

# Directors & Dialogue December

How Do We Pay Our CEO  
Given the 2020 Train-Wreck?



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COMPENSATION ADVISORS

# OVERVIEW

- The Year 2020
- The Market
- Evaluating Performance
- Compensation Trends



# The Year 2020



- **Train-Wreck** - A chaotic or disastrous situation
- **Unprecedented** - Never done or known before
- **Entanglement** - Something that confuses or ensnares
- **Apocalyptic** – Momentous or catastrophic
- **Omnishambles** – Situation of TOTAL disorder

5

# We've seen a SHIFT

From

Work in the Office

Smiles

Flying

Focusing on Profits

Expansion

Individuals

Shopping in Stores

Open

To

Work From Home (WFH)

Masks

Zooming

Focusing on People

Community

Team

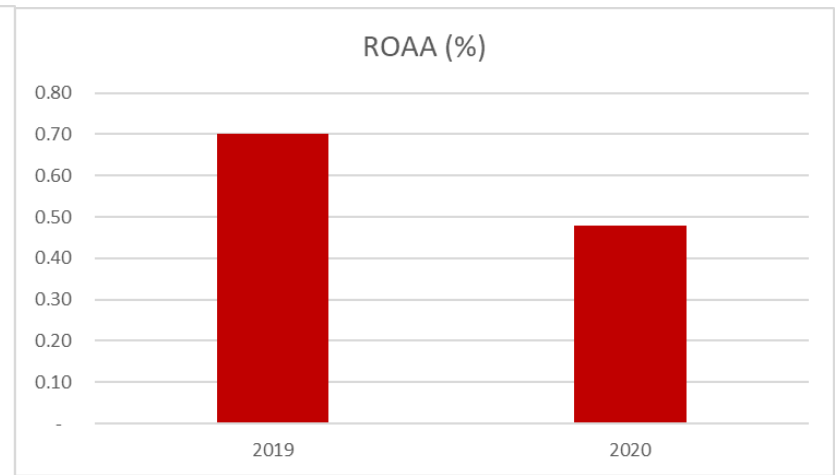
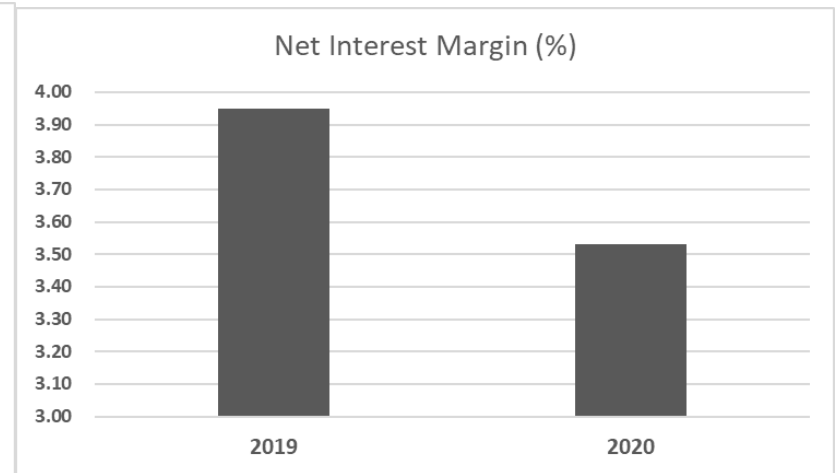
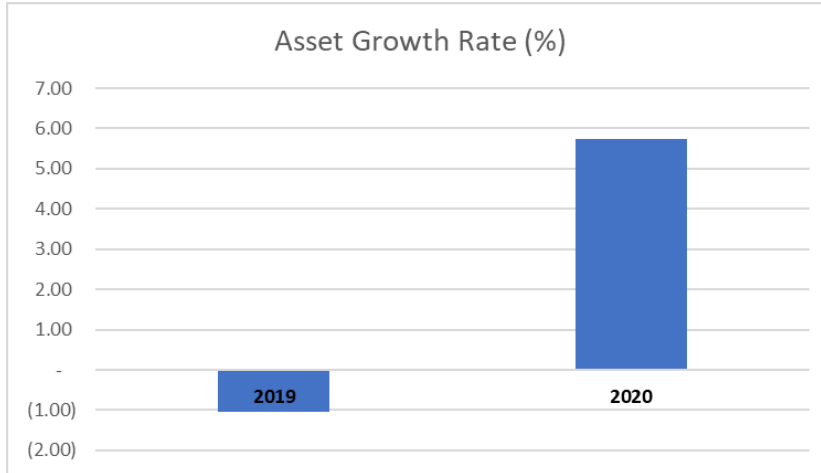
Shopping Online

Closed

# The Market

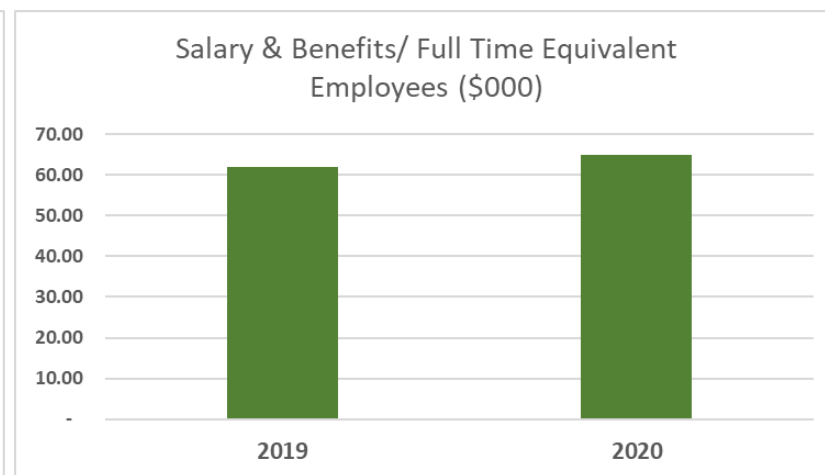
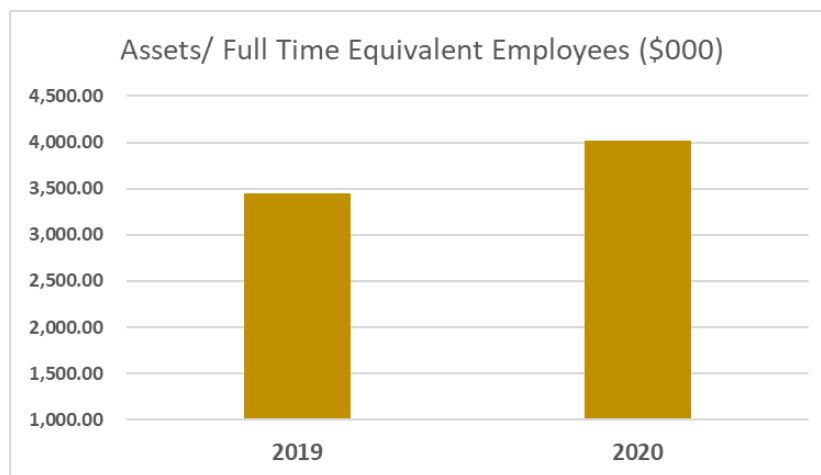
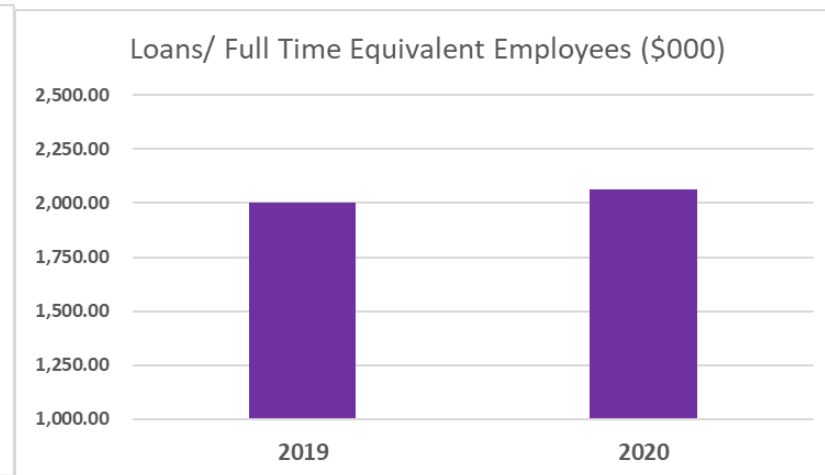
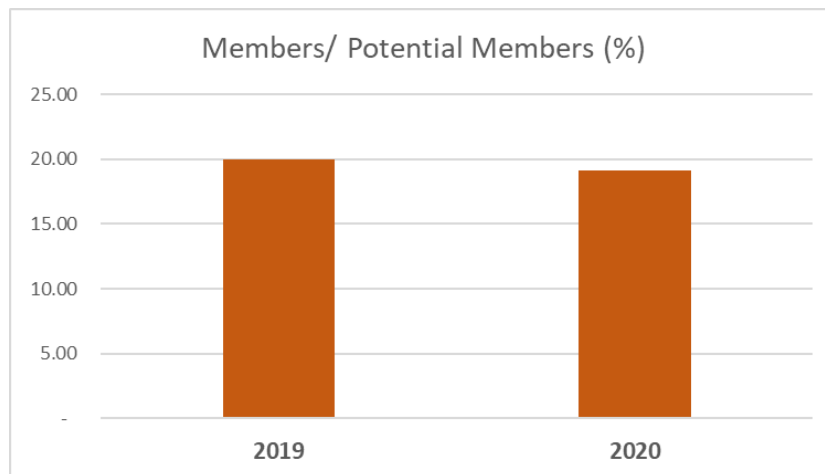


# 7 | Comparative Performance at Median (SNL)



## 8

# Comparative Performance at Median (SNL)

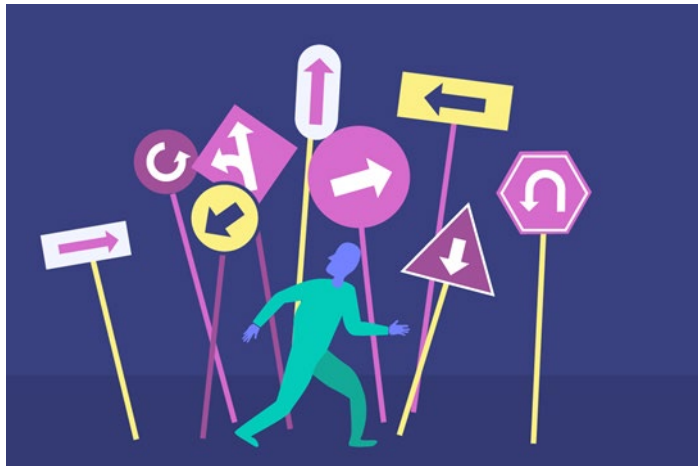




# 9 | COVID Take-Aways

- In-Person Events are out, Virtual is in
  - ZOOM is the new normal
- Staffing
  - Hiring slowed
  - Remote work
  - Masks required
  - Increased productivity
- Lower Earnings
  - Mortgages booming
  - Other loans generally declining

# Evaluating Performance



# 2020 Performance Based Plan

- If “on target” then “Stay the Course”
  - Base appraisal on original criteria
  - May augment awards based on extraordinary actions and exceptional leadership demonstrated to obtain goals
  - Incentives (bonuses) and Long-term compensation should be paid as promised
  - Merit increase based on Compensation trends and perceived value

# 2020 – New Reality

- Original objectives NOT obtainable due to Pandemic
  - Consider steps taken to address the “change in business”
    - Timing
      - How quick was the transition to a new operating model
    - Members
      - How were they impacted by the change in the model
    - Employees
      - How did executives respond to the needs of employees
    - Community
      - What did the credit union do to lead in our communities
    - Finances
      - Response to Credit Quality and Capital Improvement

# Considerations

- **Work from Home**
  - Technology and Security
  - Branch operations/appointments
  - Staffing offices/essential workers
  - Training/Cross-Training
  - Hiring/Firing
  - Effective Communication
- **Business Continuation**
  - Minimal Disruption
  - Member satisfaction
  - PPP participation
  - Cost control

- Performance Data
  - Pro-rate compensation
- Surveys/Feedback
  - Members
    - Compared to prior years
  - Employees
    - Engagement scores compared to prior years
- Subjective
  - Perception and Expectations

# Planning for 2021

- Oversight Required
- Management Philosophy
- Results Oriented not Step by Step Oriented
- Availability without being Overbearing
- Managing Teams vs Individuals
- In General, Management Style

# Compensation Trends





- Almost half (48%) of Financial Institutions plan NO increases
- 2020 average salary increases were in the range of 1.3% - 1.6%
- Median increases were around 2%

# 18 | Salary Increase Comparison

## Salary Increases: Including Companies Granting No Increase Total increases (percentage of salary).

Employee Category	2019 Salary Increases (average % granted)	2020 Salary Increases (average % budgeted)	2021 Salary Increases (average % budgeted)
Executives	3.2%	2.7%	2.7%
Management, excluding executives	3.2%	2.7%	2.8%
Exempt, nonmanagement	3.1%	2.7%	2.8%
Nonexempt salaried	2.9%	2.5%	2.7%
Nonexempt hourly	3.0%	2.6%	2.7%

# Incentives

- Focus is now on longer term (more than one year)
- Based on TEAM, TEAM , TEAM
- Not just about Profits. Social causes included
- Flexibility to adjust to changing conditions
- Refocus on Community and core purpose

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