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May 31, 2011

Ms. Mary Rupp, Secretary of the Board
National Credit Union Administration
1717 Duke Street
Alexandria, VA 22314-3428

Re: Proposed rule Part 751 Incentive Based Compensation Arrangements

Dear Ms. Rupp

It is widely recognized that attracting and retaining executive talent that is capable of achieving an organizations objectives represent critical risks that must be effectively managed. Today, those risks are heightened by a number of factors, including an increasingly diverse and complex global economy and regulatory environment, intense competition, a shrinking labor pool, and changing work habits and attitudes.

As noted in the proposal, compensation is key to managing these risks. The proposal states: "Compensation arrangements are critical tools in the successful management of financial institutions. These arrangements serve several important objectives, including attracting and retaining skilled staff, promoting better organizational and individual employee performance and providing retirement security to employees." At the same time, the proposal appropriately prohibits incentive based compensation arrangements that encourage executives to expose the institution to inappropriate risks by providing executives with excessive compensation. While there is considerable information and discussion contained within the proposal, the key issues will be to determine what is inappropriate risk and excessive compensation. All other aspects of the proposal seem reasonable and compliance should not be a problem for any credit union that maintains an executive incentive program.

What constitutes inappropriate or excessive risk will certainly be debatable, but should be fairly easy to identify based on an institutions capabilities and past performance, as well the industry's past performance and standard measures of success. The more contentious issue will be what defines excessive compensation related to that risk.

The proposal indicates the NCUA will use standards comparable to those developed under section 39 of the FDIA for purposes of determining whether incentive-based compensation is "excessive" in a particular case. In light of today's economic and labor environment, we encourage NCUA to review that portion of those standards that refer to comparable compensation practices at comparable institutions. In many cases today, at least at the larger complex credit unions and corporates, the executive talent does not always come from within the credit union industry. Even the NCUA has experienced this with staffing of conserved credit unions and corporates. To limit incentive compensation to credit union industry standards will severely inhibit a credit unions ability to attract and retain the required executive talent and could thereby create a safety and soundness concern.

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As an alternative to limiting salary survey information to only the credit union industry, we suggest that NCUA contract with one or more of the larger human resource consulting firms to survey pay practices across like industries and disciplines, including mortgage banking, insurance, information and risk management, trust and investment, as well as the banking industry. A comprehensive survey will provide a true picture of the competitive labor market and give NCUA the information necessary to properly determine if pay is excessive for a given executive function.

Thank you for the opportunity to comment on the proposed part 751.

Sincerely,

William B. Eckhardt
President