

**Local Government Federal Credit Union
Minutes of the Annual Meeting
Raleigh, North Carolina
March 26, 2021**

Call to Order

Chairman Lin Jones called the 38th Annual Meeting of Local Government Federal Credit Union to order and requested that the Assistant to the Secretary record the minutes of the meeting. Chairman Jones welcomed everyone to the meeting.

Presence of a Quorum

Chairman Jones stated the Credit Union's Bylaws require that at least fifteen members be present at the Annual Meeting for a quorum. He noted that based on the in-person and online attendance, there was a quorum for the meeting. Chairman Jones then requested Director Noble provide the invocation.

Approval of the 2020 Annual Meeting Minutes

Chairman Jones put forth the 2020 Annual Meeting minutes and asked if any changes needed to be made. He advised the membership there was a link on the webpage to review the minutes. There were no changes requested.

On a motion made by Director Ruth Barnes, Atlantic Beach, and seconded by Director Aaron Noble, Burlington, the membership;

Voted: To approve the 2020 Annual Meeting minutes as presented.

Introduction of the LGFCU Board of Directors

Chairman Jones then introduced Vice-Chairman Ken Noland, Treasurer Jeanne Erwin, Secretary Ruth Barnes, and Directors David Dear, Paul Miller and Aaron Noble.

In addition, Chairman Jones recognized the Credit Union's Director Emeritus Al Richardson.

Special Guests

Chairman Jones recognized the two independent directors of Civic Federal Credit Union – Willie Best, immediate past Chair, and Kellie Blue, Treasurer.

Chairman's Report

Chairman Jones advised that his 2020 Chairman's Report is available for the membership to review on the Credit Union's website. He stated that he is pleased to report that the Credit Union had another strong year of healthy growth and continues to focus on delivering valuable products and services to its membership.

He recognized all Credit Union volunteers, stating LGFCU would not be as successful as it is without the partnership and support of the volunteers. Chairman Jones advised that members are appointed monthly to serve in various roles within the organization. He

informed the membership that there are nearly 600 members volunteering their time and services on various councils and committees to ensure the success of the Credit Union. Chairman Jones expressed his gratitude again for the time these volunteers devote to LGFCU.

Supervisory Committee Report

Chairman Jones introduced Emily Lucas, Supervisory Committee Chair, to provide the Committee's report. He stated that the Credit Union's Supervisory Committee provides an important service to the membership by ensuring the safety and soundness of the Credit Union.

Ms. Lucas stated that it is the duty of the Supervisory Committee to ensure that the financial records of the Credit Union fairly represent the operations of LGFCU, and that procedures and practices are sound, thereby protecting members' deposits and rights.

She advised that in accordance with the requirements of the Credit Union's regulator, the National Credit Union Administration, the Supervisory Committee engaged the CPA firm of CliftonLarsonAllen to perform the annual financial statement audit as of June 30, 2020. Ms. Lucas informed the membership that the audit found the financial records to be a fair representation of the financial position of the Credit Union.

Ms. Lucas further stated that the accounting firm, on behalf of the Supervisory Committee, assists in ensuring the accounting records are an accurate representation of the Credit Union, that internal controls provide adequate protection, and that the Credit Union is operating under established policies and procedures. In addition, the Supervisory Committee reviews Credit Union policies for fairness, soundness, and efficiency.

Finally, Ms. Lucas advised that the Credit Union employs an Internal Audit department that tests the Credit Union's internal systems and processes. The Internal Audit team conducts periodic reviews of each function within the Credit Union.

Ms. Lucas expressed her appreciation for the Board's and members' confidence in the work the Supervisory Committee provides for the Credit Union.

Chairman Jones expressed his appreciation to the Committee for the work they do on behalf of LGFCU and their fellow members.

Loan Review Committee Report

Chairman Jones introduced Tony King, Loan Review Committee Chairman, to provide the Committee's report.

Mr. King stated that he is honored to present the Loan Review Committee (LRC) report at the 38th Annual Meeting for LGFCU. He advised that the LRC fulfills two significant roles for the Credit Union. First, the LRC provides members with an avenue to appeal a loan denial through our usual delivery channels. Second, the LRC offers members a voice in the loan decision process. LRC members are not Credit Union staff; they are Credit Union members

appointed by LGFCU's Board of Directors who are willing to volunteer their time. This right to appear before a committee of peers is a rare benefit.

He advised that members are given the option of having their applications reviewed by the Committee via mail, telephone, or through an in-person meeting. In every scenario, the member's application is treated equally, confidentially, and respectfully.

He stated that in 2020, the LRC met as often as needed, usually weekly to consider the needs and requests of the members.

Finally, Mr. King thanked the LRC, as well as the Board, for their work in this effort. He stated that the LRC is truly making a difference in the lives of Credit Union members and their families.

Chairman Jones expressed his appreciation for Mr. King's report and the work of the LRC.

Nominating Committee Report

Chairman Jones introduced Director Ken Noland, Chairman of the Nominating Committee, to present the Nominating Committee report. Director Noland thanked Chairman Jones for the opportunity to present the Nominating Committee report to the membership.

He introduced the other members of the Nominating Committee – Directors Ruth Barnes and Dr. Aaron Noble. Director Noland advised the membership that the Nominating Committee is appointed by and serves at the discretion of LGFCU's Chairman of the Board. The charge of the Nominating Committee is to review the qualifications of prospective candidates for the Board and make nominations to the membership.

Director Noland advised that the Nominating Committee is submitting the following nominations: David Dear from Shelby for a three-year term; and Lin Jones from Durham for a three-year term. He advised that the Nominating Committee is submitting these nominations as a recommendation to the membership.

Chairman Jones stated that the Credit Union Bylaws provide for nominations from the floor if there is a vacancy on the Board of Directors, as well as nominations via petition to the Board of Directors. He advised that there were no petitions from the membership nor was there a current vacancy on the Board.

On a motion made by Willie Best, and seconded by Director Erwin; the membership;

Voted: To approve Directors Dear and Jones for respective three-year terms as presented by the Nominating Committee.

CEO's Report

CEO Maurice Smith began by thanking the membership for attending the virtual Annual Meeting. He stated under normal circumstances he would be with everyone in a crowded

assembly room giving his report about what their credit union has accomplished the past year; he remarked that we hope to get back to face-to-face meetings next year.

He stated that this is his 28th year of attending the Annual Meeting – that’s almost three decades of economic changes, recessions, yield curve fluctuations, unemployment increases and decreases, and interest rate changes. Over that time, the one thing that has stayed constant is the Credit Union’s commitment to meet the needs of the members.

Mr. Smith stated that, unfortunately, during difficult economic times communities often take for granted the services that are provided to them from their local government entities, such as water quality, trash pickup, etc. He thanked the membership for the services they provide daily in their local communities.

Mr. Smith transitioned the discussion to the asset growth of the Credit Union over the last thirty years. He remarked that it does not show any year where LGFCU’s assets declined. While the Credit Union is now over \$3 billion in total assets today, we can’t lose focus on the individual families and households that are represented by that figure.

He noted LGFCU has surpassed 370,000 members, so one in every 29 North Carolinians is a member of this credit union. In addition, the Credit Union made over 6,600 real estate loans to members last year alone.

Mr. Smith stated that LGFCU lives by the egalitarian philosophy that all members are treated the same; by democratic control, in that members of the Board are elected by the membership; and its not-for-profit nature, meaning the Credit Union’s focus is on its membership, not on the profits of the institution. That said, many financial institutions chose to restrict services to members during the pandemic to better manage their risk during a tougher economic environment. He advised the membership that the Credit Union’s Board chose to offer more loans and loan modifications to better assist members through these challenging times.

Mr. Smith further stated that LGFCU is performing at a comparable rate, or even ahead of, its peers in many key metrics. He advised that the Credit Union had a negative growth in investments compared to our peers. When LGFCU receives deposits from the membership, management can choose to place the funds into two buckets – it can choose to invest those funds or loan them out to members for higher rates on return. Fortunately, the decline in investments is proof positive that LGFCU is loaning these funds to its membership, which is a core purpose of any credit union.

In addition, Mr. Smith stated that the Credit Union is paying higher dividends for member deposits than our peer organizations. This is a greater expense to LGFCU, which reduces the Credit Union’s overall income, but ultimately provides a greater benefit to the membership. Mr. Smith noted the substantial growth of the Credit Union during the pandemic tells the Board and management that members trust the products and services their Credit Union offers during challenging economic times.

He then transitioned the discussion to the Credit Union’s return-on-assets. He advised this is the “bottom line” for LGFCU. Mr. Smith informed the membership that the Credit Union

was not quite as profitable as some of our peer institutions. But when you take more chances and pay more in dividends, it reflects in the bottom line – and we are perfectly fine with that.

Mr. Smith moved the discussion to the tools used by management to determine how the Credit Union is performing. He advised that LGFCU is subject to an external financial statement audit on an annual basis. This year, the Credit Union received an unmodified opinion from CliftonLarsonAllen, meaning the financial statements were an accurate representation of LGFCU's financial condition and operations.

Regarding LGFCU's annual NCUA examination, Mr. Smith noted that this review is designed to ensure the Credit Union complies with NCUA's Rules and Regulations and operates in a safe and sound manner while taking care of the membership. He advised attendees that LGFCU's most recent NCUA exam went very well, although the report could not be made available to the membership as the regulator deems it confidential.

Next, Mr. Smith advised that the Credit Union sends out surveys to the Advisory Council as well as to the membership. These surveys tell staff how well we are serving them and their communities, as well as what products and services the membership would like to see in the future. He advised that staff welcomes comments and that we are only a phone call or visit away.

He advised that the Credit Union will get through this pandemic by listening to the members about what their families and communities need during this time. How our members are weathering the storm is a key component of how LGFCU determines its success. Mr. Smith stated LGFCU wants to develop and offer products that will make the financial lives of the membership easier.

Mr. Smith stated economists anticipate an economic recession around every seven years, and the Credit Union wants to identify products and services the membership needs to weather the next economic downturn. That said, the Credit Union is launching financialwellness@lgfcu.org for the membership to submit ideas to assist your Credit Union in building a financial wellness program that helps our members weather the next economic storm. The email responses will come directly to Mr. Smith and he may reach out to the members to discuss their ideas.

Mr. Smith then reminded the membership of the core values of the organization. He stated LGFCU is going to continue to live by them. LGFCU is going to be the credit union members expect and deserve it to be, regardless of what the economy's doing. He stated the members still need the Credit Union, and LGFCU still needs its members. Therefore, we're going to live out our core values.

Mr. Smith thanked the membership for allowing him to share a few thoughts about their Credit Union, about its performance, and particularly the relevance of LGFCU in this kind of environment. He reminded that the Credit Union exists to serve its members. It doesn't matter whether we're sitting on our sofa at home, telecommuting, or here in the office or out on the road, we're all focused on the membership and its needs. He stated it's been a

pleasure serving them this year. Mr. Smith thanked the membership for being a part of the 2021 Annual Meeting.

Finally, Mr. Smith opened the floor to questions from the membership. The first question came from Karen in High Point. She inquired if the Credit Union would reinstate the Skip-A-Pay program. Mr. Smith responded staff would have internal discussions on the program.

Next, Cindy inquired if the Credit Union had an online option to transfer money to another financial institution. Mr. Smith stated the service isn't available at this time, but members could transfer funds via ACH, wire transfer, and/or online banking.

Diane from Cary inquired how long a member could serve on the Loan Review Committee. Mr. Smith advised the Committee members serve at the discretion of the Credit Union's Board of Directors for rotating two-year terms. He encouraged her to send an email to staff to be considered next time there was a vacancy.

He stated many have the impression that the CEO is the last option to have their loan approved. That is not the case; the CEO cannot override a decision by the LRC.

Robin from Rocky Mount inquired if there is an LGFCU app since social distancing has become the new normal. Mr. Smith informed the membership that although a release date has not been determined for the app, it is under active development. He reminded the membership they can access Member Connect through a mobile phone or any digital device and perform several important services. In addition, the Credit Union is always reachable by phone, email or via branch access.

Donna inquired if the Credit Union would consider increasing the maximum term on a manufactured home loan from 15 years to 30 years. Mr. Smith advised that staff would review the policy to determine if there is a safe and sound way to assist the membership.

Justin stated there are historical inequities in financial services for minorities – what is the Credit Union doing at the state and national levels to support fair financial services for minority communities? Mr. Smith advised the Credit Union works with lawmakers at both the state and national levels to advocate for policies, rules, and regulations to ensure all communities have access to equitable financial services. These services do not impact just the members, but all consumers and local communities.

Mr. Smith then stated the Credit Union continuously works to improve the core values of all financial institutions to defeat the notion of inequities. Mr. Smith noted that at the Credit Union he has 370,000 bosses that will ensure LGFCU provides equitable products and services.

Bryan inquired if the Credit Union would consider higher dividend rates on share term certificates for longer term savers. Mr. Smith stated dividend rates are at historical lows for all financial institutions due to the downturn in the economy. When there is a downturn in the economy, loan rates are reduced to encourage spending and boost economic activity. If the Credit Union reduces the loan rates, we have to reduce the dividend rate as well since LGFCU is not making as much income. Mr. Smith remarked that as a member, it doesn't

feel good to see your dividend rate reduced, but the two must work together. When lending increases, so will the dividend rates.

Next, Laura inquired when LGFCU would start offering remote deposit capture. Mr. Smith advised the functionality will be available with the LGFCU mobile app.

Karen from High Point inquired if the branches would consider opening on a Saturday morning. Mr. Smith stated the Credit Union utilizes the SECU branch network to serve the LGFCU membership. SECU branches are open from Monday through Friday from 8:30am to 5:30pm. He stated other financial institutions have tried offering Saturday operating hours, but it hasn't worked as anticipated. For services outside of the branch operating hours, he encouraged the membership to utilize the Contact Center or Member Connect.

Ernest inquired if the Credit Union would consider partnering with Zelle to offer external transfers. Mr. Smith stated there are no immediate plans to offer Zelle. To offer the service, staff would have to review the service agreement, security protocols, fees, and the limitations of the service.

Next, Evelyn inquired if the Credit Union would consider removing the monthly service fee for senior citizens. Mr. Smith encouraged Evelyn to transition to the Golden Circle account, which is a complimentary service provided to the Credit Union's senior citizens.

Jacqueline from Herford inquired what the Credit Union was doing to ensure the financial independence of LGFCU's younger members. Mr. Smith stated the Credit Union's financial wellness program is designed to help gain financial independence for all members. He encouraged her to reach out to him with the financialwellness@lgfcu.org email to share her ideas.

Next, Beverly inquired if the Credit Union could install an ATM in Whispering Pines. Mr. Smith stated the CashPoints ATMs are owned and operated by SECU. He advised he would reach out to SECU about an ATM but noted there would need to be enough transactions to justify the cost of the machine.

Xin inquired in what ways will LGFCU change business practices due to the lessons learned from the pandemic. Mr. Smith stated the Credit Union is working to increase the financial literacy resources to better prepare members for the next economic downturn. Secondly, staff is working on ways to help members build a better "nest egg" for future needs.

Finally, Jody inquired if the Golden Circle account provided a discount for estate planning services. Mr. Smith stated the Golden Circle account does not offer discounts, but the Credit Union does offer Estate Planning Essentials, which allows members to meet with an estate planning attorney in their local branch at an affordable rate to create end of life documents, etc.

Mr. Smith thanked everyone for their questions. He transitioned the discussion to the Credit Union's new charitable foundation, noting LGFCU will create a 501(c)(3) foundation to

provide resources to community organizations to improve the communities and the lives of those who live within them.

Chairman Jones concluded the discussion by thanking Mr. Smith for his report.

New Business

Chairman Jones stated if any members viewing today have any new business or old business, they should submit that business via the online chat box.

There was no new business noted for this meeting.

Old Business

There was no old business noted for this meeting.

Chairman Jones stated on behalf of himself and the Board of Directors how much they appreciate Maurice Smith, Mark Caverly, and the rest of the LGFCU staff for their work and commitment to the membership.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Lin Jones, Chairman _____

Ruth Barnes, Secretary _____

Date approved: _____