D. Hilton’s 2023/2024 SERP Survey Report

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2023/2024 SERP Survey Report

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A Message From Our Founder

2024 marks the 39th year since D. Hilton Associates began offering human resources consulting services to credit unions. In reflecting over nearly four decades, the industry has evolved significantly and prospered. However, those years were not without their challenges: the S&L Crisis, the collapse of Long-Term Capital Management, the Dot-Com bubble, the September 11th attacks, the Great Financial Crisis, the Pandemic, and subsequent massive rate increases to combat inflation. Despite these challenges, credit unions have consistently recognized the benefits of hiring great talent and building a compensation program that rewards and retains their valuable executives. It is no surprise that the industry remains stronger than ever.

D. Hilton first launched our first SERP Survey in 2003 to gather data on the retention and retirement trends in the industry. Now in its 20th anniversary, we are proud to continue to provide executive compensation decision-makers with sound information so they can respond to marketplace changes. In today's environment, documenting executive compensation reasonableness has moved to the forefront. D. Hilton's research initiatives are designed to give credit union Boards and CEOs the assurance that they are making solid decisions that ultimately lead to peace of mind.

20 YEAR ANNIVERSARY

The wave of Baby Boomer retirements continues to exacerbate the shortage of executive talent. This shortage will continue to put upward pressure on executive compensation and requires an organization's ability to reward employees through retention plans that are much more important.

Once again, participation in our biannual SERP Survey was significant, with a response rate of 53%. We wish to thank everyone who took the time to participate in the study. We hope you will find the following information useful to your credit union, and we encourage you to contact us if you would like more information about compensation trends in the credit union industry.

Sincerely,

David M. Hilton

David M. Hilton, Ph. D.
President
D. Hilton Associates

Navigating the Demographic Tsunami

It has been 79 years since the end of World War 2 (September 2, 1945) when our young men and women in the U.S. armed services returned home to start careers and build families. This began what is known today as the Baby Boomer Generation (those born between 1946 and 1964 representing 75.86M Americans). Today, the oldest Baby Boomer is age 78, while the youngest is age 60. A majority (61%) of Baby Boomers have reached or are past age 67, while the remaining minority (39%) are under 67 but inevitably headed in that direction.

The retirement of the Baby Boomer generation is creating a seismic shift in the workforce landscape. As one of the largest generational cohorts in history exits the labor market, credit unions are experiencing significant challenges in their ability to find and retain talent. The multifaceted impact of this demographic transition includes difficulty in employee recruitment, the escalating costs associated with retaining existing staff, and the innovative human resources (HR) practices credit unions are adopting in response.

The Baby Boomer generation has been a driving force in the global economy for decades. As they retire, a substantial void is left in the workforce. This mass exodus has profound implications for credit unions, particularly in the C-suite, which relies heavily on the experience and expertise of these seasoned employees. It is no surprise then that **80% of HR executives say finding quality talent is their greatest challenge.**

10,000 Baby Boomers reach retirement age every day.

(Source: U.S. Census Bureau)

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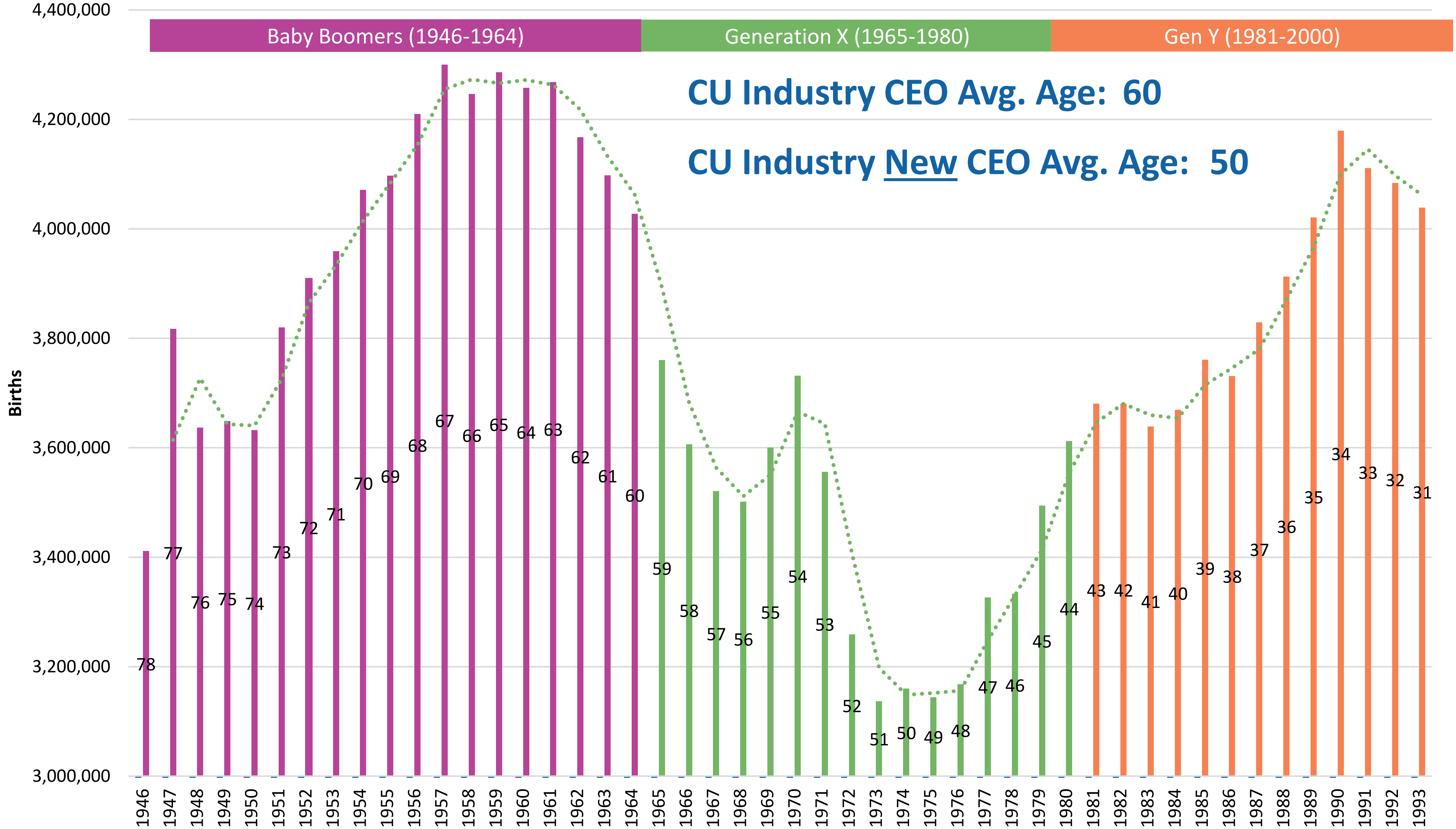
U.S. Birthrates by Year



Source: Birthrates by year reported by U.S. Census Data / D. Hilton Associates 2024 SERP Survey

The retirement of Baby Boomers is not just a loss of numbers but also a significant depletion of institutional knowledge. Many of these individuals hold key positions and possess specialized skills that are not easily replaceable. This creates a twofold challenge for credit unions: the immediate need to fill vacant positions and the long-term need to ensure that critical knowledge and skills are transferred to the remaining workforce.

One of the most pressing issues resulting from the Baby Boomer retirement wave is the difficulty in recruiting talent. The labor market is becoming increasingly tight, with the demand for skilled workers outpacing supply. D. Hilton's Executive Recruiting Practice estimates that **approximately 160 CEOs will retire in 2024 at credit unions greater than $500M in assets**. With over 700 credit unions nationally above that asset level, that equates to 23% turnover. Retirements are not limited to the CEO position but can be found throughout the senior team. **Over the next five years, D. Hilton estimates that credit unions can expect 40% turnover across the C-suite.**

The talent shortage is intensified by the fact that many among the younger generations have different career aspirations and work preferences compared to their predecessors. Some prioritize work-life balance, professional development opportunities, and workplace culture over long-term job stability. This shift necessitates a reevaluation of traditional recruitment and retention strategies. Furthermore, it forces Boards and senior managers to recognize that aspiring to the C-suite is not a goal for many people like it used to be.

Baby Boomer Retirements in the Credit Union Industry

65 Retirements in 2014

67 Retirements in 2015

72 Retirements in 2016

74 Retirements in 2017

77 Retirements in 2018

86 Retirements in 2019

103 Retirements in 2020

132 Retirements in 2021

165 Retirements in 2022

152 Retirements in 2023

160 Retirements in 2024

*The above information reflects CEO retirements among credit unions with $500 million or more in assets.

Source: D. Hilton Executive Recruiting Practice and estimates.

So how does a credit union recruit and retain the best talent? **It starts with compensation**. In the wise words of Warren Buffet, “Money is not everything. Make sure you earn a lot before speaking such nonsense.” That is not to say that compensation alone will ensure success, but countless employee surveys continue to validate that compensation is a key component to an engaged employee. A recent study found that an employee’s compensation satisfaction has a high correlation to their feeling of engagement with their employer. It is no surprise that we continue to see aggressive pay-for-performance strategies deployed at high-performing credit unions that focus on the three-legged stool (i.e., base pay, variable pay, and Supplemental Retention & Retirement Plans (SERPs).

D. Hilton’s 2024 SERP Survey found that the use of SERP plans is greater than ever, as more credit unions of all asset sizes implement these plans for executives across different positions and at multiple levels within the organization. The prevalence of a pay-for-performance SERP design remains a key retention theme across these plans. Customization and flexibility continue to be a large driver for SERP implementation. D. Hilton’s Retention & Retirement Practice performed a record number of design revisions in 2023 for our credit union clients. We continue to see instances of CEOs deciding to work longer or Board decisions to extend additional SERP payments to entice managers to stay with the credit union through a planned succession strategy. We are also seeing succession planning come to the forefront of ongoing strategy discussions for high-performing credit unions, and Boards are taking a more active role in understanding the risks across the organization. It is no surprise that succession is in focus, as **D. Hilton’s 2023 Board Survey found that just 20% of credit union Boards said they have an extremely effective succession plan.**

D. Hilton’s Compensation Practice and Retention & Retirement Practice continue to lead the industry in designing compensation strategies that are time-proven in recruiting and retaining talent. If you would like to learn more about how our services can help your credit union, please do not hesitate to reach out.

Section 1:
Survey Methodology

The D. Hilton Associates SERP Survey is a biannual research initiative. The 2023/2024 SERP Survey was emailed to the 1,825 credit unions with $100 million or more in total assets. A total of 965 credit unions responded to the survey for a response rate of 53%. The strong sample size provides results with a 95% confidence level (+/- 2%).

D. Hilton Associates wants to express special thanks to all the credit unions 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.

Responses by Asset Size				
$100M – $199.9M	**$200M – $399.9M**	**$400M – $599.9M**	**$600M – $999.9M**	**$1B+**
157	225	119	146	318
27.8%	53.4%	65.0%	65.2%	73.6%

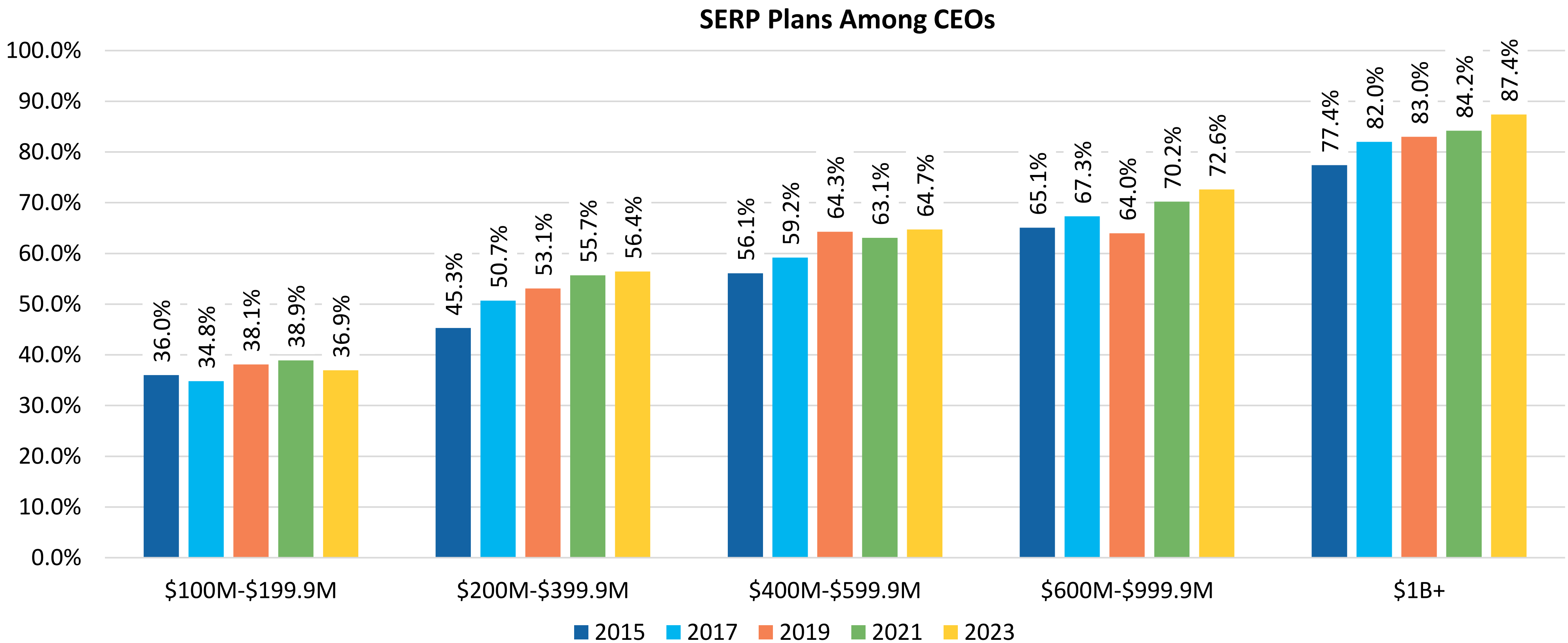
The percentages in the above table represent response rate as a percentage of the entire asset group.

Section 2:

Points of Consideration

What is a SERP?

- A Supplemental Executive Retention & Retirement Plan (SERP) is an agreement between **the credit union and select executives** to provide supplemental income in return for the attainment of agreed-upon objectives, typically at specified employment anniversaries and/or at retirement. SERPs are used by credit unions to **attract, reward, and retain** key executive talent. Because SERPs are **selective and non-qualified**, they can be provided to one or multiple executives. SERPs provide the opportunity to reward key executives without restrictions on contribution amounts or income caps. They are typically customized around the executive and/or the position. The credit union has complete control over the design of the SERP Plan. If the credit union terminates the Executive's employment "For Cause" or as a result of the Executive's voluntary resignation, **the Executive's benefit is typically forfeited**, and no payment of any kind is made to the Executive or beneficiaries. **Approximately 67% of all $100M+ credit unions offer a SERP to their President/CEO (compared to 65% in 2021, 60% in 2019, and 41% in 2013).**



Why do we need a SERP if we offer a 401(k)?

Many Boards consider their 401(k) and Social Security programs to be sufficient retention and retirement plans. They are certainly important benefits, but they are rarely adequate. **That is because when an executive earns more compensation, a 401(k) becomes less helpful.**

The increasing prevalence of SERP Plans among credit unions of all sizes is due in large part to IRS (IRC 415) contribution limitations placed on highly compensated employees. This rule limits the amount of total compensation (base pay + variable pay) that can be applied toward the employer's discretionary contributions to a qualified plan (i.e., 401(k), 403(b), etc.). The result is that senior executives rarely have the opportunity to participate at the maximum level needed to fund their retirement, causing a disparity between the executive's projected retirement savings and projected retirement needs.

D. Hilton's compensation database has established that a majority of CEOs at credit unions with assets above $100 million are already above the 415 limits, meaning their total compensation exceeds the compensation threshold of $345,000 for 2024. Because the cost-of-living index triggered a legally required adjustment, the contribution limit increased from $305,000 in 2022 to $330,000 in 2023 and then $345,000 for 2024.

How does the IRC 415 Limits impact an executive?

Included is an example of how these contribution limits work against a fictional President/CEO who is 48 years of age in 2024 and works through retirement age 67 in 2043. We assumed an annual salary adjustment of 5%, a 5% employer matching 401(k) contribution, employment through age 67 in 2043, and annual $5,000 adjustments to the IRC 415.

In this example, the CEO's 2024 total compensation was $700,000. Assuming the 5% employer match, if there were no 415 limits, the executive would have received an employer 401(k) contribution of $35,000 in the year 2024. However, because of the 415 limitations, the executive actually received a capped $17,250 ($345,000 IRC Limit in 2024 x 5%). This resulted in the 401(k) match provided by the employer being just 2.46% relative to the intended 5% match provided for other employees. Thus, as the executive earns more compensation, the relative percentage of the 401(k) plan keeps diminishing.

While the $17,750 deficit for 2024 may seem small, over the course of this CEO's remaining 20-year career there is an accumulated shortfall of $764,808. This forfeiture grows substantially larger when considering the lost revenue from tax deferral and investment earnings. That is where a SERP Plan comes into play. Not only does it make up for the lost percentage of the 401(k), but it can also be an effective benefit for both the credit union and the executive.

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Sample 401(k) 415 Limit Impact Illustration
Reflecting Assumed Future Increases in 415 Limits

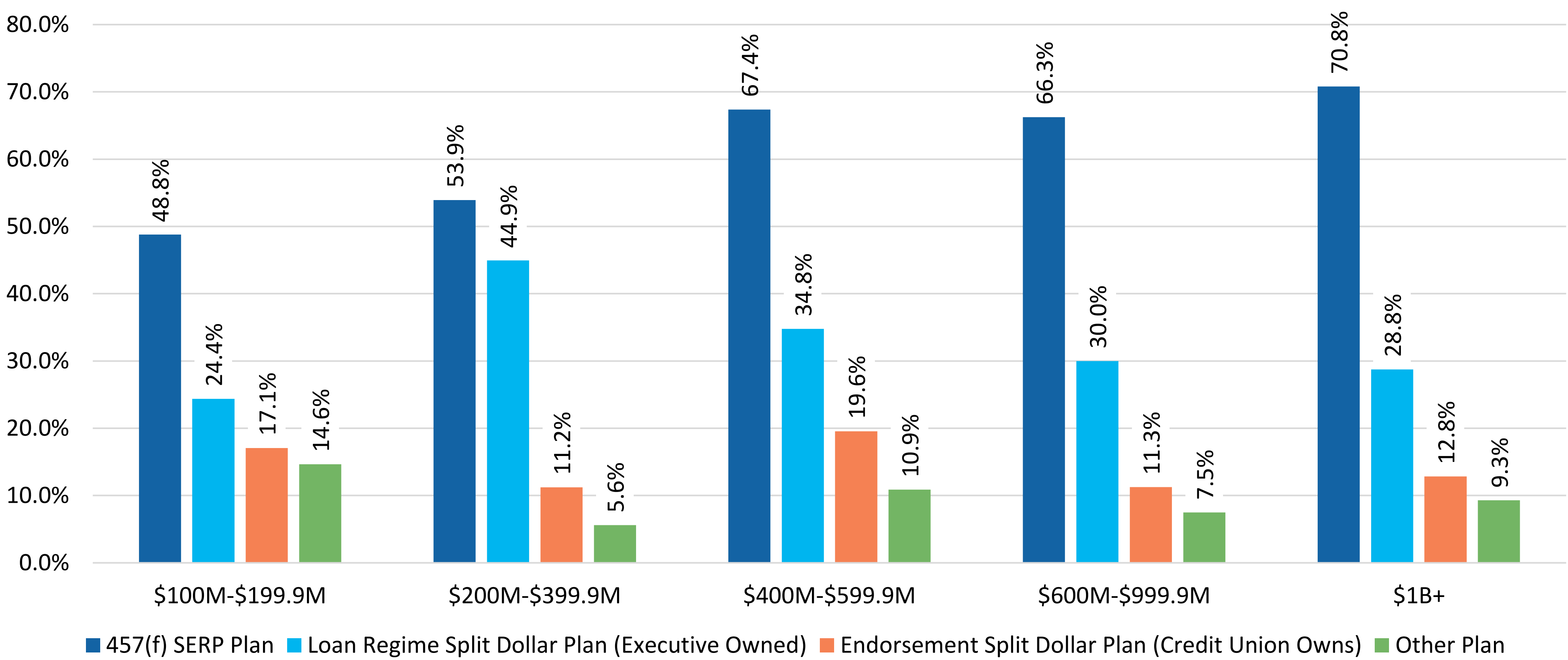
Year	Age	Total CEO Comp (Base + Bonus)	IRC 415 Limit	Proj. 401(k) WITHOUT IRC 415 Limit (5.0% Match)	Proj. 401(k) WITH IRC 415 Limit (5.0% of Proj. Limit)	Percentage of Total Comp WITH IRC 415 Limit	Proj. Difference With and Without IRC 415 Limit
2024	48	$700,000	$345,000	$35,000	$17,250	2.46%	**$17,750**
2025	49	$735,000	$350,000	$36,750	$17,500	2.38%	**$19,250**
2026	50	$771,750	$355,000	$38,588	$17,750	2.30%	**$20,838**
2027	51	$810,338	$360,000	$40,517	$18,000	2.22%	**$22,517**
2028	52	$850,854	$365,000	$42,543	$18,250	2.14%	**$24,293**
2029	53	$893,397	$370,000	$44,670	$18,500	2.07%	**$26,170**
2030	54	$938,067	$375,000	$46,903	$18,750	2.00%	**$28,153**
2031	55	$984,970	$380,000	$49,249	$19,000	1.93%	**$30,249**
2032	56	$1,034,219	$385,000	$51,711	$19,250	1.86%	**$32,461**
2033	57	$1,085,930	$390,000	$54,296	$19,500	1.80%	**$34,796**
2034	58	$1,140,226	$395,000	$57,011	$19,750	1.73%	**$37,261**
2035	59	$1,197,238	$400,000	$59,862	$20,000	1.67%	**$39,862**
2036	60	$1,257,099	$405,000	$62,855	$20,250	1.61%	**$42,605**
2037	61	$1,319,954	$410,000	$65,998	$20,500	1.55%	**$45,498**
2038	62	$1,385,952	$415,000	$69,298	$20,750	1.50%	**$48,548**
2039	63	$1,455,250	$420,000	$72,762	$21,000	1.44%	**$51,762**
2040	64	$1,528,012	$425,000	$76,401	$21,250	1.39%	**$55,151**
2041	65	$1,604,413	$430,000	$80,221	$21,500	1.34%	**$58,721**
2042	66	$1,684,633	$435,000	$84,232	$21,750	1.29%	**$62,482**
2043	67	$1,768,865	$440,000	$88,443	$22,000	1.24%	**$66,443**
Projected Total Forfeited due to IRC 415 Limit from 2024 - 2043							**$764,808**

Assuming a 5% investment return on the $765k forfeited over 20 years, the executive also forfeited $1.2m in investment gains.

What types of SERP Plans are available?

- The most common type of SERP Plan is a **457(f) Plan** and is the dominant design being used among credit unions today. Other designs that a credit union may consider include a **Loan Regime Collateral Assignment Split Dollar Plan**, **Endorsement Collateral Assignment Split Dollar Plan**, and **457(b) Plan**. The decision on the type of SERP Plan used would depend on the credit union's objectives and the individual executive. While loan regime collateral assignment split dollar plans have higher usage in the lower asset categories, **D. Hilton is seeing greater demand for 457(f) Plans or Hybrid SERP Plans** across all asset categories. Hybrid SERP Plans rely primarily on a 457(f) Plan but also include a loan regime collateral assignment split dollar plan component. Using one or multiple options must be carefully reviewed to determine the optimal retention strategy for the credit union.

CEO Plan Type by Asset Size



What is the difference between a 457(f) Plan and Loan Regime Collateral Assignment Split Dollar Plan?

- In a **457(f) Plan**, the credit union has complete ownership and control of the plan. Any returns in excess of the executive's guaranteed benefit typically belong to the credit union. The plan investments can easily be transferred to another executive or used as "seed money" in the recruitment of another executive. While taxes are typically the responsibility of the executive, the credit union can choose to design a 457(f) Plan where distributions are net of taxes and account for some or all the tax liability. By doing so, the credit union and executive avoid any future potential tax and/or legal liability.

- In a **Loan Regime Collateral Assignment Split Dollar (CASD) Plan**, the executive owns the policy, not the credit union. Therefore, the executive has the authority on the policy once it is in place. The executive signs a collateral assignment agreement giving the credit union collateral assignment of the life insurance until the loans are repaid. To pay the premiums on the policy, the credit union makes one or multiple annual loans to the executive to cover the total cost of the annual premiums on the life insurance plan. This loan(s) to the executive by the credit union will be charged loan interest at the current long-term or blended Applicable Federal Rate (AFR). The policy loan(s) and interest will compound until the loan is repaid by the executive or paid by the policy at the executive's death. Alternatively, the credit union could impute (forgive) the loan interest annually and provide the executive with a bonus to cover the income taxes the executive will be assessed on the forgiven loan interest. Loan repayment is typically paid out of cash values at retirement or tied to the death of the executive.

457(f) Plan Advantages

- **Diversification:** a 457(f) Plan allows the ability to customize each executive's plan based on their unique situation and the credit union's succession plan design.
- **Greater Executive Retention:** because the executive benefit is tied to performance of the credit union and executive, a 457(f) Plan enhances the retention of the executive while encouraging performance. Multiple interim distributions are also easily achieved, further enhancing the executive retention goal of the plan. These plans are easily established as defined benefit in design.
- **CU Owned:** a 457(f) Plan is owned and controlled by the credit union, allowing the Board of Directors the ability to make changes to the plan design and plan participants at its discretion.
- **Array of Investments:** any combination of investments (e.g., asset managed funds, ETFs, insurance, annuities, etc.) can be used per NCUA 701.19 and can result in lower average fees than that seen in a split dollar design.
- **Easily Transferable:** a 457(f) Plan can be easily transferred from one executive to another. The plan is essentially "For Benefit Of" the position, not the executive.
- **Liquidity:** the credit union can typically change investment strategies or reallocate within the 457(f) Plan without consequence.
- **Low Impact:** the expense of the plan is typically offset by the income derived from funding.
- **Deferred Taxation:** the executive's benefit is tax deferred until distribution. The credit union has the flexibility to design a SERP on an after-tax basis, if desired.
- **Credit Union Recovery of Investment:** typically at executive retirement, termination, or an early accelerated distribution.

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457(f) Plan Challenges

- **Taxation:** while funds grow tax deferred until distribution. Upon constructive receipt and distributed to the executive, the benefit is taxed to the executive as ordinary income.
- **Balance Sheet Impact:** a 457(f) Plan will have a benefit expense that is accrued by the credit union. Any gain or loss on investments could pass to the balance sheet and fluctuate based on market conditions. Insurance investments may offer a minimum guarantee of returns or other volatility buffers.
- **Excise Tax Potential:** the Tax Cuts and Jobs Act included a provision imposing a 21% excise tax on not-for-profit employers (credit unions). The tax applies to all withholdable income greater than $1,000,000 for the credit union's five most highly-paid executives. This tax took effect beginning with compensation earned in 2018 and is the employer's responsibility to remit annually.

  On January 19, 2021, the Federal Register published IRS guidance that states that 501(c)(1) organizations are exempt from the excise tax. Federal credit unions are 501(c)(1) organizations.

  State chartered credit unions are 501(c)(14) organizations so technically are not exempt. However, state-chartered credit unions are federal instrumentalities in that they have federal insurance and are regulated by both the state and NCUA. Because there is typically parity between federal and state regulations, there could be further revision or elimination all together to provide parity between federal and state charters regarding this issue.

  Credit unions should consult their SERP counsel and audit firm for guidance on reversing excise tax accruals and ceasing any future accruals for excise tax.

- **Investment Volatility:** some investment choices can experience greater volatility that can impact the benefit expense offset.

Loan Regime Collateral Assignment Split Dollar Plan Advantages

- **Taxation:** because loan regime split dollar plans are not subject to IRC 457(f) or 409A, the executive/policy owner may be able to take policy loans against the life insurance tax-free. This is based solely on the interpretation of current tax law.
- **Balance Sheet Impact:** because a Collateral Assignment Split Dollar Plan is a collateralized loan, there is no benefit expense impact on the credit union's balance sheet. The credit union's loan policies may need revision to adhere to the plan design.
- **Excise Tax Potential:** the executive's future withdrawals from the insurance policy are not subject to credit union excise tax regardless of whether the credit union is state-chartered or federally chartered. However, depending upon how the plan is structured, the imputed tax gross-up paid annually as a double bonus to the executive for the forgiven loan interest would be reported as income on the executive's W-2.

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Loan Regime Collateral Assignment Split Dollar Plan Challenges

- **Plan Performance Risk and Investment Concentration Risk:** the future executive benefit is assumed at inception but all risk regarding the competitiveness of the retirement benefit liability and the investment performance falls on the executive, not the credit union. Collateral Assignment Split Dollar Plans are considered defined contribution in design. This scenario solely utilizes a life insurance product, rather than a diversified portfolio comprised of multiple managers, management styles, and investment vehicles.
- **CU Lack of Ownership Control and Weak Executive Retention:** the executive owns and controls the policy. The executive can either walk away from the policy at any time; or through a negotiated benefit with another employer, the executive can repay the credit union their premiums plus interest accumulated and move with the policy to the other employer.
- **Potential Lack of Liquidity, Costly Transfer of Benefit to Another Executive, and Executive Insurability:** terminating this plan can be costly due to surrender charges, legal expenses, and limitations imposed by the insurance company. Because each plan is designed around a single executive, transferring the benefit to a different executive may be difficult, costly, or unavailable due to underwriting. The amount and the cost of insurance is dependent on each individual executive's personal insurability.
- **Unpredictable Investment Recovery Timing and Cash Surrender Value:** due to the large dollar amount needed to fund each executive's benefit, in many cases the credit union must wait until the executive's death post-retirement to recover its investment. For a 50-year-old that could be at age 85 or greater (35+ years in the future). Insurance companies structure the contracts with very little cash buildup for the first decade or longer. The contract will always be subject to fluctuations tied to insurance company returns.
- **Complex Tax Law and Benefit Distribution Timing:** any misinterpretation of tax law regarding a "loan regime" Collateral Assignment Split Dollar plan could expose the executive and the credit union to tax liability and/or recourse.

Trending SERP Topics for 2023/2024 and Beyond

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- Establishing plan objectives that attract, retain, and reward talent.
- SERP Plan design that grows with the credit union.
- SERP Plan revisions can be expected.
- Retention and succession planning continues to grow in importance.
- Targeting a % of total compensation is a differentiator in plan design.
- Incorporate executive milestones that are meaningful and motivational.
- Distribution frequency matters.

Establishing Plan Objectives that Attract, Retain, and Reward Talent

The design of an Executive's SERP Plan is a crucial decision for the credit union. The challenges associated in the design and success of the plan are greater than ever in this competitive and talent rich environment. The purpose of setting plan objectives is paramount to effectively design a plan that is not only rewarding to the Executive, but also motivational. Some of the best plan designs shy away from complexity and concentrate primarily on the plan's main goal of **attracting, retaining, and motivating the Executive**. D. Hilton's best practice design for high-performing credit unions focuses on the plan being simple to understand, sustainable, results-oriented (emphasizing the pay-for-performance philosophy), and compliant with all regulatory entities. To help strengthen retention, D. Hilton recommends ensuring that the plan design, terms, and specifications are peer competitive by comparing these components to other credit unions of similar size and complexity. Keeping the function of the SERP in mind, the plan objectives must also restore the retirement plan shortfalls due to the IRS and Treasury mandated income caps.

An example of SERP Plan Objectives among peer credit unions is as follows:

- **Attract, retain, and motivate** high-performing and service-focused leaders.
- **Best practice design:** simple to understand, sustainable, results-oriented, and compliant.
- **Peer competitive**: Credit Unions of similar size/complexity and, when appropriate, the for-profit sector.
- **Enhance succession plan** to retain key executives.
- **Restore retirement plan shortfalls** due to IRS and Treasury mandated income caps ($345,000 in 2024).
- The **terms and specifications** are benchmarked to current nonqualified deferred compensation practices within the credit union industry and appropriate financial service providers **comparable to the credit union** and with **pay philosophies** that focus on attracting and retaining the most qualified senior executives.

SERP Plan Design That Grows With The Credit Union

The credit union industry has experienced substantial growth in credit union asset size, loans, deposits, and members over the last 10 years. We have also seen a large transition in leadership, as long-time leaders have been retiring at a record pace. Add to this a shortage of executive talent and demand for talent outside the industry. All these factors have caused executive compensation to grow at a rate faster than seen in previous years.

One issue D. Hilton commonly finds during our due diligence review process of legacy SERP Plans is a **design that fails to adjust and compensate for the credit union's success**. **This is the largest SERP design issue we see in the industry today.** The assumptions and objectives used in the legacy SERP design are no longer relevant 10 years later due to the change in the scope of the business.

For instance, if a credit union has $500M in assets today and grows 5% annually for the next 10 years, that credit union would have roughly $800M in assets by 2034. If that same credit union created a business opportunity that exponentially aided the growth and sophistication of the organization, moving the needle from 5% to 15% growth, **that same credit union would then be over $2.0B in assets by 2034** – creating a completely different scope of operations. SERP Plan designs need to be able to adapt as the sophistication of the organization matures.

This flaw is easily recognized in Defined Contribution SERP designs. In a defined contribution design, the credit union makes assumptions about the future at the initial plan design. Examples of design assumptions could include future asset size, base compensation, variable pay, life expectancy, and employer qualified plan contributions. Based on those assumptions, the credit union makes an investment or provides a loan to the executive (in the case of a loan regime collateral assignment split dollar plan) to achieve the assumptions made today. **The result is a SERP Plan whose value erodes over time.**

Loan Regime Collateral Assignment Split Dollar Plans (Loan Regime CASD) is one example of a defined contribution plan that often falls below market. In this plan structure, the credit union makes plan assumptions and determines a benefit that should be paid to the executive in the future. Often a percentage of final total compensation is used, for this example let's assume a 70% target of final average total compensation. Let's also assume that when the plan is put into place in 2024 that the credit union is $500M in assets (as discussed on the previous page) and we expect the credit union to be $800M in assets in 10 years. We also expect the executive's final average compensation at retirement to be $600,000. If everything works as planned (including life insurance investment returns), the executive will retire with a benefit that should be 70% of the average final annual total compensation. The formula at plan inception would look as follows:

Annual Retirement Benefit from Defined Contribution SERP and other offsets (e.g., 401(K), Social Security, etc.)	=	$420,000	=	**70% of average final total compensation**
Avg. Final Annual Total Compensation	=	$600,000		

However, what happens if the credit union is $2B in assets 10 years later? The variable pay could be double for a $2B credit union than for a $800M credit union. The base salary is also significantly higher. This would mean that final average total compensation at the executive's retirement will be significantly higher than that used in plan design (an assumption of $1M final total compensation is assumed). In this scenario, the actual target of final average total compensation that the executive will retire with will be significantly lower than the 70% intended. **Loan Regime CASD Plans are built around assumptions today and do not adjust to the realities of tomorrow.**

Annual Retirement Benefit from Defined Contribution SERP and other offsets (e.g., 401(K), Social Security, etc.)	=	$420,000	=	**42% of average final total compensation**
Avg. Final Annual Total Compensation	=	$1,000,000		

This is why so many credit unions have revised their defined contribution plan designs or created new plans that have a **Defined Benefit** approach. In a Defined Benefit approach, the plan design assumptions are not set in stone but have the flexibility to fluctuate as the plan ages. This ensures that the plan stays competitive in the marketplace and contributes to the credit union's success. Boards and executives prefer this approach since the plan **adopts a pay-for-performance philosophy** and **fulfills the retention objectives of the credit union**.

This is not to say that Defined Contribution Plans do not have a place in SERP design. D. Hilton has pioneered the design of **Hybrid SERP Plans** that utilize a **combination of a Defined Contribution and Defined Benefit approach**. Hybrid SERP Plans are particularly beneficial for Loan Regime CASD because the credit union and executive get the benefits of a Loan Regime CASD without the pitfalls of the plan becoming dated. To do this, **D. Hilton utilizes a combination 457(f) Plan and Loan Regime CASD Plan to capture the best of both worlds.**

What is a Hybrid SERP Plan Design?

A **Hybrid SERP Plan** is a nonqualified deferred compensation plan design with two components; (1) an IRC **457(f) Plan that is defined benefit in design** and (2) a **loan regime collateral assignment split dollar plan (loan regime CASD) that is defined contribution in design**. Typical objectives when implementing a Hybrid SERP Plan Design include:

- **Objective 1: Design and Implement a retention plan based on industry best practice.** The Hybrid SERP Plan can be designed as a custom retention plan, specific to each executive, based on the executive's value to the organization, years of service, and retirement horizon. The plan **adopts a pay-for-performance philosophy** that rewards the executive's performance and commitment to the credit union's long-term success.

- **Objective 2: Structure retention and retirement payouts to minimize any potential excise tax regulation.** The Hybrid SERP Plan can be designed to **minimize potential excise tax liability**.

- **Objective 3: Minimize the projected accrual expenses generated on the plans.** The Hybrid SERP Plan can be designed to **reduce projected plan accrual expenses.**

- **Objective 4: Minimize volatility in the investments while ensuring an investment strategy that covers expenses.** The Hybrid SERP Plan can be designed to **reduce the needed 457(f) investment dollars subject to mark-to-market accounting rules.**

- **Objective 5: Eliminate the "retirement liability" when the executive retires.** The Hybrid SERP Plan can be designed with the **projection that the credit union can recoup all investment principal** at executive retirement.

How does the Hybrid SERP Plan Design work?

The 457(f) Plan provides the foundation and guarantee for multiple interim distributions throughout the executive's career, and if needed, acts as a backstop to any potential shortfall in the loan regime collateral assignment split dollar plan distribution. Should the Split Dollar Plan meet or exceed the design projections, the 457(f) Plan payment at the distribution date would be $0.

It is possible that the future Split Dollar Plan benefit would fall short of projections due to design assumptions changing. Examples of assumption changes could include executive compensation increasing beyond what was projected, life expectancy increasing in future years, or life insurance earnings being lower than projected. In this case, the 457(f) Plan would fulfill the balance of the shortfall, keeping the overall SERP plan defined benefit in design and meaningful to the executive while supporting the credit union's retention, retirement, and succession plans.

Loan Regime Collateral Assignment Split Dollar Plans typically need more than 10 years of cash value accumulation to provide a benefit and recover the credit union's premium loan amount. In the case where an executive has less than 10 years until retirement, a 457(f) Plan design is the preferred design methodology.

Hybrid SERP Plan Sample Illustration

Milestone	5 Year Anniversary	10 Year Anniversary	15 Year Anniversary	17 Year Anniversary		20 Year Anniversary	22 Year Anniversary
Age	50	55	60	62		65	67
Benefit	457(f) Plan Interim Distribution $350,000	457(f) Plan Interim Distribution $500,000	457(f) Plan Interim Distribution $500,000	457(f) Plan Interim Distribution Equal to	Loan Regime Collateral Assignment Split Dollar Plan Benefit Equal to	457(f) Plan True-up Distribution Equal to	457(f) Plan True-up Distribution Equal to
				65% Total Comp		70% Total Comp	75% Total Comp

SERP Plan revisions can be expected

As the sophistication of the organization changes over time, revisions to the original SERP Plan are expected to take place and solidify the importance of having a flexible plan design. Examples of events that cause a SERP Plan revision include the extension of an executive's time commitment to the organization by revising their target retirement dates, growth and mergers causing the credit union to modify their peer group, mitigating excise tax expenses, and promotion or transition of key executives.

SERP Plan revisions are not a bad thing, especially when the revisions primarily concentrate on the plan's main goal of attracting, retaining, and motivating the executive and enriching the success of the organization. **Roughly one in three respondents of the D. Hilton SERP Survey indicated that there has been changes made to their plan since it was first adopted.** This is especially true in the $1B+ asset group where 39% have made plan changes.

One reason you see more changes in the $1B+ asset group is that this asset group has experienced a large influx of credit unions joining the $1B+ ranks over the last 10 years (the $1B+ asset group has doubled in size since 2013). As a result, these credit unions need to revise their plan design to be more competitive with their peer group.

A second reason for design revisions in the $1B+ asset group is that they have seen significantly higher turnover in the President/CEO role and D. Hilton's data indicates that roughly half of those credit unions promoted an internal successor. With the promotion of a non-CEO executive into the top spot, Boards are finding that the SERP plan in place for their non-CEO executive needs revision to be competitive in the market. **This trend of revision will continue as D. Hilton estimates an additional 40% turnover in the President/CEO position over the next 5 years.**

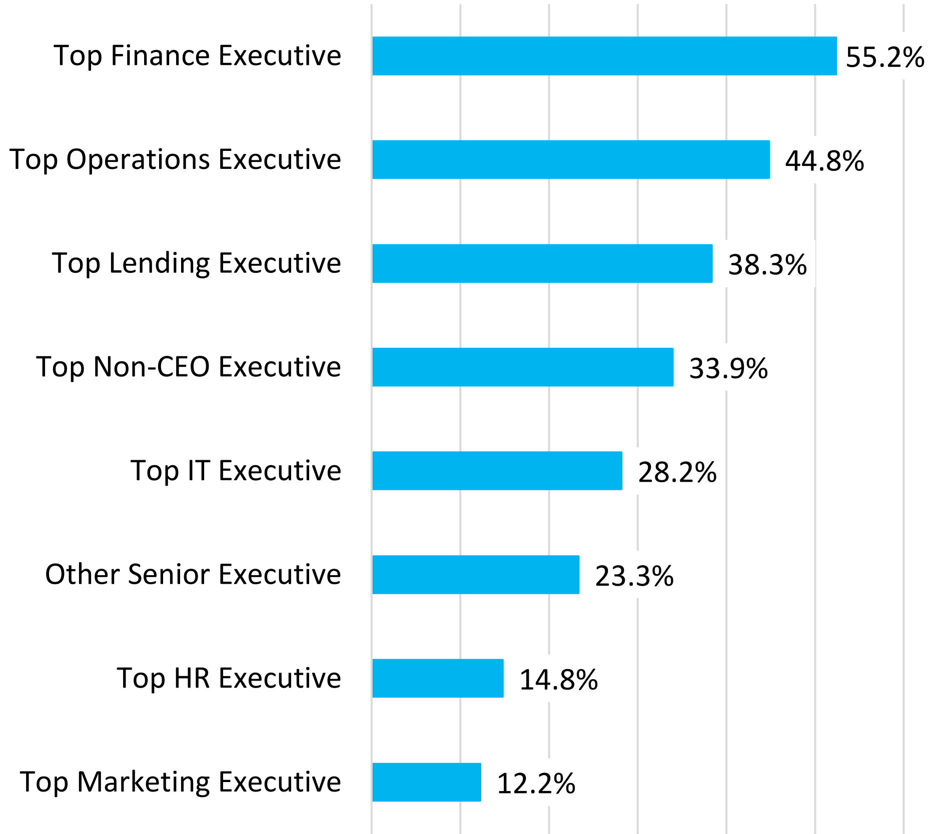
Retention and Succession Planning remain important

When asked the reason for offering a SERP Plan, 95% of respondents indicated that their SERP Plan was put into place as a Retention Incentive. Higher retirement benefits (51%), restoration of qualified retirement plan shortfall (44%), and succession planning (32%) were also cited as plan objectives.

As President/CEO positions continue to turnover with the onset of retirements, engaging and retaining key talent through an effective Succession Plan will be vital for the continued success of the credit union. Approximately 51% of credit unions over $100M offer a SERP Plan to at least one non-CEO Executive, up from 45% in 2021 and 40% in 2019. As assets increase, the prevalence of SERP Plans offered to non-CEO Executives increases, with 25% of $100m-$199m offering plans to non-CEO Executives versus 72% for $1B+ credit unions. D. Hilton's Recruiting Practice has observed firsthand that non-CEO Executives are prime targets for CEO positions. Establishing and implementing a SERP Plan for non-CEO executives is a way credit unions can ensure top talent stays within the organization.

A second trend observed in the data is the prevalence of SERP Plans among non-traditional roles at the credit union. Previous SERP Survey reports observed that the Top Finance Executive was the most likely non-CEO to receive a SERP Plan. With credit unions increasingly looking out of the credit union industry for talent, the need for SERP Plans across a variety of positions has been prevalent to compete for talent.

Non-CEO Executives With a SERP Plan

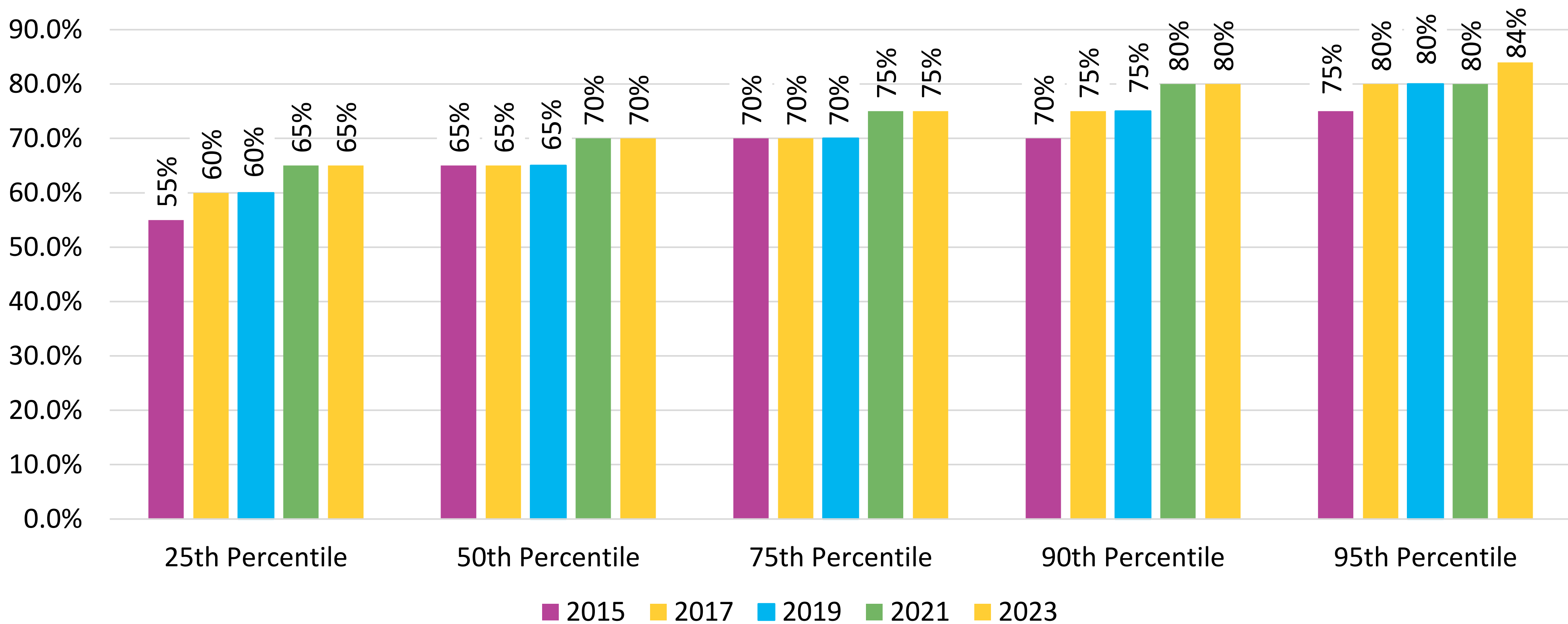


Note: Data represents the percentage of non-CEO Executives by function who have a plan among those credit unions that offer a SERP Plan to a non-CEO Executive.

Income Replacement Ratio - Targeting a % of Total Compensation is a Differentiator

SERP Plans are non-qualified deferred compensation, meaning they are discriminatory and may be customized to the individual executive. D. Hilton finds that the strongest plans are those that aim to replace a percentage of the executive's final average total compensation (base + variable). **By linking the SERP Plan benefit to the executive's total compensation, the credit union is implementing a pay-for-performance philosophy.** Success of the credit union results in greater success for the executive through increases in total compensation and therefore greater SERP benefit. D. Hilton has observed that as the demand for talent has increased, so has the replacement ratio offered to seasoned executive talent.

CEO Target % of Average Final Total Compensation ($100M+ CUs)



A majority of credit unions utilize a target SERP benefit at retirement of the last 3 or last 5 years average total compensation. Total compensation consists of the Executive's Base Salary and Variable (Bonus/at-risk) Pay for the calendar year. By targeting a percentage of average final total compensation versus average final base compensation, the credit union's pay for performance philosophy is reinforced and rewards the executive for exemplary performance. D. Hilton's Compensation Practice is increasingly finding that Boards are putting more emphasis on variable pay. While greater emphasis on variable pay is important in a pay-for-performance philosophy, it only works when the SERP benefit is also tied to total compensation (base and variable).

Conversely, if the executive does not perform and meet targeted variable pay (Bonus/at-risk) goals, the SERP Plan benefit will also reflect the lower executive performance. Currently, the median target percentage of average final total compensation for all credit unions $100m+ is 70.0%, meaning 50% of plans have a target less than or equal to 70% of final compensation and half of plans have a target greater than or equal to 70%. Designing a plan targeting a percentage of final total compensation reinforces the pay-for-performance philosophy and ultimately supports the plan's main goal of attracting, retaining, and motivating the Executive.

Incorporate Executive Milestones that are Meaningful and Motivational to the Executive

SERP Plan design must incorporate the credit union's succession plan and other executive milestones to create a better handcuff. D. Hilton has found that through honest discussions about succession planning, a timeline of the upcoming retirements for the organization can be created. The organization can then accurately assess the current and future executive talent needs. This would include identifying potential successors for the President/CEO position. Doing so allows the organization the opportunity to evaluate the bench strength of the team and identify executives whose performance is bringing the most value to the business.

For example, assume the current President/CEO is planning on retiring in four years at age 67. If the Chief Operating Officer (COO) was deemed the likely successor, the credit union would want to design a plan for the COO that has benefit distribution(s) prior to the current President/CEO's retirement. This will aid in retaining the COO and prevent the executive from being targeted by another organization. The credit union would also want to consider a benefit distribution after the President/CEO's retirement. If the COO is not chosen for the position, retaining that individual through a transition period is important. The credit union also wants to avoid SERP payouts for multiple executives in the same year. Other milestones to consider in designing a distribution schedule for executives could center around the timing of college tuition for children, future healthcare for parents, employment anniversary dates, birthdates, etc. Identifying the motivation is fundamental for the success of a SERP Plan that truly motivates and retains the top talent of the organization.

Example:
COO Likely Successor to Pres/CEO

Position	2024	2025	2026	2027	2028	2029	2030	2031
Pres/CEO	64	65	66	67				
CFO	65	66	67					
CLO	52	53	54	55	56	57	58	59
COO	44	45	46	47	48	49	50	51
CTO	57	58	59	60	61	62	63	64

Distribution Frequency Matters

A Single Benefit Distribution (Payout) at retirement does not retain executive talent. Currently, 37% of all credit unions $100m+ have a SERP Plan with a Single Benefit Distribution at retirement. Single benefit distribution plans open the door for an executive to be targeted for outside opportunities. This is especially true when the high performing executive has a long time horizon until retirement. By designing a plan that includes Multiple Benefit Distributions throughout employment, the credit union is helping ensure their key talent stays with the organization and makes other opportunities less appealing due to the dollars that will be forfeited if they left. A design employing Multiple Benefit Distributions throughout employment is utilized by 63% of credit unions $100m+. This approach is found to be the most beneficial for retaining top talent when the Multiple Benefit Distributions are tied to key milestones for the executive such as age (e.g., 45, 50, 55, etc.) or years of service (e.g., 5, 10, 15, etc.).

Multiple Benefit Distribution strategies are easily achievable in a 457(f) Plan or through a Hybrid SERP Plan. When using defined contribution plans, multiple distributions become much more difficult to achieve. This is because a defined contribution plan (such as a Loan Regime Collateral Assignment Split Dollar Plan) relies on the compounding of investment earnings to pay SERP benefit distributions. When using a defined contribution plan with multiple distributions, it is much more difficult to generate cash value when the plan is being depleted by interim payments. **That is why 457(f) Plans and Hybrid SERP plans are the dominate design for retaining executive talent among high performing credit unions.**

How to Protect Your Most Valuable Assets

ONGOING EDUCATION

Ongoing education about executive compensation and benefits trends.

FREQUENT PLAN REVIEWS

Frequent reviews of the plan against peer benchmarks.

SUCCESSION

Honest conversations regarding Succession for the CEO and other Senior Executives.

THIRD PARTY VALIDATION

Third party validation that the plan design remains competitive.

ONBOARDING

Onboarding for new Board members on the plan history, objectives and the Board's intentions.

EXECUTIVE REVIEWS

Annual reviews with individual executives to review design and reinforce the value the plan provides.

Section 3:

SERP Survey Results

Retention and Succession Continue to Drive SERP Plans

Supplemental Executive Retirement Plans (SERPs) continue to grow in prevalence. This is due to the need to implement stronger retention strategies that offset a tightening executive labor market. Approximately 67% of credit unions with over $100M in assets report that their CEO has a SERP Plan in place compared to just 41% in 2013. Of those who do not have a plan in place today, 35% report that while they do not have a SERP Plan today, the credit union plans to put one in place within the next 2 years. The prevalence of SERP Plans increase along with asset size, as 37% of credit unions with assets of $100M-$199.9M have a plan in place for their CEO, compared to 87% of credit unions with $1B+ in assets.

There are many different strategies and design options when creating a SERP Plan. There are benefits and drawbacks to every plan type and many credit unions are building retention strategies that utilize a multi-faceted approach to build a competitive plan. In 2023, 65% of credit unions reported having a 457(f) Plan, 32% have a loan regime collateral assignment split dollar plan owned by the executive, and 13% have an endorsement split dollar plan owned by the credit union.

Implementation of SERP Plans for non-CEO executives continues to increase in popularity and is not just for the second executive in charge anymore. The labor market and competition for talent have driven credit unions to put plans in place to attract and retain talent in all areas of the organization. The number one reason for offering a SERP Plan to a non-CEO executive is retention followed by succession planning. Because 40% of CEOs report that they plan to retire in less than five years, keeping the executive team from taking other opportunities requires strong incentives. While Top Finance executives are the most likely to have a plan in place (55%), prevalence is increasing every year for executives in other areas of the organization. **In 2023, among those credit unions that offer a SERP Plan to at least one executive, 45% have a SERP Plan for the Top Operations executive and 38% have a SERP Plan for their Top Lending executive**. D. Hilton is seeing an increasing frequency of credit unions implementing plans for other key executive positions including technology, marketing, general counsel, and human resources. For those credit unions who do not have plans in place for their non-CEO executives, 36% plan to implement plans within the next two years.

Components of a Competitive SERP Plan

SERP Plans are discriminatory, meaning they may be customized to the individual executive. D. Hilton finds that the strongest plans are those that look to replace a percentage of the executive's final average total compensation (base + variable). Over the past few years, the replacement ratio has continued to increase to be competitive in the marketplace.

Just as plan design has evolved from defined contribution to defined benefit, the replacement ratio compensation benchmark has also shifted from base compensation to total compensation. **The average percentage of replacement income for all plan types is approximately 70%.** When examining replacement ratios by asset size, the results reveal that most plans fall within a range of 60% to 80% of final total compensation.

Multiple payouts throughout employment are the preferred structure for two in every three SERP Plans. The benefit distribution structure does not vary between credit unions of different asset sizes. However, a single payout and multiple payouts after retirement through life insurance are more common with credit unions under $400M in assets. This is likely due to the greater prevalence of loan regime collateral assignment split dollar plans among credit unions under $400M in assets.

The majority of SERP Plans are funded in a lump sum (41%). Funding schedules do not vary significantly between asset groups, as lump sum funding is the most popular method across all asset groups. The inclusion of employer 401(k) contributions as an offset in the plan calculations continues to be a predominant practice, as 33% of plans include an offset for employer 401(k) contributions. Other predominant offsets include social security and previous SERP distributions. Approximately 16% of credit unions do not include any plan offsets in plan calculations.

The Success of SERP Plan Objectives

The average assumed rate of return/expected yield on the plan at the time of inception is 5.1%, and 37% of credit unions report that the rate of return on their plan is about the same as the assumed rate when the SERP Plan was established. Nearly 27% of credit unions report that their rate of return is higher than expected, while 19% say it is lower. **Over 30% of credit union CEOs feel "Very Confident" that their plan will achieve their retirement goals**, while 11% say they are Not Confident.

Confidence levels do vary by asset size. 42% of CEOs at credit unions with assets over $1B say they are "Very Confident" compared to 13% of CEOs at credit unions with assets less than $200 million. Considering that smaller credit unions tend to utilize collateral assignment loan regime split dollar plans or endorsement split dollar plans, it is no surprise that confidence in these plans achieving their goals is lower. These plans utilize life insurance products whose rate of return can be tied to more conservative investment instruments and have costs that can substantially impact the plan returns.

SERP Plan Revisions

The credit union has invested a copious amount of time and energy in developing and implementing the SERP Plan as a retention tool. The best way to ensure its success is by continually monitoring and updating it as the environment evolves. **D. Hilton highly recommends regularly reviewing the SERP Plan design objectives and assumptions used on at least an annual basis.**

SERP Plan revisions are not a bad thing, especially when the revisions concentrate on the plan's main goal of attracting, retaining, and motivating the executive. As the sophistication of the organization changes over time, revisions to the original SERP Plan are expected to take shape and solidify the importance of having a flexible plan design.

Approximately 34% of respondents indicated that there has been changes made to their plan since it was first adopted. This is especially true in the $1B+ asset group (39%), as this asset group has experienced a large influx of credit unions joining the $1B+ ranks over the last 10 years (the $1B+ asset group has doubled in size since 2013). The most cited reasons for making a plan change were to increase the targeted benefit amounts/percentages or change the plan design entirely. Examples of circumstances that can trigger a revision include:

- Extending an executive's commitment to the organization by revising their target retirement dates.
- Growth and mergers causing the credit union to modify the peer group.
- Mitigating excise tax.
- Promotion or transition of key executives.

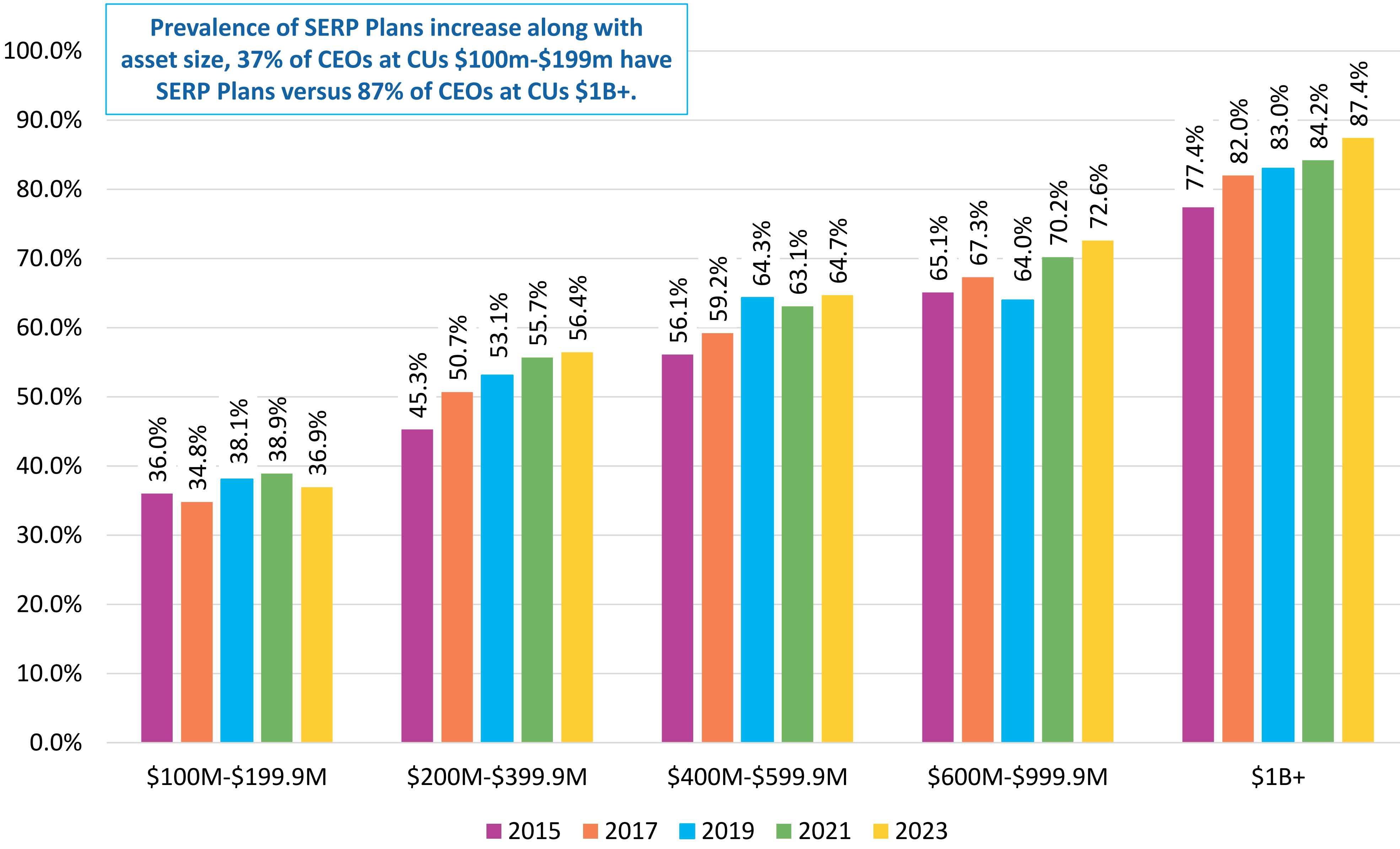
Initial Investment and Excess Funds

As more credit unions strengthen their succession planning strategies, there is a recognition that a truly effective SERP Plan includes a design based on the position, not just the executive. Approximately 40% of credit unions indicate that the plan investment is returned to the credit union, while another 24% indicate that the investment is utilized to fund another executive's plan (seed money). Among $1B+ credit unions one finds that 28% indicate the investment is used towards a new executive's plan. Before the 2008/2009 recession, if a plan were overfunded, the excess funds would often go to the executive. However, that practice has become notably less popular and in 2024 only 26% of credit unions indicate that excess funds go to the executive, compared to almost 75% in 2008. Over 40% of credit unions get the excess funds back, while 11% split the excess between the credit union and the executive.

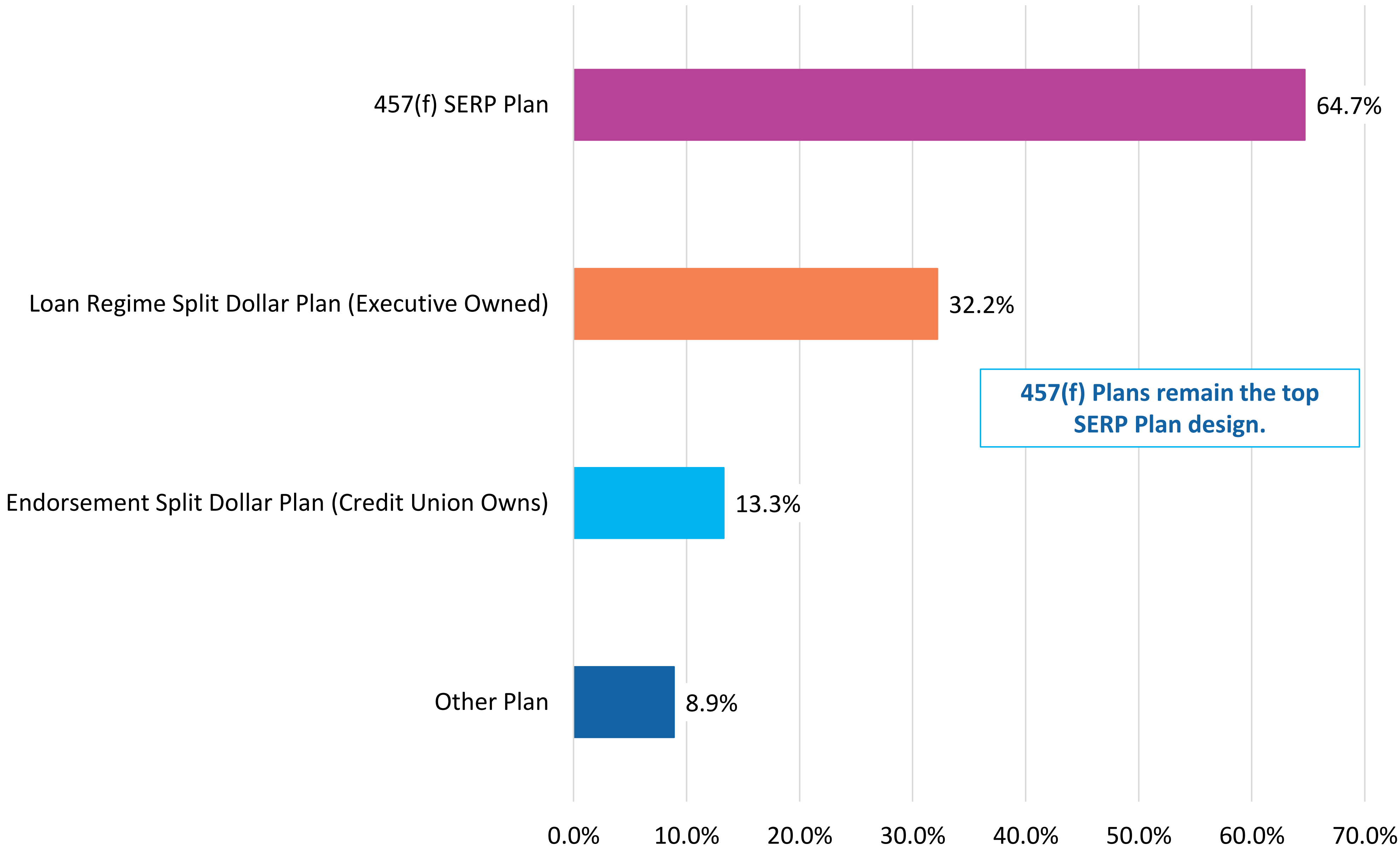
Fiduciary Responsibility

As seen in previous years, CEO confidence in the Board's knowledge of their plan was notably stronger among larger credit unions. When comparing the CEO's perception of their own knowledge of their plan versus the Board's knowledge, CEOs feel they are significantly more knowledgeable than their Board. **Well over half of the CEOs consider themselves "Very Knowledgeable" of their plan, while only 32% of CEOs feel the Board is "Very Knowledgeable".** Board knowledge drops substantially at smaller credit unions, with just 15% of CEOs saying their Board is "Very Knowledgeable" among credit unions $100 million to $200 million. Approximately 61% of CEOs at $1B+ credit unions say they are "Very Knowledgeable" compared to 41% of CEOs at credit unions with assets between $100 million and $199 million. Not surprisingly, more active administration in the plan results in higher knowledge levels. 40% of credit unions with assets over $1 billion report that the Board is "Very Active" in the administration of the CEO's plan, while just 7% of credit unions with assets under $200 million say the same. Credit unions should review their retention and retirement plans at a minimum annually and in conjunction with a review of their compensation philosophy (typically in the Spring). As the talent shortage continues to worsen and regulations become increasingly complex, what was established for the CEO can in many cases become uncompetitive.

SERP Plans Among CEOs



Type of SERP Plans



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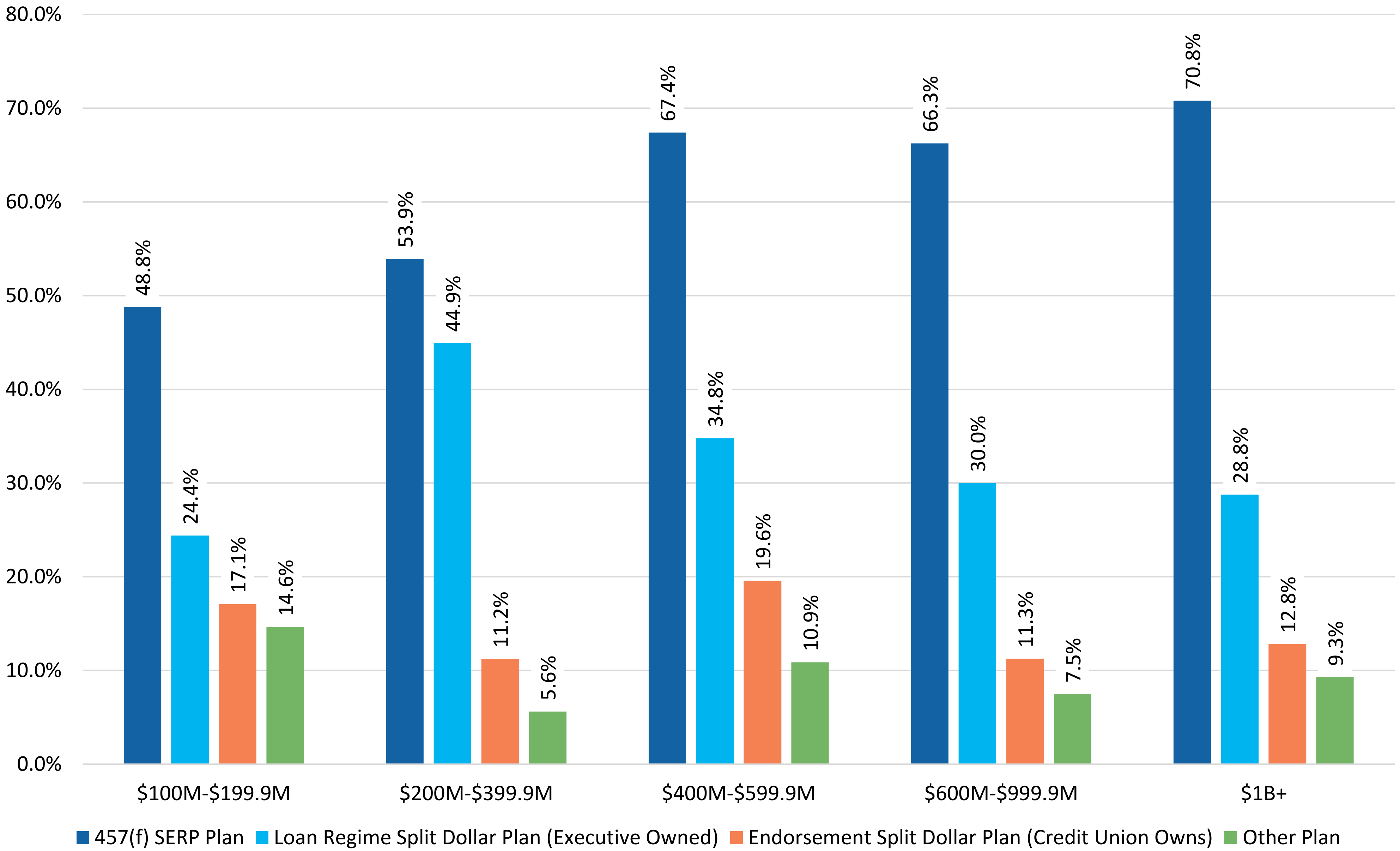
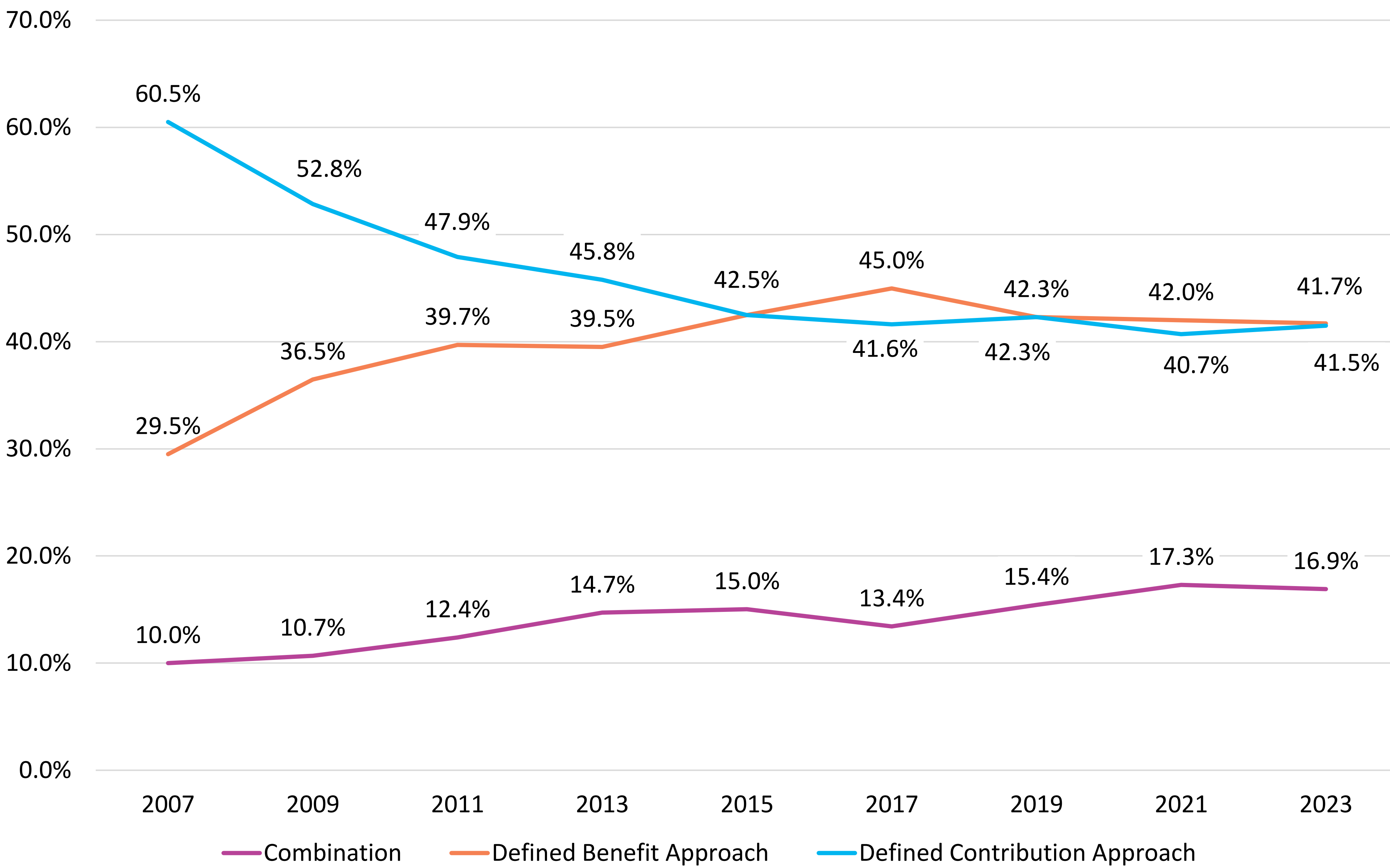
CEO Plan Type by Asset Size



Plan Design


70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
60.5%
52.8%
47.9%
45.8%
42.5%
45.0%
42.3%
42.0%
41.7%
39.7%
39.5%
36.5%
41.6%
42.3%
40.7%
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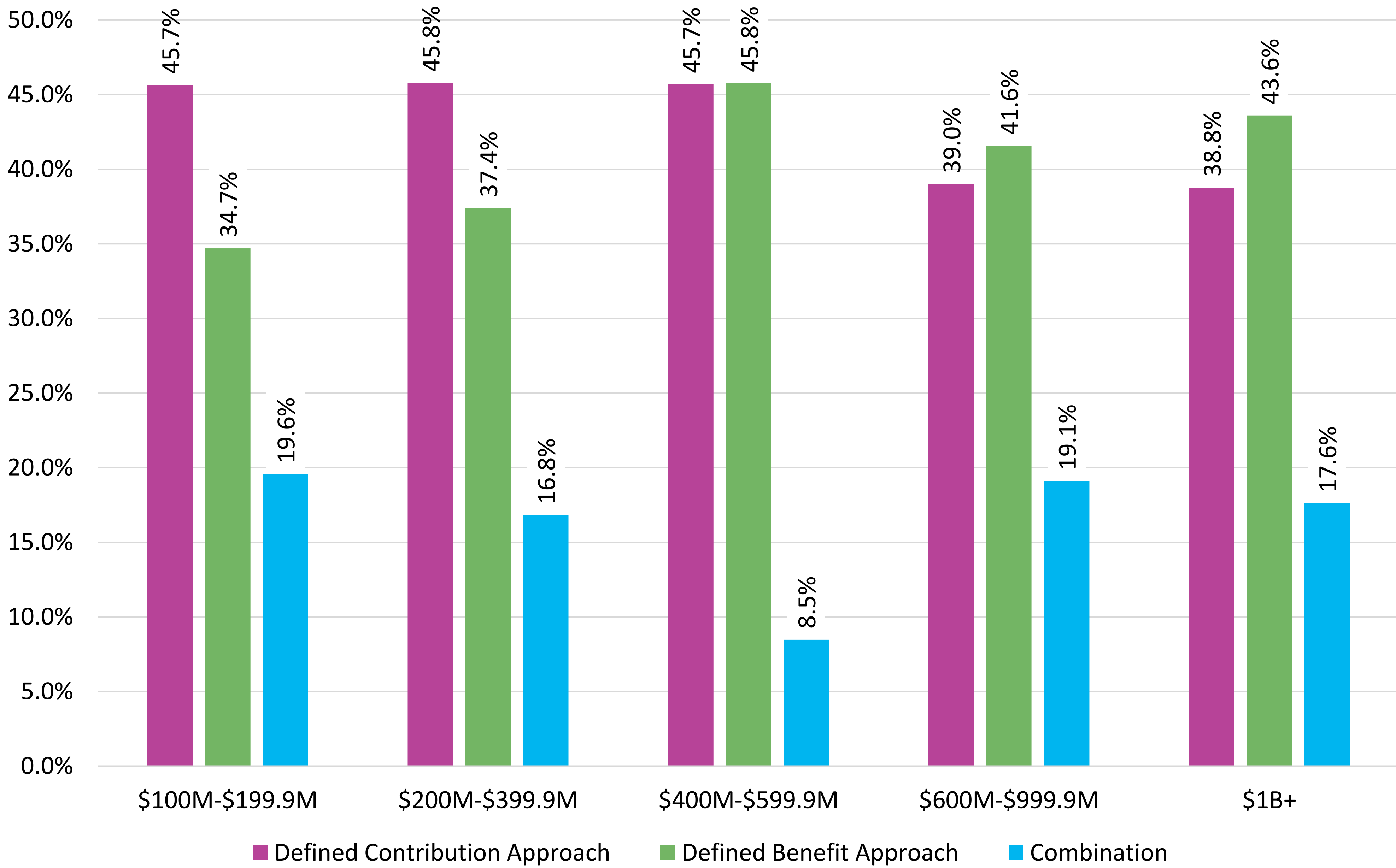
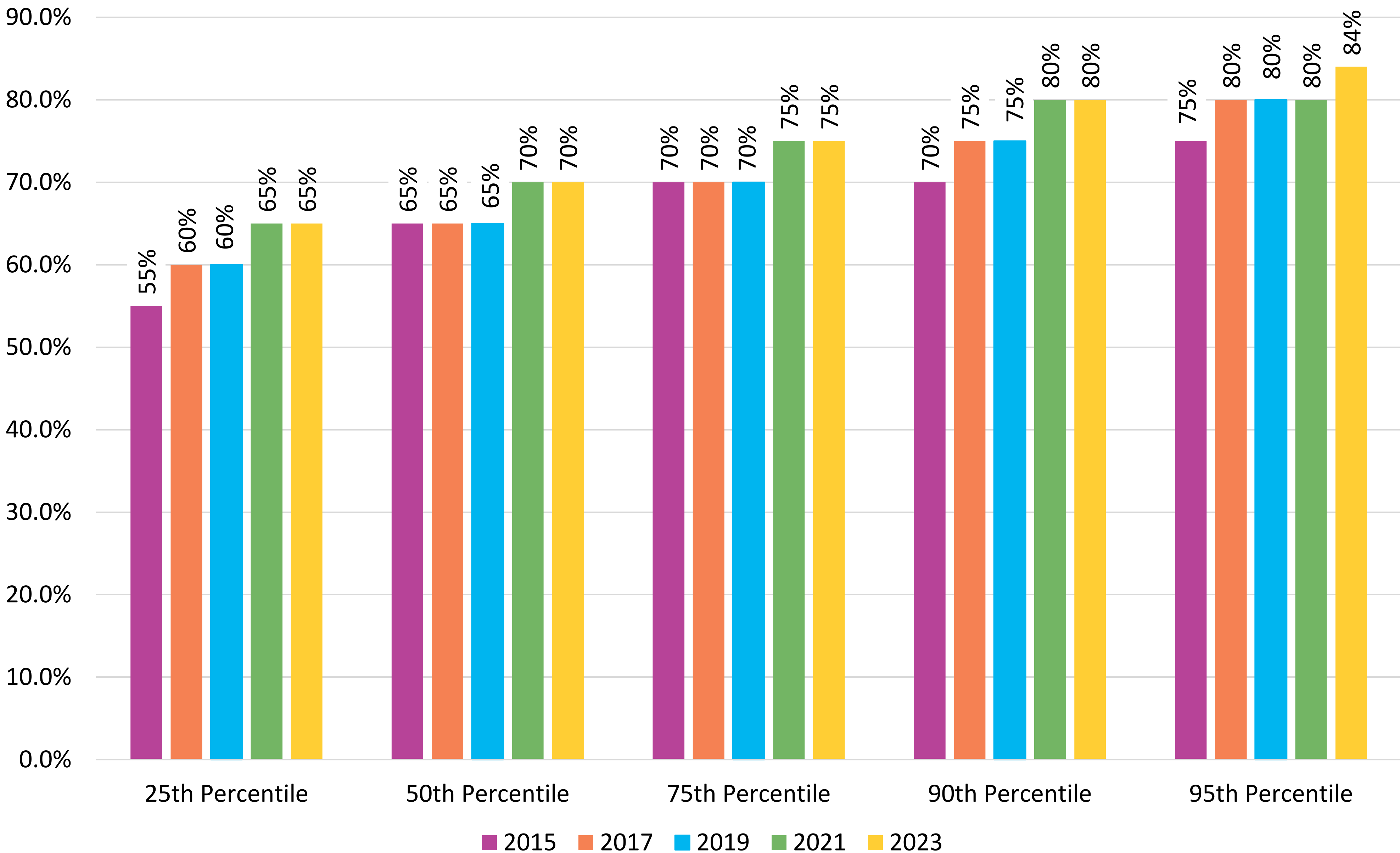
29.5%
17.3%
16.9%
15.4%
15.0%
14.7%
13.4%
12.4%
10.7%
10.0%
2007
2009
2011
2013
2015
2017
2019
2021
2023
Combination
Defined Benefit Approach
Defined Contribution Approach

Plan Design by Assets



CEO Target % of Average Final Total Compensation ($100M+ CUs)



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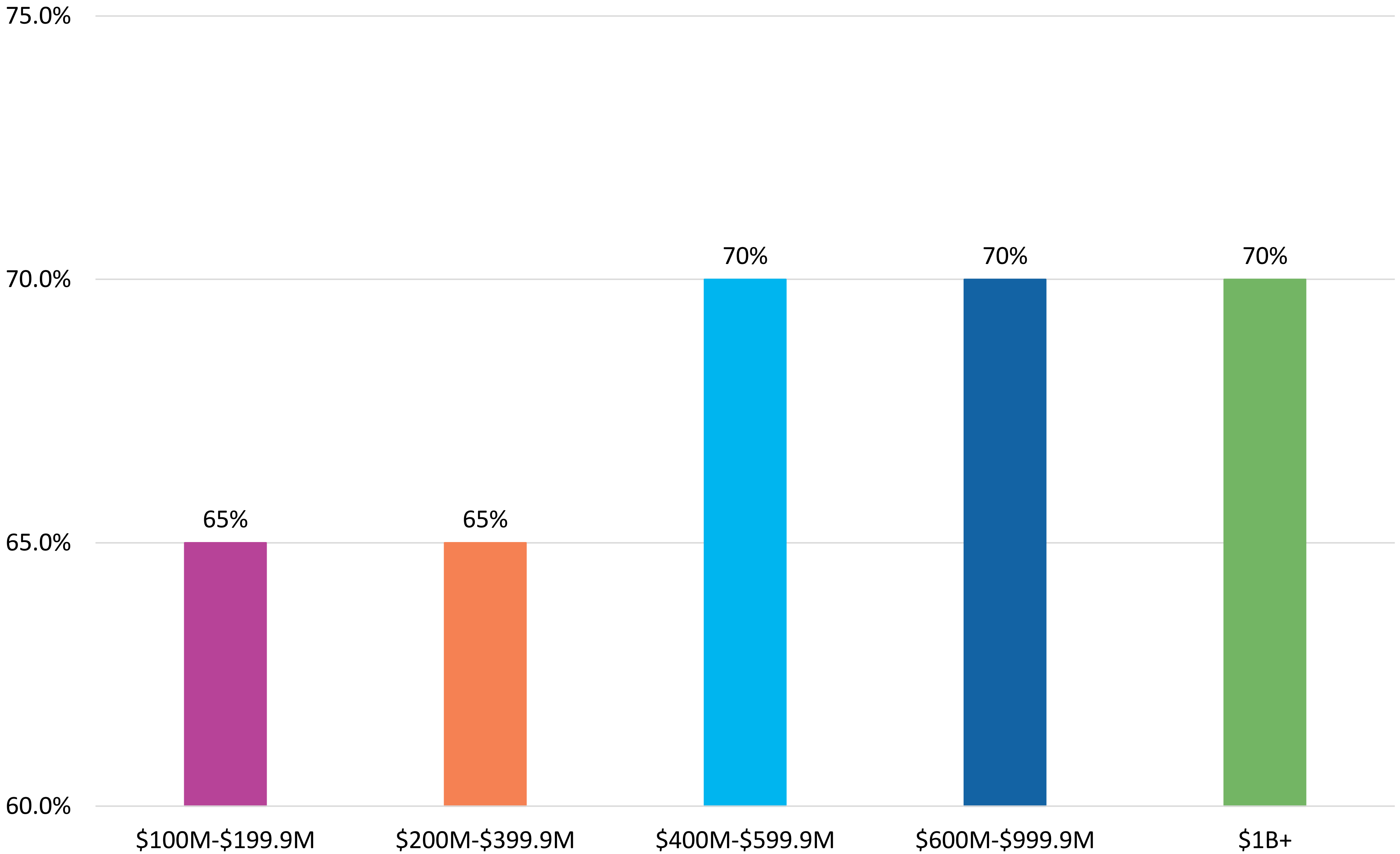
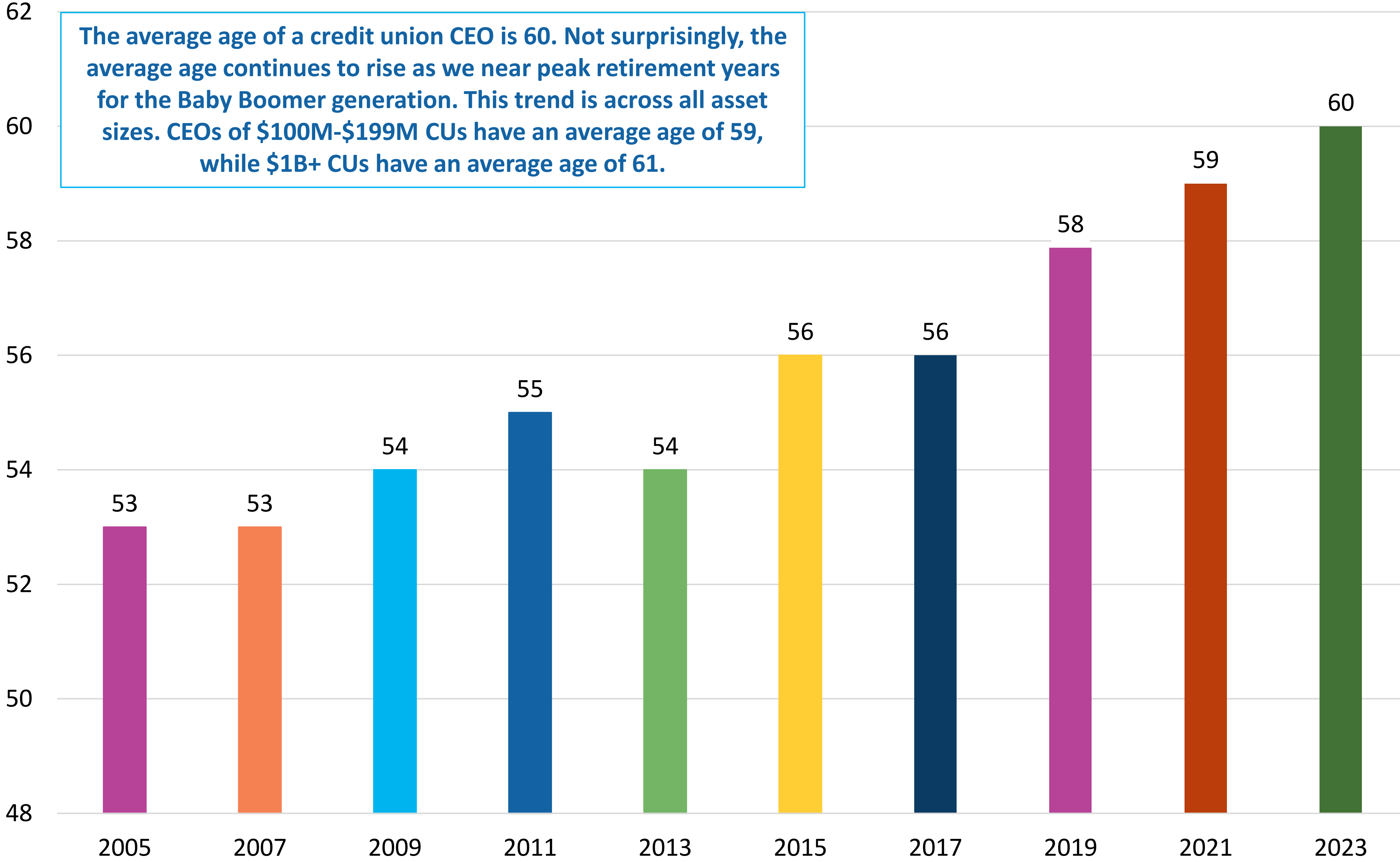
Target Percentage of Final Compensation at the 50th Percentile (Median)

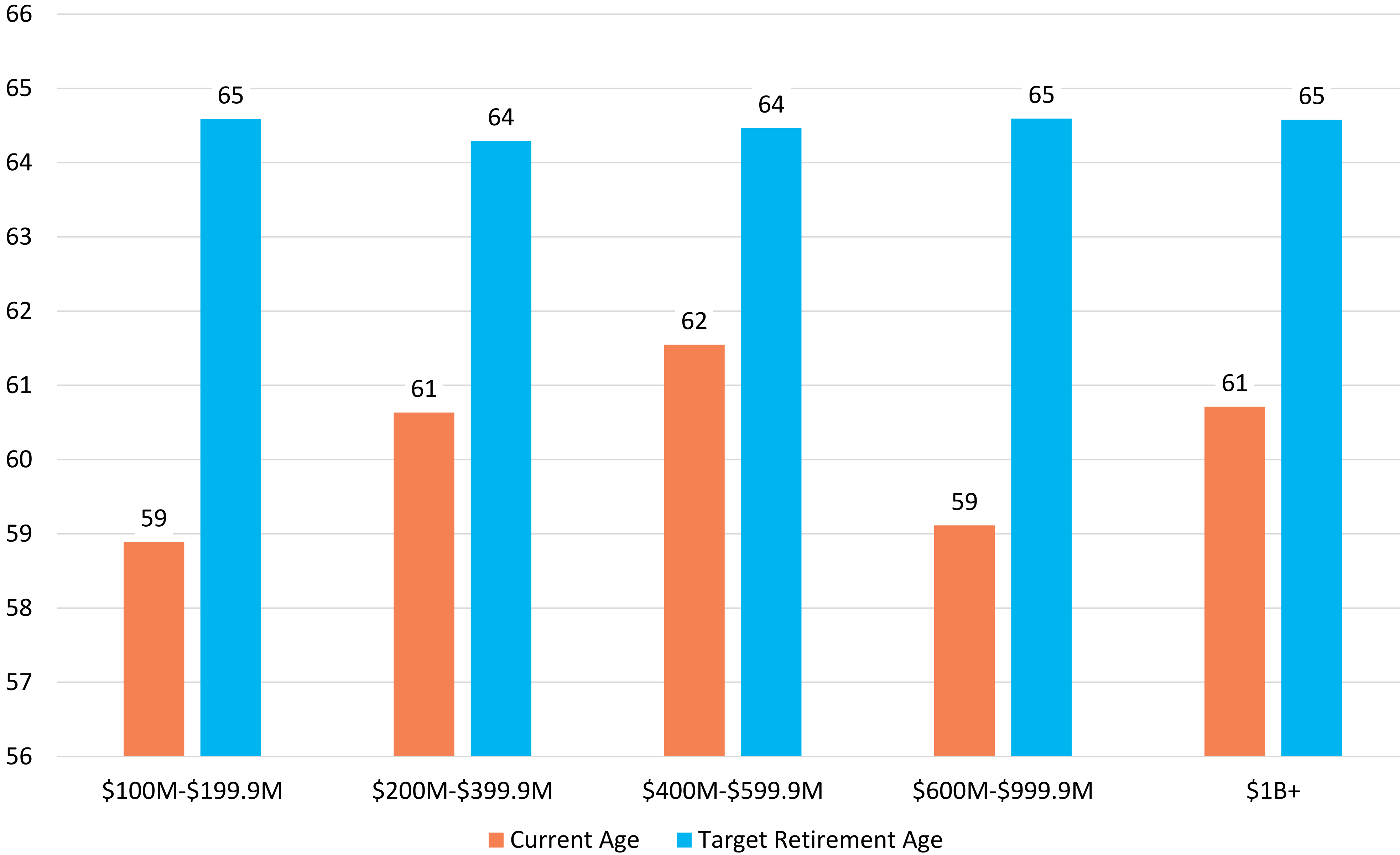


Mean CEO Age

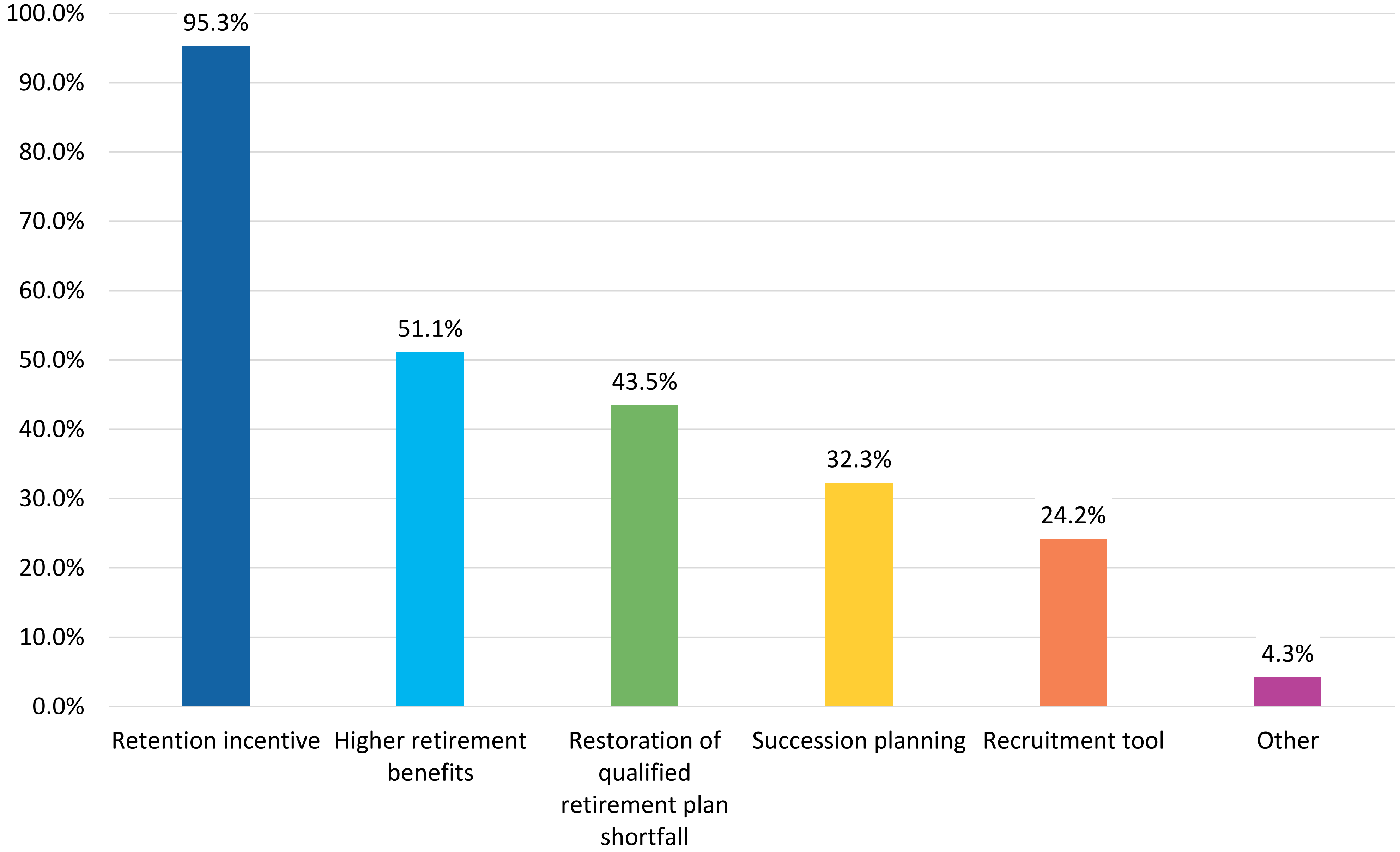
The average age of a credit union CEO is 60. Not surprisingly, the average age continues to rise as we near peak retirement years for the Baby Boomer generation. This trend is across all asset sizes. CEOs of $100M-$199M CUs have an average age of 59, while $1B+ CUs have an average age of 61.



Mean CEO Age vs Target Retirement Age

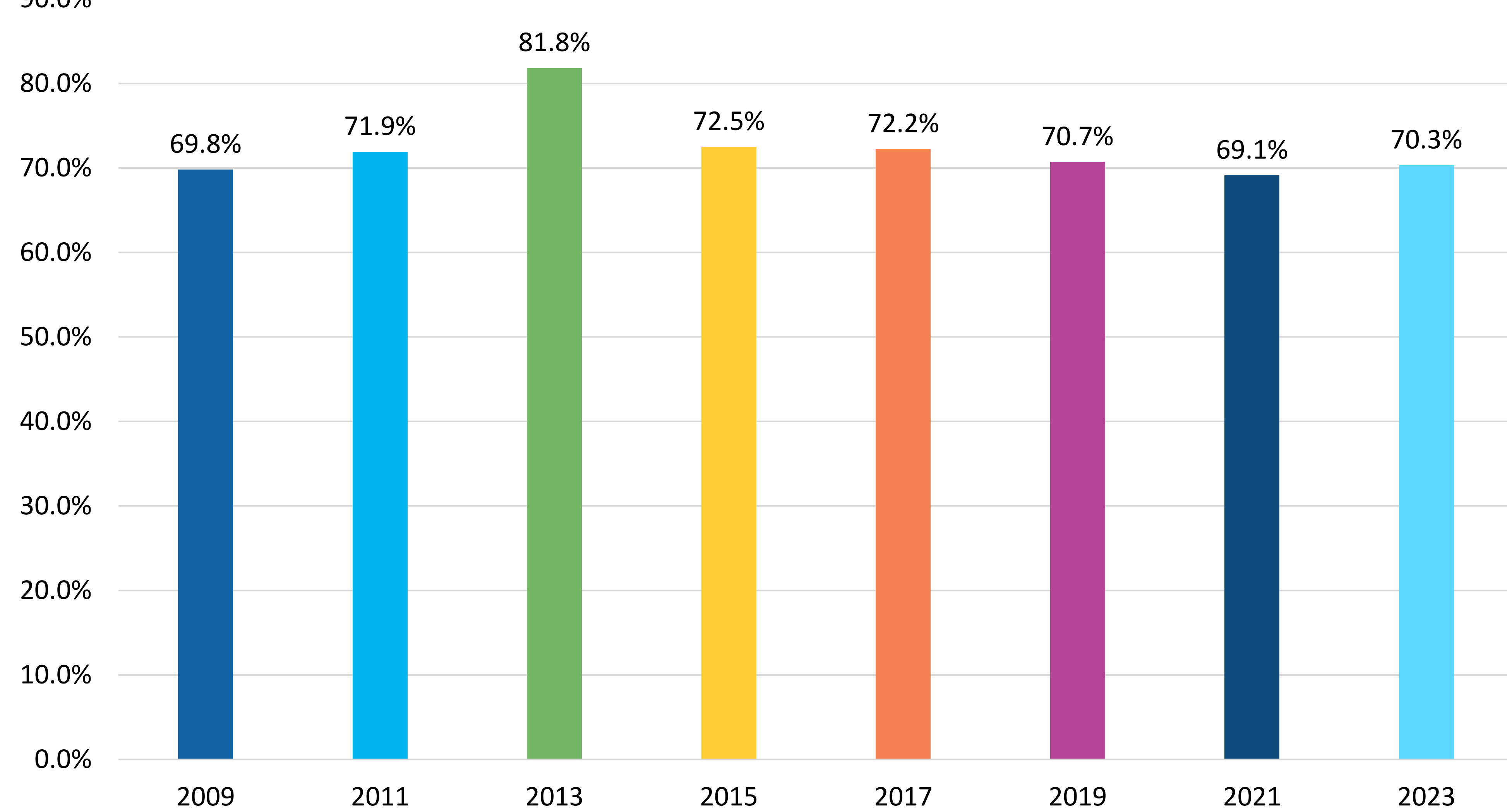


Reasons for offering the CEO a SERP Plan



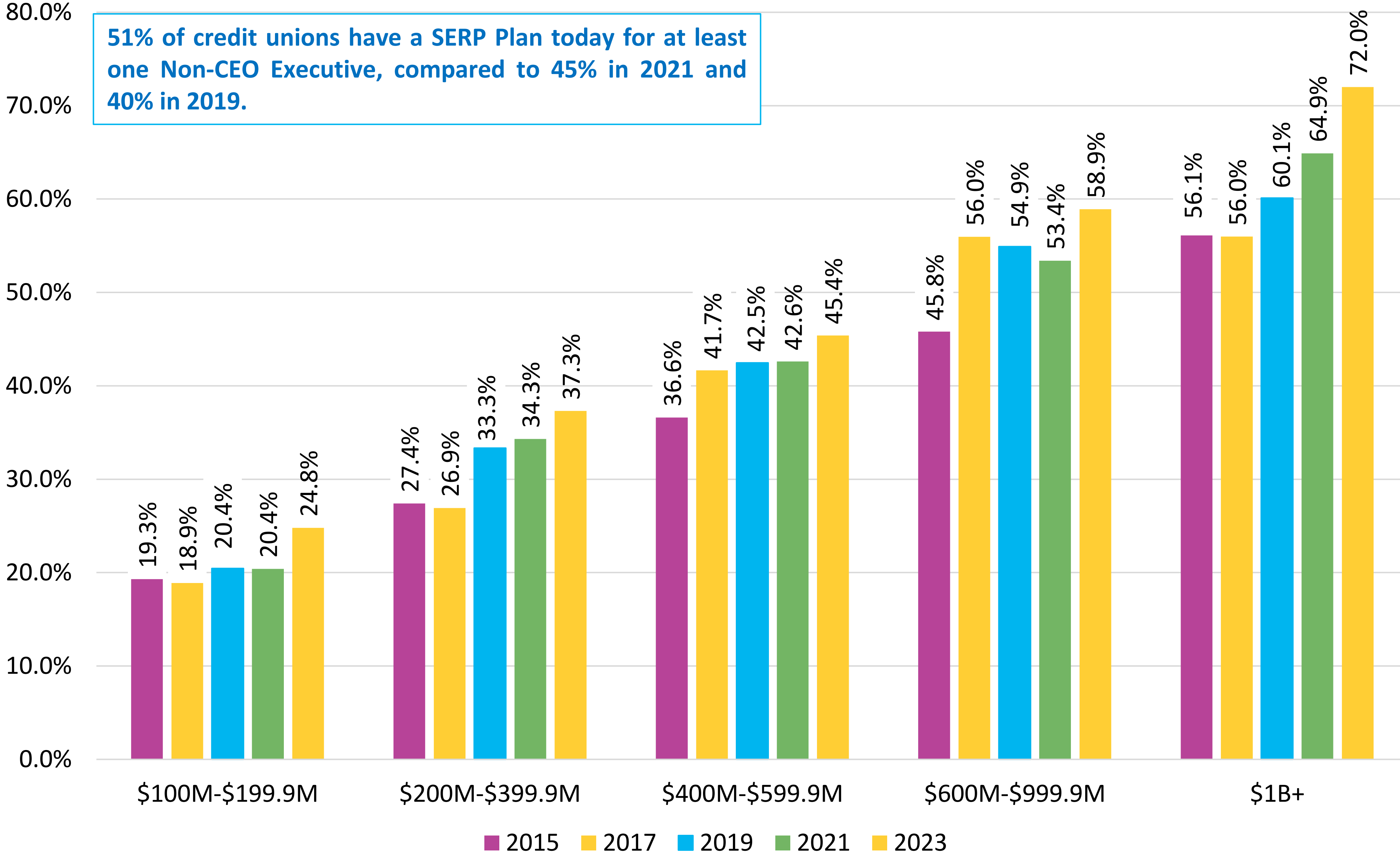
Plan prevents you from seeking other opportunities

70% of CEOs feel that their SERP Plan is enough of a meaningful retention tool that they would not consider a move to another CU. Furthermore, 82% would not consider another opportunity unless a SERP Plan was offered.

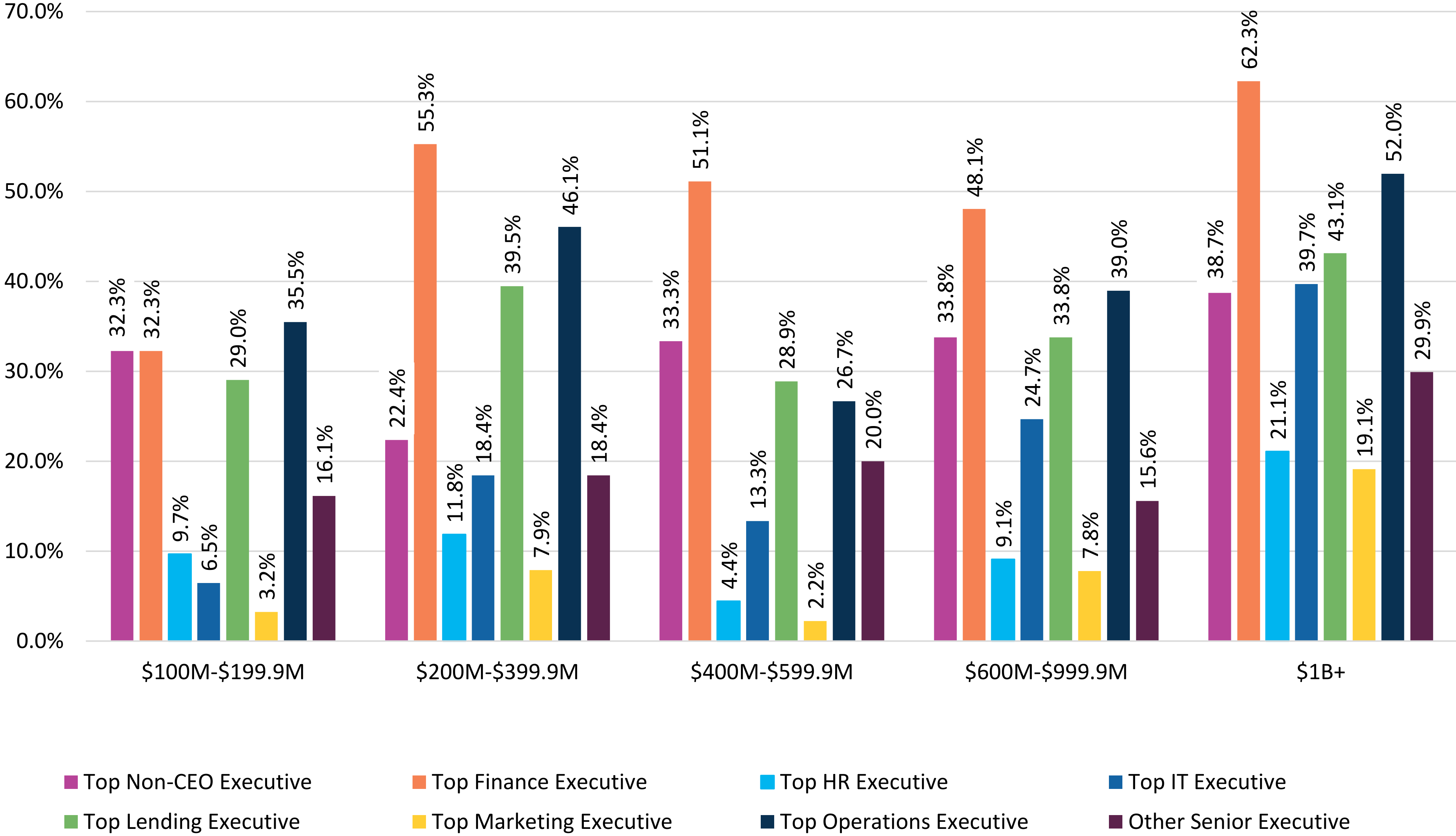


Plans Offered to Non-CEO Executive

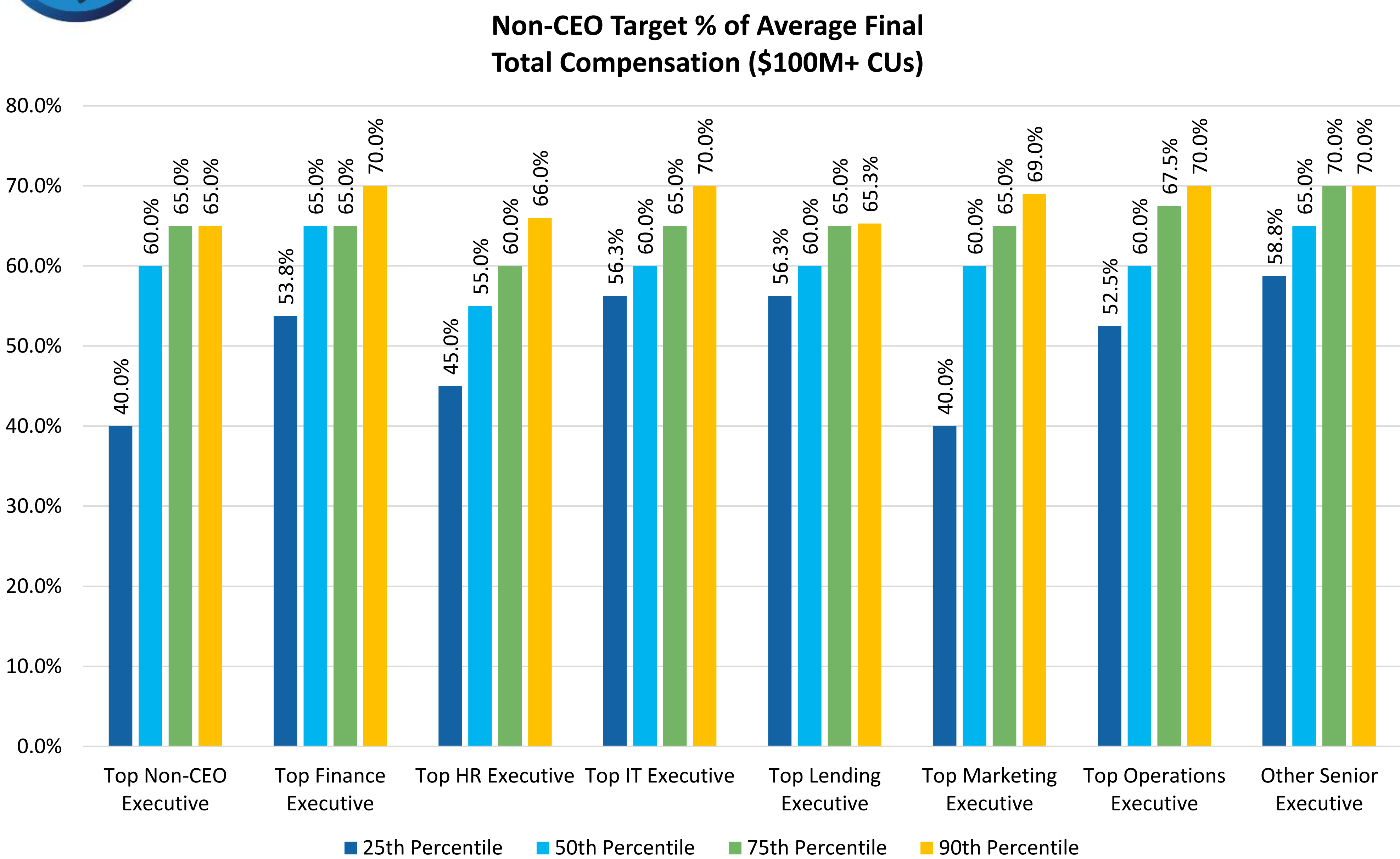
51% of credit unions have a SERP Plan today for at least one Non-CEO Executive, compared to 45% in 2021 and 40% in 2019.



SERP Plans for Non-CEO Executives

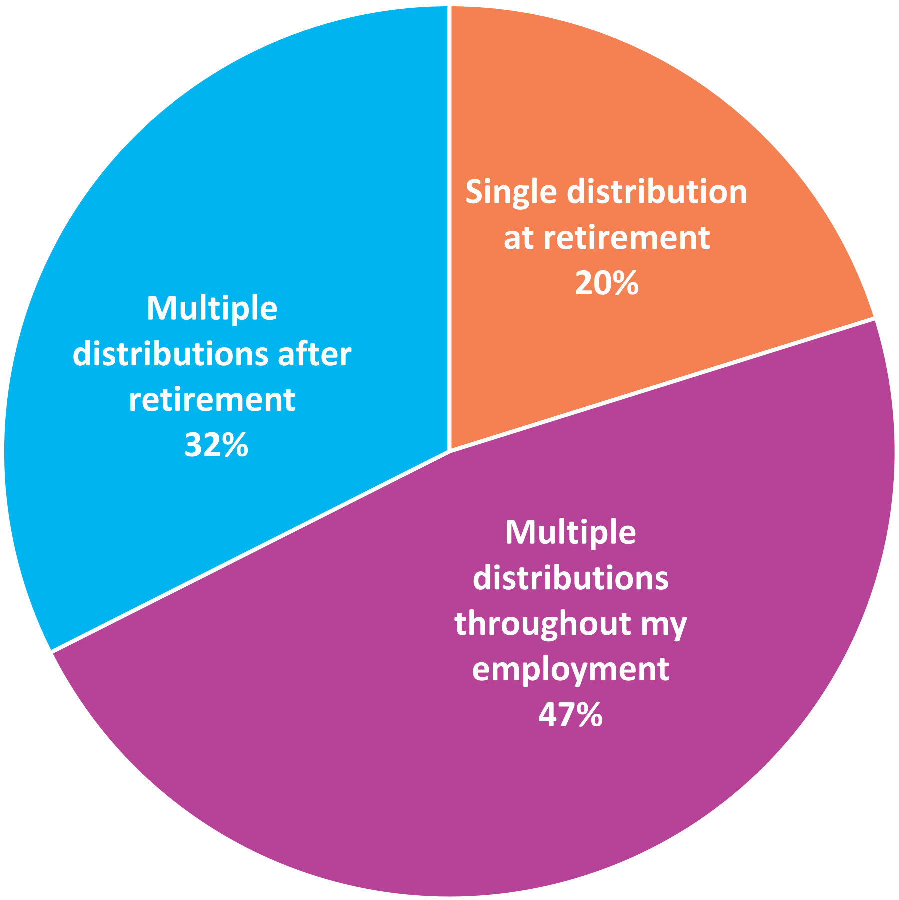


Note. Data represents the percentage of non-CEO executives by function who have a plan among those credit unions that offer a plan to non-CEO executives.



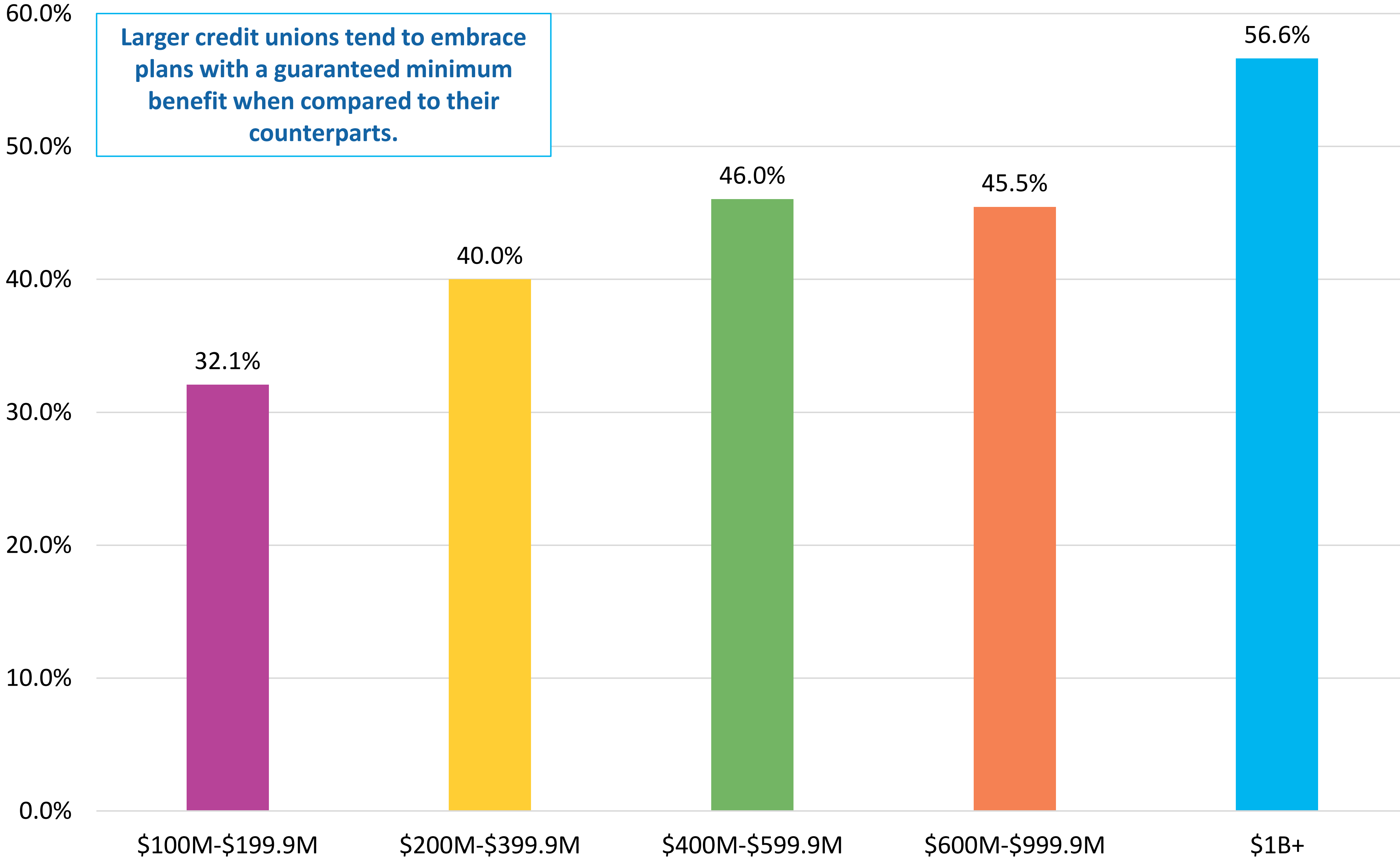
Note. Data represents the percentage of non-CEO executives by function who have a plan among those credit unions that offer a plan to non-CEO executives.

Are you set to receive a single or multiple distributions?

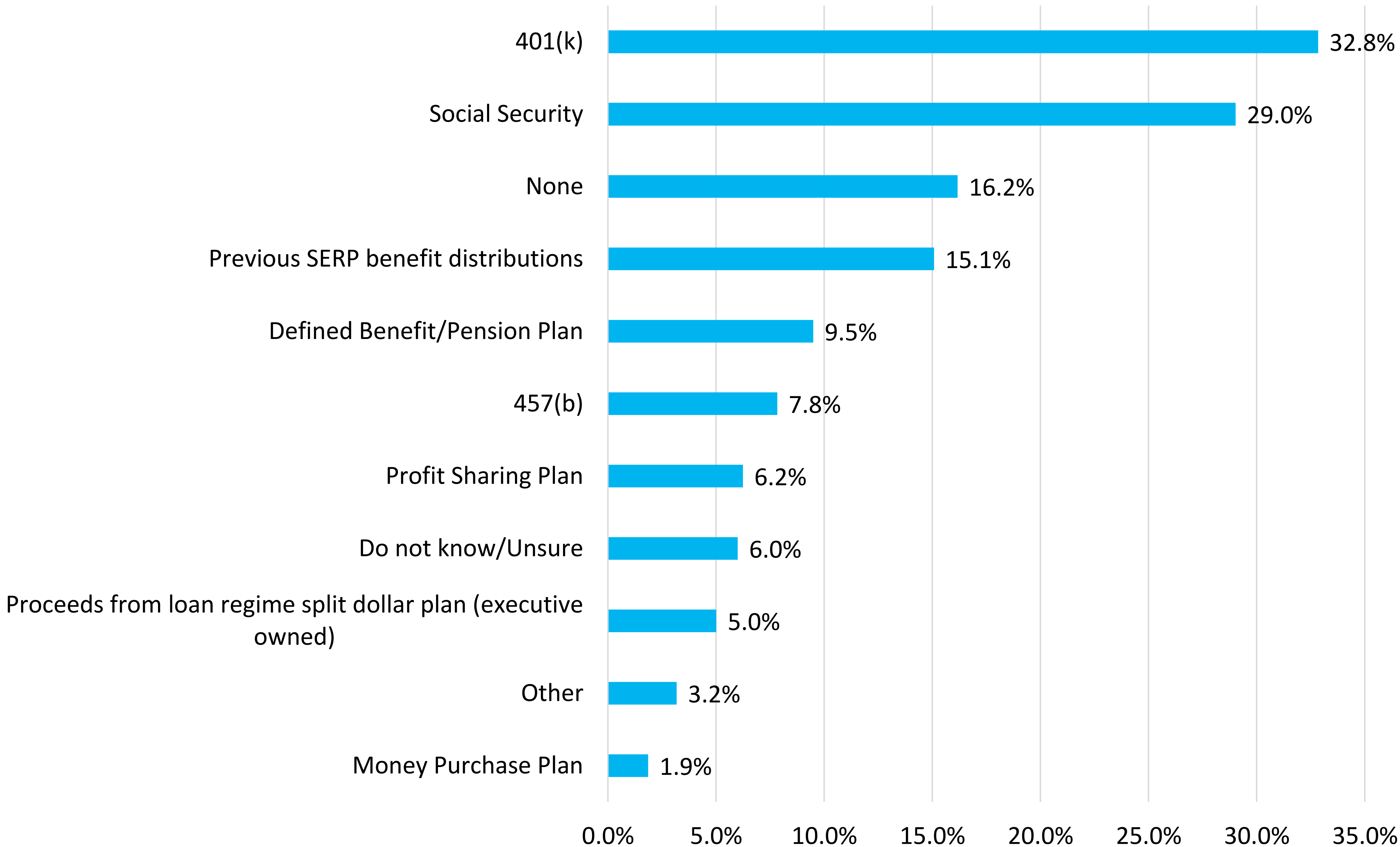


D. Hilton finds that utilizing multiple distributions throughout the executive's employment is the best structure to retain key talent. Currently, 47% of credit unions utilize this structure. A single payout at retirement or multiple distributions during retirement does not provide the handcuff that younger executives are seeking. By providing multiple distributions throughout a career, the credit union can make the distributions meaningful for the executive.

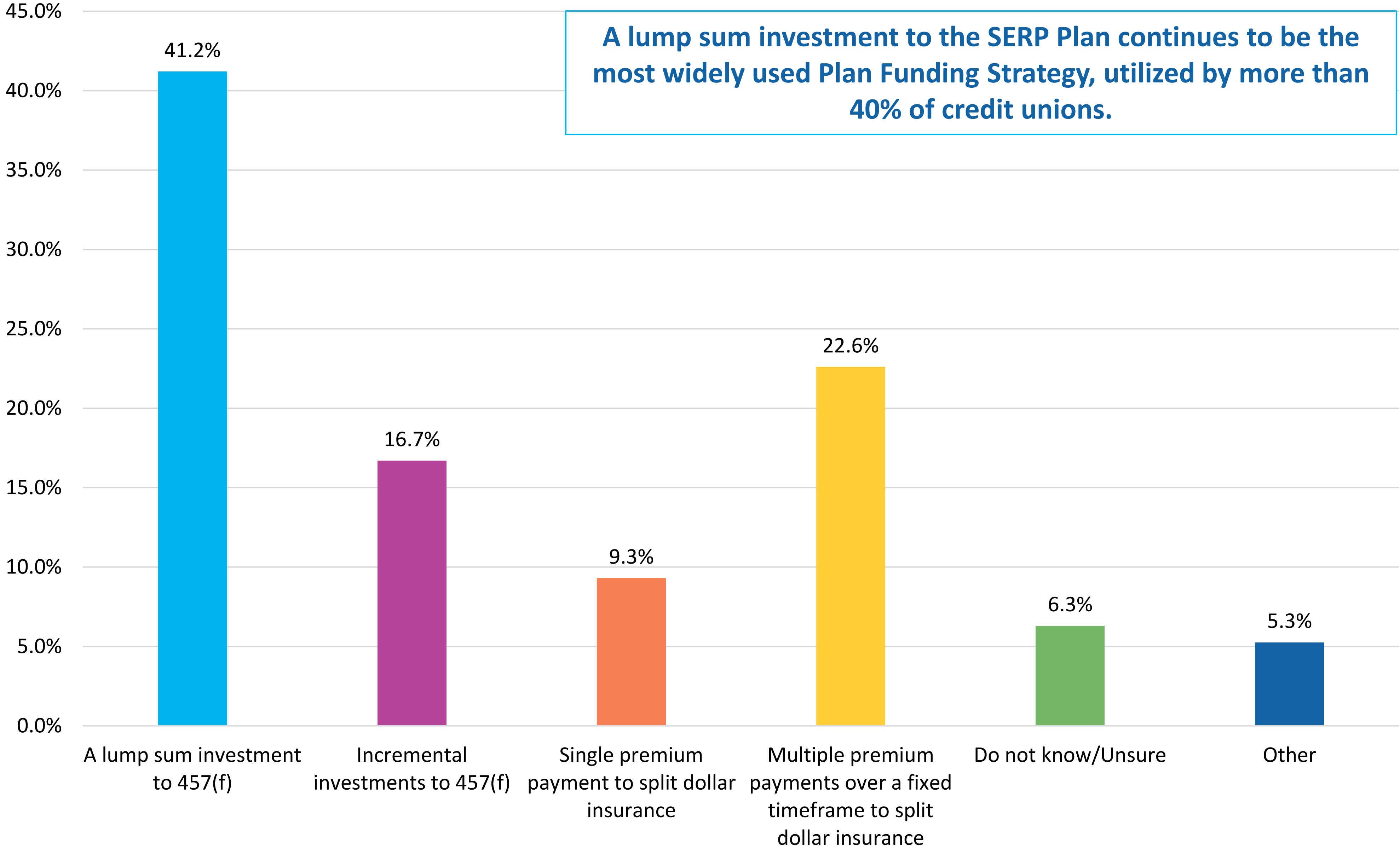
Plans With A Guaranteed Minimum Benefit



Which of the following were included as offsets in your plan calculations?

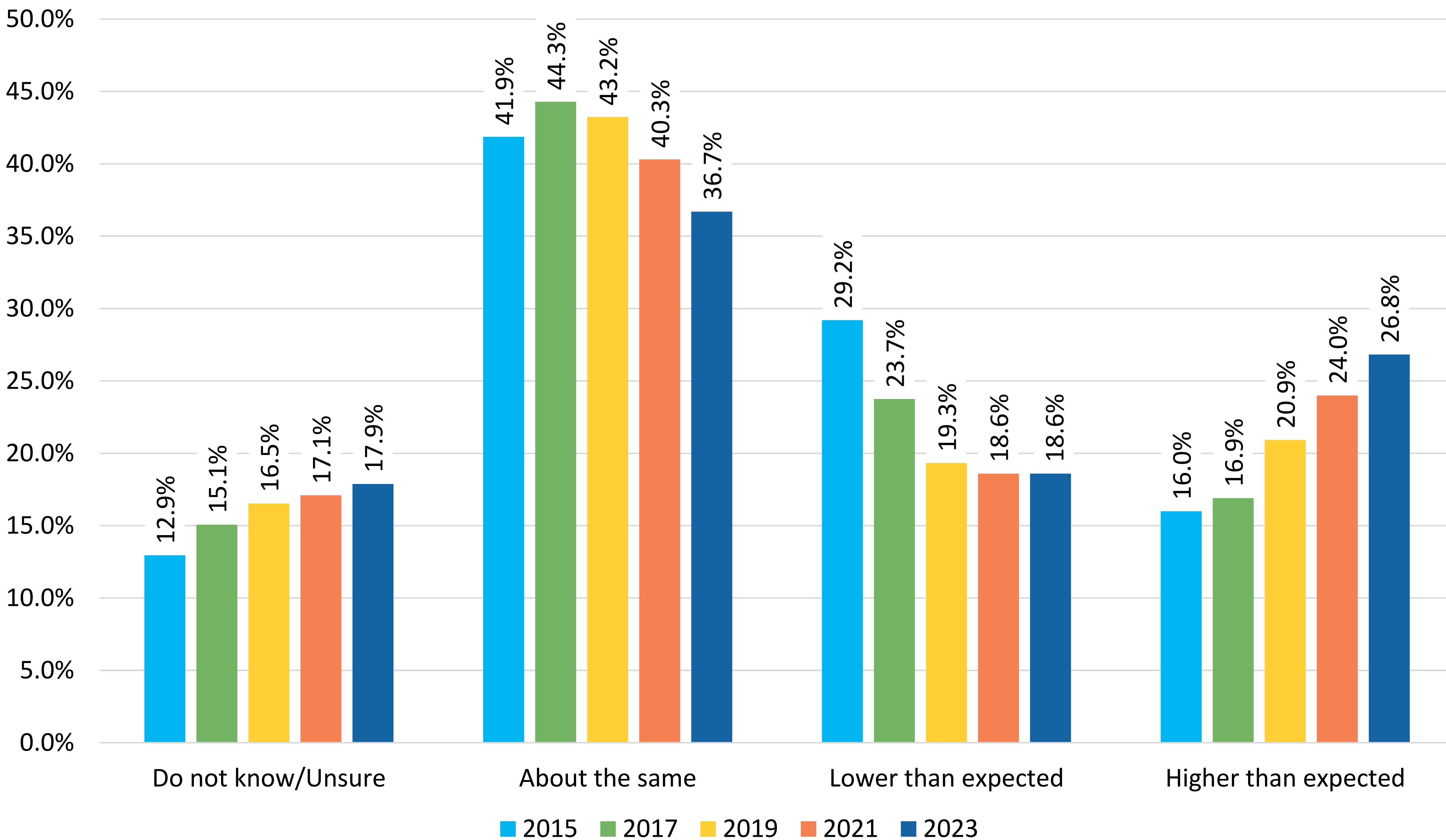


Plan Funding Strategy

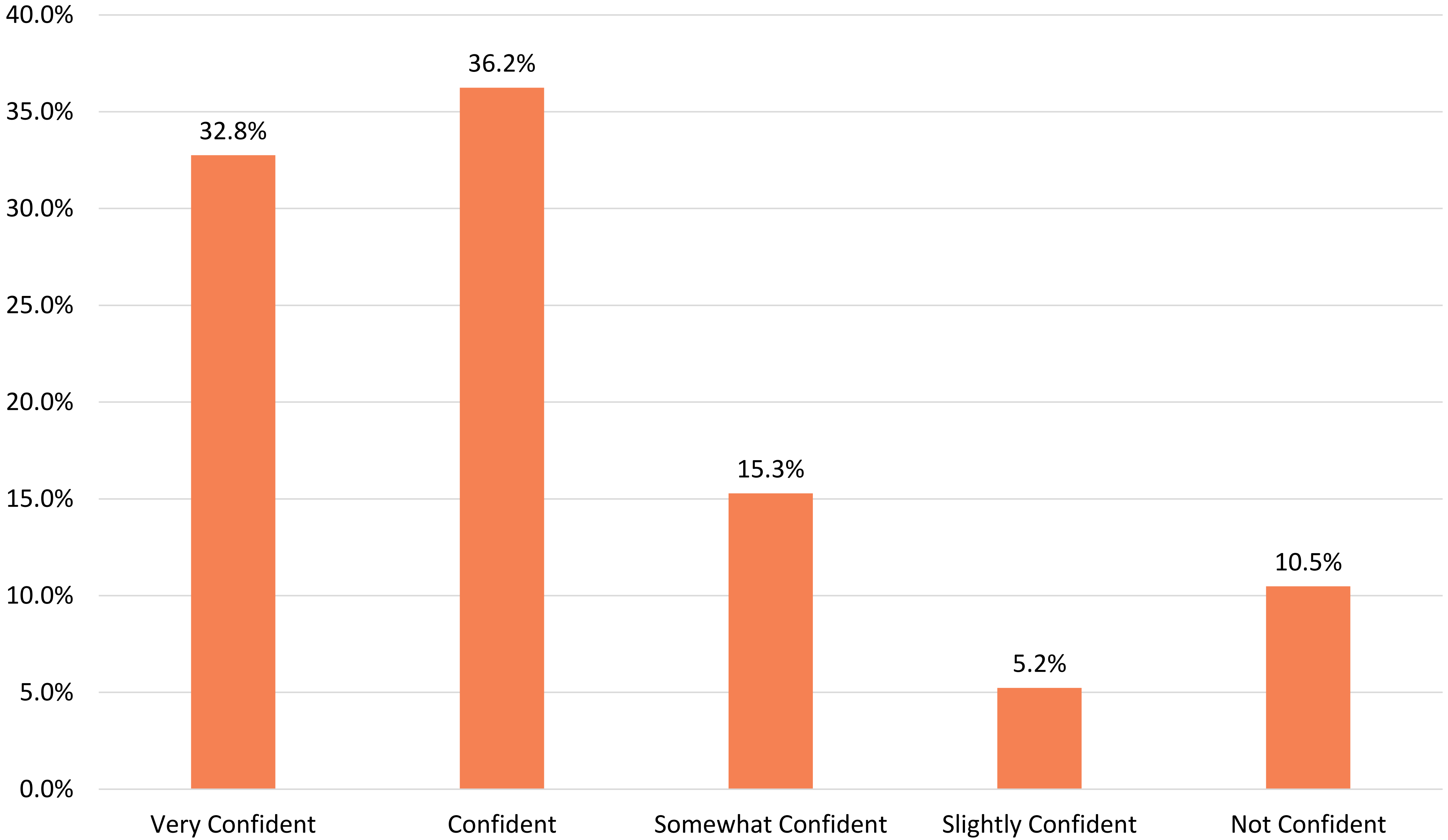


A lump sum investment to the SERP Plan continues to be the most widely used Plan Funding Strategy, utilized by more than 40% of credit unions.

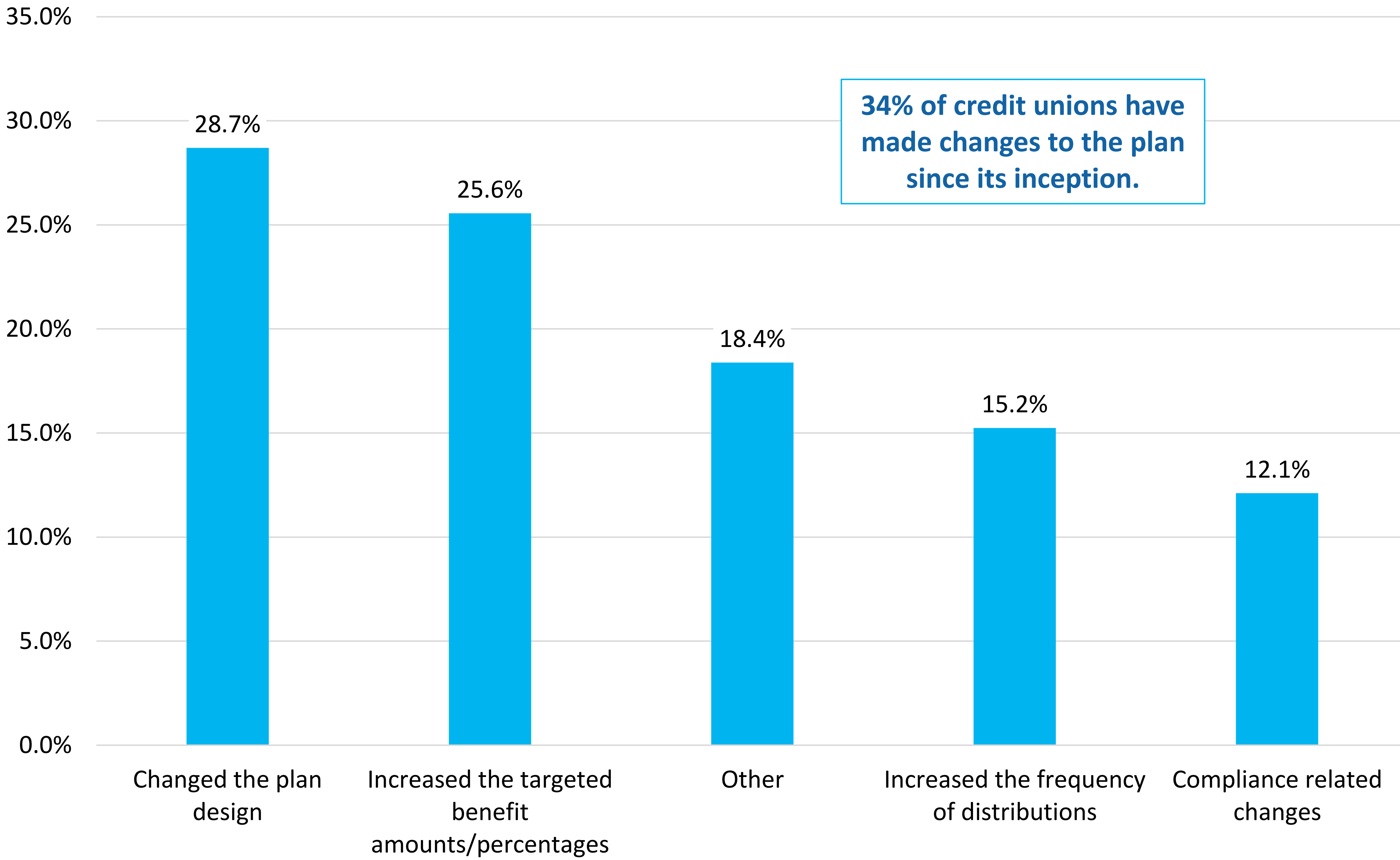
Current anticipated rate of return/yield of plan versus assumed return/yield at plan creation



How confident are you that your SERP Plan will supplement and achieve your retirement goals?

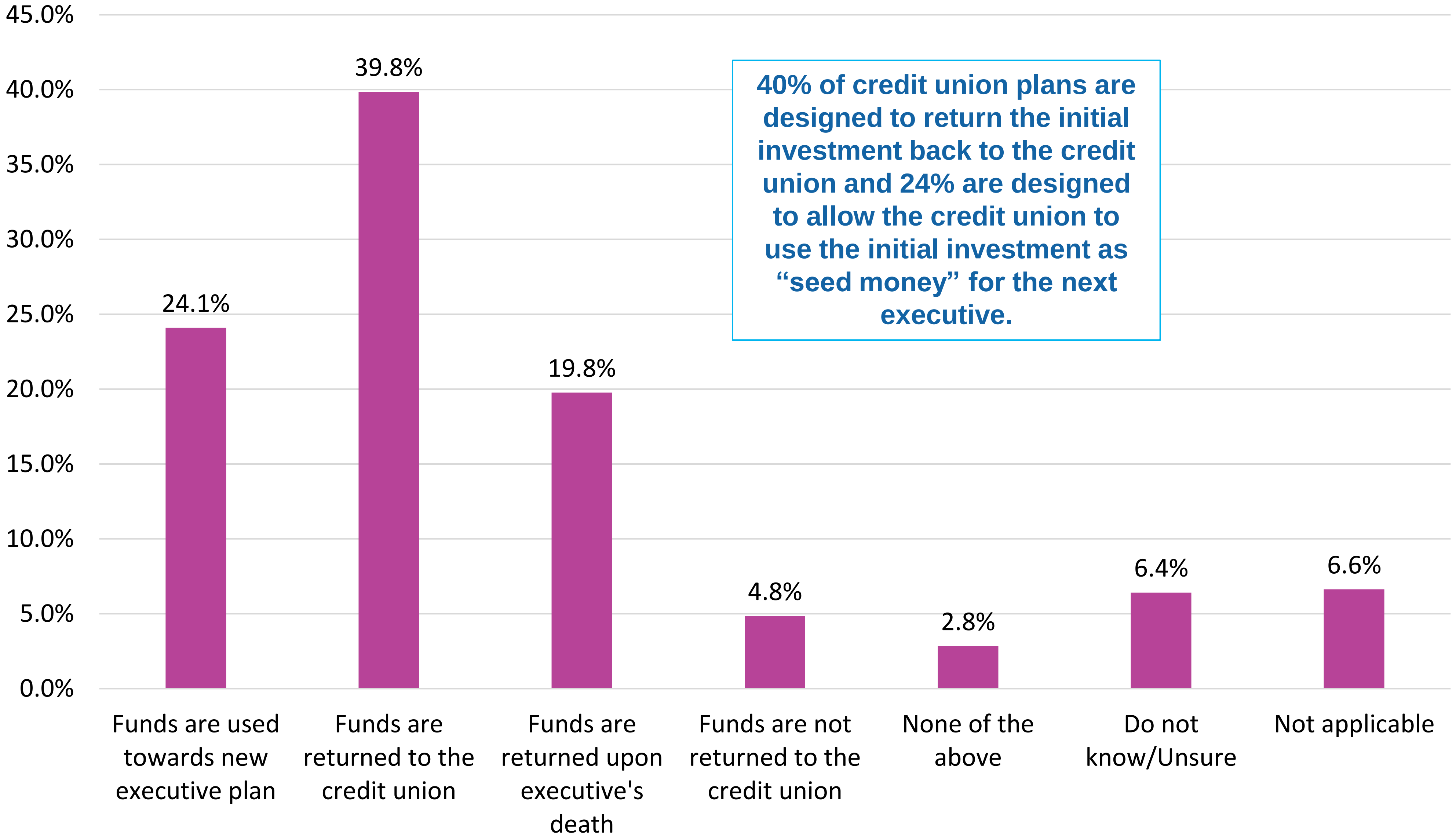


What kind of changes were made to the plan?



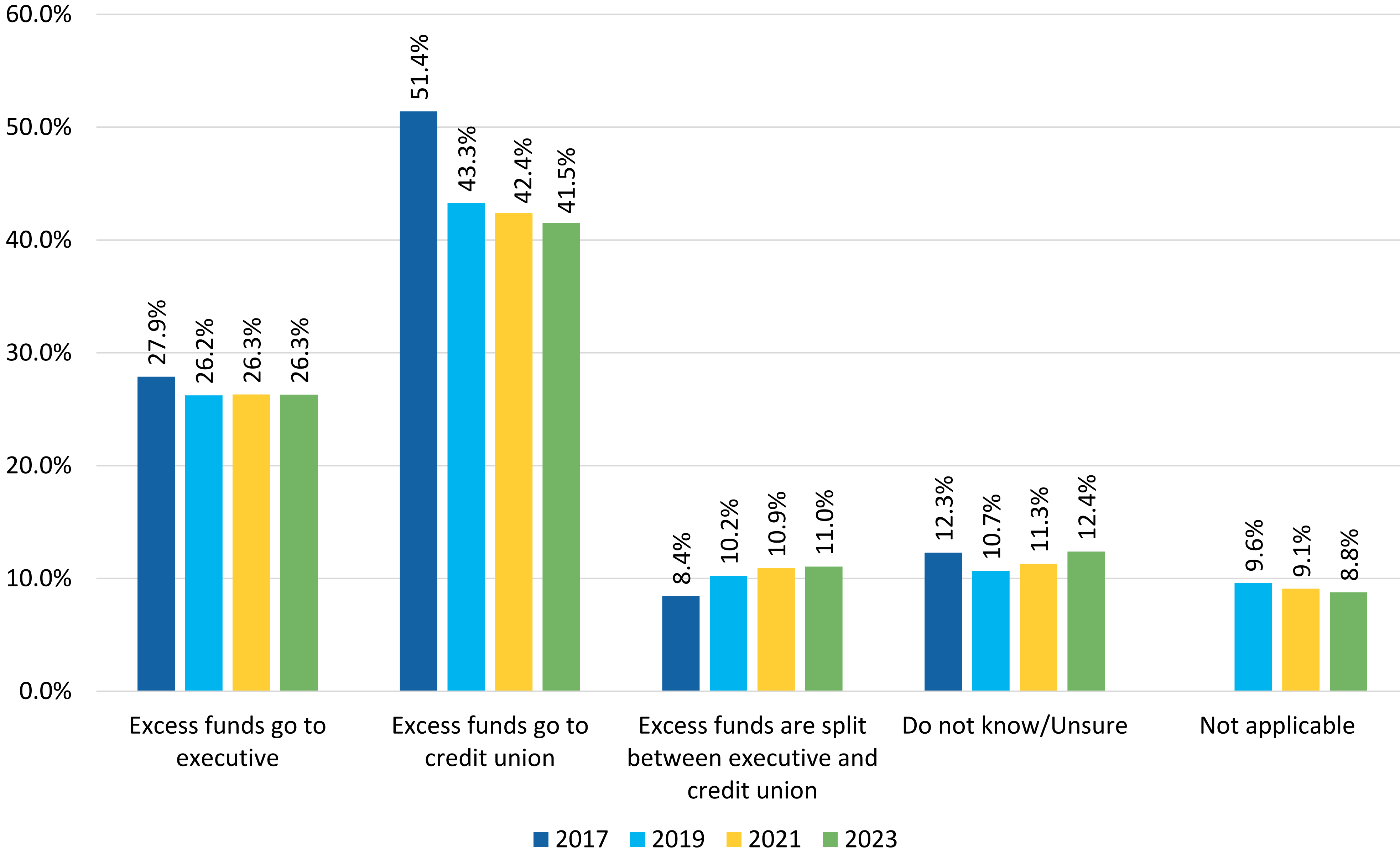
34% of credit unions have made changes to the plan since its inception.

What happens to the credit union's initial investment upon plan completion?

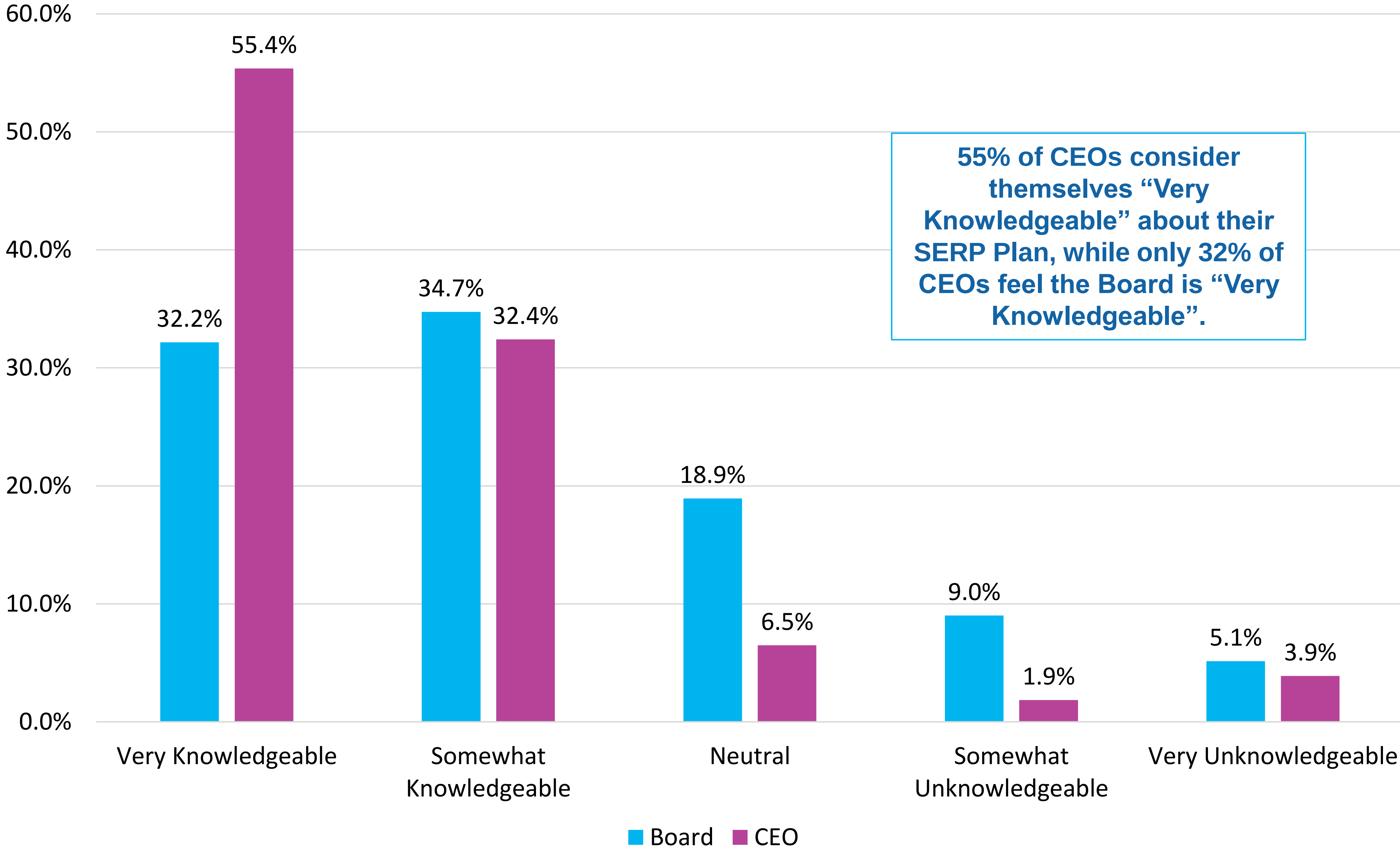


40% of credit union plans are designed to return the initial investment back to the credit union and 24% are designed to allow the credit union to use the initial investment as "seed money" for the next executive.

In the event the plan has excess funds, how are they treated?



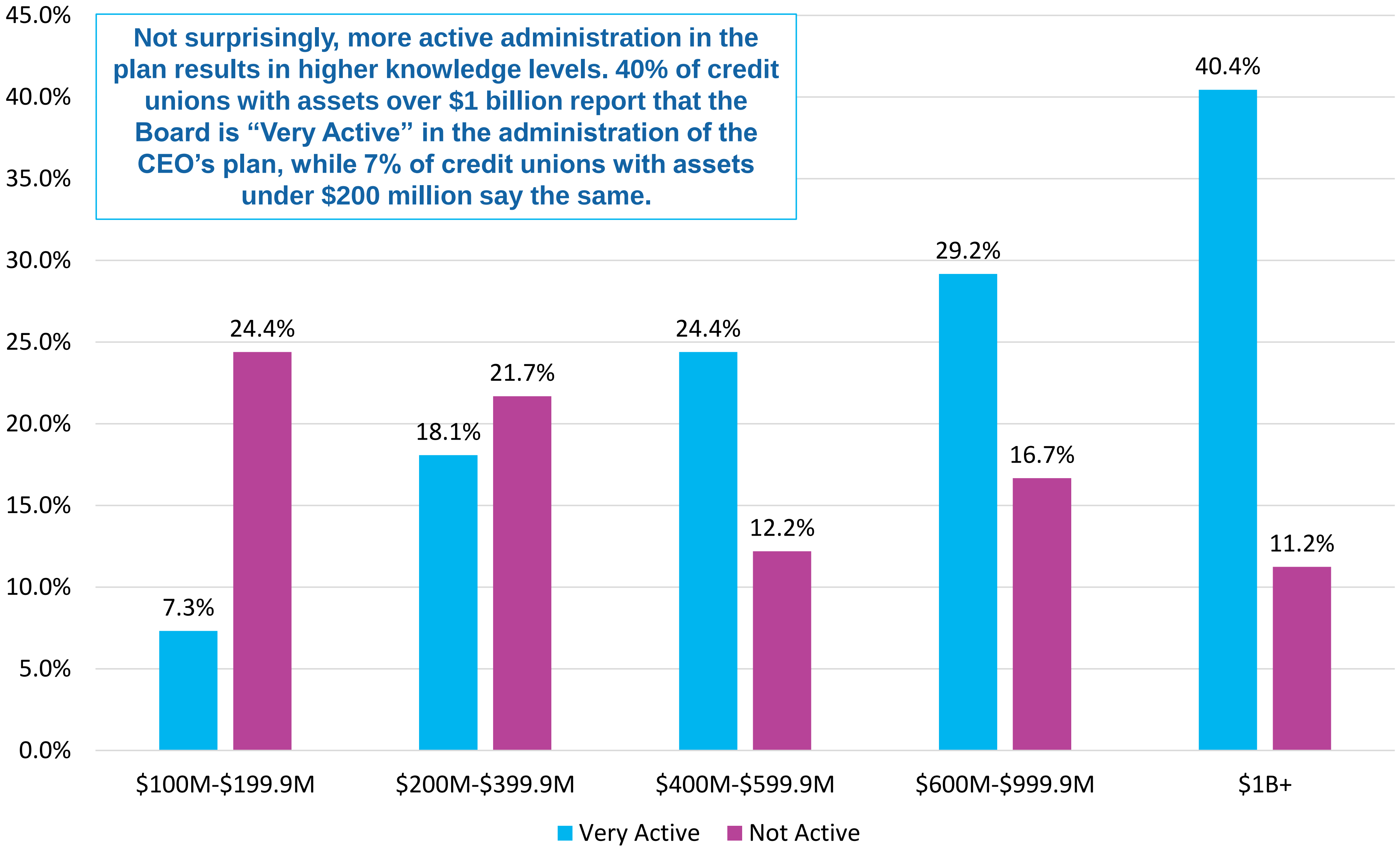
Board knowledge of plan vs. CEO knowledge of plan



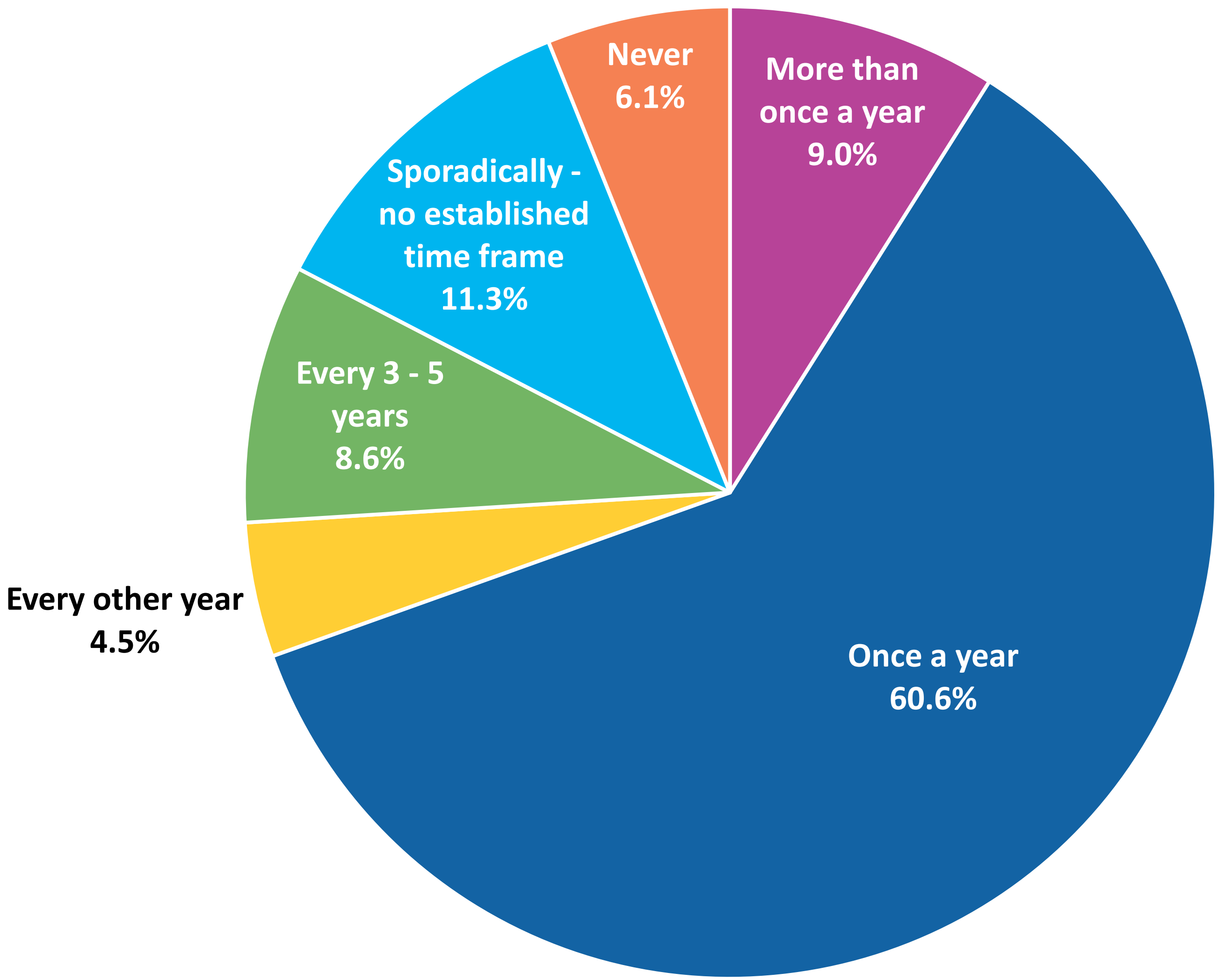
55% of CEOs consider themselves "Very Knowledgeable" about their SERP Plan, while only 32% of CEOs feel the Board is "Very Knowledgeable".

How active is the Board in the administration of your plan?

Not surprisingly, more active administration in the plan results in higher knowledge levels. 40% of credit unions with assets over $1 billion report that the Board is "Very Active" in the administration of the CEO's plan, while 7% of credit unions with assets under $200 million say the same.



Plan Review Frequency



Addendum A:
Definitions & Sample Resource Documents

Definitions

- A **401(k)** is a qualified plan that allows employees to contribute a portion of their wages to individual accounts. Elective salary deferrals are excluded from the employee's taxable income (except for designated Roth deferrals). Employers can contribute to employees' accounts. Distributions, including earnings, are includible in taxable income at retirement (except for qualified distributions of designated Roth accounts).

- A **403(b)** is a qualified retirement plan (also called a tax-sheltered annuity or TSA plan) offered by public schools and certain 501(c)(3) tax-exempt organizations. Employees save for retirement by contributing to individual accounts. Employers can also contribute to employees' accounts.

- **457(b)** Plans are non-qualified deferred compensation plans under IRC Section 501. Employers or employees through salary reductions contribute up to the IRC 402(g) limit on behalf of participants under the plan. Contributions to a 457(b) plan are tax-deferred and earnings are tax-deferred until termination of employment.

- **Internal Revenue Code 457(f)** addresses the use of SERPs in the not-for-profit sector. Because these plans are non-qualified, they allow for select employees to receive SERPs. There are no contribution limits to these plans as long as the contributions are deemed "reasonable." The earnings in the plan grow tax deferred until distribution, then they are taxed as ordinary income to the executive. To grow tax deferred, the IRS requires that the design of the plan include "a substantial risk of forfeiture" (the executive leaves and they forfeit the SERP) and that the employer be the fiduciary in the plan administration.

- A **Defined Contribution Plan** does not guarantee a specific level of payout. Instead, the contribution accumulates tax-deferred to provide whatever amount of benefit it can purchase at the executive's retirement. The retirement liability resides with the executive.

Source: www.IRS.gov

SAMPLE: Initial SERP Tasks & Procedures

Initially

Executive Committee of the Board of Directors

- Establish a compensation strategy and philosophy
  - Create/affirm compensation philosophy statement
- Commission compensation study/gather market data
  - Evaluate data sources – methodology review
  - Affirm appropriate peer group
- Evaluate executive base pay
  - Evaluate executive performance relative to the strategic plan
  - Conduct performance evaluation (results and competencies)
  - Determine appropriate base pay for each executive
  - Determine adjustment amount if appropriate
- Evaluate the variable pay program
  - Review annual results
  - Determine payout per formula
  - Recommend next year's metrics and payout targets
- Evaluate total compensation
- Evaluate all credit union retirement programs including SERPs
  - Affirm executive retirement program strategy and philosophy
  - Obtain the expertise of independent outside advisor
  - Gather market data
  - Evaluate data sources – methodology review
  - Affirm appropriate peer group
  - Determine which executives may be considered for SERPs

Board of Directors

- Review and approve Executive Committee recommendations regarding:
  - Compensation strategy and philosophy
  - Compensation philosophy statement
  - Compensation study / market data
  - Data sources – methodology
  - Peer group
  - President/CEO's base pay and adjustment amount if appropriate
  - Variable pay program
    - Annual results
  - All credit union retirement programs including SERPs
  - New SERPs for select key executives
    - Eligible executives
    - Goals
    - Designs
    - Payment triggers
    - Targeted benefits
    - Offsets
    - Stipulations
    - Investment amount
  - Legal processes and documentation
- Confirm that SERP goals meet succession planning needs

Legal/ Finance & Accounting/ Human Resources/Participants

Legal Department

- Evaluate President/CEO's employment contract and SERP agreement for consistency
- Review and confirm compliance and accuracy of all SERP-related documents

Finance and Accounting

- Begin accruing for the potential financial impact of SERP terms
- Arrange for the transfer of funds to purchase SERP investments
- Review insurance and investment documentation and statements

Human Resources

- Provide the Executive Committee and designated outside advisor with pertinent executive compensation information including:
  - Base pay
  - Variable pay targets
  - Variable pay payments
  - Qualified and non-qualified deferred compensation distributions
  - Employer portion of 401(k) and other qualified plan balances

SAMPLE: Initial SERP Tasks & Procedures

Executive Committee of the Board of Directors	Board of Directors	Legal/ Finance & Accounting/ Human Resources/Participants

• Consider SERPs for President/CEO and select key executives
  ○ Determine if and/or for which executives SERPs may be appropriate
  ○ Take into consideration any pre-existing SERPs
  ○ Research SERP
    ▪ SERP objectives (benefits philosophy, recruiting, retention, restoration of qualified plan shortfall?)
    ▪ Targeted benefits (replacing a percentage of anticipated final pay?)
    ▪ Offsets (401(k) matches, qualified and non-qualified deferred compensation distributions and benefits, anticipated Social Security payouts, etc.?)
    ▪ Stipulations (circumstances under which any or all of the SERP will or will not be paid to the executive)
    ▪ Investments (discount rate, investment amount, investment options?)
    ▪ Investment policy and procedures
  ○ Agree upon SERP goals, designs, payment triggers, targeted benefits, offsets, stipulations and investments
  ○ Confer with President/CEO regarding potential SERPs for additional executives
  ○ Confirm that SERP goals meet succession planning needs
  ○ Consider each SERP candidate's personal retirement goals
	• Communicate and resolve any outstanding issues with Executive Committee recommendations
	• Communicate approval to the Executive Committee
		• Retain copies of all SERP-related, signed documents including SERP agreements, beneficiary designation forms, corporate resolutions, insurance policies and investment contracts/documentation
		
		Participant
		• Provide accurate personal information
		• Understand and sign all SERP-related documents including:
		  ○ SERP agreements
		  ○ Beneficiary designation forms
		  ○ Insurance policies
		  ○ Investment contracts/documentation
		• Retain copies of all SERP-related, signed documents including SERP agreements, beneficiary designation forms, insurance policies and investment contracts/documentation

SAMPLE:
Initial SERP Tasks & Procedures

Executive Committee of the Board of Directors	Board of Directors	Legal/ Finance & Accounting/ Human Resources/Participants
○ Resolve any outstanding Board issues relating to Executive Committee recommendations ○ Obtain approval from the Board for recommended actions ○ Consult with and retain legal counsel to create and follow through on all legal documents ▪ SERP agreement ▪ Corporate resolution ▪ DOL "Top Hat" filing ○ Ensure that those executives receiving SERPs understand their terms, structures, stipulations, potential tax implications, etc. ○ Document and provide backup for all decisions and actions • Communicate appropriate information to Finance and Accounting, Human Resources, In-House Legal department and President/CEO		

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SAMPLE:
Annual SERP Tasks & Procedures

Annually		
Executive Committee of the Board of Directors	**Board of Directors**	**Legal/ Finance & Accounting/ Human Resources/Participants**

• Reaffirm the compensation strategy and philosophy
  ○ Reaffirm the compensation philosophy statement
• Commission compensation study / gather market data
  ○ Reevaluate data sources – methodology review
  ○ Reaffirm appropriate peer group
• Evaluate executive base pay
  ○ Evaluate executive performance relative to the strategic plan
  ○ Conduct performance evaluation (results and competencies)
  ○ Determine appropriate base pay for each executive
  ○ Determine adjustment amount if appropriate
• Review the variable pay program
  ○ Review annual results
  ○ Determine payout per formula
  ○ Recommend next year's metrics and payout targets
• Review total compensation
• Review all credit union retirement programs including SERPs
  ○ Reaffirm executive retirement program strategy and philosophy
  ○ Obtain the expertise of independent outside advisor
  ○ Gather market data
  ○ Evaluate data sources – methodology review
  ○ Reaffirm appropriate peer group
  ○ Reaffirm the suitability of executives with current SERPs
	• Review and approve Executive Committee recommendations regarding:
	  ○ Compensation strategy and philosophy
	  ○ Compensation philosophy statement
	  ○ Compensation study / market data
	  ○ Data sources – methodology
	  ○ Peer group
	  ○ Executive performance relative to strategic plan
	  ○ Executive performance evaluation (results and competencies)
	  ○ Base pay for President/CEO and adjustment amounts if appropriate
	  ○ Variable pay program
	    ▪ Annual results
	    ▪ Payout per formula
	    ▪ Next year's metrics and payout targets
	  ○ All credit union retirement programs including SERPs
	  ○ Current SERPs and recommendations for new SERP implementation
	  ○ Legal processes and documentation
	• Re-confirm that SERP goals meet succession planning needs
	• Communicate to Executive Committee the Board's final approval for recommended actions
	• Communicate appropriate information to Finance and Accounting, Human Resources, In-house Legal department and President/CEO
		Legal Department
		• Review President/CEO's employment contract and SERP agreement for consistency
		• Review and confirm compliance and accuracy of all SERP-related documents
		
		Finance & Accounting
		• Re-affirm proper accrual for the potential financial impact of SERP terms
		• Review investment documentation and statements
		• Follow through on SERP payouts when appropriate
		• Ensure compliance with all auditors' requests for SERP account values
		
		Human Resources
		• Re-affirm all SERP-related, signed documents including SERP agreements, beneficiary designation forms, corporate resolutions, insurance policies and investment contracts/documentation are up to date and accurate
		• Provide the Executive Committee and designated outside advisor with pertinent executive compensation information including:
		  ○ Base pay
		  ○ Variable pay targets
		  ○ Variable pay payments
		  ○ Defined benefit projections
		  ○ Employer portion of 401(k) and other qualified plan balances

SAMPLE:
Annual SERP Tasks & Procedures

<table>
<tr><th>Executive Committee
of the Board of Directors</th><th>Board of Directors</th><th>Legal/ Finance & Accounting/
Human Resources/Participants</th></tr>
<tr><td>• Review current SERPs
  o Review SERP investment allocations and returns
  o Evaluate current SERP and compensation status relative to targeted objectives
  o Determine funding adequacy
  o Investment policy and procedures
  o Recommend and follow through on any approved adjustments and investments
  o Address any regulatory changes
• Review imminent SERP payouts
  o Confirm that SERP payouts will be made according to plan
• Review documents / evaluate program administration effectiveness
  o Identify/address any potential compensation practice concerns
  o Assess the expertise and independence of outside advisors
  o Document and provide backup for all decisions and actions
    ▪ SERP agreement
    ▪ Corporate resolution
• Re-ensure that those executives receiving SERPs understand their terms, structures, stipulations, potential tax implications, etc.
• Consult with and retain legal counsel to confirm that all legal documents are accurate and current
  o SERP agreement
  o Corporate resolution
  o DOL “Top Hat” filing
• Obtain final approval from the Board for recommended actions
• Communicate appropriate information to Finance and Accounting, Human Resources, In-house Legal department and President/CEO</td><td></td><td>Participant
• Inform Human Resources of any changes in personal information, circumstances or beneficiary designation
• Pay taxes on any SERP payouts received</td></tr>
</table>

SERP INVESTMENT POLICY STATEMENT (IPS)**
(Supplemental Executive Retirement Plan)
****SAMPLE****

1. Purpose of the SERP Investment Policy Statement

This SERP investment policy statement sets forth the process that (Credit Union Name) has adopted to make investment-related decisions with respect to assets of the SERP Plan. The policy identifies the investment goals and objectives of the plan, sets out decision-making processes for selecting investments, and specifies the procedures and relevant measurement indexes to be used in assessing ongoing investment performance, in accordance with the stated investment objectives. The investment policy statement will be used as the basis for measuring and evaluating future investment performance and will itself be reviewed, at least annually, by the SERP Investment Committee.

2. Roles, Responsibilities and Procedures

a. SERP Investment Committee

The SERP Investment Committee shall supervise the investment of the assets of the plan and make all decisions concerning the selection and retention of the investment options available under the plan. Accordingly, the SERP Investment Committee shall have authority both to select and monitor funds, and to appoint investment managers. Decisions of the SERP Investment Committee on investment policy, the selection of investments and/or investment managers, performance analysis and investment monitoring, etc., may be, but need not be, based on the recommendations of an investment advisor engaged to advise the SERP Investment Committee on such matters.

b. SERP Investment Advisor(s)

An investment advisor may be appointed to assist the SERP Investment Committee in the overall supervision of the plan's investments. An investment advisor is a qualified person to whom the fiduciaries delegate responsibility for investing and managing the SERP Plan assets in accordance with this SERP investment policy statement and applicable laws. In this role, the investment advisor will offer resources for additional due diligence as well as independent third-party analysis. More specifically, the independent advisor may offer guidance and recommendations to the SERP Investment Committee in the selection and retention of investment options, the selection and retention of investment managers, where applicable, and assistance in the periodic monitoring of fund performance.

1. Specifically, the investment advisor is responsible for:
    - a. Analyzing our current financial situation and assisting us in determining our risk/return profile.
    - b. Advising us about available investment solutions and strategies.
    - c. Monitoring the performance of our portfolio relative to our goals and objectives.
    - d. Periodically reviewing the suitability of the investment solutions selected for our portfolio.
    - e. Being available to meet with us at least once each year and being available at such other times within reason as we request.
    - f. Preparing and presenting appropriate reports, including Performance Reviews.
2. Our financial advisor shall consider the following criteria when assisting us in the selection of our investment solutions:
    - a. Our risk/return profile.
    - b. The current economic environment.
    - c. Our overall investment objectives, including a consideration as to whether have primarily accumulation needs or distribution needs.
    - d. The potential of an investment to add value, considered relative to other investments having the same objective.

c. Written SERP Investment Records

The SERP Investment Committee shall create and maintain written records of all decisions relating to the choice and ongoing monitoring of SERP investment funds under the plan. Minutes shall be taken of all meetings, noting time and place, attendees, matters discussed, and decisions reached. The minutes shall document investigation, facts, and the reasoning that went into the making of such decisions. Relevant documents or materials used by the SERP Investment Committee in its decision-making process may be included in or annexed to such minutes.

3. SERP Investment Philosophy

a. General Philosophy

1. Investment options chosen in coordination with the establishment of the SERP Plan shall be selected in order to:
   a. Provide a wide range of investment opportunities in various asset classes, to allow for diversification and cover a wide risk/return spectrum.
   b. Maximize returns within reasonable and prudent levels of risk.
   c. Provide returns comparable to returns for similar investment options.
   d. Control administrative and management costs of the plan.
2. The SERP Investment Committee shall select such investment vehicles based upon their stated investment objectives or investment type and historical performance. The SERP Investment Committee also intends to base its selection on the options' historical adherence to their stated investment objectives.
3. The SERP Investment Committee shall reevaluate each asset class and investment vehicle based upon the foregoing criteria, no less frequently than annually, in order to determine the continuing suitability of each such option under the plan.
4. The SERP Investment Committee shall agree upon and communicate the investment objectives, the time-horizon and risk-tolerance of the SERP account to the investment advisor.

4. Select and Monitor SERP Investment Options

a. Selection of SERP Investment Options

1. The SERP Investment Committee shall select the plan's investment options with the assistance of the plan's investment advisor. Selection criteria shall include, but not be limited to, the following:
   a. The investment option's volatility and performance relative to benchmarks.
   b. The investment option's demonstrated adherence to stated investment objectives.
   c. Competitiveness of fees and expense ratios compared with those of similar investments.
   d. The organization's size, structure, and history; management profile and investment philosophy; staff experience and depth; and technological commitment to research.
2. Asset classes may include the following:
   a. Large Cap Equities.
   b. Small/Mid Cap U.S. Equities.
   c. U.S. Fixed Income.
   d. International Equities.
   e. Emerging Markets Equities.
   f. International Bonds.
   g. Real Estate Investment Trusts.
   h. Commodities.
   i. Market Inverse vehicles.
3. Investment Vehicles may include the following:
   a. Mutual Funds.
   b. Exchange Traded Funds.
   c. Insurance Contracts.

b. Monitoring of SERP Investment Options

1. The SERP Investment Committee shall evaluate the results of the existing investment funds at least annually. Performance comparisons will be made against the representative performance universe and market indexes for each investment.

5. Review and Revise the SERP Investment Policy Statement

The SERP Investment Committee reserves the right to amend this SERP investment policy statement at any time and from time to time, as it deems necessary or appropriate. The SERP Investment Committee shall amend this SERP investment policy statement as necessary to comply with any amendment to the SERP Plan documents or with any change in federal or other applicable laws that may affect the investment of the plan's assets. As changes occur in the investment options for the SERP Plan, the SERP Investment Committee shall amend the policy in order to maintain the accuracy of the document.

IN WITNESS WHEREOF, this SERP investment policy statement, as approved by the SERP Investment Committee, has been adopted as of this ________day of ___________, 20_______.

For the SERP Investment Committee: ____________________________________

Print name: __________________________________

Title: ____

**** This sample is provided for informational purposes only. It is not intended to provide authoritative guidance or legal advice. You should consult your attorney for guidance on your particular situation.**

Sample RFP Questions
Supplement Executive Retirement Plan (SERP)
Parameters, Investments, and Executive Information

I. Overall Experience

a. Provide a brief history of your company, its structure, and the location of your corporate headquarters and offices.
b. Provide the names and bios, including related experience, for the principal individuals responsible for the development, implementation, and administration of the new plan assets plan.
c. Provide a list of current industry licenses held by the individuals who will be directly responsible for this project.
d. Provide copies of U-4's for all individuals working with investments related to the SERP.
e. Provide copies of Form ADV—Parts 1 and 2 and brochure supplements (Part 2B) for all individuals working with investments related to the SERP.
f. Describe your firm's experience with executive retirement and retention plans.
g. Describe what differentiates your firm from your competitors.

II. Not-For-Profit Experience

a. Describe your experience with non-qualified deferred compensation plans in general and SERP Plans in particular.
b. How long have you worked with not-for-profits and credit unions?
c. How many SERPs do you administer for not-for-profit entities?
d. How many credit union clients do you work with that have assets comparable to our organization?
e. Describe your direct working experience with credit union regulators, auditors & attorneys.

III. SERP Design

a. Describe your methodology for designing SERP Plans.
b. Does your design methodology take into account individual executives and their unique situation or need (e.g., age, tenure, etc.)?
c. How do you benchmark your SERP design against what is peer competitive?
d. Please describe how you would define peers. Can the credit union customize the peer group? What primary and secondary sources are used to benchmark peer competitive?
e. What are the costs to conduct SERP design? Do these costs require the credit union to use your firm for investment management?
f. How many onsite visits are included and/or expected as part of your design methodology? Are those onsite visits included in the costs quoted?

IV. Plan Assets

a. What investment options can you offer?
b. What financial services providers would you recommend working with on this plan?
c. Please provide a sample proposal using a moderate investment allocation.
d. Will you provide an investment policy statement? How often is it updated?

V. Compensation

a. Describe your firm's experience with executive compensation plans.
b. Provide an overview of your executive compensation and evaluation programs.
c. How can your firm help our credit union validate and verify compensation and retirement benefits for our peer group, inside and outside of the industry? How often do you do this and is there an additional fee for doing so?
d. How many not-for-profits and credit unions do you work with on compensation and benefit design annually?

VI. Plan Administration

a. How often are you available for on-site meetings with the credit union to review the plan performance and options? Who from your firm is responsible for these on-site meetings and are there any fees associated with these reviews?
b. How is oversight and administration handled? How will you ensure that our plan is competitive and compliant with all IRS, NCUA, OFIR regulations as well as any other applicable regulations?
c. Describe your methodology for conducting ongoing SERP plan administration.
d. Describe your methodology for conducting ongoing investment due diligence.
e. Describe your methodology for tracking and communicating investment performance.
f. Discuss your firm's fee schedule and compensation, including commissions, both direct and indirect. Fees should include annual (ongoing) fees, set-up fees, administration fees and fees related to initial analysis and recommendations and any other fees applicable for this type of plan.
g. Describe your firm's electronic security protocol.
h. Describe your firm's disaster recovery plan.

VII. References

a. Provide references for the following clients:
b. Three largest clients
c. Three recent clients
d. Three longest client relationships

Addendum B:

D. Hilton SERP Trends Presentation

D. Hilton's 2024 SERP and Split Dollar Survey Results

d. hilton associates inc.

www.dhilton.com | 800.367.0433

Proprietary Information

The following pages contain information and methodology proprietary to D. Hilton and should not be revealed to outside parties (i.e., other credit unions, local businesses, investment brokers, attorneys, consultants, vendors, or D. Hilton competitors) without the express written consent of D. Hilton Associates, Inc.

What is a SERP?

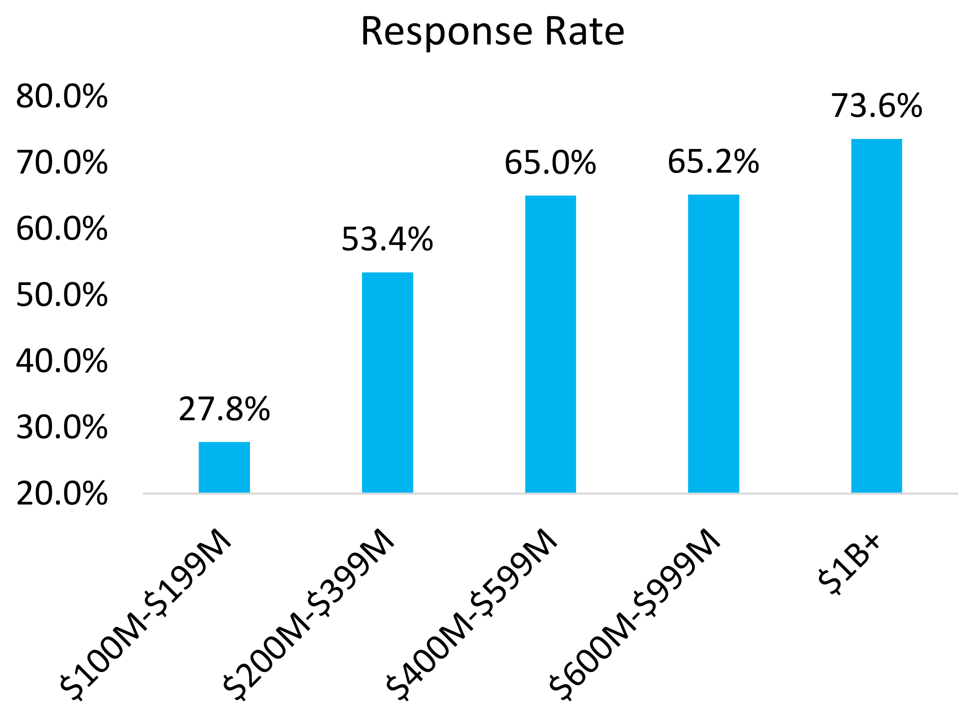
- A tool used to **attract, reward, and retain** executive talent.
- An agreement between **the credit union and selected executives** to provide supplemental income in return for the attainment of agreed upon objectives, typically at specified employment anniversaries and/or at retirement.
- SERPs are **selective and non-qualified**, providing the opportunity to reward key executives without restrictions on contribution amounts or income caps.
- If the credit union terminates the Executive’s employment “For Cause” or as a result of the Executive’s voluntary resignation, **the Executive’s benefit is typically forfeited**, and no payment of any kind is made to the Executive or beneficiaries.

Typical SERP Plan Objectives for High Performing CUs

- Attract, retain, and motivate
- Restore retirement plan shortfalls
- Best practice design
- Competitive with peers
- Enhance succession planning
- Benchmarked within the CU industry
- Committment to a pay philosophy

4 Key Takeaways from D. Hilton's 2023/2024 SERP Study

1. SERPs are more important now than ever and expected to retain top talent
2. Multiple Layers: Succession Planning goes hand-in-hand with SERP programs
3. One Plan Design Does Not Fit All Executives
4. Annual Reviews are Key: Expect Ongoing Revisions as the CU industry grows and evolves



Source: 2023/2024 D. Hilton SERP Survey

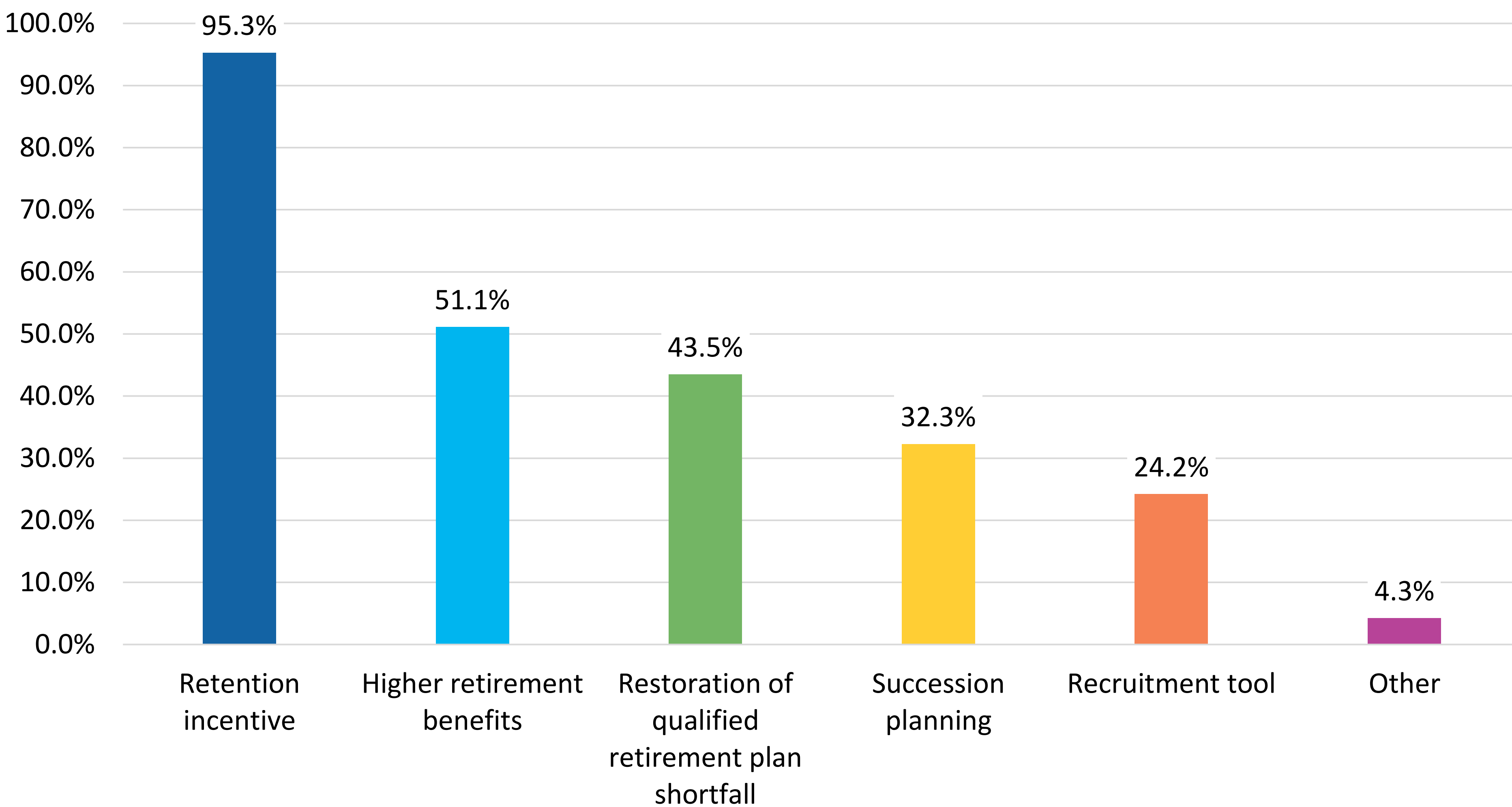
d. hilton associates inc.

2023/2024 SERP Survey Methodology

- 20th Anniversary Study
- Emailed to 1,825 credit unions (> $100M in assets)
- 965 credit unions responded (53% Overall Response Rate)
- 95% confidence level +/- 2%

Reason for offering a SERP Plan

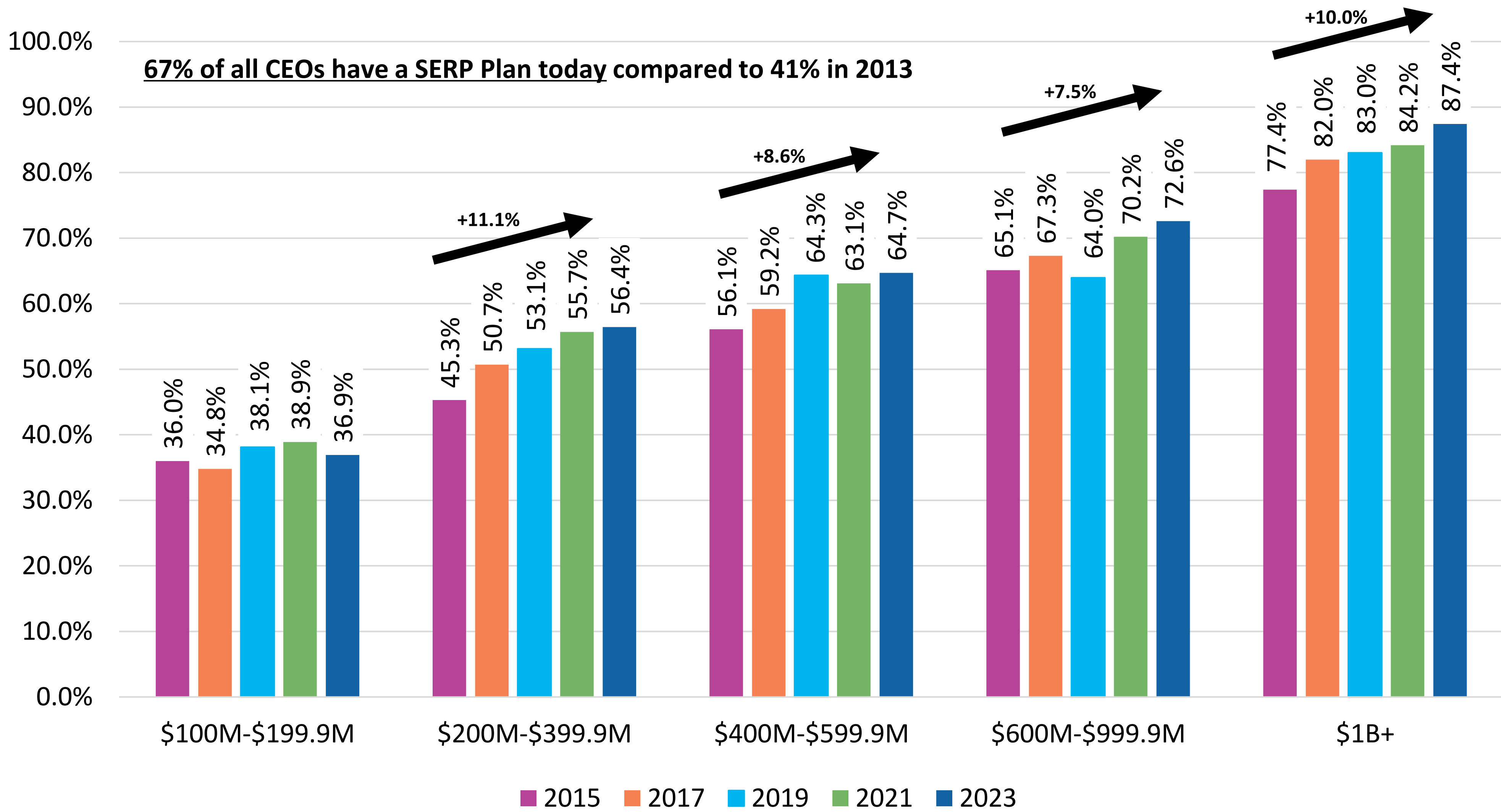
Retention and Succession are Drivers…



Source: 2023/2024 D. Hilton SERP Survey

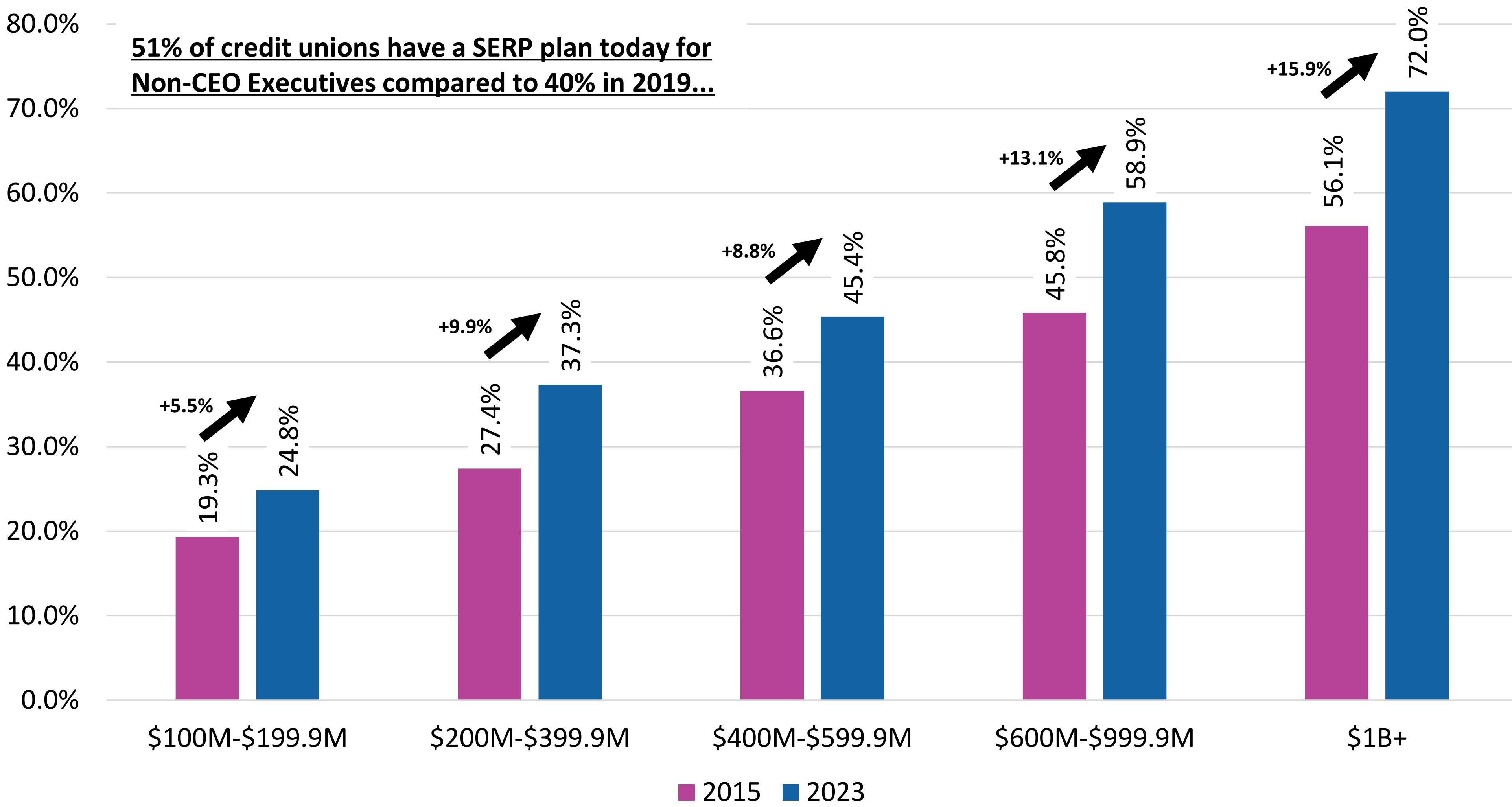
d. hilton associates inc.

SERP Plan Usage for CEOs



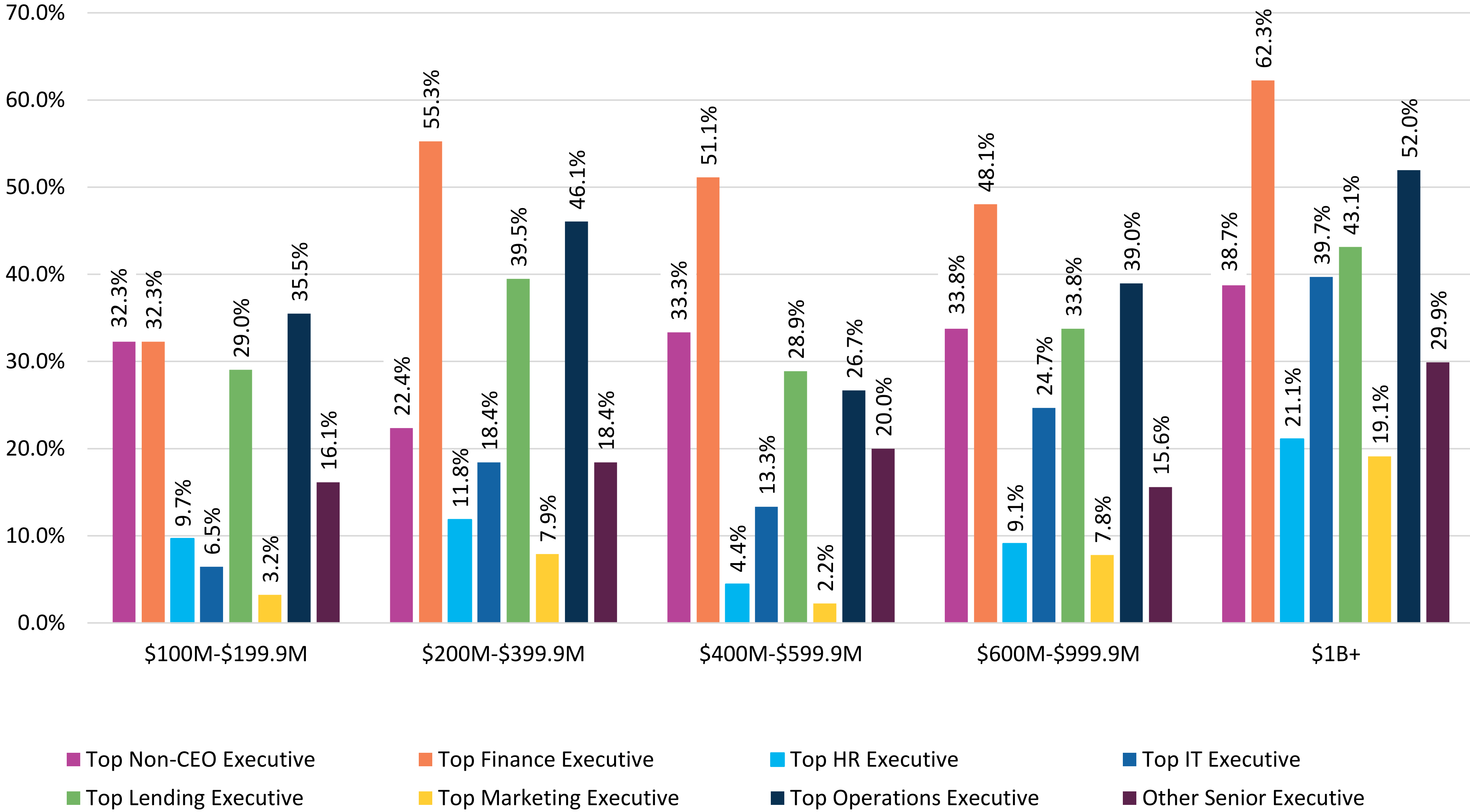
Source: 2023/2024 D. Hilton SERP Survey

Plans Offered to Non-CEO Executives



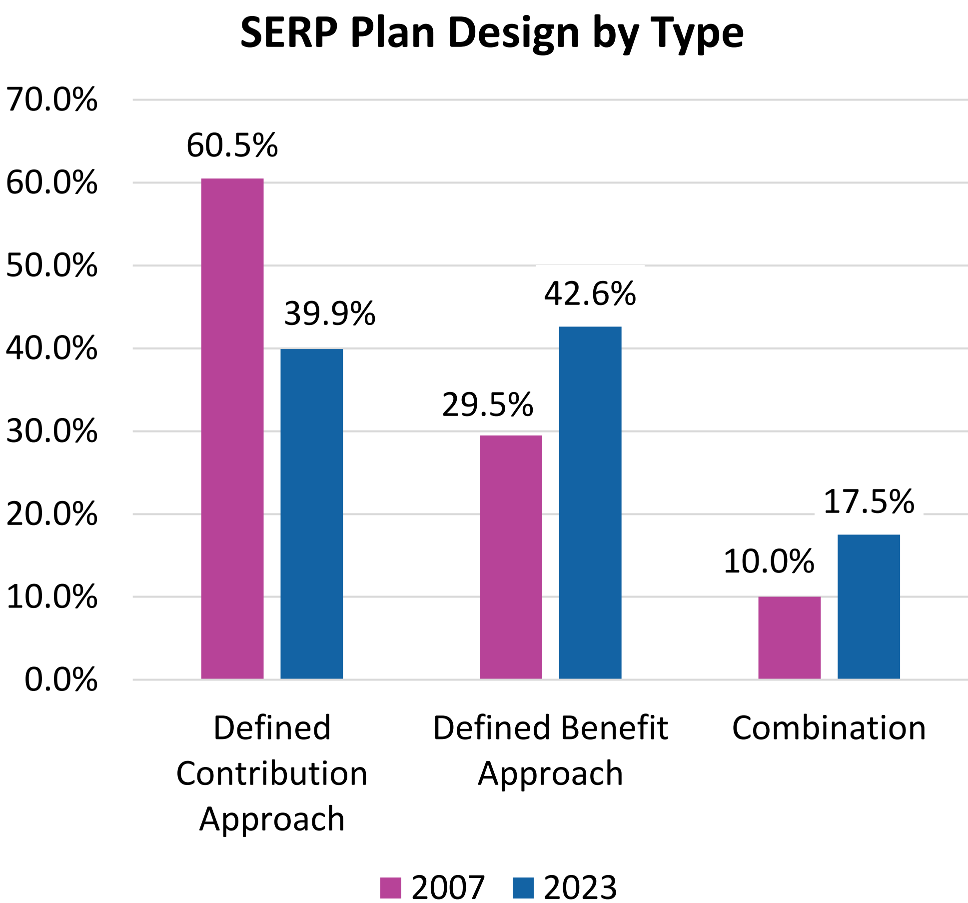
Source: 2023/2024 D. Hilton SERP Survey

SERP Plans for Non-CEO Executives



Source: 2023/2024 D. Hilton SERP Survey

A focus on a Pay-for-Performance Approach will continue to accelerate



A **Defined Benefit Plan** guarantees a pre-determined dollar amount or a percentage of the final average total compensation (base salary + variable pay). The majority of these plans use a compensation replacement formula and are usually offset by other qualified and non-qualified income sources (e.g., projected social security benefit, projected spilt dollar distributions, 401(k), etc.).

A **Defined Contribution Plan** does not guarantee a specific level of payout. Instead, the contribution accumulates tax-deferred to provide a benefit to the executive based upon SERP investment performance. The retirement liability resides with the executive.

A **Combination approach** utilizes a guaranteed benefit floor, with the opportunity for a greater benefit amount connected to SERP investment performance.

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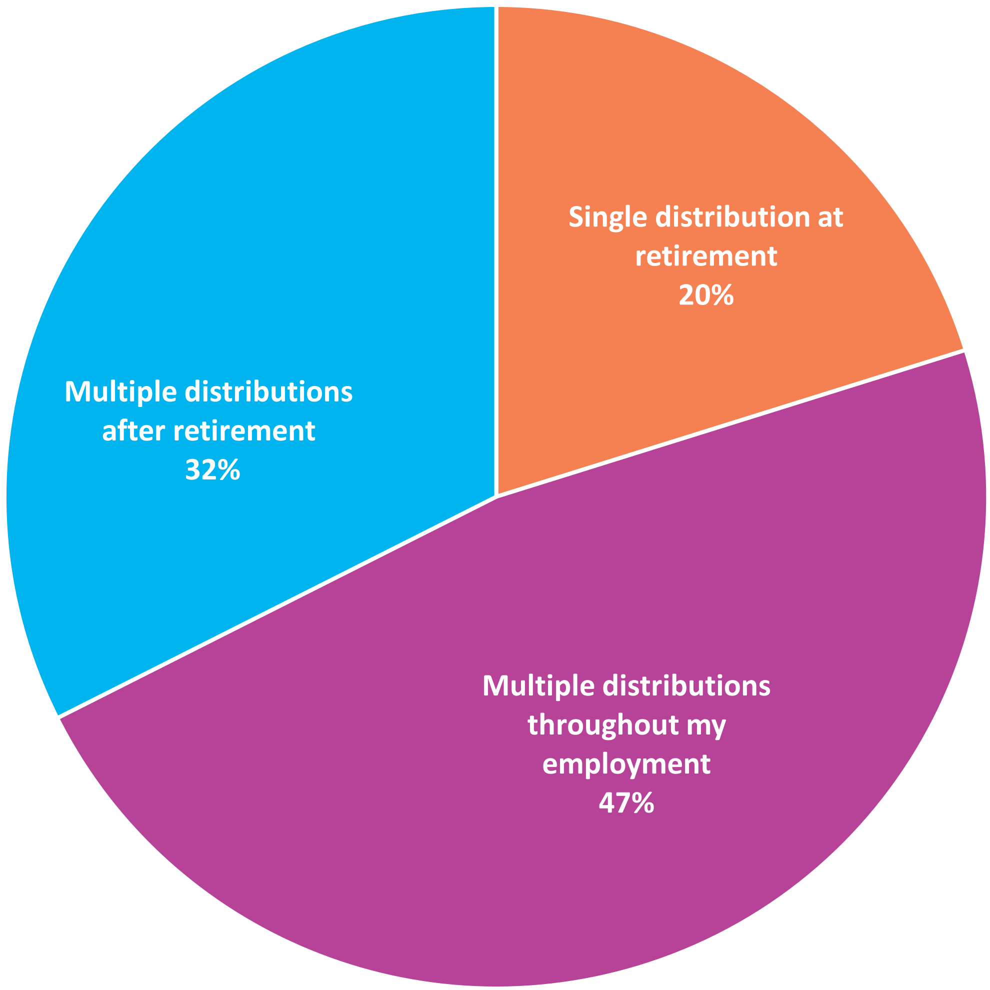
Source: 2023/2024 D. Hilton SERP Survey

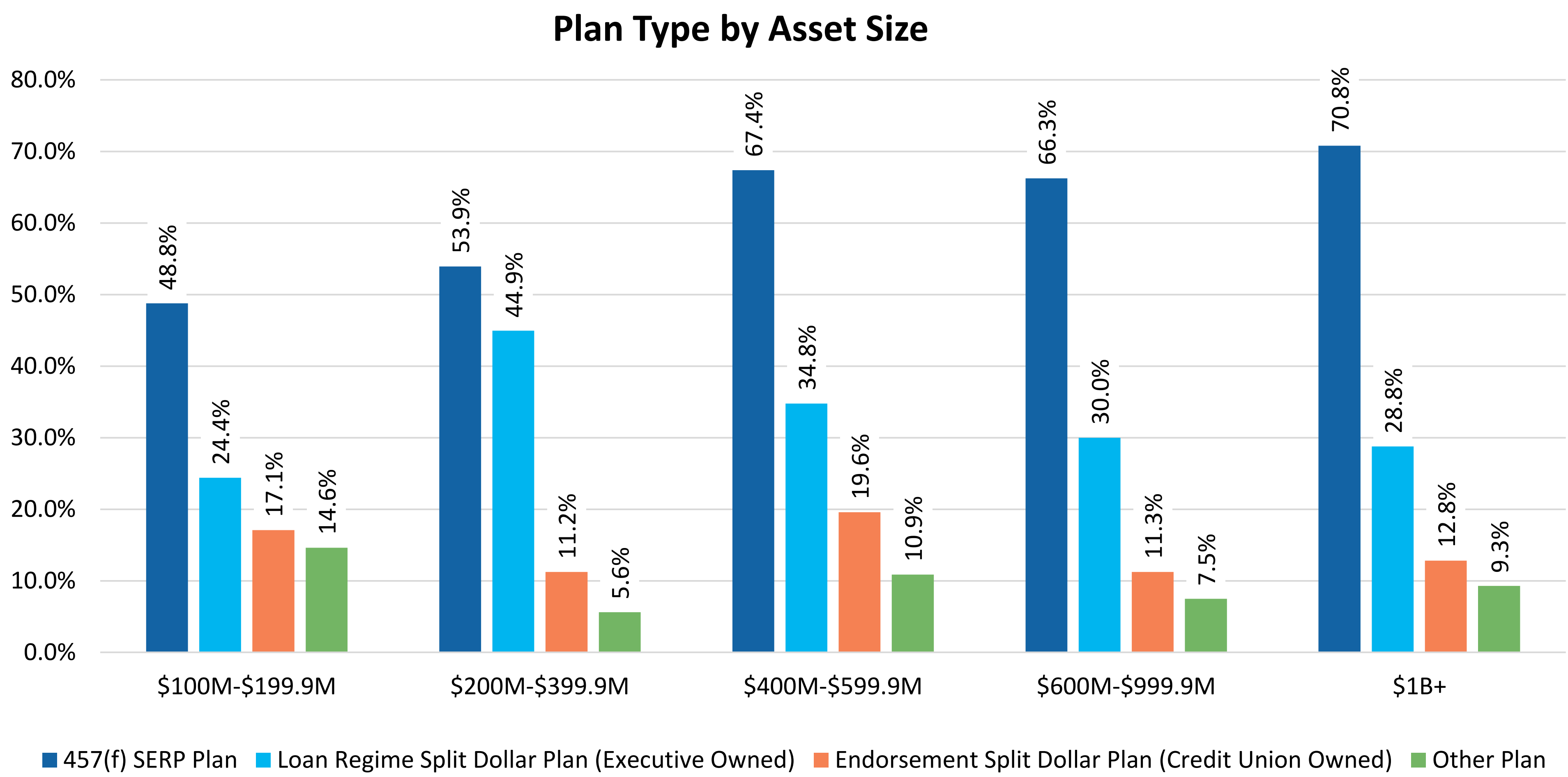
2023/2024 SERP Survey Results

Single Distribution vs. Multiple Distribution Strategies



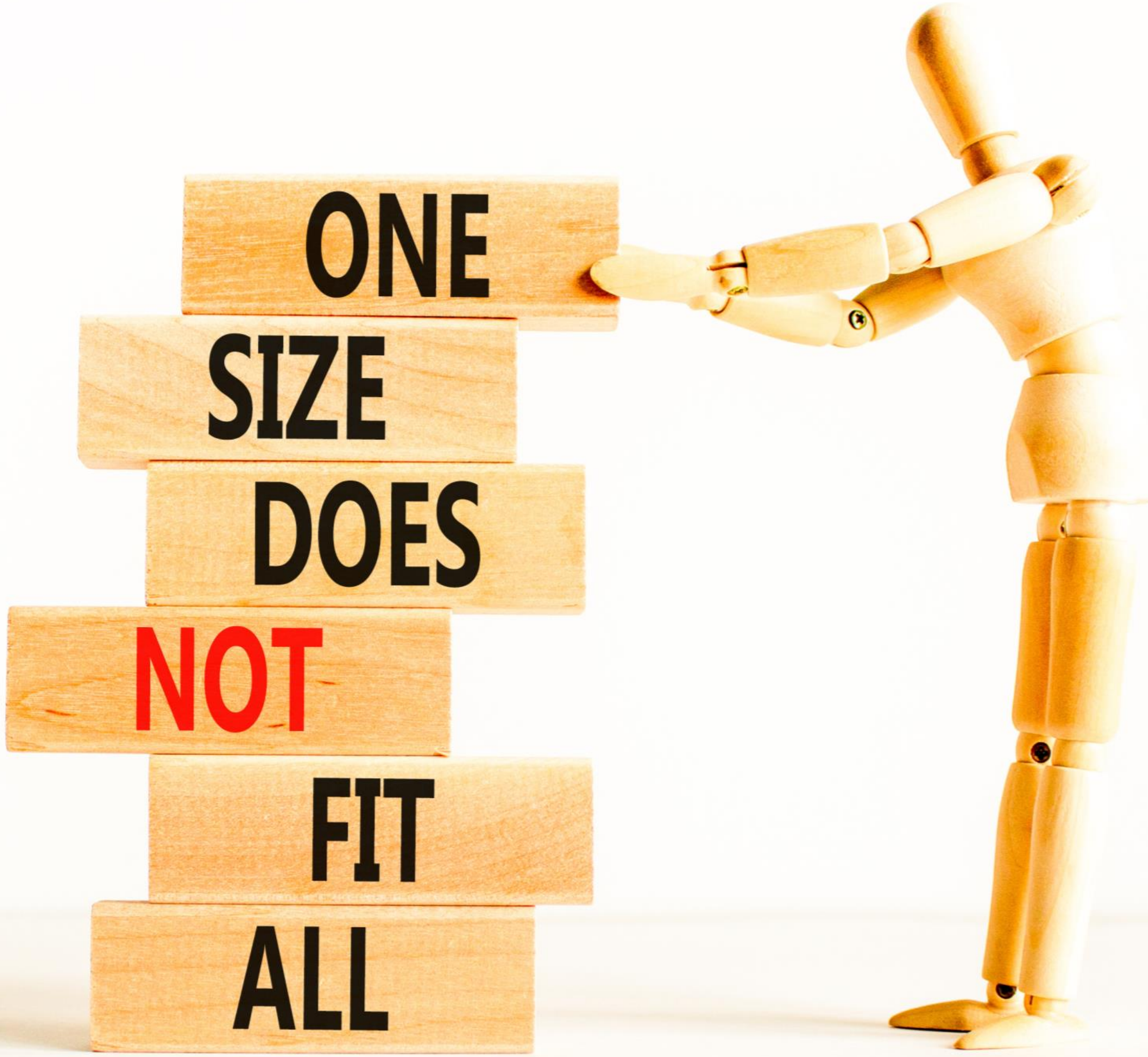
Source: 2023/2024 D. Hilton SERP Survey

457(f) SERP Plans are the predominant design approach



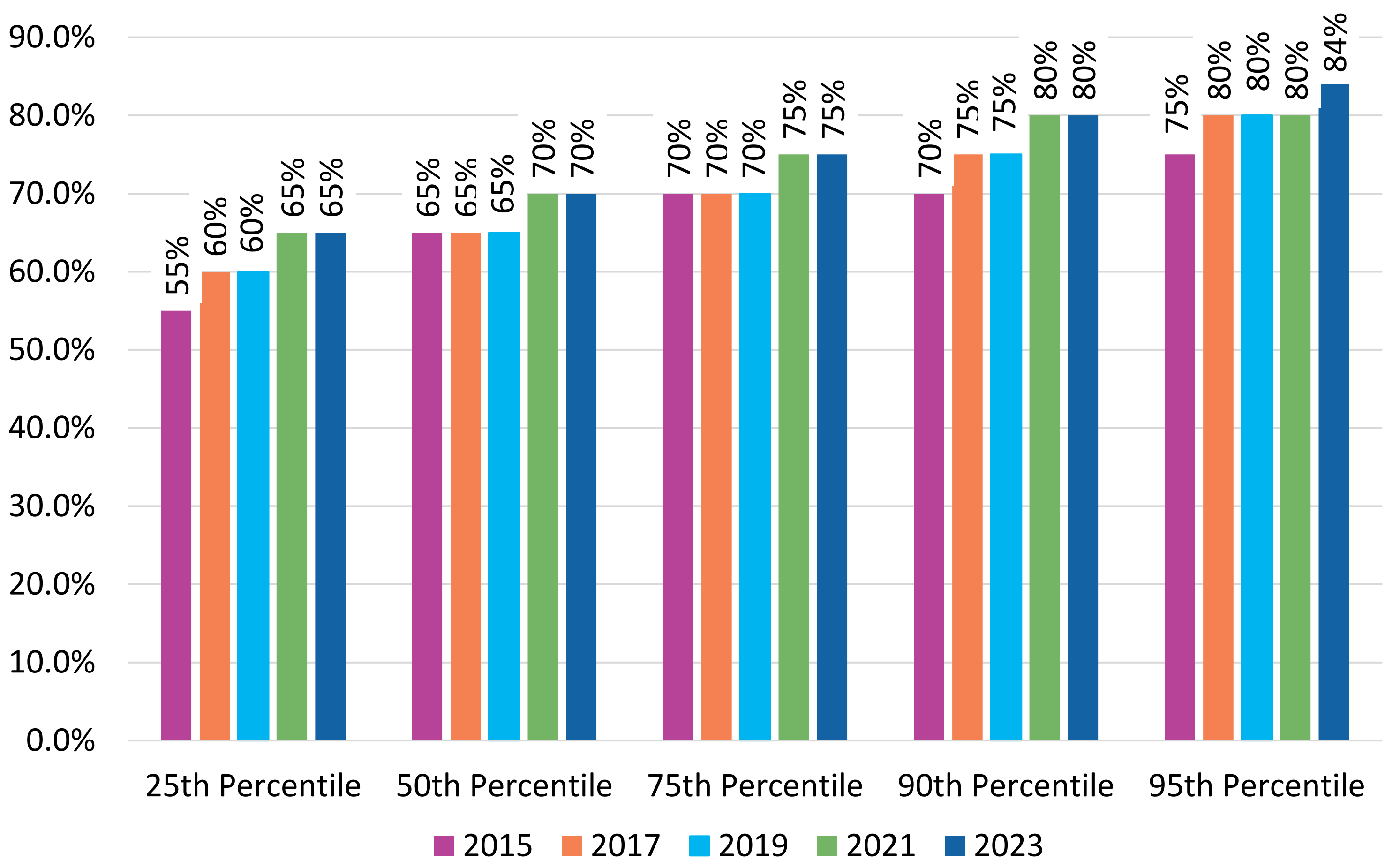
Source: 2023/2024 D. Hilton SERP Survey

4X as many Recruiting Candidates w/ Defined Contribution Plans vs. Defined Benefits Plans.



2023/2024 SERP Survey Results

SERP Target % of Average Total Compensation for CEOs



Total Compensation

Base Salary

+

Variable (Bonus) Pay

Note: Target Benefit is typically a percentage of the previous 3-5 years final average total compensation (base salary + variable pay). The Benefit Target is pretax, uses a compensation replacement formula, and is offset by other qualified and non-qualified income sources (e.g., projected social security benefit, projected split dollar distributions, 401(k), etc.).

Source: 2023/2024 D. Hilton SERP Survey

SERP Plan Revisions can be Expected

- **Revised target retirement date** (extend an executive commitment to the organization).
- **Growth and mergers** modifying peer groups and **growth and sophistication** of the business.
- **Succession plan design.**
- **Promotion or transition** of a key executive.
- **Revision in original design assumptions** (i.e., compensation projections, rate-of-return modifications, longevity increases, social security estimates).
- **Greater tenure and value** to the organization.
- **Excise tax** minimization.

SERP Plan Assumptions Typically Included

Executive Information
- Date of Birth
- Date of Hire
- Title/Date of Promotion
- Current Position/Title
- Anticipated Retirement Date/Age

Total Cash Compensation
- Current Base Salary
- Proj. Future Base Salary increases
- Most Recent Variable Pay
- Current Var-Pay/Bonus Target %
- LTIP

CU Retirement Benefits
- IRC 415 Impact
- 401(k), Profit Sharing, MPP
- Employer Portion Balances
- DB/ Pension Benefit
- 457(b)

CU Factors
- Employee Benefit Guide
- Organizational Chart
- Job Descriptions
- Comp. Philosophy
- Qualified Plans
- Non-Qualified Plans

Other Factors
- Longevity
- Social Security
- Split Dollar/CASD
- 457(f) SERP Distributions

Five Steps for a Successful SERP Program

Step 1
Determine the Need for a SERP

Step 2
Custom Design by Executive/ Position/ Succession Plan

Step 3
Implementation & Funding of Chosen SERP Design

Step 4
Ongoing SERP Administration & Peer Benchmarking

Step 5
The Board's Regular Review & Involvement

The Best Way to Protect Your Most Valuable Executive Assets?

ONGOING EDUCATION

Ongoing education on the subject of executive compensation and benefits trends.

SUCCESSION

Honest conversations regarding Succession for the CEO and other Senior Executives.

ONBOARDING

Onboarding for new Board members on the plan history, objectives and the Board's intentions.

FREQUENT PLAN REVIEWS

Frequent reviews of the plan against peer benchmarks.

THIRD PARTY VALIDATION

Third party validation that the plan design remains competitive.

EXECUTIVE REVIEWS

Annual reviews with individual executives to review design and reinforce the value the plan provides.

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