

Total Rewards Symposium 2024



d. hilton associates inc.

Governance Best Practices Roundtable

(introducing the director confidence index)



d. hilton associates inc.



Brian Kidwell, SPHR

Executive Vice President

D. Hilton Associates, Inc.

Brian@dhilton.com

BEST BOOK

All Things Stephen King

BEST POD

Bloomberg Odd Lots

BEST BINGE

All Things Star Wars

Executive Vice President

D. Hilton Associates, Inc. (24 years)

Texas State University

MBA, Market Research

Texas Tech University

BBA, Management

SHRM

Senior Professional in Human Resources Designation

Licenses

FINRA Series 7, Series 66, Texas Life and Health Insurances



John W. Andrews, SPHR, CSCP, CCP

Executive Vice President

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john@dhilton.com

BEST BOOK

Managing Ignatius: The Lunacy of Lucky Dogs & Life in the Quarter
Jerry E. Strahan

BEST POD

WorkLife
Adam Grant

BEST BINGE

90 Day Fiancé

Executive Vice President

D. Hilton Associates, Inc. (39 years)

Emerson College

MA, Organizational Communication

University of Tulsa

BS, Communication

SHRM

Senior Professional in Human Resources Designation

World-at-Work

Certified Sales Compensation Professional

Certified Compensation Professional

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Who was named after a famous cowboy?

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Who drove a pickup truck in college?

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Who is the better two-stepper?

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Who had a vanity plate on their car?

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Introducing the Directors Confidence Index



Framingham Heart Study

Three Generations of Dedication

- *The FHS had over 15,000 people from three generations, including the original participants, their children, and their grandchildren at the start of each cohort.*
- *FHS findings have informed the understanding of how cardiovascular health affects the rest of the body.*
- *The study found high blood pressure and high blood cholesterol to be major risk factors for cardiovascular disease.*
- *In the past half century, the study has produced approximately 6,000 articles in leading medical journals.*
- *Data and biologic resources from the study are available for researchers to use, which continue to spur new scientific discoveries.*

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How confident are you in the growth prospects of your CU in 2025?

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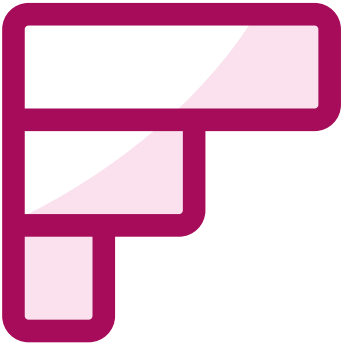


What do you see as the best growth bet?

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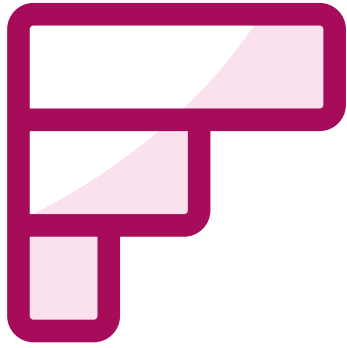


Which risks pose the greatest risk to your CU over the next 3 years? (please rank)

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**What do you see as the top three
Board governance concerns?
(please rank)**

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**What digital channels are being prioritized for investment in 2025?
(check all that apply)**

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What do you see as the five greatest threats to the industry in 2025?

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Would you rather fill out four surveys with 25 questions or one survey with 100 questions?

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High-Performing Boards can answer these questions...

How do we look to our members/owners?

How do members/customers see us?

What can we do better?

How can we deliver more value?

High-Performing Boards

From Monitoring

1. Credit risk
2. Interest rate risk
3. Liquidity risk
4. Transaction risk
5. Strategic risk
6. Reputation risk
7. Compliance risk

To Strategic

1. Community
2. Differentiation
3. Evolution
4. Market Expansion
5. Technology/Innovation
6. Financial/Risk

High-Performing Boards

Commit to a customized annual cycle

Hunters, not gatherers (talent pipeline)

Cultural integration not onboarding

Proactive retention through engagement

Partner with the CEO for success

Accountability is a valued competency

Leverage committees to balance workload

The Challenge With Advisory Boards

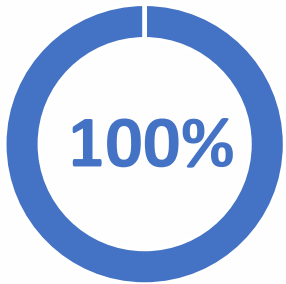


They are asked to “advise” the Board on decisions, but they do not have the power to make these decisions independently.

As a person who has been least impacted, would you be willing to serve as an advisor to a Board comprised of the most impacted?

Subconsciously, “lowering the qualifications bar” to attract diverse directors is biased.

Sample Board Overview



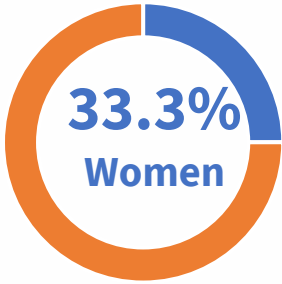
Director Independence



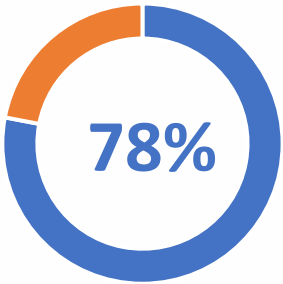
Tenure



Age



Female Directors



Bachelor's/Higher Education

Skills / Experience	Frequency									
CPA										
Senior Leadership										
Marketing										
Payment Systems										
Legal										
Regulatory										
Strategy										
Commercial Finance										
Consumer Lending										
Cyber Security/Info										

D. Hilton Competency Model



D. Hilton's Board Best Practices Survey Series

How many directors serve on your Board?

Overall Mean # of Directors	8.22
Overall Median # of Directors	9.00

8.7% have 11 Directors

45.2% have 9 Directors

35.6% have 7 Directors

3.8% have 5 Directors

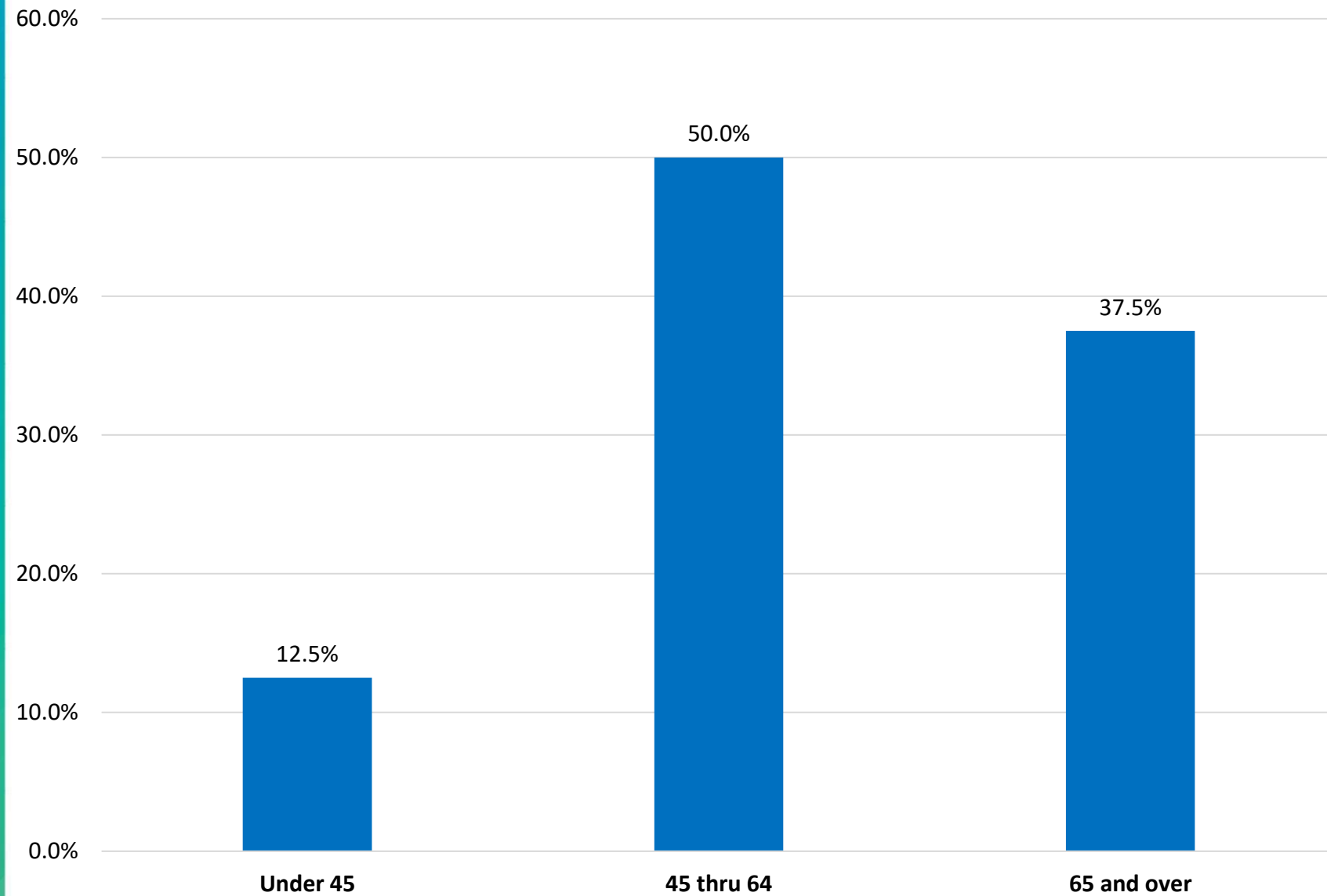
Overall Mean 2.77

Overall Median 3.00

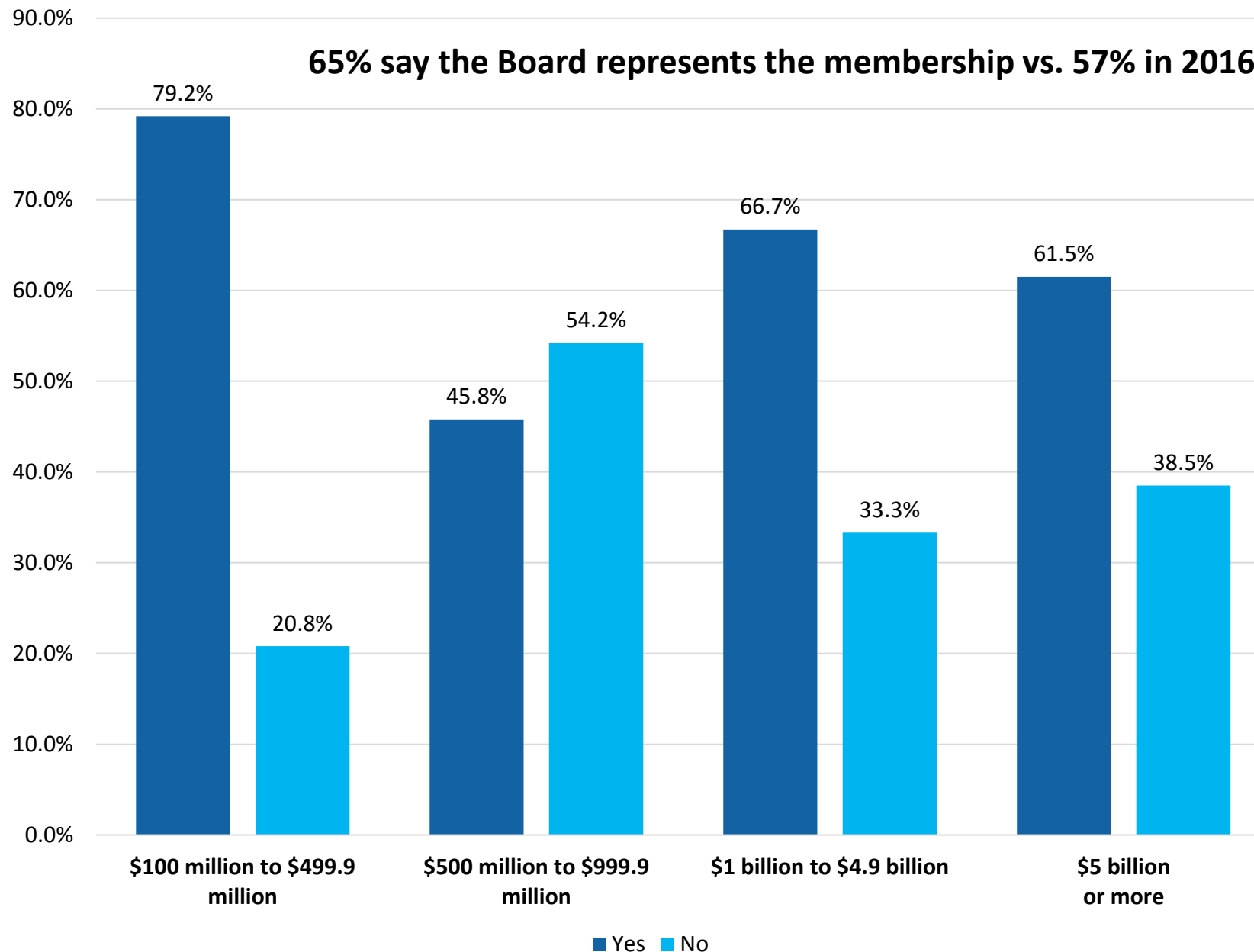
How many
Board
members are
female?

	\$100 million to \$499.9 million	\$500 million to \$999.9 million	\$1 billion to \$4.9 billion	\$5 billion or more
Mean	2.75	2.58	2.60	3.58

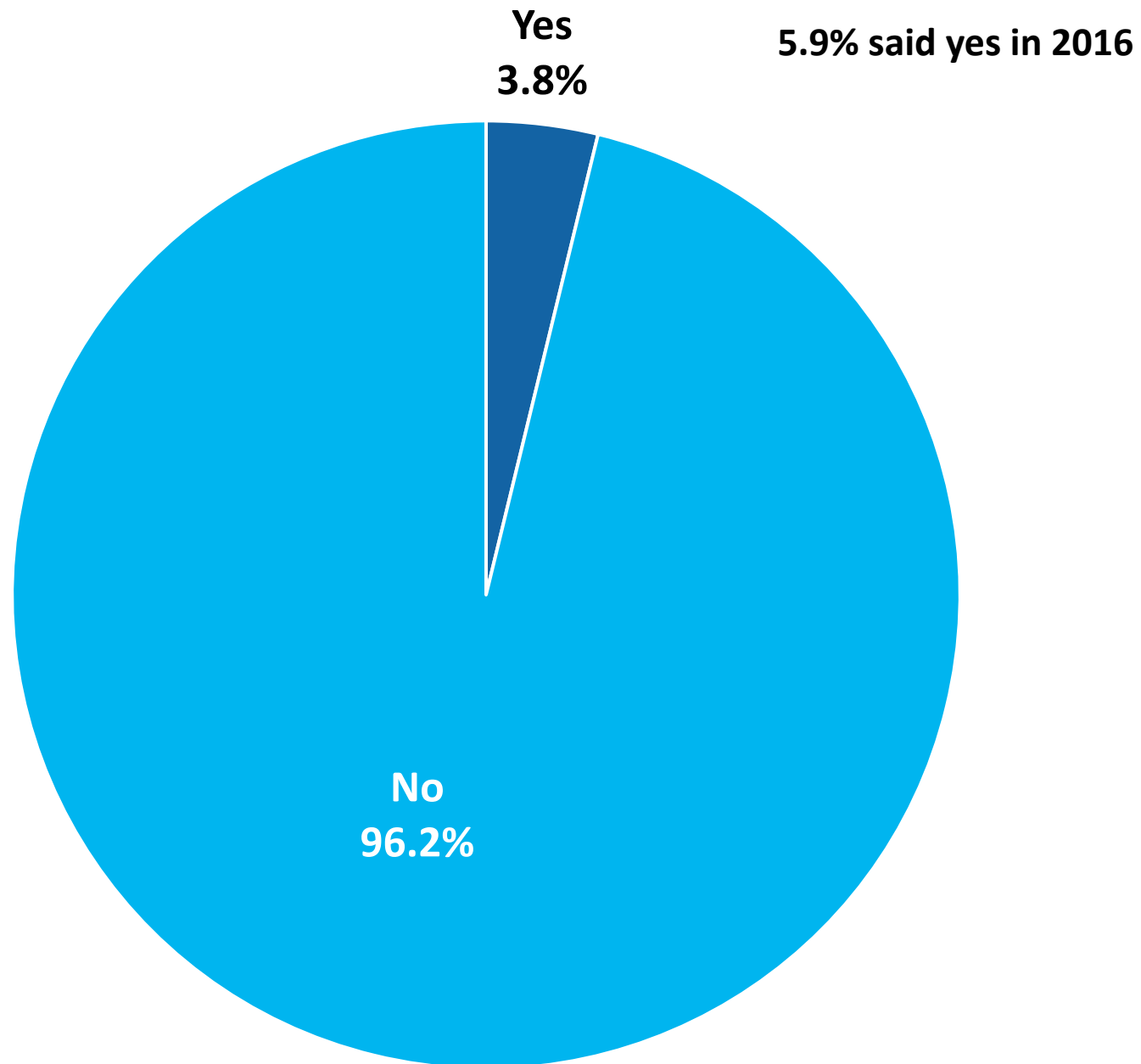
Please fill out how many
Board members fall into
the following age
categories.



65% say the Board represents the membership vs. 57% in 2016

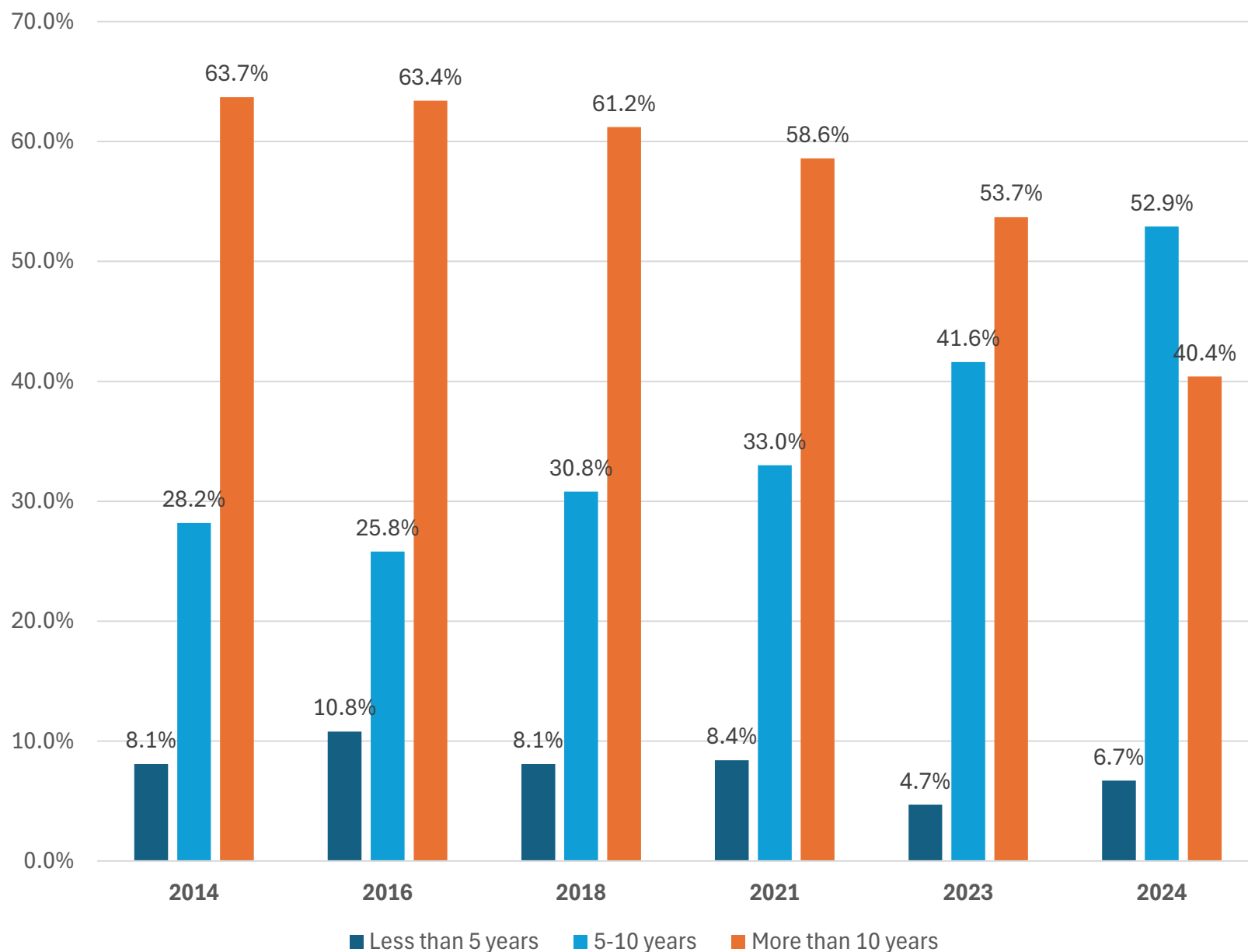


Do you feel the Board
accurately represents the
demographics of the credit
union membership?

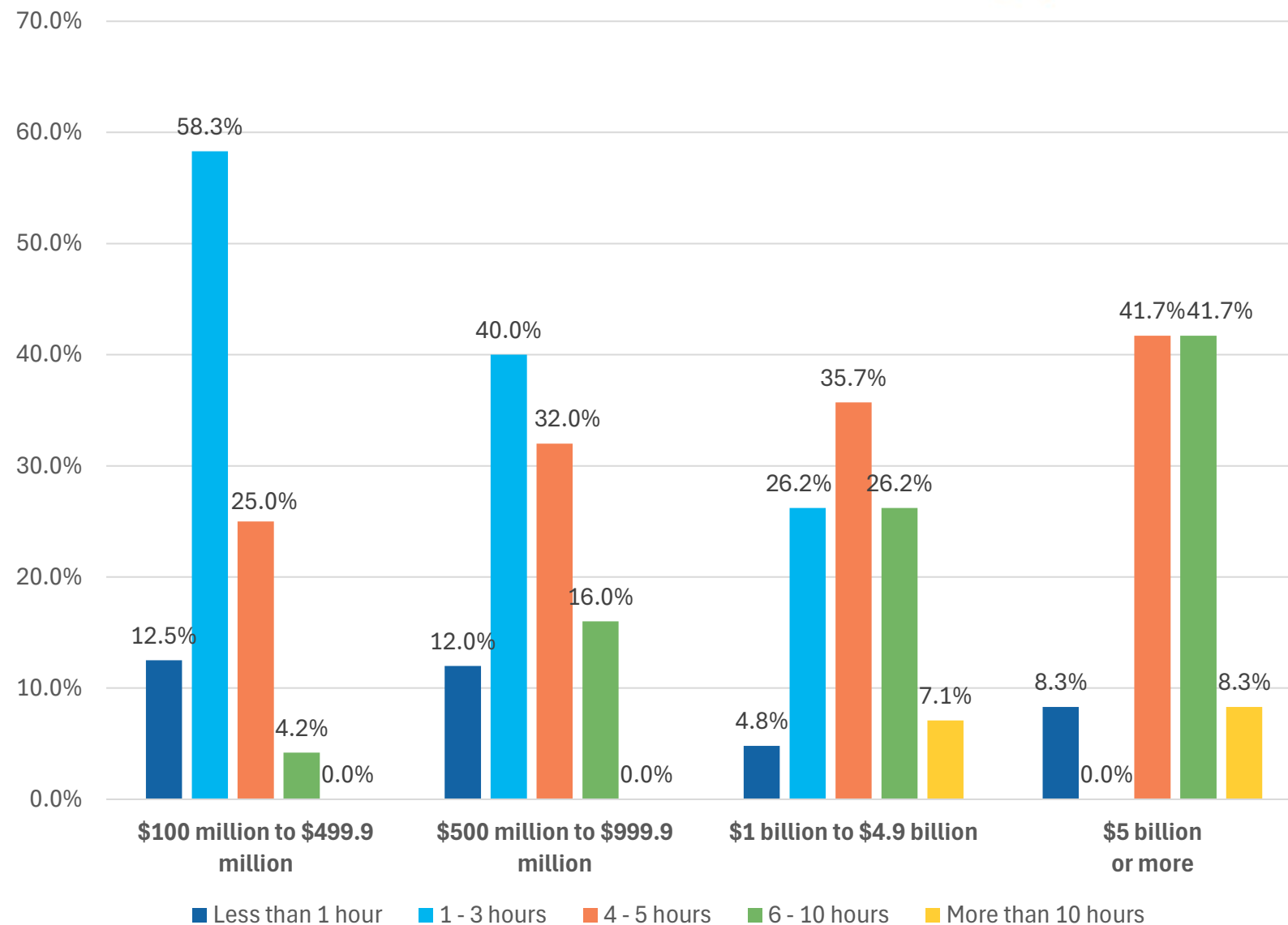


Does your credit union
have set age limits for
Board members?

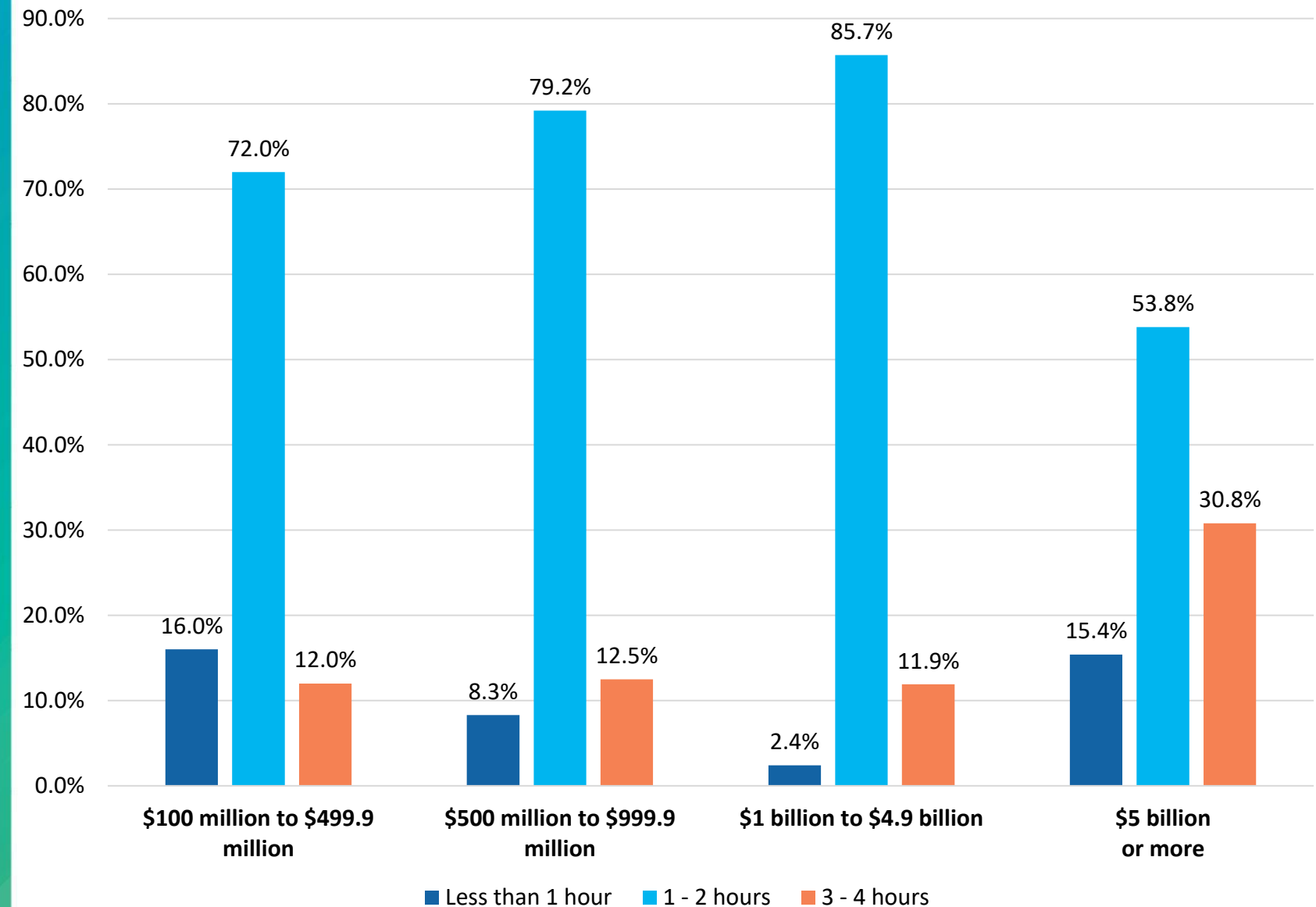
What is the average Board member tenure?



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

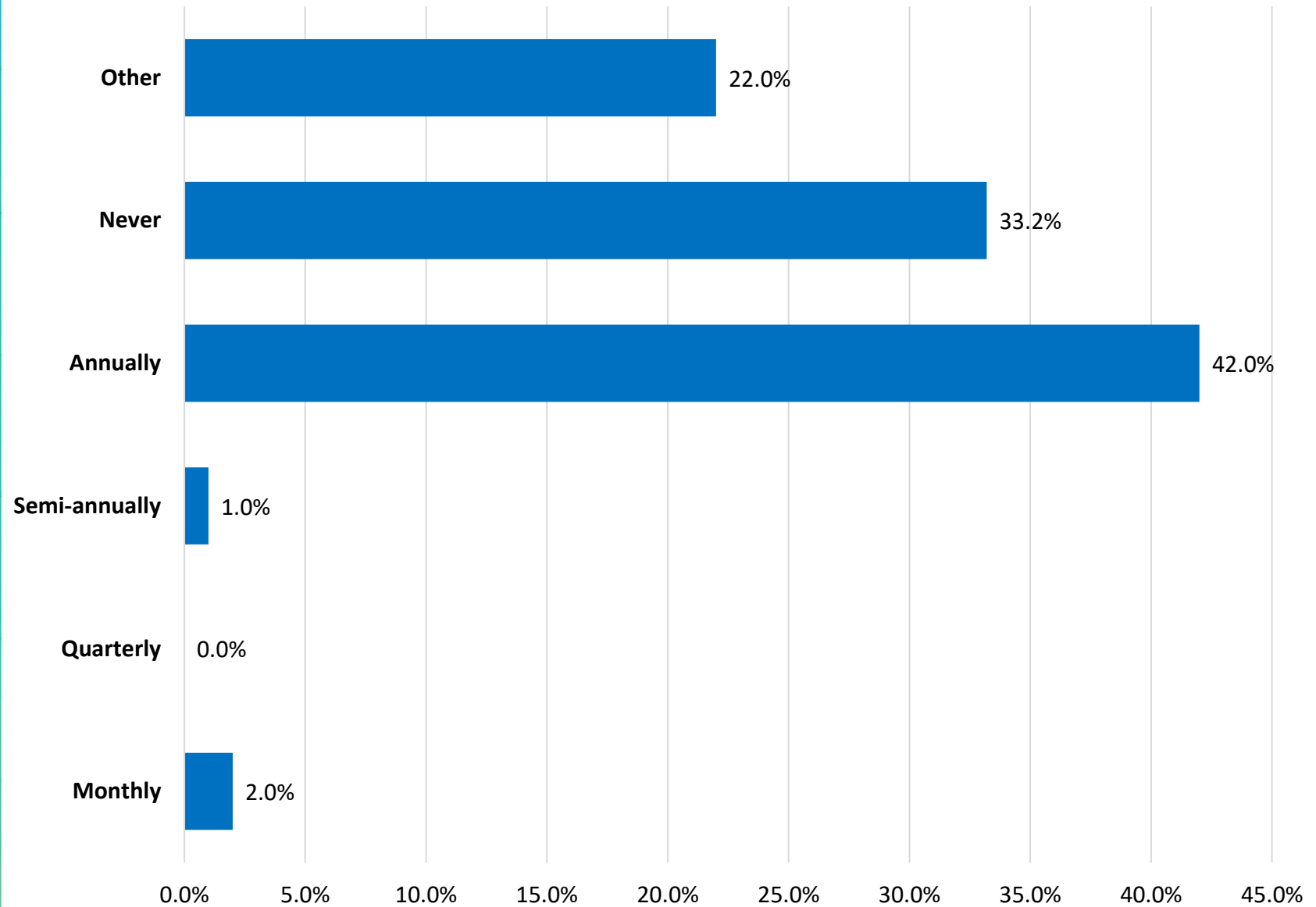


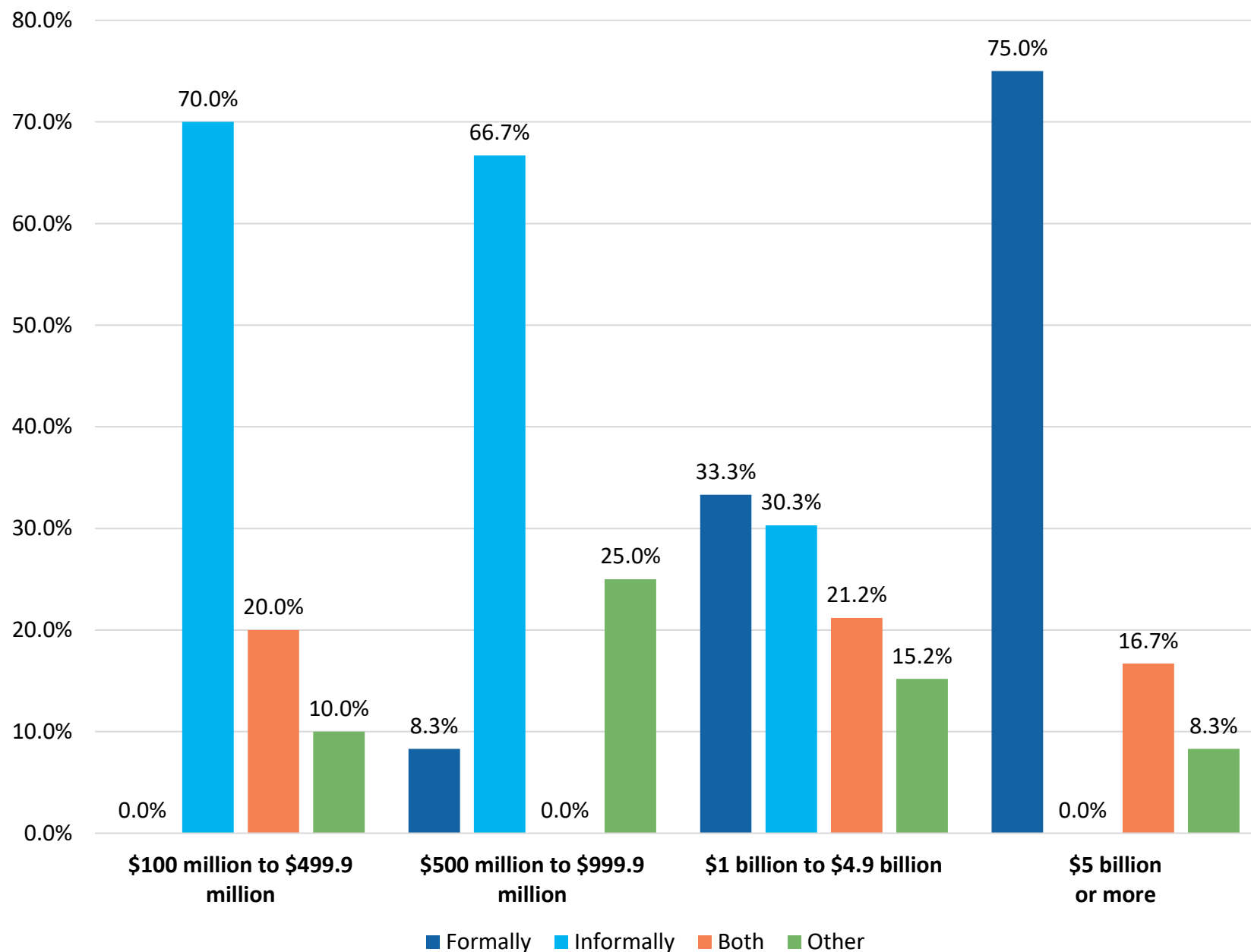
How long is a typical monthly Board meeting?



How often does the Board evaluate itself?

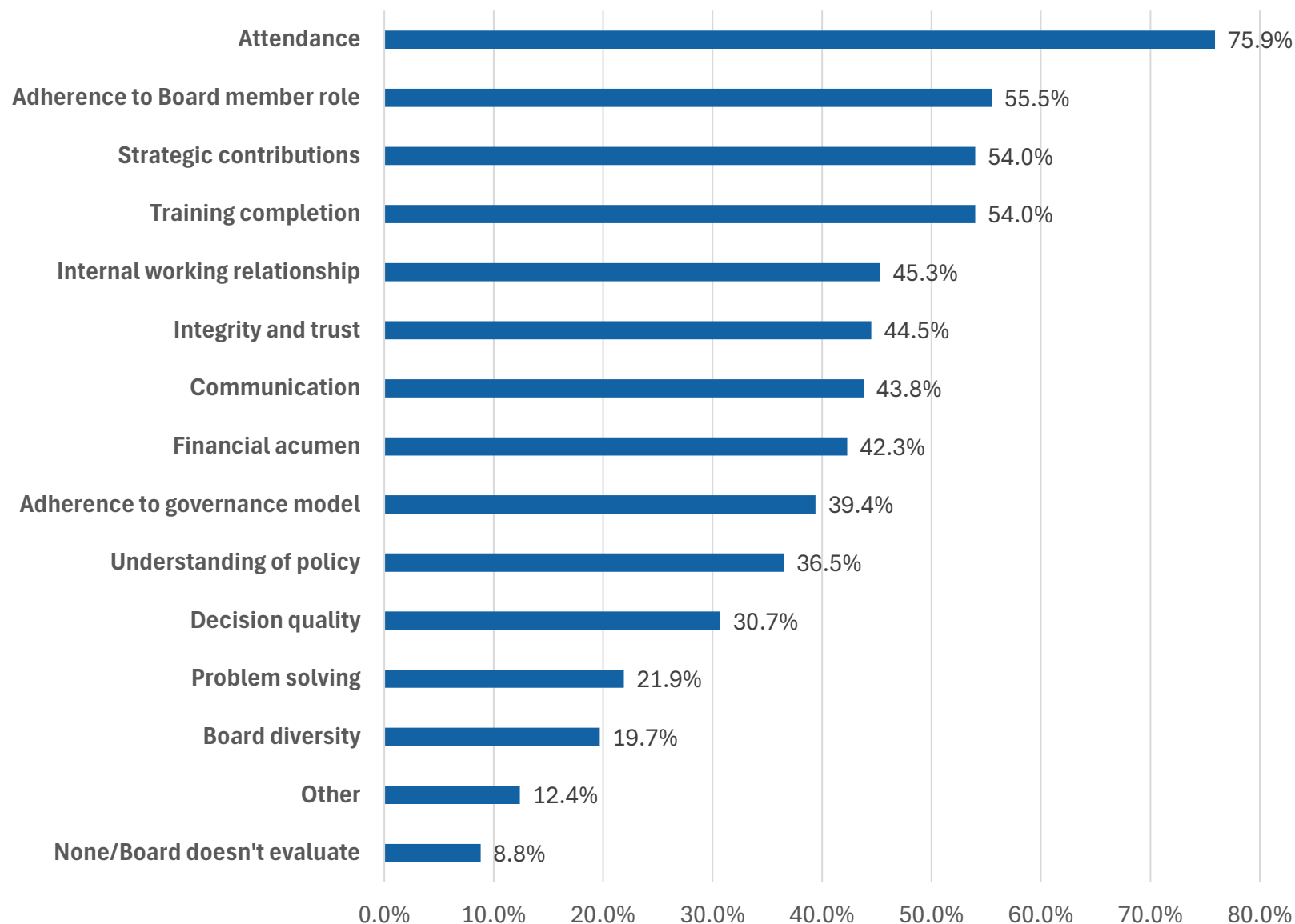
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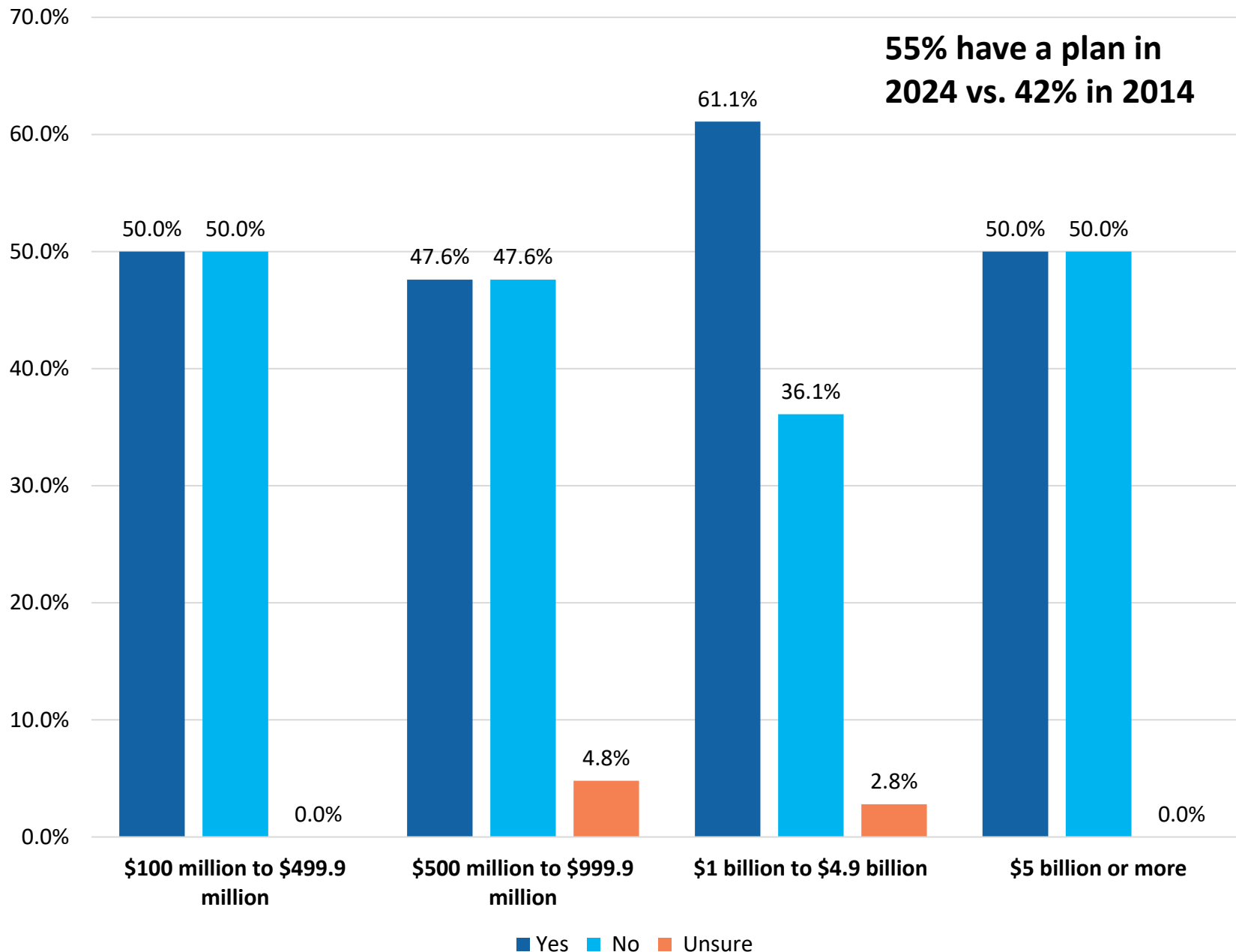




How is the Board evaluated?

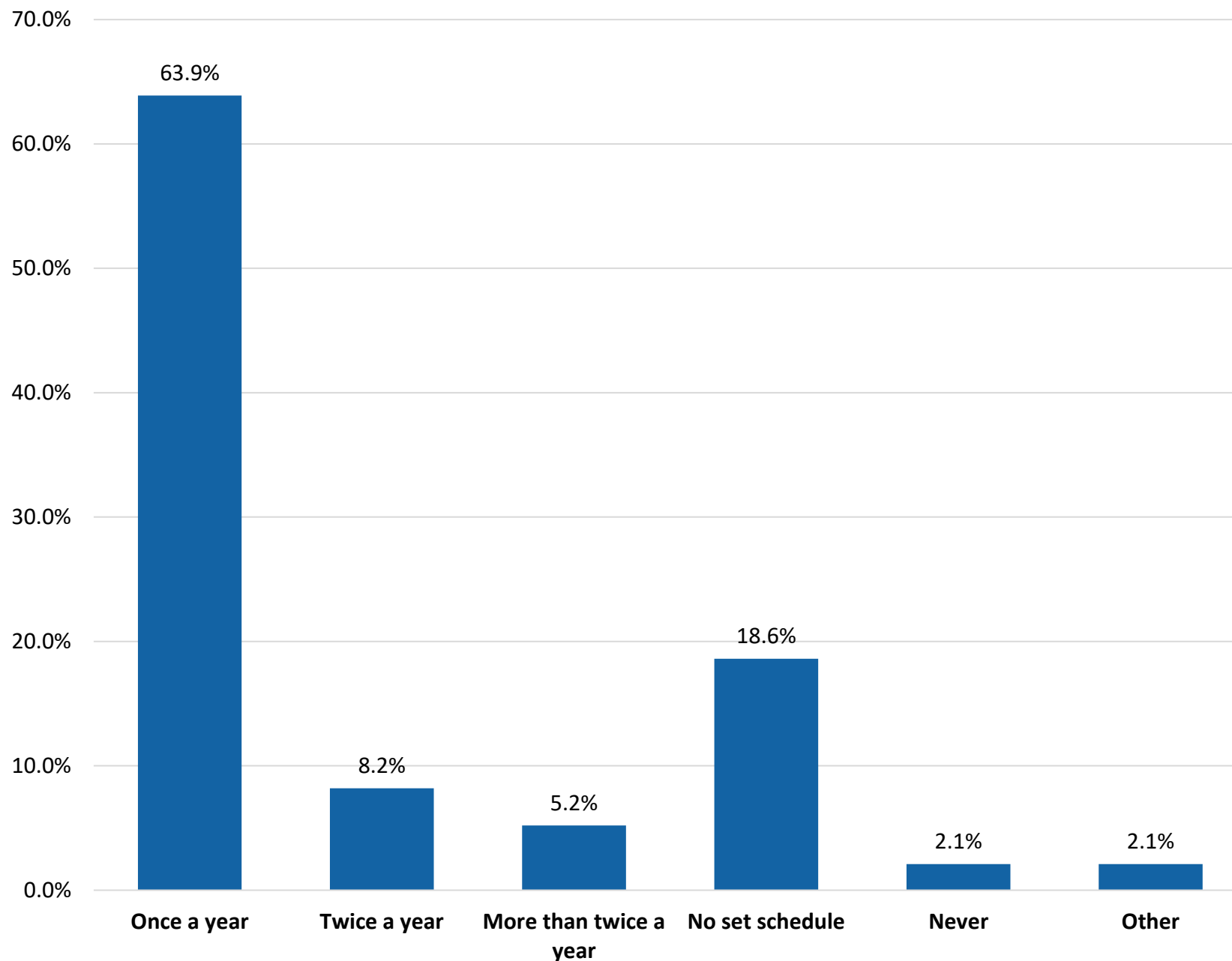
Which of the following areas are included in the Board evaluation?



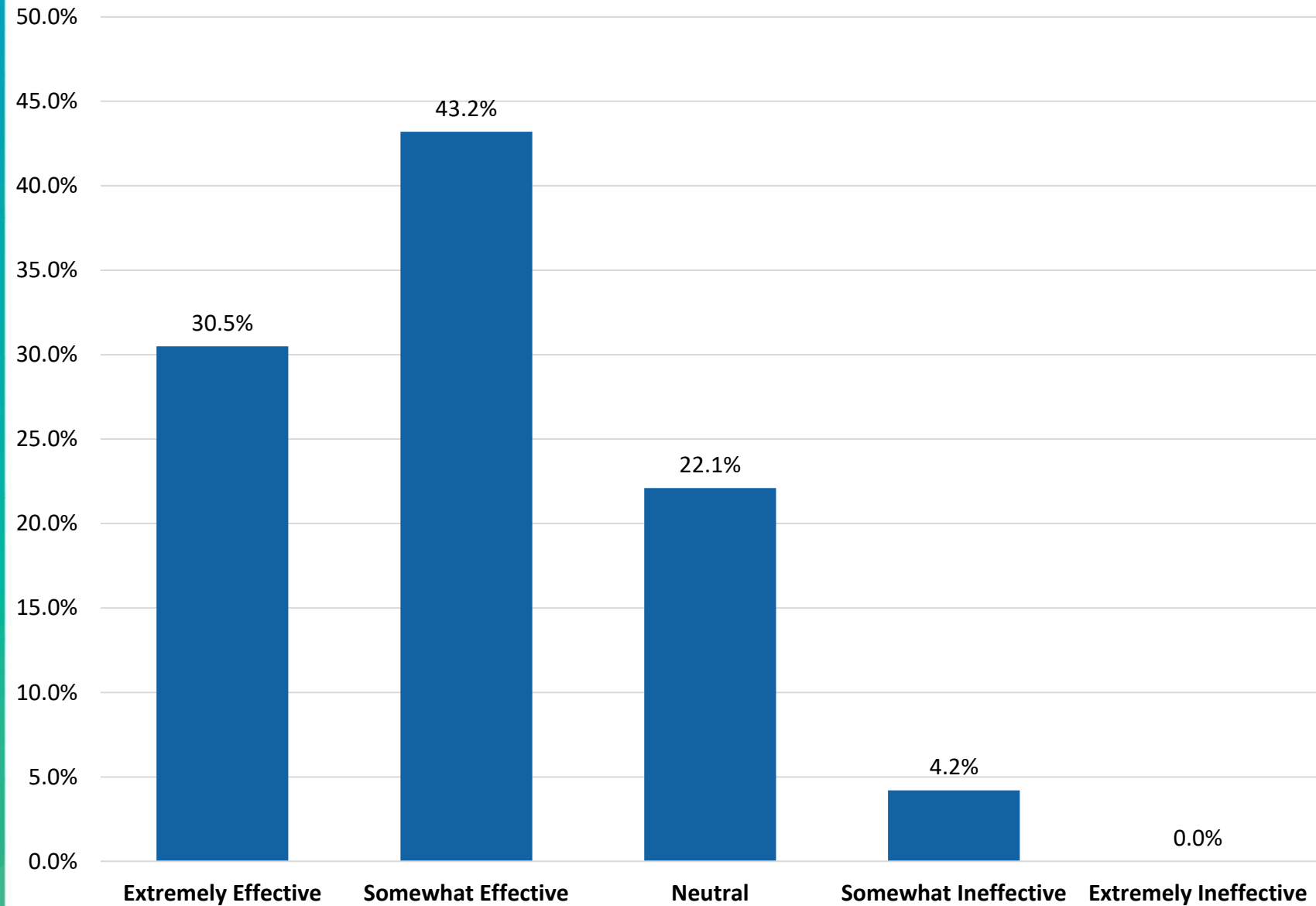


**Does the credit union
have a Board
succession plan in
place?**

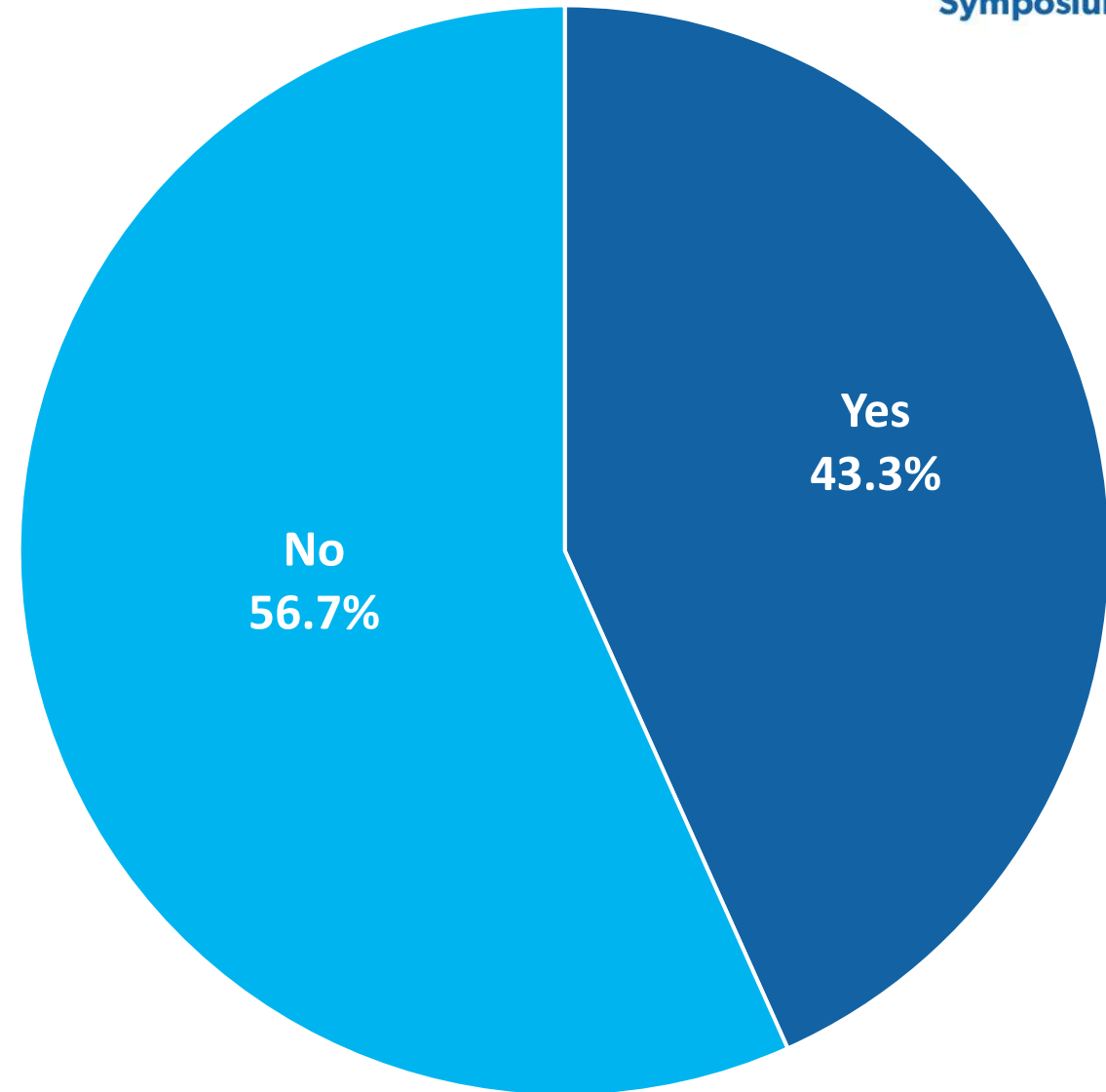
How often does the Board review its succession plan?

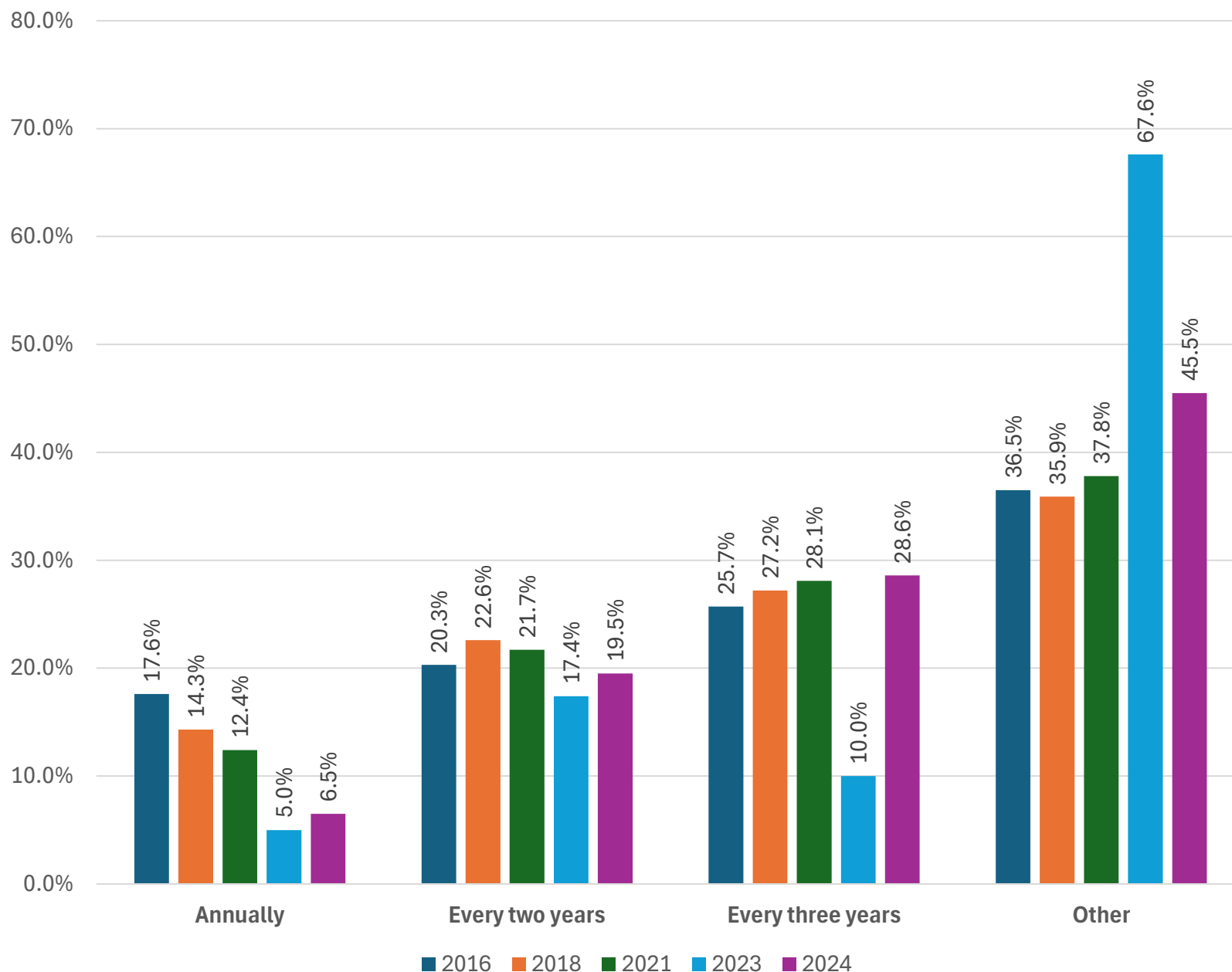


How effective is the Board succession plan?



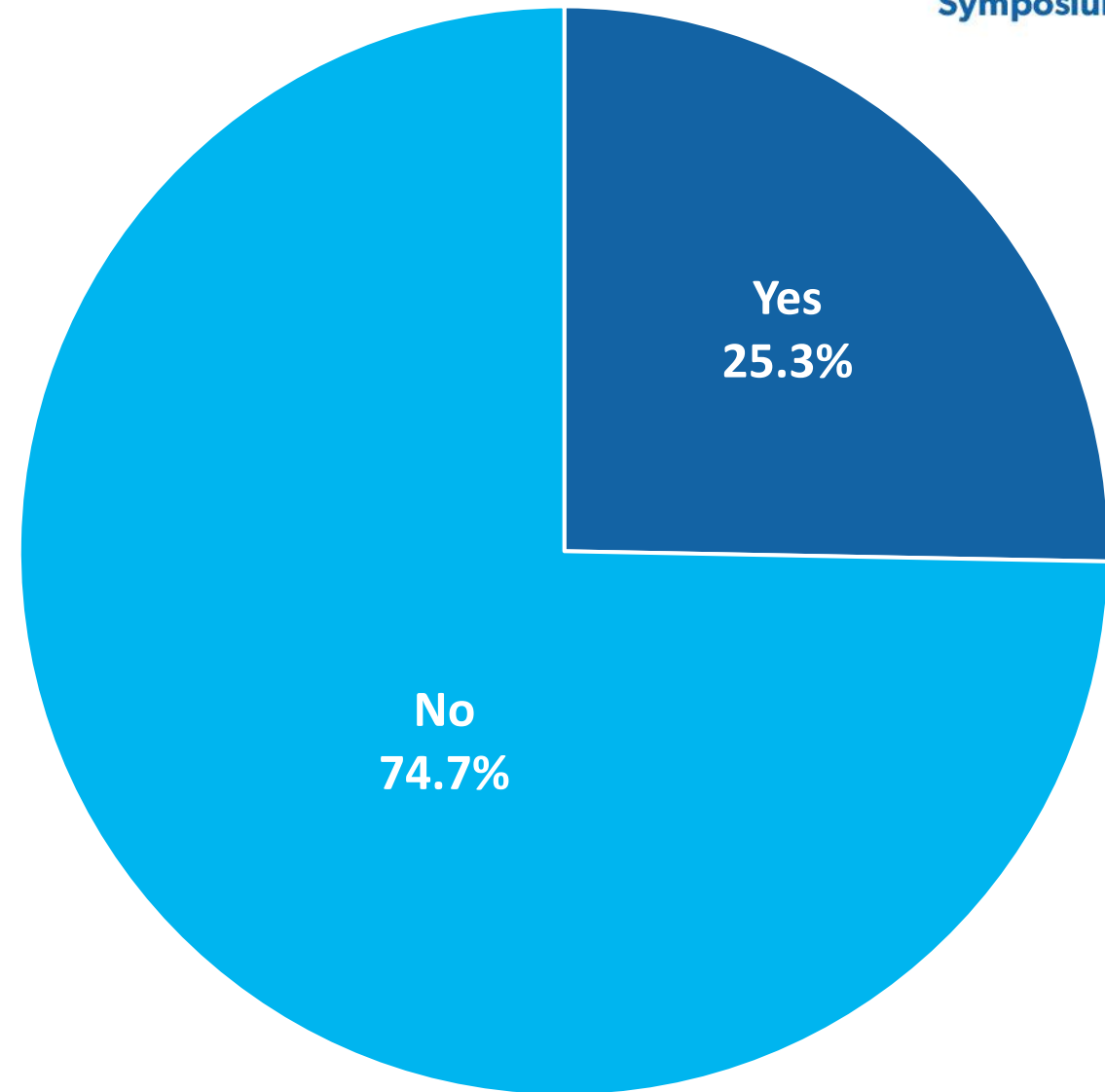
Does the Chair position
rotate between
Directors?

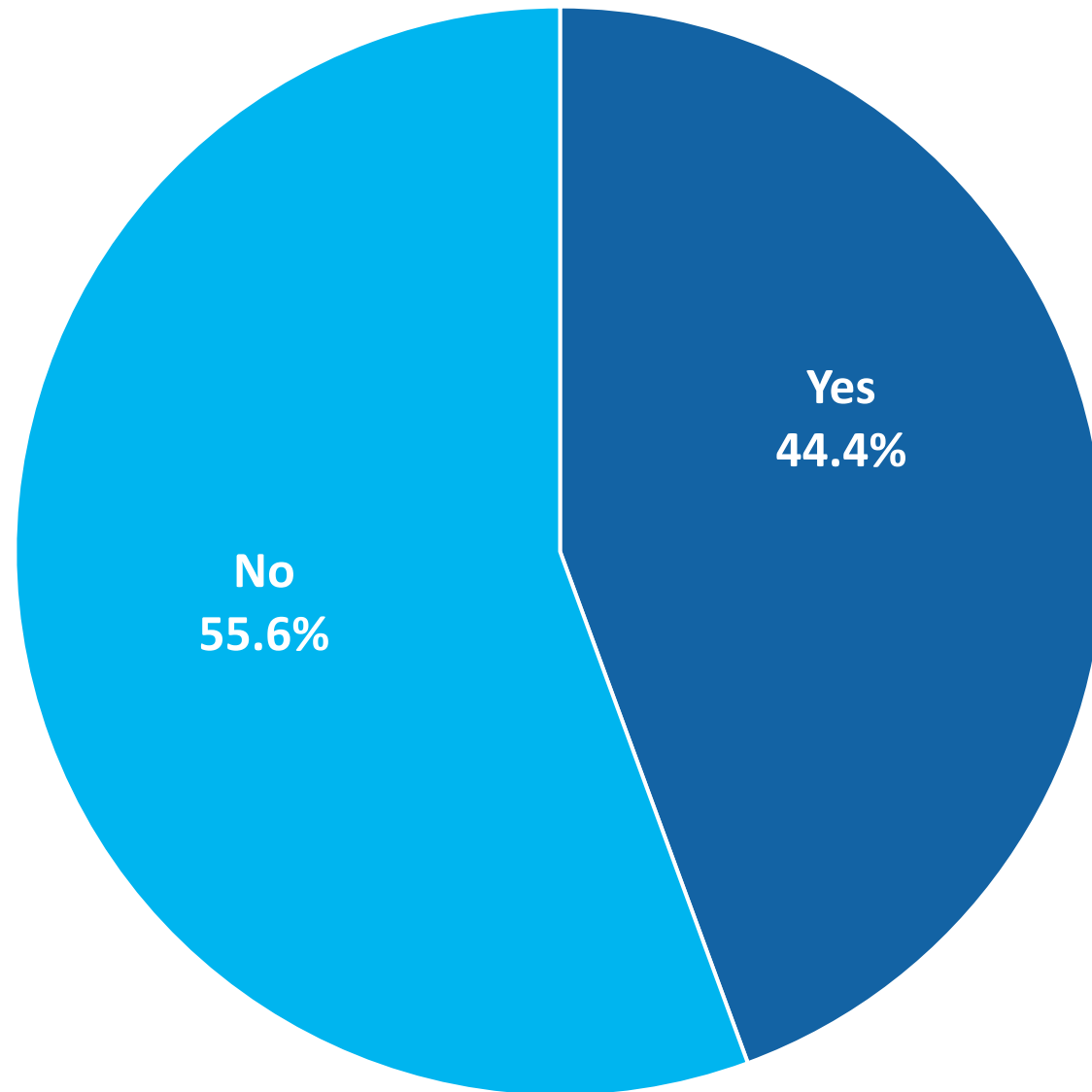




How often does the Chair
position rotate between
Directors?

Does the Board mandate
rotation of officer
positions?

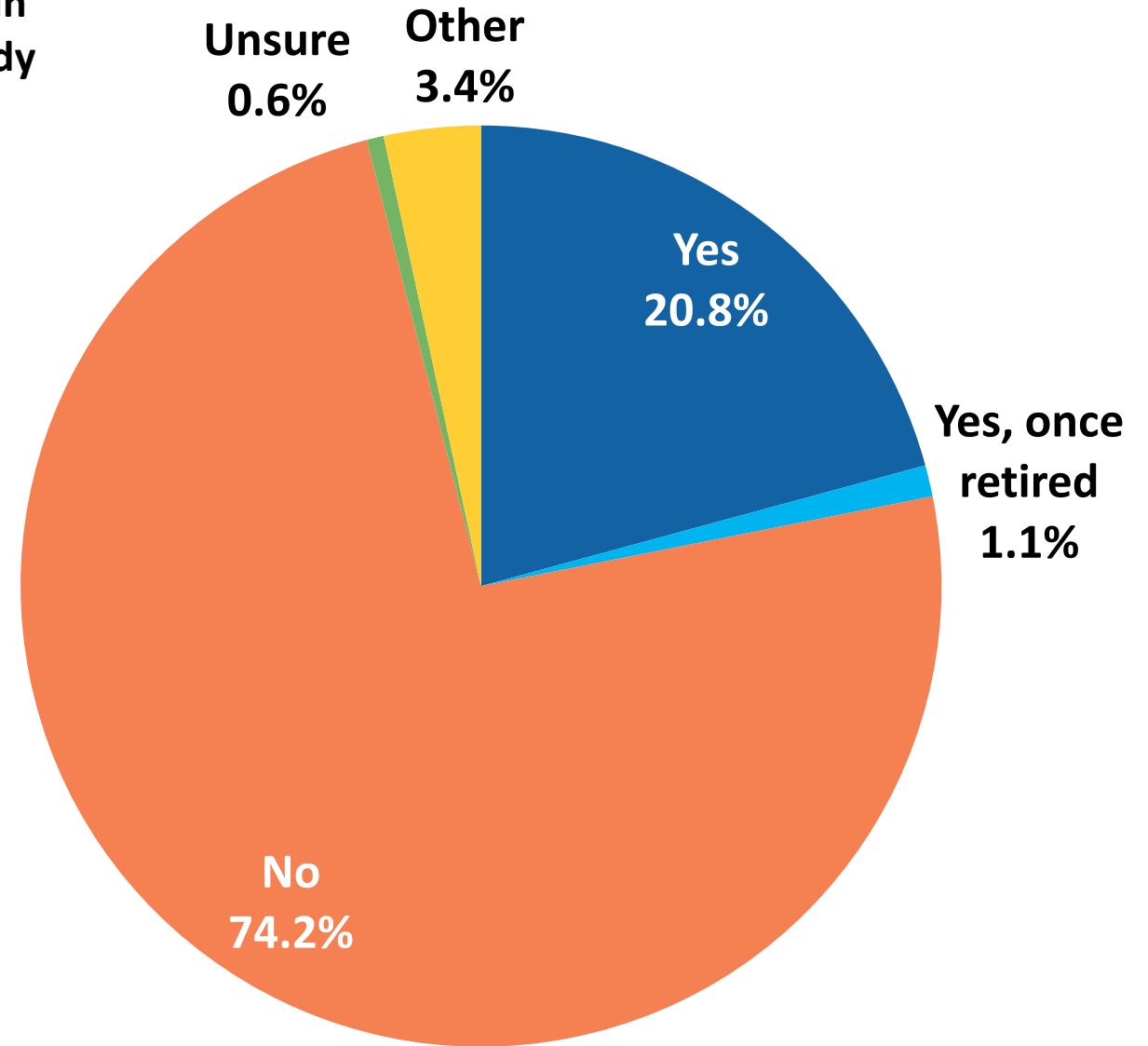


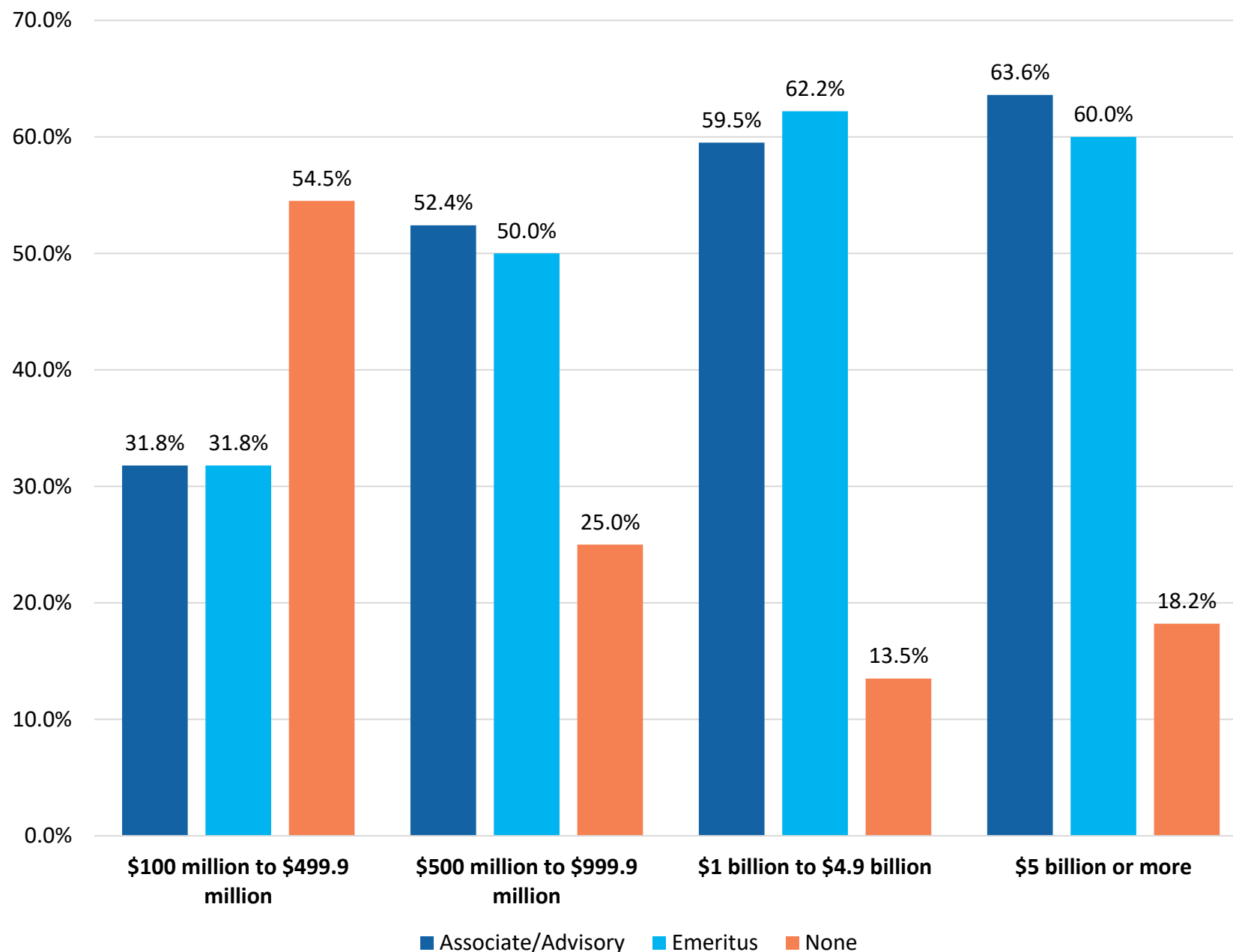


**Do you feel that rotation
of officer positions
should be mandated?**

89% said no in
the 2023 study

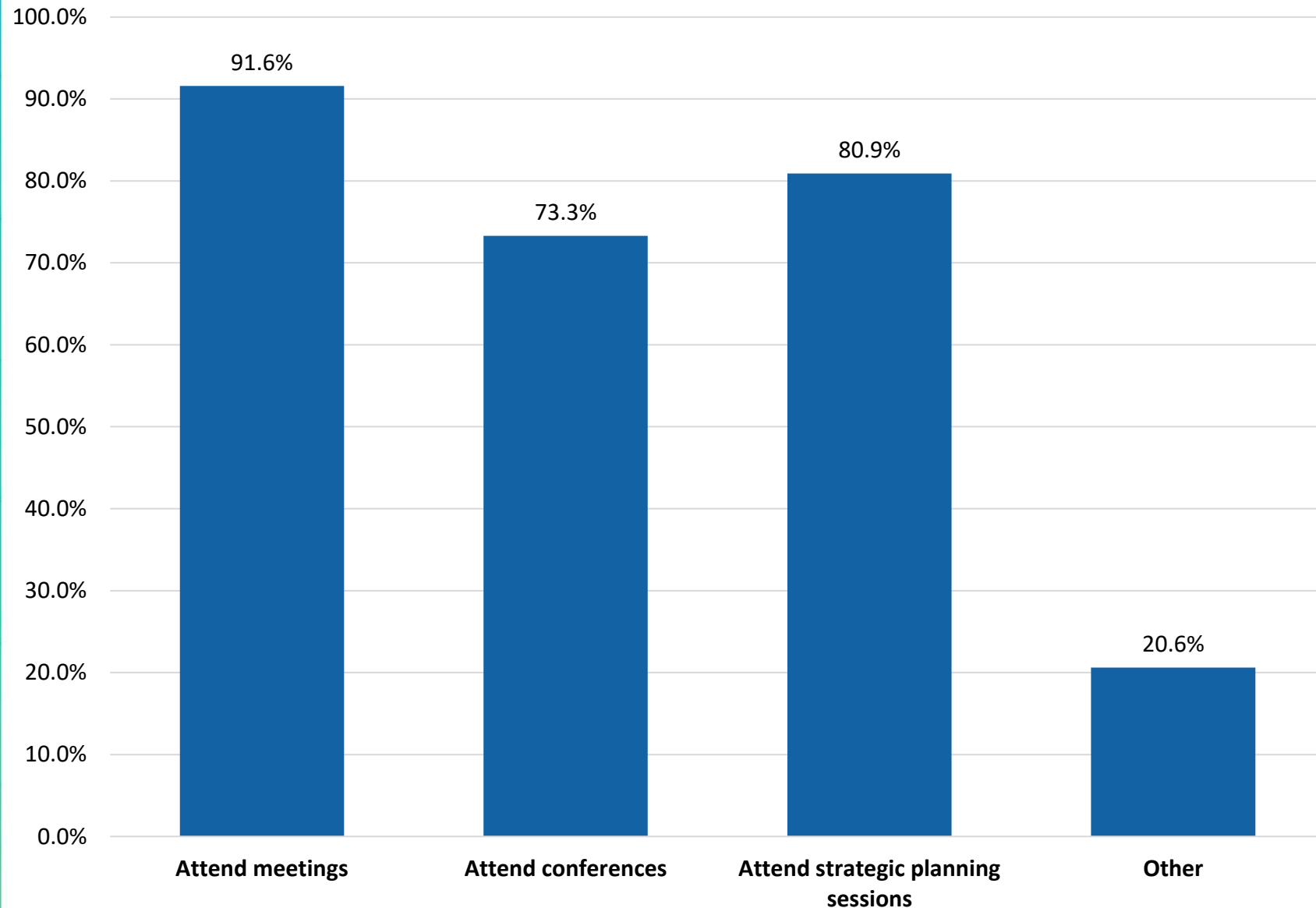
Does the Board have
term limits?





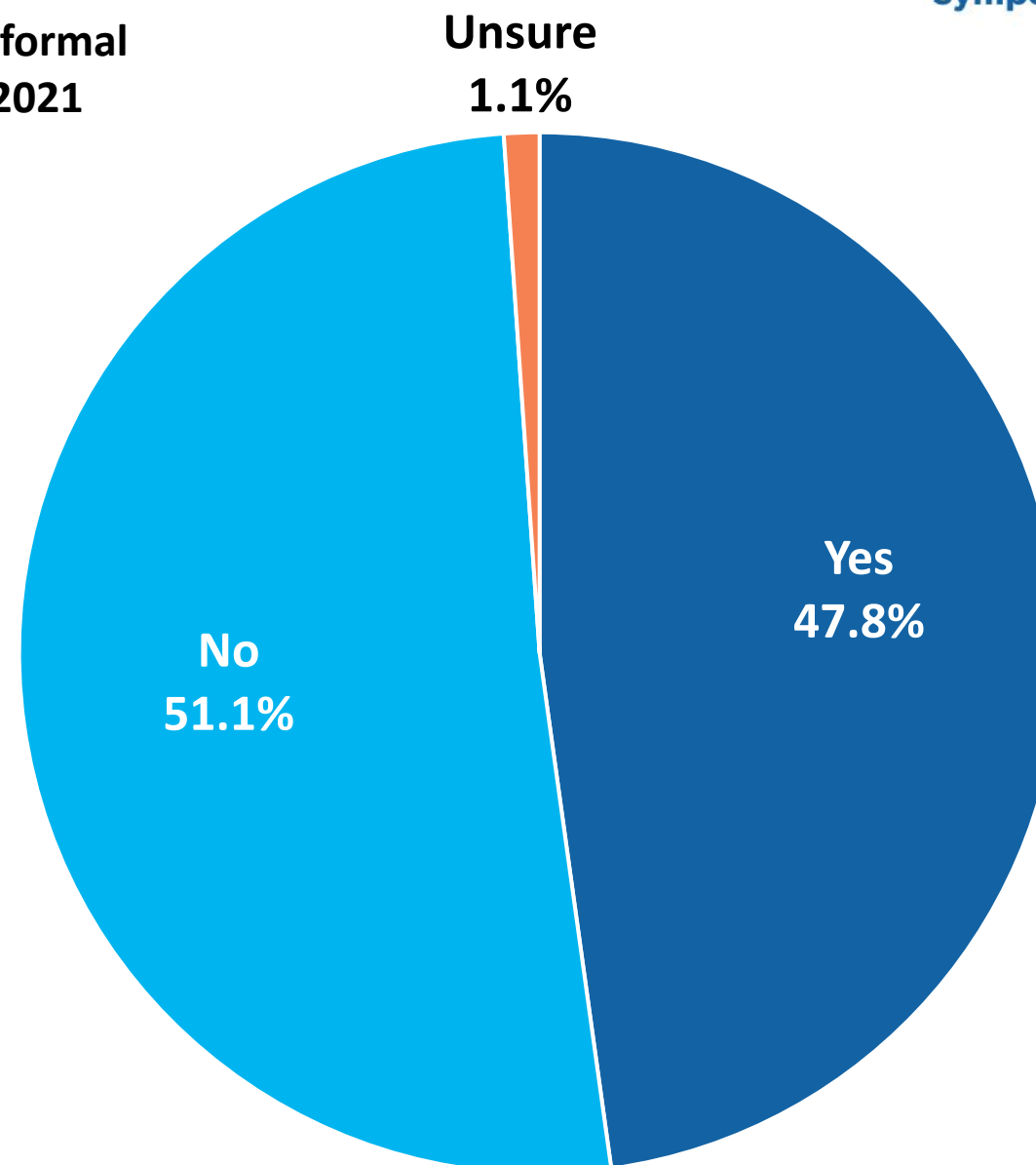
Do you offer Board
Associate/Advisory or
Emeritus positions?

What can those in Board Associate/ Advisory or Emeritus positions do?

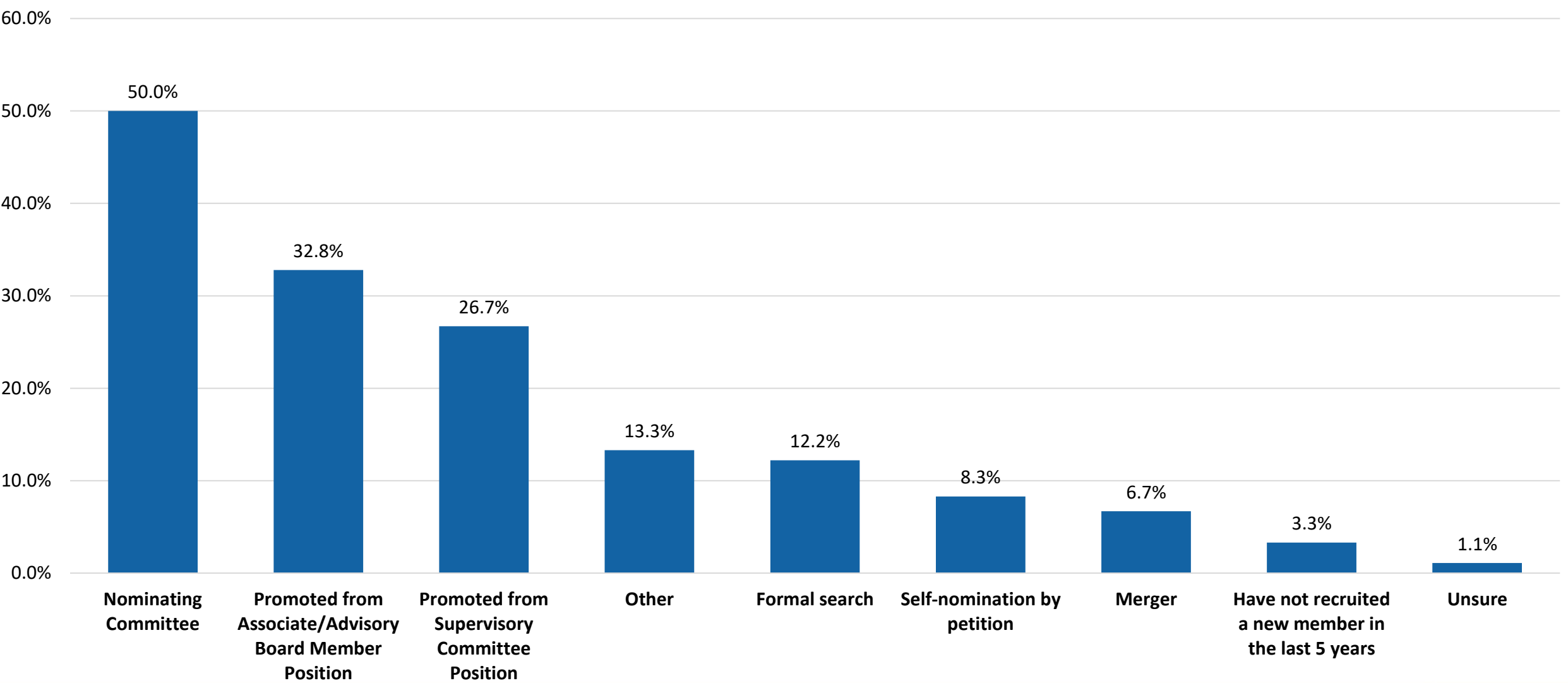


Just 37% said
they had a formal
process in 2021

Do you have a formal
process for recruiting
Board members?



How did you recruit your newest Board member?



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

Less than 6 months



77.5%

6 months - 1 year

14.2%

Between 1 - 2 years

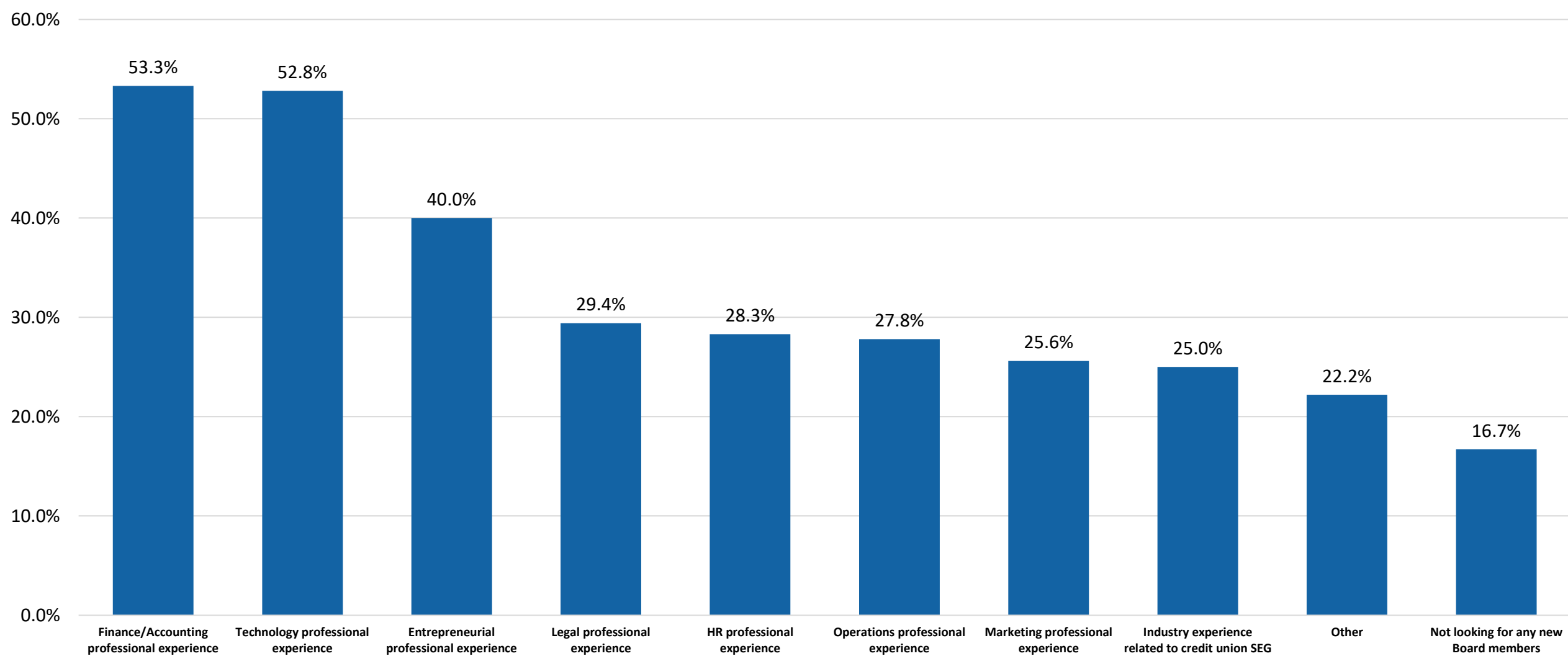
4.7%

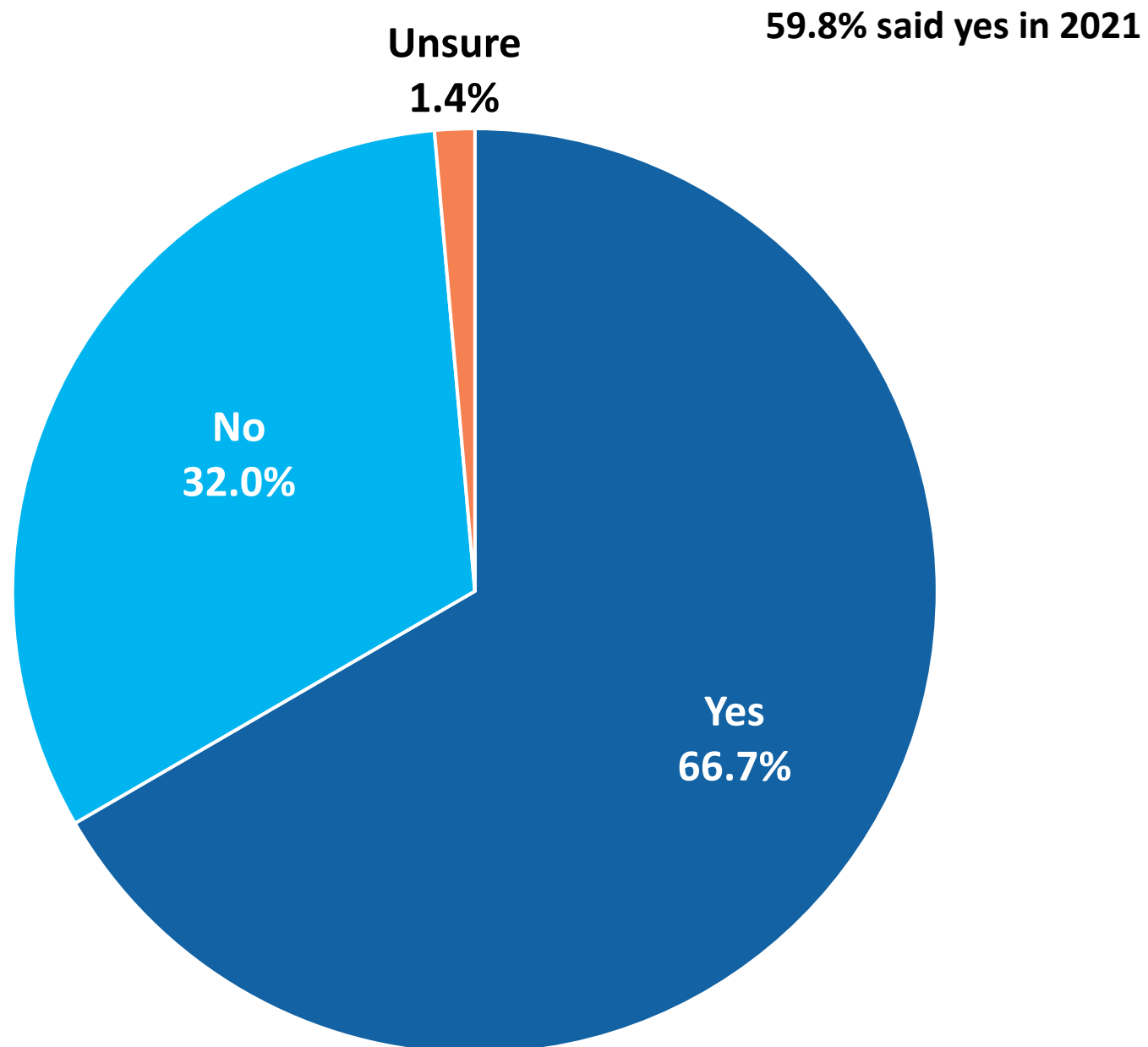
More than 2 years

3.6%

Which of the following are you looking for in new Board members?

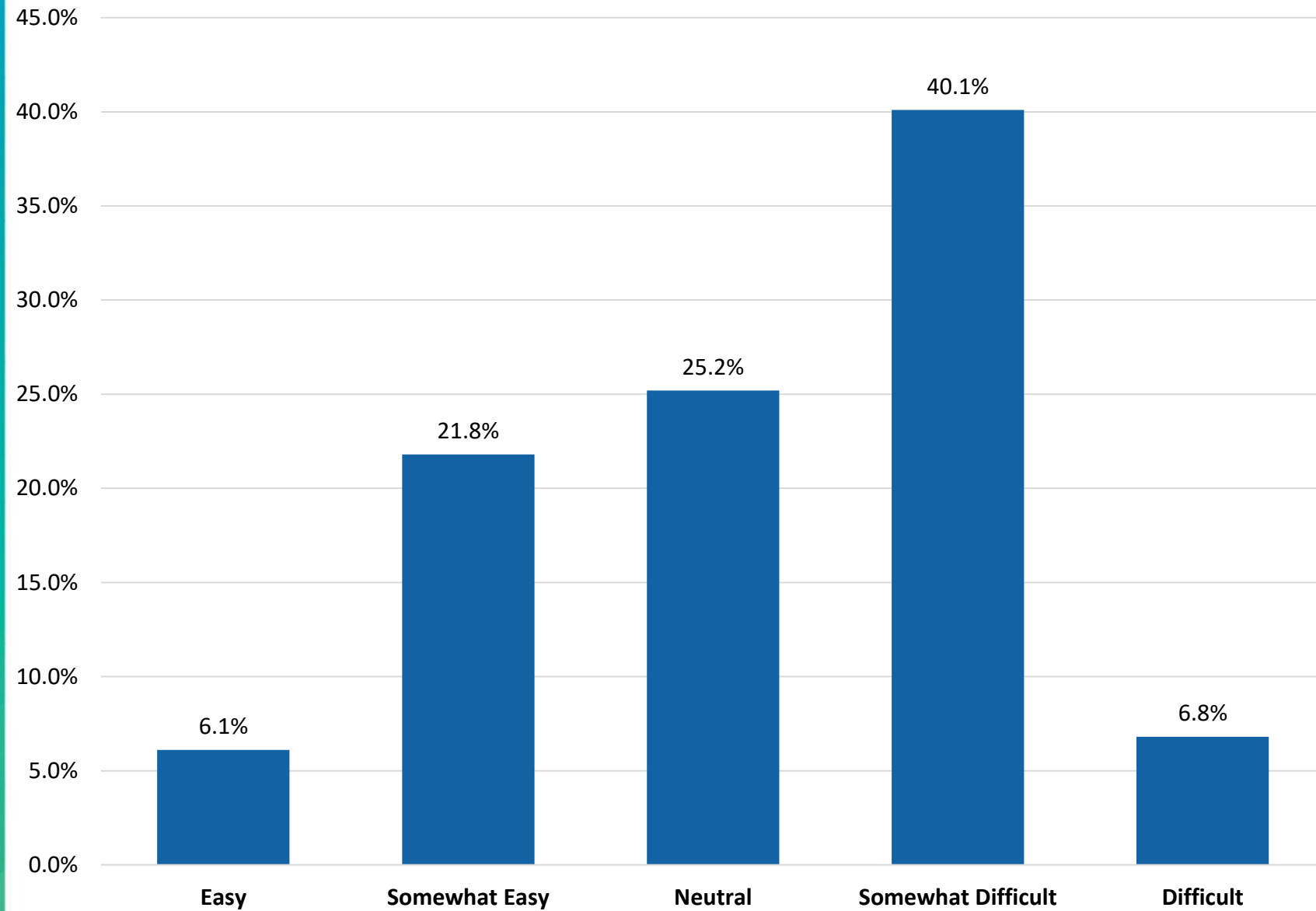
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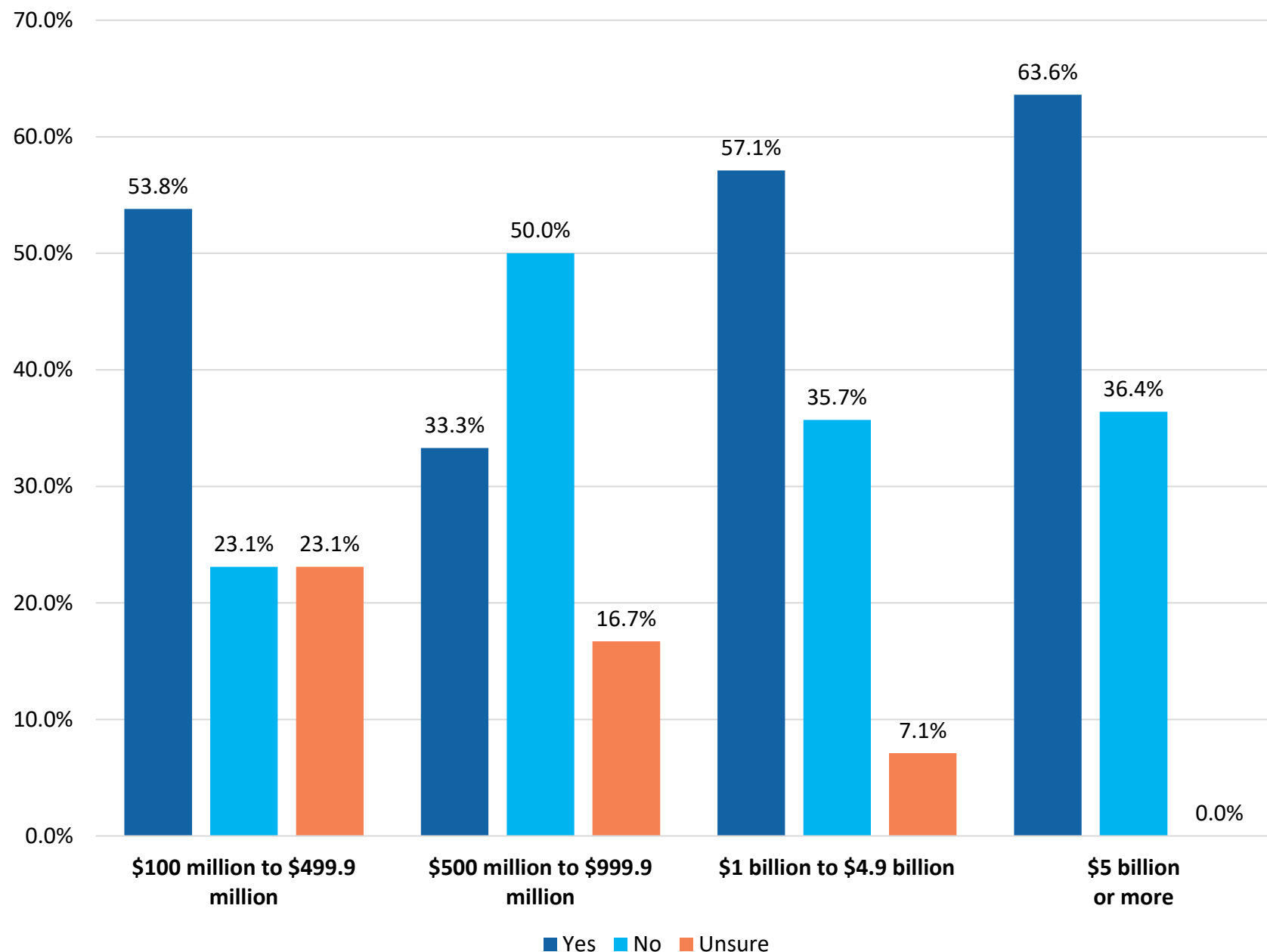


**Does management take
an active part in Board
recruitment?**

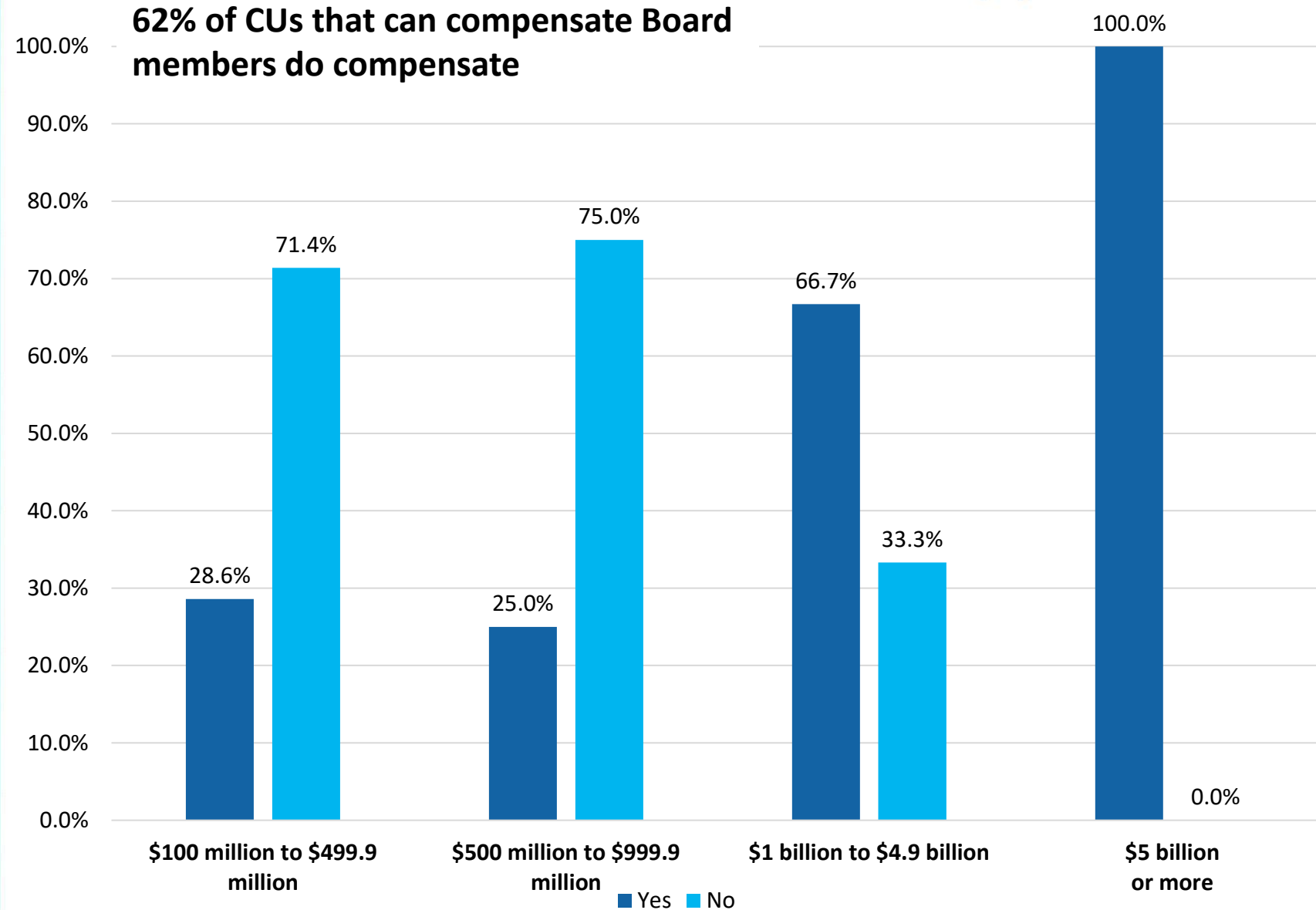
How difficult is it to recruit new Board members?



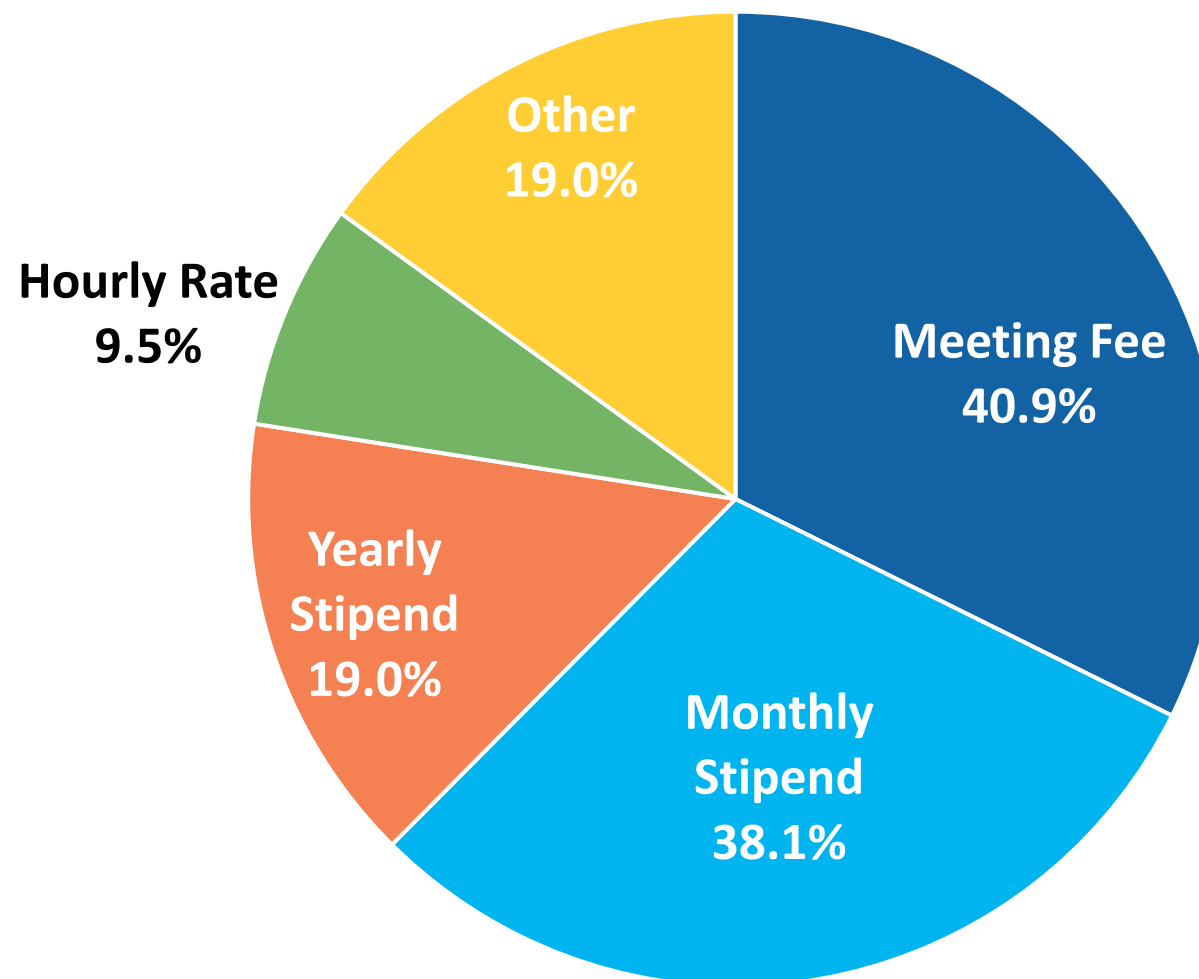
Does your state regulator allow Board members to be compensated?



Does your credit union
compensate any Board
members?



How is Board compensation structured?

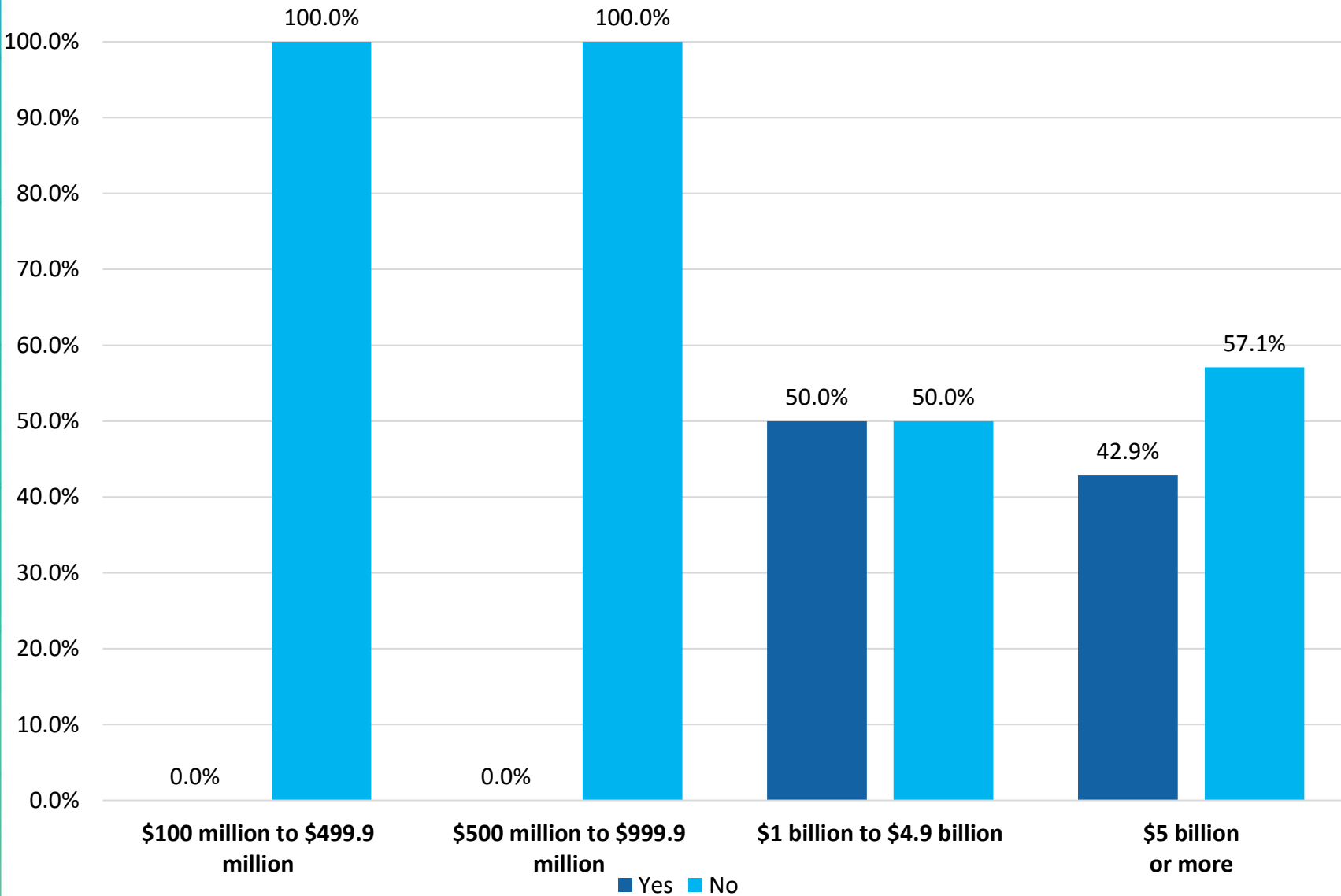


How much does a Board member receive in monetary compensation?

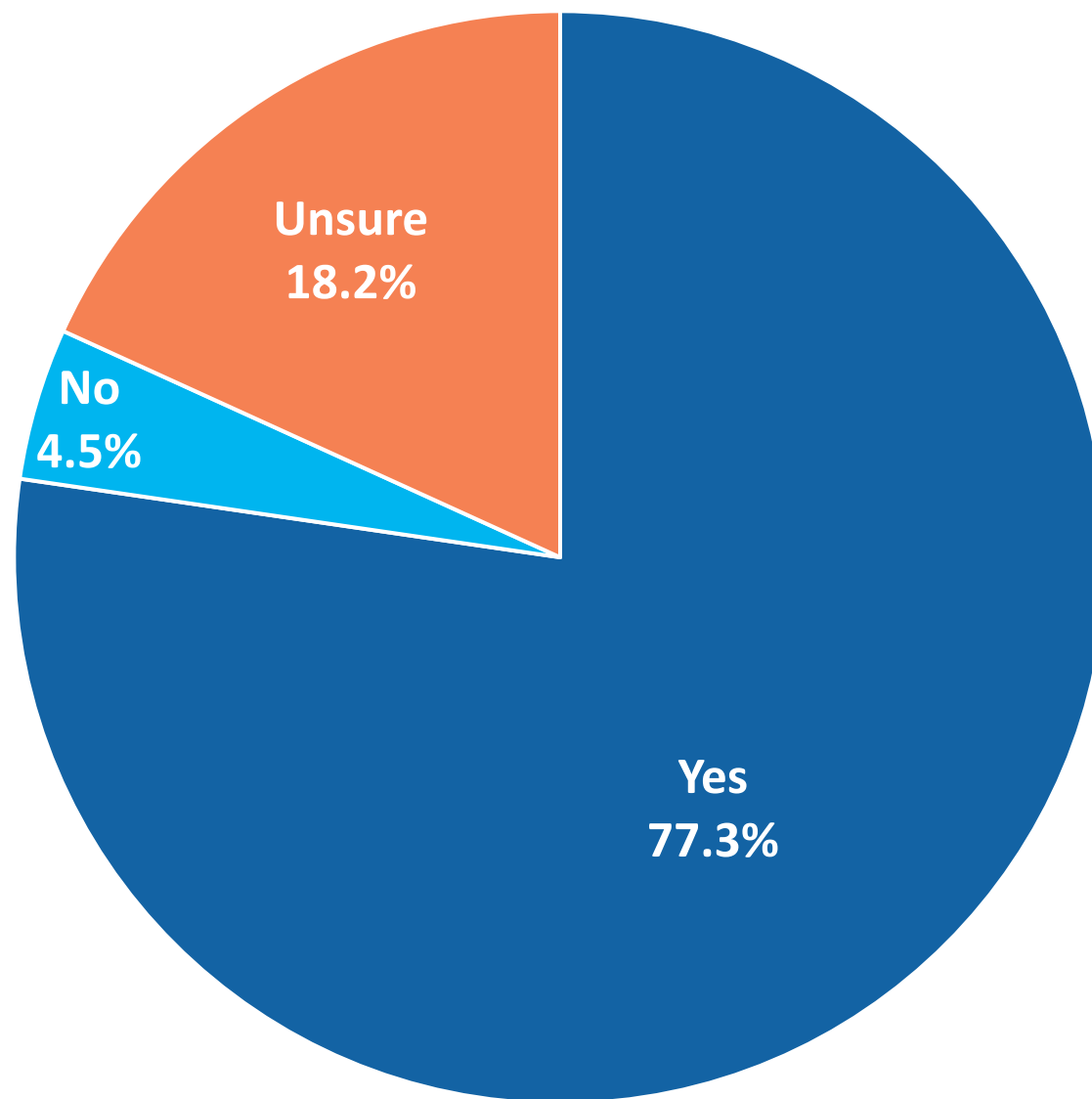
	Mean	Median
Annual (\$)	\$27,100	\$24,300

38% use a third-party to assist in benchmarking Board compensation in 2024 vs 18% in 2021

Do you use a third-party firm to assist in evaluating your Board compensation?

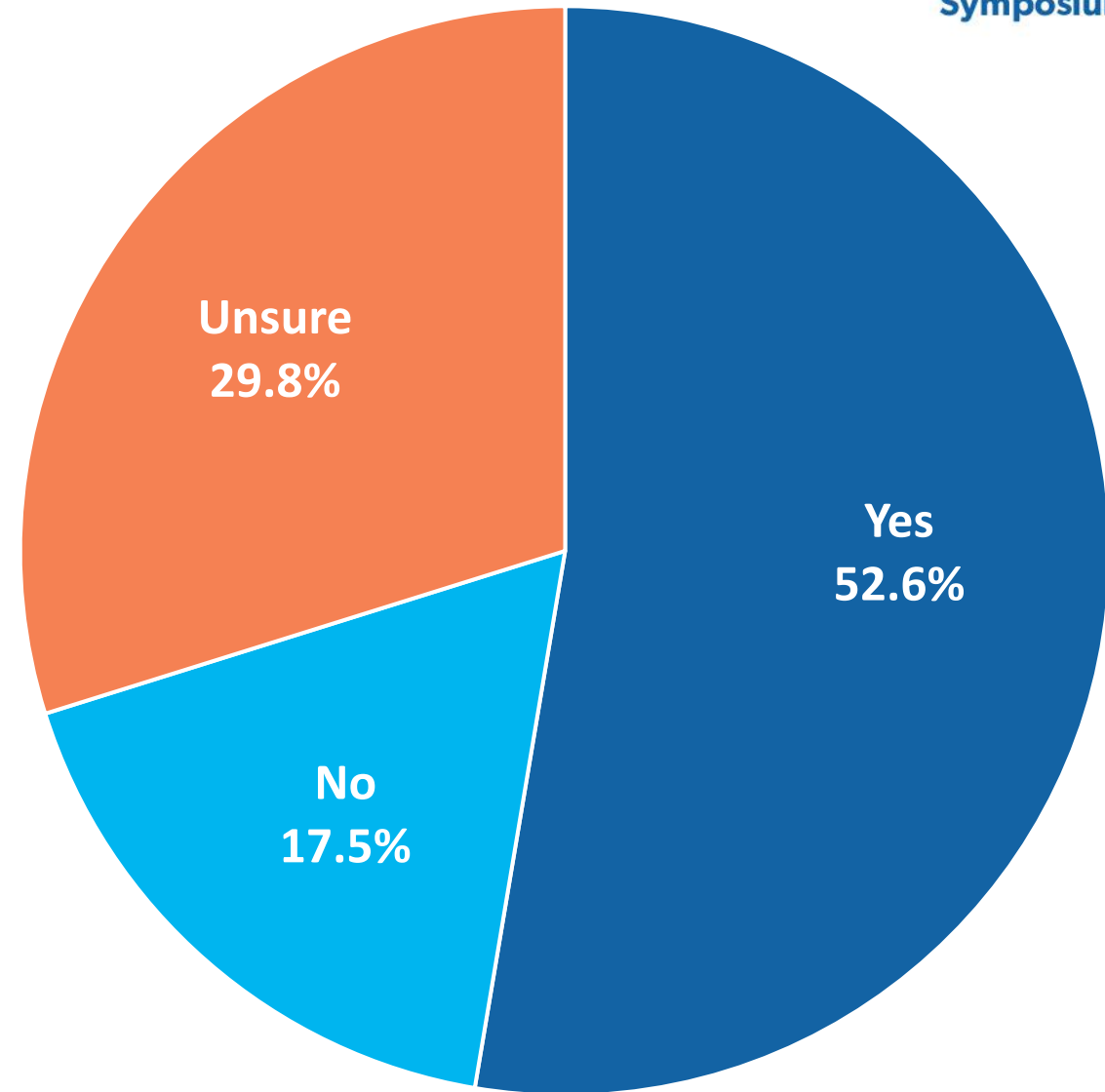


Just 49% said yes in 2021

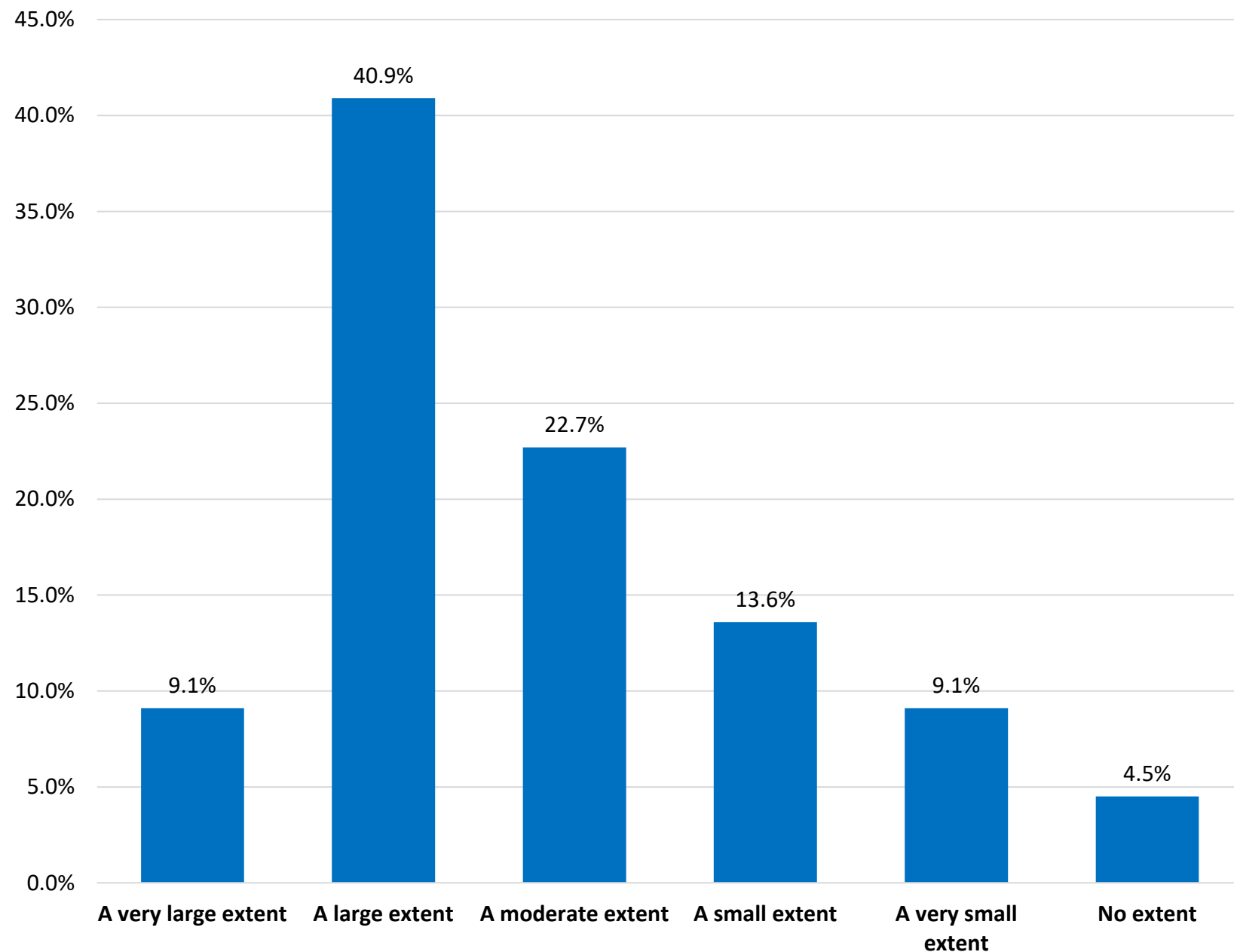


**Do you feel your
current Board
compensation
structure is
competitive?**

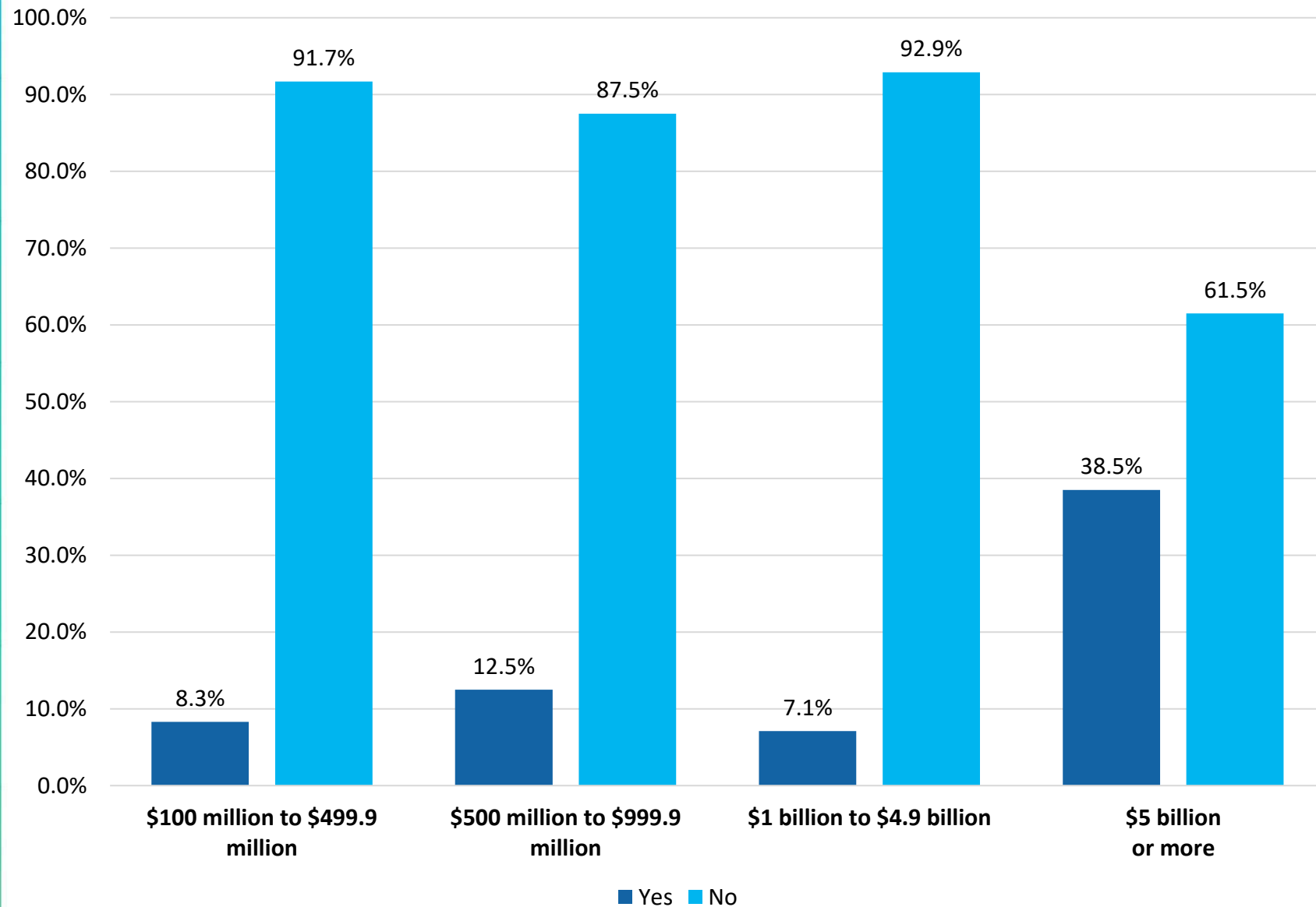
Would your credit union
consider compensating
Board members if it were
allowed in your state?

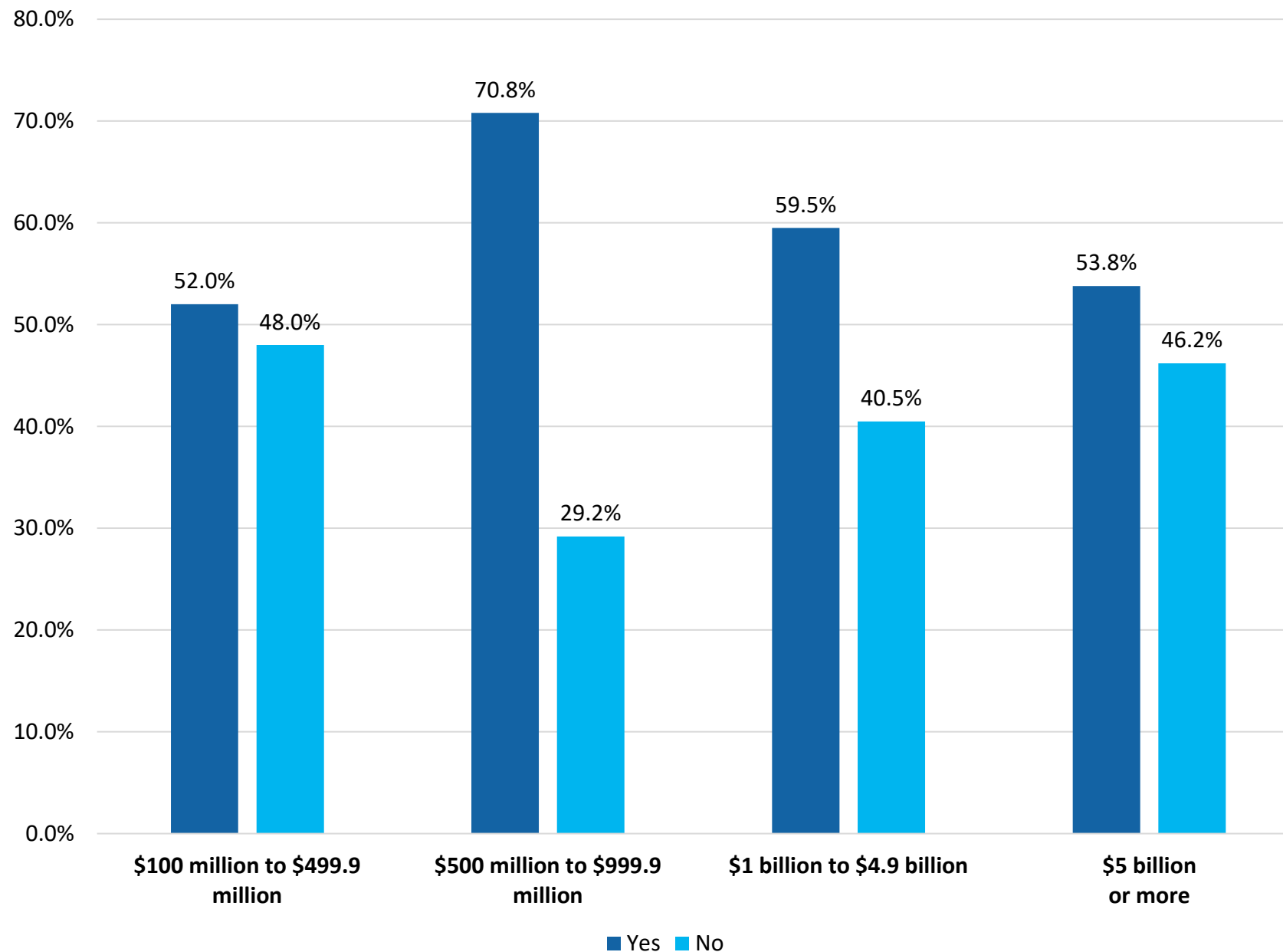


To what extent do you think
the compensation structure
helps recruit qualified Board
members?

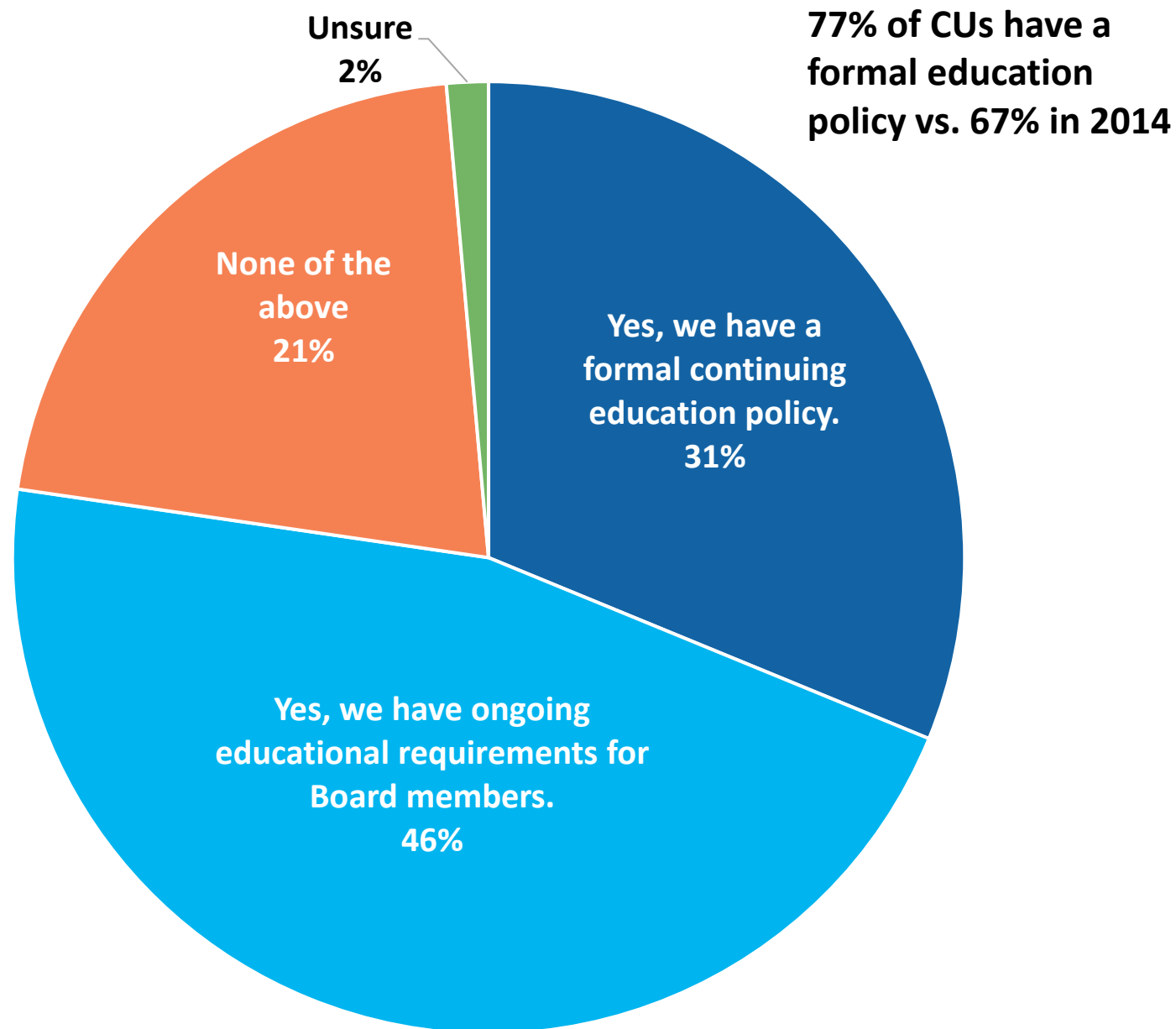


Is the current CEO on the Board?



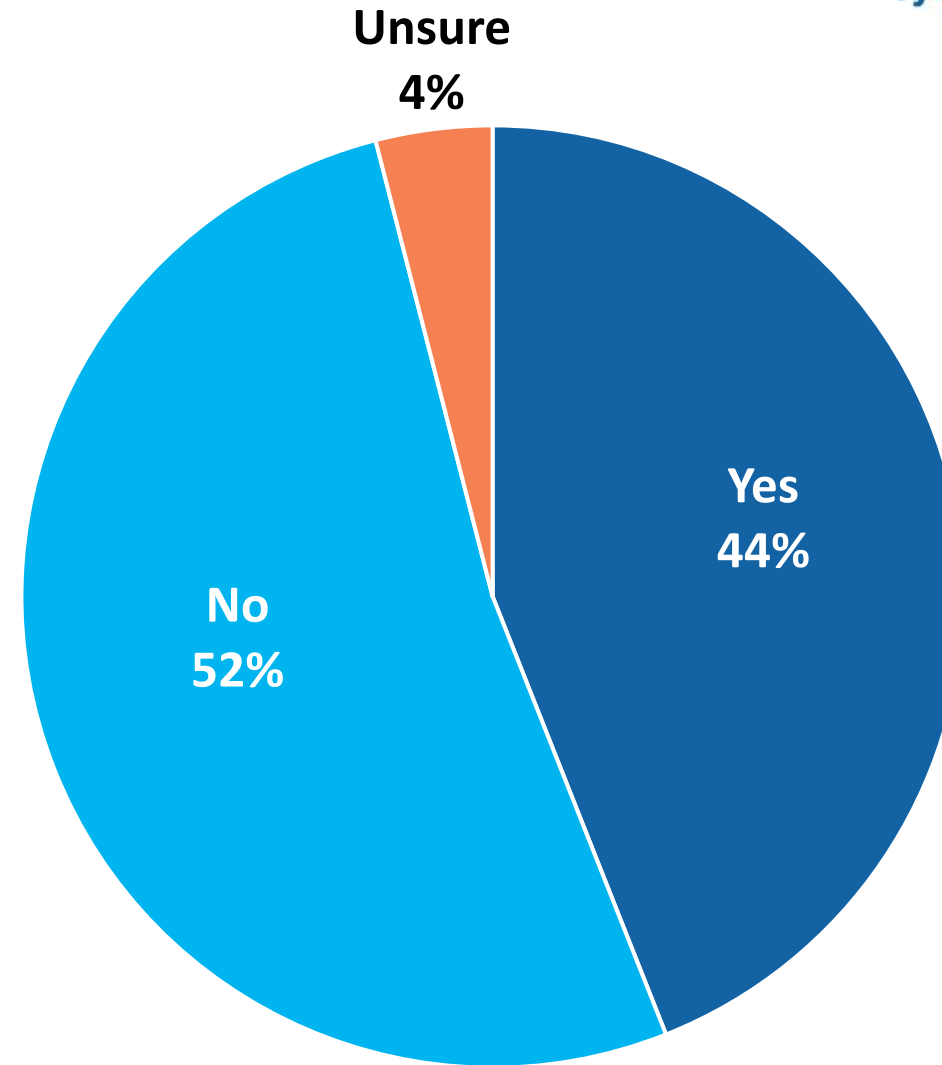


Do you feel there is a conflict
of interest if the CEO serves
on the Board?



Does the Board have a formal continuing education policy and/or ongoing educational requirements for Board members?

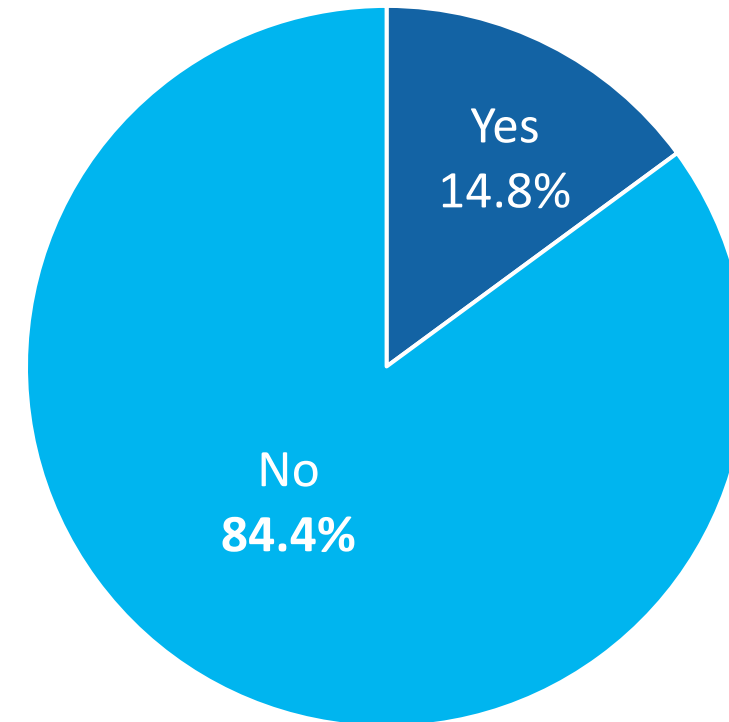
Are Board members
required to achieve
a certain level of
education within a
specified period?



100%

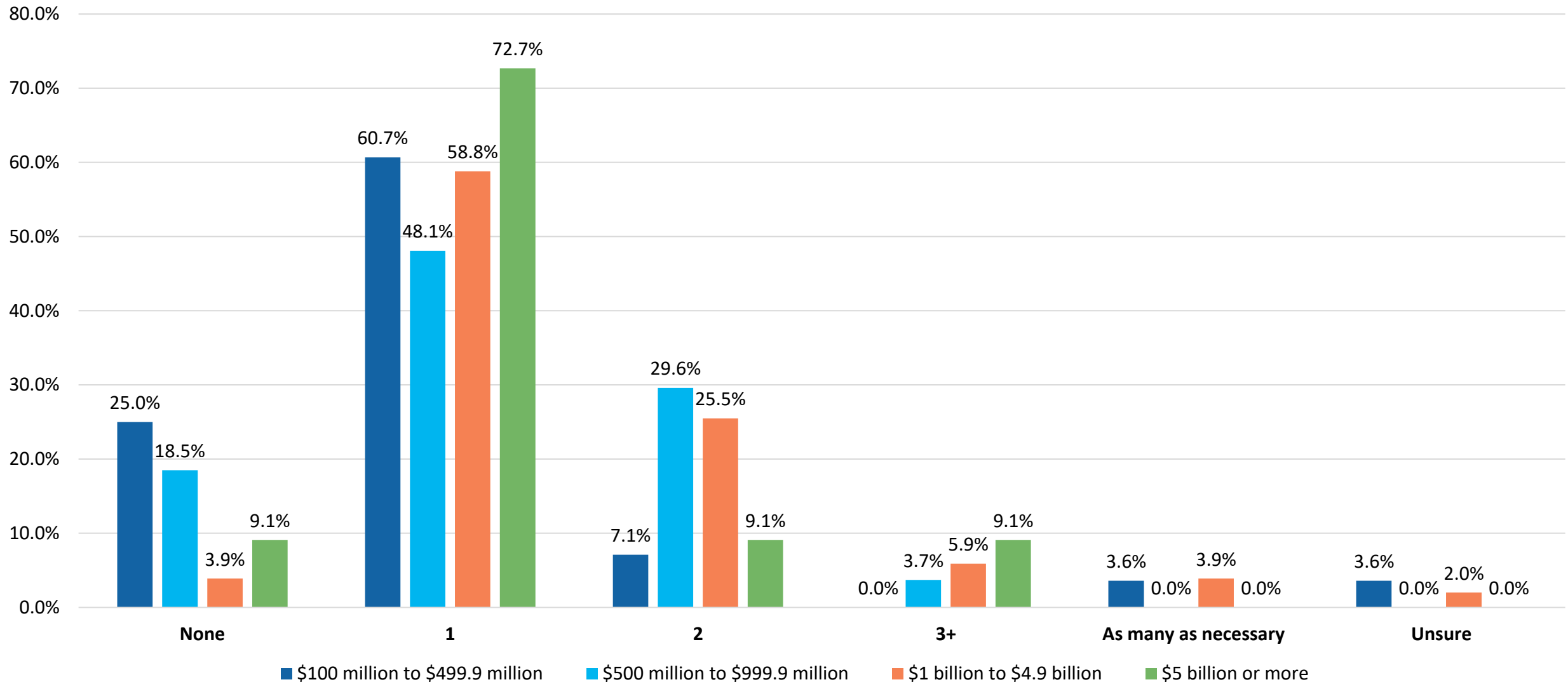
of respondents noted
that Board members
are permitted to attend
conferences.

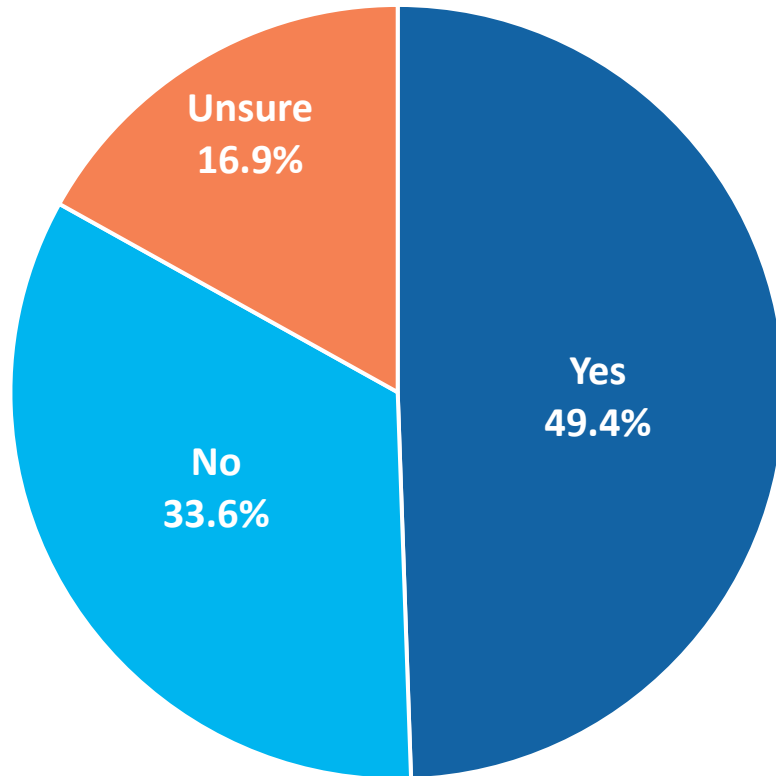
Are Board members permitted to
attend conferences?



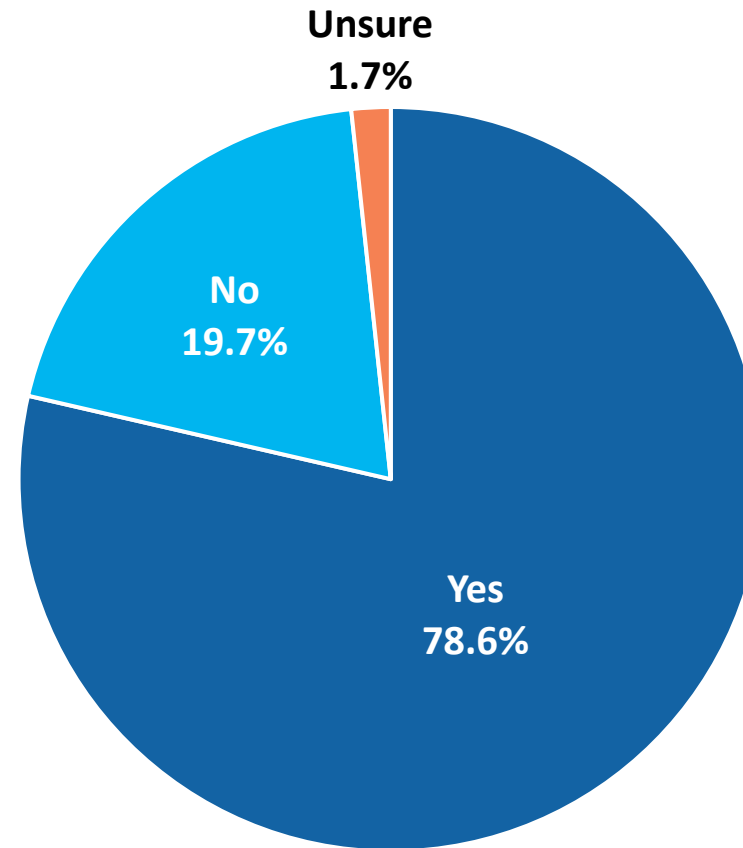
Are Board members required to
attend conferences?

How many conferences does your average Board member attend in a given year?



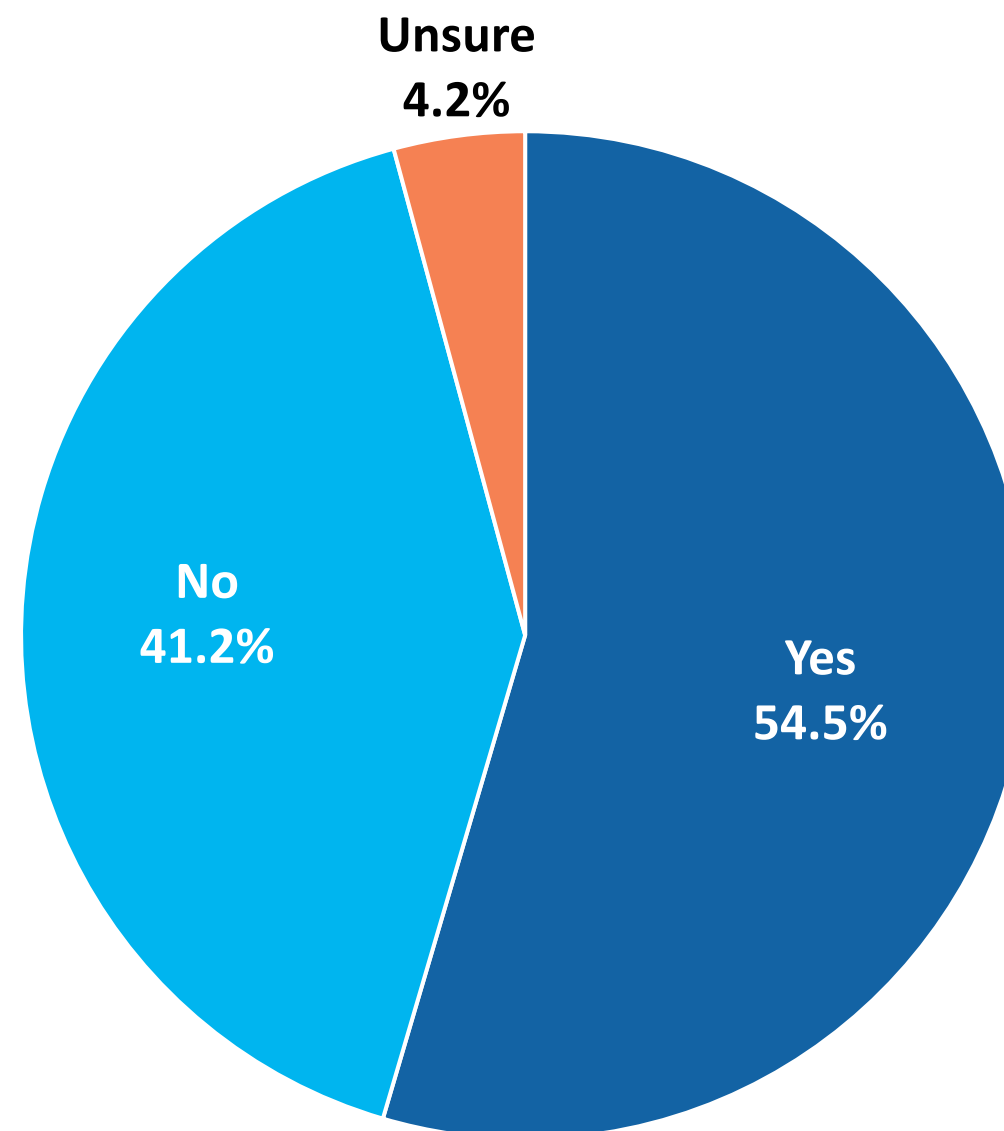


**Can Board members attend
conferences outside of the U.S.?**

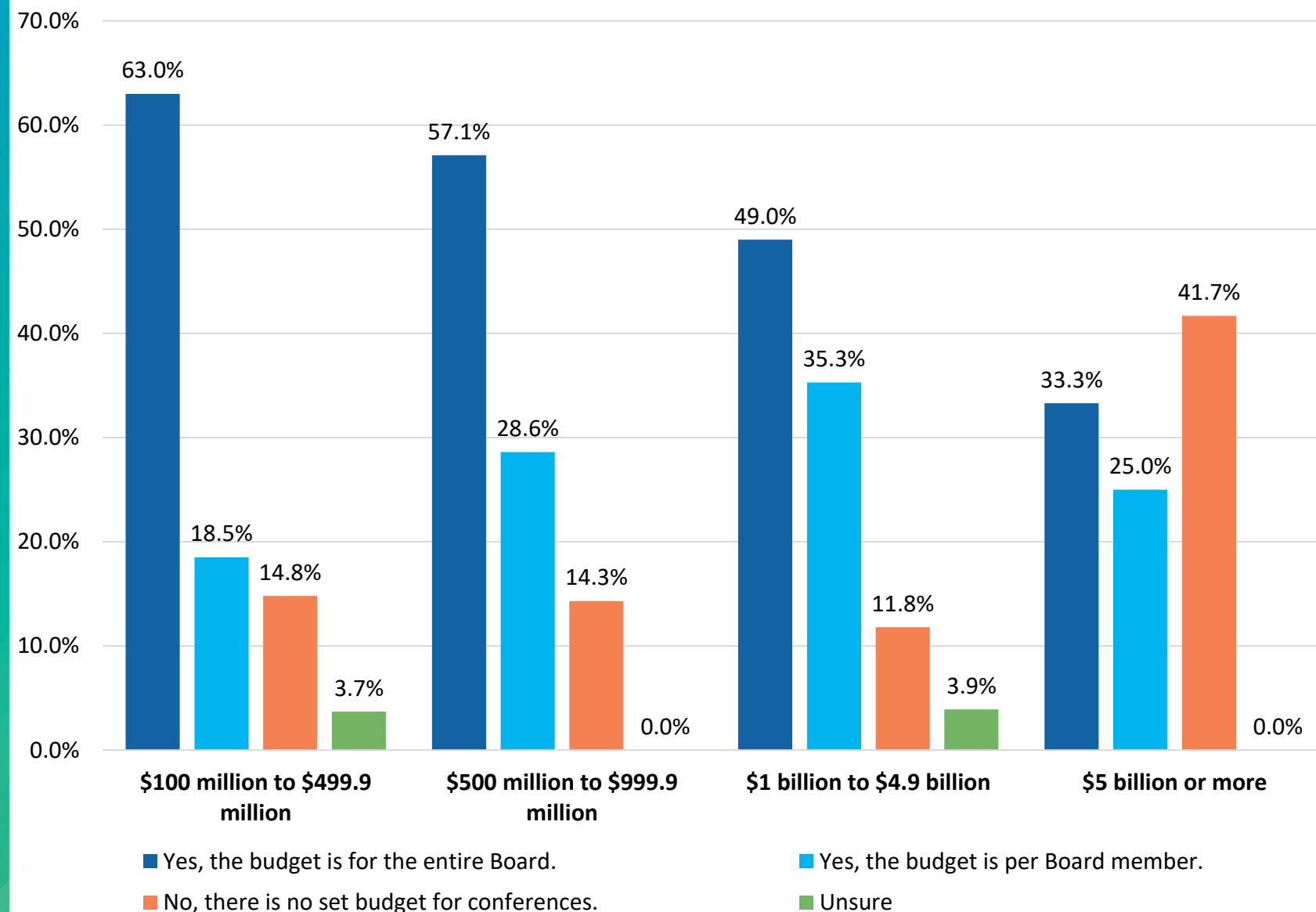


**Have Board members attended
conferences outside of the U.S.?**

After the conference,
do Board members
have to provide a
presentation or report
to the Board on their
learnings?



Does the Board have a set dollar amount budgeted for education and conferences?



What is the current dollar amount budgeted for conferences? - The annual budget (\$) for the entire Board is...

	\$100 million to \$499.9 million	\$500 million to \$999.9 million	\$1 billion to \$4.9 billion	\$5 billion or more
Mean	\$39,900	\$90,200	\$102,500	\$92,300

What is the current dollar amount budgeted for conferences? - The annual budget (\$) per Board member is...

	\$100 million to \$499.9 million	\$500 million to \$999.9 million	\$1 billion to \$4.9 billion	\$5 billion or more
Mean	\$6,500	\$12,190	\$11,790	\$11,315

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Sample Director Letter of Agreement

As a Director, I am not just a part of the organization but a crucial element in its mission. I have pledged to help carry out this mission and understand that my duties and responsibilities are integral to its success. These include the following:

1. I will share the fiscal responsibility with other board members. This includes being well-versed in our budget and actively participating in its review, approval, and monitoring. I am aware of my legal responsibilities as a director. I will play an active role in budgeting, actively reviewing, approving, and monitoring it. I will actively establish and oversee the organization's policies and programs.
2. I will act according to the bylaws and operating principles outlined in the manual and understand that I am morally responsible, as a board member, for this organization's health and well-being.
3. I will actively promote the credit union in the community and support its staff.
4. I will prepare for and attend board meetings, be available for phone consultation, and serve on at least one committee as needed.
5. If I cannot meet my obligations as a board member, I will offer my resignation.
6. In signing this document, I understand that no quotas are being set and that no rigid standards of measurement/achievement are being formed. I trust that all directors will carry out the above agreements to the best of our ability.