Employee benefits: Out-of-control liability or potentially valuable asset?

Credit unions of all sizes are faced with a difficult reality:

flat, even shrinking, margins and higher operating expenses—especially those associated with employee benefits. But as Return on Assets (ROA) earnings struggle to keep pace with operating expenses, many credit unions are faced with a benefits-funding gap that could negatively impact their financial performance.

Employee benefits make up a large part of every credit union’s operating expenses. Smart business dictates cutting such benefits, right? Wrong. In today’s increasingly competitive labor market, benefits packages have the power to attract, reward, and retain the very best and brightest employees—or could lead to their untimely exit from your organization.

For most credit unions, trimming employee benefits is just not a viable option. But how can responsible credit unions keep their benefits packages strong and attractive when faced with rising costs and continued pressure on ROA? With a Total Benefits Pre-Funding Program from CUNA Mutual Group.

CHALLENGE #1:
The Best Employees Expect Benefits to Match.
Employee benefits have moved from the “fringe” to become a core part of every compensation package. Reduce them and you lessen your ability to attract, reward, and retain your most valuable employees.

CHALLENGE #2:
Traditional Benefits Funding is Less Effective Than Ever Before.
The power of old employee benefits funding strategies has been far outstripped by the increased speed of their fast-growing expenses. What worked before has become much less effective—but what new strategy is capable of overcoming the increased pressure on ROA?

CHALLENGE #3:
Undermining Safety, Soundness, and Compliance is Not an Option.
Any new funding strategy must adhere rigorously to National Credit Union Administration (NCUA) standards while taking advantage of every new opportunity. The real question: How can credit unions balance the need for compliance and soundness with the possibility of higher, more reliable returns?
The Total Benefits Pre-Funding concept: Balancing confidence and compliance with reliability and return.

When the NCUA decided to help mitigate the pressure of continually increasing benefit costs, it expanded credit unions' investment options by allowing them to use formerly "impermissible investments" to offset potential employee benefit obligations.

The NCUA has traditionally offered relief from this restriction when the investment was used to offset future benefit obligations such as:

- Defined benefit (Pension) plan investments
- Post-retiree health benefit plan funding (FASB 106)
- 457(f) non-qualified deferred compensation arrangements for executives

Now, through expanded language, the NCUA has offered credit unions the ability to expand the use of these types of investments to offset future potential employee benefit obligations, including:

- Future defined benefit plan contributions
- 401(k) match contributions
- Employee life insurance expenses
- Employee health insurance expenses
- Deductible long- and short-term disability expenses

Total Benefits Pre-Funding from CUNA Mutual Group allows you to take advantage of NCUA rule changes effectively, efficiently and responsibly.

Safety and soundness are priority #1.

Our Total Benefits Pre-Funding Program (TBPF) is customized to each credit union's benefit obligation and integrates into your ALM and balance sheet framework to ensure safety and soundness.

Regulatory compliance confidence.

Any regulatory change can introduce compliance concerns, particularly when it comes to employee benefits. With CUNA Mutual Group's unparalleled compliance expertise and program documentation, you can rest assured that we will help you keep your TBPF Program financially and legally sound—even as regulatory conditions continue to evolve.

Funding options let you balance security, growth, and cost containment

Choose the TBPF program that best meets your credit union's needs. Options include:

- Managed Account Program—delivers optimum funding flexibility
- Variable Annuity and Variable Life—designed to help balance your desire for security and growth
- Corporate Owned Life Insurance (COLI)—helps ensure stability

Total Benefits Pre-Funding is an innovative solution for many of the challenges credit unions are facing today.

For more information on how Total Benefits Pre-Funding can work for your credit union, contact your CUNA Mutual Group Executive Benefits Specialist or our Service Center at 800.356.2644, ext. 665.1035 or visit www.cunamutual.com/executivebenefits

CUNA Mutual Group is the marketing name of CUNA Mutual Holding Company, its affiliates and subsidiaries. Our insurance, retirement and investment products provide financial security and protection to credit unions and their members worldwide. With more than 75 years of true market commitment, CUNA Mutual Group's vision is unwavering: To be a trusted business partner who delivers service excellence through customer-focused products and market-driven insight.

Visit www.cunamutual.com/executivebenefits or call 800.356.2644, ext. 665.1035, for more information.

CUNA Mutual Group
P.O. Box 391
5910 Mineral Point Road
Madison, WI 53701-0391
800.356.2644
www.cunamutual.com

CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates.

CUNA Mutual Group Proprietary and Confidential. Further Reproduction, Adaptation, or Distribution Prohibited.

EXBEN-0213-C24A © CUNA Mutual Group, 2013 All Rights Reserved.