techCU
TECHNOLOGY CREDIT UNION

MAY24'16 AM 7:28 BOARD

May xx, 2016

Gerard S. Poliquin
Secretary of the Board
National Credit Union Association
1775 Duke Street
Alexandria, Virginia 22314 - 3428

Re: Notice of Proposed Rulemaking for Incentive-based Compensation Arrangements
In opposition of Section 956 (Parts 741 and 751) of the Dodd-Frank Act

We operate in a fiercely competitive marketplace and continually find ourselves at a significant disadvantage when attempting to hire, motivate, and retain the strongest executive team. This is primarily due to the fact that credit union pay is already well below other financial institutions' total pay promise, and we are not just competing with our banking brethren. Our executives are recruited from industries both inside and outside of banking that are able to offer stock-based compensation, which we cannot, as well as, higher commissions, profit sharing, perks, and base salaries and bonus targets.

The management of Tech CU would like to contest the proposed provisions that apply to credit unions between $1 billion and $50 billion for the following reasons:

- Additional burden placed on board volunteers
    - It will be harder to find qualified board members willing to put in the time commitment needed to perform all of the tasks that will now be delegated to them under this proposed rule. Remember that our board members are unpaid volunteers.
    - Board members do not necessarily have expertise in the details of compensation design and current best practices. This rule is going to result in additional expense to hire consultants who have deep knowledge in this area to report specifically to the board.
    - Board members already fulfill a duty of oversight of executive officers' overall compensation and key incentive plans. This has been sufficient and successful for us. They do not need to see the details of every incentive plan at the credit union and become responsible for every aspect of plan documents.

- Redundancy
    - We already share compensation information with our board and DBO and NCUA examiners, to allow them to look at compensation compared to performance. Providing copies of all underlying plan documents and individual reward payments does not add value to the process already being performed.

- We already have, and fulfill, a duty to ensure the safety and soundness of our institution.

- Incentive plans that existed before the rule do not need to be shared
  - At what point does a pre-existing incentive plan become a "new" plan? We change incentive plan goals every year and sometimes target payout percentages. Do these annual changes result in our plans being "new" under the proposed regulations?

- Competitive concerns
  - Deferral of a portion of incentive compensation for up to 4 or 7 years would put credit unions at a competitive disadvantage against non-regulated financial service providers (particularly the fin tech companies in our Silicon Valley area). Even if this aspect of the proposed rule might not impact Tech CU now, because we have less than $50 million in total assets, it could do so in the future. Moreover, this rule, if finalized, sets up the groundwork for the future extension of these restrictions to smaller-sized institutions.
  - Due to this proposed rule, some credit unions have begun re-designing their executive compensation programs to inflate base pay and reduce incentive-based pay. This goes against better judgment, which is to reward good performance with higher pay. Inflating base pay negatively impacts efficiency ratios and risks complacency in management, because it fails to offer them meaningful incentives to hit company goals.

We thank the NCUA for soliciting our opinion on this proposed rule. We ask that consideration be given to our comments and that the NCUA reject the proposed rule (Parts 701 and 721) in its entirety. Please do not hesitate to contact us if you have questions on, or seek clarification of, our comments.

Sincerely,

Jeannine Jacobsen
Chief Operating Officer
TECHNOLOGY CREDIT UNION

Todd Harris
Chief Executive Officer
TECHNOLOGY CREDIT UNION