

UPDATE

AN ELECTRONIC REPORT FROM THE CUNA HUMAN RESOURCE COUNCIL

CUNA HR COUNCIL CONFERENCE 2000

Mastering the Credit Union Workforce of the Future

It's almost here....
Don't miss the opportunity to attend the CUNA HR Council Conference being held in San Antonio, Texas from April 12-15, 2000!

"Corporate Culture 2000" is our theme. Together, we'll look at ways to energize our credit unions and stimulate our staffs for the new era that lies ahead.

You will have the chance to hear well known author/consultant Peter Block speak on "Raising Employee Performance Standards" and hear the "Southwest Airlines Story", as well as learn how to "Create the WOW Organization" ...plus several breakout sessions on timely subjects.

In addition, what would a HR Council Conference be without a little bit of fun? We



will visit the Diamond W Longhorn Ranch, for some good food, entertainment, dancing and a chance to let our hair down for a few hours...plus, see a Texas longhorn bull performing tricks on stage.

The setting is wonderful for learning and networking, with the famous San

Antonio Riverwalk right outside your hotel, and the chance to see old friends, meet some new friends, and share the great successes and ideas of many HR professionals in our industry.

So register now at www.cuna.org, select CUNA Councils and click on the CUNA HR Council icon. ♦

CHANGING FROM A SERVICE TO A SALES CULTURE

By Harris Plotkin

Although Congress has passed the bill, the war is not over. In fact, it has just started. Now that credit unions can aggressively pursue other members, banks will be even more committed than ever to try and retain their customers.

Over the last five years, some of our credit union clients have already become aggressive in switching from a service-oriented culture to

a sales-oriented culture. We've helped quite a few of them accomplish this through the use of our assessment tools and other services.

For one credit union client, we modified 26 hiring profiles to help change their positions from service-oriented to sales-oriented. This means that every employee a member is likely to encounter, from teller to loan officer to new membership person, is going to have a sales-

oriented attitude.

It's inevitable, when switching cultures, is that some people will be lost to the organization. It is unrealistic to expect every individual who was hired to provide service and adapt easily, or at all, to a sales-oriented position. To address this, some of our clients plan on giving their employees several years to change themselves to a more sales-oriented individual. It's likely that one-third will not be able to change, one third will have little trouble changing, and one third will change, but with difficulty.

However, opportunity does exist for people to change their spots. Personality modification programs have proven they are effective, and can help people become more assertive, more sensitive, more or less competitive—whatever is needed. It is the same as losing weight or quitting smoking. It's not easy, but it can be done if a person is dedicated to making changes.

I am a good example of changing one's personality. Twenty years ago I had a heart attack, primarily because I was a hostile, "Type A", very difficult person. I always got the job done, but I left a trail of dead bodies along the way. I did not want to suffer another heart attack, and knew I had to make some changes to my personality.

Fortunately, I knew that personality modification programs were available. I had my own people along with outside consultants work on me until I changed to at least a "pseudo-Type B" person. During that period, I realized that I did not want to be the last angry young man for the rest of my life. Also, I didn't want to offend everyone I talked with, and didn't want to be as sarcastic as I had been. I chose a number of personality modification programs that my son-in-law liked to chide me about that would give me "warmth and charisma".

Over these 20 years, I have mellowed. Much of the credit belongs to the personality modification programs, and the fact that I was able to evaluate myself every year to keep track of my progress using our quantitative aptitude assessment test. I've now reached a stage where, instead of getting wildly upset over absolutely nothing, you'd have to put dynamite under my seat to get a reaction from me. Life is much better, much friendlier, and I accomplish far more than ever before. These have truly been the best years of my life. I regret being the wild man I was years ago.

In any event, a person can change. If the

desire to change is there, the tools are available. To begin changing cultures, a credit union first has to decide if it wants to change every position from service to sales. The next step is to establish benchmarks for the positions to be changed using assessments like those used with our clients. These are quantitative and measure an individual's personality compared to the benchmark. Then, the proper personality modification program can be developed to help people become more sales oriented. This can be done either on an individual basis, and/or in group workshops or training programs.

Be careful not to "overkill"—that means keeping some people in the oven too long, making them too aggressive. You have to do what makes the most sense for your credit union, and what your employees are willing to let you do.

It's also a good idea to conduct an employee attitude survey once the decision is announced that the organization is switching to a sales culture to see what employees think. It's impossible for any organization to make a drastic cultural change without taking into account employee needs. Not every one of their needs may be met, but if you understand those needs and can deal with the important ones, it will be easier to get them on the same wavelength. This will make the change to a sales-oriented culture more acceptable.

A lot of training on how to sell will be needed to overcome that age-old barrier that sales people lack integrity. Employees need to know that if they don't sell their credit union's services, their members will find many banks ready and willing to sell them those services. ♦

About the author... Harris Plotkin is the author of the recently published book, BUILDING A WINNING TEAM, and creator of the ABOVE and BEYOND customer service training program. For more information about employment tests, call Harris Plotkin at (800) 877-5685. He is the founder of The Plotkin Group. This 32-year-old management consulting and training firm uses the latest scientific employee testing programs to help organizations select and develop employees. They have several thousand clients in a variety of industries including many credit unions throughout the nation.

DISCOUNTS FOR HR COUNCIL MEMBERS

The Plotkin Group generously offers discounts (20% to 37%) to CUNA HR Council members:

Assessment	Annual Quantity	Cost Per Item*	TPG Scores	Minimum Order	Description
Honesty Tests	250**	\$9.50	\$11.50	10	Assesses applicant's attitudes and experiences relating to integrity.
Attitude Tests	250**	\$9.50	\$11.50	10	Identifies applicants who are dependable, hard working, and service-oriented.
Aptitude Tests	100	\$57	\$72	5	Measures mental abilities and personality characteristics—puts the right person in the right job.
Sales Skills	50	\$40	\$55	5	Measures an individual's knowledge of the selling process.
Managing for Success	50	\$32	\$50	***13 or 5	Provides information that helps improve communication and motivation between employees and supervisors.
Building a Winning Team by Harris Plotkin	10	\$20		1	Provides valuable information on legal and accurate hiring methods, and how to train as well as treat

Note:

*Based on client purchasing software for \$125 to score booklet and produce evaluation report.

** Either test or combined total

***This software comes with 13 reports.

This is just a sampling of the products. To order these items or to inquire about other topics, call (800) 877-5685 or e-mail: buytests@plotkingroup.com. Their Web site is www.plotkingroup.com.

Our thanks to The Plotkin Group for these wonderful discounts! ♦

MANAGING 401(K) PLAN EXPENSES: A FIDUCIARY DUTY

The returns generated in the U.S. stock markets over the last five years are primarily responsible for the wave of euphoria most people feel when considering their 401(k) plans. The annual return of the Standard & Poor's 500 index from the beginning of 1995 to the end of 1999 has averaged over 30% per year. Consistent double-digit returns make it easy for plan sponsors and participants alike to ignore the cost of the programs they

participate in.

The level of investment management fees, normally borne by the participants, can vary greatly from one investment product to another. Some employees are paying in excess of 2.50% per year in fees charged to their 401(k) investment accounts. Obviously, these fees can seriously erode the money available to

employees when it's time to retire. As an example, an employee who contributes \$10,000 per year

401 (K) ?

to a 401(k) plan for 30 years with an average annual return of 8% and average annual fees of 2.50% will have a lump sum available at retirement of approximately \$764,000. Had that same employee invested the same amount in a program with average annual fees of 1.00%, the lump sum available at retirement would approximate \$1,011,000, a difference of almost \$250,000. Perhaps the most disconcerting aspect of this example is that the numbers only look worse for the employee as you increase the size of the contributions or the rate of return generated by the investments.

Many employees don't know that they pay any fees at all. ERISA (The Employee Retirement Income Security Act), which governs pension disclosure procedures, was passed seven years before the first participant-directed 401(k) plans came into existence. Insurance company group annuity contracts are subject to much less stringent disclosure rules than mutual funds, and therefore participants in those programs have a much more difficult time determining the level of expenses they are paying.

Now, here's the bottom line for you as an employer. When you decide to sponsor a retirement program you become a plan fiduciary under the provisions of ERISA. When wearing that fiduciary "hat", you must act "solely in the interests of plan participants and beneficiaries" in the performance of your duties. You have an obligation to minimize plan expenses to the extent it is possible given the parameters of your plan. To ignore that responsibility is to invite fiduciary liability now or at some point in the future. Think back a couple of paragraphs to the difference 1.50% in investment fees can make over 30 years, and multiply that number by the number of participants in your plan. In the eyes of many benefits professionals, these fee issues represent lawsuits waiting to happen.

Many 401(k) vendors today appeal to employers by offering programs that shift expenses on to employees in the form of increased investment management fees, while reducing or eliminating the administrative fees paid by the employer. This type of arrangement has tremendous initial appeal to the employer, but needs thorough analysis before implementation. Many times, administrative fees that were calculated based on the number of plan participants are converted to increased asset-based fees, which can send total plan

expenses through the roof over a number of years. Since nobody is writing a check to pay these fees, (they are netted from the investments), they tend to draw less attention from the employer and the employees.

Many employers don't know what the total costs are for their 401(k) plan. They probably know what they pay in direct costs, but would be hard pressed to put a finger on the total costs associated with their program. Some insurance companies don't disclose the total cost of their group annuity contracts except to illustrate net rates of return in their sales literature. That tactic might prove less effective in an investment environment where single digit returns are the norm opposed to the last 4 years. In case you don't remember, in 1994 the S & P 500 produced an annualized return of less than 2.00%.

ERISA makes it incumbent on you as a plan fiduciary to know what your plan costs are. Don't assume that your costs are reasonable simply because your program is handled by a well-known name in the financial services industry. Ask for a written breakdown of the expenses charged for each component of your plan. Be specific. If you ask a general question, chances are you'll get a general answer that does you little good.

If you plan to invest in a group annuity contract, make sure you know what the insurance company is charging over and above the fees of the underlying investment managers. If you invest in mutual funds, make sure you understand which class of shares are being purchased, and what sales charges are associated with them. Ask to be provided with information on the expense ratios associated with each fund. Don't settle for a response that gives you the average expense of all options. Many times you'll find that the average significantly underestimates the cost of your plan because it includes investment accounts that none of your participants are using.

Ask your TPA, bank or other service provider to disclose any soft dollar compensation they are receiving in the form of 12b-1 fees or other marketing or recordkeeping allowances. Depending on whether or not they are considered a fiduciary to your plan, they must offset such compensation received against the fees they would otherwise charge. Regardless of their fiduciary status, the good ones will disclose their arrangements so that you can fulfill your fiduciary responsibilities.

For further information, I would suggest you obtain a copy of a recent DOL publication entitled *A Look at 401(k) Plan Fees*. You can request a copy by calling the Pension and Welfare Benefits Administration (PWBA) division of the DOL at 1-800-998-7542. You can also download a copy from the DOL website at <http://www.dol.gov/dol/pwba>. ♦

Lee M. Kliebert, JD, CPC, QPA is the founding principal of Kliebert Pension Investment Counsel, located in Okemos, MI. His firm focuses on conducting 401(k) vendor searches for plan sponsors and providing investment advisory services to plans and individuals on a fee basis. Lee can be contacted by phone at (517) 349-3234 or by e-mail at penrpf@aol.com.

TIPS ON EMPLOYEE LEGAL TRAINING

By Michael Patrick O'Brien, Jones, Waldo, Holdbrook & McDonough, Salt Lake City, Utah

Y2K bug mutation?

Some random speculations on what accounts for some of the recent crazy actions of government officials charged with enforcing the employment laws:

Although the Y2K bug apparently did not infect any of the government's computers, maybe it somehow mutated and jumped into the minds of some of the officials who enforce the nation's employment laws. I make this bold diagnosis because some of these officials, just some of them, seem to have just a little touch of viral impracticalities.

Early signs of this virus actually appeared last year when the Federal Trade Commission (FTC) interpreted the Fair Credit Reporting Act (FCRA) to apply to an employer's sexual harassment or other investigations conducted by outside legal counsel. This means that before conducting a sexual harassment or other investigation, an employer must get the consent of the accused and disclose the results to him or her before taking any adverse action. Congress is now trying to legislatively cure this little FTC version of the virus by amending the FCRA.

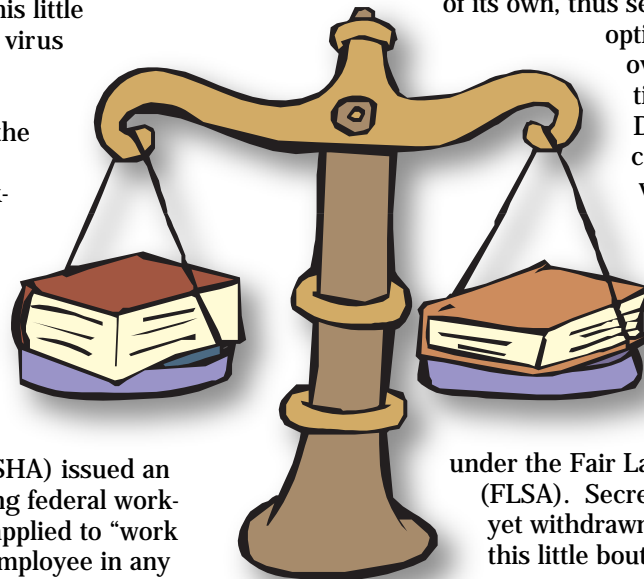
Then, fresh into the new century, there was the great working-safe-while-telecommuting breakout. As one of its last acts of the last millennium, the Occupational Safety and Health Administration (OSHA) issued an opinion letter stating federal workplace safety rules applied to "work performed by an employee in any

workplace within the United States, including a workplace located in the employee's home." One business executive speculated, tongue in cheek, that this ruling meant an employer would have to paint bright yellow all the home staircases of its telecommuting employees. Don't laugh too hard, because the OSHA letter also stated that if an employer "is aware of [home] safety or health hazards, one obvious and effective means of ensuring employee safety would be periodic safety checks of employee [home] working spaces". The letter also suggested an employer would be liable if it knew or should know that a telecommuting employee has a basement office accessible only by "unsafe stairs" and was injured on the stairs while working. In the face of national criticism, Labor Secretary Alexis Herman withdrew the letter, but made it clear that the government plans to look further at the issue. Stayed tuned; this little virus may be back.

Not to be outdone by OSHA, the Department of Labor (DOL) Wage and Hour Division recently issued an opinion letter of its own, thus setting off the stock-

options-as-part-of-the-overtime-pay-calculation infection. The Division's letter stated concluded that the value of a nonexempt employee's stock options must be calculated as part of that employee's regular rate for purposes of determining overtime due

under the Fair Labor Standards Act (FLSA). Secretary Herman has not yet withdrawn this letter and thus this little bout of impracticalities



remains uncured and is out there infecting people. Perhaps the Secretary is waiting for the Division to opine that healthcare benefits and complimentary coffee and donuts must also be figured into the regular rate. Don't laugh and don't mention this any further...we don't want to give DOL any ideas.

Harassment of independent contractors.

The harassment laws are not just for employees anymore:

To dispel from your mind any notion that only bureaucrats are doing their darndest to keep employment lawyers like me as busy as possible, consider the courts. The federal appeals court that covers the New England area has issued a decision, one the Supreme Court recently declined to review, holding that the hostile environment theory of illegal harassment also applies under federal law to independent contractors. This means an employer can be sued not just by its employees, but also by anyone to whom it out sources work including office cleaners, window washers, bankers, accountants, market-

ing consultants and even "shudder when you consider it" employment lawyers. Be sure to adjust your policies and training to account for this new risk.

State immunity.

One way to free yourself of some employment lawsuits is to become a state government. State workers cannot bring private suits under federal age bias law:

Ironically, the only new legal development bucking this trend of expanding business liability in the employment area does not help business, but only state governments. The Supreme Court recently held that because of constitutional immunity issues, state governments cannot be sued by private individuals under the Age Discrimination in Employment Act (ADEA). Left unanswered is which of the other federal laws apply to the states, although likely the race and gender bias laws will still apply. State laws prohibiting discrimination, which cover the same basic protected classes as the federal laws, are not affected by this ruling. ♦



CUNA HR Council Update is a web-based newsletter published bi-monthly. Send news and HR Council information to: Todd Surline, VP/HR, MSU FCU, Lansing, MI, phone: (517)333-2201, fax: (517) 333-2223, e-mail: surline@msu.edu; or Kent Streuling, HR Administration, America First CU, Riverdale, UT, phone: (800) 999-3961, ext. 8634, fax: (801) 778-8447, e-mail: gkstreuling@americafirst.com. For Council membership and administrative information, contact Pam Lee, manager of CUNA Council Administration, phone: (800) 356-9655, Ext. 4141, fax: (608) 231-4061, e-mail: plee@cuna.com.

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