CPA Practice **Advisor**

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Aug. 27, 2013

The average increase in salaries for officers and non-financial leaders at banks in the U.S. have settled at about 2.5 percent for the third year in a row, as reported in the Crowe Horwath LLP 2013 Comprehensive Financial Institutions Compensation Survey.

Crowe, one of the largest public accounting and consulting firms in the U.S., conducts the annual survey, now in its 32nd year. Findings from the survey, which compiled data from 293 financial institutions, indicate marketplace stability as actual salary increases closely match the projected increases. The survey shows salary benchmarks for 228 job positions.

Employee turnover levels, after declining during the recession, have rebounded. Officer turnover at smaller banks (those with assets less than \$1 billion) had spiked in recent years, but in 2013 was nearly 4 percent for both smaller and larger banks (those with more than \$1 billion in assets).

Nonofficer turnover has stabilized over the past three years, with turnover at larger banks averaging slightly more than 18 percent and turnover at smaller banks averaging 14.8 percent.

"While some of this turnover was driven by staff-reduction efforts, the greater majority was voluntary," said Tim Reimink, a senior consultant in Crowe's Performance practice. "This voluntary turnover reflects the recovery in the financial services industry as people feel more comfortable looking for a new job."

Residential mortgage loan officers had the highest four-year increase in average total compensation, which includes base salary and incentive bonus pay, at 35.6 percent.

In 2013, their average total compensation increased 7.7 percent even though their

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refinance their mortgages over the past few years.

Additional survey findings include:

A higher proportion of larger banks have pursued a compensation strategy at an above-market value over the past four years. In 2013, 15.4 percent of larger banks reported paying more than 10 percent higher than the average market rate, compared to 12 percent of smaller banks.

Reimink noted that larger banks might have a more sophisticated approach to acquiring talent and recognize how pay strategy can attract and retain top talent. In four of the past six years, larger banks have paid incentives at a higher percentage of base salary than smaller banks.

However, in 2013 the gap narrowed with larger banks paying incentives equal to nearly 14 percent of total base salary compared to 12.6 percent for smaller banks. Average total compensation for chief executive officers grew by only 1.7 percent in 2013.

"Given the challenges that banks have had in achieving meaningful profit growth because of the economy, squeezed lending margins and slow portfolio growth, it's not surprising that CEO compensation is also growing slowly," said Reimink.

Total compensation for chief credit officers is up 23.4 percent over the past four years, indicating that banks are still addressing their approaches to lending and willingness to take risks after the recession.

Chief human resource officers had the highest compensation change from 2012 to 2013, with an increase of nearly 13 percent in base salary and an increase of almost 12 percent in total compensation. Reimink hopes this is a continuing trend recognizing the importance of talent acquisition and development for future success.

Licensed investment representatives saw the biggest drop in one-year average base

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risen since 2009. "Sixty-five percent of banks are planning to contain their healthcare costs by passing some of the cost increases on to employees through an increase in deductibles, premiums and co-payments," said Pat Cole, a senior manager in Crowe's Tax practice who specializes in human resource consulting for financial institutions.

Finding, hiring, retaining and motivating the right employees have consistently been reported as the top human resource concerns for financial institutions for the past few years.

In addition to the national survey, Crowe prepared a regional compensation report for the Midwest, as well as state reports for Illinois, Indiana, New Jersey and Ohio. For more information, or to purchase the survey results, please visit www.crowehorwath.com/compsurvey.

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