

Beyond the Basics

Key Takeaways from the 2025/2026 SERP Survey



d. hilton associates inc.

Proprietary Information

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

In 1985,
less than 80 credit
unions had assets over
\$100 million...



Today

- 22 credit unions > \$10 billion
- 82 credit unions > \$5 billion
- 461 credit unions > \$1 billion

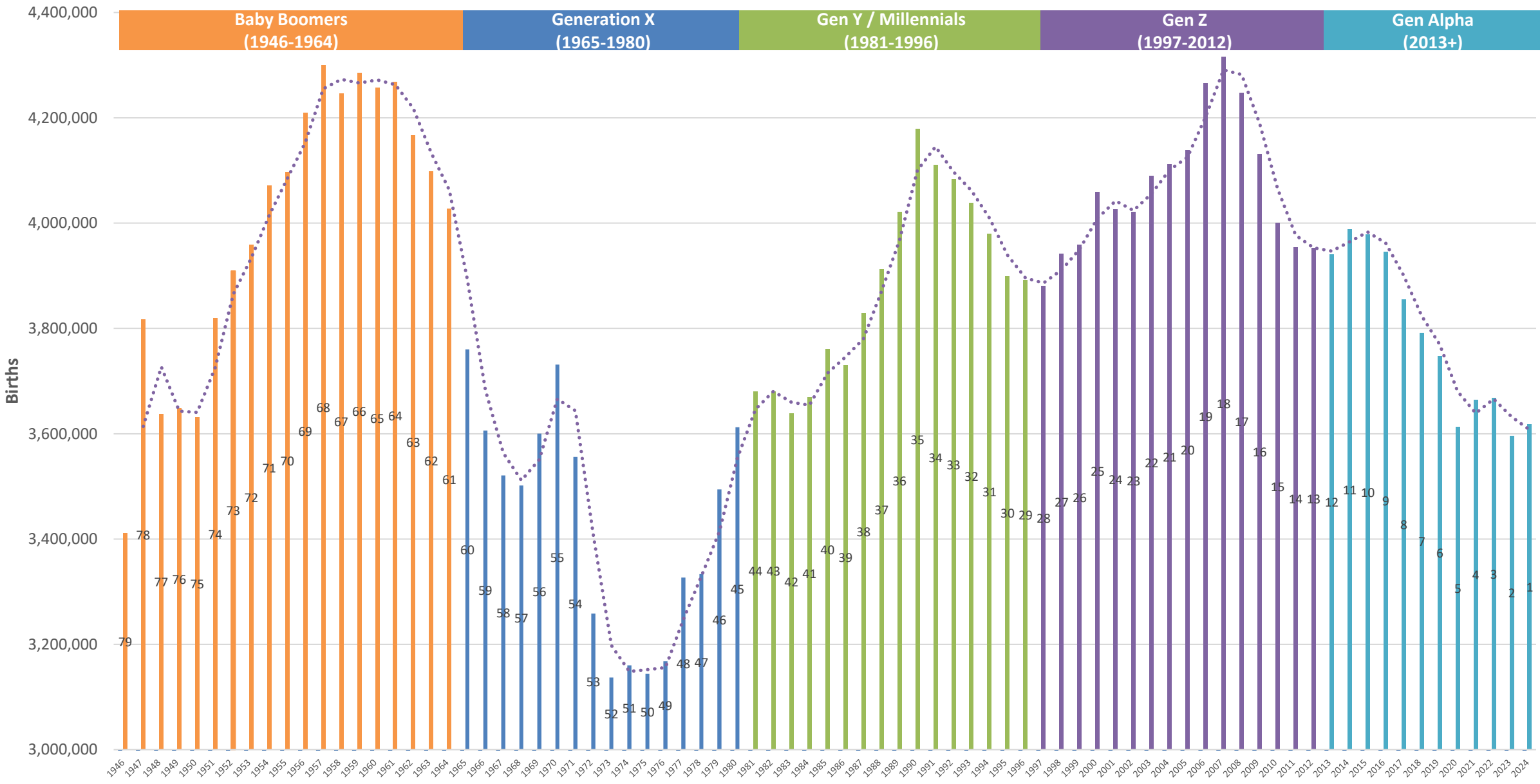
There are 4,460
Total Credit
Unions with
\$2.40 Trillion
in Total Assets...

Asset Allocation

- \$500M+ = 86.4%
- \$1.0B+ = 77.8%
(461 Total CUs)

Source: June 2025 NCUA Call Report Data

Birthrates by Year



Source: Census Bureau

Baby Boomer Retirements in the Credit Union Industry



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

Source: D. Hilton Executive Recruiting Practice and estimates

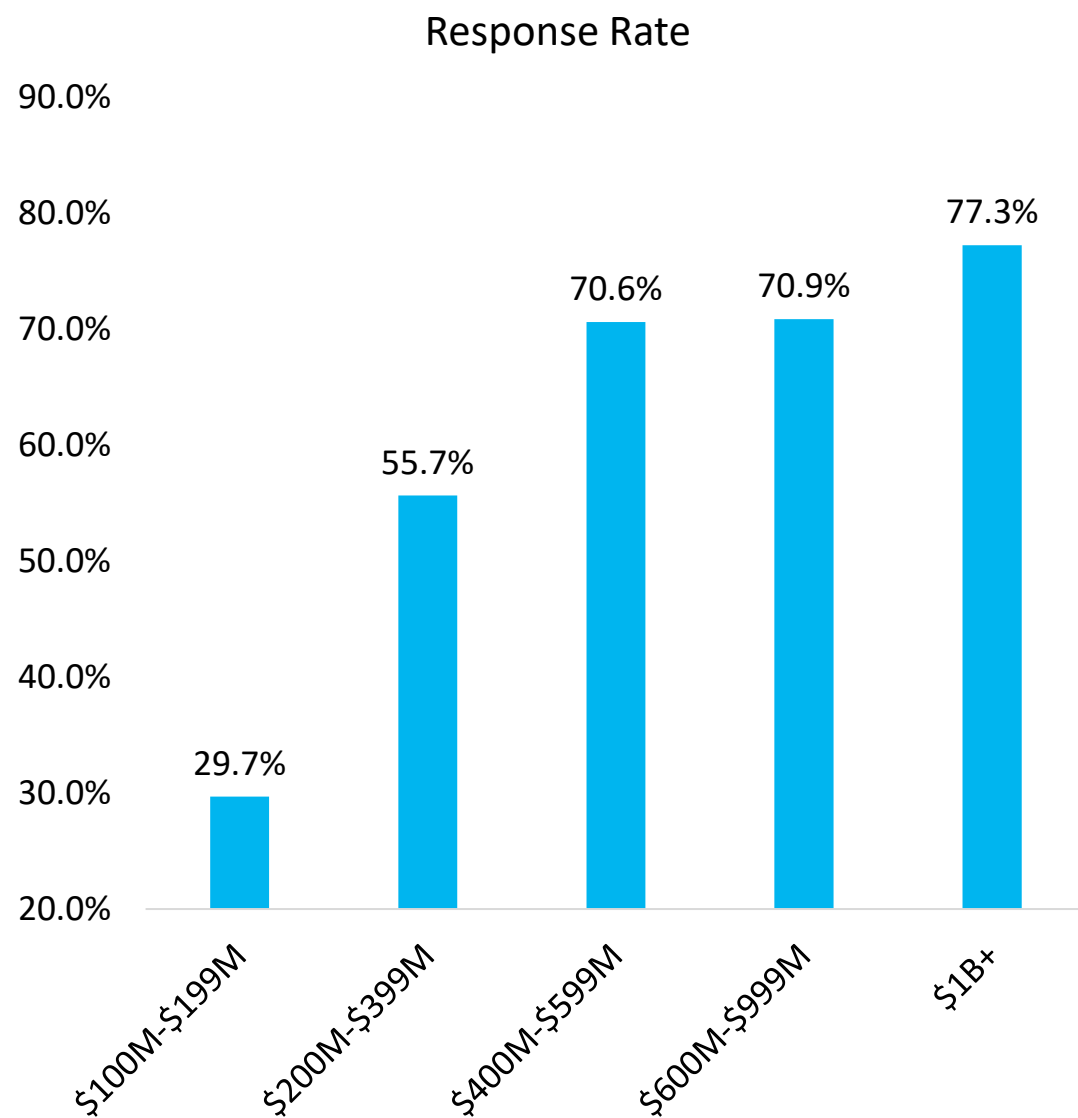
What is a SERP?

- 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.**
 - Best practice design.
 - Competitive with Peers.
 - Enhance succession planning.
 - Restore retirement plan shortfalls.
 - Benchmarked within the CU industry.
 - Commitment to a Pay Philosophy.

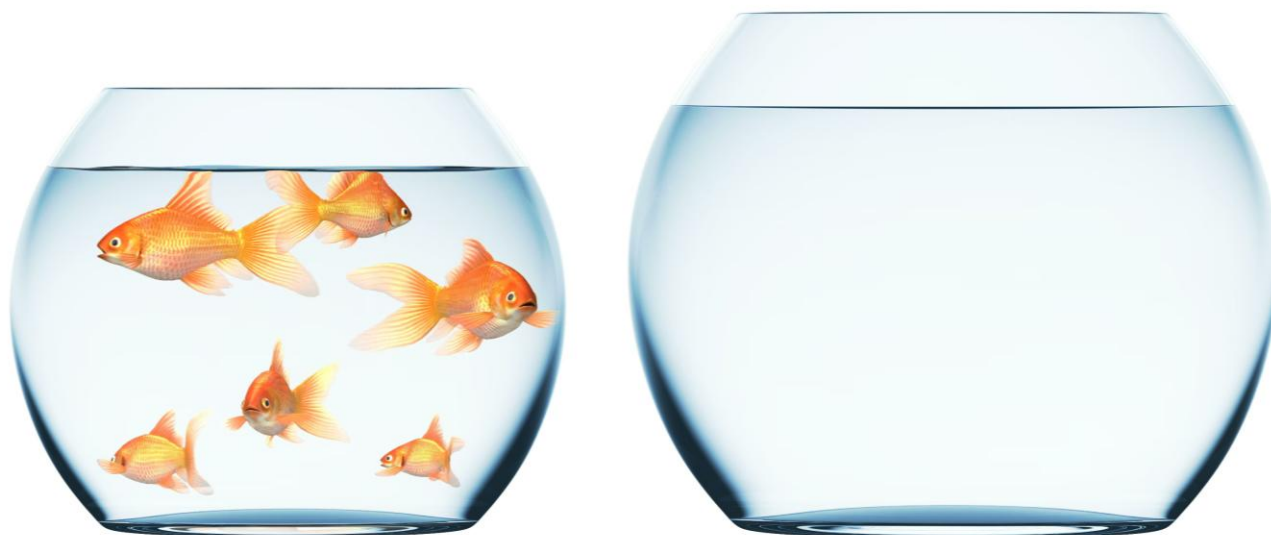


Source: 2025/2026 D. Hilton SERP Survey

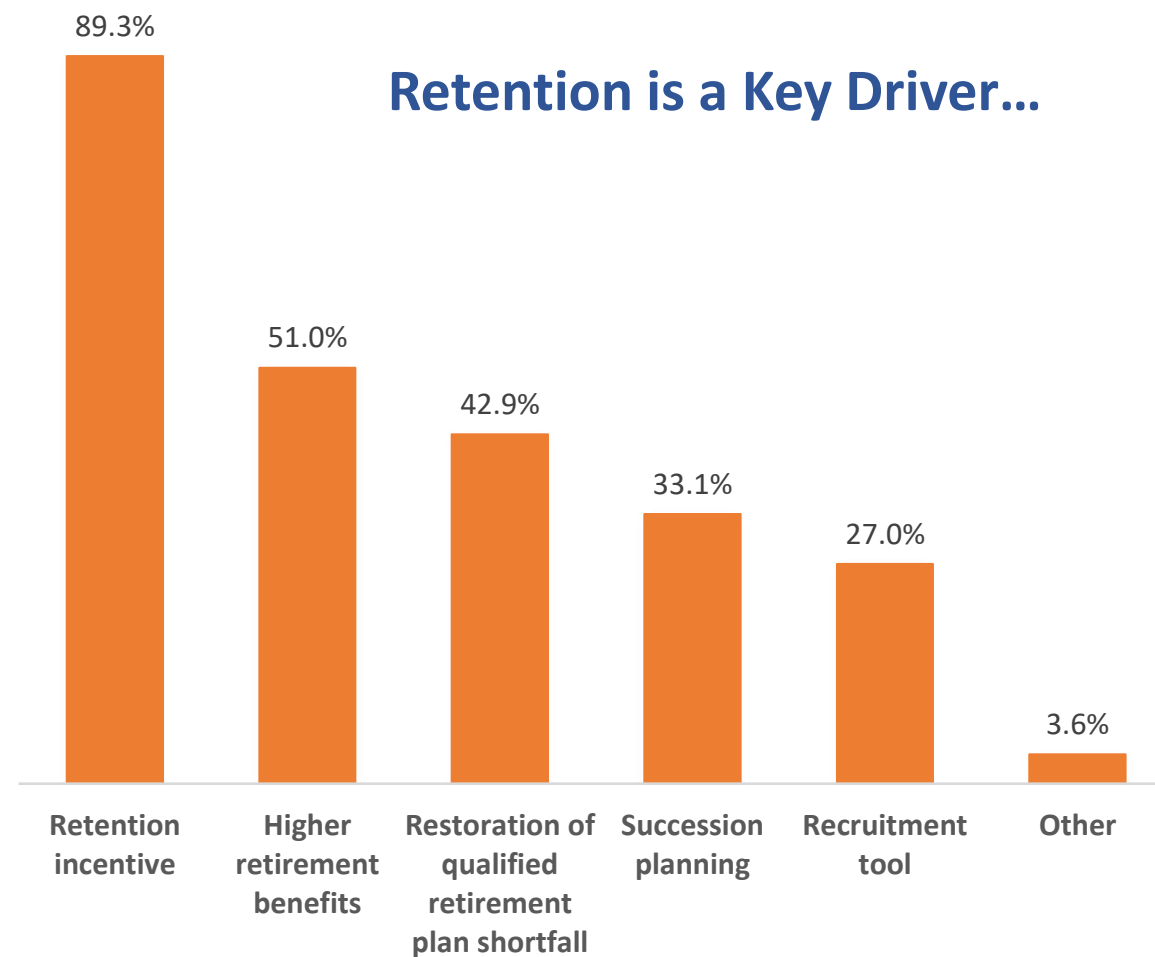
2025/2026 SERP Survey Methodology

- 22nd Anniversary Study
- Emailed to 1,778 credit unions (> \$100M in assets)
- 998 credit unions responded (56% Overall Response Rate)
- 333 credit unions \$1.0B+ responded (77% response rate)
- 95% confidence level +/- 2%

Reasons for offering a SERP Plan

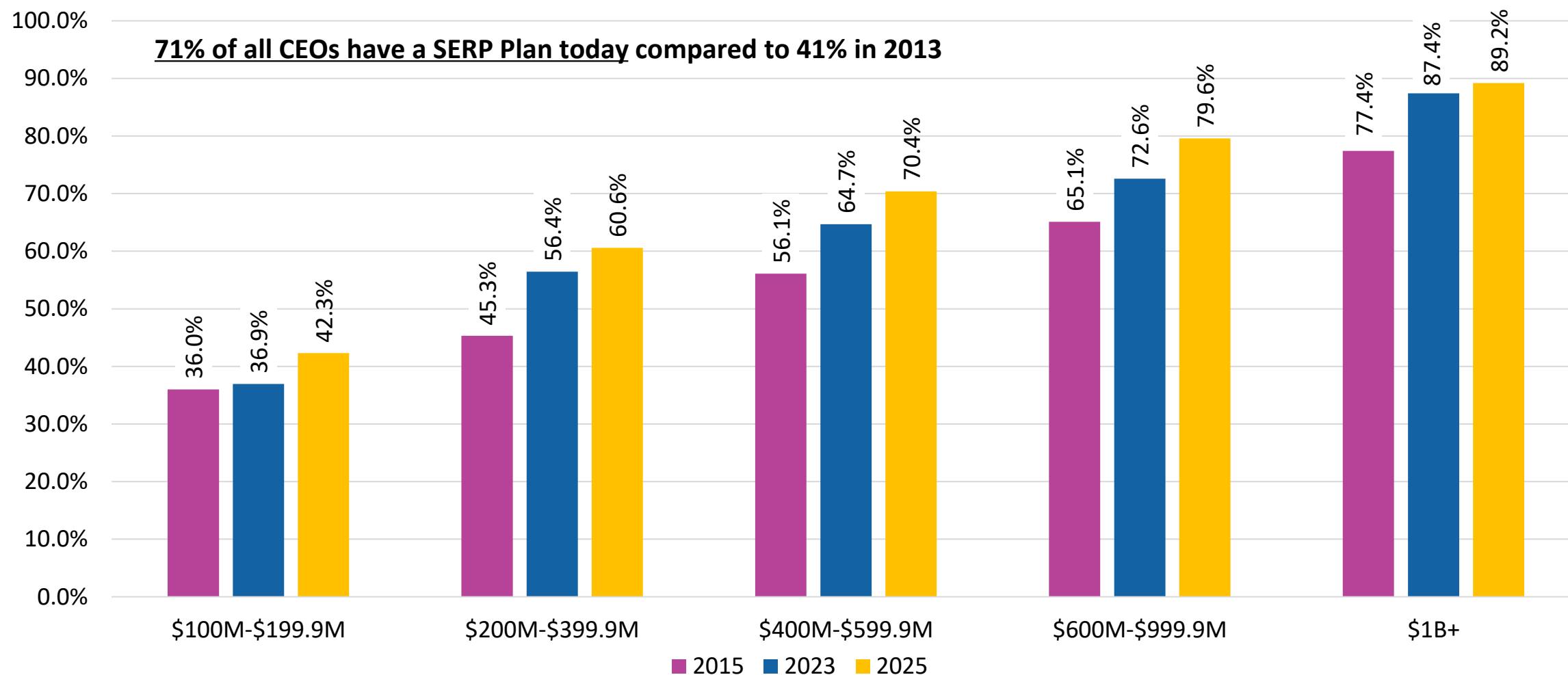


Retention is a Key Driver...



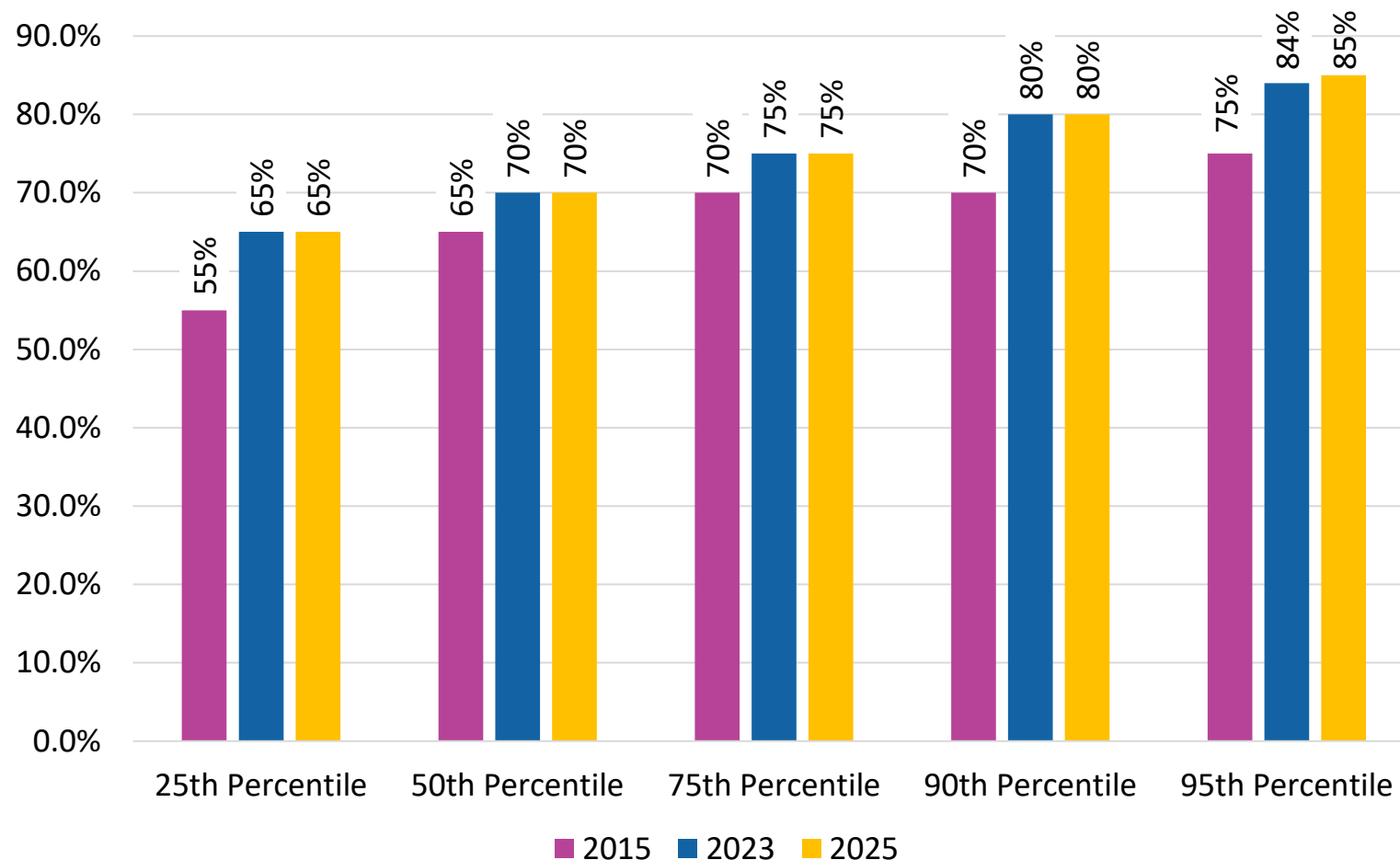
Source: 2025/2026 D. Hilton SERP Survey

SERP Plan Usage for CEOs



Source: 2025/2026 D. Hilton SERP Survey

SERP Target % of Average Total Compensation for CEOs



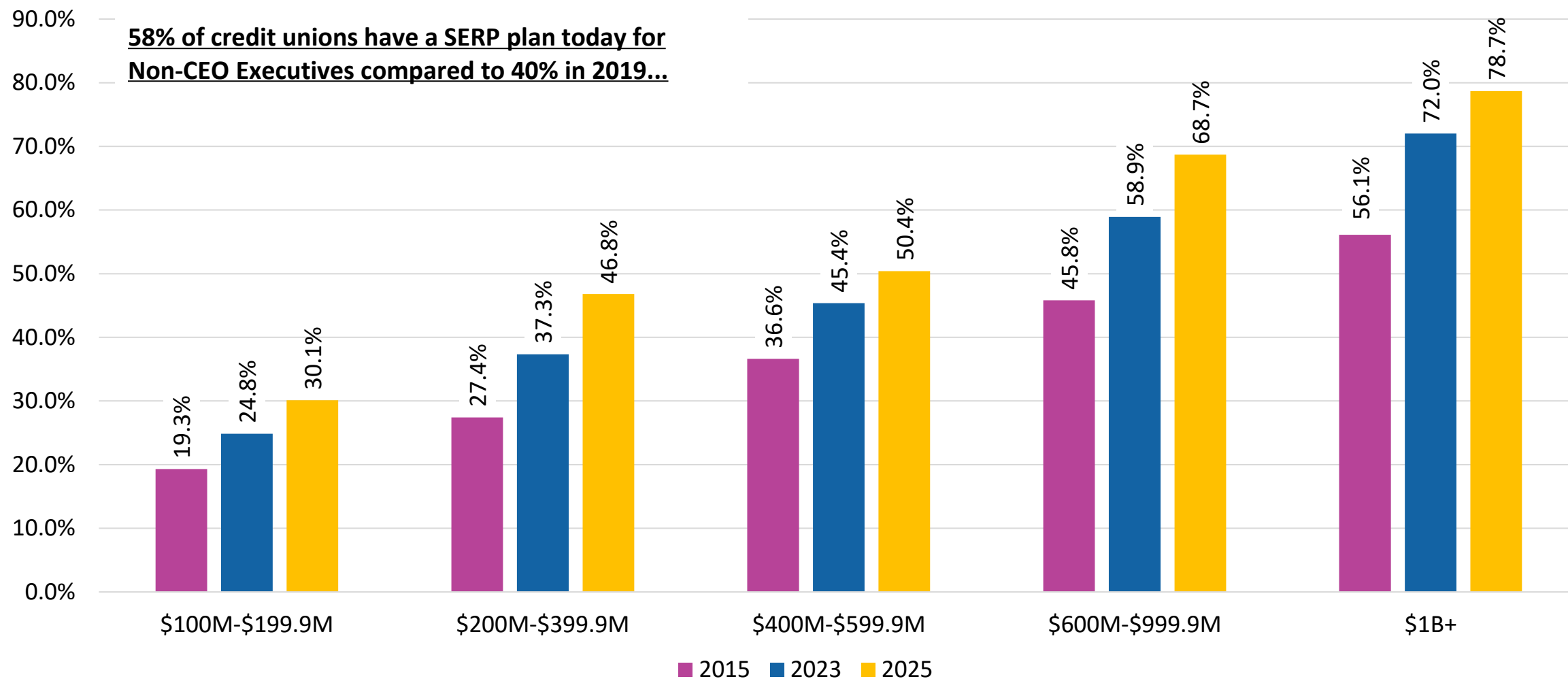
Note: Total Compensation = Base Salary + Variable (Bonus) Pay
Target % includes SERP + qualified plan ER balances + projected SS
Source: 2025/2026 D. Hilton SERP Survey

Total Compensation

Base Salary
+
Variable (Bonus) Pay

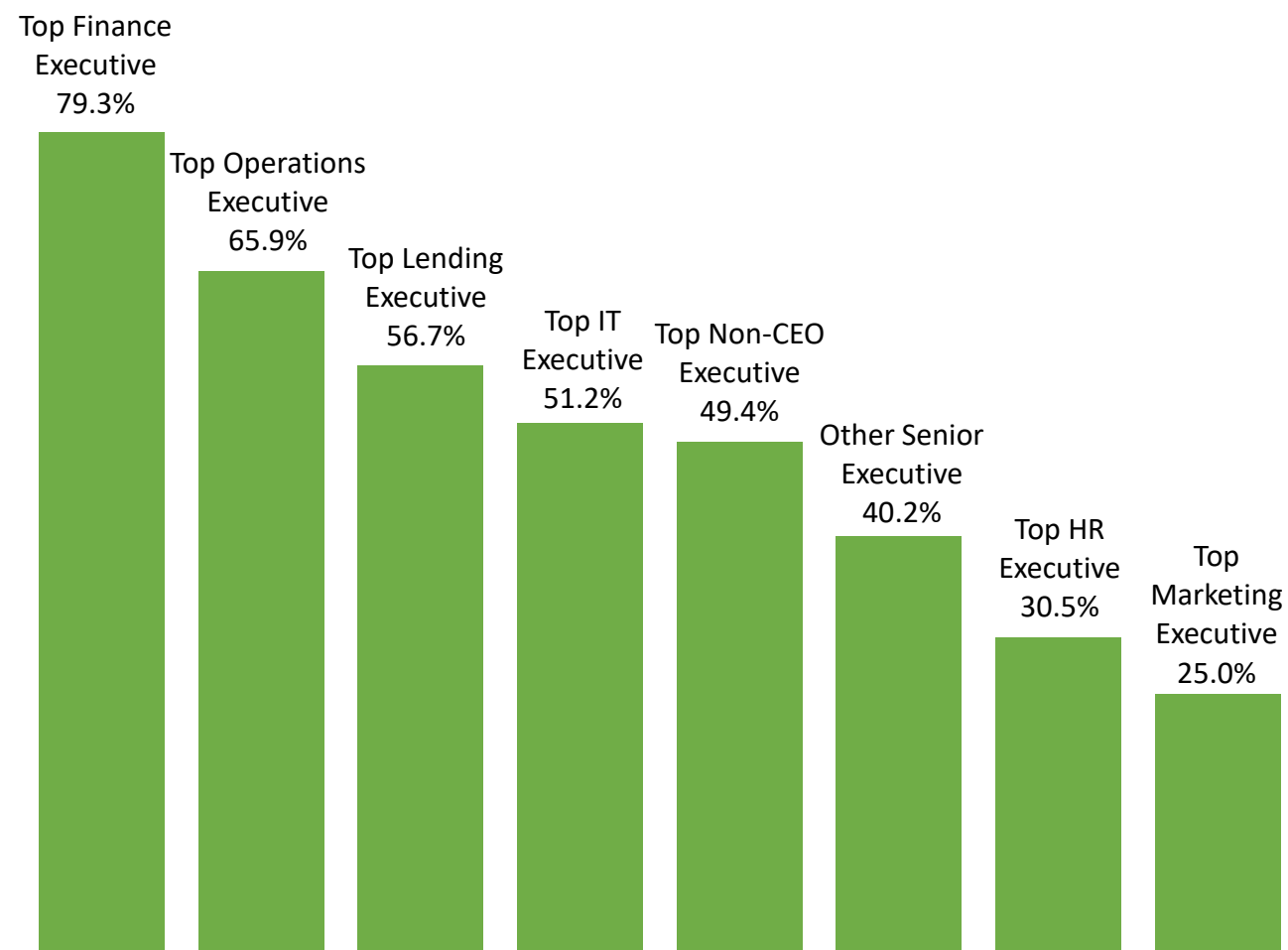
Note: Target Benefit is typically a percentage of the previous three to five-year final average total compensation (base salary + variable pay). The Benefit Target is pretax, uses a compensation replacement formula, and is offset by other qualified and non-qualified income sources (e.g., projected social security benefits, projected 457(f) and split dollar distributions, 401(k), etc.).

SERP Plans for Non-CEO Executives

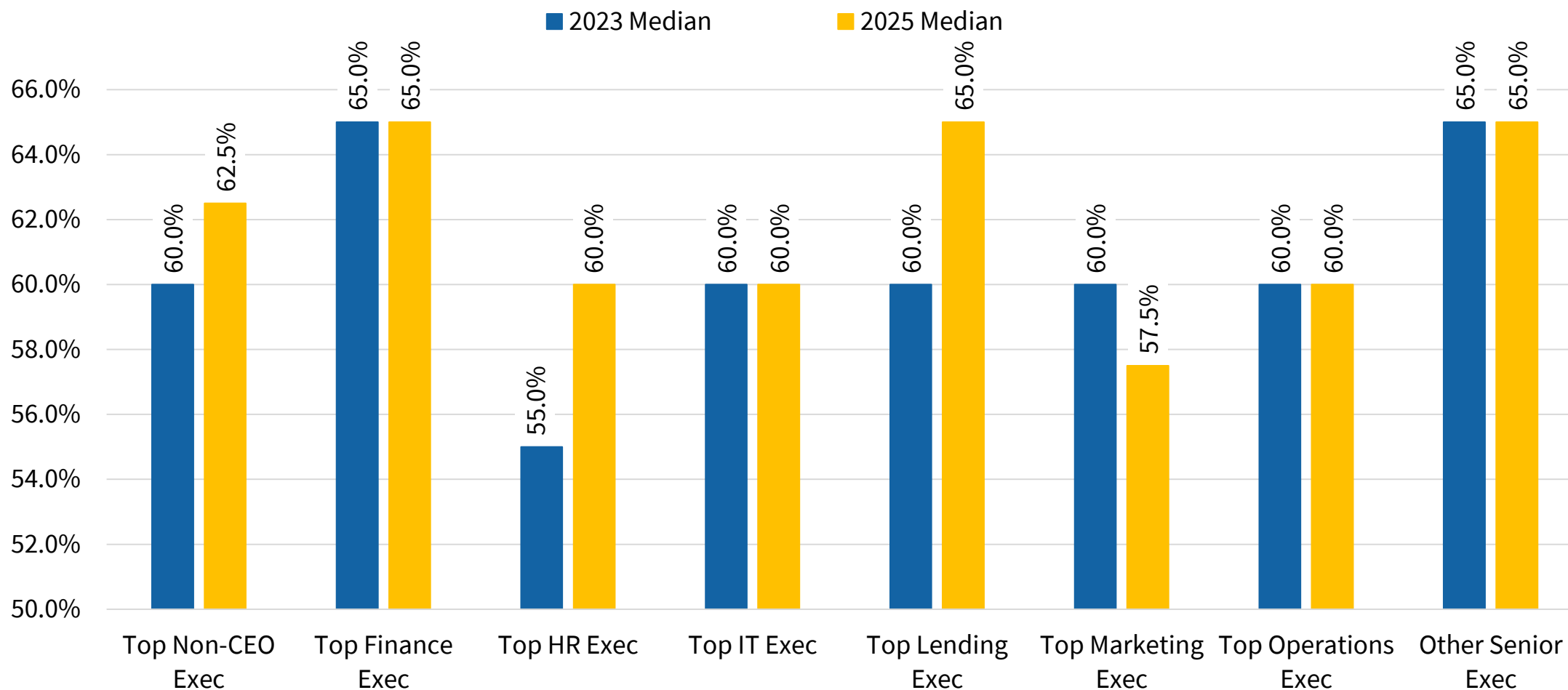


Source: 2025/2026 D. Hilton SERP Survey

SERP Plans for Non-CEO Executives



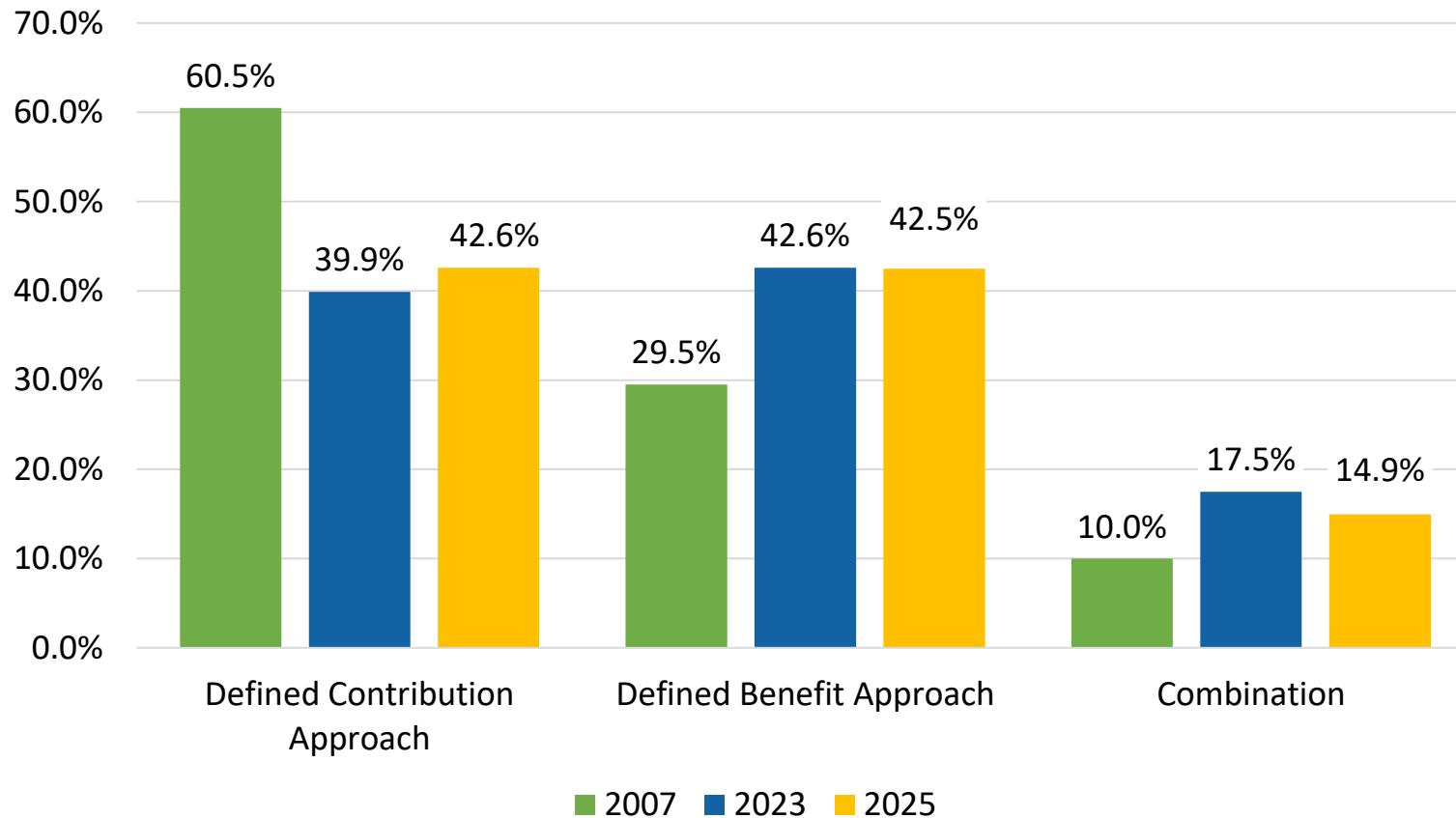
SERP Target % of Average Total Compensation for Non-CEOs



Source: 2025/2026 DHA SERP Survey Results
 Note: Total Compensation = Base Salary + Variable (Bonus) Pay

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

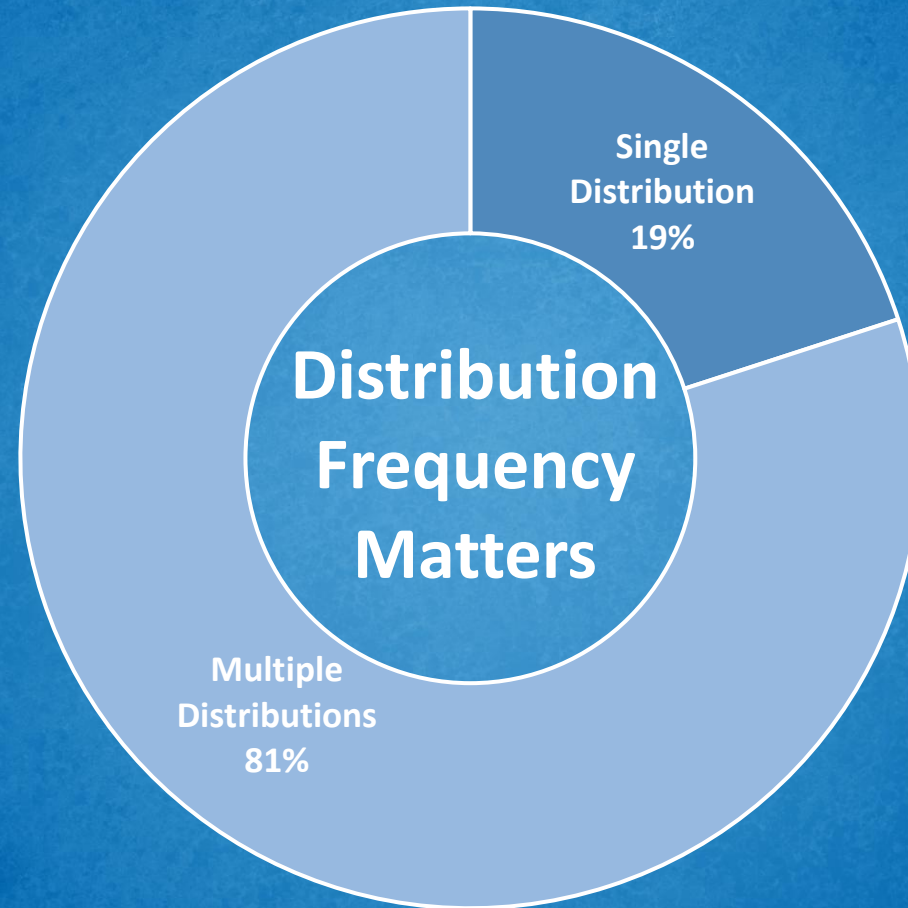
SERP Plan Design by Type



Source: 2025/2026 D. Hilton SERP Survey

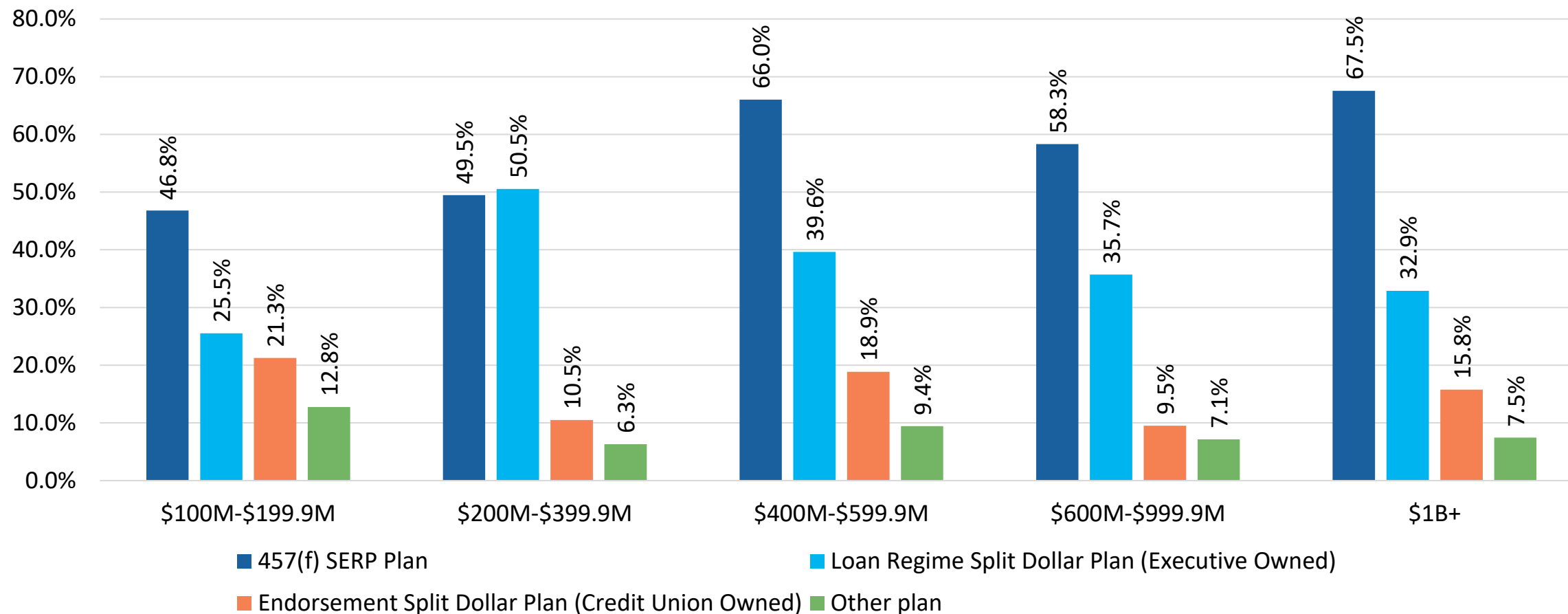
- A **Defined Benefit Plan** guarantees a pre-determined dollar amount or a percentage of final average total compensation (base salary + variable pay). The majority of these plans use a compensation replacement formula and are usually offset by other qualified and non-qualified income sources (e.g.,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

Single Distribution vs. Multiple Distribution Strategies



457(f) SERP Plans are the leading design approach

Plan Type by Asset Size



Source: 2025/2026 D. Hilton SERP Survey

4 Strategic Insights from our 2025/2026 Study

1

Qualified Plans
Do Not Fulfill the
Retirement
Benefit Gap



The Impact of 415 Limits on Qualified Plans

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 <u>WITH</u> IRC 415 Limit	Proj. Difference <u>With and Without</u> IRC 415 Limit
2025	48	\$700,000	\$350,000	\$35,000	\$17,500	2.50%	\$17,500
2026	49	\$735,000	\$355,000	\$36,750	\$17,750	2.41%	\$19,000
2027	50	\$771,750	\$360,000	\$38,588	\$18,000	2.33%	\$20,588
2028	51	\$810,338	\$365,000	\$40,517	\$18,250	2.25%	\$22,267
2029	52	\$850,854	\$370,000	\$42,543	\$18,500	2.17%	\$24,043
2030	53	\$893,397	\$375,000	\$44,670	\$18,750	2.10%	\$25,920
2031	54	\$938,067	\$380,000	\$46,903	\$19,000	2.03%	\$27,903
2032	55	\$984,970	\$385,000	\$49,249	\$19,250	1.95%	\$29,999
2033	56	\$1,034,219	\$390,000	\$51,711	\$19,500	1.89%	\$32,211
2034	57	\$1,085,930	\$395,000	\$54,297	\$19,750	1.82%	\$34,547
2035	58	\$1,140,226	\$400,000	\$57,011	\$20,000	1.75%	\$37,011
2036	59	\$1,197,238	\$405,000	\$59,862	\$20,250	1.69%	\$39,612
2037	60	\$1,257,099	\$410,000	\$62,855	\$20,500	1.63%	\$42,355
2038	61	\$1,319,954	\$415,000	\$65,998	\$20,750	1.57%	\$45,248
2039	62	\$1,385,952	\$420,000	\$69,298	\$21,000	1.52%	\$48,298
2040	63	\$1,455,250	\$425,000	\$72,763	\$21,250	1.46%	\$51,513
2041	64	\$1,528,012	\$430,000	\$76,401	\$21,500	1.41%	\$54,901
2042	65	\$1,604,413	\$435,000	\$80,221	\$21,750	1.36%	\$58,471
2043	66	\$1,684,633	\$440,000	\$84,232	\$22,000	1.31%	\$62,232
2044	67	\$1,768,865	\$445,000	\$88,443	\$22,250	1.26%	\$66,193
Projected Total Forfeited due to IRC 415 Limit from 2025 - 2044							\$759,808

Source: D. Hilton's SERP Practice

4 Strategic Insights from our 2025/2026 Study

1

Qualified Plans
Do Not Fulfill the
Retirement
Benefit Gap

2

Prime Earning
Years Are a Critical
Window

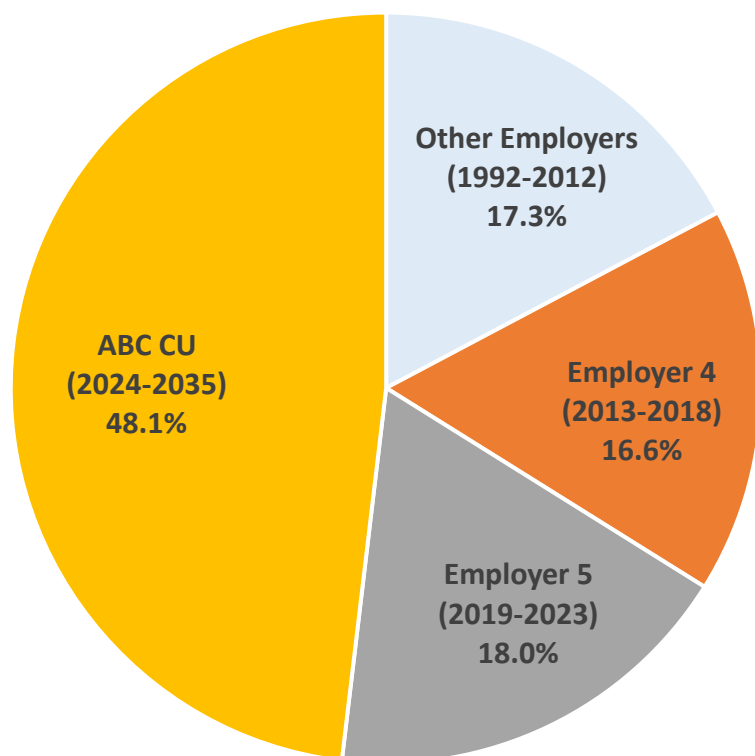


President/CEO

Previous Employers' contributions to Executives' 401(k)

Year	Employer	Positions	Estimated Employer Contributions plus interest
<u>1992-1993</u>	Employer 1	Financial Analyst	\$3,262
<u>1994-2003</u>	Employer 2	Sr. Financial Analyst	\$60,772
<u>2004-2012</u>	Employer 3	Commercial Bank Analyst Finance Manager VP Finance Manager	\$107,934
<u>2013-2018</u>	Employer 4	VP Marketing Strategy SVP Marketing Strategy	\$165,832
<u>2019-2023</u>	Employer 5	Chief Marketing and Revenue Officer	\$179,440
<u>2024</u>	ABC Credit Union	President/CEO	\$25,862
Estimated Total Balances of Employer Contributions plus accrued interest in Executives' 401(k)			<u>\$543,102</u>

Percentage of Career Employer 401(k) Contributions

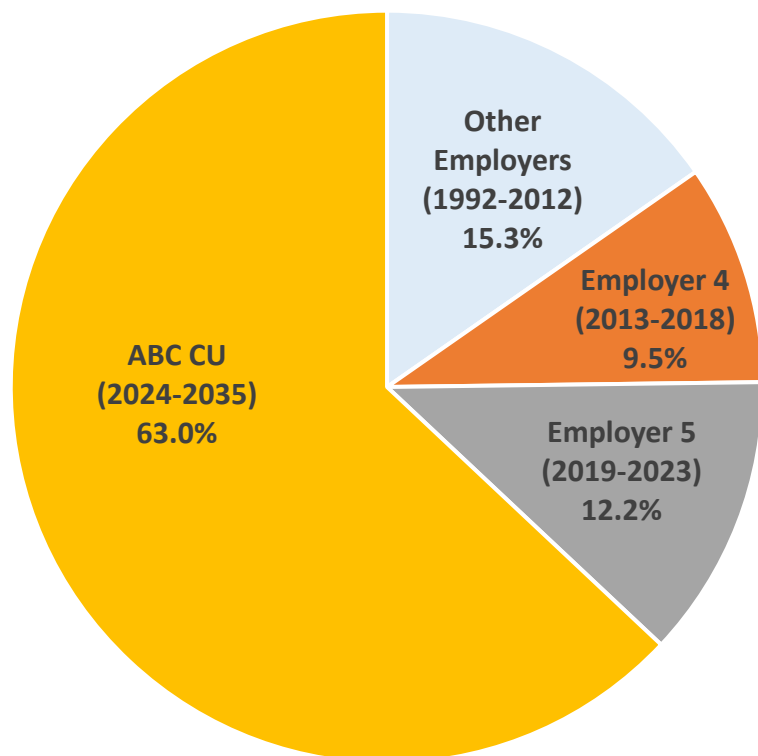


D. Hilton Research Findings

Based on the Compensation projections, the Summary Plan Descriptions from each employer and the projected employer contributions to the executive's 401(k) from 1992 to 2035 (Age 67):

- The first 21 years of their career are estimated to account for 17% of their projected total employer-qualified plan balances.
- The last 23 years of their career are estimated to account for 83% of their projected total employer-qualified balances.

Percentage of Career Total Compensation

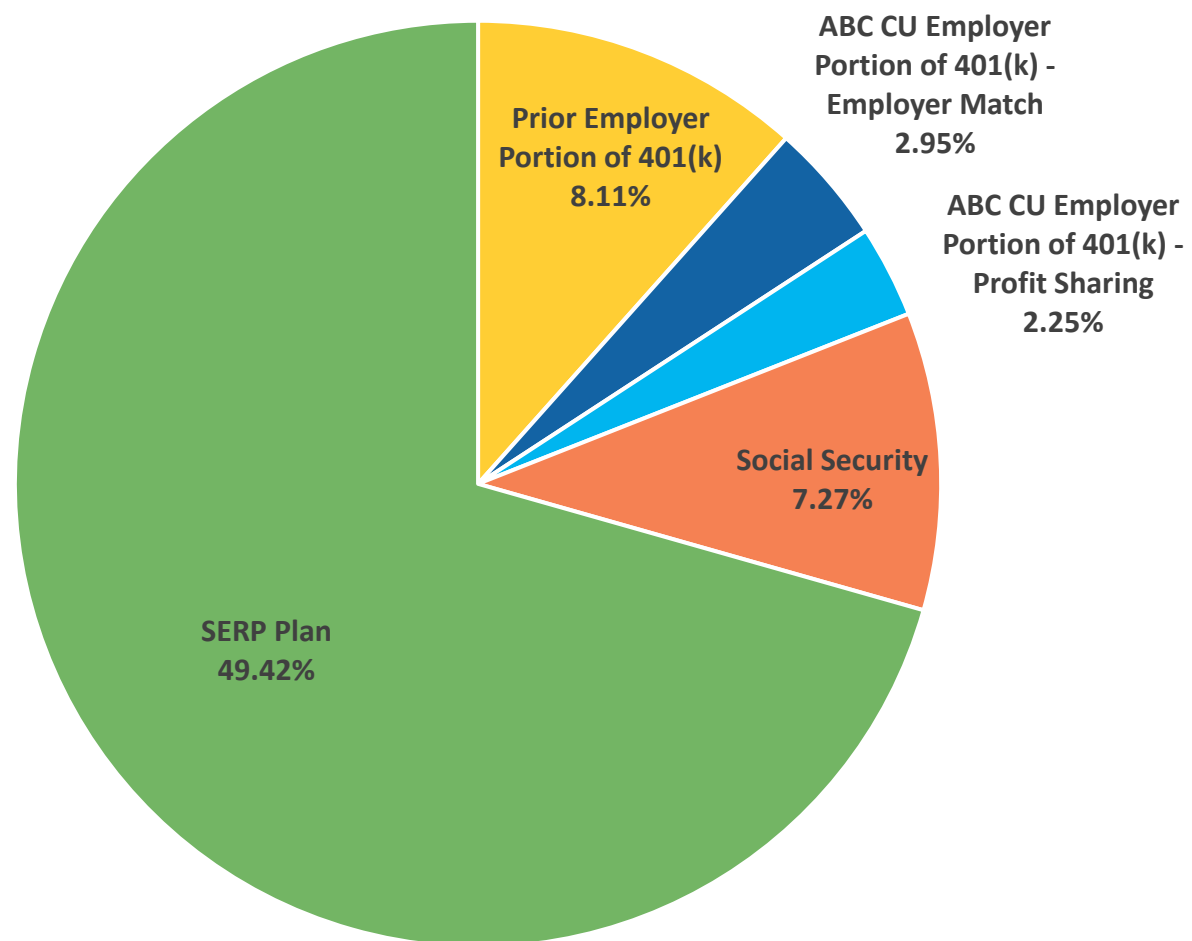


D. Hilton Research Findings

Based on the Compensation projections from 1992 through 2035 (Age 67), there is a total of 44 years of salary history:

- The first 21 years of their career is estimated to account for 15% of their projected total earnings.
- The last 23 years of their career is estimated to account for 85% of their projected total earnings.

Components of the ABC CU SERP Plan (70% Target)



4 Strategic Insights from our 2025/2026 Study

1

Qualified Plans
Do Not Fulfill the
Retirement
Benefit Gap

2

Prime Earning
Years Are a Critical
Window

3

SERP Plans Must
Be Fluid and
Flexible



**One Size
Does Not
Fit All!**

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



Hybrid SERP Plans (457(f) and Loan Regime Split Dollar) are a Design Option...

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) Interim Distribution	457(f) Interim Distribution	457(f) Interim Distribution	457(f) Interim Distribution	Loan Regime Split Dollar Benefit	457(f) True-up Distribution Equal to 70% Total Comp	457(f) True-up Distribution Equal to 75% Total Comp
	\$350,000	\$500,000	\$500,000	Equal to 65% Total Comp			

Designing or Redesigning existing plan(s) to ensure they keep up with the success of the credit union and the competitive compensation landscape is key.

4 Strategic Insights from our 2025/2026 Study

1

Qualified Plans
Do Not Fulfill the
Retirement
Benefit Gap

2

Prime Earning
Years Are a Critical
Window

3

SERP Plans Must
Be Fluid and
Flexible

4

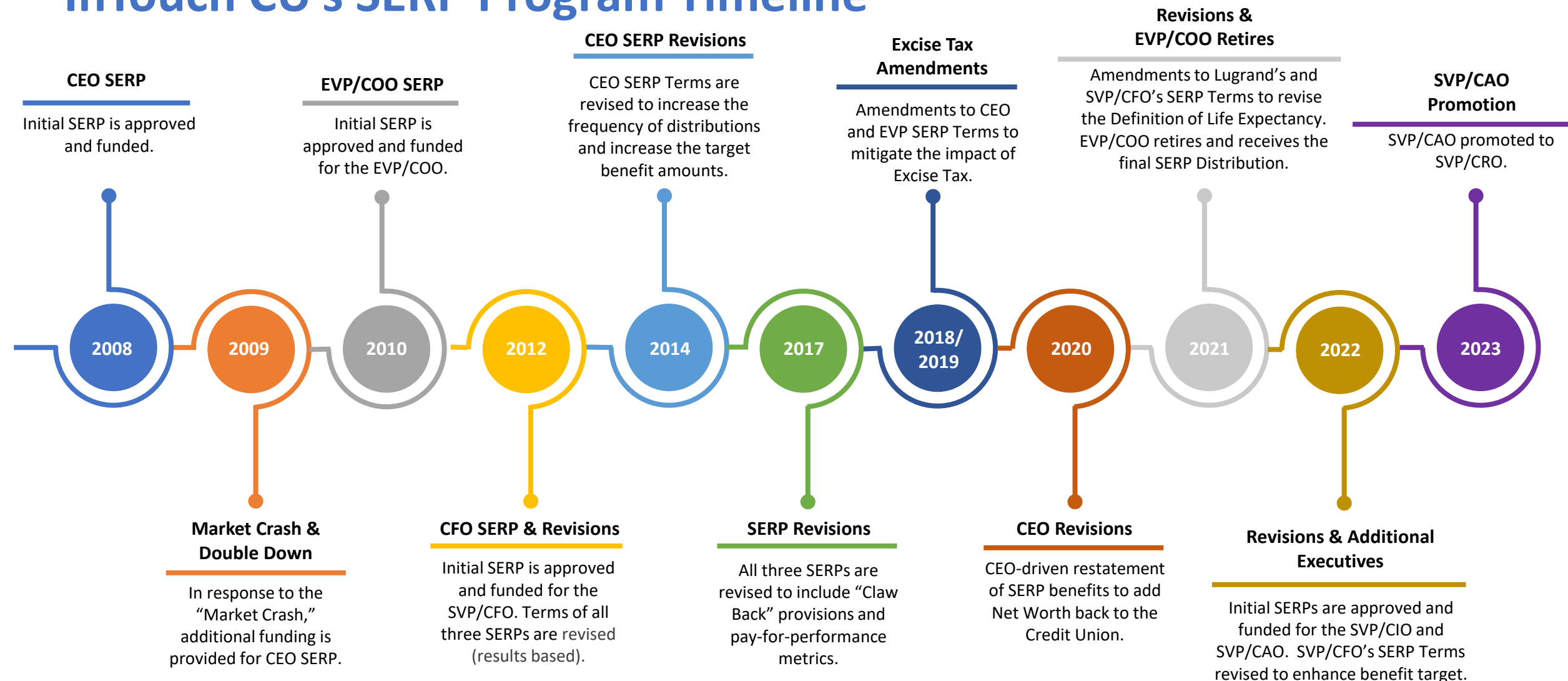
Retention
Remains the
Core Objective



SERP Program Milestones

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beverly Marsh, CEO	64	Age 65 SERP Payment 5 of 6		Age 67 SERP Payment 6 of 6						
Jack Torrance, CFO	52	53	Age 54 \$500k	55	56	Age 57 \$2M	58	59	Age 60 60% = \$3M	61
Annie Wilkes, CTO	49	50	Age 51 \$500k	52	53	54	Age 55 \$1.5M	56	57	58
Andy Dufresne, CRO	46	47	Age 48 \$500k	49	50	51	Age 52 \$750k	53	54	Age 55 50% = \$2M

InTouch CU's SERP Program Timeline

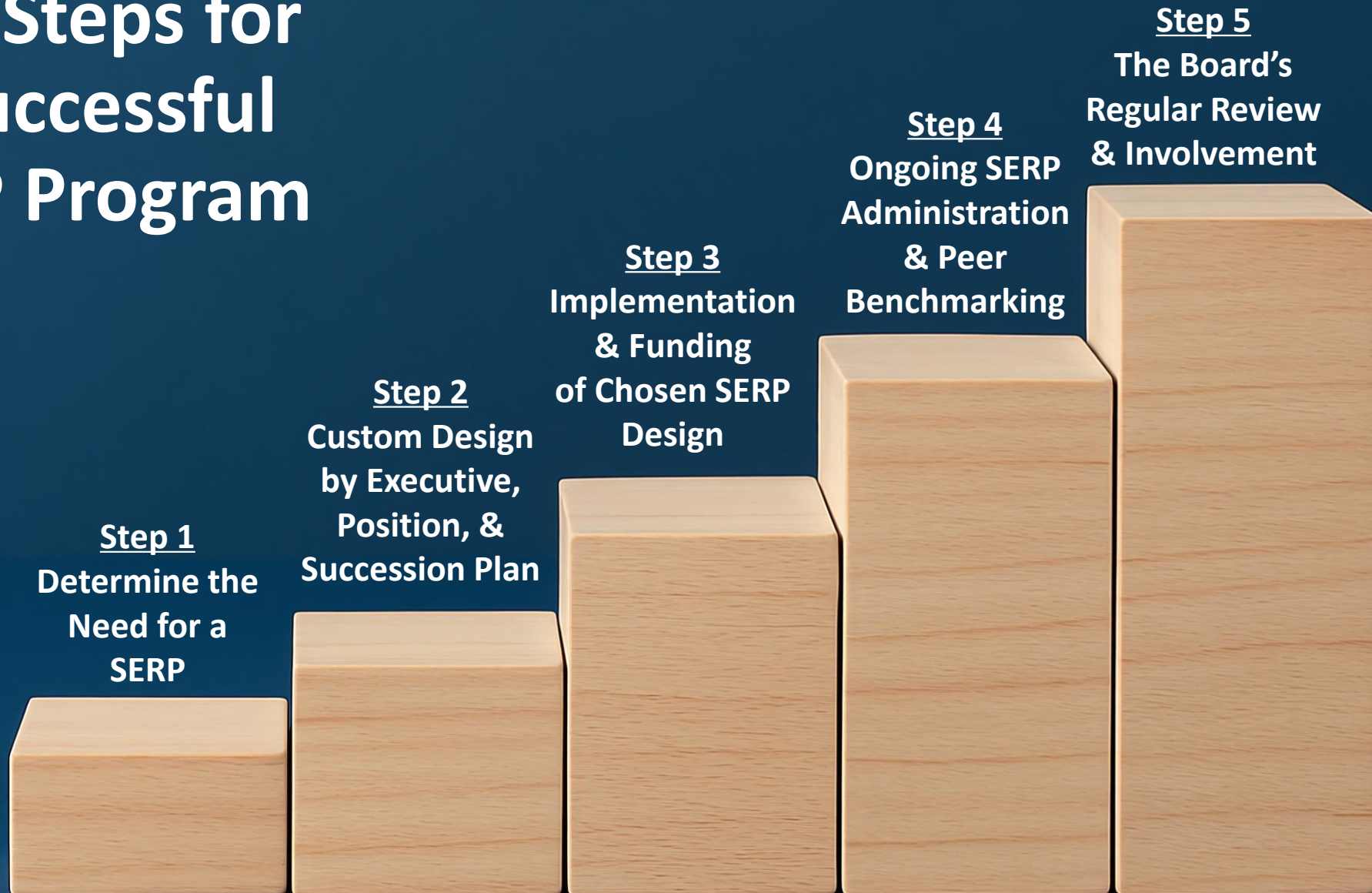


SERP Plan Changes can be Expected

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



Five Steps for a Successful SERP Program



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.

11TH Annual

Total Rewards Symposium 2025



d. hilton associates inc.