

Never Having to Pay for Employee  
Benefits Again!



A close-up photograph of two people in business attire shaking hands. The person on the left is wearing a dark suit jacket, and the person on the right is wearing a light-colored shirt. The background is blurred, showing an office environment.

# Credit Union Benefit

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- Serving credit unions since 2013
- Approximately 30 Credit Unions Clients in 13 States
- Ranging in Assets size from \$25m to \$3B
- Multiple Strategic Partnerships
- \$200+ million in AUM
- Total Benefit Prefunding CUSO



# Agenda

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- State of the Credit Union
- Current Benefits Environment
- 701.19 Updates
- COLI/BOLI Pros and Cons
- Total Benefit Prefunding
- Final Tips & Takeaways



# INDUSTRY OUTLOOK

9014

*Federally Insured  
Credit Unions*

\$647M

*Total Credit Union  
Assets*

83.6M

*Credit Unions'  
Membership*

\$414M

*Outstanding Loans*

\$70.9M

*Aggregate Net  
Worth*

2004



# INDUSTRY OUTLOOK

4572	\$2.31T	140.4M	\$70.7B	\$245B
Federally Insured Credit Unions	Total Credit Union Assets	Credit Unions' Membership	Outstanding Loans	Aggregate Net Worth
49% ↓	356,932% ↑	1579% ↑	16,977% ↑	345,457% ↑

2024



With such growth, why has the industry lost so many credit unions?

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Top 4 reasons for credit union mergers-

1. Financial Performance
2. Member Experience
3. Competition
4. Technology





A close-up, profile shot of a Black man with a beard, looking out a window with a blurred cityscape in the background.

# Current Benefits Environment

“If you don’t create a great, rewarding place for people to work, they won’t do great work.” –Ari Weinzweig





STUDIES SHOW THAT :

*Happiness* MAKES PEOPLE  
**12% MORE PRODUCTIVE**

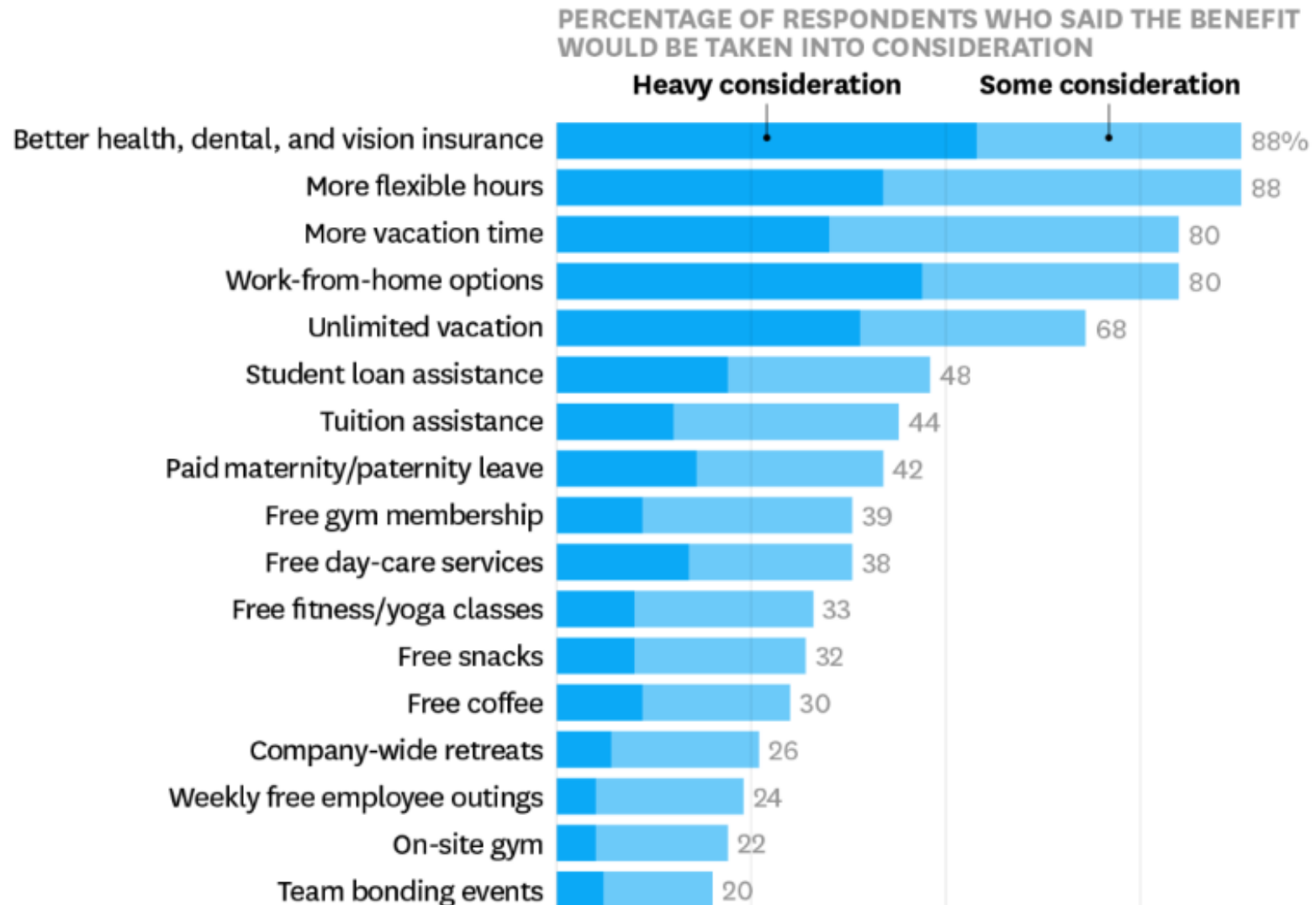
**UNHAPPY** WORKERS  
ARE **10% LESS PRODUCTIVE**





## Which Benefits Are Most Valued by Job Seekers?

When choosing between a high-paying job and a lower-paying one with better benefits, respondents said health insurance and flexible hours might tip them toward the latter.





A group of people are gathered around a whiteboard in a meeting. The whiteboard has handwritten notes: "hotel", "alcohol", "pool", and "Shopping". A woman in a brown sweater is looking at the whiteboard. A man in a grey sweater is also looking at the whiteboard. A woman in a black sweater is looking at the whiteboard. A woman in a light blue shirt is looking at the whiteboard. A woman in a white skirt is looking at the whiteboard.

# Employer Challenges

“Do you think money grows on trees?” –Every Employer and Parent Ever



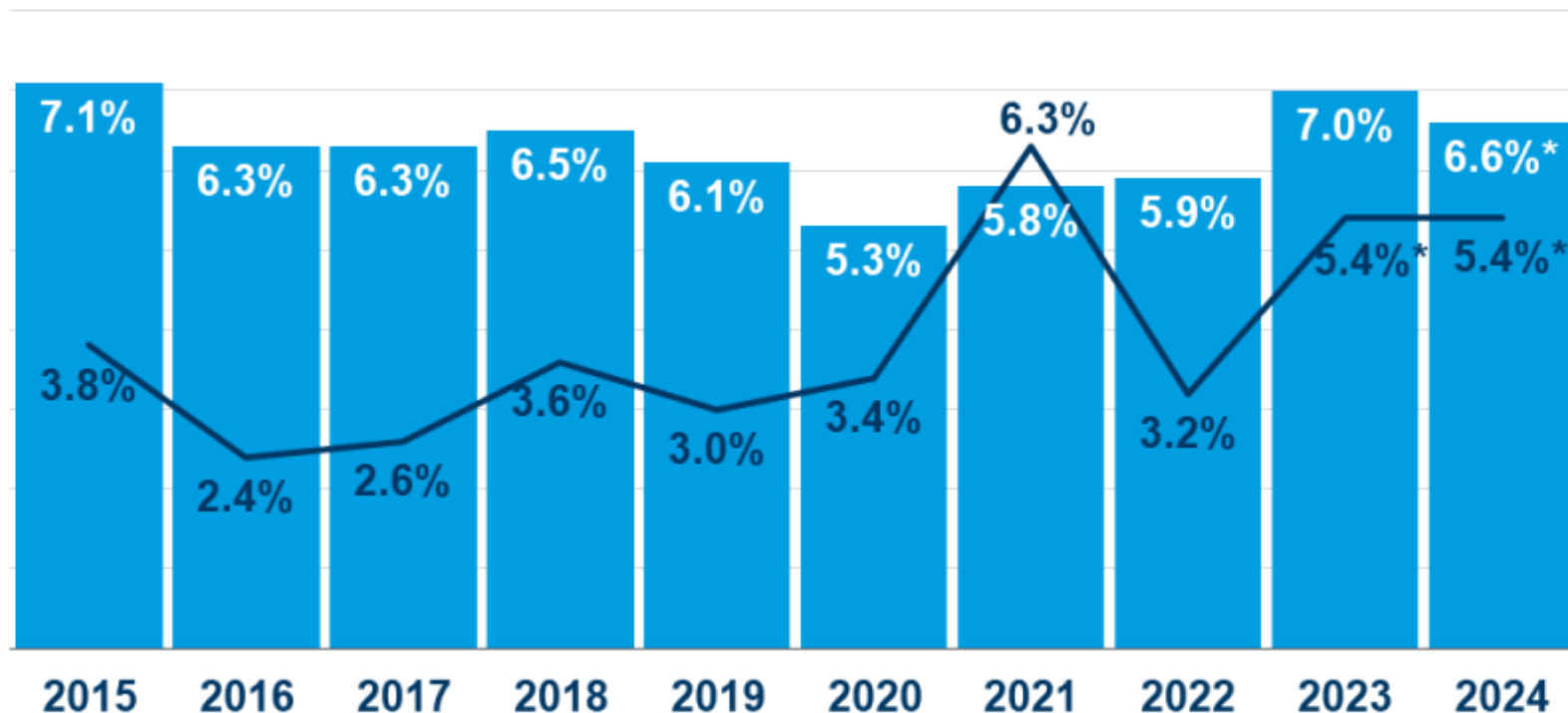
# Employee Benefit Inflation

**For 2024, the projected increase in health benefit cost is 6.6% before plan changes and 5.4% after plan changes**

**Estimated cost increase to renew health plans with no changes**

**Actual increase after health plan changes**

\*Projected  
2024 results are based on preliminary data.  
Beginning in 2020, results are based on employers with 50 or more employees.



Mercer National Survey of Employer-Sponsored Health Plans



# NCUA Solution- 701.19

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- 701.19 allows credit unions to fund investments that would normally be impermissible under 703, as long the gains are used to fund employee benefit obligations.
- This can include but is not limited to Health, Vision, Dental, Vacation, Sick/PTO Days, Holiday Pay, Life & Disability, LTC, Incentives, Retirement Plans, Training/Education, Travel/Conferences, Bonus, Board Incentives, and Executive Benefits.



# Traditional Solution- BOLI & COLI

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## PROS

- BOLI is a tax favored asset with returns like Muni Funds, Mortgage Backed Securities and 5 & 10 Year Treasuries
- Cash values grow tax-deferred (tax-free if held until death)
- Provides Death Benefit on insured that can be split among credit union and insured family

## CONS

- Higher fees because of commissions and cost of insurance
- Generally limited to executive benefits
- Limited to 25% of net worth without enhanced examinations
- Limited liquidity options without impacting guarantees on the policy



# Updated Solution- Total Benefit Prefunding

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- Allows the credit union to build an “endowment” to pay for all employee benefit cost into perpetuity.
- The “endowment’s” portfolio is customized to each credit unions goals, time horizon, and risk tolerance.
- Most plans have zero principal risk and zero market volatility.
- Allows most credit unions to have 100% of employee benefits paid for in under 10 years!



# Updated Solution- Total Benefit Prefunding

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## PROS

- Not limited to 25% of net worth
- Can be designed with zero principal risk and zero market volatility
- Historical returns in worst 10-year period are between 6%-8%
- Access to liquidity to pay for annual benefits
- Most plans have zero cost to maintain

## CONS

- Investment horizon 6-10 years
- Can have surrender charges depending on strategy used
- If your earnings are consistently higher than your benefit cost, you need to reduce principal or increase benefits being offered



Current Net Income \$839,090

Annual Employee Compensation/ Benefit Cost \$1,752,372

Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$613,330

Annual Employee compensation/ Benefit cost with Total Benefit Prefunding \$1,139,042

Net Income with Total Benefit Prefunding \$1,452,420

Net Income Percentage Increase with Total Benefit Prefunding 73%

Net Income



### In 5 Years (6% Inflation)

Annual Employee Compensation/ Benefit Cost \$2,345,069

Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$820,774

### In 10 Years (6% Inflation)

Annual Employee Compensation/ Benefit Cost \$3,138,231

Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$1,098,381

Employee Compensation/Benefit Cost



# Case Study #1

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# NON-GUARANTEED ANNUITY CONTRACT VALUES INDEX GROWTH PERIOD COMPARISON - MOST RECENT, HIGH, LOW

The Annual Effective Rates reflect initial allocations and application of current Index Strategy Rates to historical index returns, unless otherwise noted. The Accumulation Value reflects selected withdrawal activity.

**Annual Effective Rate Most Recent: 6.27%<sup>+</sup>**

**Annual Effective Rate Highest: 9.07%<sup>+</sup>**

**Annual Effective Rate Lowest: 5.46%<sup>+</sup>**

Contract Year	MOST RECENT		HIGHEST		LOWEST	
	Credited Interest Rate	Accumulation Value	Credited Interest Rate	Accumulation Value	Credited Interest Rate	Accumulation Value
At Issue		\$4,560,000		\$4,560,000		\$4,560,000
1	0.00%	\$4,560,000	0.00%	\$4,560,000	0.00%	\$4,560,000
2	4.40%	\$9,520,824	15.51%	\$10,534,284	2.58%	\$9,355,296
3	0.95%	\$14,214,204	8.84%	\$16,428,198	1.20%	\$14,081,850
4	14.53%	\$20,860,435	6.58%	\$21,771,514	8.38%	\$19,597,983
5	8.57%	\$21,742,837	4.81%	\$21,904,942	5.74%	\$19,894,918
6	9.95%	\$22,949,216	13.95%	\$23,961,540	6.12%	\$20,267,047
7	14.22%	\$25,164,615	10.85%	\$25,499,188	12.79%	\$21,944,996
8	10.21%	\$26,625,626	12.05%	\$27,427,851	11.37%	\$23,463,253
9	0.00%	\$25,560,601	8.96%	\$28,690,574	3.08%	\$23,218,042
10	1.33%	\$24,863,935	10.00%	\$30,296,423	4.07%	\$23,197,487
Annual Effective Rate 10 Years:		6.27%	Annual Effective Rate 10 Years:		9.07%	Annual Effective Rate 10 Years: 5.46%

Index	Highest Index Growth Period	Lowest Index Growth Period
S&P MARC 5% ER	12/31/2004 to 12/31/2014	12/31/2012 to 12/31/2022
Fidelity MFY 5% ER	12/31/2009 to 12/31/2019	12/31/2013 to 12/31/2023
S&P 500 Dynamic Intraday TCA	12/31/2011 to 12/31/2021	12/31/2006 to 12/31/2016
Nasdaq-100 Volatility Control 12%	12/31/2011 to 12/31/2021	12/31/2003 to 12/31/2013

## Case Study 1 14% Bonus on deposit

No Principal Risk  
No Market Volatility





This chart illustrates values based on the 10 most recent years of historical index performance, selected withdrawals, the initial allocation and current rates. Please refer to page 6 for Guaranteed Annuity Contract Values.

END OF YEAR	Youngest Annuitant Start Age/End Age	Premium	Annual Withdrawals <sup>1</sup> (Beginning of Year)	Accumulation Value/Death Benefit	Surrender Value <sup>^</sup>	Credited Interest Rate <sup>+</sup>
<b>At Issue</b>	<b>45</b>	\$4,000,000		\$4,560,000		
<b>1</b>	<b>45 / 46</b>	-	\$0	\$4,560,000	\$3,605,000	0.00%
<b>2</b>	<b>46 / 47</b>	\$4,000,000	\$0	\$9,520,824	\$7,428,575	4.40%
<b>3</b>	<b>47 / 48</b>	\$4,000,000	\$0	\$14,214,204	\$11,294,998	0.95%
<b>4</b>	<b>48 / 49</b>	\$4,000,000	\$0	\$20,860,435	\$17,367,252	14.53%
<b>5</b>	<b>49 / 50</b>	\$0	\$834,417	\$21,742,837	\$18,224,554	8.57%
<b>6</b>	<b>50 / 51</b>	\$0	\$869,713	\$22,949,216	\$19,623,787	9.95%
<b>7</b>	<b>51 / 52</b>	\$0	\$917,969	\$25,164,615	\$21,975,446	14.22%
<b>8</b>	<b>52 / 53</b>	\$0	\$1,006,585	\$26,625,626	\$23,669,832	10.21%
<b>9</b>	<b>53 / 54</b>	\$0	\$1,065,025	\$25,560,601	\$23,018,965	0.00%
<b>10</b>	<b>54 / 55</b>	\$0	\$1,022,424	\$24,863,935	\$22,780,738	1.33%
<b>11</b>	<b>55 / 56</b>	\$0	\$994,557	\$25,001,832	\$23,329,758	4.74%
<b>12</b>	<b>56 / 57</b>	\$0	\$1,000,073	\$25,972,081	\$24,688,918	8.21%
<b>13</b>	<b>57 / 58</b>	\$0	\$1,038,883	\$26,091,765	\$25,233,930	4.65%
<b>14</b>	<b>58 / 59</b>	\$0	\$1,043,671	\$27,154,753	\$27,154,753	8.41%
<b>15</b>	<b>59 / 60</b>	\$0	\$1,086,190	\$27,254,107	\$27,254,107	4.55%
<b>16</b>	<b>60 / 61</b>	\$0	\$1,090,164	\$28,418,038	\$28,418,038	8.62%
<b>17</b>	<b>61 / 62</b>	\$0	\$1,136,722	\$28,494,728	\$28,494,728	4.45%
<b>18</b>	<b>62 / 63</b>	\$0	\$1,139,789	\$29,768,578	\$29,768,578	8.82%
<b>19</b>	<b>63 / 64</b>	\$0	\$1,190,743	\$29,820,038	\$29,820,038	4.35%
<b>20</b>	<b>64 / 65</b>	\$0	\$1,192,802	\$31,213,623	\$31,213,623	9.03%
<b>30</b>	<b>74 / 75</b>	\$0	\$1,519,426	\$40,161,051	\$40,161,051	10.13%
<b>70</b>	<b>114 / 115</b>	\$0	\$5,198,563	\$142,986,632	\$142,986,632	14.60%
<b>Total Withdrawals:</b>		<b>First 30 Yrs: Cumulative:</b>	<b>\$30,436,664 \$150,716,597</b>			<b>6.27%+</b>

# Case Study 1

## 14% Bonus on deposit



No Principal Risk  
No Market Volatility



Current Net Income \$1,894,012

Annual Employee Compensation/ Benefit Cost \$21,092,342

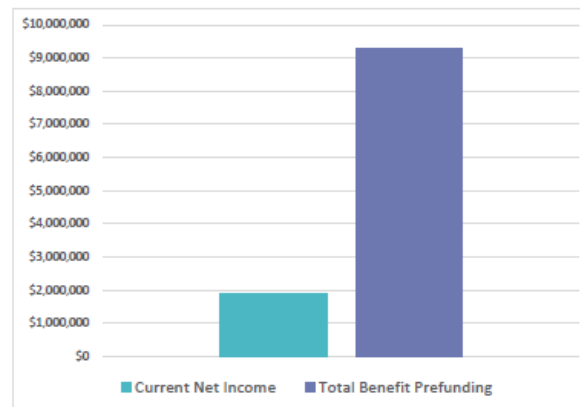
Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$7,382,320

Annual Employee compensation/ Benefit cost with Total Benefit Prefunding \$13,710,022

Net Income with Total Benefit Prefunding \$9,276,332

Net Income Percentage Increase with Total Benefit Prefunding 390%

Net Income



### In 5 Years (6% Inflation)

Annual Employee Compensation/ Benefit Cost \$28,226,312

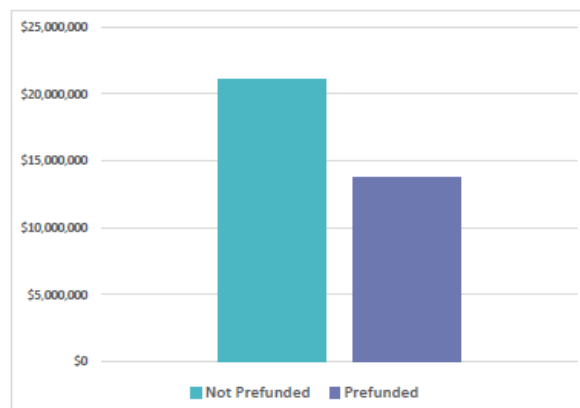
Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$9,879,209

### In 10 Years (6% Inflation)

Annual Employee Compensation/ Benefit Cost \$37,773,172

Savings on employee compensation/ Benefit with Total Benefit Prefunding (35%) \$13,220,610

Employee Compensation/Benefit Cost



# Case Study #2

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# NON-GUARANTEED ANNUITY CONTRACT VALUES INDEX GROWTH PERIOD COMPARISON - MOST RECENT, HIGH, LOW

The Annual Effective Rates reflect initial allocations and application of current Index Strategy Rates to historical index returns, unless otherwise noted. The Accumulation Value reflects selected withdrawal activity.

**Annual Effective Rate Most Recent: 8.32%<sup>+</sup>**

**Annual Effective Rate Highest: 12.33%<sup>+</sup>**

**Annual Effective Rate Lowest: 7.36%<sup>+</sup>**

Contract Year	MOST RECENT		HIGHEST		LOWEST	
	Credited Interest Rate	Accumulation Value	Credited Interest Rate	Accumulation Value	Credited Interest Rate	Accumulation Value
At Issue		\$24,000,000		\$24,000,000		\$24,000,000
1	0.00%	\$24,000,000	0.00%	\$24,000,000	0.00%	\$24,000,000
2	6.28%	\$51,013,200	21.69%	\$58,409,400	3.86%	\$49,850,400
3	1.36%	\$76,032,600	11.96%	\$92,266,200	1.74%	\$75,135,600
4	19.84%	\$119,879,131	9.34%	\$127,123,319	11.41%	\$110,444,846
5	9.62%	\$157,721,730	6.09%	\$160,333,720	6.87%	\$143,687,218
6	13.60%	\$206,441,062	18.92%	\$219,207,323	8.57%	\$182,058,594
7	19.96%	\$232,789,689	15.01%	\$236,979,319	18.03%	\$201,992,871
8	13.37%	\$248,068,664	16.80%	\$260,189,565	15.16%	\$218,666,207
9	0.00%	\$233,184,544	11.79%	\$273,416,259	4.41%	\$214,620,384
10	1.72%	\$222,972,162	13.28%	\$291,146,110	4.95%	\$211,739,228
Annual Effective Rate 10 Years:		8.32%	Annual Effective Rate 10 Years:		12.33%	Annual Effective Rate 10 Years: 7.36%

Index	Highest Index Growth Period	Lowest Index Growth Period
S&P MARC 5% ER	12/31/2004 to 12/31/2014	12/31/2012 to 12/31/2022
Fidelity MFY 5% ER	12/31/2009 to 12/31/2019	12/31/2013 to 12/31/2023
S&P 500 Dynamic Intraday TCA	12/31/2011 to 12/31/2021	12/31/2006 to 12/31/2016
Nasdaq-100 Volatility Control 12%	12/31/2011 to 12/31/2021	12/31/2003 to 12/31/2013

## Case Study 2



No Principal Risk  
No Market Volatility



This chart illustrates values based on the 10 most recent years of historical index performance, selected withdrawals, the initial allocation and current rates. Please refer to page 6 for Guaranteed Annuity Contract Values.

END OF YEAR	Youngest Annuitant Start Age/End Age	Premium	Annual Withdrawals <sup>1</sup> (Beginning of Year)	Accumulation Value/Death Benefit	Surrender Value ^	Credited Interest Rate*
At Issue	45	\$24,000,000		\$24,000,000		
1	45 / 46	-	\$0	\$24,000,000	\$21,840,000	0.00%
2	46 / 47	\$24,000,000	\$0	\$51,013,200	\$46,422,012	6.28%
3	47 / 48	\$24,000,000	\$0	\$76,032,600	\$69,873,959	1.36%
4	48 / 49	\$24,000,000	\$0	\$119,879,131	\$110,168,922	19.84%
5	49 / 50	\$24,000,000	\$0	\$157,721,730	\$146,365,766	9.62%
6	50 / 51	\$24,000,000	\$0	\$206,441,062	\$191,577,306	13.60%
7	51 / 52	\$0	\$12,386,464	\$232,789,689	\$216,494,411	19.96%
8	52 / 53	\$0	\$13,967,381	\$248,068,664	\$233,184,544	13.37%
9	53 / 54	\$0	\$14,884,120	\$233,184,544	\$223,857,162	0.00%
10	54 / 55	\$0	\$13,991,073	\$222,972,162	\$222,972,162	1.72%
11	55 / 56	\$0	\$13,378,330	\$223,259,084	\$223,259,084	6.52%
12	56 / 57	\$0	\$13,395,545	\$232,953,307	\$232,953,307	11.00%
13	57 / 58	\$0	\$13,977,198	\$232,823,444	\$232,823,444	6.32%
14	58 / 59	\$0	\$13,969,407	\$243,707,310	\$243,707,310	11.36%
15	59 / 60	\$0	\$14,622,439	\$243,118,937	\$243,118,937	6.13%
16	60 / 61	\$0	\$14,587,136	\$255,306,423	\$255,306,423	11.72%
17	61 / 62	\$0	\$15,318,385	\$254,213,598	\$254,213,598	5.93%
18	62 / 63	\$0	\$15,252,816	\$267,830,396	\$267,830,396	12.08%
19	63 / 64	\$0	\$16,069,824	\$266,182,519	\$266,182,519	5.73%
20	64 / 65	\$0	\$15,970,951	\$281,367,301	\$281,367,301	12.45%
30	74 / 75	\$0	\$20,542,068	\$368,034,991	\$368,034,991	14.36%
70	114 / 115	\$0	\$82,119,322	\$1,560,631,580	\$1,560,631,580	21.30%
Total Withdrawals:		First 30 Yrs: Cumulative:	\$388,578,468 \$2,178,570,715			8.32%+

# Case Study 2



No Principal Risk  
No Market Volatility



# Final Tips & Takeaways

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- To Recruit, Reward, Retain, and Retire the best employees, a robust benefit package is more important than ever!
- If designed correctly, a credit union can use 701.19 to pay for all their employee benefit cost.
- Because of fees and lower rates of return, COLI/BOLI is not the most efficient investment to pay for employee or executive benefits.
- TBP can be designed with zero principal risk and zero market volatility.
- TBP can allow a credit union to fully fund their employee benefits into perpetuity!





# Thank you

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