

Career Ladder Stymied As Execs Hold Off On Retirement Plans

By Joyce Moed, Reporter

DALLAS—Though CEOs and other credit union executives are holding off on their retirement plans, boards still need to be ready to fill those top slots—and make tough decisions when CEO asks to put off retirement.

“If CEOs will be staying on, they must maintain their leadership effectiveness, keep up their learning curve, and really think outside the box, and be innovative because old paradigms will not fit the new reality business landscape,” said John Vardallas, CEO/founder of TheAmerican-Boomer Group in Madison, Wis.

Vardallas said that succession planning will be affected because boards will be—and should be—looking for new leaders to cope with change, and steer the credit union away from “same old same old strategies.”

“There will also be some frustration from the second in commands or wannabes because they will have to wait their turn for the top,” he said. “If you’re going to be delaying leaving, that’s going to affect everyone. People are going to have to delay moving into the top spot.”

That means credit union boards and CEOs have to be careful about how delaying retirement is addressed with respect to the would-be successors.

“Give them more responsibility,” he said. “Let them know the organization still has faith in them. This is not a slap in the face.”

Be Prepared For Potential Fall-Out

And be prepared for the potential fall-out should the top dog decide to stick around a while longer. “Credit unions should always be prepared for the ‘what if’ so as to not interrupt operations,” said Karen Houston, vice president on OnBalance, a service of Credit Union Resources Inc. She added that once a succession plan has been created, it must be re-visited annually.

But potential successors also need to remember that other credit unions—and banks—may be freezing salaries and/or benefits, Vardallas noted.

“That’s the reality,” he said. “The workplace is different now. I think most people get this. Attitudes are going to have to change. What do they have to contribute to the credit union? Compensation packages are going to change in the credit union movement. The million dollar packages—the dollars aren’t there. I think you’re going to see some adjustment. The president is saying that no CEO should be making more than 500k.”

Alec Berkman, chairman of Executive Compensation Solutions, agrees that delays in retirement does affect retention.

“There is also the risk of losing some future leaders because they see what they perceive to be better opportunities outside,” he said. “We are

convinced that continuity and succession planning has to be strategic. The regulatory agencies consider continuity and succession the primary responsibility of a credit union’s board. Personally, I think the landscape is the same, but there certainly is rationale for holding off on new commitments to people resources. We have heard of several credit unions that have invoked hiring and salary freezes.”

Vardallas said that some CEOs will be asking boards to delay retirement “due to the 35% to 40% losses in most 401k retirement benefit programs.” This can also impact recruitment, he said.

Career Ladder Will Be Stymied

“This will affect recruitment because CEOs will be staying longer and the upward mobility career ladder in credit unions will be stymied,” he said. “The key issue is whether these CEOs are and will remain competent. If they have been on the marginal side in terms of their performance—i.e. just waiting to retire—this will hamper the progress of the credit union to deal with the economic challenges we are facing today.”

Vardallas said that when credit unions bring on someone new, they should tell the new employee about jobs on which they can contribute, and the opportunity for experience and development they

will gain, instead of promising promotions.

On the up side, Charles Shanley, executive search director with JMFA Executive Search Group in Baytown, Texas, said that while recruitment and retention will be affected, they will not be affected long-term. “Just short-term,” he said, “a year or two.”

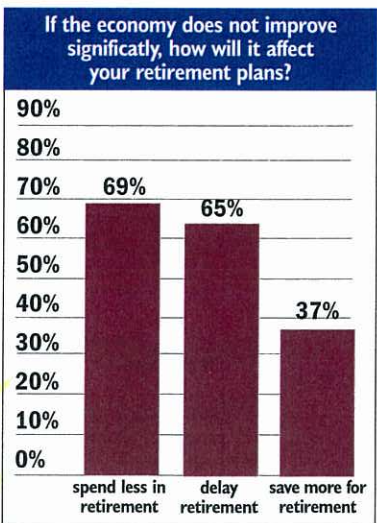
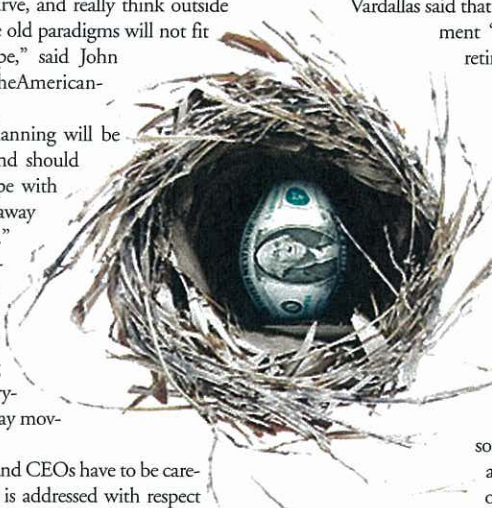
Shanley also noted that even if second-in-commands are frustrated by the plans of moving up the corporate ladder being delayed, they are still holding onto their current jobs. “If your credit union is doing well, it’s not the best time to think about leaving,” he said.

“Also, there are some cases of suggestions to retire early,” Shanley added. “This speeds up the recession plan. We are really seeing it both different ways.”

Diana Wozniak, human resource manager for Tampa Bay FCU, in Fla., and member of the executive committee of CUNA’s HR/TD Council, said that although the CU’s CEO has not changed his 2014 retirement plans, “if he did, it would affect recruitment to the extent of those we had identified in our succession plan as desirable candidates.”

Wozniak said it would also cause an effect in retention.

“If dates are pushed back, associates who desire the CEO position might seek to leave to obtain a CEO position faster somewhere else,” she explained. “If retirement is delayed it shouldn’t change your core plan, but it certainly has an impact on associates currently worked toward that position.”



If your credit union is doing well, it’s not the best time to think about leaving. Also, there are some cases of suggestions to retire early.
—Charles Shanley

We have heard of several credit unions that have invoked hiring and salary freezes.
—Alec Berkman



If dates are pushed back, associates who desire the CEO position might seek to leave to obtain a CEO position faster somewhere else.
—Diana Wozniak