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Employee Retention – How Perks and Benefits Can Provide an Edge in a Competitive Job Market

By Bob Greening, Vice President,
USource HR Management Services

In today's workplace, different generations are working together daily and have varying communication styles, views of change, levels of technical skills, personal situations and wants or needs. These generations can differ in ways that include:

- Desired benefits and perks
- Emphasis on work/life balance (time off)
- Level of loyalty toward one's employer
- Professional and personal missions, goals, values and objectives

It is important to realize all of these can be interwoven . . . and ultimately impact retention!

With a strong job market putting pressure on banks to hire the "best and brightest," the benefits and perks offered can play a key role in attracting and retaining top performers. Employees increasingly say they would change jobs for benefits and perks more closely related to their quality of life. At the same time, the rise of a mobile workforce has increased the importance of less conventional benefits and perks.

Most employees still expect some form of the benefits typically viewed as standard or basic such as health, dental and life insurances, retirement plans and paid time off. These all contribute to the total compensation your bank provides employees.

Bill Rosacker A Note from the President



Summer is in full swing at UBB and that means it is event season. In addition to 10 UBB regional events, one asset liability conference and one IT security conference we will be personally hosting throughout our service territory, we are busy attending and sponsoring a total of 83 state and national banking association hosted events, meetings and conferences throughout the year. While all this activity can get kind of hectic at times, all of our UBB employees in attendance would agree, that the opportunities provided at these events, to reconnect with our customers

and build new relationships makes it all worthwhile. To see when and where our next UBB events will be held, I encourage you to visit www.ubb.com/events.

In recent research we've conducted and in talks we've had with other community bankers, we continue to hear about the challenges banks are facing with regards to retaining and acquiring quality employees. In this edition's cover story, our Vice President of USource, Bob Greening, discusses some of the current trends in employee perks and benefits that are valued by the next generation of job candidates. Bob also provides some unique ideas that your bank can incorporate into its benefits package to make your organization more competitive and attractive to potential applicants.

BankValue Vice President, Ed Usalis provides an update on the current M&A trends through the first half of 2018 and evaluates the factors influencing the continuing consolidation among community banks.

Given the overwhelming number of advertising messages vying for a consumer's attention on a daily basis, the ability for your bank to stand out amongst all the noise is growing increasingly difficult. On page 5, our marketing team provides two commonly overlooked advertising ideas that any bank, large or small, can easily implement to promote their brand and engage its customers without "breaking the bank".

In April, we welcomed Lisa Brusen, as our new Credit Administration Manager. Lisa brings a wealth of experience to the position and department. You can learn more about her on page 4 in our employee spotlight.

This issue's community bank feature focuses on United Community Bank in Perham, Minnesota and how their staff of 70 employees volunteer over 1,100 hours annually to *Keep the Community in Community Banking*.

In community banking, customer service and community service go hand in hand. You can't have one without the other and remain successful. The same is true at UBB. While our unwavering focus is on the service we provide our community bank customers, we also understand the importance of volunteering and serving the communities where our employees work and live. In addition to the bank sponsored charitable events held throughout the office, many UBB employees have utilized the bank's annual allotment of 20 hours of paid volunteering time to assist countless charities and nonprofit organizations throughout their communities. If you flip to the back panel of the newsletter you can read about a couple of our recent activities.

It's a pleasure and an honor to support an industry that is the lifeblood of a community. Just as you place the needs of your community first, UBB is always *First for Your Success*.

Employee Perks Don't Have to Cost a Fortune

Employee perks typically fall beyond the scope of standard employee benefits but are a way employers can demonstrate their desire to create a rewarding work environment. Perks that can be relatively inexpensive may include: flexible scheduling, catered lunches, financial advice, a remote work environment, in-office amenities (sports areas or massage therapy), a nap room, or even administrative concierge services such as dry cleaning or booking dinner reservations. There's no real limit to the imagination when it comes to perks.

Benefits No Longer One Size Fits All

Benefits appear to be trending toward an "a la carte" delivery system. At one time health and retirement plans were among the most common, but overall benefit offerings were relatively limited. Now, employees still value the basics but also want more flexible, individualized benefits. In response, forward thinking companies have responded by recalibrating their offerings to remain competitive in the battle for talent.

So where is this all leading? Some companies like Amazon are really shaking things up. They now offer their hourly employees a generous tuition benefit and onsite schooling not only for jobs with their company but also outside Amazon! Surprisingly, those utilizing the benefit have a much lower rate of attrition than the overall company average.

Student loan help is another popular benefit with modern-day employees. Years ago, an employee entered the workforce wanting to know about retirement plans. Now, entry-level employees are typically burdened with educational debts that didn't previously exist causing them to ask about help with student debt.

Going forward, it is likely more companies will embrace a benefits model similar to the approach behind consumer-driven health plans. Employees will be allocated a set amount to spend on the benefits that best meet their needs. Consider what happened at LinkedIn after it began offering a generous paid parental leave policy, some employees without children complained it wasn't fair. In response, LinkedIn offered a new program providing up to \$500 per quarter for its employees to spend on lifestyle perks such as massage, a personal trainer and professional dog walker. They didn't do away with the generous parental leave policy, rather they provided an alternative which appealed to those not utilizing it.

Other examples of leading employers trying to enhance benefits and perks include American Express which provides a

formal work-life balance program for its employees by counseling them on how to achieve an ideal mix on an individual basis. Patagonia, the outdoor clothing retailer, offers an onsite childcare center, justifying the cost by the return on employee retention and engagement.

Employers are becoming more focused on helping employees solve their problems as a way to improve retention. From balancing budgets to balancing work and life, there's no doubt workers are looking for assistance. And soon, if not already, they'll be demanding it. When it comes to the talent war, employees are now in the driver's seat. The key is how employers respond and adapt!

Setting Your Bank Apart from the Competition

Since innovative benefits and perks are changing the game for employers everywhere – large or small - how can you set your bank apart? Start by identifying what makes your bank's culture unique; then build your offerings to employees around it. These don't necessarily have to be costly but should reflect your commitment to employee satisfaction, motivation, and ultimately retention!

Consider enhancing your paid time-off policies. The best candidates have options, so it is wise to make sure you're at least competitive in this area. Be willing to adapt to the labor market. According to *Employee Benefit News*, more than 50% of employees polled would leave their current company for one offering greater paid time off and more flexibility in scheduling.

Remember, there is not a "one size fits all" solution to finding and keeping a strong employee team. To be successful, you'll likely need to think "outside the box," be more flexible and perhaps even step out of your comfort zone. It doesn't necessarily have to cost much to offer attractive, non-traditional, even unique benefits and perks if you're creative!

You can start small . . . and take little steps as your bank is able. If your employees are committed to wellness for example, consider starting an athletic team or league, walking clubs or paid fitness club memberships. Your goal is ultimately not to attract *all* candidates, but rather the *right* candidates for your culture.

In recap, don't be afraid to try different things. If your attraction and retention of good candidates is not at the desired level, what do you have to lose? Listen to your employees (and job candidates) for what's important to them in the workplace . . . you might be surprised. Remember, if you can create a great place to work, it's more likely that great work will take place!

Bank Valuations Remain Strong

By Ed Usalis, Vice President, BankValue

The first half of 2018 has seen 143 completed mergers or acquisitions within the banking industry. This level of activity outpaced the 125 that occurred over the same period in 2017. The Completed Mergers & Acquisitions chart (top) illustrates this activity.

Despite the number of transactions, valuation multiples still remain very strong reflecting an abundance of buyers. This trend is highlighted in the Average Price/Tangible Book chart, detailing the price to book multiples as observed over the last six quarters.

While it is easy to state that the high valuation multiples are driving the consolidation among community banks, the three primary factors currently influencing the increase in transactions appears to be regulatory/tax issues, economies of scale and financial strength of community banks.

Regulatory/Tax Issues

Community Banks found some tax clarity in 2017 with the passage of the Tax Cuts and Jobs Act which provided banks with tax policy certainty and allowed them to strategically plan for the future. Coinciding with the tax cuts, the first 18 months of the Trump administration saw a roll back in banking regulations, that once fully enacted will provide banks with some much needed compliance relief.

Economies of Scale

Achieving economies of scale and size has motivated a significant number of mergers and acquisitions. By acquiring or merging with another company, a particular community bank may gain access to new products or customers that enhance profitability.

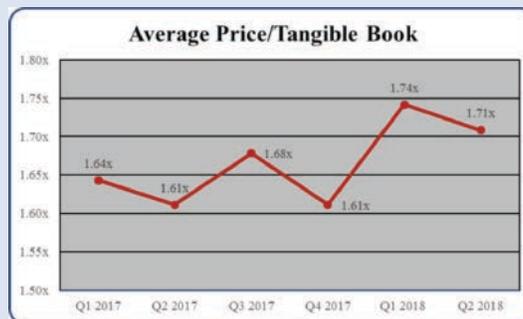
Along with achieving economies scale, many loan rich community banks seek acquisitions for the sole purpose of acquiring core deposits. This approach not only assists the balance sheet, but also enables the bank to acquire the needed core deposits faster than doing so organically.

Financial Strength of Community Banks

Today, community banks are healthy and performing well. According to the FDIC's Quarterly Banking Profile (First Quarter 2018), community banks have reported strong earnings, lower levels of noncurrent loan balances and higher levels of regulatory capital. This level of financial performance has many community bankers discussing the possibility of a merger or acquisition and questioning whether they should be a buyer or a seller.

Without a crystal ball, it is impossible to know if community bank consolidation will continue, however, it is clear that the valuations of community banks have remained strong

through this current wave of consolidation. Going forward, the strength of future bank valuations will likely be tied to the health of the overall economy.



For more information on BankValue Advisory Services, contact Ed Usalis, Vice President, BankValue at [952-886-9525](tel:952-886-9525) or Ed.Usalis@ubb.com.

United Bankers' Bank
Call Report (unaudited)
6/30/2018

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 42,127
Investments	\$ 71,203
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 125,475
Loans	
Outstanding	\$ 646,640
Loss Reserve	\$ (7,970)
Other Assets	\$ 28,526
TOTAL ASSETS	\$ 906,001

Liabilities and Capital:

Deposits	\$ 638,093
Fed Funds Purchased	\$ 118,820
Other Liabilities	\$ 51,181
Equity Capital	\$ 97,907
TOTAL LIABILITIES & CAPITAL	\$906,001

INCOME STATEMENT (YTD)

Interest Income	\$ 15,699
Interest Expense	\$ 2,823
Net Interest Income	\$ 12,876
Loss Provision	\$ 1,517
Net Interest Income (After Provision)	\$ 11,359
Other Income	\$ 7,663
Total Income	\$ 19,022
Operating Expenses	\$ 15,993
Securities Gains (Losses)	\$ -
Net Income Before Taxes	\$ 3,029
Tax	\$ 779
NET INCOME	\$ 2,250



Family Members: I have been married for five years but have been with my partner since 1991 – a long time! We have two dogs. My younger brother lives in Eau Claire, and my mom still lives near Madison, WI where I grew up.

Pets: Two Shetland Sheepdogs (Shelties); Lily is 12 years old and Beau is 8.

What do you listen to on your drive to work: It depends on my mood, usually 'Breakfast with the Beatles' on Sirius radio. I like most kinds of music, especially 80s alternative and classic rock from the 70s. I also listen to local talk radio during the NFL season and for traffic reports"

Interests: I like to get out in nature, go walking and explore new places. We go somewhere warm in the winter and to Minnesota's North Shore in the fall. I also like sports including golf, tennis, basketball and the Green Bay Packers. I enjoy getting together with family and friends, usually over dinner at our house; I am married to a great cook!

If I could live anywhere in the world, I would live: Great Britain because I am fascinated with British history and culture, not to mention the accent.

If I could have one super power (besides flying) it would be: The ability to read peoples' minds.

Many people don't know that I: Have an artistic side. I play the piano and guitar. I also enjoy photography, and drawing and painting to relax.

If I was not working in banking I would: Probably be coaching women's basketball at the college level, my dream job. I think being a successful writer would also be fun.

I started working at UBB in: April 2018, so I am well into my third month.

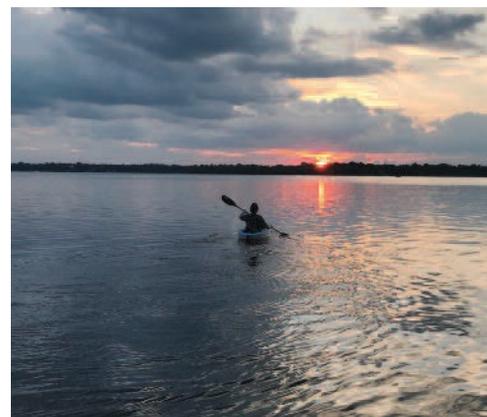
My favorite part of working in banking is: The people. It is a friendly and collaborative work environment. I have met some great people!

The best advice I ever got was: Don't sweat the small stuff; don't be afraid to fail.

First For Your Success means: Being attentive to our customers' needs and being proactive in anticipating issues before they become problems.



Lisa and her dogs Beau and Lily



Lisa kayaking on Big Birch Lake

Two Commonly Overlooked Ways to Engage Your Customers & Market Your Bank for Free

By Tyson Doke, Vice President, Marketing Manager

A recent study by the School of Human Sciences & Technology has shown that the average consumer is exposed to up to 10,000 brand messages a day. Given the growing number of marketing channels available to advertisers, that figure will continue to increase. In the face of these challenges, your community bank should identify ways to break through all the advertising noise and create marketing messages that engage your customers and generate awareness for your institution.

The nationwide average of community banks' marketing budgets is just around 0.0730% of its total assets, therefore advertising resources need to be allocated wisely to identify cost effective ways to engage and connect with customers. While technology continues to evolve and provide marketers more options to present their messages to consumers, banks, big and small, can execute two low-tech, easy-to-implement and, best of all, FREE ways to promote your bank and connect with customers. The often overlooked ideas of email signature lines and a First to Know program can leverage the interactions your staff conducts on a regular basis.

The Power of Email Signature Lines

Generally the information automatically added as the last few lines of your outgoing email, an email signature lets recipients know who, where and how to contact you. This area is prime marketing real estate and acts as both a virtual business card and an electronic advertisement that can communicate:

- Upcoming bank events and community involvement activities (see example).
- New product launches, promotions and specials.
- Links to your website and employee's professional social media pages & profiles.
- Your bank's logo, tagline or mission statement to reinforce your brand.
- Thought provoking questions that position your employees as expert problem solvers, such as "The identities of over 17 million people were compromised last year in the US. Ask me about Bank XYZ's ID Theft Protection services."
- Something unique that sets your bank apart from the competition or an interesting tidbit that your customer

might not of been aware of, such as "Did you know that Bank XYZ employees volunteered over 1,000 hours to local organizations in 2017?"

Joe Smith
VP, Retail Banker
Bank XYZ
www.xyz.com

Mark your calendars for September 9th and attend Bank XYZ's Customer Appreciation Event!

The true power of the email signature line is realized when you consider the number of impressions and exposure it generates. For example, if your bank has 30 employees and each of them sends 10 emails per day to customers and prospects, calculated over the course of 252 business days that is 75,600 marketing messages that didn't cost your bank a single cent!

When developing effective bank wide email signatures, keep in mind they should be consistent and deliver some form of value (newsworthy, thought provoking, support your bank's brand, etc.)

Optimizing the email signatures of your employees is a cost effective way to support your overall marketing initiatives. It is also easy to get your whole team involved by implementing it across your organization while realizing some employees that are unsure of adding and editing email signatures may need assistance. By reinforcing your bank's brand, drawing attention to current promotions, community involvement, your website and social media pages, an effective email signature can significantly help generate more business.

Treat Your Best Customers Like They Are Your Best Customers

A long held school of thought is that the top 20% of a bank's customer base accounts for 80% of its profitability. There is no denying that this group of customers is important to your bank's bottom line, so why not treat them as such by making them feel special?

Marketing continued pg 7



Keeping the Community in Community Banking

United Community Bank • Perham, Minnesota

In the heart of Minnesota's lake country, the small, yet vibrant city of Perham was selected as one of the Smithsonian's Best Small Towns to visit in 2018 and is home to United Community Bank. For over 100 years, United Community Bank (o.k.a. Farmers State Bank of Bertha) has been living out their mission "to serve our community members and empower them to achieve their financial goals." United Community Bank's staff of 70 employees truly believes in uniting the communities they serve and demonstrate it by volunteering annually, over 1,100 hours to local charities and non-profit organizations. We visited with bank President, Charlie Cavanagh, to learn how United Community Bank is keeping the Community in Community Banking.



2016 Everfi HS Financial Course Certificate Recipients



Serving Lunch at Annual Veterans Day Program

What is your community most known for?

The city is home to many lakes for swimming, boating, and fishing in the summer, as well as community events and activities year-round. Our active downtown area has many shops, restaurants and attractions for people of all ages.

Companies in Perham do business locally, regionally, nationally, and even internationally. In fact, products made right here in Perham, Minnesota, are exported to over twenty countries worldwide.

With a wide variety of recreational activities and a relaxed, resort-like lifestyle, Perham offers many of the attractions of big city life while providing a smaller, home-town feel.

How is your bank involved in the community?

In 2017, our employees volunteered 1,710 hours at 26 local organizations. Annually we support 3 scholarships and donate over \$100,000 in monetary and promotional items. We sponsor events such as the Frazee Hornet Community Picnic on Wednesdays in the summer, Veteran's Day lunches in Perham and Frazee, an in-class reading program through Heart of the Lakes Elementary, and Honor Flight of MN/ND. We also participate in various volunteer opportunities throughout the year. Financial outreach is important to us, so we participate, lead and sponsor educational programs to empower the people of our community (children, teens and adults) to achieve their financial goals.

Do you have any goals or programs in place to encourage bank employees to be active in the community?

Our Casual for a Cause program collects over



Bank Name:

United Community Bank

Bank Charter Location:

Perham, Minnesota

Bank Representative:

Charlie Cavanagh, President

Asset Size:

\$249 million

Number of Locations:

Four

Number of Employees:

70

Year Bank was Incorporated:

1911

City Population:

3,300



Pres., Charlie Cavanagh at Annual Teach Kids to Save Classes

\$3,000 annually pooled by our employees and matched by our bank to give to local individuals in need. In addition, we offer numerous opportunities throughout the year for staff to volunteer in the community, both during work hours and outside bank hours.

What makes community involvement important to you and your bank?

We have been fortunate to have good relationships with individual customers, farmers, entrepreneurs, and long-time business owners, and, as they say, word spreads. The prosperity of our community has been reciprocal for our success. Our staff both past and present has been instrumental to our growth by upholding our good reputation in the community and providing personal service to customers. Actively volunteering in the community and supporting local businesses have always been among our top priorities.

What do you like best about your community?

The Perham area is unique; its consistent growth and change makes our community an exciting market to serve. We have a supportive community that knows the importance of shopping and donating local to help small businesses thrive. The job and housing markets stay strong and families continue to move here to build their dreams. In addition, due to high enrollment for a number of years, the Perham Dent School District is expanding and opening the new Perham High School this fall for the next generation of students.

What do you like best about being a community banker at United Community Bank?

Working at an independent, family-owned, community bank means we get to help our neighbors and friends achieve their financial goals, make decisions locally, and reinvest in the local economy. I'm proud of the work we do and the impact we make.

Studies have shown that scarcity and exclusivity boost word of mouth by making people feel like insiders. Customers feel special, unique and high status by getting something not everyone else has creating loyalty to your brand, which they will share with others. To achieve this feeling of scarcity and exclusivity, your bank can develop a First to Know program.



customers, best commercial customers, etc.) for your First to Know List.

- ✓ Communicate the program to all of your staff (what it is about, special offers provided, etc.).
- ✓ Ensure your First to Know customers are aware that they are part of a special group by an initial communication from the bank President via personal letter to acknowledge the bank's appreciation for their business

and detailing the program's benefits.

- ✓ Make sure any offers and special benefits given to your First to Know group are noteworthy, exclusive and will truly make your customer feel special.

Here's how it works. Once you've identified your top 20% or 10% (or whatever criteria you want to use) of your customer base, you then develop periodic email schedules or personally mailed communications to this group. Provide them with special benefits and access before the rest of your customers and the public such as:

- New product launches and service enhancements.
- CD or product specials.
- Private classes or seminars on relevant topics.
- Invitations to an exclusive after-hours reception.

The things you can incorporate into your First to Know program to engage your best customers are endless, but the structure of your program requires thought and planning. Be sure all of the criteria below are "checked" before sending your first email or notification:

- ✓ Identify the customer criteria (top deposit or loan

Your bank's First to Know program can be as simple as sending out periodic emails with important news and updates before a public announcement, or as elaborate as an exclusive newsletter with special content, offers and promotions. While a First to Know program will assist in engaging your customers and potentially generating additional business, at the end of the day, the most important thing is that your best customers feel special and appreciated.

Email signature line marketing messages and a First to Know program are two easy ways your bank can cut through all of today's advertising clutter and engage your customers with meaningful communications at a price that won't break the bank.

Congratulations to Barb Fugate

Barb Fugate, UBB's Executive Vice President Chief Information Officer/Chief Security Officer, received her Masters of Science Technology and Management of Technology Minor from the University of Minnesota this past May.



Congratulations, Barb, on your hard work and dedication - what a marvelous academic achievement!

Special Welcome to Jim MacPhee

The UBBI Board of Directors recently welcomed new member, Jim MacPhee, as its Michigan representative in June. Jim has been a well-respected community banker for over 47 years and was the CEO of Kalamazoo County State Bank for 24 years. Throughout his career, he was actively involved with Community Bankers of Michigan and Independent Community Bankers of America. Given Jim's experience and knowledge of community banking, we know Jim will be a valuable addition to our board of directors.



United Bankers' Bank
Suite 1500
1650 West 82nd Street
Bloomington, MN 55431-1467

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If you have questions about our products and services, please call us at 1-800-752-8140.
www.ubb.com • Member FDIC

Serving the Community

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Second Harvest

A team of UBB Correspondent Banking Officers had a lot of fun giving back to the community by packing boxes for Second Harvest Heartland in May. The group packed 550 boxes totaling 13,750 meals for families in need.

Second Harvest Heartland, a member of Feeding America, has been distributing food to soup kitchens, food shelves, homeless shelters, senior community centers and children's feeding programs since 2001. Each year, they distribute more than 81 million meals to 59 counties in Minnesota and Wisconsin.



VEAP Food Drive

For the week of April 23-27, employees in the UBB Bloomington office teamed up with Westwood Elementary School for a VEAP Food Drive.

With UBB's help, Westwood collected the most in the Bloomington school district for the third year straight! Of the total 1,873 pounds of food and \$1,892 cash donations collected by Westwood, UBB contributions were more than any other business in the program with 308 pounds of food and \$960 in cash!



About VEAP: Volunteers Enlisted to Assist People has been assisting people in the Bloomington, MN area for over 40 years. They provide programs that promote access to healthy food, stable housing and supporting services. More information can be found about their organization at <https://veap.org/>.