Three Innovative Searches for Better Incentive Programs

Based on Presentations at a Colloquium at the University of California-Berkeley

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The Filene Research Institute is a non-profit organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance and credit unions. It supports research efforts that will ultimately enhance the well-being of consumers and will assist credit unions in adapting to rapidly changing economic, legal, and social environments.

Deeply imbedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members and the general public. Credit unions, like other democratic institutions, make great progress when they welcome and carefully consider high-quality research, new perspectives, and innovative, sometimes controversial, proposals. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. In this spirit, the Filene Research Institute grants researchers considerable latitude in their studies of high-priority consumer finance issues and encourages them to candidly communicate their findings and recommendations.

The name of the institute honors Edward A. Filene, the “father of the U.S. credit union movement.” He was an innovative leader who relied on insightful research and analysis when encouraging credit union development.

The Center for Credit Union Research is an independent academic research center located in the School of Business at the University of Wisconsin–Madison. The Center conducts research and evaluates academic research proposals on subjects determined to be priority issues by the Research Council of the Filene Research Institute. The Center also supervises Filene Research Institute projects at other universities and institutions. The purpose of the Center’s research is to provide independent analysis of key issues faced by the credit union movement, thus assisting credit unions and public policymakers in their long-term planning.

Progress is the constant replacing of the best there is with something still better!

— Edward A. Filene
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To explore ways in which credit unions can use incentive programs to maximize their investment in human resources, the Filene Research Institute co-sponsored a colloquium at the University of California-Berkeley. The event brought together experts in the area of reward systems, along with senior credit union executives and human resource specialists. The results of the presentations and discussions are included here. As the American workforce becomes more sophisticated and technically competent, employers need to pay increasing attention on rewards that will attract and retain qualified staff. At times of relatively full employment, that challenge becomes even more critical.

Volume I of the report on the colloquium\(^1\) presented the views of three experts in the field of incentive compensation: Edward Lawler, University of Southern California; Edward Deci, University of Rochester; and Patricia Zingheim, Schuster-Zingheim and Associates, Inc. Here in Volume II, we offer the architecture and operation of incentive programs as practiced by three innovative credit unions in the field.

The three presenters were:

1. Gary Oakland, CEO, Boeing Employees Credit Union
2. John Tippets, CEO, American Airlines Federal Credit Union
3. Barbara Davis, Executive vice president, Public Service Credit Union

Each of the presenters focused on three main issues:

1. What is the underlying philosophy behind the credit union’s incentive plan?

2. How does the plan work?

3. How does management and the board of directors assess the plan?

BOEING EMPLOYEES' CREDIT UNION

The purpose of Boeing Employees Credit Union’s incentive plan is to encourage senior managers to focus on member value, and the long-term strategic direction of credit union services. The plan consists of two components: A five percent portion of each participant’s salary that is set aside into a deferred pay plan, and appreciates by the value returned to members over four years; and a mitigation factor designed to make sure that incentives do not sacrifice the safety and soundness of the organization.

The Boeing plan measures return to members as a comparison value between credit union rates and fees, and those of other market leading financial institutions in the community. The credit union board of directors matches a five percent payout each year, and the plan is vested over a period of four years. As return to member grows, the value of the plan shares increases as well. After four years, plan participants can receive a taxable cash payout, or rollover their shares into a KEYSOP.

AMERICAN AIRLINES FEDERAL CREDIT UNION

American Airlines Federal Credit Union ties its measurement metrics to the performance of two peer groups of credit unions that are leaders in providing member service. The program, based on independent benchmarks, is called Team Award Pay. It focuses on the following six components: average dividend (high); average loan yield (low); growth in loans outstanding per employee (high); delinquency and charge-off ratio (low); member satisfaction survey; and NCUA CAMEL rating (accelerator/decelerator).

The financial criteria measurements for American Airlines FCU are based on comparisons with two peer groups: the first, five superior performing credit unions; the second, ten additional credit unions that also have excellent performance characteristics. These peer credit unions have higher performance scores than AAFCU in one or more of five measurement factors. CEO John Tippets says it's important to find credit unions that outperformed AAFCU, so that the credit union has a target that makes the Team Awards Pay Plan significant.
In addition to the peer group financial measurements, AAFCU also measures its performance through an ongoing member satisfaction survey. The final factor in AAFCU’s incentive measurement program is its NCUA examination. By maintaining the highest CAMEL rating, an accelerator component is added to the incentive program payout. If the ranking drops by a grade, the incentive remains unchanged. For any lower rating, a decelerator lowers the incentive payoff.

For 70 percent of AAFCU employees, the target award is 5 percent of base plus overtime. For branch managers and first-level managers, the target award is 7.5 percent. For senior executives, the target award is based upon increased at-risk pay.

**PUBLIC SERVICE CREDIT UNION**

Public Service Credit Union’s incentive program focuses on individual incentives rather than on team rewards. The credit union offers two different compensation programs to its employees, one based on incentive pay, the other on merit pay. Employees can choose to be in either of these two programs.

Key to the Public Service Credit Union program is its ability to continuously track individual employee performance online, making the plan simple to measure. With its automated system, the credit union's mainframe creates a spreadsheet that indicates what it’s paying for each product and service, and how much it is paying to each employee.

Employees can view their own results to see exactly how they’re doing. The plan pays employees for targeted activities as well as for unrequested services by members. When members join the credit union, their signature card advises them that the credit union will request a credit bureau report on them. PSCU's automated system scans the bureau and identifies all financial products and services the member has with other institutions that could be transferred to the credit union. When a member comes to the credit union for service, employees can access his or her credit bureau report online.

After putting its incentive program in place, PSCU has achieved a 70 percent increase in volume per employee. The credit union tracks each service that employees offer to its members, and pays
its employees for each service purchased by members. If a member has a loan with another lender and the employee convinces the member to move the loan to the credit union, the employee receives an incentive reward.

During 2000, PSCU increased its loan portfolio by 30 percent. Its delinquency and charge-off ratio is lower than its peer group average, its return on assets is 1.95 percent, and its loan-to-share ratio is 98 percent.

**SYNTHESIS: DAVID LEVINE**

In summing up the issues addressed during the Eighth Credit Union Colloquium, Professor David Levine of the Haas School of Business urged participants to realize that pay is not the exclusive consideration in designing and implementing incentive programs. Rather, Levine said, pay is just one component of a more complicated system of encouraging superior performance. The credit union’s starting point is a viable vision and strategy. Management and the board of directors needs to determine why the organization exists, and how it can best serve its members. Employee line of sight linking behavior and the rewards it generates must be clear and concise. Employees need to have the power, the information, the knowledge, and the rewards they need to solve member financial problems.

Incentives may actually impede implicit motivation, as pointed out by Edward Deci in his presentation. Management must make sure that incentives are part of the solution, not part of the problem. If rewards are offered for a particular type of behavior, that is the behavior management will encourage. Pay for simple quantitative performance may crowd out creativity, along with intrinsic motivation.

Levine commended the subtlety in the incentive pay plans of Boeing Employees’ Credit Union and American Airlines Federal Credit Union, which impose penalties for bad loans. The loan officer’s job, for example, includes not just what happens when the loan is granted, but also what happens later, when the loan may be in arrears. A better approach tells employees the organization will pay them for loans made, but also impose penalties when loans go bad.
Most organizations need to create both individual and group level rewards. Credit unions need to avoid offering extrinsic rewards that stifle creativity. Extrinsic rewards work fine within limits, as Public Service Credit Union has chosen to do. The PSCU program is a very successful effort to achieve specific goals. But credit unions must recognize that when they pay for specific behaviors, they may also crowd out creativity. Successful pay plans include incentives for creativity. The tension between intrinsic motivation and extrinsic rewards must be carefully managed.

Levine pointed to the American Airlines Federal Credit Union plan as one designed to continue to improve performance by linking it to the performance of leading peer groups. When the goal is to match or surpass those peers, the plan is automatically dynamic. When the plan is framed in terms of continuous quality improvement, it's automatically dynamic.

Most organizations today focus on aligning incentives and mission, and empowering front-line people with more autonomy and discretion. Participants in an incentive system can contribute ideas on how to design it and how to change it.

Investing in people who interact with customers, members, and borrowers is a difficult proposition. Managers are under pressure to cut costs and to produce short-term shareholder returns at the expense of creating an organization that values outstanding service to members. The challenge is to educate executives who are not human resource focused, board members and the workforce alike. Incentives are one piece of the puzzle. They can motivate people, and communicate values and mission to workers.
The long-range incentive plan for executives of Boeing Employees’ Credit Union constitutes the fourth leg of our compensation plan. We have base compensation, of course, and the employee benefits plan associated with it. In addition, we have an annual incentive plan that has been in place for a number of years. We put the long-range incentive plan in place about four years ago.

The purpose of the plan is to create a member-driven component of the compensation structure, similar to a stock option accumulation plan. We were interested in developing the plan to meet marketplace competition for human resources, and being able to attract qualified executive talent. Stock option plans were very popular programs at the time we developed this plan, and something we hadn’t been able to replicate at our credit union.

Our purpose was to make sure that our executive management’s focus was on the longer-term strategic direction of the credit union. The program has been successful in achieving that goal. By keeping a strategic focus on the member we’ve created an enhancement to our total compensation package, and serve our members better.

PLAN COMPONENTS

The plan has two components. There’s a four-year payout, and a KEYSOP on the tail end. Participants currently are limited to the nine individuals that comprise our executive management team. We intend to make the plan available to more of our employees, but because it is new and unique, we’re still in the process of refining its features and benefits to apply to a broader base of management employees.

The annual program award is five percent of base compensation. That award is vested over a four-year period. We can award additional units during the year, if conditions warrant, for special projects or initiatives.

The plan appreciates based on return to members. Five percent of participants’ salary is set aside into this deferred plan. It appreciates by the value returned to members over four years.
The second component of the plan is a mitigation factor. We want to make sure that we don’t sacrifice the safety and soundness of the organization, and that we have a satisfactory reserve level.

**MEASURING RETURN**

We measure return to members as the difference in value between benefits our members receive at the credit union, and what they would receive from other local financial institutions. We measure these return values compared to market share leaders in our community. We take the top five market share institutions in terms of deposits, loans, fees, and other services, and create a metric tied to the return to members provided by our credit union.

An example of that is included in figure 1-1: it shows that we have, on average, $1.5 billion in deposits. Our credit union average payout on that amount is 4.73 percent. The competitor average is 3.15 percent, a difference of 1.5 percent. That’s a $24 million gross benefit to members, or $86 to each individual member account. We make that calculation for each of our products and services, and that’s how we determine the return to our members.

<table>
<thead>
<tr>
<th>DOLLARS</th>
<th>RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Balance</td>
<td>BECU Average</td>
</tr>
<tr>
<td>$1,536,762,787</td>
<td>4.73%</td>
</tr>
</tbody>
</table>

Gross Member Benefit: $24,208,447
Individual Member Benefit: $86.35
This is not a perfect measurement, but it is significant enough to measure the growth factor or the differences that occur on a year-to-year basis, and it works for this plan. Assuming a $100,000 annual salary, a $5,000 annual payout is set aside. Twelve hundred-fifty dollars of that amount is vested each year. There’s a matching portion by the board of another $1,250 for each of those four years during vesting. As the return to member grows, the value of the plan shares increases as well, over time. At the end of four years, there’s either a cash payout, which is taxable, or a rollover into a KEYSOP, as shown in figure 1-2.

<table>
<thead>
<tr>
<th>Year X Award</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting</td>
<td>1,250</td>
<td>2,500</td>
<td>3,750</td>
<td>5,000</td>
</tr>
<tr>
<td>Board Matching</td>
<td>1,250</td>
<td>2,500</td>
<td>3,750</td>
<td>5,000</td>
</tr>
<tr>
<td>RTM Increase (@10%)</td>
<td>500</td>
<td>550</td>
<td>805</td>
<td></td>
</tr>
<tr>
<td>Period Ending Value</td>
<td>2,500</td>
<td>5,500</td>
<td>8,050</td>
<td>10,805</td>
</tr>
</tbody>
</table>

As a mitigation factor for reserves, we perform a risk analysis of our balance sheet each year, and determine an appropriate reserve level based on the risks we hold on the balance sheet. That range is currently 8.5 to 9 percent. Instead of depleting reserves to a potentially dangerous level and increasing the return to value, this mitigates the risk, so that if we exceed the range, additional rewards that are affected (figure 1-3).
These two components are balanced against each other so that we can increase value to plan participants, and at the same time make sure that the credit union will be here when our members need us. There is a negative impact on the incentive if our reserves grow too much. We should maintain only those reserves that are indicated as a result of our risk analysis.

The KEYSOP component of our plan, which is a work in process, required special permission from our state regulator. As a state-chartered, federally-insured credit union, we needed to obtain permission from the state to develop this feature. It has a term of up to ten years, and it is fully vested at the time of the conversion into the long-term incentive plan.
Once the KEYSOP has been vested, executives instruct the credit union on how they want those funds to be invested. They can be invested in CDs or in the equities market, mutual funds, or another type of instrument. A key consideration in obtaining authorization from our state regulator was the ability to purchase equities as a hedge against the option.

The plan was not an easy sell at first, because the returns in the stock market were extremely high, but as the equities market tumbled, our people liked this incentive plan a whole lot better. And although we show a 10 percent return in figure 1-4, the plan also benefits substantially from the matching feature provided by the credit union. The result is that our people now really appreciate this program.

**Figure 1-4:**

*Comparison of Financial Returns – Year 2000*

- Dow Jones Industrial Average .............. -5.025%
- NASDAQ ....................................... -40.2%
- Boeing ECU Long-Term Incentive Plan .... +10%
**Participant Questions for Mr. Oakland**

*Participant:* Gary, how do you deal with tax issues?

*Oakland:* We put returns in the program at risk. By having that portion at risk, it allows proceeds to remain deferred during the first period. The ten-year KEYSOP is another deferred opportunity.

*Participant:* How did you stop the taxable event from the fifth year into the KEYSOP? Doesn't it become taxable at the fifth year?

*Oakland:* Not if it goes directly into the KEYSOP and it's managed separately.

*Participant:* So it's a whole package of incentives for the long term. It's really not five years; it's the longer term for the KEYSOP?

*Oakland:* But participants can withdraw funds from the KEYSOP at any time.

*Participant:* I assume your incentive program is just one component of an overall annual compensation program.

*Oakland:* That's exactly right. Our program is designed to place a larger share of executive compensation at risk, but it is only one leg of our compensation program. For example, we have an annual incentive plan that covers about 30 percent of staff, about 300 people, and it awards up to 15 percent of base pay. It features both individual and team rewards.
I’m pleased to talk to you about our Team Award Pay plan. The plan starts with our vision “to enrich the financial welfare of every member-owner as a result of credit union participation.” And just as the member benefits through participation in the credit union, staff also benefits, for a win-win proposition. Some of the lessons we’ve learned over the years are shown in figure 2-1.

We believe in keeping it simple. I’ve watched plans become complicated, difficult, tedious, and heavily manipulated.

We wanted a plan that built and focused on the team. Plans that focus on individual achievement often become subjective and subject to charges of favoritism, and we wanted to avoid that.

We believe a plan must have a true upside potential and a true downside risk. There must be superior performance targets, results that are higher than participants would normally expect to attain. That means creating payout opportunities that are significant, dollars that are material to the recipients.
TARGET BENCHMARKS

Many plans are based on budget or targets set. In my experience, those plans are subject to manipulation. Participants set targets they know they can achieve. At American Airlines Federal Credit Union, by contrast, our target is based on independent benchmarks. Every measure we use in our formula is referenced to independent benchmarks that we don’t control.

It takes some time for plans to be credible and understood by participants. It doesn’t happen immediately. Relatively new employees are likely to wonder how the plan works, and why they got a check for their efforts. Only after two or three years do they begin to figure out how the plan works, and how they can make a significant difference in the plan payout.

That makes a strong case for only minor changes from year to year, in order to achieve high levels of understanding. We’ve tweaked it from year to year, but without material changes for almost eight years.

We also use repetitive communication to reinforce plan elements, to explain how it works, why it works, what happens when, what we’re doing that may or may not cause the plan to be successful. Participants remember the details of an incentive plan from year to year only with constant communication reinforcement.

It’s also important to celebrate the plan’s successes. We’ve gotten better and better at that. As we paid out our team award pay this year, we bought $1,500 worth of chocolate cake. We had celebrations going everywhere in the credit union.

And, we’ve learned to identify smaller milestones that reinforce our longer-term goals, with awards for achieving those smaller goals. Small awards reinforce intermediate milestones or objectives of the overall plan.
MEASURING RESULTS

We use six metrics to measure our results. Each of these measurements is related to member satisfaction objectives, as shown in figure 2-2.

<table>
<thead>
<tr>
<th>Figure 2-2:</th>
</tr>
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<tbody>
<tr>
<td>Six Measurements</td>
</tr>
<tr>
<td>1. Average Dividend (high)</td>
</tr>
<tr>
<td>2. Average Loan Yield (low)</td>
</tr>
<tr>
<td>3. Growth in Loans Outstanding Per Employee (high)</td>
</tr>
<tr>
<td>4. Delinquency and Charge-off Ratio (low)</td>
</tr>
<tr>
<td>5. Member Satisfaction Survey</td>
</tr>
<tr>
<td>6. NCUA CAMEL Rating (accelerator/decelerator)</td>
</tr>
</tbody>
</table>

Our first measure is dividend rate. Members save with the credit union because they expect returns on their savings that exceed other savings options. We also think members expect to receive low loan interest rates at the credit union. That’s our second financial measurement standard.

We believe that our greatest challenge is to use money coming into the credit union for loans to members. Therefore, our third objective is growth in loans outstanding. Not gross loans produced, but growth in loans outstanding. We could also add a lot of loans just by adding employees and creating new loan programs, but that’s not a true indicator of excellence in lending. Our program counts loan growth per employee, so it is also a productivity measure.

We also want to avoid bad loans, so our fourth measurement is delinquency. We actually use delinquency plus charge-offs so that charge-offs can’t be used to keep our delinquency rate low.

Our next measure is a member satisfaction survey that we run continually over the course of the year. We send out 400 surveys, and receive about 200 responses. Members generally score the credit union in a very narrow and highly positive range of 80 to 90 percent of potential. We find it very difficult to move that needle, but we keep trying.
The final factor in our incentive measurement program is our NCUA examination. If we maintain the highest CAMEL rating, we get an accelerator component in the incentive program payout. If that were to fall below a norm, there’s a decelerator that lowers the incentive payoff.

PEER GROUP COMPARISONS

Our financial criteria are based on comparisons with two peer groups. The first group is five credit unions that we consider superior or outstanding performers. We looked at their statistics when we were creating our program, and were determined to match or exceed their performance.

We also measure ourselves against ten additional credit unions that are also outstanding, but weren’t statistically as exemplary as the first group of five. These peer groups were created eight or ten years ago. But we have removed and replaced some that have not maintained superior results for their members. Many of these credit unions have better performance than we do in one or more of our five measurement factors.

It was important to find credit unions that outperformed us, so that we had a target that would make the Team Awards Pay Plan significant. One of our challenges is that as the quarters of the year pass, we wait 60 days for comparative numbers. We live with the 60-day lag for three quarters, but for fourth quarter numbers, about January 20th, we call our peers to get numbers faster, to establish our results for the year.

One of the great things about credit unions is that NCUA Form 5300 gives us access to great peer data. Many companies are in industries that don’t have that kind of data. They don’t know what their peers are doing, or why. Using peers to set standards makes incentive programs dynamic without a great deal of ongoing design. The program effectively recognizes changes in the economy, in the business environment, in sponsor circumstances, and in regulations. We’re all affected at the same time; and our team award measurements remain dynamic without having to be rewritten.
Hence, the calculations shown in figure 2-3 show what happened in our program on delinquency plus charge-offs. The delinquency plus charge-offs for our ten very good peer credit unions averaged 1.51 percent. The top group of five outstanding peers averaged .55 percent. We came in at .79 percent. We weren’t as good as the top five, but we were better than the average of both peer groups. The target number was 1.03 percent. In fact, we were better than target.

<table>
<thead>
<tr>
<th>Group I</th>
<th>Group II</th>
<th>Target</th>
<th>AAFCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 Peers</td>
<td>10 Other Peers</td>
<td>(Avg. of I &amp; II)</td>
<td>Actual</td>
</tr>
<tr>
<td>.55 percent</td>
<td>1.51 percent</td>
<td>1.03 percent</td>
<td>.79 percent</td>
</tr>
</tbody>
</table>

- Actual AAFCU performance is at 75.5 percent of range
- Payout impact for this element of Team Award Pay is 151 percent of target

During the year 2000, we matched and exceeded the performance of top five peer group on dividends, and on lowest loan rates. We were at 75 percent of the potential range on delinquency plus charge-offs, and our loan growth per employee was at 42 percent of the potential range. Our member service score came in at 73 percent with a performance of 6.3 on a scale of 1 to 7. We also had an accelerator opportunity as a result of our NCUA exam.

Over the last three years (figure 2-4), our Team Awards Pay program has paid a grand total of $2,794,000 to participants. In 1998, we achieved 81 percent of our target and paid out about $500,000 to participants. In 1999, the award was 125 percent of target and payouts were almost $900,000. For 2000, we achieved 172 percent of target, and paid out almost a million and a half dollars. You can understand why we had the chocolate cake. It was a great day of celebration.
For about 70 percent of our employees, the target award is 5 percent of base plus overtime. At 170 percent or target, they received 8.5 percent of their base and overtime in team award pay.

For senior staff, the payout moves up. For branch managers and first-level managers, the target award is 7.5 percent, and for senior executives, the target award increases, creating more “at risk” pay for those levels of management.

When the plan was first implemented, we froze salaries for a year and a half when we first put the Team Awards Pay plan into place. They payout wasn’t added to existing bases, but rather in place of an added base so we have been able to pay these significant dollar amounts without adding them as an incremental expense.

We still believe, particularly at entry levels, that our base salaries have to be competitive. It would be difficult to convince an individual joining the credit union at $11.00 an hour that they might get a $2,000 check a year hence. That doesn’t work. Further up the management ladder, people begin to include incentive pay into their thinking, but that’s hard to do at the entry levels.

**INTERIM AWARDS**

A role also exists for smaller and more frequent targeted awards. We include these small incentives in our overall program – an extra day off with pay, an extra airline pass without a service charge, and other rewards that reinforce our efforts over the course of the year.

We have tried individual incentives as well, but find them less effective than our team program. For individual stars and high potential employees, there’s a base salary and merit pay increases to recognize performance.
Member benefits and satisfaction are critical to us at American Airlines Federal Credit Union. Our members are seeking low loan rates, low-cost products, and high dividends. The Team Awards Pay plan reinforces teamwork to achieve those goals. We’re all in the same plan.

In order to achieve high dividends and a low loan rates, we operate efficiently with tight margins. We press ourselves to make good business decisions. Loan growth is the one single most important driver of our rewards formula.

**Participant Questions for Mr. Tippets**

**Participant:** John, does your incentive program reshape your product mix through your measurement of growth in loans outstanding per employee? For example, does the program skew toward mortgages?

**Tippets:** To a degree, yes. Participants have figured out over time the factors that drive quality growth in loans outstanding is critical, and we’ve tried to increase penetration with our mortgage loan program, for example. Over the past year, as refinances became very active, we introduced a number of retention programs designed to retain existing mortgages. There’s no question that an incentive program drives certain kinds of products and behaviors.

**Participant:** If you’ve got too many mortgages in your portfolio, would you redirect the program at the cost of stability?

**Tippets:** Yes. But one adjustment we’ve made has been to allow and encourage the sale of mortgages, if that’s indicated from an ALM perspective.
At Public Service Credit Union, we focus on individual incentives rather than on team rewards. Like American Airlines FCU, we do like to keep it simple. Our incentive program is unique in order to make it work for back office as well as retail employees. We have two different compensation programs: One is called Base Plus, the other basic merit pay. There’s a seven percent differential between the ranges, so if two people have the same range, one of them base plus incentive and one of them merit pay, there’s a seven percent differential at midpoint and at the bottom of the scale, and five percent at the top.

Employees can choose to be in either program. We don’t have any objection to employees changing from one program to another. There’s absolutely no cap on the top end. The person who earned the greatest incentive pay last year was at 197 percent of base pay. That’s an exception, not a common occurrence, but it is possible.

**TRACKING CAPABILITY**

What makes our incentive program unique is that we can track it online, so it’s very simple to measure. Employees can view their own report to see exactly how they’re doing. They know how much money they’ve earned at any given point.

We pay employees for things that we specifically targeted, along with unrequested services by members. When members join the credit union, their signature card advises them that we will run a credit bureau report on them. Our automated system scans the bureau and identifies, based on that report, all the takeover business we would like to have at the credit union. That business is displayed on the screen for our employees.

The incentive system consists of both job specific and individual performance. Phone center employees, for example, can earn incentives for selling and for being available to every member who calls in. There are benchmarks for both parts of our incentive program. We pay incentives monthly to non-management employees, to keep the line of sight between performance and reward as short as possible.
Management people also have two components in their incentive program. Mid-level managers receive a monthly incentive based on volume, as well as a corporate annual incentive based on two corporate goals for managers. This year those goals are tied to membership and Internet banking growth.

We also pay a year-end bonus to the entire staff in years when we do well as an organization. They’re not aware in advance what that reward will be. Of the last seven years, we’ve paid the bonus in five years, averaging paying about 4 percent. That bonus is not based on the incentive measurements in other components of our program, but on base pay.

**INCENTIVES BY POSITION**

Public Service Credit Union has 12 branches, and each branch is measured on its own performance. Average incentive earnings under our incentive program are shown in figure 3-1.

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Average Incentive Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Service Representatives</td>
<td>$12,524</td>
</tr>
<tr>
<td>Member Service Representatives 2</td>
<td>2,187</td>
</tr>
<tr>
<td>Phone Center Representatives</td>
<td>3,465</td>
</tr>
<tr>
<td>Business Development Representatives</td>
<td>6,768</td>
</tr>
<tr>
<td>Branch Managers</td>
<td>5,908</td>
</tr>
</tbody>
</table>

Our FSR representatives open new accounts, close loans, and fund loans. They have no lending authority. Our credit union has one of these employees in each of our facilities. They serve walk-ins opening new accounts and assist members scheduled to close loans. Their incentive is based on the services per member report in the Callahan directory. If members use many of our services, we believe we’re living up to our potential as a credit union.

Our financial service representatives as a group earn the highest dollar rewards under the program – average for these employees

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2 Member service representatives at PSCU receive incentives based on transactions rather than sales.
last year was more than $12,000. The range in this job category was from $2,300 to $27,000.

Our MSRs are tellers. They’re the one group that we have no sales incentive compensation program for. We encourage them to stay with the credit union with a 50-cents-an-hour raise every six months. This job category poses the biggest challenge for us. For all other categories, our average length of employment is 66 months. Our length of employment for tellers, by contrast is just 4.6 months. That’s a little misleading, because some tellers have moved to other jobs in the organization, but we have very limited turnover in other job categories.

We’ve tried to incent our MSRs by doubling their incentive pay if they have no unexcused absences during the period. It’s a challenge to make this an interesting job, much more so than in other areas of the credit union.

Our phone center employees are grouped in two tiers for incentive purposes, based on the individual employee’s skill level. Employees in the top group do a little bit better than those in the second group. All phone calls are routed based on the skill level of the employee, so the people that have the potential to sell the most get the first opportunity to talk to members.

Business development employees work with select employee groups. They each have their own client groups, and have standards to meet in terms of orientation meetings and, depending on the size of group, how often they have to visit the group. Their average incentive award last year was $6,768.

Branch manager incentives averaged about $5,908, plus a corporate incentive of $2,000 per person. In addition, our six vice presidents are paid based on five corporate goals at the end of the year. The cap on their incentive pay is at 20 percent.

OTHER ISSUES

We do approximately $5.3 million per month in indirect lending, and the employee who funds those loans was working five to eight hours overtime in each pay period. We considered adding a second employee to handle this business. Since we began our indirect lending program in 1993, our volume has tripled.
We finally decided that we had two choices. We could add an employee, or we could develop an incentive that would allow us to handle the increased volume. We decided to pay our indirect lending person a bonus for any loan they fund during regular working hours. If the loan is funded on overtime, there’s no incentive for it. So far, the system is working very well.

As a result of our incentive program, Public Service Credit Union is number three in the nation in services per member. We’re 20 percent higher than our peer group in account relationships. We’re almost double our peer group in credit cards issued. And we’re ranked higher than peers in auto loans and checking accounts (figure 3-2).
After putting incentives in place, we’ve seen a 70 percent increase in volume per employee. And we track every service that our employees offer to our members, and pay our employees for each of these services (figure 3-3). They can monitor their progress at any time, which gives them added incentive to perform well. These are unrequested services. For example, if a member has a loan with another lender and our employee is able to get that member to change the loan to the credit union, the employee receives an incentive reward.

<table>
<thead>
<tr>
<th>Sales Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INSURANCE</strong></td>
</tr>
<tr>
<td>2% of Premium</td>
</tr>
<tr>
<td><strong>MBI INSURANCE</strong></td>
</tr>
<tr>
<td>$12.50 per Policy</td>
</tr>
<tr>
<td><strong>OPEN-END INSURANCE</strong></td>
</tr>
<tr>
<td>$2.50 per Policy</td>
</tr>
<tr>
<td><strong>HELOC INSURANCE</strong></td>
</tr>
<tr>
<td>$5 per Policy</td>
</tr>
<tr>
<td><strong>GAP INSURANCE</strong></td>
</tr>
<tr>
<td>$5 per Policy</td>
</tr>
<tr>
<td><strong>CREDIT UNION AADVANTAGE</strong></td>
</tr>
<tr>
<td>$10 per auto loan referred and closed at Aadvantage (Monthly report to be provided)</td>
</tr>
<tr>
<td><strong>ELPHs CREATION</strong></td>
</tr>
<tr>
<td>$2 for each ACH transfer from another institution for the purpose of automating a loan payment</td>
</tr>
<tr>
<td><strong>PAYMENT AUTOMATION</strong></td>
</tr>
<tr>
<td>$2 for each loan payment converted from cash pay to automatic transfer (C to T method) (per account excludes new loans)</td>
</tr>
<tr>
<td><strong>COMPETITOR BUYOUT</strong></td>
</tr>
<tr>
<td>(Picks, Autos, 2nd Mortgages)</td>
</tr>
<tr>
<td>$25 each for less than $10,000</td>
</tr>
<tr>
<td>$65 each for balances greater than $15,000</td>
</tr>
<tr>
<td><strong>CREDIT CARD BUYOUT</strong></td>
</tr>
<tr>
<td>Requires cash advance on date card record is set up (+$2 for autopay). If Cash Advance: Balance under $5,000 $3.00 earned, $10 for Gold Card Balance ≥ $5,000 $20 earned</td>
</tr>
<tr>
<td><strong>DEBIT CARD</strong></td>
</tr>
<tr>
<td>or <strong>CREDIT CARD WITHOUT BUYOUT</strong></td>
</tr>
<tr>
<td>$1 for each account sold $2 for MC if set up on automatic payment</td>
</tr>
<tr>
<td><strong>HOME EQUITY LOAN</strong></td>
</tr>
<tr>
<td>Any Home Equity Loan ≥ $20K = $20</td>
</tr>
<tr>
<td><strong>DIRECT DEPOSIT</strong></td>
</tr>
<tr>
<td>$10 for each Direct Deposit received within 60 days of record creation</td>
</tr>
<tr>
<td><strong>NEW SELECT EMPLOYEE GROUPS</strong></td>
</tr>
<tr>
<td>$50 for groups with a minimum of 25 employees</td>
</tr>
<tr>
<td><strong>CHECKING and VISA</strong></td>
</tr>
<tr>
<td>(excludes Fresh Start)</td>
</tr>
<tr>
<td>$7.50 for each checking account with VISA card on New Accounts $10 for each checking and VISA on old account (6 mo. or older)</td>
</tr>
<tr>
<td><strong>CERTIFICATES</strong></td>
</tr>
<tr>
<td>$50 for each account opened ≥ $10,000 new money only excludes multiples</td>
</tr>
<tr>
<td><strong>MONEY MARKET PLUS</strong></td>
</tr>
<tr>
<td>$5 for each account opened on new money only</td>
</tr>
<tr>
<td><strong>NEW MEMBERS</strong></td>
</tr>
<tr>
<td>$1 for each account opened (excludes all FSR and BD positions)</td>
</tr>
<tr>
<td><strong>SECOND MORTGAGE</strong></td>
</tr>
<tr>
<td>$10 for loans of $20,000 or more (excludes Mortgage Department)</td>
</tr>
<tr>
<td><strong>FIRST MORTGAGE REFERRAL</strong></td>
</tr>
<tr>
<td>$25 for each first mortgage (excludes Mortgage Department)</td>
</tr>
</tbody>
</table>
The system is completely automated. Our mainframe creates a spreadsheet that tells us how much we’re paying for each product and service, and how much we’re paying to each employee.

We’ve done very well with this incentive program. Last year we grew loans by 30 percent. Our delinquency and charge-off ratio is lower than the average of our peer group. Our return on assets is 1.95 percent, and our loan-to-share ratio is 98 percent. And we don’t hold any first mortgages. We originate them and sell all of them in the secondary market.

**Participant Questions for Ms. Davis**

**Participant:** Barbara, are your incentives for branch performance ever in conflict with goals and objectives for your remote delivery channels?

**Davis:** They can be. Right now we’re trying to grow our home banking program instead of teller transactions, but we don’t incent our branch managers for teller transactions. We are trying to grow the Web site. About 12-percent of our members use it five times a month.

**Participant:** What system are you using to automate your tracking?

**Davis:** We’re on the Symitar software system. It’s very programmable, so we can track everything. But it’s also very complicated. For example, when you incent people to do multiple account relationships, you might have bogus checking accounts being created. Then you have to reprogram and tell employees you provide rewards only on accounts with a transaction history.

**Participant:** How long has your plan been in place, and did you confront any wage and hour issues in implementing it?

**Davis:** We operated the program manually for many years. It’s only been automated for about five years. When we first implemented it, we made it optional. Employees could choose to stay on straight salary or go to incentives.
We reserve the right to change the plan quarterly, but we try not to change it significantly more than once a year. For example, our biggest challenge recently was attracting savings. Then savings dollars began rolling in, so we cut back the incentive on savings.

**Participant:** Do you track the value of new members?

**Davis:** Yes. We’ve tried to change loan policies to make this work, because we’re underwriting unrequested member services. When a member comes in, we know instantly the financial services he or she has with another financial institution. Our system reports monthly on how many of those services our employees were able to capture.

**Participant:** Do you incorporate sales training as part of your incentive program?

**Davis:** We know that training is important, but these employees are professionals. The majority of their training is done on the job, and it’s the job of management to give them tools and technology to do their jobs faster, quicker, and better.

**Participant:** How do you administer your payroll system?

**Davis:** It’s all automated, so there’s minimal administration. The only challenge is tracking overtime. We have one part-time person who comes in and does our payroll.

**Participant:** You said your system tells you what financial services your members have elsewhere. How do you get that information?

**Davis:** We pull a credit bureau for every single new account opened, and our signature card advises members that we will do that. We purchase the data from the credit bureau quarterly, and load it to the mainframe. When a member applies for a loan, our system checks that data automatically. We only have two loan officers with underwriting authority in our organization. Everything
else is automated, so that other staff members can simply run the program and advise members that a loan is approved.

Participant: You have FSRs that are making a lot money. Is there any jealousy among other staff people?

Davis: There can be a certain amount of resentment. Our top performer last year earned more than some of our branch managers, but he has no desire to be a manager. Likewise, our branch managers have no desire to be FSRs. Either one of those people could trade places, and it would be okay with management, but they feel they’re well positioned where they are in the organization.

Participant: Do employees ever claim that they had a hand in a sale but received no credit for it?

Davis: No, because the program is so automated. Every sale is tracked on the system. Employees either do the work or they don’t get the credit. If a sale involving two employees is made on the phone, we pay both parties. If an employee takes an application but is not listed as a funder because her job is to stay on the telephone, we pay her when the loan is funded.
Our next task is to provide an overview of how theory and experience work together to provide a roadmap for creating and maintaining excellence in incentive programs. First, we need to realize that pay is not the exclusive consideration in designing and implementing incentive programs. Pay is just one component of a much more complicated system of encouraging superior performance. The credit union’s starting point, in fact, is a viable vision and strategy. Management and the board of directors needs to ask why the credit union exists, and how it can best serve its members. Is the raison d’être to take advantage of tax advantage, or to have an ATM on every corner the way a big bank does? Does it have to do with the people the credit union serves? Is the reason for existence to provide a level of service that’s qualitatively different from other financial institutions?

It’s often quite challenging to transform the soaring language of a mission statement into an operational strategy that informs the organization on a daily basis. The line of sight employees have between their behavior and the rewards it generates must be clear and concise. Employees need to have the power, the information, the knowledge, and the rewards they need to solve member financial problems.

We also know that incentives may actually impede implicit motivation. As a result, the job of management is to make sure that incentives are part of the solution, not part of the problem. In the incentive arena, like most fields of human endeavor, we get what we pay for. If we offer rewards for a particular type of behavior on the part of employees, that is the behavior we will encourage. When we pay for performance on granting loans, for example, we’re not necessarily paying for employee creativity. In fact, we may be crowding out creativity, along with intrinsic motivation.

When management sets extrinsic goals that employees achieve easily, the temptation is to ratchet the goal upward the following year. That eventually leads to dissatisfaction and resentment, as employees see their goals becoming unreachable. An organization can do that once, or maybe twice, but eventually people begin to game the goal. They set their goals very low, to make them easy to achieve.

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3 See Edward E. Lawler presentation in Financial Incentives to Motivate Credit Union Managers and Staff, Filene Research Institute, 2001.
Likewise, we need to avoid rewarding or penalizing results that are beyond the line of sight or control of program participants. An employee might reasonably ask why his pay should decrease because Alan Greenspan woke up grumpy one morning. That doesn’t make sense. When incentive programs move beyond the line of sight of participants, people are likely to regard the outcome as simply bad luck, for which they’re paying a price.

The mandate for management is to design a pay system that’s in accord with the organization’s mission, and helps to promote top performance. Incentives do work well for what you pay for. That means we can’t expect one kind of outcome and reward another kind of outcome. And because we expect not one, but several kinds of outcomes in a typical business environment, we need to consider the nature of what we want people to do and construct different layers of rewards.

At the same time, we need to keep it simple. Employees are not likely to read a complicated manual on incentive systems, but it’s also important to tailor the system to the credit union’s particular needs. Financial institutions are inclined to reward loan officers for loan volume. It’s relatively rare to see the sort of subtlety that we saw in the pay plans of Boeing Employees’ Credit Union and American Airlines Federal Credit Union, which impose penalties for bad loans. We need to recognize that the loan officer’s job involves not just what happens at the time the loan is granted, but also what happens later when the loan may be in arrears. We can do much better by saying, “we’re going to pay you for loans and we’re going to take some of that back if later those loans go bad.”

Most organizations talk about team as well as individual performance, but to match talk with action we need to create both individual and group level rewards. A very important consideration is avoiding the tendency to offer extrinsic rewards that stifle creativity. Extrinsic rewards work fine within limits, and that’s what Public Service Credit Union has chosen to do. The PSCU program is an exciting and very successful effort to achieve specific goals. But we must recognize that when we pay for specific behaviors, we’re likely to crowd out creativity. Successful pay plans include incentives for creativity.

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4 See Edward Deci presentation in Financial Incentives to Motivate Credit Union Managers and Staff, Filene Research Institute, 2001.
Here at the Haas School of Business some years ago, we put in a suggestion system with a traditional Suggestion Box. No one used the box. My reaction was: “How is it that a management school can’t get a single suggestion to improve our operation?”

Organizations that excel at generating suggestions do much more than placing suggestion boxes at strategic locations. They pay front-line people for suggestions. They also train their supervisors in how to convert ideas for improvement into suggestions that can be implemented. Then these organizations reward their employees for proposing improvements. Auto assembly lines are not noted for the creativity of their workers. Quite the reverse. But at the Toyota plant 40 miles south of here, 99.97 percent of assembly line workers made a suggestion last year. Part of the reason for that kind of performance is that first-line supervisors are given bonuses for their success in soliciting suggestions from their workers that are implemented at the plant.

Many of these suggestions are small improvements. And a supervisor may write a suggestion and have the line worker sign it. But the point is people on the job know when things aren’t working well. They complain about processes and procedures. Yet it’s rare that they’re given the discretion to make things better, and given training on how to make improvements. It’s also rare that supervisors are rewarded for these efforts. A suggestion program is just part of a broader system of encouraging creativity in a culture that recognizes what front-line workers and supervisors know and do.

There’s a tension between extrinsic and intrinsic rewards, a tension that Ed Deci’s work highlights. If people do great work and make the organization successful, but receive no extrinsic rewards, they feel they’re being unfairly treated. On the one hand, if we pay only piece rates and commissions, we can crowd out creativity. But if we ignore rewards for success, people may feel unfairly treated. This tension between intrinsic motivation and extrinsic rewards must be carefully managed.

As we saw with the American Airlines Federal Credit Union plan, an incentive program can continue to improve performance by linking it to the performance of leading peer groups. When the goal is to match or surpass those peers, the plan is automatically
dynamic. When you frame the plan in terms of continuous quality improvement, it’s automatically dynamic.

That doesn’t make it easy to design a fair and equitable plan. It’s all right to offer rewards that are intended to last a long time. It’s all right to have rewards that are intended to last a short time, but it’s most important to clarify which are which. What’s not all right, what will anger workers, is installing an incentive system and paying out a lot of money, and then saying the plan costs too much, and taking it away.

Most organizations today focus on how they’re going to align incentives with their mission, and how they’re going to empower front-line people and first-line supervisors with more autonomy and discretion. That’s a good thing, because it can help to feed back into the pay system. Participants in an incentive system can contribute ideas on how to design it and how to change it. They feel empowered by the organization when they’re allowed to participate in this way.

When we talk about employee involvement, we need to be careful not to give authority without accountability. But participants in the program can also be asked for suggestions on how to design accountability into the system. That creates positive feedback between the pay system and the workplace decision-making system that allows them to reinforce each other.

Finally, lots of pay systems reward what workers regard as simply good luck or bad luck. That happens when the system doesn’t match the span of control, or line of sight of the participants. Benchmarking performance to the market factors out some of that perception of luck. When mortgage interest rates are low, lots of members will come in and ask about refinancing. That changes a credit union’s performance metrics for the year. It may be a mistake to reward or punish people for that sort of change, because it has nothing to do with how hard they work or how creative they are. It is something that happens in the larger economy. Benchmarking can avoid letting uncontrollable factors drive the incentive program.

In one of my favorite Dilbert cartoons, the boss says: “You’ve been saying people are our biggest asset. We did a study, and that’s not true. People came in number nine.” And Dilbert says:
“I’m afraid to ask what came in number eight.” The boss says: “Carbon paper.”

Here at the Haas Business School, we’re doing a survey of fund managers about what they look at to evaluate the value of a company, the return on assets, research spending and other factors. I asked to have some metrics regarding the value of people as organizational assets included in the survey. Things like job satisfaction, job turnover and retention, and training.

And these factors didn’t rank number nine with our survey participants. They ranked 17, 18, and 19 of 19 factors surveyed. People factors were ranked lower than corporate ethic statements in terms of importance in evaluating the value of a company.

In much of the world, the problem of investing in people who interact with customers, members, and borrowers, is a difficult proposition. Managers are under pressure to cut costs, to trim staff, to cut training, and to produce short-term shareholder returns at the expense of creating an organization that values outstanding service to members.

In many ways, you folks have an opportunity to create a bit of distance between short-term pressures and long term vision, to build great organizations that can do things better for your members. That’s both an opportunity and a challenge. The challenge is to educate executives who are not human resource focused. The challenge is to educate board members and the workforce alike. Incentives are one piece of the puzzle. They are important because they can motivate people, and because they are a driver of communication. When you tell people “this is what we’re paying for,” that’s a way of communicating your values and mission.
About the Presenters

BARBARA DAVIS

Barbara Davis has been Executive Vice President of Public Service Credit Union in Denver since 1981. She has received three consecutive Leaders in Lending Recognition awards. Davis’ contributions to Public Service include product enhancements, staff incentive programs and increasing loan volume. In addition to her Public Service position, Barbara has served as a board retreat facilitator, panelist for several credit union training seminars, and instructor for the Colorado Credit Union League. She also serves as the CEO for Credit Union Indirect Lending Association of Colorado. Davis received her B.S. in Business Administration with a minor in Computer Science from Regis College in Denver.

DAVID LEVINE

David Levine is an associate professor at the Haas School of Business at the University of California-Berkeley. He is also editor of the journal Industrial Relations, Associate Director of the Institute of Industrial Relations, and was the founding Director of Research at U.C. Berkeley’s Center for Organization and Human Relations Effectiveness. Levine’s research focuses on labor markets and workplaces. One stream of his research is summarized in Reinventing the Workplace (Brookings, 1995) and the co-edited volume The American Workplace: Skills, Pay and Employee Involvement (Cambridge University Press, 1999). His research determination of wages and inequality in the United State is summarized in Changes in Careers and Wage Structures at Large American Employers (with Dal Belman, Gary Charness, Erica Groshen, and K.C. O’Shaughnessy, Upjohn Institute, Kalamazoo, MI, 2001). Levine has taught at the Haas School since receiving his Ph.D. in economics from Harvard University in 1987. He has also had visiting positions at the Sloan School of Management at MIT, the U.S. Department of Labor, and the Council of Economic Advisors.
GARY J. OAKLAND

Gary J. Oakland has been President/CEO of Boeing Employees’ Credit Union (BECU) since 1986. He began his career with BECU in 1980 as Director of Finance, handling investments and planning. Gary current represents BECU and other credit unions on the board of directors of the National Association of State Credit Union Supervisors (NASCUS), the Washington Credit Union League, and TransAlliance. He is chairman of the Administrative Board of Filene Research Institute, and a trustee for the Trust for Credit Unions. Gary is a native of the state of Washington, graduating cum laude in economics from Washington State University. He spent a semester at the University of Aarhus in Denmark, studying comparative political and economic systems. In addition to numerous industry educational programs, he is a graduate of the Advanced Management Program at Duke University Fuqua School of Business.

JOHN TIPPETS

John Tippets has been President of American Airlines FCU since 1991, a period during which the credit union grew to approximately $3 billion in assets and $1.6 billion in loans outstanding. Prior to 1991, Tippets served for 10 years on the AAFCU Board of Directors. John holds B.A. and Masters in Business from U.C.L.A. He has been active in the credit union community serving terms on the NAFCU Regulatory and Legislative Affairs Committees; the CUNA Task Force and Renewal Project, the National Credit Union Values Campaign, and the Williamsburg Group. He served a term with the Federal Reserve Board of Governors Thrift Institutions Advisory Council, and is presently a Director of PULSE, the ATM Network serving banks, thrifts and credit unions throughout the south, west and central regions of the U.S.
Participants in the Colloquium

**MARCH 29-30, 2001**

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The Burbank Federal Credit Union  
Burbank, CA

Barbara Berghoff  
Professional Federal Credit Union  
Fort Wayne, IN

Bashkar D. Biswas  
Joint HR Consulting LLC  
Madison, WI

Nancy Blackstock  
Atchison Village Credit Union  
Richmond, CA

Deborah L. Bluemer  
Sierra Schools Credit Union  
Reno, NV

Len Broderick  
Tremont Credit Union  
Braintree, MA

Barbara Casper  
TRW Systems Federal Credit Union  
Hawthorn, CA

Robert R. Clunie  
Star One Credit Union  
Sunnyvale, CA

Toni Daniels  
Hughes Employee Federal Credit Union  
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Lockheed Georgia Employees’ Credit Union

Olin F. “Rick” Craig, President/CEO
America First Credit Union

Mary T. Cunningham, President
USA Federal Credit Union

Paula A. Edwards, President/CEO
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Ent Federal Credit Union

Michael Hale, President/CEO
Andrews Federal Credit Union

Frederick D. Healey, President/CEO
Workers’ Credit Union

Holly E. Herman, President/CEO
Kraft Foods Federal Credit Union

Robert W. Hoefer, President/CEO
Dupaco Community Credit Union

Hubert H. Hoosman, President/CEO
Educational Employees Credit Union

Daniel R. Kampen, President/CEO
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Timothy R. Kramer, President/CEO
AEA Credit Union

Harriet B. May, President/CEO
Government Employees Credit Union of El Paso

John M. May, President/CEO
Texas Dow Employees Credit Union

Brian L. McDonnell, President
Navy Federal Credit Union

Dennis E. Pierce, President/CEO
CommunityAmerica Credit Union
Russell M. Plunkett, President
St. Paul Postal Employees Credit Union

J. Alan Pughes, President
Community One Federal Credit Union

Vincent Rojas, Jr., President
Kern Schools Federal Credit Union

Thomas E. Sargent, President/CEO
First Technology Federal Credit Union

Marcus B. Schaefer, President/CEO
Truliant Federal Credit Union

Jack Sheets, President/CEO
Elkhart County Farm Bureau Credit Union

Gregory A. Smith, President/CEO
Pennsylvania State Employees Credit Union

Juri Valdov, President/CEO
Northwest Federal Credit Union

David Vigren, President/CEO
ESL Federal Credit Union

Stephan L. Winninger, President
State Employees Credit Union

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