

How Executive Benefits Servicing Can Make or Break Your Succession Plan

Wed, May 15, 2024

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Liz Santos 00:24

Hi, I'm Liz Santos with Gallagher executive benefits. Thank you for joining today's session, how executive benefits servicing can make or break your succession plan. Once a credit union makes the strategic decision to make retention a priority, they are focused on succession planning, and design and the cost of the benefit. What's so easy to overlook is servicing. Specifically, does their benefits provider have the optimal servicing model, or their executive benefits program? I'm joined by my dear friend and colleague, Matt Jacobowsky, recently presented on this topic at a CUES conference. We're going to explore some of those key points here are our online audience. Welcome, Matt.

Matt Jakubowski 01:13

Thank you, Liz. We're grateful for our partnership with CUES in the many relationships before it's from it. So looking forward to help and educate some folks today.

Liz Santos 01:22

So let's jump right into it. What does servicing model mean, for an executive benefits programs?

Matt Jakubowski 01:27

Cheryl is good question. And it's a it's a loaded topic, right? Because, you know, what often goes overlooked, like you mentioned in your opening is what happens after the implementation of an executive benefit plan, whether it be a poor 57, or split dollar plan, there, candidly, is so much that needs to go into it. And most of the important and relevant days in any of these plans exist far beyond implementation. So the checklist of what's needed is quite robust. I'm going to hit on some of the highlights. But, you know, if you think accounting is a big piece of it, and what it means to the balance sheet of the credit union, compliance is key. Right? You know, regulators may have some questions about these plans, and, and the why, and the how much and much of that needs to be easily accessible when an examiner is in your office and knocking on your door. And then also just the ongoing monitoring of plant design, and plant performance, a lot changes as we know, and we're experiencing, so you need to make sure that these plants continue to meet their purpose. Because what we do on day one is not always what needs to be done in the future. So continued monitoring and support is key for the success of these plans. And the success means a lot of things to a lot of different parties. As you all know,

Liz Santos 02:50

that's a good point, there are a lot of changes, especially with regulatory compliance requirements for due diligence, changes in the competitive landscape, as well as in the market and you need a good partner to see you through all of those changes. Very goodly.

Matt Jakubowski 03:06

Yeah, we're living in a huge, huge wave of change right now over the last few years.

Liz Santos 03:12

So why is it that a credit union can't just assume that their benefits partner has an audit, adequate servicing model?

Matt Jakubowski 03:20

A part of it lives, I think, is a failure in the process, right? There's, there's a lot of attention and excitement around implementation of a plan, right? That's when we're putting our creative hats on. And we're looking at our options and looking at the various financial impacts and potential plan designs. And, you know, there's some attraction to that portion of the process. And, and candidly, it's when the vendor and consultants typically make their most money in the process of implementing these plans, that it kind of stops the board from thinking about what happens next, or stops the executive team from asking. Okay, great day one was wonderful. What does the rest of the life of this plan look like? So, you know, really, I think that as the industry matures, and we see these plans become more commonplace like they are today, we'll start to see more attention and, and higher demand from the credit union side on what's expected of partners like us, as we're consulting, designing, implementing and administering these executive benefit plans.

Liz Santos 04:23

Very good. It sounds like there are a lot of risks involved, not just during the design process, but certainly after. So knowing that, what top three features should credit unions insist upon?

Matt Jakubowski 04:39

Sure. And that is a hard question was because I'm sure I could take more than 10 minutes trying to figure out the answer to it. But, you know, I think of the top three, you know, obviously, their compliance and the way that we are, you know, working in conjunction with our regulators is important for the success of the industry. And these plans can be Pretty strong and impactful financial commitments, so ensuring they're in compliance with different rules and regs, accounting rules and things like that is really important. So I guess what comes to mind first is asking vendors, you know, are are your admin folks and this people that are supporting these plans moving forward? Are they part of your team or not? You know, in some cases, you may hear of vendors or consultants saying, Oh, well, the life insurance company will handle that for you, or here's a nice one 800 number you can call to take care of that issue. But when it's in house staff and House Administration, there's more ownership and respect from that of the consultant to serve your plan well into the future. So I think that's a big question. You know, secondly, much like credit unions being asked to be more tech savvy, and more member friendly, you know, having some sort of online platform that is safe, secure, and maybe has some protections about it, that, you know, are easily accessible for the participants of the plan, and then also the folks at the credit union that need to do the accounting and compliance. I think that's

important. And then, you know, lastly, and this is not as technical is but asking the firm, what is their longevity in existence in this space, and what their succession plan is, because let's face it live, there's a lot of plans you and I are doing today and tomorrow, that we may not be around to see the end of right these, these are till death do us part commitments, in many cases. So challenging your consulting firm to have a succession plan, just like the credit union does, I think is a really key point in the decision making process.

Liz Santos 06:40

You know, especially for credit unions, who the vast majority of them do have online banking, it's so easy to take for granted that your executive benefits partner has an online platform. I mean, that almost seems like a given. But it's actually a unicorn in our industry. You know, there are platforms that are merely repositories for PDFs. And then there are other platforms that have on demand reporting that hosts your legal and financial documents where you can pull down values at any time. So you know, not all online, platforms are created equal share,

Matt Jakubowski 07:20

and let's think about the strength of a regulator in the office of the CFO or CEO asking a question around compliance. And that CFO or CEO, quite literally being able to pull out a compliance manual that has every answer to any question that could come up, and then also saying, Hey, would you like access to our online platform? For a day to be able to answer all these questions and see live? How we're monitoring the safety and soundness of these plans? That's, that's gonna get garner some respect from the regulator side of the house. I

Liz Santos 07:51

agree, it's pretty powerful to have all that information, all in one place. Good stuff. So if a credit union already has an executive, an existing executive benefits program, is it too late to evaluate their surfacing?

Matt Jakubowski 08:09

No, and for their sake, I wish they had had the chance or knowledge to do it before because it does certainly make the process a little less cumbersome. But once you have a plan in place, it's so worth evaluating, you know, annually or every few years, whether or not you feel you're getting the support you need. You know, you never know when an issue is going to come up. One of the executive benefit plan and the definition of issue with executive benefit plan is wide and far. So you don't always know what is going to come until it knocks on your front door. But being able to evaluate it after and asking other vendors to come in and say, Hey, what does your service platform look like? You know, what would it look like for you to take over and support this moving forward? As we implement future plans? Are we trying to enhance the ones we have now, you're certainly still in a good place to do that even after a plan is put in place.

Liz Santos 09:00

On chances are the credit union has some sort of vendor management program in place where they periodically review the vendors capabilities, update their due diligence materials, and it's just a good

practice because things change so quickly in the financial services market, that adding your executive benefits program to that due diligence review certainly makes a lot of sense.

Matt Jakubowski 09:28

Sure, Liz, I think the message we've gotten as we've taken this idea across the country, from board members and executives alike, they've said so so basically, Matt and Liz, you're telling us to hold our vendor partners accountable, much like our members may hold us accountable. I think that's exactly right. You know, credit unions are continually to be challenged to do more innovate, make the process easier and smoother for members. Make them feel more at home by joining your credit union. Your vendor partners should do the same. Thanks. that thing and should constantly be challenging themselves internally to enhance processes to make things easier on the end user, which in this case, is you the credit union. So I think that's an easy takeaway, Liz, is, Hey, are we as a credit union challenging our vendor and consultant partners to, you know, innovate and improve, much like we are as a financial institution?

Liz Santos 10:23

Well, and frankly, there's so much at stake. I mean, it's the leadership continuity of your organization, and, you know, being good stewards of your memberships, assets. I mean, absolutely, you'd want to keep that, that program fine tuned. So you've shared a lot of good information with us. And, you know, as we close this out, can you share how a credit union can get started?

Matt Jakubowski 10:49

Sure, and there's probably three categories of getting started when it comes to this subject, right. There are still credit unions out there that haven't put these plans in place, and are still evaluating whether it's a worthwhile venture and investment for their organization. There, I'd say, you know, do your research, there's a lot of good data out there. And there's a lot of good reputable firms that support the credit union industry, very loyally, that I think can help educate you on the subject matter. But for those that have dipped their toe in the water, and have some of these plans, or even those that have quite a bit of dollars invested in these plans, you know, you can reach out to folks like us and say, Hey, what does your due diligence checklist look like? You know, what are your commitments to your clients coming on board? Because I really do think, Liz, as time evolves. And like I mentioned earlier, it's more commonplace for these plans to be utilized. I think a lot of these questions are going to be asked on the front end of the vendor and consultants, which means they're going to have to get their internal processes up to the quality that the clients are asking for. And, and honestly, the credit union industry deserves that lives. There's, there's been such a challenge. And, you know, pressure to retain leaders in the last decade or so with the crazy market changes, that now these plans are more common. So I expect that there's going to be tougher questions asked on the front end. And I hope that that is the case, because you the credit union industry deserve great consultants, much like the members in the community deserve great credit unions.

Liz Santos 12:20

Well, and asking more of your partners. I mean, that's, that's just a given. And they should be able to provide that, you know, we've, you know, we've done plan audits for credit unions in the past, we can also share sample RFP templates, you know, that credit unions can, you know, you know, learn from, I

think the point is that no question is too small when you work with your potential partner. You know, you would assume, for example, that folks have an on some sort of online platform, but not all do, you would assume that partners potential partners have multiple years of audited financials, and they may or may not? So, you know, some of these things that we take for granted are, you know, there's no question too small, and credit unions within their due diligence should be asking those questions. So that's super helpful. I know we just scratched the surface. I mean, you can talk about this subject for hours. I know you've worked with clients across the country, and helping them convert their plans. So this has been super helpful for our audience. If you would like more information, please feel free to reach out. We're always happy to share checklists, templates, any knowledge that we have. Thank you