NOVEMBER 2000

UPDATE

AN ELECTRONIC REPORT FROM THE CUNA HUMAN RESOURCE COUNCIL

MARK YOUR CALENDARS FOR APRIL 2001!

Don't forget to include the 2001 HR Council Summit into your budget plans. It promises to be a great conference, full of education and networking, in the heart of Charleston, South Carolina. The conference kicks off with a pre-conference workshop on Wednesday, April 4, 2001. The conference runs Thursday, April 5 - Saturday, April 7. Participants are encouraged to stay through Saturday to see more of the history and beauty of Charleston, as well as benefit from the reduced flight expense associated with a Saturday night stay.

GET ON THE LIST!

The CUNA HR Council has taken another step towards technology by launching the "HR only" listserv to let members communicate and share ideas in an exclusive human resource environment. The service allows HR Council members to log on and communicate via e-mail day or night. It's one more networking option available to Council members.

To Access the HR Listserv:

1. Start by logging onto the HR web page. It is located at www.cunahrcouncil.org.
2. Click on the "Access the HR members area" section.
3. Type in your user name and password. If you have difficulty logging in, the system will prompt you on what steps to take.
4. Click on "Sign up and sign in."
5. After reading the HR Listserv Helpful Hints, click on "Enter the listserv."
6. Enter your e-mail address and password, if applicable.
7. From this screen, you may read past and present messages, create a message, customize your listserv settings, or unsubscribe from the listserv.

That's all there is to it!

When using the HR Council Listserv, please keep these important tips in mind:

1. The address to post a message to the list is hrcouncil@doig.cuna.org
2. If you hit the REPLY button to any message that comes across hrcouncil@doig.cuna.org, your reply will go to EVERYONE on the list. That's what a listserv is intended to do. This happens regardless of whether you select "reply to all" or "reply to sender" in your e-mail program.
3. You can unsubscribe by clicking on the unsubscribe link that appears in every message that you receive. Or you can simply send an e-mail with no subject or message in the body to leave-hrcouncil@doig.cuna.org
4. It is not a good idea to use anything other than plain text when you are sending messages to the listserv because many readers cannot handle fancy fonts, colors, and designs. What they receive instead is a lot of numbers, letters and code that makes it hard to find the text of the message you are trying to send them.
5. Attachments, such as word files, are not handled equally by all e-mail programs and many people can't open these files. It is best to send files directly to the person who is requesting them. The archive on the Web site does not keep file attachments, only the body of the messages.
6. Include your e-mail address in your signature line or body of your message so that people may send you a private reply. You may also want to include your phone number and fax.
7. Don't type messages in all upper case letters. This is perceived as "shouting" in e-mail etiquette.
8. And remember, the list is not intended as a public forum for discussion of personal issues. It is for the use of Human Resources Council members as a means of idea and resource sharing. Proper language, professional courtesy and decorum are required. People who abuse the list will be removed.

You'll find this listserv to be a fast and easy way to network with credit union HR professionals from across the United States. ◆

STRUT YOUR STUFF

Next year's conference will provide an opportunity for your credit union to strut your stuff! Back by popular demand is the Best Practice session. The focus in 2001 will be on technology and e-learning applications. There are three time slots available for Council members who have a best practice to showcase. If you would like to participate, please call Rosemary Logan at (800) 225-2555, extension 2231 or e-mail her at rlogan@apgfcu.com.

FOR YOUR INFORMATION

The following question recently generated some interest on the HR Councils Listserv. Below you will see some of the responses that were shared.

"Does anyone have a program in place for allowing employees to transfer leave to a coworker who is suffering a serious illness and does not have sufficient leave?"

"We don't allow it. Unused sick time is not paid to the employee, so we are not able to 'give it away'. When giving away vacation time, consider the financial part of it if a lower paid employee donates time to a much higher paid coworker. Personally, I would like to see it made possible, and would like the opinions of others also."

Jan Smillie, *VP*
BN West Credit Union
Tacoma, WA

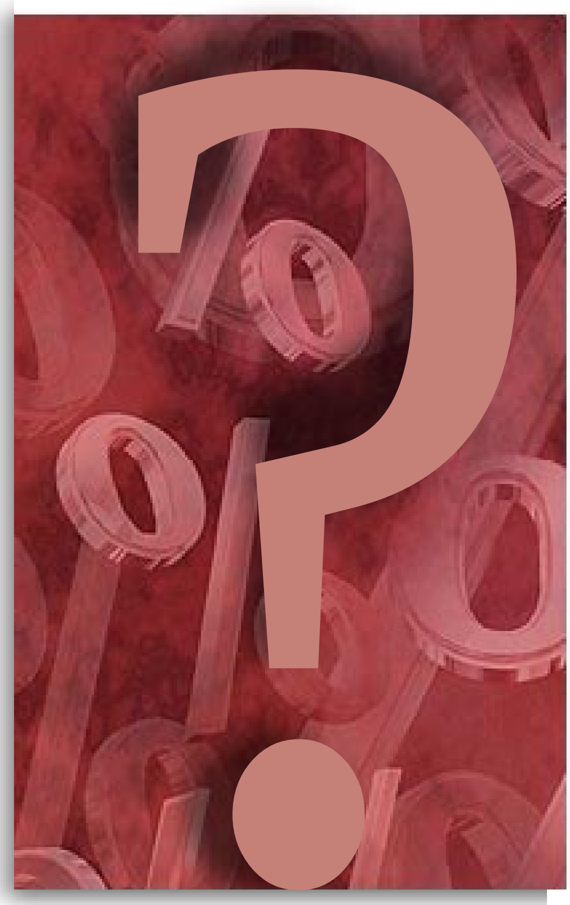
"We started a Leave Sharing Program about 3 years ago with very positive results...employees feel good about helping out their coworkers and, of course, the recipient is grateful for the paid time. This has been a very good program at our credit union."

Mark Brennan
US Airways FCU
Moon Township, PA

"We do have a policy that allows donations of sick time to people with catastrophic illnesses. The president must approve the transfer. We only allow donations on an as-needed basis so this eliminates a "build up" of time. If we have an associate in need, we start a waiting list with the name of the donor and the amount of hours they will donate (maximum of 80). Transfers are made per pay period."

Diana Wozniak
Tampa Bay FCU
Tampa, FL

THINK TWICE BEFORE BORROWING FROM YOUR 401(K)



by Lee M. Kliebert, JD, CPC, QPA

Employers often view their 401(k) loan program as a necessary evil. Despite the fact that these programs are difficult and expensive to administer, surveys indicate that between 80% and 90% of employers currently make loans available in some form from their 401(k) plans. The reason is simple: Loans increase plan participation, particularly among younger and less highly paid employees. This, in turn, helps the plan satisfy discrimination tests that dictate the amount highly paid employees can contribute to their accounts.

I have two suggestions for employers who feel their loan program has gotten out of control. The first is to limit participants to having one loan outstanding at any given time. This can only be done prospectively, but it will simplify things immensely as it takes effect. Secondly, I recommend extensive employee education, so that participants understand how loans might affect their ultimate retirement benefit.

Many of you employees out there look at plan loans as a way to get tax-free access to their retirement accounts while employed. In most cases, the process of obtaining a loan is simpler than if you were to seek the same loan from a bank. There are no credit checks, and the interest rate is usually more favorable than those available at commercial lending institutions. Payroll withholding makes loan repayment simple. Before taking the plan loan however, you would do well to consider the following points.

When you borrow money from your 401(k) plan, you are essentially turning that part of your retirement account into a fixed-interest investment. The interest that investment earns comes from your own pocket. Furthermore it comes from money you have already paid taxes on. Later on, when you retire, you will pay taxes on those interest payments for a second time. This double-taxation alone offsets the favorable interest rate you paid on the loan.

You should also consider how you were investing that money before the loan was taken. If you are a fixed income investor, paying yourself 8%-9% on your loan might be OK when compared to fixed income investments available in the plan. If you are pulling that money from stock market investments, the interest you are repaying yourself might fall far short of the return that money might have earned if it had stayed invested in the plan.

For example, let's assume that a participant borrowed $25,000 from his 401(k) account on January 1, 1995, taking the money from his S&P 500 stock account. Let's assume that the loan is repaid over the next five years in equal monthly installments at 8% interest, and that those payments go right back into the S&P 500 account. As of January 1, 2000, when the loan is completely repaid, the participant would have a little over $59,000 in his 401(k) account. If that same participant had left the $25,000 in his account and borrowed the money elsewhere, that portion of the 401(k) account would have grown to almost $88,000. The participant's $25,000 loan cost almost $30,000 in lost earnings over five years. Furthermore, that $30,000 is not in the account to grow on tax-deferred basis going forward, so our participant has forever lost the ability to compound those lost earnings.

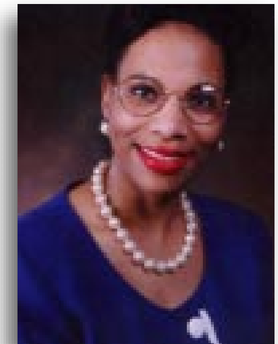
This is serious money, but lost earnings are not the most serious issue in most 401(k) loan programs. The bigger issue is what happens to the loan if you leave the company to take a job elsewhere, a common occurrence with today's mobile workforce. In most plans, that loan becomes immediately due and payable. If you cannot repay the loan before your account is distributed, the outstanding balance of the loan represents taxable income in the year of distribution. The loan balance will be taxed at your ordinary income tax rate plus a 10% excise tax if you are under the age of 59 1/2.

As an example, consider the impact this event might have on a $30,000 salaried employee with a $15,000 loan that he must now pay taxes on. Chances are, the loan proceeds have been spent and the employee will have to find the money necessary to pay the taxes from another source. Not only are taxes owed on the unpaid loan balance, but that $15,000 will never find its way back into the 401(k) plan to help the employee in his retirement years. This scenario plays out in real life over and over again.

Despite these issues, loans appear to be a permanent feature in 401(k) programs. Armed with the proper education, employees learn to use plan loans sparingly and for good reasons. Under the right circumstances, 401(k) loan programs can become what they were meant to be; a valuable financial planning tool.

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 penrfp@aol.com. ◆

MAZUMA CREDIT UNION'S 21ST CENTURY RETENTION TOOLS "PEOPLE, NOT JUST POLICIES"



Riochelle Fitzpatrick
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Today's workers need attractive reasons to join a company and even more incentives to stay. Next to a competitive salary, providing a physically pleasant place to work, with a range of amenities at hand, might be one of the most crucial tools a company can wield in its effort to attract and keep quality employees. Doing this successfully requires a thorough knowledge of your workforce's wants and needs.

It is no secret, in today's economy, that most companies have become strategically savvy at recruiting and retaining employees. Turnover and retention are heavily affected by the overall economy. When unemployment is low, employers go begging and begin a fierce recruitment game for the limited number of qualified candidates that may be available. Employees with proven talent see their stock rise dramatically, and with that comes offers from other companies. When those offers become irresistible, turn-over rates mount, as do the associated ills that come with turnover. Losing a key employee may force the delay of a project or hinder a company's ability to take on new projects.

Mazuma Credit Union's management team recognizes that we have to be very competitive not just in compensation and benefits, but also in what kind of working environment we offer. Studies reveal that employees spend half their waking hours at the workplace. Keeping this in mind, Mazuma's management team understands that our company needs to provide an environment that is conducive to creativity and productivity, one that will attract and retain people.

The current hot job market makes it harder for Mazuma to hold on to its best people. Add this to the costs associated with losing an employee, (i.e. obvious recruiting and training cost), along with the hidden consequences of employee turnover which include lost productivity, reduced morale, lost intellectual capital and, perhaps worst of all, lost business, makes it even more essential for hiring the right person when a job opening occurs.

21st Century Retention Tools

The first weeks of employment are the most critical time to lay the groundwork for long-term commitment by demonstrating Mazuma Credit Union's commitment to the new hire's success. Our new hires have a clear understanding of their job expectations as they are provided with a job description on the first day of employment. This helps them focus on skills they have or must develop, and spells out their job duties and responsibilities.

From this point on, the credit union phases in training, provides career growth opportunities, and tries to match the skills and interest of our employees with their work assignments. Mazuma also assesses the underlying motivators for work beyond the paycheck and designs strategies to reinforce what matters most through the use of an employee climate survey, as well as, town hall meetings.

The credit union's goal is to make employee rewards immediate, appropriate, and personal. When possible, Mazuma invites employees to help solve company problems and allows them to become an integral part of their work community. Mazuma recognizes the benefits of building alliances, not only with supervisors, but also with everyone in the organization. Retention tools such as mentoring, coaching, and two-way communication are an ongoing part of our company.

Today's workers want a meaningful challenge and want to have an impact on business. During the year 2000 and beyond, Mazuma Credit Union will offer employees promotional opportunities that reward employees for participating in training. By having such a retention tool in place, when employees reach milestones and demonstrate certain skill capabilities, they can be promoted to higher position levels within their department without having to wait for positions to become available. Mazuma believes that if you produce an environment where people can learn, take risks, grow, and contribute, you will retain your greatest assets, your staff. ◆

MONDAY MORNING BLUES (Part I)

by Steven W. Sorenson

It's Monday morning and a number of your front line staff have called in sick ... again. Your managers are filling in ... again. You're wondering what you can do.

Before you push the panic button, realize that your problem is not unique. Companies across the country struggle with the Monday Morning Blues, although in California and coastal states the problem tends to occur on Fridays.

Initially, you may react unfavorably toward these individuals. Who needs what appears to be unmotivated employees? But if you expand the scope of your view, you may find that these "Monday morning bluers" are, in fact, motivated. They just operate under a different set of values. What works for the average employee, doesn't quite fit the bill for these folks.

With unemployment rates so low and people having a myriad of employment options, the trick is to motivate all of your employees to want to come to work regularly.

Next, step back and ask yourself and your manager the following questions:

- "Do we need to change our perspective on absenteeism, from that of a major problem to one of opportunity?"
- "Does Employee X have to be here on days of high absenteeism?"

Often the solution to the problem can be as simple as taking a fresh approach and drawing upon the unique needs of your employees. One creative and cost effective approach is to create a flexible work schedule for your staff that permits them to work a more desirable schedule and get the desired level of work done. In fact, you may be able to get the employee to get more work done, if the schedule you create is more desirable to the employee.

If your absenteeism is in areas that really need to be fully staffed, your challenge is different. You have a variety of options, but to sell these options to senior management you first need to understand and communicate the total cost of absenteeism. But, just as you need to understand both the direct and indirect costs of absenteeism, you need to take a look at your company culture. Is your culture (or the lack of one) contributing to the absenteeism level? How closely does your credit union's value system match that of your employees?

Additionally, consider the following in calculating the cost of absenteeism:

- What is the cost of temporary employees that you bring in to cover absenteeism?
- What is the cost of over-time paid to employees that both fill in and then are expected to get the work of their 'regular' job done?
- What assignments given to managers are not getting done or are getting done late, because they are filling in for absent staff?
- What is the cost of having a member leave the lobby or hang-up the phone because of slow service?

Once you know the cost of absenteeism, you're in a better position to suggest options to your senior management. Your challenge is to create a work situation where your staff wants to come in to work every day and every hour that they are needed. Management of front line staff needs to get involved in learning both what causes staff to be absent and what staff would consider a 'reward' or added value for showing up both physically and mentally for work. Levering this understanding is the key to combating the "Monday Morning Blues"...

If your absenteeism is heavy on one day of the week or calendar (like July 3rd), consider:

- Institute casual, but not sloppy dress on days where you have traditionally high absenteeism. Did you adopt Casual Fridays only to discover the real value of a casual dress day is higher on Monday?
- Create a lactation support program. Pediatricians and young mothers know that breast fed babies are healthier babies. The

cost per location for a lactation support program is under $1,000 and has been proven to reduce employee absenteeism by as much as 10%. If the new mothers working in your credit union were to have one less day off work as the result of healthier children, think how much you would save. If you are one of the few employers to offer this program in your area, think about how much more attractive you would be as a family supportive employer to potential employees in child-bearing years.

- Link up with a local sick child day care service to make it easier and more affordable for staff to come in when their children are sick. It is cheaper in the long run for you to partially subsidize this program than to have the parent absent, isn't it?
- Pass out employee-only discount coupons for local retailers, amusement parks, events and restaurants at the end of the day to staff that comes in and sticks it out on days where you traditionally have high absenteeism. If your sponsor groups fit in these business categories, go to them first as a source of these coupons. Can you think of a better way to say thanks to both your employees and your sponsors?
- Give your staff the chance to decorate the office for the holiday. Wouldn't your staff not only show up for work but encourage members to come in to see the decorations?

Here are additional options that have proven to work for one company:

Calculate the average cost of absenteeism over a one week period. Give each employee a playing card for each day of the week that they show up for work. At the end of the week the employee with the best poker hand gets a cash prize. The cash prize is equal to one-third your previously calculated cost of turnover. This approach encourages people to show up every day and gets them involved in the process of managing absenteeism.

If the absenteeism problem is across locations and departments, consider rewarding the department or location with the lowest absenteeism over the week or month. Creating an environment where a group is rewarded will help to leverage peer influence within the group on individual work habits.

When you consider these options and others, don't overlook the fact that the manager of the location is a strong influence over your staff's motivation to show up for work. In fact, according to a Gallup Research, 75% of employees that leave, quit their manager not their employer. ◆

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CUNA HR COUNCIL

UPDATE

CUNA HR Council Update is a web-based newsletter published bi-monthly. Send news and HR Council information to: 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 Frey, manager of CUNA Council Administration, phone: (800) 356-9655, Ext. 4141, fax: (608) 231-4061, e-mail: pfrey@cuna.com.

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