

**Local Government Federal Credit Union  
Minutes of the Annual Meeting  
Raleigh, North Carolina  
March 25, 2022**

**Call to Order**

Chairman Lin Jones called the 39<sup>th</sup> 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 2021 Annual Meeting Minutes**

Chairman Jones put forth the 2021 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 Treasurer Jeanne Erwin, Cary, the membership;

**Voted:** To approve the 2021 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, Past Chair, and Kellie Blue, Treasurer.

**Chairman's Report**

Chairman Jones advised that the 2021 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, and that there are more than 600 members volunteering their time and services on various councils and committees to ensure the success of the Credit Union. This includes seven Board of Directors, 601 Advisory Council members, 5 Supervisory Committee members, and 12 Loan Review Committee members.

### **Supervisory Committee Report**

Chairman Jones introduced Emily Lucas, Supervisory Committee Chair, to provide the Committee's report. Ms. Lucas 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, 2021. 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**

Before Chairman Jones introduced the Chair of the Loan Review Committee, he stated that CEO Mr. Smith would like to say a few kind words about Tony King, who led the Loan Review Committee and served as an Advocacy Ambassador until his passing this last year.

Mr. Smith paid tribute to Mr. King and noted how his legacy as a servant leader will be missed at the Credit Union.

Next, Chairman Jones introduced Wilbert McAdoo, Loan Review Committee Chairman, to provide the Committee's report.

Mr. McAdoo stated that he is honored to present the Loan Review Committee (LRC) report at the 39<sup>th</sup> Annual Meeting for LGFCU. He advised that the LRC fulfills two significant roles for the Credit Union. First, the LRC provides members with an opportunity 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 2021, the LRC met as often as needed, usually weekly, to consider the needs and requests of the members. This Committee reviewed 29 appeals last year and approved 41% of these applicants.

Finally, Mr. McAdoo 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. McAdoo's report and the work of the LRC.

## **Nominating Committee Report**

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

She introduced the other members of the Nominating Committee – Directors Ruth Barnes and Dr. Aaron Noble. Director Blue 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 Blue advised that the Nominating Committee is submitting the following nominations: Paul Miller from Snow Hill for a three-year term; and Dr. Aaron Noble from Burlington for a three-year term. She 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 acclamation of the audience; the membership;

**Voted:** To approve Directors Miller and Noble 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 Annual Meeting. He stated how beautiful it sounds to hear all the in-person conversations, and what a joy it is to witness people coming back together. He stated that this is his 29<sup>th</sup> year of attending the Annual Meeting – and noted what a tough couple of years it has been.

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 “2021 at a Glance” slide, which showed the performance of LGFCU over the past year and what the state of the institution will look like going forward. He noted LGFCU has surpassed 386,503 members, therefore one in every 27 North Carolinians is a member of this Credit Union. In addition, the Credit Union is currently the 9<sup>th</sup> largest financial institution in North Carolina, consisting of \$3.2 billion in total assets and \$1.1 billion in loans since 1984. In comparison to other peer sized credit unions in the nation, LGFCU's has grown faster than similarly sized financial institutions in total deposits, total assets and loan growth.

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 by 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 advised the membership 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.

Further, Mr. Smith stated that the Credit Union is paying higher dividends for member deposits than our peer organizations. This is a great 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. Mr. Smith advised this is the "bottom line" for LGFCU. He informed the membership that LGFCU has never experienced a negative growth asset year. Next, Mr. Smith discussed 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 that looks at compliance, insurance and makes sure that the Credit Union is operating in a sound and prudent manner. This year, the Credit Union received an opinion from CliftonLarsonAllen that the financial statements were an accurate representation of LGFCU's financial condition and operations.

Mr. Smith then discussed LGFCU's annual NCUA examination. He stated 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. Further, 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 informed the attendees 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 welcome comments and

that we are only a phone call or visit away, and that the final analysis of how we are doing is determined by the perspective of the members.

Mr. Smith then introduced the Local Foundation of North Carolina, noting that its creation is due to the request of the membership for more community involvement. He explained to the membership that the Local Foundation is a philanthropic arm of LGFCU and will allow LGFCU to further support and empower the community by addressing four main areas: hunger, housing, human services and healthcare. This Foundation awards community grants in the amount of \$25,000 to nonprofit organizations across North Carolina that focus on these community issues. Mr. Smith introduced the inaugural recipients of these awards, the first being Chatham Trades, which is a human services organization dedicated to the employment and training for intellectually and developmentally disabled adults in Chatham County. This program teaches the participants skills to allow them to integrate into the community, learn how to work cohesively with peers, and provides them with general work and social skills.

Finally, Mr. Smith acknowledged his retirement as CEO at the end of this year. Upon his retirement, he will have served in this business for 43.5 years, 30 years serving LGFCU. He thanked everyone in the audience for their friendship and support over the years and advised that he's not quite sure what his next journey will be. Mr. Smith reminded us that the Credit Union exists to serve its members and that it has been a pleasure serving them all these years. Mr. Smith thanked the membership for being a part of the 2022 Annual Meeting.

Mr. Smith opened the floor to questions from the membership. The first question was regarding the data surrounding loan losses and return on assets, and more specifically, if there was another data measurement in between these. Mr. Smith responded that it sounds like she is wanting to know the story between provision for loan losses and return on assets, and that he agrees there is a story to be told. He acknowledged that staff would investigate how to articulate this.

Next, a member thanked Mr. Smith for his years of service and extended the appreciation to his wife, who had to share him with the Credit Union all these years. She then asked what was next for the Credit Union in terms of growth opportunity for the coming year? Mr. Smith stated that he wants the institution to get off the hamster wheel that rotates between economic cycles. He has experienced five recessions in his career, and all recessions typically affect the same population each time. If history is any guide, he noted that another recession is coming, and LGFCU wants to ensure that we are helping to lift people out of poverty. Once and for all, he wants to break the cycle of communities who will get hurt by economic difficulties.

Mr. Smith was then asked to talk a little more about credit-based lending and how that will affect the membership. He explained the difference between the equalitarian and risk-based pricing loan structures, and how LGFCU broadened the credit bands to provide the best possible rates for all members. He stated that this new risk-based model will provide more competitive rates while still providing loan options for those with a lower credit score.

Mr. Johnson from Cary inquired about Member Enterprise, and how it will help the Credit Union to be proactive when the next recession comes. Mr. Smith explained the functionality of Member Enterprise and how this “quasi” holding company can provide additional services that LGFCU cannot due to regulations. Further, he noted this company is also cooperatively owned.

Next, a member thanked Mr. Smith for solving the A-level needs of African American and Latino families who end up supporting multiple generations, which ultimately has an impact on income and credit.

Mr. Smith advised that with financial initiatives moving forward, there needs to be a focus on accounting for these pocket communities. He then cited the annual fair lending report, noting that each year LGFCU is reviewed to ensure we are fair to all demographics, races and ethnicities while providing no disparate treatment.

A member inquired if the Credit Union was establishing a succession plan and what the membership should expect as far as his replacement. Mr. Smith advised that the Board is actively looking for the new CEO, and he trusts that the new CEO will share the same core values. The Board will not place anyone in this position who does not have the best interests of the membership at heart.

The next question was from a dual member with SECU and LGFCU. She inquired if the change in President and CEO of SECU will change the relationship that LGFCU and SECU have. Mr. Smith advised that SECU is our most important vendor and although they have their own strategic plan, LGFCU continues to meet with them on a regular basis to collaborate. Every decision going forward is going to be based on what best serves the community.

A member commented on how wonderful LGFCU has been at helping people buy homes and vehicles that other lenders would not. She has heard so many people talk about how helpful LGFCU has been to them, and she wanted to make it known that LGFCU has helped many people she knows accomplish their goals in life.

Finally, a member inquired how Civic was performing, and if it was performing as expected. Mr. Smith stated that Civic's annual meeting was held yesterday and that it is performing as expected. Further, Civic is in scale mode and LGFCU would like everyone to join to test it out. Civic represents a new generation of financial services. LGFCU is a bit older and set in its ways, whereas Civic is the teenager who says anything is possible.

Chairman Jones concluded the discussion by thanking Mr. Smith for his report and noting that the success of the Credit Union is due to his wonderful leadership over the years.

### **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, LGFCU President 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 at 11:32 a.m.

Respectfully submitted,

Lin Jones, Chairman \_\_\_\_\_

Ruth Barnes, Secretary \_\_\_\_\_

Date approved: \_\_\_\_\_