
Police Credit Union Ltd - Pillar III Remuneration Disclosures

Remuneration Governance

These disclosures have been prepared in accordance with the requirements under APS 330 Public Disclosure. The Board Remuneration and Governance Advisory Committee, is responsible for overseeing remuneration of the PCU Group. The members of the Committee comprise non-executive directors and its current composition is:

- A Zimmerman (Chairman)
- M Fisher (Deputy Chairman)
- P Alexander
- T Rankine
- P Schar

The role of the Committee is set out in a Charter approved by the Board.

The Committee is responsible for recommending to the Board for approval:

- development and annual review of Remuneration Policy,
- remuneration of the Chief Executive Officer,
- remuneration of direct reports of the CEO, and
- remuneration of other persons whose activities may in Committee's opinion affect the financial soundness of the Credit Union.

The Credit Union focuses on basic financial products secured by adequate security and ensures diversification of risk to ensure that material risks are mitigated to an acceptable level. The scope for variable performance-based remuneration is limited to 20% of remuneration. As a result, there are no employees, not already covered in these disclosures that would meet the definition of material risk takers.

During the financial year, the Board Remuneration and Governance Advisory Committee met on three occasions. The committee comprises non-executive directors made up of the Chairman, Deputy Chairman and three other directors that should include the Chairman of the Board Audit and Board Risk Committees.

Remuneration paid to members of the Board Remuneration and Governance Advisory Committee for the financial year ended 30 June 2013 amounted to \$237,352. This represents the remuneration as a director and not only for duties on the Board Remuneration and Governance Advisory Committee.

Design and Structure of Remuneration

The Committee oversees the annual performance appraisals and remuneration of the CEO those reporting directly to the CEO and Risk and Financial Control personnel, comprising the Internal Auditor and Manager Finance.

The key principle of the Remuneration Policy is to remunerate in a manner that takes into account experience, qualifications and individual performance, having regard to industry benchmarks. The policy seeks to:

- motivate executive and other managers to lead the business successfully and to drive strong long-term organisational growth in line with the strategy and business objectives.
 - drive successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives.
 - ensure transparency and fairness in remuneration policy and practices.
 - deliver a balanced solution addressing all elements of total pay – base pay, incentive pay and benefits including appropriate superannuation arrangements and attraction and retention strategies.
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During the past year, the Board reviewed the Remuneration Policy on 27 February 2013 and no material change to the Policy was made.

Risk Management Considerations

Key to the operational and financial control of the Credit Union is a Risk Management System that recognises the need for all staff to practice the principles of sound risk management, own, take responsibility for the system, and be accountable for the system. The key risks that the Credit Union faces are Credit, Liquidity and Interest Rate Risk which together give rise to the need for adequate Capital to protect depositors. The Credit Union's Capital Adequacy Assessment Process evaluates the level of risk and the Strategic plan is developed with reference to the level of risk, the Board's appetite for risk, and the need to maintain capital commensurate with the risks.

Staff position descriptions are formulated to achieve long-term organisational growth in line with strategy and business objectives and include an annual performance incentive. Key performance criteria in all position descriptions includes the responsibility for risk management and compliance and their individual performance is regularly measured against those criteria in performance appraisals.

Over the past year there have been no material changes to the Risk Management System or the performance measures.

Linking Performance with Remuneration

Key to individual performance criteria is responsibility and accountability for sound business practice and risk management aligned to strategy and business objectives that incorporate both financial and non-financial performance standards. Performance based pay, is utilised within remuneration structures, but limited to less than 20% of remuneration.

The Board ultimately decides on the remuneration of the CEO and Executives, based on their direct accountability, responsibility for operational management, leadership, strategic direction and decision making for the Credit Union.

Remuneration packages include "at risk" performance-based remuneration payable with or without deferral. Payment of "at risk" remuneration is contingent to the achievement of agreed financial and non-financial performance standards. The Credit Union's financial benchmarks are set at the start of the financial year and may be subject to mid-year review by the Board. The Credit Union's long-term Strategic business benchmarks are underpinned by the need to maintain Capital at prudent levels that requires risks to be actively managed by ensuring these are identified, steps are taken to mitigate any risks and the level of residual risk is mitigated sufficiently through controls and diversification.

Remuneration is based on performance and is aligned with prudent risk taking that is adjusted to reflect the outcome of business activities-and achievement across all areas of the Balanced Score Card and longer-term strategic goals. The Credit Union has not made use of the option to defer performance-based remuneration.

Remuneration Packages are cash based and may include a portion of up to 20% that is "at-risk" remuneration. The fixed cash component of remuneration may be exchanged for an equivalent non-monetary benefit in the form of a company owned motor car.

Quantitative Disclosures of Remuneration for the year ended 30 June 2013

All Executives have an "at-risk" component of remuneration included in their packages. At risk, performance bonuses paid during the 2012-13 in respect of the 2011-12 financial year amounted to \$90,000 for executives. No payment of "at risk" performance-based remuneration has been recommended for the 2012-13 financial year.

There have been no sign-on awards or termination payments (other than accrued entitlements) made during the year.

During 2012-13 and the prior year, no deferred remuneration was paid or outstanding at year-end.

Remuneration for financial year 2012-13, of senior managers within the Scope of Prudential Standard APS 330 Public Disclosure is reflected in the table below. The remuneration includes payments for accrued entitlements paid on termination of employment.

Executive Management and Risk and Financial Control Personnel	Number	Cash based \$
<i>Fixed remuneration</i>	8	1 828 904
<i>Variable remuneration</i>	8	97 500
