

CREDIT UNION EXECUTIVE'S GUIDE

HOW TO IMPROVE RETENTION

with Employee Benefits



The Retention/Recruitment Challenge

The labor market has shifted since the peak of the Great Resignation, yet the employee retention challenge remains. Credit unions continue to compete for skilled employees in a market shaped by rising expectations, workplace disengagement, pressure on household budgets, and demand for stronger, more flexible benefits.¹

At the same time, the cost of employer-sponsored healthcare continues to climb. For credit unions, that creates a difficult balancing act: offering benefits strong enough to attract and retain employees while managing one of the organization's largest recurring expenses responsibly.

That balance matters because employee experience and member experience are closely connected. Credit unions rely on knowledgeable, engaged employees

to deliver the community-driven, personalized service members expect. When staffing is unstable, employees are stretched, or benefits feel out of step with workforce needs, the impact can extend beyond HR and affect service quality, operational consistency, and member relationships.

Higher wages may be part of the solution, but compensation alone is unlikely to solve the challenge. Credit unions also need to assess how their benefits strategy can strengthen retention, support employees, and reinforce the people-first values that differentiate the credit union movement.

For many credit unions, the opportunity is not simply to spend more on benefits. It is to spend smarter — reducing unnecessary health plan premium costs and redirecting savings toward benefits employees value.



Why Employee Retention Matters to Member Experience

Financial consumers have more choices than ever to satisfy their banking needs. Lower costs and higher dividends have historically offered credit unions a competitive advantage. But the “credit union experience” is also dependent upon community-driven personalized service, making front-line staff a critical driver of member satisfaction.

However, member service can be a challenging role, and staffing changes,

service expectations, and operational complexity exacerbate the challenges. Workplace guidelines frequently shift, making it more challenging to offer members personalized service and maintain member satisfaction levels.

According to JD Power, credit unions have historically outperformed retail banks in overall customer satisfaction; however, loyalty metrics and member satisfaction are trending downward.²

Internal IT staff struggles

The situation is not much better with IT staff. Member expectations for digital banking continue to rise, and credit unions are under pressure to deliver seamless, secure, and personalized digital experiences across channels.

Meeting those expectations requires the right technology talent. But for many credit unions, internal IT teams are already balancing modernization projects, cybersecurity demands, core system integrations, vendor management, and day-to-day operational support. That makes it difficult to move quickly on the digital-first services members increasingly expect.

Professional technology workers remain in high demand across financial services. Credit unions must compete not only with other financial institutions, but also with larger banks, fintech firms, and technology companies that can often offer higher compensation, more specialized career paths, and greater visibility into emerging technologies. For credit unions, a strong benefits strategy

can be an important part of competing for — and retaining — the skilled employees needed to support digital growth.

Reliance on employee satisfaction

Staff turnover isn't limited to entry and mid-level staff. Governance, risk, and compliance staff are also resigning at higher rates than typical, leaving credit unions exposed to regulatory risk. Disruptions in these departments can delay audit preparation, filing of regulatory reports, and deployment of key marketing initiatives.

What does all of this mean? While credit unions have relied on member loyalty for decades, they can no longer take that loyalty for granted. PFI (primary financial institution) relationships are highly disruptible unless credit unions can return to usual member service standards while also delivering first-class digital services. And to provide that, credit unions will need to lean heavily on their employees, which means that, to a great extent, member retention depends upon employee satisfaction.

The Fragility of Member Relationships

74%

Financial consumers are looking for more personalized banking services.³

66%

Financial consumers are comfortable with the use of their data to offer personalized services.³

41%

Financial consumers agreed that their financial institutions provided some support or choices that align with their dreams and priorities.³

The Role of Employee Benefits

For credit unions, employee experience is a driver of member experience. And while engagement occurs at the team level, employees who are actively engaged lead to more profitable organizations.⁴ So, what can credit unions do to set themselves apart from other employers?

Credit unions' community ethos and people-first values may already offer a competitive advantage in attracting and retaining the most talented employees. But the benefits and compensation packages offered to employees must also reflect those values.

Salary levels are important, of course. After all, it will be hard for any organization to compete with below-market compensation levels. But salary does not appear to be what's driving the current workforce upheaval.

The attraction of expanded benefit offerings

Among the most important things today's workers are looking for are work-life balance, fair compensation, benefits, and financial wellbeing. A Talent LMS poll reports that "employees with a healthy

work-life balance tend to have higher job satisfaction, better mental health, and a positive employee experience. Supporting a better work-life balance can also lead to lower absenteeism, greater talent retention, and a more positive workplace culture."⁵

But what does this look like?

Credit unions can set themselves apart by leveraging their already-strong employee culture and enhancing their benefits packages to satisfy what today's workers are looking for in their next job.

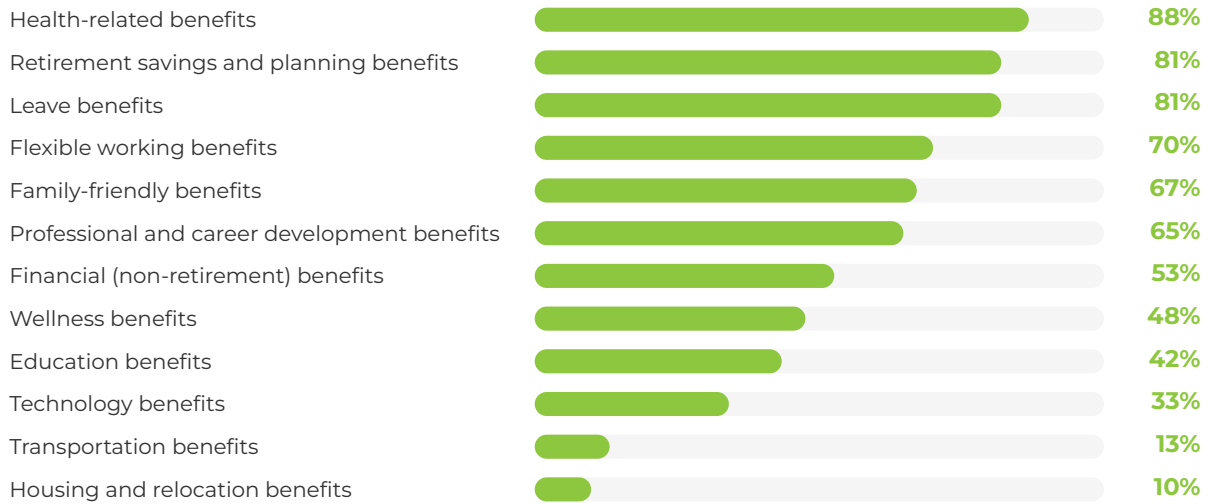
Healthcare is consistently one of the most valued benefits. Still, flexible work options, family-friendly benefits, and paid leave have also become among the most-valued employee benefits that resonate with today's workforce.

The question becomes, then, how can credit unions find the funds required to redesign their employee benefits plans to attract, retain, and develop the employees that will lead to success?

The solution may be closer than you think.

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Ranking Employee Benefits⁶



Essential Expanded Benefits for Today's Workforce

As credit unions explore new ways to support employees, these perks and programs can increase employee satisfaction.



Wellness benefits:

Help paying for health club memberships, financial and other incentives for healthy habits, well-being, preventive care, mental health support, chronic-condition support, and access to health-related training are essential tools to help employees stay well.



Time off for training:

Many back-office employees and managers find it easy to schedule time out of the office for training and conferences, but front-line staff may find it more challenging. To keep these employees happy, ensure that employees in all areas of the credit union can attend training.



Expanded time off:

Pooled time off can allow employees the flexibility to care for sick family members and take mental health days in addition to the standard vacation and sick time. But other opportunities for time off to volunteer, attend children's school events, and participate in wellness activities are different ways to give employees balance.



Mental healthcare parity:

Show workers that you value their mental health by excluding office visits with trained counselors from the healthcare deductible, include a wide variety of mental healthcare practitioners and services, and other signs of true parity of care.

How to Control Costs and Provide Sought-After Benefits

While vital for attracting talent, traditional health plans present a financial hurdle for budget-minded credit unions facing rising premium costs.

An increasing number of credit unions are considering more strategic health plan options, such as self-funded or Alliance-based models. Alliance members typically reduce their health plan premiums by an average of \$3,930 per employee annually—amounting to nearly \$400,000 for every 100 employees. Additionally, the self-insurance healthcare model offers another way to redirect valuable resources.

What is self-insurance?

Under a self-insurance (or self-funded) healthcare model, an employer pays individual healthcare costs from an established insurance claims trust funded by company and employee contributions. This money covers healthcare claims on an as-needed basis. An immediate impact for credit unions switching to this model is the credit union is no longer obligated to prepay for healthcare coverage in the form of rigid monthly premiums for services plan members may or may not use.

Often, a third-party administrator (TPA) will manage the plan's benefits and payments, which typically have the familiar structure of national physician/hospital networks, co-pays, deductibles, and out-of-pocket maximums but are significantly more flexible than fully insured plans.

The most common concern about the self-funded healthcare model is the risk of a catastrophic claim wiping out funds. A mechanism known as stop-loss insurance protects against such an event.

There are two types of stop-loss insurance. First, individual or specific stop-loss protects the employer against unusually high claims by individual employees. Second, aggregate stop-loss protects the employer against an overall rise in healthcare costs by placing a cap on the total expenses that an employer is responsible for in a given period.

With highly customizable stop-loss insurance in place, a credit union can control the precise amount of risk it is willing to assume without adding more risk than found in a traditional insurance program.

How does self-insurance lower costs?

Self-funded plans are on the rise. Self-funded plans cover 67% of workers in the U.S., including 27% at small firms and 80% at large firms.⁷ Contributing to the growing popularity of self-insurance are reduced taxes, fewer fees and administrative expenses, and no need to account for insurer profits. A self-funded plan may reduce a credit union's total healthcare costs by eliminating insurance company fees.

Credit unions will also save money with a self-funded plan if healthcare expenses are lower than anticipated. In traditional fully-funded plans, the insurer keeps the profits if claims are lower than expected. But with a self-funded plan, any excess funds remain with the credit union.

How does self-insurance enhance benefit plans?

The customizable flexibility of self-insurance allows a credit union to choose

its provider networks, deductibles, and coverage levels that work for the specific needs of its plan members.

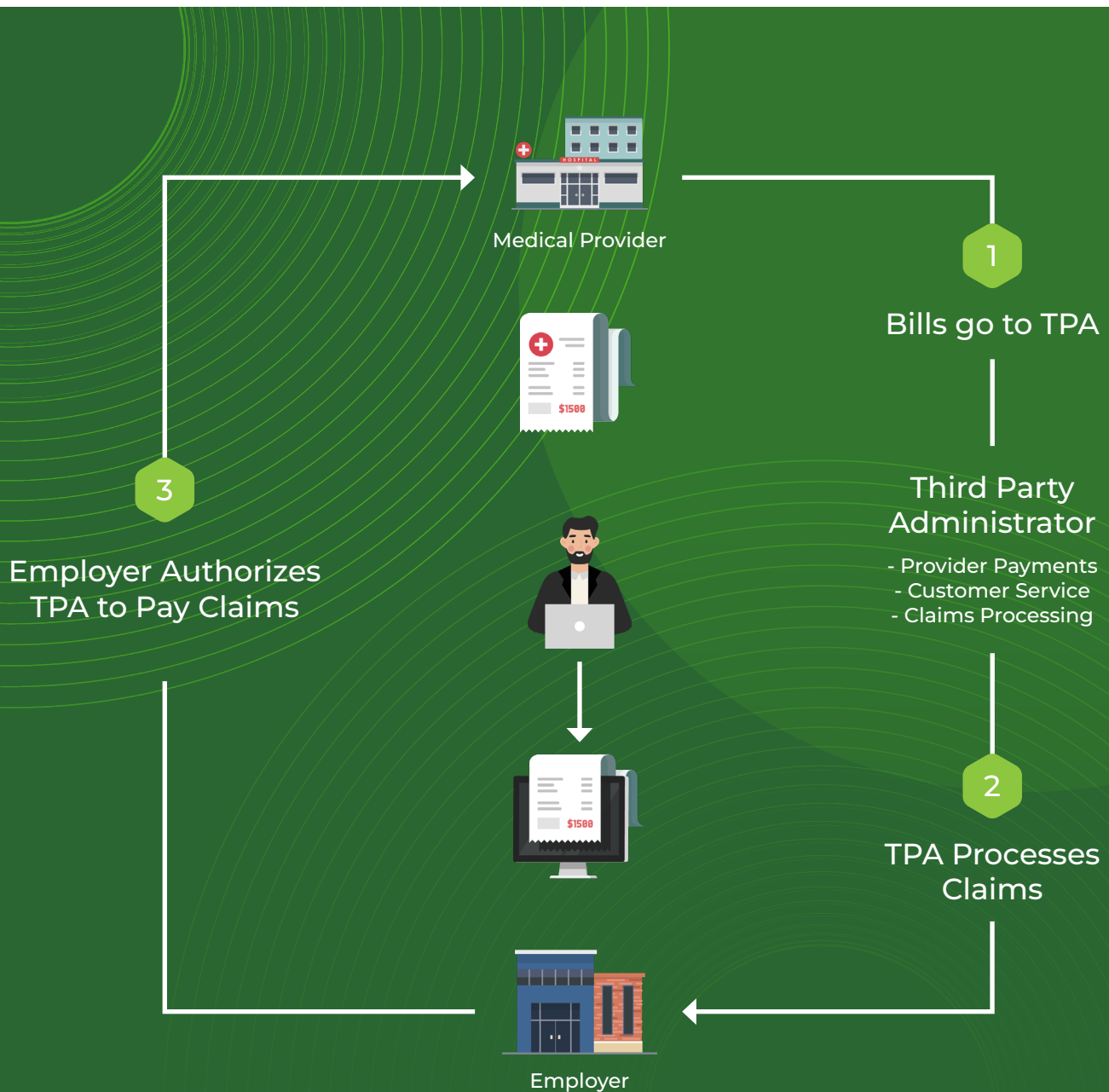
Additionally, self-insurance enables credit unions to offer a robust benefits package to workers across state lines without the need for individual state-based insurance regulatory compliance. There is room for expanded, tailored benefit programs that can further lower overall healthcare costs for a credit union. Forward-thinking credit unions are enhancing their plans to include options such as wellness programs, vaccine clinics, medical travel benefits, and even healthcare clinics.

According to a Hodge, Hart & Schleifer, Inc., **“80% of workers were eligible for health benefits at firms that offer coverage, and 76% of eligible workers took up the organization's offer.”**⁷ The transparency and data availability inherent in self-funded plans will enhance such investments by providing credit union executives with actionable data on program effectiveness.

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How Self-Insurance Works

Third-party administrators (TPAs) will manage a self-funded healthcare plan's provider payments, member service and claims processing on behalf of the employer.





The Self-Funded Gateway to Employee Retention

Moving from a traditional fully insured healthcare plan to a self-funded model can take up to two years' preparation. However, well-prepared credit unions working with an experienced partner can cut that time down to as little as six months. The right benefits partner will walk a credit union through each step as it designs and executes a unique self-funded insurance program to benefit plan members and lower overall costs.

Today's employee retention imperative demands a robust suite of benefits. When every dollar counts, there is no room for waste in healthcare plan spending. For credit unions seeking to strengthen retention while managing health plan premium costs, a practical next step is a strategic benefits review with customizable options.

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