



NCUA ADDRESSES STATUTORY EMPLOYEE PAY COMPARABILITY

Board Approves Lump Sum and Locality Adjustment, with No Change in Base Salaries

On July 24, 2013, the National Credit Union Administration Board authorized NCUA's Executive Director to take the following actions effective July 28, 2013:

- (1) Provide a one-time, performance-based lump sum comparability payment to eligible NCUA employees at a total cost of \$3.5 million, and*
- (2) Correct a locality pay disparity between NCUA bargaining unit staff covered by a Collective Bargaining Agreement, and NCUA non-bargaining unit staff at a total cost of \$100,000.*

The locality correction excludes senior staff positions. Base salaries and locality pay for all NCUA senior staff positions remain frozen at 2010 levels.

All NCUA employees' base salaries remain frozen in voluntary compliance with the federal pay freeze.

Though the total cost of the two pay actions is \$3.6 million, \$2.3 million was funded through existing staff vacancies, while \$1.3 million was reprogrammed from the \$9.1 million that had been budgeted for pay increases in 2013.

Why Did the Board Take these Actions?

The Federal Credit Union Act requires the Board to maintain comparable pay for NCUA employees compared to federal bank regulatory agencies:

“The Board may provide additional compensation and benefits to employees of the Board if the same type of compensation or benefits are then being provided by any other Federal bank regulatory agency or, if not then being provided, could be provided by such an agency under applicable provisions of law, rule or regulation. In setting and adjusting the total amount of compensation and benefits for employees of the Board, the Board shall seek to maintain comparability with other Federal bank regulatory agencies.”¹

The Board actions address a growing pay disparity between NCUA and federal financial services regulatory agencies, and correct pay discrepancies between bargaining unit and non-bargaining unit NCUA employees that have accrued over time.

If left unchecked, pay disparities could adversely affect NCUA and credit unions. NCUA's ability to recruit and retain talented employees is critical to achieving its mission to protect the credit union industry's safety and soundness.

¹ 12 U.S.C. Section 1766(j)(2)



Why Did NCUA’s Pay Fall Behind other Regulators?

Most NCUA employees are in the second year of a pay freeze, while NCUA’s senior executives have received no pay raises for three years. This has increased the pay gap between NCUA and other federal financial services regulatory agencies.² Average salary growth at comparable agencies since 2011 has ranged from 3.6 percent to over 8 percent. During the same time period, NCUA’s average salary *declined*.³ Attached is a chronology of NCUA salaries compared to the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC).

During NCUA’s pay freeze, most other federal employees have continued to receive some form of increase to base pay. This includes General Schedule (GS) federal employees who accrue seniority and receive step increases which raise their base pay. In contrast, NCUA’s pay system does not provide for any step or longevity increases. The following chart summarizes how NCUA’s freeze on merit increases and locality pay has affected all three categories of NCUA employees: bargaining unit (BU), non-bargaining unit (NBU), and senior staff positions (SSP).

Table 1: NCUA Employee Pay Timetable 2010 – 2013 As of July 24, 2013						
Year	Merit Increase Awarded?			Locality Pay Adjustment?		
	BU *	NBU	SSP	BU *	NBU	SSP
2010	Y	Y	Y	Y	Y	Y
2011	Y	Y	N	Y	N	N
2012	N	N	N	N	N	N
2013	N	N	N	N	N	N

**Note: BU employees received merit increases and locality pay adjustments based on the NCUA-National Treasury Employees Union (NTEU) Collective Bargaining Agreement (CBA) for 2009-2011. A new CBA took effect in 2012.*

² Average salary data is available on the US Office of Personnel Management website at the following link: <http://www.fedscope.opm.gov/>. By going into the first Employment “data cube,” average salary data by agency exists back to 2009. The folder revealed by clicking spreadsheet data field arrows to the far left entitled “Measures” has the average salary data organized by four different agency categories. NCUA employees are included in large independent agencies.

³ While *individual* NCUA salaries have not decreased since 2011, the *average* NCUA salary has decreased as several senior employees retired and the agency hired more employees with relatively lower grades.



Why Did the Board Choose a Lump Sum Comparability Payment?

To address the issues arising from the increasing disparity, the Board approved a one-time, performance-based, lump sum comparability payment averaging 3 percent of an eligible employee's salary. This approach helps ensure that NCUA retains experienced examiners. For each examiner retained, NCUA saves the expense of more than \$75,000 to recruit and train a new examiner.

Why Did Some Employees Receive Additional Locality Pay?

The 2011 pay freeze affected NCUA employees differently with respect to locality pay adjustments, depending on whether or not they were members of the bargaining unit. While the Collective Bargaining Agreement mandated that NCUA's bargaining unit employees receive a locality pay adjustment in 2011, NCUA's non-bargaining unit employees did not.

This disparity has resulted in pay inequities among employees who are working side-by-side on similar issues. It has made recruiting for certain NBU positions more difficult, including management positions.

The Board adjusted the locality rates and pay structure of NBU employees so that they are equal to the BU employees. This change affects 192 employees at a total net cost of roughly \$100,000. Employees in more expensive localities will receive an increase in locality pay, while employees in less expensive localities will see a decrease.

Senior staff positions are not included in the locality adjustments. SSPs' base salaries and locality rates remain frozen at 2010 levels.

What is the Impact on NCUA's Mid-Year Budget?

Of the \$9.1 million in the 2013 budget allocated for salary and benefits, \$2.6 million will be saved to offset the 2014 budget. Below is how the rest of the original line item will be used:

- \$3.7 million was reallocated for necessary infrastructure enhancements that will upgrade information technology systems for credit unions and strengthen NCUA's cybersecurity program to comply with legislation and executive orders.
- \$1.5 million was reprogrammed for mandatory personnel costs in accordance with the new Collective Bargaining Agreement and federal law.
- \$1.3 million was used, along with \$2.3 million in NCUA vacancy savings, to fund the lump sum comparability payment and correct locality pay discrepancies.

While meeting the statutory requirement to maintain comparable compensation and benefits as federal bank regulators, the NCUA Board recognizes the importance of minimizing increases to the budget funded by insured credit unions. The July Board actions achieve both objectives.