



Intelligence

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ASSOCIATION OF GOVERNMENTAL RISK POOLS

Perspective on top pool executive compensation

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Forty percent of current pool executives are expected to vacate their role in the next five years.

Almost 75 percent are expected to vacate the executive role within ten years.

Every two years, AGRiP analyzes compensation offered to top executives of public entity pools. The analysis offers perspective about salary and benefits for this unique role, with comparisons not available from any other source.

The 2018 findings are particularly notable for public entity pool governing bodies and for those who aspire to be a public entity pool executive. Interpreting compensation trends from these two important perspectives brings focus to findings beyond the immediate question of salary levels for existing top pool executives.

Aspiring executives

There will be plenty of opportunity for aspiring pool executives. Forty percent of current pool executives are expected to vacate their role in the next five years. Almost 75 percent are expected to vacate the executive role within ten years.

The predicted wave of executive retirements is coming to fruition. For an aspiring executive, this could mean multiple opportunities within the next ten years. As you weigh options to make a transition into leadership, it's important to have realistic expectations for salary and benefits.



As a first time executive, you might expect starting salary slightly below the average top pool executive salary of \$190,000. Even so, executives within the first five years on the job are generally compensated at \$175,000 or more.

Starting salary for a pool executive increases with years of overall public entity pooling experience. Even when new to the leadership role, pool executives who bring years of pooling experience to the table will likely have a starting salary very close to the average.

Executive salary is impacted by total pool assets and the member types served by a pool. The greater the pool's assets, the higher the top executive's compensation. And executives of pools with multiple member types also make more, on average.

The average salary for executives administering pools with assets over \$100 million is \$47,000 more per year

than the average salary for executives administering pools with assets less than \$100 million.

Top pool executives administering pools with multiple member entity types, such as a pool comprised of cities, counties and schools, make more on average than those administering pools that serve a single type of public entity.

Reporting structure is the strongest influence on top executive salary. In some cases, the top pool executive has a dual reporting structure and is accountable to the pool's governing body as well as to another person, department, or organization.

Top pool executives who report to anyone other than, or in addition to, the pool's governing body are paid less on average than those who report only to the governing body.

To land the role of top pool executive, you'll be expected to possess a four year degree. A graduate degree and professional designation(s) are preferred.

All pool executives new to the role within the last five years had a four year college degree. 70 percent also had a graduate degree, and most also had a professional designation such as CPCU or ARM.

Most top pool executives have 75 percent or more of health care premium paid for by their employer, for themselves and their dependents.

About 60 percent of top pool executives are offered a traditional indemnity health plan. Many are also offered a high deductible health insurance option. Top pool executives are generally provided with dental and vision benefits, and other ancillary benefit offerings.

About the study

In 2018, top executives from AGRiP member pools were invited to take a biennial compensation survey. 106 pool administrators responded.

Only pools participating in the survey receive the Top Pool Executive Compensation & Benefits Analysis, in full. In addition, these pools have access to the [Economic Research Institute \(ERI\)](#). ERI resources include detailed salary comparisons for any type of pooling position against the insurance industry, public entities and more.

Key findings include from the 2018 survey analysis include:

- The retirement rate of top executives will be significant in the next decade. 40 percent of top pool executives plan to vacate their roles within five years. 72 percent intend to vacate within ten years.
- The average salary for the top pool executive is \$190,000.
- Top pool executives employed directly by the pool have higher average salaries than those employed

by a league, association, or private organization.

- Most top pool executives receive 75 percent or more of their health care insurance premiums paid for by their employer.
- All pool executives receive some form of employer-paid retirement benefit.
- Remote and flexible work environments for the top pool executive are common.
- Today, ten percent of top pool executives work in a significantly remote capacity.
- Statistically significant factors influencing top executive salary are total pool assets, years the top executive has been in the position, years of overall pooling experience, and whether the pool covers single or multiple public entity types.

A [redacted summary](#) of the compensation analysis is available to understand the nature of data provided by AGRiP.

Retirement benefits for the top pool executive typically include a pension plan, an individual retirement savings account contributed to by the employer, or both.

Pool executives universally report they work flexible hours, although most work greater than 40 hours per week. It's becoming increasingly common for pool executives to work remotely at least some of the time. Ten percent of current top pool executives work in a significantly remote capacity.

Governing bodies

Of course, every pool is different and has to determine for itself the compensation most appropriate for its leadership needs. Compensation for your pool's executive could fall well above or below average.

As a member of your pool's governing body, it's important to understand what aspiring executives – and your current executive – might expect in compensation and benefits. You'll want to be mindful of overall industry trends and possible compensation influences.

Determine whether you should be making efforts now to keep your current executive from being successfully recruited to go elsewhere.

This step is easy to overlook if you have a strong and healthy relationship with your current executive. The better the relationship, the more you might think, "We don't have to worry about our executive leaving."

But in this highly competitive environment, you might be surprised. Maybe there's a pool recruiting near your executive's family, or in the state where your executive wants to retire in a few years. Even if perfectly satisfied today, the demand for talent will put new alternatives on the table for your executive.

Although it might be uncomfortable, it's a good idea to talk openly about what other roles your executive would consider. Then, you can together evaluate the possibilities and discuss what an ideal transition plan would look like should the need arise. And, as a govern-

ing body, you could also consider whether to offer any longevity incentives.

Consider whether to introduce an employment contract for your top pool executive, or review the existing contract for reasonableness in today's environment.

Structural and cultural differences, as well as state law, might influence whether your pool has an employment contract with its executive. Seek input from general counsel about the pros and cons of an employment contract, and talk as a governing body about options.

If you have an employment contract already in place, review it to make sure it reflects today's pooling and employment environment, including compensation and benefit expectations.

Review how compensation increases are determined for your top pool executive, whether there is a salary range in place, and whether incentive bonuses are available.

These kinds of considerations can be influenced by whether your pool is a public entity, your organizational structure, and the unique balance of public entity and insurance expertise you require for your top executive role. You may wish to look at comparables within local government, the insurance industry, and those unique to public entity pooling.

As part of this review, carefully consider the most influential factors on top pool executive salary. The 2018 Top Pool Executive Compensation & Benefits Analysis found several important, statistically significant influences:

- Your total pool assets.
- The years of pooling experience your pool executive has, overall.
- The years of experience your executive has in the top leadership role, whether at your pool or another.

- Whether your pool covers a single type of public entity or multiple public entity types.
- Your executive's reporting structure to the pool governing body exclusively, or also to another entity or person.

Ask your pool executive who among pool staff are the aspiring leaders most likely to leave for another pool, and how your pool executive feels about potentially losing those individuals.

There are probably staff within your pool who are critical to your operation, and to your executive's ability to be as effective as possible. These same team members are likely the ones who aspire to be a pool executive and they'll have opportunities to do so in this environment.

Again, in some cases it may be appropriate to consider longevity incentives, whether in the form of additional compensation, leave, or other benefits for team members your executive most wants to retain.

Knowing your executive leadership could turn over to some degree within the next five years, make sure your pool is prepared to sustain change.

Public entity pooling is a complex business operation, with a multitude of important processes. It's important for a governing body to be mindful of its role without getting stuck in the weeds of day-to-day operations. The governing body must have adequate assurance that operational policies and practices are updated and documented, so the organization can withstand staffing shifts.

Be sure there are adequate and appropriate governance and operational processes in place so an executive change does not disrupt core operations. You might think of key staffing changes as an important potential disruption to include in your pool's business continuity or enterprise risk management plans.

Use compensation and benefits data to prepare your pool's budget for leadership changes, longevity incentives, or both.

An operational checklist for pools

Use AGRiP's [Advisory Standards for Recognition](#) as a checklist to make sure your pool is ready for change, whenever it may occur.

The [Advisory Standards](#) are useful to review your pool's fiduciary and financial expectations, governance, data security, staffing, claims management, and more. The overview of operations that can be gleaned from checking your pool's practices against the Advisory Standards can help assure a governing body that adequate processes and procedures are in place for business continuity amid any staffing changes.

While pools are encouraged to seek formal Recognition through AGRiP, the Advisory Standards are an available resource at any time.

Advisory Standards are evaluated and updated on an annual basis by the AGRiP [Membership Practices Committee](#).

The most reasonable projection of compensation you'll need to offer your pool's top executive in the future might not be the current salary of your current executive. Look to industry comparisons for similarly situated pools, and starting salaries for newer executives who have been recently hired.

It may be that the most beneficial investment your pool can make in compensation is to your management team that supports the top pool executive. This is the team that is most critical to retain during a time of executive shift.

Given retirement projections for the next five to ten years, you could find yourself competing for executive talent or recruiting for a top executive more than once in the next decade.

Now is the time to be having targeted governing body conversations about the executive skills you need, the compensation you're willing to pay, and the other methods you have to attract and retain the best possible executive for your pool.

Think broadly about public entity pooling

Whether you are the top executive of a pool or a member of its governing body, you want your pool to be as effective as possible with talented staff. With so many impending transitions, it is important we think broadly about the public entity pooling community.

Being an effective leader might mean helping high potential staff members develop skills through new

challenges and opportunities at another pooling organization.

Even if you lose a valued executive or key member of your pool's staffing team, retaining talent within the public entity pooling industry is a big win overall. Keeping the brightest minds and ideas together in public entity pooling will help continue our history of success.

Other resources available for pools

Use these resources to build perspective about the factors influencing today's top executives and the next generation of pooling leaders.

- [Your next pooling executive](#)
- [Understanding bias in decision making](#)
- [Retirement realities and succession planning](#)
- [Pooling trends now and on the horizon](#)
- [Thriving in Uncertainty: Making Your Pool Future Ready](#)
- [Workbook: Framing the Future: A Guide to Strategic Foresight](#)
- [Webinar: The Age of the Multigenerational Workforce](#)
- [Workbook: Generational Training for Pools](#)

About the Author

This issue of *Intelligence* is based upon findings of the 2018 AGRiP Top Pool Executive Compensation & Benefits Analysis.



Ann Gergen oversees operations, governance functions and member service delivery for the [Association of Governmental Risk Pools](#). Ann routinely communicates and collaborates with the more than 200 pools that participate in AGRiP, and with the service providers who help pools sustain their operations.

Ann has 25 years of direct public sector employment and experience in local government management, emergency services, risk management, primary and reinsurance claims, pooled insurance services and operations.

Ann is a recognized resource in strategic management and operations of public sector pools. She sits on several Boards of Directors, holds a Master's Degree in Public Administration, and is an attorney licensed in the State of Minnesota.

The Association of Governmental Risk Pools (AGRiP) energizes the power of pooling, making member organizations more effective, collaborative, and informed. AGRiP represents and connects all pooling organizations while providing education and resources to its members. AGRiP brings the brightest minds and ideas together to help make pooling successful.