



July 21, 2016

Mr. Gerard S. Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

Re: Comments on Proposed Rule on Incentive-Based Compensation

Thank you for the opportunity to comment on the Inter-Agency Proposed Rule on Incentive-Based Compensation. Alaska USA is a federally chartered, not-for-profit credit union with \$6.4 billion in assets and serves over 577,000 members. While we serve members all over the world, we currently have physical locations in four states and an employee count of just under 2,000.

Compensation practices can be a significant component of an organization's ability to be competitive and successful in recruiting and retaining talent. Incentive-based compensation programs can be effective ways of rewarding employees for assisting the organization to achieve its objectives. Of course, there are incentive-based compensation programs that reward reckless behavior or decisions resulting in undesirable outcomes. We are not aware that this has been an issue for credit unions. Accordingly, we request the National Credit Union Administration (NCUA) reconsider the applicability of this overly broad, complex and burdensome regulation on credit unions.

We are also concerned about the impact this proposal would have on Alaska USA and the credit union industry. This proposal would add more regulations for credit unions to comply with when their compensation practices are clearly not the problem causing the concern and the basis for this proposal. We also believe that this rule contains several provisions that raise significant uncertainty. With this in mind, we seek clarification on certain topics and we would also request the NCUA provide less rigorous requirements of low-risk institutions.

Grandfather Clause

The proposal includes a section that appears to grandfather incentive-based compensation plans with performance periods that begin before the rule's effective date. This section has been interpreted by several industry sources as being that plans in place prior to effective date will never be subject to the incentive-based compensation requirements going forward. However, the wording of this section is ambiguous, and it is unclear that all plans in place prior to the effective date of this proposal would be grandfathered in perpetuity. We would like the NCUA to validate that those compensation plans in place prior to effective date are grandfathered in perpetuity or provide a clear example of how existing incentive compensation plans with performance periods that began before the effective date of this proposed rule would be treated.

Reservation of Authority

The proposed rule would apply to any covered institution with average total consolidated assets greater than or equal to \$1 billion that offers incentive-based compensation to covered persons. Covered institutions would be assigned to one of three levels based on average total consolidated assets.

- Level 1 – greater than or equal to \$250 billion in average total consolidated assets;
- Level 2 – greater than or equal to \$50 billion and less than \$250 billion in average total consolidated assets; and
- Level 3 – greater than or equal to \$1 billion and less than \$50 billion in average total consolidated assets.

Based on this tiered approach, Alaska USA would be considered a Level 3 institution. However, section § 751.6 of the proposed rule appears to provide examiners with broad discretion in determining the complexity of operations or compensation practices of a Level 3 institution with average total consolidated assets greater than or equal to \$10 billion and less than \$50 billion, and requires that a Level 3 institution comply with some or all of the more rigorous requirements applicable to Level 1 and Level 2 covered institutions. This type of broad discretion and subjective change of the threshold Level based on the examiner's determination of complexity of operations, risk profile and compensation practices is an unexpected shift from using average total consolidated assets as a basis for determining Levels. Accordingly, we recommend the NCUA remove this reservation of authority from the proposed rule. If the section is retained, then we recommend the NCUA provide objective criteria that clearly define the complexity of operations or compensation practices that would trigger the agency to require the Level 3 institution comply with the more rigorous compliance of a Level 1 or Level 2 institution.

Finally, the proposal is incredibly lengthy, complex and geared towards higher risk institutions. If low-risk institutions are not provided an exemption to the requirements, then perhaps a lighter version with straightforward, easy to understand provisions for Level 3 institutions could be added to the next proposal to recognize those institutions that pose less of risk and should be granted simpler reporting requirements.

Thank you for the opportunity to comment on this proposal. Please contact me at (907) 786-2512 if you have any questions.

Sincerely,



Rachel Norman
Senior Vice President,
Human Resources