2022 National Compensation Forecast

d. hilton associates inc.

Welcome to D. Hilton's 20th Annual Credit Union Industry Compensation Forecast

Didn't everybody make a work-from-home resolution to learn a foreign language. I did, but it didn't happen. Alphonse Karr's quote sums up the last 20 years perfectly, *The more things change, the more they remain the same.* We've grown. We serve more members. However, we're dealing with many of the same issues from 20 years ago: supply of talent woes, recruiting and retaining a new generation of workers, and chasing a compensation market that never seems to slow down.

Established in 1985, D. Hilton Associates is now living through our fifth once-in-a-lifetime financial crisis. This experience allowed us to identify key employee engagement patterns that must be addressed with a sense of urgency. Economists are calling it "The Great Resignation." A recent Microsoft study reports 41% of workers worldwide are considering quitting their jobs (54% of Gen Z, aged 18 to 25). And credit unions aren't immune.

So, we're presenting strategies to quell the tide. The report contains insight into emerging HR practices, suggested wage/salary administration adjustments, top variable pay metrics, and a breakdown of how benefits are currently being integrated into total rewards programs. We hope this report helps you face the new normal with confidence.

We are deeply humbled to support organizations that make such significant impacts in their local communities. Our singular goal is to generate data to assist you in assessing risks and making tough decisions. We provide data so you have peace of mind that you are doing the right thing for your members and employees. If you have specific questions, we are here to help. Please call me at 800.367.0433 ext. 124. And remember… We were born to do this!

All the best in 2022,

John W Dro

Plus ça change, plus c'est la même chose.

Jean-Baptiste Alphonse Karr

So, what's changed in the last 20 years?

Then

- The first case of SARS is reported in Southern China.
- The Afghanistan war was ramping up.
- Credit union assets stood at $574 billion compared to bank assets of $7.1 trillion (8% market share).
- Financial sector unemployment stood at 2.8%.
- In 2002 the Fed Fund rate fell to 1.75%, the lowest average Fed Fund rate since 1961.
- We were coming off a contentious presidential election that was litigated in the Supreme Court.

Now

- The fourth wave of COVID-19 is raging.
- The Afghanistan war has wound down.
- Credit union assets stand at $2 trillion compared to bank assets of $18.5 trillion (10.8% market share).
- Financial sector unemployment stood at 2.8%.
- In 2021 the Fed Fund rate fell to 0.25%, which means it's now the lowest in history.
- We're still having trouble running a presidential election.

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The Top 5 Credit Union HR Trends for 2022

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3 — Omnichannel disrupts reward and recognition programs

4 — It's time for an employee benefits makeover (again)

5 — Succession Planning just got harder

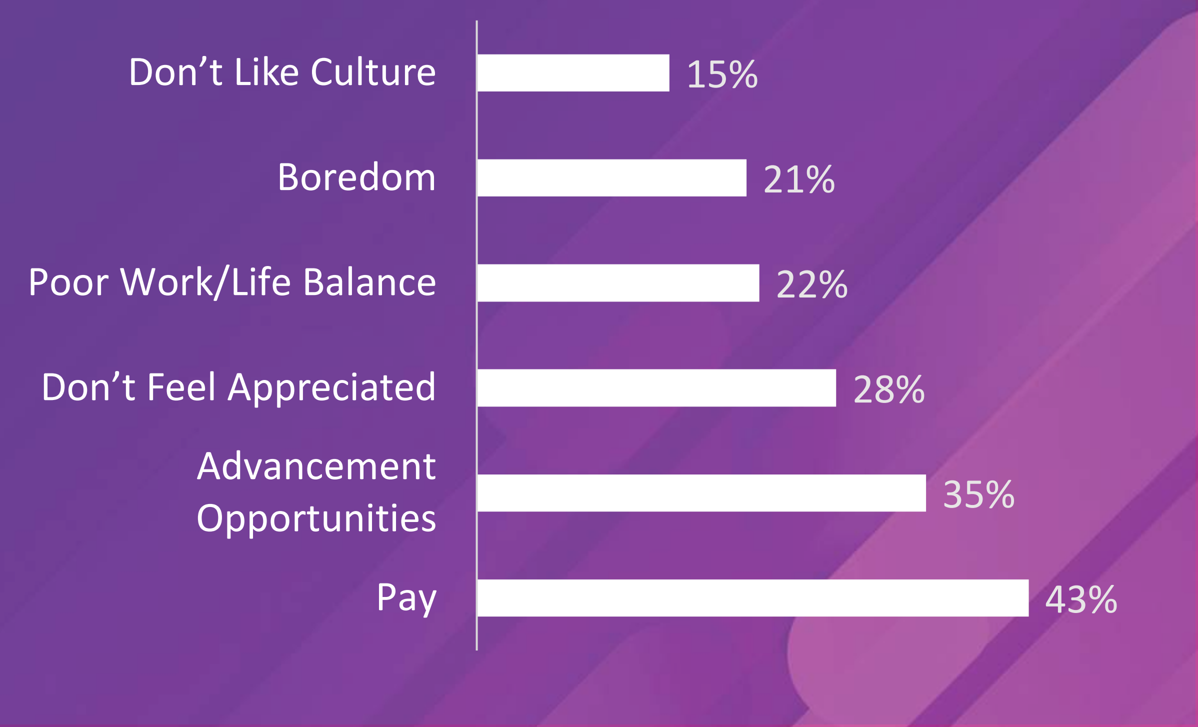
You don’t have to hire ‘em if you can keep ‘em

Stay

10 Keys to Finding and Keeping Great People

- Foster an innovative culture
- Provide learning/progression opportunities
- Fun and family focused incentives
- Offer State-of-the-Art Technology (automation)
- Leaders who mentor, coach and inspire
- Freedom to 'fail' in order to innovate
- Remote work/projects
- Inclusive leadership
- Diverse experiences and learning opportunities
- Succession plans in place

Go



Top Reasons for Millennial Exits (Deloitte)

Turnover is reduced by 57% for employees engaged in company-giving and volunteering efforts

Source: Talentlyft

Buf if you do have to hire, remember…

73%

of 18-34 year olds found their last job through social media

90%

of current job market is candidate driven-- that means job seekers are picking you!

Source: Talentlyft

The Initial Offer is Changing

Future of work is WORK not JOBS

SIGN-ON BONUS

20% of jobs on ZipRecruiter in June '21 offered signing bonuses which is up from only 2% in March

MERIT INCREASE FREQUENCY

Merit increases have shifted to multiple distributions a year to increase retention

MINIMUM WAGE VS LIVING WAGE

Minimum wage and living wage are two very different concepts and neither line up well with $15/hour for families

RECOGNITION

Organizations with a formal recognition program had 31% lower voluntary turnover

The Goal is Human Experience

	Organizational-Led (top-down)	Employee-Led (bottom-up)
Personal (employee)	Employee Engagement	Human Experience
Professional (the work)	Work/Life Balance	Employee Experience

Top Performers vs. Critical Workforce

Top Performers	Critical Workforce
Most organizations consider the top 5% - 10% to be top performers	54% of organizations indicated that critical workforce segments are tracked
To build rapport and increase retention, leading employers provide frequent compensation and performance touchpoints throughout the year, at all employee levels	71% of organizations rely on managers to identify critical workforce segments suggesting there are opportunities for HR to leverage metrics to identify, track and customize rewards
High compa-ratio / position in range, discretionary out of cycle increases, ad-hoc bonus awards, and public recognition are key reward techniques being used to attract and retain	Organizations target compensation at 60^{th} – 75^{th} percentiles, and use richer base increase and discretionary adjustments to achieve higher internal compa-ratios
Receive higher than average merit increases and discretionary bonuses to accelerate their compensation position	Other pay strategies are being deployed such as retention bonuses and larger bonus opportunities
42% of organization indicated that top performers could be eligible for LTI even if not normally eligible	

Creating a Goal-Driven Culture

Management	Staff	Sales
Special Recognition	Special Recognition	Special Recognition
Exec. Management Incentive	Staff Gain Share	Mortgage/Wealth Programs
Merit Increase Frequency	Merit Increase Frequency	Merit Increase Frequency

- Base Pay System -

Original Slotting, Promotions, Market Adjustments, Reclassifications, etc.

- ProSocial Mission and Values -

Not-for-Profit Structure, Cooperative, Community Involvement

Intrinsic Values

The New Offer
(A First-Year Formula)

Signing Bonus

Onboard before they Onboard

Year 1 Multi-Step Increases

Real-Time Perf Evals

Custom

Employees may now want customized schedules, benefits, and role content, among other factors

Percentage of candidates who expect to be able to apply for a job on a mobile device
83%

Importance of being praised/recognized during recruiting process
72%

Interaction with other employees after receiving offer but before Day 1
71%

Interaction with other employees before receiving offer
68%

Importance of meeting the hiring manager during the interview process
67%

The total onboarding experience will affect decision to stay more than a year
67%

Willingness to consider other opportunities if not contacted between offer acceptance and the first day of joining the company
45%

Importance of a company's recognition and rewards program on a company's website
65%

Personalized gift with offer would influence acceptance
64%

Likelihood of participating in a social community for an organization of interest even if there are no current job openings
56%

Excerpt from
2021 Job Seekers Mindset
Source: Trendicators

The Top 5 Credit Union HR Trends for 2022

1

You Can't Pay 'em if you can't get 'em to say yes

2

Cost-of-Labor trumps Cost-of-Living everytime

3

Omnichannel disrupts reward and recognition programs

4

It's time for an employee benefits makeover (again)

5

Succession Planning just got harder

Our policy here has been for years—is already—that [compensation] varies by location. We pay a market rate, and that varies by location. We're going to continue that principle here.

-- Mark Zuckerberg
CEO of Facebook

This means if you move to a lower cost area as a remote worker, you can expect a decrease in salary. Good luck, Mark...

> For some jobs, the gig and remote workforces will create a more national and less local labor market

Jed Kolko, Indeed

Cost-of-Living Models Over-Weight Housing

Two Bedroom Apartment

- 950 Square Feet
- Unfurnished
- Excluding all utilities (except water)
- 2 beds / 2 baths

San Francisco

- 3.62 times the national average
- $3,900

Omaha

- 14% less than the national average
- $1,031

House

- 2,400 square feet
- New house
- 8,000 sq ft lot
- 4 beds / 2 baths

San Francisco

- 3.62 times the national average
- $2.4 million

Omaha

- 14% less than the national average
- $300,000

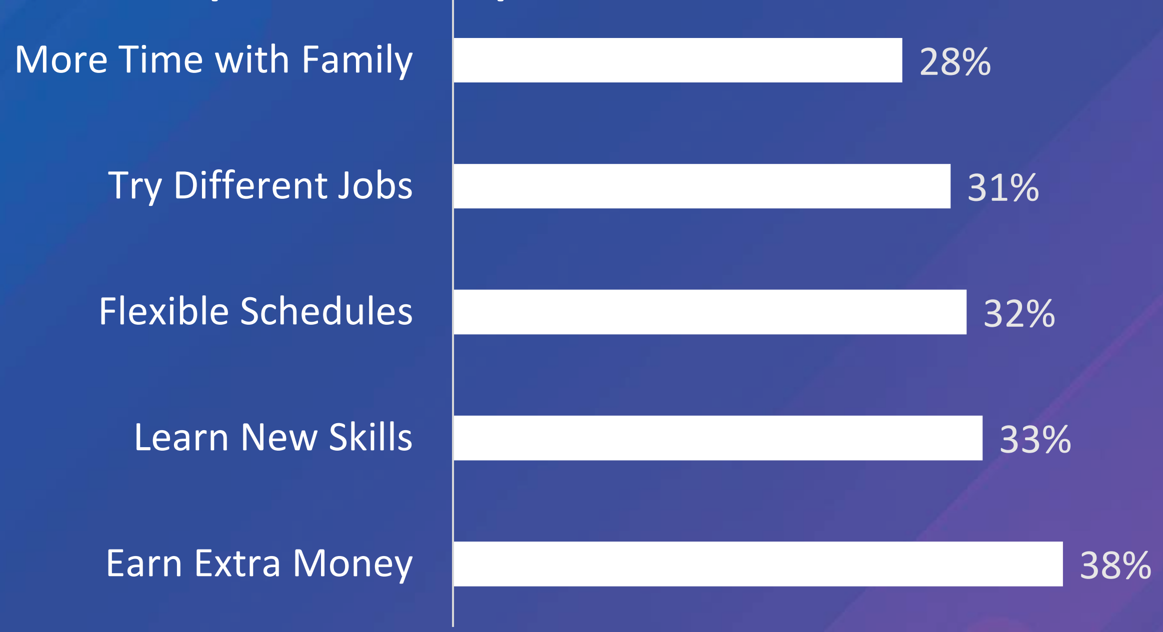
Cost-of-Labor Impacts Market Rates…

San Francisco	Omaha
Teller - $37,400	Teller - $29,700
Branch Manager - $87,300	Branch Manager - $69,400
IT Programmer - $96,400	IT Programmer - $80,700
Cost-of-Living 195%	**Cost-of-Living** 94%

However, Cost-of-Living calculations do not often translate well to Cost-of-Labor

Cost-of-Labor trumps Cost-of-Living everytime

Top Reasons People Choose Short-Term Work



Source: ManpowerGroup Solutions

52%
of gig workers report losing their jobs or having work hours reduced due to COVID
Statista, 2021

Candidates now bring a customer mentality to their workplace
Mercer, 2021

36%
of U.S workforce participates in the gig economy
Fortuny, 2021

Top Reasons for Near-Term Exits

Dissatisfaction with pay/financial rewards	43%
Not enough opportunities to advance	35%
Lack of learning and development opportunities	28%
They don't feel appreciated	23%
Lack of flexibility (poor work/life balance)	22%
Boredom	21%
They don't like the workplace culture	15%

Millennials and Generation Z prioritize work-life balance, collaboration, and feedback.

Unemployment Impacts Cost-of-Labor

Industry	July 2019	July 2020	July 2021
Accommodation	4.3%	38.0%	14.6%
Arts, Entertainment & Recreation	3.5%	29.2%	8.3%
Administrative & Support Services	5.7%	12.4%	9.2%
Information	3.9%	12.3%	5.6%
Retail Trade	4.3%	10.2%	6.4%
Manufacturing	3.0%	8.6%	4.2%
Professional/Business Services	3.4%	7.6%	5.1%
Finance & Insurance	2.1%	3.6%	3.1%

Source: U.S. Bureau of Labor Statistics

The world is forced to reimagine how we work every generation.

- The Industrial Revolution moved workers from the fields to factories (1880s).
- WWII brought women into the workforce (1940s).
- The explosion of PCs and email ushered in the digital age (1990s).
- The COVID-19 pandemic drove employees out of offices to work from home (2020).

And….

- 2022 presents the challenge of "Return to Work."

Employers are ready to get back to significant in-person presence. Employees aren't.

If leaders don't accept the fact that they don't know the shape of the future of hybrid working, their talent will keep leaving.

During COVID 39% of employees struggled to maintain a connection with colleagues as informal social networks weakened. So some face time is critical.

Top Five Reasons to Come Back to the Office

Social Gatherings
Lunch Outings
Coaching/Mentoring
Team Meetings
Cultural Celebrations

It's obvious that everyone needs to determine how many days in office per week are best, but it may not be the right question to answer first.

Benefits of High Belonging in the Workplace

Increase in Employee Performance

Decrease in Turnover Risk

Reduction in Sick Leaves

Source: Harvard Business Review

Flexibility is here to stay.
Those that do not embrace it may not be.

What work is better done in person vs. virtually (and vice versa)?

How will meetings work best?

How can influence/experience be balanced between those who work on site and those who don't?

How can you avoid a two-tier system in which in-office staff are valued and rewarded more than work-from-home staff?

Should teams physically gather while tackling a project?

Can off-site workers be as effective as in-office staff?

Every business leader should ask themselves a few questions before demanding that their employees return to the office:

- Prior to March 2020, how many days a week were you personally in the office?
- How many teams did you directly interface with? What teams did you spend the most time with?
- What is office culture?
- What is your specific office's culture?
- Has your business suffered because of remote work? If so, how? Be specific.

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After a decade of developing individual sales plans, investing in tracking systems and trying to find the perfect sales metric, accelerated omnichannel adoption makes us question the value of individual sales plans. We fear overpaying due to multiple touchpoints (or the absence of any touchpoints) while margins continue to be squeezed.

In the early '90s, I was asked to referee a disagreement. Our client was using referral cards to track cross-selling loan activity. Tellers were paid for successful referrals by manually initialing referral cards. Then one day, someone noticed that cards were being altered. Our investigation found that if a loan employee thought the original referral was not worthy because "the teller only referred them, they didn't have to answer any questions or complete the paperwork," new initials were assigned to indicate the "rightful" owner. My job was to literally hold up these cards to the light and determine who should get credit.

While the exercise may seem ridiculous, we're actually doing the same thing in 2021. We're still trying to determine who should get credit along the fulfillment chain. Today's omnichannel delivery environment makes it even more difficult to recognize individual contribution. This line-of-sight challenge has seen the reemergence of GainShare Plans, which are based on three core principles:

- Corporate performance funds an incentive pool
- Team performance modifies that pool
- Individual performance determines individual sharing rate

In this manner, we've brought back the focus to the team and not the individual, which ultimately leads to stronger member engagement as we discourage resource competition among employees. Gainshare Plans are remerging because they can recognize all contributors better than trying to capture individual contribution along the fulfillment chain.

-John Andrews

Omnichannel delivery systems are disrupting reward and recognition programs

It's difficult, and unrealistic, to place all employees in the same pay plan. The market looks at various job families differently. Credit unions unwilling to customize pay strategies will perpetually be at risk of losing valuable contributors.

Executives

- Special Recognition
- Custom Retirement Program
- Annual Balanced Scorecard Incentive
- Base Salary Market Adjustments

Specialized

- Special Recognition
- IT Mortgage
- Wealth Management
- Insurance
- Collections
- Base Salary Merit Increases

Staff

- Special Recognition
- Staff Gain Share Program
- Base Salary Merit increases

- Base Pay System -

Original Slotting, Promotions, Market Adjustments, Reclassifications, etc.

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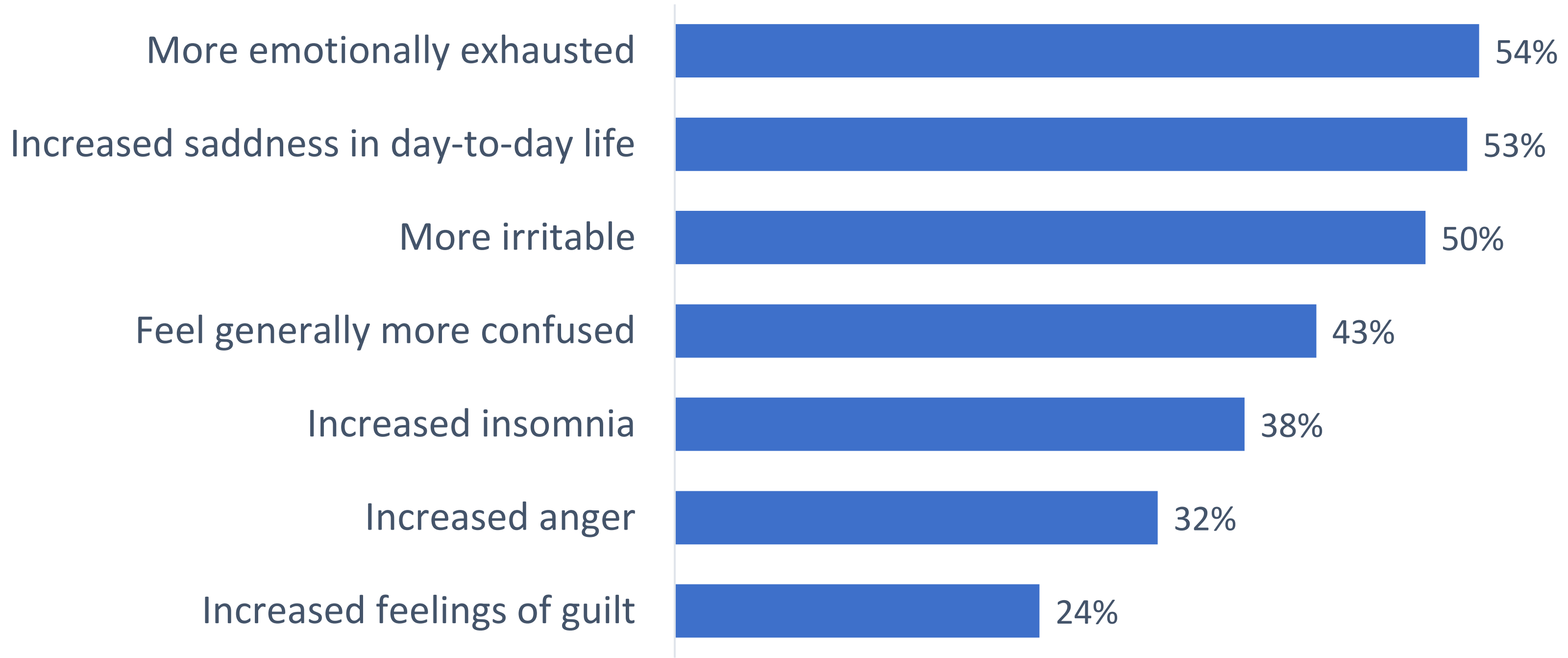
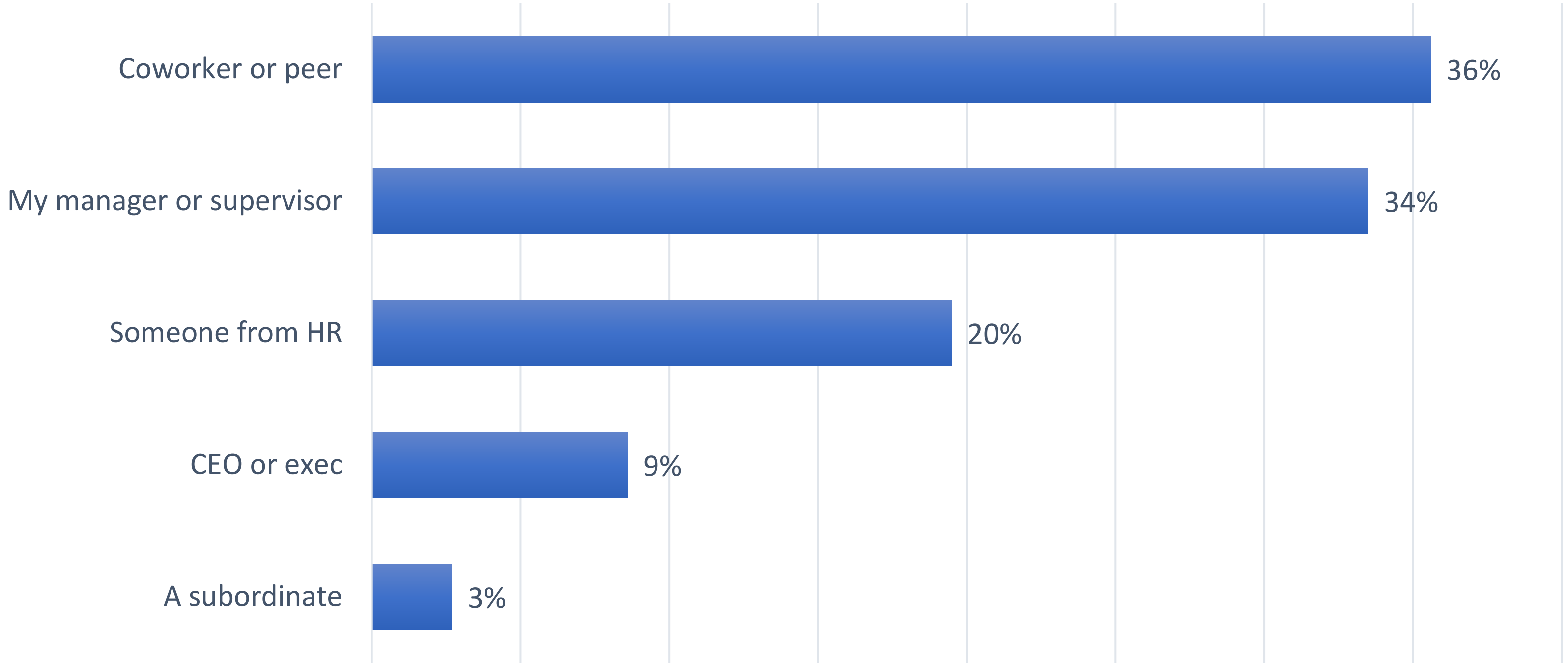
Mental Health Symptoms Since COVID-19 Outbreak



Source: Qualtrics: Confronting Mental Health Study

If you were going to talk to someone about a mental health concern, who do you believe could help you the most?



Source: Qualtrics: Confronting Mental Health Study

56% of employees did not feel like their employers provide a safe and welcoming environment for employees living with mental illness.

If you're worried about your work–life balance, you're missing the point. There's just life, and your work is part of your life. That's it.
Annastiina Hintsa

Workers that report workplace issues negatively impact sleep 66%

Not enough opportunities to advance 35%

Work environment leads to employees finding it difficult to concentrate 65%

Employees feel emotionally drained from their work 85%

Employees worry about lack of money to pay for living expenses 58%

Employees cannot afford their health care costs 34%

Minimum wage legislation and poverty guidelines have historically failed to meet employees' realistic financial needs. Economic insecurity is a well-documented socioeconomic determinant of health.

Source: Mental Health America

The pandemic has also caused a shift in how employees perceive benefits. Instead of tangible office-based perks like free snacks or exercise sessions, employees nowadays are looking for substantive benefits like healthcare, paid time off, parental leave, and support for mental health services.

Source: Bonusly

Keys to Making a Great Hybrid Workplace

Measure Outputs Rather Than Inputs

Challenges

- Facilitating effective communications
- Building cohesive and united teams
- Boosting employee engagement
- Updating performance management for hybrid workforce
- Crafting a culture where hybrid is part of norm

Strategies

- Remote-friendly mindset
- Enhanced collaboration/home office technology
- Connection Communication: who's in office, who's out
- Level playing field: career benchmarks for remote workers
- Required team days in office
- Continued feedback loops
- Taking unplugging seriously
- Focused Fridays (Zoom-Free)

Don't Let Employees Pick their WFH Days

- Danger of creating two cultures (WFH and In Office)
- Diversity Risks due to working parents vs. singles see promotion
  50% lower rate of promotion for WFH

Source: Harvard Business Review

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During times of low unemployment, companies are forced to explore more ways to source the talent they need while ensuring employee retention. Internal talent mobility is one area that will see more focus in the coming years.

Source: Deloitte

Internal Talent Mobility…

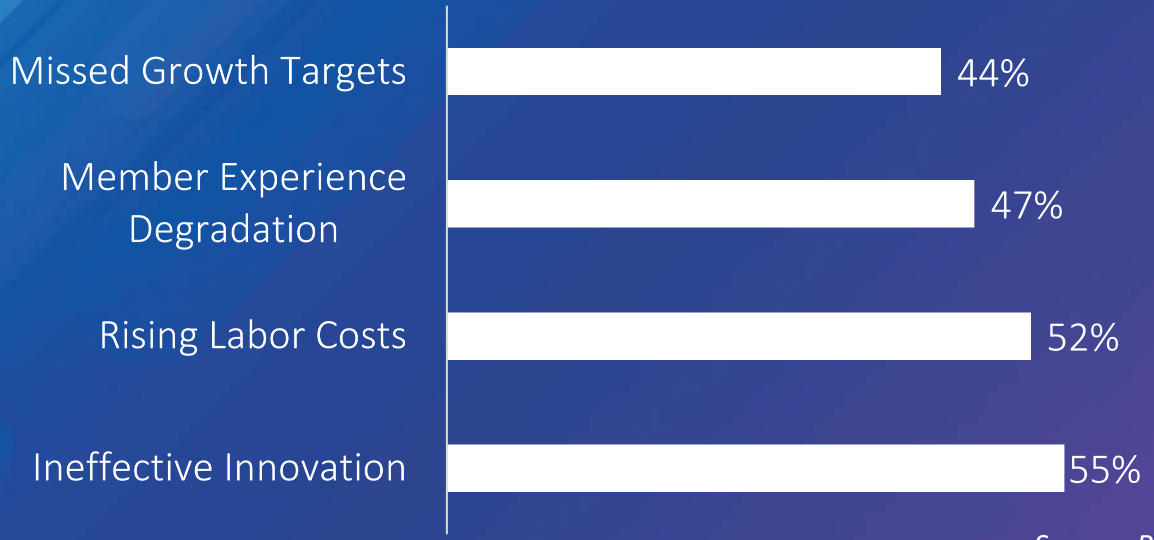
Taking an intentional approach to moving employees to new roles, projects and gigs within an organization to meet shifting business demands. It can help you create an agile workforce capable of seamlessly pivoting in response to rapid change.

Key advantages include:

- ✓ Reduce recruitment and onboarding costs
- ✓ Avoid layoffs and preserve your brand
- ✓ Improve employee engagement and retention
- ✓ Empower employees to grow their skill sets
- ✓ Drive ongoing agility across your organization

Internal Talent Mobility

The Impact of Lack of Skills on Business Performance



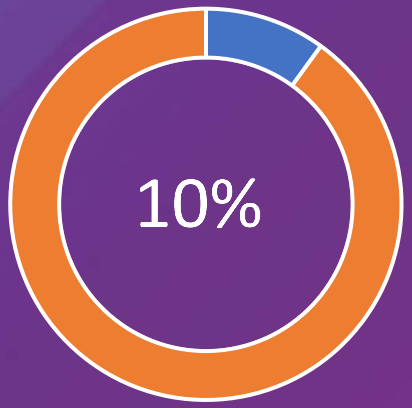
Source: PWC

Workers want leaders with multiple intelligences:

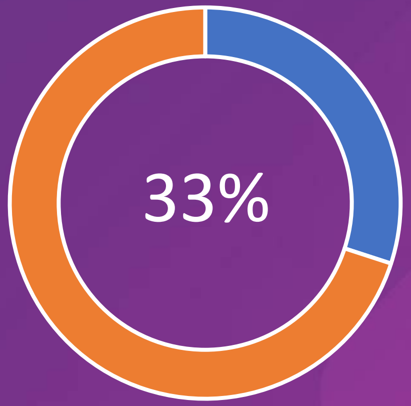
- Emotional intelligence
- Generation intelligence
- Creative intelligence

63% of Millennials feel that their leadership skills aren’t being fully developed by their employers.

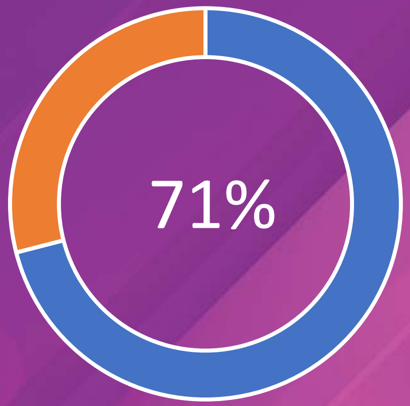
The Reskilling Challenge



Total number of skills required for a job is increasing year-over-year



Skills present in an average job posting in 2017 won't be needed in 2021



% of workforce that must use new skills as a result of COVID-19

Source: Garner Coronavirus Polling

The changing role of the Compensation Committee

Senior management reward and retention plans are finding their way onto Compensation Committee agendas more and more these days.

Its not a violation of board/CEO governance rules, it’s a proactive means of mitigating executive flight risk.

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D Hilton 2022 Budget Forecast

Capital Concerns
<7% Capital
320 credit unions (6%)
More that triple from 2020

Forecasts

Staff Merit Increases
0.00% - 1.00%

Executive Merit Increases
0.00% - 2.00%

Sufficiently Capitalized
7% - 10% Capital
1,994 credit unions (39%)

Forecasts

Staff Merit Increases
3.00% - 3.35%

Executive Merit Increases
5.00% - 5.35%

Well Capitalized
>10% Capital
2,861 credit unions (55%)
24% decrease from 2020

Forecasts

Staff Merit Increases
3.35% - 4.35%

Executive Merit Increases
6.25% - 8.25%

Salary Range Increases

Nonexempt 3.0%
Exempt 3.0%
Executives 3.0%

When you can't afford to take care of everyone, start with your Critical Workforce

Difficulty of Replacing Skills

Specialist Skills cannot be developed effectively internally	**Critical Workforce** Highly skilled individuals drive disproportionate value
Flexible Labor Alternative to fulfill high demand for employees or the need to lower cost	**Core Workforce** Credit union's infrastructure

Impact on Value Chain

Don't treat your top workers as part of the core workforce. Identifying the key talent segments that produce the most value will enable the organization to make investments that yield the greatest return

Is the Annual Pay Raise Obsolete?

The difference between a 3.00% vs 3.25% raise for a $17.50 per hour employee is

4.4 cents

TOP PERFORMERS expect pay to accurately reflect their performance…. They use pay as a SCORECARD

The difference is that these firms can "communicate that the budget pool for average performers is 2 percent and that the budget pool for outstanding performers is 6 percent."

Improve goal setting. make sure performance ratings accurately reflect each employee's performance and contribution.

Mix salary increase and lump sums. The highest performers could have merit payouts added as a salary increase, while average performers receive part of the payout as a lump sum and the rest as a salary increase, and poor performers would get a payout (if any) only as a one-time lump sum.

Most salary structures still reflect the practices of the pre-World War II era.

Over the years, knowledge workers grew in numbers, businesses expanded, and companies moved away from the command-and-control paradigm.

None of those developments were reflected in the salary management model.

A Few Strategies to Prioritize Your Critical Workforce Segment

- Use two-pool merit increase approach
  (5% for Top 20% & 2.5% for 80% = overall 3% budget)
- Set the bar higher for increases
  (give no increases to employees ABOVE midpoint & meets expectations)
- Vary increase timing
  (maybe every six months for top 20%)
- Give discretionary bonuses to top performers
  (5% to top performers costs about 1% of payroll)
- Give retention bonuses
  (target top performers, high potentials and critical-skills jobs)
- Give lump-sum merit payments
  (not just for red-lined employees)

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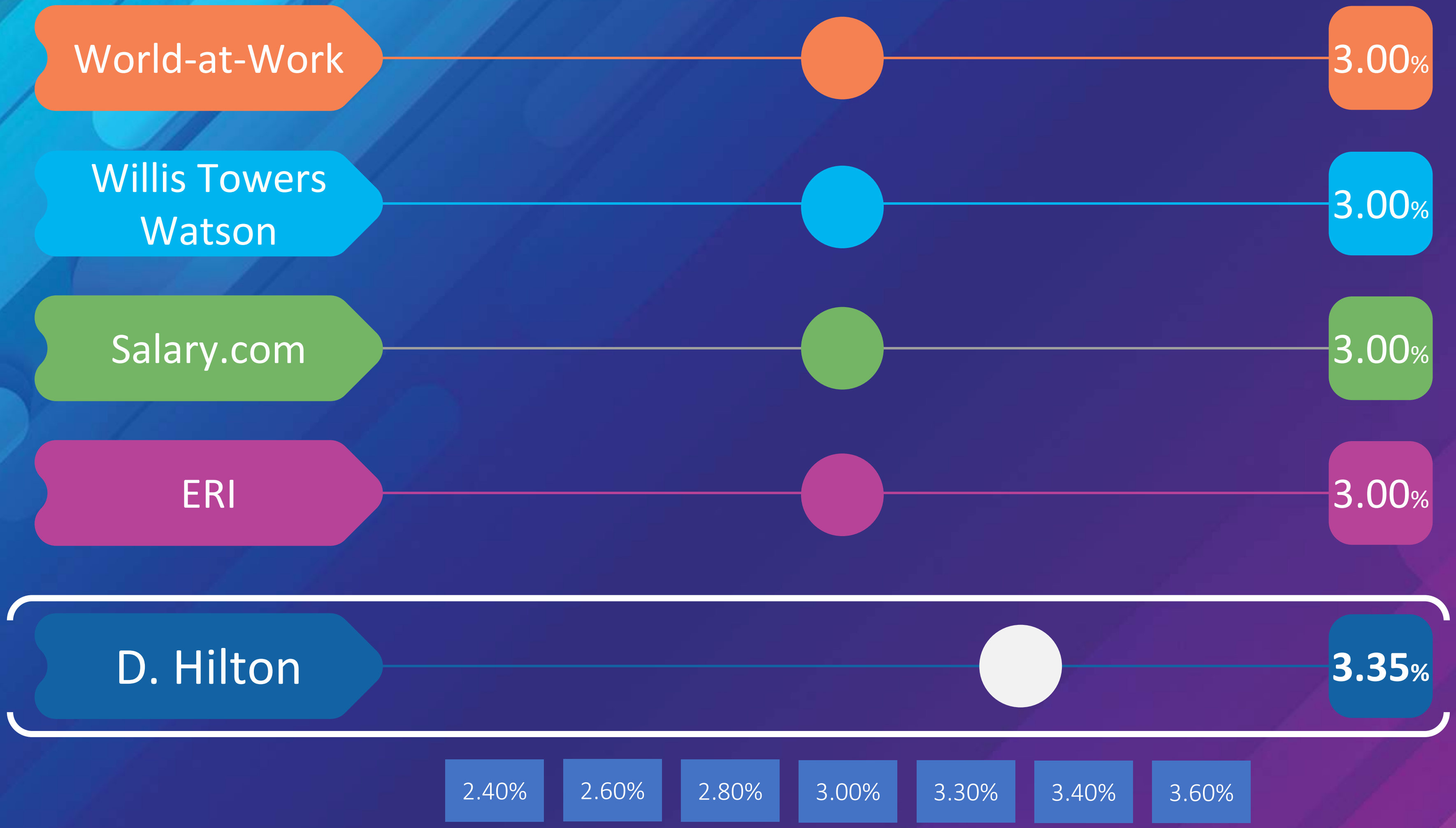
U.S. Salary Budget Forecast 2022

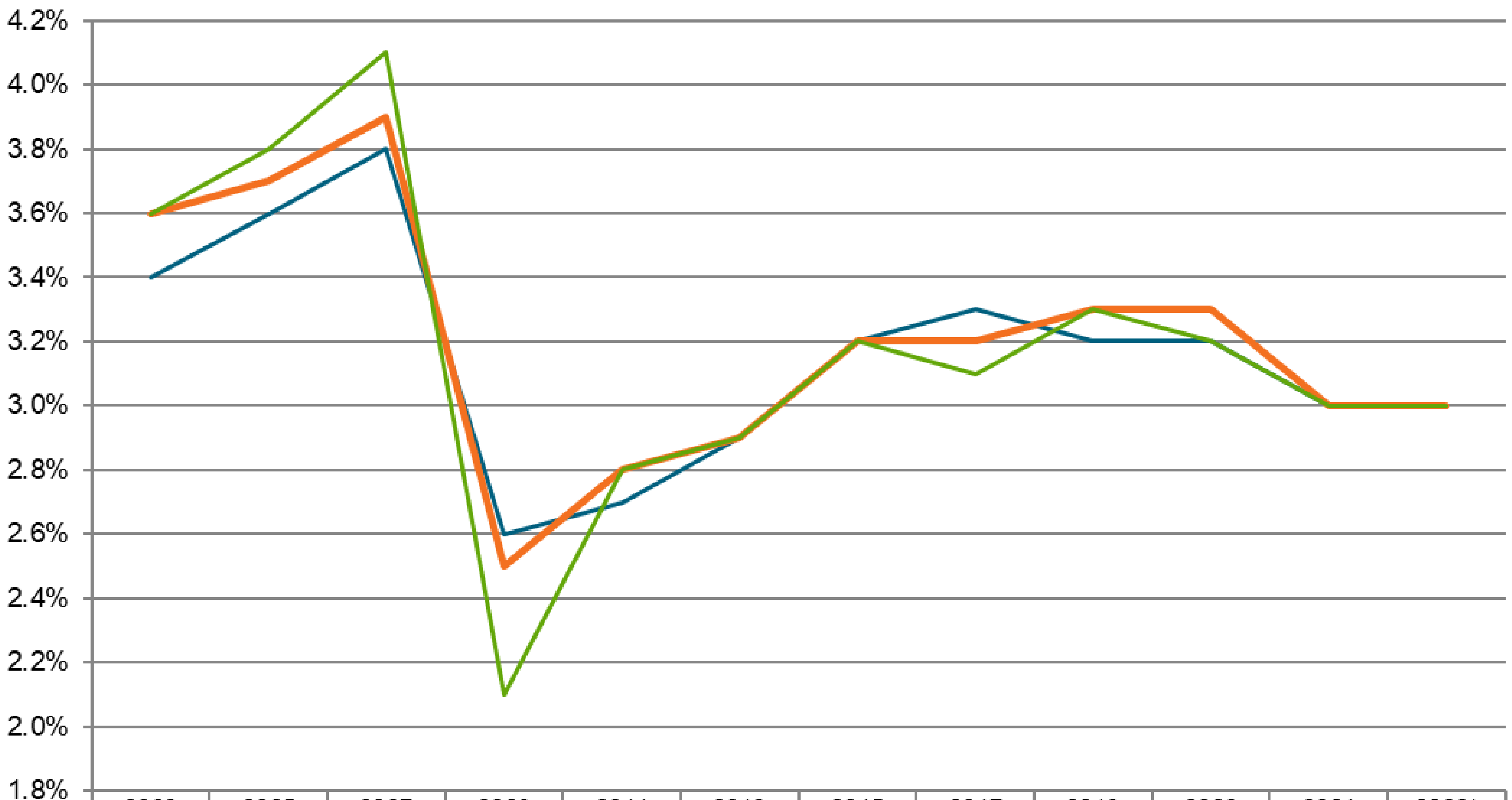
2022 National Compensation Forecast



D. Hilton's rationale for it's 3.35% forecast is based on:

- Rising staff vacancies
- Slower time-to-fill
- Impact of gig workers
- Increase in living wage commitments

U.S. Salary Budget Forecast 2022



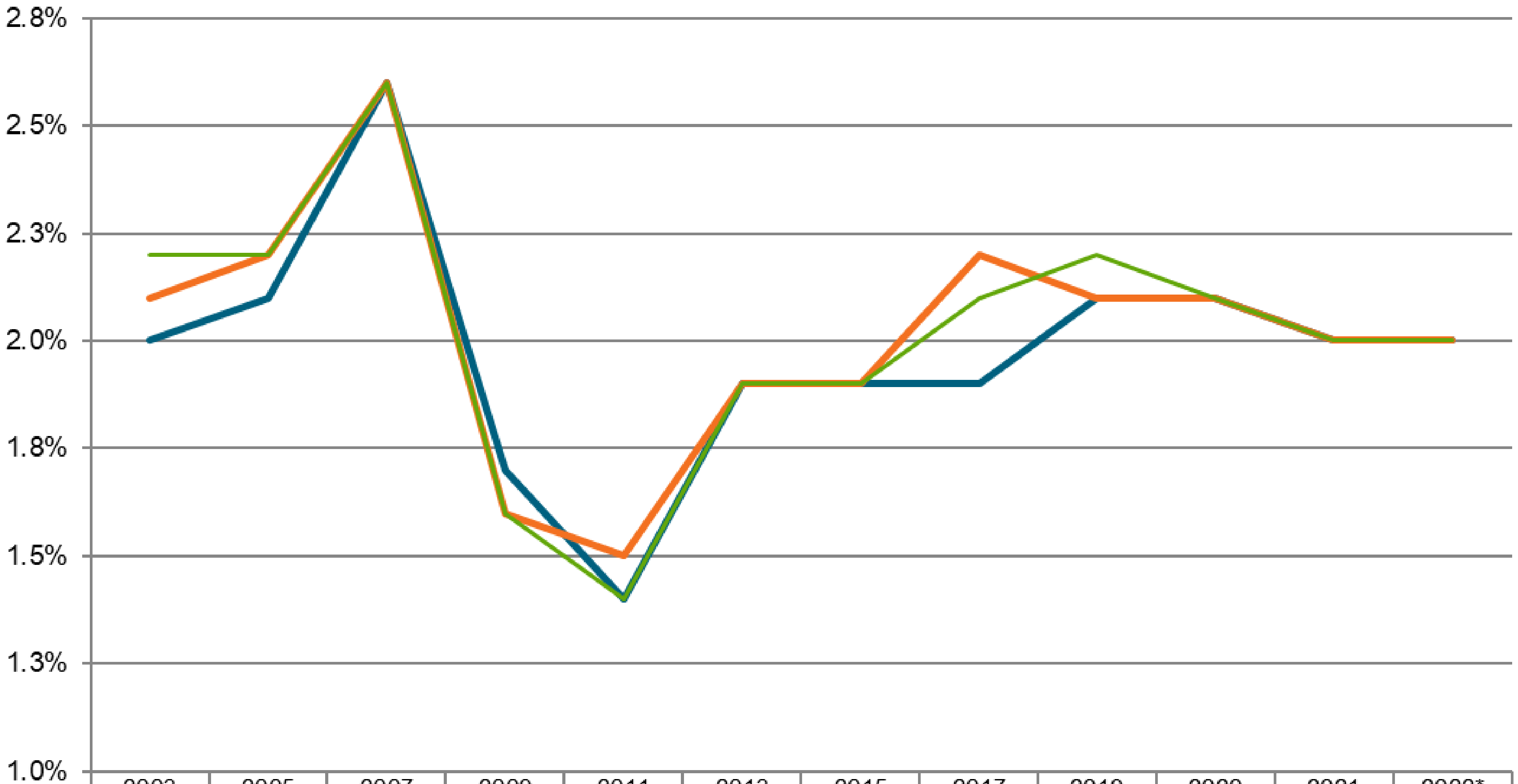
	2003	2005	2007	2009	2011	2013	2015	2017	2019	2020	2021	2022*
Nonexempt	3.4%	3.6%	3.8%	2.6%	2.7%	2.9%	3.2%	3.3%	3.2%	3.2%	3.0%	3.0%
Exempt	3.6%	3.7%	3.9%	2.5%	2.8%	2.9%	3.2%	3.2%	3.3%	3.3%	3.0%	3.0%
Executives	3.6%	3.8%	4.1%	2.1%	2.8%	2.9%	3.2%	3.1%	3.3%	3.2%	3.0%	3.0%

*Projected

2021-2022 United States WorldatWork Salary Budget Survey

Salary Range Adjustment Trends National

2022 National Compensation Forecast



	2003	2005	2007	2009	2011	2013	2015	2017	2019	2020	2021	2022*
Nonexempt	2.0%	2.1%	2.6%	1.7%	1.4%	1.9%	1.9%	1.9%	2.1%	2.1%	2.0%	2.0%
Exempt	2.1%	2.2%	2.6%	1.6%	1.5%	1.9%	1.9%	2.2%	2.1%	2.1%	2.0%	2.0%
Executives	2.2%	2.2%	2.6%	1.6%	1.4%	1.9%	1.9%	2.1%	2.2%	2.1%	2.0%	2.0%

*Projected

2021-2022 United States WorldatWork Salary Budget Survey

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2021 Top Variable Pay Metrics for Executive Incentive Plans

2021			2021 Top Metrics
Rank	Usage	+/- 2020	
1	96%	+3	Board Evaluation
2	84%	+9	Return on Average Assets
3	80%	+14	Member Engagement/NPS
4	76%	+6	Delinquency & Charge-Offs
5	72%	-1	Net Worth Ratio
6	68%	-2	Strategic Plan Execution
7	52%	+7	Membership Growth
8	44%	+9	Loan Growth vs. Local Market
9	28%	-10	Operating Expense Ratio
10	24%	-4	CPA Audit
11	20%	+2	Efficiency Ratio vs. Peers
12	20%	+2	Employee Engagement
13	16%	-2	Net Checking Growth
14	12%	New	Household Growth
15	8%	New	Return on Equity
16	8%	New	Deposit Growth vs. Local Market
17	4%	Old	Loan Growth / NCUA Exam

Emerging Metrics

80% of CEOs agree that financial indicators alone do not fully capture their company's strengths and weaknesses – in part because they reflect only past performance.

Source: Deloitte Touche Tohmatsu

It's a Wonderful Life Metric: What would be the impact if your credit union didn't exist? Take a look at the rate/fee differentials between your credit union compared to local market rates. For example, if you charge $25 for an NSF and the local market average $31 and you had 10,000 NSFs, your members have saved $60,000. If you look at your entire product line, you could be saving your member household significant amounts. So if your credit union didn't exist, banks could charge even more. Thanks George Bailey!

True Return on Operations: Because many credit unions have modest loan/share positions and have your significant investment income position, a meaningful look at operational effectiveness is to strip out investment income from earnings. Run an ROA calculation with just loan and fee income to unmask true return on core operations.

Return on Innovation. To separate a new CEO's operational impact from legacy programs, focus on the return of new initiatives bring to the bottom line. To ensure that you keep the management team focused on innovation and the Board gives proper credit, you could look at:

- New product revenue as a % of existing product revenue
- New members generated from new products/services
- New delivery channel usage as a % of overall delivery channel usage
- New members generated from new markets as a % of overall membership
- Conversion Ratios for new innovation initiatives

Cost of acquisition (COA)
Requires tracking marketing costs at a level of granularity and tracking acquisition-related costs outside marketing.

Customer lifetime value (CLV)

Digitally-influenced sales (DIS)

Referral performance score (RPS) Members are loyal to buying more from them. Members referring the brand/credit union to friends/family. How many of your members grew their relationship last quarter and referred family and friends.

Emerging Marketing Metrics

Why the soft stuff is just as important as the hard stuff

Example:

At the discretion of the Board, the credit union may recover, or “claw back,” any amounts previously paid pursuant to the Plan and cease all future payments pursuant to this Plan if the Board becomes aware that circumstances existed that could reasonably have been grounds for the credit union to have separated the executive from service For Cause.

The exercise of the claw back and payment cessation provisions is subject to the Board providing notice of exercise within ninety (90) days of the Board becoming aware of the circumstances that could reasonably have been grounds for the executive’s separation from service For Cause or becoming aware of the executive’s violation of expected behavior and ethical conduct.

Notice of the Board demand for repayment must be given no later than eighteen (18) months following payment of any applicable payout on which the credit union is exercising its claw back right.

The emergence of the

Claw Back

Hitting the Target but Missing the Point

Emerging Staff Variable Pay Program Trends

Credit Unions are creating stand-alone pay programs for business units, while returning to gainshare team awards for back office and retail delivery teams.

Rewards are Transactional and Recognition is Relational

Remote Employee Recognition Ideas

- ✓ Peer-to-peer employee recognition
- ✓ Share the Praise You've Received from Members
- ✓ Provide Frequent, Just-in-Time Employee Recognition
- ✓ Acknowledge Your Remote Employees' Personal Achievements
- ✓ Acknowledge Your Employees Virtually
- ✓ Acknowledge Quirky Milestones of Remote Work
- ✓ Build Recognition into Your One-on-One Meetings
- ✓ Send a Thank You Card to Your Employees
- ✓ Treat Your Employees with a Sit-Stand Desk Converter
- ✓ Give the Gift of Health (gym memberships, wellness program subscriptions)

Source: TINYpulse

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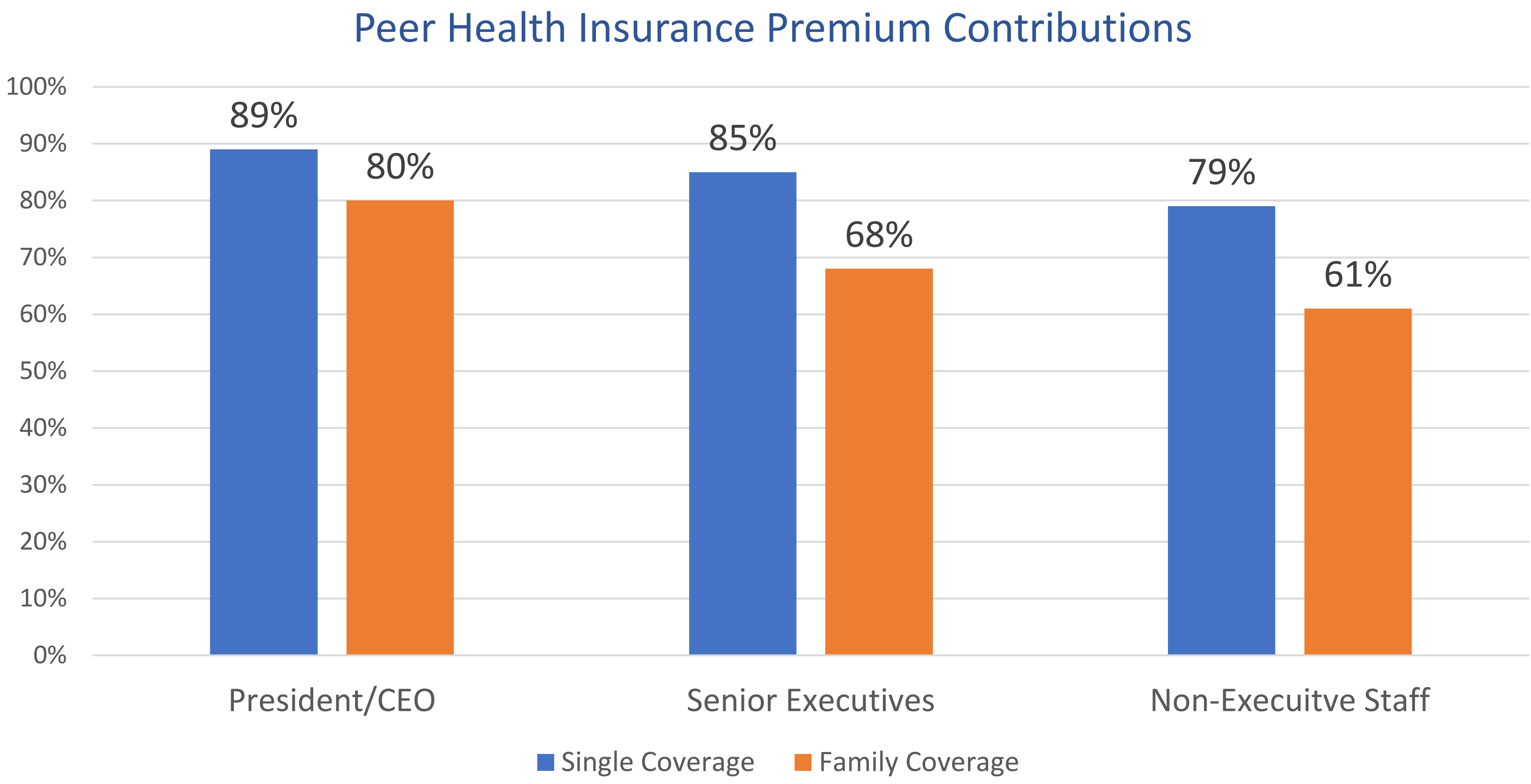
Executive Benefits – Health Insurance



Source: D. Hilton Executive and Staff Benefits Survey

Executive Benefits – Auto Allowances

	President/CEO	Senior Executives
Auto allowance or vehicle offered	75%	28%
Average yearly auto allowance	$7,443	$5,520
Average vehicle sticker price	$80,000	$45,000

Source: D. Hilton Executive and Staff Benefits Survey

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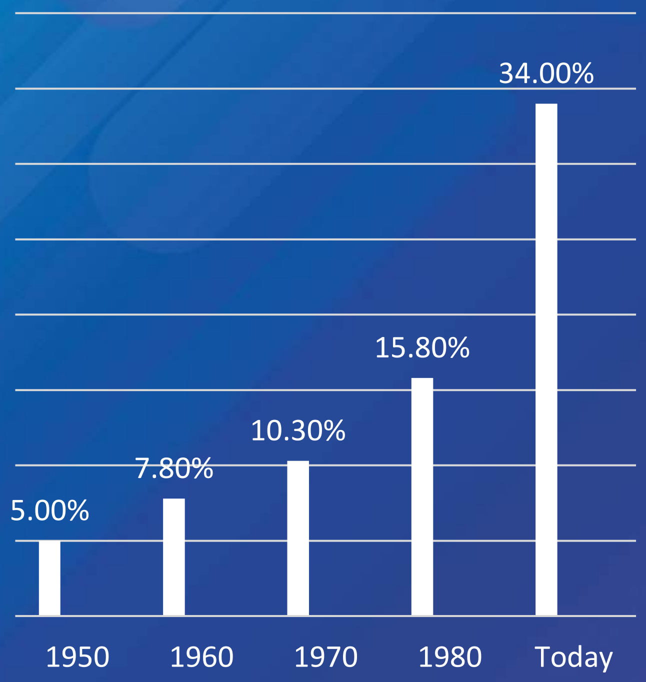
The Rise of Employee Benefits

Benefits as a % of Avg Workers' Compensation

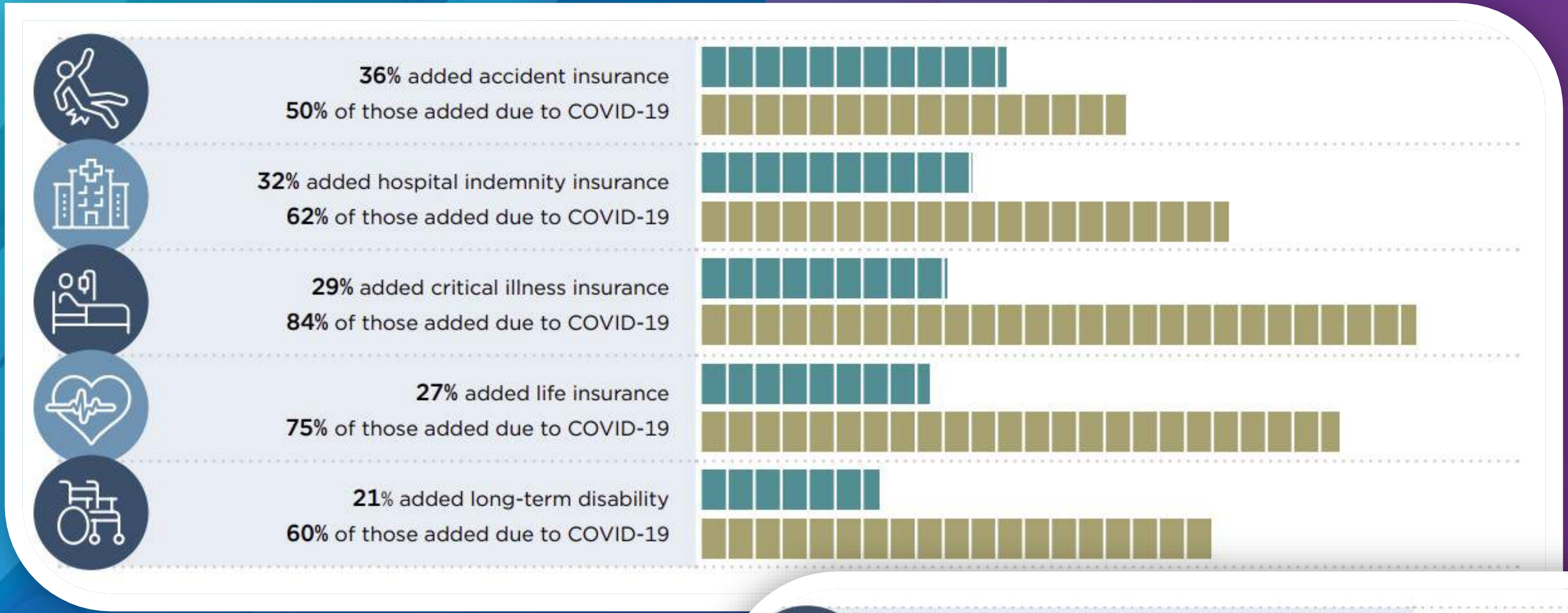


America's WWII's war effort required sacrifice on everyone's part. Resources originally allocated for consumer goods and services were redirected to support out fighting men and women around the globe and, these shortages created inflation. The federal government's strategy to tackle inflation was to implement hourly wage caps. And employees weren't happy. Without the promise of raises, companies struggled to attract and retain key workers. The result was the emergence of incentives that were "on the fringe" of wages (e.g., paid vacations and pensions). It was a loophole where benefits complied with the law and provided employees something valuable. By the late 1940s, benefits became a mainstay of labor negotiations and they have been escalating ever since.

In the Dotcom Era of the 1990s, flexible schedules emerged, and so did executive-level perks like stock options, company jets and limos. Everyone has a friend that was a janitor that became an overnight millionaire working for a dotcom start-up. And everyone wanted a piece of that pie.

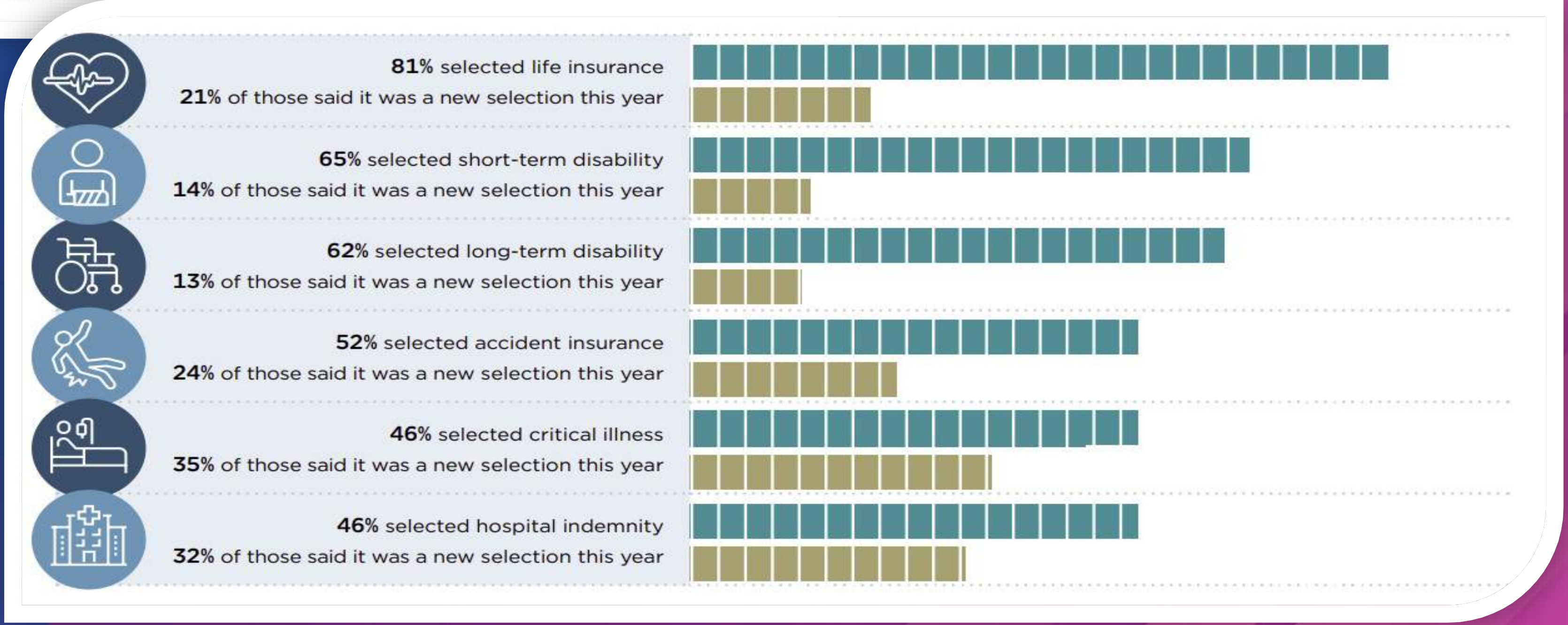
Today as companies double-down to attract Millennials, new ideas like egg freezing, paid paternity leave, and nap spaces are not unusual. Gen Z, who appear to be more pragmatic, desire entrepreneurial coaching and financial wellness programs. Common benefits now include:

- Flexible benefits: remote working, four-day-a-week schedules
- Commuter benefits: public transportation passes
- Parental benefits: onsite childcare, paid maternity leave
- Financial benefits: student loan repayment, employee discounts
- Developmental benefits: mentor programs, tuition reimbursement
- Wellness benefits: yoga classes, gym memberships
- Fun benefits: office ping pong, take your dog to work days



70% of employees say their mental health is just as important to their employer as their physical health and well-being

52% of employees say their workplace has an open and inclusive environment that encourages a dialogue about mental health



The Hartford's Future of Benefits Study

75% **OF U.S. EMPLOYERS INCREASED THE TYPES OF PAID TIME AWAY FROM WORK THEY PROVIDE BEYOND STATE OR FEDERAL REQUIREMENTS IN THE PAST YEAR**

Employers enhanced/added:

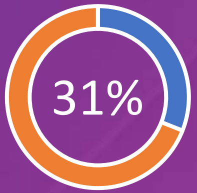
Medical leave:
46%

Sick time:
46%

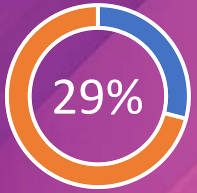
Family leave:
39%

Parental leave:
30%

PTO/vacation time:
30%



Feel fearful of repercussions if they take leave



Think there is a negative perception associated with taking leave

The Hartford's Future of Benefits Study

Health Insurance

Total Assets	Average Credit Union Contribution	
	Single Coverage	Family Coverage
$0 - $499.9 million	81%	51%
$500 – 999.9 million	77%	58%
$1 billion or more	80%	64%

Source: D. Hilton Executive and Staff Benefits Survey

Leave Benefits

Average Days of Leave by Service Years	PTO Program		Traditional Vacation/Sick Leave Program			
	Exempt	Nonexempt	Vacation Exempt	Vacation Nonexempt	Sick Exempt	Sick Nonexempt
Less than 1 year	8	8	7	7	5	5
1 to 4 years	18	18	11	11	9	9
5 to 9 years	22	22	16	16	10	9
10 to 19 years	27	26	20	20	12	10
20 to 24 years	30	29	23	23	15	10
25 or more years	31	30	24	24	19	10

Source: D. Hilton Executive and Staff Benefits Survey

Retirement Benefits

Total Assets	Average Credit Union Matching Contributions			Average Credit Union Non-Match Contributions
	Match Percent	Cap Percent	Effective Match	
$0 – $499.9 million	78%	5%	3%	4%
$500 – $999.9 million	91%	4%	4%	5%
$1 billion or more	86%	5%	3%	5%
Overall	84%	5%	3%	5%

Source: D. Hilton Executive and Staff Benefits Survey

2022 Medical Cost Trends

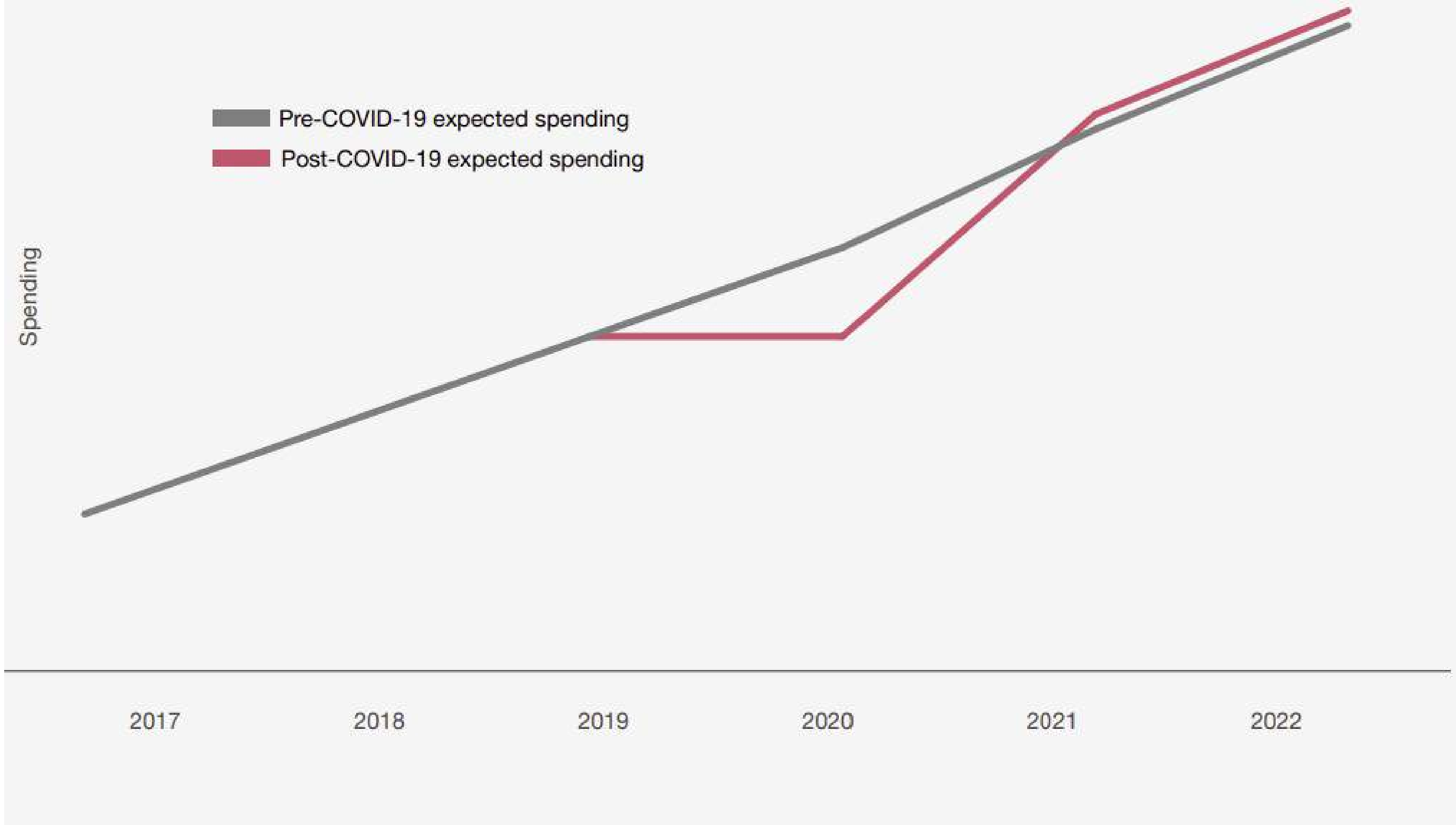
Medical cost trend projected to be 6.5% in 2022

Source: PwC Health Research Institute medical cost trends, 2007-22
*Projected medical cost trend. Does not account for the effects of the pandemic on actual 2020 spending.
**Growth in spending expected over prior-year spending, with the effects of the pandemic removed from the prior-year spending.
Note: The 7% medical cost trend for 2021 was revised from a range of scenarios, from 4% to 10%, originally projected in PwC Health Research Institute's "Medical Cost Trend: Behind the Numbers 2021" report in June 2020. This revision reflects the average medical cost trend that was used for 2021 premium rate setting in 2020, shared with HRI during interviews conducted February–May 2021.

Down from 7% in 2021

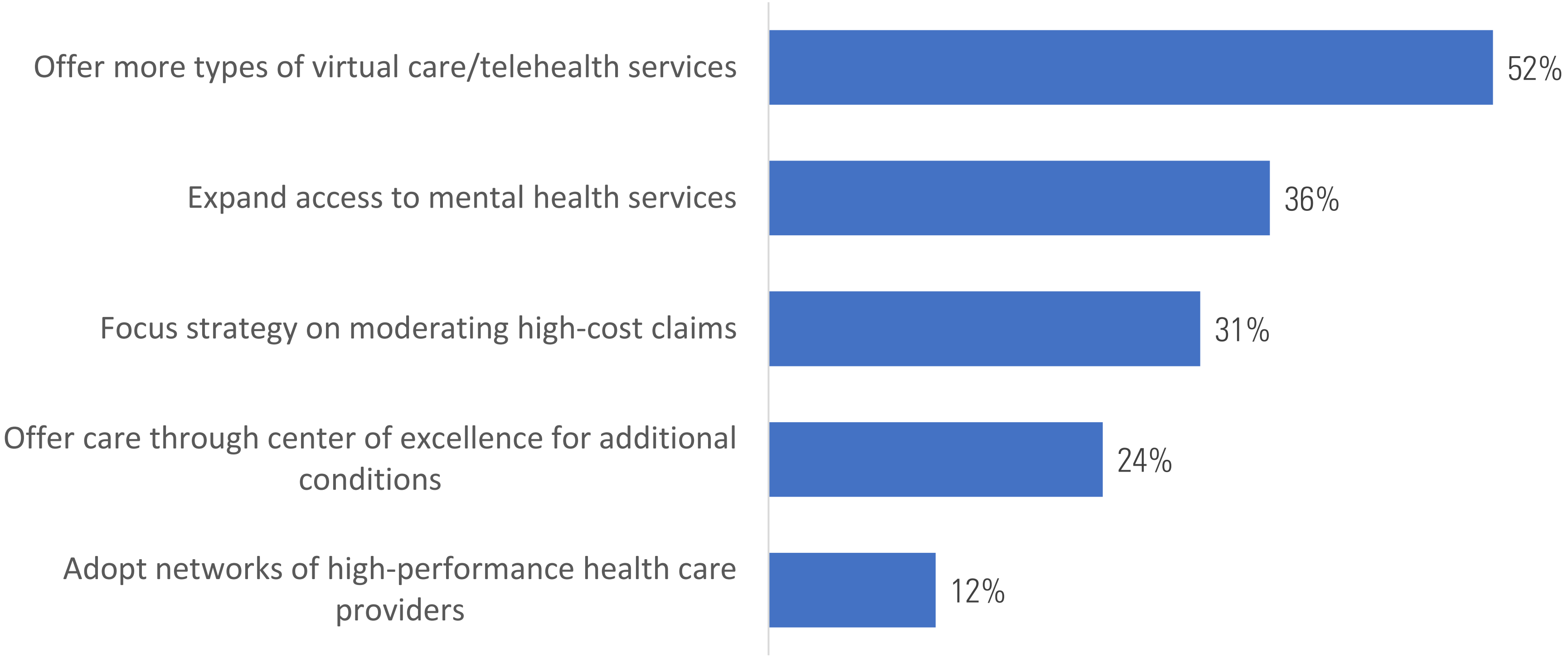
2022 Medical Cost Trends

Health plans and employers expect spending in 2022 to be higher than what would have been expected in 2022 before the pandemic



Source: PwC Health Research Institute illustrative example comparing projected spending trend pre-pandemic and post-pandemic
Note: Spending in 2020 was lower than expected because the savings from the deferral of care outweighed the costs of care related to COVID-19. In 2021, healthcare spending is expected to return to normal levels and, in some cases, grow above those levels as some care not received in 2020 is received in 2021. The continued costs of care related to COVID-19, including testing, treatment and vaccinations, are expected to push costs further above normal levels in 2021. By 2022, healthcare spending is expected to return to nearly normal levels, with boosts from the continued costs of COVID-19 testing, treatment and vaccinations, as well as worsening population health.

Employer's 2021 Top Health Care Priorities

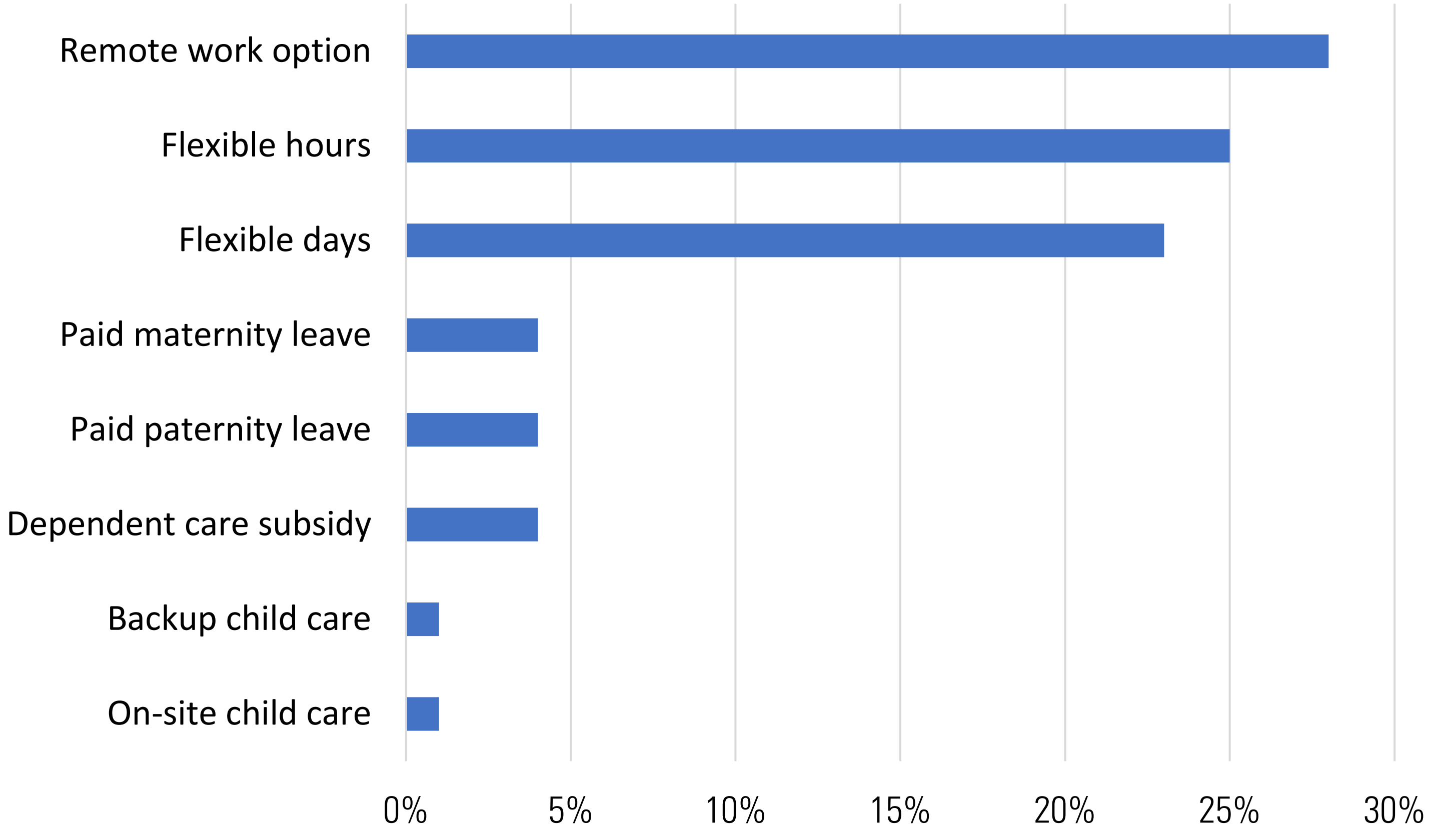


Source: Business Group on Health, 2021 Large Employers Health Care Strategy and Plan Design Survey

Childcare and Paid Paternity Leave

With Delta uncertainty and some schools postponing in-person classes, we may see slow job growth among parents

Few companies are offering childcare and paid paternity leave



Especially for women who have shouldered the larger share of pandemic childcare duties

Source: U.S. Chamber of Commerce Foundation

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For more than 30 years, D. Hilton Associates, Inc. has been the leader in credit union executive recruiting and compensation advisory. The firm employs 35 full-time employees in five major practices. Our commitment to clients is straightforward:

- You will have access to the best data from which to make decisions
- You will make strategic business decisions, not compensation decisions
- You will not let compensation become an emotional decision

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Ongoing Review (SERP, 457(b), 457(f), 401(k), Split Dollar)

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CEO Retained Executive Search

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