

**STATE EMPLOYEES' CREDIT UNION
ANNUAL MEETING
SHERATON FOUR SEASONS/KOURY CONVENTION CENTER
GREENSBORO, NORTH CAROLINA
OCTOBER 13, 2015
3:00 PM**

CALL TO ORDER

After determining a quorum, Chairman Johnson called the 78th Annual Membership Meeting to order. He welcomed the membership, staff, and guests to the SECU Annual Meeting, thanking them for their interest and attendance.

APPROVAL OF MINUTES

Chairman Johnson noted the 2014 Annual Meeting Minutes have been available on SECU's website (www.ncsecu.org), adding that copies were available at all tables for review. He asked if there were any changes to the minutes from the 2014 Annual Membership Meeting? There were no comments from members regarding changes.

VOTED: Upon motion by several members, seconded by multiple members, members in attendance voted and approved accepting the 2014 Annual Meeting Minutes.

RECOGNITION OF BOARD AND SPECIAL GUESTS

SECU BOARD

Chairman Johnson introduced each SECU Board member in attendance:

Mr. Jim Barber	Ms. Cindi Jolly, Vice-Chairman	Ms. Jo Anne Sanford, Secretary (not in attendance)
Ms. Shirley Bell	Mr. Tom King	Mr. McKinley Wooten
Mr. Bob Brinson	Mr. David King	
Ms. Karan Bunn	Mr. Bob Parker	

PAST SECU BOARD/SPECIAL GUESTS

There were no past SECU Board members in attendance.

Chairman Johnson introduced the following special guests:

- Rose Conner, Administrator, Credit Union Division

- Roy High, Former Administrator, Credit Union Division; Former LGFCU President
- Maurice Smith, LGFCU President
- Bobby Hall

REPORTS

Chairman Johnson called attention to handouts on the individual tables around the room including:

- Report of SECU's CPA firm, CliftonLarsonAllen. Chairman Johnson noted that SECU received an unqualified opinion from CliftonLarsonAllen.

REPORT OF THE CHAIRMAN

Chairman Johnson thanked attendees on behalf of the Board of Directors for attending the 2015 Annual Meeting, noting an excellent turnout for the meeting. He stated the Board greatly appreciates members' continued support of their member-owned cooperative.

Chairman Johnson stated that since 1937, State Employees' Credit Union has called North Carolina home, noting that SECU was started in the basement of the Agriculture Building in Raleigh by 17 members with \$437 in deposits. Chairman Johnson commented that while SECU has grown in size and scope over the last 78 years, the mission and purpose of the Credit Union has not changed. He explained that SECU is owned by state and public school employees and their families and ensured members that their Credit Union remains focused on North Carolina, and rooted in local communities in all 100 North Carolina counties.

Chairman Johnson stated that SECU has 255 statewide branches from Murphy to Manteo, along with the convenience of a website, 1,100 no-surcharge CashPoints ATMs, 24-7 Contact Centers, and the ASK SECU voice response system. He commented that having a local branch presence means that our more than 2 million Credit Union members have an experienced hometown staff – who reside in each community and understand each area's unique benefits and challenges. Chairman Johnson noted that this local difference comes to life in the member testimonies in the 2015 Annual Report. He encouraged members to read how SECU as a cooperative is truly representative of the "People Helping People" motto.

Chairman Johnson stated that SECU continues to keep members' economic well-being in full focus, providing value to members through a wide range of low-cost financial products and services. He explained that the value of SECU to you as a member was recently documented in *The 2014 Report on Financial Benefits of Membership in State*

Employees' Credit Union by Dr. William E. Jackson III. Chairman Johnson noted that Dr. Jackson found that members achieved financial savings of \$772 million, or \$806 per member household in 2014, with the largest value benefit produced by lower fees on products and services. He stated that significant benefits also came from SECU's lending initiatives, including the Mortgage Assistance Program. Chairman Johnson reported that, to date, local Credit Union personnel have assisted nearly 13,000 members by establishing action plans through MAP, helping these members stay in their homes and avoid foreclosure. He asked members to join him in thanking the members of the SECU staff who have made the MAP program a best practice in the credit union movement (members applauded for SECU staff).

Chairman Johnson commented that by keeping the focus on members, their families and North Carolina, SECU continued to experience tremendous growth during the past year. He noted that this year SECU added 89,000 new members and surpassed the 2 million member mark. Chairman Johnson reported that assets grew by \$2.2 billion, loans and deposits increased, and SECU maintained a low expense-to-asset ratio of less than 2%. He commented that lower costs translate into better loan and deposit rates for members and noted that the growth at SECU through the years has always been the result of ongoing member trust and support for SECU.

Chairman Johnson noted that member support was also reflected in the 2014 Member Relationship Survey which found that over 98% of members are satisfied with the service provided by SECU. He stated that 89% of the members consider the Credit Union to be their primary financial institution. Chairman Johnson explained that these strong ratings are not only higher than industry peers, but are hopefully representative of an organization built on trust and focused on your needs. He added that SECU's 5,300 employees are committed to serving members by listening, helping and always "Doing the Right Thing."

Chairman Johnson noted that an integral part of SECU is the 3,200 member-volunteers who serve on the Board of Directors, Advisory Boards, the Audit Committee, and Member Loan Review Committees and as Secret Shoppers. He stated that these volunteers provide a local voice for fellow Credit Union members, adding that many volunteers were in attendance at the meeting and noted that Board appreciates volunteer guidance and dedication.

Chairman Johnson closed his report by noting that it has been an incredible year and he hoped his Chairman's Report provided a glimpse of SECU as a cooperative. He stated that the Credit Union's goal is to thrive as a local institution serving North Carolina's state and public school employees and their families.

Chairman Johnson noted that community support is the key to SECU's success and that the Board thanked members for their continued efforts and great support!

ELECTION PROCEDURES AND PROCESS/REPORT OF THE NOMINATING COMMITTEE

Chairman Johnson stated that the meeting would proceed to the election of Board members, stating that an overview of the election process was provided in member information packets. He commented that the document titled *Election of Board of Director Positions* listed the Nominating Committee recommendations and the Election Procedures, noting a bio for each candidate was also included.

Chairman Johnson recognized Mr. Frank Drake, an attorney with the firm of Smith Debnam, noting Mr. Drake would serve as Parliamentarian for the election. He thanked Mr. Drake for attending.

Chairman Johnson explained that the SECU Board of Directors' overall duty is to ensure that the Credit Union is operated in a safe and sound manner, in accordance with SECU bylaws. He noted that the Board establishes strategic plans and goals for the Credit Union, approves policies, as well as new products and services, adding that while setting rates and determining service fees, the Board consistently monitors the financial health of our cooperative.

Chairman Johnson called on Ms. Cynthia Jolly, Vice-Chairman of the SECU Board and, Chairman of the Nominating Committee, for the report of that Committee, noting that Ms. Jolly would oversee the election part of the meeting.

Ms. Jolly reported that the Nominating Committee was composed of the following members:

- **Ms. Mary Beck**
 - Retired, Senior Vice President for System Affiliations – UNC Health Care System; SECU Family House Board
- **Ms. Karan Bunn**
 - First in Focus Research, Inc.; Formerly with Governor's Office/State Budget; Formerly with Wake County Schools
- **Mr. David King**
 - Retired, General Manager Triangle Transit Authority; Retired, Department of Transportation
- **Ms. Cynthia Jolly, Chair**
 - Retired, Assistant Superintendent, Wake County Public School System; Former State Account General Manager, Pearson and Director of Education Service, Highmark Companies

- **Ms. Jo Anne Sanford**
 - Sanford Law Office, PLLC & Blount Street Advisors; Former Chair, NC Utilities Commission & Special Deputy, NC Attorney General's Office
- **Dr. Marilyn Sheerer**
 - Former Provost at East Carolina University; current Provost at UNC-Wilmington

Ms. Jolly commented that the Nominating Committee met on August 6, 2015 to review all background information from the members interested in being considered by the Nominating Committee for election to the Board of Directors.

Ms. Jolly explained that SECU Bylaws call for members interested in being considered for nomination, including self-nomination, to submit information for distribution to the members at least 50 days prior to the Annual Meeting (August 24, 2015), noting that no self-nominations were received this year.

VOTE by ACCLAMATION: **Ms. Jolly stated that she moved to accept the nominations by acclamation. She asked for a motion to accept the Nominating Committee report for Mr. James Barber, Mr. Robert Brinson, Mr. James Johnson and Mr. McKinley Wooten, Jr., to serve a three year term expiring October 2018. Motion was made by member Mr. Bobby Hall, seconded by member Mr. Alan Foster. Ms. Jolly called for all those in favor of the motion? She stated that seeing no opposition, the motion carried.**

Ms. Jolly concluded the Election Process for 2015.

REPORT OF THE PRESIDENT

Chairman Johnson called on President Jim Blaine for his annual report of the Credit Union.

FOUR QUESTIONS TO ASK EACH YEAR

Mr. Blaine noted four questions members should ask SECU every year:

- 1) Is SECU Safe and Sound?
- 2) Is SECU Efficient?
- 3) Is SECU Effective?

4) Is SECU a “Good Deal”?

Mr. Blaine stated the following facts regarding SECU’s current status:

- \$30+ Billion Assets
- 2 Million Members
- 254 Branches
- 1,100 ATMs
- 5,300 Staff

Question 1: Is SECU Safe & Sound?

In regards to the first question Mr. Blaine provided the following information:

- Federally insured to \$250,000
- 8.00% “well capitalized”
- 30+ year record of “unqualified opinions”
- Low operating costs... 1.81% expense ratio
- 90 day delinquency @ 1.00%
- Loan loss reserve... \$200+ million
- Chargeoffs... around $\frac{1}{4}$ (.25) of 1%

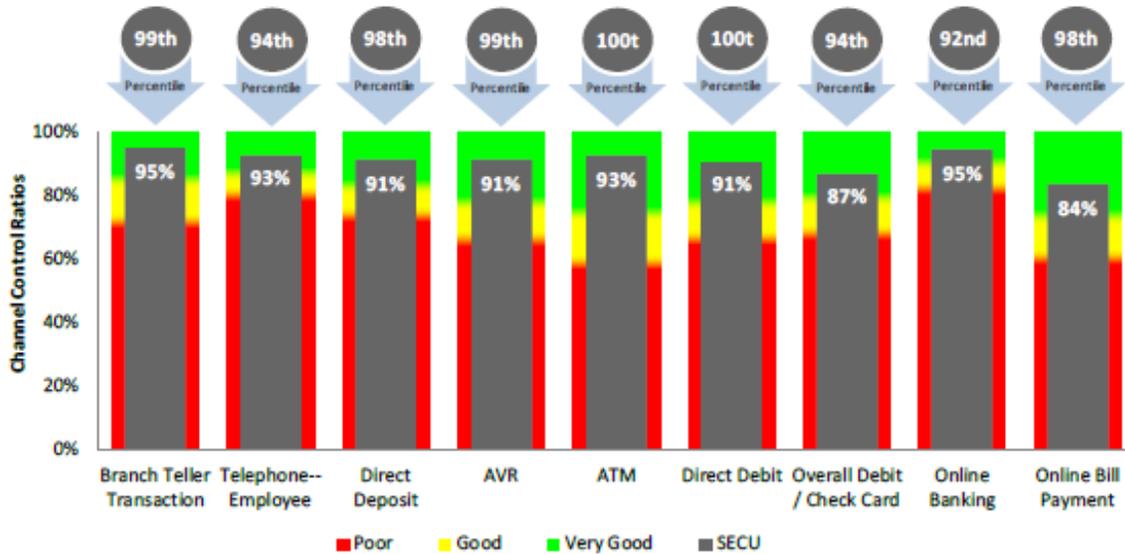
Question 2: Is SECU Efficient?

In answer to question two Mr. Blaine provided the following information:

- SECU has one of the lowest costs of operation among all financial institutions.
 - Average Expense to Asset Ratio of large credit unions:
 - SECU Expense-to-Asset Ratio:

Mr. Blaine also provided the following information on delivery channels which shows SECU’s efficiency in those areas:

Are Your Delivery/Technology Channels Meeting Members' Needs?



Question 3: Is SECU Effective?

Regarding SECU's effectiveness, Mr. Blaine provided the following information from the most recent SECU Member Survey:

SECU Member Satisfaction					
Banks	SECU:	2015	2014	2013	
75%		99%	97%	97%	
SECU as Primary Financial Institution					
CUs	Banks	SECU:	2015	2014	2013
60%	40%		89%	77%	75%

Mr. Blaine reported that Member Survey results this year were:

- Consistent with past results, and just over 89% of members consider SECU to be their PFI.
- SECU's figure comes in well above the norm of 62% established by other credit unions with assets of \$1 billion or more.

THREE MOST FREQUENT QUESTIONS SUBMITTED BY MEMBERS FOR THE ANNUAL MEETING

Question 1: Low Rates?

- Lowest level of market rates in history.
- Great time to be a borrower.
- Low rates hurt the economy.
- Savers have “paid” for the recession.

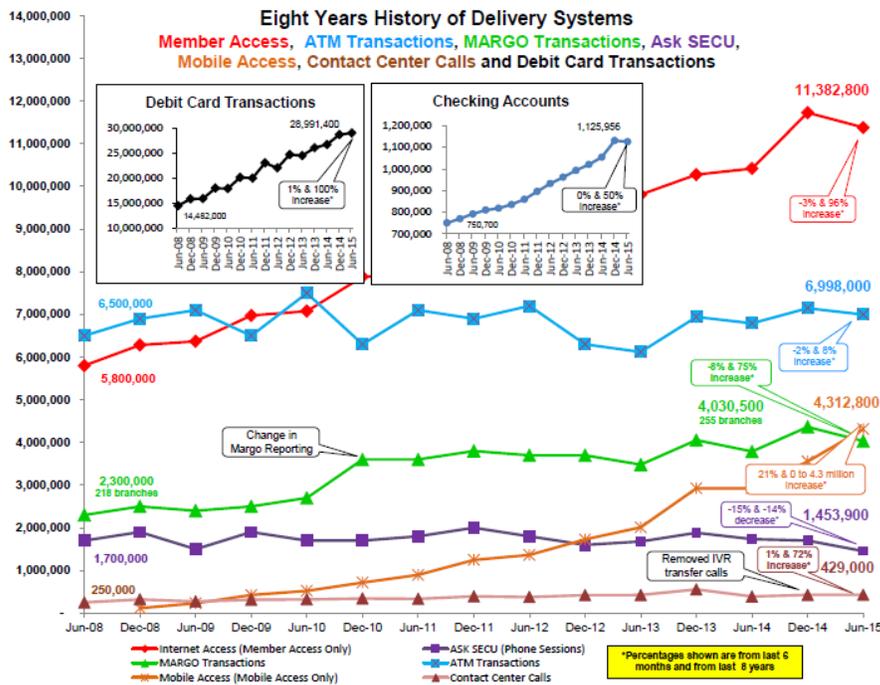
Question 2: 30-Year Fixed Mortgages?

- 30-year fixed rate mortgage
 - Too good a deal for borrower
- Foolish deal for investor
- Who is the only investor buying 30-year fixed rate mortgages?

Question 3: Buildings?

- I was wondering about continuing expansion, building more branches – What is the plan?
 - SECU has \$700 million invested in buildings, property and equipment.
 - That’s approximately 2% of total assets.

Mr. Blaine shared an eight year history of SECU delivery systems:



Mr. Blaine commented we have 254 branches and have a presence in every county and so branch building activity will decrease. He stated that regarding SECU's recent purchase of the BCBS building in Durham, noting our regulator stated it was time for a third data center and we complied to the request with the purchase of the building which has been used as a data center and is the perfect set-up for SECU to move forward in this area.

OTHER EVALUATIONS

Mr. Blaine stated we are regularly reviewed and evaluated by State and Federal agencies, noting some of our reviews:

- Regulatory Exam
- Financial Statement Audit
- Rep and Brokerage Audits
- SECU Foundation Audit
- SECU Life and SECURE
- SECU 401K Plan Audit
- SSAE 16 (SAS 70) Audits
- Branch/Corporate Internal Audits

Mr. Blaine noted SECU has received clean opinions in all reviews.

SECU'S FUTURE

Mr. Blaine asked members to imagine SECU's future, focusing on the tools we've have as a not-for-profit, member-owned cooperative:

- Rock Solid Financial Institution
- Exceptional Delivery Systems
- Highly Advantageous Rates
- Low Fees
- Trusted by Members
- No Subprime Loans
- No Mortgage Backed Securities
- No Debt, Large Unused Lines of Credit
- Safe Investments – Treasuries/NC Student Loan Bonds
- Deposit Insurance up to \$250,000
- Well-Capitalized
- Low Operating Expenses
- Not-for-Profit – Purpose Driven
- Cooperative Ownership – Locally Owned

- Salaried Staff – Service Focused/Not Growth
- Engaged Volunteers/Experienced Management
- “Do the Right Thing” Credo

Mr. Blaine next asked members to imagine if they owned a company with:

- 2 million “customers”. \$30 billion in assets.
- A location in every North Carolina community.
- Non-profit, low cost of operation, salaried staff, goal of service not growth.
- Focused on North Carolina.

Mr. Blaine explained that SECU is:

- Insource rather than Outsource
- Onshore rather than Offshore
- Local, Local, Local
- A North Carolina Institution
- Owned by North Carolinians
- Creating Jobs in North Carolina
- Creating Wealth in North Carolina
- Re-Investing in North Carolina
- A North Carolina Asset

Mr. Blaine then asked members to imagine being able to tell people:

- SECU folks are fair people.
- SECU folks are local and you know the manager.
- Tell your family to join – **Invest in yourself** and in your community.
- **Tell them you own the place!**
- And if they have any trouble... as an owner you have “an in” with direct access to the Managers and Board!

Mr. Blaine told members that the best sermon is the one we all live and noted going forward what’s important for SECU includes:

- *Mission*
 - **Proven** trusted provider
- *Vision*
 - Improve economic and social condition
 - Encourage thrift
 - Source of credit
 - Broaden economic awareness
- *Core Values*

- Equitable, fair
- Better value, convenience

Mr. Blaine asked members if they could support SECU's real-life commitment to social responsibility:

- *Mission*
 - **Do the Right Thing**
- *Vision*
 - **Send us your Mama**
- *Purpose*
 - **People Helping People**
- *Focus*
 - **North Carolina, you, and your family**

Mr. Blaine called for questions. Being none, Mr. Blaine closed by noting that hopefully the core purpose and principles of SECU will remain constant year after year.

Mr. Blaine thanked SECU volunteer members for making such a positive difference in North Carolina.

Chairman Johnson thanked Mr. Blaine for his report.

OLD BUSINESS

No Old Business.

NEW BUSINESS

No New Business.

SECU FOUNDATION

Chairman Johnson called on Mr. McKinley Wooten, SECU Foundation Chair, to provide the report of the SECU Foundation.

SECU Foundation Chairman Wooten, began by noting that in 2014, the member-funded SECU Foundation closed out an amazing first decade of accomplishments, fulfilling its mission of helping others by promoting local community development with high impact projects in the areas of education, housing, healthcare and human services. He noted that as one decade ended, members' resolute commitment and support for the Foundation's mission continued, and 2015 became a springboard to a new decade of

initiatives benefiting our communities and State. Chairman Wooten stated that in just eleven short years, members of State Employees' Credit Union through their \$1 monthly contribution have invested over \$100 million in North Carolina – what an incredible milestone!

Chairman Wooten stated he was excited to share the following summary of accomplishments from the past year – projects that embody your generosity and desire to make a positive change for others.

- North Carolina Museum of Art for Art Education Outreach.
 - Chairman Wooten noted that the Foundation's \$1.9 million investment in support of a new innovative Education Center will provide students with the opportunity to participate in the Museum's education programs and experience collections of art both on-site and virtually for statewide reach.
- Chairman Wooten commented that continuing with an education focus, a \$750,000 grant was provided for the SECU 4-H Learning Center at Camp Millstone in Richmond County. He stated that when complete, the Center will offer youth and expanded audiences year-round educational programs and displays to highlight the history of North Carolina's 4-H Program.
- Chairman Wooten noted an initiative that will give the homeless a sense of empowerment is The SECU Commons in Forsyth County. He asked the audience to imagine being homeless or at-risk of becoming homeless – as a parent with minor children, a teen aging out of foster care, or a high functioning autistic young adult. Chairman Wooten commented that these circumstances are difficult to envision, but are challenges our members have recognized and reacted to with compassion by supporting a \$1 million challenge grant to help the 16-acre Commons campus become a reality. He explained that serving the three mentioned at-risk populations, The SECU Commons will provide residents with the broad-based support to help them find employment, permanent housing and stability within their community.
- Chairman Wooten commented that by fostering community relationships and partnering with local non-profits, the SECU Foundation has helped bring forth tremendous economic and social benefits for North Carolinians, and in 2015 the Foundation ventured into its largest joint initiative to date – the SECU Habitat Challenge. He thanked members for their generous support in joining with Habitat for Humanity of North Carolina (HHNC) created an exciting housing spark – a 3-year \$10 million investment for HHNC to build one new or renovated Habitat home for deserving families in each of the State's 100 counties. Chairman Wooten asked members to consider the impact this initiative will have in addressing the issues of poor housing for those in need.

- Chairman Wooten noted that, as members have done each subsequent year since launching the “People Helping People” high school and community college scholarship program in 2004, support was once again renewed with an annual commitment of over \$4 million for North Carolina students. He stated that the SECU Foundation’s educational impact is unprecedented, and because of ongoing member contributions, cumulative total scholarships awarded have now reached the \$50 million mark!
- Chairman Wooten stated that the SECU Foundation’s efforts to help prepare a pathway for future educators continues, providing Appalachian State University (ASU) students with the opportunity to pursue a teaching degree with the help of the SECU Appalachian Partnership rural teacher education scholarship program. He noted that a 7-year \$1.76 million grant will assist students financially in their junior and senior years of study, and like the SECU Partnership East program at East Carolina University (ECU), will help prepare high-quality educators to teach in their home counties.
- Chairman Wooten noted that another approved SECU Foundation project was a new Summer 2015 pilot program which awarded ASU, ECU and the University of North Carolina-Pembroke each up to \$100,000 in support of paid internships for 20 undergraduates. He stated that these students worked with local leaders in their home counties, helping build capacity for underserved areas and reducing the talent drain from the State’s rural communities. Chairman Wooten noted that we had an SECU People Helping People Scholarship recipient in the audience, recognizing Sara Evans, a recent graduate of UNC-Asheville who has returned to her hometown of Henderson to work for Park Ridge Health.
- Chairman Wooten noted that due to member contributions in support of healthcare and human services, Yadkinville will be the home of a new inpatient and residential hospice care facility, the SECU Hospice Home of Yadkin. He stated that the Foundation’s \$1 million challenge grant will assist with the construction of the facility, helping to provide the highest level of care, compassion and support for patients and their families needing end of life or respite care services in Surry County.
- Chairman Wooten commented that the third member-funded family house project opened its doors in Wilmington – SECU Family House at New Hanover Regional Medical Center, providing patients and families a refuge with safe, comfortable accommodations and caring services for rest and healing.

Chairman Wooten closed by reflecting back on 2015, stating that there are a number of moments that serve as vivid reminders of the challenges faced by our communities and State, as well as the tremendous capacity our Foundation has had as a collective force to help bring about positive economic and social change for North Carolinians. He stated that as we move forward in our second decade, the SECU Foundation’s success

will continue to be driven by your generosity, cooperative spirit and strong belief in the credit union philosophy of "People Helping People." Chairman Wooten commented that SECU members, through their Foundation, are doing wondrous works for the people of North Carolina.

At this time the audience viewed the video.

ADJOURNED

With no further business, Chairman Johnson called for a motion to adjourn and upon motion by Mr. Randy Miller, seconded by multiple members, Chairman Johnson adjourned the meeting.

Respectfully submitted for,

Ms. Jo Anne Sanford, Secretary/Treasurer

Mr. James D. Johnson, Chairman