



6705 Sugarloaf Parkway, Suite 200  
Duluth, GA 30097  
(770) 476-9625 • (800) 768-4282 • (770) 497-9534 (Fax)



July 22, 2016

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

RE: Comments on Joint Agency Proposed Rule on Incentive-Based Compensation

Dear Mr. Poliquin,

The Georgia Credit Union League (GCUL) appreciates the opportunity to respond to the notice of proposed rulemaking the Joint Agency Rule regarding Incentive-Based Compensation. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL supports more than 120 Georgia credit unions that serve over 2 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed requests for comments such as this.

We support the concept of providing Incentive-Based Compensation plans, but we also think that those plans should be structured in such a way to reward Credit Union CEO's that don't take unnecessary risks. We acknowledge that Congress mandated financial institution regulators to address their concerns and that other federal regulators issued similar rules but we don't think that these rules need to be identical. We also believe that regulator authority related to compensation in the market should be implemented cautiously and thoughtfully. This comment letter addresses how Georgia credit unions believe the rule should affect credit unions.

Georgia credit unions are concerned this proposed rule will be burdensome with additional compliance requirements for a problem that rarely exists at credit unions. The proposed rule would (1) prohibit incentive-based payment arrangements that the financial institution agencies, including NCUA, determine encourage inappropriate risks by certain financial institutions by providing excessive compensation or risks that could lead to material financial loss; and (2) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate Federal regulator. We believe that this tracking of information will require credit unions to

either hire a new employee or will require the hiring of a firm. If this rule moves forward we believe that a 24-month time period would be appropriate to ensure credit unions are given enough time to begin to track this information.

The requirements in the proposed rule would apply to a “covered person” as any Executive officer, employee, or director who receives incentive-based compensation at a credit union. Our understanding was the major area of focus dealt with executives of the credit union, their level of pay and severance. Why don't the agencies, including NCUA, focus on these positions? The Department of Labor (DOL) provides a definition of Highly Compensated Employee (HSE). Georgia credit unions believe that this ruling should only focus on those employees considered to be HSE's. If there has been a problem with golden parachute plans then deal with those situations as they arise.

If this rule applies to only these employees, then we agree with the claw-back rule. However, we feel that the time period for look back should be three years instead of seven years. If the credit union did something risky it should be apparent within three years.

The proposed rule grandfathers existing incentive based compensation plans. We support the grandfathering of existing plans given the contractual nature of some arrangements, and the potential complications of retroactively applying new regulations. NCUA should clarify whether an existing plan that is grandfathered in with a renewal clause maintains its grandfathered status. NCUA should further clarify whether the grandfathering of the incentive based compensation plan attaches to the plan itself or to the employees covered by the plan. In other words, would a credit union be able to add additional employees to a grandfathered plan after the “Compliance Date” or would additional employees require a separate compliant plan?

The risk management processes and internal controls that are in place (that appropriately balance risk and reward) to support the development and maintenance of any incentive-based compensation arrangements should be talked about during the annual examination.

This proposal only adds to the growing list of items that requires the board of director's oversight. This list is becoming much too burdensome for volunteer credit union boards. It is soon becoming a reality that credit union boards will need to be paid handsomely for the knowledge, education and continual training they will be required to maintain - not to mention the additional liabilities.

We are concerned that any credit union with \$10 billion or more in assets could become subject to Level 2 requirements. If NCUA staff makes the determination that the credit unions complexity or compensation practices are consistent with a Level 2 credit union. This staff authority causes uncertainty and could lead to credit unions following Level 2 requirements out of fear that NCUA staff could require compliance with these requirements with little notice.

GCUL appreciates the opportunity to present comments on behalf of Georgia's credit unions. Thank you for your consideration. If you have questions about our comments, please contact Cindy Connelly or Selina Gambrell at (770) 476-9625.

Respectfully submitted,

A handwritten signature in black ink that reads "Cindy Connelly". The signature is written in a cursive style with a distinct loop at the end of the "y" in "Connelly".

Cynthia A. Connelly  
Senior Vice President/ Government Influence