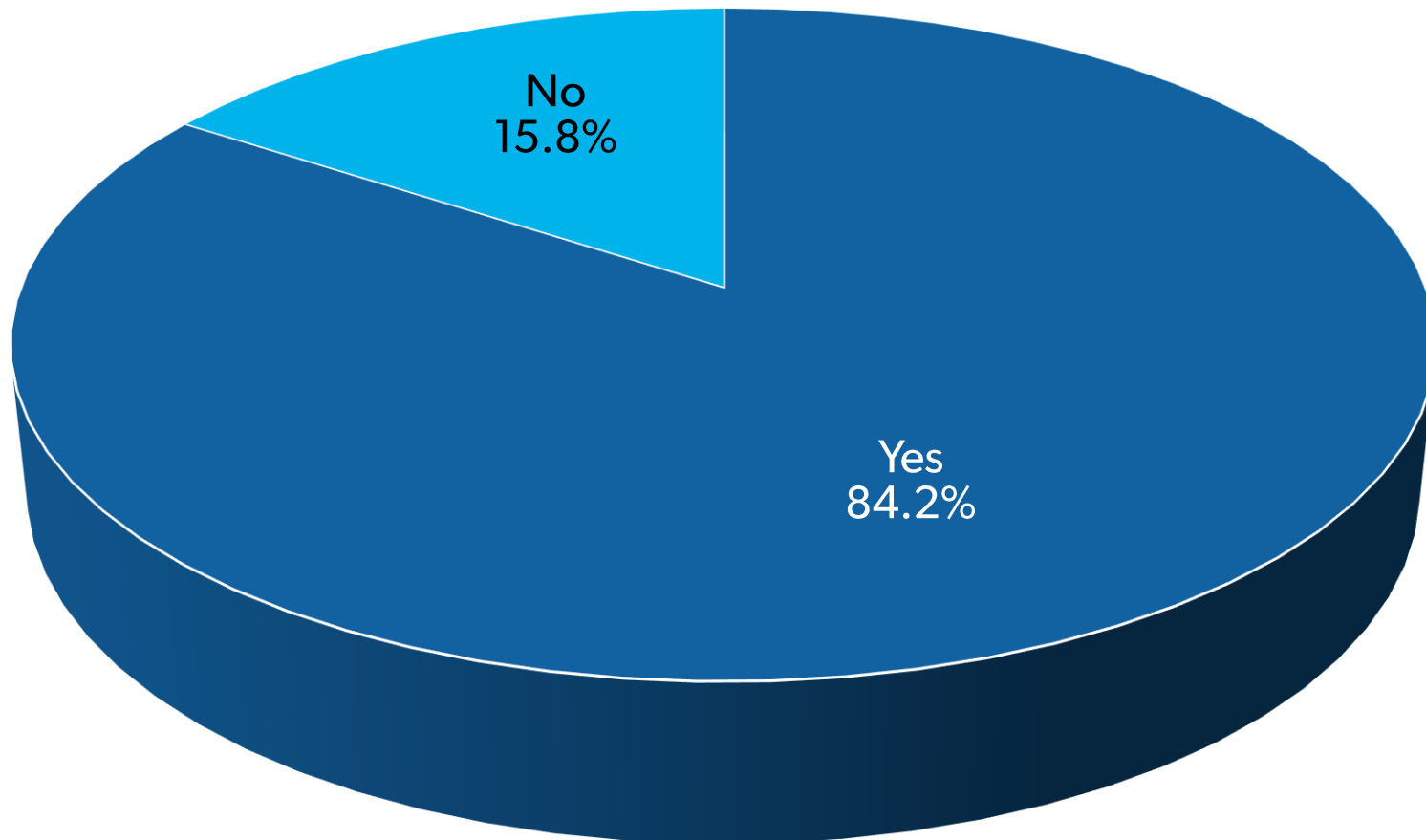


(%) that felt that 50% or less of board members are actively engaged





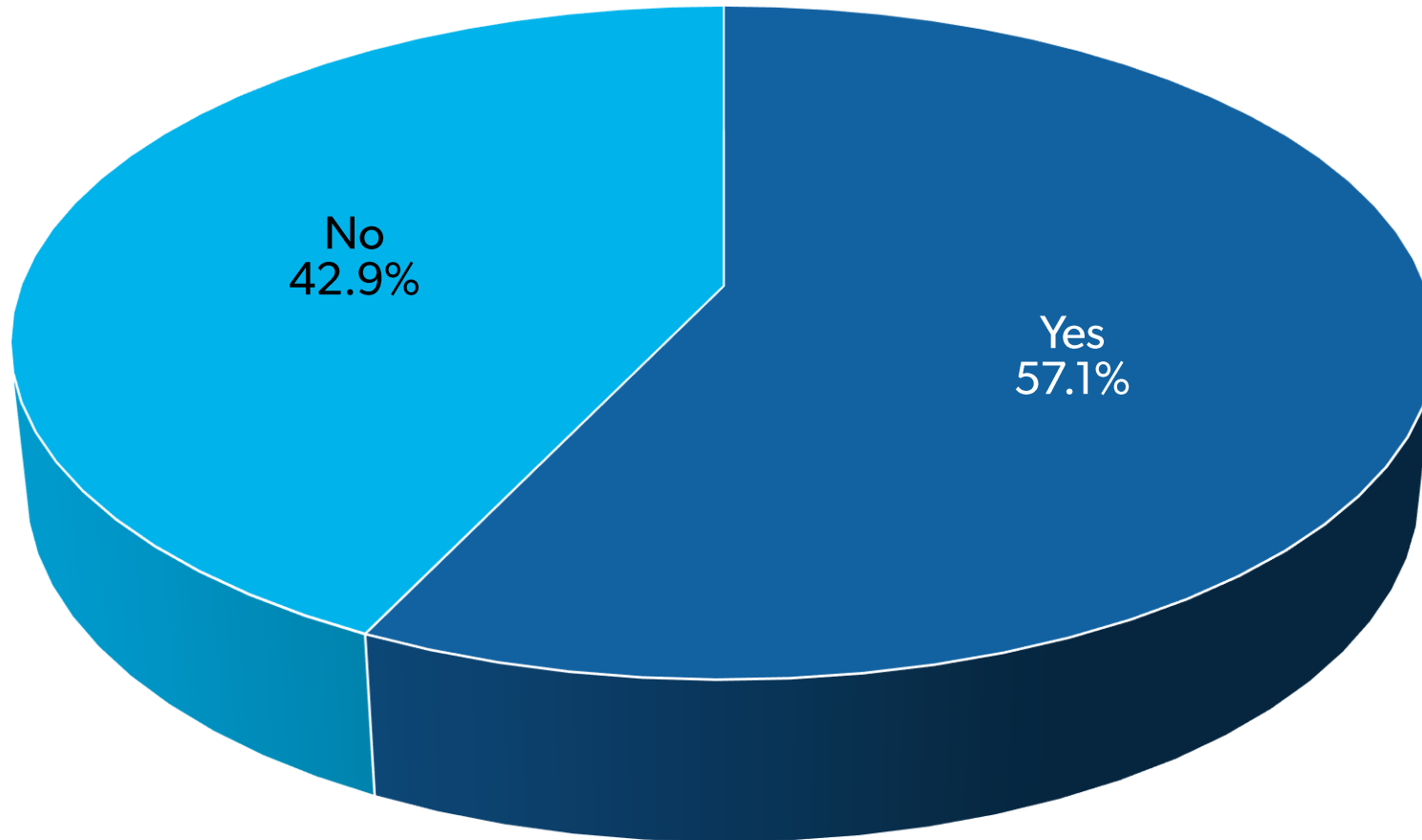
Is there a mix of professional backgrounds among board members?  
(e.g., Finance, Marketing, Human Resources, Investments)



Between 80% and 90% of all credit unions report having diverse backgrounds among board members.



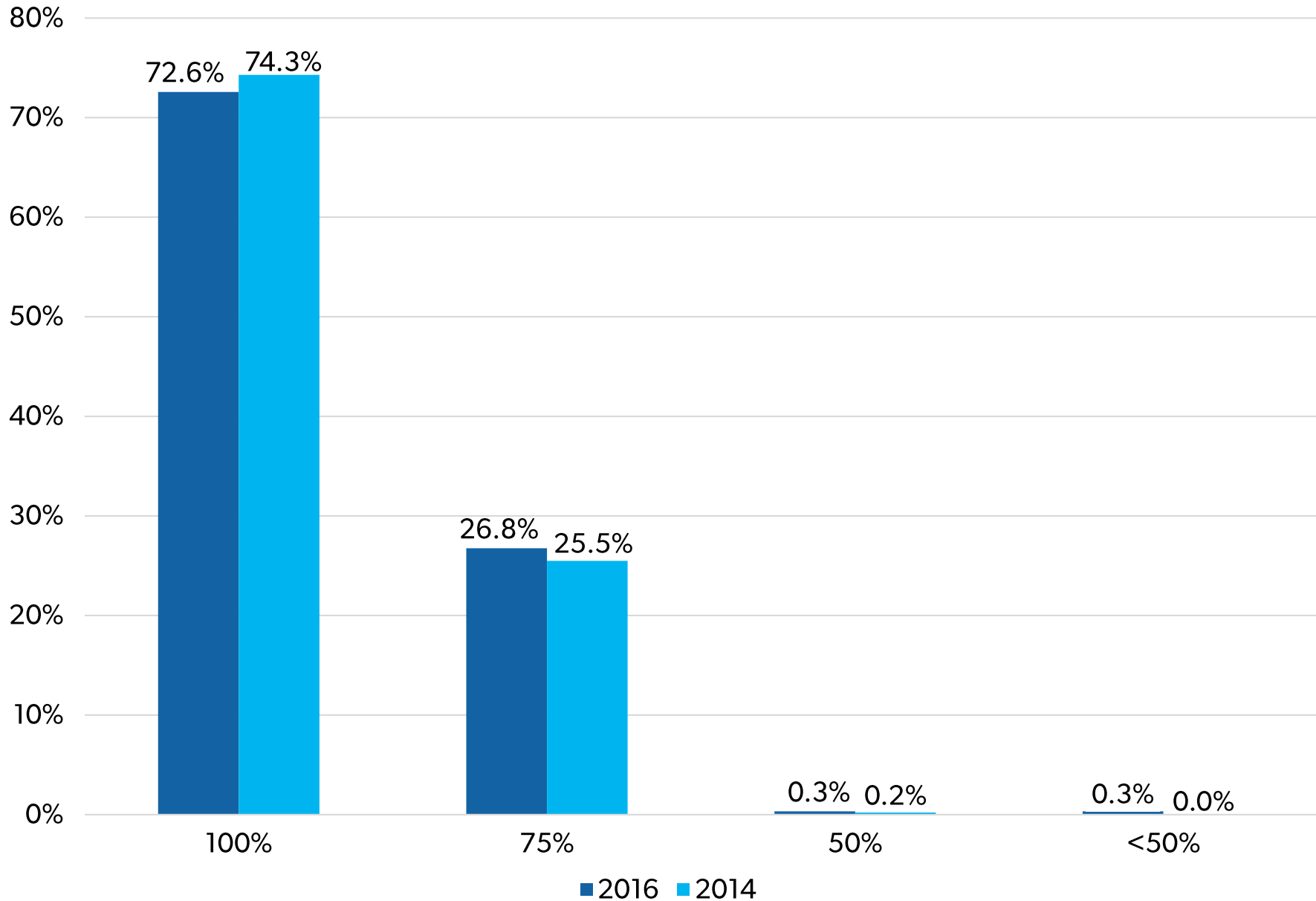
Do you feel the board accurately represents the demographics of the credit union membership?



Almost 60% of credit unions report accurate demographic representation regardless of asset size.

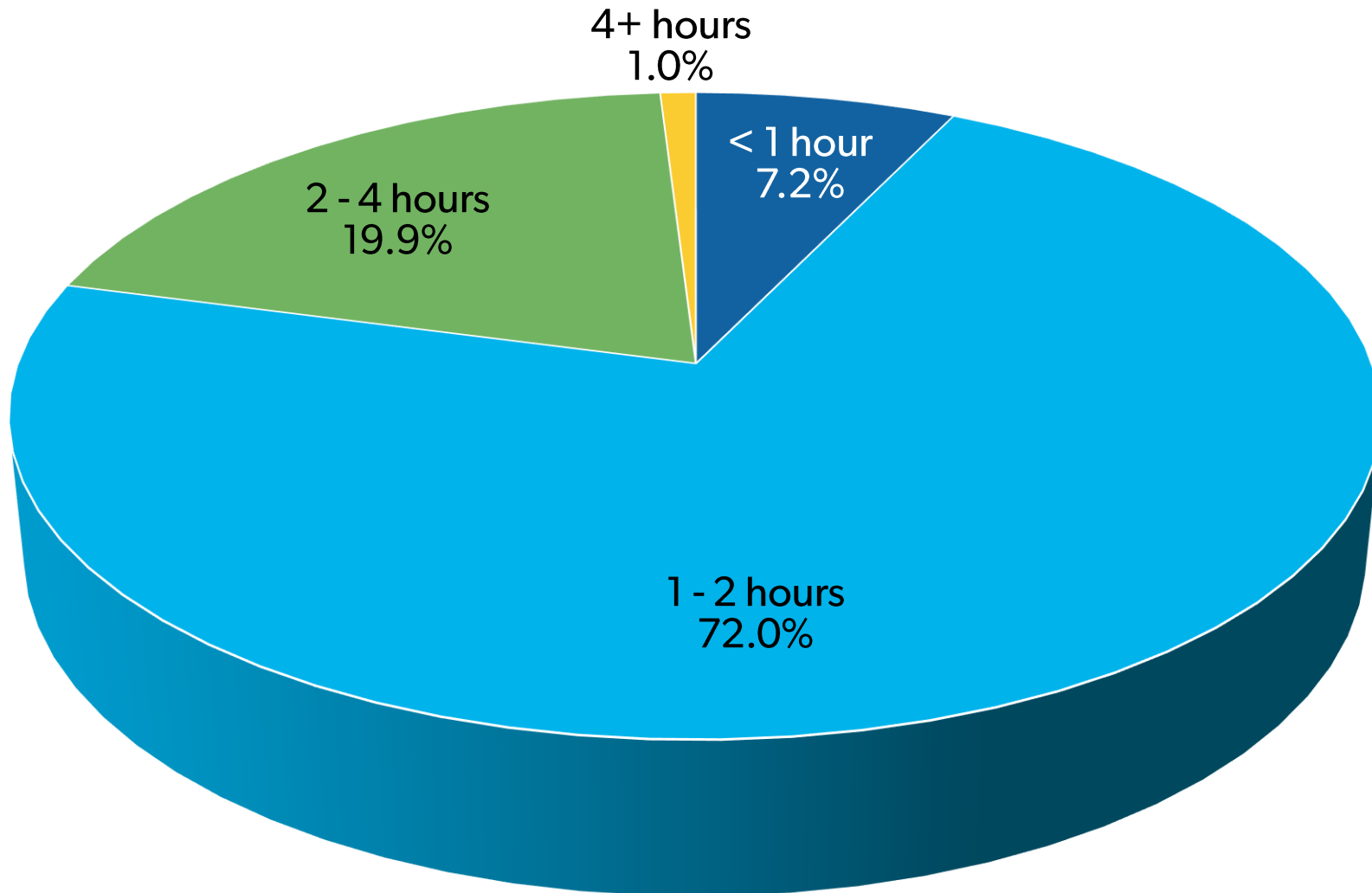


### What is the typical attendance at a monthly board meeting?





### How long is the average board meeting?

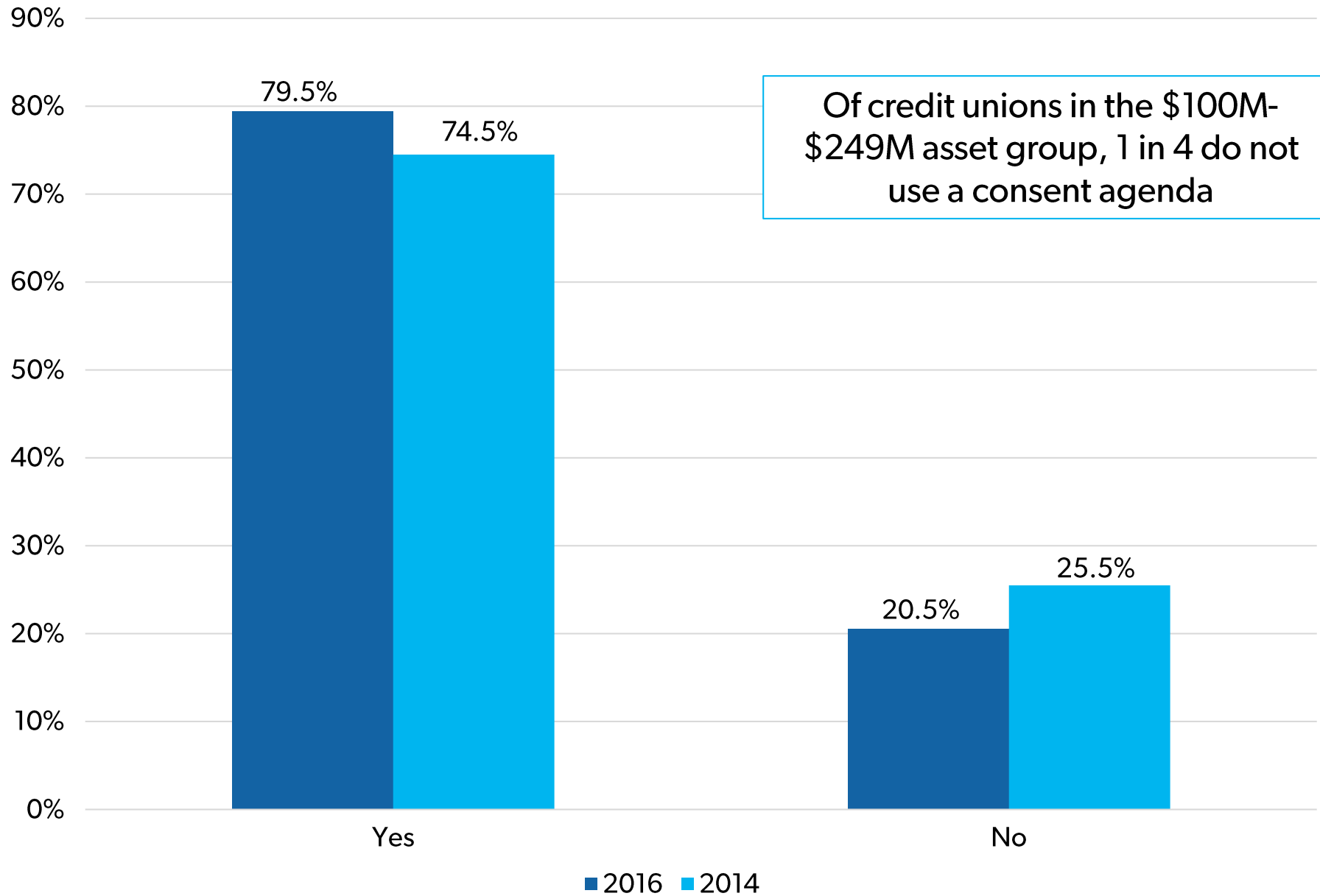


35% of \$1B+ credit unions indicate their board meetings last 2-4 hours.



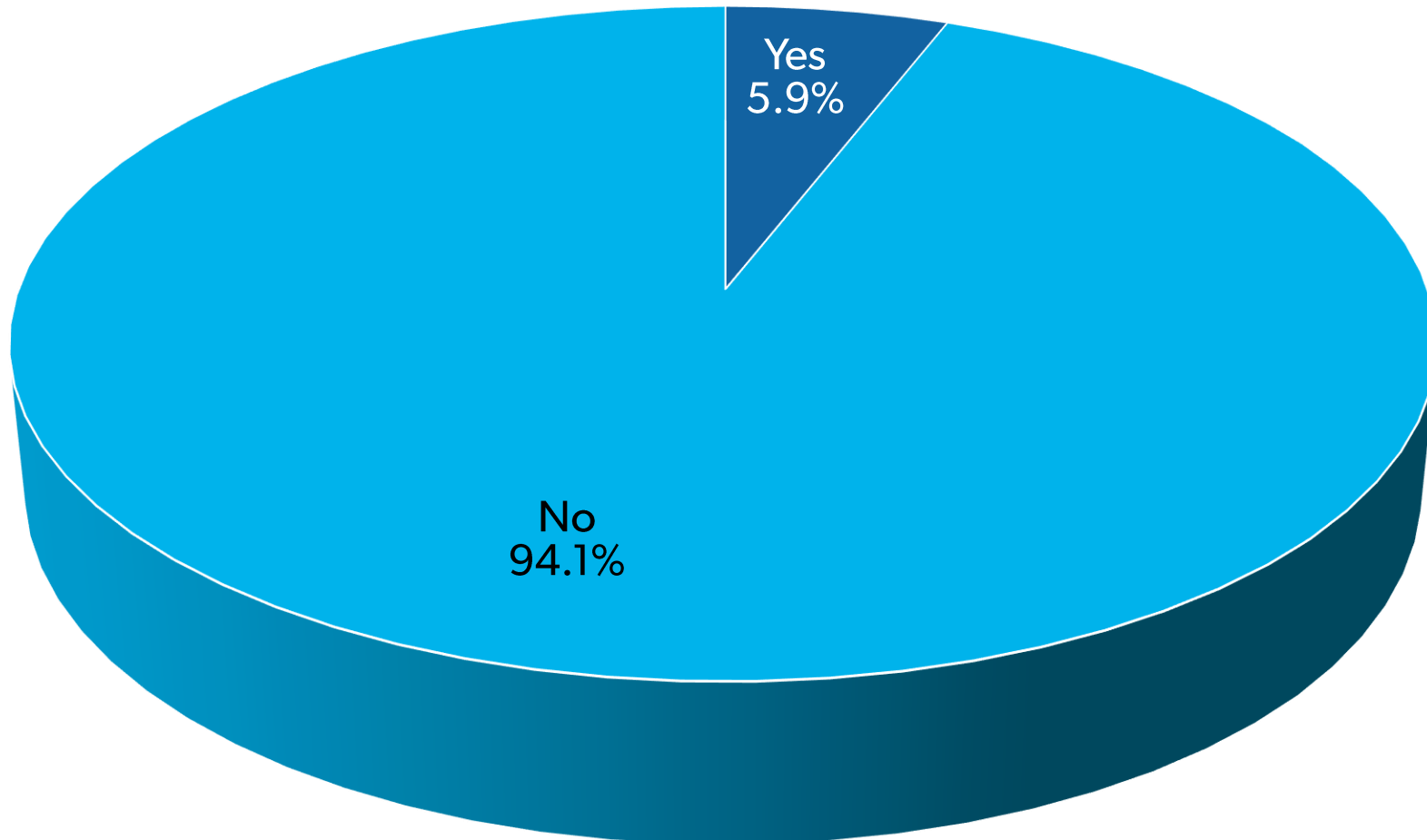


### Do you use a consent agenda?





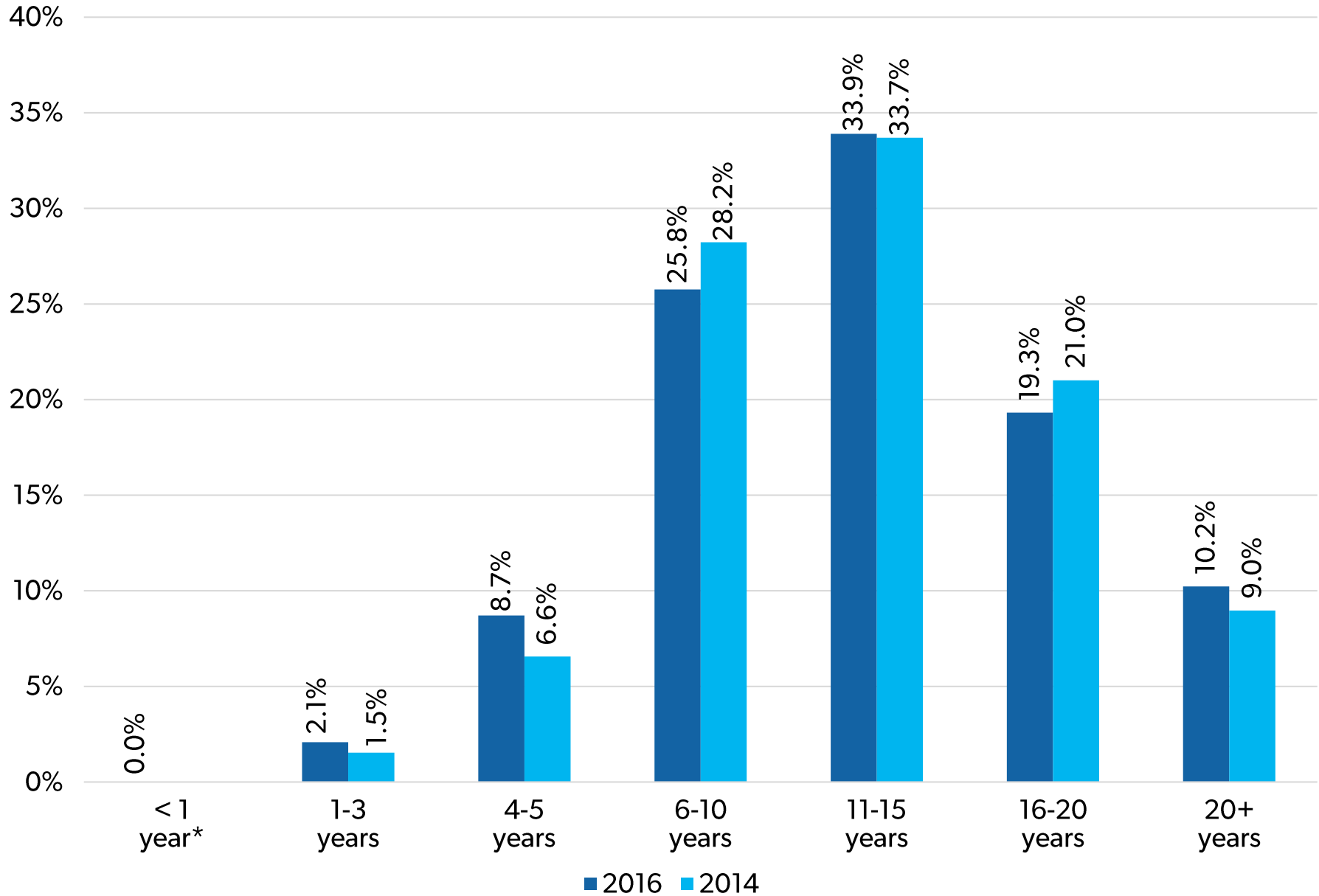
Does your credit union have set age limits for board members?



Only 9% of \$1B+ credit unions set age limits.



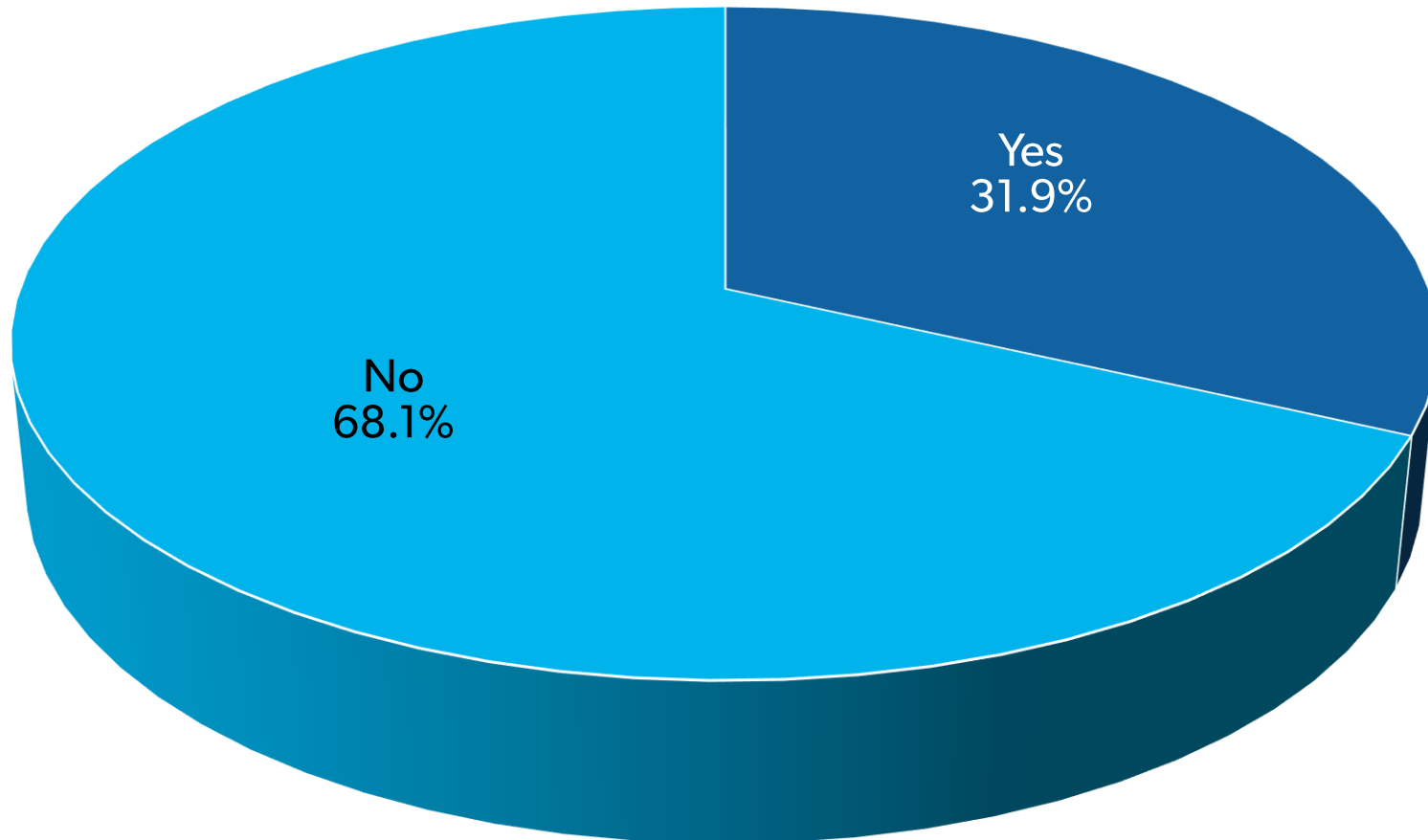
### What is the average board member tenure?



\* Answer not provided in 2014 Board Survey



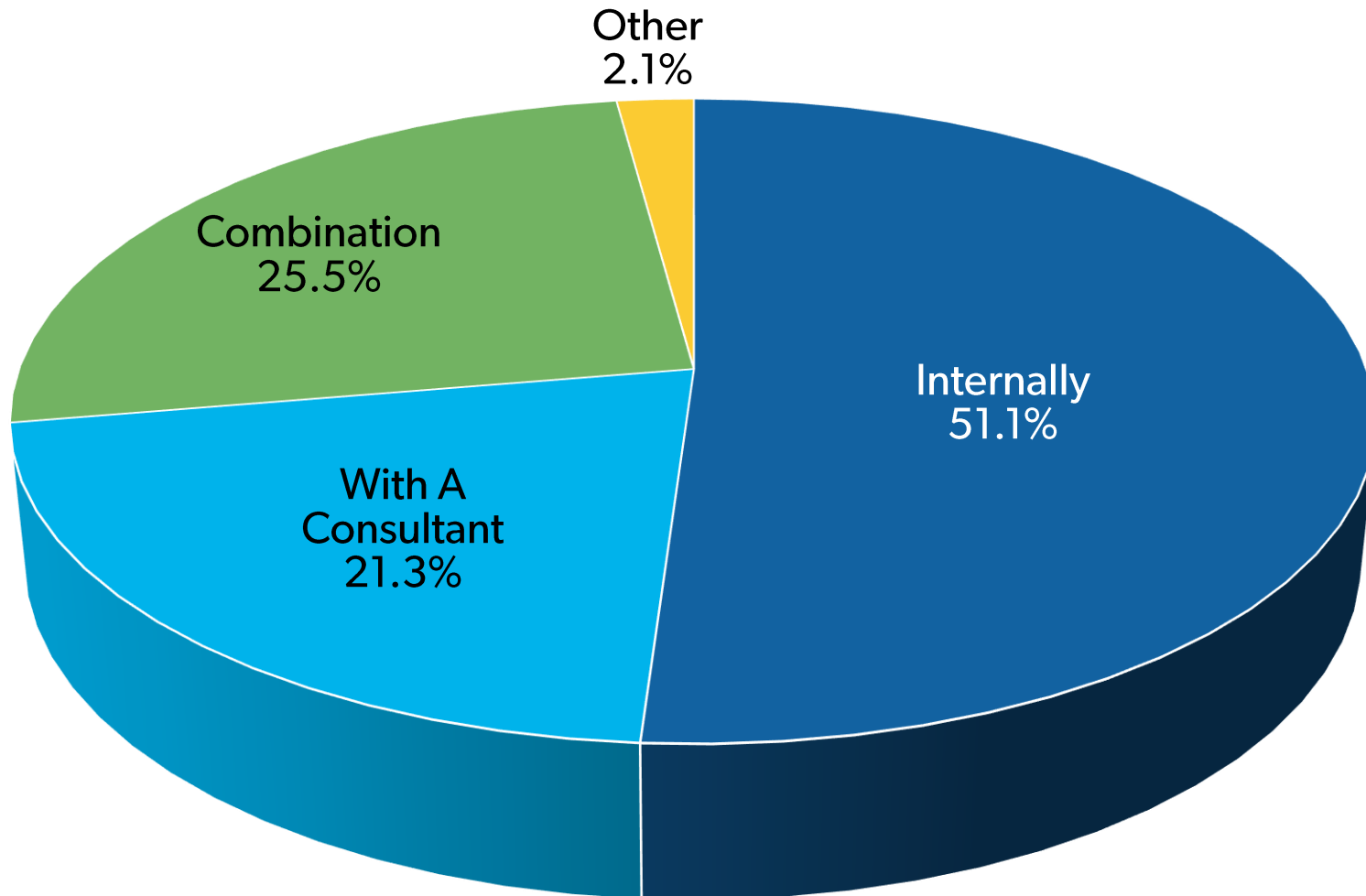
Does your board utilize a board governance model?



50% of \$1B+ and 33% of \$500M-\$999M credit unions utilize a governance model.

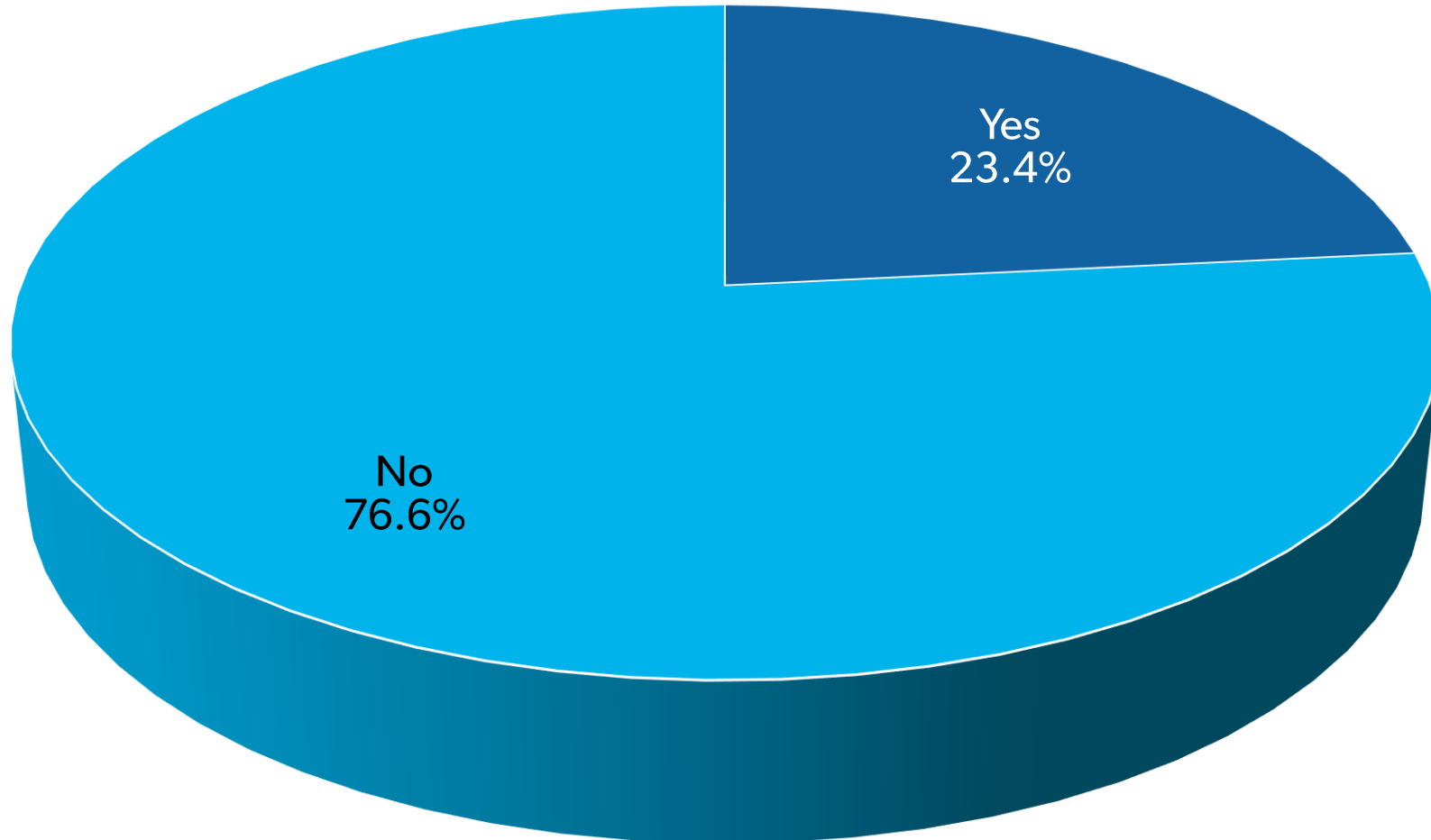


If your board uses a board governance model, how was it developed?



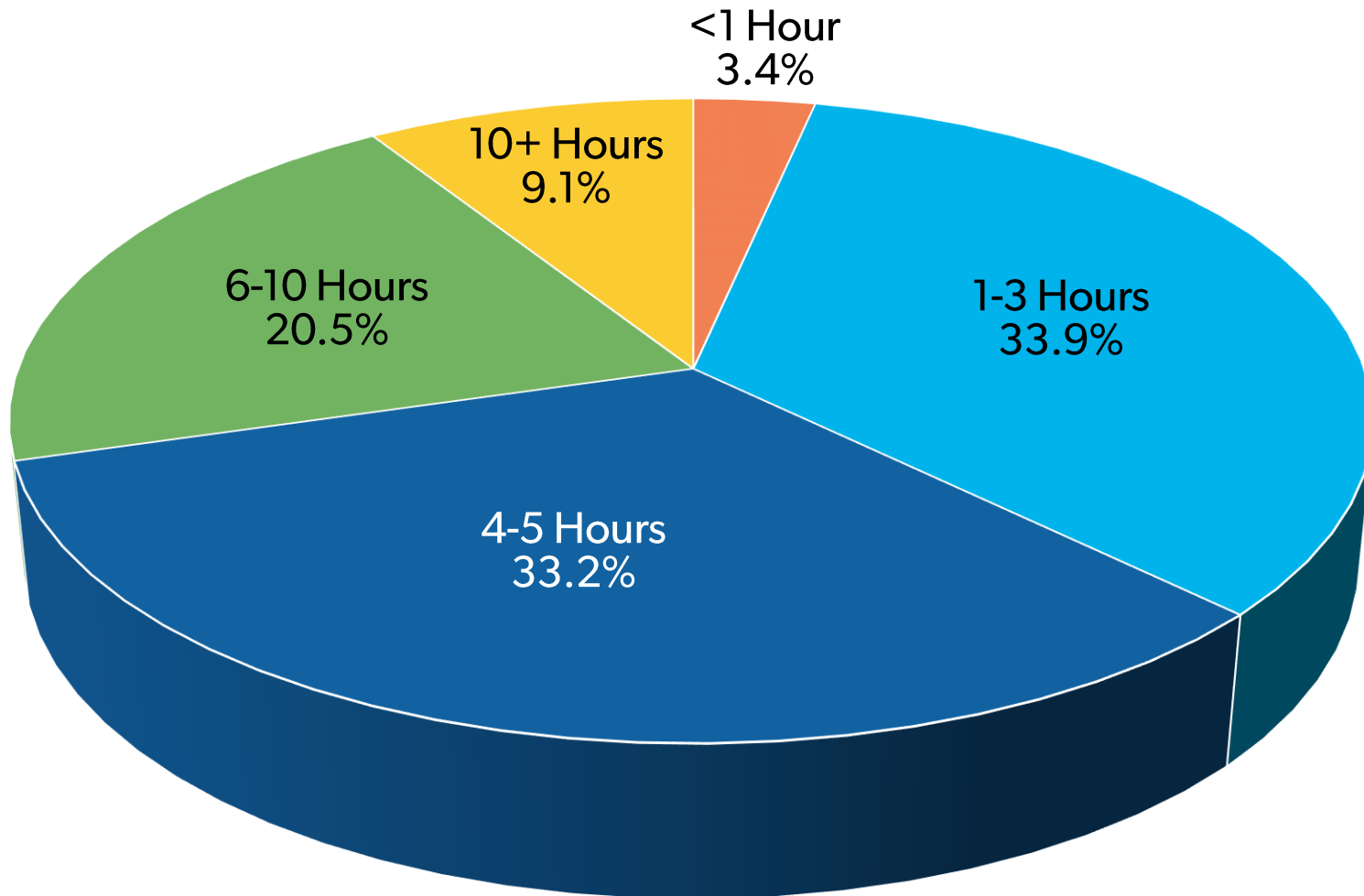


If your board does not use a board governance model, would the board like to implement one?





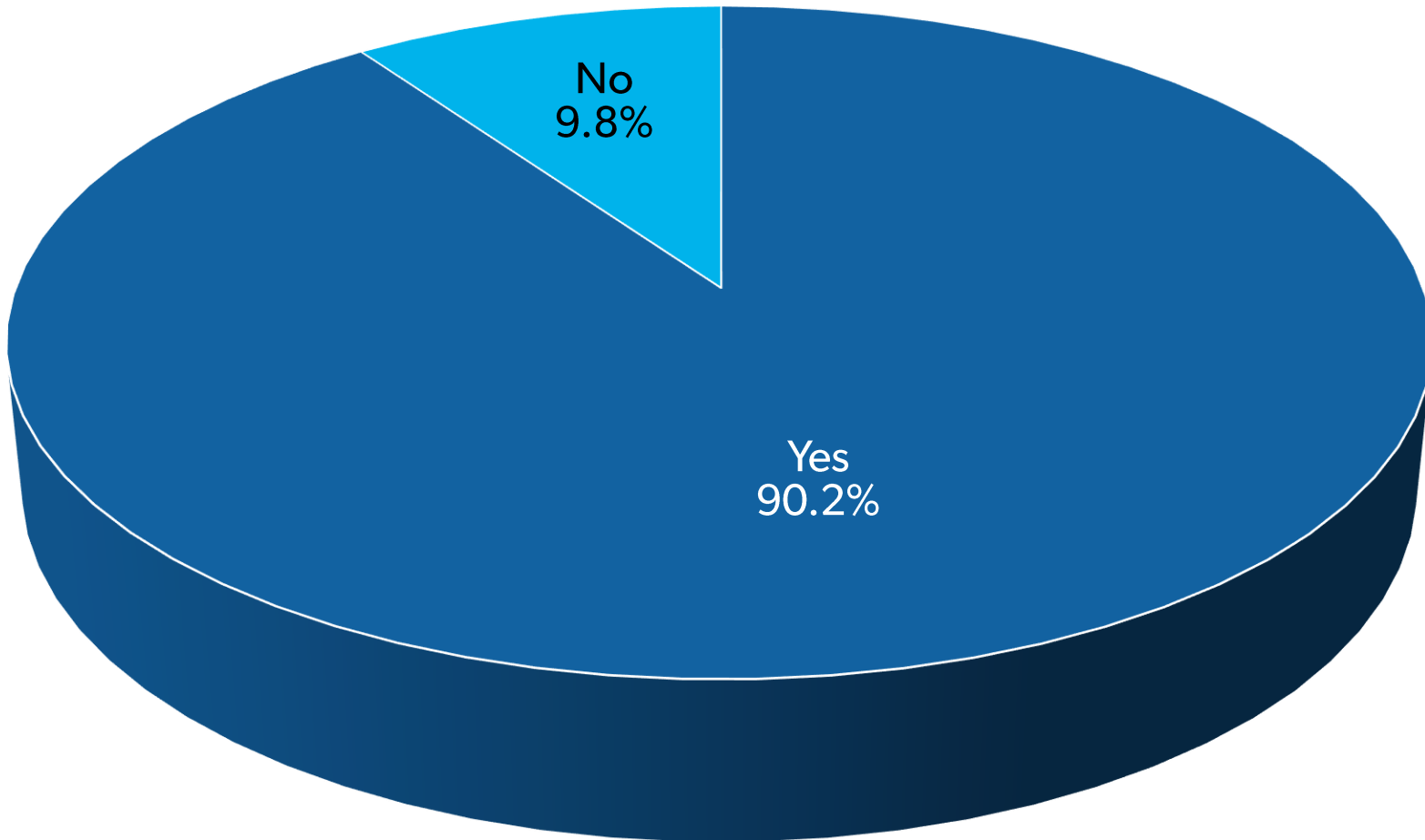
How many hours per month on average are spent on board duties?



20% of \$1B+ credit unions report 10+ hours a month.



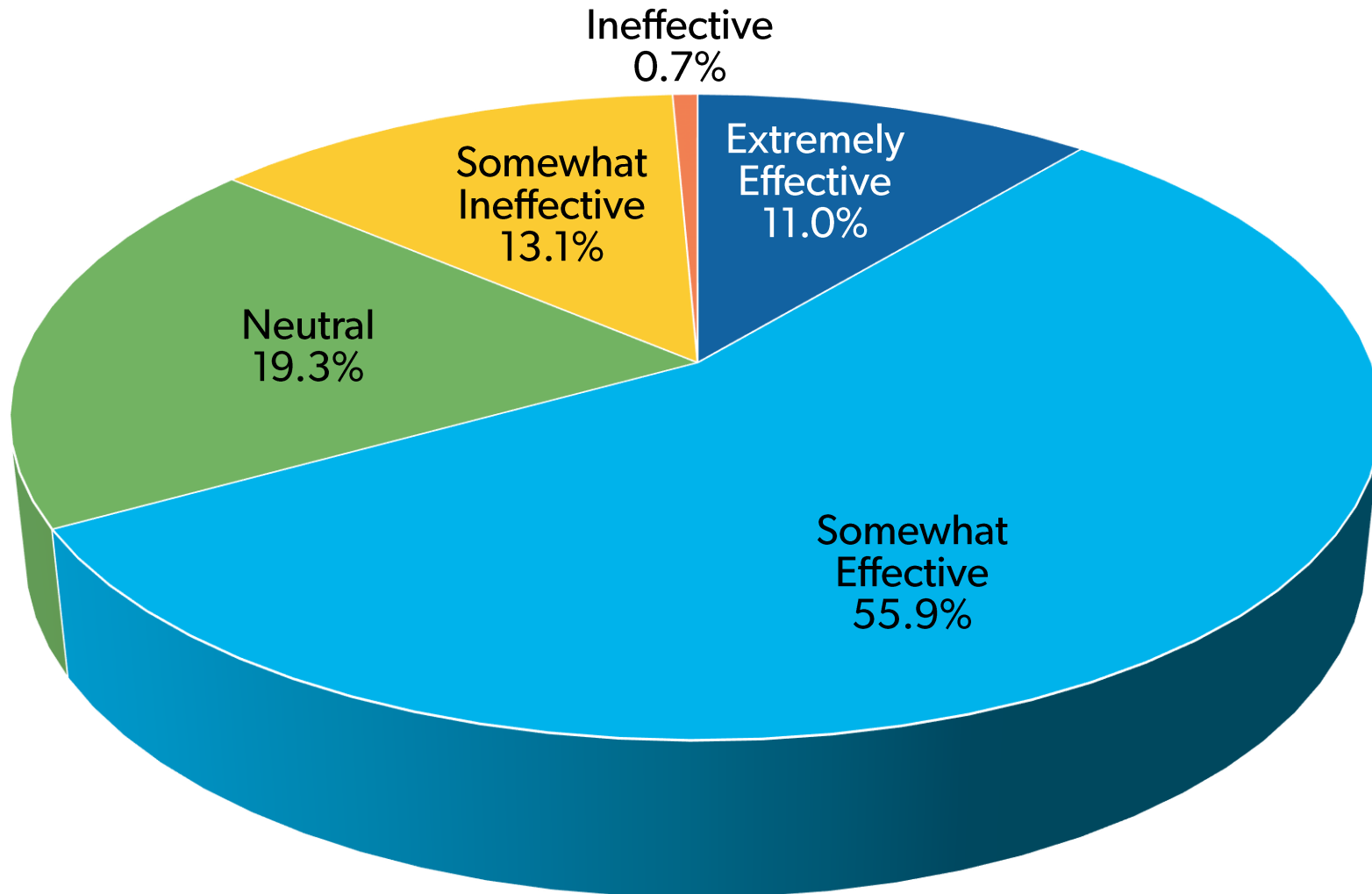
Are you able to call-in or video conference into board meetings?





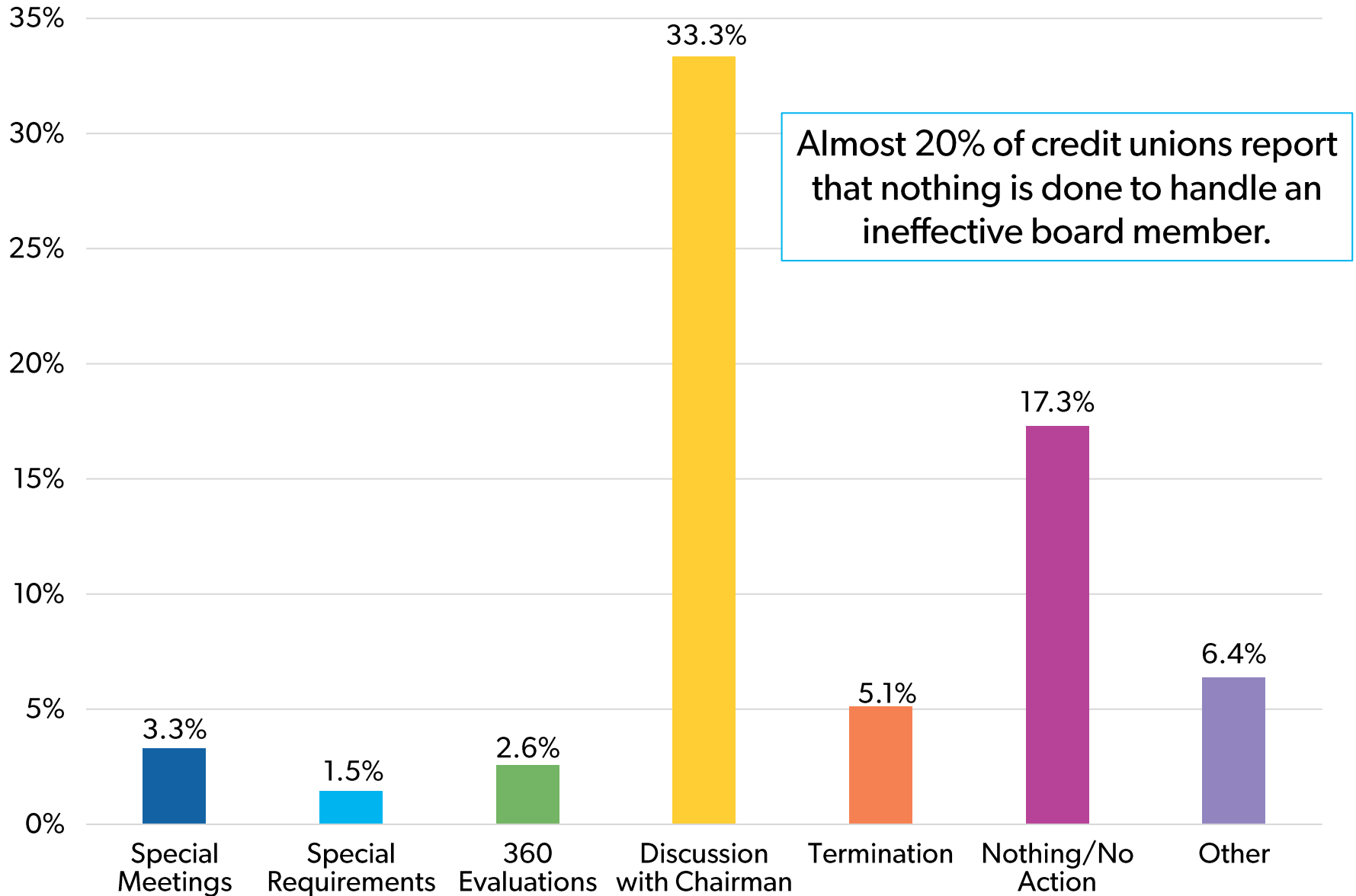


### How effective are meetings with call-in or video conference participants?





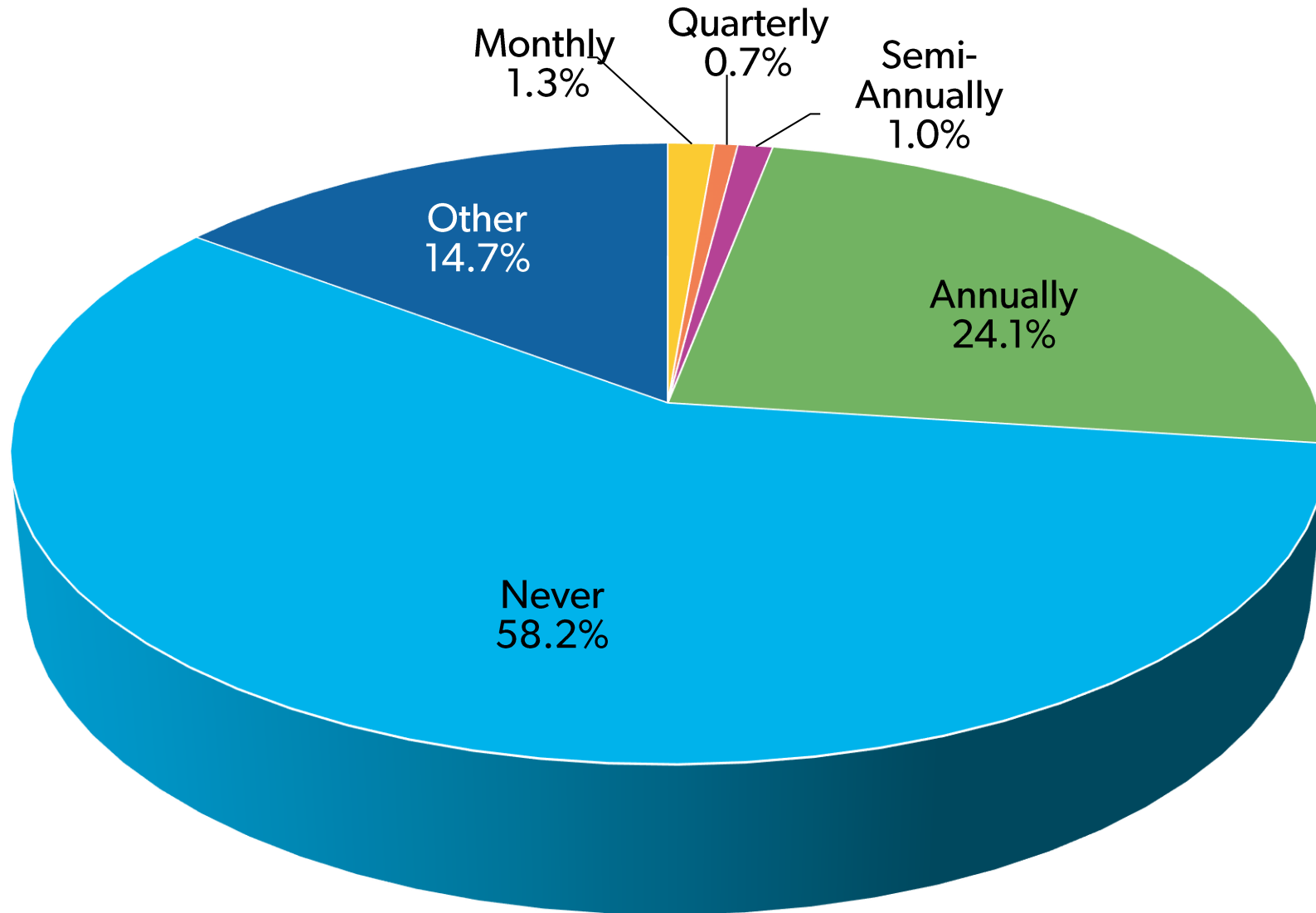
### How do you handle ineffective board members?



Percentages may equal more than 100% due to the option to select multiple answers.



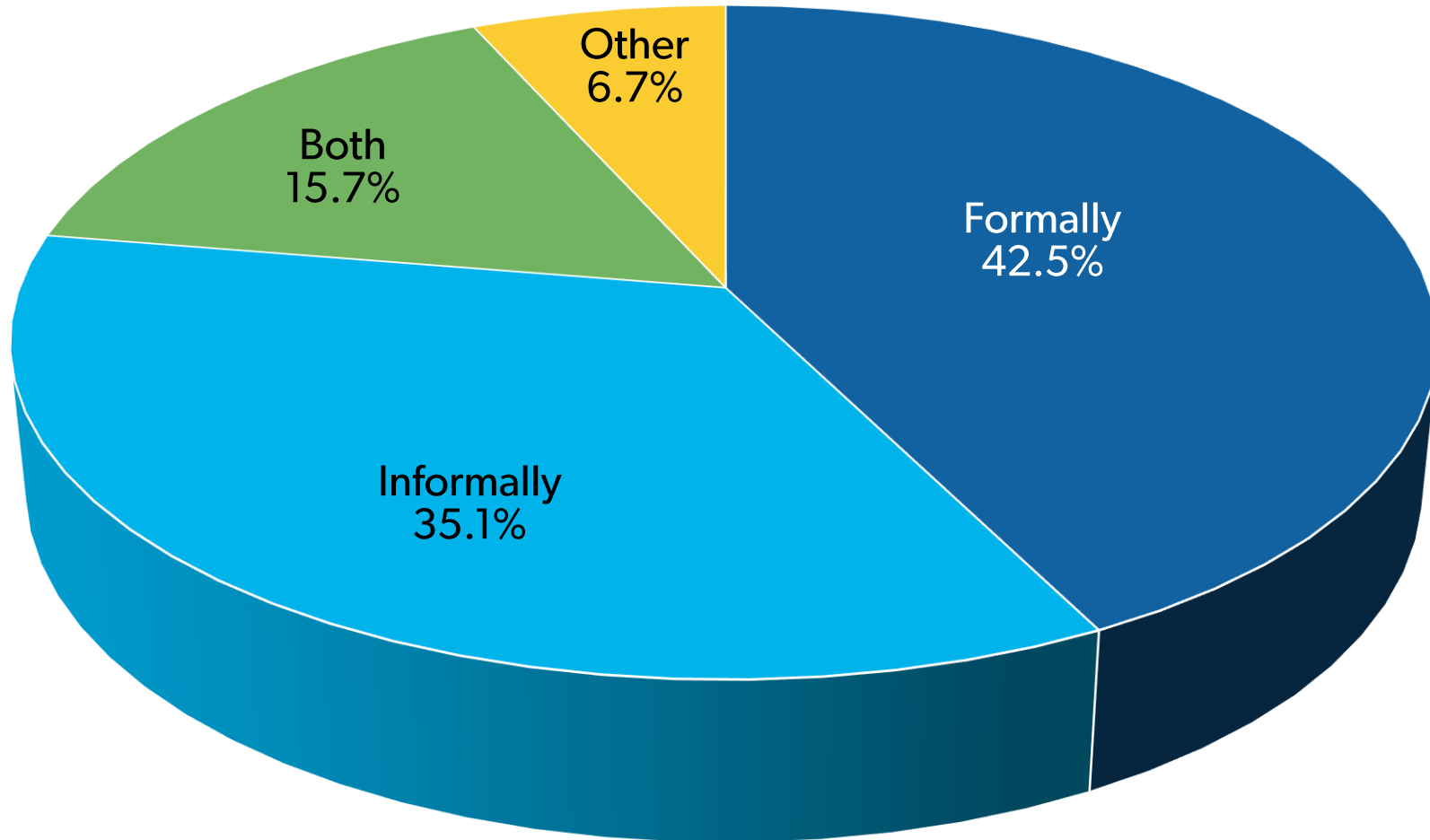
### How often does the board evaluate itself?



Even among \$1B+ credit unions, 39% never evaluate themselves.

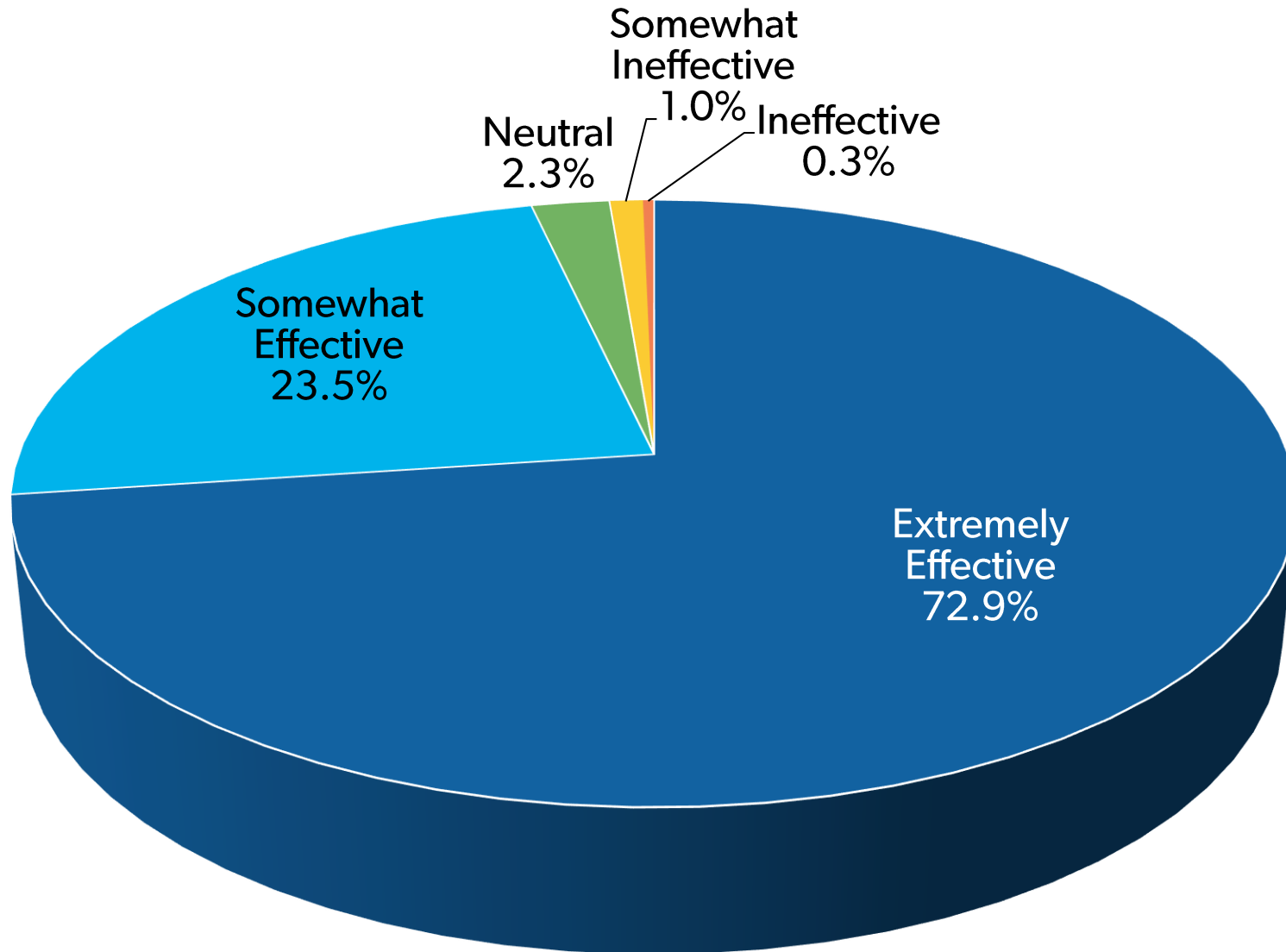


### How is the board evaluated?





How would you rate the board/CEO relationship at your credit union?



Across all asset groups, most say the relationship is effective.

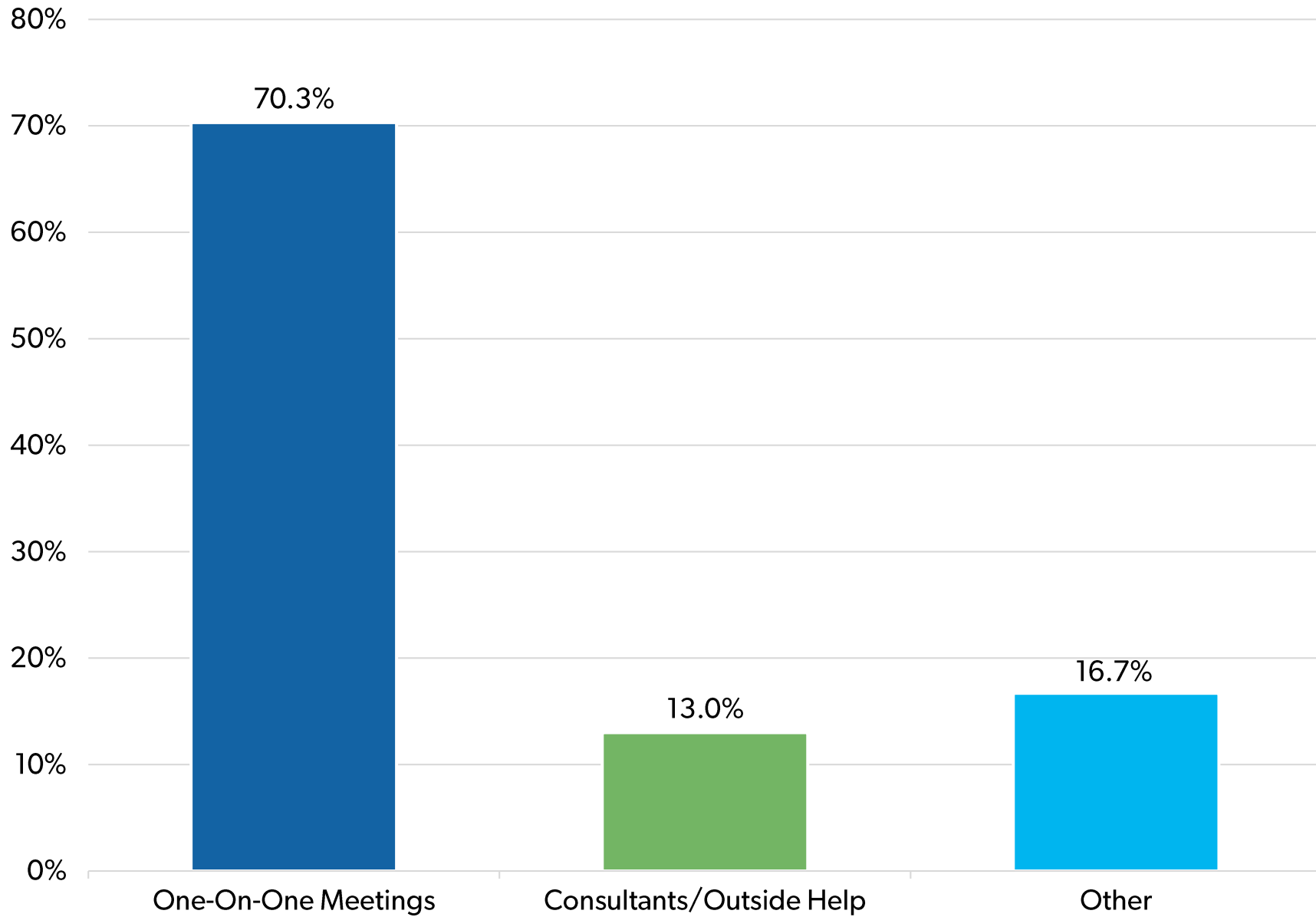


How would you rate communication between the board and CEO?					
Number of Board Members	Extremely Effective	Somewhat Effective	Neutral	Somewhat Ineffective	Ineffective
5	71.4%	28.6%	0.0%	0.0%	0.0%
7	64.4%	28.8%	3.8%	2.9%	0.0%
9	73.4%	22.3%	2.2%	0.7%	1.4%
11	55.2%	41.4%	0.0%	3.4%	0.0%
13	87.5%	12.5%	0.0%	0.0%	0.0%
15	100.0%	0.0%	0.0%	0.0%	0.0%

Effective communication drops noticeably when moving from a board of 9 members to 11 members.



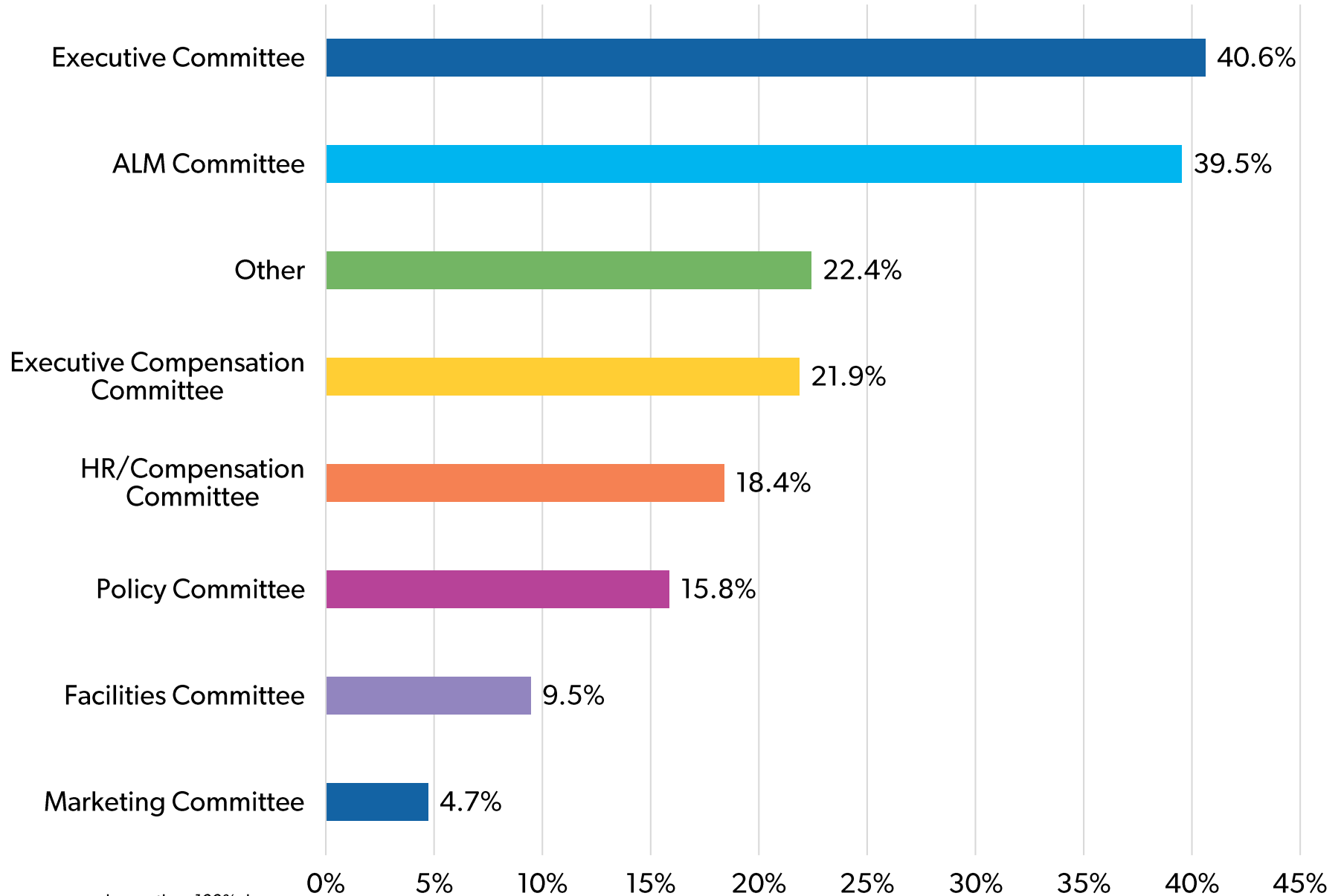
### What efforts are made for strengthening the Board/CEO relationship?



Percentages may equal more than 100% due to the option to select multiple answers.



### What types of committees does the board have?

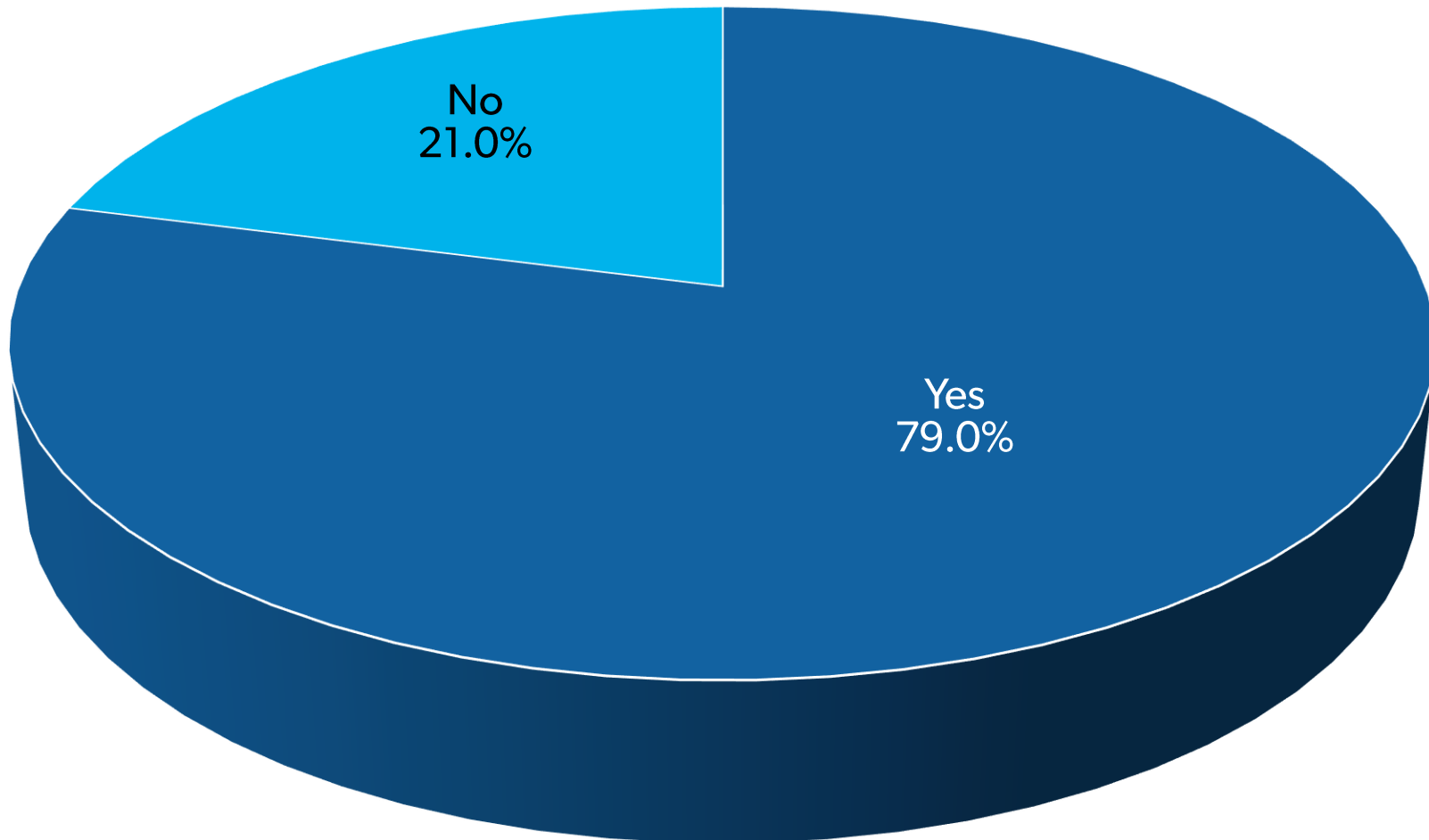


Percentages may equal more than 100% due to the option to select multiple answers.



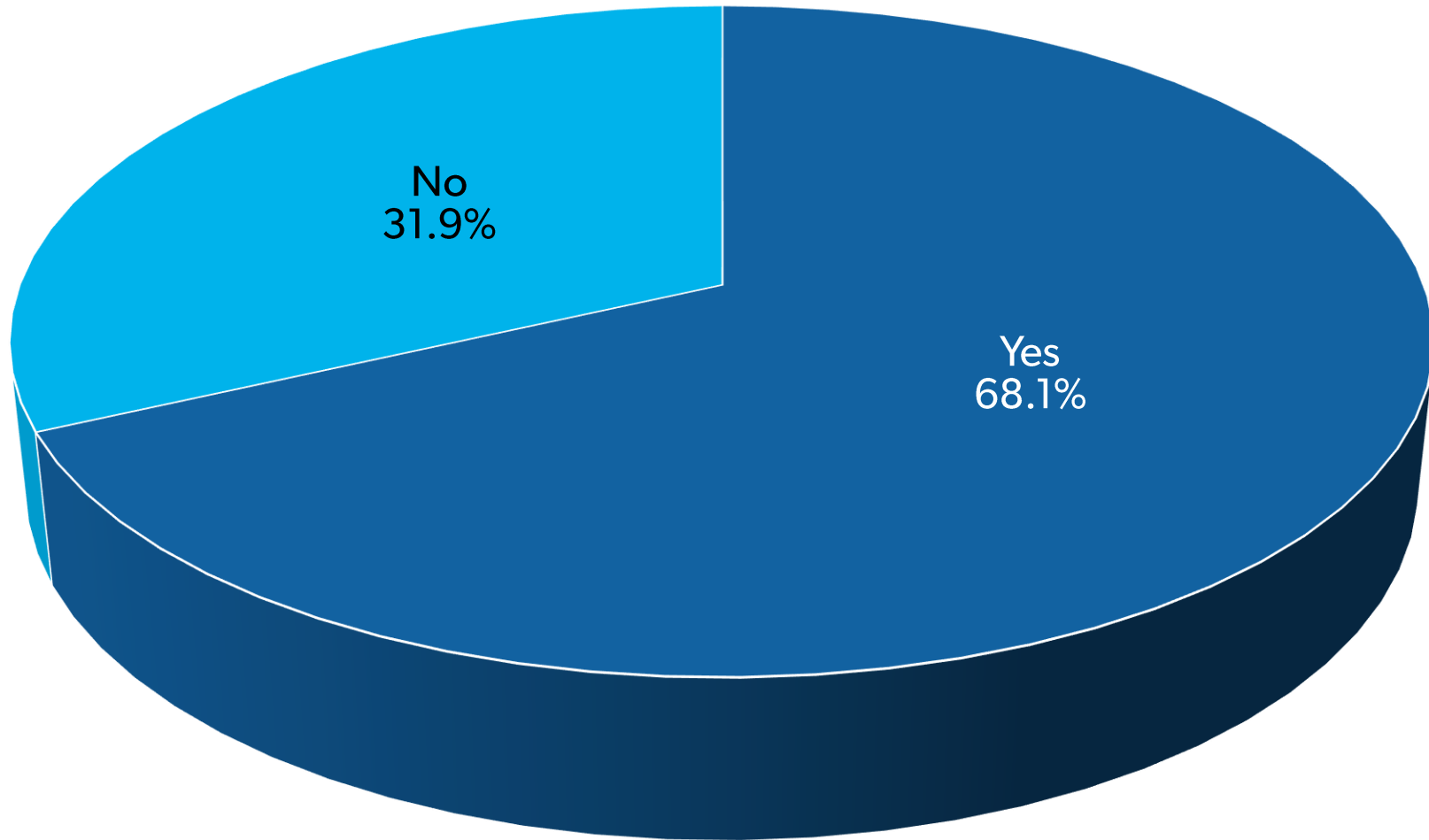


Does the board have closed sessions without staff/CEO/Supervisory Committee?



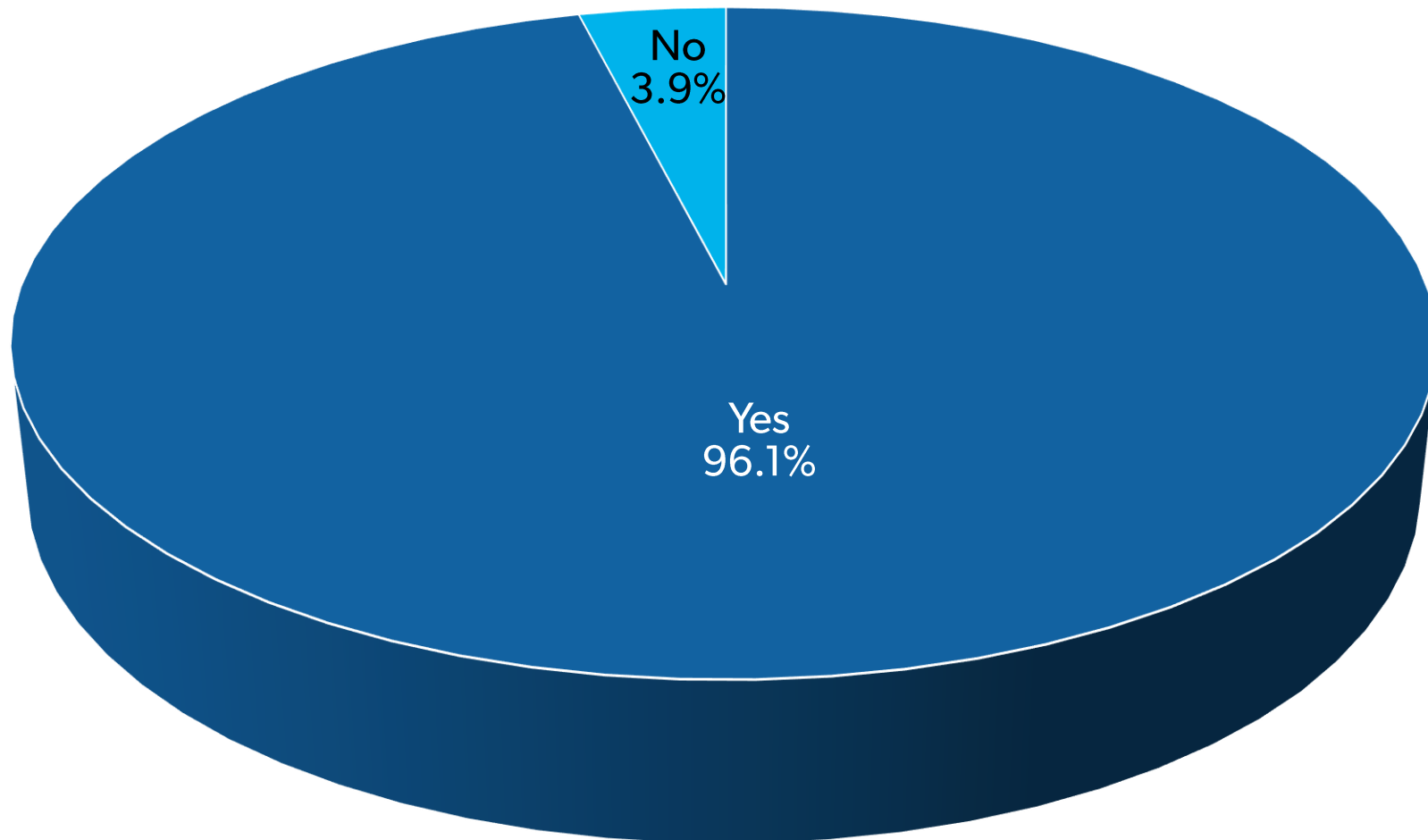


Does the board chair meet with the CEO to review board meeting content or the agenda prior to the monthly meeting?





Do you feel that meeting with the CEO to review board meeting content or the agenda prior to the monthly meeting is beneficial?





# Board Continuing Education

*Section Four*



## Board Continuing Education

Continuing education for boards of directors not only helps with compliance to frequently changing regulations, but is also an indicator of commitment to the growth and health of the credit union. Nearly two-thirds of all boards of directors have a continuing education policy or requirement. Continuing education policies for directors differ across peer groups. Only 40% of credit unions under \$500 million in assets report having a requirement or policy in place. A resounding 86% of boards of directors responded that continuing education efforts were a worthwhile investment.

Though most boards have a limit on conferences that directors can attend, 36% report that directors could attend as many as necessary, while 26% are allowed to attend one per year and another 26% are allowed to attend two per year. Only 6.9% of board members attend bank conferences, while 9.2% reported they attend non-industry conferences. A large majority (82%) of credit unions feel they are allowed to attend the right amount of conferences each year.

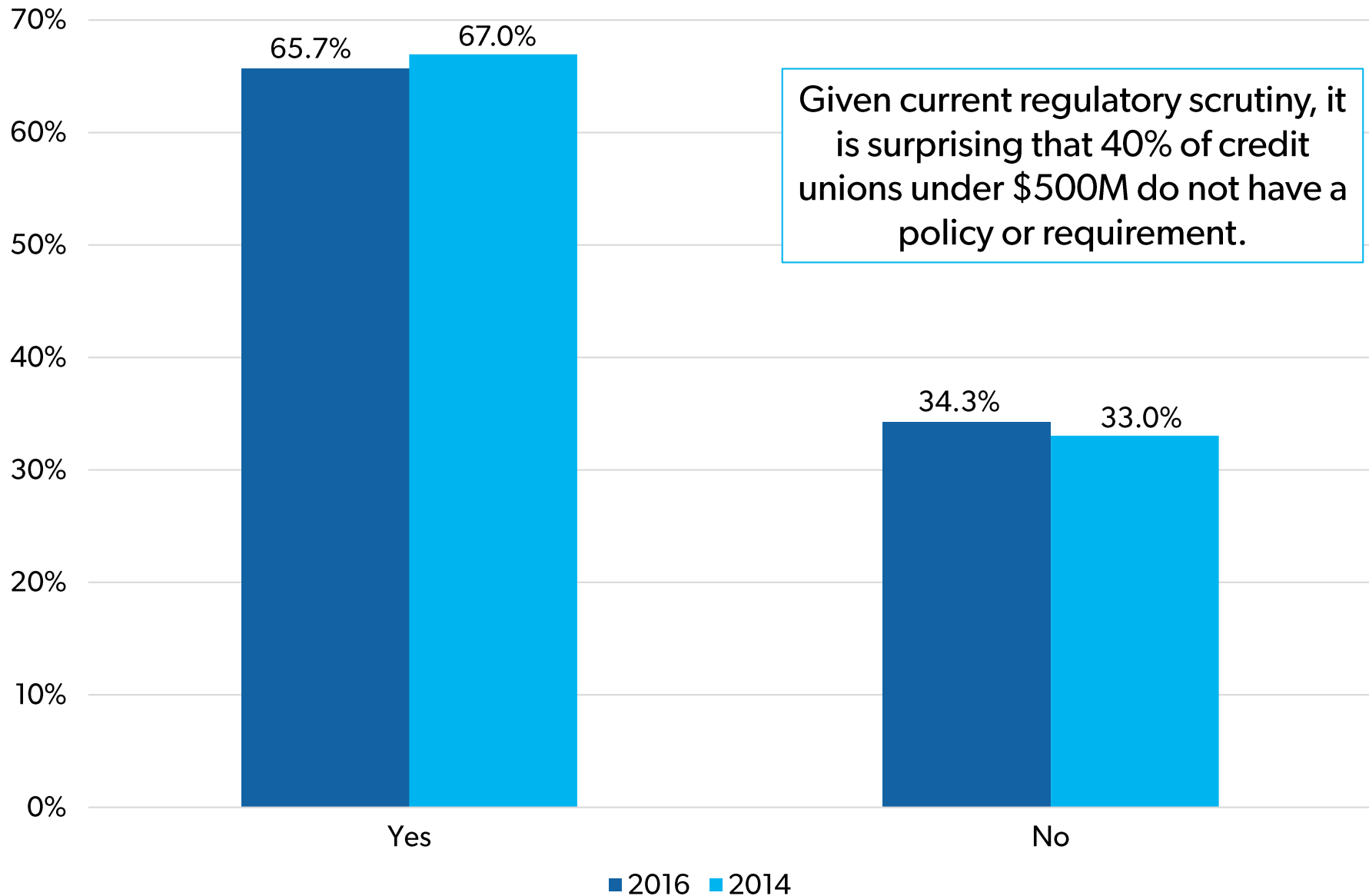
As credit unions seek to enhance their ranks, many are embracing the practice of improving involvement and education of advisory or associate members through conference attendance. Representing an increase of 6% since 2014, 22% of credit unions give advisory/associate members the opportunity to attend conferences. This number is even higher at larger credit unions, with 30% of credit unions over \$1 billion in assets reporting that associate/advisory board members attend conferences.

When it comes to expenses related to continuing education, 65% indicate a set travel policy that governs the amount a director spends. That policy is expressed as a total dollar amount per year for 49% of credit unions versus a dollar amount per board member which is the policy for 31% of credit unions. Travel expense reimbursement typically includes registration, hotel, meals and car rental but excludes entertainment. While 85% of spouses are invited to travel with directors, first class flights are only allowed among just 10% of credit unions.

Continuing education through conference events not only provides board members with an understanding of industry issues, but also incentivizes director participation. As the need for board succession becomes greater, so will credit unions' emphasis on continuing education as a means of educating and rewarding board participation.

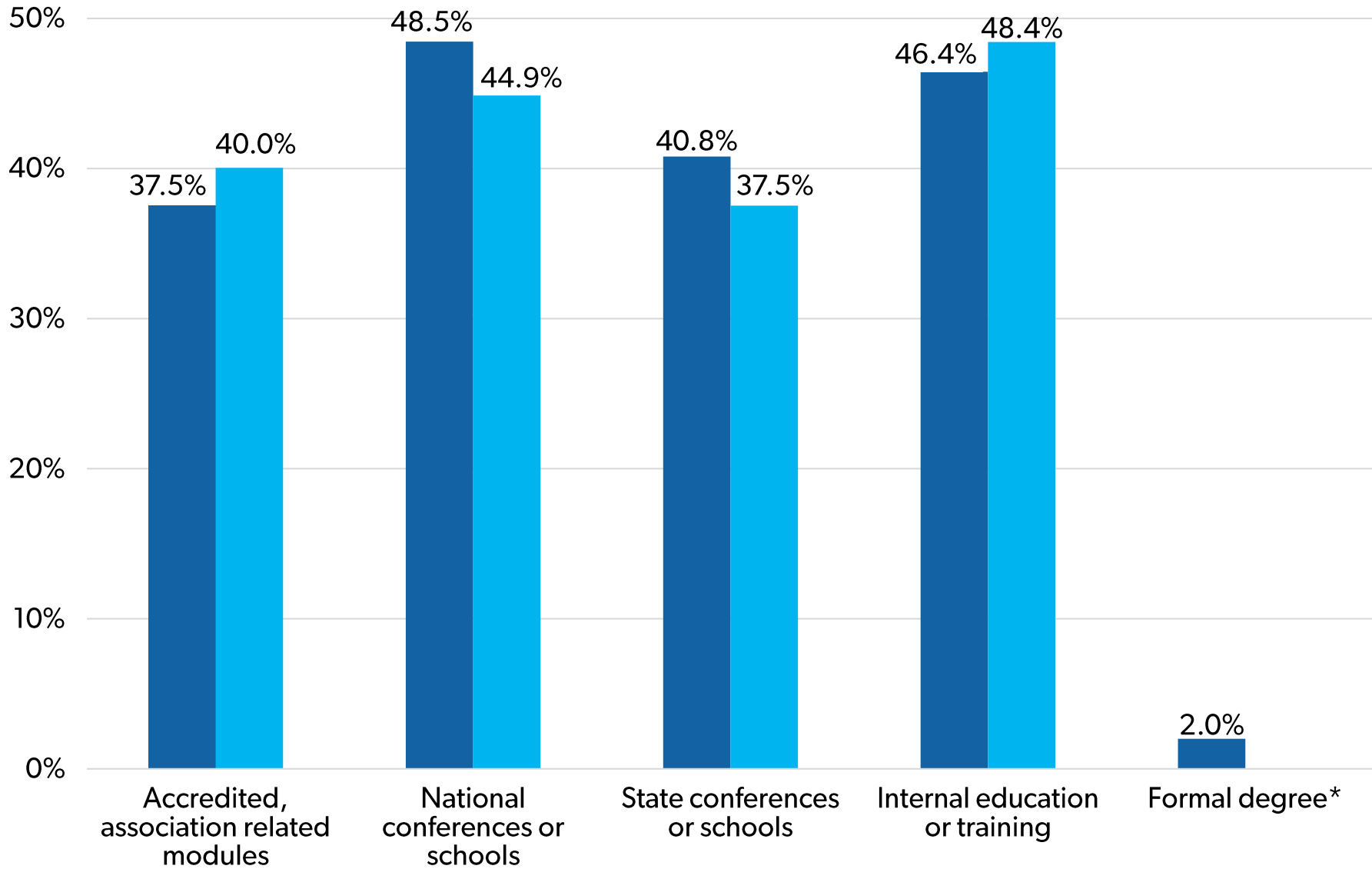


### Does the board have a continuing education policy or requirement for board members?





### What elements does the policy include?



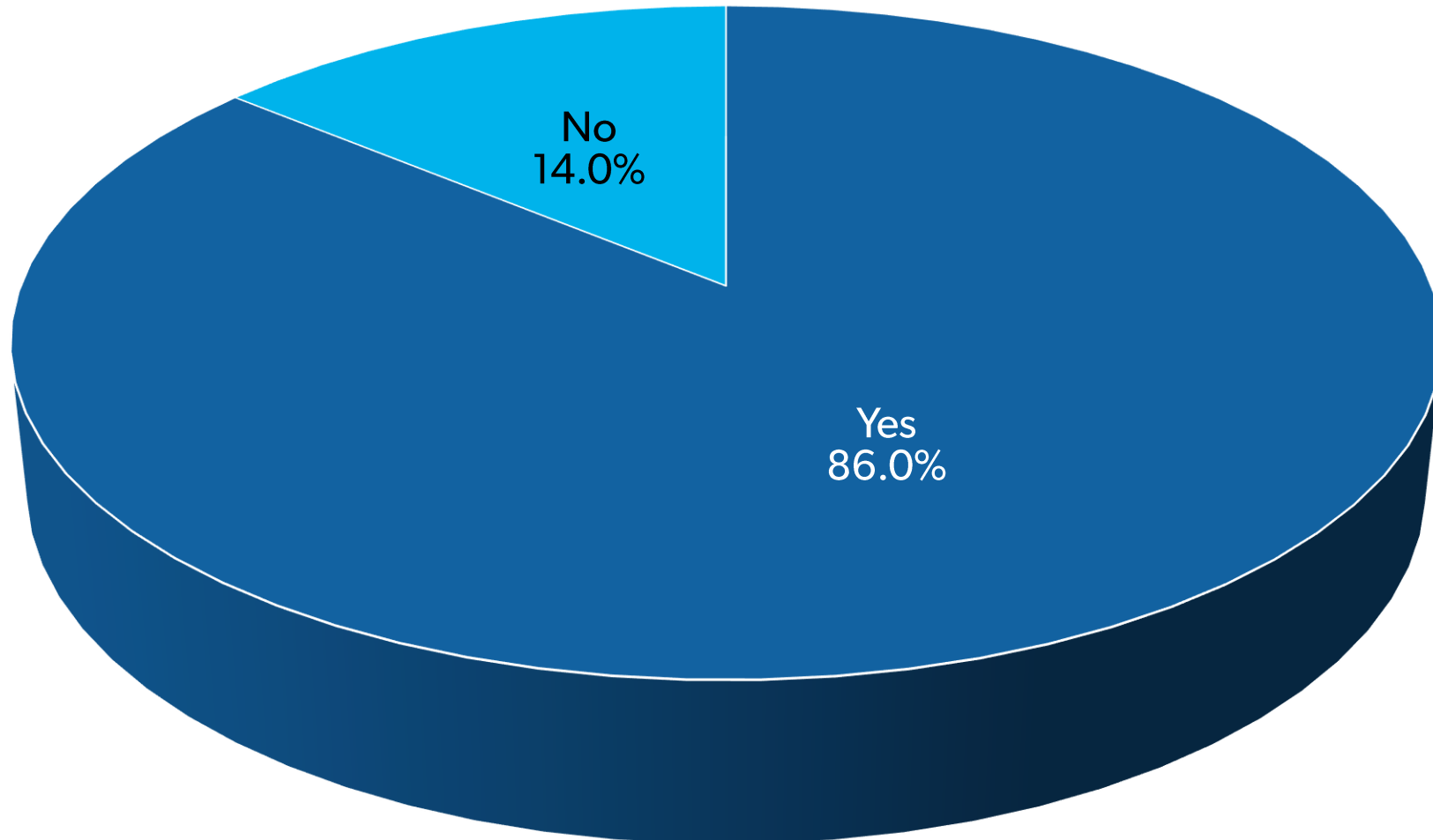
■ 2016 ■ 2014

Percentages may equal more than 100% due to the option to select multiple answers.

\*Answer not provided in 2014 Board Survey



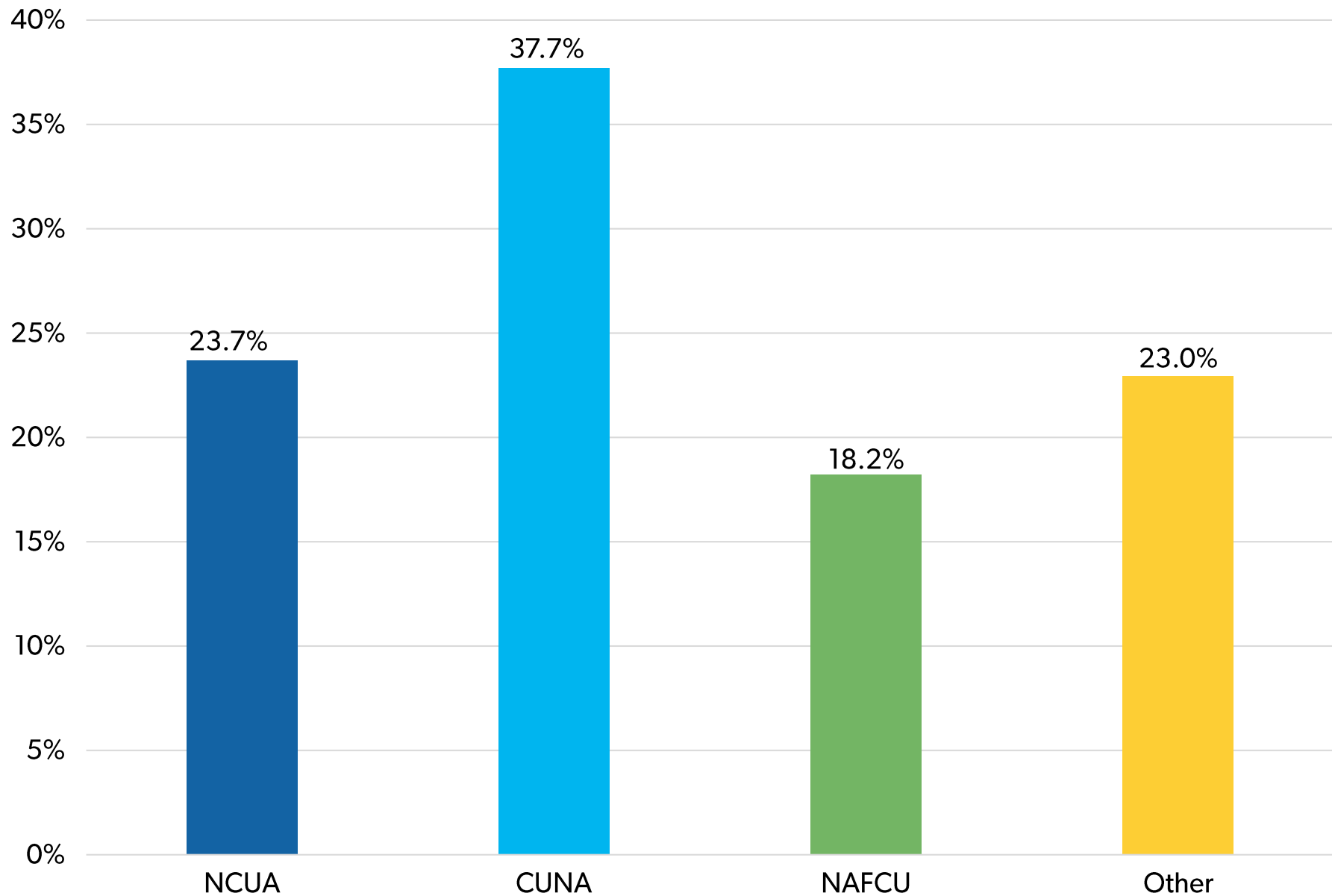
Do you find current continuing education efforts worthwhile for the dollars spent?







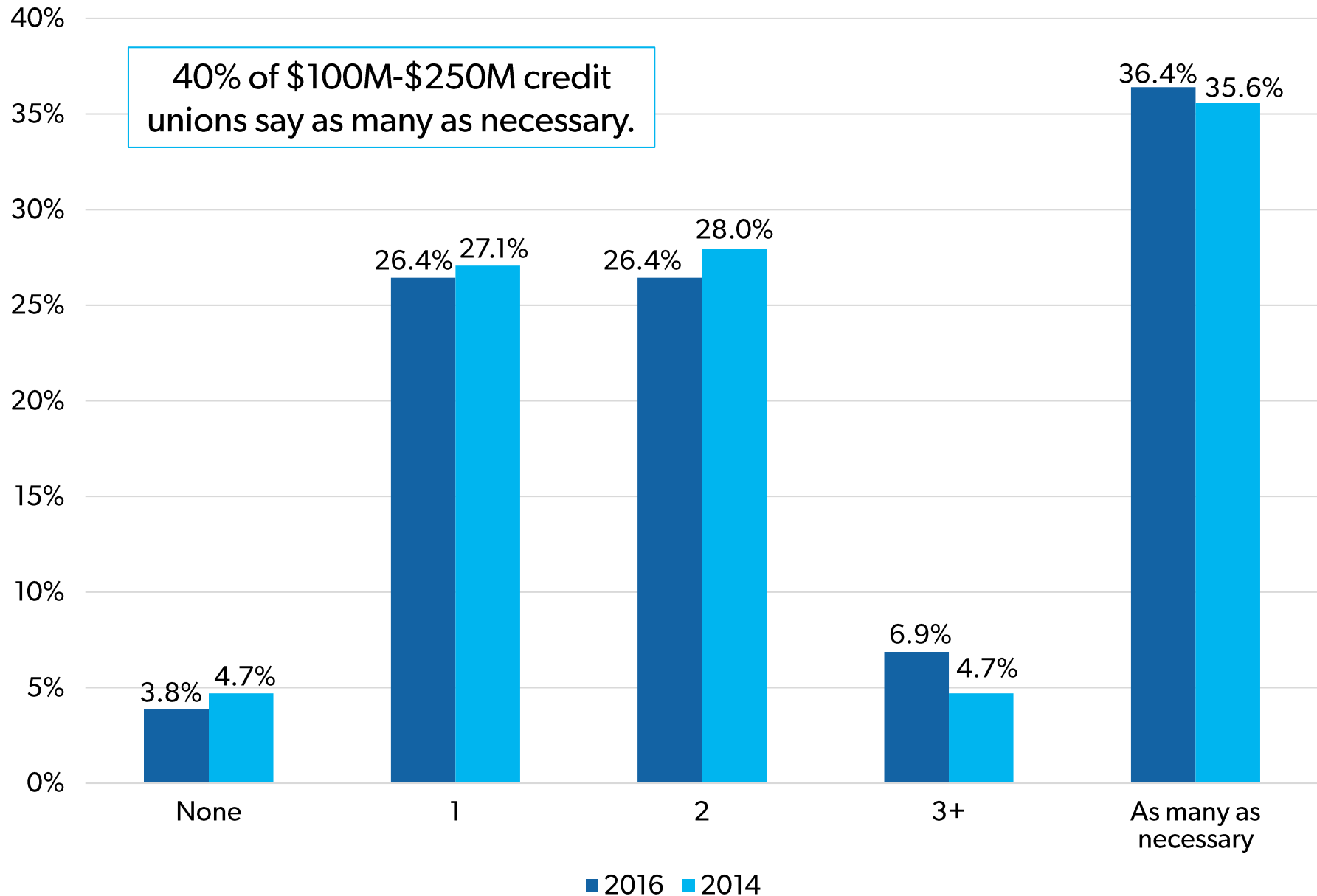
### How are regulatory financial literacy requirements achieved?



Percentages may equal more than 100% due to the option to select multiple answers.

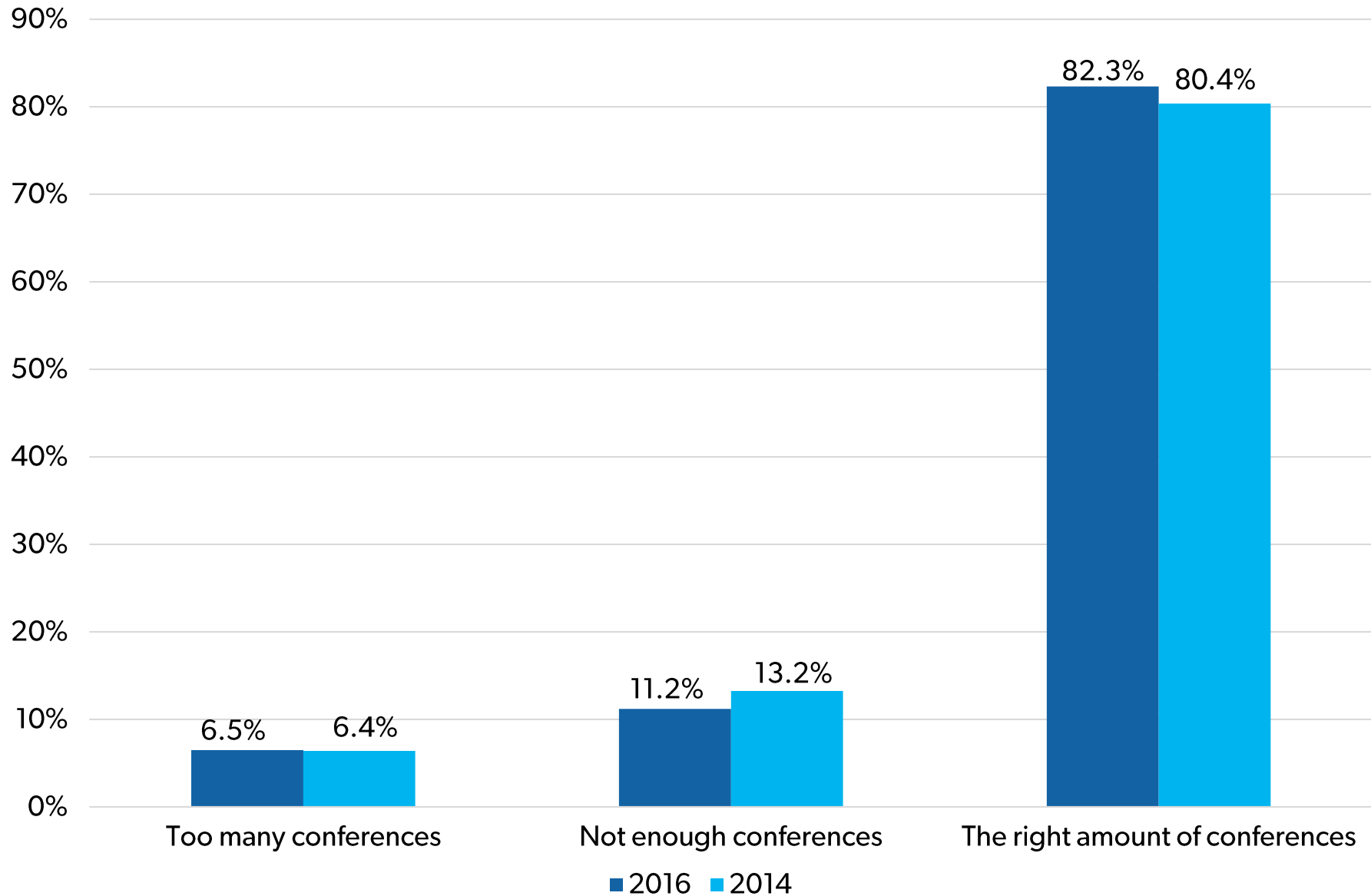


### How many conferences may a board member attend in a given year?



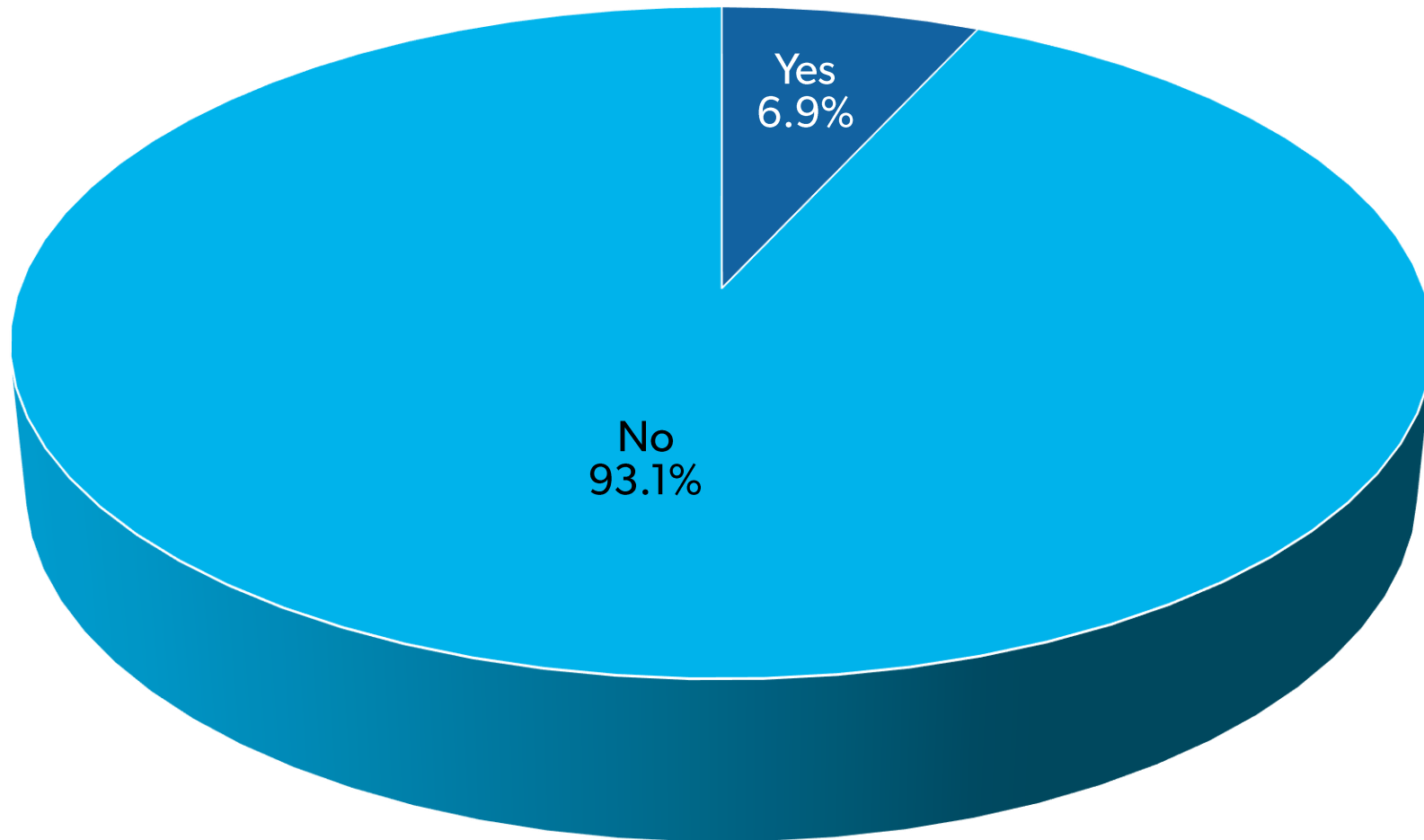


### Concerning the number of conferences a board member may attend in a given year, do you find that it is...



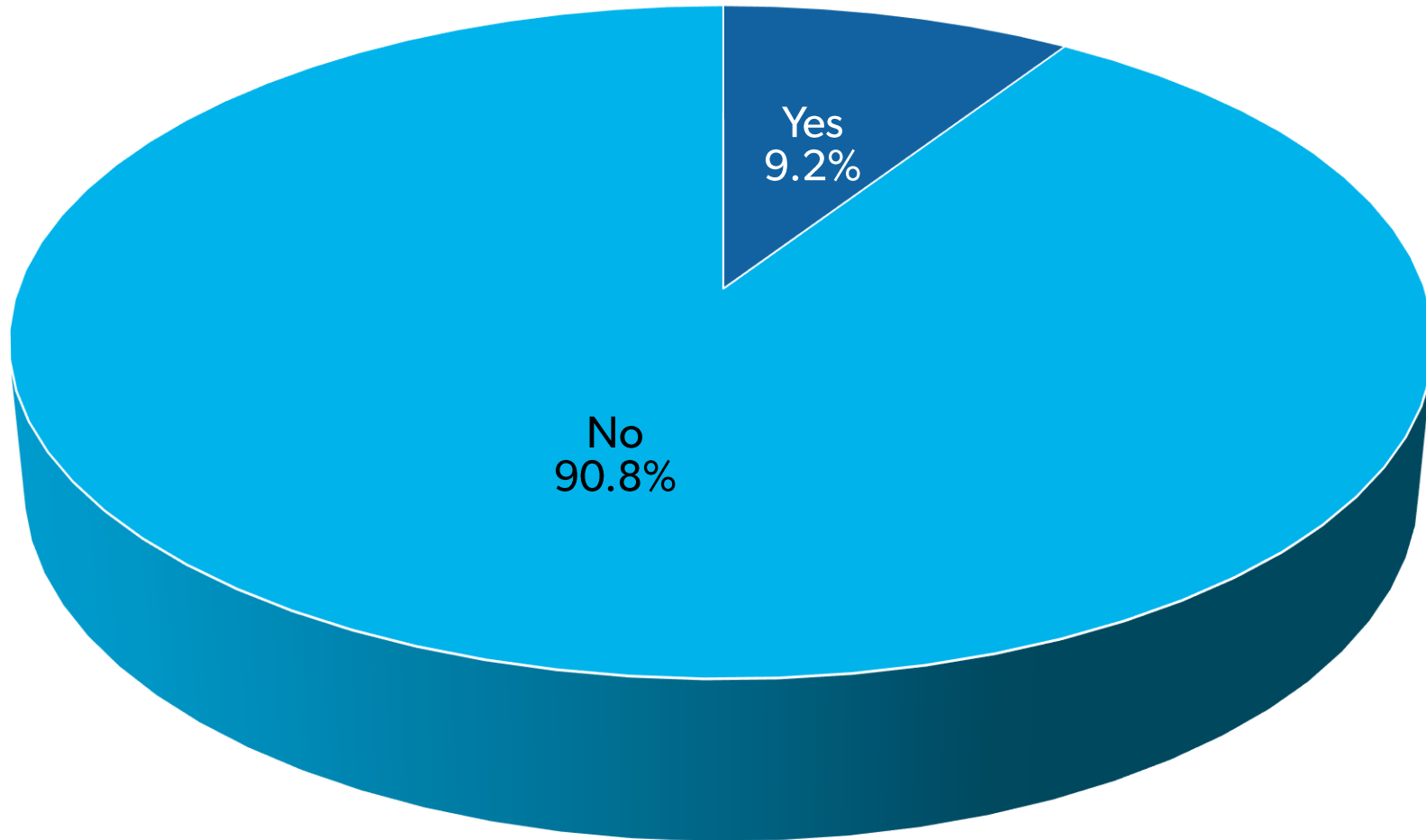


### Do you attend any bank conferences?



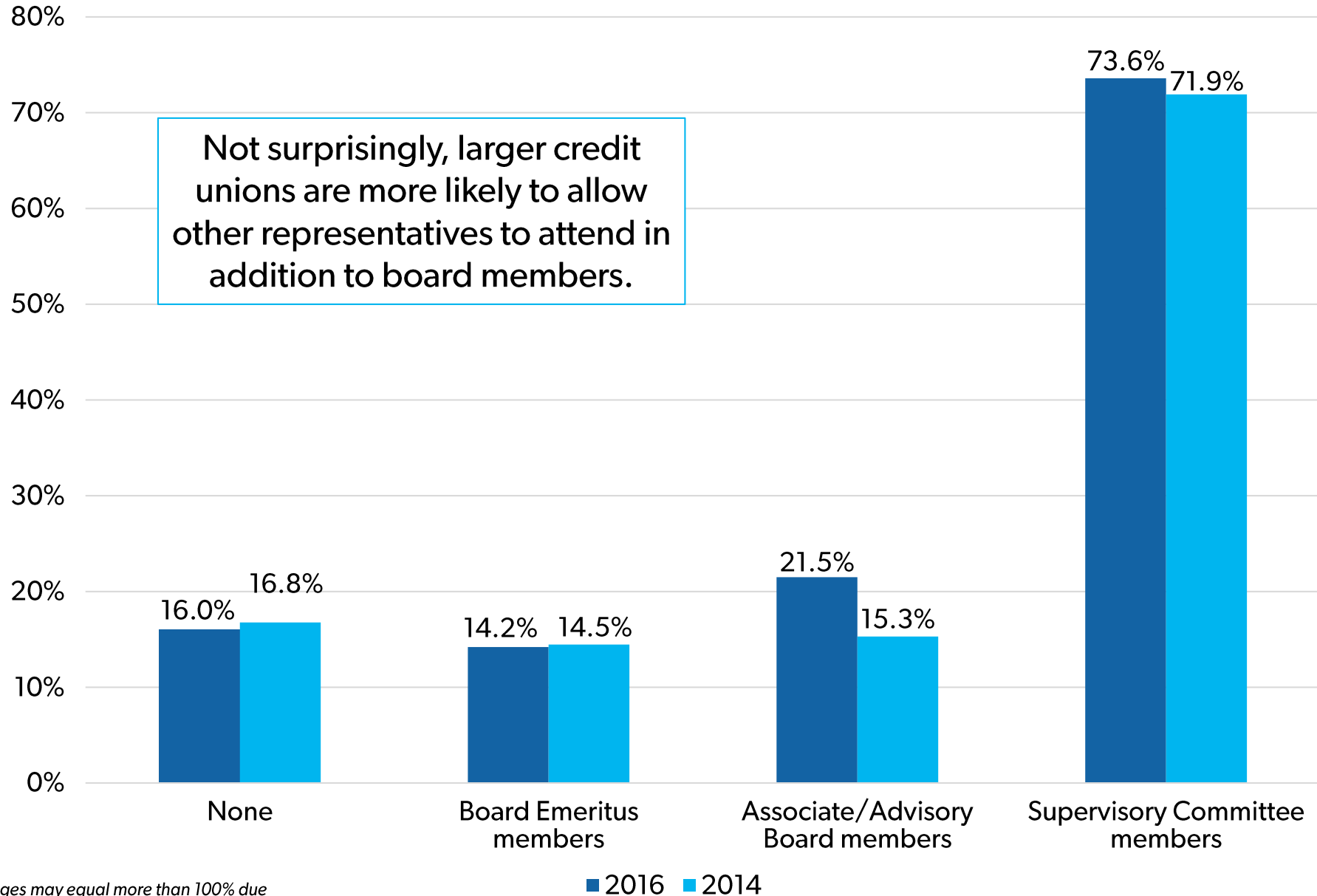


Do you attend any non-industry conferences?





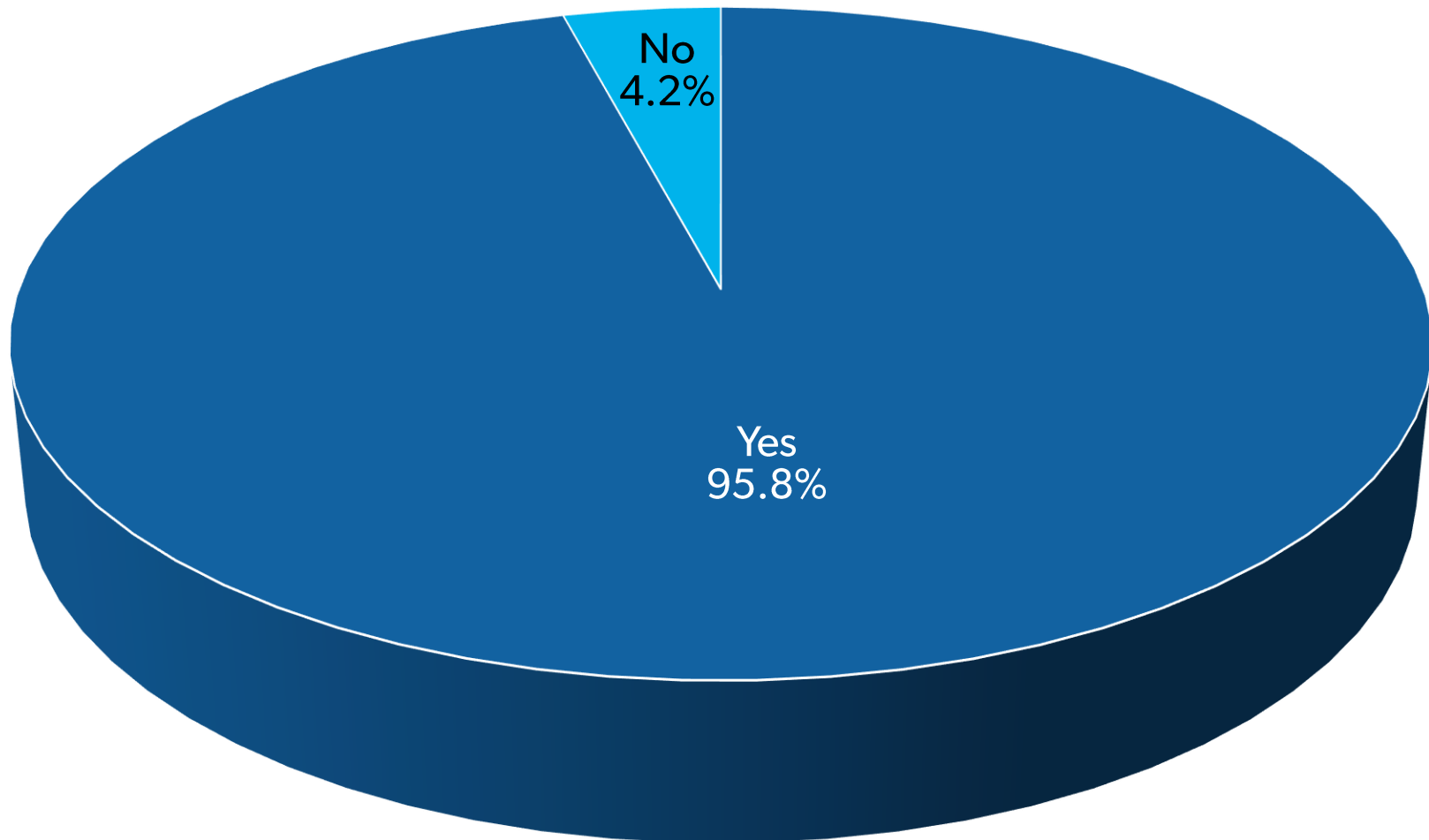
### Who may attend conferences in addition to board members?



Percentages may equal more than 100% due to the option to select multiple answers.

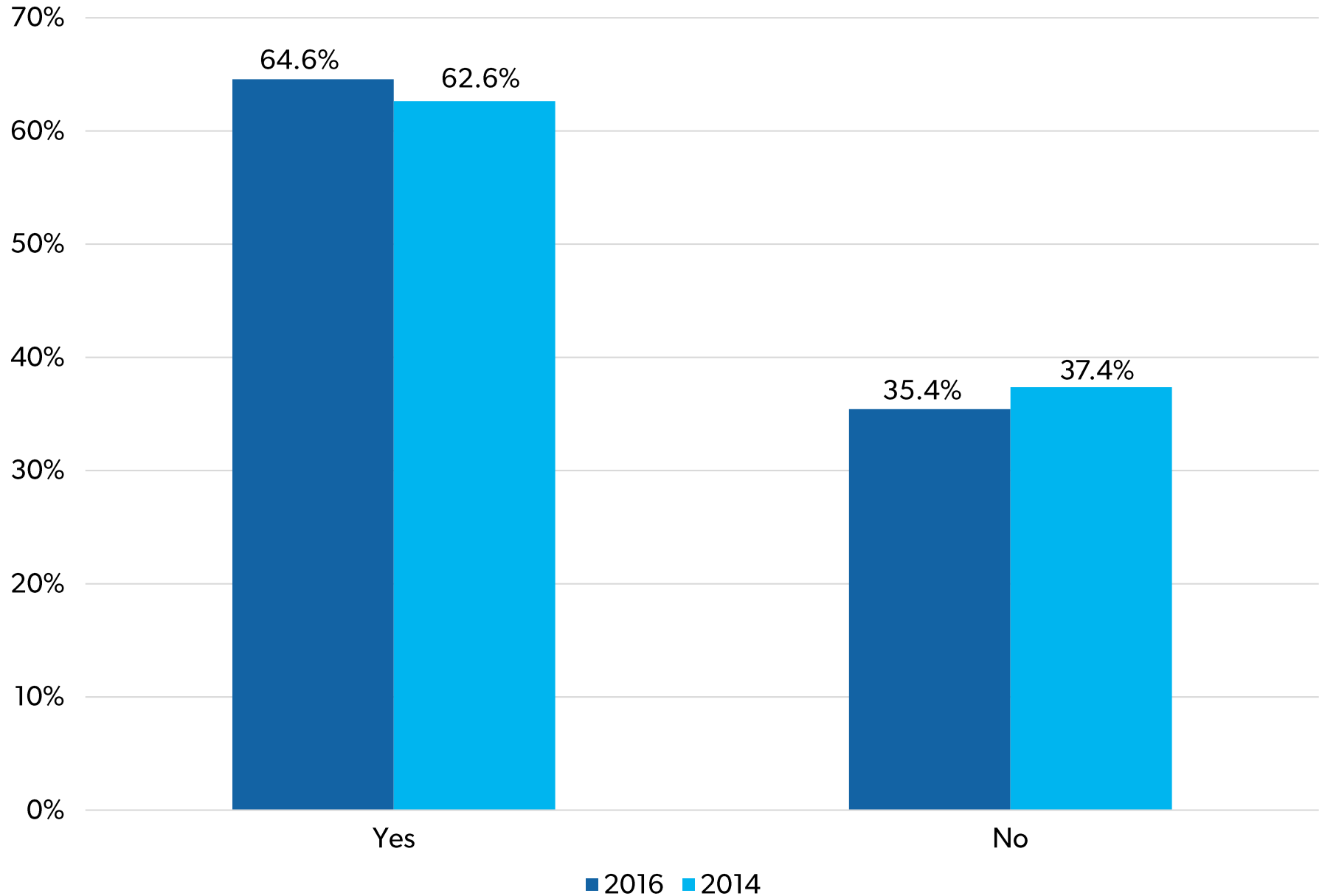


Do you visit the exhibit hall at the conferences that you attend?





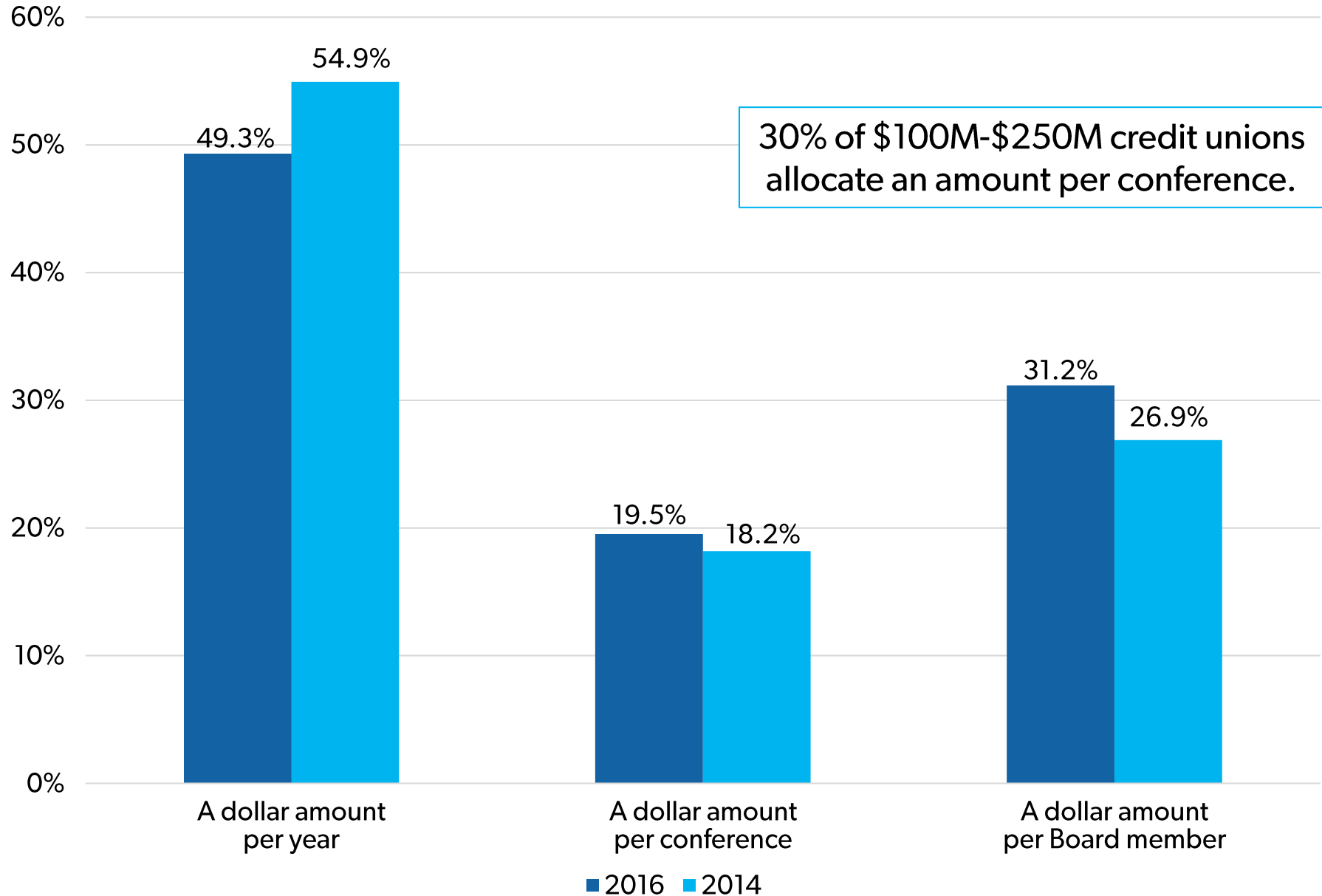
### Do board members have a set travel policy that governs spending?





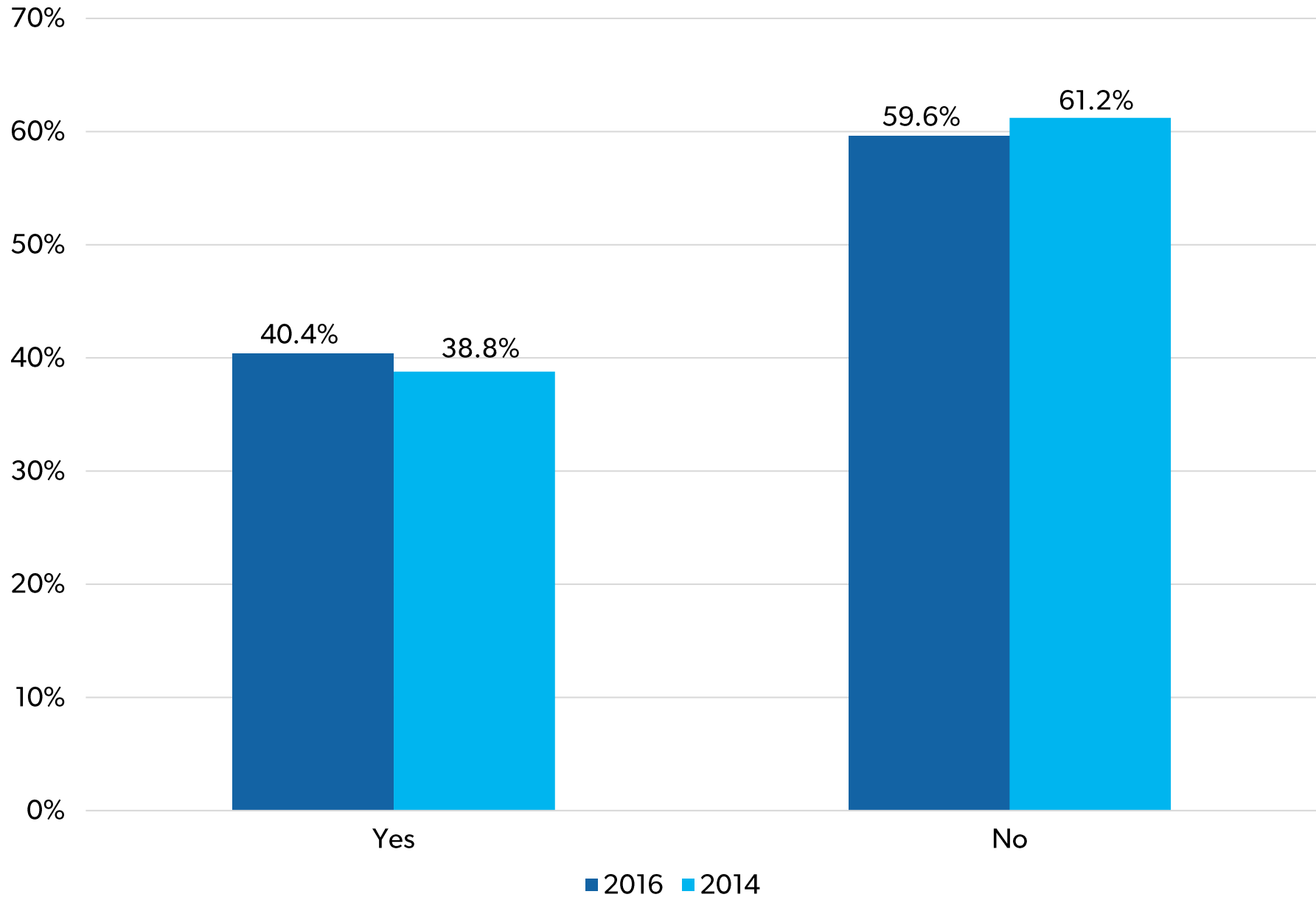


### How is the travel policy structured?



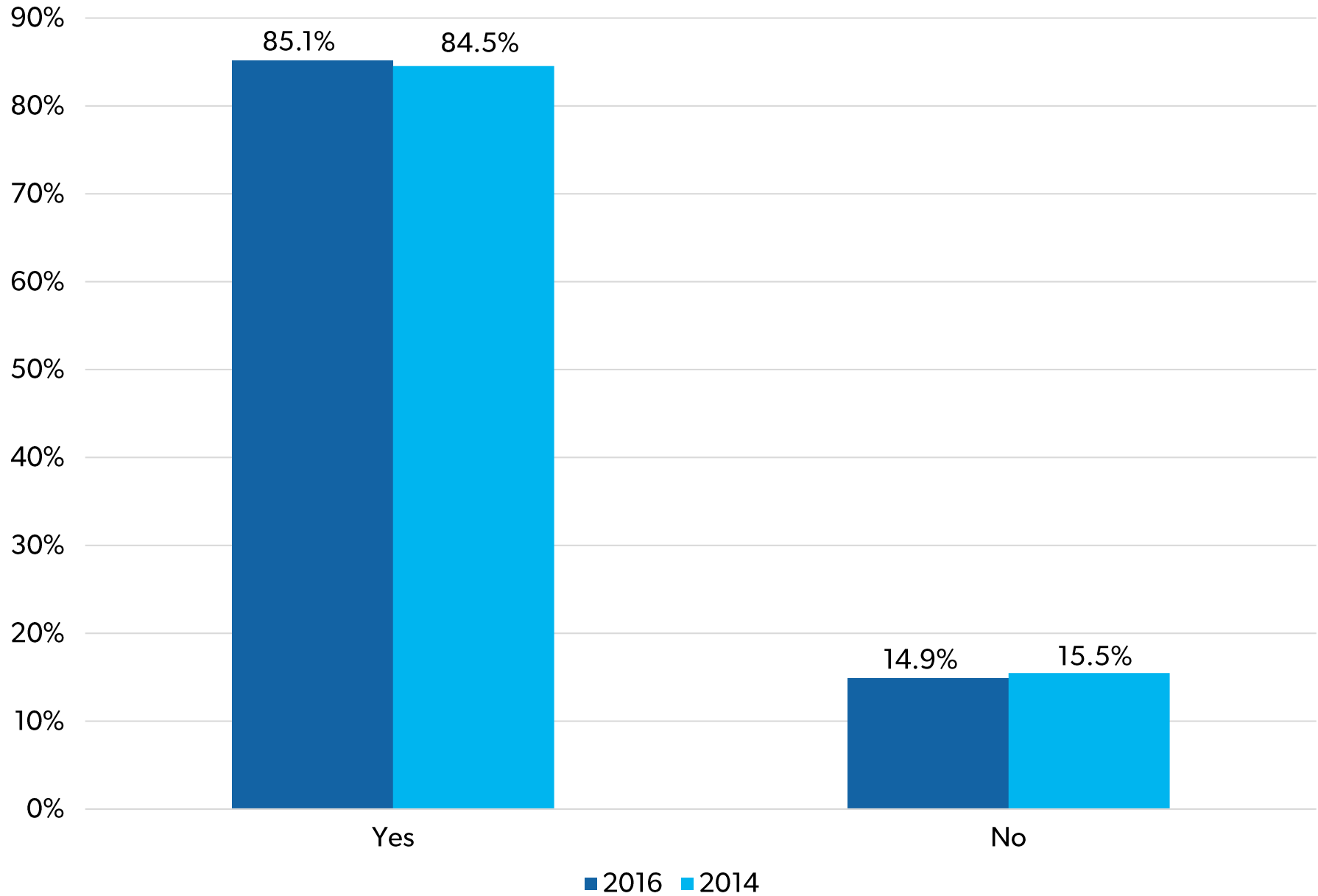


### Do board members make their own travel arrangements?



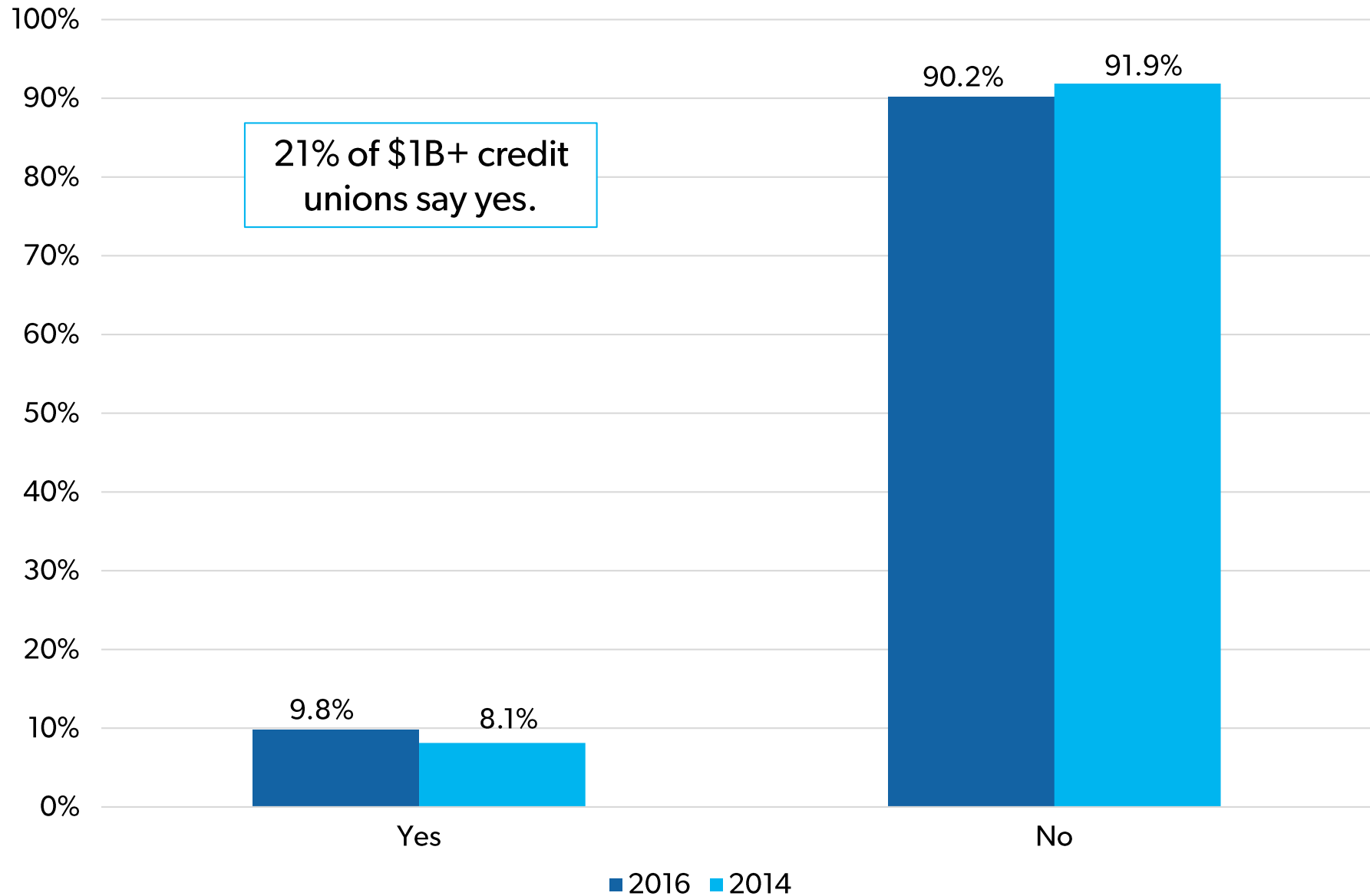


### Are spouses invited to travel with board members?



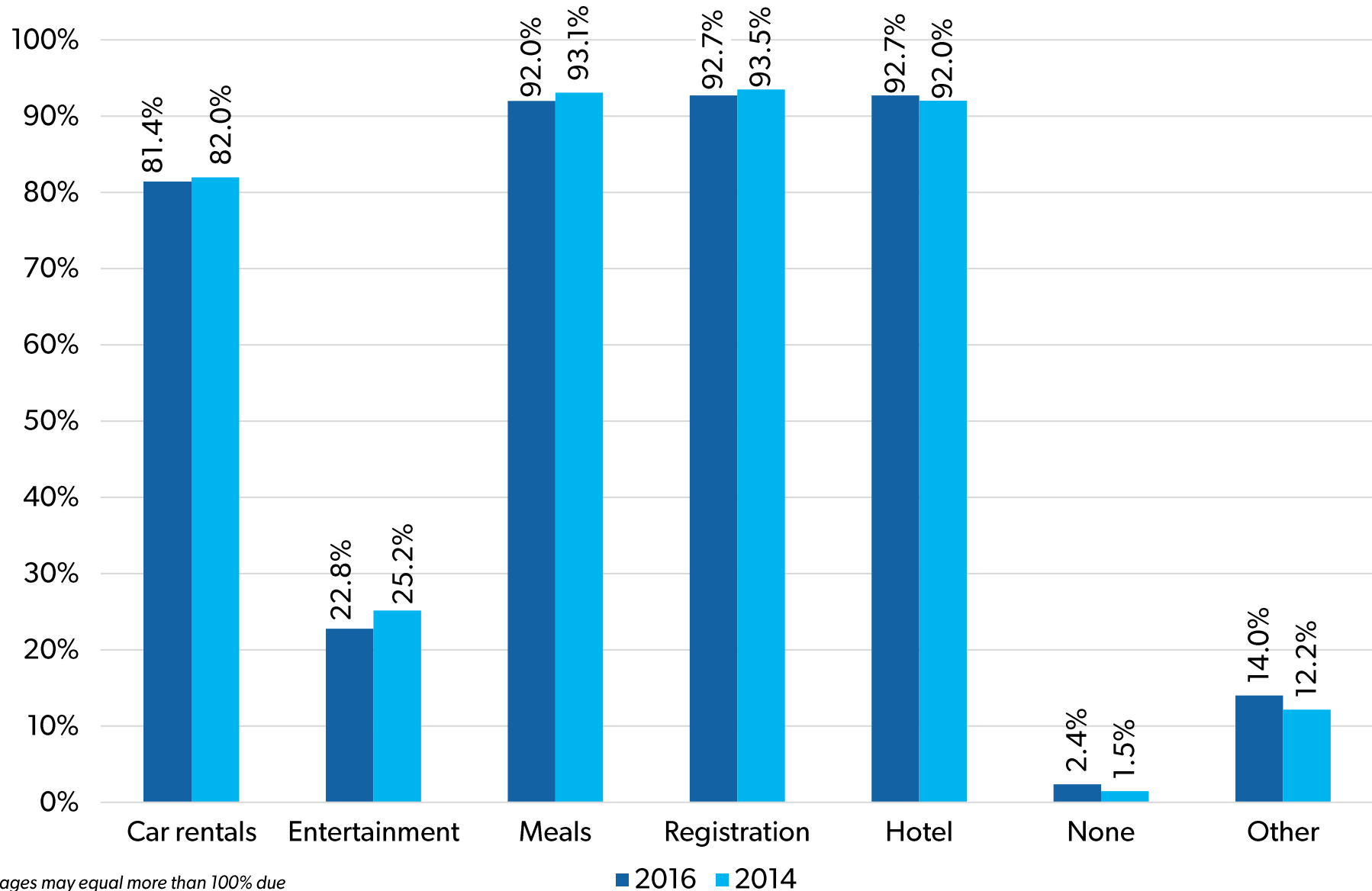


### Are board members allowed to fly first class in certain circumstances? (i.e. distance minimums)





### What travel expenses are board members reimbursed for?



Percentages may equal more than 100% due to the option to select multiple answers.



# Board Succession and Recruitment

*Section Five*



## Board Succession and Recruitment

Board succession and recruitment is a challenge for most credit unions. Because of the large portion of highly tenured members among boards of directors, succession planning and recruitment ensures that the next wave of directors will be as influential in board governance as the current generation.

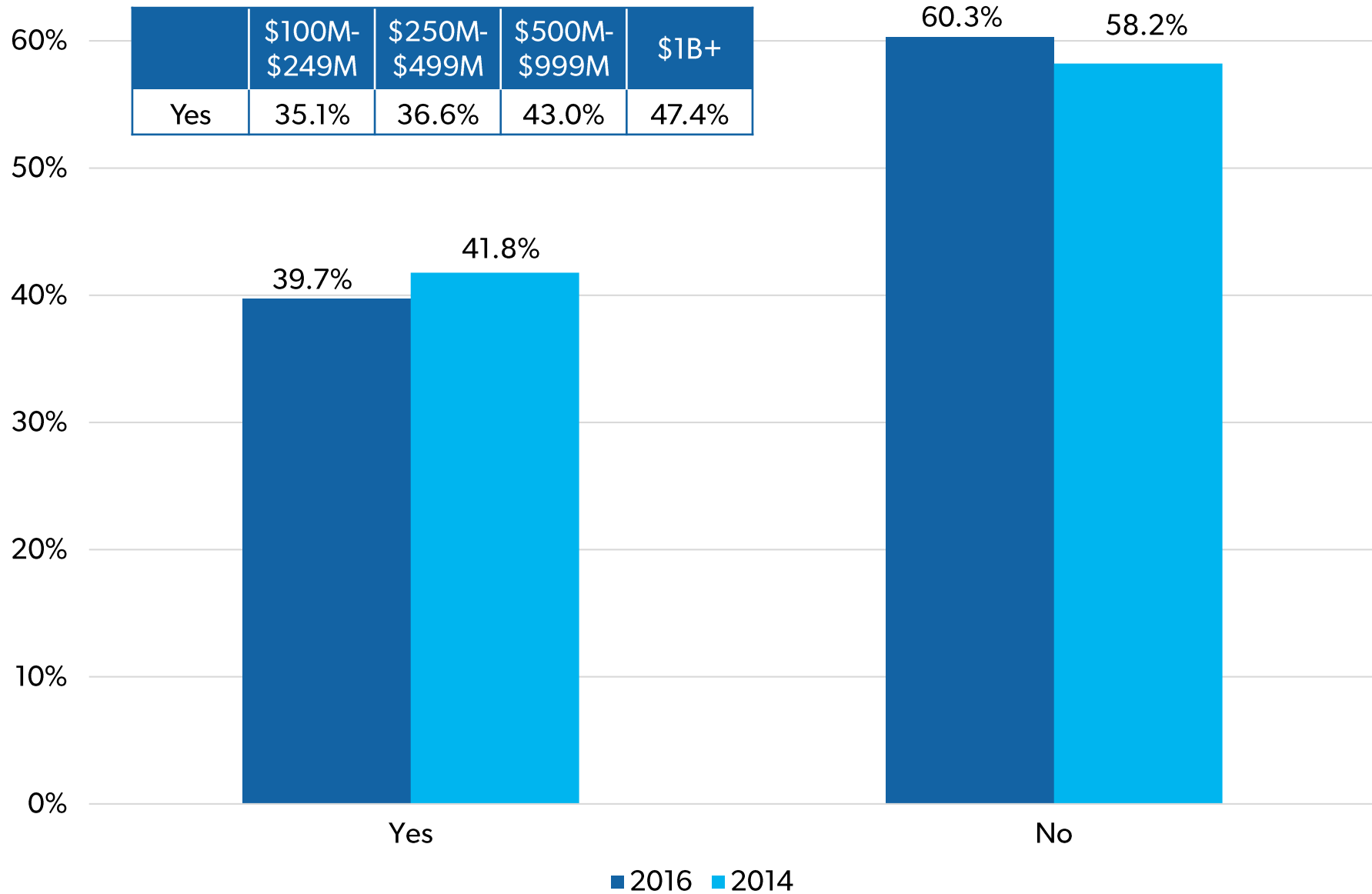
Despite the industry wide issues facing boards of directors in the coming years, only 40% of credit unions report a board succession plan in place. Even among large credit unions with more than one billion in assets, just 47% have a succession plan in place. For those with a plan, 67% indicate they review their plan annually, while 7.3% review the plan semi-annually, an increase of 4.1% from the 2014 Board Survey. Effectiveness of the plan appears to be an issue since roughly one in four credit unions report a neutral opinion on whether their board succession plan is effective.

When it comes to position rotation, half of all credit unions require rotation of the chair position and 28% require rotation of other officer positions. While term limits for board members are in place for only 17% of all credit unions, more than one in three credit unions believe term limits should be used. When examining opinions on term limits, there is a great discrepancy between board chairpersons and CEOs. While 77% of board chairs feel they do not need term limits, 43% of CEOs believe they need term limits. One cause for this sentiment among directors could be board recruitment. Only 25% of directors felt that it was easy to recruit new board members and 40% say it is difficult. There is often a perception that larger credit unions have more resources to recruit and reward board members, however, one in three credit unions with assets over one billion indicate it is difficult or extremely difficult to recruit new board members, a sentiment that is similar to that of smaller sized organizations.

Striking a balance between the fresh perspective of new directors and the seasoned leadership of tenured directors requires continued effort. Recruitment and succession are quickly coming to the forefront of industry issues and one can expect more attention in these areas from all parties within the credit union industry (e.g., regulators, trade associations, etc.).



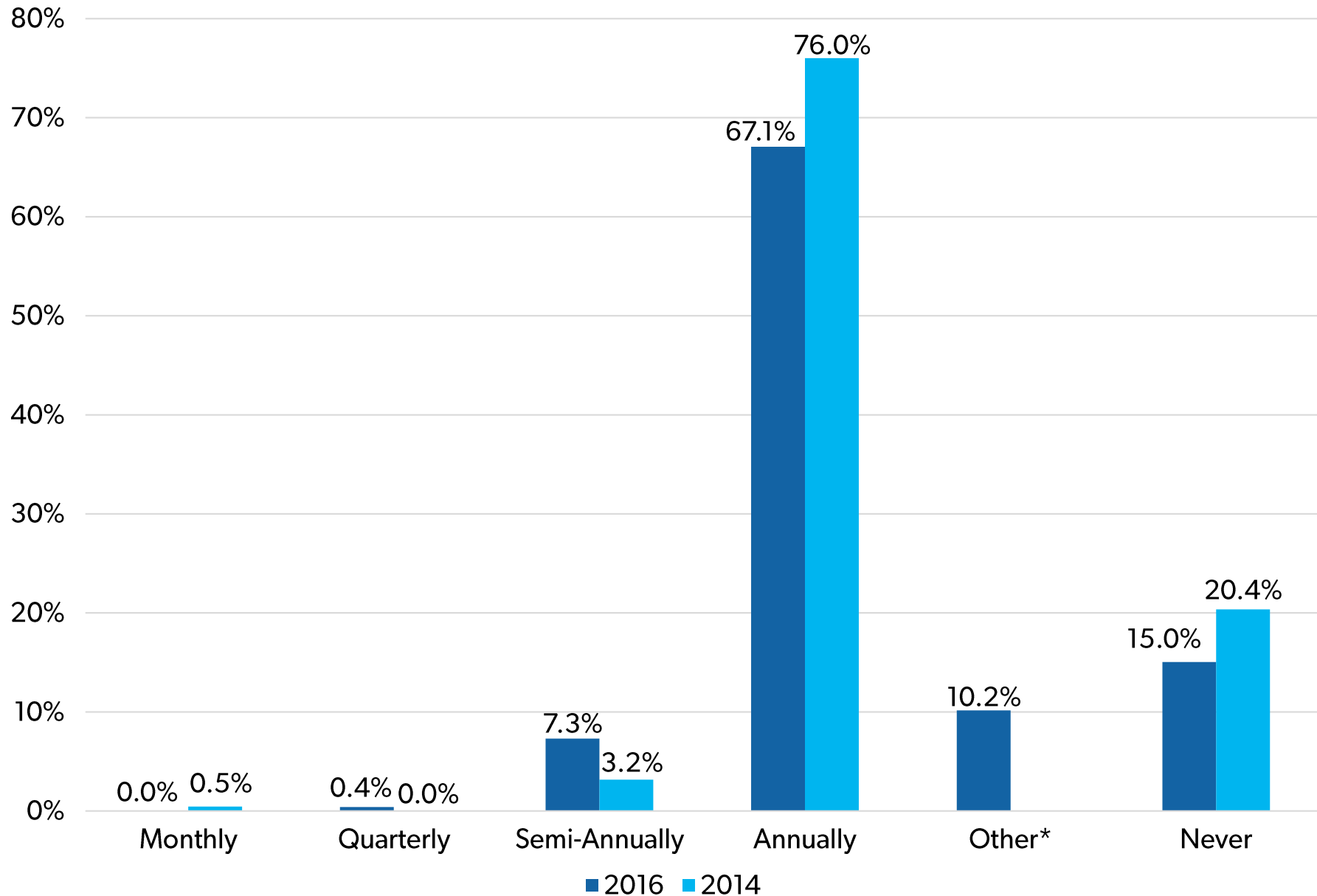
### Does the credit union have a board succession plan in place?







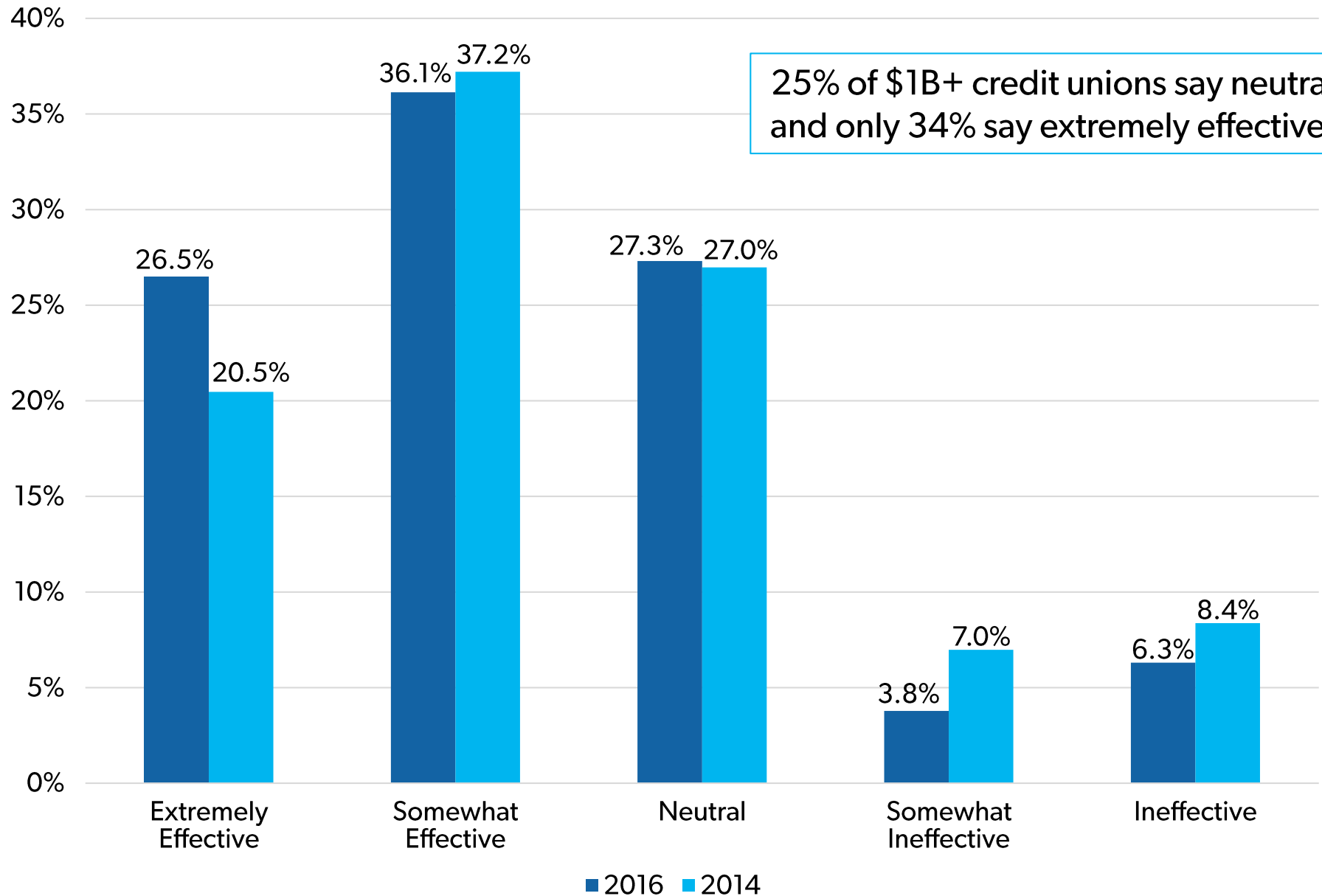
### How often does the board review its succession plan?



\*Answer not provided in 2014 Board Survey

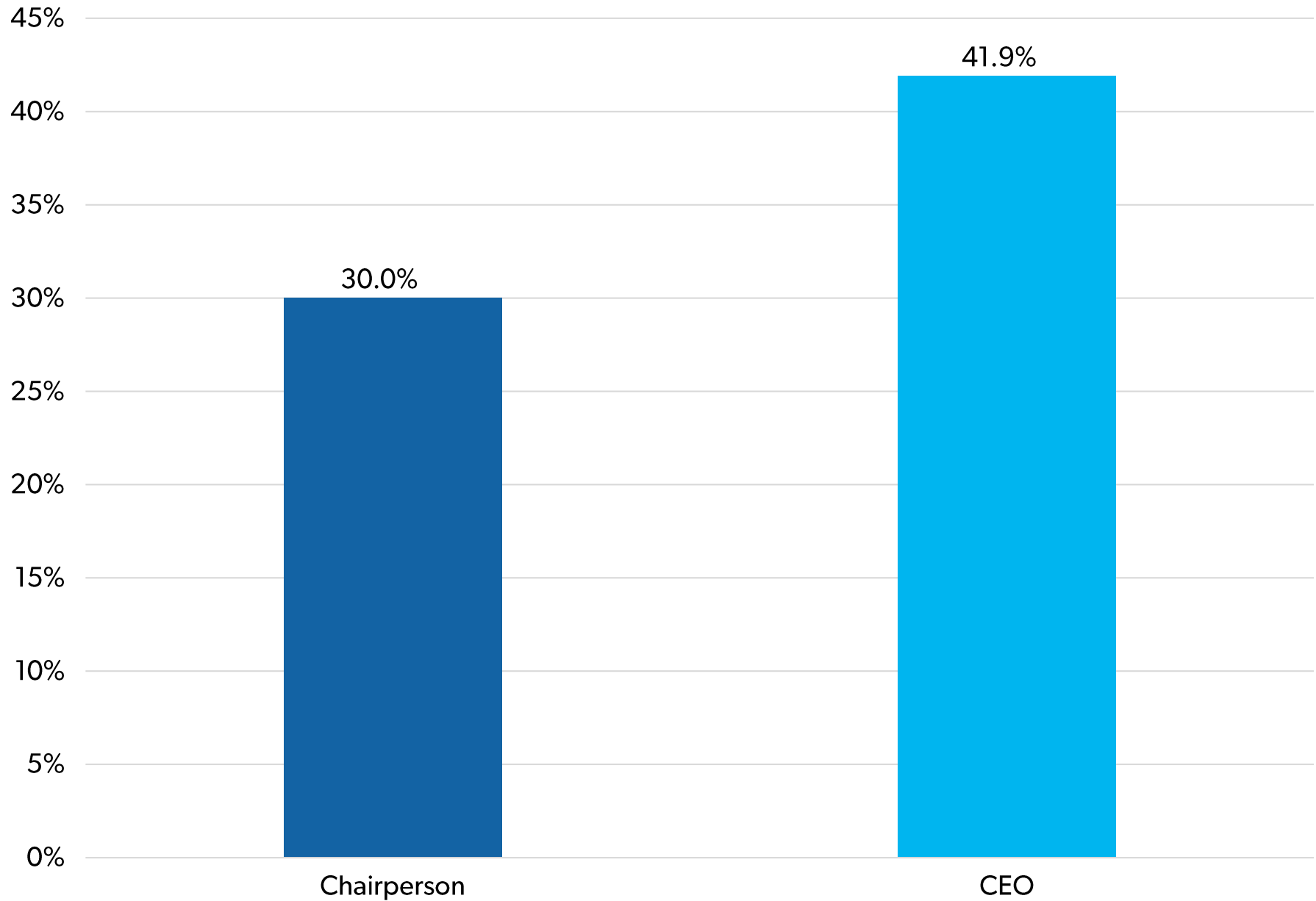


### How effective is the board succession plan?



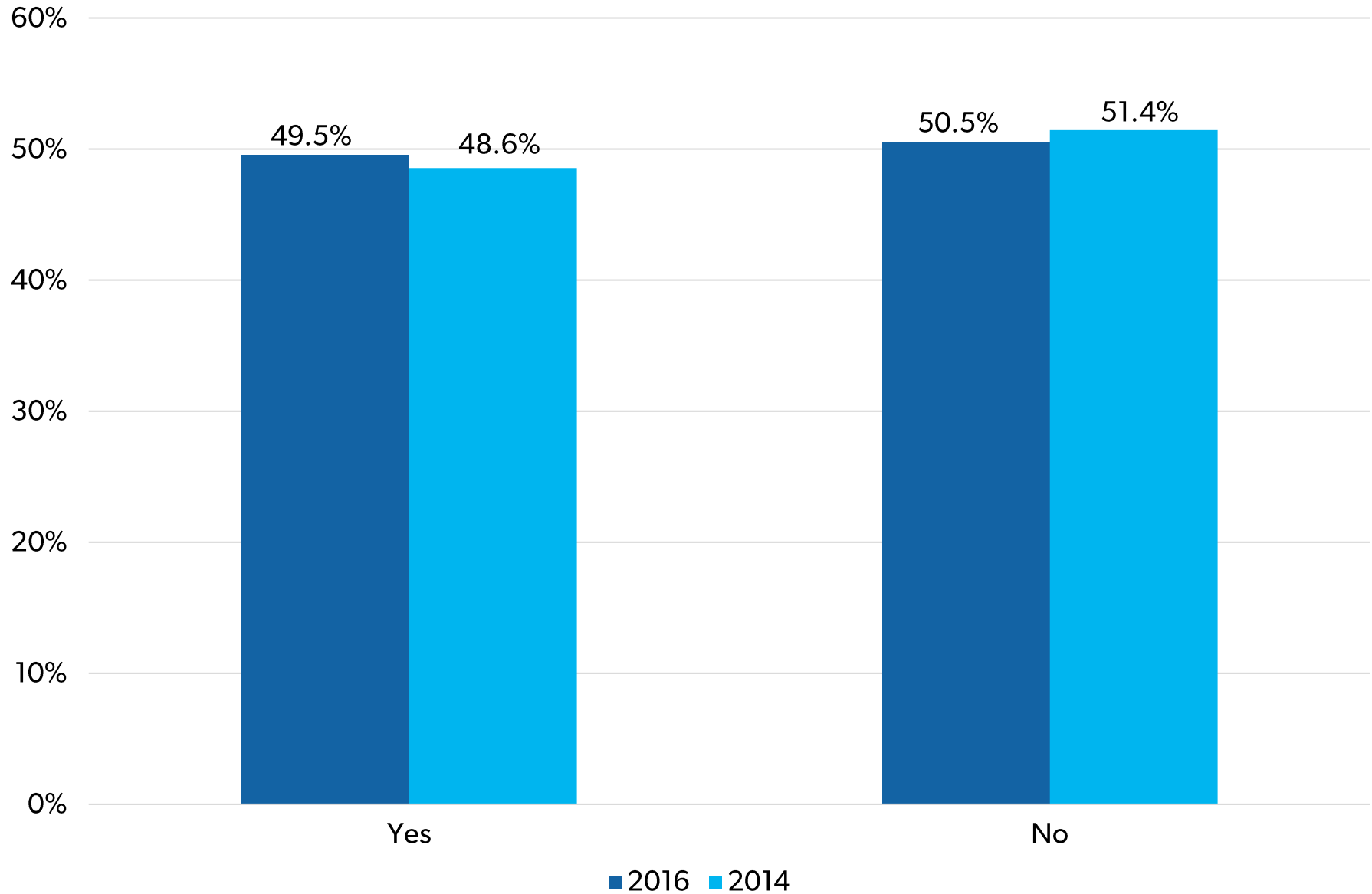


(%) that found that their board succession plan was less than effective



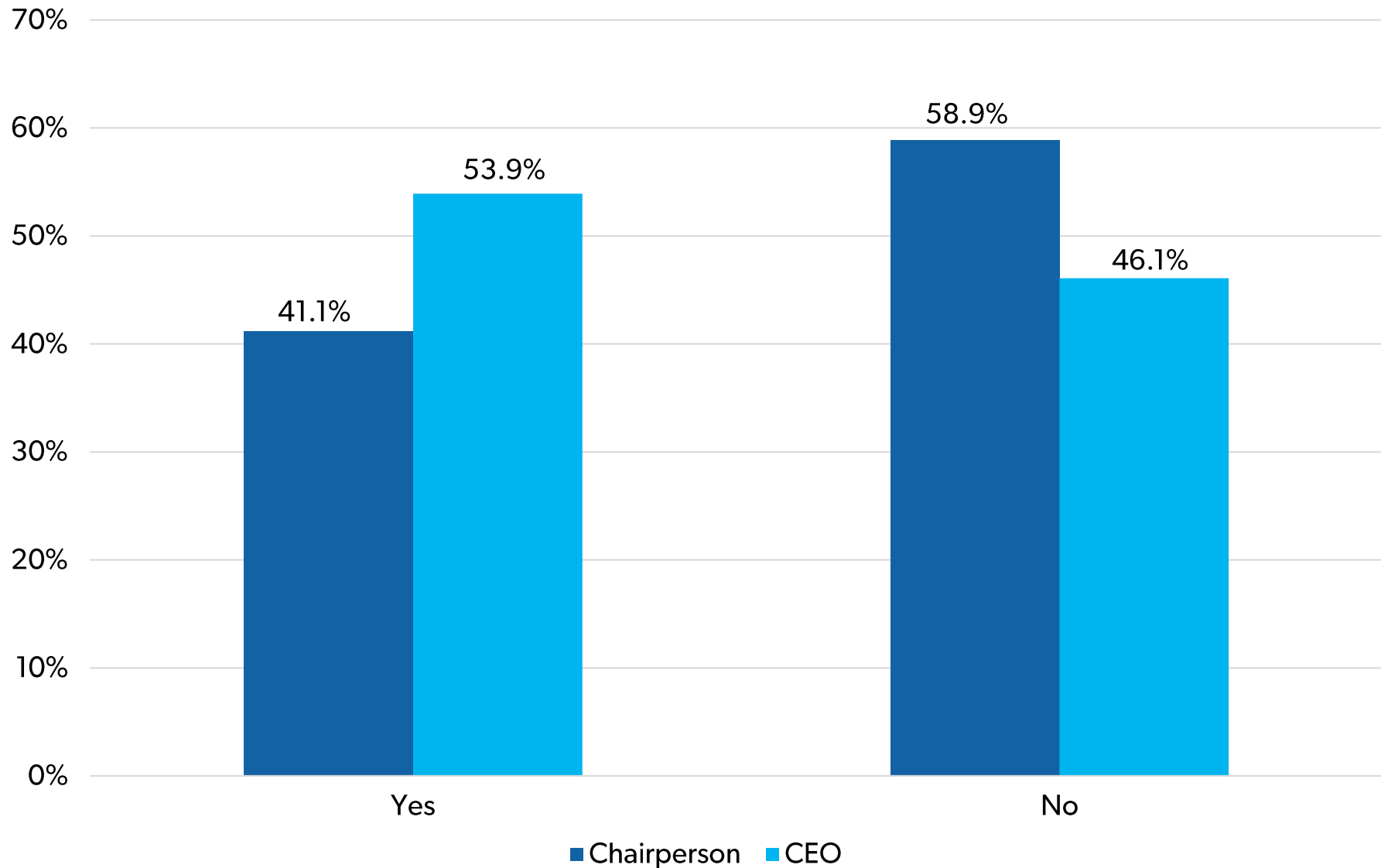


### Do you feel that you need to develop a board succession plan or alter your existing plan?



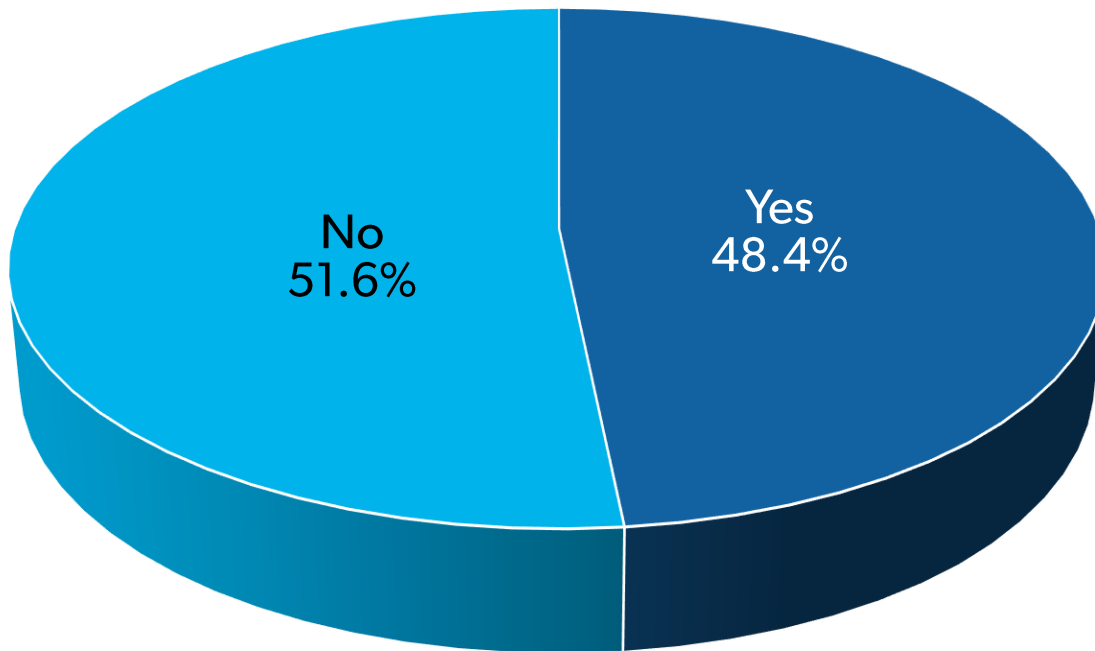


### Do you feel that you need to develop a board succession plan or alter your existing plan? Chairperson versus CEO





### Does the board chair position rotate between directors?

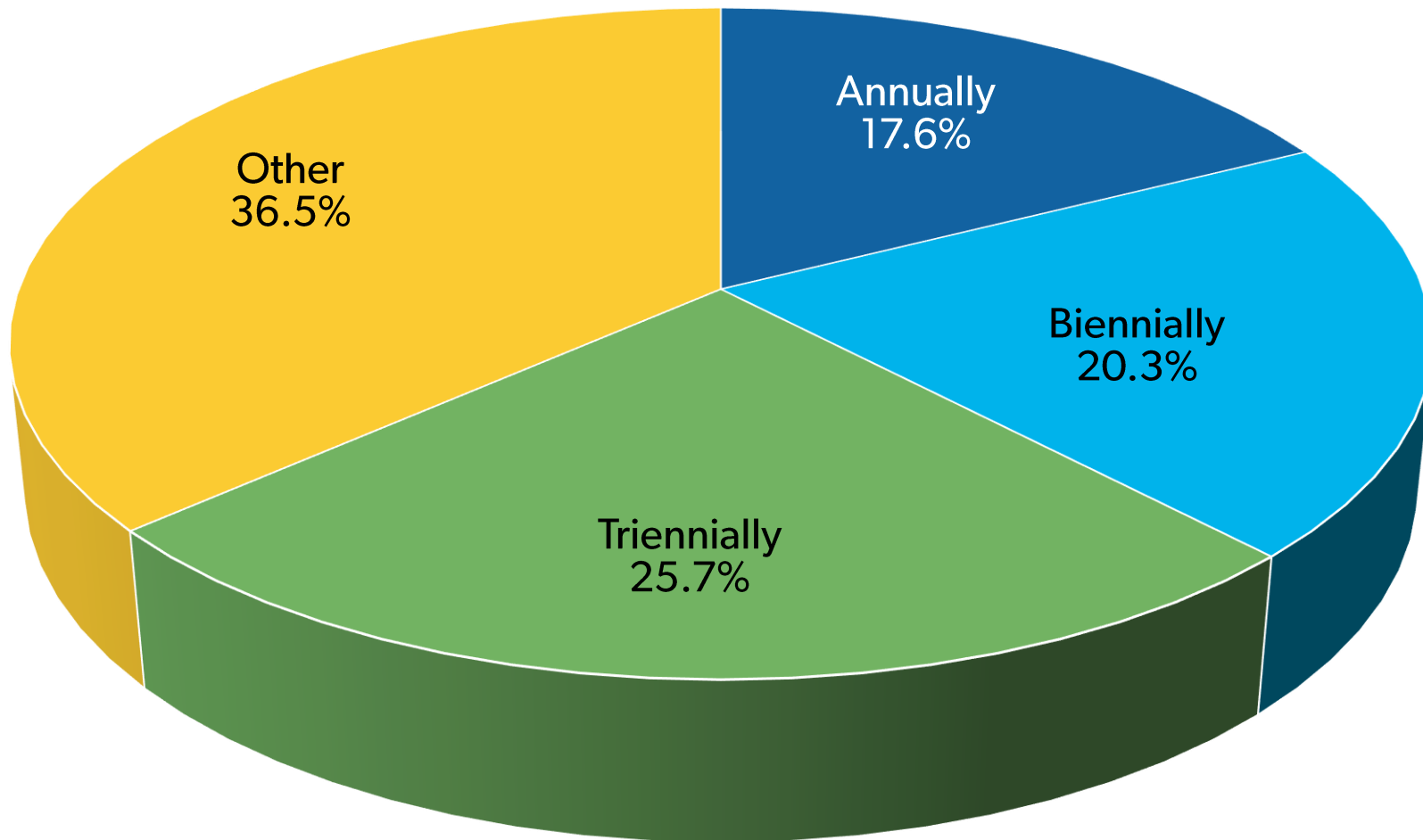


Credit unions under \$1B have opportunities to rotate the chair position.

	\$100M-\$249M	\$250M-\$499M	\$500M-\$999M	\$1B+
Yes	40.2%	47.4%	47.5%	62.3%

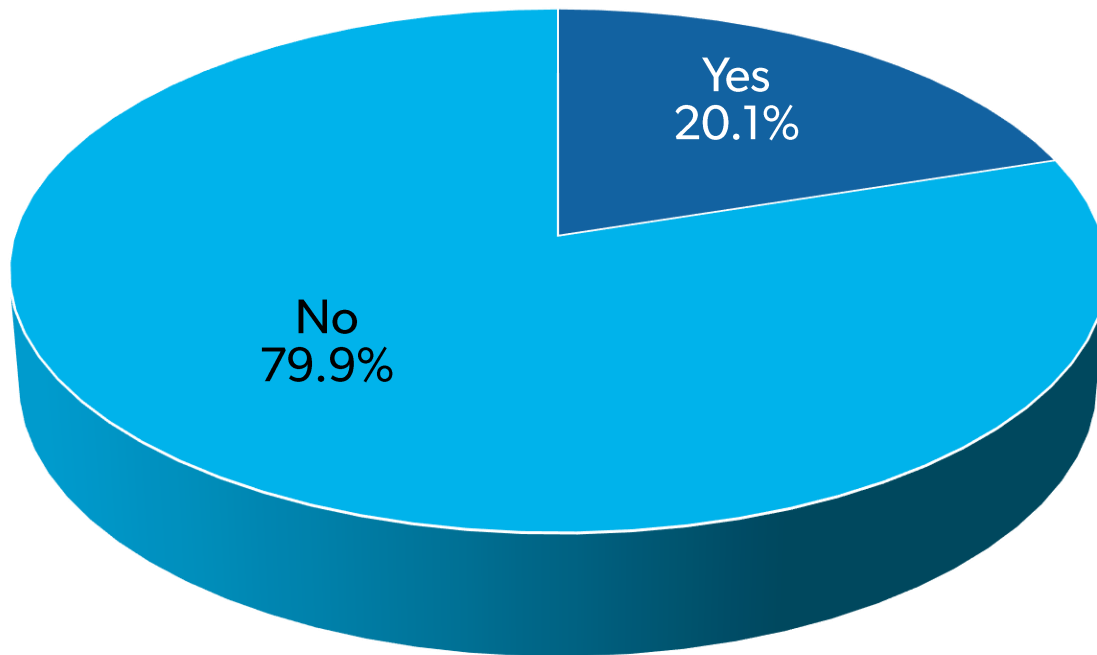


How often does the board chair position rotate between directors?





### Does the board mandate rotation of officer positions?



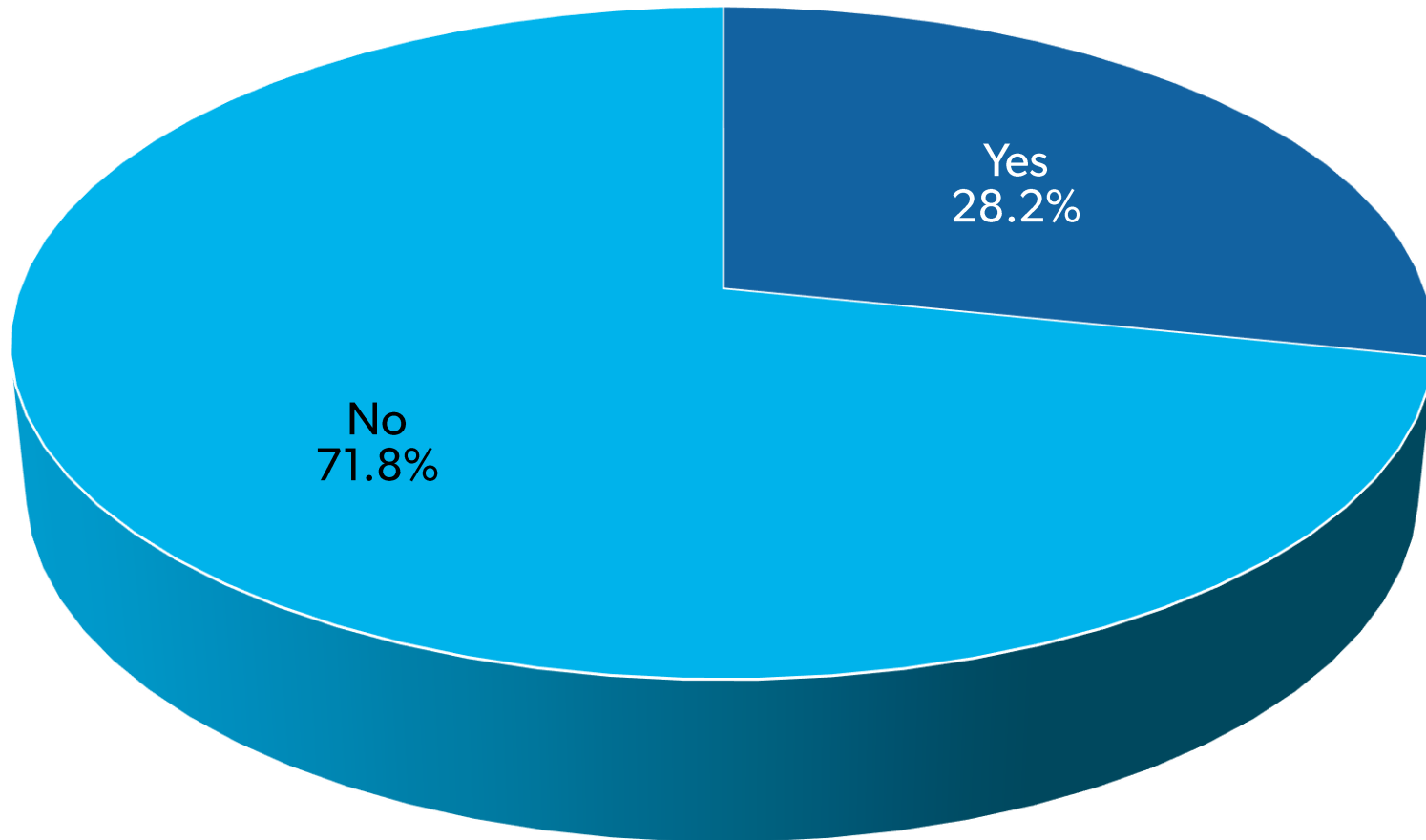
	\$100M- \$249M	\$250M- \$499M	\$500M- \$999M	\$1B+
Yes	8.8%	19.7%	25.0%	32.8%

While mandating rotation of officer positions is not a popular practice overall, it is more likely among credit unions with assets over \$500 million.



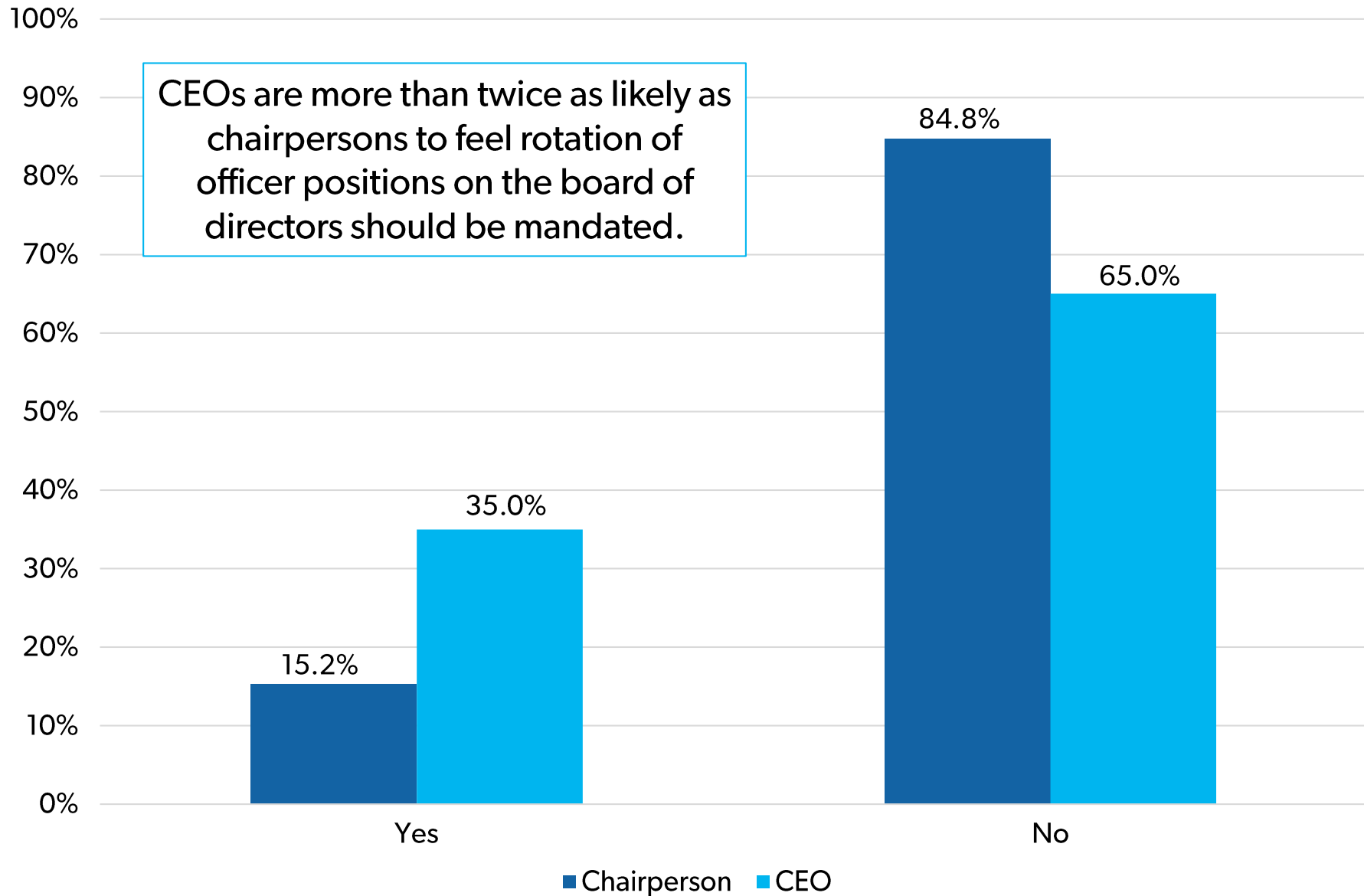


Do you feel that you need to mandate rotation of officer positions?



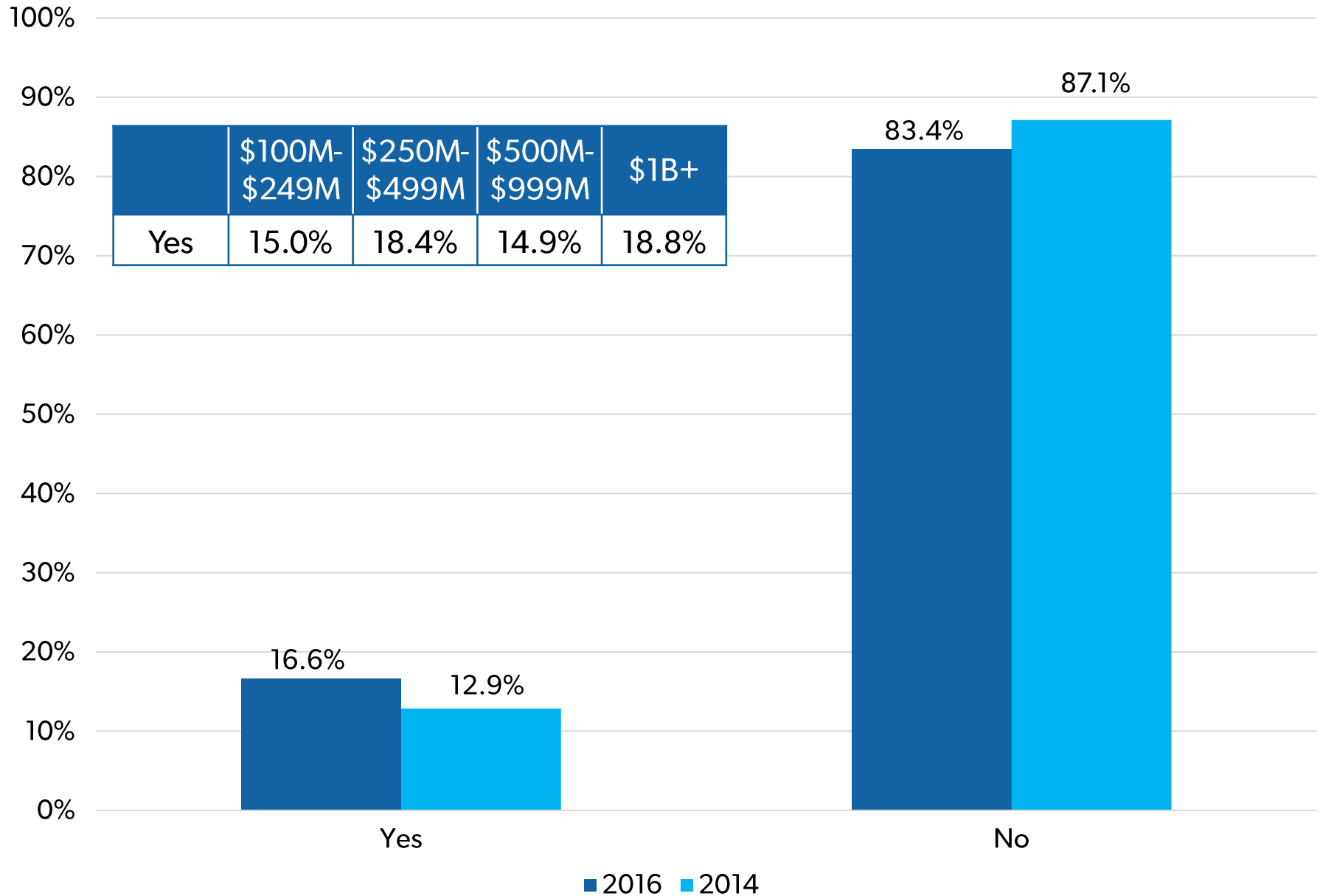


### Do you feel that you need to mandate rotation of officer positions? Chairperson versus CEO



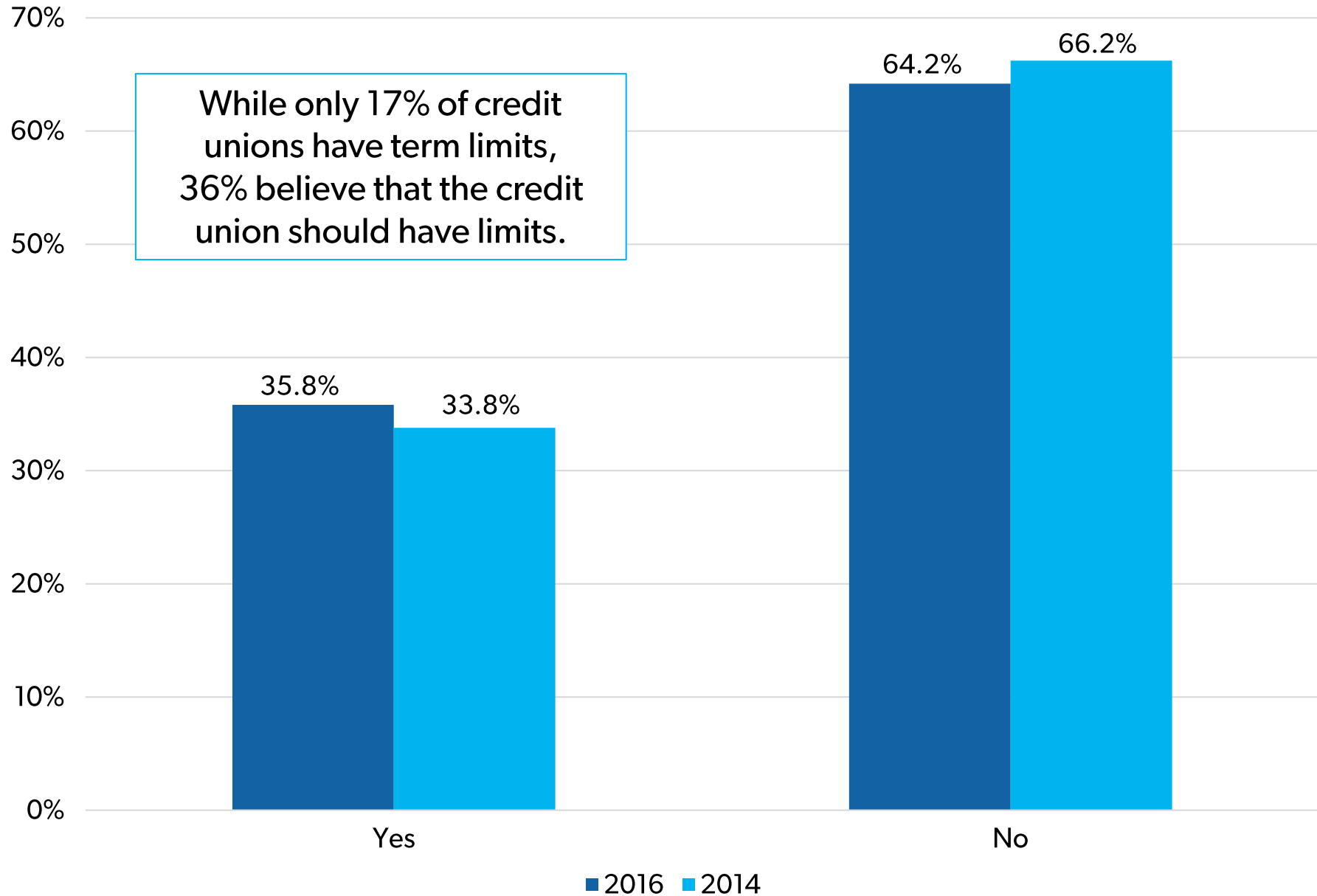


### Does the board have term limits?



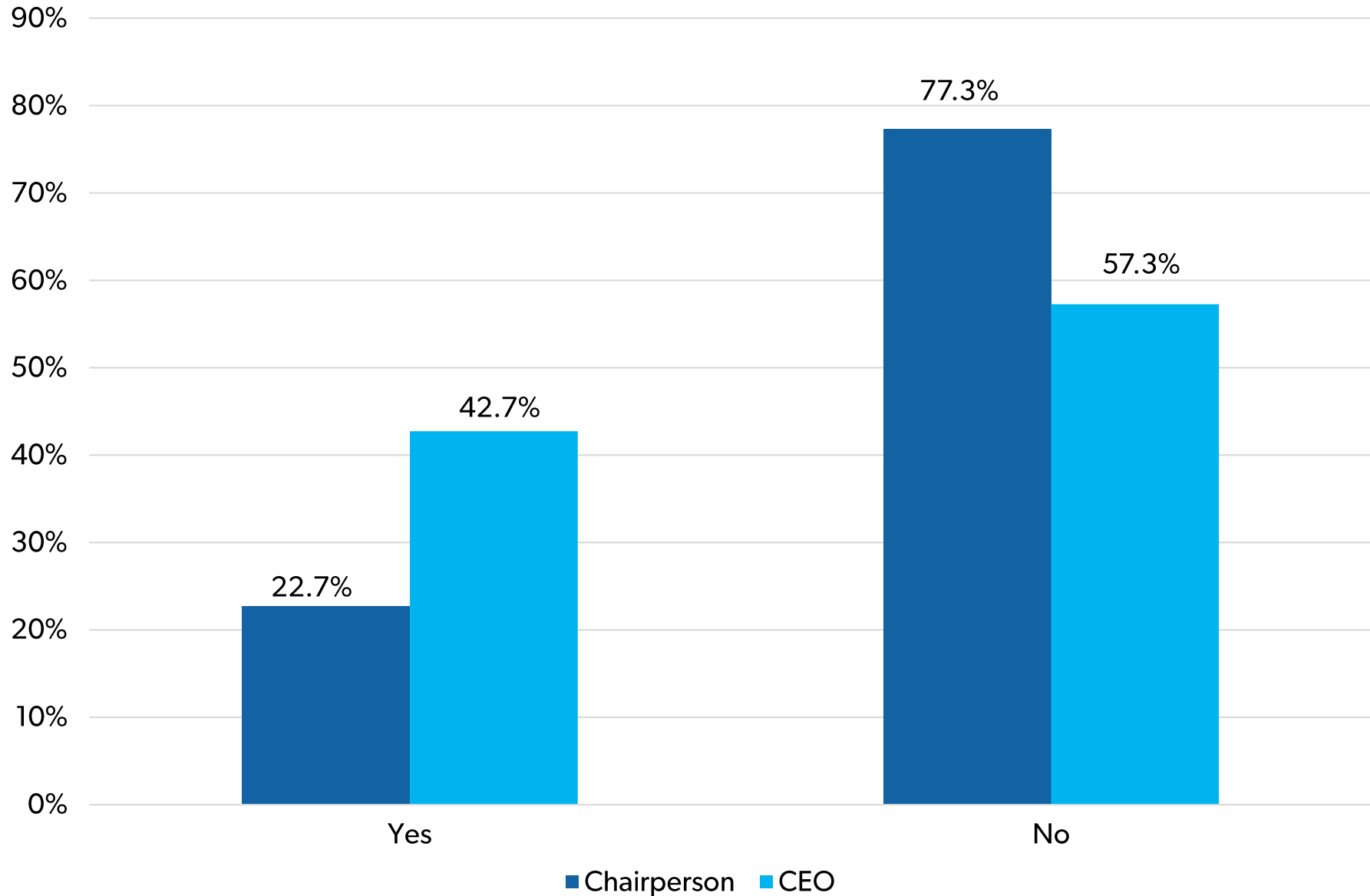


### Do you feel that you need to have term limits?



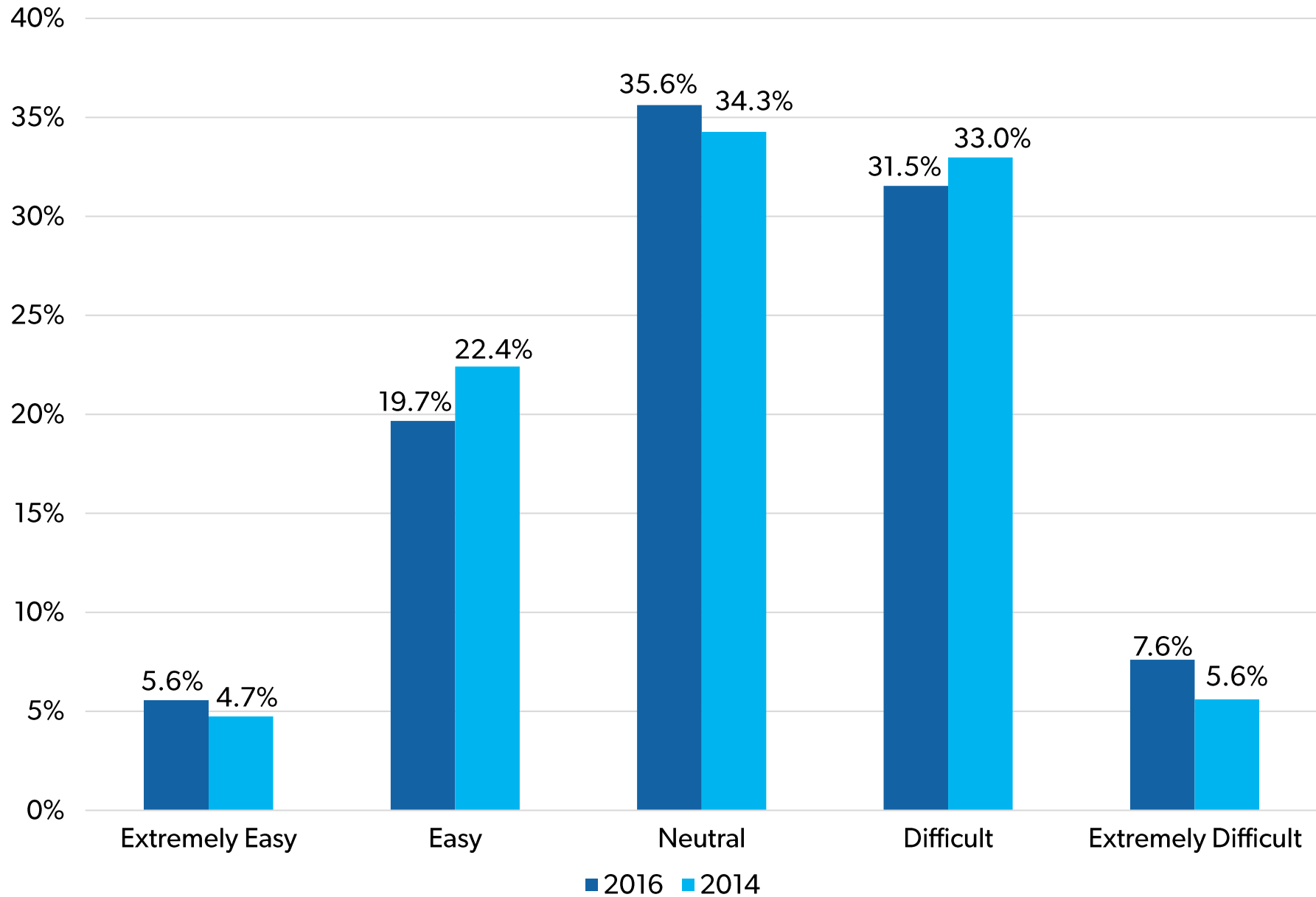


### Do you feel that you need to have term limits? Chairperson versus CEO



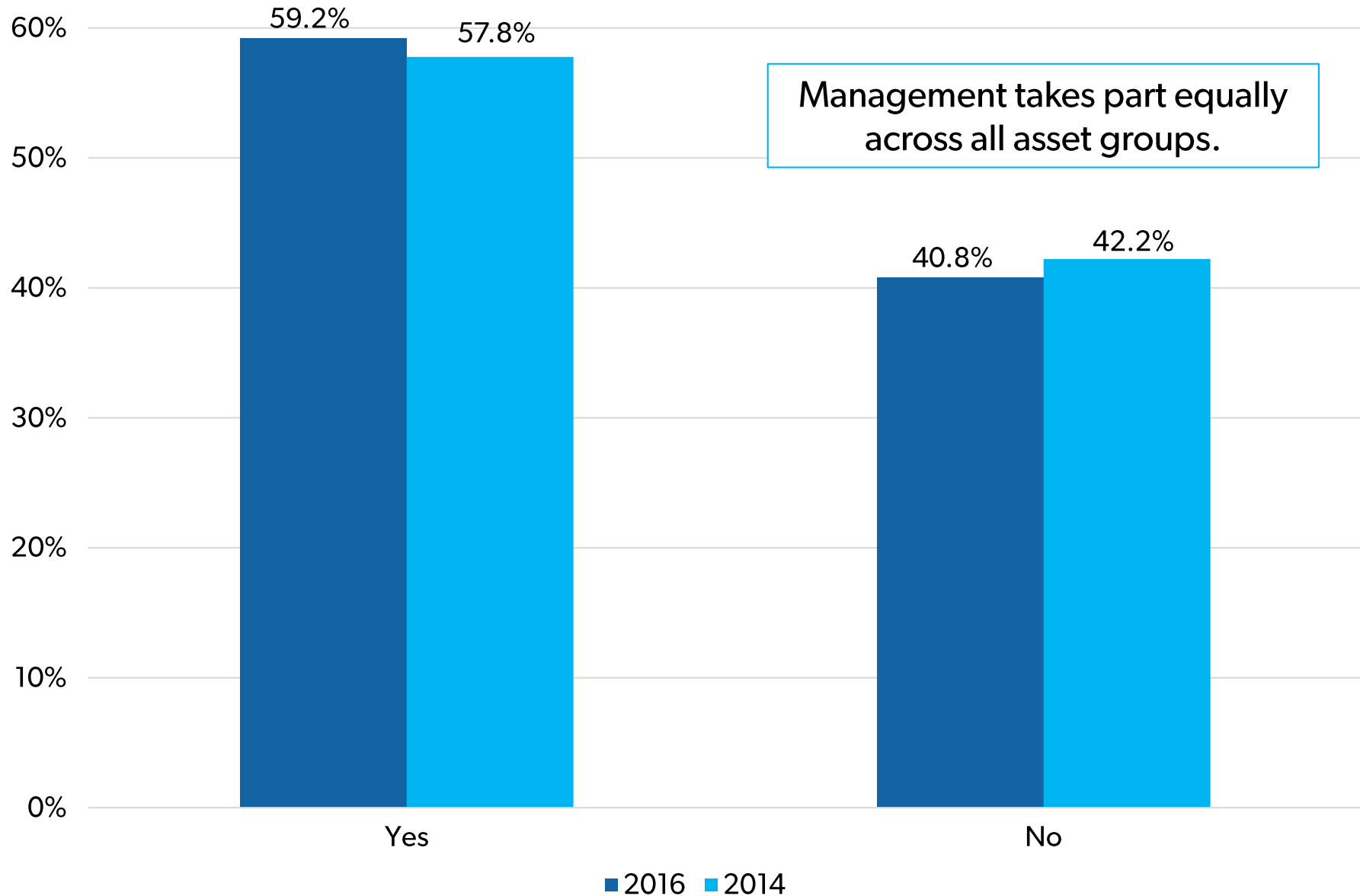


### How difficult is it to recruit new board members?



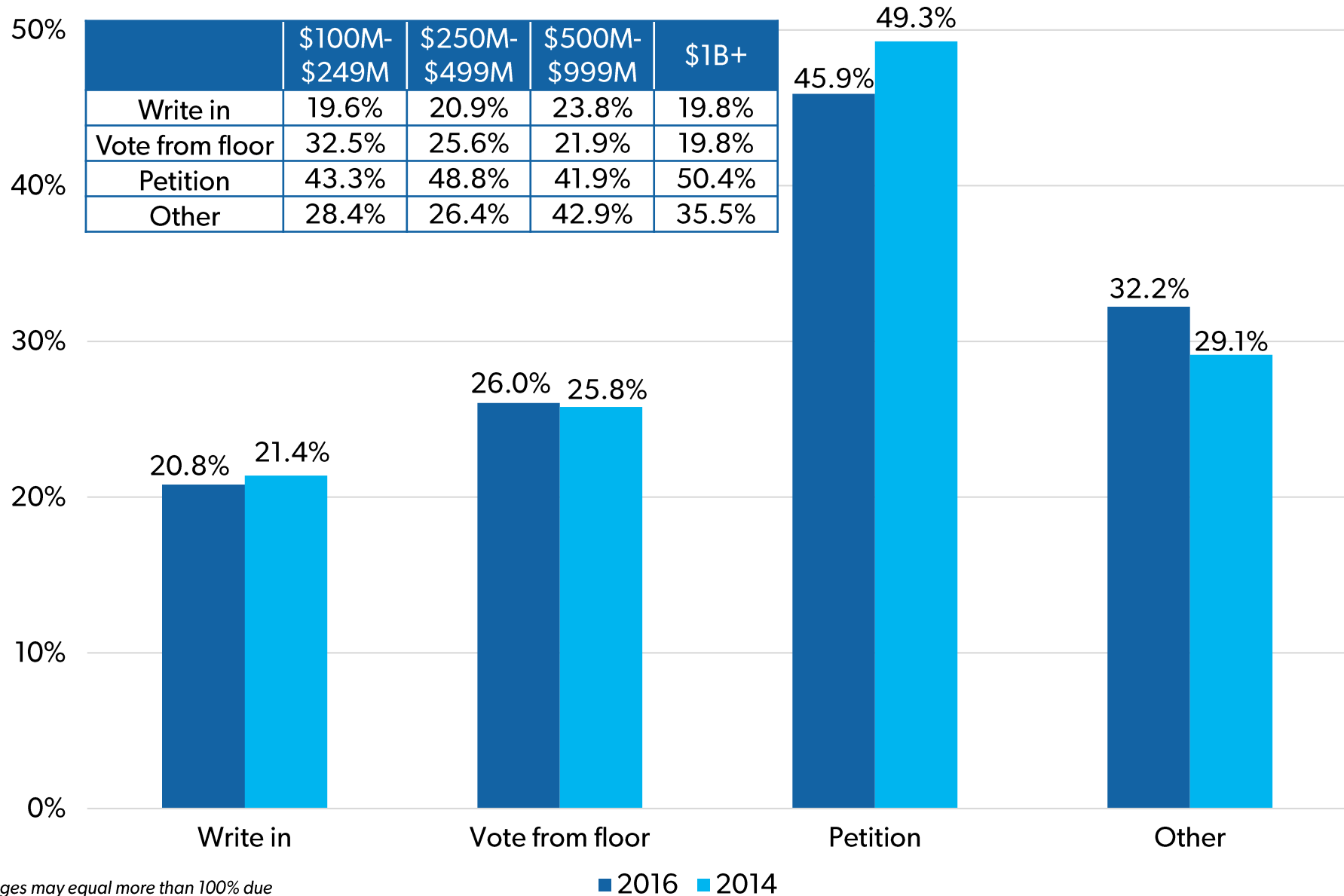


### Does management take an active part in board recruitment?





### How are board elections conducted?



Percentages may equal more than 100% due to the option to select multiple answers.





# Board Compensation

*Section Six*



## Board Compensation

Board compensation is an emotionally charged subject among credit unions. While some argue that greater compensation will be required to recruit qualified board members, others argue that compensation goes against the values of a not-for-profit cooperative. Federal credit unions are forbidden to offer monetary compensation to most directors (exceptions exist for some positions, such as Treasurer), but federal law does allow for compensation in the form of insurance. Meanwhile, rules in many states allow state chartered credit unions to provide monetary compensation to directors.

In looking at monetary compensation, 11% of all respondents report providing monetary compensation to at least one director. That number rises to 15% when looking at only state chartered credit unions. The typical monthly amount varied widely but averaged \$621 per month or \$7,452 per year. In addition to these averages, 20% of credit unions indicate that the board chair receives additional compensation and 11% of credit unions indicate that associate/advisory directors are eligible for compensation programs.

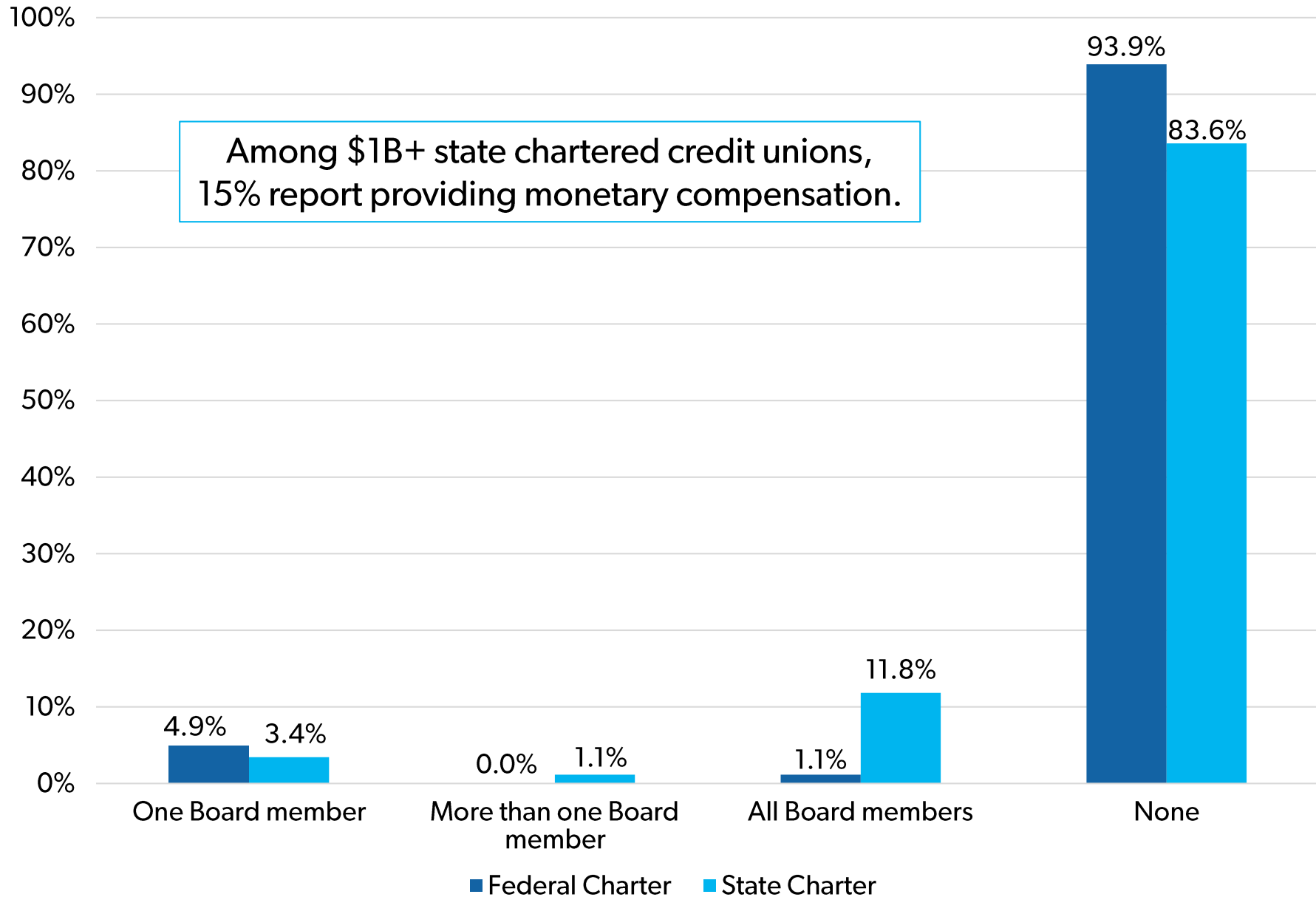
Providing some form of insurance (excluding errors and omissions) for board members is a fairly common practice across all credit unions. One in three credit unions indicate doing so regardless of whether they were federal or state chartered. Life insurance and disability insurance were the most common types of director insurance provided, with life insurance being favored more among state chartered credit unions versus disability among federally chartered credit unions.

Technology is provided to boards of directors at 78% of credit unions. Six in ten credit unions provide directors with an iPad, followed by 20% that provide a laptop. A large majority (91%) offer correspondence via electronic delivery and 34% issue board members a corporate credit card.

While compensation and perquisites are a sensitive subject, the use of both among credit unions is more prevalent than many would expect and one can expect usage to continue increasing.

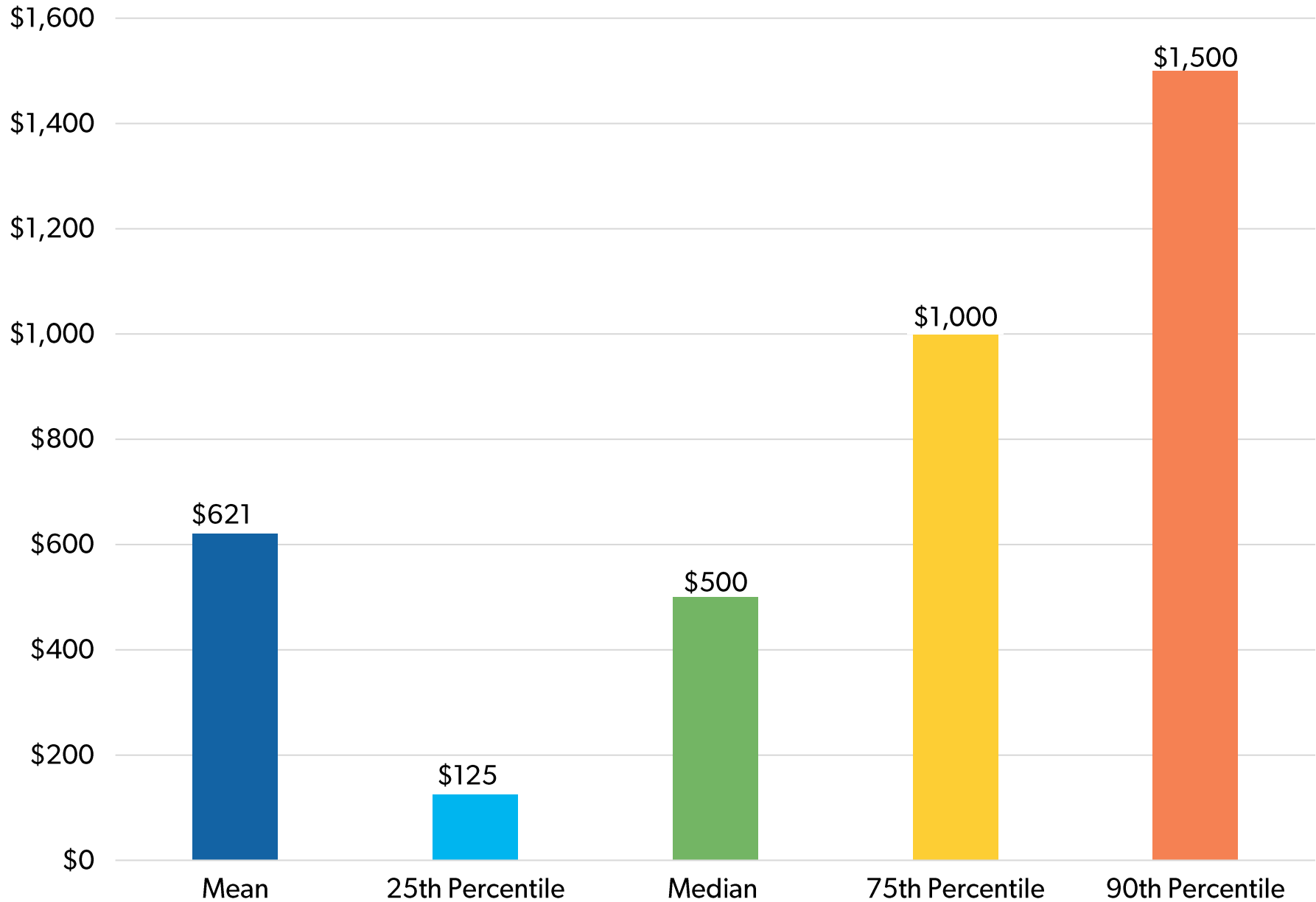


### Do any board members receive monetary compensation for serving?



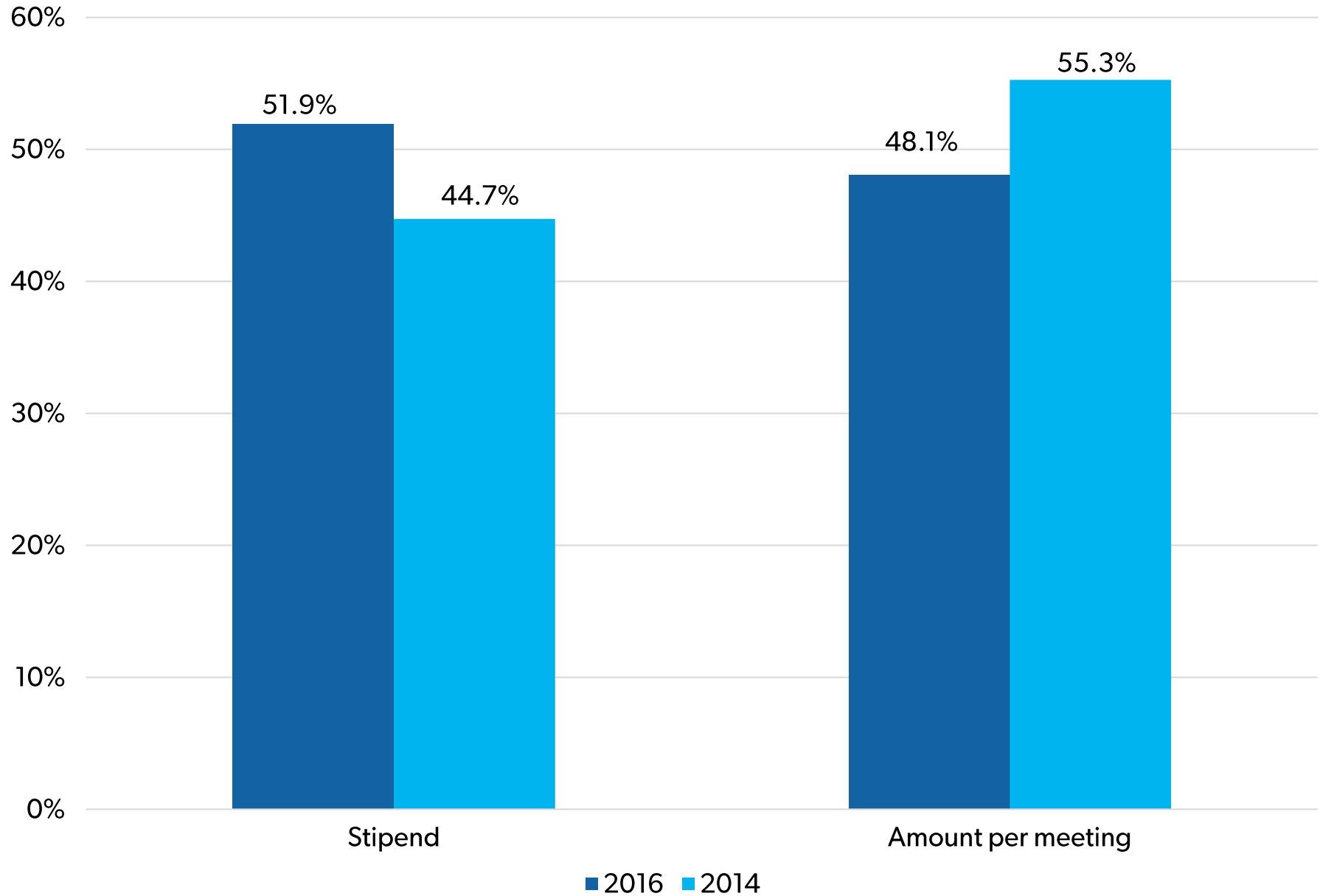


### How much per month do board members receive in compensation?



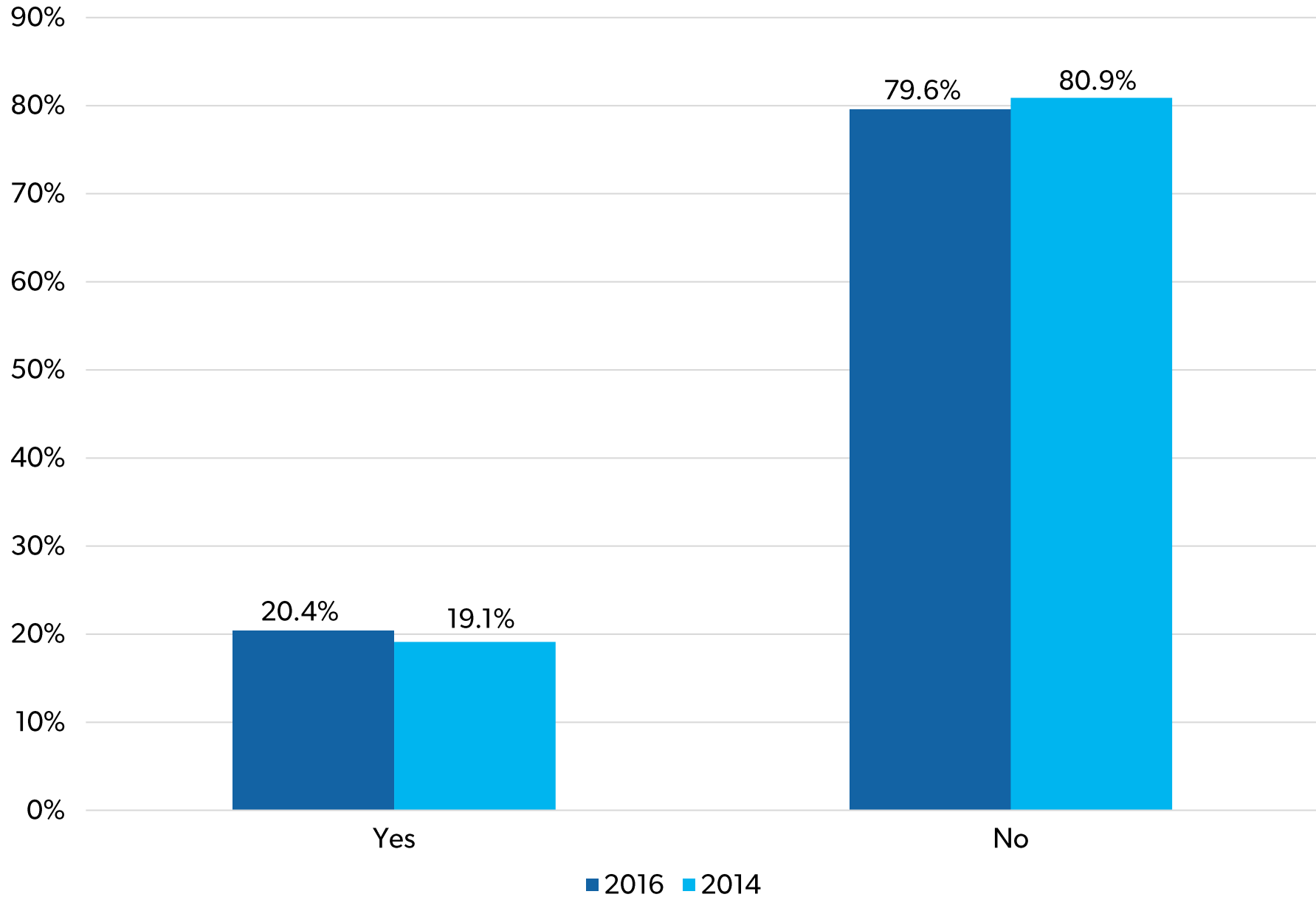


### Is it a set stipend or an amount per meeting?



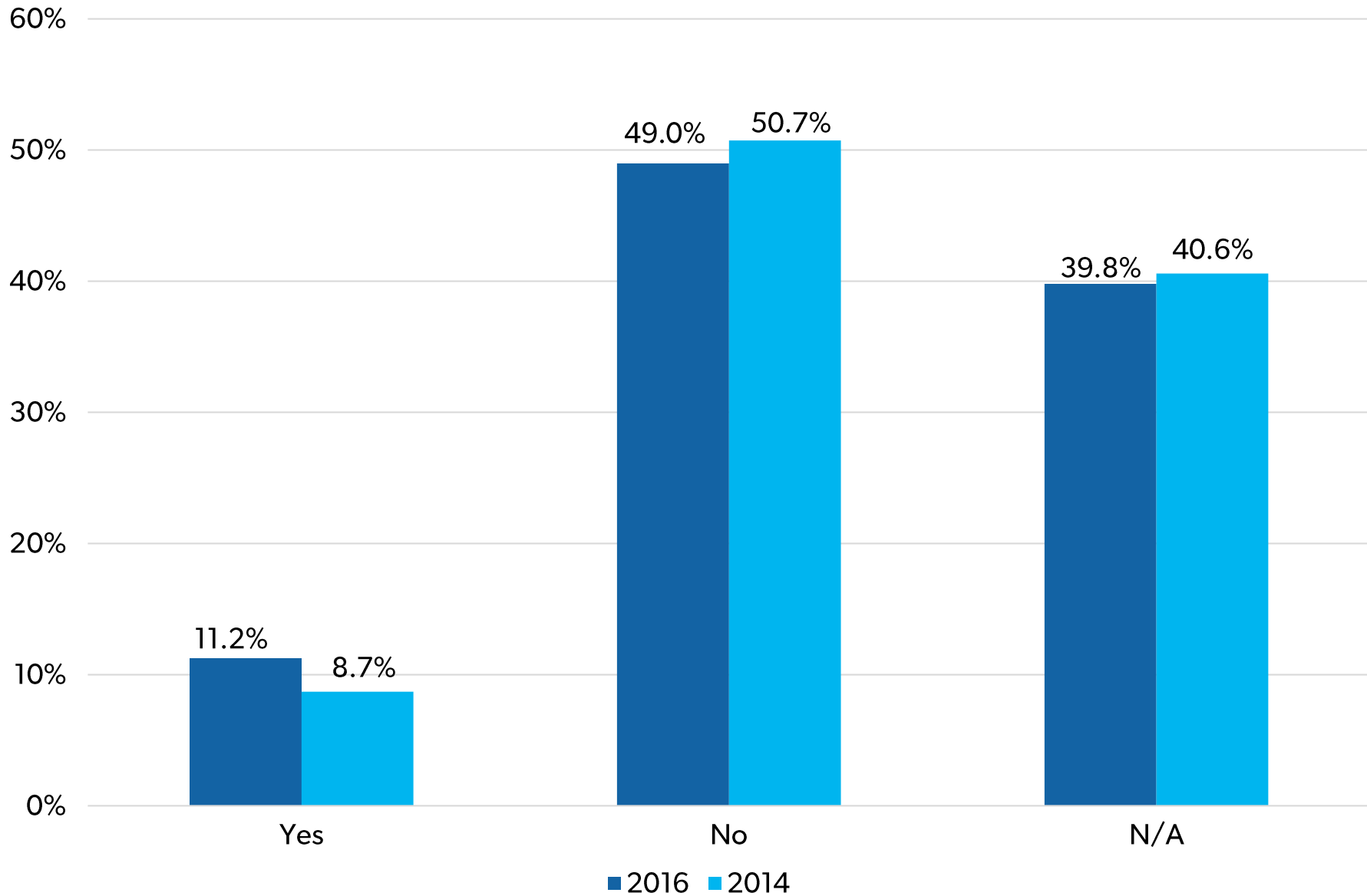


### Does the board chair receive any additional compensation?



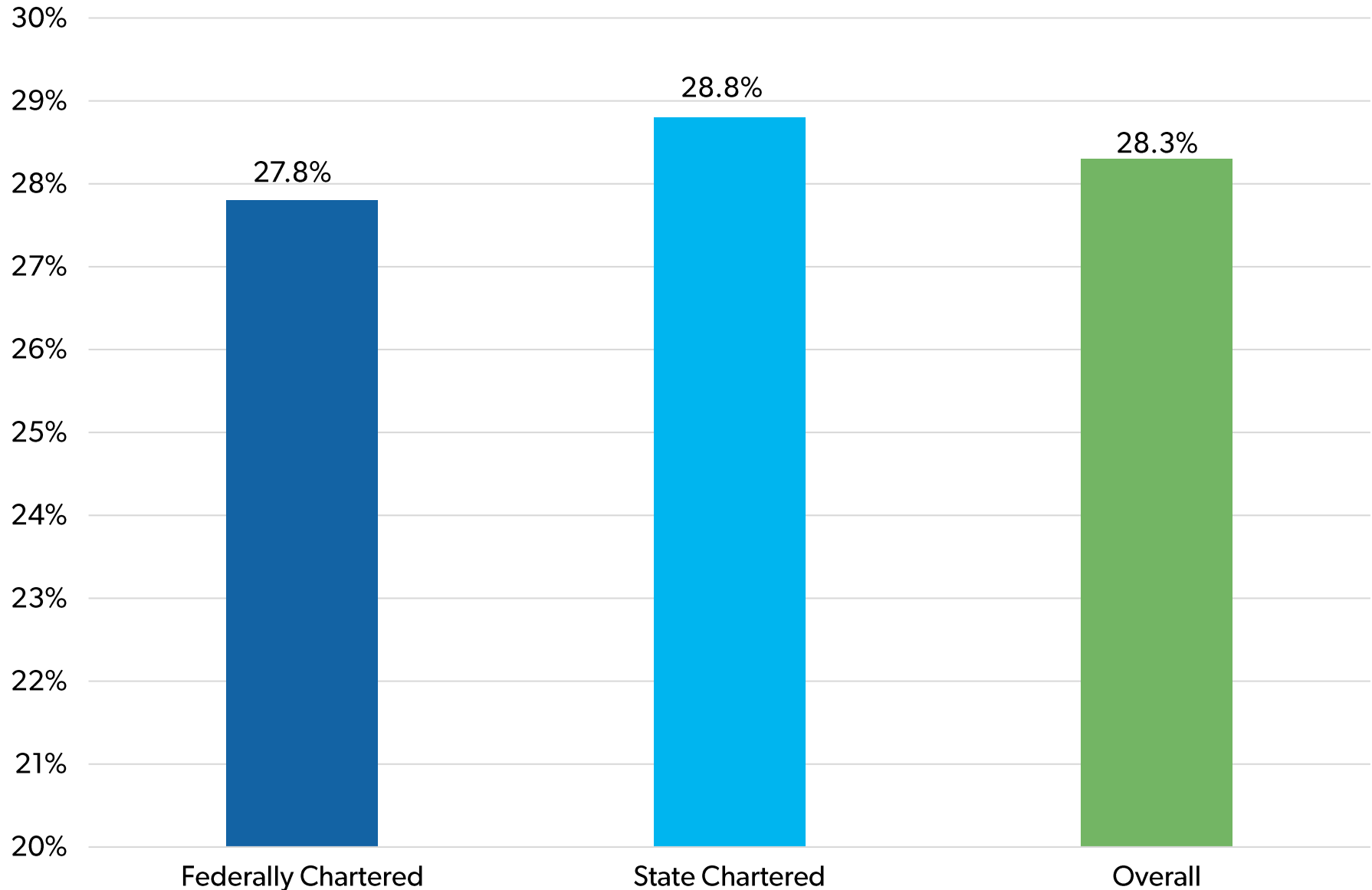


### If you have associate/advisory directors, are they eligible for any board compensation programs?





### Credit Unions offering some form of director insurance (excludes E&O)

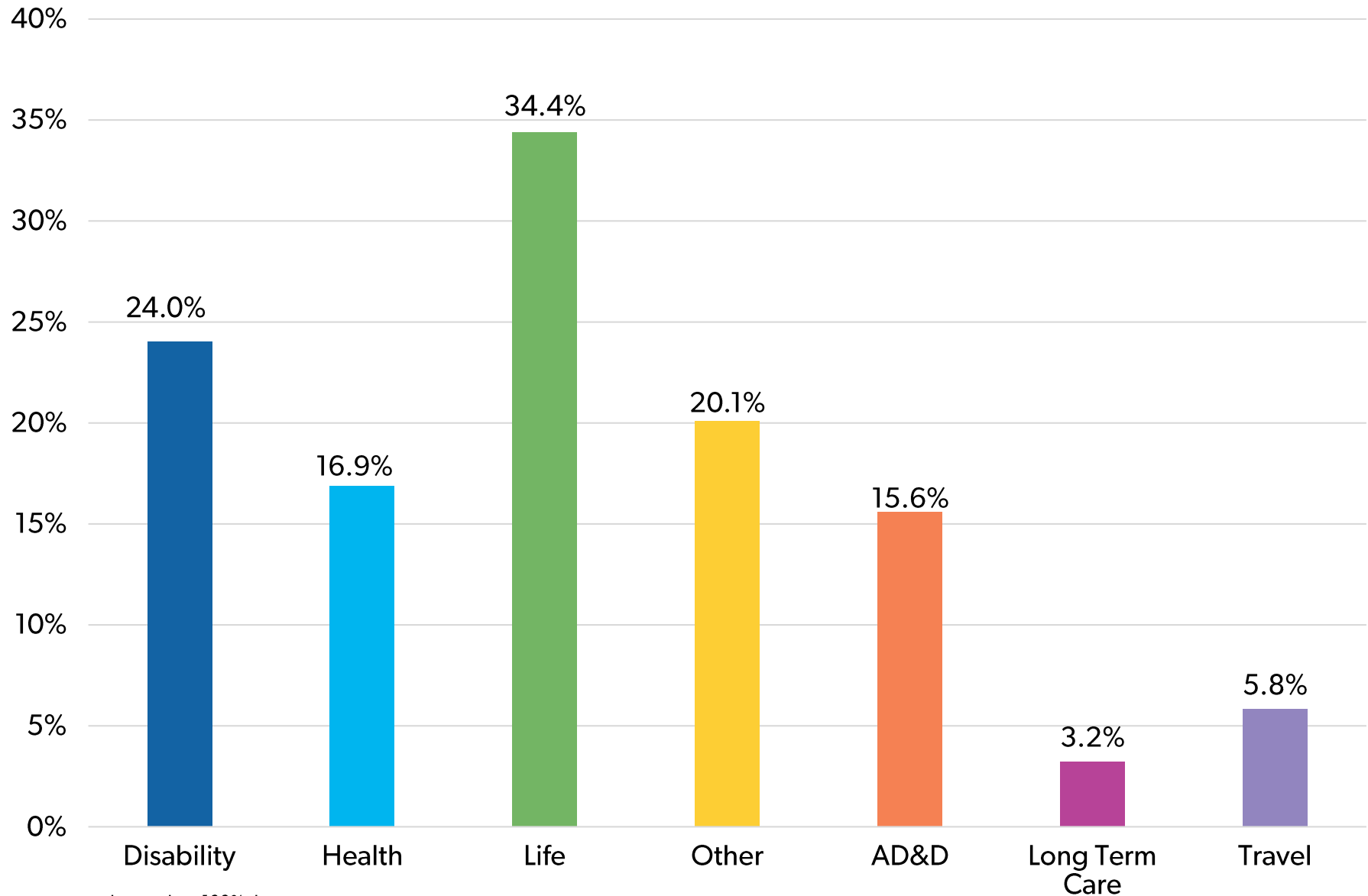


Percentages may equal more than 100% due to the option to select multiple answers.





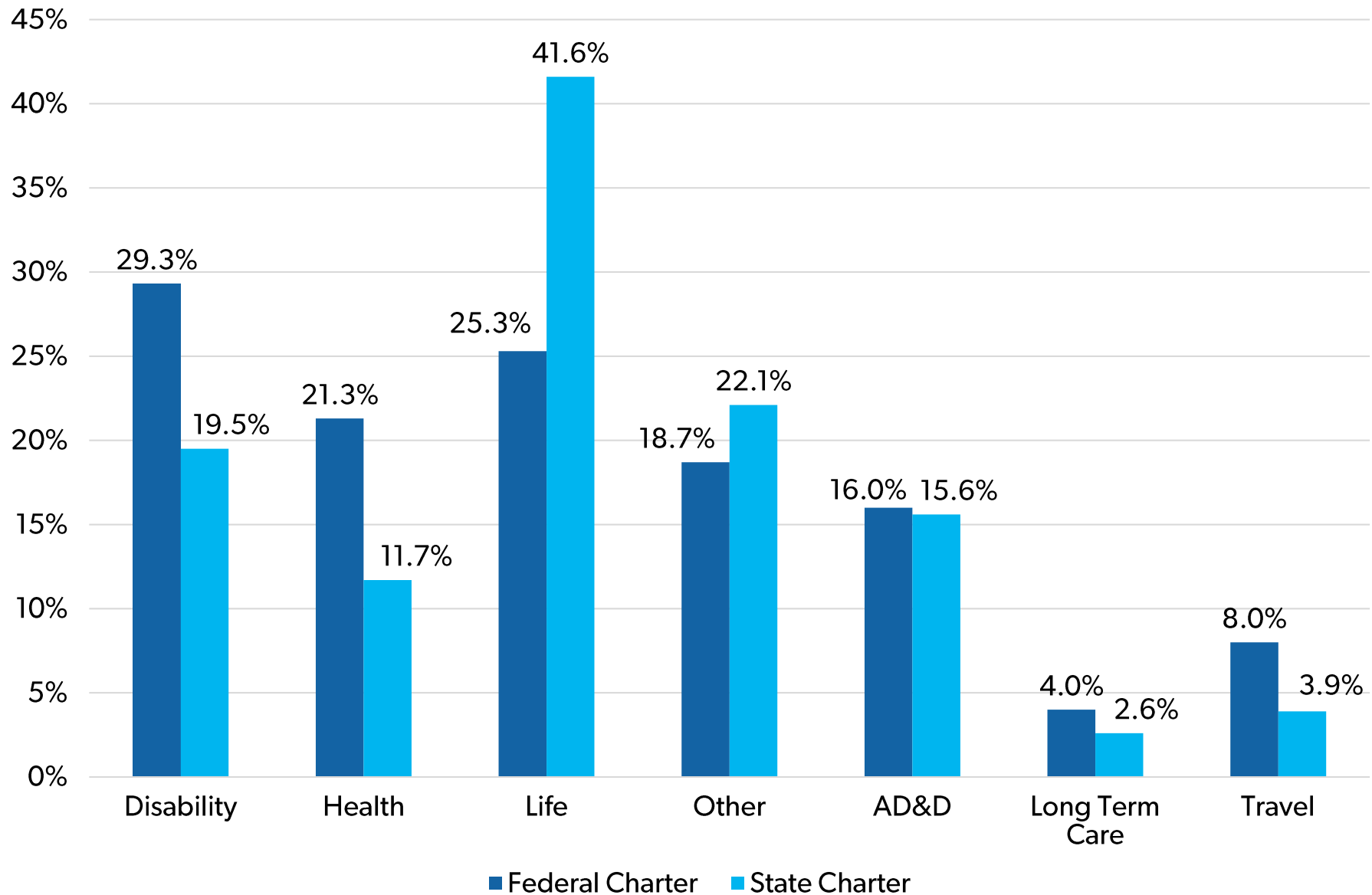
### Do board members receive any of the following insurance policies for serving? (excluding E&O)



Percentages may equal more than 100% due to the option to select multiple answers.



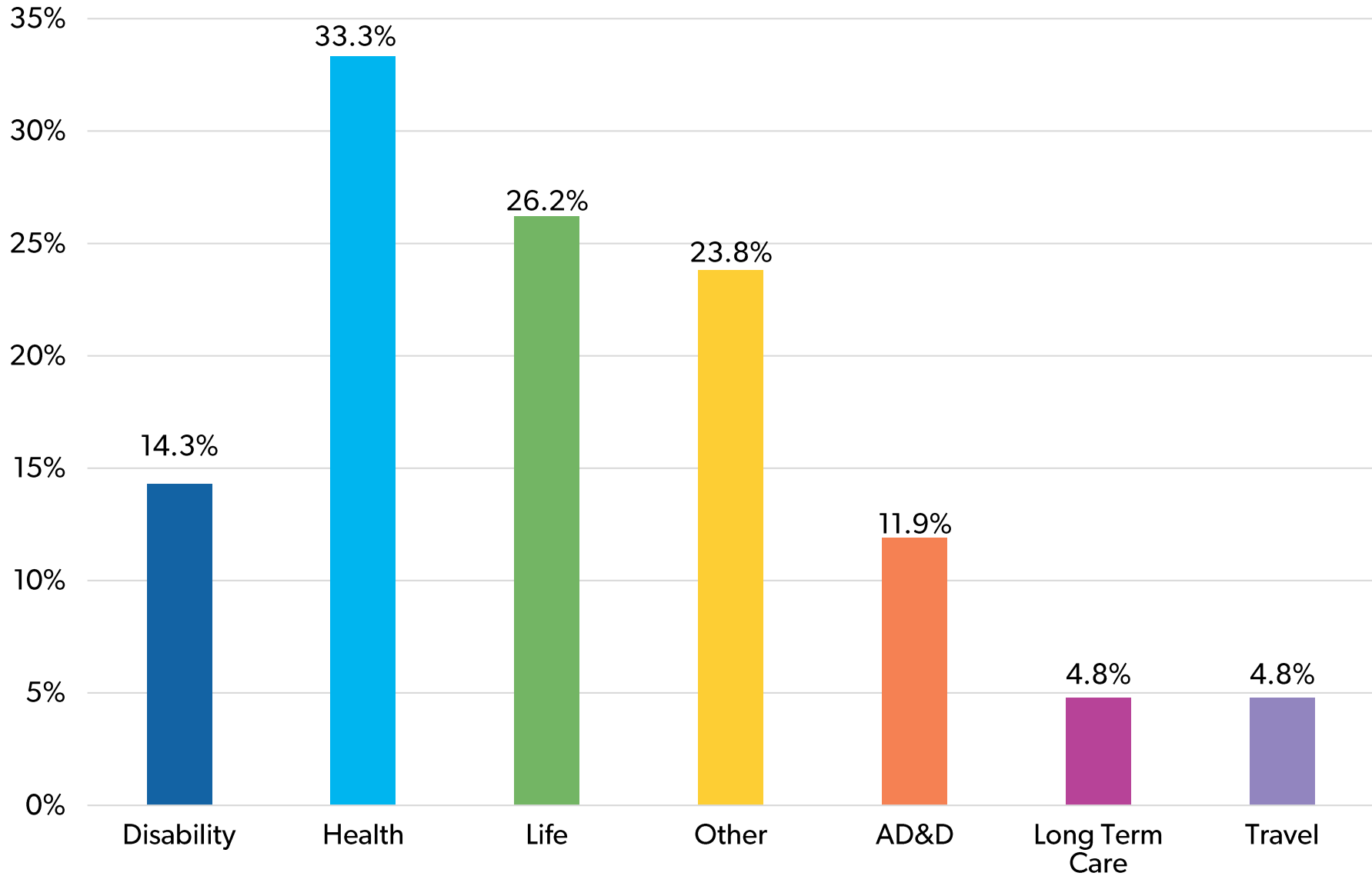
### Types of insurance provided to board members (excluding E&O) By Charter Type



Percentages may equal more than 100% due to the option to select multiple answers.



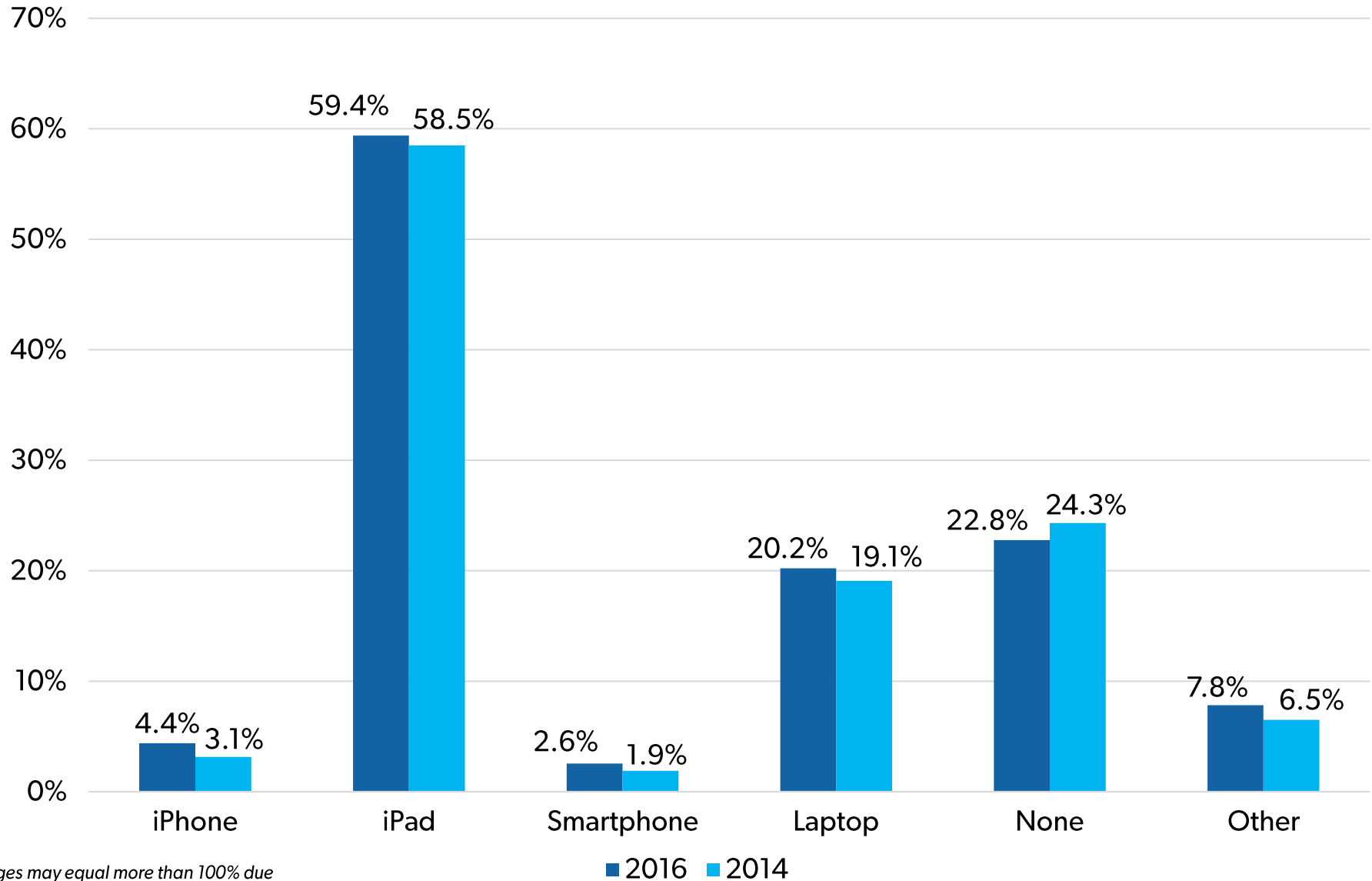
### Type of insurance coverage among \$1B+ credit unions that offer insurance to board members



Percentages may equal more than 100% due to the option to select multiple answers.



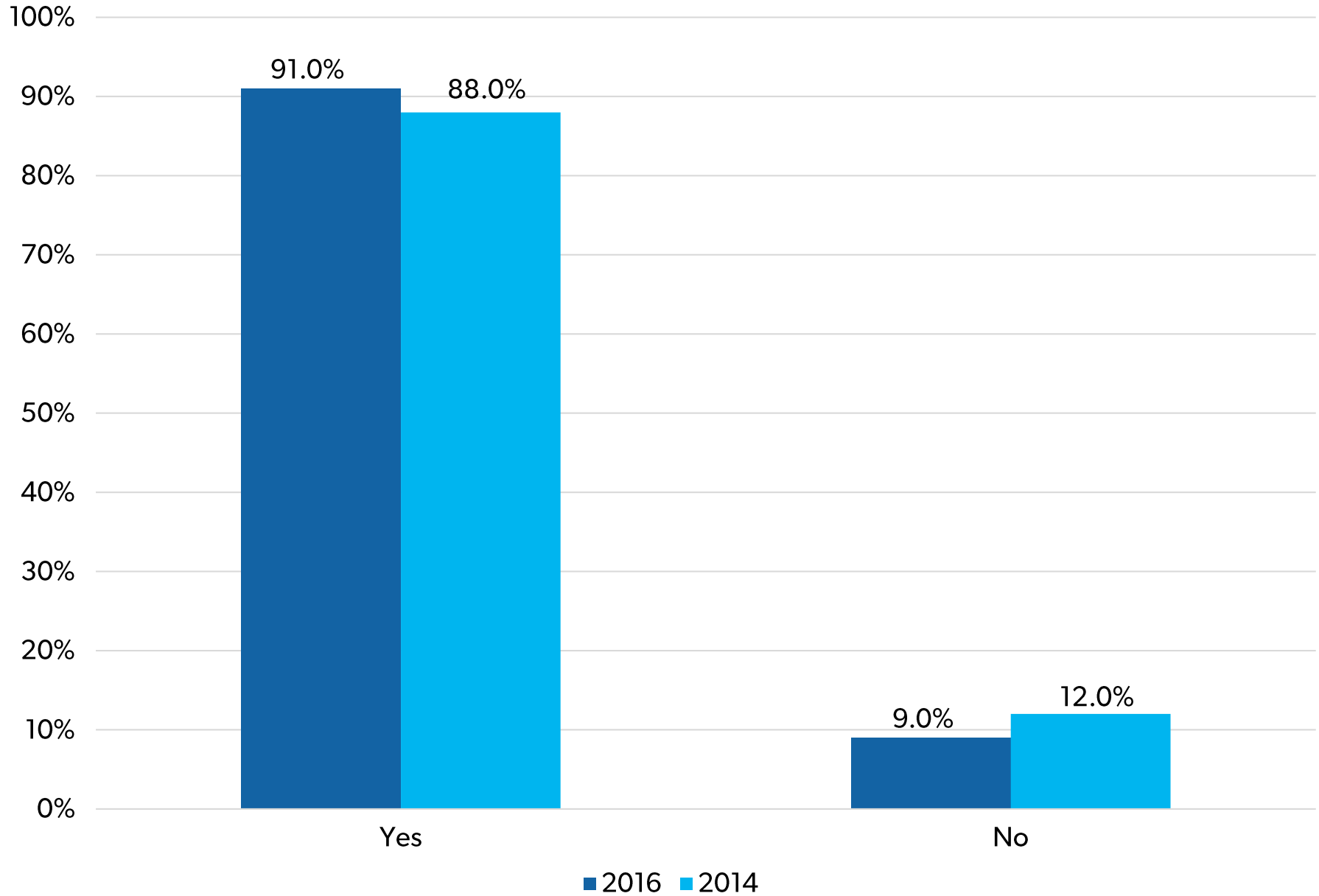
### Do you provide board members with technology, such as smartphones or iPads?



Percentages may equal more than 100% due to the option to select multiple answers.

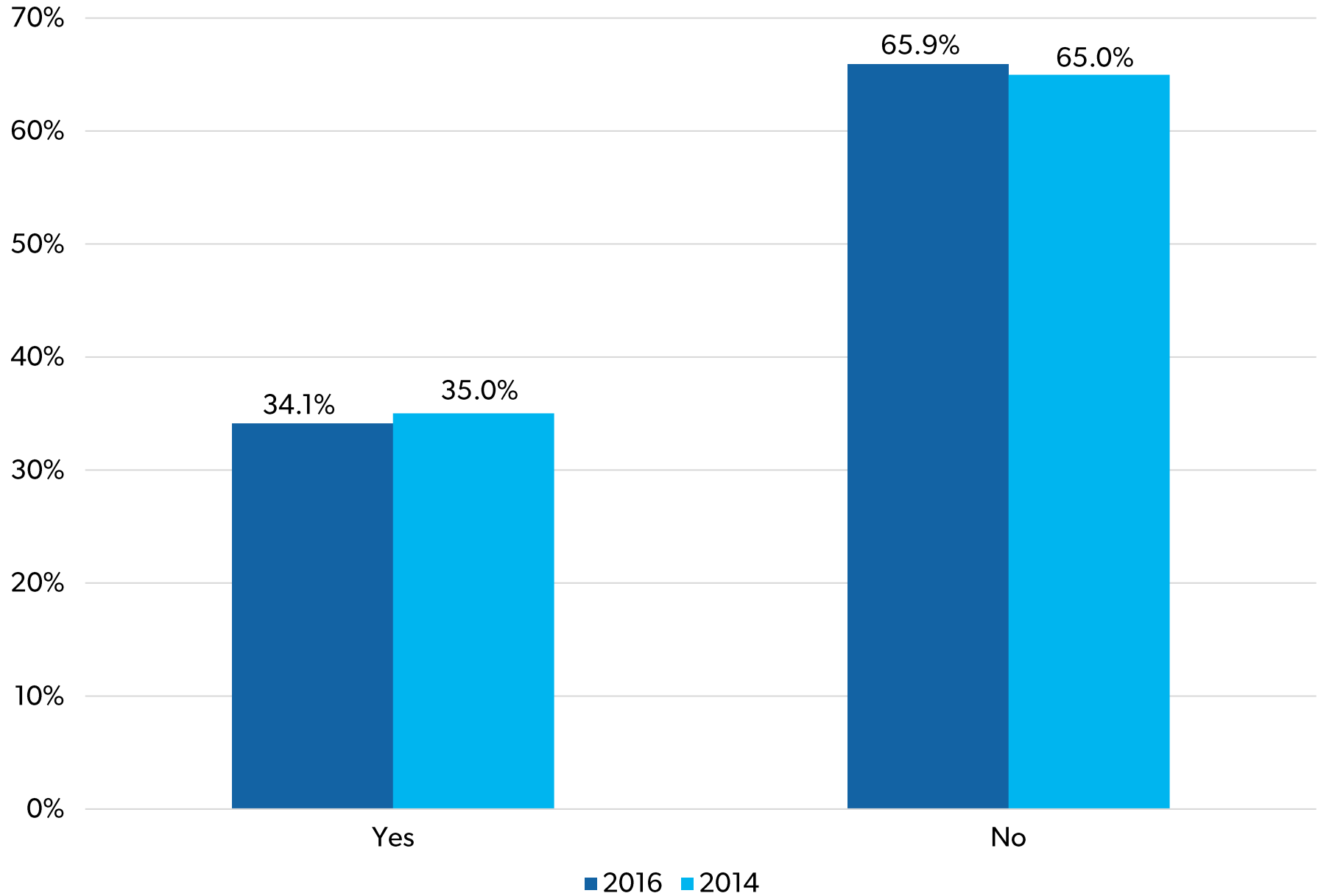


### Are board packages and correspondence electronically provided?





### Are board members issued a corporate credit card?





# Board Habits of Effective Credit Unions

## *Section Seven*



## Board Habits of Effective Credit Unions

Every board of directors is unique in its membership, governance style and perspective, but certain patterns have emerged over the years amongst highly successful credit unions. When one examines the practices of boards of directors at prosperous institutions, it is clear that those practices contribute to the overall success of the organization.

D. Hilton Associates assigned each credit union to a performance quartile based on ROA, loan growth, share growth, and member growth and then examined the results of the 2016 Board Survey across those performance quartiles. The data demonstrated that healthier credit unions have boards of directors that embrace governance, self-evaluation, and commitment to the role of board member.

Top performing credit unions were twice as likely as low performing credit unions to conduct strategic planning twice a year or more. Top performers were also significantly more likely to utilize a board governance model evidenced by 46.8%, compared to only 24.6% among low performers. Board evaluation also increases along with performance quartile; 33.8% of credit unions in the top performance group report that the board of directors evaluates itself on an annual basis, while only 14.9% of credit unions in the lowest performance quartile participate in annual board self-evaluation.

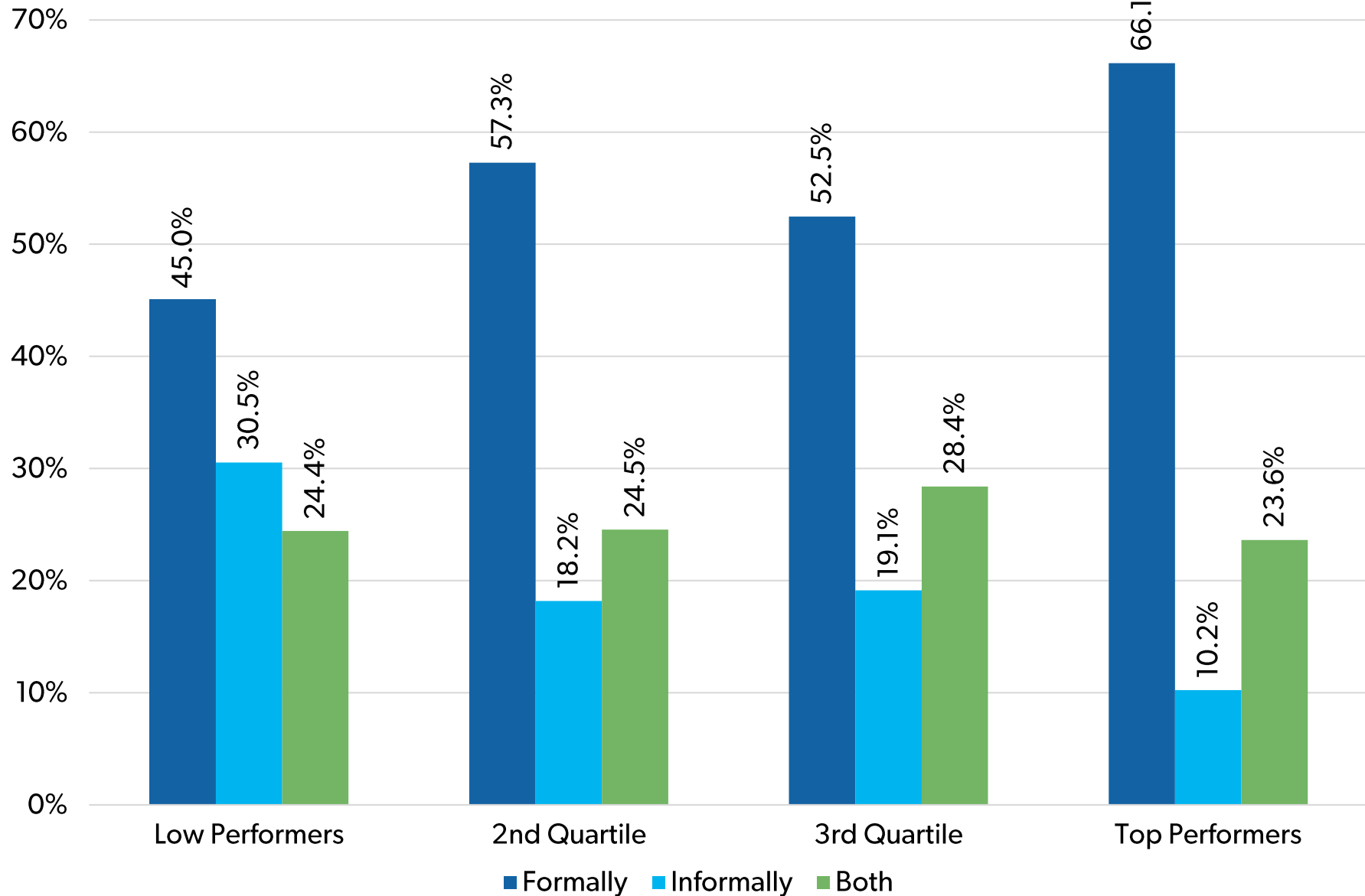
Overall, 31% of credit unions have associate/advisory members and 25% have board emeritus members, however, those numbers increase notably among top performing credit unions. Almost 40% of top performing credit unions have associate/advisory members, compared to only 25% of low performing credit unions. 30% of top performers have emeritus members compared to 20% of low performing credit unions. Boards of directors in the top performing category are also more likely to report that the board accurately represents the credit union's membership.

Not surprisingly, top performing credit unions report higher usage of formal CEO evaluations and incentive plans in order to continually measure and improve performance. Almost 90% of top performing credit unions have an annual bonus/incentive plan, compared to 71% of credit unions in the lower performance quartile. Boards of directors in the top category are also more likely to report their incentive plan is effective compared to those in the lower performance category.



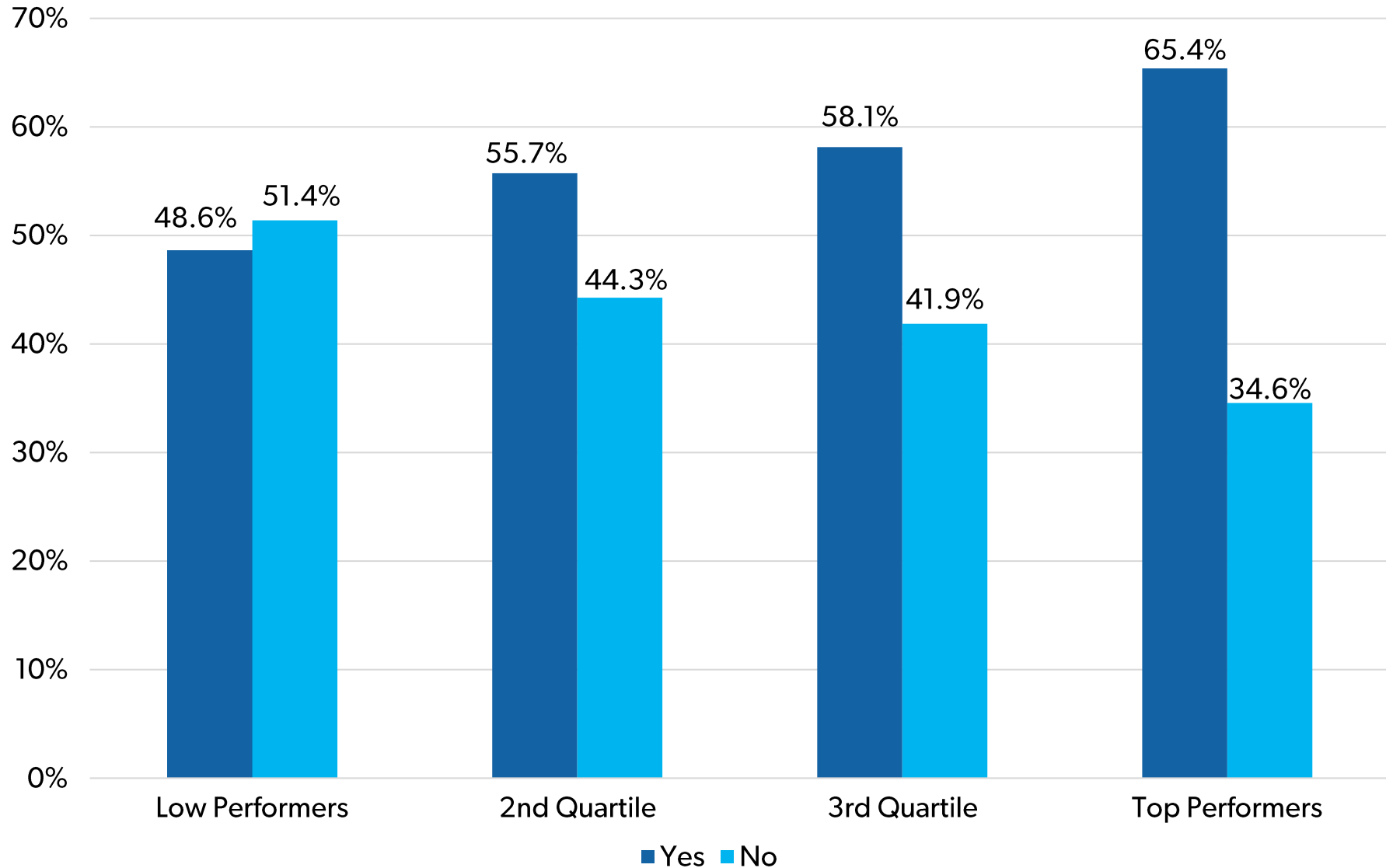


### How is the CEO evaluated? By Credit Union Performance Ranking



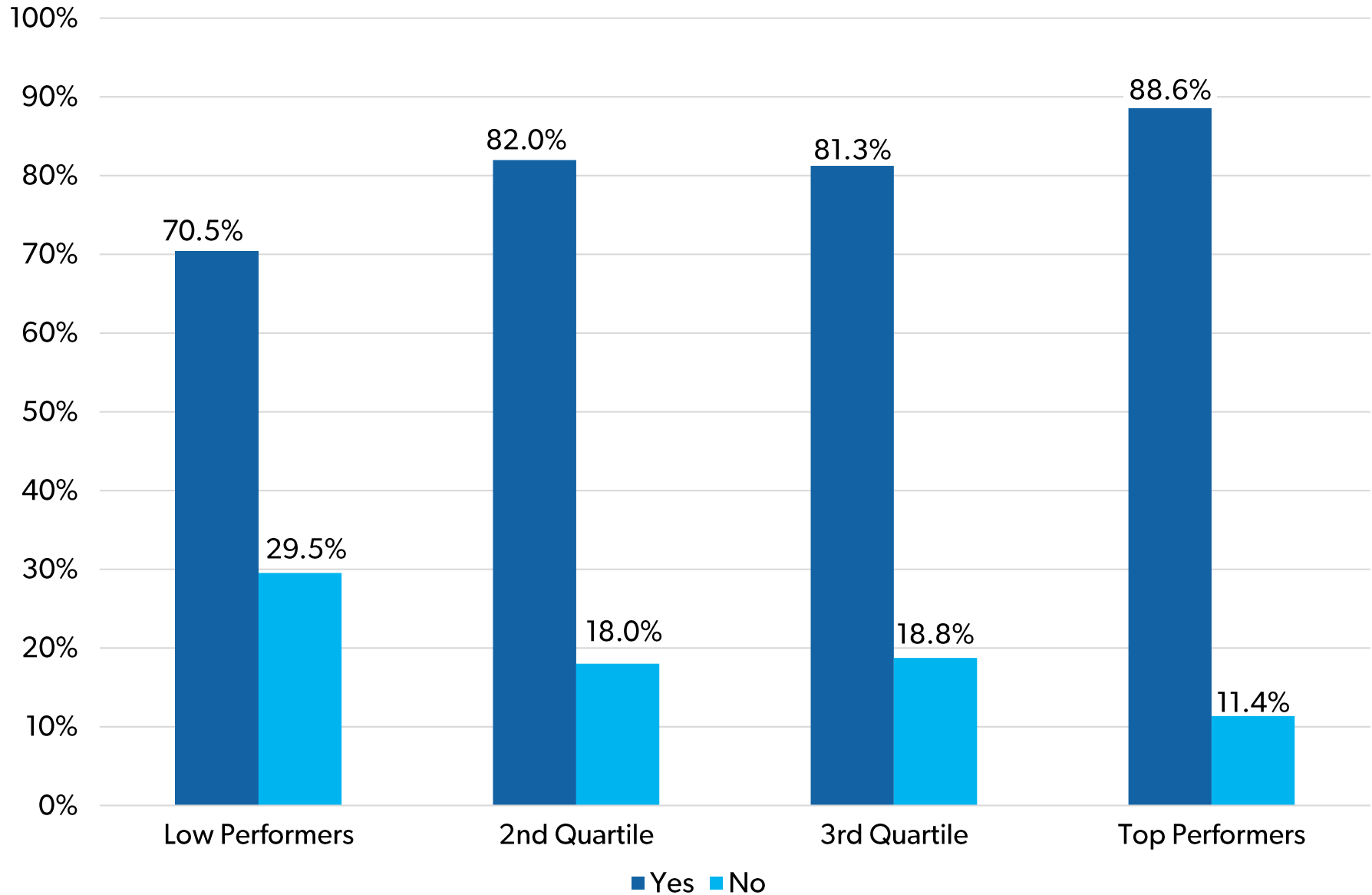


### Does the CEO evaluation include subjective categories that are not easily measured? By Credit Union Performance Ranking



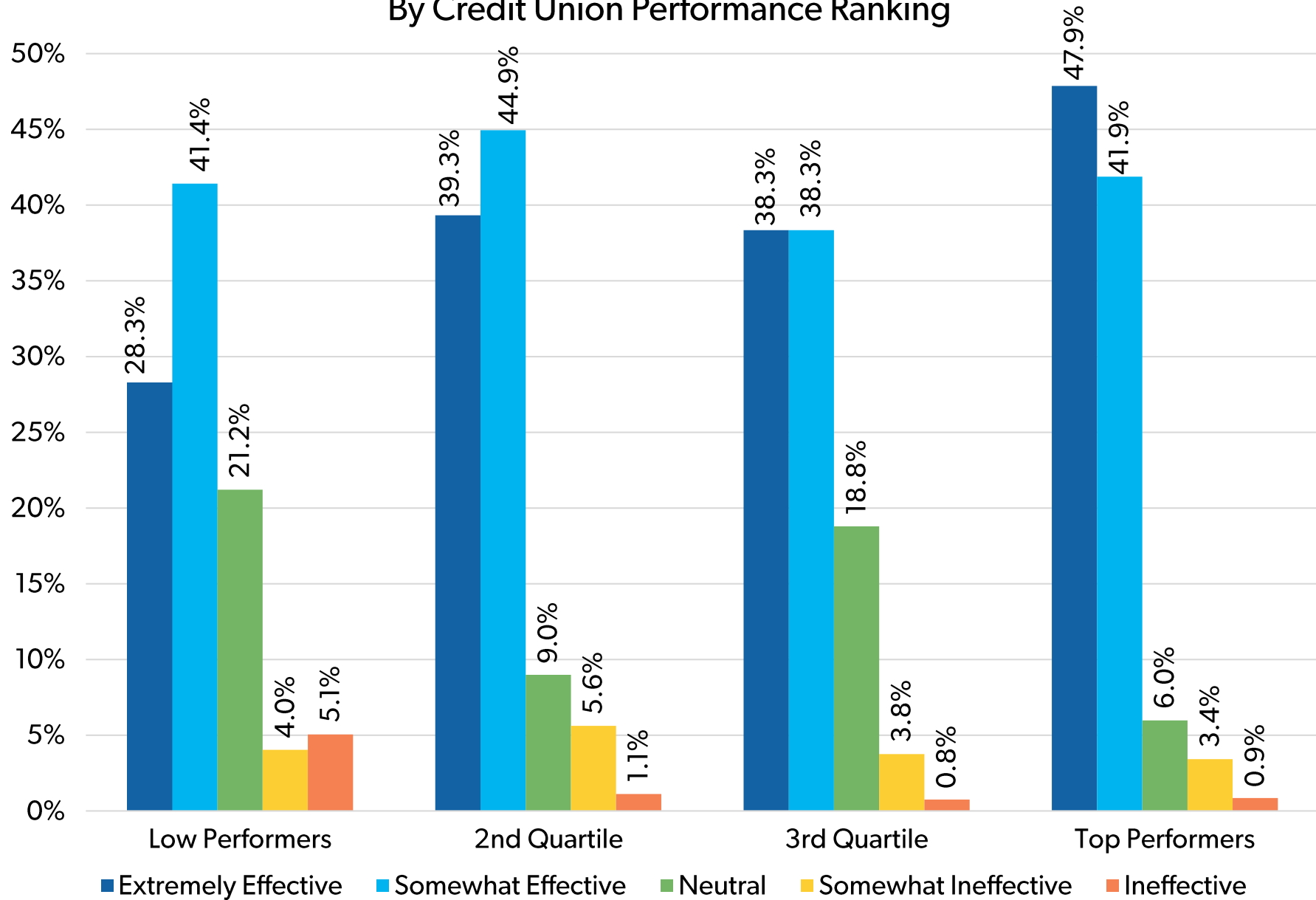


### Does the CEO have an annual bonus/incentive plan? By Credit Union Performance Ranking



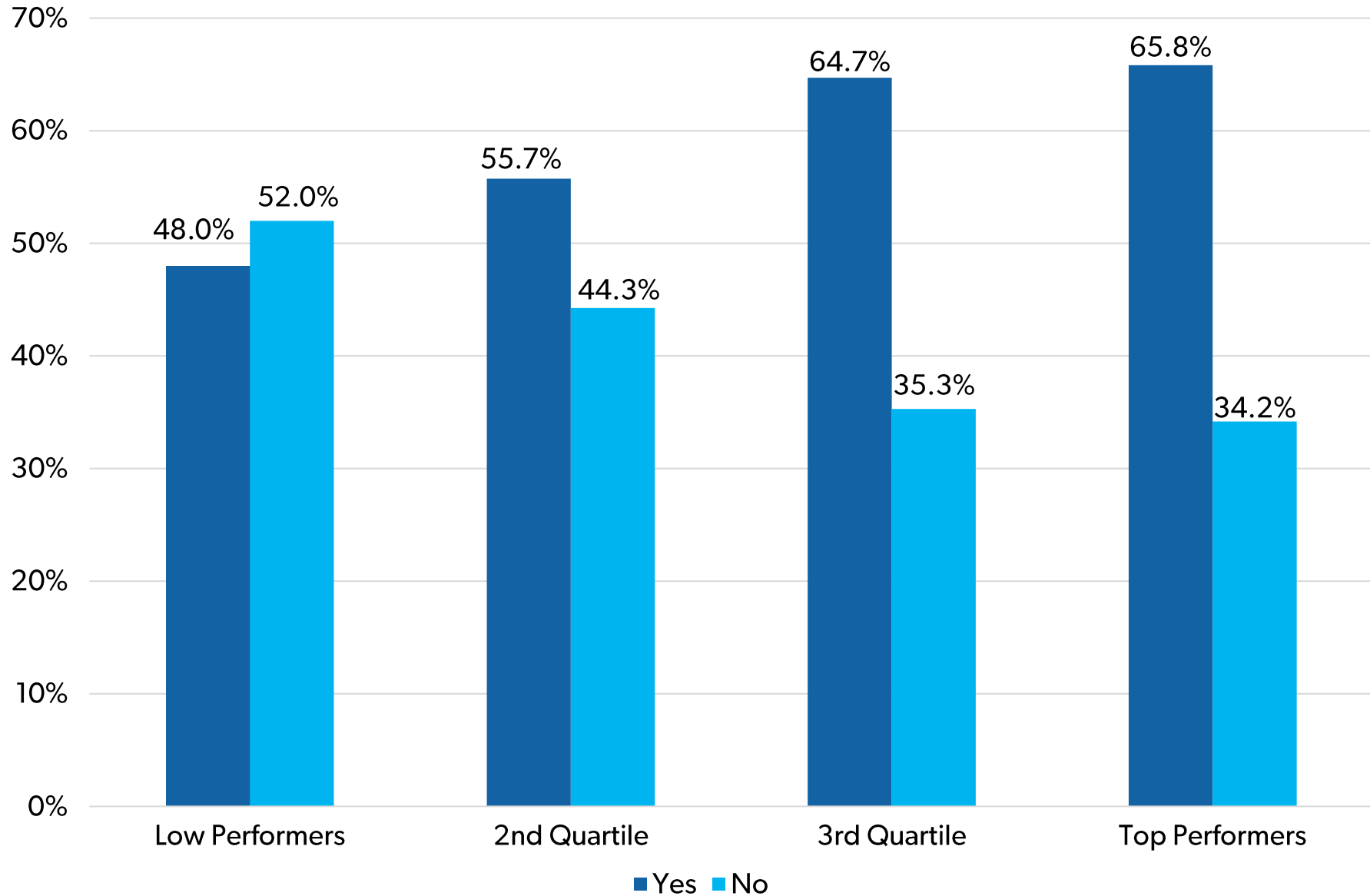


### How effective is the annual bonus/incentive plan? By Credit Union Performance Ranking



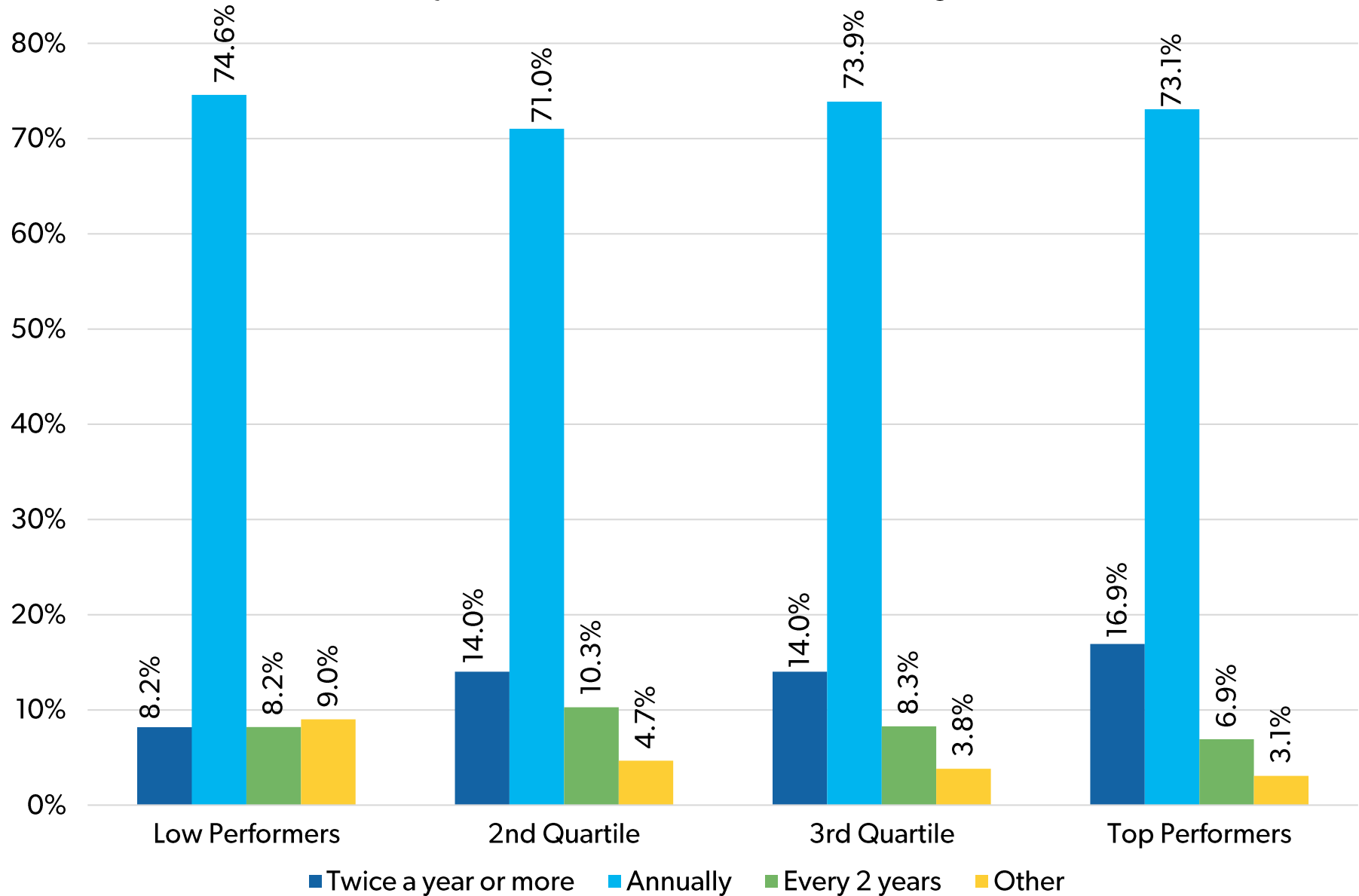


### Does the CEO have a 457(f) SERP? By Credit Union Performance Ranking



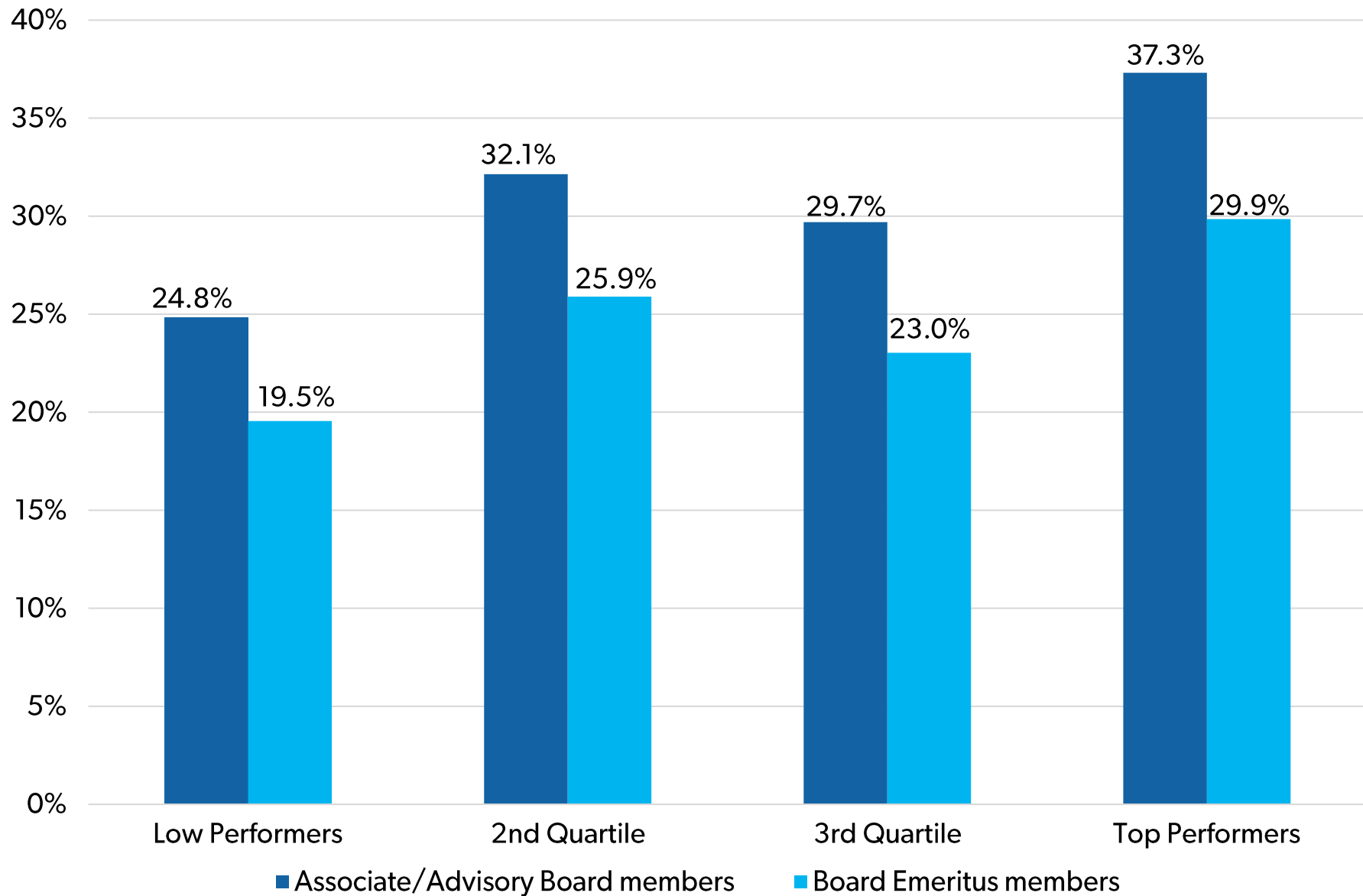


### How often does your credit union conduct strategic planning? By Credit Union Performance Ranking



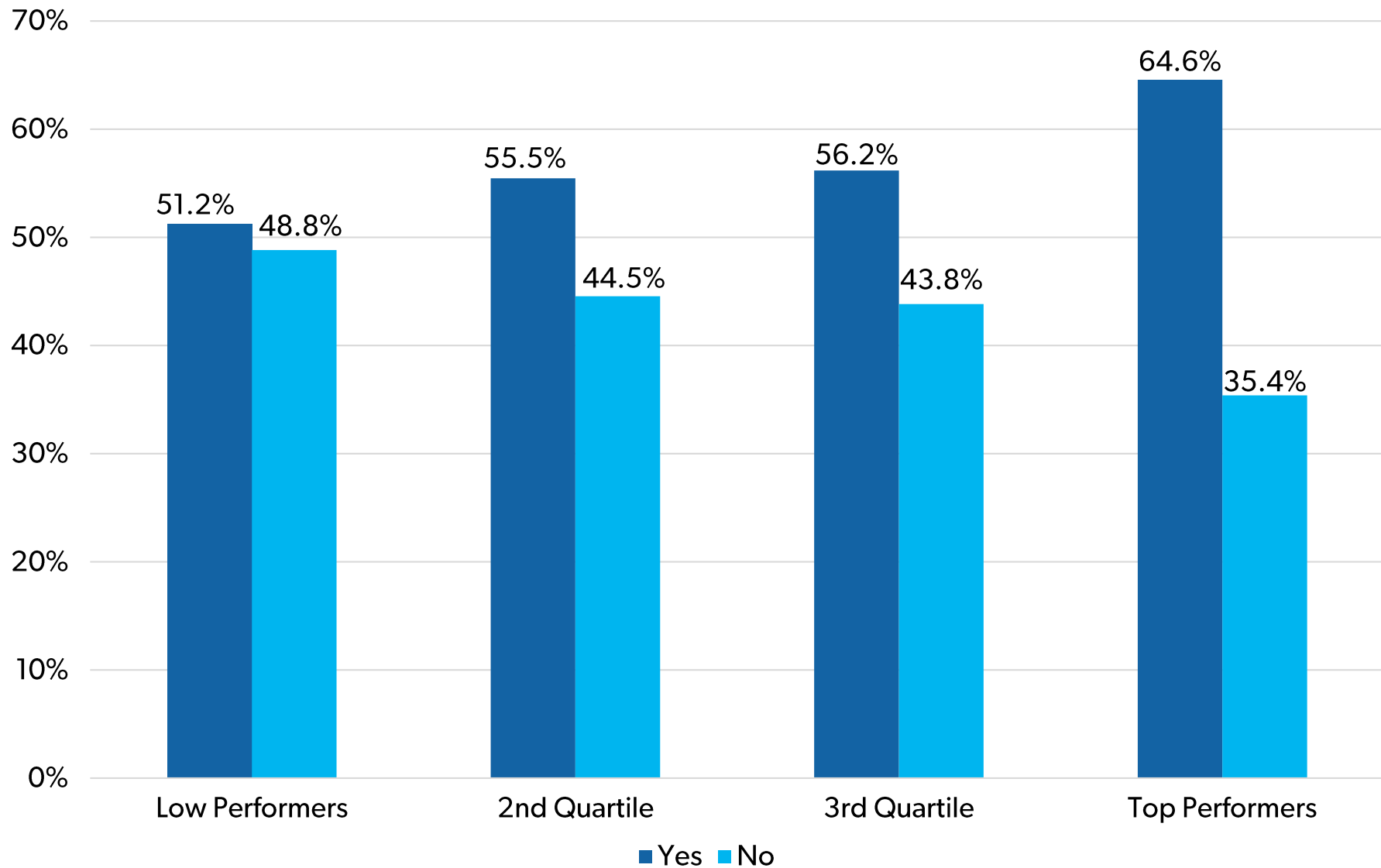


### Boards with associate/advisory and board emeritus members By Credit Union Performance Ranking





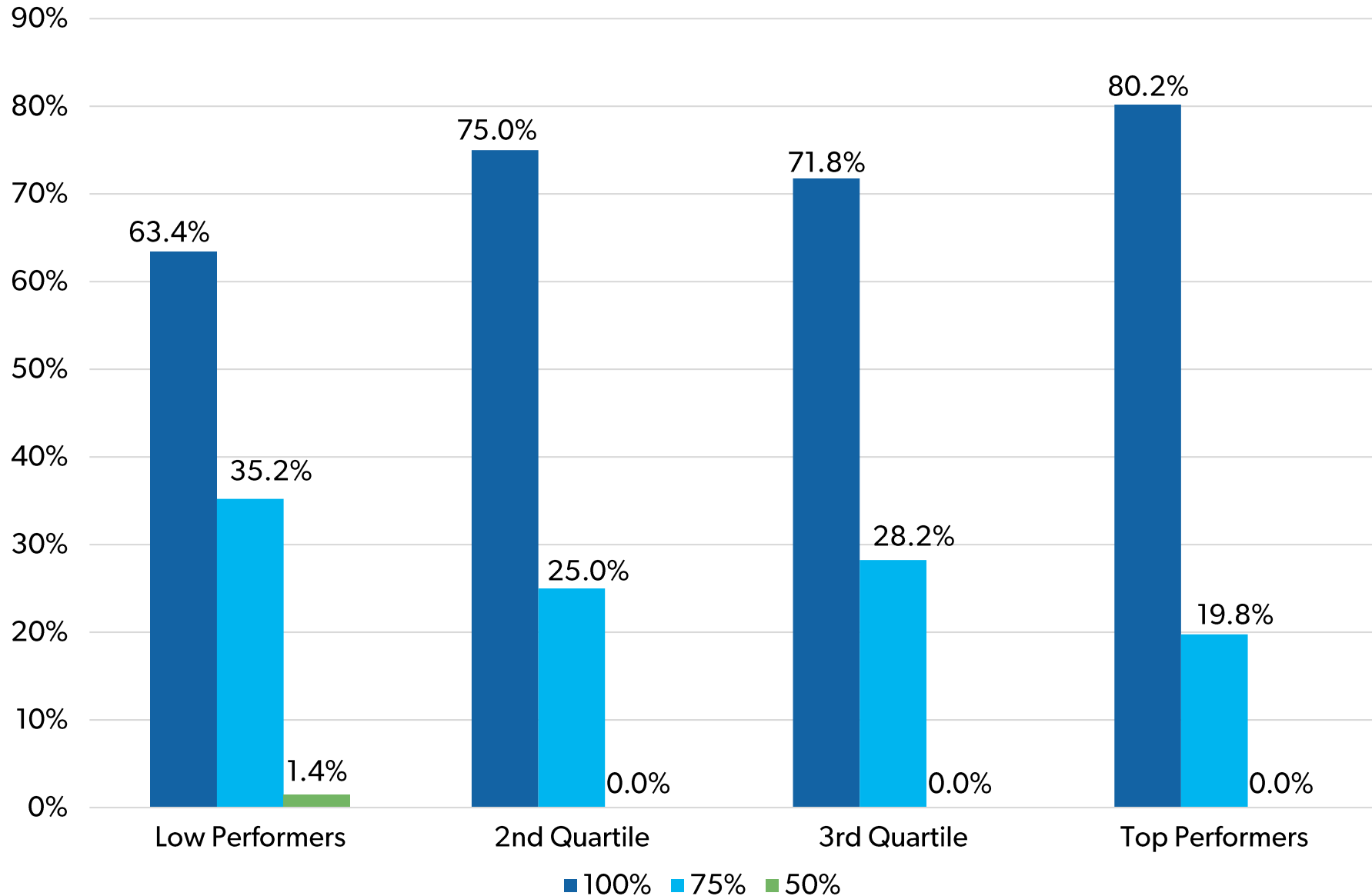
### Do you feel the board accurately represents the demographics of the credit union membership? By Credit Union Performance Ranking





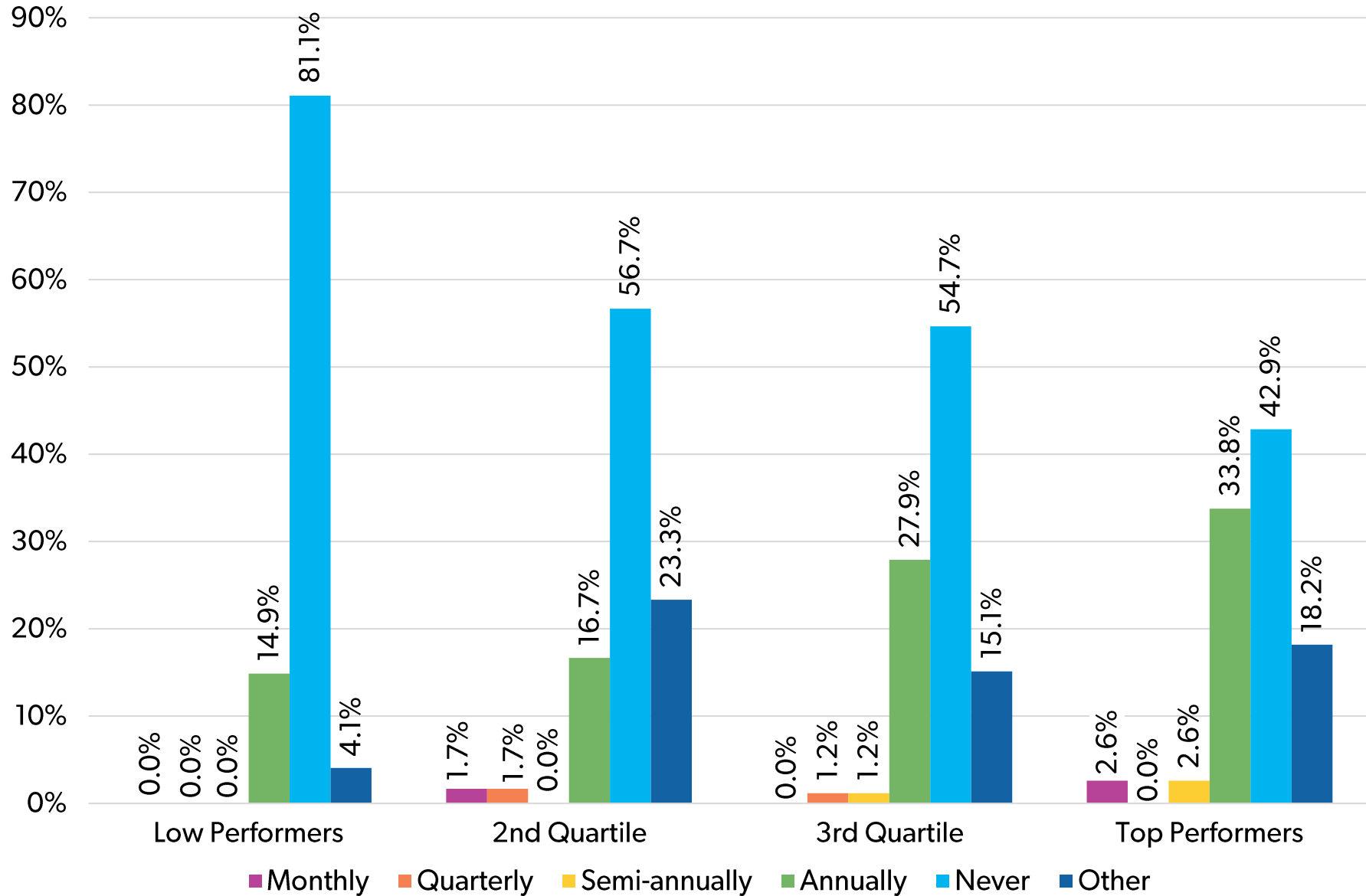


### What is the typical attendance at a monthly board meeting? By Credit Union Performance Ranking



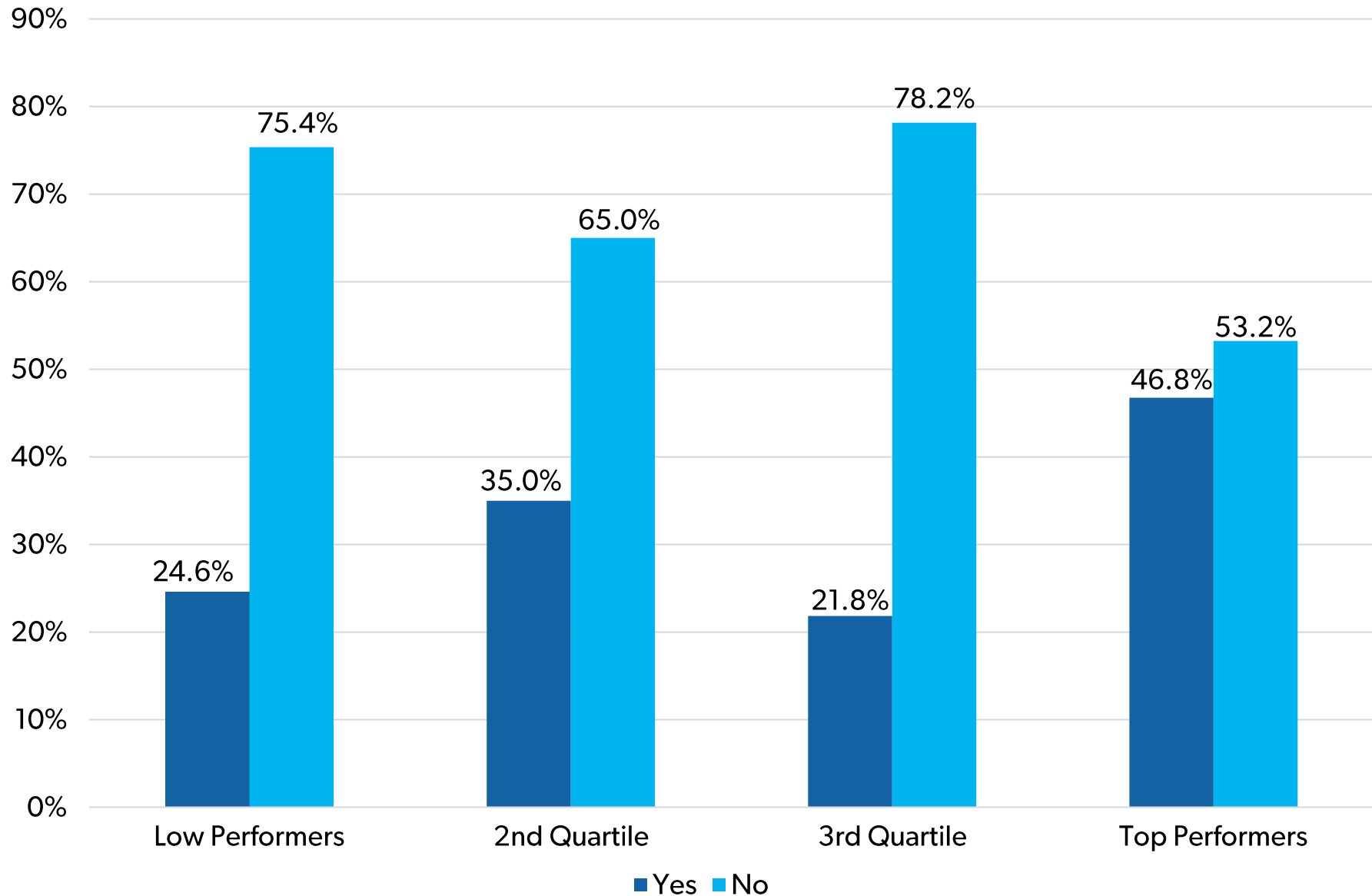


### How often does the board evaluate itself? By Credit Union Performance Ranking



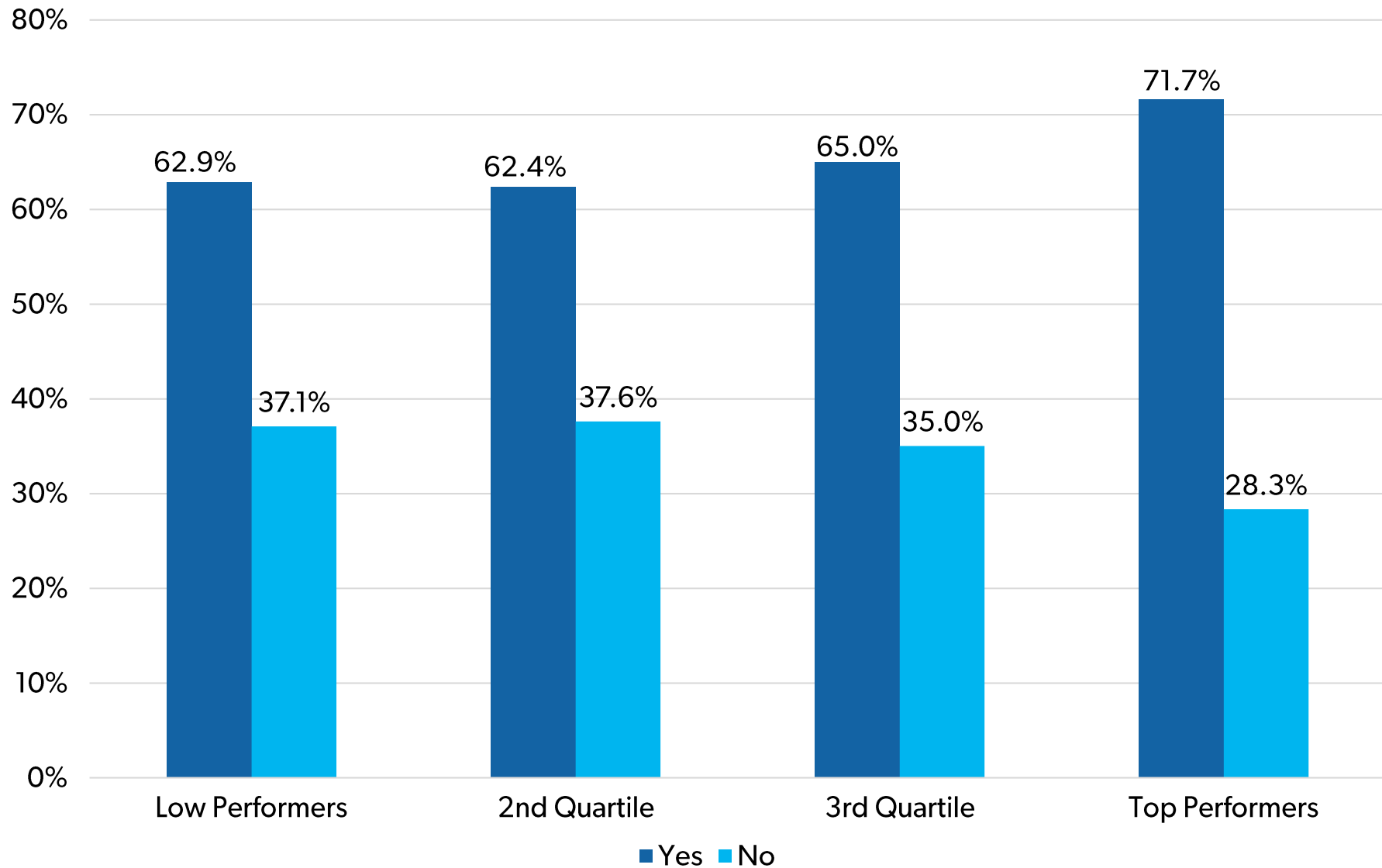


### Does your board utilize a board governance model? By Credit Union Performance Ranking





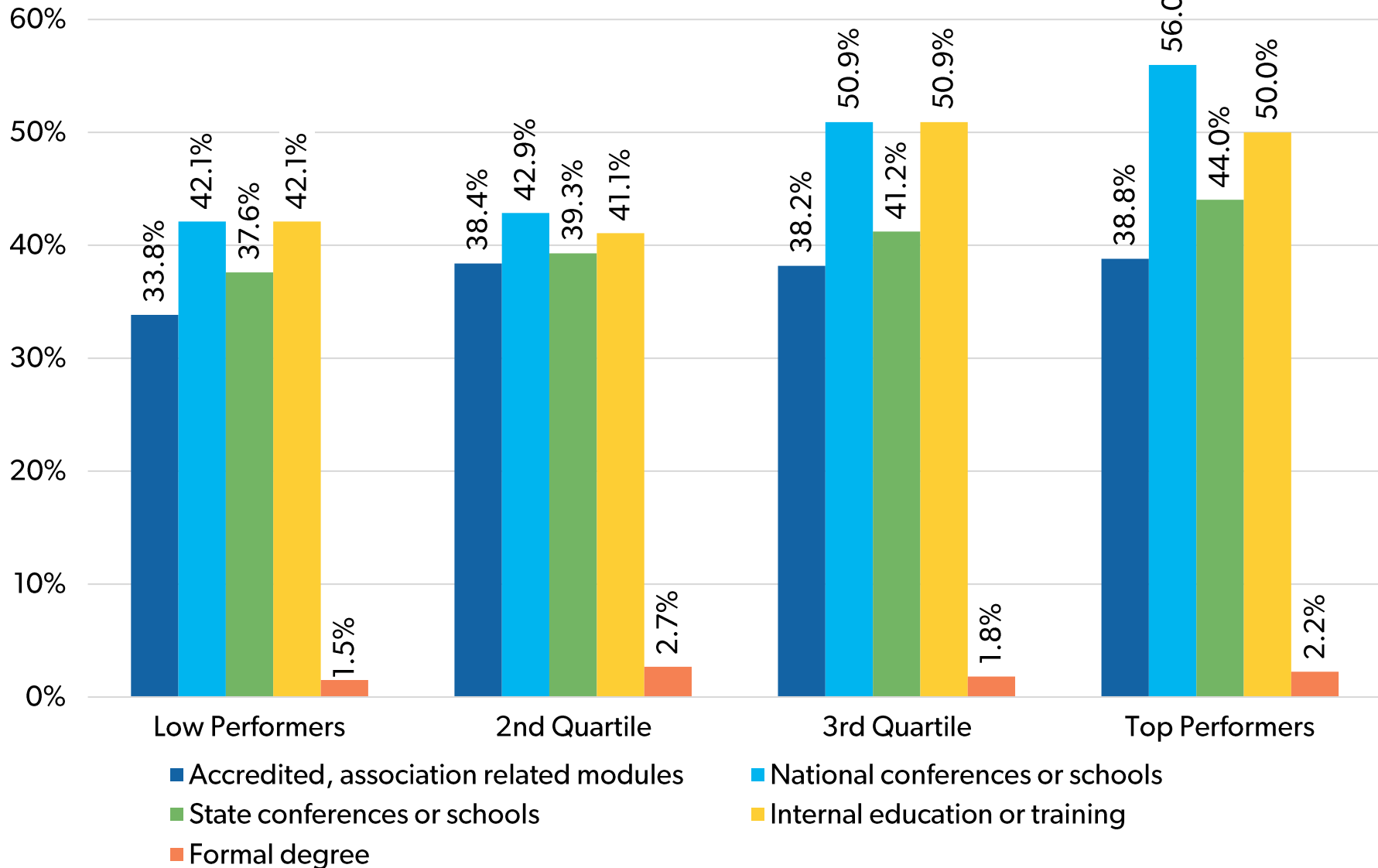
### Does the board have a continuing education policy or requirement for board members? By Credit Union Performance Ranking





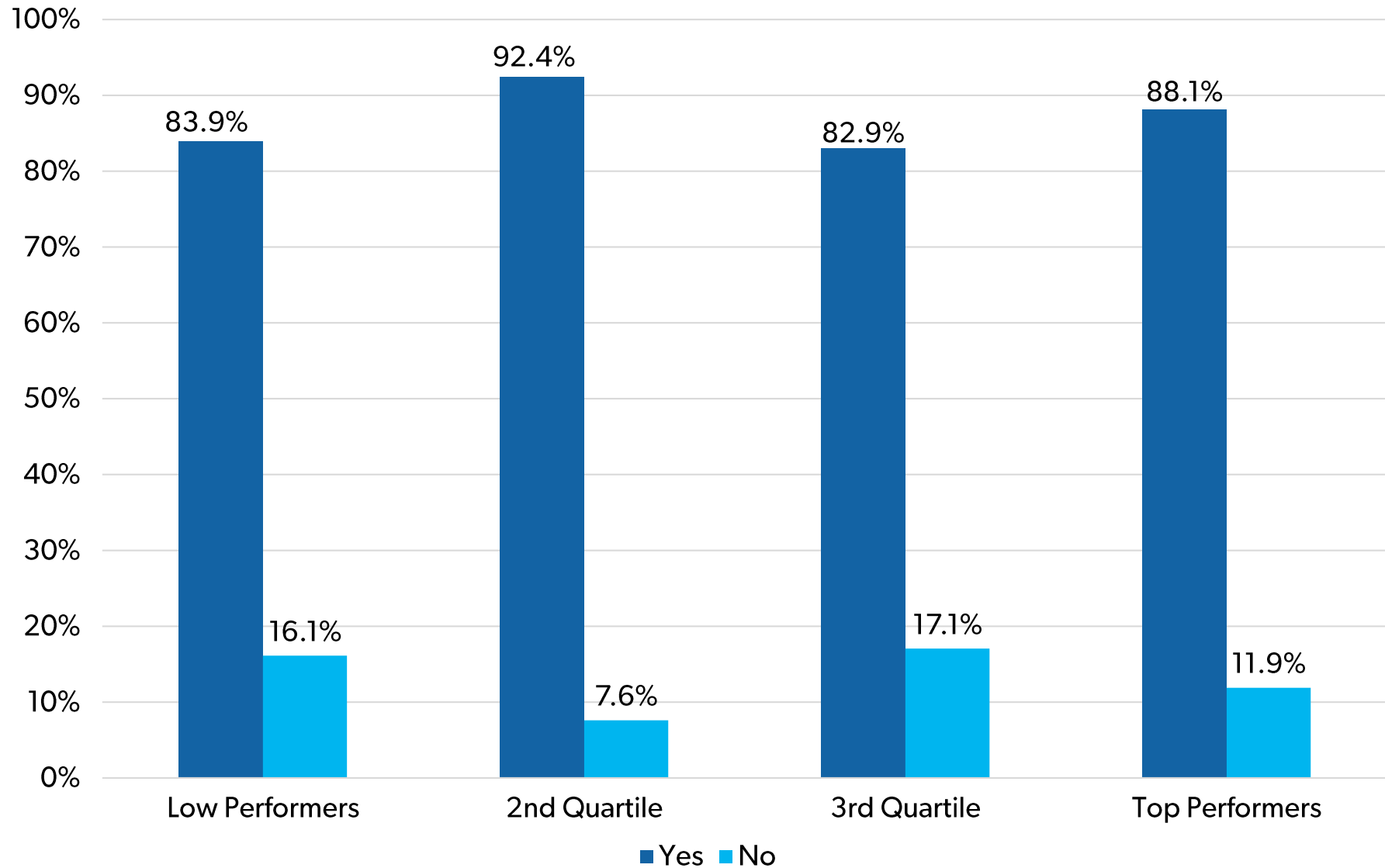
### What elements does the continuing education policy or requirement include?

#### By Credit Union Performance Ranking



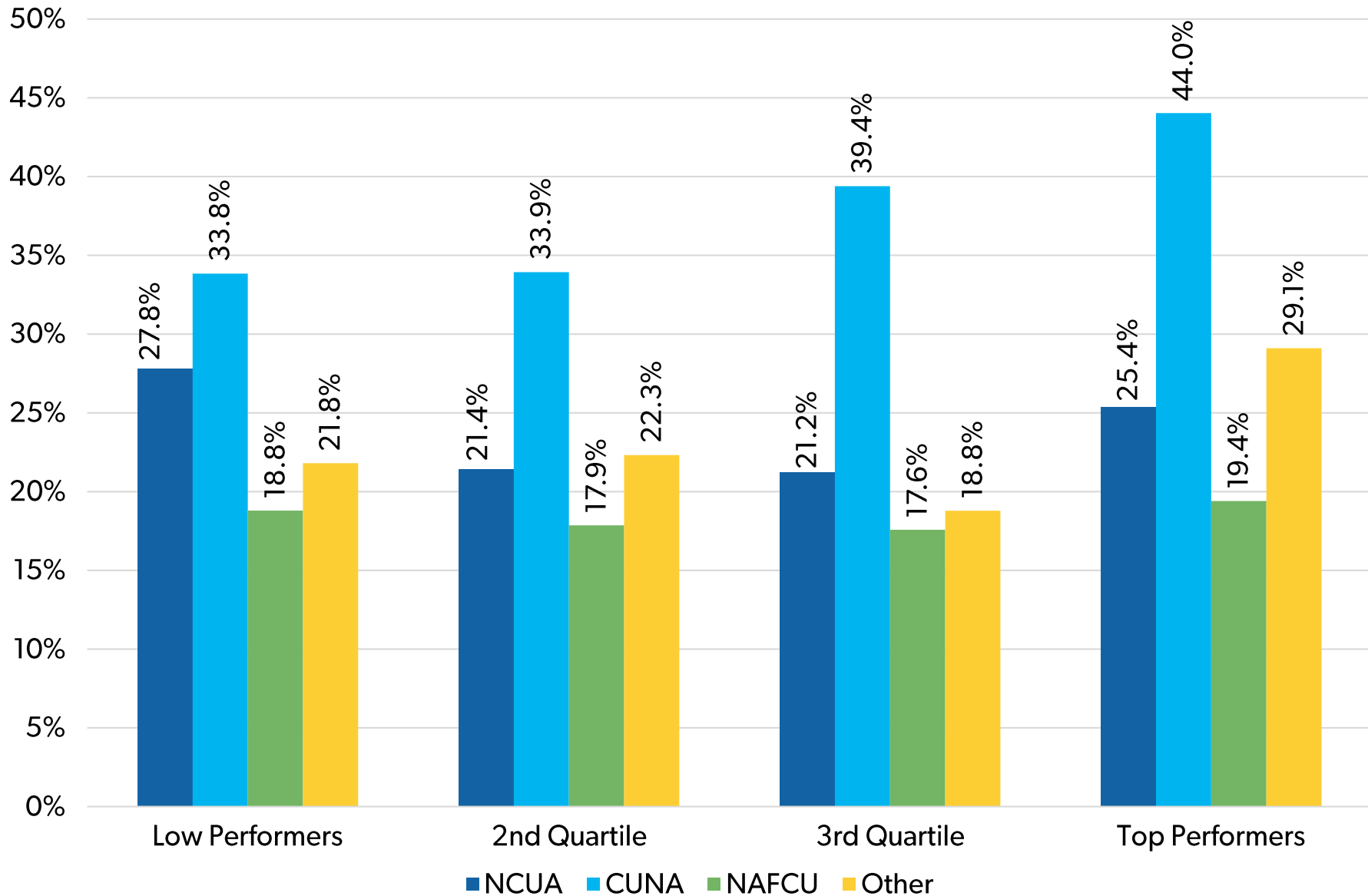


### Do you find current continuing education efforts worthwhile for the dollars spent? By Credit Union Performance Ranking



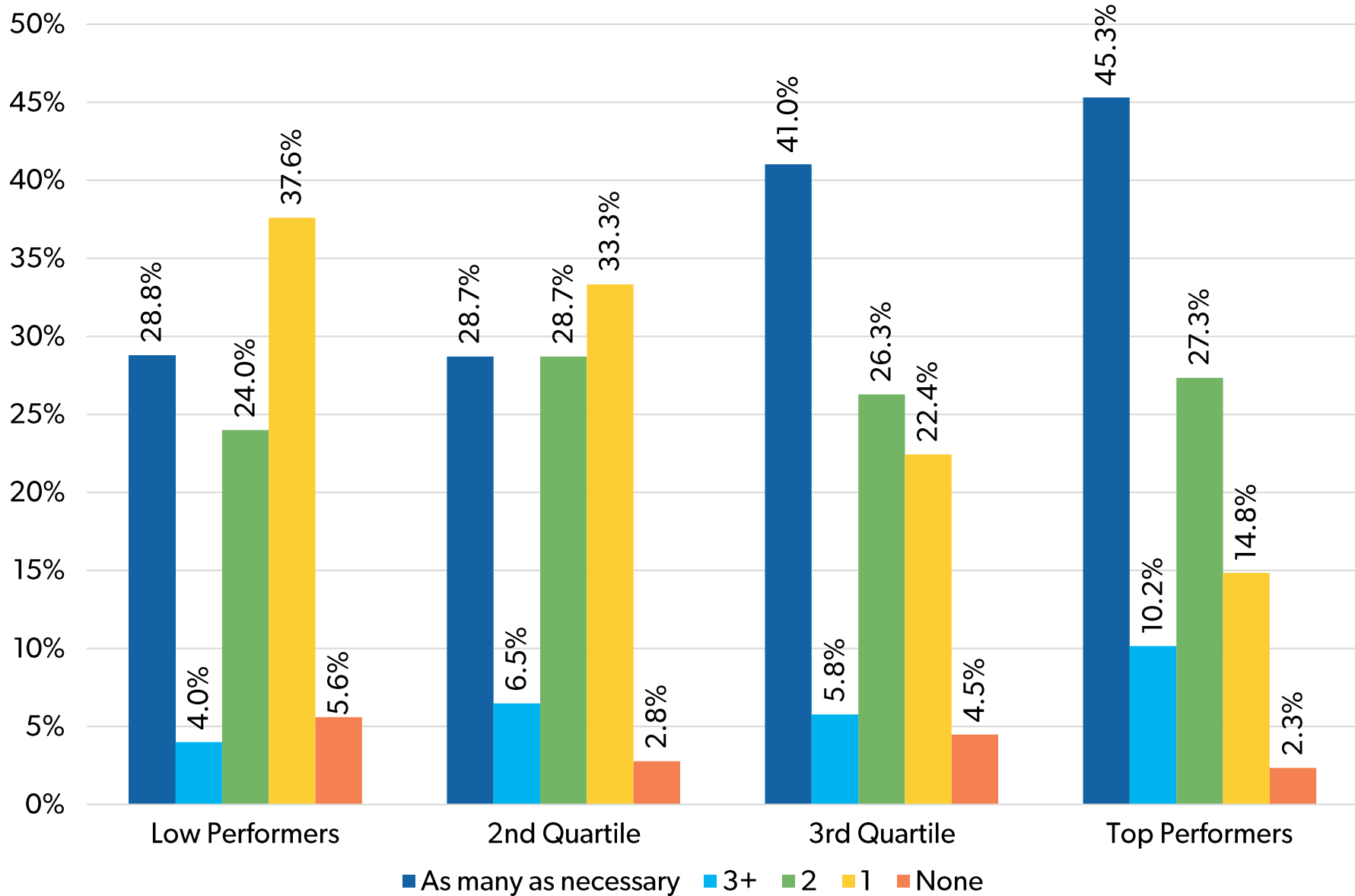


### How are regulatory financial literacy requirements achieved? By Credit Union Performance Ranking





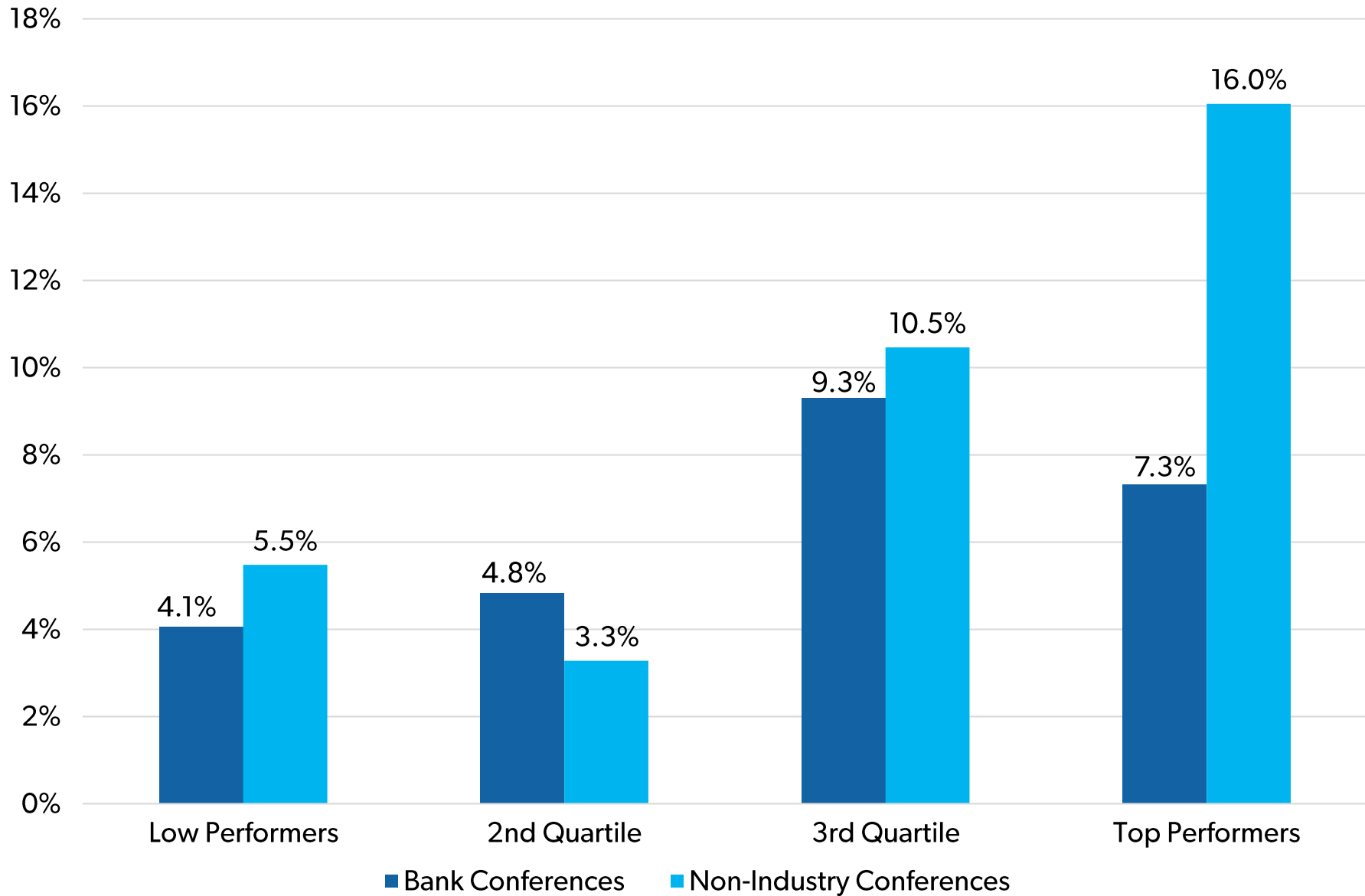
### How many conferences may a board member attend in a given year? By Credit Union Performance Ranking





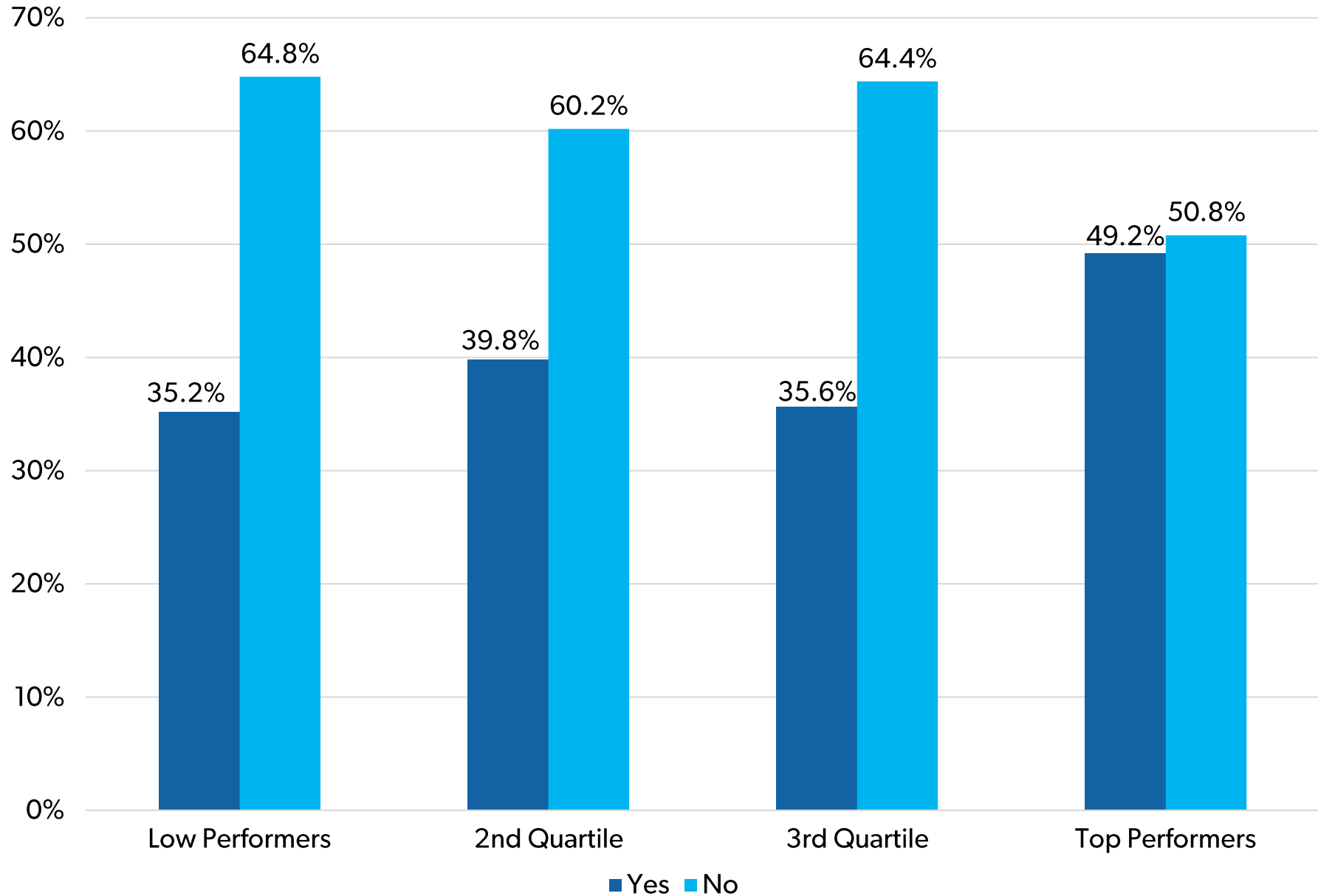


### % of boards that attend other conferences By Credit Union Performance Ranking



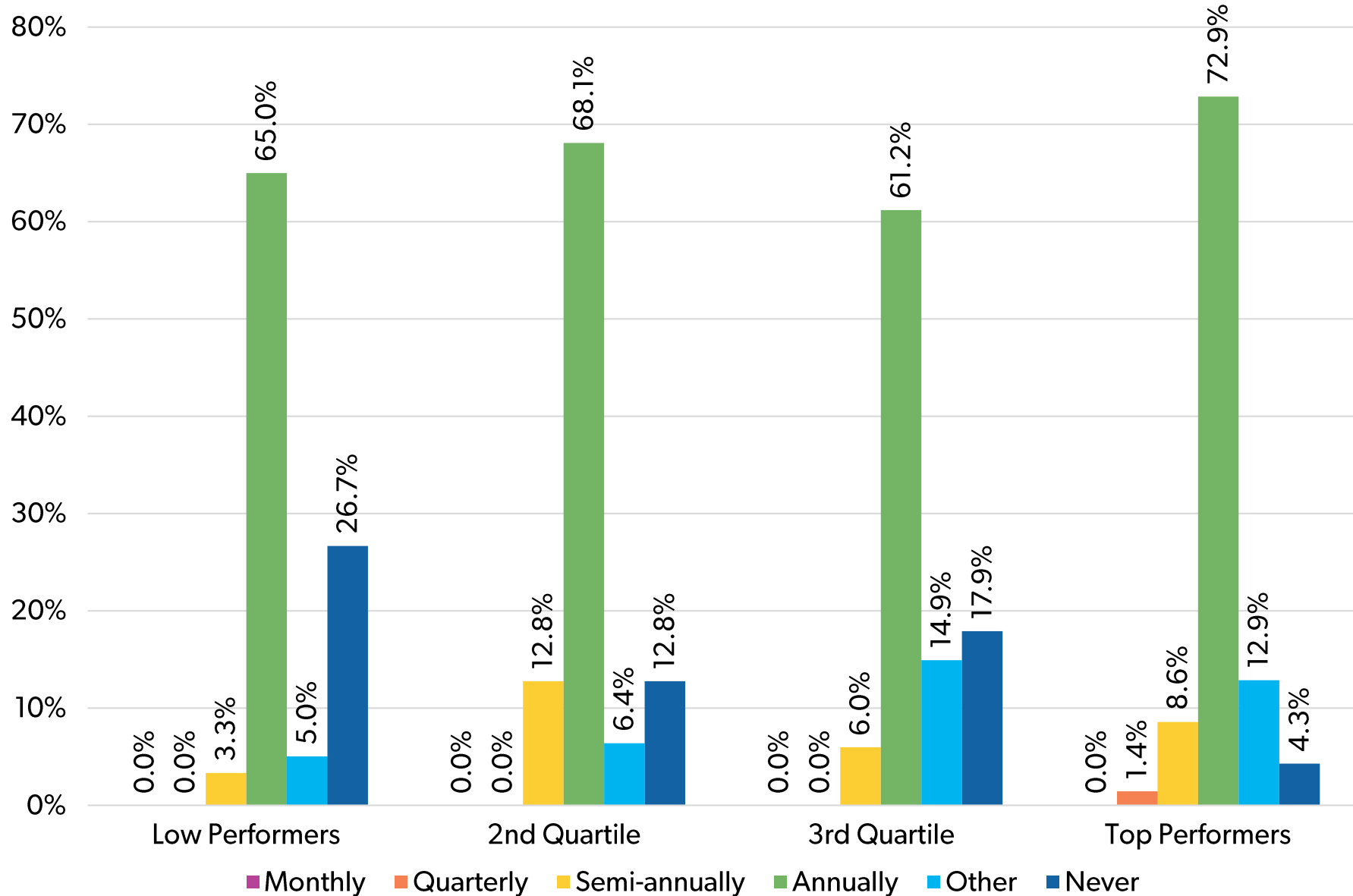


### Does the credit union have a board succession plan in place?



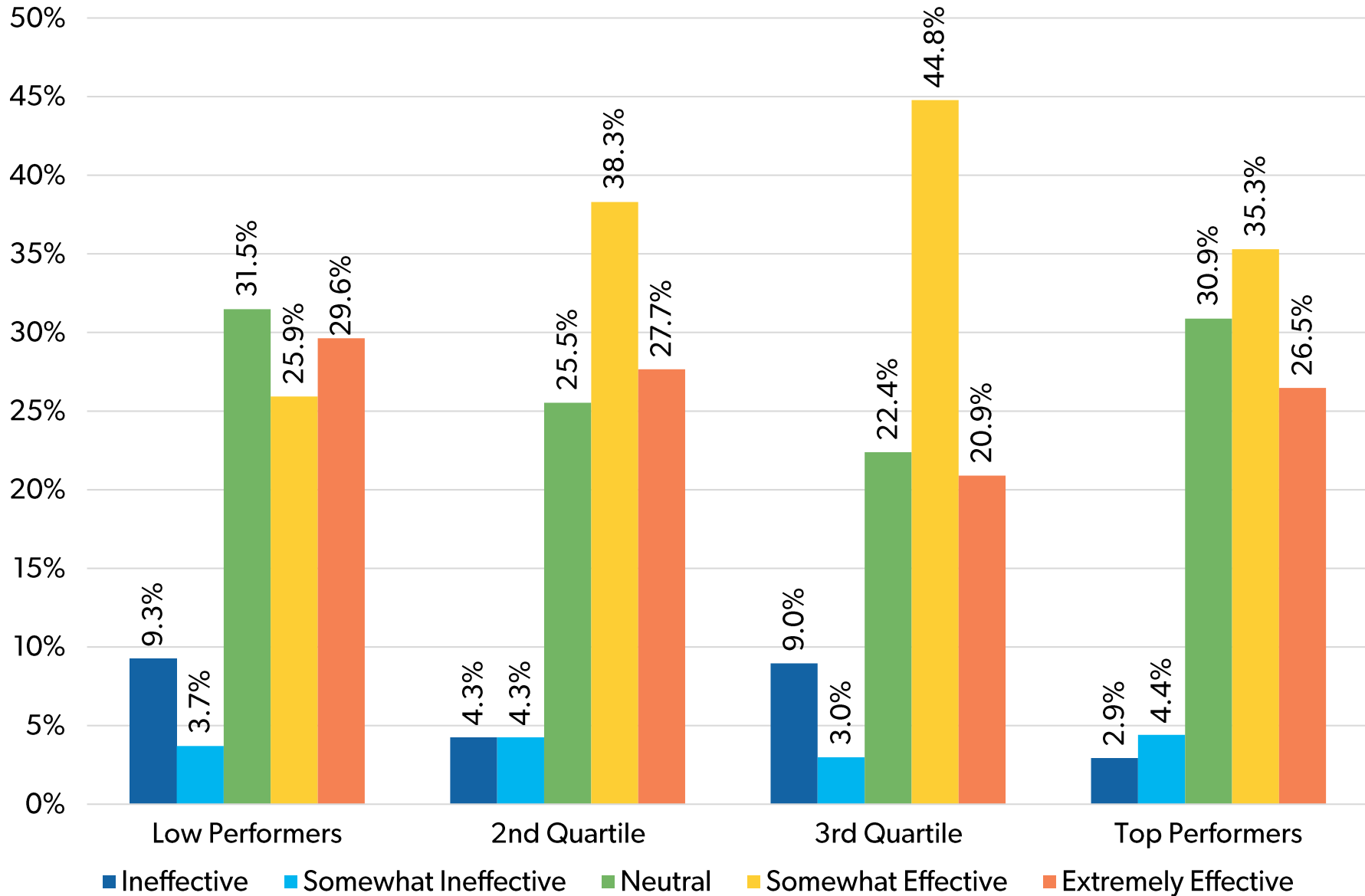


### How often does the board review its succession plan? By Credit Union Performance Ranking



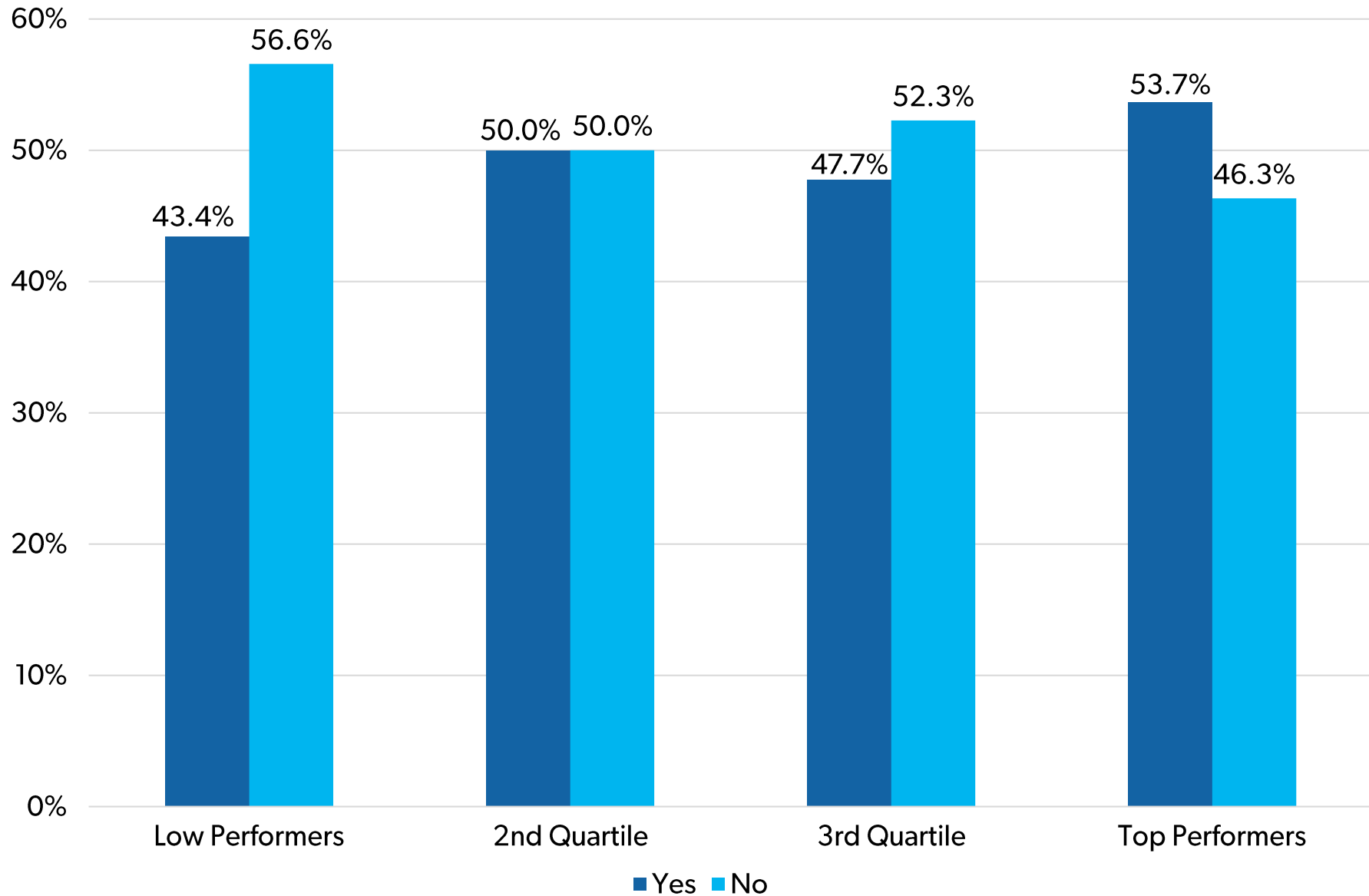


### How effective is the board succession plan? By Credit Union Performance Ranking



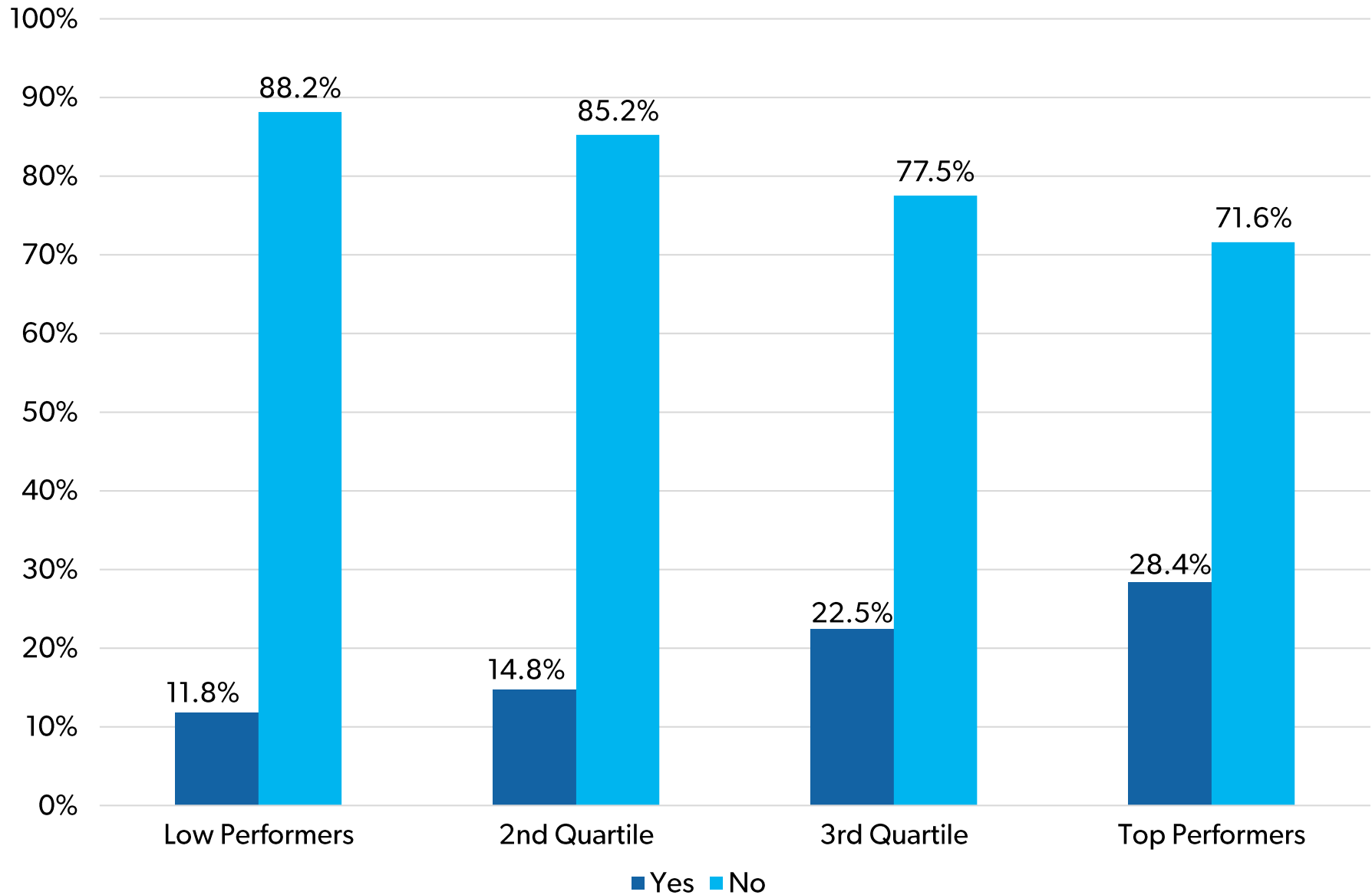


### Does the chair position rotate between directors? By Credit Union Performance Ranking



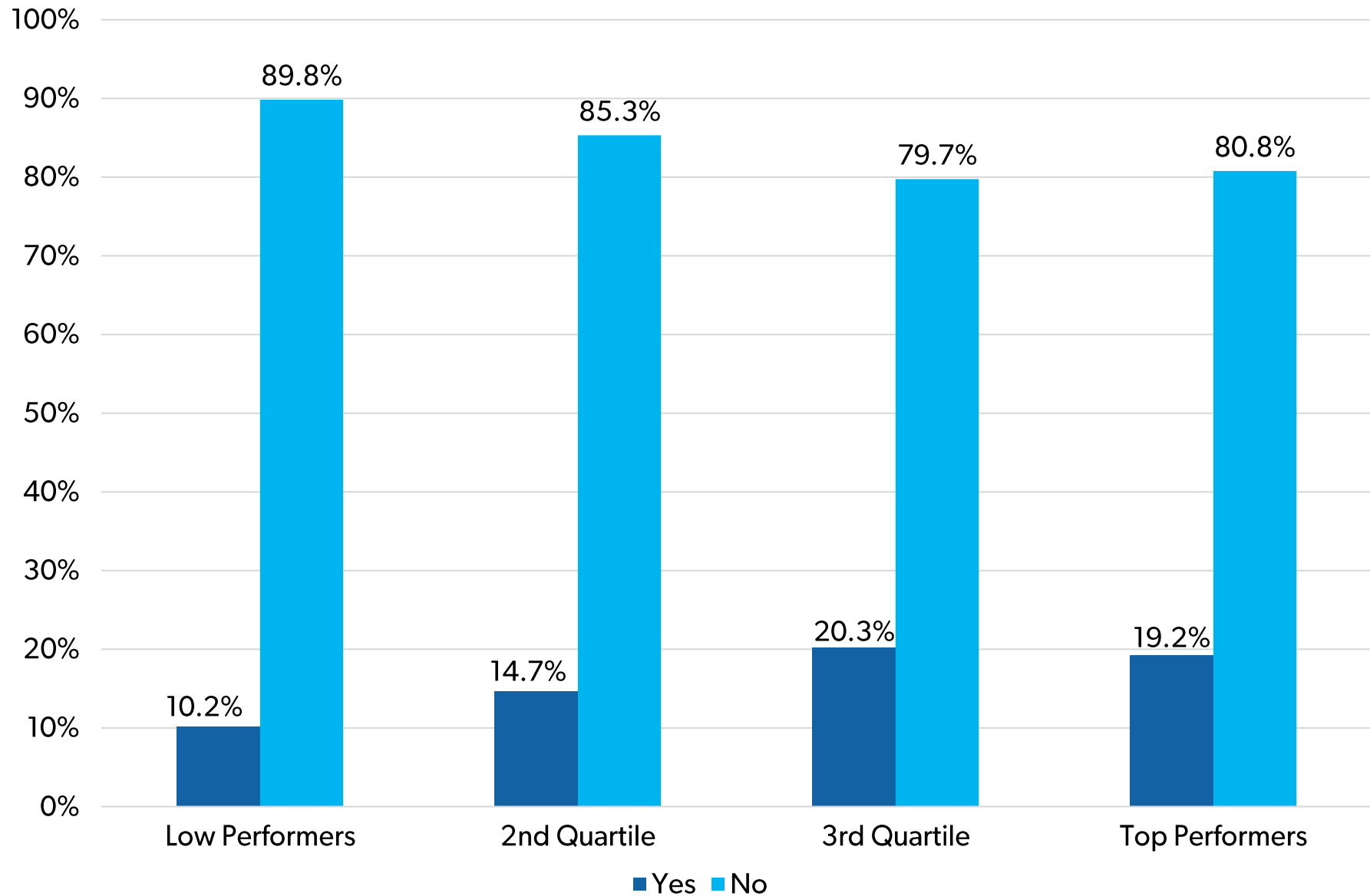


### Does the board mandate rotation of officer positions? By Credit Union Performance Ranking



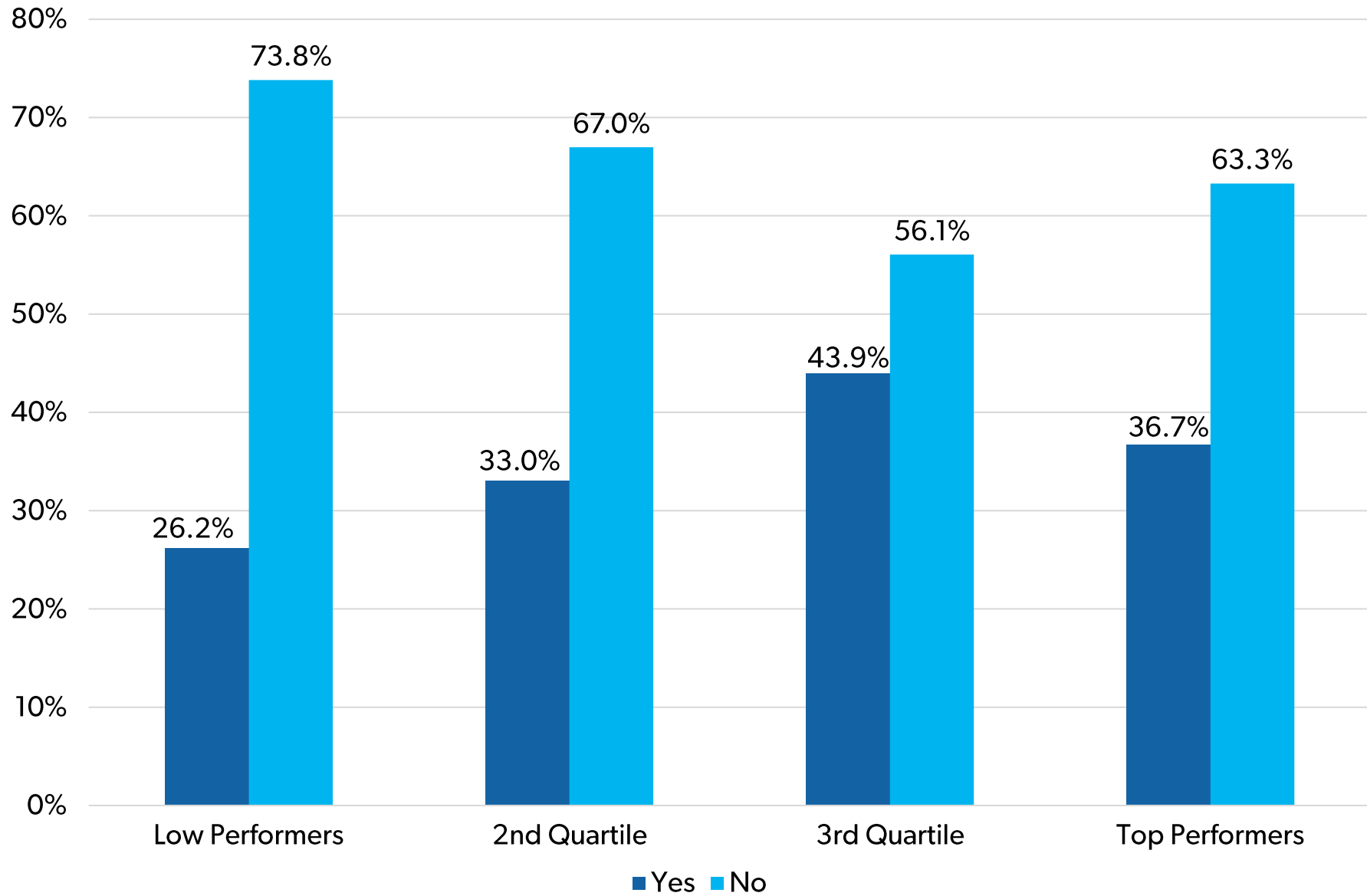


### Does the board have term limits? By Credit Union Performance Ranking





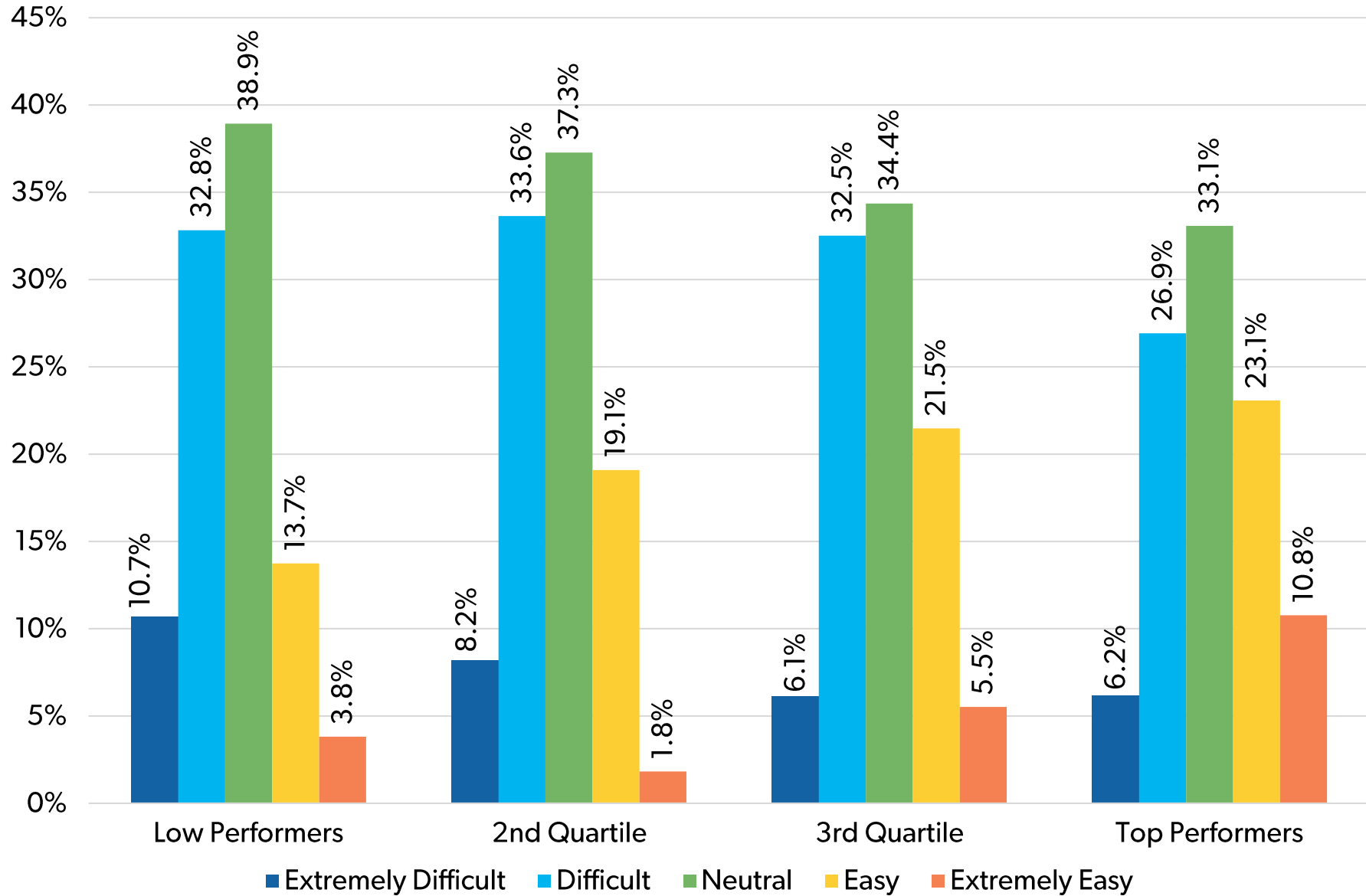
### Do you feel that you need to have term limits? By Credit Union Performance Ranking





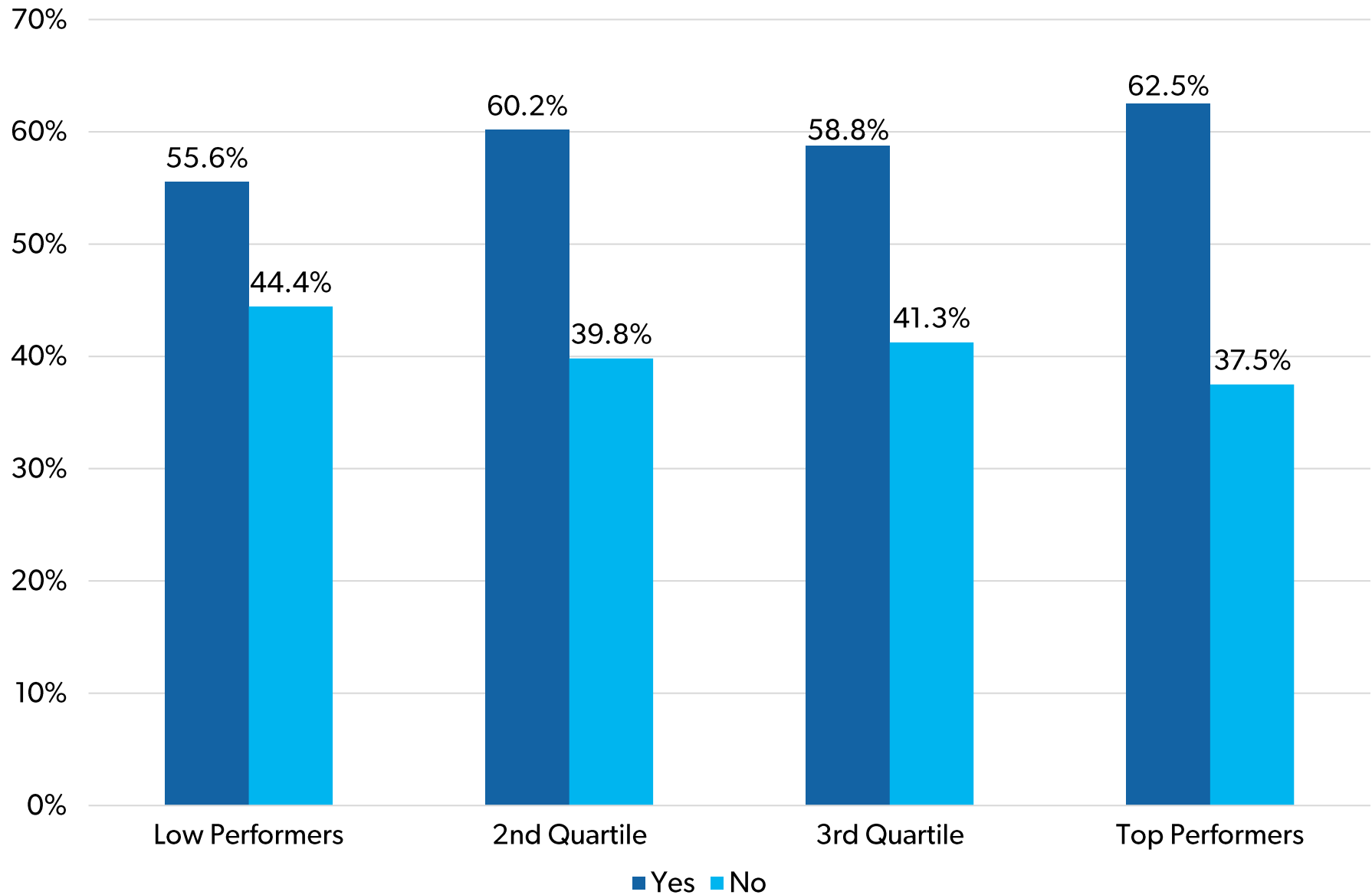


### How difficult is it to recruit new board members? By Credit Union Performance Ranking





### Does management take an active part in board recruitment? By Credit Union Performance Ranking





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