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Insurance | Risk Management | Consulting

Executive Benefits

CREDIT UNION RESOURCE FOR STRATEGIC RETENTION AND SUCCESSION PLANNING



[GallagherExecBen.com](https://www.gallagherexecben.com)



GALLAGHER EXECUTIVE COMPENSATION AND BENEFITS SURVEY

First introduced in 2007, this annual survey was created to better understand the compensation and benefits offered to credit union executives. Data is organized by 12 asset ranges, from less than \$25 million to more than \$5 billion in assets. In addition to total compensation tables, detailed information on bonus or incentive components is provided. The prevalence of and target benefit for nonqualified benefit plans is also available. Fringe benefits for both executives and staff are provided. There's a section on board expenses as well.

Survey participants receive the complimentary report. Contact us to request your copy or visit <https://www.ajg.com/us/gallagher-executive-compensation-and-benefits-survey-report/>.



Executive benefits, or nonqualified benefit plans, are an effective tool for credit unions to retain and reward their key leaders.

The demand for highly skilled and successful leaders continues to grow, creating a competitive market for proven talent.

A competitive market means job candidates are receiving top-dollar offers, with the best candidates receiving multiple top offers. To help prevent their executives from entering the job market, credit unions have several compensation and benefit tools to leverage.

Understanding how a credit union's executive compensation and benefits compare against peers is an important task that should be conducted annually, and certainly in preparation for recruiting. It is in the credit union's best interests to retain its key leaders and top performers. Losing these critical players can have several negative impacts on the organization.

Benchmarking compensation and benefits for the entire leadership and management team, from the CEO to the department managers, provides a starting point for developing effective retention and reward strategies.

RETENTION OPPORTUNITIES

- CEO
- Key leaders
- Top performers
- Future leaders in succession plan
- High-impact individuals
- Those critical to day-to-day success
- Those critical for merger success

Using executive benefits to strengthen succession planning

In 2024, about one third of credit union CEOs were aged 60 years or older (2024 Gallagher Executive Compensation and Benefits Survey). Although this percentage has not changed much over time and it's not surprising that top executives are older, it's important to acknowledge the impact of CEOs nearing retirement on recruiting, succession planning, and retention.

Succession planning helps ensure leadership continuity through retirements, both expected and unexpected. An effective succession plan utilizes executive benefits to retain key positions. In today's competitive job market, it is not enough to simply identify the individuals who are critical to the credit union's future; some type of retention plan — golden handcuffs — must be provided to help ensure that your leaders stay in place. Executive benefit plans help bridge the gap between traditional retirement vehicles (401(k)s, IRAs) and the income needs of highly compensated individuals.

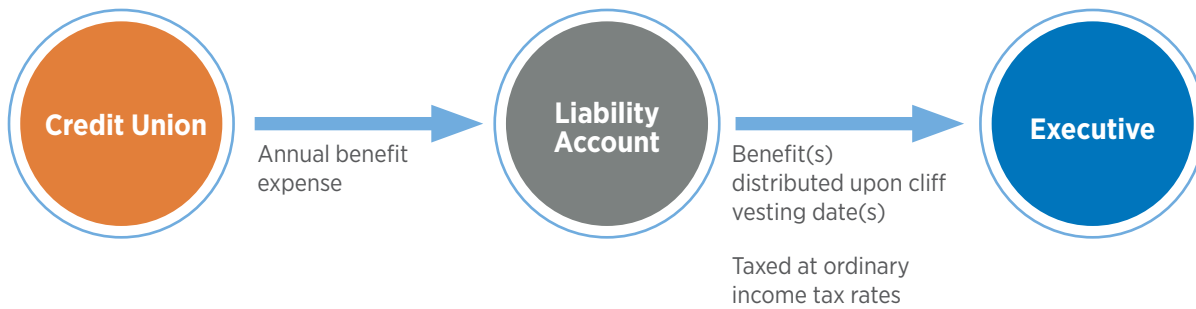
Executive benefits, or nonqualified benefit plans, are an effective tool for credit unions to retain and reward their key leaders. These include Split Dollar, 457(f), 457(b), incentive, bonus, and death benefit-only plans. Nonqualified plans are especially attractive because they can be customized to the individual, specific situation, and strategic needs of the credit union. Split Dollar plans in particular can mitigate the expense of the benefit, generate income for the credit union, and provide tax-free retirement income to the participant. "Nonqualified" refers to the ability to offer the benefit to specific individuals and not the entire staff, as you would with a qualified plan such as a 401(k).

Among credit unions with \$100 million in assets and greater, 75% provide nonqualified plans to their executives and 23% provide these plans to other leaders and managers. At \$750 million and greater, usage for C-suite executives reaches nearly 100% (2024 Gallagher Executive Compensation and Benefits Survey). The two plans most used by credit unions are 457(f) and Split Dollar.

457(f) plan at a glance

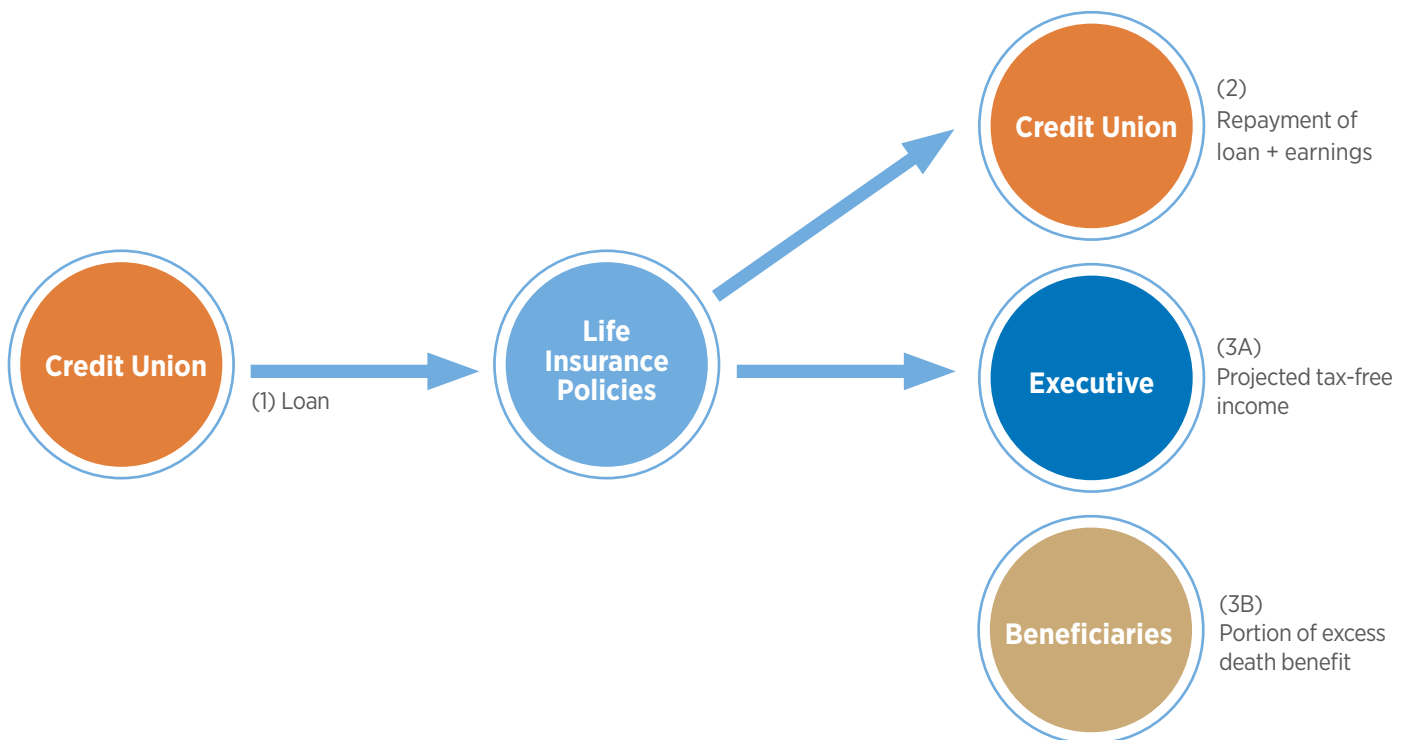
With a 457(f) plan, the credit union promises to pay a benefit in the future if the executive remains employed until a stated date. This type of plan has a predictable expense schedule. The vesting and benefit payments can be customized to support your retention and reward strategy. Some or all of the benefit expense can be recovered with optional investments.

Considerations: The benefit is taxable and paid in a lump sum to the executive. This benefit is considered compensation, such that the credit union is subject to an excise tax (currently 21%) under certain conditions.



Split Dollar plan at a glance

Split Dollar plans are considered long-term retention plans because they are used as a retirement benefit. The credit union makes a loan to the executive, who buys a life insurance policy with two components. The first component creates a fund from which the executive borrows tax-free to supplement retirement income. The second component provides death proceeds that repay the credit union its loan plus interest and provides additional key person coverage and a tax-free death benefit to the executive's beneficiary.



Servicing your executive benefits program

After your credit union has significantly invested in its succession plan and anchored it with executive benefits, servicing is the key to whether your benefits deliver as expected. In order for your investment to work as intended, servicing plays a critical role in identifying issues before it's too late. With proper servicing, you can maximize the efficiency and impact of your investment. Changing market conditions, regulatory compliance, tax implications, legal requirements, benefit distributions, and estate arrangements require a strong servicing partner.

Given the long-term nature of your executive benefit plans, your partner should have a demonstrated ability to support you and your executives well into the future. A few considerations include the following.

- What level of service can the firm provide?
- What type of staffing and infrastructure does the firm currently have?
- How many years of statements does the firm have?
- What is the firm's succession plan?
- How many executive benefit plans are currently serviced?
- Which insurance carriers does the firm work with?
- How many support staff (W-2 employees) does the firm have?
- Does the firm offer online account access?

Contact us for a sample request for proposal or vendor checklist.

Evaluating total compensation

Total compensation includes an executive's annual salary and bonus or incentive. Perquisites such as a vehicle allowance or club memberships should also be considered. Total compensation should be benchmarked every few years or more often in certain circumstances. If the credit union is experiencing exceptional growth or performance, expects to be recruiting, or is considering a merger, then its executive salaries and benefits should be compared against peers to determine competitiveness. Industry compensation surveys are helpful for boards to consider, but leveraging a consultant's knowledge will produce optimal results.

About Gallagher's Executive Benefits team

600 active credit union clients

\$5.5B
in assets under management
as of March 31, 2024

Focus on retention, rewards, and recruiting

Gallagher Executive Compensation and Benefits Survey

High-touch service and infrastructure

Gallagher's Executive Benefits team consults with credit unions on recruiting, retaining, and rewarding their key leaders. We help you secure your future through leadership continuity and aligning executive performance with strategic goals. Gallagher specializes in nonqualified benefits, such as Split Dollar plans, 457(f) plans, life insurance, and bonus and incentive plans. Our experience includes compensation benchmarking, investment asset management, and charitable donation accounts.



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