

Tax breaks unlikely to change the equation as CUs, banks fight for talent

By Ken McCarthy and Carolyn Duren

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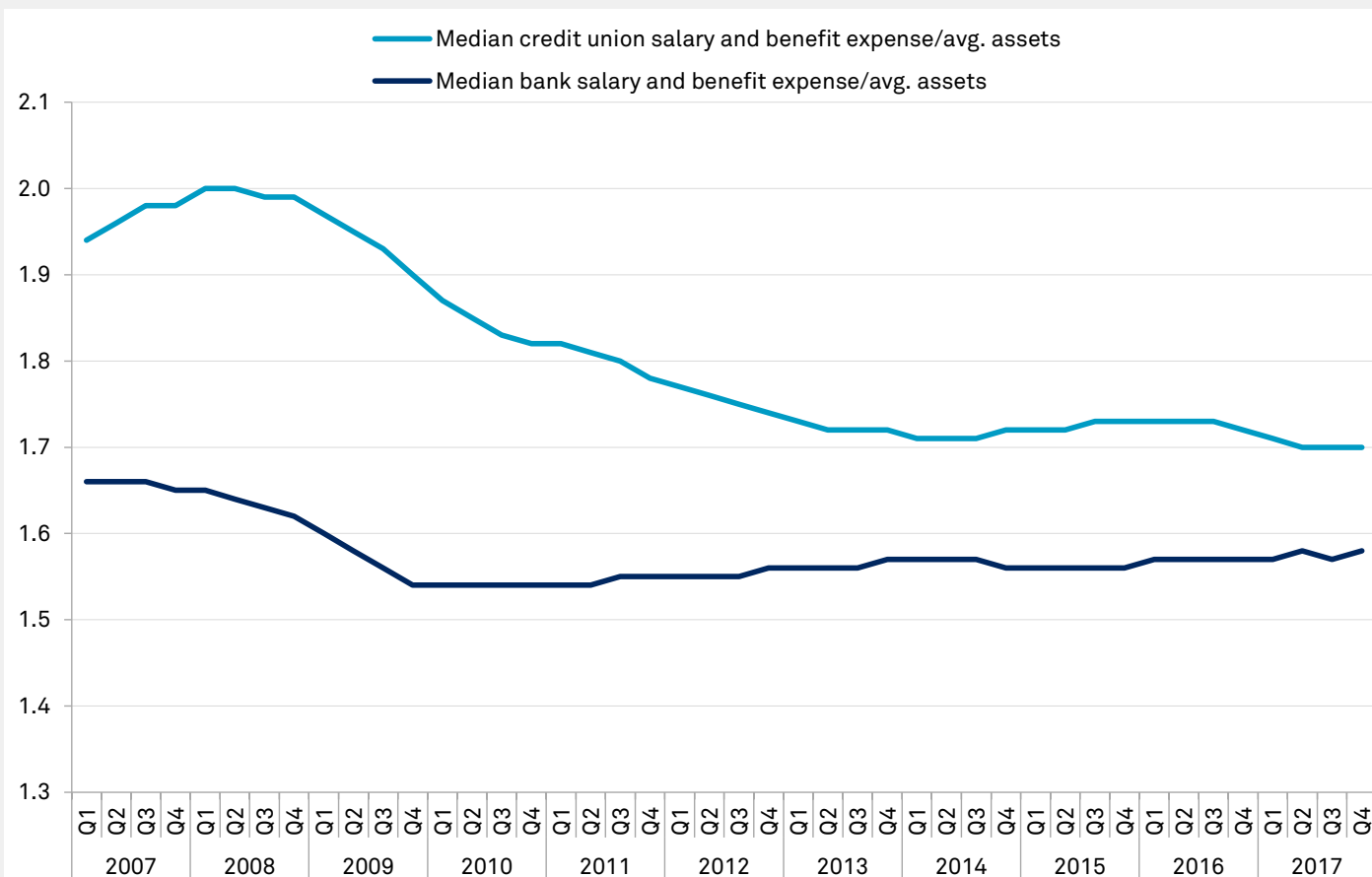
A parade of bank bonuses may have little effect on their fight for top talent with credit unions, mainly because the not-for-profit institutions already fight an uphill battle.

After receiving a tax break, banks rolled out highly publicized bonuses and wage increases. Between Dec. 20, 2017, and Jan. 11, 59 banks and thrifts announced increases to

wages, bonuses or both. Credit unions pay no corporate income taxes.

But Kendall Garrison, executive vice president of Austin, Texas-based Amplify CU, said the wage battle with banks is one credit unions have generally been losing for years,

Salary and benefits trends at credit unions and banks (%)



Data compiled March 5, 2018.

Based on regulatory filings.

Banks include all commercial banks, savings banks, and savings and loan associations.

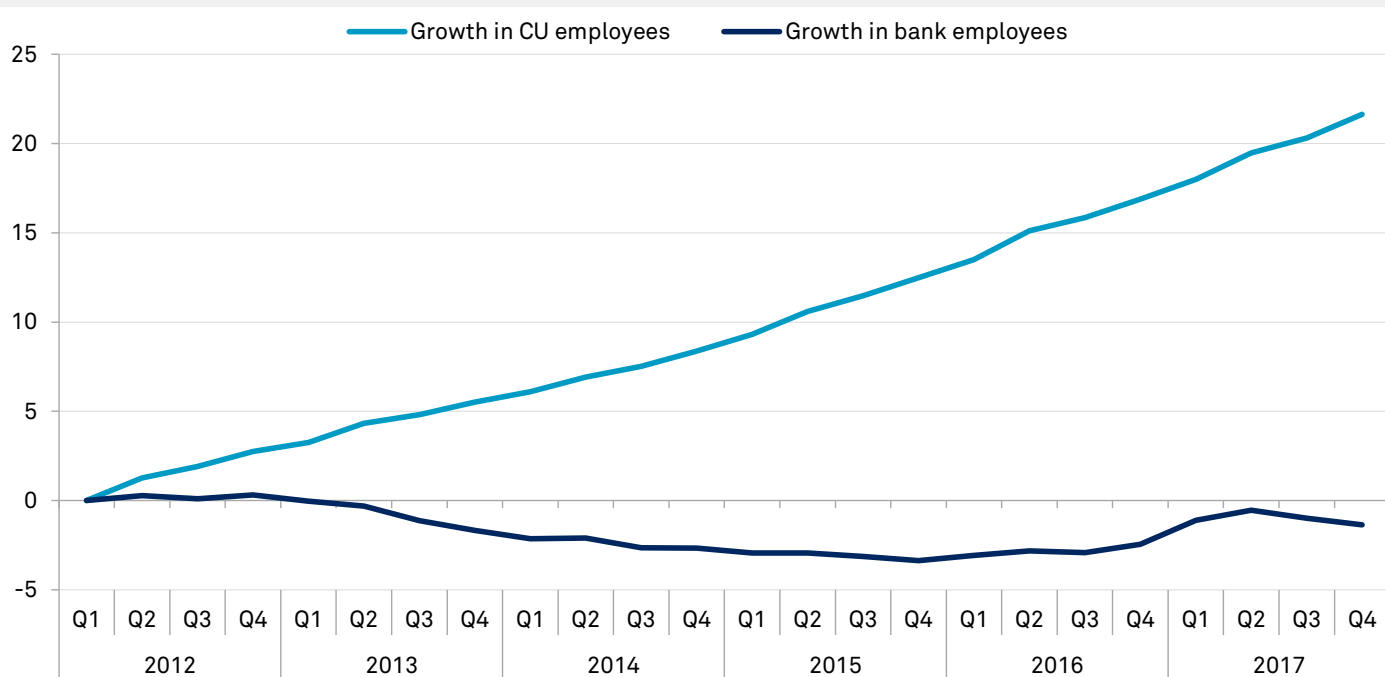
Salary and benefits for all officers and employees of the institution include gross salaries, wages, overtime, bonuses, incentive compensation and extra compensation; social security taxes and state and federal unemployment taxes paid by the institution; contributions to the institution's retirement plan, pension fund, ESOP, and profit-sharing, employee stock purchase and employee savings plans.

Salary and benefits expense as a percentage of average assets for banks and credit unions is measured quarterly on a last-12-month basis.

Excludes corporate credit unions.

Source: S&P Global Market Intelligence

Employee growth at US credit unions vs. banks since 2012 (%)



Data compiled March 5, 2018.

Based on regulatory filings.

Banks include all commercial banks, savings banks, and savings and loan associations.

Credit union employees = full-time employees and equivalent part-time employees in which two part-time employees equals one full-time employee

Bank and thrift employees defined as the number of full-time equivalent employees on the payroll of the bank or thrift, and consolidated subsidiaries, as of the report date, rounded to the nearest whole number.

Excludes corporate credit unions.

Source: S&P Global Market Intelligence

especially in markets like Amplify's, where there is less than 3% unemployment.

"It's always a struggle," he said.

Stacy Stevens, president and CEO of Park Avenue Group, an executive recruitment firm, said hiring is likely to remain tricky for credit unions as long as banks are outspending them. Credit unions' compensation levels across the board are lower than what the commercial banks are offering, she said.

Commercial lending talent has traditionally been problematic for credit unions. "A lot of credit unions have had to get their heads right about what it costs to hire this kind of expertise," Garrison said.

But while executives and recruiters note credit unions have a disadvantage against banks when it comes to pay, they

spend more on employees as a percentage of their assets, an analysis shows.

S&P Global Market Intelligence looked at quarterly salary and benefit expense as a percentage of average assets on a last-12-months basis to avoid seasonal spikes in payroll expenses that often occur in the fourth quarter. Salary and benefit expenses include gross salaries, wages, overtime, bonuses, Social Security, state and federal unemployment taxes paid, and retirement plan contributions.

The median salary and benefit expense as a percentage of average assets for U.S. credit unions was 1.70% at the end of the fourth quarter of 2017, down from as much as 2% in early 2008.

By comparison, that same metric for U.S. commercial and savings banks was 1.57% in the most recent reporting period, down from 1.66% at the beginning of 2008.

In the fourth quarter of 2017, there were nearly 293,000 full-time equivalent employees at credit unions, a 21.6% increase since the first quarter of 2012. At commercial and savings banks, aggregate full-time employees decreased by 1.4% during that same time frame, although total FTEs were much higher than credit unions — 2.1 million as of the most recent quarter.

Top credit unions by number of employees

Company	City, state	Total assets (\$B)	Full-time employees [^]	Loans/full time employees (\$000) [^]
Navy FCU	Vienna, VA	90.57	15,332	4,297
State Employees' CU	Raleigh, NC	37.32	6,473	3,351
America First FCU	Riverdale, UT	9.21	2,820	2,467
Pentagon FCU	Tysons Corner, VA	22.86	2,093	9,323
Boeing Employees CU	Tukwila, WA	17.85	1,909	6,282
Alaska USA FCU	Anchorage, AK	7.23	1,897	3,115
Randolph-Brooks FCU	Live Oak, TX	8.65	1,863	3,586
Mountain America FCU	West Jordan, UT	7.09	1,860	3,294
Security Service FCU	San Antonio, TX	9.53	1,694	5,062
SchoolsFirst FCU	Santa Ana, CA	14.12	1,649	4,564
Golden 1 CU	Sacramento, CA	11.49	1,624	5,027
Suncoast CU	Tampa, FL	8.74	1,557	4,108
First Technology FCU	Mountain View, CA	11.39	1,443	5,907
VyStar CU	Jacksonville, FL	7.30	1,322	3,834
Digital FCU	Marlborough, MA	8.27	1,192	5,440
Lake Michigan CU	Grand Rapids, MI	5.22	1,157	3,429
Delta Community CU	Atlanta, GA	5.57	995	4,386
Idaho Central CU	Chubbuck, ID	3.54	966	3,332
Redstone FCU	Huntsville, AL	5.03	958	1,954
Members 1st FCU	Mechanicsburg, PA	3.78	945	3,309
Industry median			156	3,049

Data compiled March 5, 2018.

Analysis limited to U.S. credit unions with at least \$250 million in total assets as of Dec. 31, 2017. Excludes corporate credit unions.

Based on regulatory filings.

[^] Full-time employees = full-time employees and equivalent part-time employees in which two part-time employees equals one full-time employee

Source: S&P Global Market Intelligence

Credit union salary expense trends by asset size

Asset range (\$)	Median salary and benefits exp/gross income (%) ^{*^}		Median salary and benefits exp/full time employees (\$000) ^{*^^}		Median members/full-time employees ^{^^}	
	Q4'17	Q4'16	Q4'17	Q4'16	Q4'17	Q4'16
>3 billion	27.66	28.65	84	84	424	428
100 million-3 billion	35.71	36.49	69	67	344	347
<100 million	39.22	40.35	54	52	396	397

Data compiled March 5, 2018.

Based on regulatory filings.

* Salary and benefits for all officers and employees of the institution include gross salaries, wages, overtime, bonuses, incentive compensation and extra compensation; social security taxes and state and federal unemployment taxes paid by the institution; contributions to the institution's retirement plan, pension fund, ESOP, and profit-sharing, employee stock purchase and employee savings plans.

[^] Gross income = sum of interest on loans and investments, trading profits, fee income and other operating income less interest refunded

^{^^} Full-time employees = full-time employees and equivalent part-time employees in which two part-time employees equals one full-time employee

Excludes corporate credit unions.

Source: S&P Global Market Intelligence