

**STATE EMPLOYEES' CREDIT UNION
ANNUAL MEETING
SHERATON FOUR SEASONS/KOURY CONVENTION CENTER
GREENSBORO, NORTH CAROLINA
OCTOBER 8, 2019
2:00 PM**

CALL TO ORDER

After determining a quorum, Chairman Sanford called the 82nd Annual Membership Meeting to order. She welcomed the membership, staff, and guests to the SECU Annual Meeting, thanking them for their interest and attendance. Chairman Sanford noted there were copies of the meeting agenda available on all tables.

APPROVAL OF MINUTES

Chairman Sanford noted to members that copies of the 2018 Annual Meeting Minutes had been available on SECU's website (www.ncsecu.org) since November 2018 adding that copies were available at all tables for review. She asked if there were any changes to the minutes from the 2018 Annual Membership Meeting minutes. Hearing none, Chairman Sanford stated she would entertain a motion to approve the 2018 Annual Meeting Minutes.

VOTED: Upon motion by Ms. Sue Douglas, seconded by multiple members, members in attendance voted and approved accepting the 2018 Annual Meeting Minutes.

RECOGNITION OF BOARD AND SPECIAL GUESTS

SECU BOARD

Chairman Sanford introduced each of her fellow SECU Board members:

- Mr. Bob Brinson, SECU Vice-Chair, SECU Foundation Chair
- Mr. Chris Ayers, SECU Secretary
- Ms. Shirley Bell
- Ms. Karan Bunn
- Mr. Mark Fleming (unable to attend)
- Ms. Alice Garland
- Ms. Jennifer Haygood
- Ms. Mona Moon (unable to attend)
- Dr. Stelfanie Williams

- Mr. McKinley Wooten

Chairman Sanford also recognized Dr. Lee Brown who recently joined the SECU Foundation Board. She thanked him for attending the meeting.

SPECIAL GUESTS

Chairman Sanford introduced the following special guests asking each to stand and be recognized:

- Rose Conner, Administrator of the Credit Union Division
- Tim Merritt, Assistant Administrator, NC Credit Union Division
- Rodney Hood, Chairman of the National Credit Union Administration (Chairman Sanford commented he had to leave the meeting after he spoke).
- Robert Broome, Executive Director of the State Employees Association of NC
- Richard Rogers, Executive Director of the NC Retired Governmental Employees Association
- Dan Schline, Evelyn Hawthorne and Craig Beach from the Carolinas CU League
- Lauren Whaley, President of the Carolinas CU Foundation
- David Brehmer, President of VIZO Financial Corporate CU
- Mark Caverly, President of Local Government Federal CU
- Shawn Wilson, CEO, Greater Kinston Credit Union
- Michelle Outlaw, President/CEO, of First Legacy Community Credit Union
- Roy High, former Administrator of the Credit Union Division
- Cara Williams, who served as Parliamentarian, and is an Attorney with Smith Debnam Narron Drake Saintsing & Myers, LLP

PAST BOARD MEMBERS

Chairman Sanford also recognized past SECU Corporate Board and SECU Foundation Board members including Jim Barber and Jim Johnson. She noted that Cindi Jolly was scheduled to be at the meeting but could not be here due to a death in the family. She noted they had all served as Board Chairs during their time on the Boards and thanked them for their service to SECU members noting it is greatly appreciated. Chairman Sanford added that Mr. Barber currently serves on the Nominating Committee.

Chairman Sanford called Mr. Johnson to the stage so that he could be recognized for his service on the Boards having retired from the Board during the past year. She presented him with a framed print signed by the current SECU Board members. She again recognized Cindi Jolly for her service noting that she had retired as SECU Foundation Chair during this past year. Ms. Sanford noted it was a great pleasure to serve on SECU's Board with Mr. Johnson adding he was also a friend and neighbor.

Chairman Sanford commented she had asked Mr. Johnson if he would like to make any comments and he had indicated he did not wish to do so.

RETIRED AND CURRENT STAFF

Chairman Sanford recognized retired SECU employees and all current SECU staff members, asking them to stand and be recognized. She thanked SECU staff for their service to our members.

RECOGNITION OF CLEAN FINANCIAL AUDITS FROM CLIFTONLARSONALLEN, LLP

Chairman Sanford commented she would move forward in turning her attention to the business part of the meeting noting that we obtained clean financial opinion audits for all SECU entities from our CPAs, CliftonLarsonAllen, LLP. She advised that copies of the audited financial statements were available at the round tables in the back of the room and also on the SECU website (www.ncsecu.org) if anyone would like to review those reports.

REPORT OF THE CHAIRMAN

Chairman Sanford commented that State Employees' Credit Union was formed 82 years ago by 17 visionaries who recognized that many state employees had a critical need for affordable financial services. She noted that with an initial investment of \$437 – which she noted she thinks is a mis-print every time she sees that dollar amount! - these visionaries formed our cooperative to help fill that need.

Chairman Sanford commented that in the first letter to the membership in 1937, Treasurer W. W. Jones stated, “This association was formed to encourage systematic saving among its members, and to provide a medium of credit at a minimum for useful and provident purposes.” She noted his conclusion was both defining and prophetic: “This Credit Union belongs to the state employees and is operated solely for their benefit.” Chairman Sanford explained that, since that time, our world has seen remarkable changes and our cooperative has experienced extraordinary growth and development, but the core mission and goals can still be expressed in much the same terms today. She added that SECU is driven by the original purpose: *this Credit Union belongs to you – our members – and it operates for your benefit.*

Chairman Sanford advised that SECU evaluates products and services with a full-circle approach, ensuring that our offerings meet the needs of all members – children, teens, and adults in different phases of life – by providing affordable, reliable financial products and services designed for our members. She noted that with over 2.4 million members throughout North Carolina and beyond, the Credit Union understands the importance of

convenience, availability, and a variety of service channels. Chairman Sanford mentioned that a new channel was deployed this year - the much-requested SECU Mobile App – adding we are excited to have this available for download through the Apple Store and Google Play Store... She noted that more App features are coming soon!

Chairman Sanford commented that as we work to enhance our product offerings and accessibility, we continue to see substantial growth for our cooperative as over 93,000 new members joined the Credit Union in the last fiscal year and assets surpassed the \$40 billion mark. She noted that these numbers represent the trust members place in SECU and we are truly grateful for the opportunity to be their financial services provider!

Chairman Sanford advised we are also thankful for the nearly 7,000 employees who serve with tireless dedication and a “Do the Right Thing” mentality, along with the 3,200 dedicated volunteers who serve statewide to advocate for and represent all members. She commented that we appreciate our staff and volunteers’ commitment and service.

Chairman Sanford noted, in closing, she wanted to reiterate our original purpose, which is that SECU belongs to our members and operates for their benefit. She commented that this steadfast member-approach has been the key to our success. Chairman Sanford added that our cooperative remains safe and sound, adaptable to changing technologies and demographics, and well-positioned to serve members now and in the future.

ELECTION PROCEDURES AND PROCESS/REPORT OF THE NOMINATING COMMITTEE

Chairman Sanford proceeded to the election of Board members noting that Ms. Cara Williams, attorney with Smith Debnam Narron Drake Saintsing & Myers, LLP, would serve as Parliamentarian.

Chairman Sanford advised that an overview of the election process was provided on the tables throughout the room. She noted that the document titled “*Election of Board of Director Positions*” listed the Nominating Committee recommendations, an overview of Board member responsibilities and the 2019 Election Procedures Schedule, adding that a bio for each candidate was also included.

Chairman Sanford explained that the 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. She noted that the Board establishes strategic plans and goals for the Credit Union, approves policies, and new products and services. Chairman Sanford advised that while setting interest rates and determining service fees, the Board consistently monitors the financial health of our cooperative.

Chairman Sanford called on Mr. McKinley Wooten, Chairman of the Nominating Committee, for the report of that Committee.

Mr. Wooten thanked Chairman Sanford for the awesome responsibility to serve on the Nominating Committee. He thanked Chairman Sanford for her dedicated service as Board Chair over these last two years. Mr. Wooten noted that, joining him on the 2019 Nominating Committee are Ms. Jo Anne Sanford, Mr. Bob Brinson, Mr. Jim Barber, Ms. Shirley Bell, Ms. Alice Garland, and Dr. Stelfanie Williams.

Mr. Wooten explained that the Nominating Committee met to review all background information from the members interested in being considered by the Nominating Committee for election to the Board of Directors.

Mr. Wooten reported that the Nominating Committee had studied the voids in agency representation and expertise on the Board and recommended the following names for four three-year term vacancies (expiring October 2022) and one two-year term vacancy (expiring October 2021):

For a Three-Year Term (expiring October 2022):

- **Mr. Chris Ayers**
 - Executive Director of the North Carolina Utilities Commission Public Staff and formerly with the law firms of Hunton & Williams LLP and Poyner Spruill LLP of Raleigh focused on regulatory and utilities law.
- **Ms. Karan Bunn**
 - Owns and directs a market research company, First In Focus Research, which specializes in qualitative and quantitative research studies and was the former Director of Research, North Carolina Office of State Budget and Management and Director of Long Range Planning for Wake County Public Schools.
- **Ms. Jennifer Haygood**
 - Chief of Staff of the North Carolina Community College System and also formerly held the following positions with the Community College System: Acting President, Executive Vice President, Chief Financial Officer and Vice President of Business and Finance.
- **Ms. Mona Moon**
 - Chief Operating Officer of the North Carolina Medicaid program within the NC Department of Health and Human Services and formerly the Executive Administrator of the State Health Plan for Teachers and State Employees, a division of the NC Department of State Treasurer, and served as the State Health Plan's Chief Financial Officer.

For a Two-Year Term (expiring October 2021):

- **Mr. Mark Fleming**

- Vice President Government Affairs for Blue Cross Blue Shield of North Carolina. Formerly Vice President of Government Relations for the University of North Carolina System and served for five years as the University's primary representative to the U.S. Congress, Federal Government, the North Carolina General Assembly, Governor and state agencies.

Mr. Wooten 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 19, 2019). He noted there were no self-nominations received this year, therefore the Nominating Committee moved to accept the nominations by acclamation.

Chairman Sanford restated the candidates as stated by Mr. Wooten above and asked for a motion to accept the Nominating Committee's report.

VOTE by ACCLAMATION: **Upon motion by Mr. Anthony Caison, seconded by Ms. Margery Coulson-Clark, Chairman Sanford called for all those in favor of the motion to accept the recommended slate of candidates by acclamation to say aye. She called for all opposed to say no. Chairman Sanford noted that, hearing no opposition, the motion carried.**

Chairman Sanford stated this concluded the Election Process for 2019 and congratulated the re-elected Board members, thanking them for their willingness to continue to serve.

SECU FOUNDATION REPORT

Chairman Sanford called on Mr. Bob Brinson, SECU Foundation Board Chair, to provide an update on the SECU Foundation.

Mr. Brinson began his comments noting that this year marks the fifteenth anniversary of the SECU Foundation. He noted that each year has been an amazing journey of establishing new partnerships and investing in ideas that have advanced the mission of the Foundation to address real issues facing the citizens and communities of our great state.

Mr. Brinson explained that the initiatives we have undertaken since 2004, including those featured in this year's video, continue to bring remarkable and positive changes to those in need. He commented that no matter the quest, whether it's to provide safe

shelter, help teens understand the voting process and why every vote counts, or to devise new programs to attract and build a new generation of high-quality teachers and nurses for schools and hospice care facilities in need, our members' \$1 monthly investment to the Foundation is helping others in ways we could not have imagined. Mr. Brinson advised he is proud to share with members that SECU Foundation has made a collective financial commitment of more than \$169 million over the last fifteen years for initiatives to help tackle new and ongoing challenges within our communities and state – an incredible accomplishment!

Mr. Brinson took a moment to recognize Cynthia Jolly, who graciously served as SECU Foundation Board Chair until her retirement from the Board earlier this year. He noted that Ms. Jolly helped put many of these initiatives into motion and her contributions are greatly appreciated. Mr. Brinson also thanked members in attendance for their support and noted he looked forward to the positive differences members, via the Foundation, will make in the year ahead.

Mr. Brinson asked for everyone to please turn their attention to the video screens to see highlights from the past year.

At this time the audience viewed a video about the recent projects of the SECU Foundation.

Chairman Sanford stated we are all very proud of the positive impacts our SECU Foundation continues to have on the lives of our members and the citizens of North Carolina. She noted that it doesn't matter how many times she sees or hears information or presentations regarding the Foundation – she is amazed at what the Foundation does. Chairman Sanford commented that when she considers what all has to happen to bring projects to fruition it is extraordinary. She added when she sees SECU “show up” – she is proud of this organization – and proud of the staff and members who make these projects possible. Chairman Sanford thanked everyone for their part in it.

REPORT OF THE PRESIDENT

Chairman Sanford called on SECU President and CEO Mike Lord to provide the report of the President.

Mr. Lord thanked Ms. Sanford and then alerted the crowd that he was not Terry Bradshaw though they may look like they go to the same hairdresser! He entertained the group with a humorous story to break the ice and grab their attention.

Mr. Lord then noted we had a great crowd in attendance and thanked everyone for making the effort to attend. He recognized the Board, particularly Chairman Jo Anne Sanford and SECU Foundation Chairman Bob Brinson, noting the Board devotes a lot of time and energy – and as volunteers serve without compensation – to represent the membership and improve the credit union while following the same not-for-profit philosophical principles which were put in place at the time of the formation of the credit union in 1937.

Mr. Lord recognized the Advisory Board members and thanked them for their service. He thanked Kelly Holloway and Jimmy Goodrum for their educational retirement presentation earlier in the day.

Mr. Lord thanked Leigh Brady and staff for all their work in planning the Annual Meeting. He thanked National Credit Union Administration Chairman Rodney Hood, who had to leave the meeting after he spoke, for his fine presentation. Mr. Lord thanked North Carolina Credit Union Division Administrator, Rose Conner, and Deputy Administrator, Tim Merritt noting SECU is regulated by the North Carolina Credit Union Division (NCCUD) and insured by the National Credit Union Administration (NCUA).

Mr. Lord joked that last year he had 200 slides in his presentation (he didn't) – and noted that this year he had learned his lesson! He advised he would keep his comments brief. He advised he would talk about Today (Who We Are), Last Year (What We Did), and Tomorrow (Where We're Going).

Today – Who We Are

Mr. Lord reviewed the Credit Union Mission, Vision and Values statements and summarized them. He noted that attendees had seen these statements before but they still ring true and define who we are as an organization and what we want to be – our members' trusted provider. He commented we translate that to "Send Us Your Mama!" because we want members to trust us enough that they would feel comfortable sending their mama to us knowing we would take care of her. Members need to know SECU will treat them fairly and educate and help them improve their financial lives. Mr. Lord explained that many members do not understand finances and debt well – and we instill the "People Helping People" philosophy in our staff. He advised that 1 out of every 5 citizens in North Carolina (2.4 million individuals) are members of SECU and we need to help them to a better life.



- Mission -- (Send Us Your Mama!)
 - Be a trusted provider of financial services

- Vision -- (People Helping People!)
 - Improve economic and social condition
 - Encourage thrift
 - Be a source of credit
 - Broaden economic awareness

- Values -- (Do the Right Thing!)
 - Equitable, fair, simple products, better value, convenience, promote DEI

Mr. Lord commented that Chairman Hood mentioned “financial inclusivity” and noted that this concept is very important at SECU.

Mr. Lord advised that SECU is a composite of a number of companies and we try to offer lower loan rates, higher deposit rates, and low fees as a credit union. He used the example that we offer life insurance through SECU Life Insurance Company which is owned by SECU – and by owning our own life insurance company we seek to offer better pricing and basic products to benefit our members. Mr. Lord noted SECU also owns it’s a property management company – SECU*RE – through which we fix up SECU foreclosed properties and then lease and sell them – many times to members. This process allows SECU to reduce losses, improve property values and generate income for the membership. Mr. Lord commented we SECU also owns its own broker/dealer and registered representative companies – SBS and CUIS which provide basic, low-cost investment services to members.



State Employees' Credit Union

- SECU - The Credit Union
- SECU Life Insurance Company
- SECU*RE Property Management Company
- CU Investment Services & SECU Brokerage Services
 - Registered Investment Advisor
 - Broker/Dealer

Mr. Lord commented on some of the many services offered by SECU noting that we also provide services to 4 credit unions which benefit from our support and they pay us a fee for that support.

Mr. Lord advised that we have 1.4 million checking accounts and from that \$1.4 million per month is donated by members to the SECU Foundation through their directing the \$1 a month checking account service fee to the Foundation - about \$15 million a year.

State Employees' Credit Union

- Tax Preparation Services
- Trust Services
- Financial & Estate & Retirement Planning Services
- Data Processing Company
- Provide Services to 4 other Credit Unions
- SECU Foundation

Last Year – What We Did

Mr. Lord then commented that assets grew by \$2.2 billion to \$40 billion during the past fiscal year. He spoke about deposit growth (\$1.8 billion); loan growth (\$1.5 billion) and why SECU sets aside capital reserves – to meet regulatory requirements and “business prudence” because we do not know what the economy will bring and we need to be prepared to remain a financially safe and sound credit union.

Mr. Lord noted our Expense-to-Asset ratio at 2% makes SECU one of the most efficiently run credit unions in the United States. He added that SECU watches expenses! Mr. Lord commented that SECU is growing about 6% year over year noting that last year we grew by 4%.



The table displays financial performance metrics for Fiscal Year 2019 compared to 2018. It includes categories such as Assets, Loans, Deposits, Capital, Expense-to-Assets, and Asset Growth, with values in billions or millions of dollars and percentages. A small graphic of a hand holding a stack of money is located in the top left corner of the table area.

	2018	2019	Growth
Assets	\$ 38.4 Bil	\$ 40.6 Bil	\$ 2.2 Bil
Loans	\$ 22.1 Bil	\$ 23.6 Bil	\$ 1.5 Bil
Deposits	\$ 35.3 Bil	\$ 37.1 Bil	\$ 1.8 Bil
Capital	\$ 3.15 Bil	\$ 3.39 Bil	\$ 247 Mil
Expense-to-Assets	1.98%	2.02%	0.04%
Asset Growth	4%	6%	2%

Mr. Lord advised that currently we have the largest number of mortgage loans in our pipeline than he recalls in the past 15 years. He commented it is a great time to be a borrower again because interest rates are low but not a great time for savers as savings rates have gone down recently. He noted that we are in an interesting and challenging economic environment.

Mr. Lord commented on member service enhancements and additional service delivery improvements that are in place or in process which will benefit members including:

Member Service Enhancements

- SECU Mobile App
- MortgageBot Loan Origination
- New Image System
- Improving Data Centers

Additional Service Delivery Improvements

- New Consumer Lending Systems – LOS/Servicing/Collections
- New Staff Structure and Departments
- 6 New Branch Locations
- 308 New Employees

Mr. Lord explained that we experienced some consternation with our Mobile App as we switched to a different approach to create the App but the results were exceptionally positive and well received by our members. He encouraged members who had not had an opportunity to try the Mobile App to do so. Mr. Lord added that we are also working on remote deposit capture – noting that many members are looking forward to this service. He commented we will plan to have remote deposit capture in place by the second quarter of next year – and though we are a little late to the game on this service – we will catch up quickly and plan many more improvements to the App.

Mr. Lord advised that a new first mortgage loan origination software system called MortgageBot will be up by the second quarter of next year. He explained that we are the largest mortgage lender in North Carolina and this new system will allow us to automate more of the mortgage lending application and approval process and provide electronic documents and signatures which will make the process more convenient and faster for members. Mr. Lord noted this new system will be cloud-based and will allow members to “sit on their couch at 3:00 a.m. to apply for a loan and upload documents to

us. He commented we are very excited about MortgageBot and the member-service improvements it will bring.

Mr. Lord noted other new enhancements including a new Image system and two new data centers. He explained that we are moving to other data center sites because we have outgrown our current sites. Mr. Lord commented though it is a big challenge our staff is up to it – and we hope members will not know anything about it when we make the move – because that will mean everything went smoothly!

Mr. Lord explained we also updated our personal lending software which will improve our consumer lending (vehicle, home equity, unsecured personal loans). He advised that these types of projects are multi-year efforts.

Mr. Lord noted that SECU was recognized in 2018 and again in 2019 by Forbes Magazine as “One of the Best in State Credit Union’s in North Carolina.” He congratulated and thanked the members, Board and staff for that recognition.



Tomorrow – Where We are Going

Mr. Lord noted his final slide was about the future. He explained that the Board and management are working on strategic planning now noting that normally an analysis is done which focuses on Strengths, Weaknesses, Opportunities and Threats (SWOT). Mr. Lord commented he prefers to say we look at challenges rather than threats because SECU is in good financial shape – and we are ready to meet the future.



Mr. Lord commented that he believes one of SECU's biggest challenges/threats is if we were to lose our culture of member service. He advised that this culture is our most important asset. He noted as long as we provide high quality service, listen to what our members want and strive to Do the Right Thing we will do well.

Mr. Lord advised that another challenge is the possibility of a recession. He noted we do not have much control in this area. Mr. Lord explained in the Great Recession of 2008/2009 SECU did well but that doesn't necessarily mean that will happen again, so we always have to pay attention. He advised we have a Mortgage Assistance Program (MAP) to help members who had homes damaged by Hurricanes Florence, Dorian, and Michael. Mr. Lord commented people want to return to normalcy after a crisis and we are here to help our members. He noted SECU does not have stockholders and we do not offer financial incentives to compensate our employees. Mr. Lord provided the example that if we offered incentives to employees and a loan officer received \$50 every time he wrote a loan – the employee may be tempted to make a loan to a member when it might not be in the best interest of that member—and we take that pressure off our staff so our member can be served with the best option.

Mr. Lord agreed with NCUA Chairman Hood's comment that cybersecurity is a challenge for all corporations and financial institutions. He commented we spend a lot of money each year to lock down and protect our systems to protect member data.

Mr. Lord spoke about providing services through branches versus online services (mobile and website) – "bricks vs clicks" – and noted that he believes the future will be a combination of the two. He explained he does not see SECU expanding our branch network much more and noted that we may repurpose some branches for other uses like call centers.

Mr. Lord discussed fintechs, disruption and having a digital presence. He mentioned Amazon, Google and Facebook and the influence they have. Mr. Lord noted Facebook's attempt to create a digital currency.

Mr. Lord advised there are many disrupters in the marketplace. He likened a disrupter to what has happened to the cab industry since Uber came along. Mr. Lord also used the example of what happened to Kodak once digital pictures eliminated film cameras. He commented that life changes at exponential speed and that SECU has the trust of our members so we are working to insure we have the modes of service delivery to provide high quality, fair and low-cost services to our members however they want to receive them in the future.

Mr. Lord closed by noting that many changes will come in the future – some exciting and all challenging. He advised that he is confident that SECU has the people, systems, Board, products, services and the will to make these changes and to continue providing great service to help our members improve their lives. The assembled group gave Mr. Lord a warm ovation.

Chairman Sanford thanked Mr. Lord for his presentation noting the Board sincerely appreciates his strong leadership. She advised that the Board and management work closely together.

OLD BUSINESS

None.

NEW BUSINESS

None.

ADJOURNED

With no further business, Chairman Sanford thanked members for their attendance on behalf of the Board and wished the attendees a safe journey home. She called for a motion to adjourn and upon motion by Mr. Michael Benfield, seconded by Ms. Jackie Reid, Chairman Sanford adjourned the meeting.

Respectfully submitted for,

Mr. Chris Ayers, Secretary/Treasurer

Ms. Jo Anne Sanford, Chair