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2024

COMMUNITY BANK EXECUTIVE BENEFITS SURVEY REPORT

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2024 COMMUNITY BANK EXECUTIVE BENEFITS SURVEY REPORT

Our 2024 survey provides a comprehensive overview of executive benefit trends within the banking industry, focusing on community banks. As community banks face evolving regulatory requirements, economic shifts, and increased competitive pressures, understanding and optimizing executive benefit programs has become more important than ever. This survey provides key insights into the prevalence and structure of nonqualified retirement benefit plans, including Deferred Compensation, Supplemental Executive Retirement Plans (SERPs), and Long-Term Incentive Plans (LTIPs).

We analyzed responses from 199 executives across 66 banks, with a concentration in New England, offering insights into diverse compensation strategies. The data, collected through structured questionnaires, provides a reliable snapshot of current practices in executive benefits.

This report examines key aspects of executive benefits, including nonqualified plans by bank size and executive roles, voluntary deferred compensation, and director benefits. It is intended to help community banks enhance their executive benefit offerings through data-driven strategies, ensuring they attract, retain, and reward top talent in a competitive landscape.

As the banking environment evolves, this survey equips financial institutions with valuable insights to strategically manage executive compensation.

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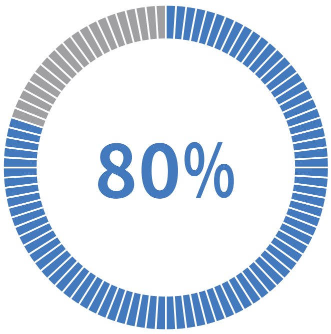
Prevalence of Nonqualified Plans:



80% of banks offer nonqualified retirement benefit plans, including Deferred Compensation and Supplemental Executive Retirement Plans (SERPs).

4% of banks are considering implementing nonqualified retirement benefit plans.

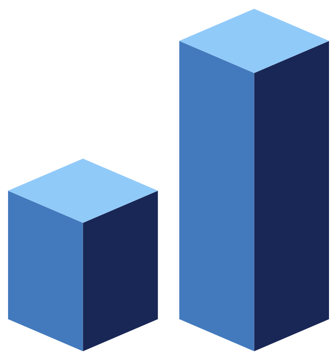
Top Implementation Reasons:

#1 To provide a **retention strategy** for key executives.
#2 To **reward executives** for individual and company performance.
#3 To provide competitive incentive programs to **recruit new talent**.
#4 To **replace benefits lost** by qualified plan tax limitations.

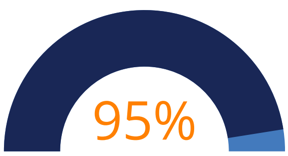
Defined Benefit vs. Defined Contribution:

67% of banks offer defined benefit plans, which are more common with legacy plans.

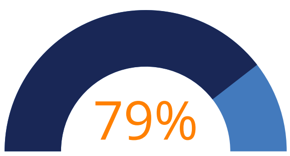
42% of banks offer defined contribution plans, which are more popular with new plans.



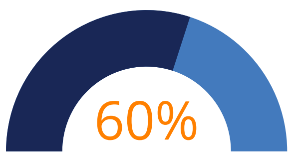
Plan Design Trends:



Defined Benefit Plans offered to CEOs

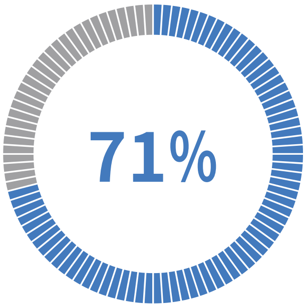


Defined Contribution Plans offered to CEOs



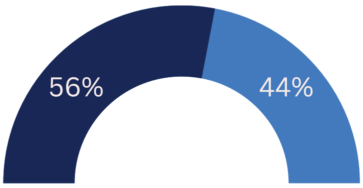
Defined Contribution Plans offered to CFOs

Plan Design and Income Replacement:

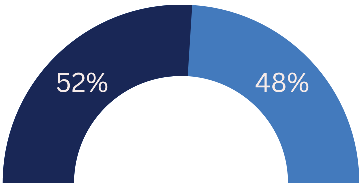


71% of banks use a percentage of final compensation to create their plan design, an increase of **3%** from the previous year. The final benefit provided is inclusive of employer provided qualified plans and Social Security.

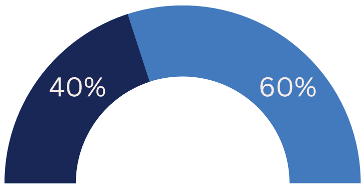
Total or Base Salary Calculations:



Chief Executive Officer



Chief Financial Officer



Other Positions*

Total

Base

Target Income Replacement Percentages by Position:

Chief Executive Officer
60-75%

Chief Financial Officer
60-65%

Other Positions*
50-60%

**Other positions include: Chief Operating Officer, Chief Lending Officer, Chief Human Resources Officer and Chief Information Officer.*

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Retirement Age:

65

65 is the most common retirement age.

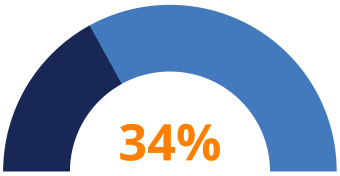
New retirement plans show executives, particularly those in the later stages of their careers, are retiring later, often **beyond age 65.**

Top Forms of Payout:

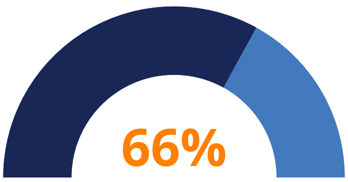
1. Lump Sum
2. Period Certain
3. Life w/ Period Certain

Vesting Trends:

34% vests from **date of hire**

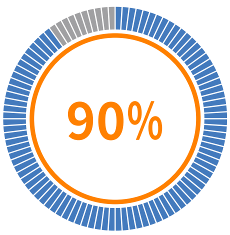


66% vests from **date of participation**

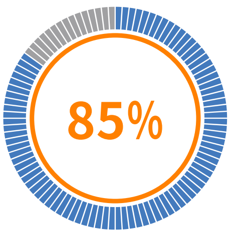


- For executives *under* age 55, a **10-15 year** vesting schedule is common.
- For those *over* age 55, a **10-year** schedule is typical.
- Most new plans are structured with an initial **3-5 year** period where benefits are **0% vested**.

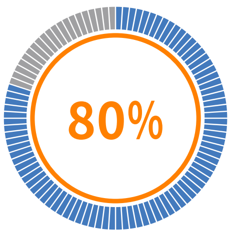
Common Agreement Provisions:



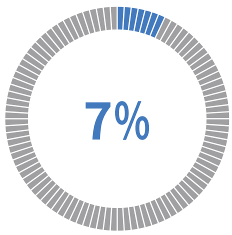
Death & Disability



Change of Control



Cause



Rabbi Trust *

*Rabbi Trusts are most prevalent in voluntary deferred compensation plans.

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Use of Long-Term Incentive Plans (LTIPs):

16%

16% of banks offer Long-Term Incentive Plans, a **3%** increase from 2023.

Top LTIP Payout Metrics:

- ROAA - 61%
- Net Income - 38%
- Efficiency Ratio - 30%

Payout & Vesting Trends:

LTIP payouts are most likely to occur **after 3 years**.

3+ years

Many banks allow fully vested LTIP payouts to be continually deferred in a compensation plan.

Target Percentage Range by Position:

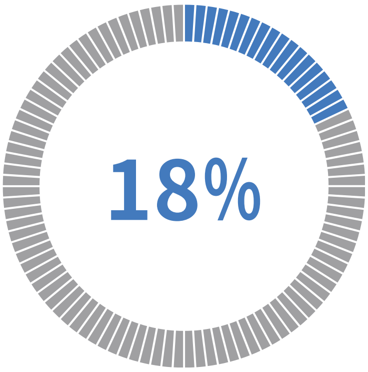
Chief Executive Officer
25-40%

Chief Financial Officer
18-30%

Other Positions*
5-15%

**Other positions include: Chief Operating Officer, Chief Lending Officer, Chief Human Resources Officer and Chief Information Officer.*

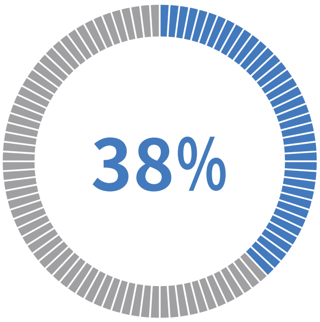
Voluntary Deferred Compensation:



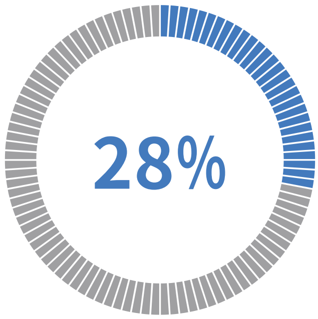
18% of banks offer executives the ability to voluntarily defer income on a pre-tax basis through a deferred compensation plan.

43% of these plans allow participants to invest deferred amounts in mutual funds or index funds, and **14%** in fixed-rate funds.

Director and Trustee Benefits:



38% of banks provide nonqualified retirement benefits to directors and trustees in the form of Fee Deferral and/or Long Term Care Insurance.



28% of banks offer a Bank-Provided Fee Continuation retirement plan.

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