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May 3, 2011

Mary Rupp

Secretary of the Board, National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Subject: Annette Matthies Comments on “Notice of Proposed Rulemaking for Incentive-Based Compensation Arrangements”

Dear Ms. Rupp:

We welcome the opportunity to comment on this proposed rule. We are a credit union with \$980 million in total assets serving 87,000 members along Colorado’s Front Range.

The following summarizes our key comments:

1. You have outlined an effective date of ‘six months after publication of the final rule in the Federal Register, with annual reports due within 90 days of the end of the fiscal year.’ These dates will provide sufficient time to comply with the rule.
2. You have identified several positions which qualify as “executive officers” and in general we feel these are all appropriate and have no suggestions for additions to the definition. We do, however, have a concern with “head of a major business line” as the term is vague to define and all positions with material influence have already been identified in the definition. We suggest eliminating this position from the definition. We agree with the proposed definition of incentive-based compensation.
3. In addition to salary and 401k as being defined as **not** incentive-based compensation we would encourage the addition of the following to the definition: 457(b) Deferred Compensation plan and 457(f) Supplemental Retirement Plan, Executive Long-Term Care Plan and Executive Disability Plans. They are deferred compensation arrangements, retention plans or insurance plans and have no linkage to performance and would not materially affect the ongoing operations of the credit union.
4. We prefer utilizing reliable risk measures as opposed to the mandated deferral of payment requirement. Deferral of payments is contrary to the basic philosophy behind incentives, which is to incent for increased performance. Delaying payment does not motivate, but rather treats the payment as more of a bonus rather than a performance

enhancing reward. This provision appears to be a back-stop to the additional regulatory burden contained elsewhere in the proposed rule that attempts to prevent loss to a financial institution and seemingly defeats key underlying tenants of incentive compensation, such as timely payment. Consequently, we believe that the deferral provision should be stricken from the final rule.

5. We are concerned and deeply disagree with the provision of requiring mandated reporting to federal agencies of incentive-based compensation plans for the specific purpose of *determining if such compensation is excessive*. Certainly, we strongly support the prohibition of any compensation that is designed in a manner that could lead to a material financial loss to a financial institution (and therefore expose undue risk to the federal insurance fund). Determining and establishing the *amount* of compensation is a primary responsibility and function of the Board of Directors and should not reside with a federal regulatory agency. Rather, a regulatory agency should evaluate whether compensation plans collectively present excessive risk of loss to the financial institution. We fully support mandated reporting to federal agencies of incentive-based compensation plans for the specific purpose of *determining if such plans could lead to a material loss to a credit union*.

Thank you again for providing the opportunity to provide comment, and for your consideration of our views.

Sincerely,

Annette Matthies
Chief Human Resources Officer
Elevations Credit Union