From:	Beverley Rutherford
To:	_Regulatory Comments
Cc:	Beverley Rutherford
Subject:	VACU Comments on Proposed Rulemaking for Part 751
Date:	Monday, May 23, 2011 3:20:55 PM

Thank you for the opportunity to comment on your proposed rules on particular incentive-based compensation practices at credit unions. I am responding on behalf of a state-chartered credit union in Virginia with over 2 billion in assets, over 200,000 members, and over 500 employees.

After review of the proposed rules, we have the following comments and/or concerns:

- First, we urge the NCUA to adopt the same asset size requirements ($50 billion or more) for credit unions as banks when imposing special requirements under these rules.
- Regarding the requirement that NCUA approve the incentive structure annually we believe this could be problematic for attracting employees because the incentive structure would always be subject to change depending on whether NCUA approves. It appears if you receive approval for a specific incentive structure, identifying positions impacted, that unless there was a change in the program you should not have to resubmit each year. Also, you would want this structure approved and effective at the beginning of any year.
- We would ask NCUA to amend the proposed rules allowing state chartered credit unions' primary regulator to approve their incentive plans rather than NCUA. We believe it is important to know and understand the credit union's business model before you can evaluate the appropriateness of the incentive plan, and the state regulator would be in the best position to know and understand this.
- We would appreciate and support more guidance on what would be considered "excessive compensation." We propose setting a maximum target bonus cap of 50% of base salary. Credit unions could then report, **after the fact**, what the actual incentives were, and be penalized if incentives exceeded 50% of base. We also think that by setting this cap, we would not have to worry about the definition of "material financial loss" since a 50% payout would most likely not be material. We also propose that executive salary increases be limited to 50% annually, to avoid a credit union skirting the system by granting a huge salary increase towards the end of the year, and then applying a 50% incentive on top of that.
- We do not think that risk-management personnel should have input into the incentive plan. This is not necessary if the proposed caps on incentives are implemented.
- While overall we don't see any major negative impact on us and support the deferred component, the increased regulatory burden continues to require us to use resources for regulatory changes rather than servicing our members.

Please feel free to contact me with any questions. Thanks.

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