

EXECUTIVE BENEFIT FOCUS

WINTER 2011

Understanding Salary Surveys

Schedule of Upcoming Events

Introducing the BFB Foundation

BFB Earns SSAE 16 SOC 1
Type II Certification

BURNS-FAZZI, BROCK SPECIALIZES IN PROVIDING BENEFIT PLANS FOR CREDIT UNION EXECUTIVES & DIRECTORS | BFBbenefit.com



BURNS-FAZZI | BROCK

Understanding Salary Surveys

By Jack E. Clark, PhD | Clark & Chase Research Inc.

With executive compensation under scrutiny, salary surveys are increasingly important. If done correctly, surveys provide reasonable estimates of what we could expect if we had access to this data for every Credit Union. Decisions based on surveys are far superior to those based on guesswork or anecdotal information from our colleagues. However, not all surveys are the same and the user needs to know what to look for.

How representative is the sample?

A good survey should obtain a sample representative of the larger population. For example, were all Credit Unions in the population of interest approached or did they at least have an equal chance of being approached? Was there anything in the selection that may have excluded important groups or favored others? If so, how would that affect results?

Some factors cannot be controlled but can be taken into account when analyzing the results. For example, the smaller the Credit Union, the more likely it is to forego this type of survey. As a result, the total sample may be overrepresented by larger Credit Unions. This can have a misleading impact on overall findings, especially anything influenced by asset size. However, an adjustment can be made during analysis (weighting) that brings asset size back into proper proportion, allowing for a more realistic estimate.

Is the sample size adequate?

A larger sample lowers a survey's margin of error and increases the level of confidence in the results. However, it is not enough to only pay attention to the survey's overall sample size. Since decision-makers are mostly interested in

the findings for Credit Unions similar to theirs, the results are broken down into various groups. And the sample size for each group is what really matters.

The problem occurs when findings are reported based on very small sample sizes. For example, findings based on a sample size of five have such a high margin of error that the results are unreliable and meaningless, even if they look official.

What minimum sample size is recommended? There is no single standard, but most recommendations range between 30 and 100. A single standard is difficult because it is a matter of degree—we cannot say a sample size of 30 is clearly adequate but a size of 29 is clearly inadequate. Decision-makers would be well served to simply pay attention to sample size and adjust their level of caution based on that.

Percentile Ranges

Compensation is typically presented in percentiles. If compensation is \$90,000 at the 25th percentile—it means 25% of those surveyed are compensated at or below \$90,000. Percentiles can help us see the range of compensation paid by Credit Unions.

continued on page 2

| ASSETS: | <\$10M | \$10M<20M | \$20M<40M | \$40M<75M | \$75M<150M | \$150M<335M | \$335M<750M | \$750M Plus |
|--------------------|--------------------|-----------|-----------|-----------|------------|-------------|-------------|-------------|
| 10 TH % | 30 | 49 | 65 | 86 | 74 | 145 | 198 | 316 |
| IQR | 25 TH % | 37 | 51 | 71 | 92 | 116 | 165 | 215 |
| | 40 TH % | 43 | 58 | 78 | 98 | 125 | 175 | 240 |
| | 50 TH % | 47 | 63 | 80 | 104 | 138 | 193 | 259 |
| | 60 TH % | 52 | 64 | 84 | 106 | 142 | 213 | 280 |
| | 75 TH % | 56 | 70 | 87 | 110 | 164 | 237 | 296 |
| | 90 TH % | 65 | 78 | 108 | 129 | 201 | 264 | 315 |

It is recommended that the decision-maker initially focus on the compensation between the 25th and 75th percentiles. Some compensation experts feel this inter-quartile range (IQR) provides a more meaningful measure [1]. We can see the reason for this in the following table from a recent survey.

When we focus on the amounts at the 10th and 90th percentiles, there is overlap as we move from one asset group to the next. The compensation at the 90th percentile is often higher than the 10th percentile in the next, larger asset group—seemingly contradicting the tendency for compensation to increase with asset size.

The 10th and 90th percentiles represent values at extremes of these ranges—sometimes referred to as outliers. When we focus on values between the 25th and 75th percentiles, there tends to be much less overlap.

Beside asset size, there are other factors that may influence the compensation figures we see at the extremes of these ranges. Every Credit Union's situation is unique. And even though we may initially focus attention on the IQR, a Credit Union's situation may justify a figure above or even below that range. In short, the IQR is meant as a guideline but should not be seen as a constraint.

Comparing Results From Two or More Surveys

We can enhance a compensation strategy by reviewing the

results of more than one salary survey, provided all the surveys are conducted in a valid and reliable manner. However, we will want to consider if there are differences between each survey and how those differences may impact results.

For example, we conduct a survey of all federal Credit Unions for NAFCU and Burns-Fazzi, Brock. If another survey includes both state and federal Credit Unions, we would want to consider if and how that difference affects comparability.

Perhaps most difficulties in comparing survey results are due to differences in how each survey groups the data. For example, a Credit Union has \$200 million in total assets. One survey includes that Credit Union in an asset group of \$100 million to \$300 million and the other survey includes it in a group of \$200 million to \$400 million. Because asset size and compensation are strongly related, the compensation figures for these two asset ranges will be different, making the comparison more challenging.

The Methodology section for any survey report is worth reading. It can provide information to help us decide on the survey's worth as well as its limitations. And if the information we are looking for is not provided, we may want to consider asking for it.

[1] Haley, R.M., *Measures of Central Tendency, Location and Dispersion in Salary Survey Research, Compensation and Benefits Review, September/October, 2004, pp. 39-52.*

Join Us At These Upcoming Events:

| | | |
|-----------------------|--|---------------------|
| December 5–8 | CUES Directors Conference | Las Vegas, NV |
| January 29–February 2 | CUES Symposium | Bonita Springs, FL |
| February 14–16 | NAFCU Technology & Security Conference | Las Vegas, NV |
| March 18–20 | CUNA GAC | Washington, DC |
| April 18–20 | NAFCU CEO Conference | National Harbor, MD |

To obtain a copy of the annual NAFCU-BFB Survey Report, please contact Pilar Perotti at 704-332-2265 extension 206, or pperotti@BFBbenefit.com



BFB *foundation* Educating Women, Strengthening Communities

This year Chris Burns-Fazzi created the BFB Foundation, an organization dedicated to elevating women and communities. Putting financial expertise into the hands of civic-minded women creates countless economic possibilities.

Participants receive a college-level education, personal and professional mentoring, and hands-on financial experience at a local Credit Union. They also gain an understanding of the value of spreading positive opportunities. These women learn life and leadership skills, and have the support they need to build confidence, realize their own potential, and become agents of change.

This program is not only an investment into the lives of women, but into the lives of those in their communities as well. BFB is incredibly pleased to be able to lead-out in this wonderful new venture.

For more information, visit our website at www.BFBfoundation.org. To learn more about how you can help, please call Pilar Perotti at 704-332-2265 extension 206, or email her at pperotti@BFBbenefit.com.

New to the BFB Team



Corinne Anderegg joined the BFB team in July of this year. Corinne is responsible for development, implementation and administration of executive benefit plans as well as the monitoring of regulatory and IRS compliance guidelines.

Altogether, Corinne has 9 years of experience in the financial services industry where she spent the majority of her career overseeing the operations and trade desk activity at multiple insurance-based

Broker/Dealers. Corinne has a Bachelor of Science Degree in Finance, Economics and Accounting from Utah State University.



Jenna Girton joined the BFB team in October of this year. Jenna is responsible for the ongoing administration of benefit plans as well as the monitoring of regulatory and IRS compliance guidelines relating to plan assets for our clients located in the Rocky Mountain Region.

Jenna has 9 years of experience in the financial services industry and has spent the majority of her career focusing on the implementation and administration of executive benefit plans. Jenna has a Bachelor of

Science Degree in Business Administration from California State University Northridge.



Kraig Klinkhammer manages investment and portfolio strategy for Burns-Fazzi, Brock. Kraig works closely with asset management firms, life insurance companies and other financial service organizations to ensure the firm's principals and consultants have competitive solutions to meet unique client objectives. In addition, Kraig is responsible for monitoring performance and diversification metrics of client impermissible investment portfolios, and recommending necessary adjustments.

Prior to joining BFB, Kraig served as Manager, Insurance Portfolio for a large regional bank, where he was responsible for the oversight of insurance investments exceeding \$5 billion. Kraig has more than 12 years of experience in executive benefits, asset management and various applications of life insurance and financial planning. Kraig is a two-time graduate from Portland State University, where he received a Master of Science in Financial Analysis (MSFA) and Bachelor of Science in Finance-Law.

PARTNER NOTES...

Burns-Fazzi, Brock is pleased to announce that it has completed its Statement on Standards for Attestation Engagements No. 16 (SSAE 16) Type II certification. This certification shows that BFB has undergone an Service Organization Control 1 (SOC 1) audit by an independent accounting firm to verify the effectiveness of BFB's internal controls and security.

SSAE 16 is maintained by the American Institute of Certified Public Accountants, and is the successor to the Statement on Auditing Standards No. 70 (SAS 70) which was the control system reviewing standard for almost two decades.

By completing the SSAE 16 SOC 1 Type II certification, BFB continues to demonstrate its dedication to offering the highest standard of effective, secure benefit solutions to the Credit Union industry.



WE WOULD LIKE TO THANK YOU



“We have been privileged to serve the Credit Union community for more than two decades. It has been a true pleasure to associate with this great movement, and we are sincerely grateful for the continued confidence in our ability to provide our clients with exceptional executive benefit plans. We look forward to helping Credit Unions find continued success in 2012, and well beyond.”

— *Chris Burns-Fazzi & Rich Brock*



BURNS-FAZZI | BROCK



BURNS-FAZZI | BROCK

1816 East Seventh Street
Charlotte, NC 28204

