

d. hilton associates inc.

# Board Survey Results *2018*

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Board Survey  
Results 2018

## Board Survey Results 2018 – Contributors

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# 2018 Survey Methodology



The D. Hilton Associates Board Survey is a biennial research initiative and the 2018 Board Survey represents the third installment of this study.

On April 3, 2018, D. Hilton Associates mailed the six page 2018 Board Survey to the chief executive officers and board chairpersons of 1,588 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 received responses from 634 individual credit unions, for an overall response rate of 40%, yielding a confidence level of 95% ( $\pm 3.0\%$ ).

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.

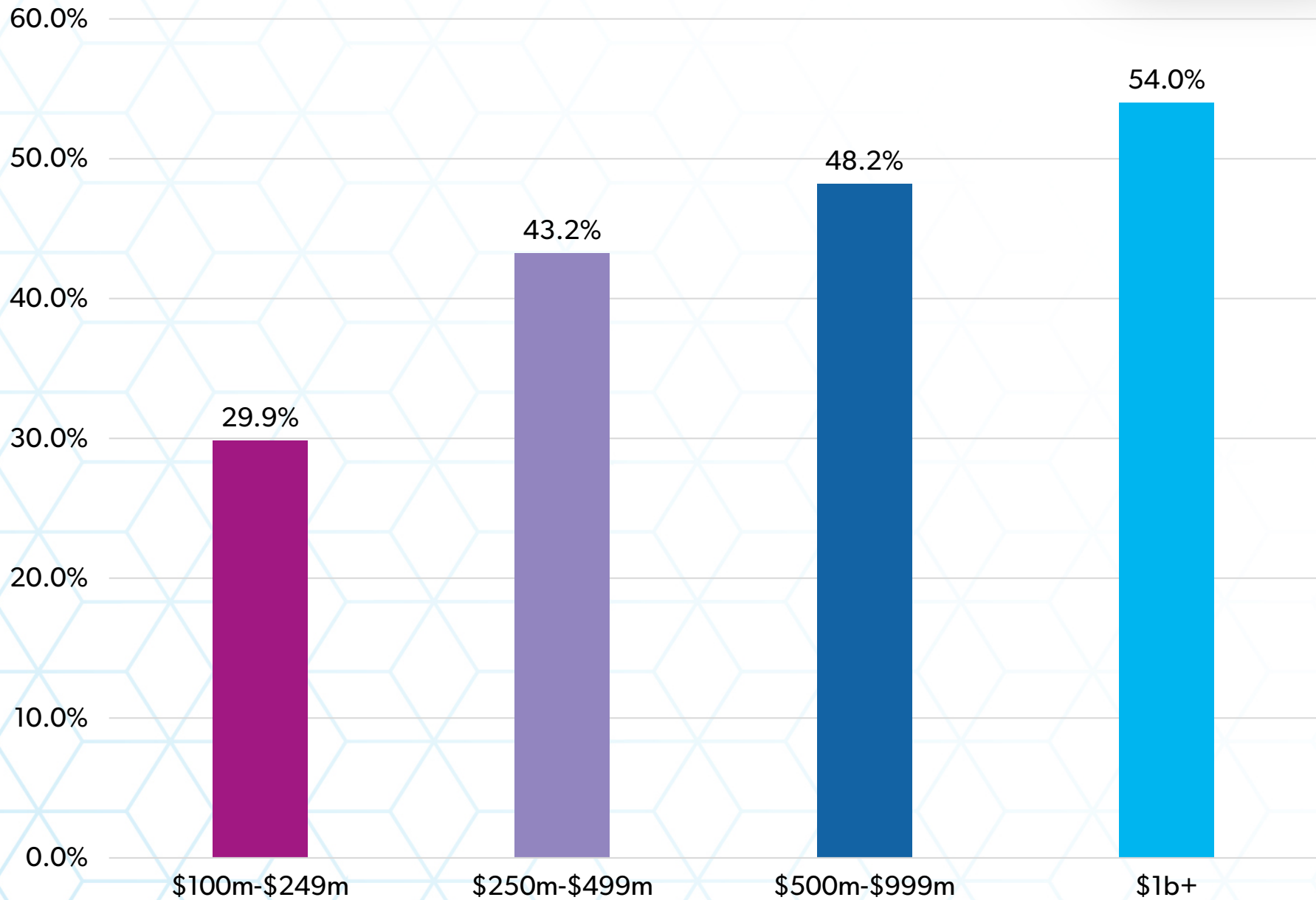
	\$100m-\$249m	\$250m-\$499m	\$500m-\$999m	\$1b+
<b>Number of Responses</b>	212	147	120	155
<b>Total Number of Credit Unions</b>	710	340	249	287
<b>Response Rate</b>	29.9%	43.2%	48.2%	54.0%



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### Response rate among asset groups





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# CEO Compensation

*Section One*



## CEO Compensation

One of the greatest challenges facing the financial services industry today is competition for executive talent. Long time executives are retiring in significant numbers and the shortage of talent requires credit unions to put together the most competitive compensation package as executives are often fielding multiple offers at a time. On the other side is the challenge to retain executives in a market where they can move easily. As a result, compensation is more important than ever in the financial services industry.

In 2018, 79% of credit unions utilize the entire board to determine CEO compensation, while an Executive Committee was used by 10% of credit unions, a 4.3% increase between 2016 and 2018. The greater use of an Executive Committee is likely due to the greater complexity of compensation benchmarking and design. The use of a third party to determine CEO compensation increases along with asset size. About 60% of credit unions with assets of \$100-\$250 million believe a third party should be utilized, compared to 80% of credit unions over \$1 billion in assets.

The use of both formal and informal evaluations for the CEO increased in 2018 from 25% to 28%. More than half of credit unions utilize a formal CEO evaluation only, while 20% evaluate the CEO informally. Almost 65% of credit unions with assets over \$1 billion report using a formal evaluation process, compared to only 44% of credit unions with assets \$100-\$250 million. In 2018, D. Hilton inquired about the prevalence of subjective categories in the CEO evaluation and found that about 60% of credit unions report less than half of the CEO evaluation is based on subjective categories.

The use of an annual bonus/incentive plan for CEOs remained unchanged from 2016 and about 80% of all credit unions utilize such a plan. Almost 93% of credit unions with assets over \$1 billion use an annual incentive plan. When asked how effective the annual bonus/incentive plans generally are, credit unions report a mean score of 4.13 on a 5-point scale, indicating that credit unions generally find them to be an effective tool. Nearly 50% of CEOs with incentivized compensation reach 75% - 99% of their allotted target bonus.

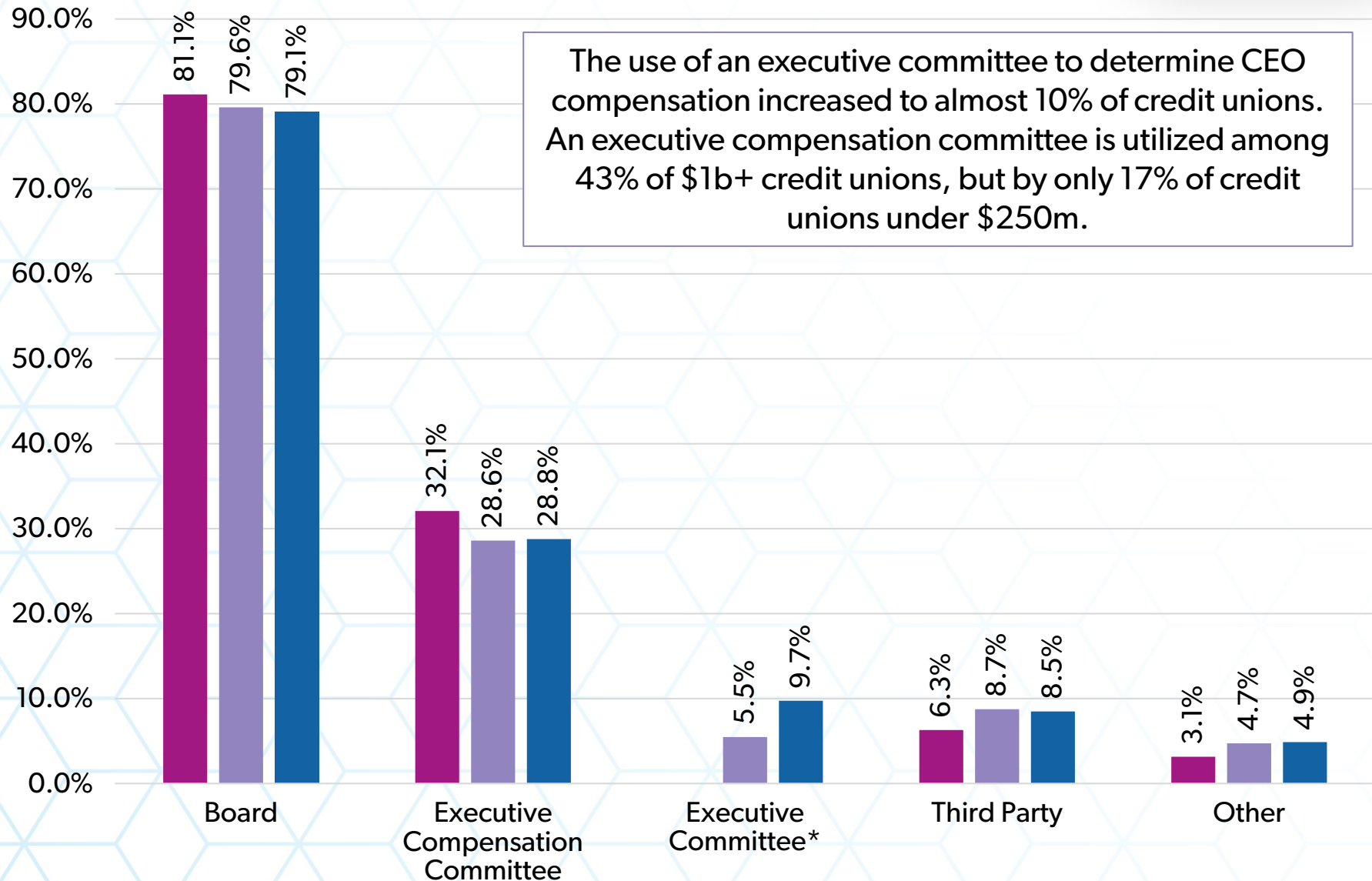
CEO succession is an area that has garnered more attention over the past several years in response to the Baby Boomer retirement wave. More than three in four credit unions report having a succession plan in place for their CEO. While a majority report the plan as extremely effective or effective, 24% are neutral in its effectiveness, followed by 5% who say the plan is ineffective. D. Hilton recommends directors 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?

The use of an executive committee to determine CEO compensation increased to almost 10% of credit unions. An executive compensation committee is utilized among 43% of \$1b+ credit unions, but by only 17% of credit unions under \$250m.



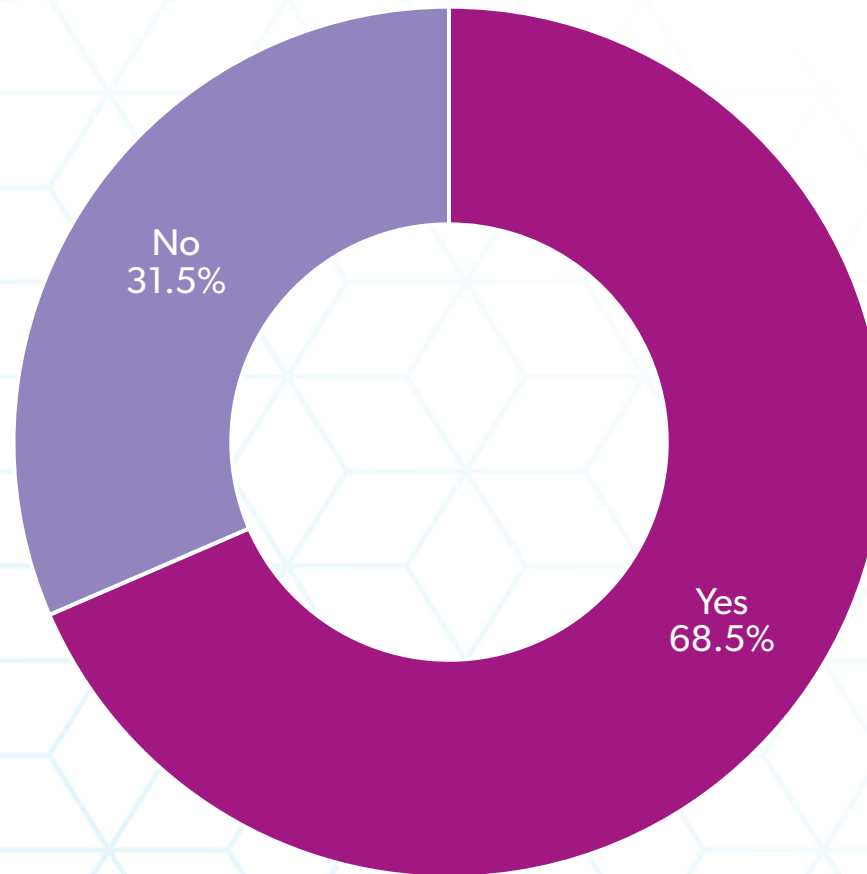
Percentages may equal more than 100% due to the option to select multiple answers.

■ 2014 ■ 2016 ■ 2018

\*Answer option not provided in 2014 Board Survey



**Do you feel the Board should use a third party to assist in determining CEO pay?**

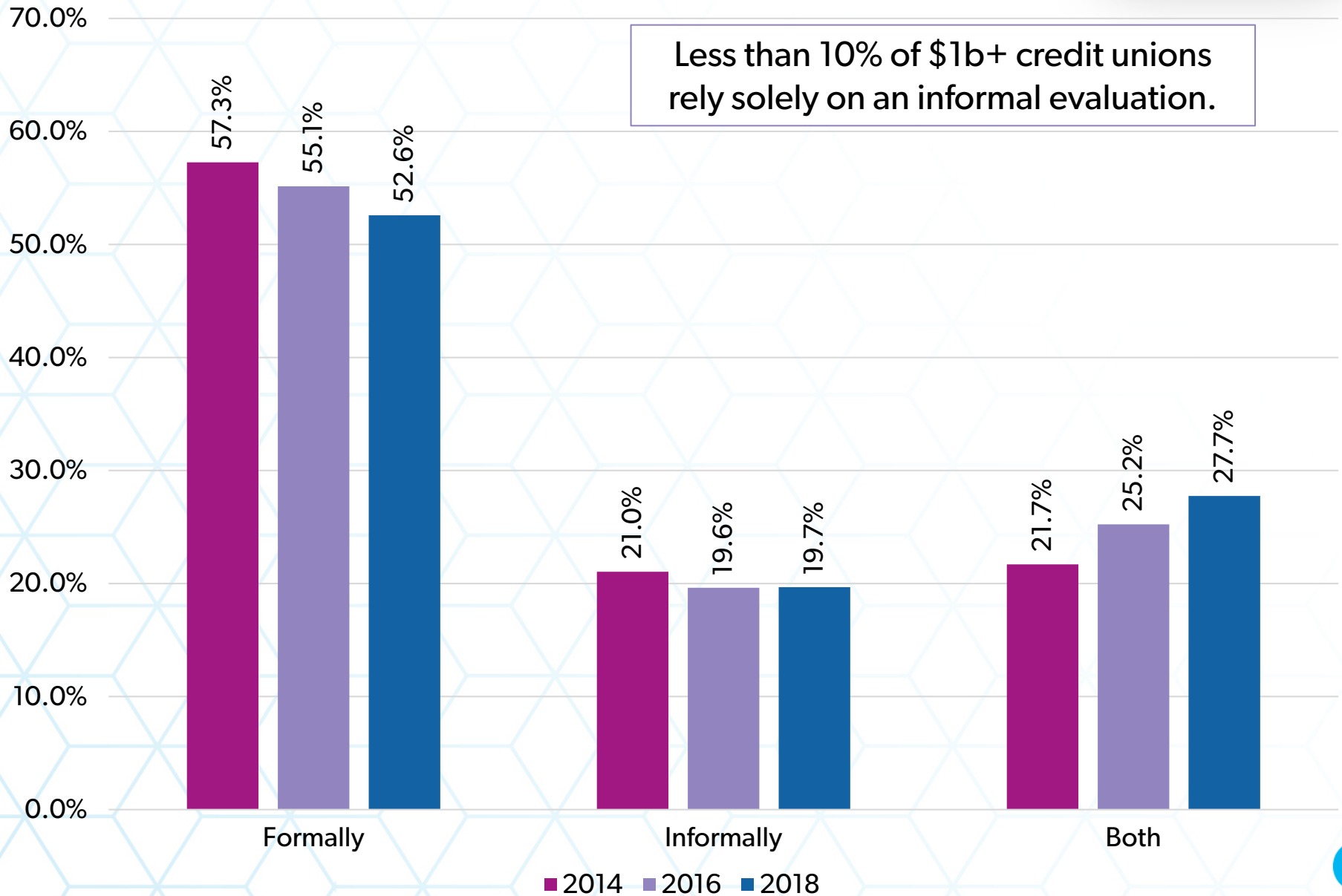


Usage of a third party is directly correlated to asset size. Credit unions in the \$1b+ group are more likely to report use of a third party than their smaller counterparts (80% of \$1b+ credit unions versus 60% of \$100m-\$250m credit unions ).



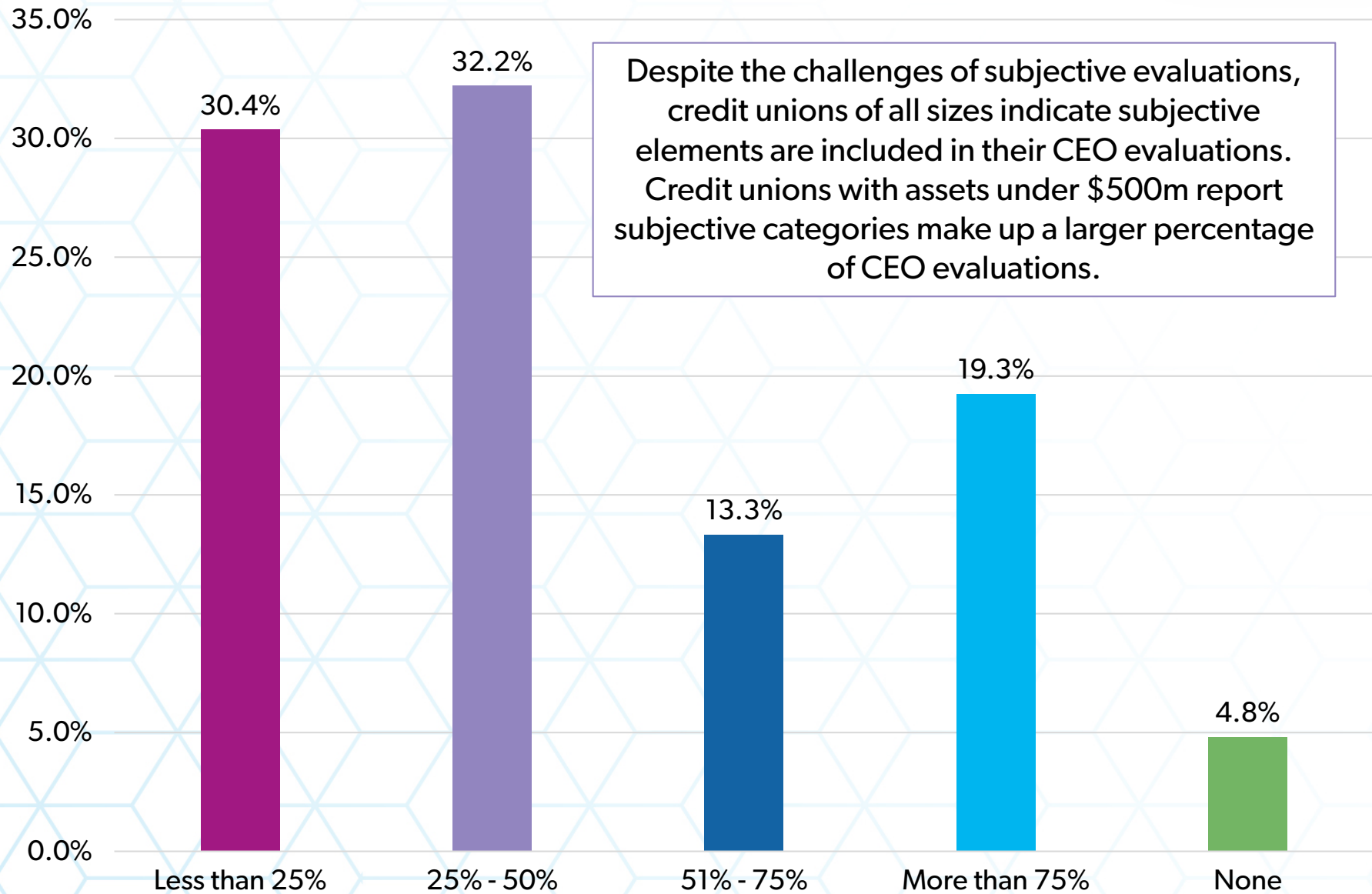
### How is the CEO evaluated?

Less than 10% of \$1b+ credit unions  
rely solely on an informal evaluation.



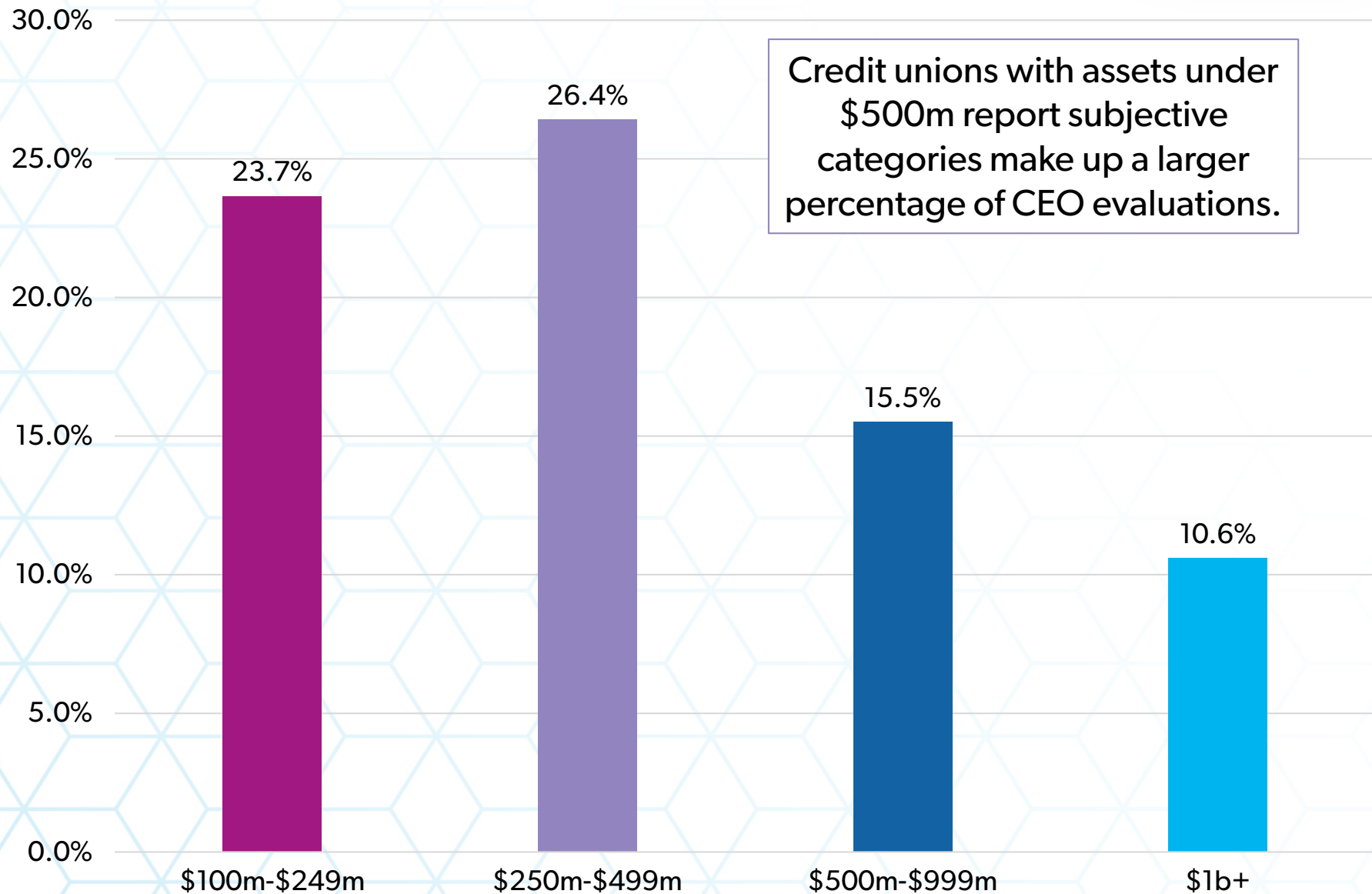


### What percentage of the CEO evaluation is made up of subjective categories?





### Credit unions in which more than 75% of the CEO evaluation is made up of subjective categories

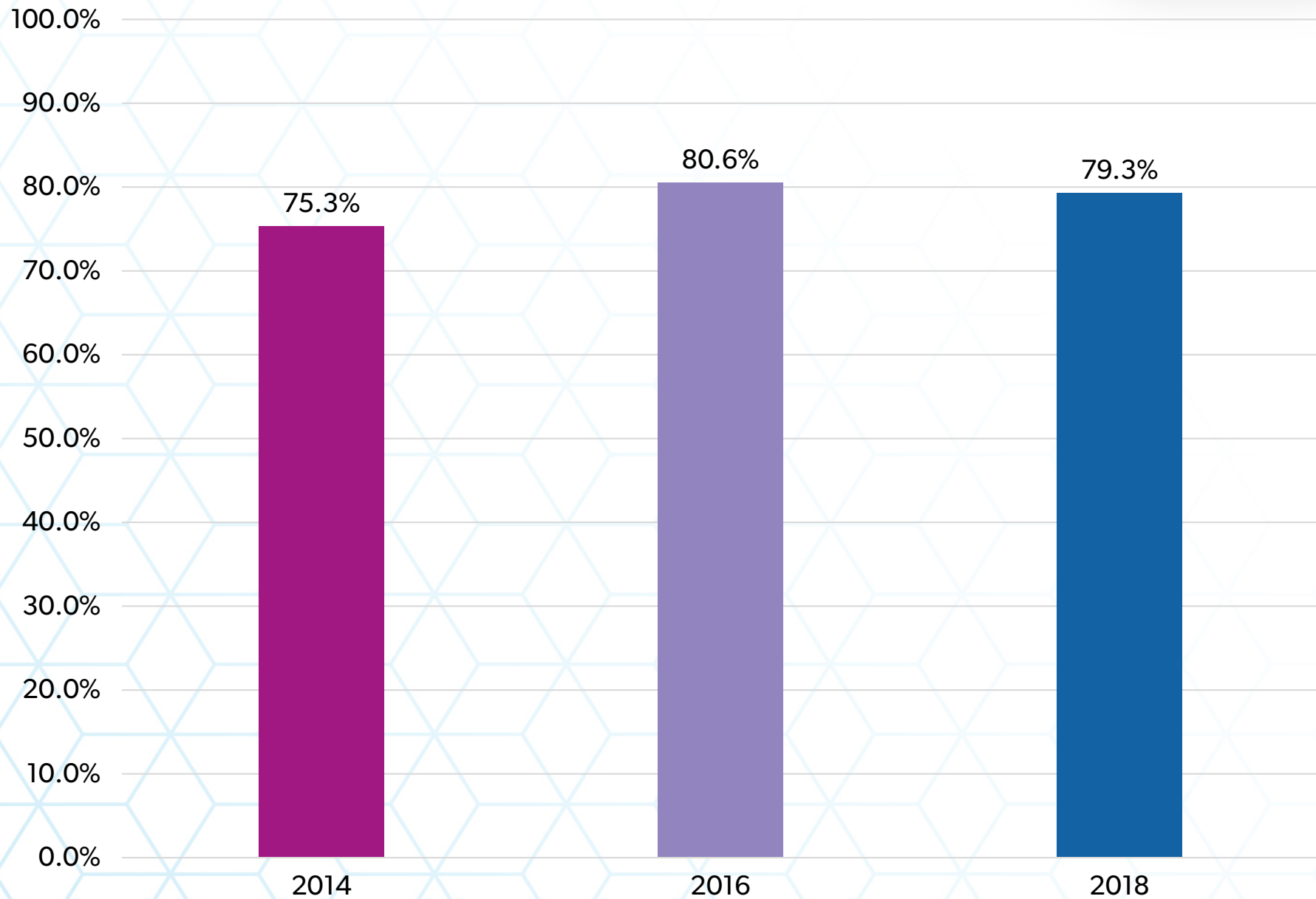




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### CEOs with an annual bonus/incentive plan

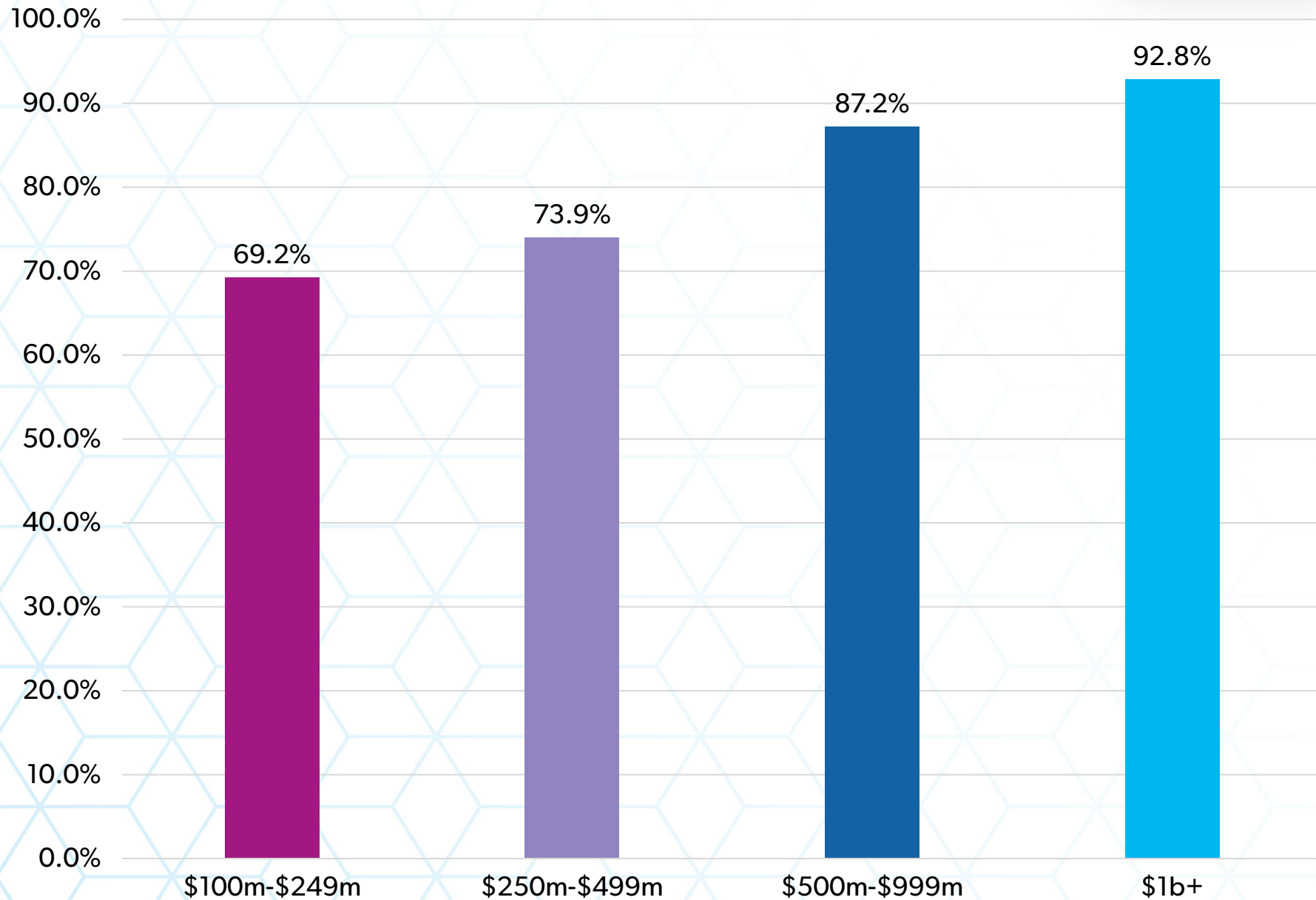




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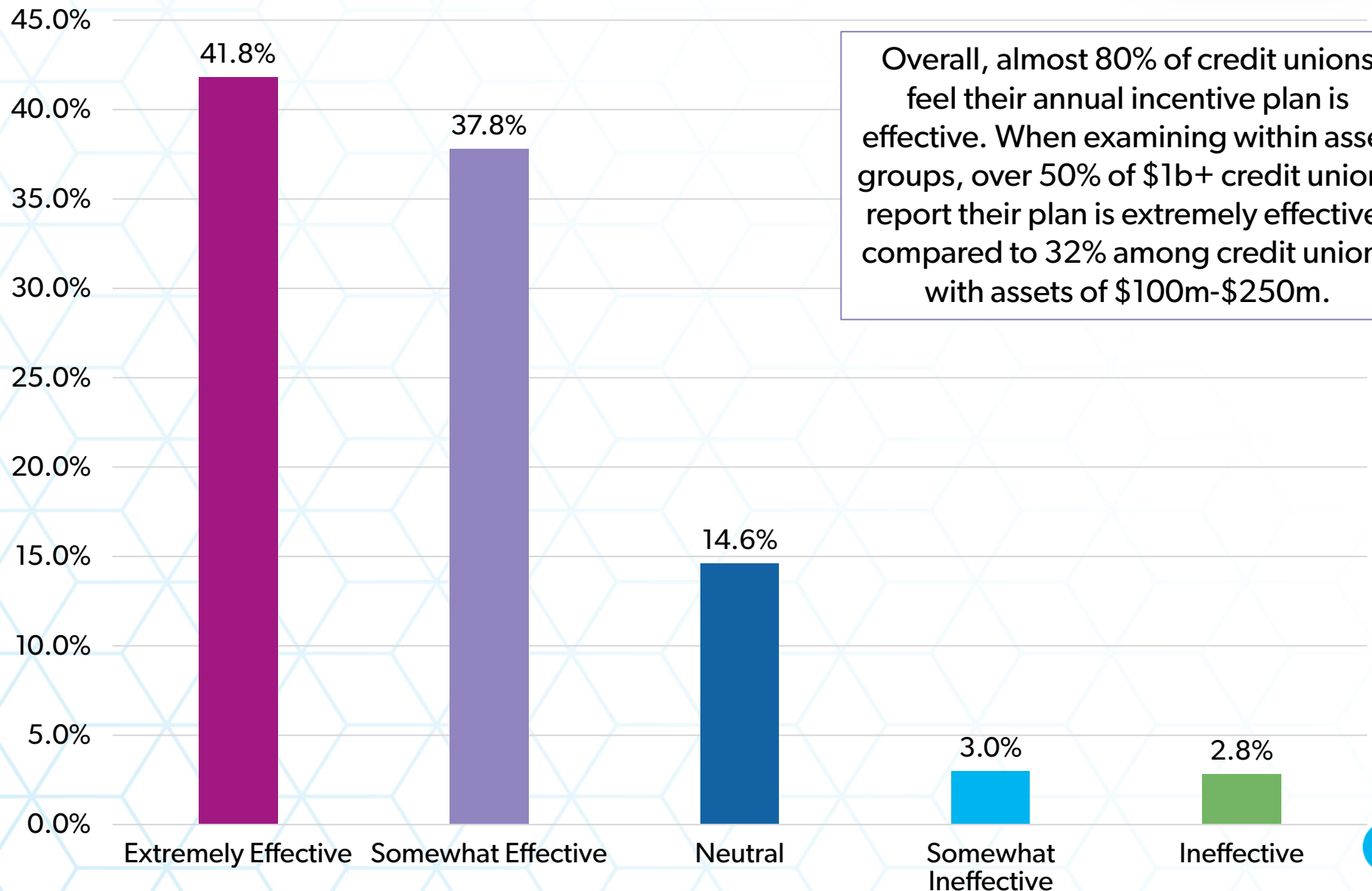
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### CEOs with an annual bonus/incentive plan by asset group





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

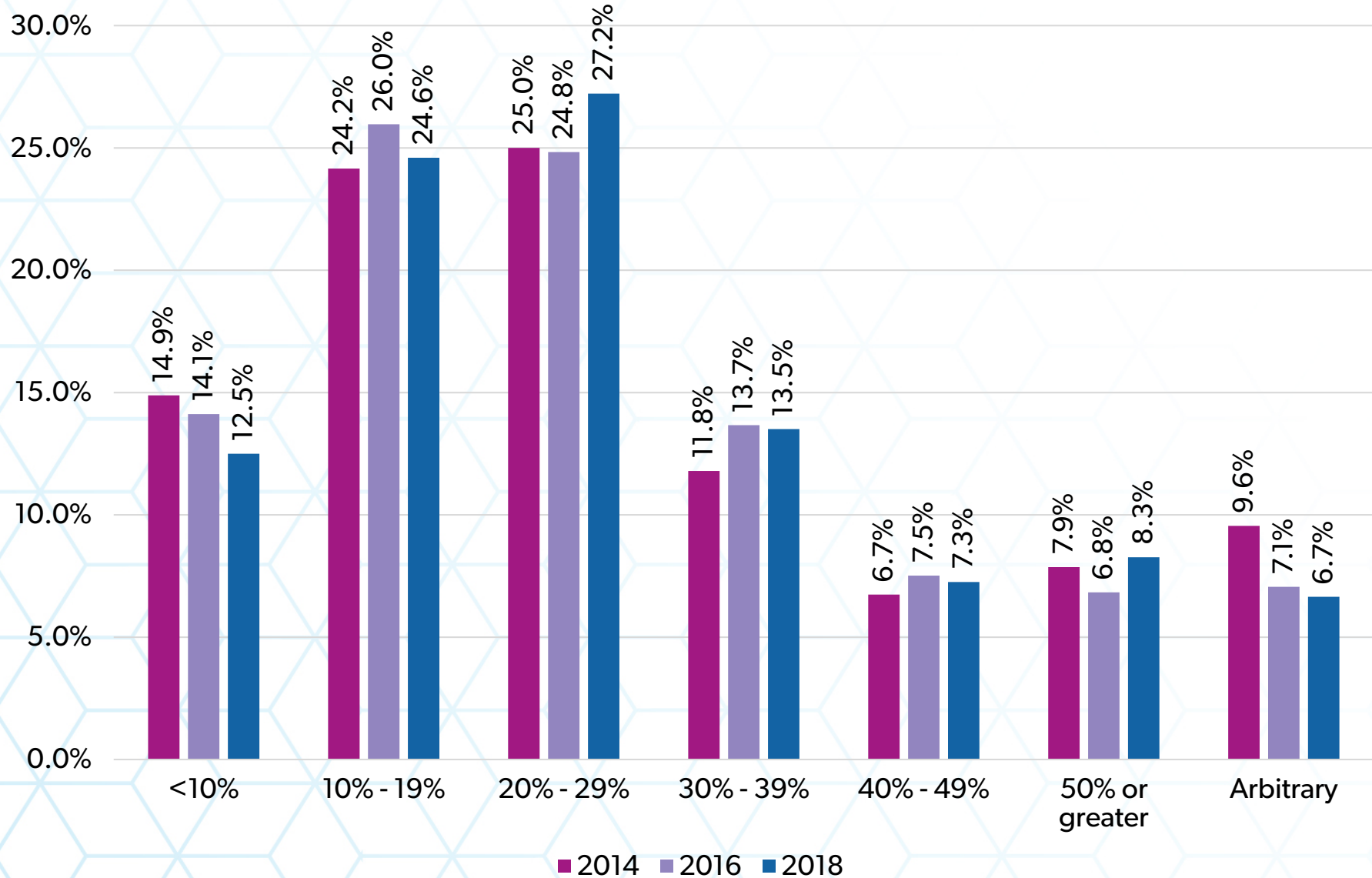


Overall, almost 80% of credit unions feel their annual incentive plan is effective. When examining within asset groups, over 50% of \$1b+ credit unions report their plan is extremely effective, compared to 32% among credit unions with assets of \$100m-\$250m.





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





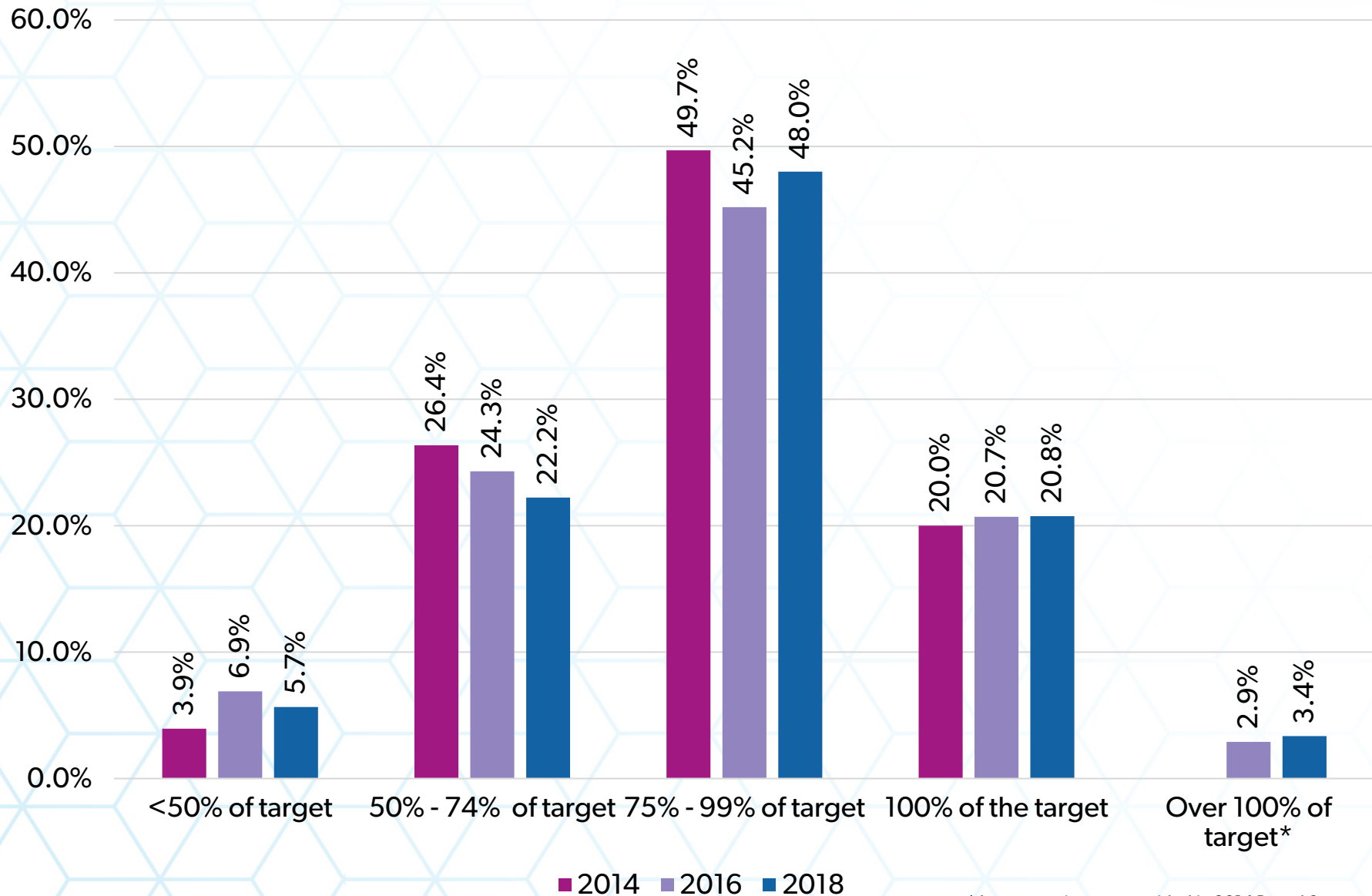
### How effective is the annual bonus/incentive plan?

Maximum potential as a percentage of annual salary	Extremely Effective	Somewhat Effective	Neutral	Somewhat Ineffective	Ineffective
<b>&lt; 10%</b>	20.3%	44.1%	22.0%	6.8%	6.8%
<b>10% - 19%</b>	29.5%	46.7%	19.7%	3.3%	0.8%
<b>20% - 29%</b>	45.5%	37.3%	11.9%	3.0%	2.2%
<b>30% - 39%</b>	55.2%	35.8%	4.5%	3.0%	1.5%
<b>40% - 49%</b>	60.0%	34.3%	5.7%	0.0%	0.0%
<b>50% or greater</b>	75.0%	20.0%	2.5%	0.0%	2.5%
<b>Arbitrary</b>	18.2%	30.3%	36.4%	3.0%	12.1%

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
<b>&lt;50% of target</b>	7.1%	39.3%	25.0%	25.0%	3.6%
<b>50% - 74% of target</b>	28.7%	50.5%	15.8%	5.0%	0.0%
<b>75% - 99% of target</b>	47.1%	40.1%	10.2%	1.6%	1.1%
<b>100% of target</b>	48.8%	38.1%	9.5%	2.4%	1.2%
<b>Over 100% of target</b>	66.7%	25.0%	8.3%	0.0%	0.0%

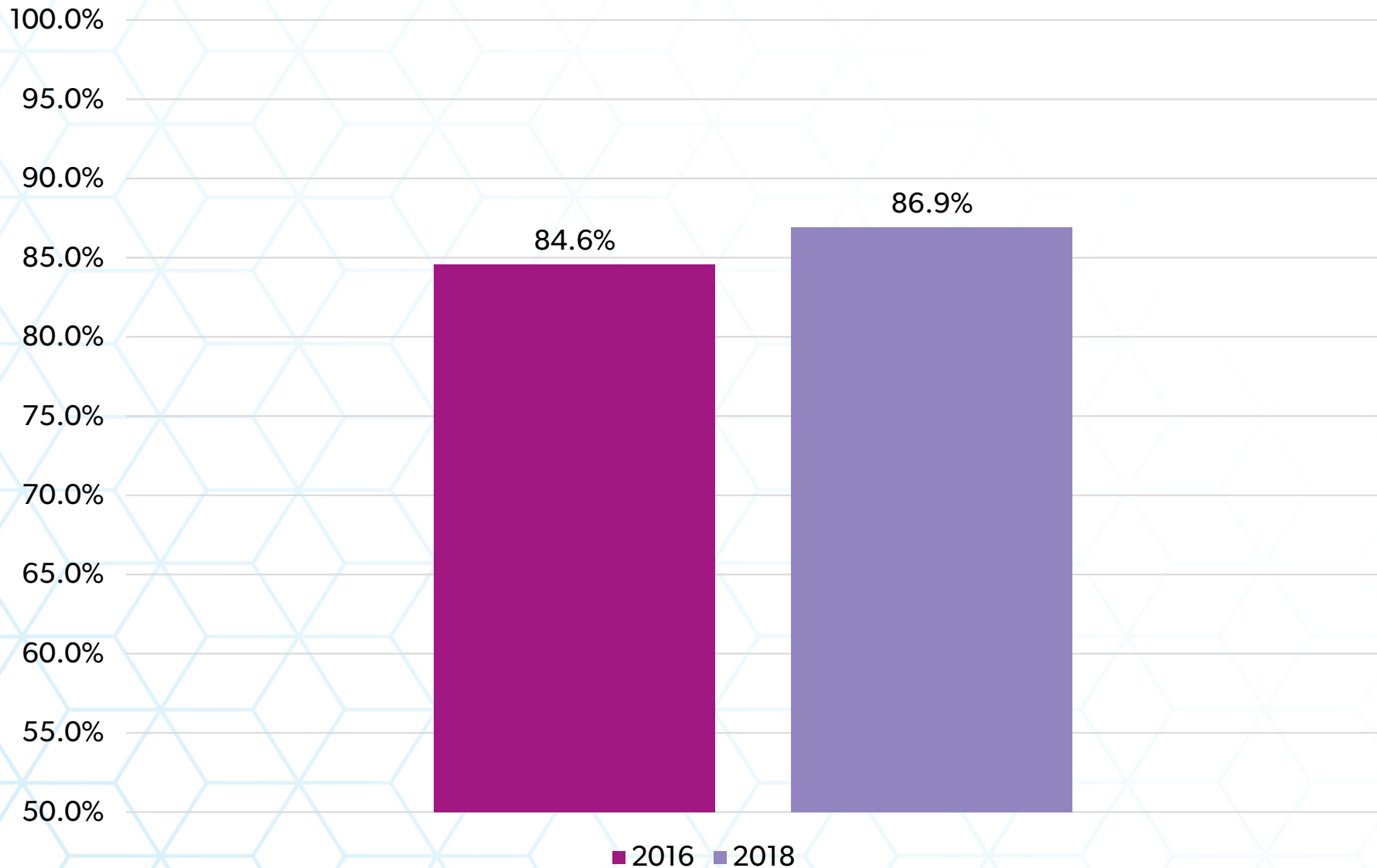
Extremely effective incentive plans are ones in which managers achieve a large portion of the target.



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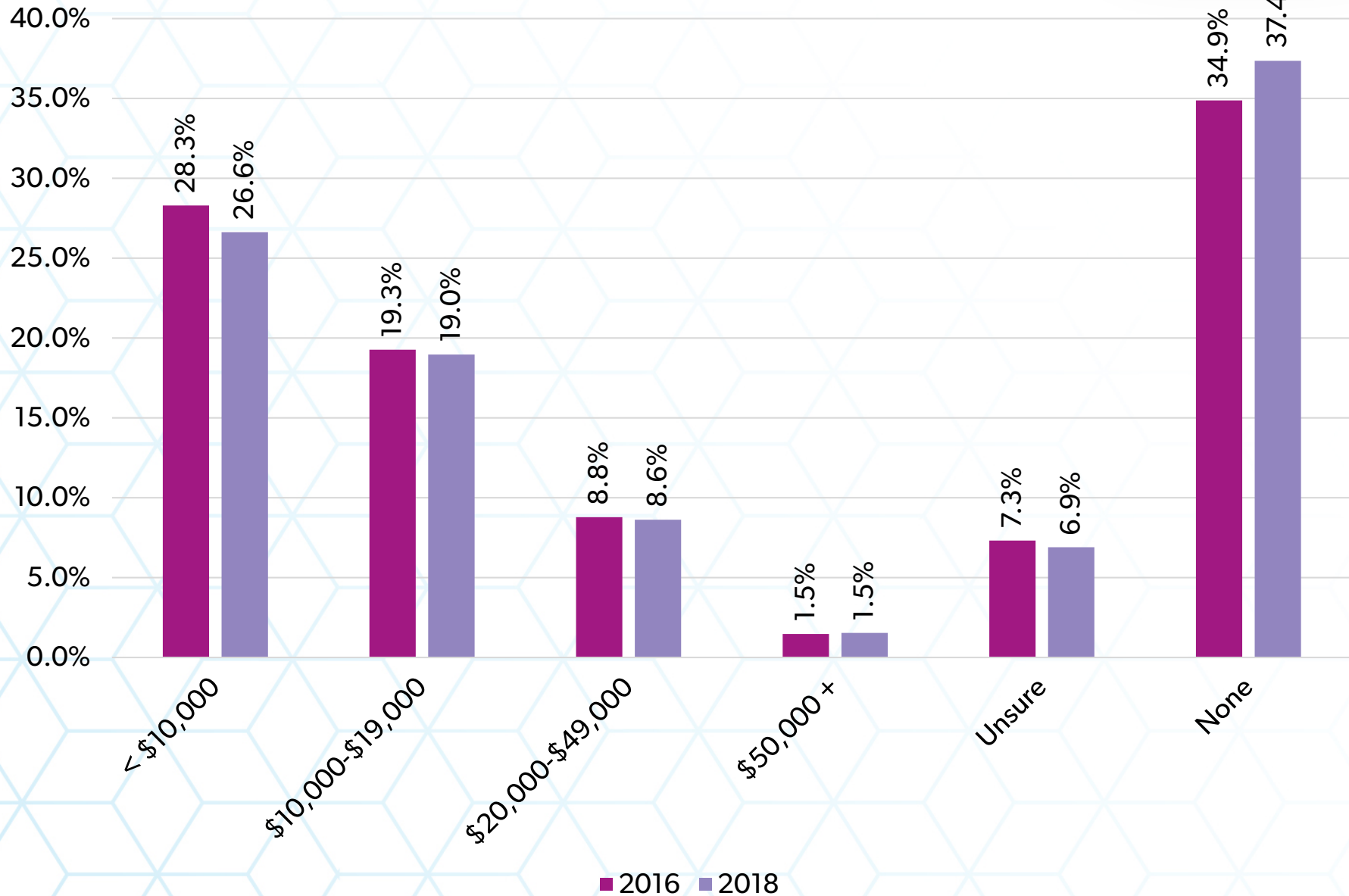
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### Percentage of CEO incentive plans tied directly back to annual goals and metrics (established in the strategic plan)



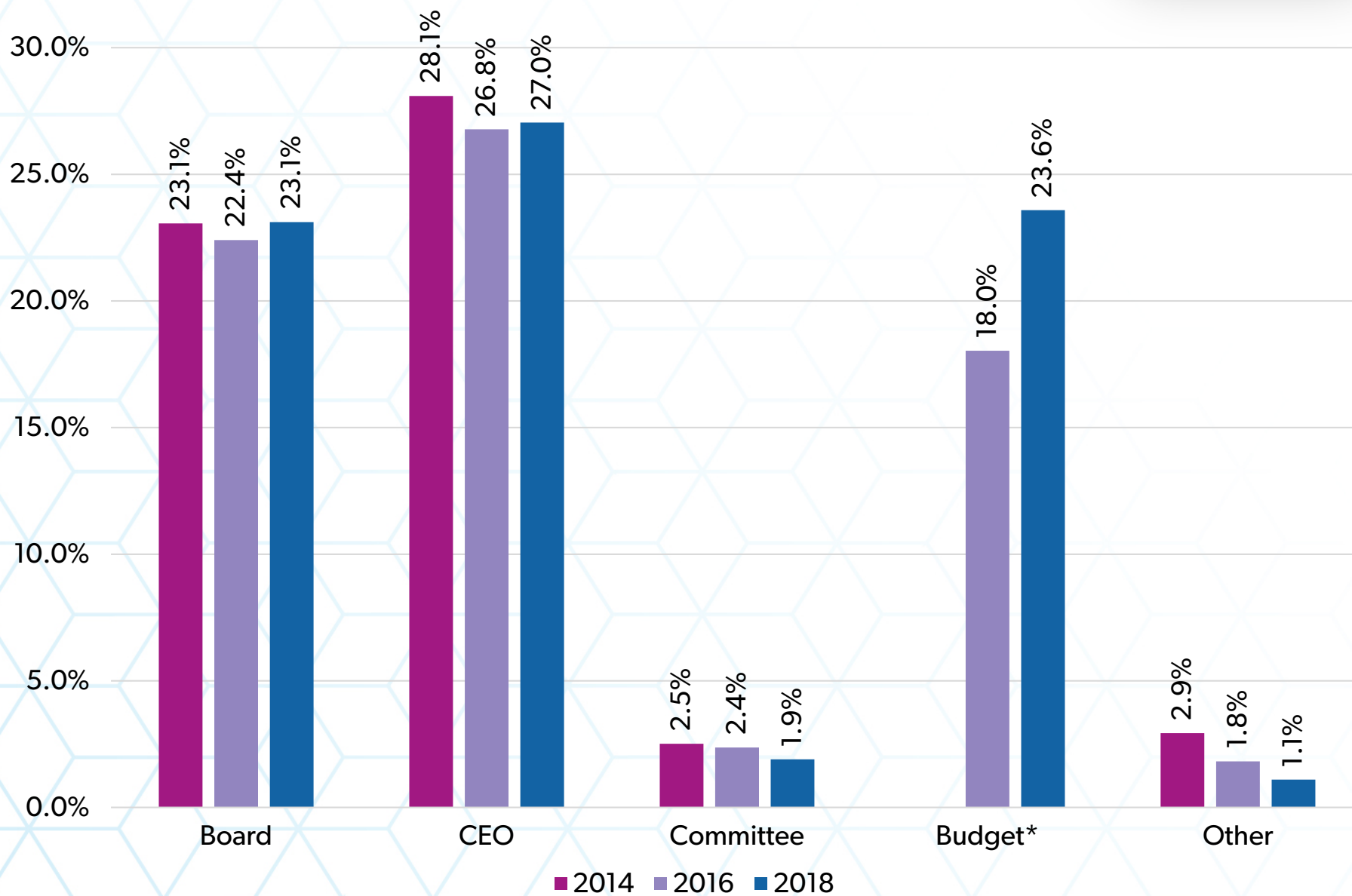


### Does the CEO have an annual travel budget for business travel?





### Who determines the CEO travel budget?

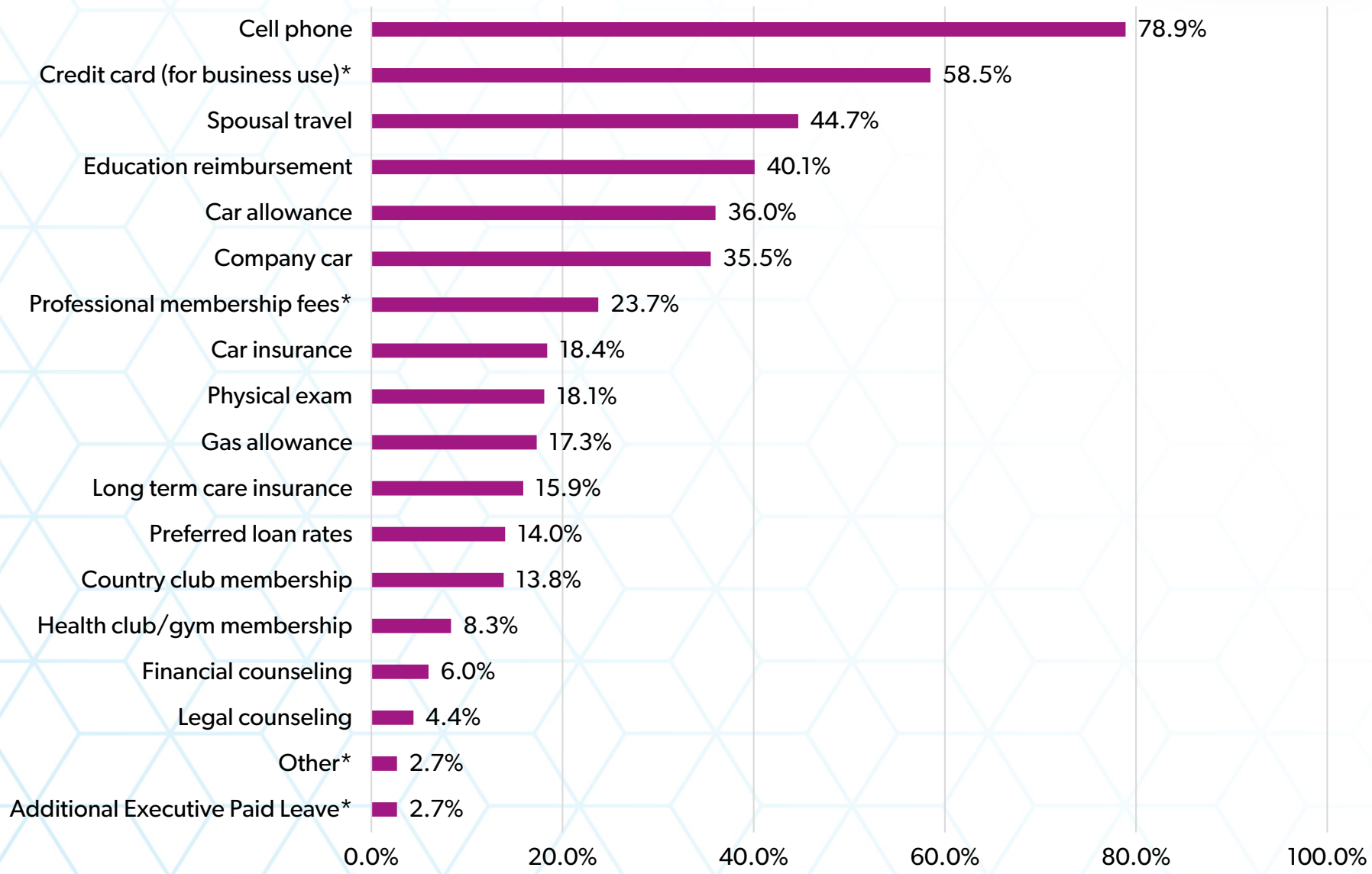


Percentages may equal more than 100% due to the option to select multiple answers.

\*Answer option not provided in 2014 Board Survey



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



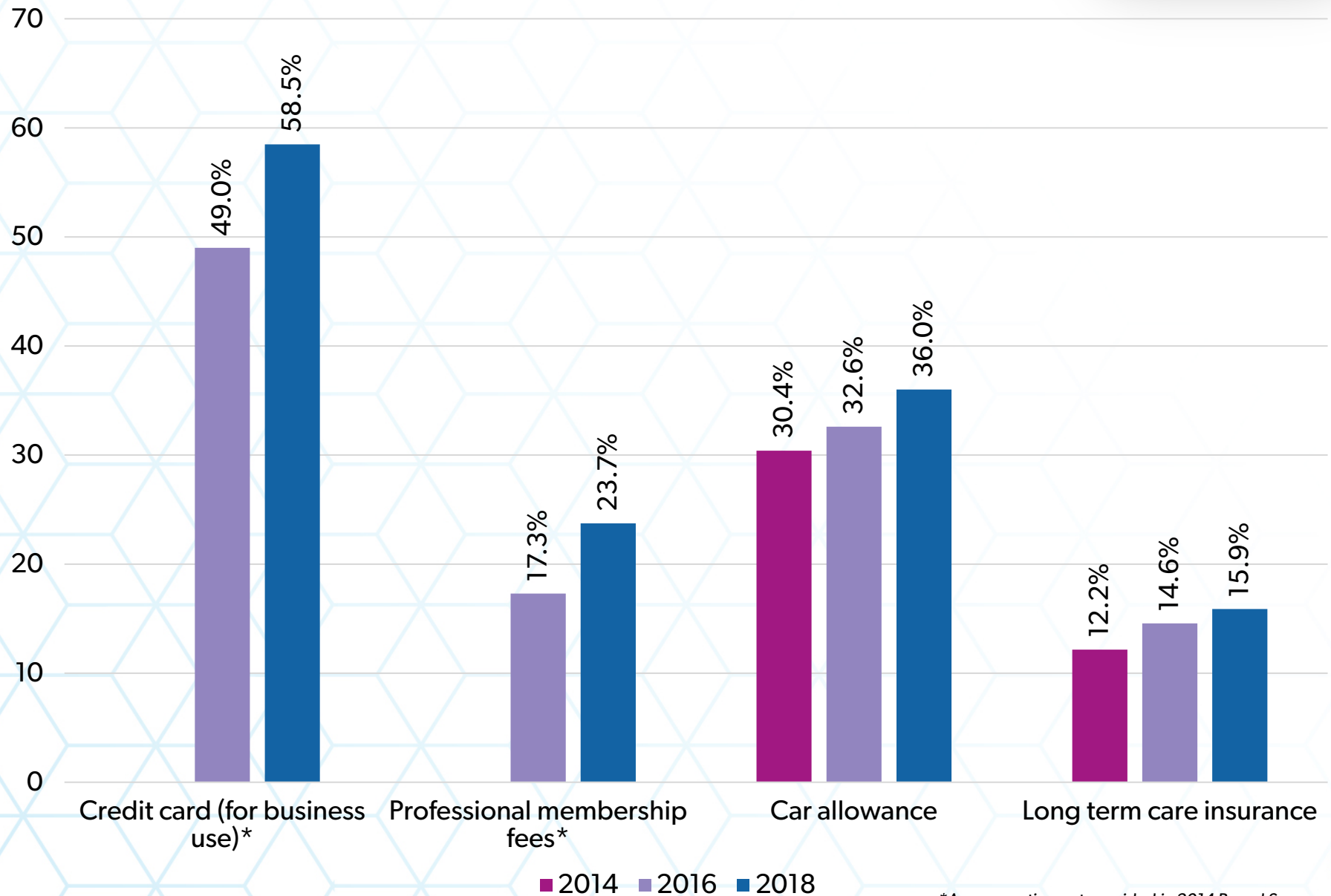
\*Answer option not provided in 2014 Board Survey

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





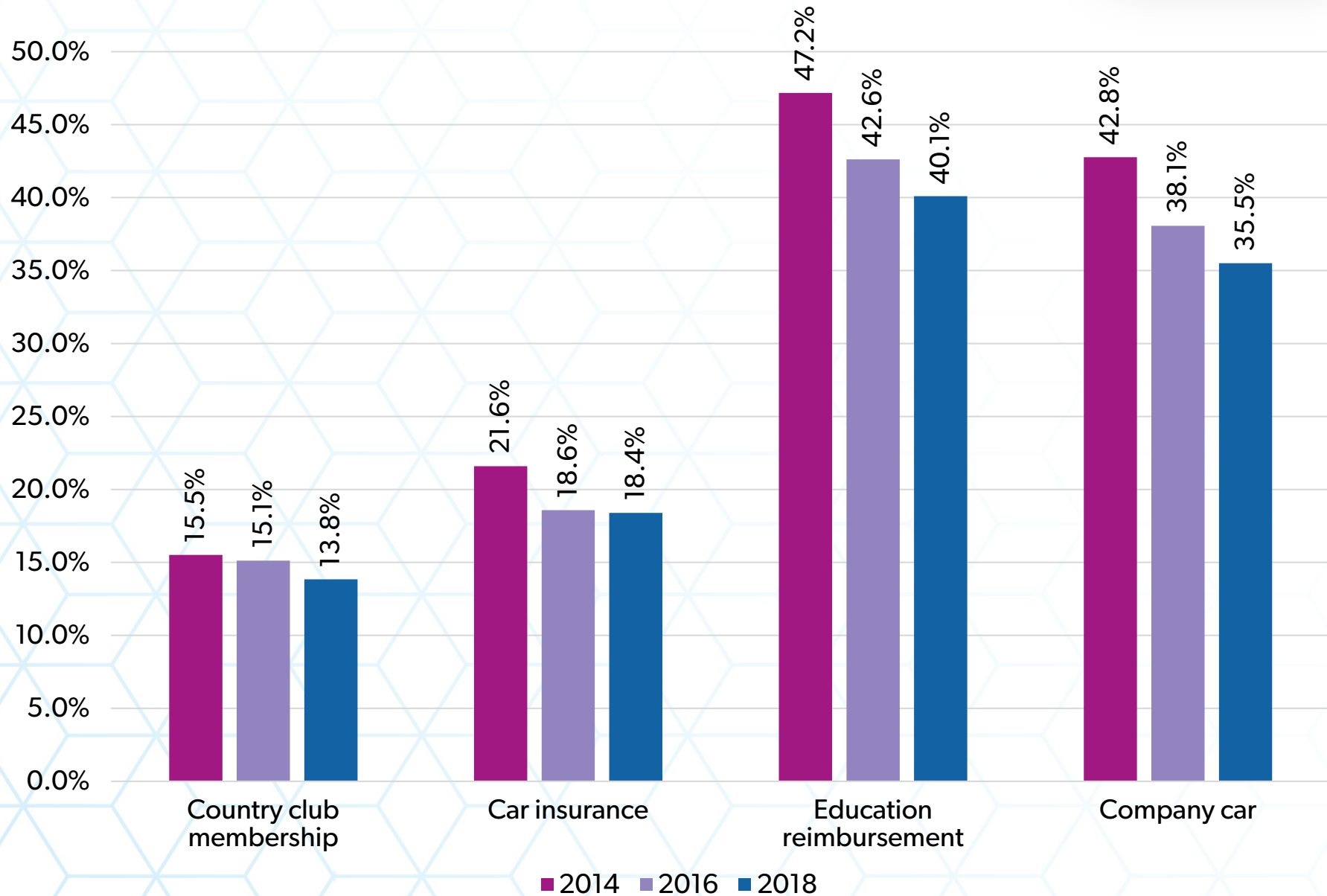
### CEO perquisites that are increasing in prevalence



\*Answer option not provided in 2014 Board Survey



### CEO perquisites that are decreasing in prevalence

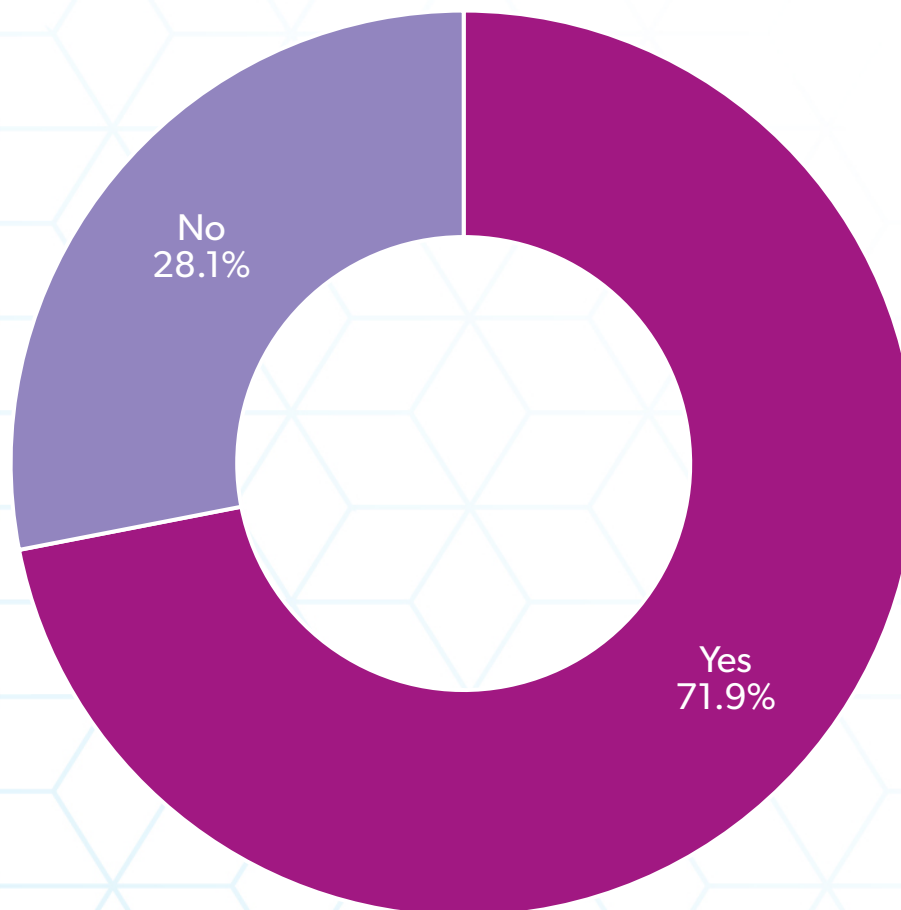




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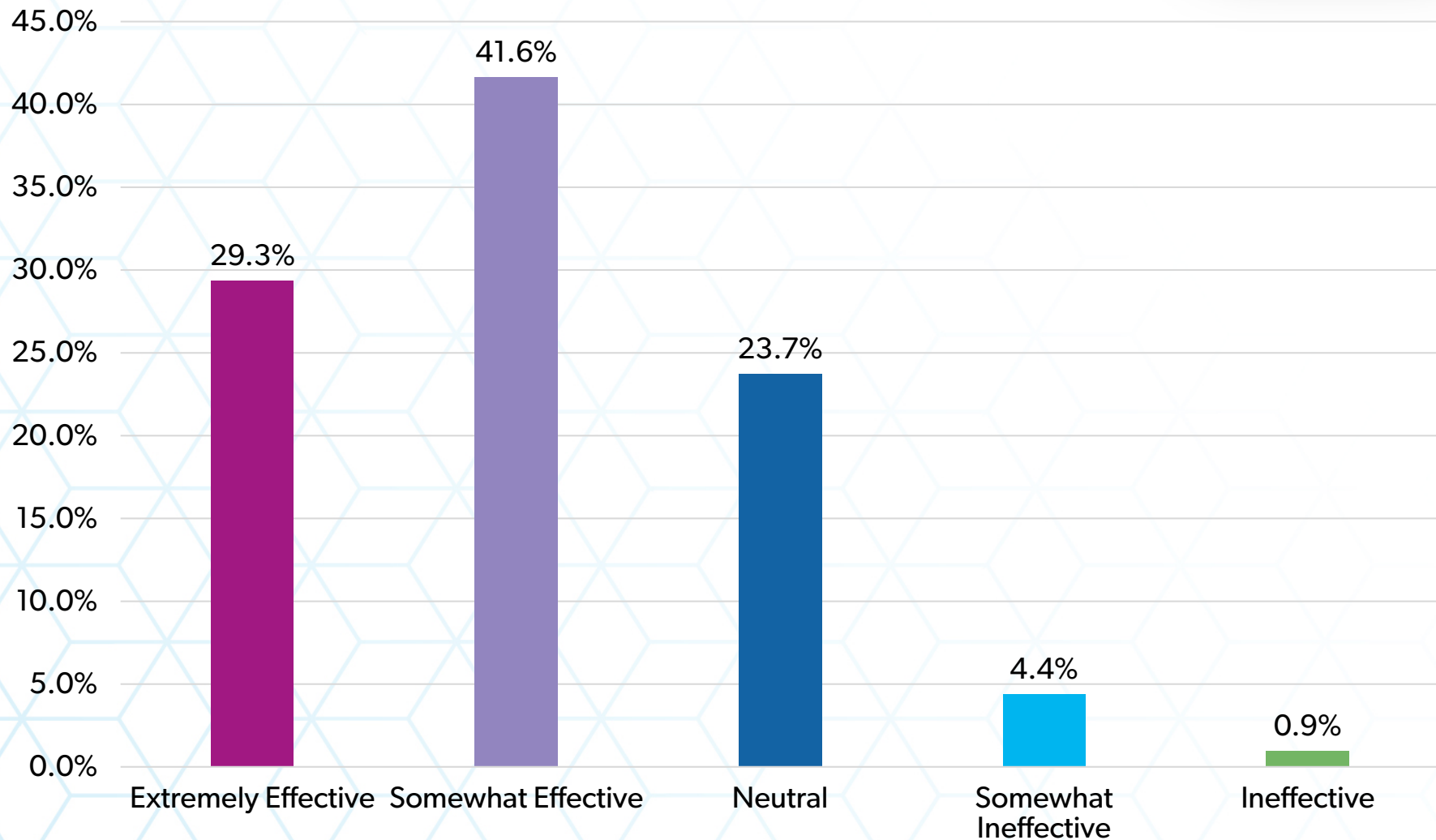
### Does the Board have a formal succession plan in place for the CEO?



Across all asset categories, between 63% and 82% of credit unions say they have a succession plan in place for their CEO.



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



Credit unions in the \$100m-\$249m asset category were less likely to feel their CEO succession plan is effective, with only 15% reporting it is extremely effective, compared to 43% of credit unions with assets of \$1b+.



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# 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, 86% have at least one planning session a year. Larger credit unions were most likely to report holding a planning session twice a year or more, with one in four credit unions with \$1 billion plus in assets opting to do so. Greater frequency in planning sessions is continuing to gain popularity as board members see the benefits of time spent on strategic planning.

Three in four credit unions opt to run their planning sessions at an off-site location. Smaller credit unions had a preference for off-site planning sessions locally, while larger credit unions favored off-site planning sessions further afield. Most credit unions include the CEO and the executive team in addition to the board, in their planning sessions. Almost 65% of credit unions use a third party facilitator and over 88% of which say the use of a facilitator is a worthwhile investment.

More than 40% of credit unions say their strategic planning session is extremely effective, with another 50% reporting it is somewhat effective. Effective strategic planning sessions varied by asset size, 61% of credit unions with more than \$1 billion in assets reported that their sessions are extremely effective, compared to only 33% of credit unions with less than \$250 million in assets.

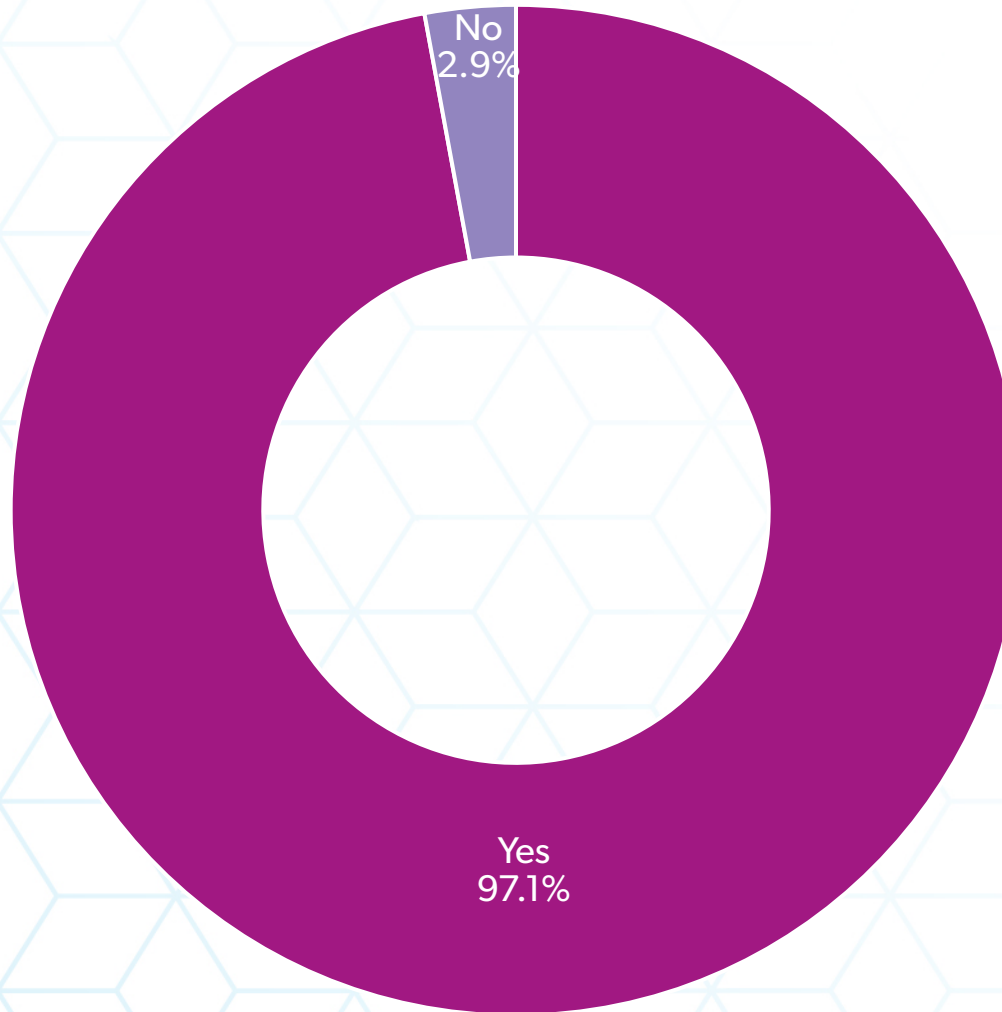
Strategic planning related discussions occurred in regular board meetings throughout the year at most credit unions. Three in ten credit unions report discussing strategic planning related topics a few times a year. Almost 45% of credit unions with more than \$1 billion in assets report discussing strategic planning related topics at every board meeting.



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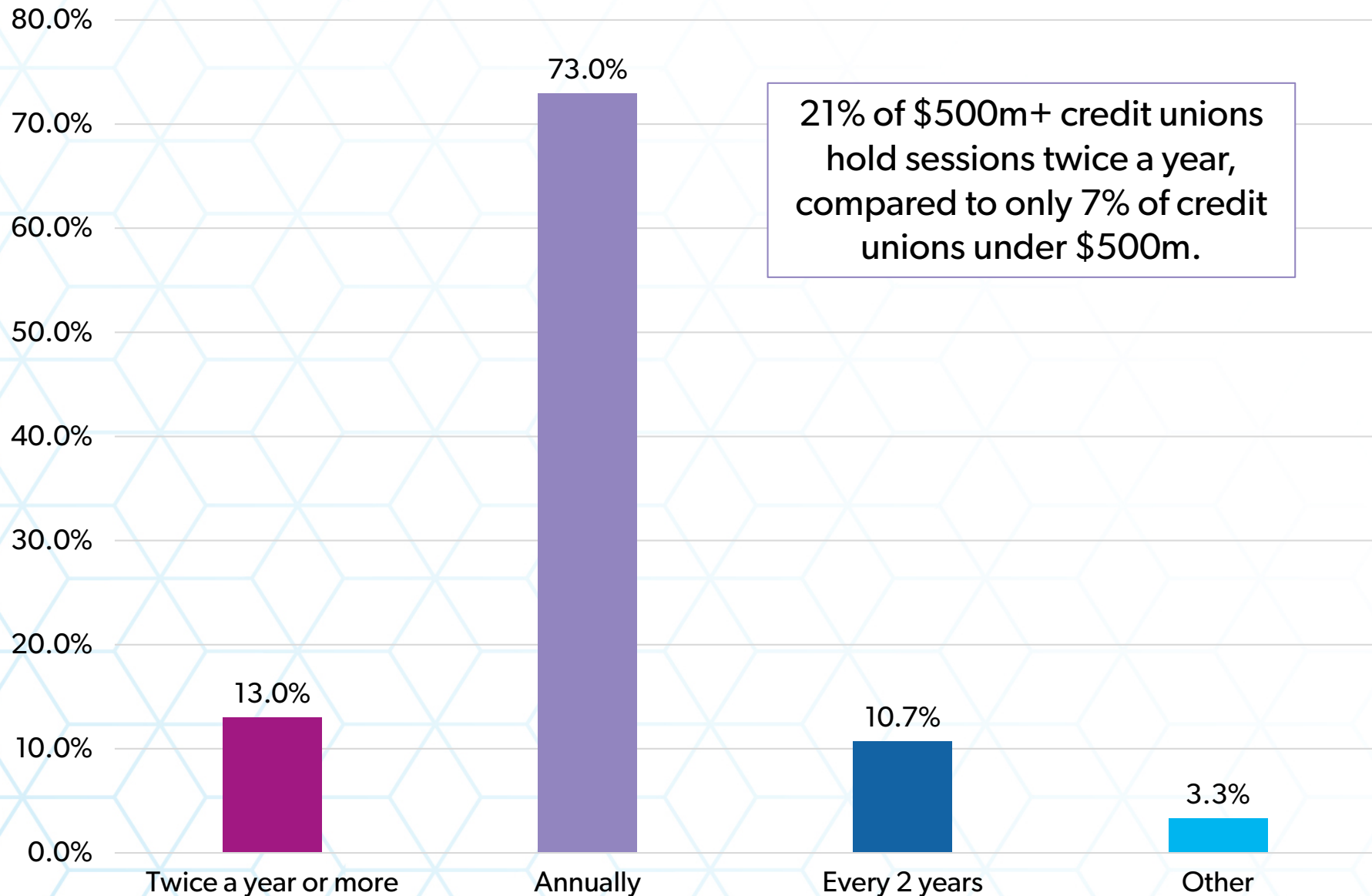
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**Does your credit union conduct a strategic planning session?**





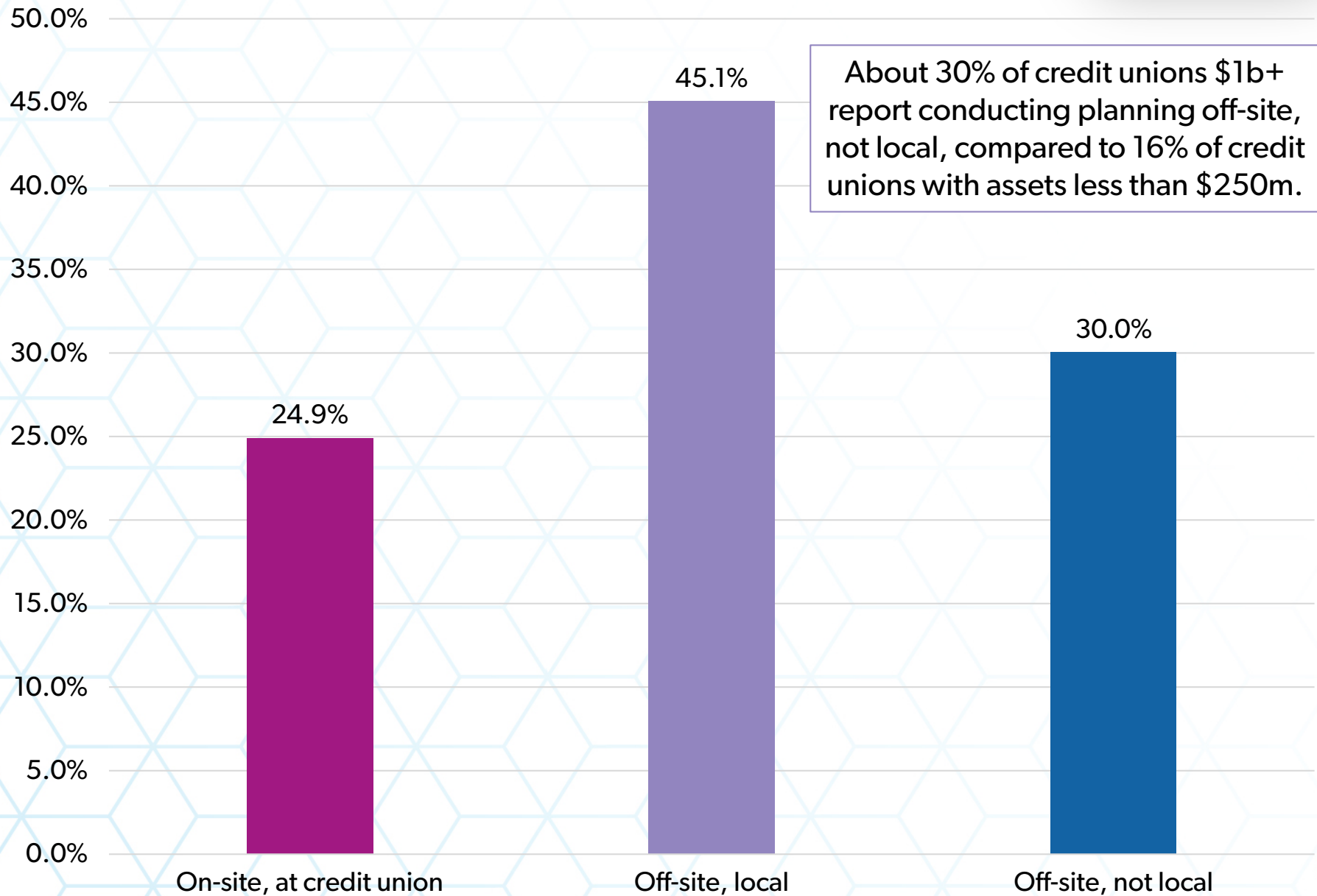
### How often does your credit union conduct a strategic planning session?





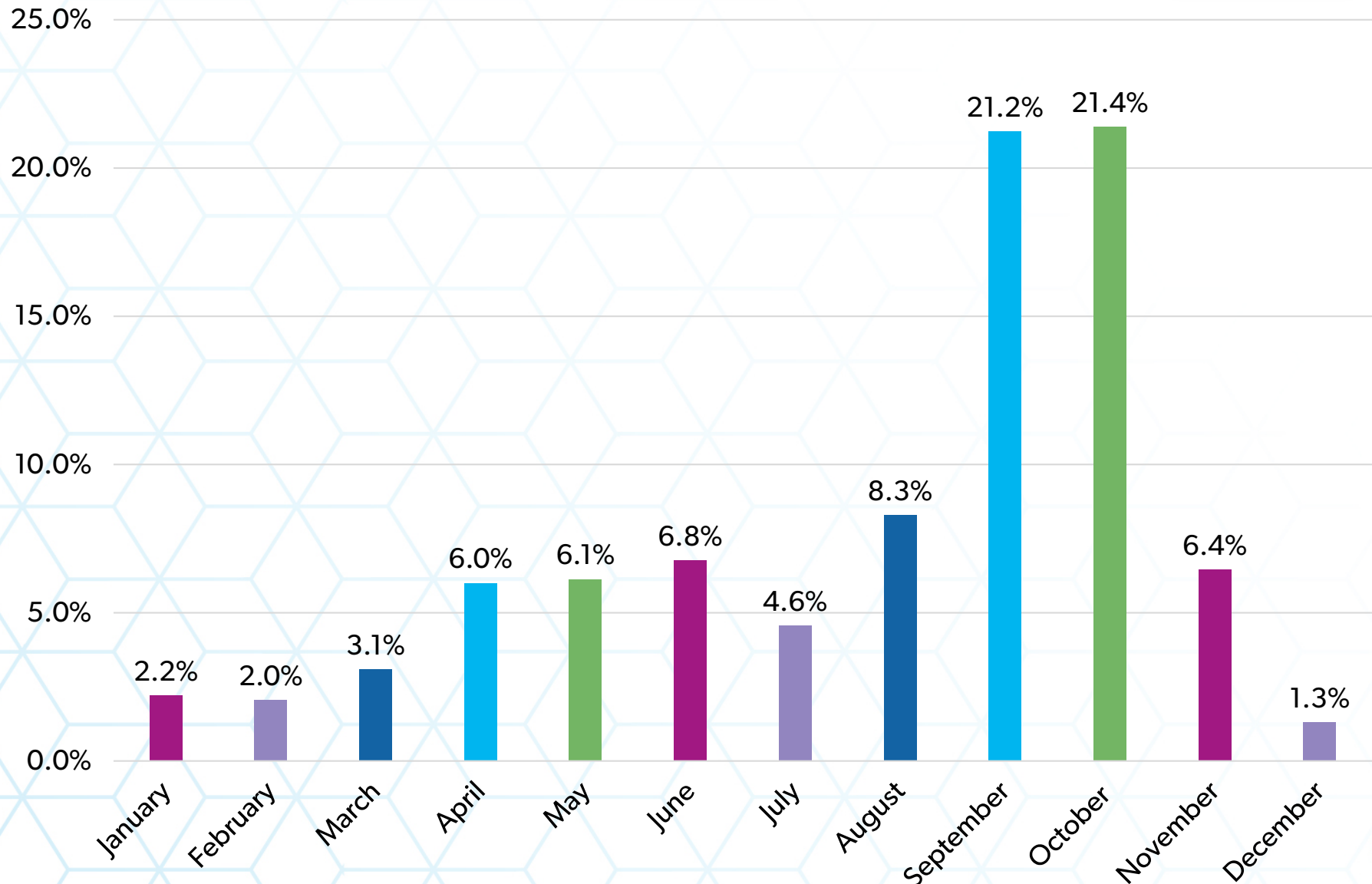


### Is the strategic planning session on-site or off-site?





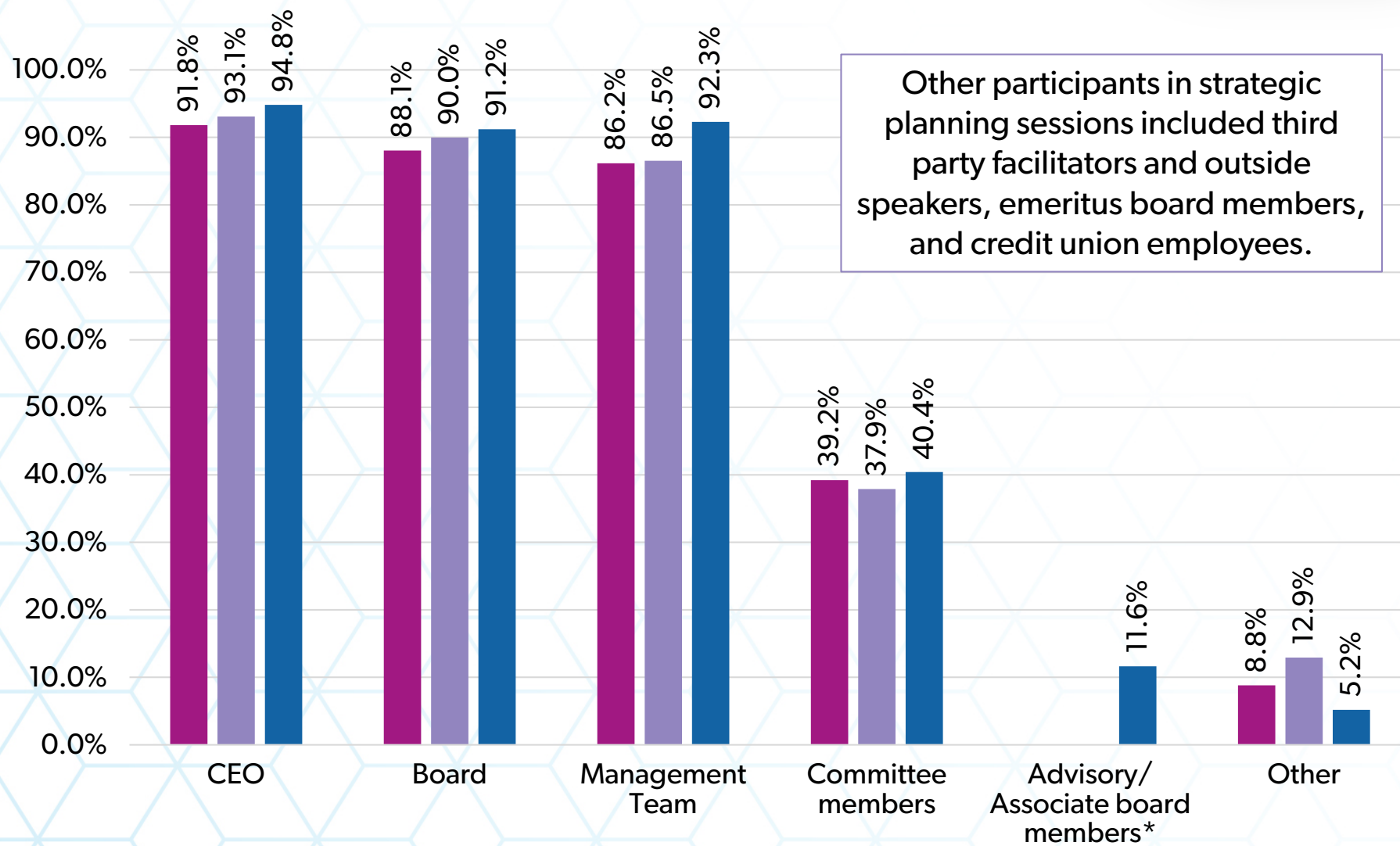
### In what month(s) does the strategic planning session typically take place?



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



### Who participates in the strategic planning sessions(s)?



Other participants in strategic planning sessions included third party facilitators and outside speakers, emeritus board members, and credit union employees.

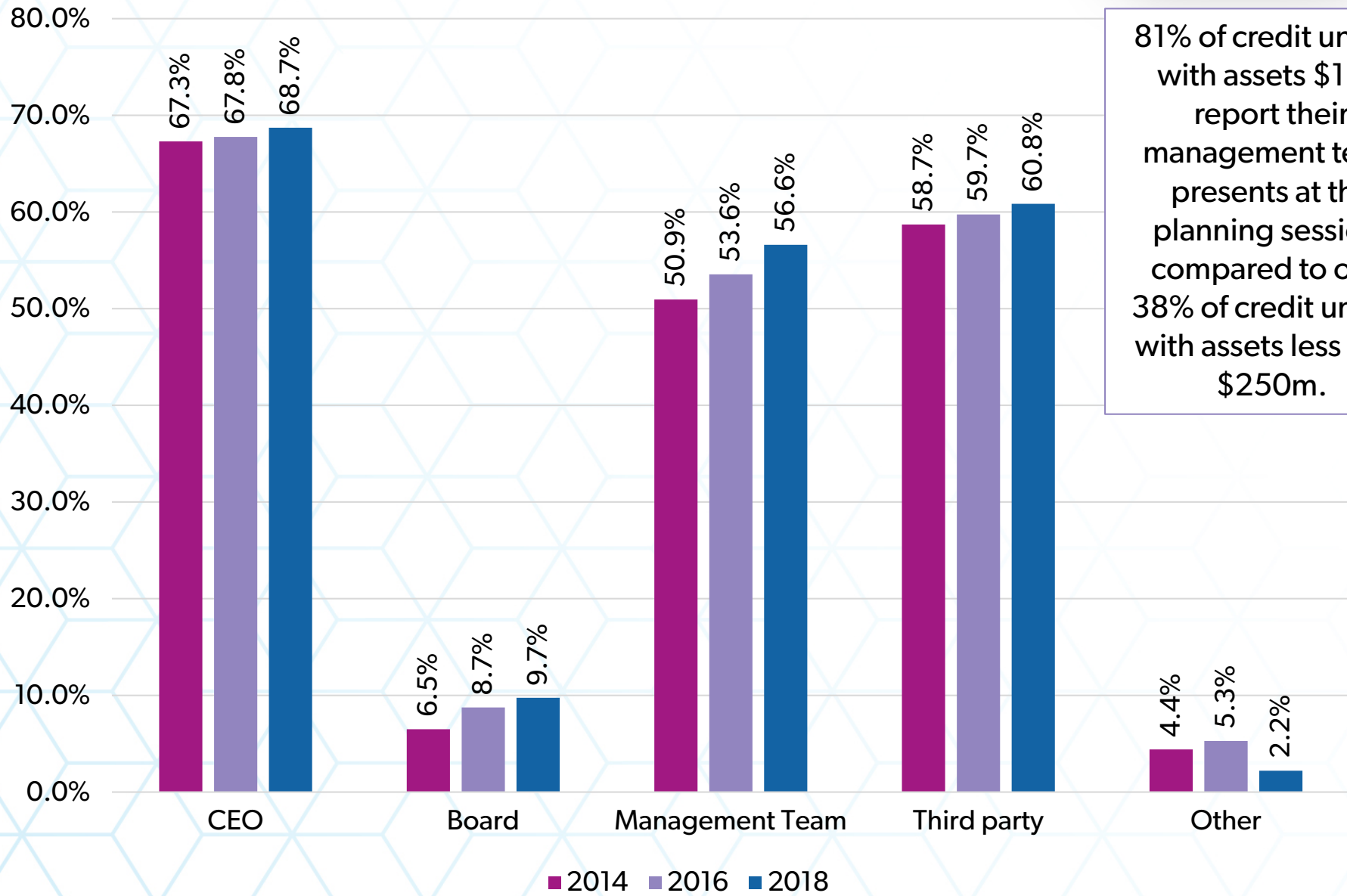
Percentages may equal more than 100% due to the option to select multiple answers.

■ 2014 ■ 2016 ■ 2018

\*Answer option not provided in 2014 Board Survey



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

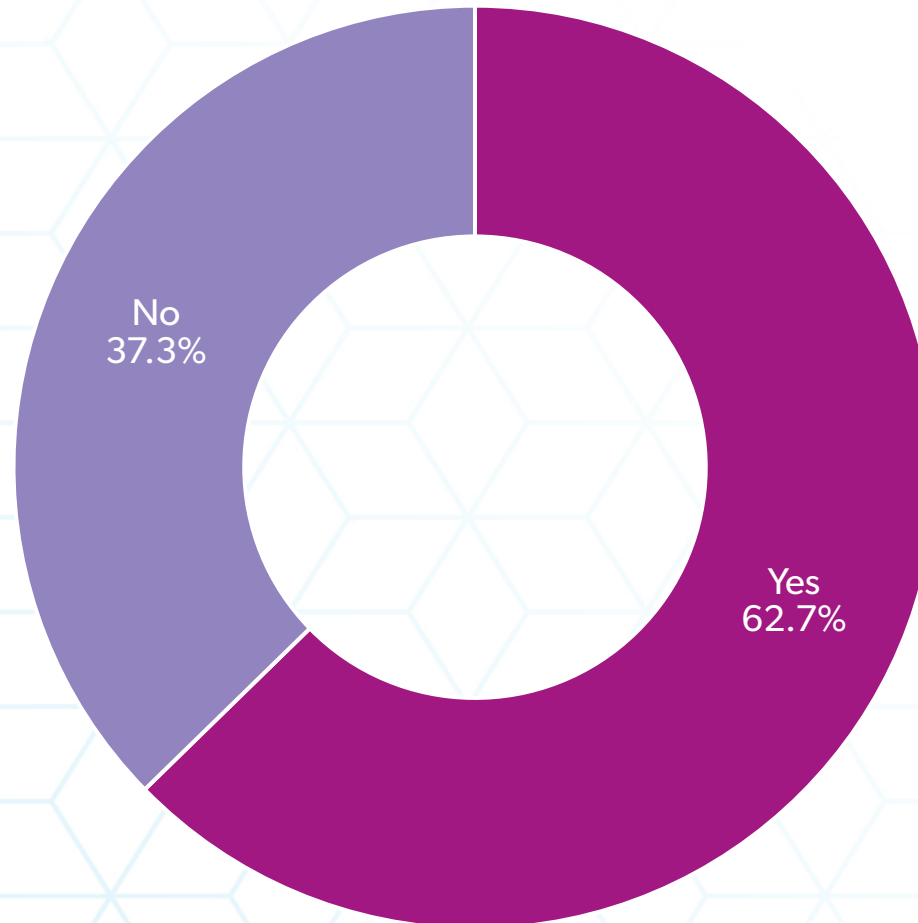


81% of credit unions with assets \$1b+ report their management team presents at the planning session, compared to only 38% of credit unions with assets less than \$250m.

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



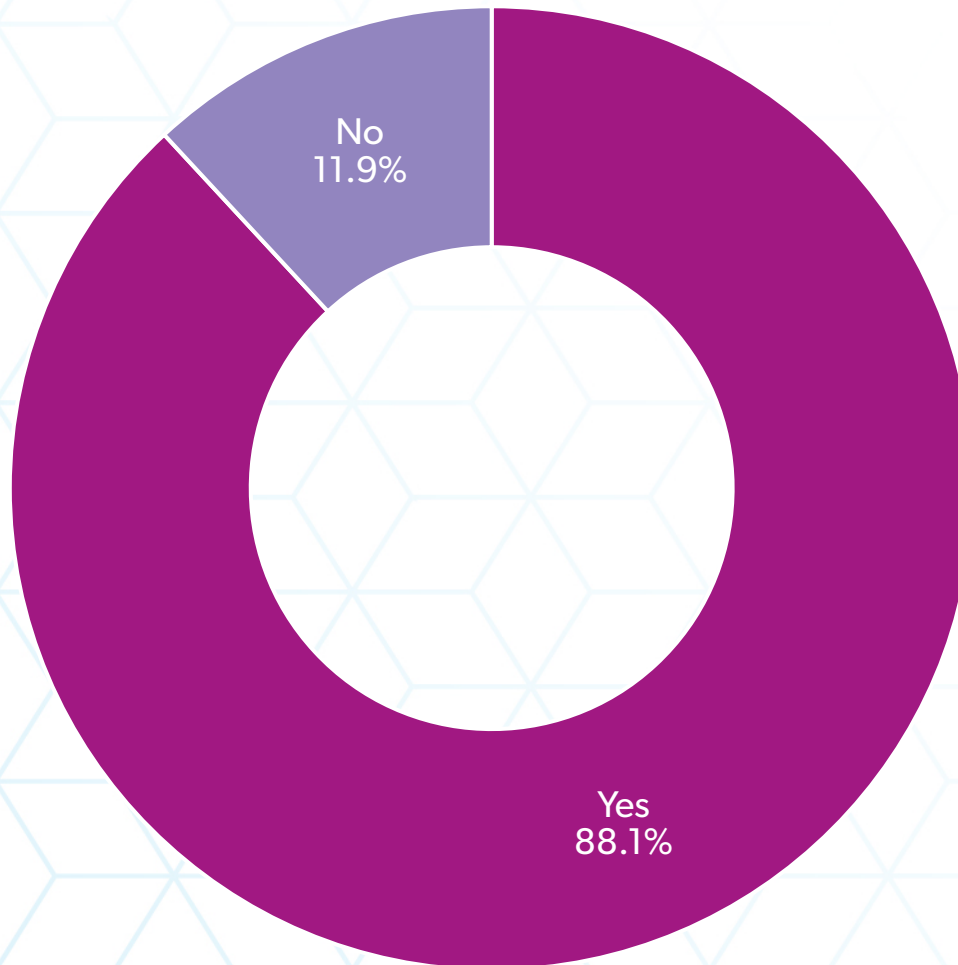
**Does the Board use an outside third party to facilitate the planning session?**



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



**Do you believe that using a third party facilitator is worth the investment?**

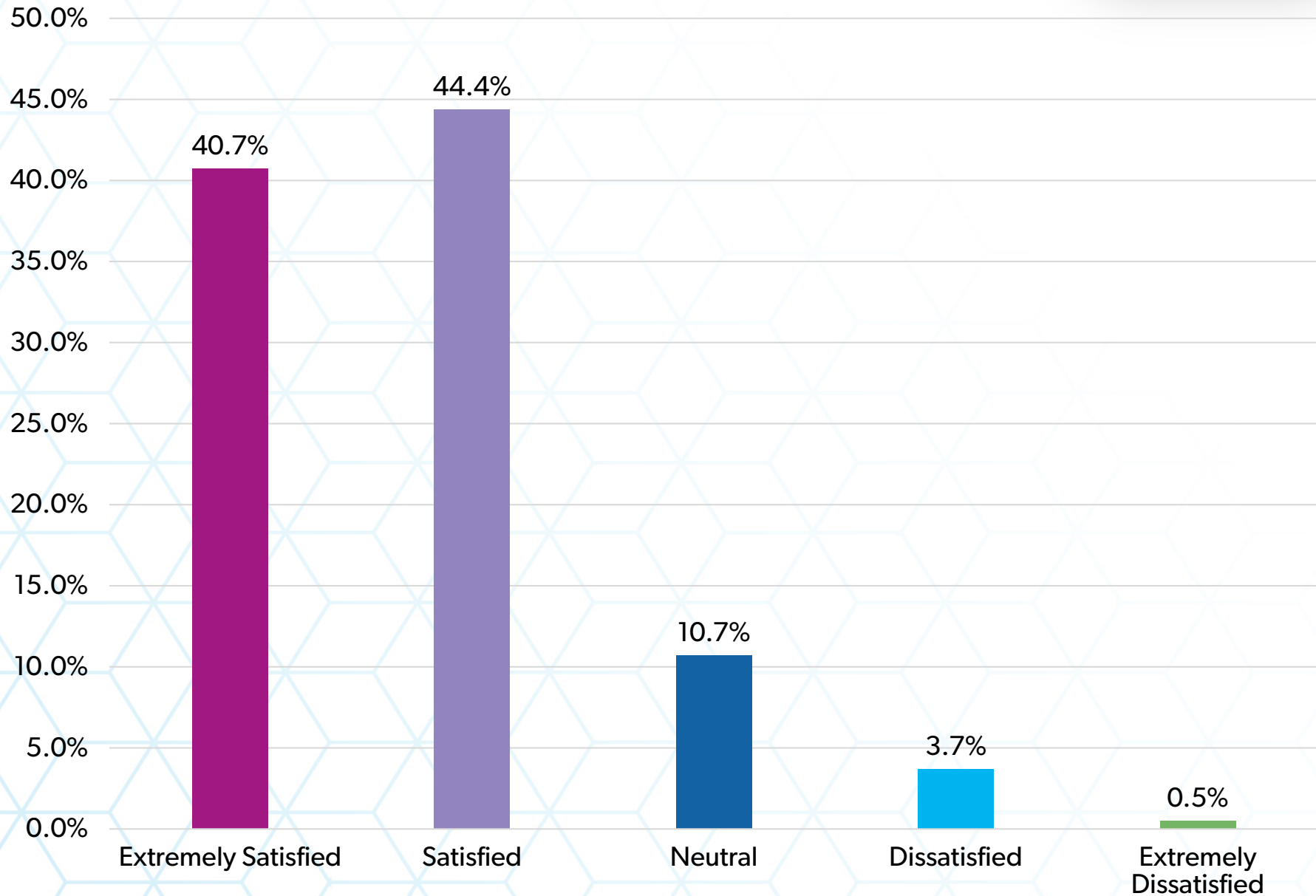


83% of those \$1b+ credit unions who use a facilitator find the investment worthwhile.



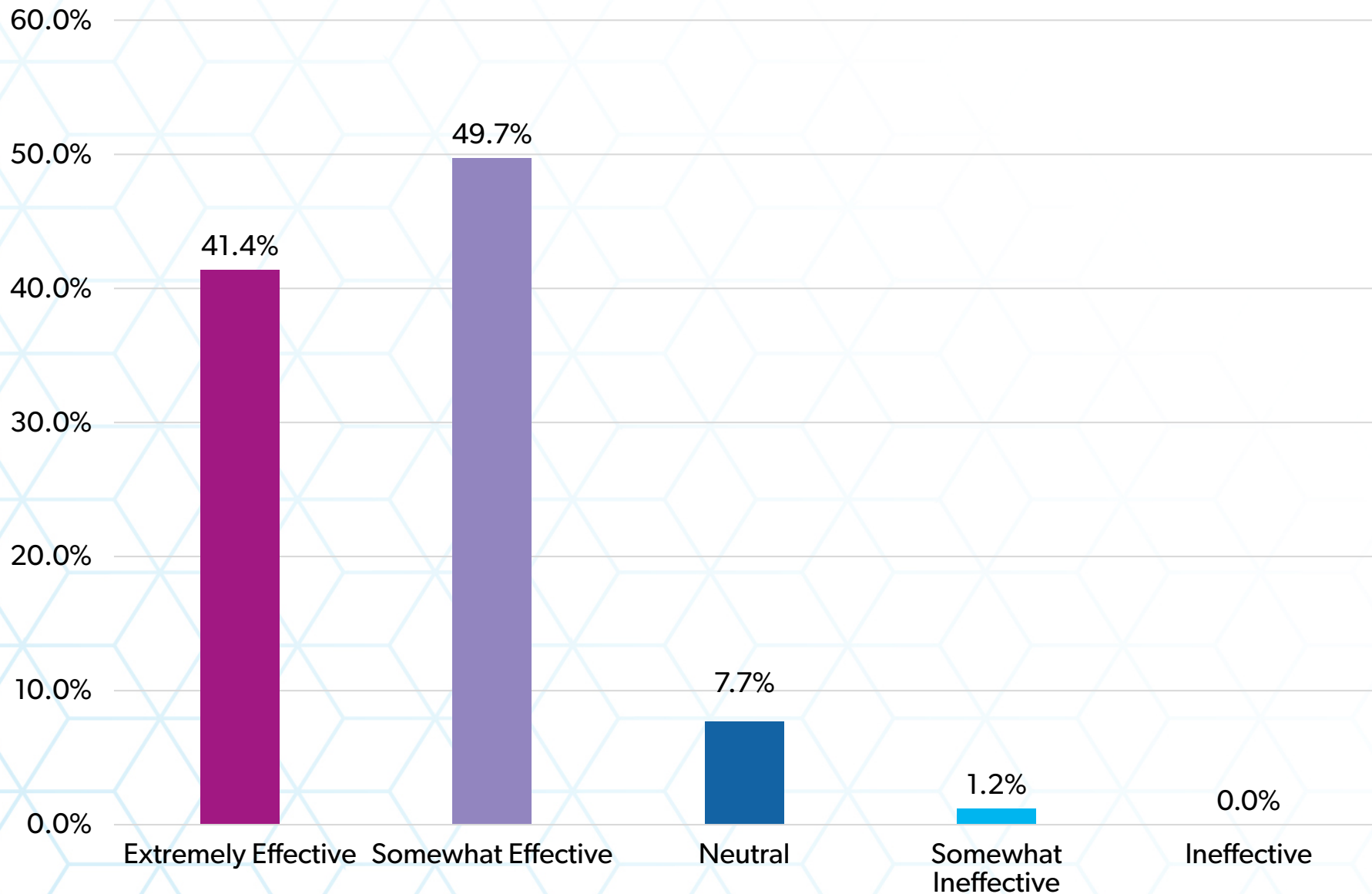
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### How satisfied are you with your third party facilitator?





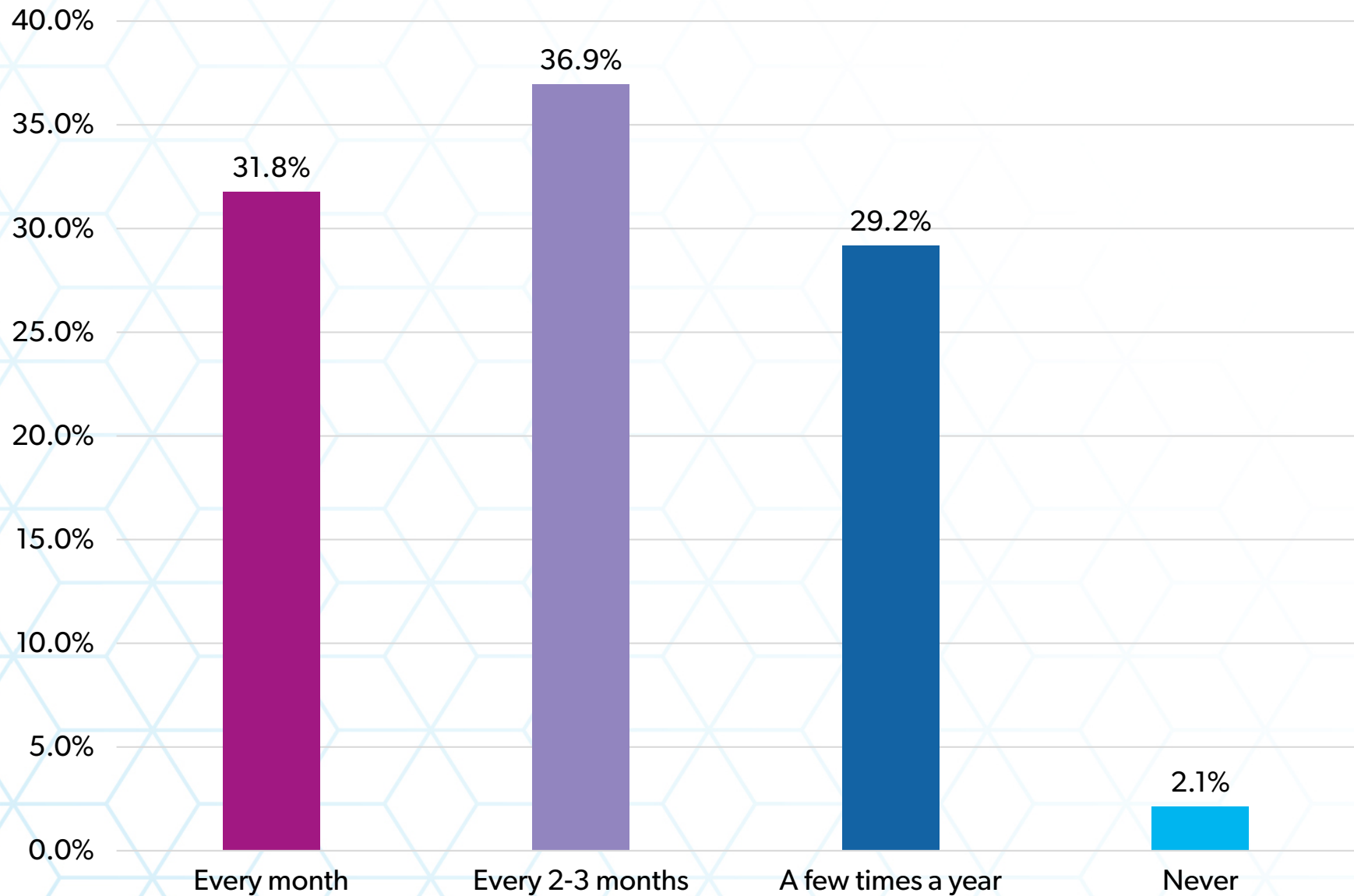
### How would you rate the effectiveness of your strategic planning sessions?







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

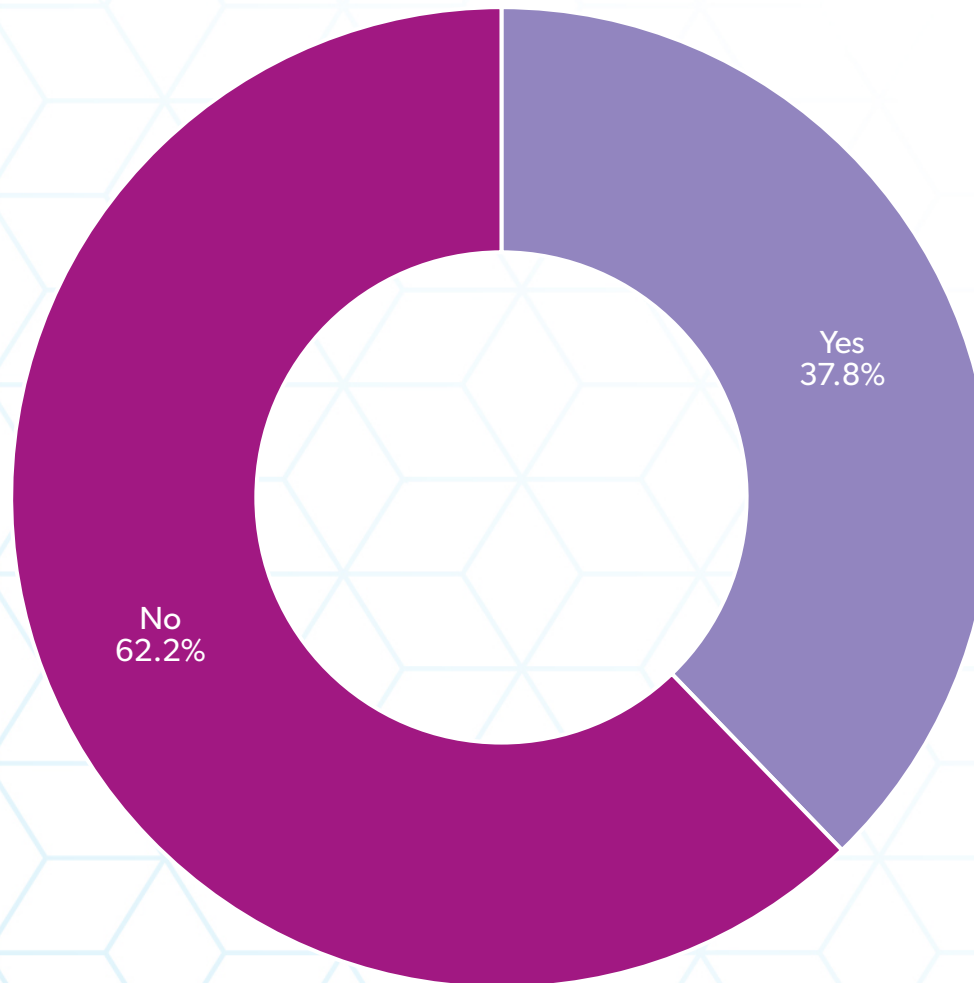




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**Has your organization been involved in a merger  
within the past five years?**





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## If yes, what were some of the challenges during the merger process?

Two thirds of those who indicated that their organization had been involved in a merger within the past five years left commentary on some of the challenges that occurred during the merger process. The most frequently cited discussion points included culture, communications, and managing member perception. Other points of discussion are shown below:





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# Board Demographics

*Section Three*



## Board Demographics

As credit unions adapt to an evolving marketplace and board recruitment challenges, the need to accurately represent a field of membership presents a continuing challenge for most credit unions.

The mean number of board members is 8.4, and the number of board members per credit union varied by asset size, with larger credit unions reporting more board members on average than smaller ones. Credit unions with more than \$1 billion in assets report an average of 9 board members. Over 80% of credit unions feel that they have the right amount of board members. One in ten credit union CEOs serve on the board, but 57% of credit unions feel that there is a conflict of interest if the CEO serves on the board.

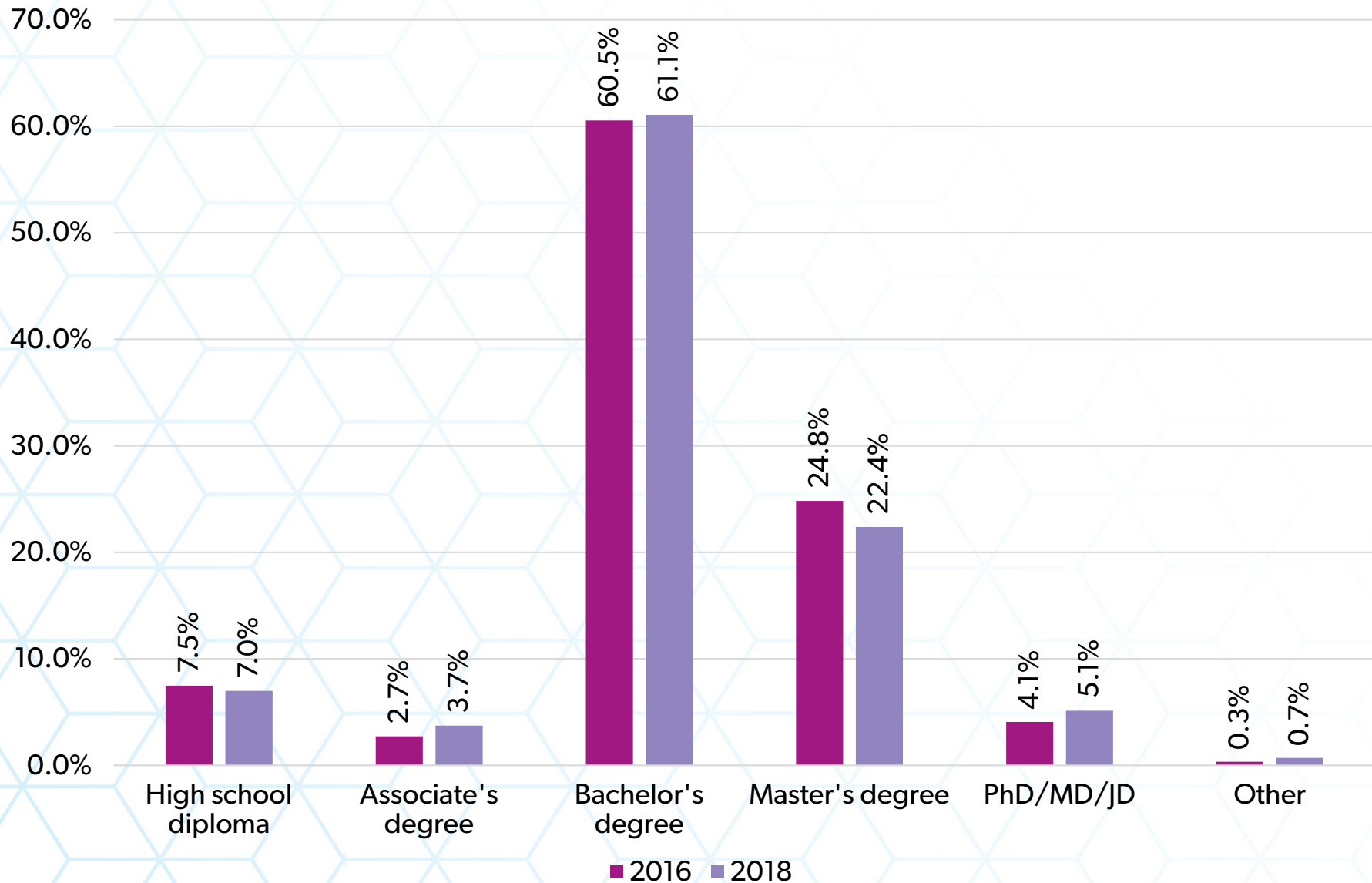
Credit union boards are made up of individuals with a mix of professional backgrounds and education levels. One third of credit unions report having at least one board member with a finance background, and one in four credit unions report having at least one board member with experience from a specific industry related to their SEG. One in five credit unions report having at least one board member with a background in Human Resources or an Entrepreneur. Approximately 60% of credit unions report a bachelor's degree as the predominant education level of board members, followed by 22% who have masters degrees, and 5% who report professional degrees such as Ph.D., M.D., or J.D. However, only 56% of credit unions feel that the board accurately represents the demographics of the membership.

Board member engagement levels varied by asset size. Engagement levels and typical attendance at monthly board meetings were all found to be positively correlated with asset size. Larger credit unions typically have longer board meetings, and at larger credit unions, board members spend more hours on average per month on board duties.

As the complexity of board governance increases, D. Hilton feels it is crucial to perform board evaluations as part of a board's governance practice. Almost 80% of boards at credit unions with less than \$250 million in assets never evaluate themselves, compared with 38% of credit unions with more than \$1 billion in assets. Not only are larger credit unions more likely to evaluate themselves, but they are also more likely to conduct formal evaluations. The most frequently cited areas included in board evaluations are attendance, training, adherence to board member role, strategic contributions, and communication.



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





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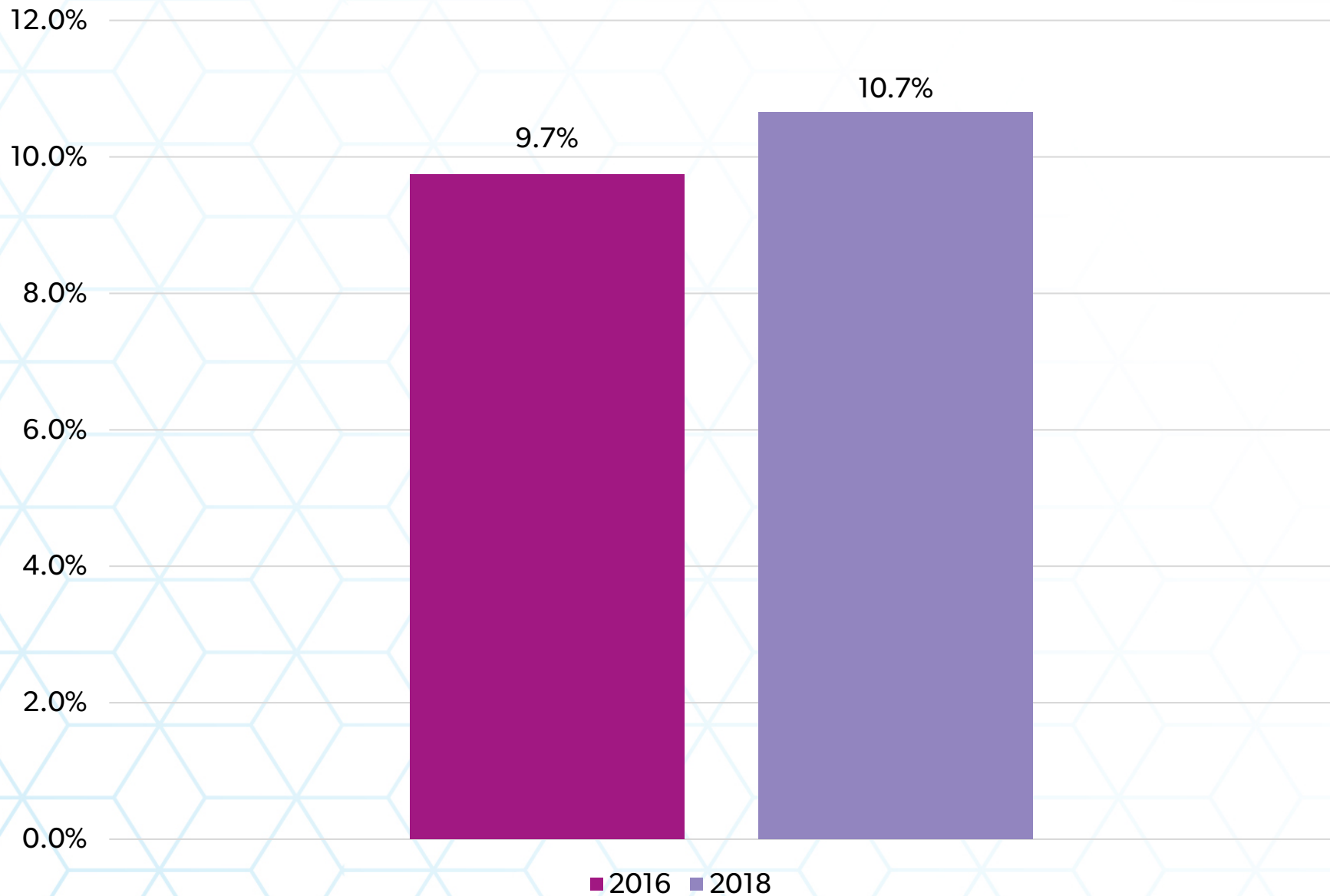
<b>What is the predominant education level of Board members?</b>	<b>\$100m- \$249m</b>	<b>\$250m- \$499m</b>	<b>\$500m- \$999m</b>	<b>\$1b+</b>
<b>High school diploma</b>	10.5%	8.6%	6.0%	1.8%
<b>Associate's degree</b>	5.6%	5.4%	1.2%	1.8%
<b>Bachelor's degree</b>	65.7%	61.3%	62.7%	53.2%
<b>Master's degree</b>	14.0%	19.4%	22.9%	35.8%
<b>PhD/MD/JD</b>	2.8%	5.4%	7.2%	6.4%
<b>Other</b>	1.4%	0.0%	0.0%	0.9%



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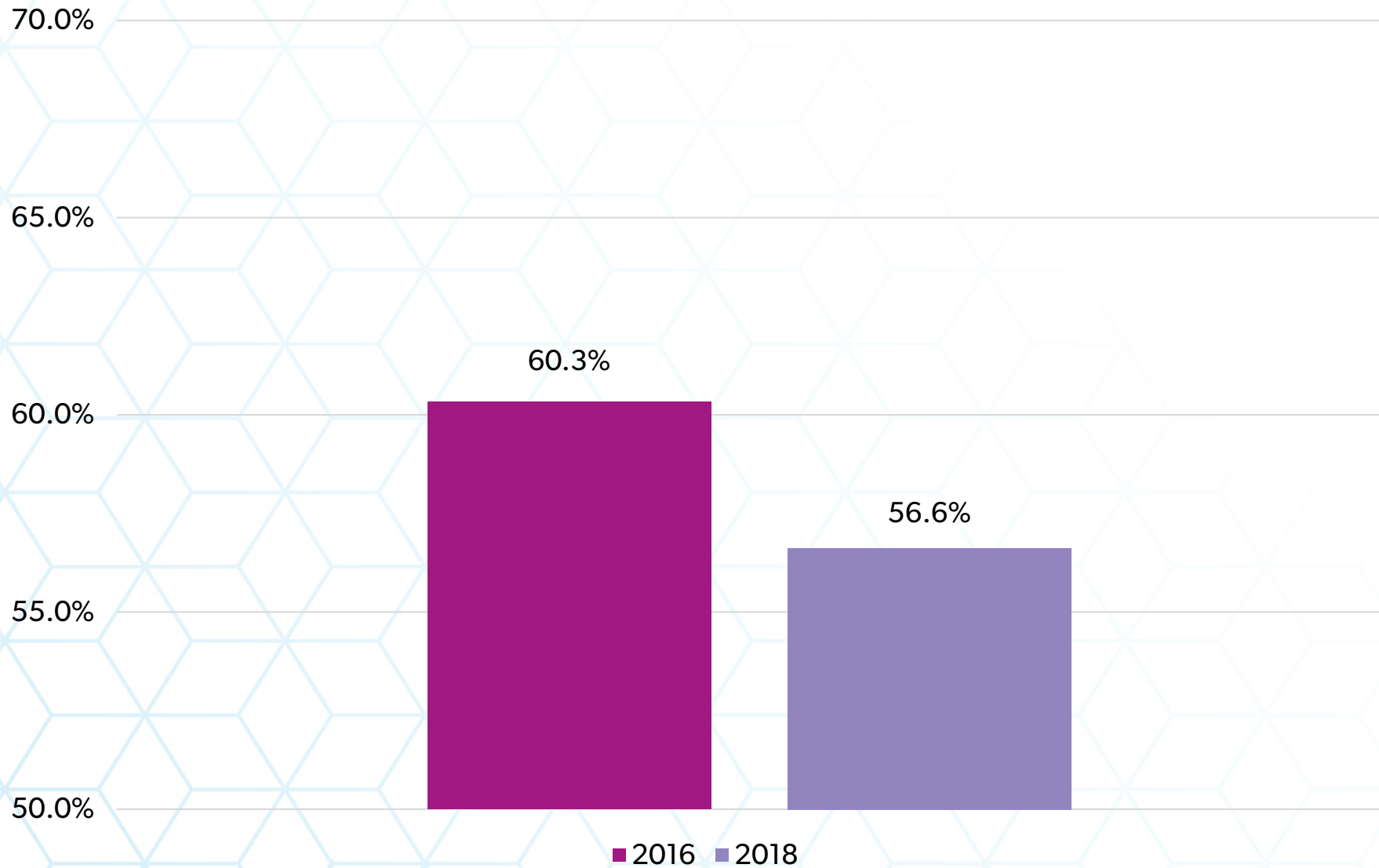
### Credit unions in which the CEO serves on the Board





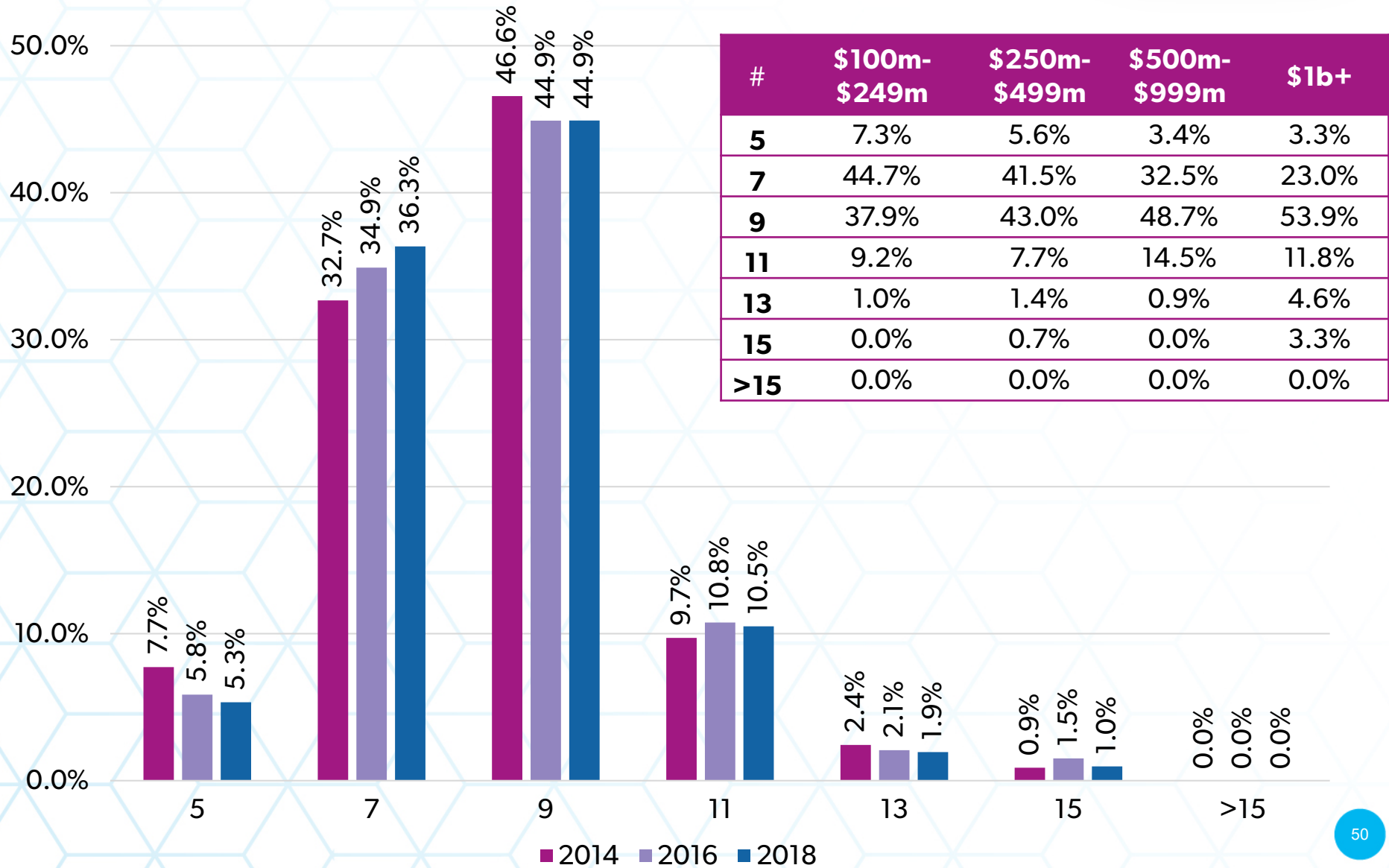


### Credit unions that feel there is a conflict of interest if the CEO serves on the Board



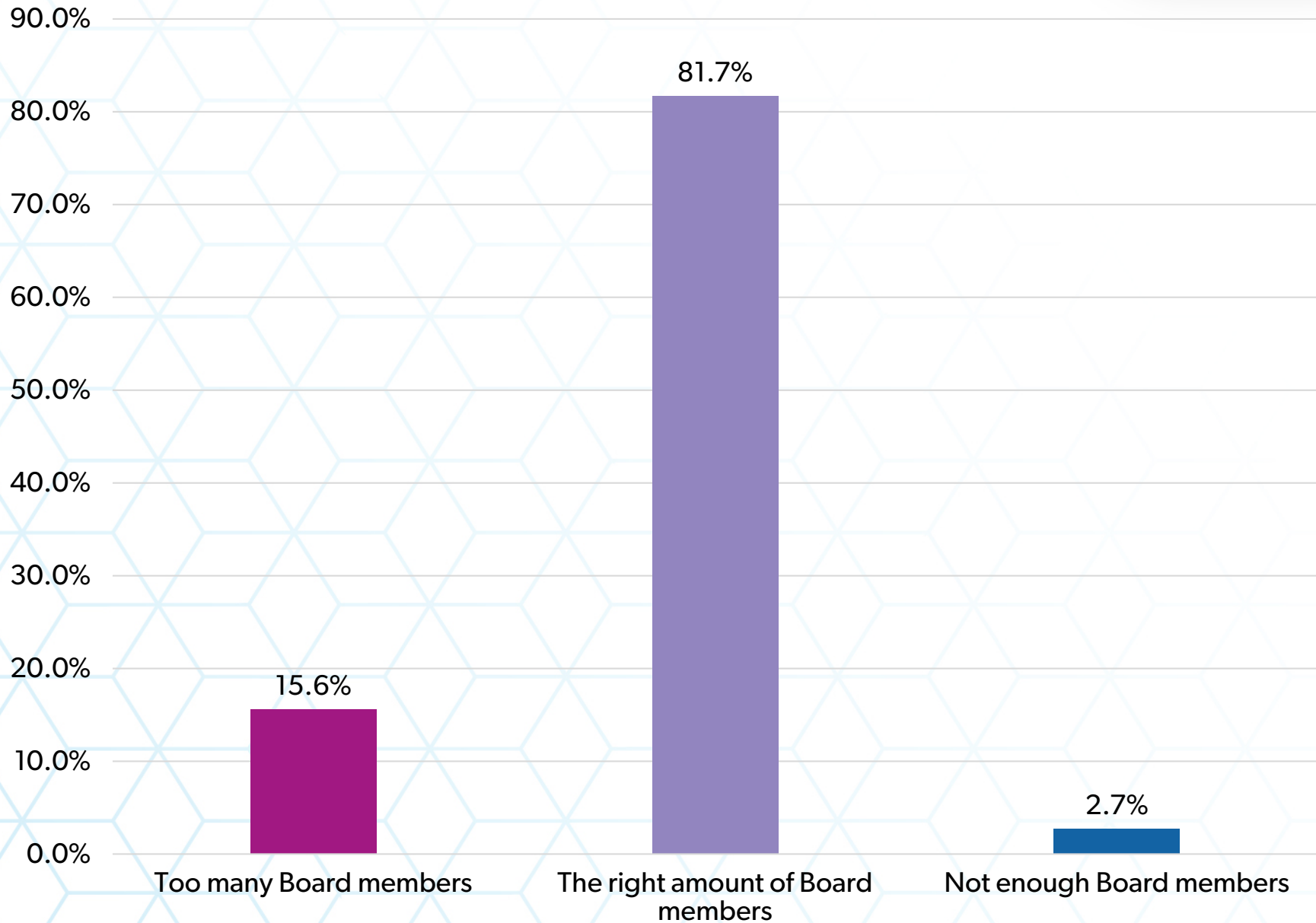


### How many individuals serve on the Board?





**Concerning the size of the Board, do you feel that there are...**





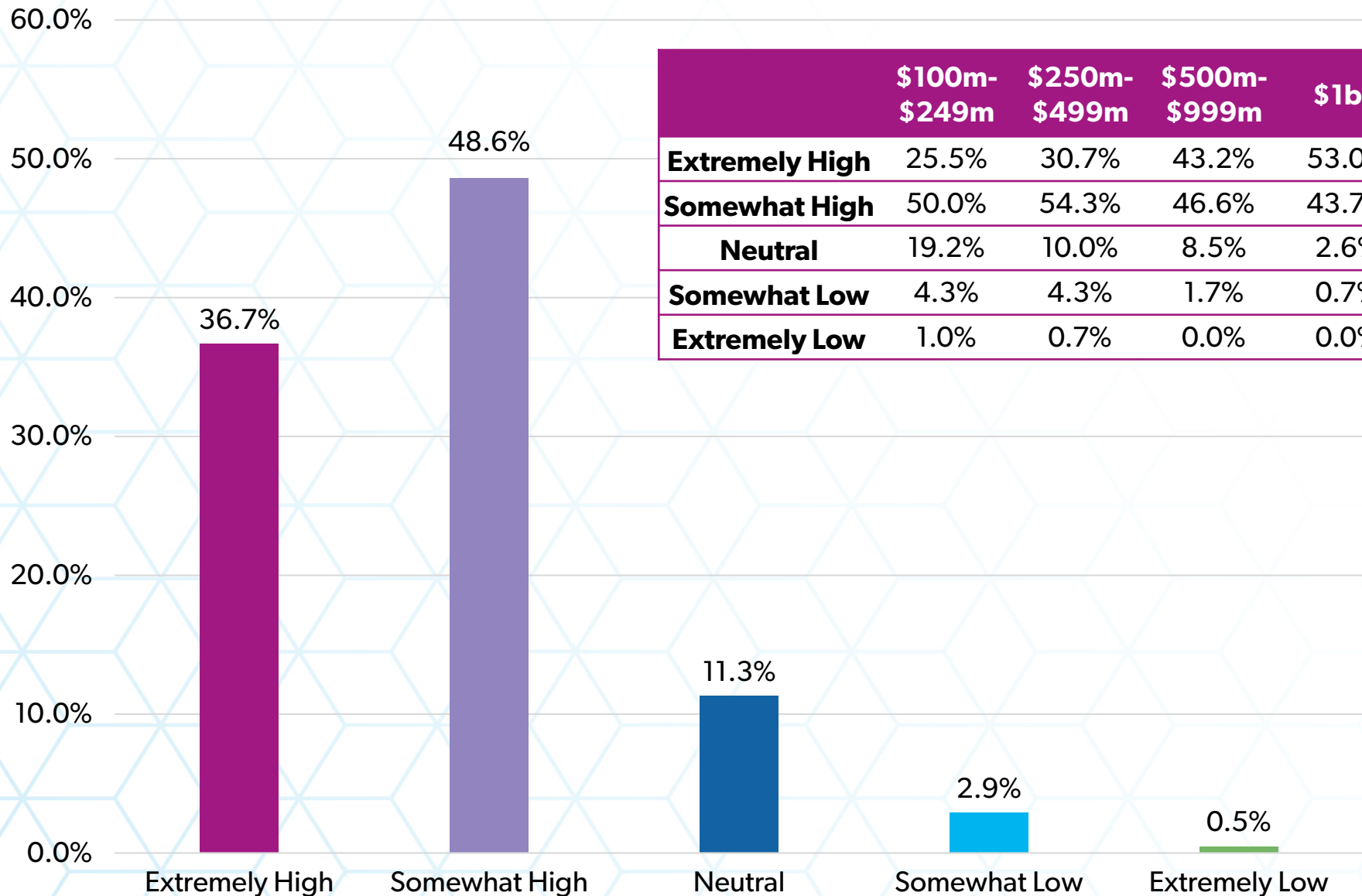
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<b>Board size</b>	<b>Too many Board members</b>	<b>The right amount of Board members</b>	<b>Not enough Board members</b>
<b>5</b>	0.0%	80.0%	20.0%
<b>7</b>	0.5%	94.6%	4.9%
<b>9</b>	17.9%	81.3%	0.9%
<b>11</b>	50.0%	50.0%	0.0%
<b>13</b>	81.8%	18.2%	0.0%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

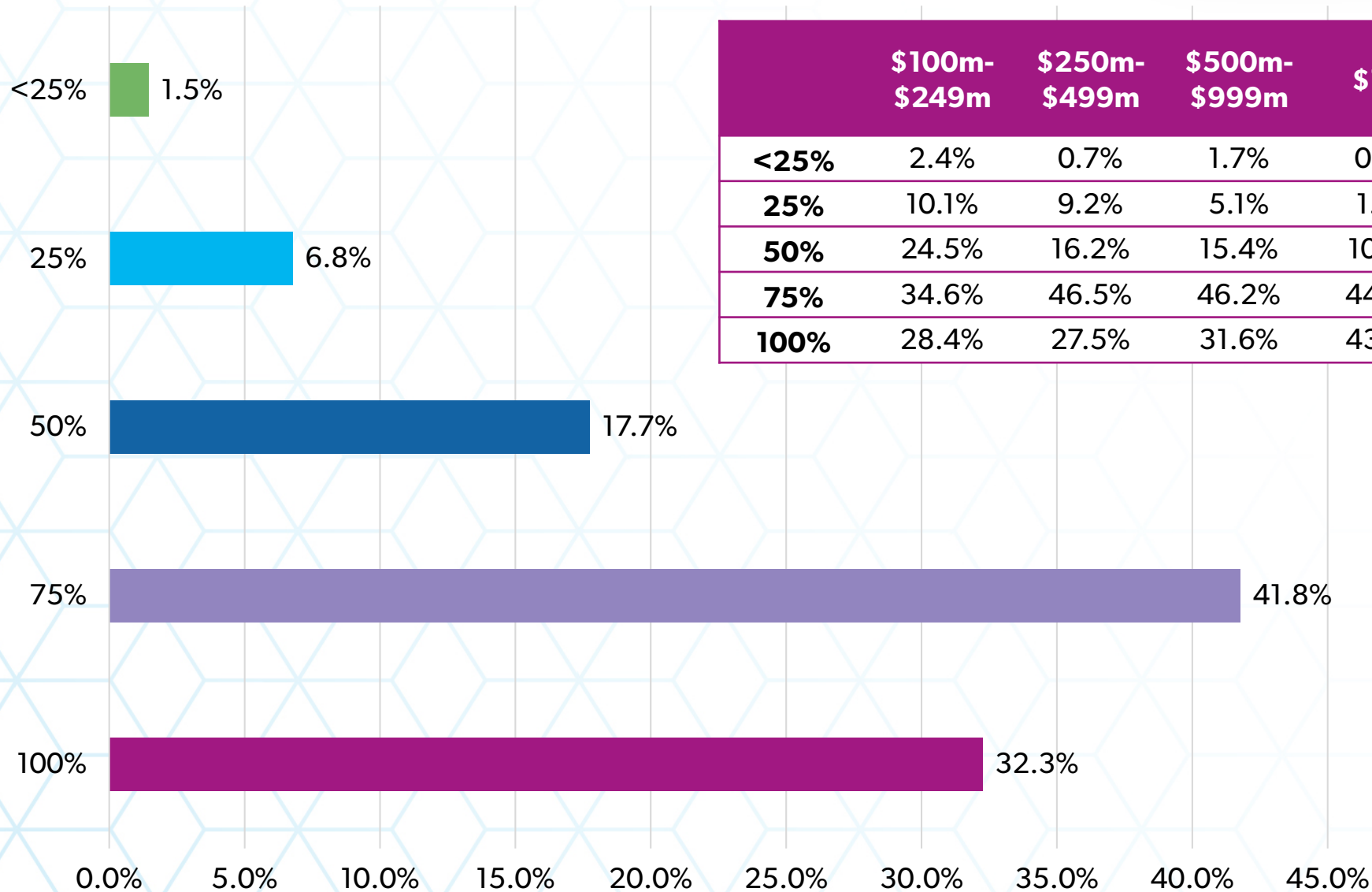


### How would you describe the interest level of the individuals on the Board?



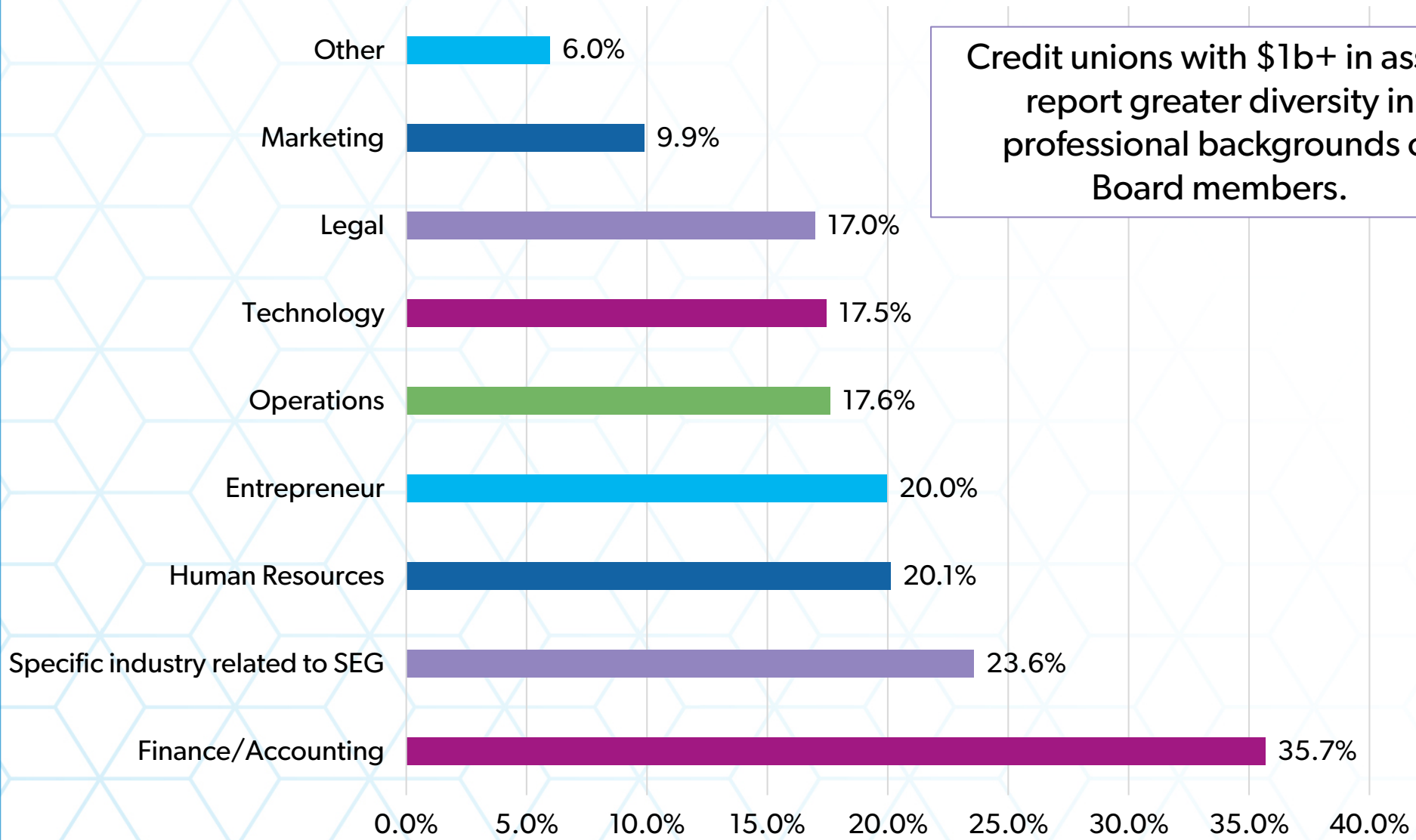


### What portion of the Board do you believe is actively engaged?





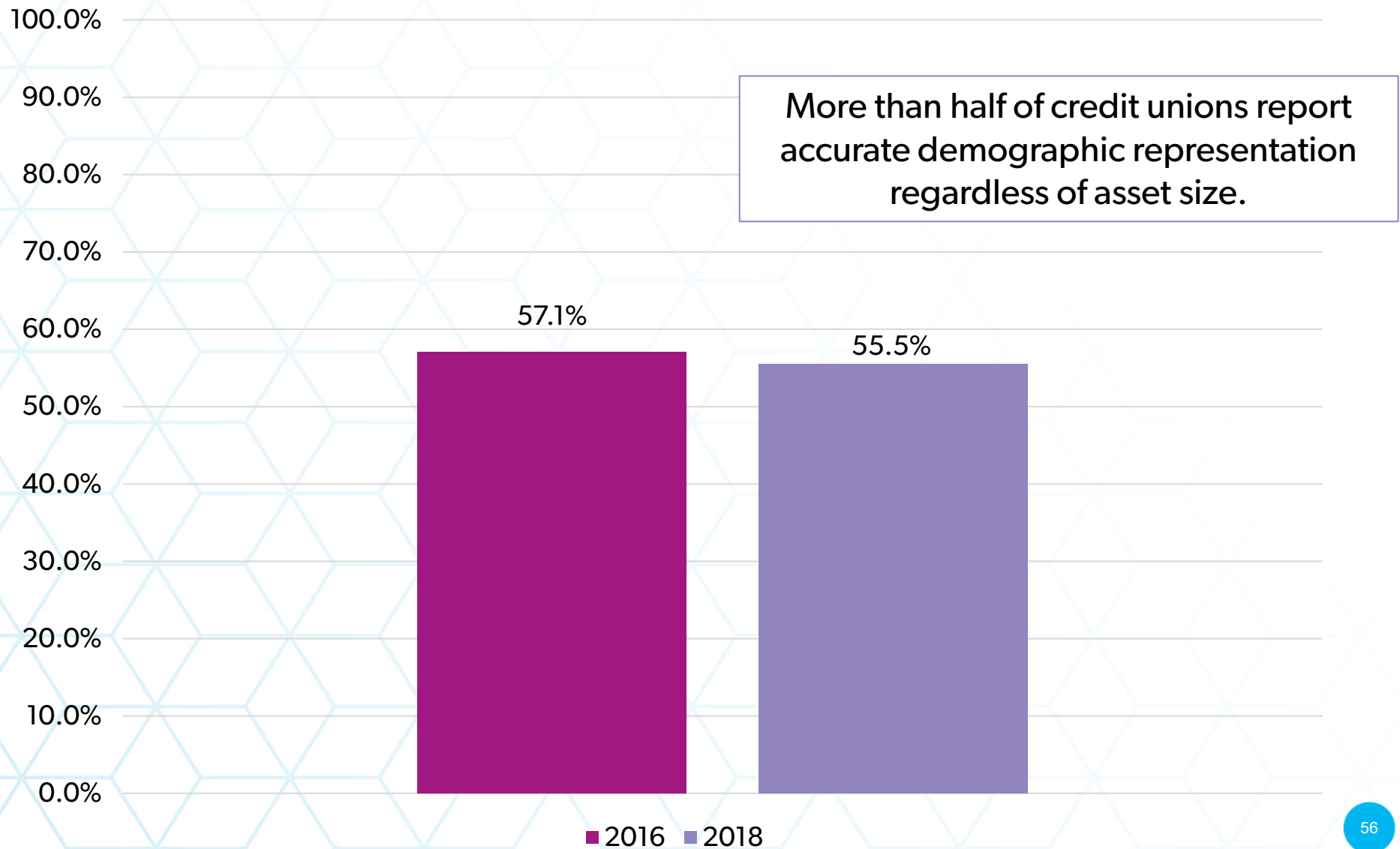
### Do you have any Board members with the following professional backgrounds?



Credit unions with \$1b+ in assets report greater diversity in professional backgrounds of Board members.



### Credit unions that feel the Board accurately represents the demographics of the credit union membership



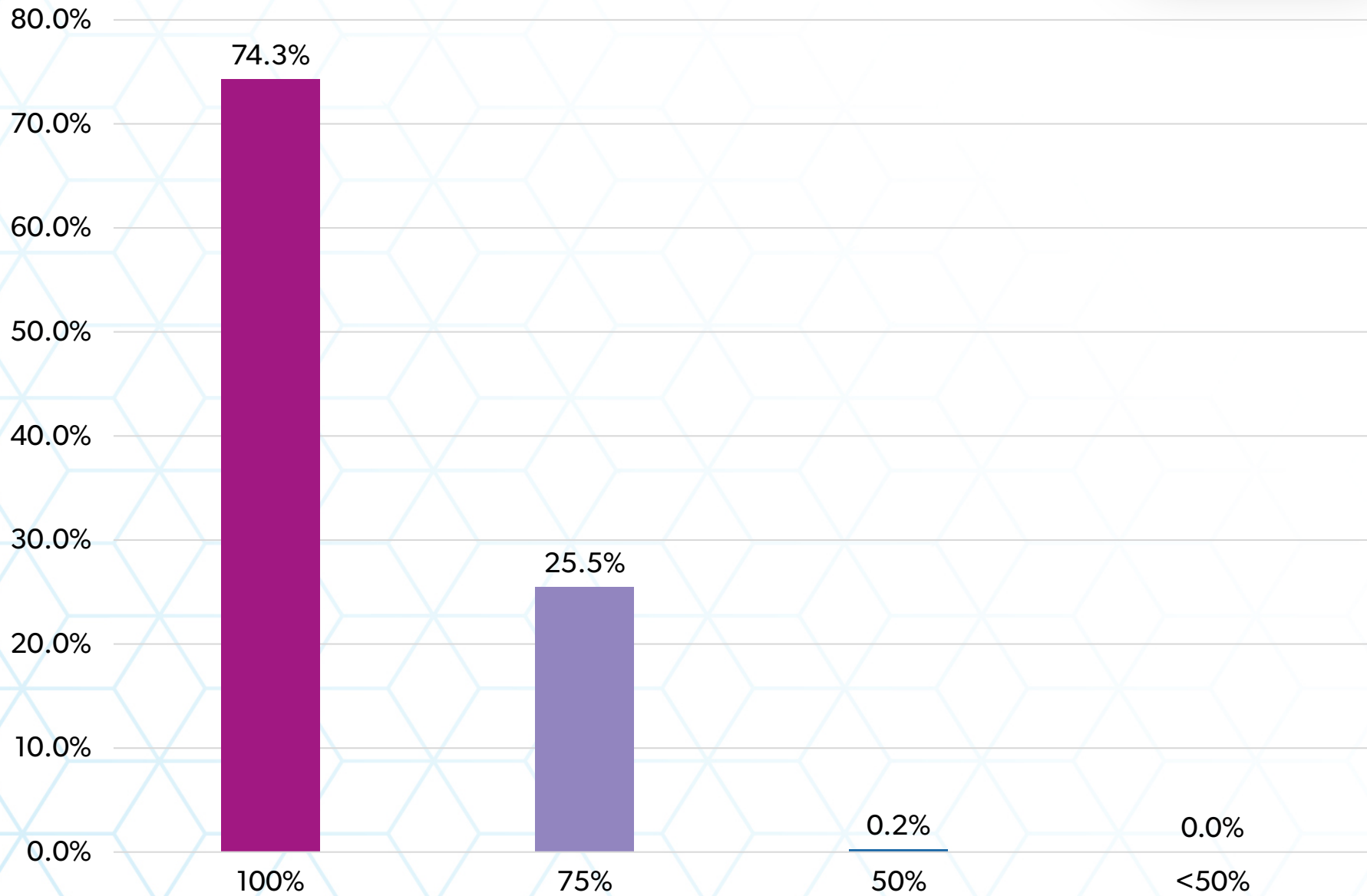




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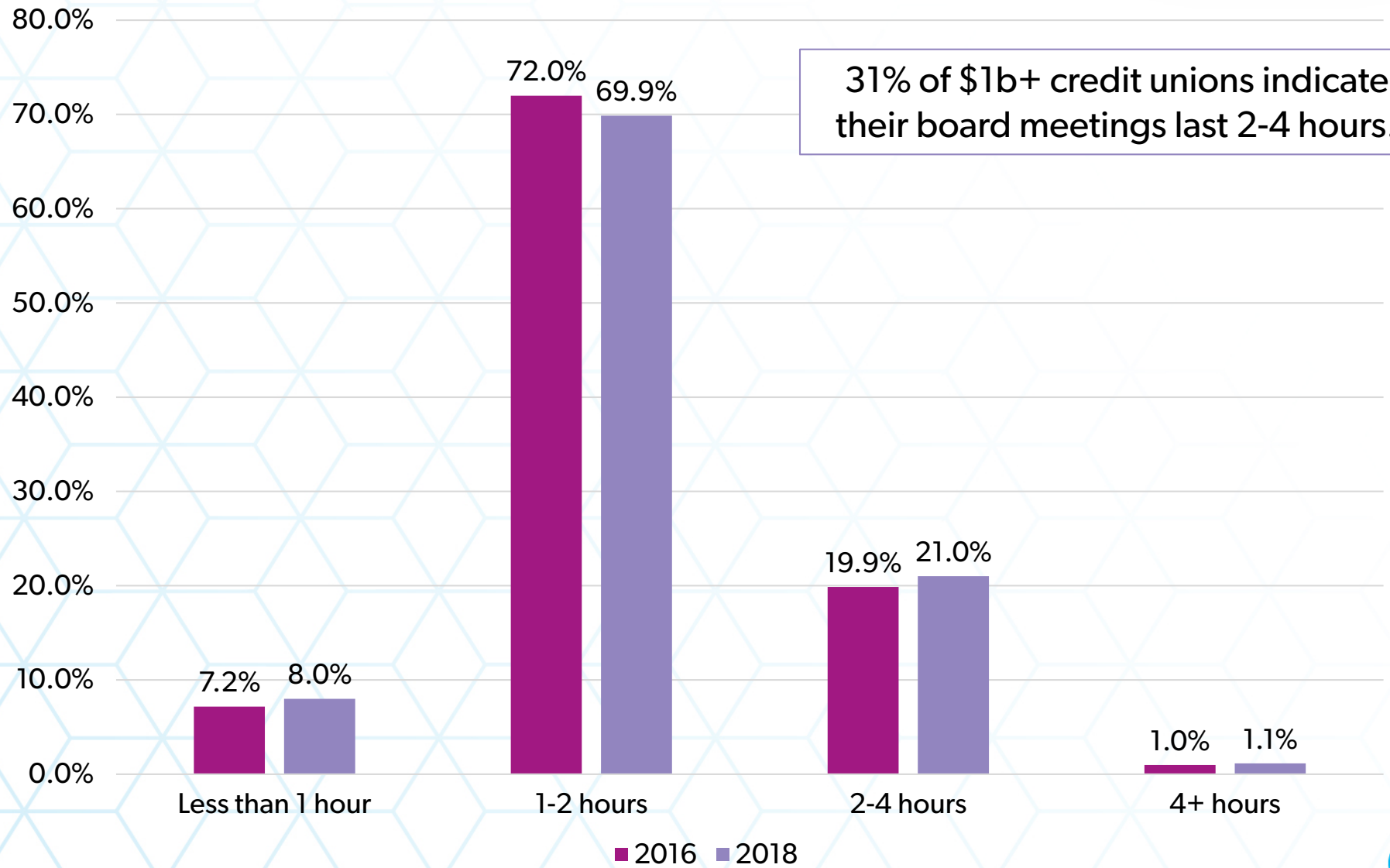
**Board Survey  
Results 2018**

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



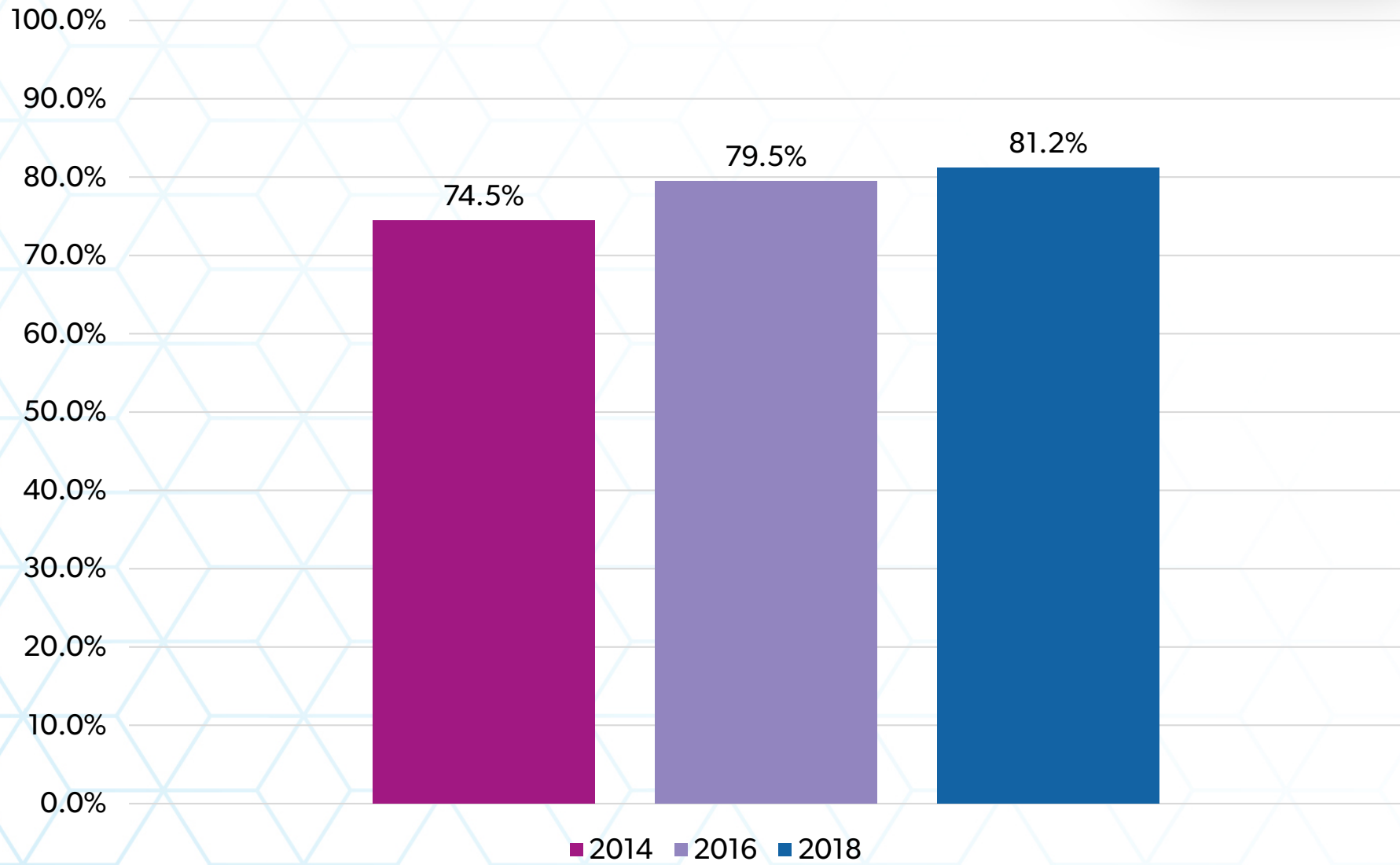


### How long is the average Board meeting?





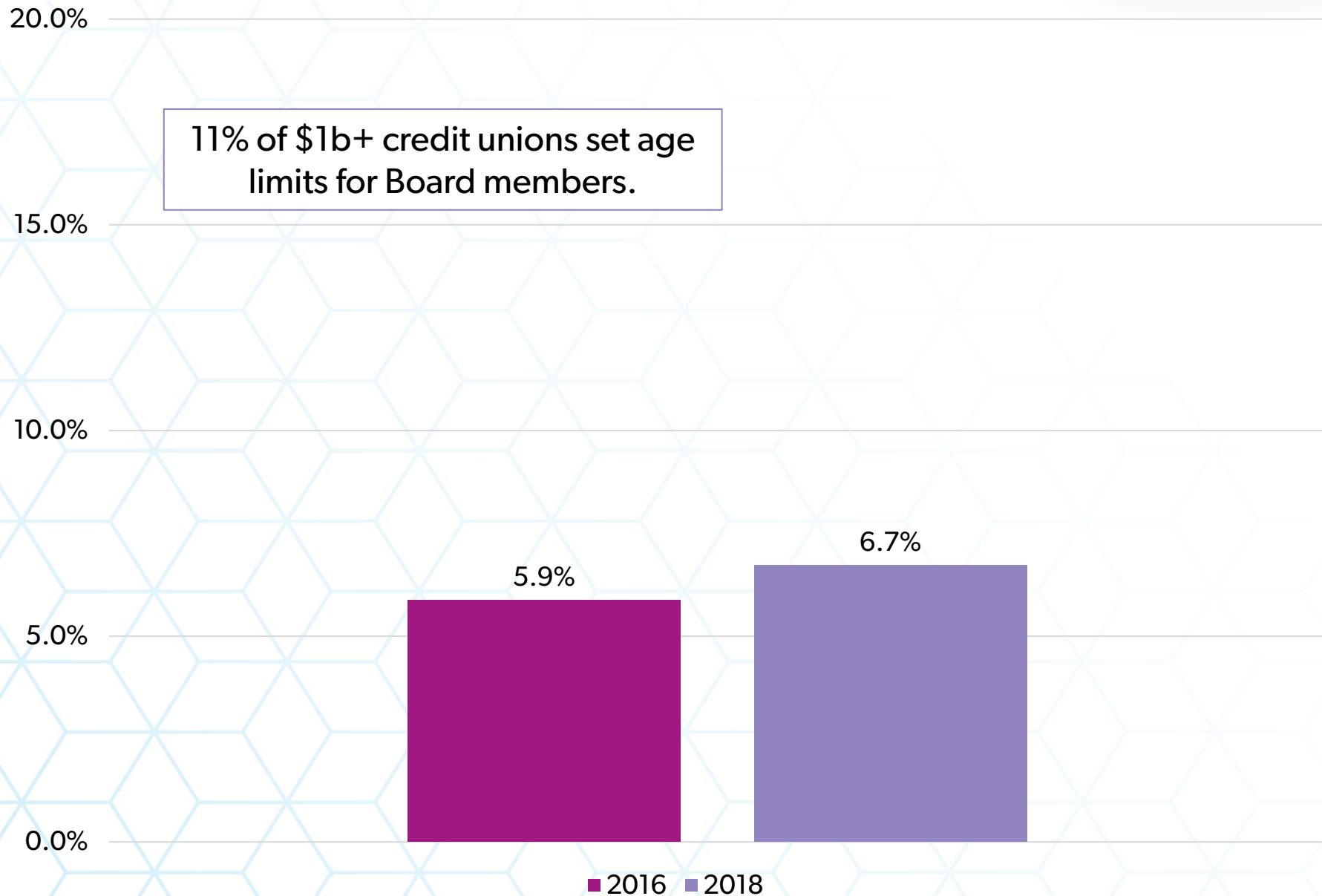
### Credit unions that use a consent agenda



Of credit unions in the \$100m-\$249m asset group, almost a quarter do not use a consent agenda.



### Credit unions with age limits for Board members

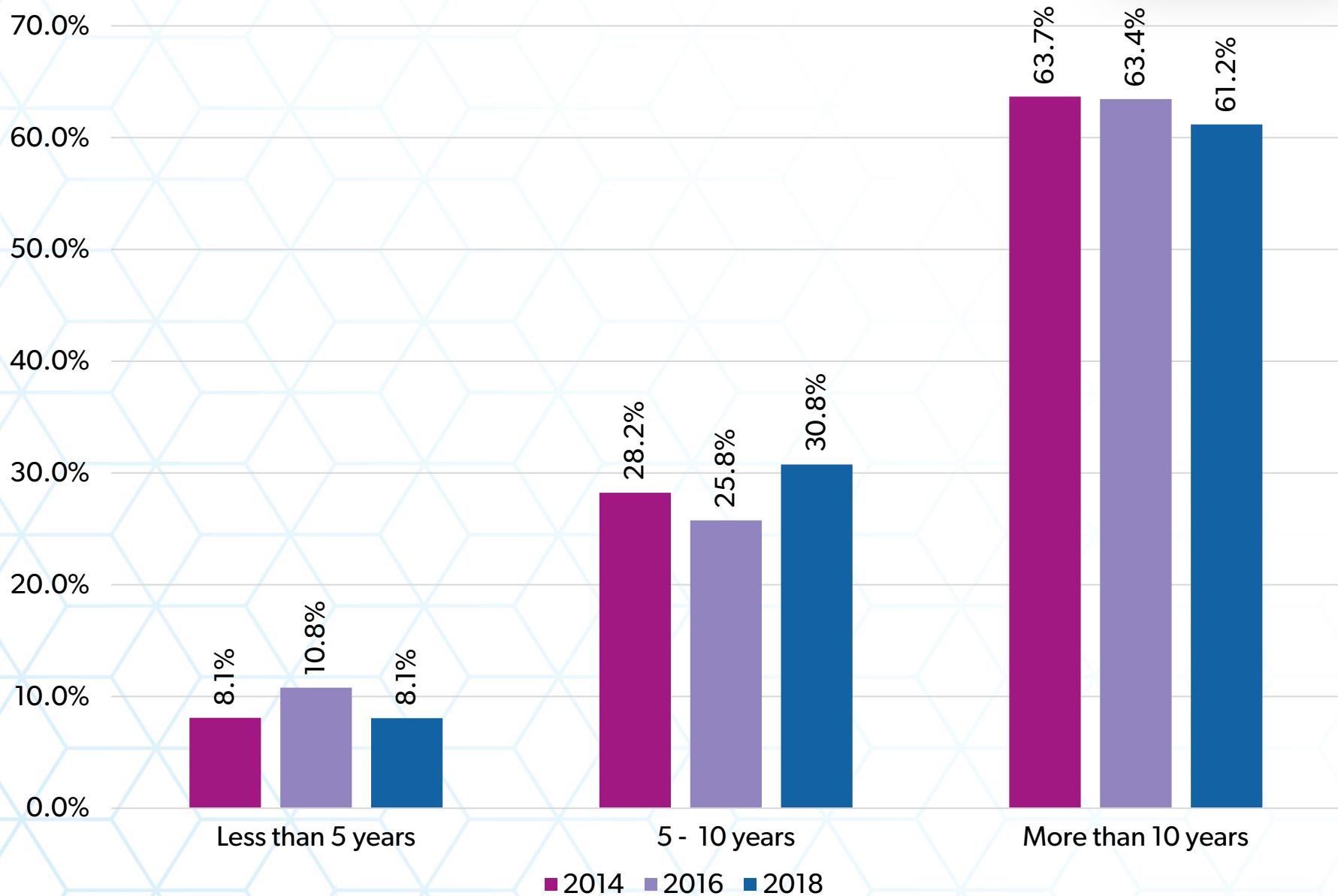




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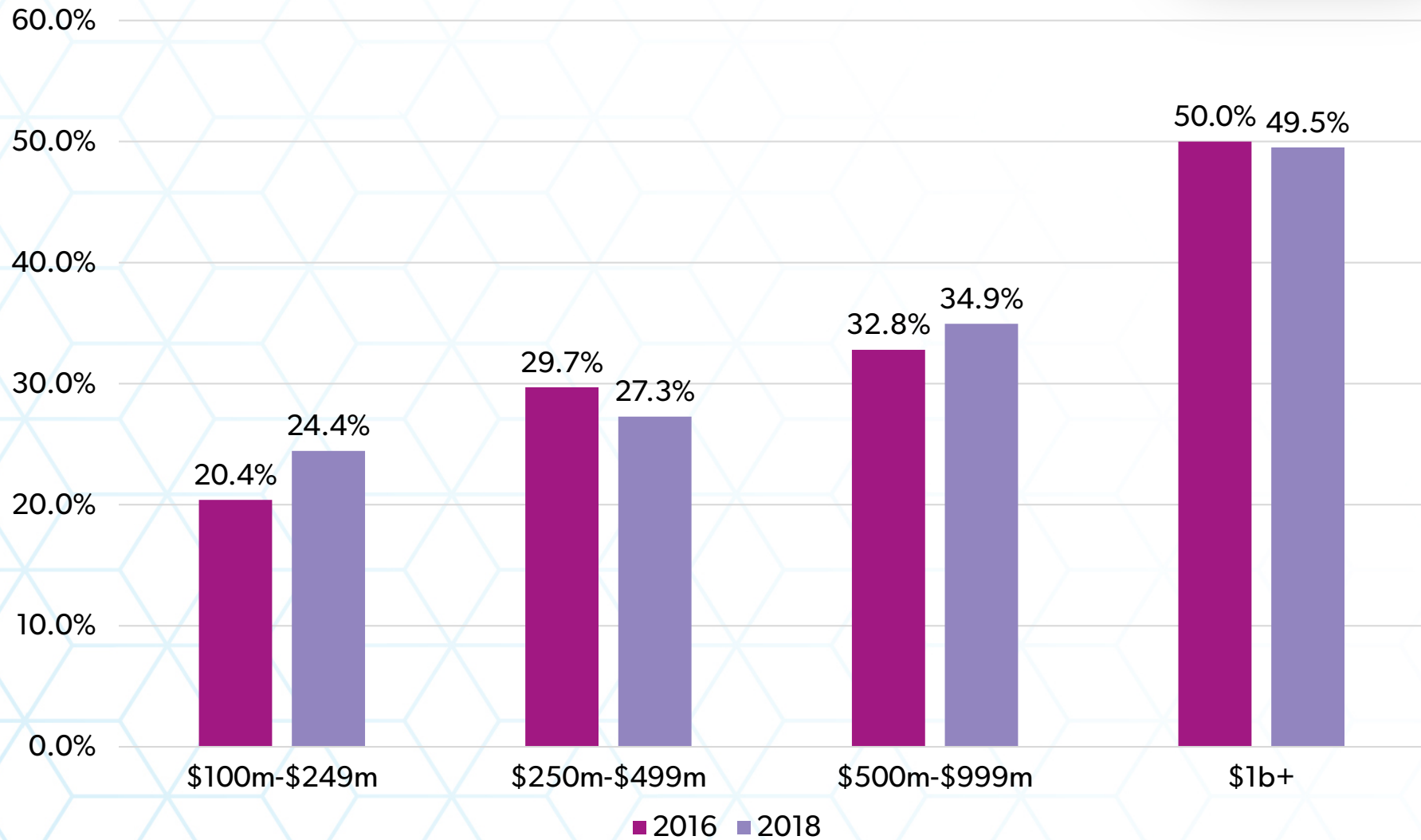
**Board Survey  
Results 2018**

### What is the average Board member tenure?





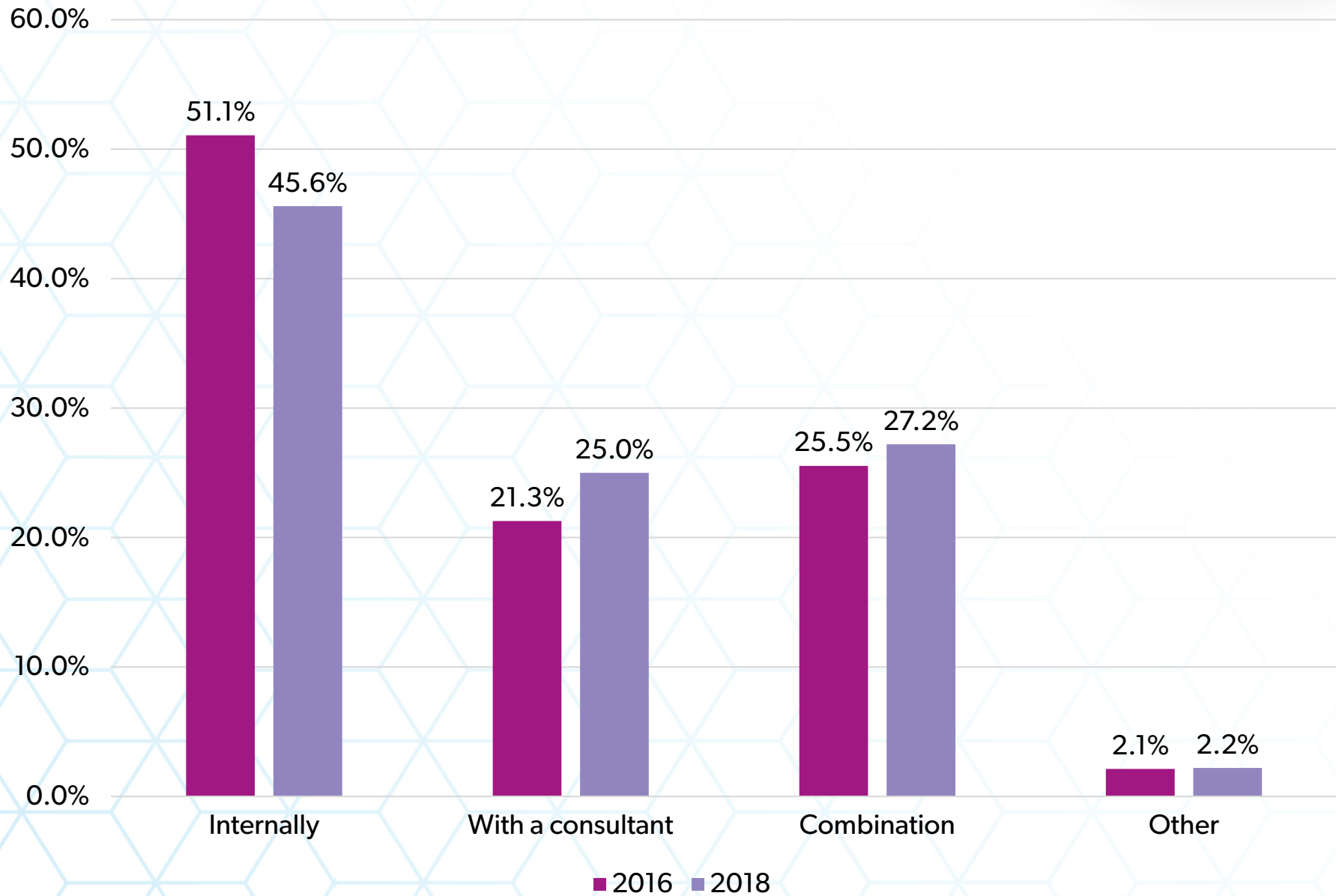
### Credit unions that utilize a Board governance model



Overall, 33% of credit unions report utilizing a board governance model.



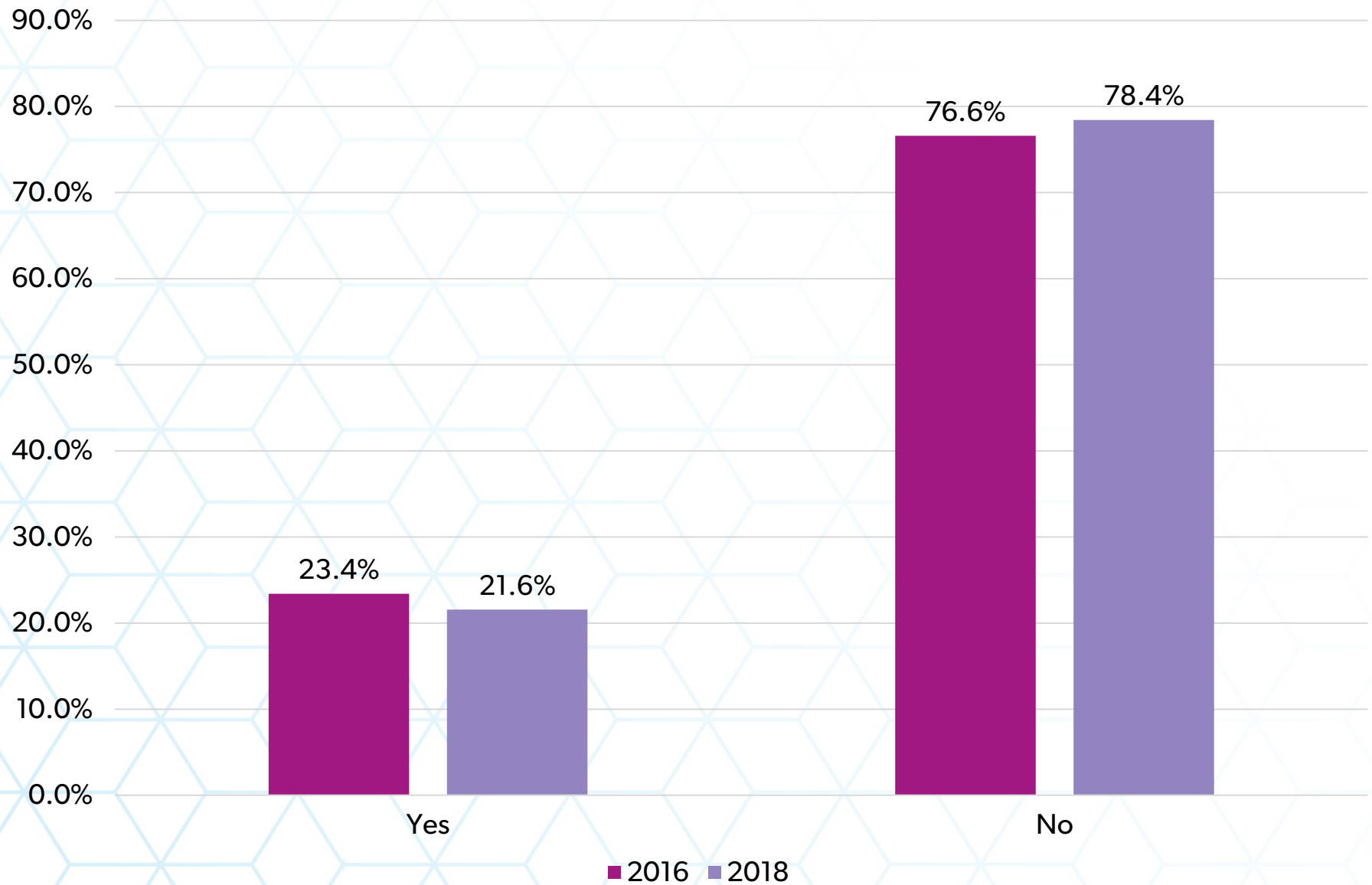
### How was your Board governance model developed?





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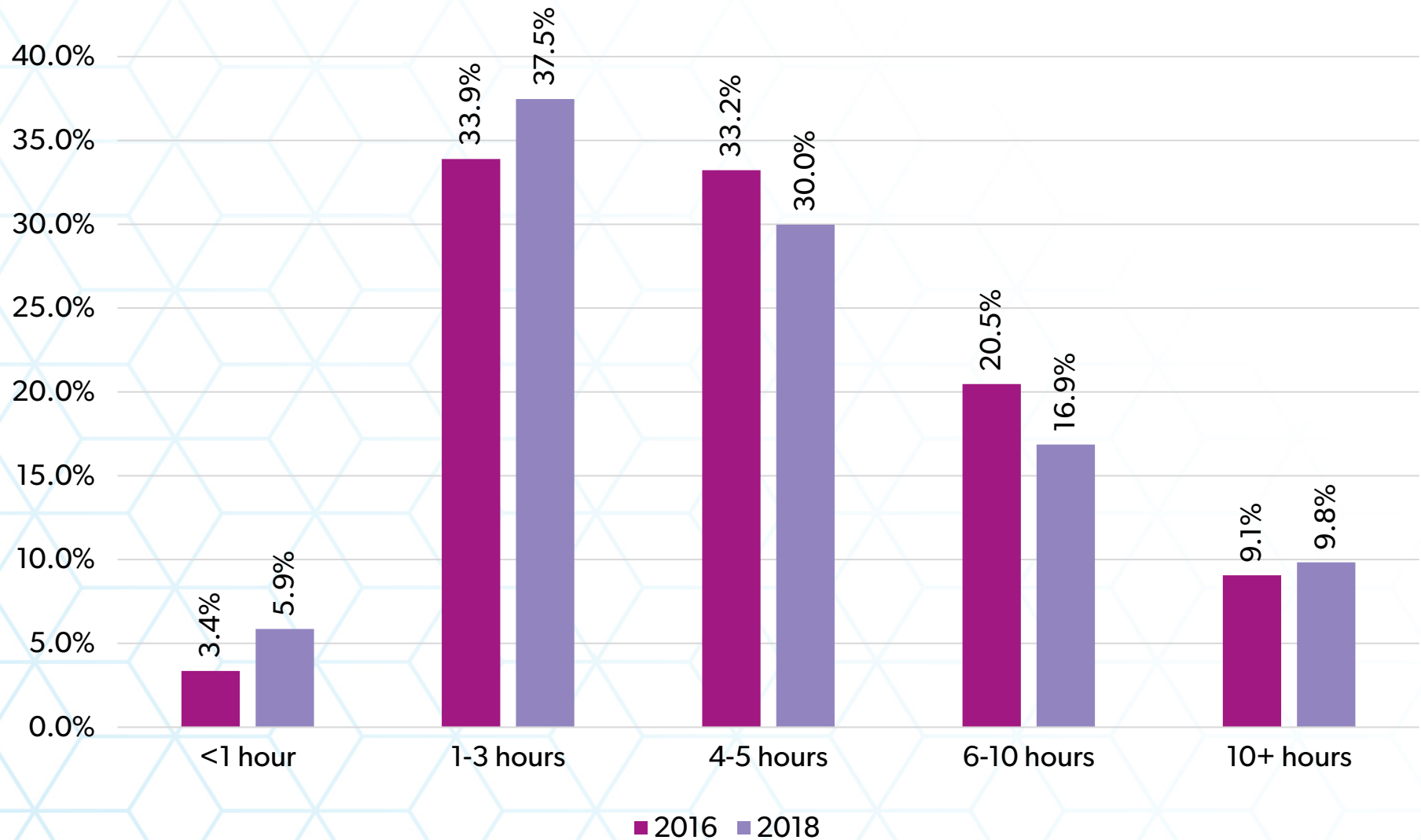
**If your Board does not use a governance model, would the Board like to implement a Board governance model?**







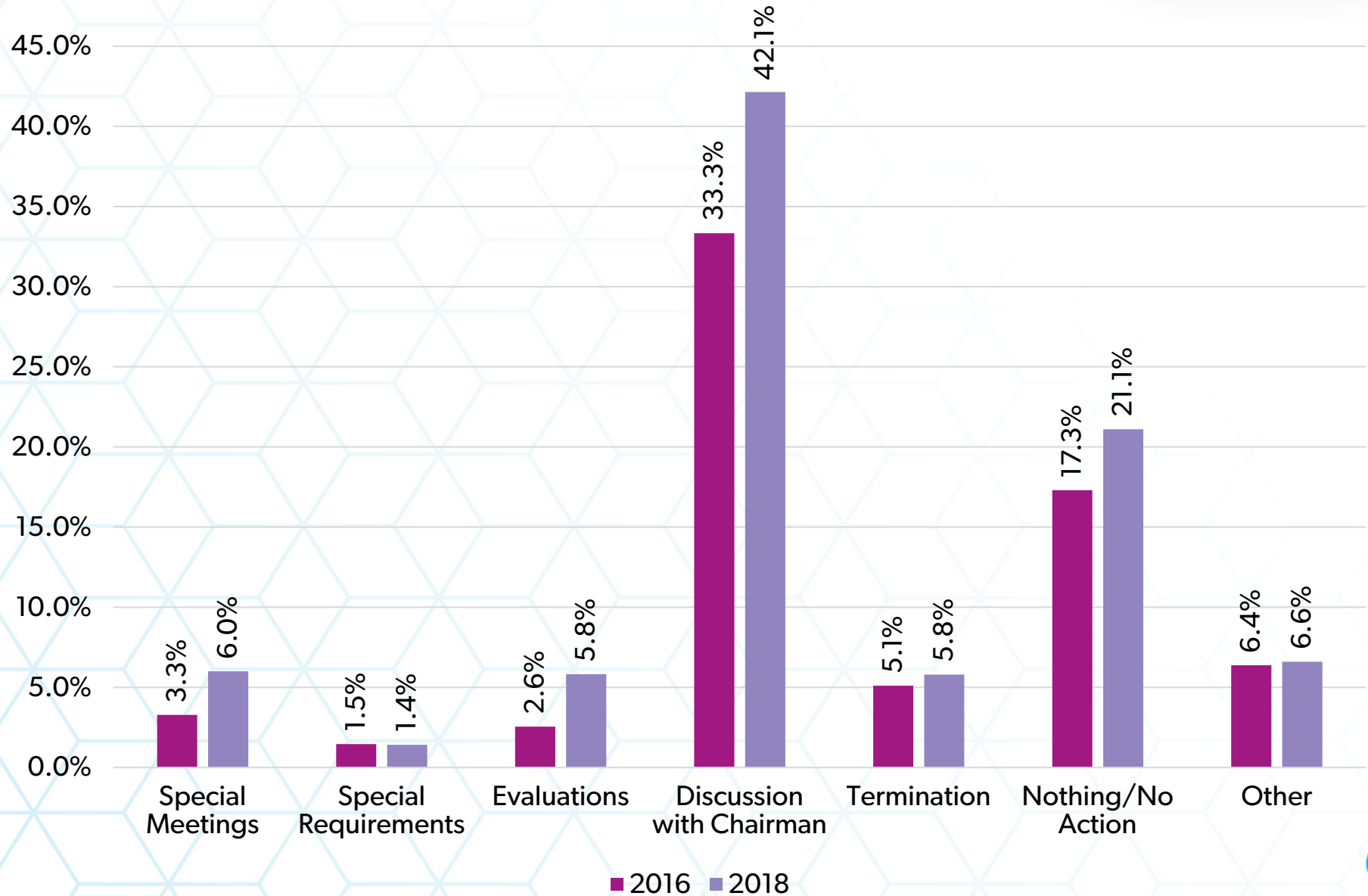
### How many hours per month on average are spent on Board duties?



19% of \$1b+ credit unions report 10+ hours a month.

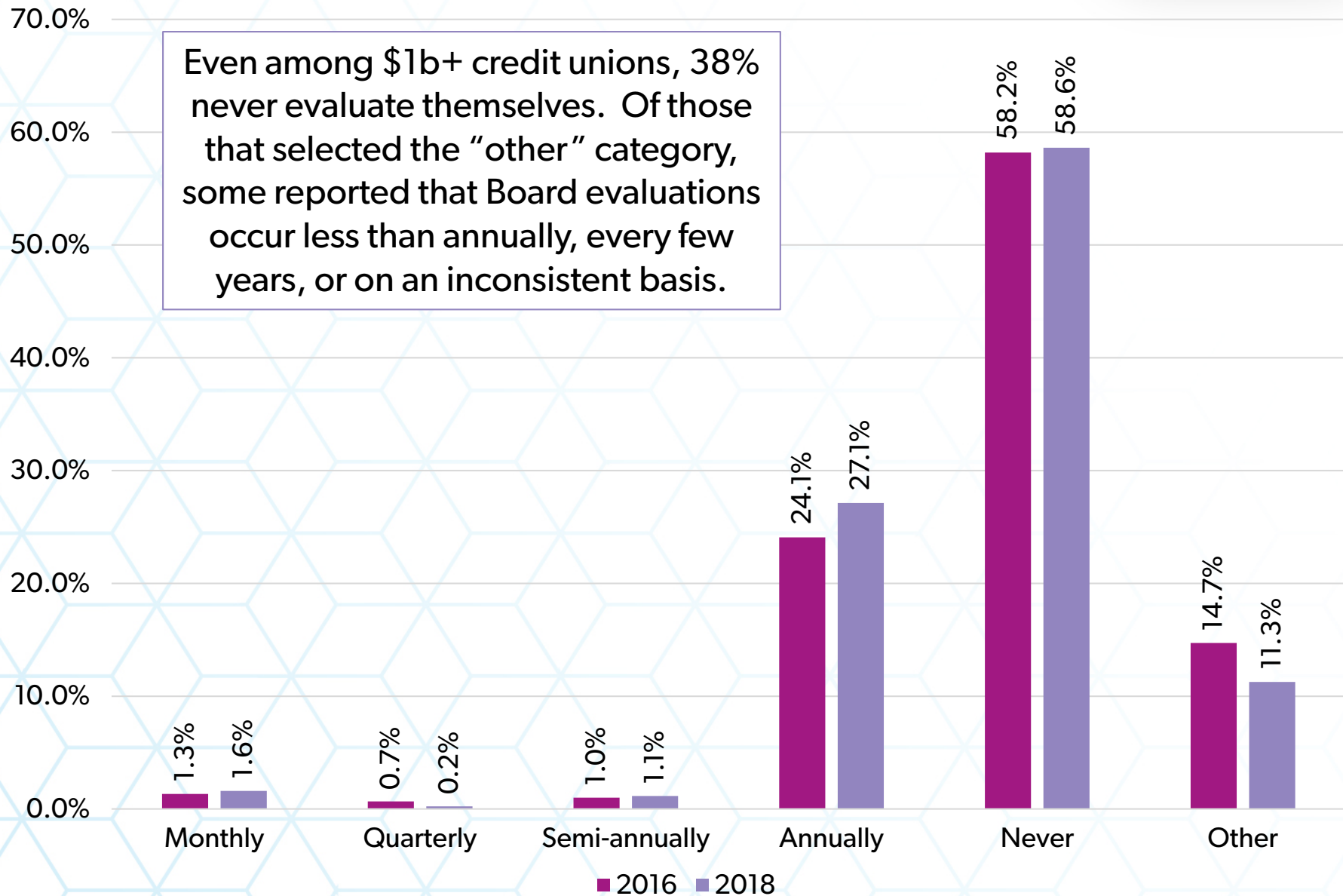


### How are ineffective Board members handled?



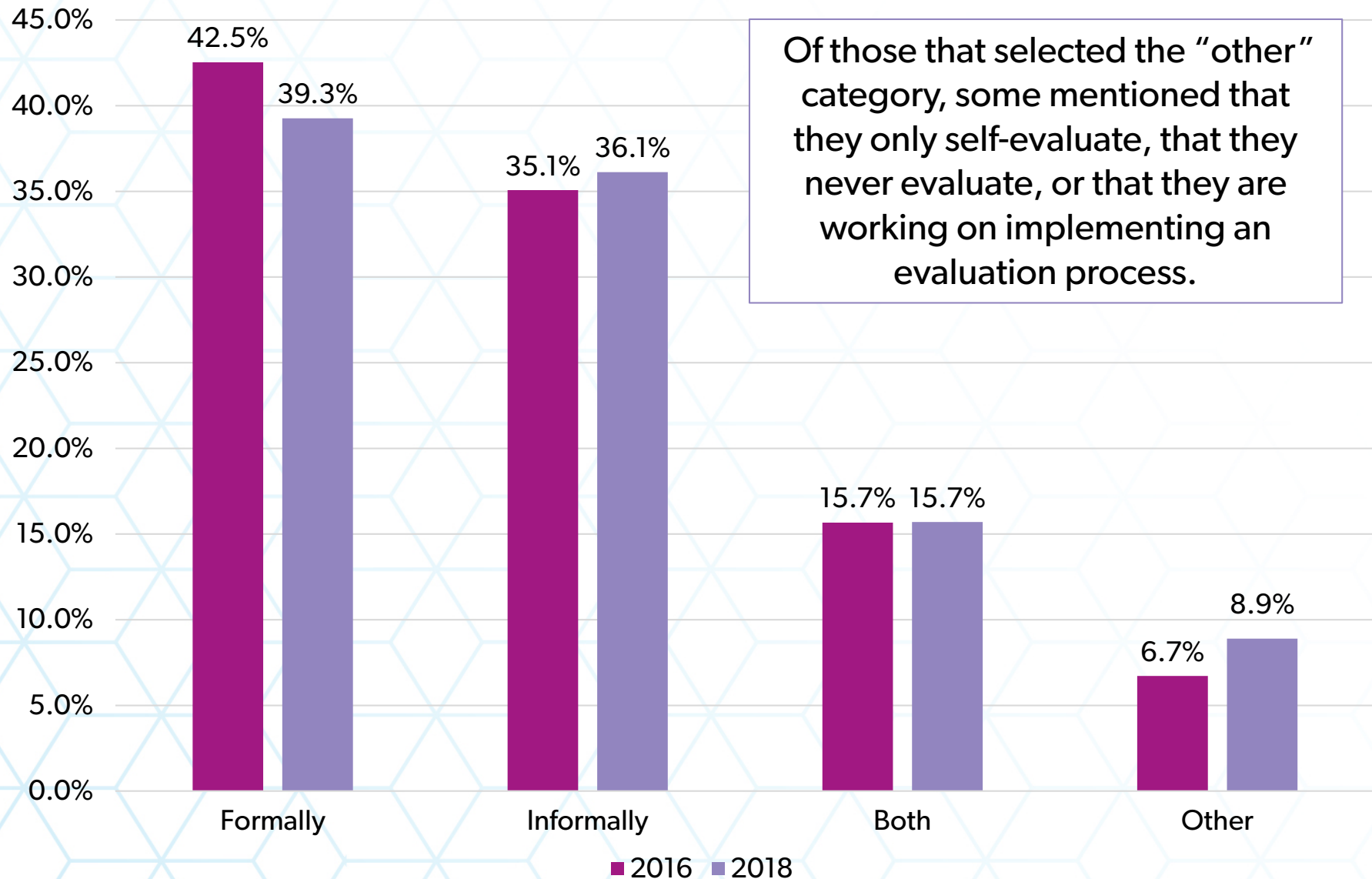


### How often does the Board evaluate itself?



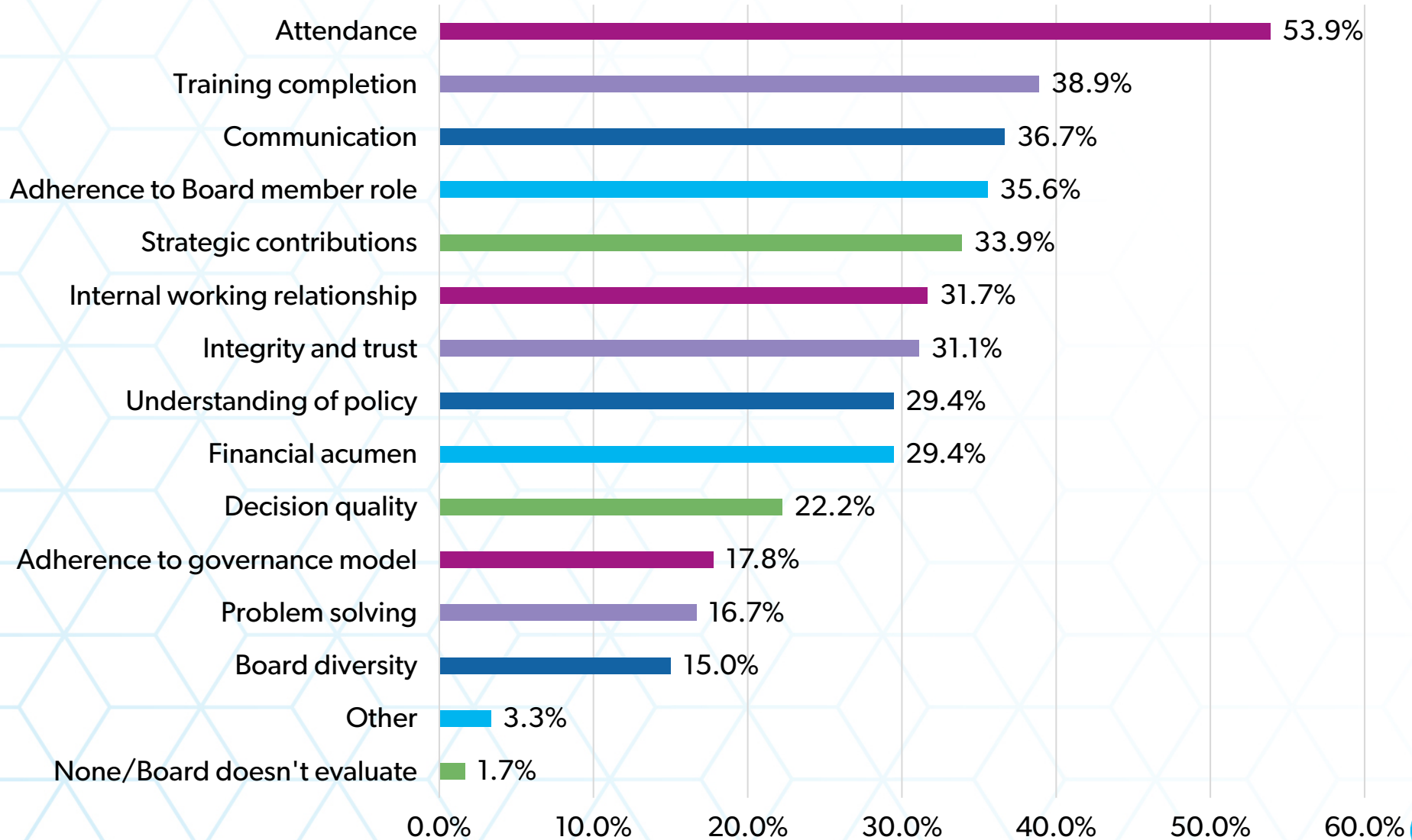


### How is the Board evaluated?



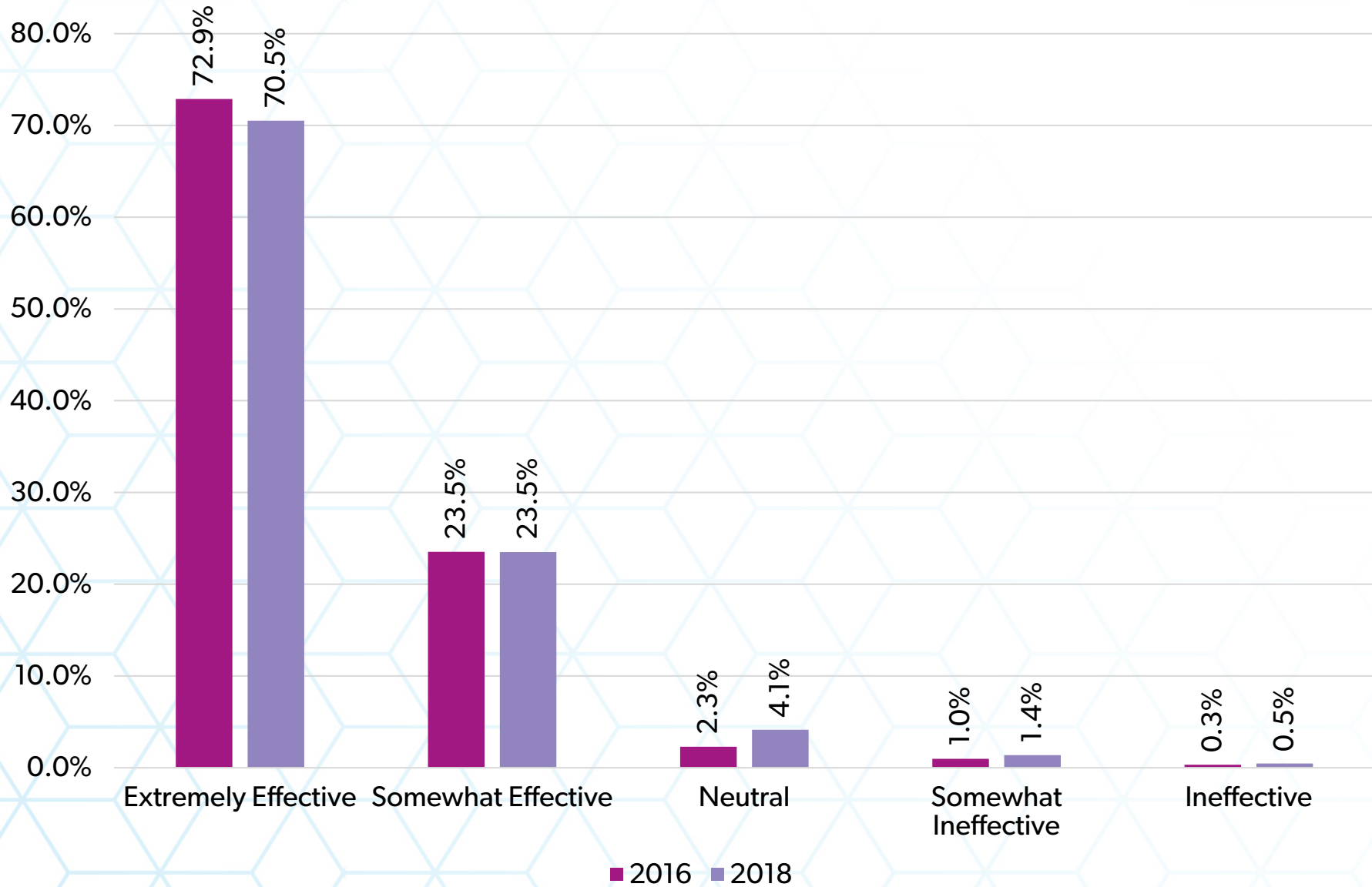


### Which of the following areas are included in the Board evaluation?



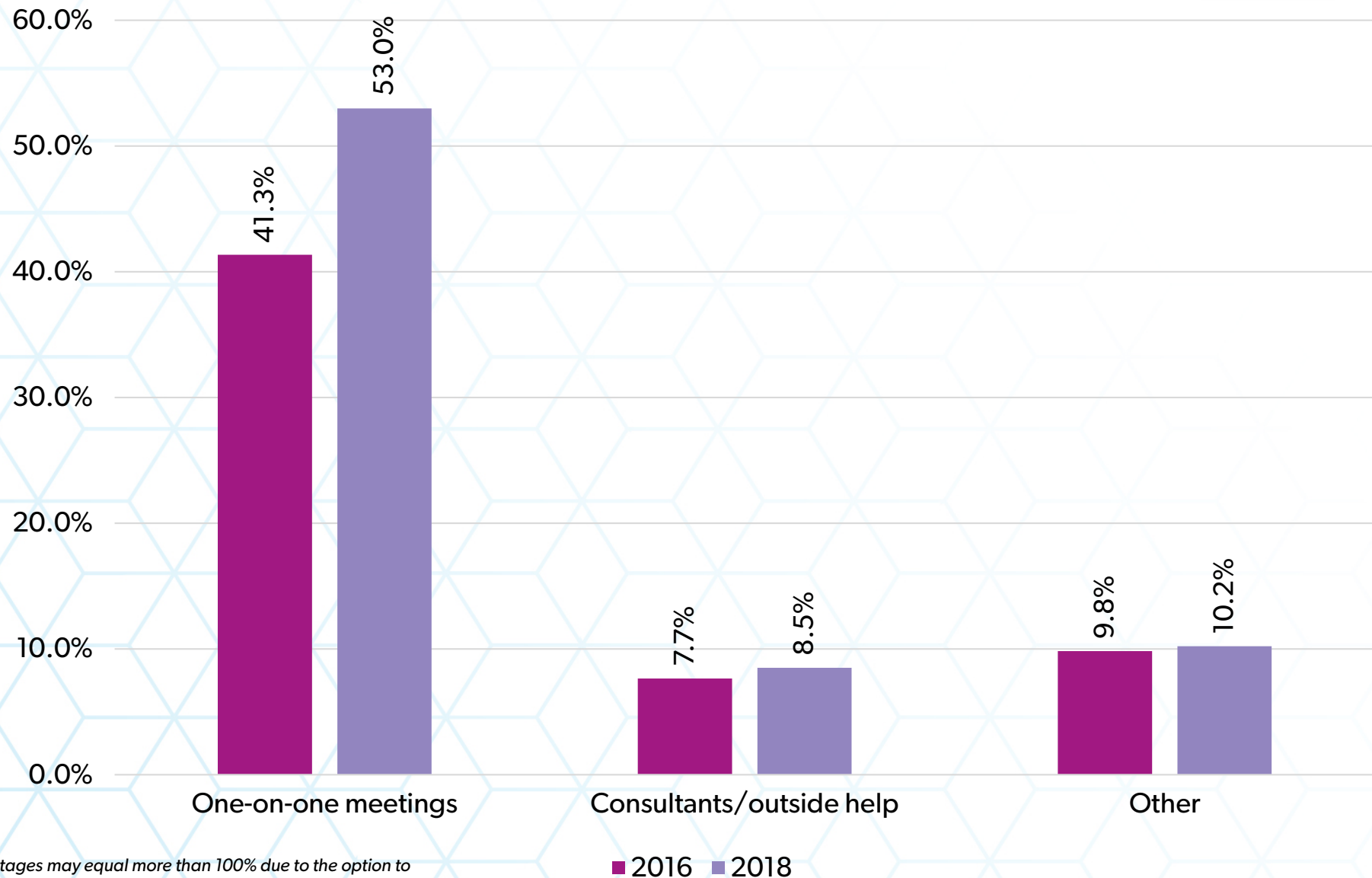


### How would you rate the Board/CEO relationship at your credit union?





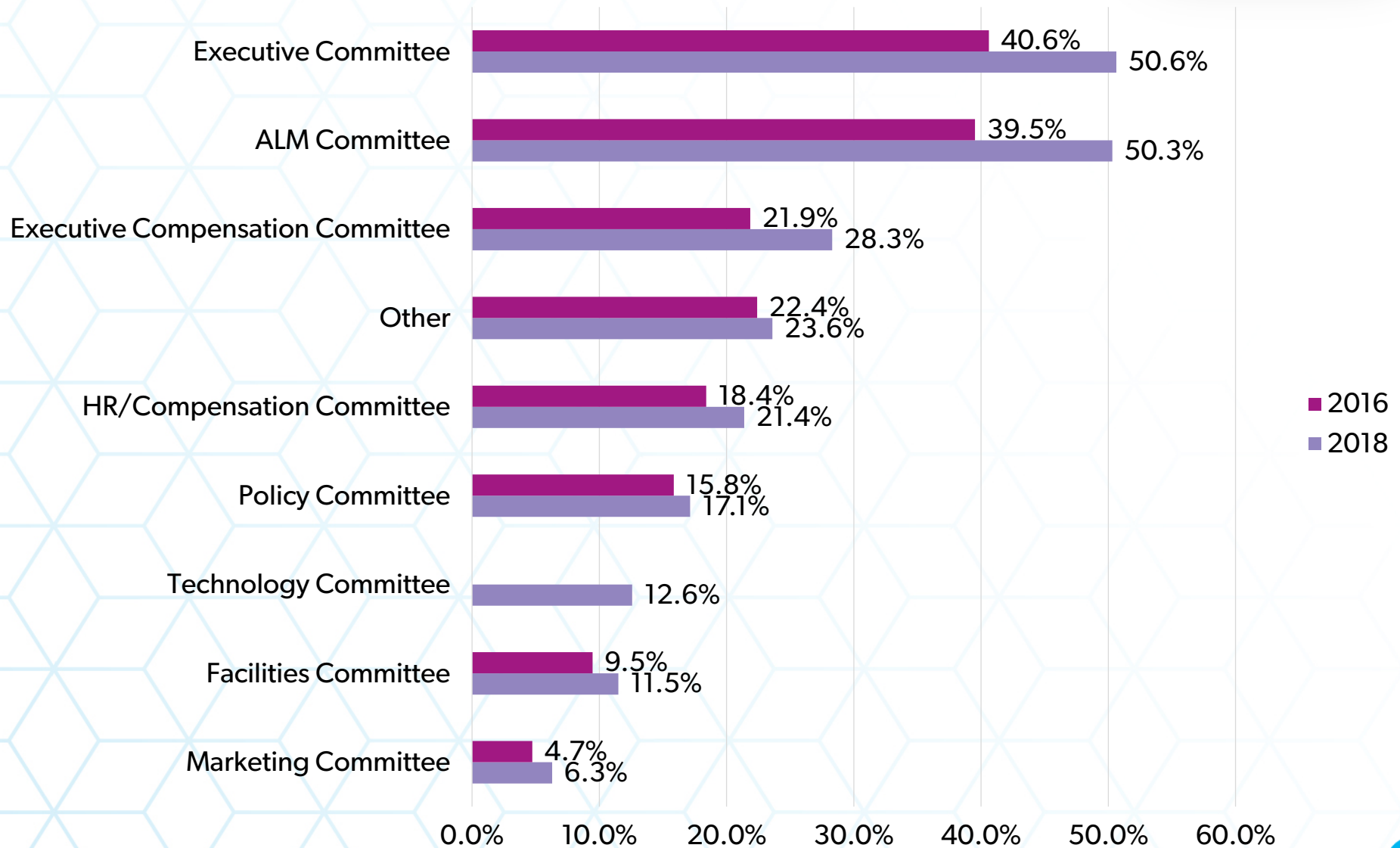
### What efforts are made for strengthening the Board/CEO relationship?



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.

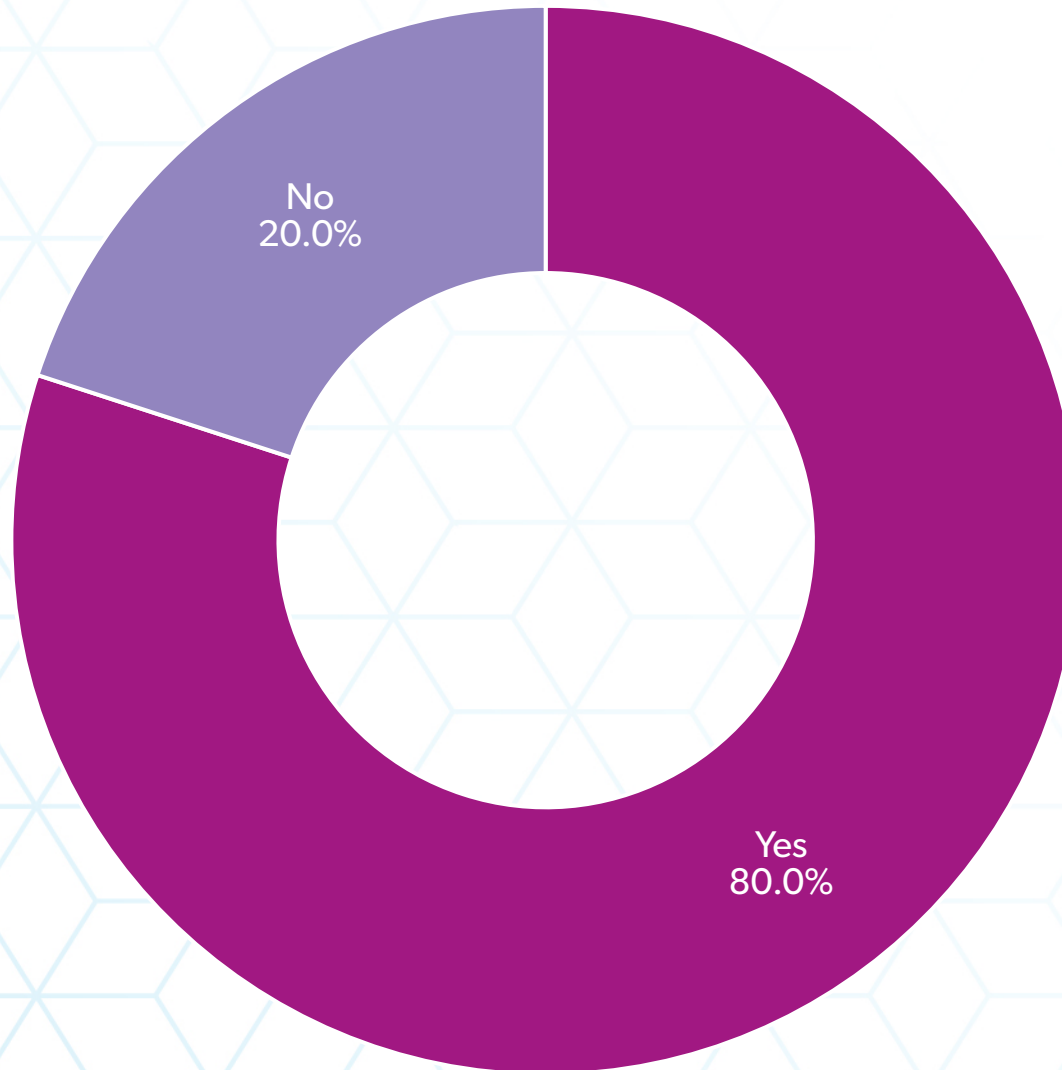




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**Board Survey  
Results 2018**

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

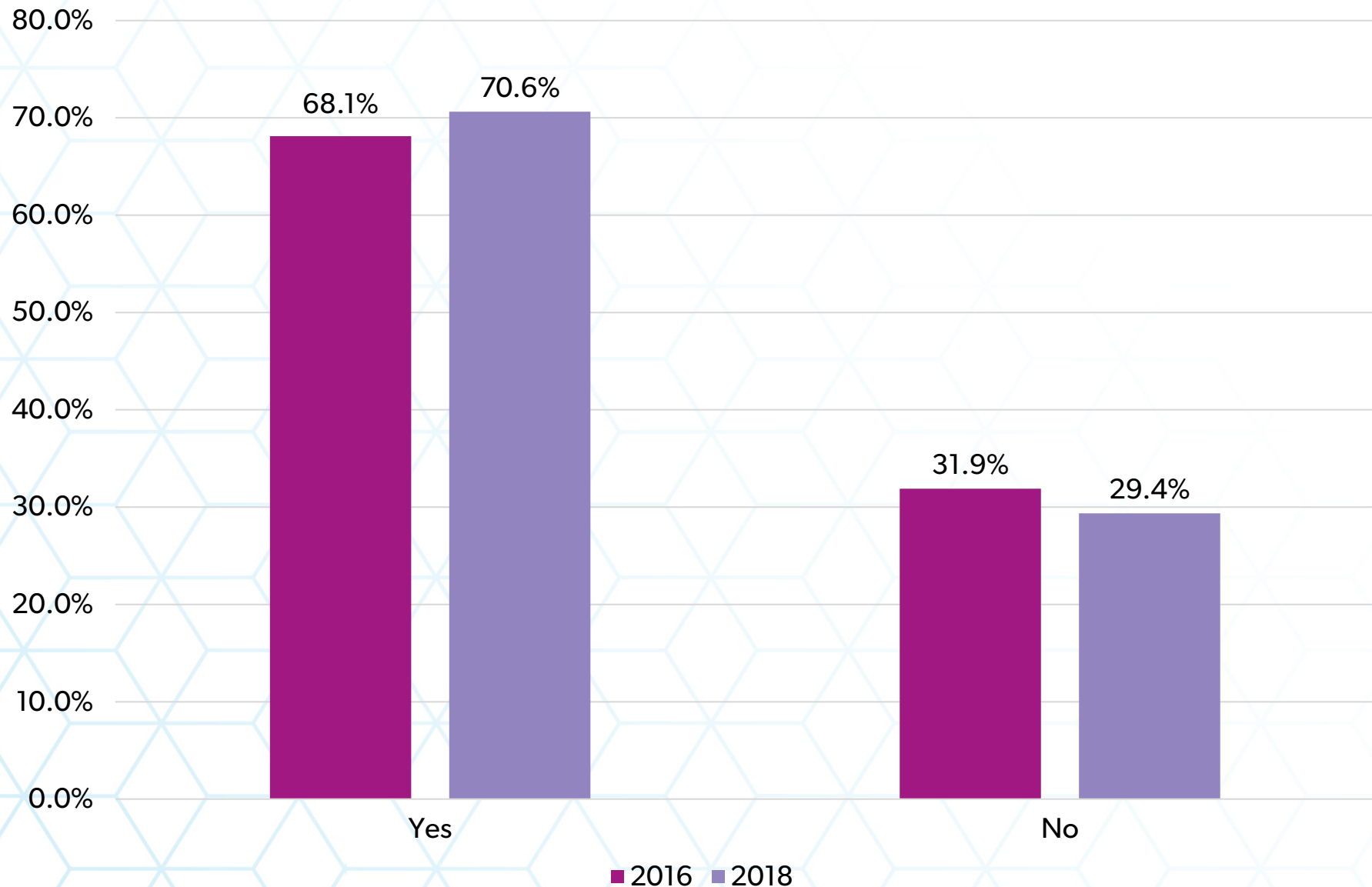




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Board Survey  
Results 2018

### Does the Board Chair meet with the CEO to review Board meeting content or the agenda prior to the monthly meeting?





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**Board Survey  
Results 2018**

# Board Continuing Education

*Section Four*



## Board Continuing Education

Continuing education for board members not only helps directors to stay informed of industry trends and regulations, but can also act as an incentive for increased participation, or to recruit and retain new directors. As credit unions continue to struggle with board member recruitment, this may be an area of increasing importance over the coming years.

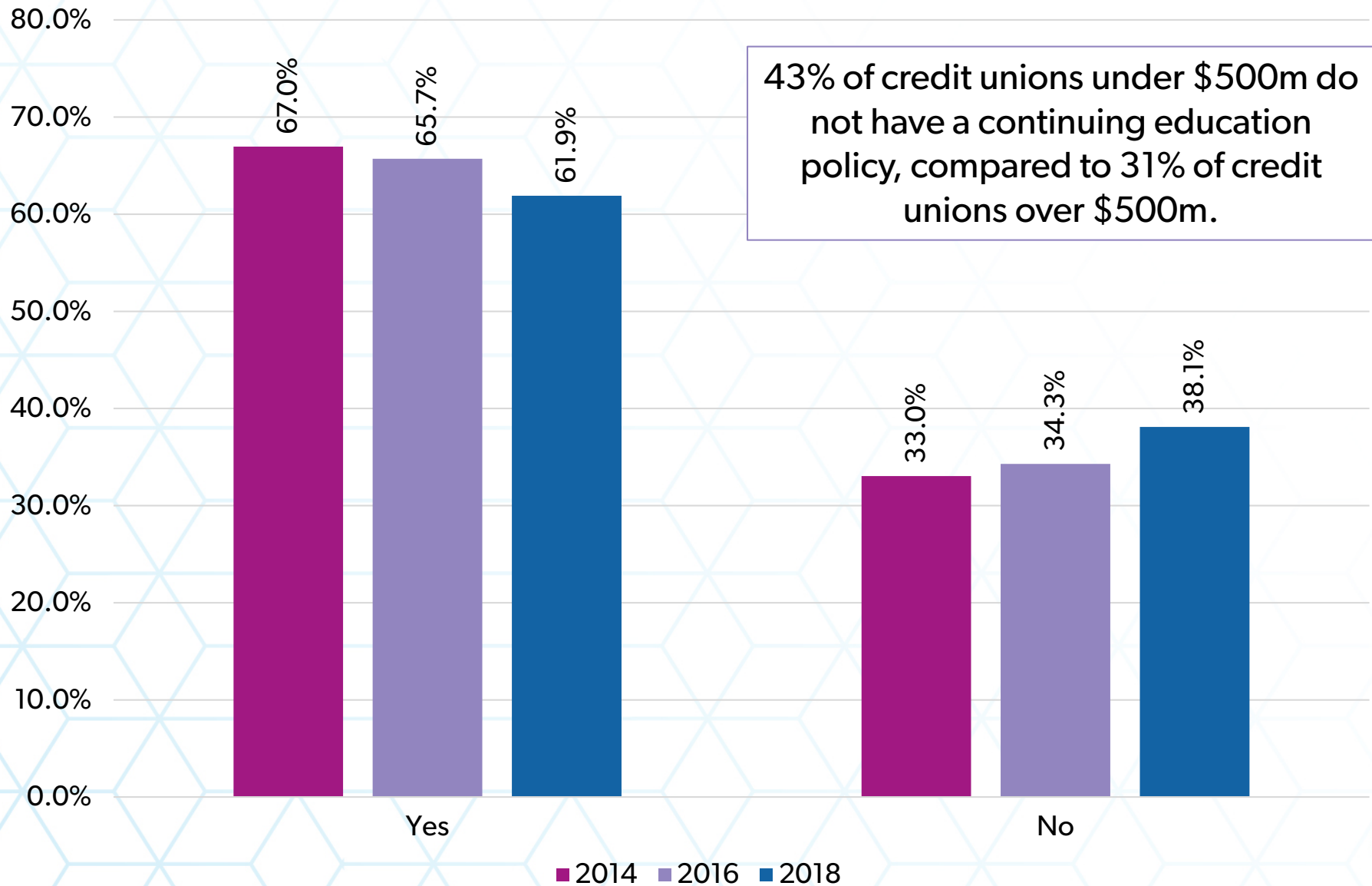
Over 60% of credit unions have a continuing education policy or requirement, although this varied by asset size, with smaller credit unions less likely to have policies in place. Over 85% of credit unions feel that continuing education efforts were a worthwhile investment. While 39% of credit unions permit board members to attend as many conferences as necessary, 27% are allowed to attend only one conference per year, and a further 27% are allowed to attend two conferences per year. About 8% of board members attend bank conferences and 12% attend non-industry conferences. Almost one third of associate/advisory board members from credit unions with more than \$500 million in assets reported that they were permitted to attend conferences. This compares to less than 20% of associate/advisory board members at credit unions in the \$100 million to \$249 million asset group, and less than 24% of associate/advisory board members at credit unions in the \$250 million to \$499 million asset group. One quarter of board emeritus members at larger credit unions (\$500 million plus) were permitted to attend conferences, compared to less than 13% of board emeritus members from smaller credit unions.

In terms of expenses relating to board continuing education, two thirds of credit unions indicated a set travel policy which governs director spending. One third of board members are issued corporate credit cards, with larger credit unions more likely to offer this to their directors. While 85% of spouses are invited to travel with board members, first class flights are only allowed among 21% of larger credit unions (\$1 billion plus), and only 4% of small credit unions (less than \$249 million).

Over 44% of Board members make their own travel arrangements, and travel expense reimbursement typically includes car rentals, meals, registration, and hotels, with 24% of credit unions offering reimbursement for entertainment. This varied by asset size, with 3 in 10 credit unions with assets of more than \$1 billion covering entertainment expenses.

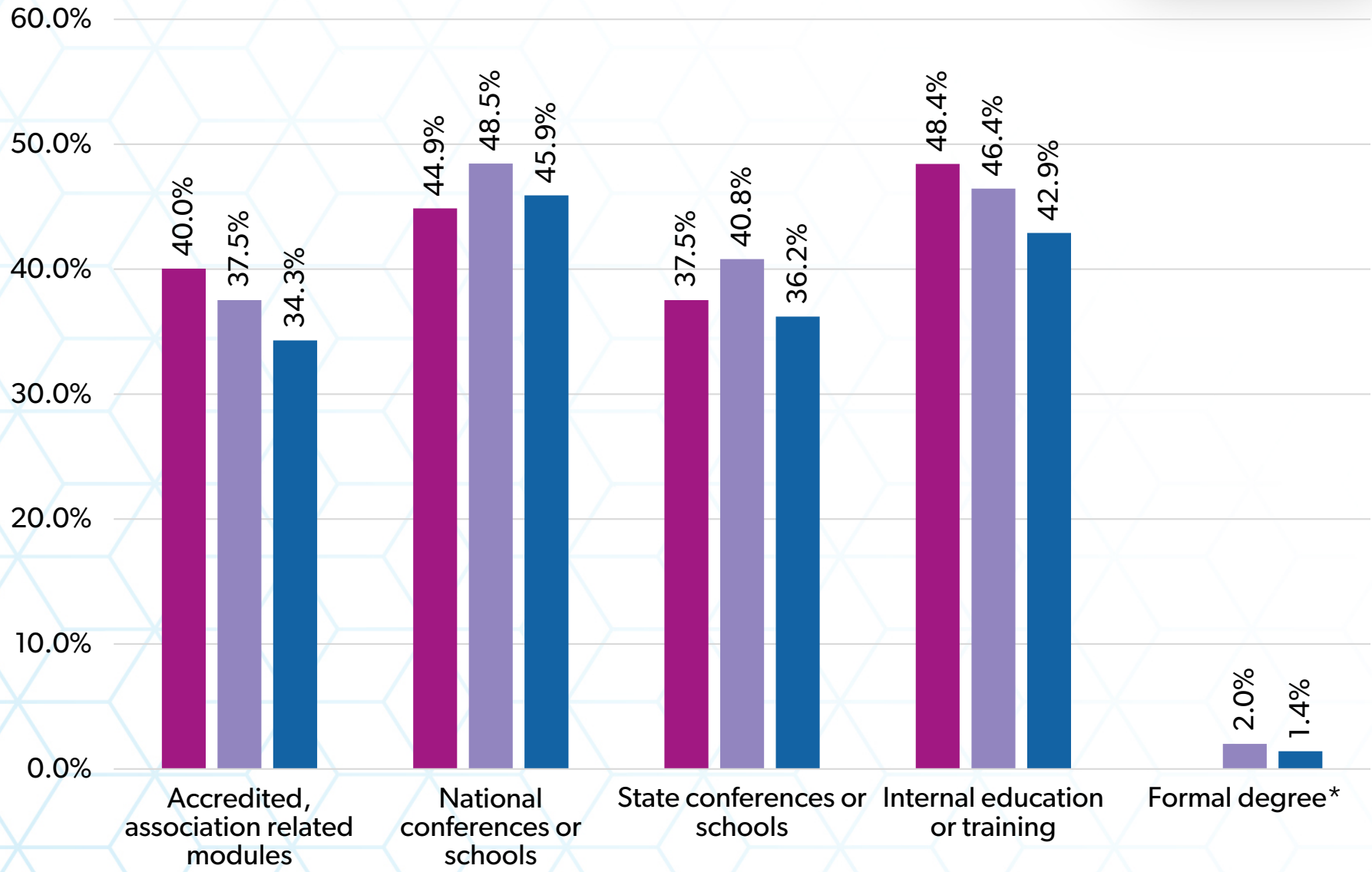


### Does the Board have a continuing education policy or requirement for Board members?





### What elements does the policy include?



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

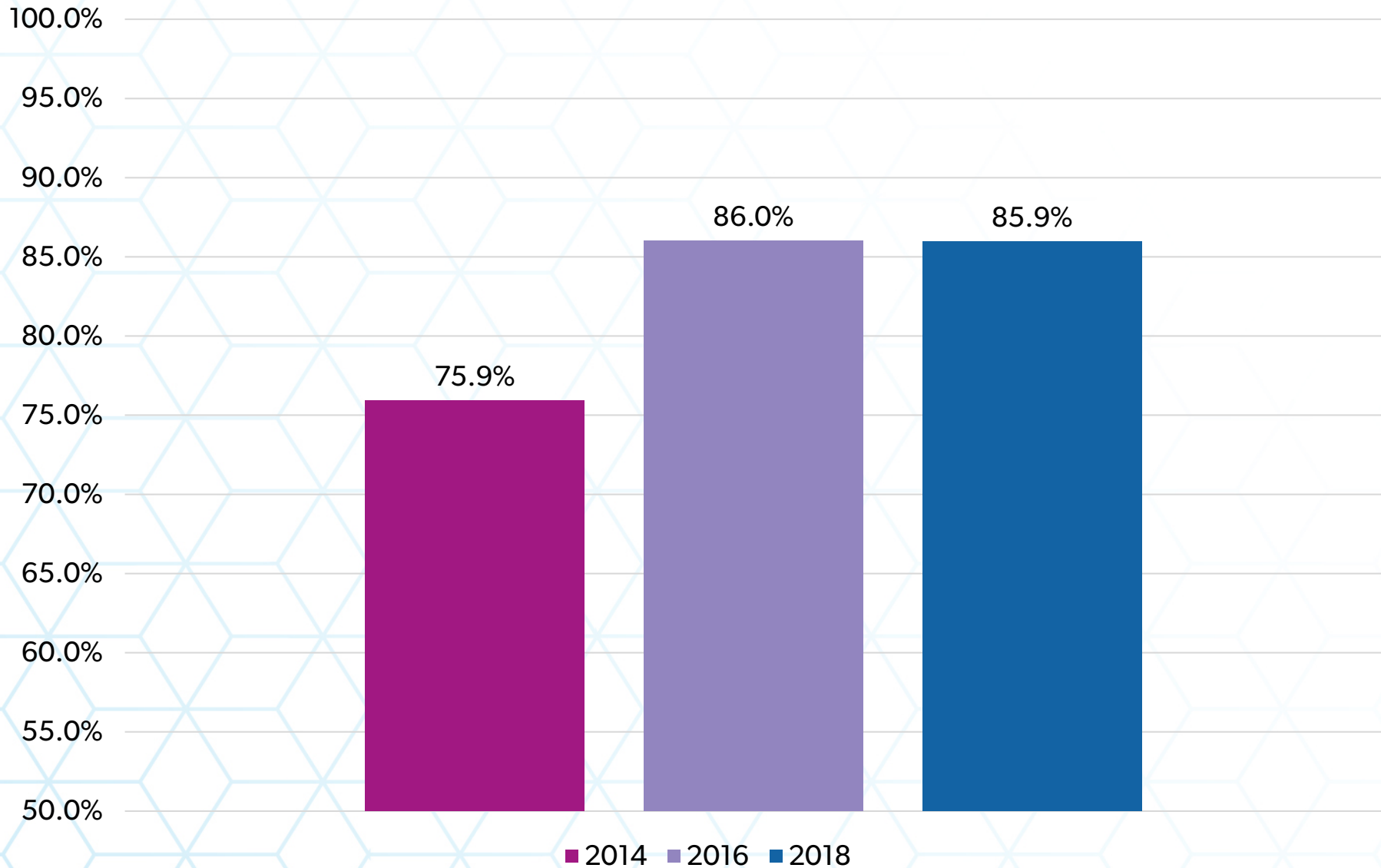
■ 2014 ■ 2016 ■ 2018

\*Answer not provided in 2014 Board Survey



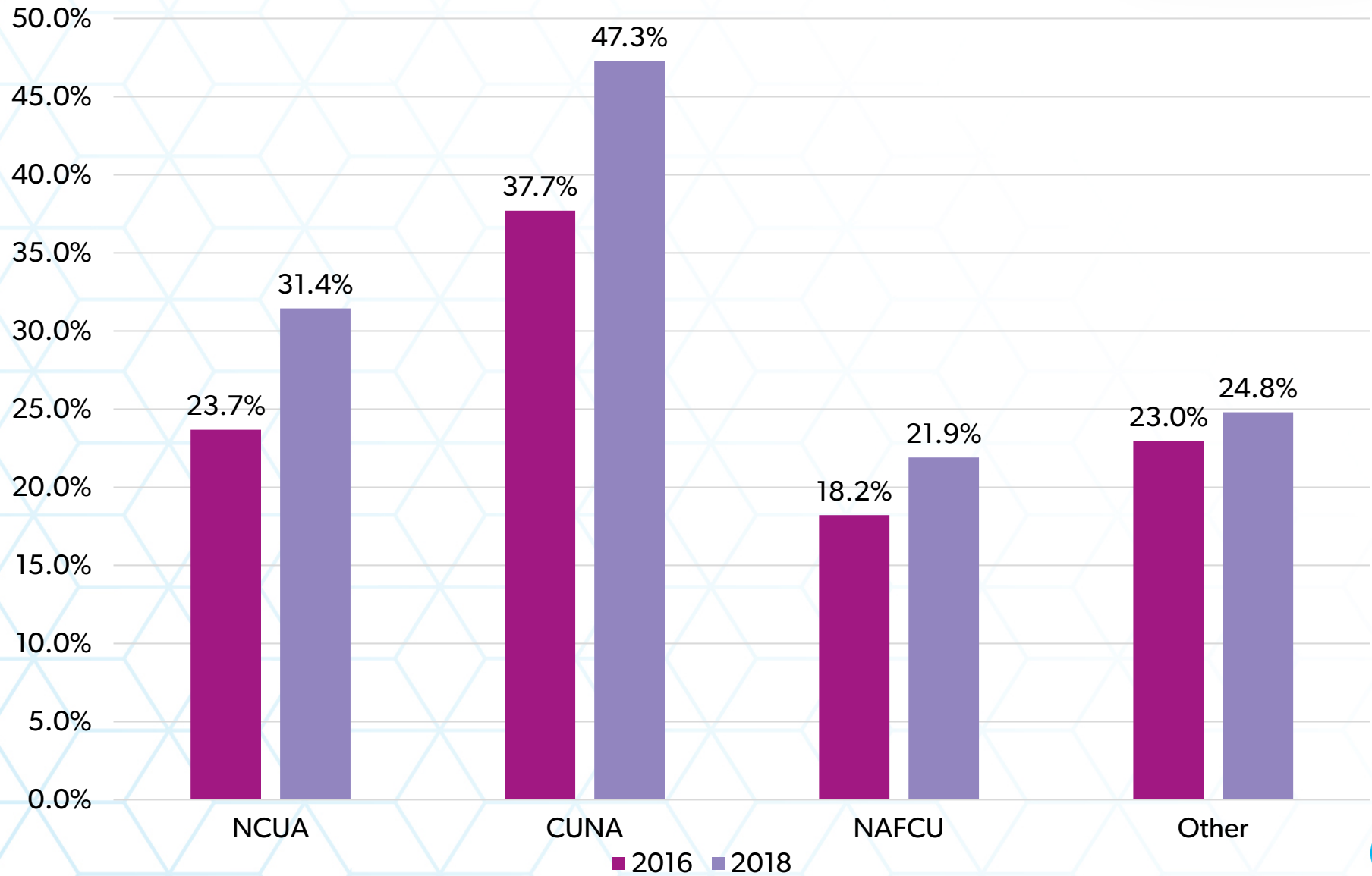
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**Credit unions that find continuing education efforts  
worthwhile for the dollars spent**





### How are regulatory financial literacy requirements achieved?

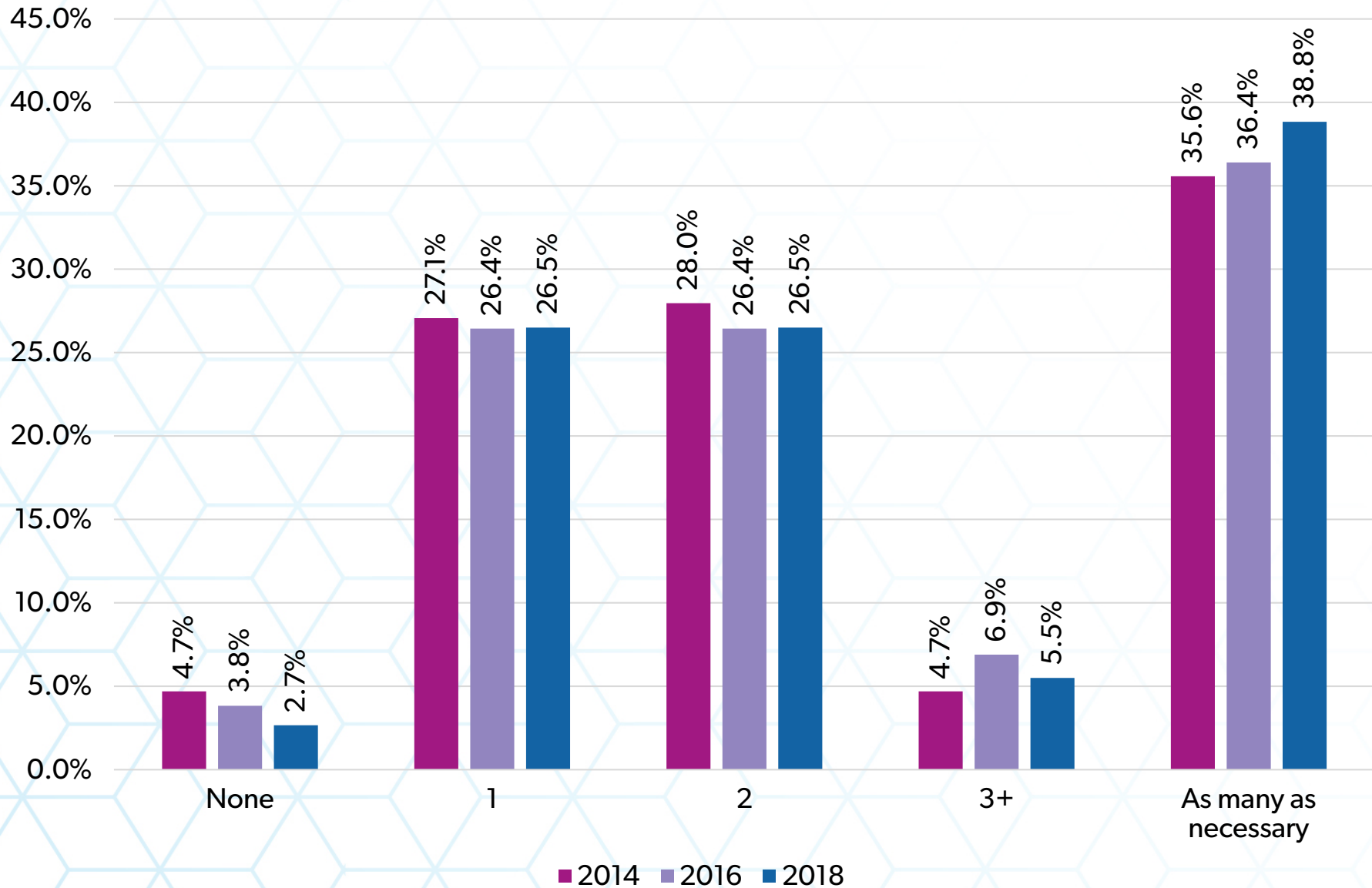


Percentages may equal more than 100% due to the option to select multiple answers.





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

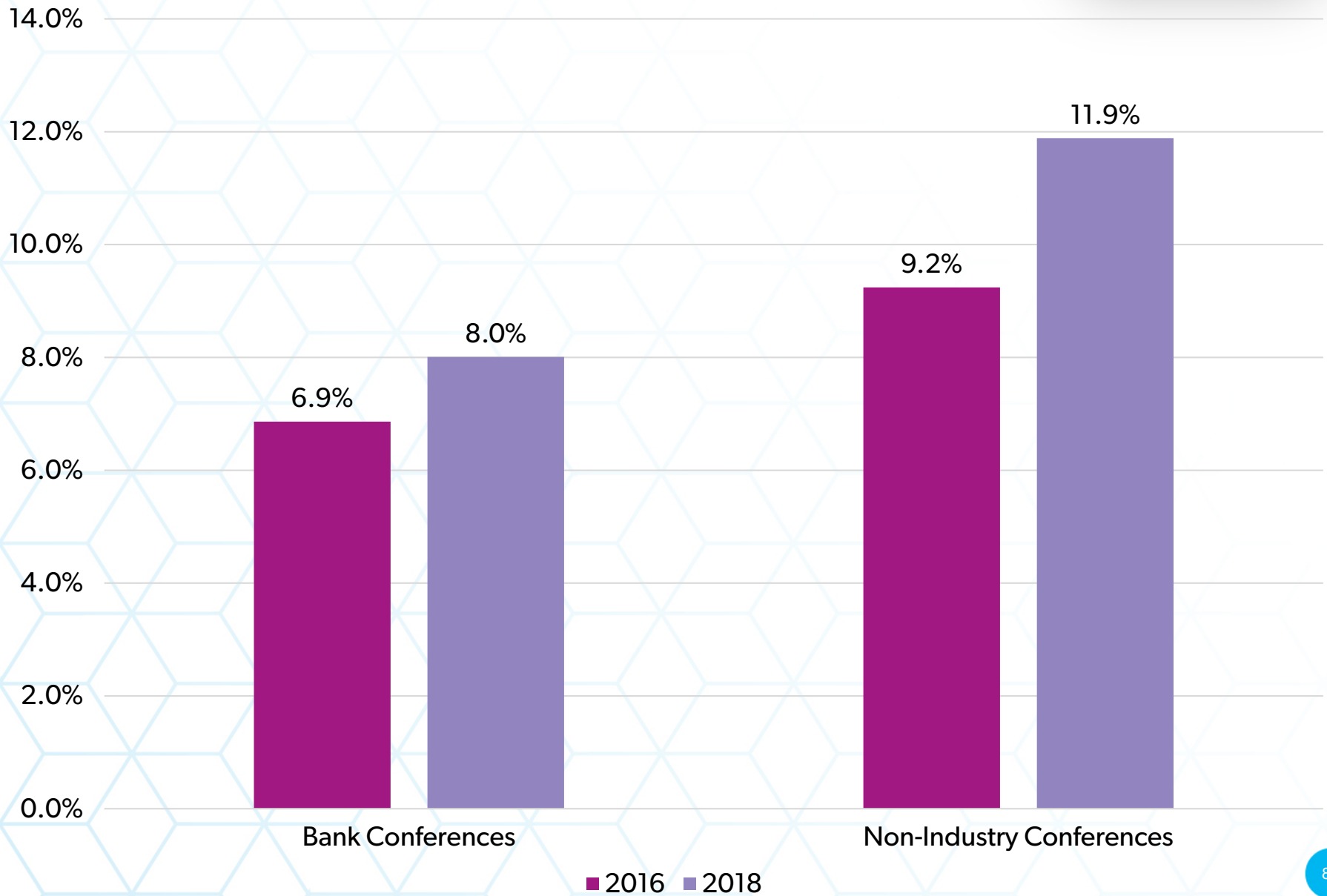




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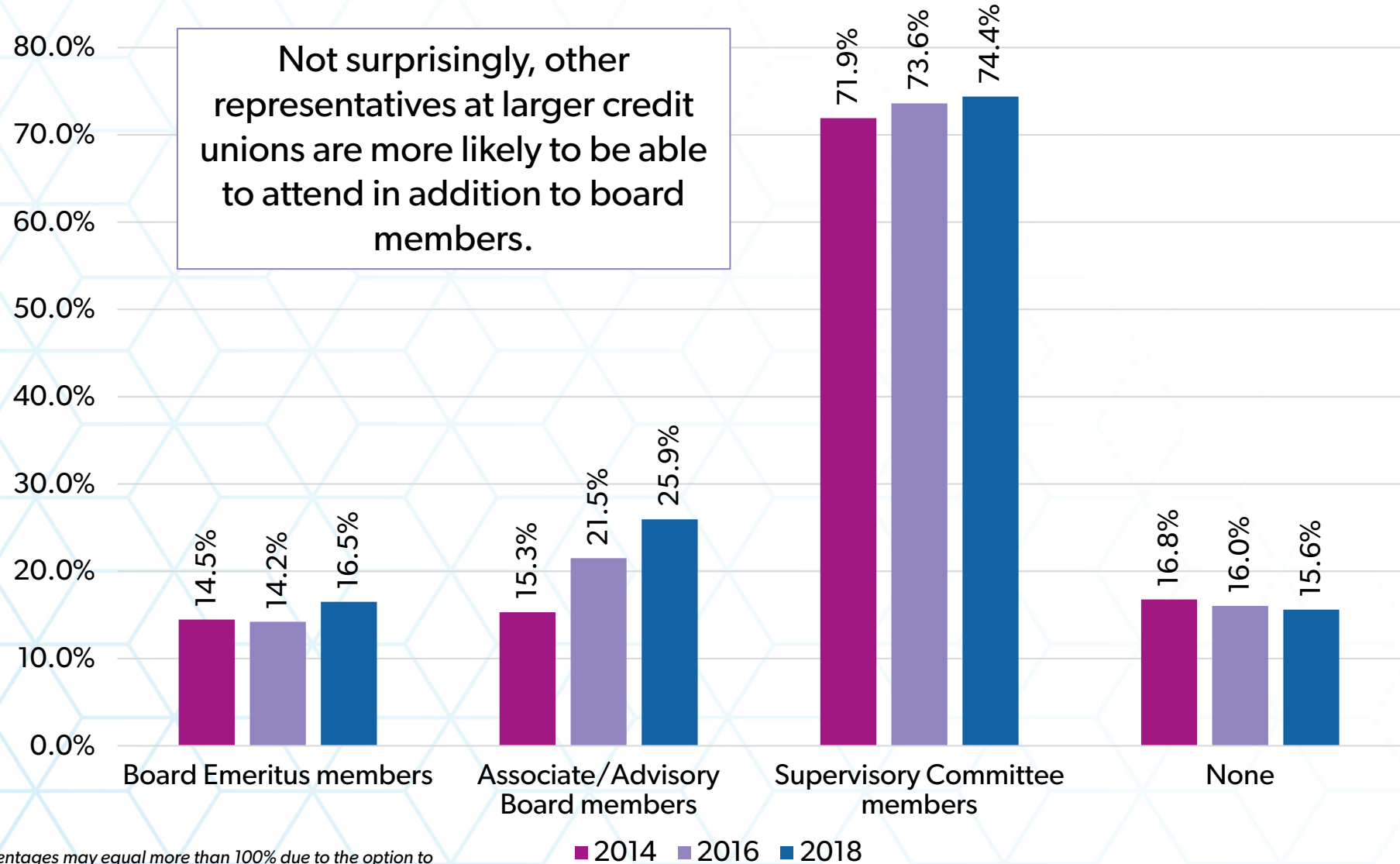
**Board Survey  
Results 2018**

### Does the Board attend any other conferences?





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



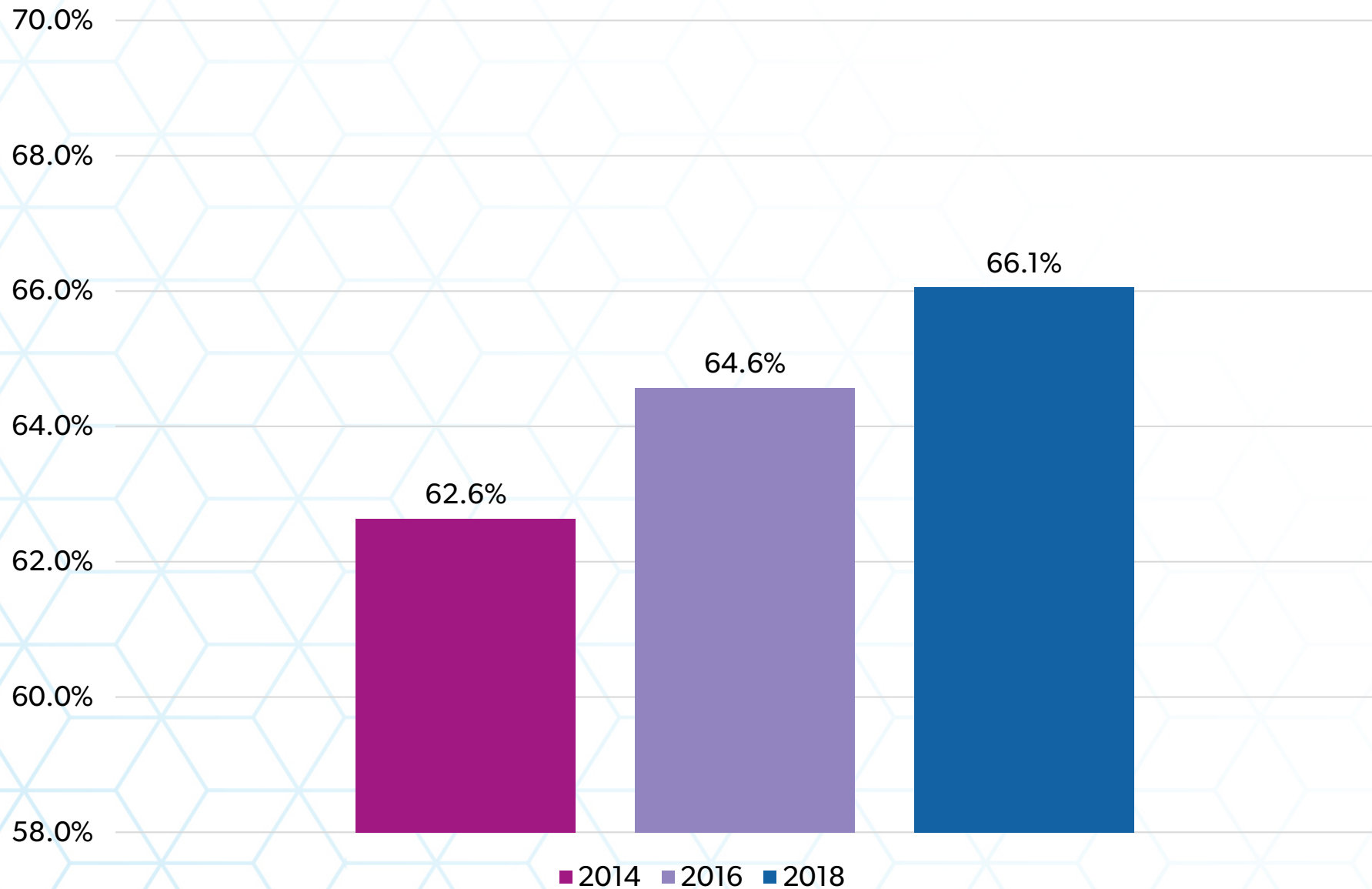
Percentages may equal more than 100% due to the option to select multiple answers.



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Board Survey  
Results 2018

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





## How is the travel policy structured?

About 65% of credit unions have a travel policy for the board that governs spending. How that travel policy is structured varied, with a dollar amount per conference or per year and further by director or for the whole board. A high proportion of credit unions were able to provide us with set dollar amounts and we were able to calculate average spending, shown below:

### PER DIRECTOR

### PER BOARD



**\$4,742**

PER CONFERENCE



**\$9,173**

PER YEAR



**\$10,125**

PER CONFERENCE



**\$33,419**

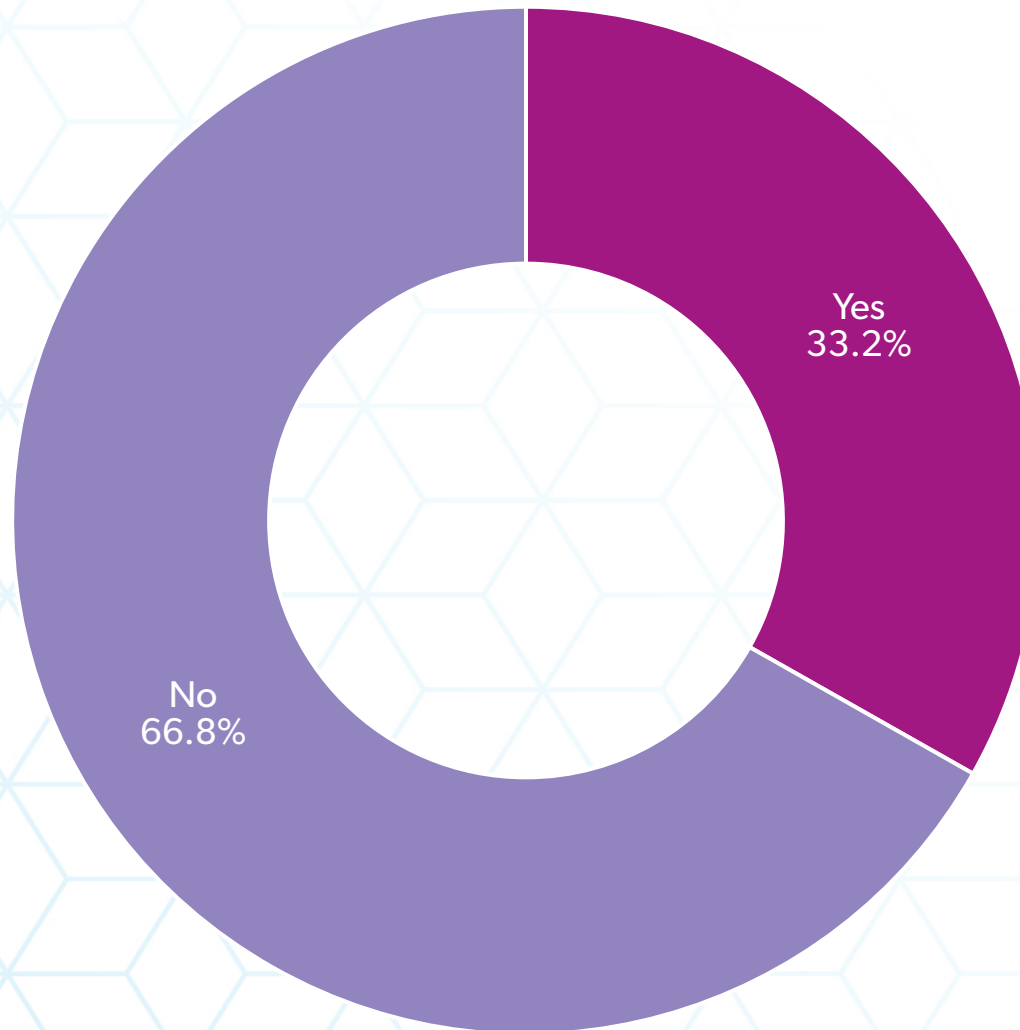
PER YEAR



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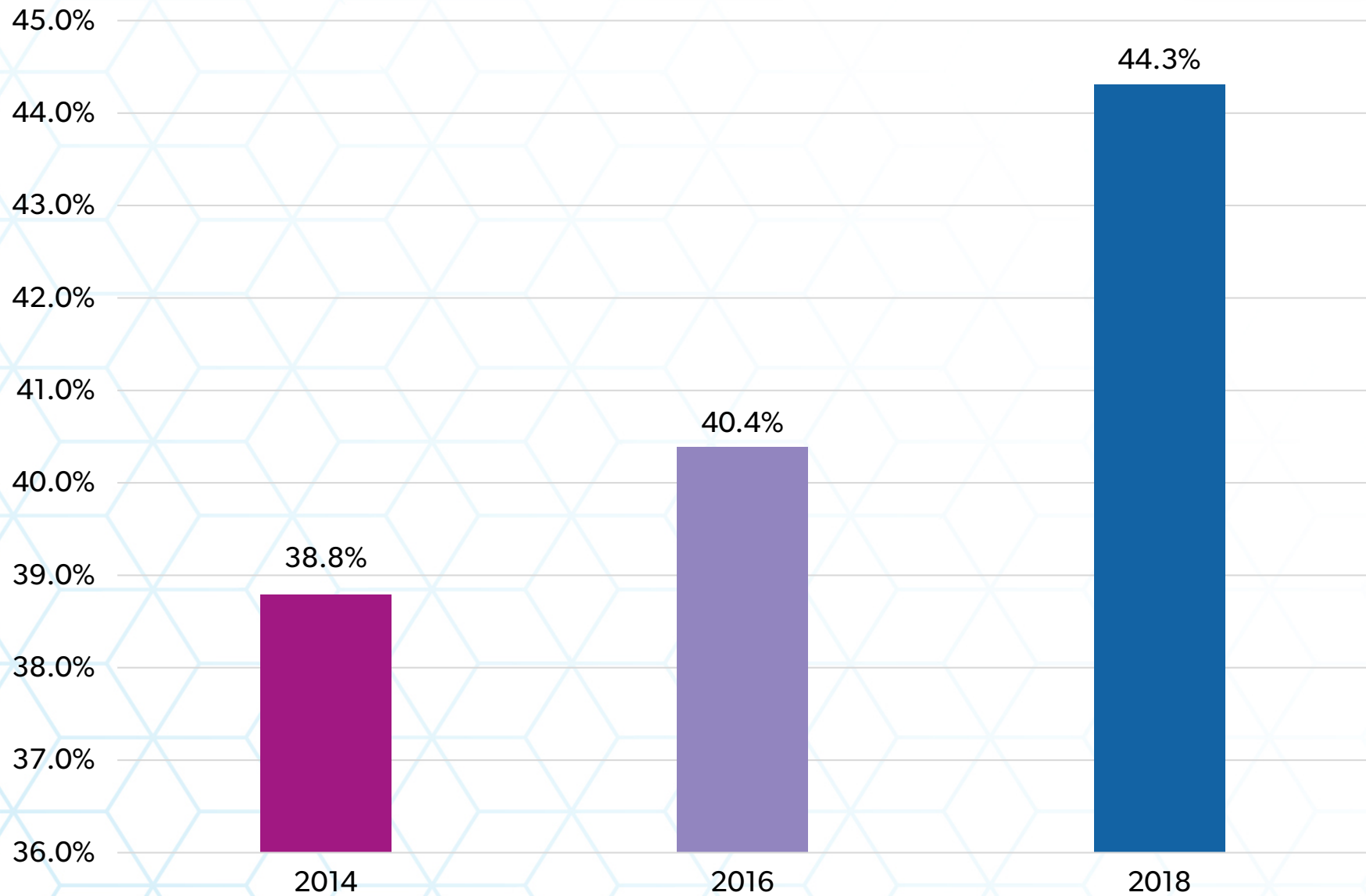
**Board Survey  
Results 2018**

### **Are Board members issued a corporate credit card?**





### Credit unions at which Board members make their own travel arrangements

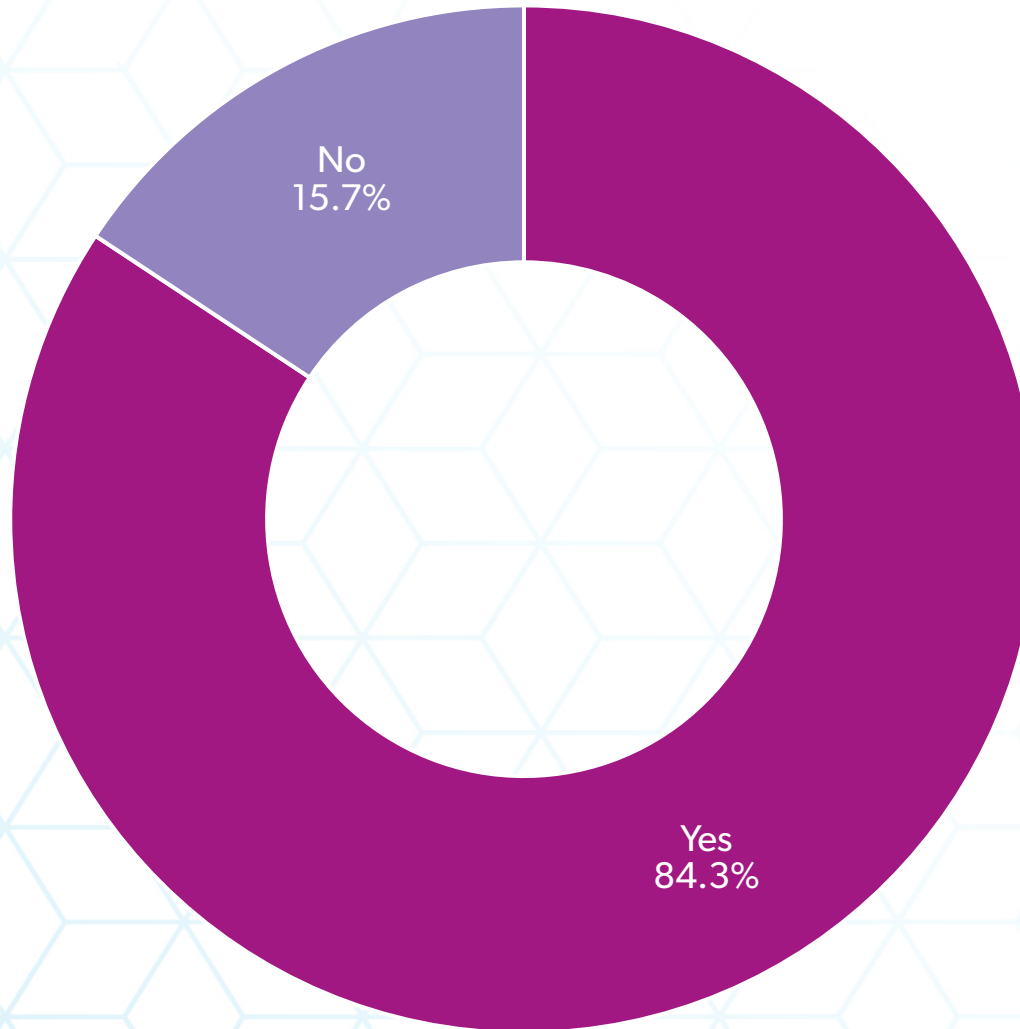




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**Board Survey  
Results 2018**

**Are spouses invited to travel with Board members?**



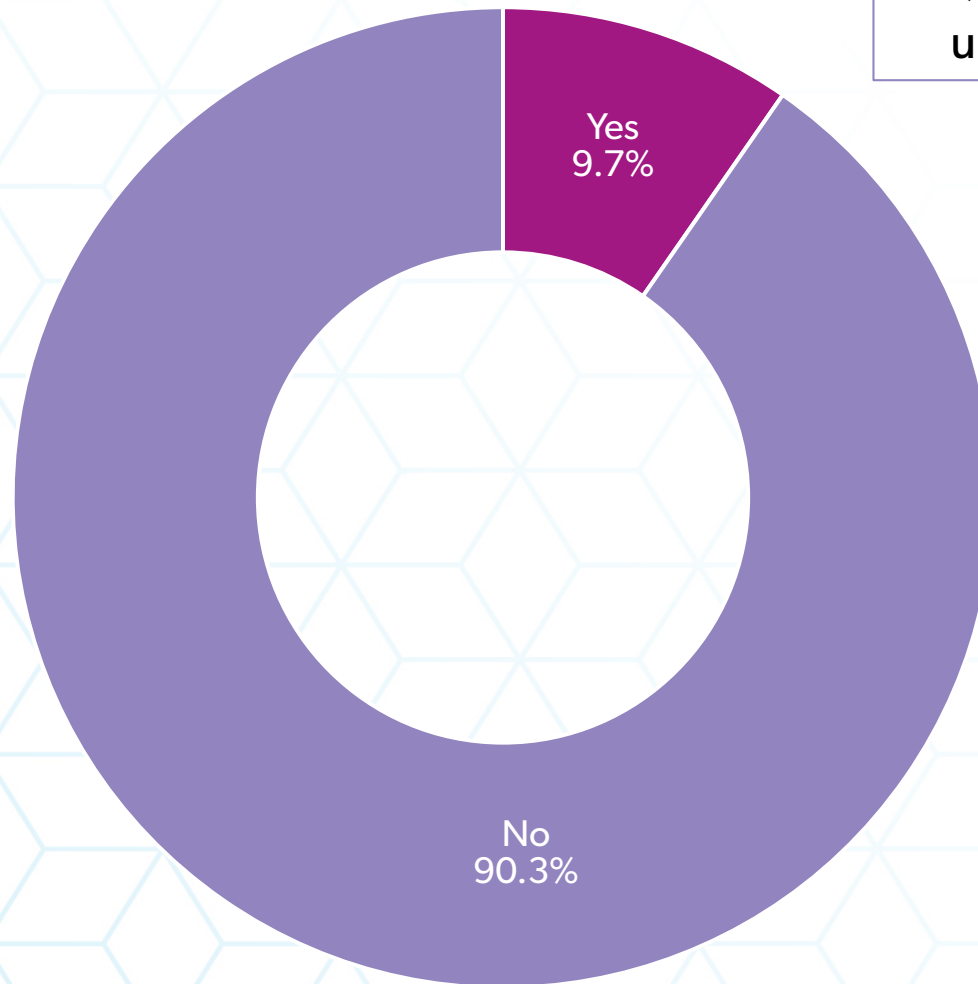




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**Board Survey  
Results 2018**

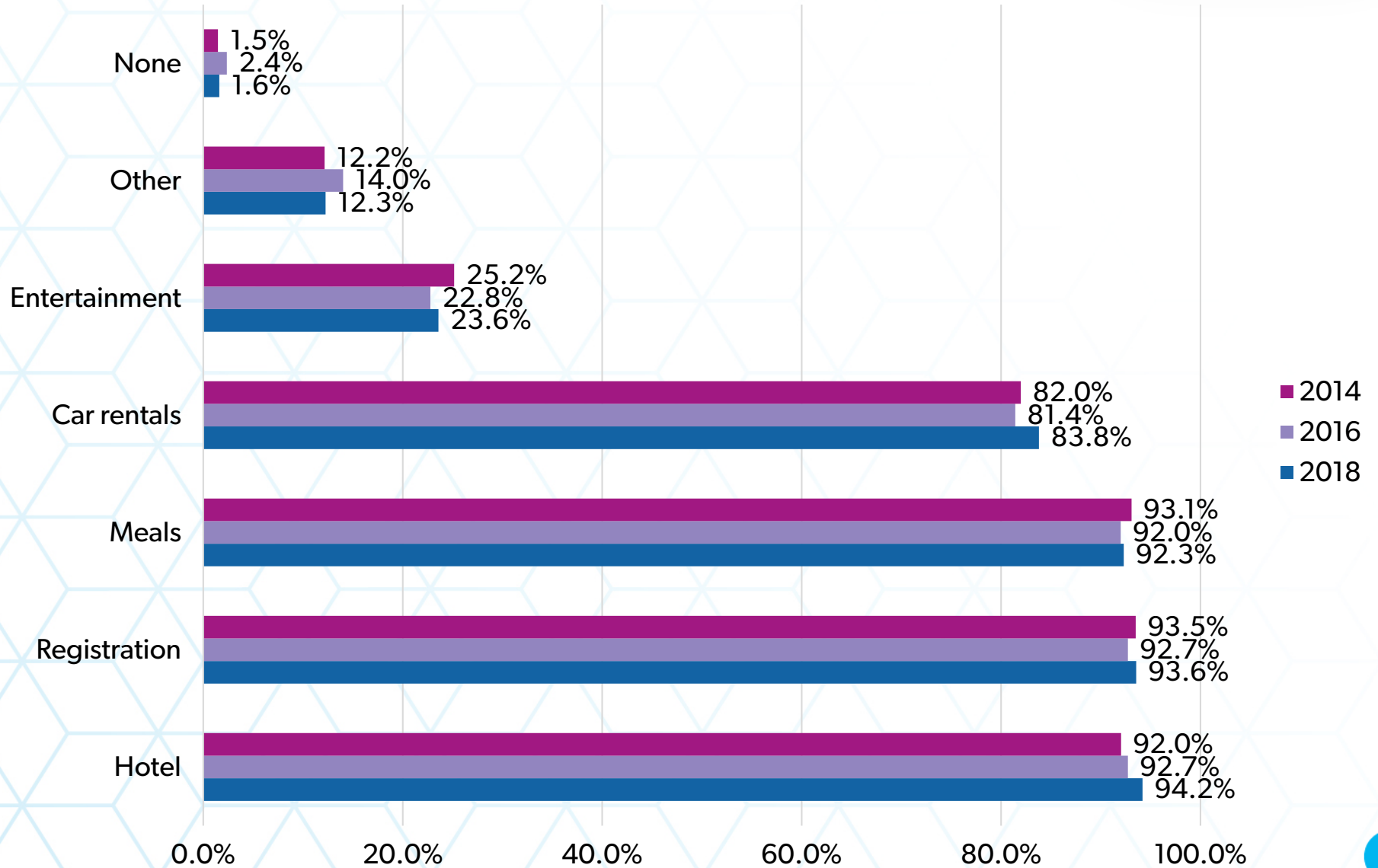
**Are Board members allowed to fly first class in certain circumstances? (i.e. distance minimums)**



21% of \$1b+ credit unions say yes.



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



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



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**Board Survey  
Results 2018**

# Board Succession and Recruitment

*Section Five*



## Board Succession and Recruitment

Board succession and recruitment remains a challenge for most credit unions, but more credit unions are implementing board succession plans in an attempt to counteract succession woes. In 2018, 44% of credit unions report they have a board succession plan in place, and 56% of credit unions with \$1 billion or more in assets report having a board succession plan. Two thirds of plans are reviewed annually and 11% are reviewed semi-annually. Half of credit unions feel that they need to either develop a board succession plan, or alter their existing plan. About 80% of large credit unions (\$1 billion plus) report that their succession plans are effective, and 68% of all credit unions report that their succession plans are effective.

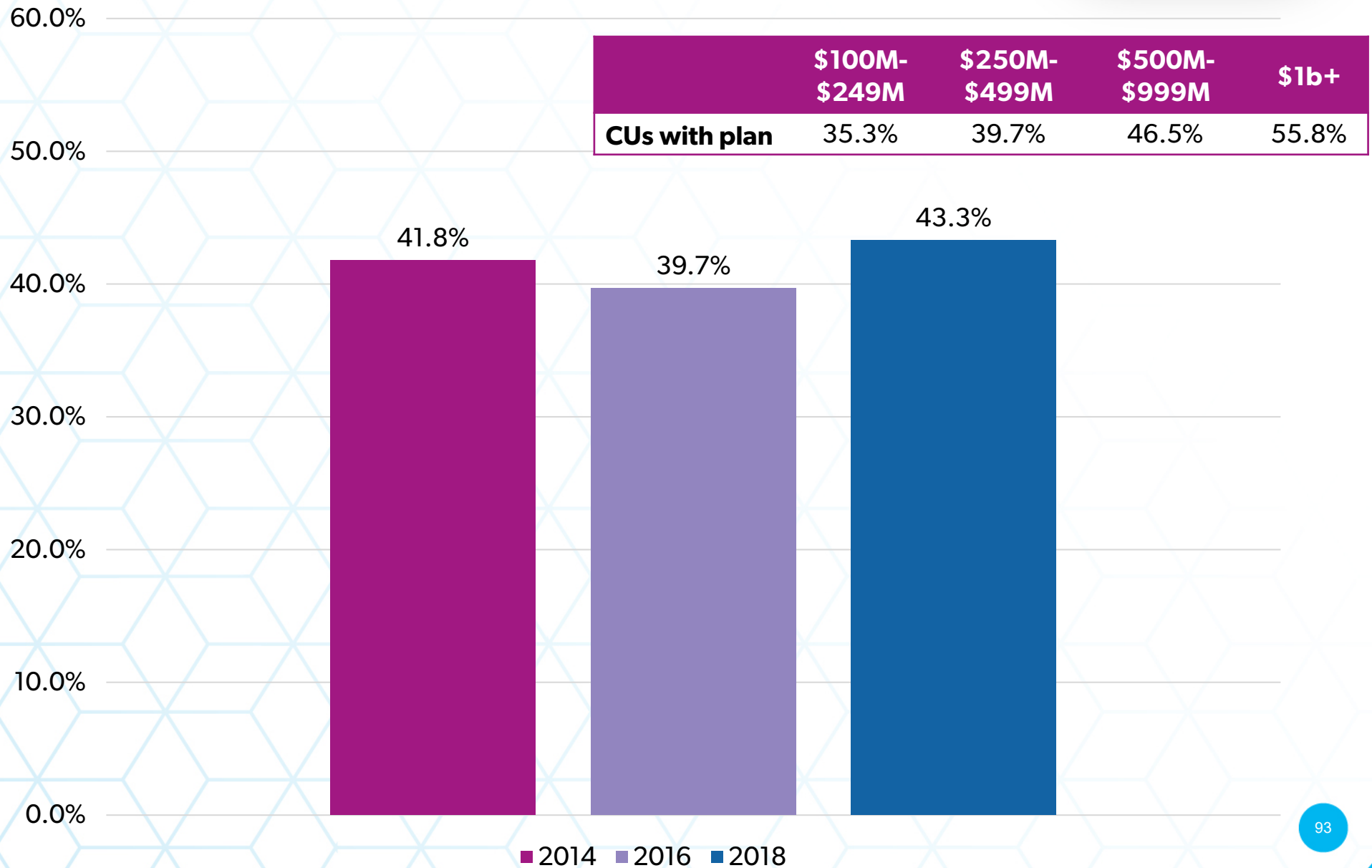
When it comes to position rotation, half of all credit unions require rotation of the chair position, and 20% require rotation of other positions. Position rotation was more prevalent among larger credit unions, and 34% of credit unions believe that position rotations should be mandated. For many credit unions, there are no set term limits, while 38% of credit unions believe there should be.

About 60% of credit unions offer board associate/advisory positions, and over 50% of these credit unions allow them to attend meetings, conferences, or strategic planning sessions. Over half of credit unions offer board emeritus positions and about 45% of credit unions allow these members to attend meetings, conferences, or strategic planning sessions.

While overall 38% of credit unions have a formal process for recruiting board members, usage varied greatly by asset size. Only 27% of credit unions with less than \$249 million in assets reported they have a formal process in place, compared with 63% of credit unions with more than \$1 billion in assets. Half of boards recruited their newest board member from either a supervisory committee position or from an associate/advisory board member position. Just 10% conducted a formal search. 72% of boards reported that it took them less than 6 months to recruit their newest Board member, but a further 13% reported a timeframe of between 6 months and 1 year, and a further 5% between 1 and 2 years. Approximately 41% of credit unions reported that they find it difficult to recruit board members, with smaller credit unions struggling the most.



### Credit unions with a Board succession plan in place

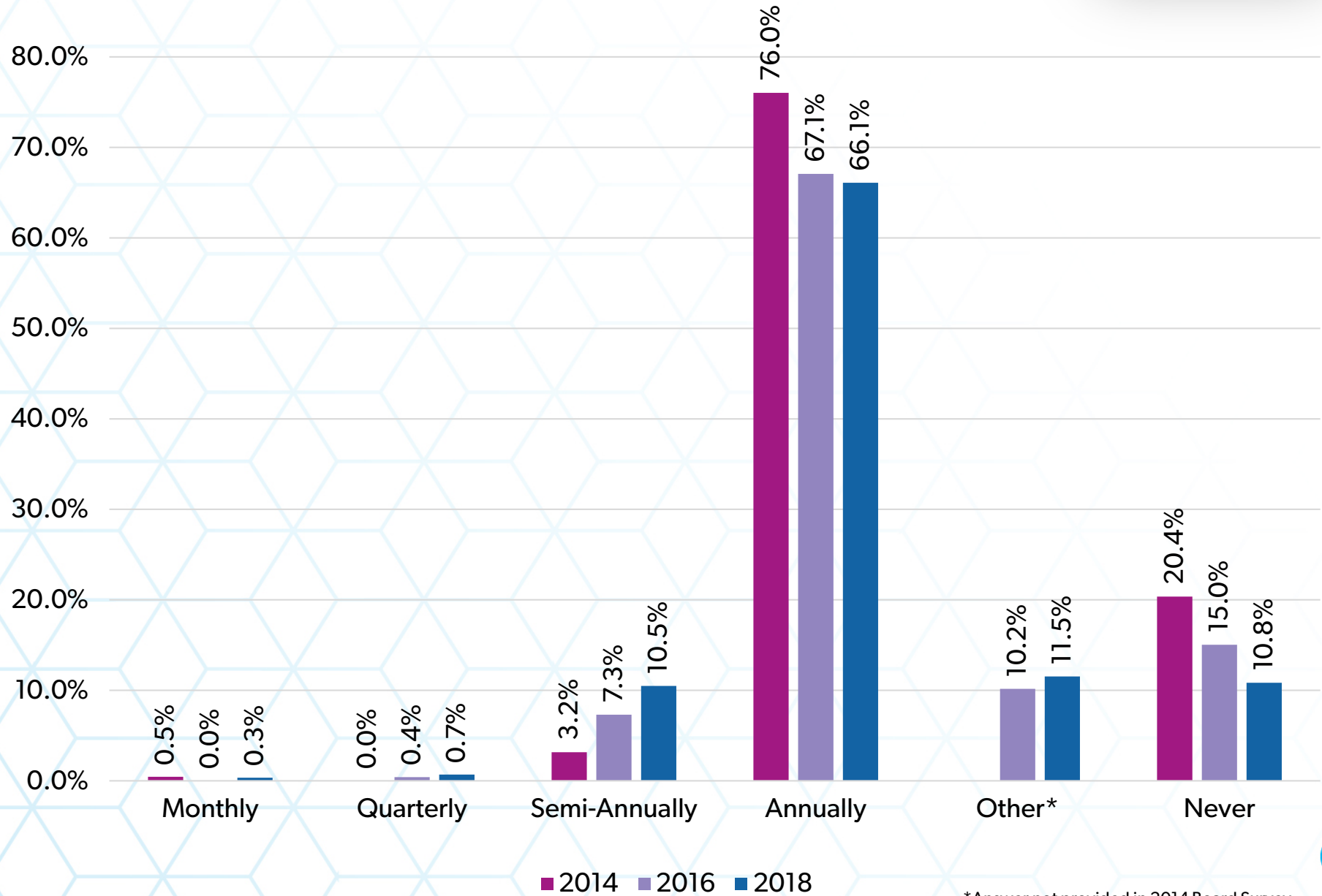




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Board Survey  
Results 2018

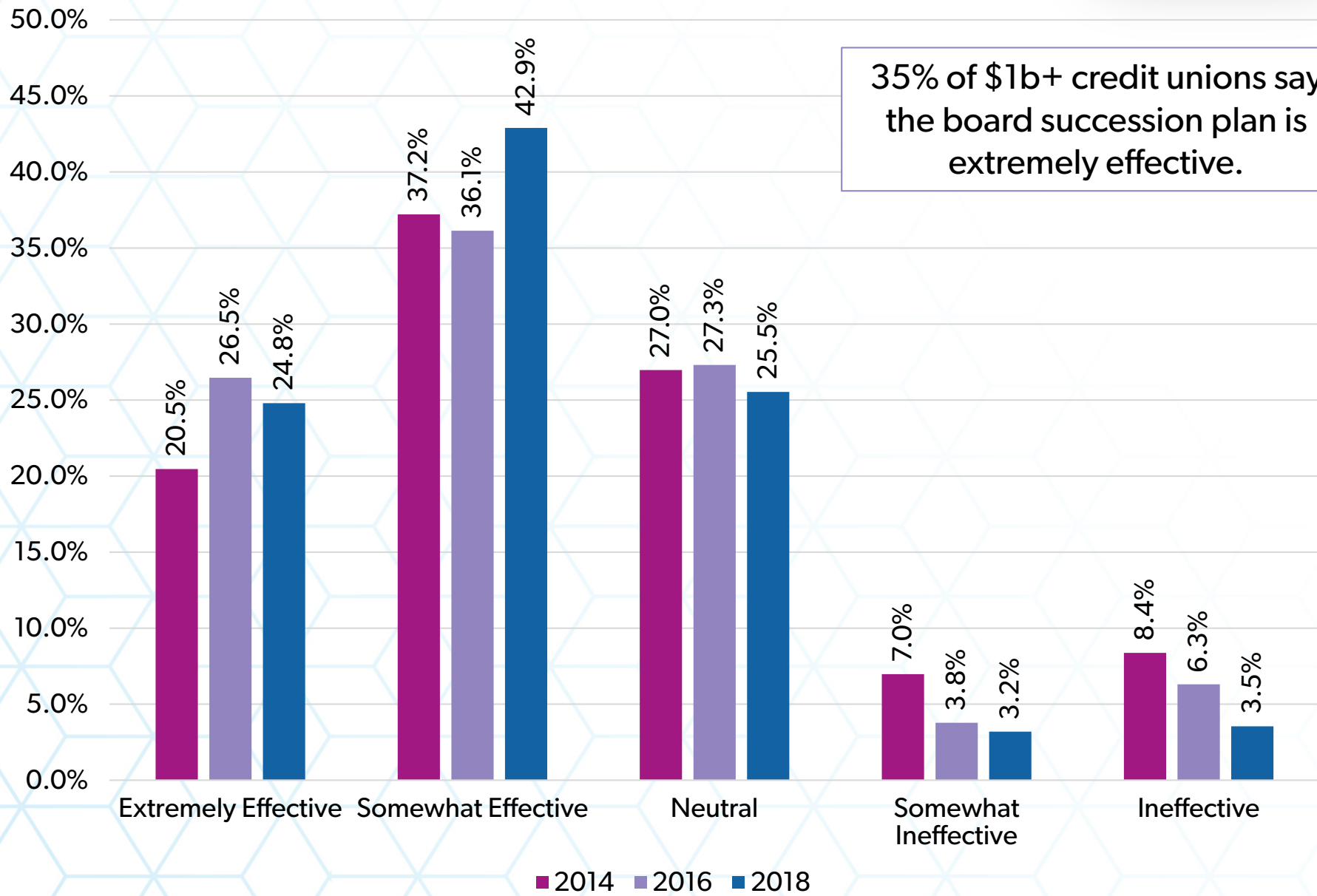
### How often does the Board review its succession plan?



\* Answer not provided in 2014 Board Survey



### How effective is the Board succession plan?



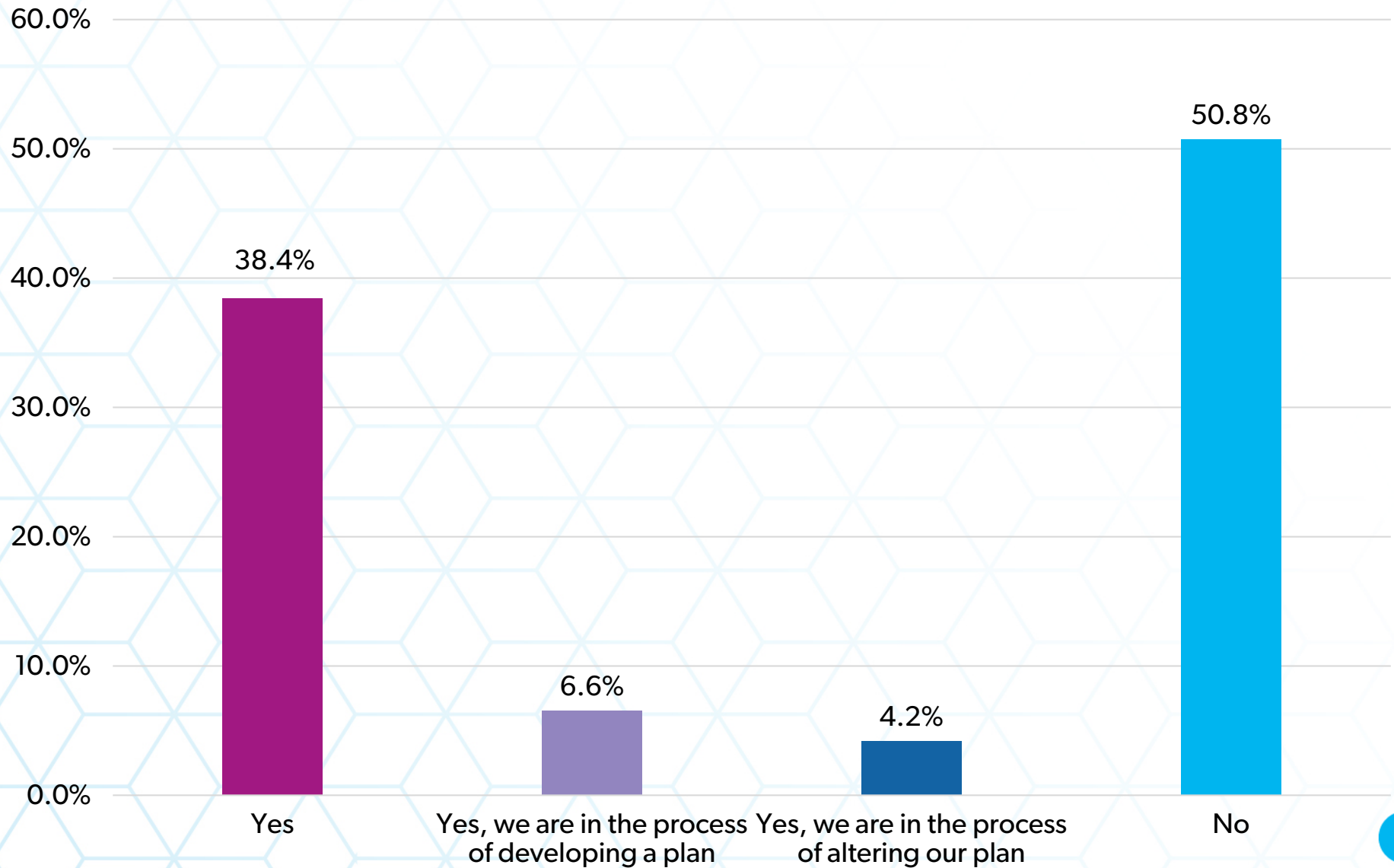
35% of \$1b+ credit unions say the board succession plan is extremely effective.



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Board Survey  
Results 2018

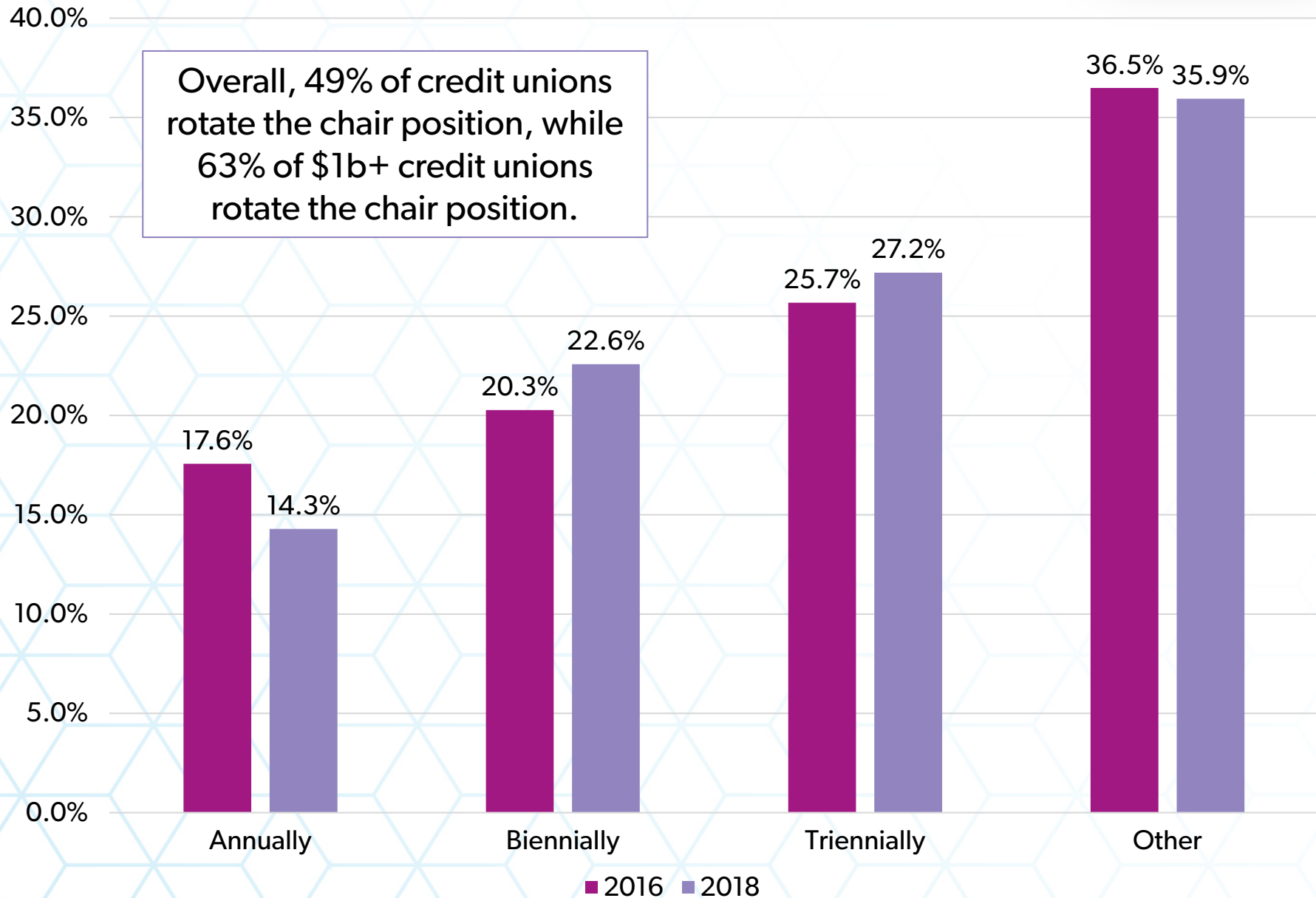
### Do you feel that you need to develop a Board succession plan or alter your existing plan?





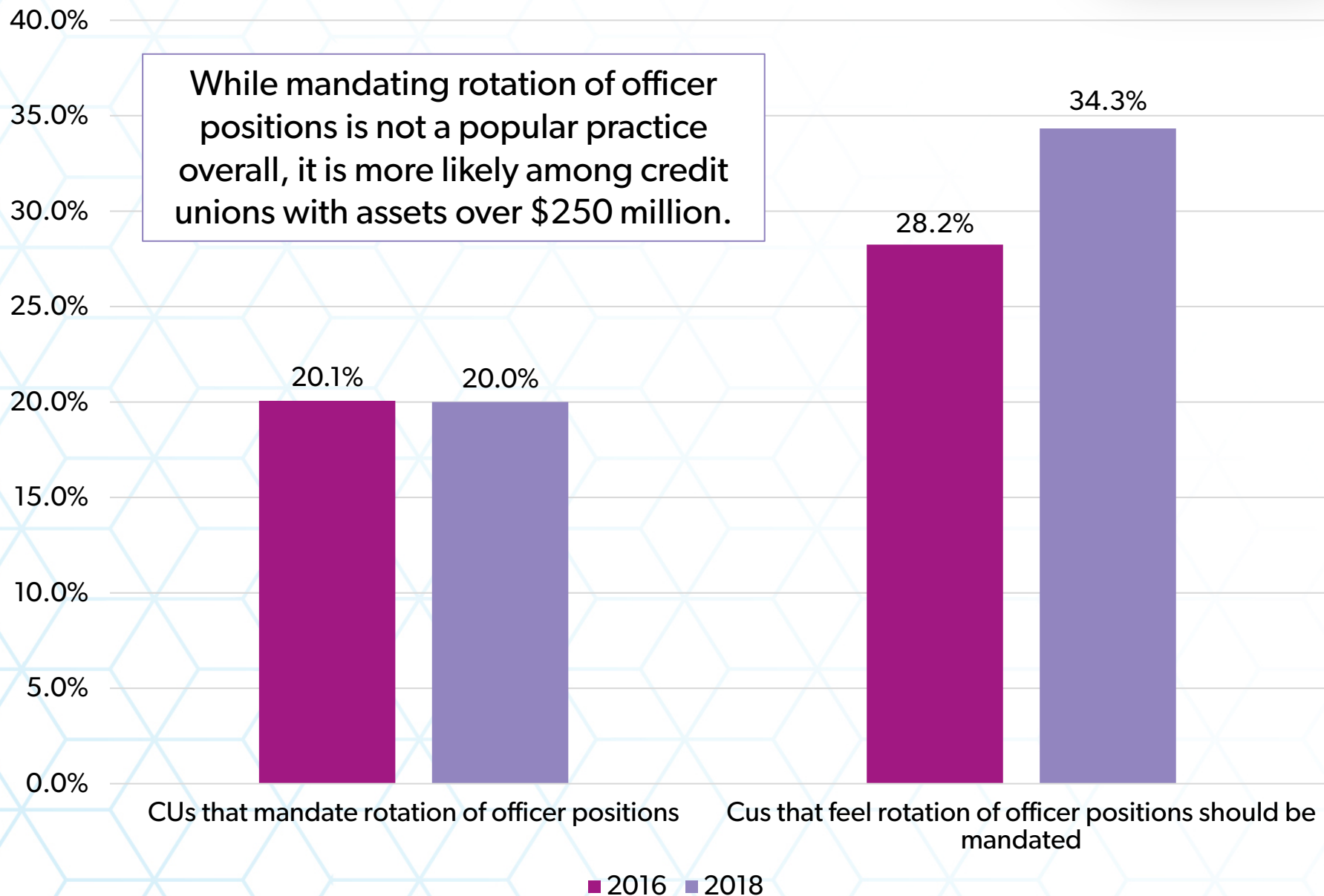


### How often does the Chair position rotate between directors?



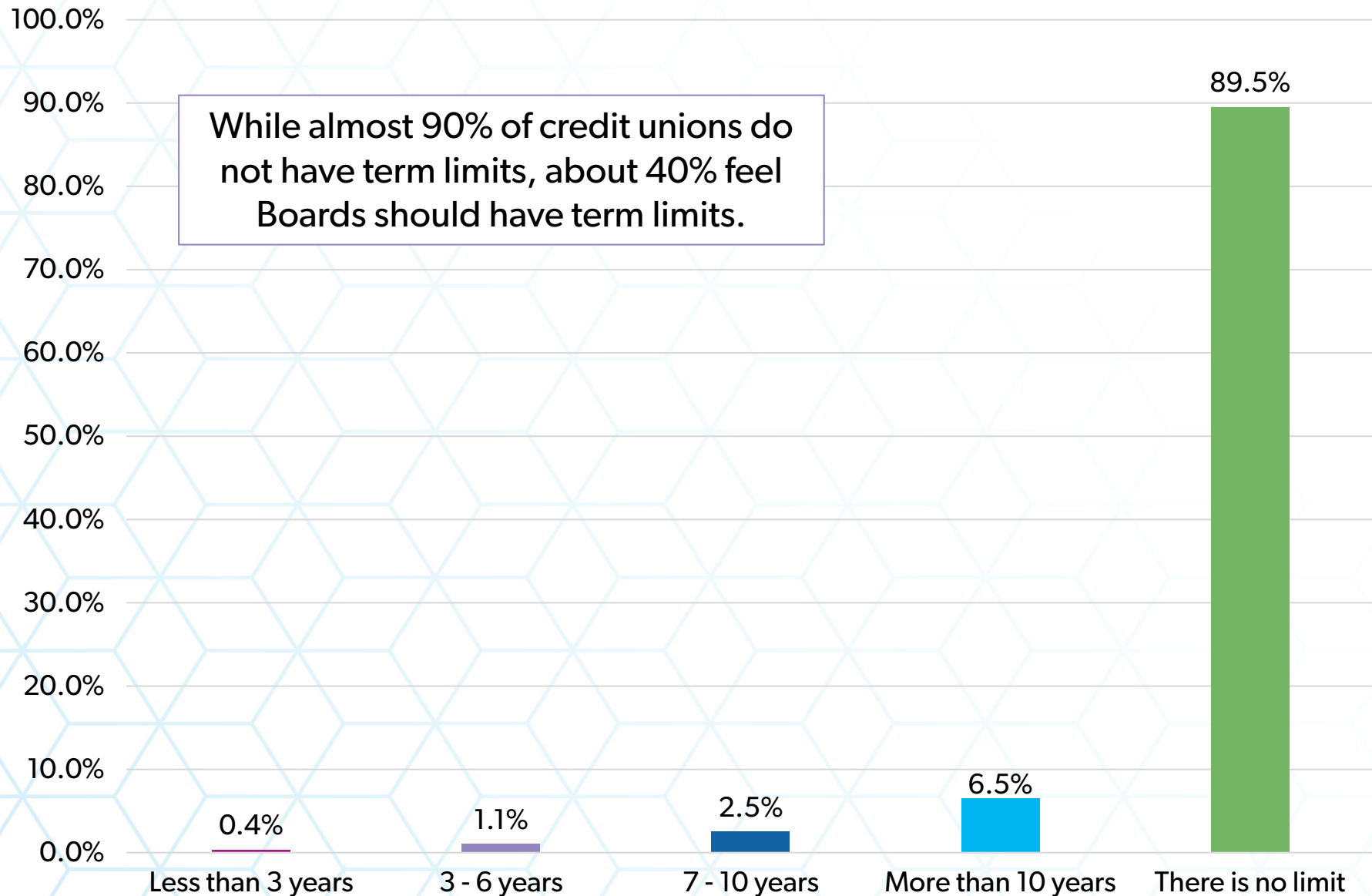


### Rotation of Officer Positions





### What is the maximum number of years a Board member can serve (including re-election)?

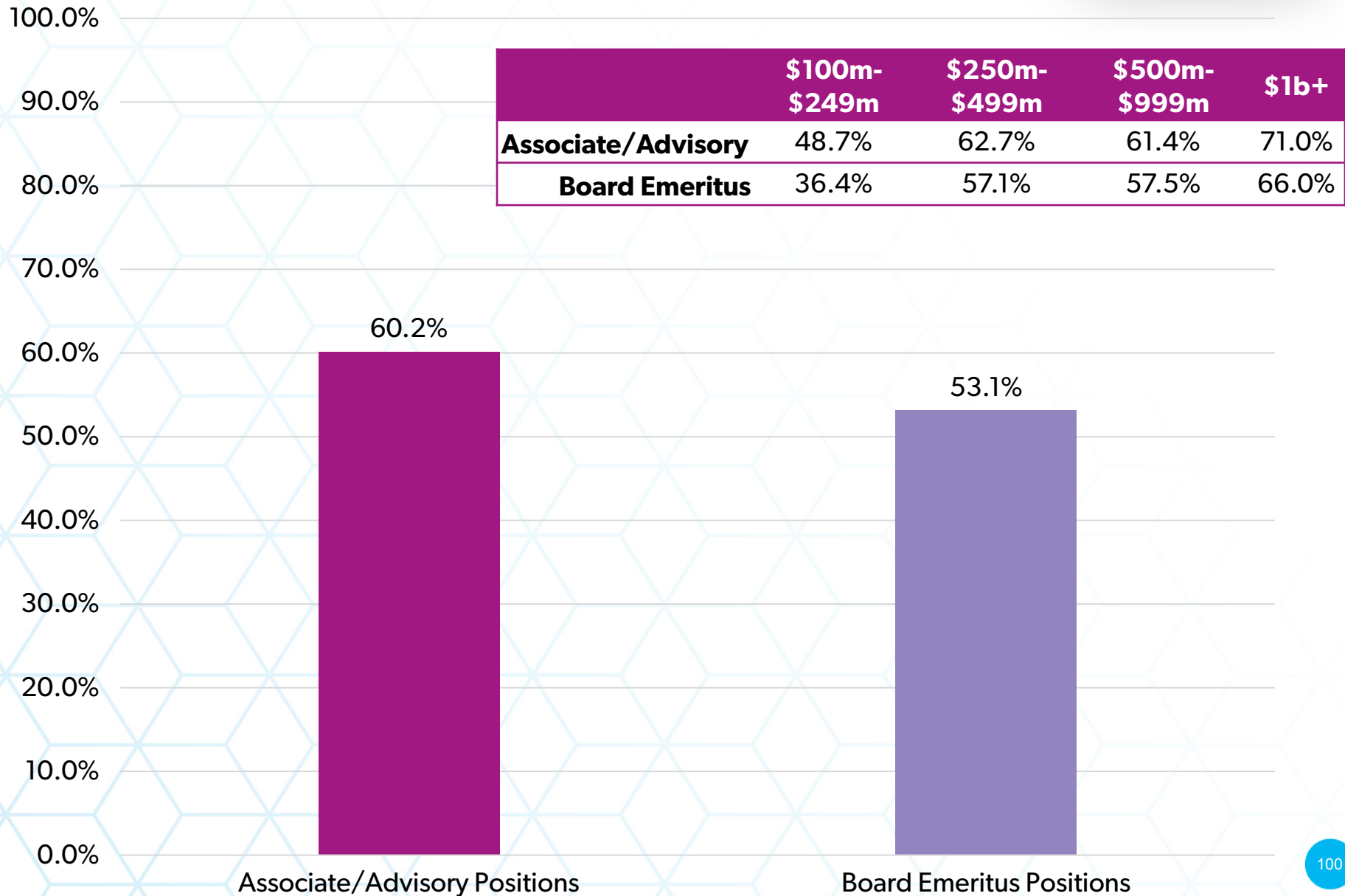




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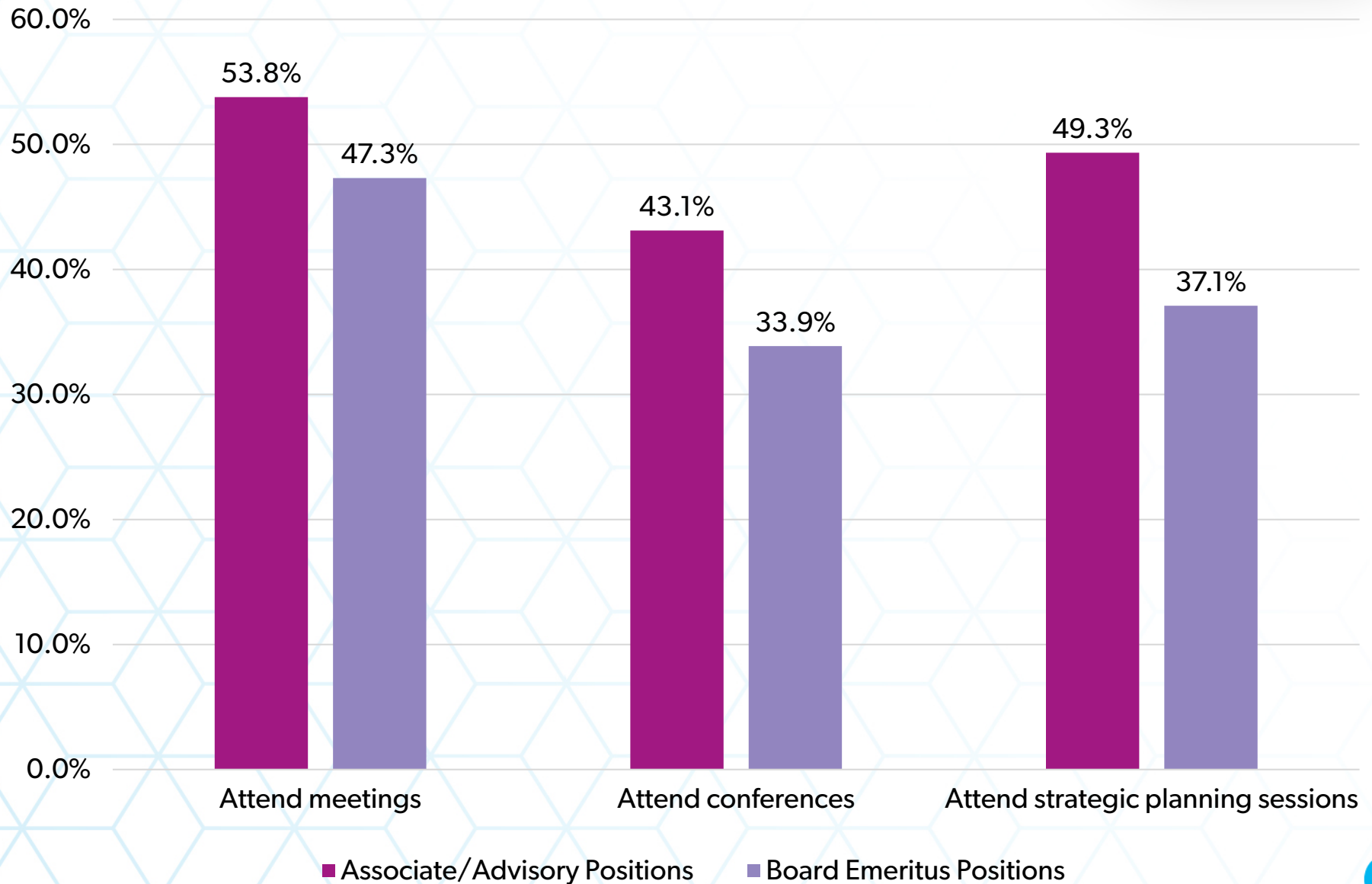
Board Survey  
Results 2018

### Do you offer Associate/Advisory or Board Emeritus Positions?





### What can these positions do?



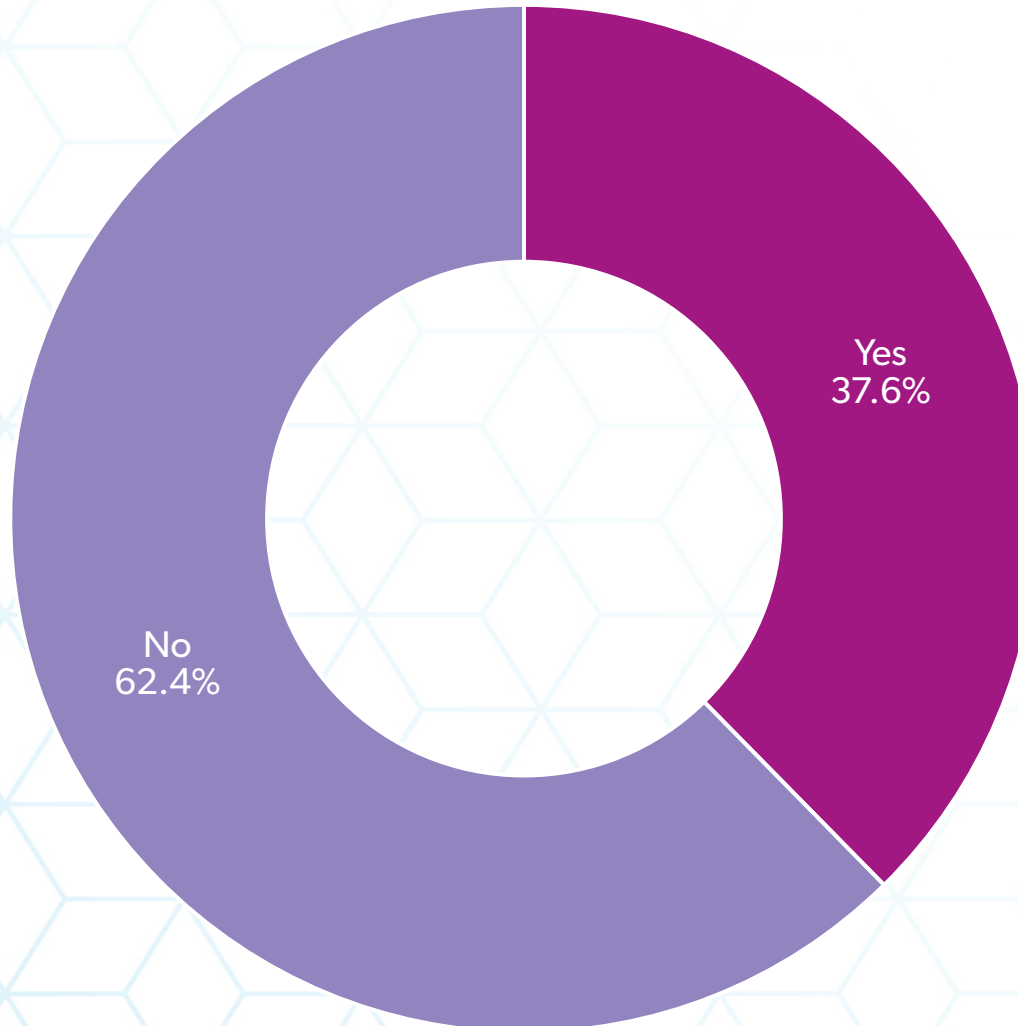
Percentages may not equal 100% due to the option to select multiple answers.



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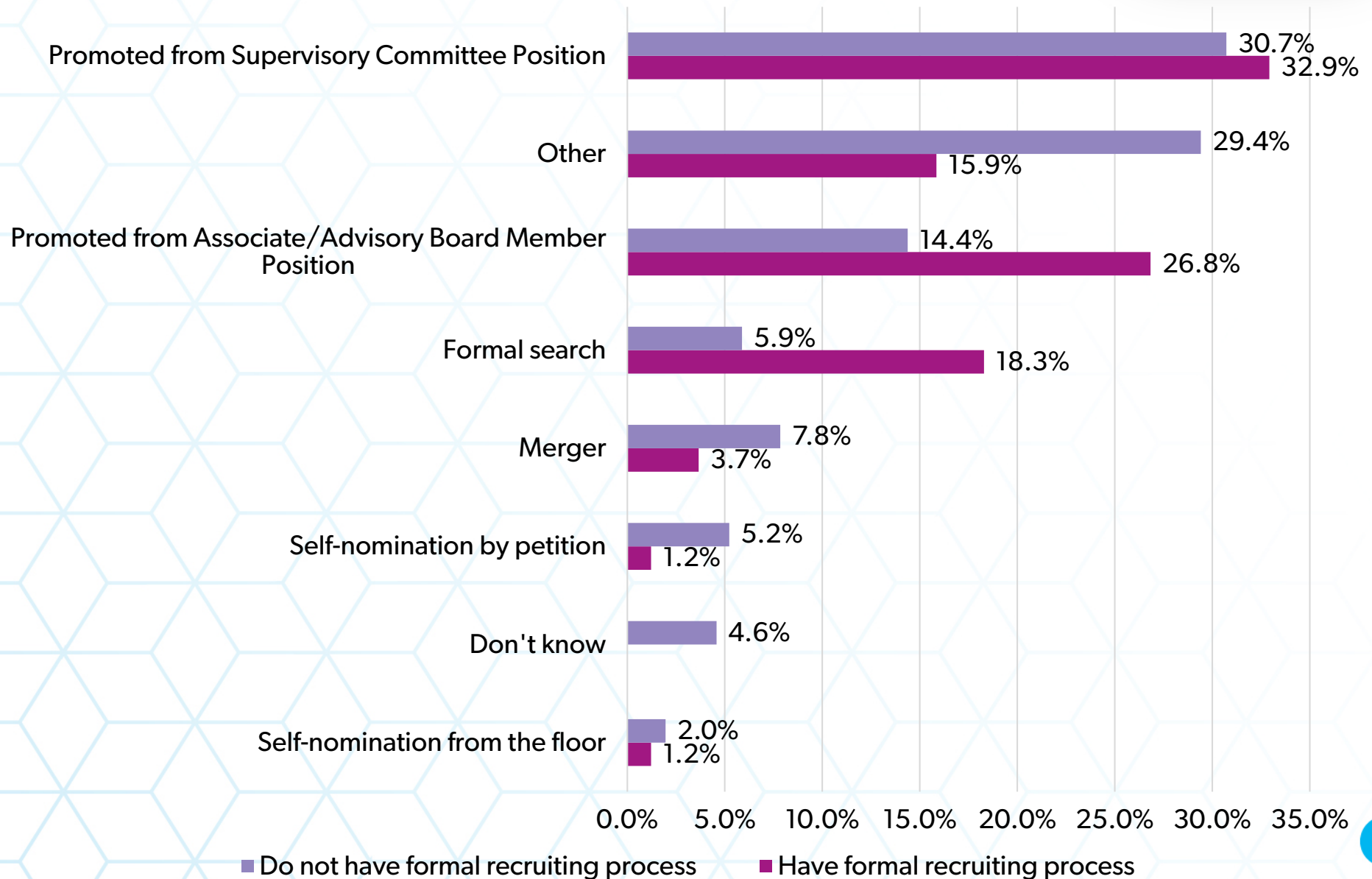
Board Survey  
Results 2018

**Do you have a formal process for recruiting Board members?**





### How did you recruit your newest Board member?

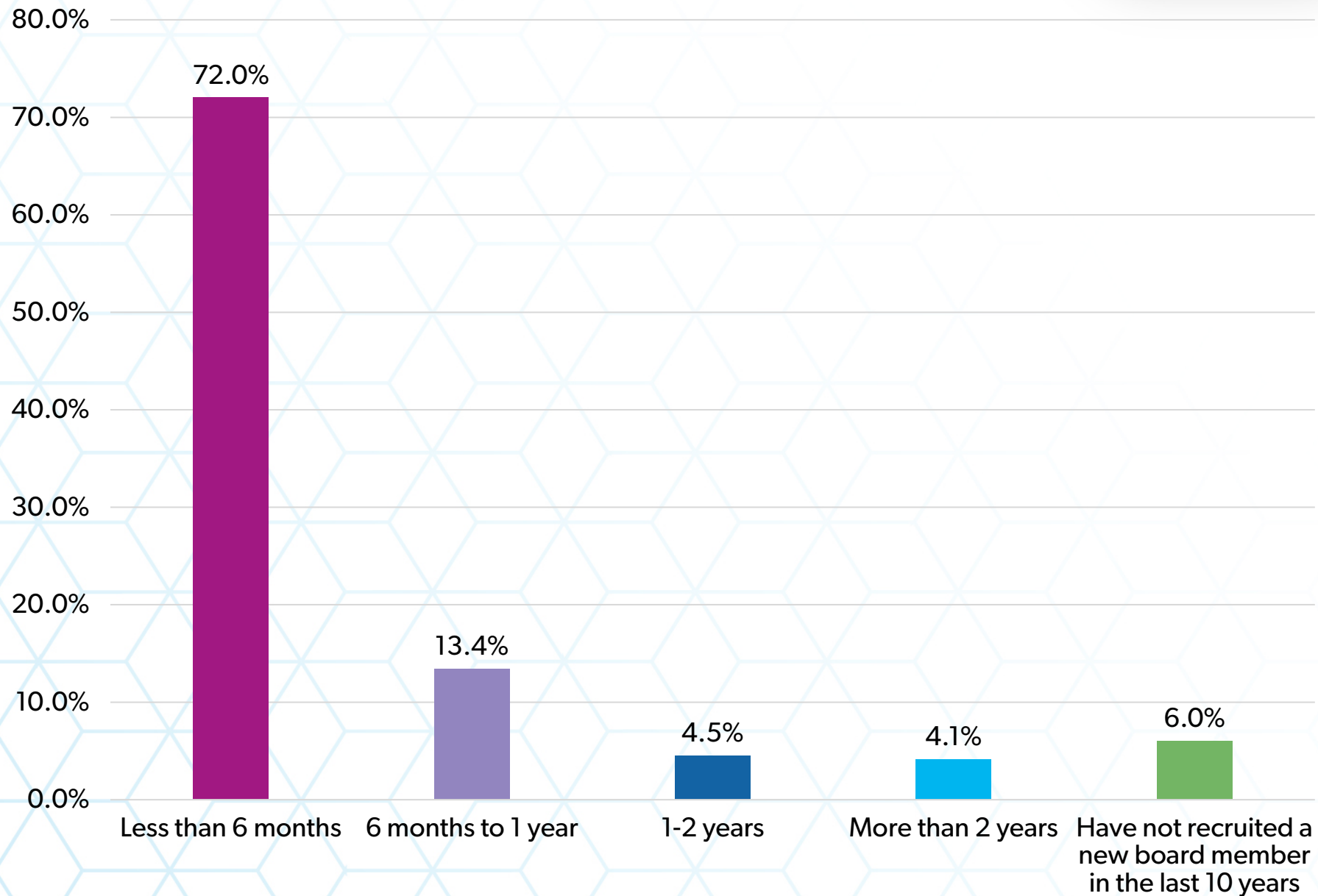




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Board Survey  
Results 2018

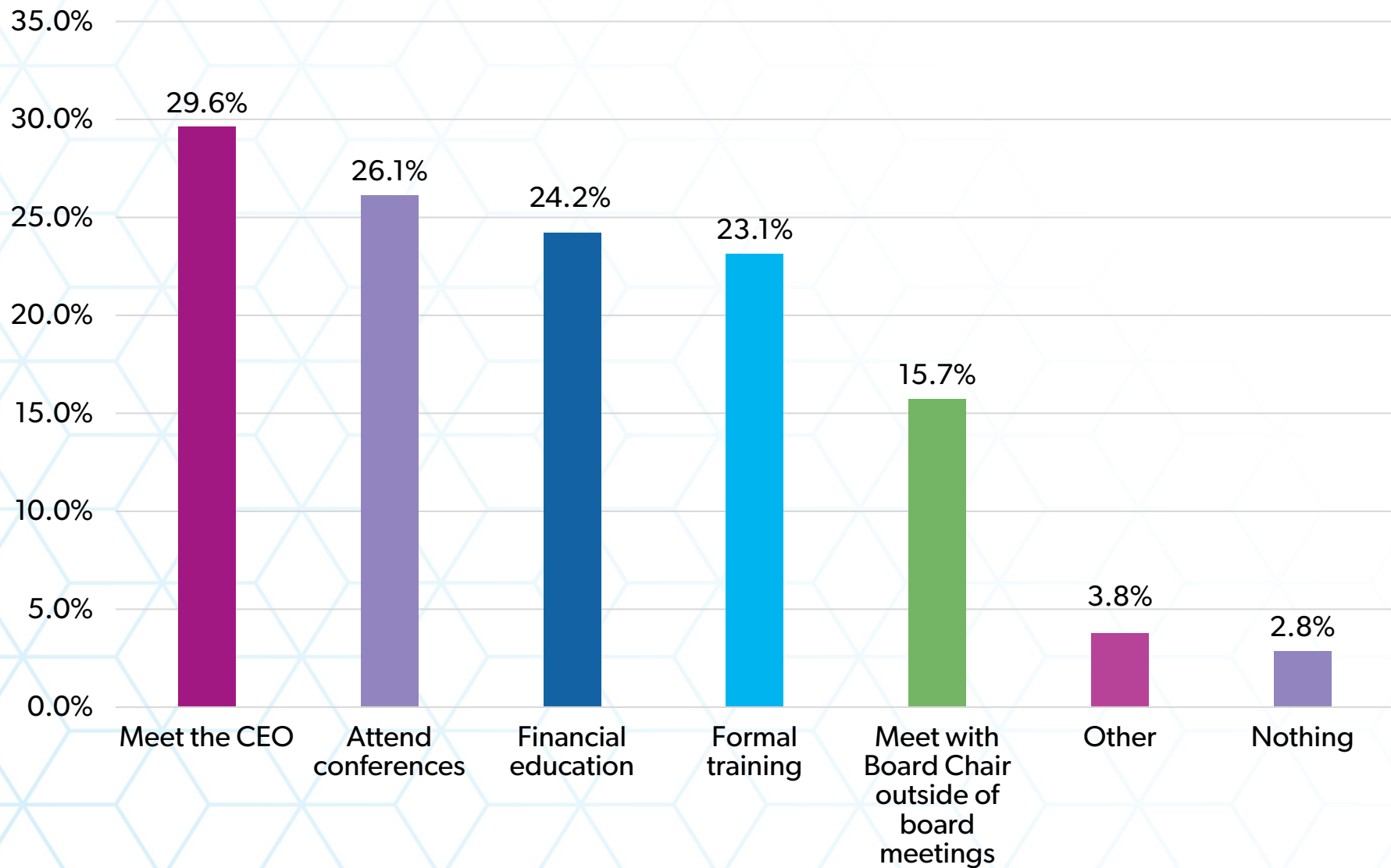
### How long did it take to recruit your newest Board member?







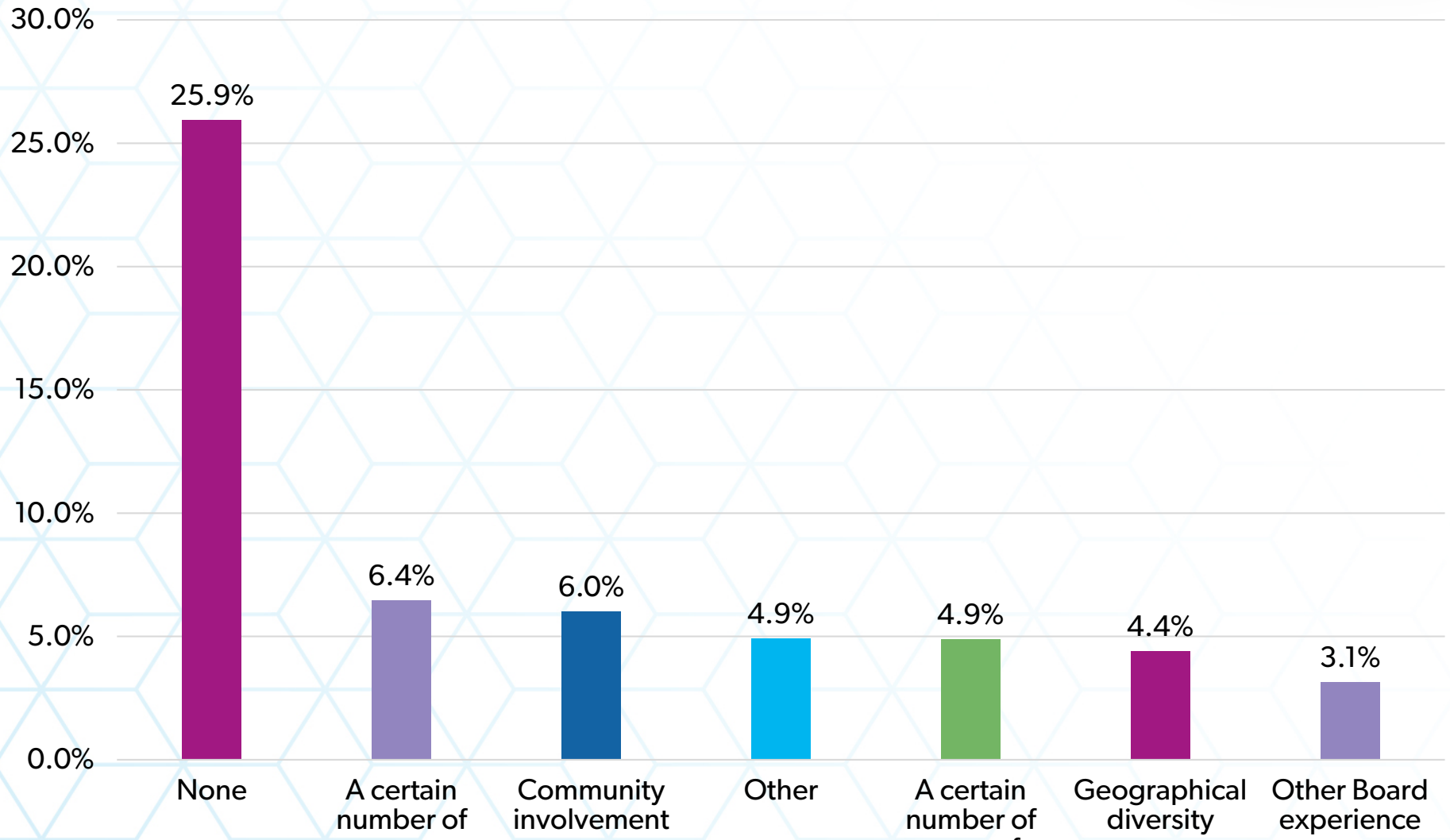
### What does a new Board member typically do in their first year in addition to the activities of other Board members?



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



### Do your Board members have to satisfy any of the following criteria?



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

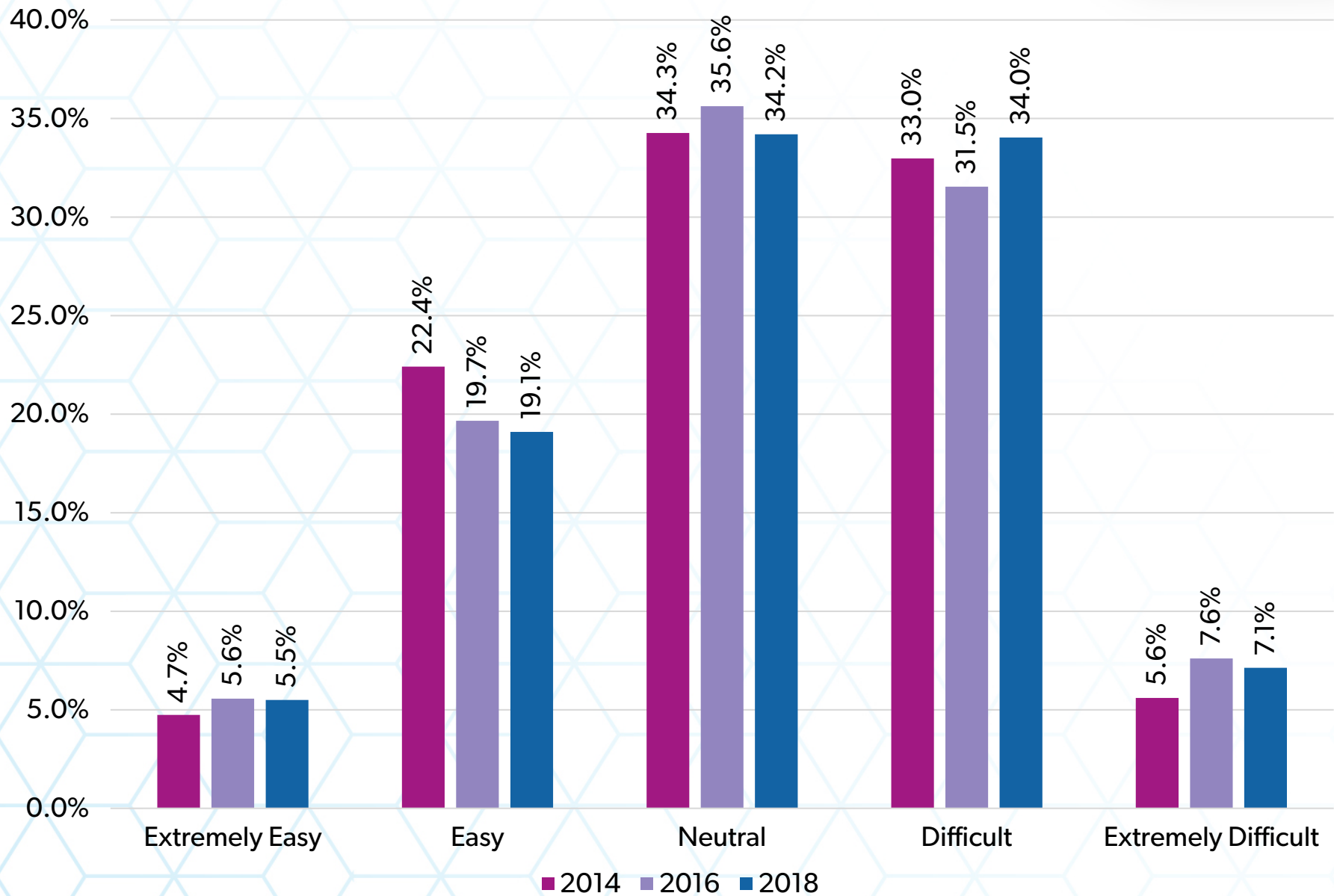


### When looking for your next new Board member, which of the following are you looking for?





### How difficult is it to recruit new Board Members?

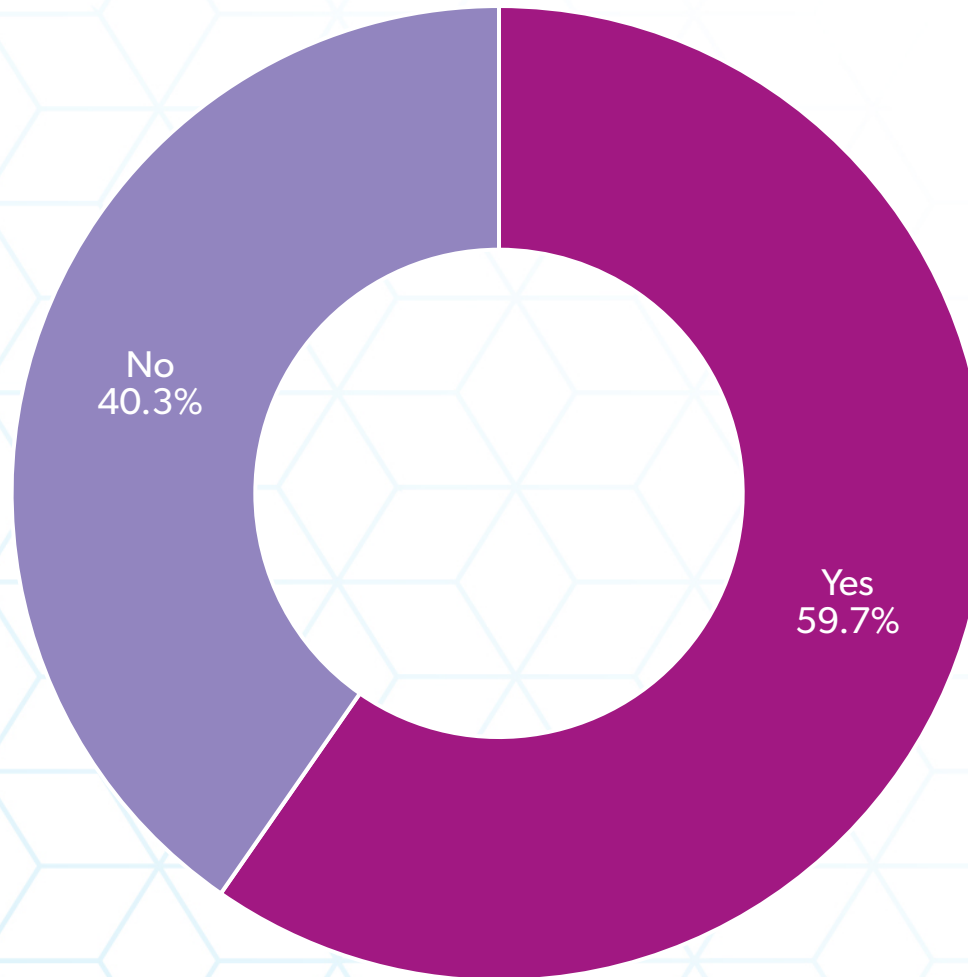




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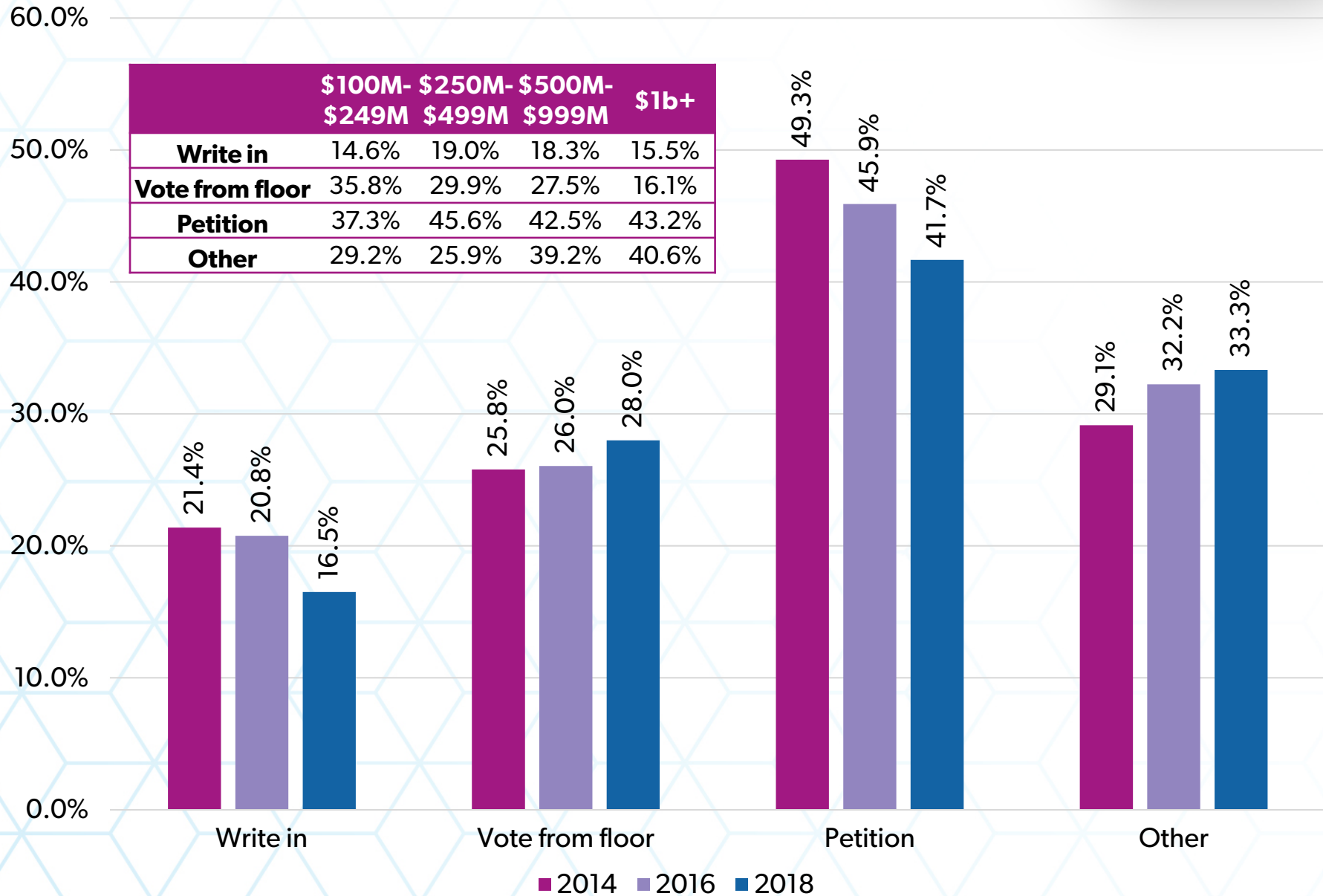
**Board Survey  
Results 2018**

### **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.



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**Board Survey  
Results 2018**

# Board Compensation

*Section Six*



## Board Compensation

The topic of board compensation remains a controversial one. Some believe that reasonable and competitive board compensation enhances a credit union's ability to attract and retain well-qualified individuals and is ultimately in the best interests of the member. Others feel that offering compensation for these once strictly voluntary positions goes against the very nature of a cooperative movement. Regulations are also changing, with a growing number of states now permitting credit unions to offer monetary compensation to their board members, and more credit unions opting to do so.

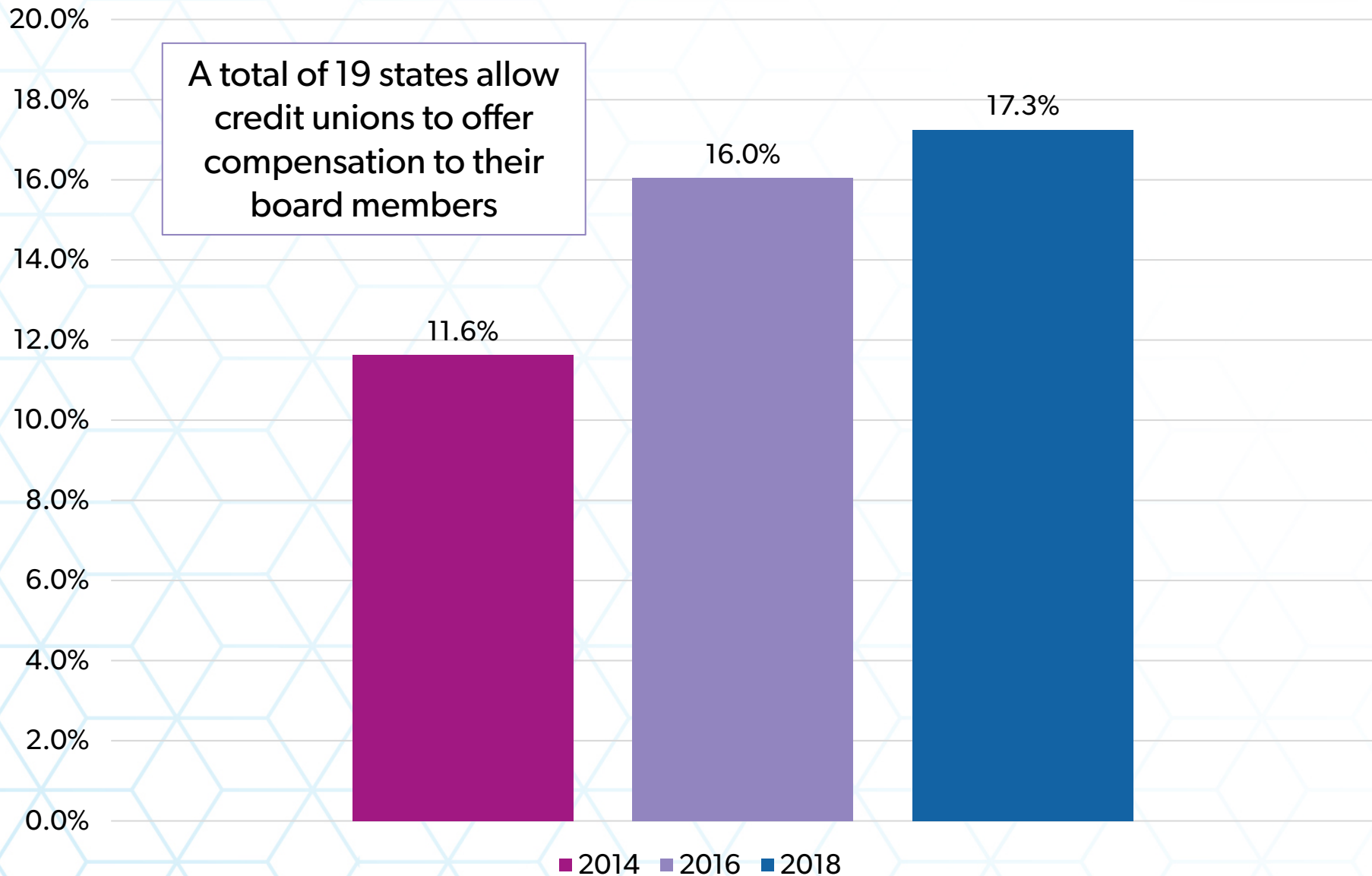
Among state chartered credit unions, 17.3% compensate board members. This includes 14% of credit unions in the \$100 million to \$249 million asset group and 27% of credit unions in the \$1 billion plus asset group. Payment arrangements vary considerably by credit union, with 40% electing to pay a meeting fee, and the remaining 60% electing to pay a monthly stipend. Structuring compensation through a monthly stipend is increasing in popularity, while meeting fees are becoming less prevalent. Typical dollar amounts also varied by credit union and position. Board chairs often received extra compensation due to their increased responsibilities. The average meeting fee for the chairperson was \$908 per meeting and the average monthly stipend reported was \$2,424 per month. Board members other than the chair received an average of \$553 per meeting, while those with a monthly stipend structure reported an average of \$1,276 per month. More than 65% of credit unions feel their board compensation structures are competitive, and 35% of credit unions with more than \$1 billion in assets use a third party to decide on their board compensation.

Providing some form of insurance, either combined with monetary compensation or in lieu of monetary compensation, is common practice across all credit unions, with more than 80% of credit unions reporting they do so. About 11% of credit unions with more than \$1 billion in assets offer health insurance to their directors, while among credit unions with less than \$1 billion in assets it is less prevalent. 77% of credit unions also provide their board members with technology devices, with 61% providing iPads, and a further 18% providing laptops to board members. There was variability in terms of asset size, with larger credit unions more likely to provide iPhones, iPads, and laptops than smaller credit unions.



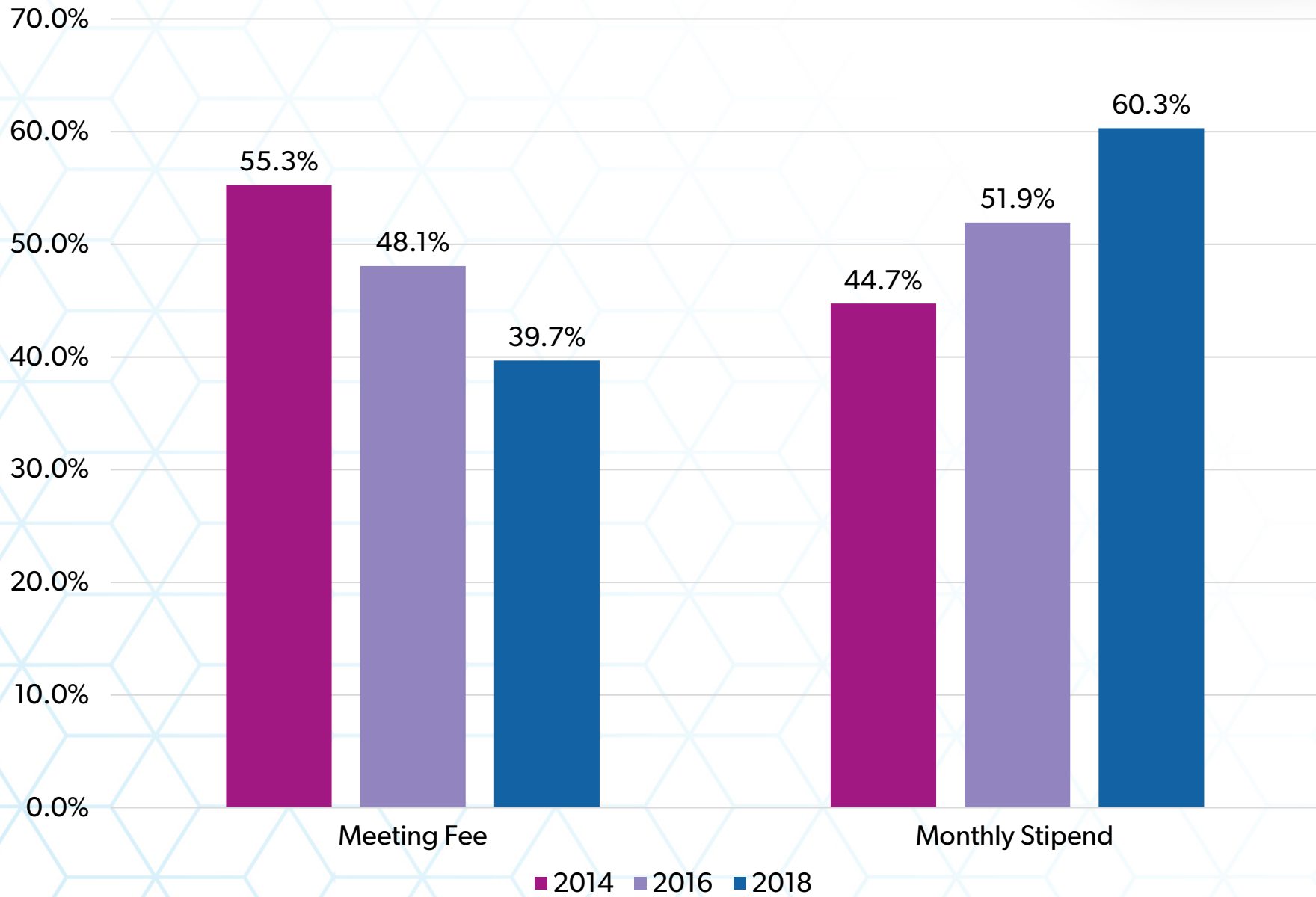


### State chartered credit unions that compensate any Board members





### Is compensation paid per meeting or as a monthly stipend?



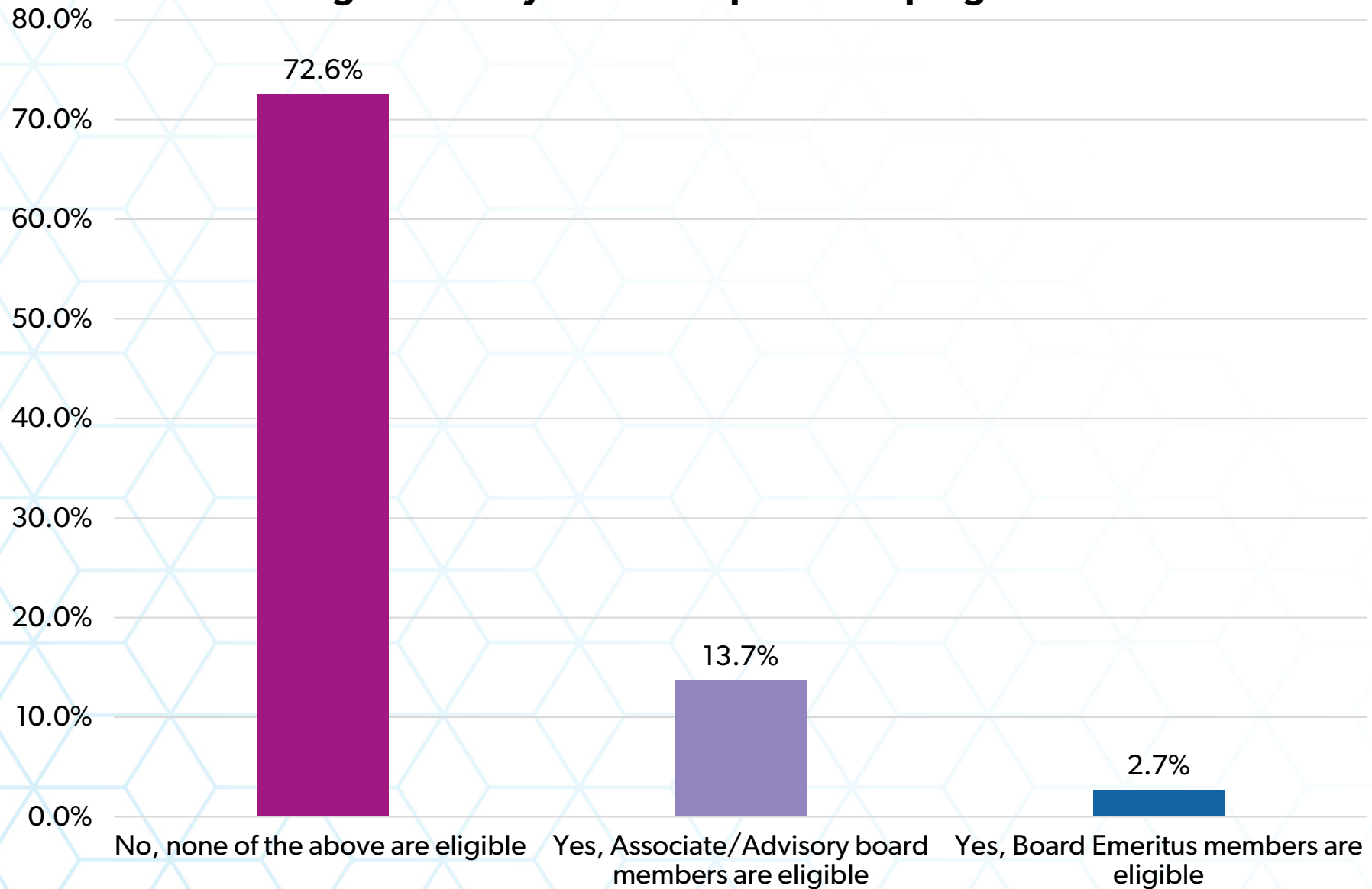


There is considerable variation in board compensation among credit unions and credit unions report compensation on a per meeting basis, as a monthly stipend, or an hourly rate. Compensation also varies by Board position.

	Per Meeting			Per Month			Per Hour		
	Min	Mean	Max	Min	Mean	Max	Min	Mean	Max
<b>Chair</b>	\$125	\$908	\$3,000	\$415	\$2,424	\$12,500	\$30	\$53	\$75
<b>Vice Chair</b>	\$75	\$770	\$2,000	\$240	\$2,199	\$11,250	\$15	\$23	\$30
<b>Secretary</b>	\$50	\$767	\$2,000	\$240	\$1,163	\$2,000	\$30	\$30	\$30
<b>Treasurer</b>	\$50	\$505	\$1,250	\$100	\$1,013	\$2,000	\$25	\$28	\$30
<b>Director</b>	\$15	\$553	\$1,500	\$70	\$1,276	\$10,000	\$30	\$30	\$30



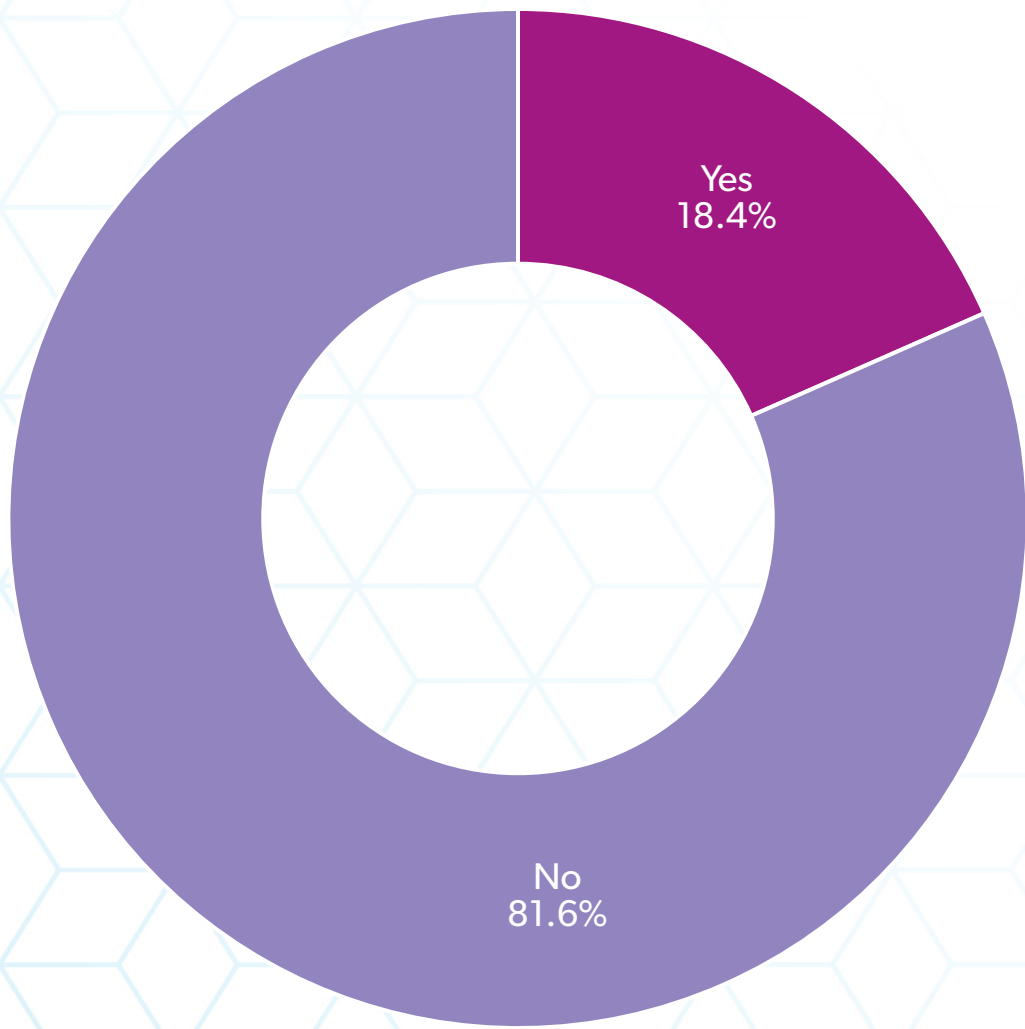
**If you have Associate/Advisory or Emeritus directors, are they eligible for any Board compensation programs?**





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**Do you use a third party firm to decide on Board compensation?**

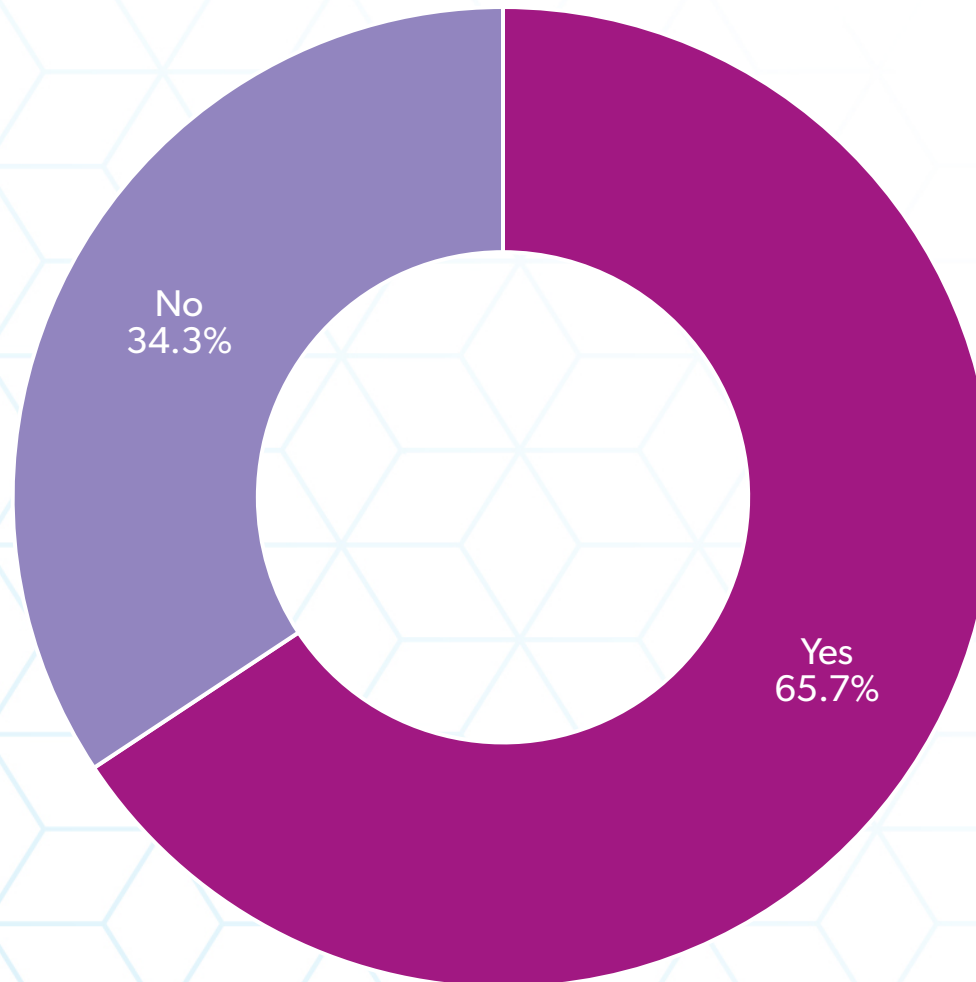




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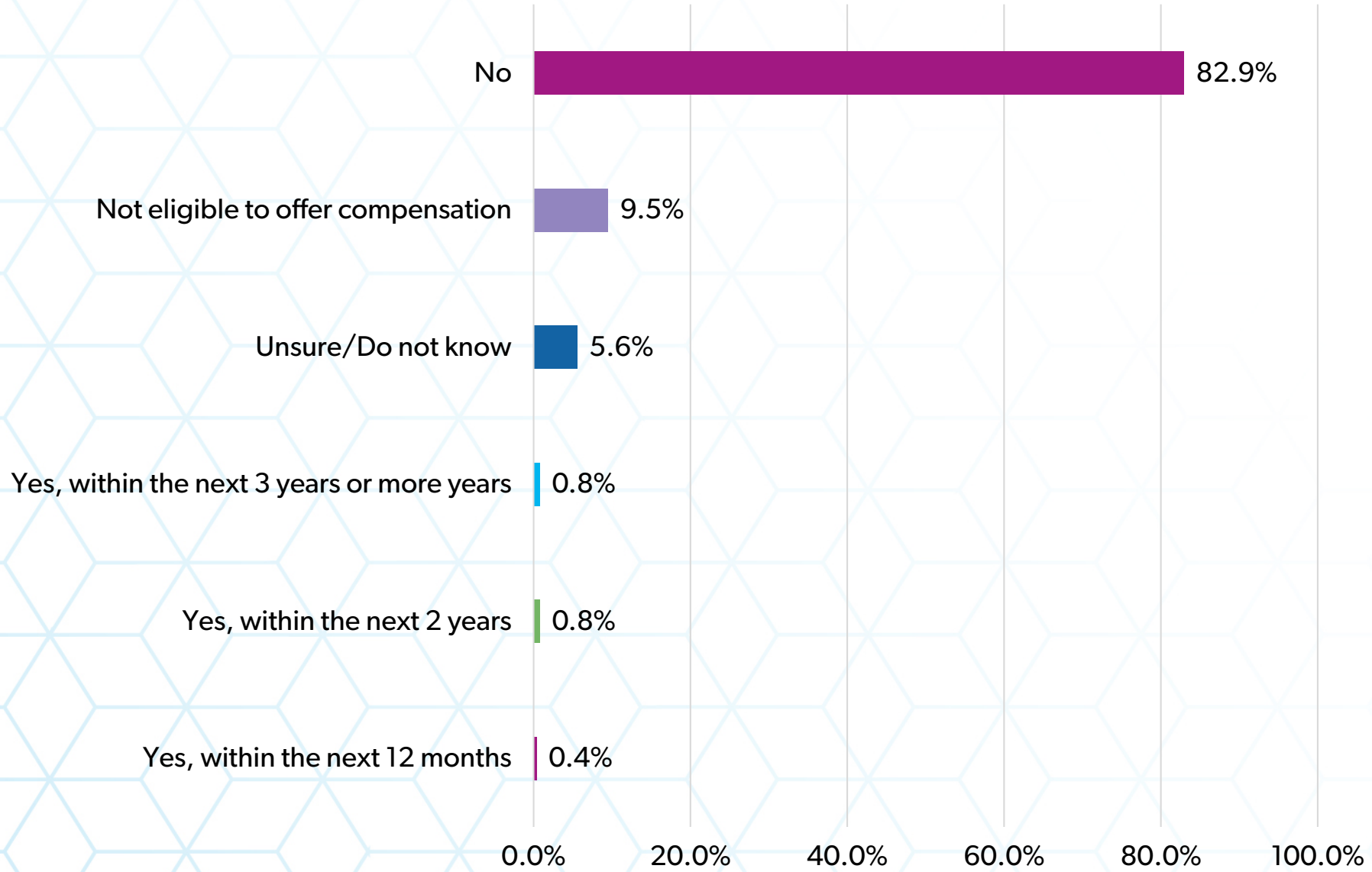
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**Do you feel your current Board compensation structure is competitive?**



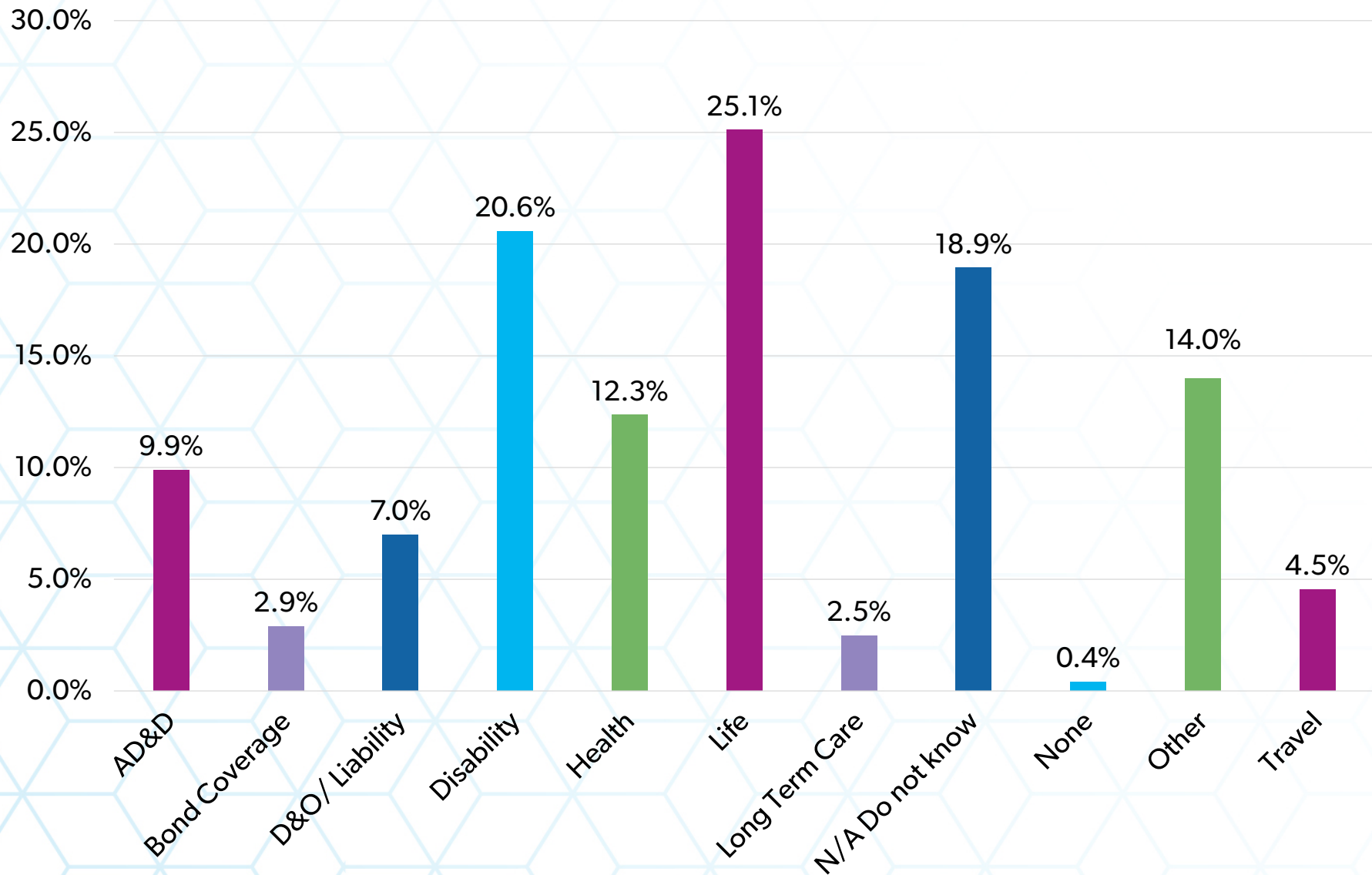


### Do you have plans to implement a compensation plan for Board members?





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

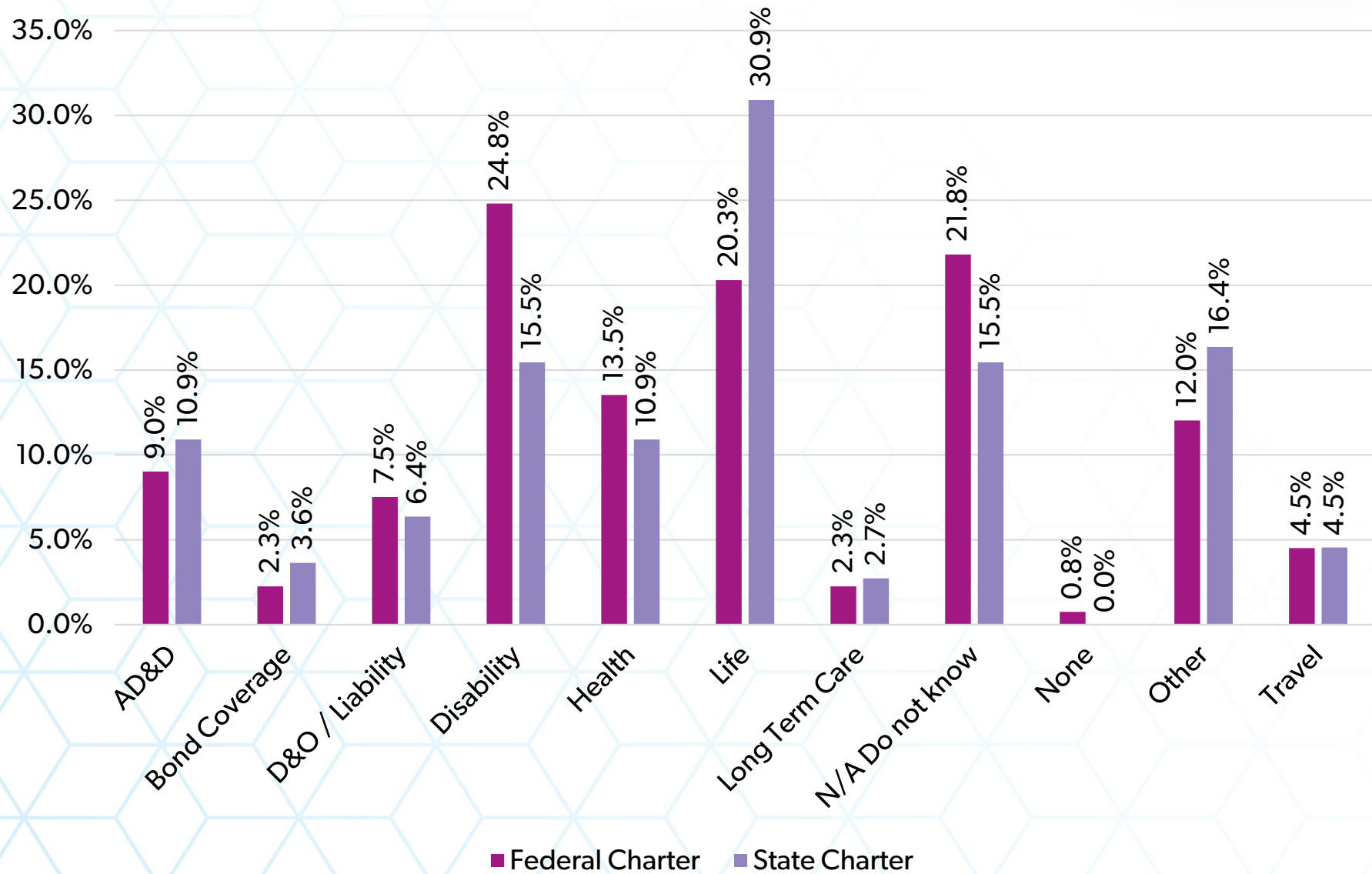


Percentages may equal more than 100% due to the option to select multiple answers.





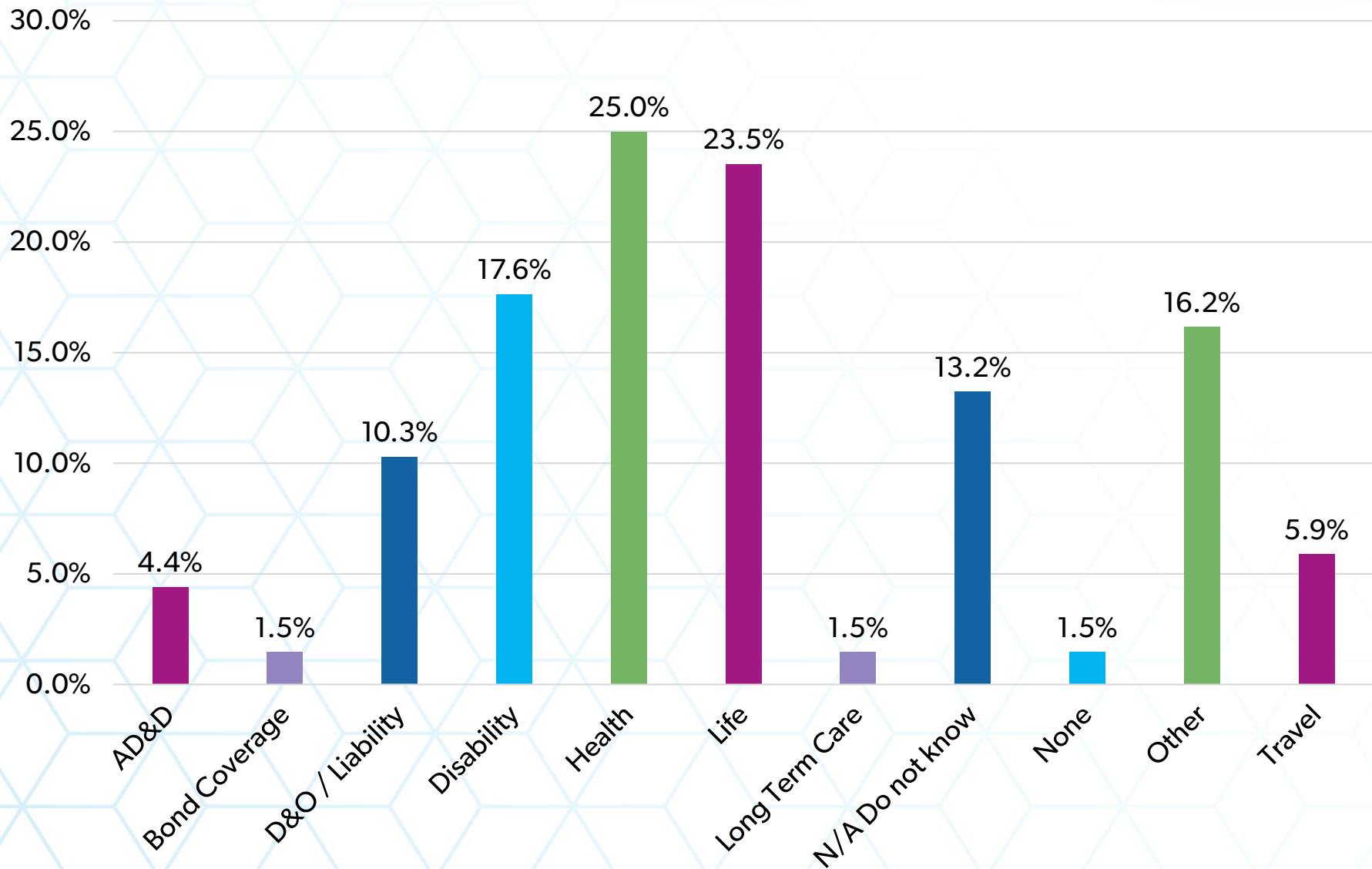
### Insurance provided by charter type (excluding E&O)



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



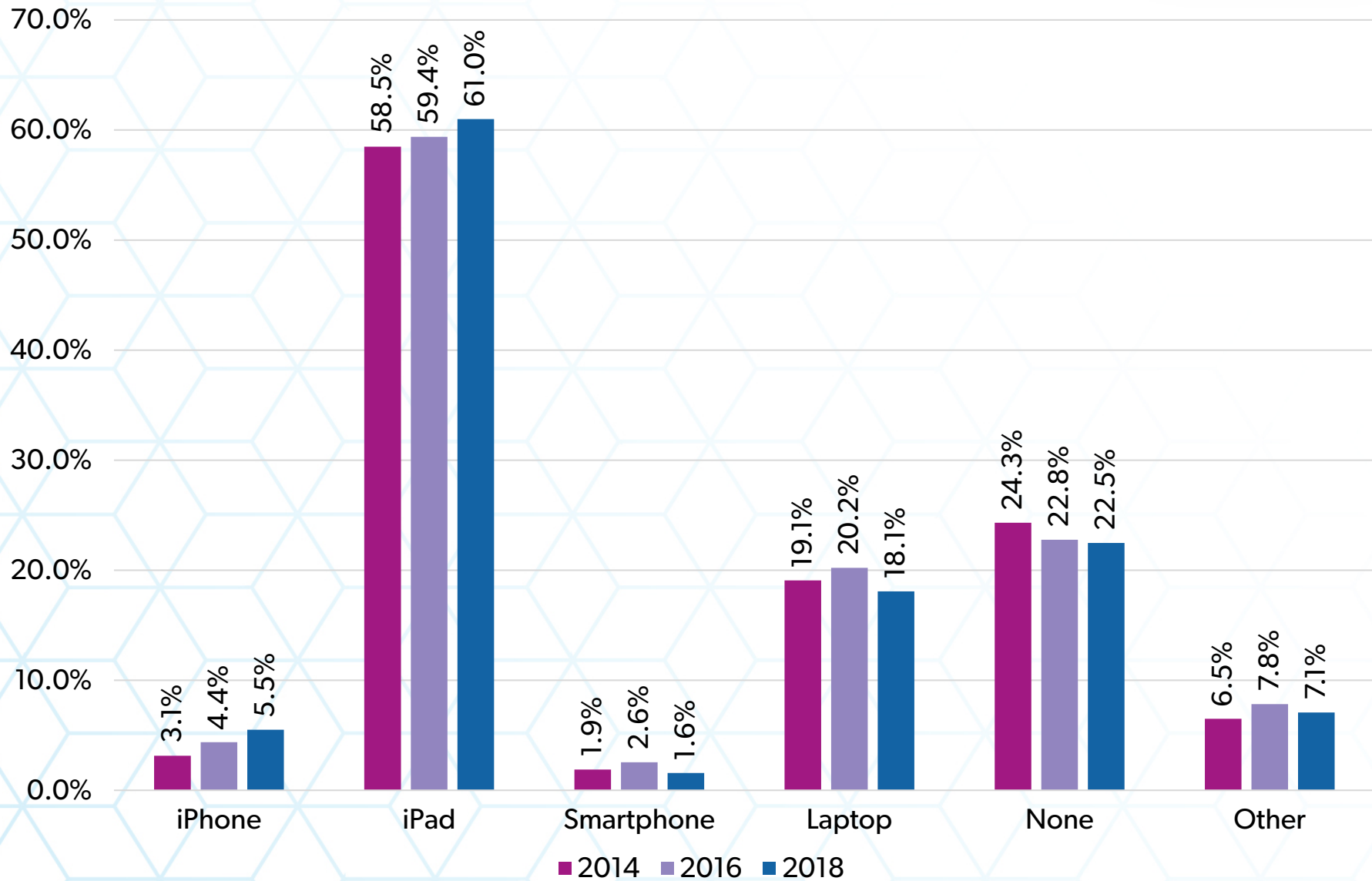
### Insurance policies offered to Board members at credit unions \$1b+ (excluding E&O)



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



### Do you provide Board members with any of the following technology devices?



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



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# Board Habits of Effective Credit Unions

*Section Seven*



## Board Habits of Effective Credit Unions

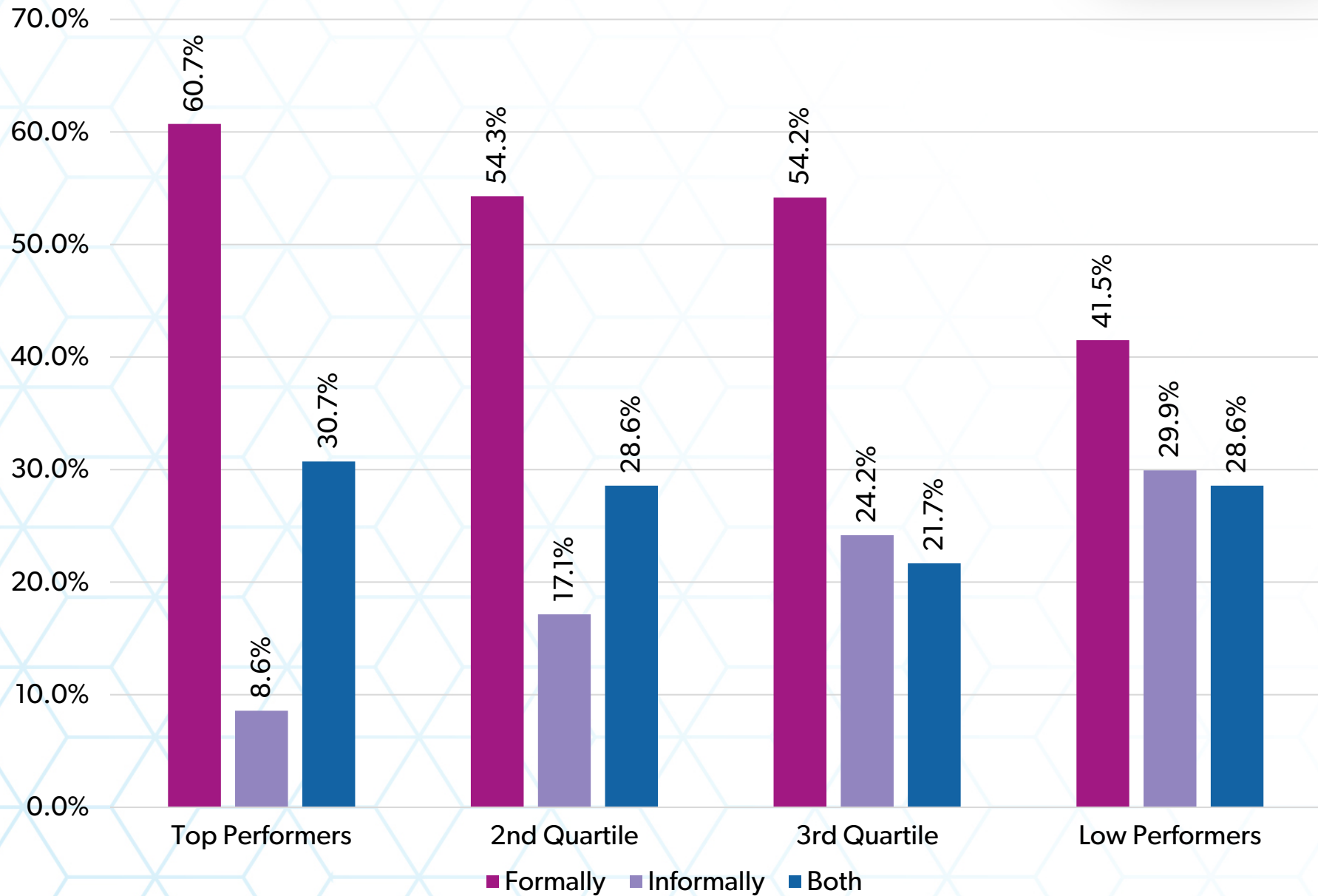
While there are many factors that contribute to success, through this study we attempt to identify trends and governance practices that support strong performance over time. This section sheds light on the governance practices of credit unions with strong financial performance. D. Hilton Associates assigned each credit union to a performance quartile based on ROA, loan growth, share growth, and member growth and then examined the results of the 2018 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 almost twice as likely as low performing credit unions to include strategic planning related discussions in their regular board meetings. Top performers were also significantly more likely to utilize a board governance model evidenced by 45%, compared to only 35% among low performers. Board evaluation also increases along with performance quartile: 35% of credit unions in the top performance group report that the board of directors evaluates itself on an annual basis and 64% of low performers report the board never evaluates themselves. Top performers are also more likely to utilize a formal evaluation process or combination, while low performers were more likely to use an informal evaluation process. Top performers are more likely to mandate rotation of officer positions and have a formal process in place for recruiting new board members.

Evaluation of the CEO is also a more frequently reported practice by top performers. Almost 61% of top performers report formally evaluating the CEO, compared to only 42% of low performers. Low performers are also more likely to have subjective categories make up a larger part of the CEO evaluation. Almost 30% of low performers report that more than 75% of the CEO evaluation is made up of subjective categories, compared to only 8% of the top performers. 88% of top performers have an annual bonus/incentive plan in place for the CEO, compared to 71% of low performers.

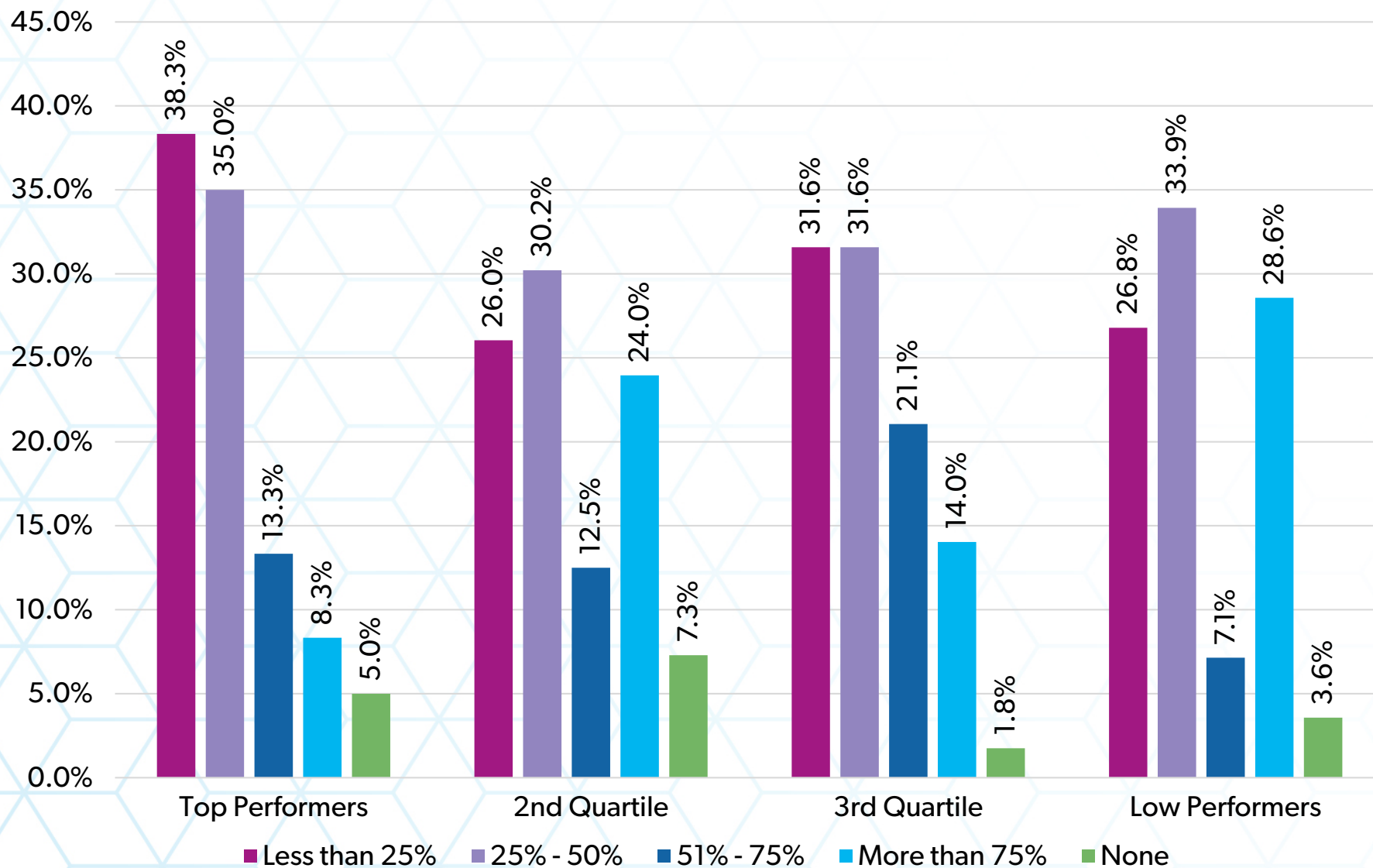


### How is the CEO evaluated?



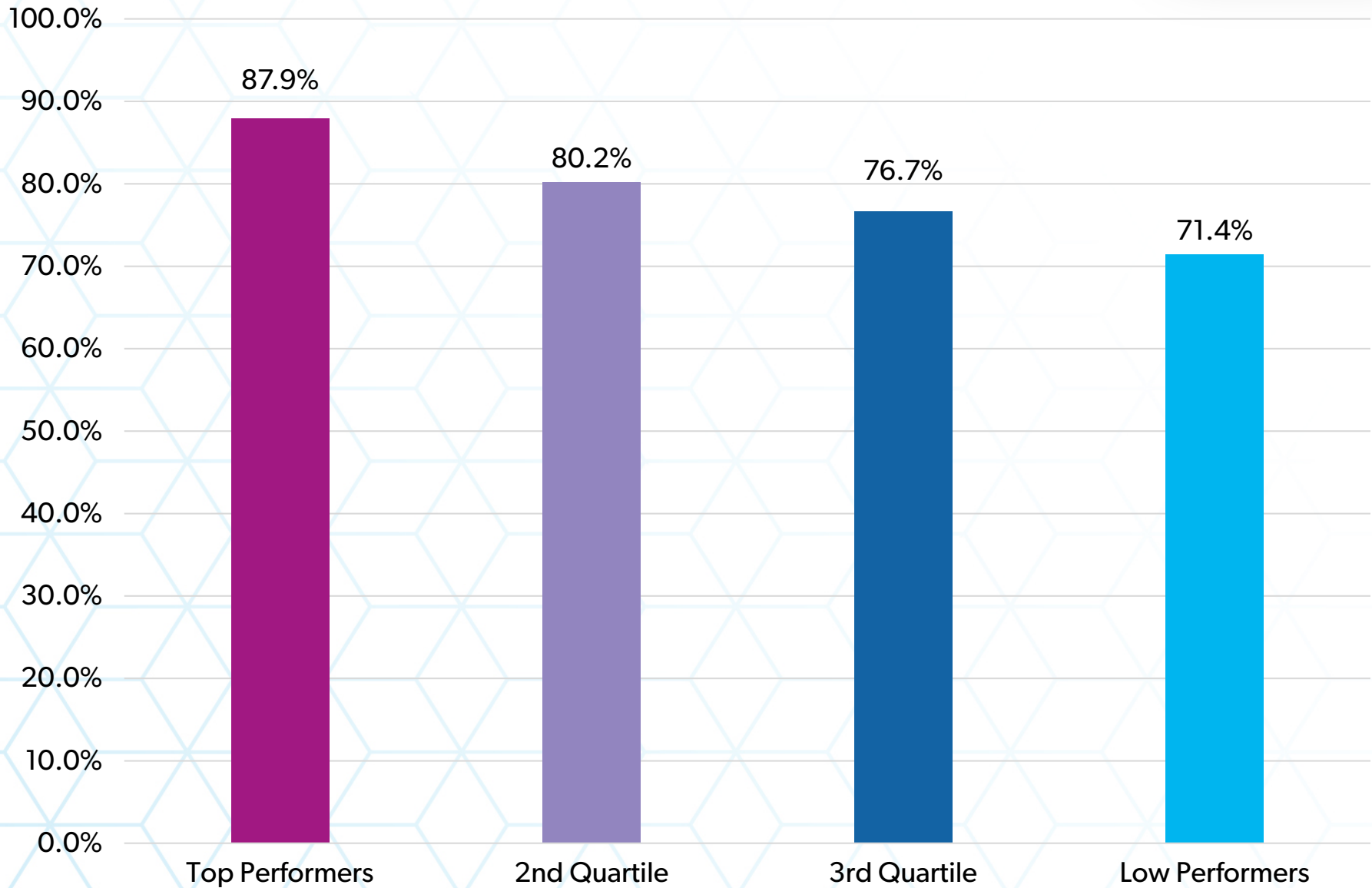


### What percentage of the CEO evaluation is made up of subjective categories?





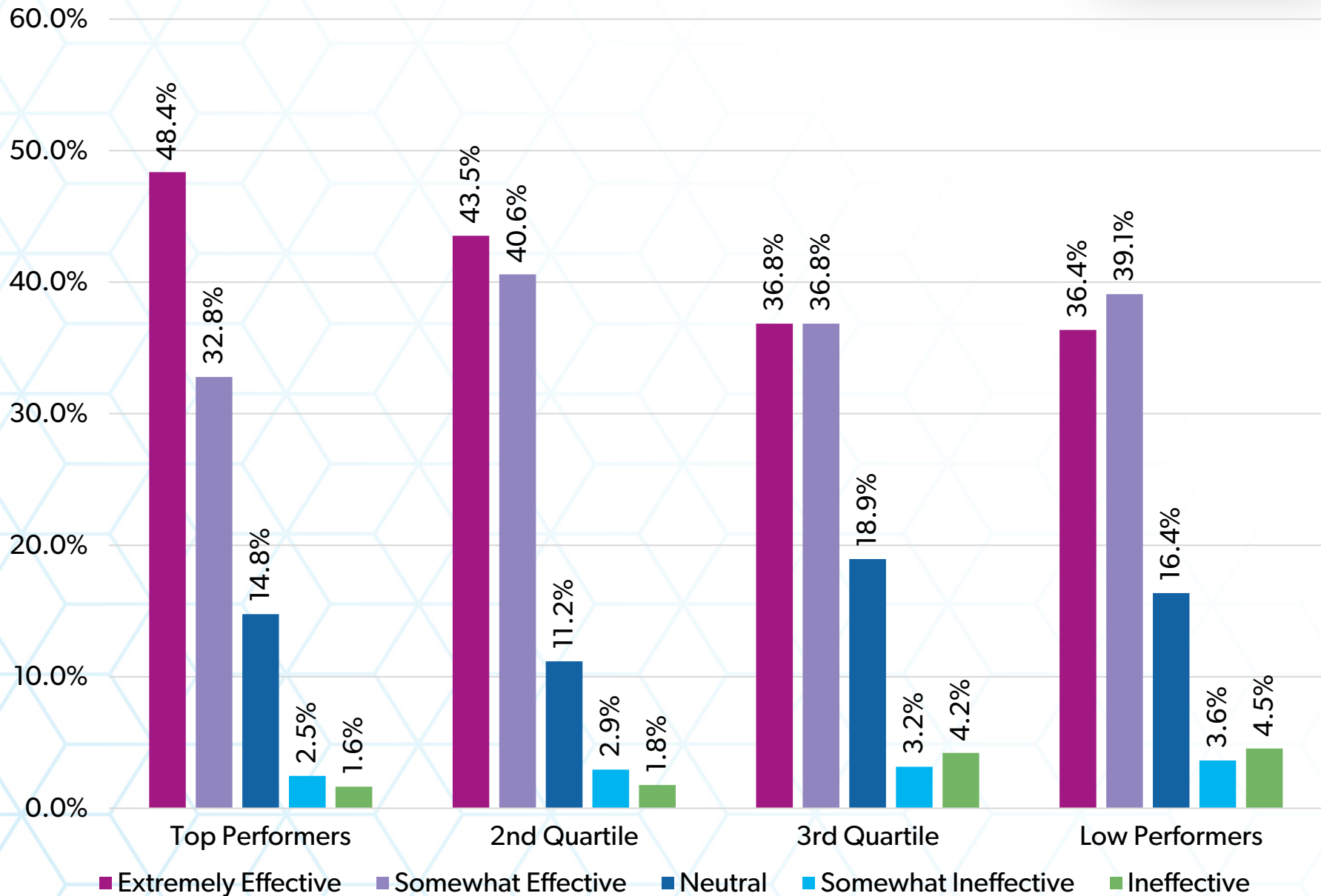
### CEOs with an annual bonus/incentive plan







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

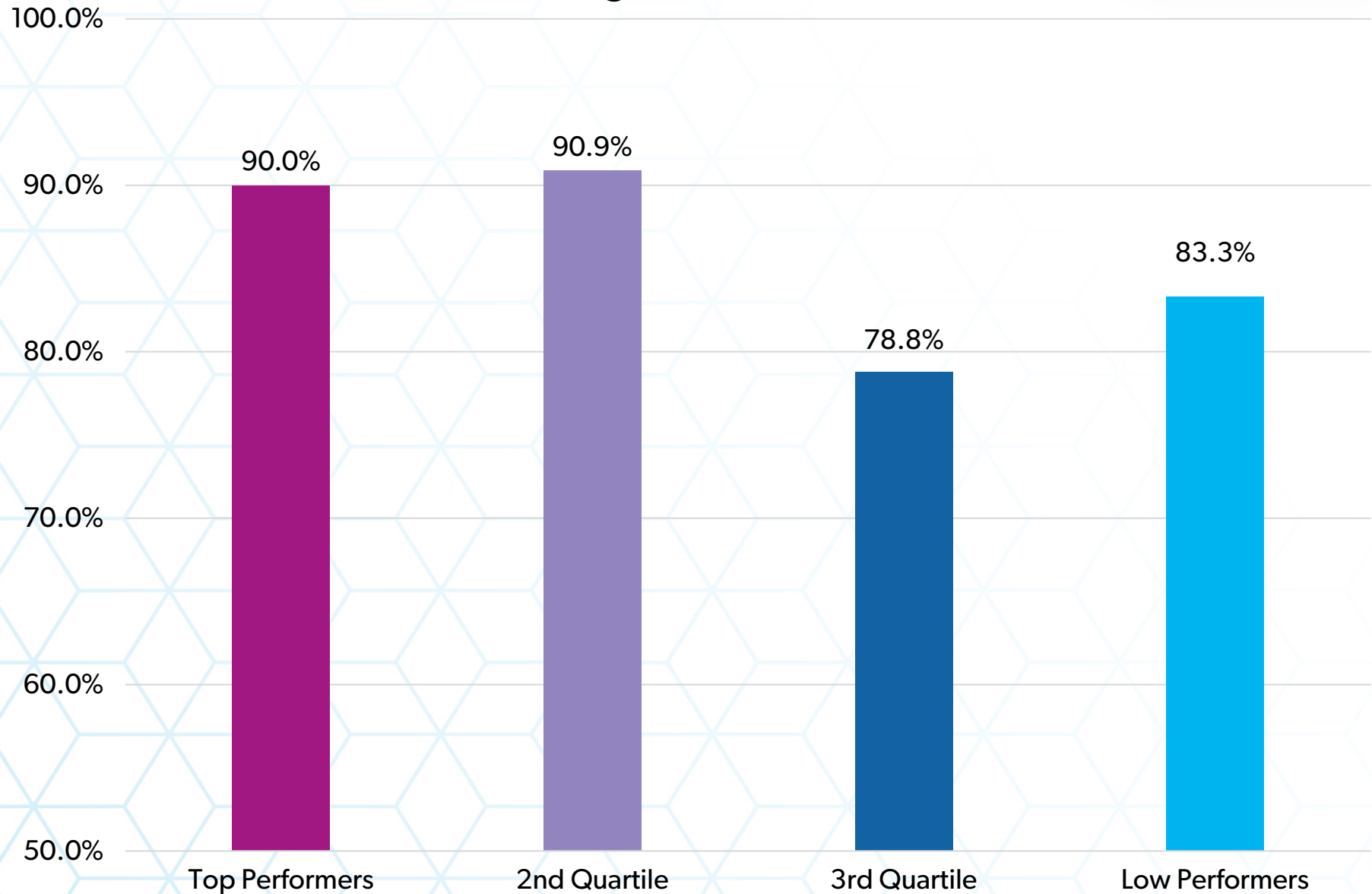




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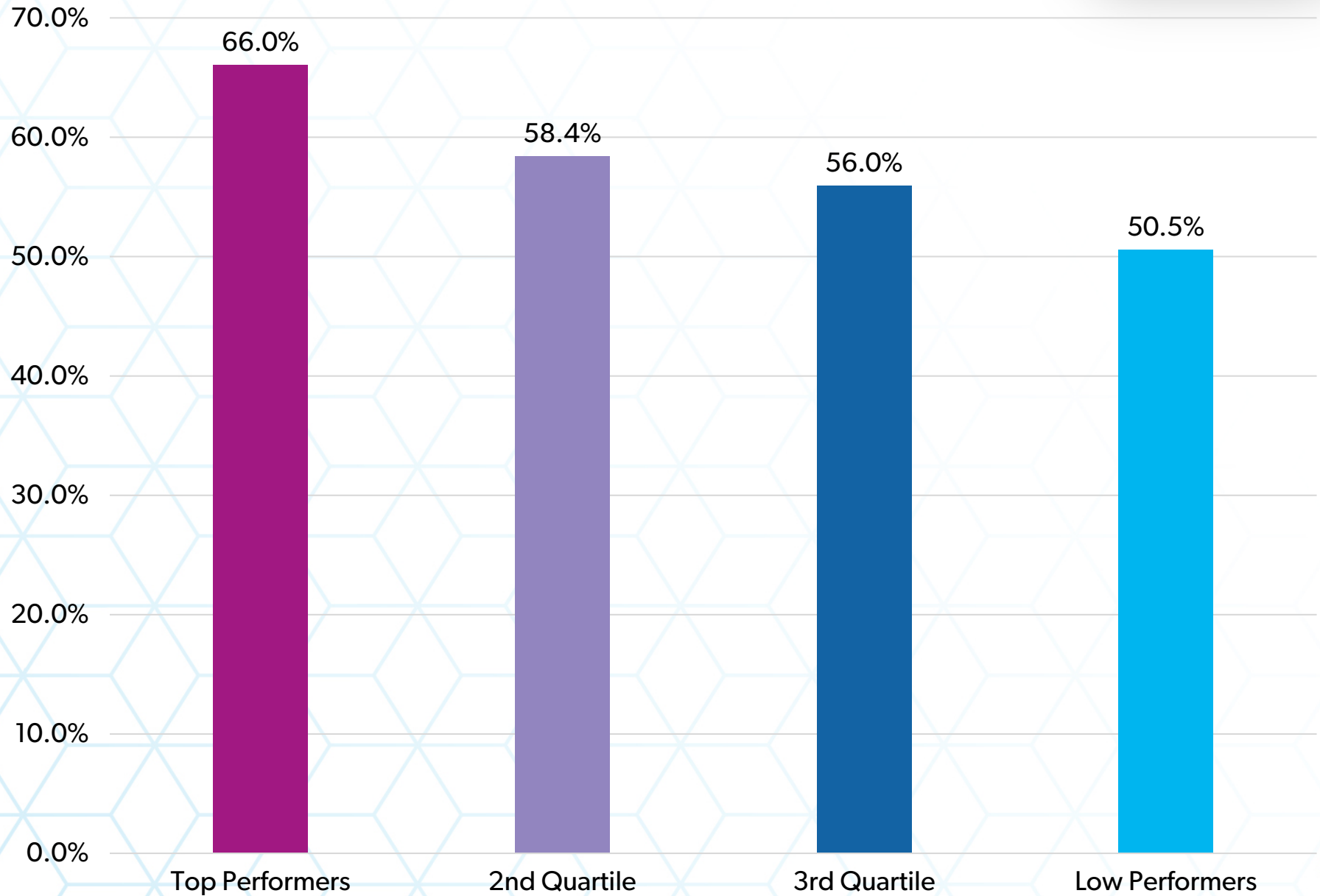
### Is the CEO incentive plan tied directly to annual goals and metrics?





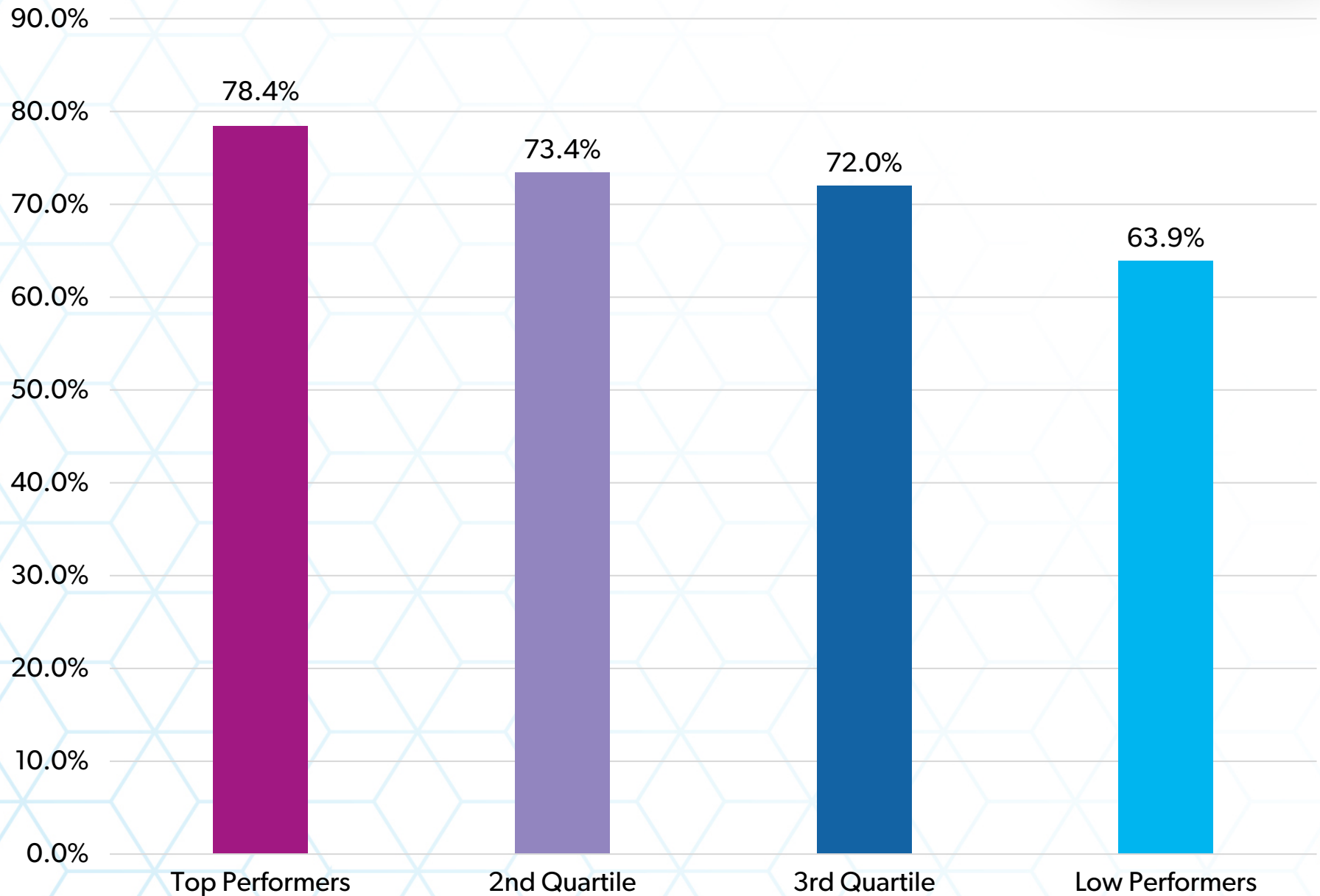
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### CEOs with a 457(f) SERP



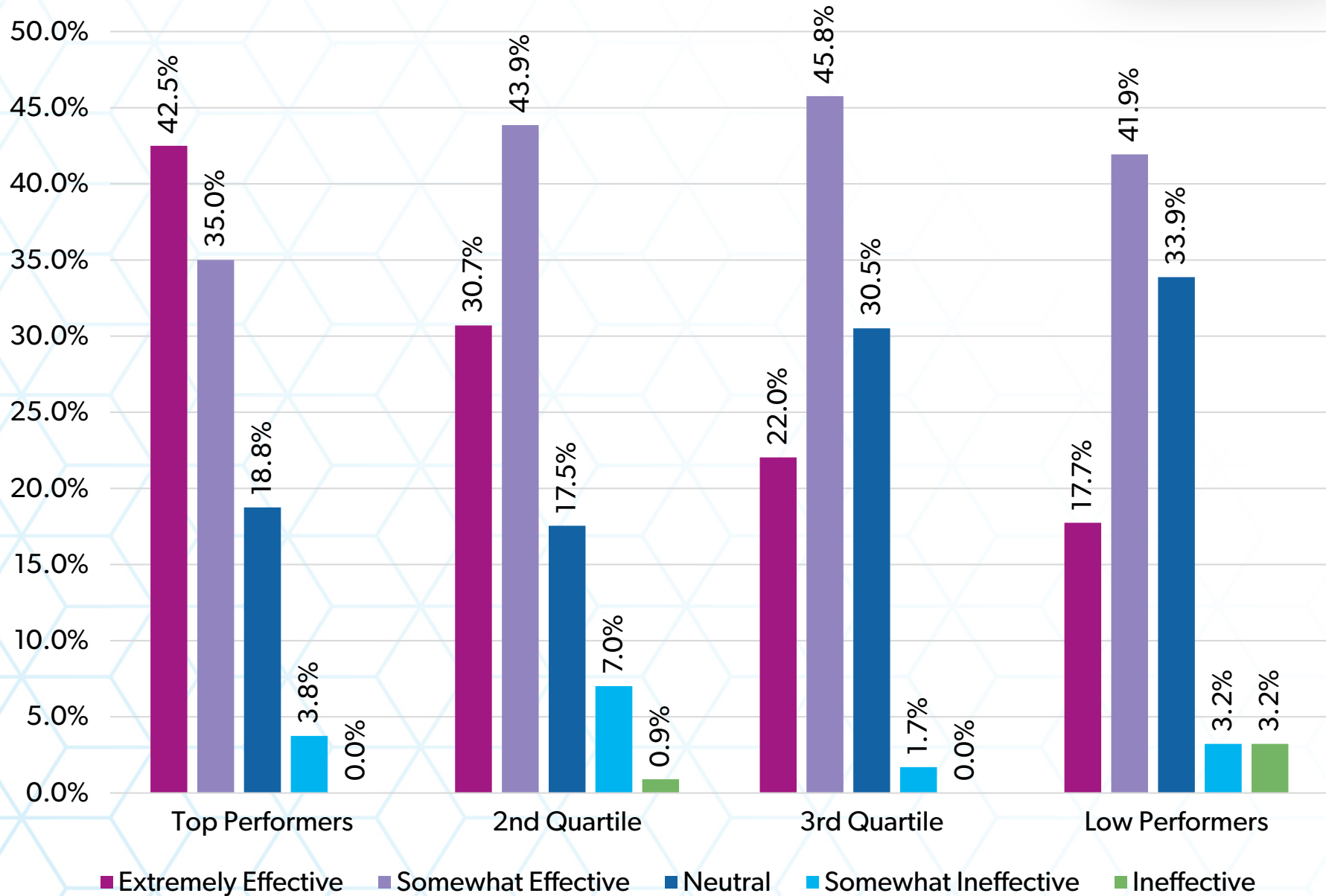


### Credit unions with a formal succession plan for the CEO



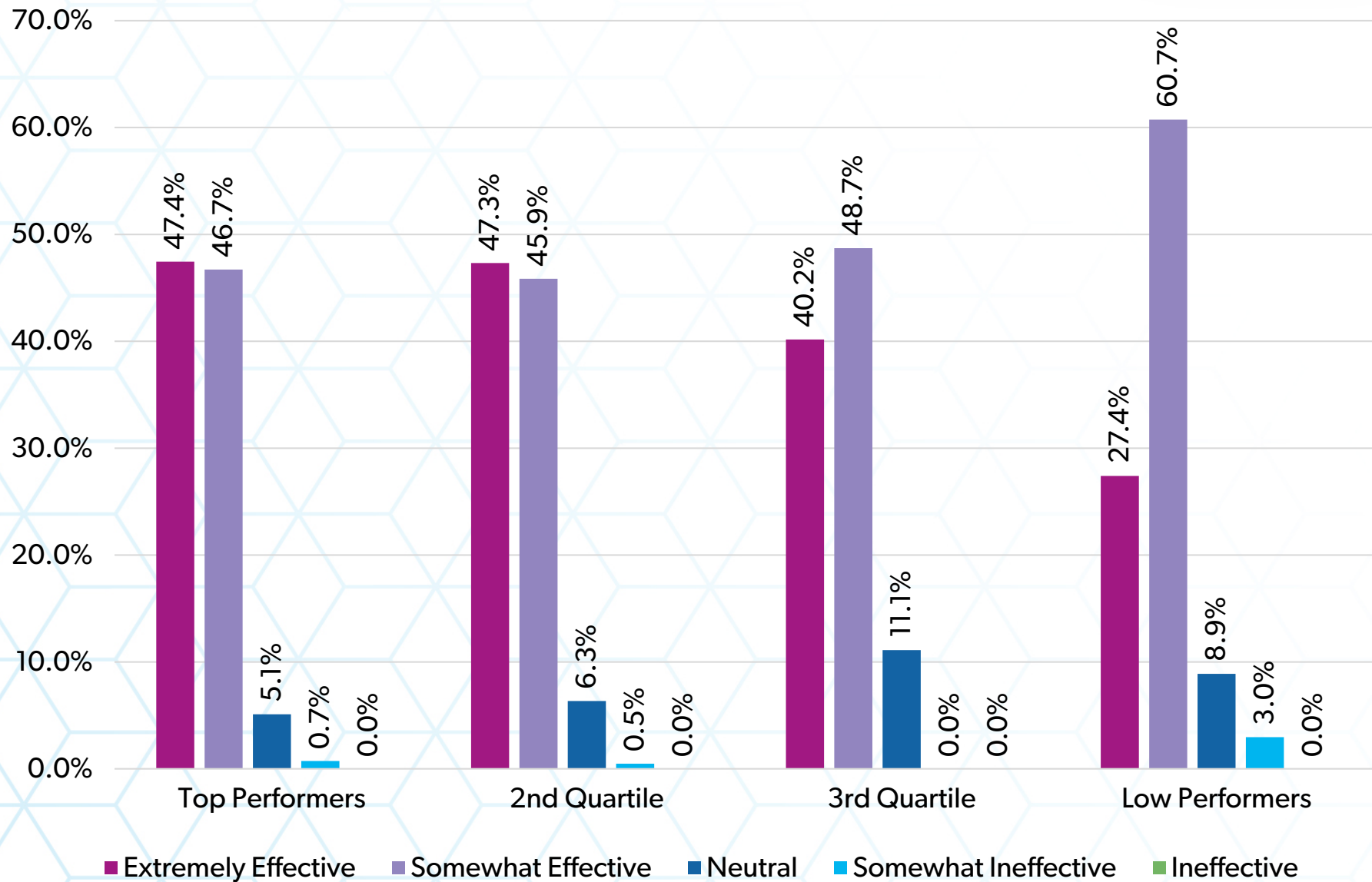


### How effective is the succession plan for the CEO?



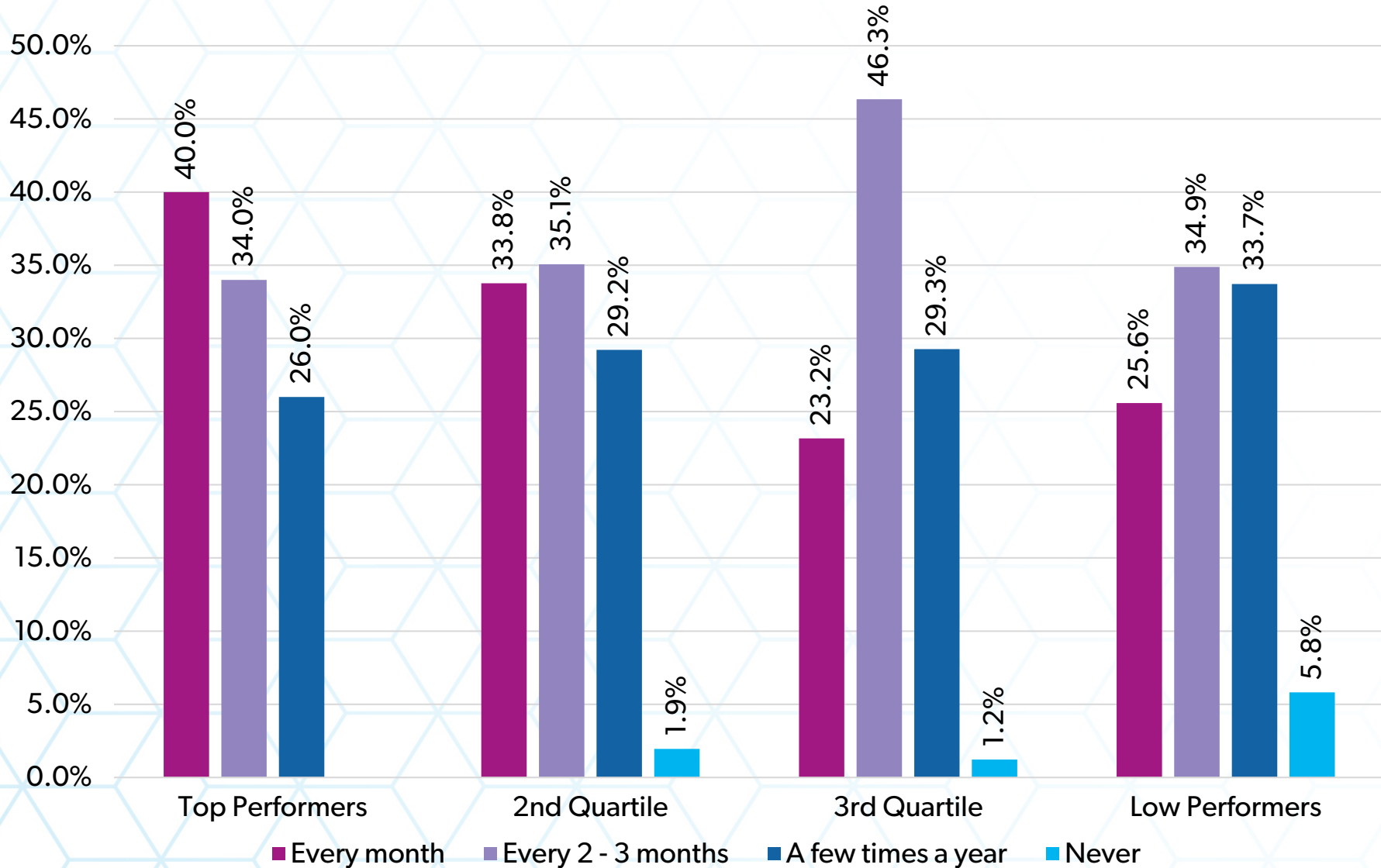


### How do you rate the effectiveness of your strategic planning sessions?





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

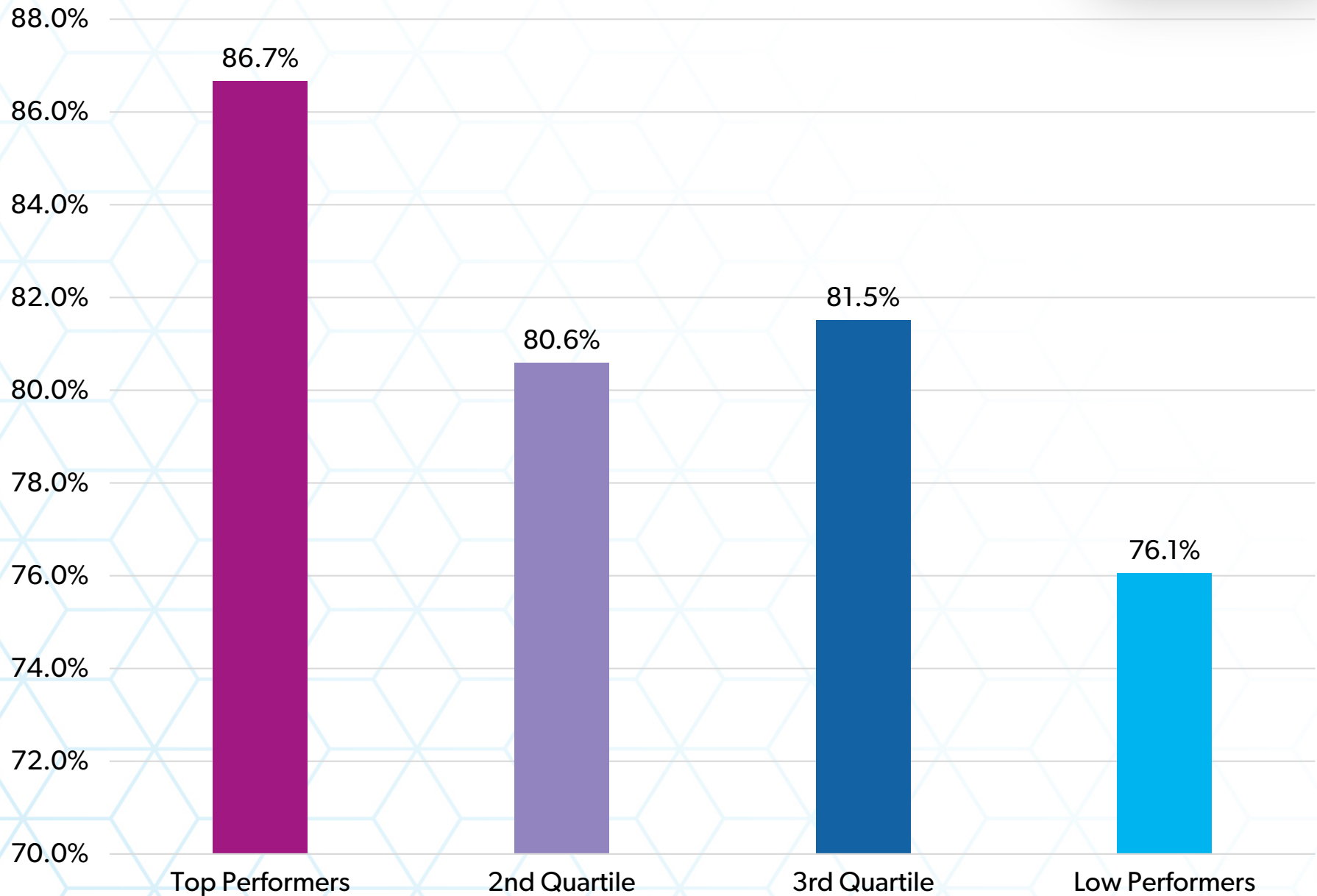




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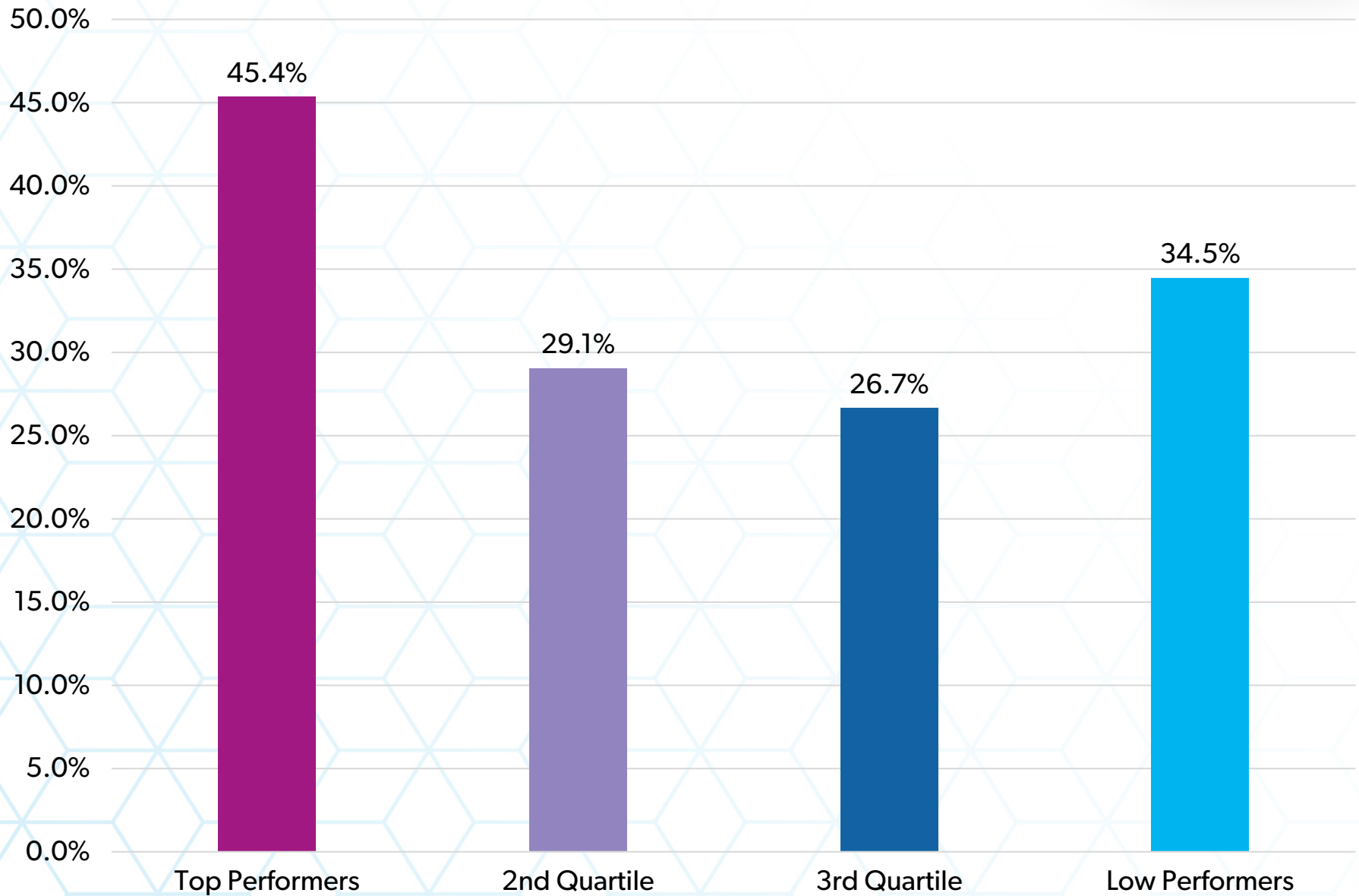
### Boards that use a consent agenda





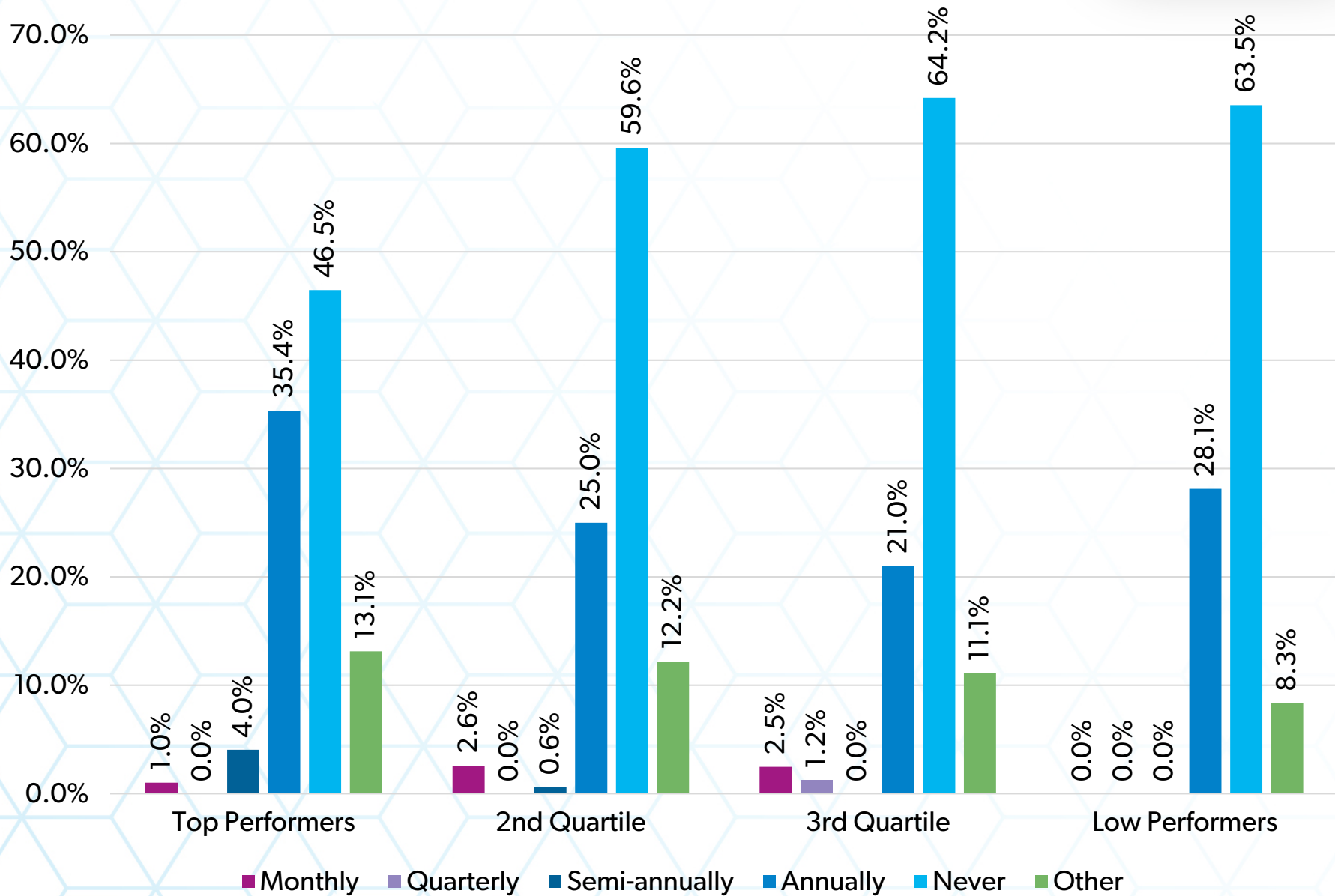


### Credit unions that utilize a board governance model



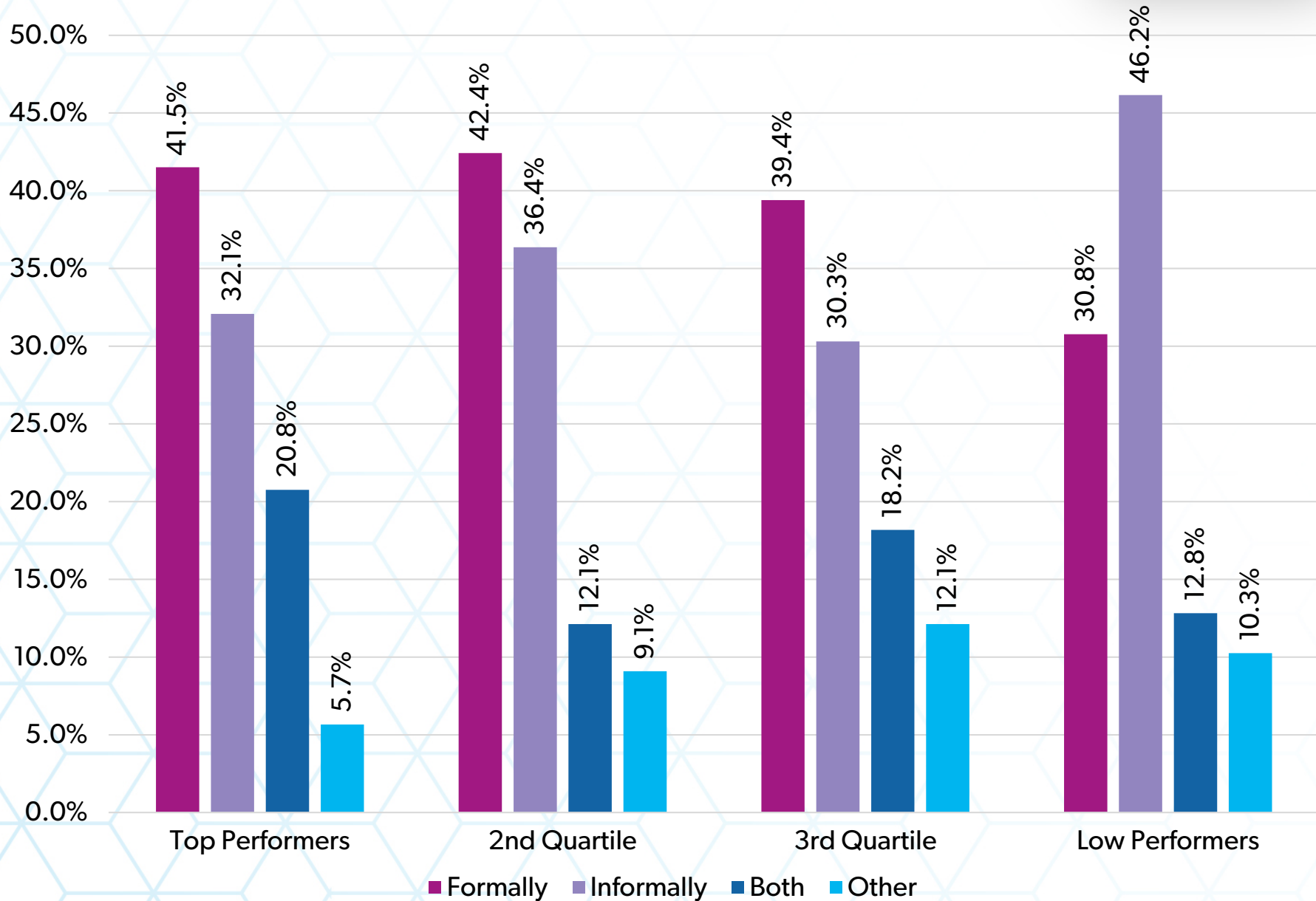


### How often does the Board evaluate itself?



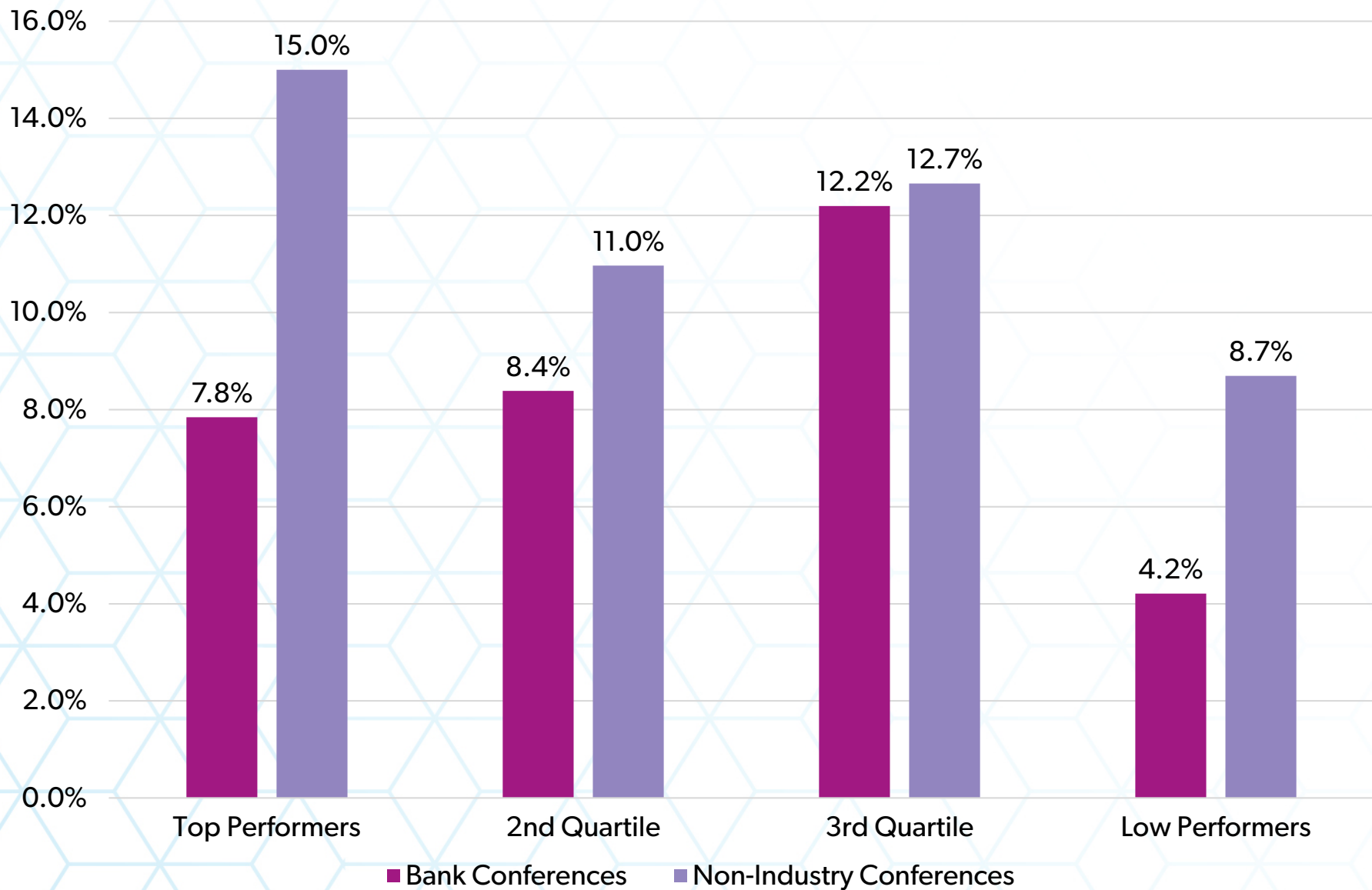


### How is the Board evaluated?



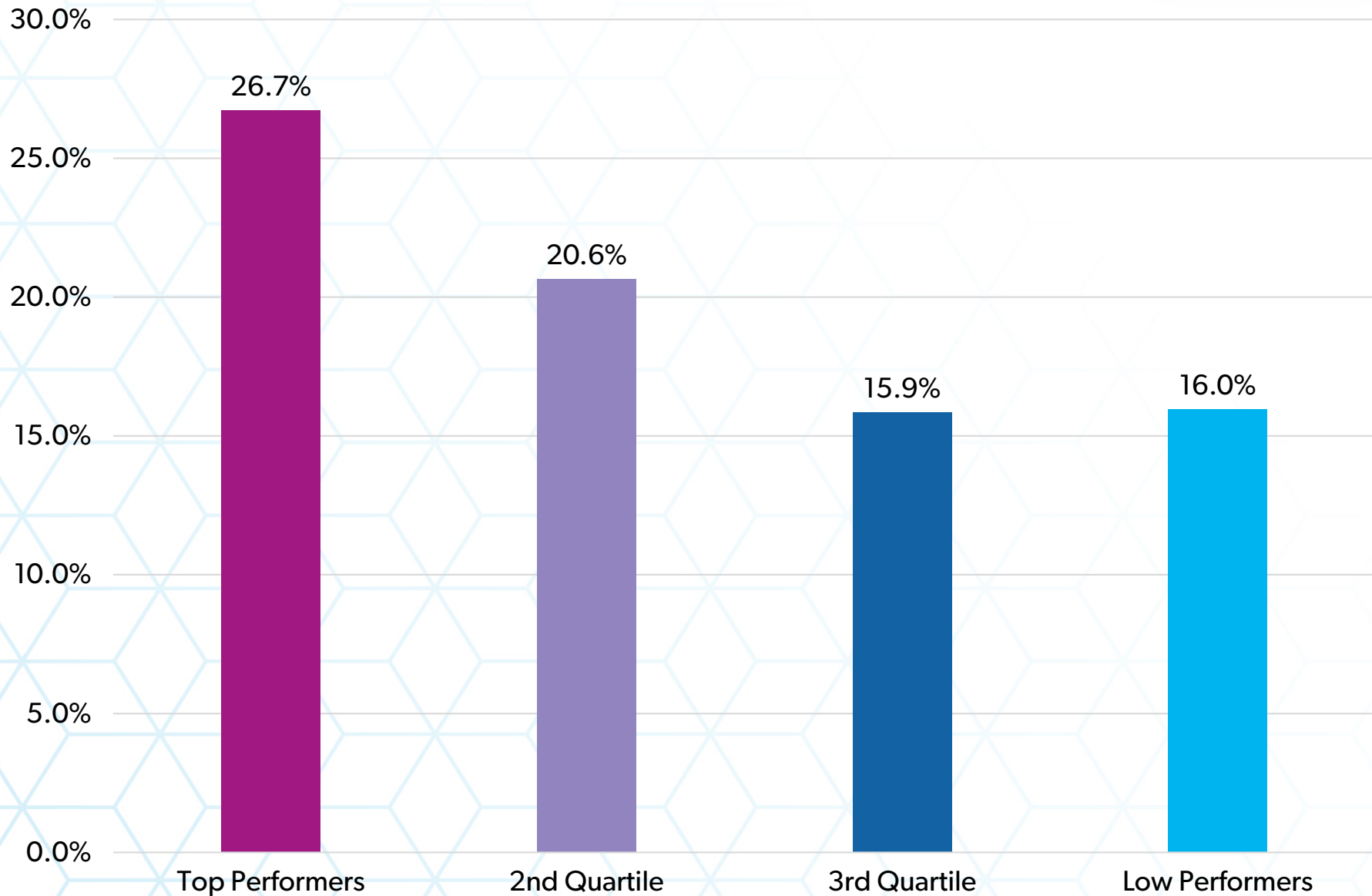


### Credit unions that attend non-credit union conferences



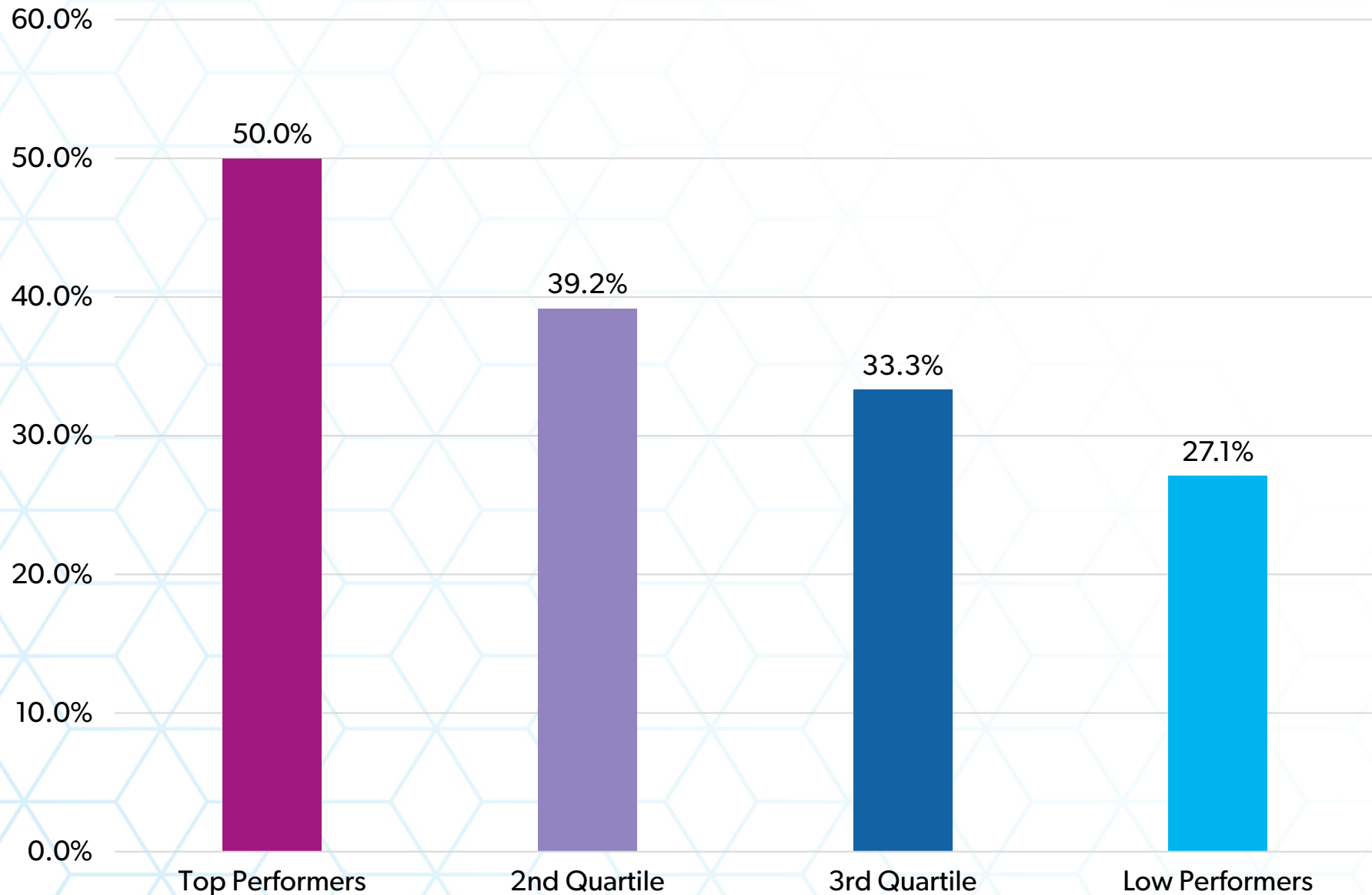


### Credit unions that mandate rotation of Board officer positions



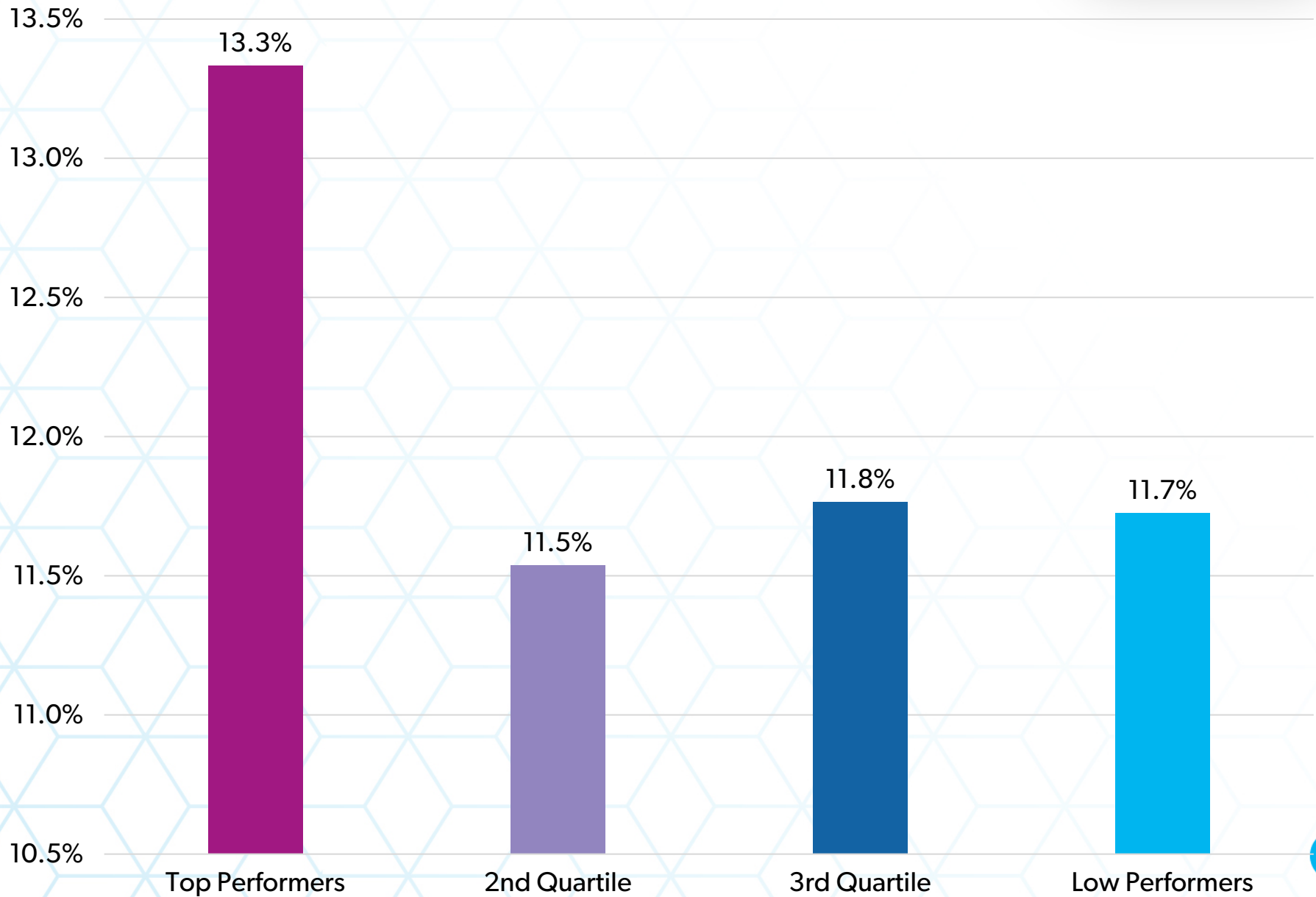


### Credit unions with a formal recruiting process for Board members



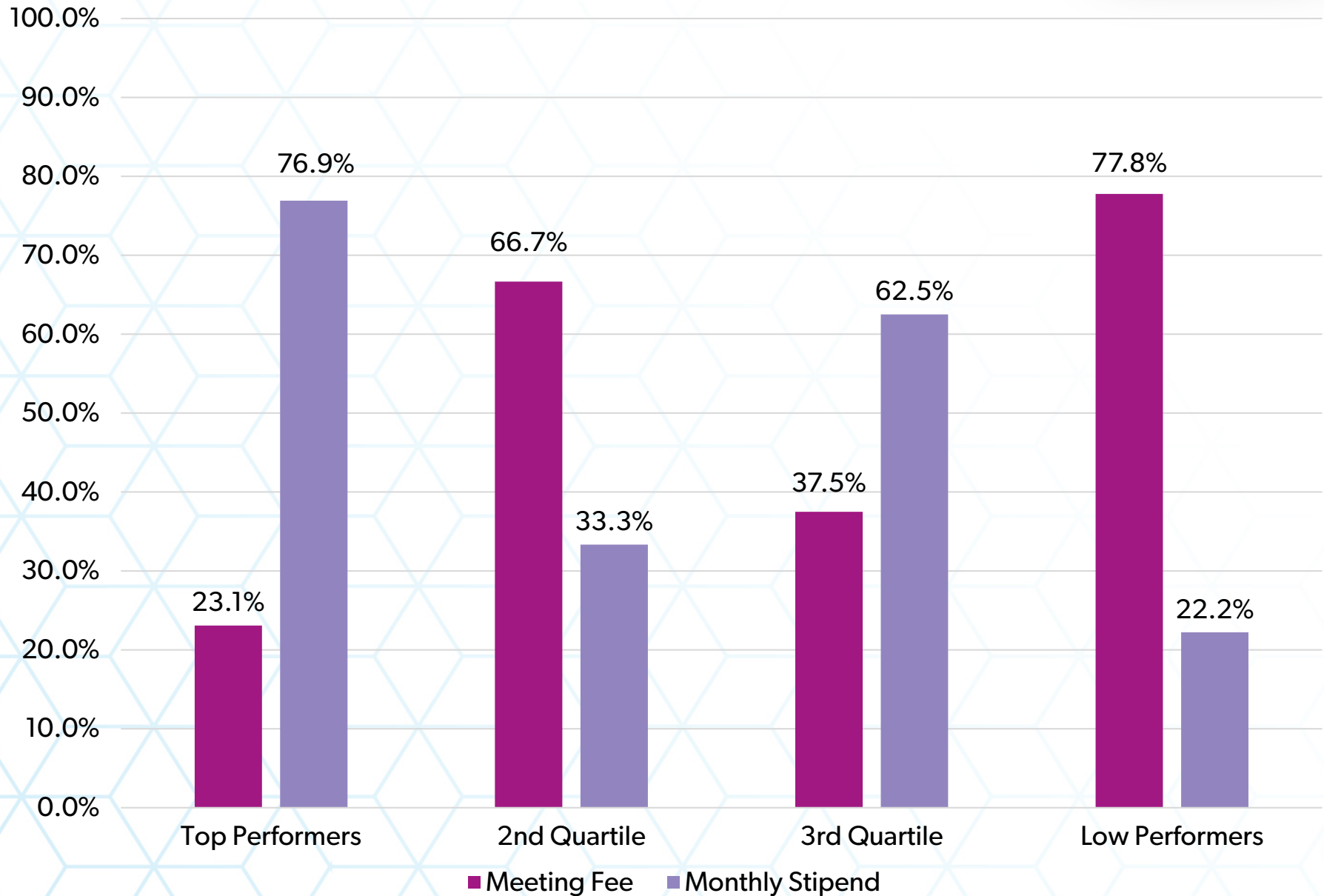


### Credit unions that compensate any Board members





### Is compensation paid per meeting or as a monthly stipend?







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