

State Farm Federal Credit Union (SFFCU)
Annual Membership Meeting Minutes
Thursday, March 24, 2022

Board Secretary Neil Jackson kicked off the first-ever Annual Meeting hosted through Zoom and welcomed members. He indicated that to protect the health and safety of all participants the meeting would be held virtually, with no in-person option. Neil continued by introducing the meeting agenda, and he indicated questions should be submitted to the email address: CU-Comments@statefarm.com. Questions and answers will be addressed in a summary published after the meeting.

Board Chairperson Mike Mailloux verified that a quorum was present and called the meeting to order at 1:02 p.m. Central Time. Minutes of the 2021 Annual Meeting were approved as presented.

In his opening comments, Mike reflected on the new hybrid working model at State Farm and how SFFCU has had to adapt its operations and balance shifting business paradigms to best meet member needs. He shared real-life examples of how the COVID-19 Support Program has helped members during their time of need and how SFFCU is focused on serving its member owners. He reinforced how the mission of SFFCU remains true to the original vision and continues to be one of the highest utilized benefits within the Total Rewards package.

Mike provided insight into 2021 credit union industry trends. Last year, assets, loans, and the total number of credit union members increased throughout the country, reinforcing how credit unions are helping people achieve their financial goals.

Conservative investments, solid policies and procedures, and legal/regulatory compliance are key priorities for SFFCU. Mike reported that audits conducted by the National Credit Union Administration, CliftonLarsonAllen, and the State Farm Internal Audit team confirmed that SFFCU adheres to sound business practices. Mike also referred to the **Supervisory Committee Report** prepared by **Committee Chairperson Kelly Dunn**, published in the 2021 Annual Report, which affirms how SFFCU does business.

Mike expressed his sincere gratitude to SFFCU employees, leaders, and volunteers for their dedication and flexibility to make the member experience as remarkable as possible. He also thanked all members for their ongoing support and trust they have placed in SFFCU. Mike introduced **Chief Financial Officer Steve Gorrie** to share an update on SFFCU's financial position.

Steve shared that while the pandemic is not over, inflation is rising, supply chain issues persist, and we are facing geopolitical unrest, SFFCU is financially strong and growing and continues to help members by appropriately managing risks and providing value and relevance. In 2021, SFFCU experienced strong asset growth, solid net income and we added to our capital in addition to paying and funding millions of dollars in dividends and loans.

Steve shared that assets grew from \$5.1 billion to \$5.6 billion in 2021. Investments, which make up the largest portion of assets, increased by approximately +\$447 million, or +10.6%, to a year-end \$4.7 billion. Steve thanked the Investments Department for their knowledge and experience as well as SFFCU employees who collectively serve members.

Steve reported a decrease in the loan portfolio of -3/10ths of 1% in 2021, down from \$877 million to \$874 million. While the overall portfolio decreased, SFFCU provided members with \$457 million in loans, +\$33 million more than last year. Members, as a whole, paid back more than they borrowed. Shares increased by +\$480 million in 2021, to a total of \$4.9 billion, or +10.8%. Members' equity, also referred to as net worth, grew from \$634 million to \$652 million in 2021. Total equity decreased by -\$30 million. Net income earnings were \$18.3 million.

In terms of rates, Steve said that, as a benefit program, SFFCU strives to offer high dividends on savings and low rates on loans. He shared that in 2021 banks paid an average of 5 basis points on savings and credit unions paid an average of 16 basis points, while SFFCU paid 100 basis points on average. This resulted in nearly \$48 million in dividends paid to members. This corresponds to more than 20 times what banks pay, and 6.25 times that of other credit unions.

Steve indicated interest rates have been near zero since the COVID-19 pandemic hit two years ago, and the Federal Reserve cut interest rates by 150 basis points. At a time when members may have been feeling a financial pinch, SFFCU worked to intentionally keep share savings rates high. SFFCU lagged the industry by keeping rates high and slowly lowering them over time. SFFCU paid out more in 2021 as a percentage of revenue (72%) than in 2020 (67%). The share savings rate at SFFCU pays more than four times the average 2-year bank CD, and provides immediate access to money. SFFCU did lower rates twice in 2021, but other financial institutions continued to drop as well. In terms of loans, when the pandemic hit, SFFCU responded by lowering auto loan rates by -50 basis points from 2.49% to 1.99% on all new and existing loans. The 1.99% rate on autos at SFFCU is better than both credit union and bank averages by 100 and 250 basis points, respectively. Steve also announced that Personal Loan rates were lowered in February to 6.99% for all borrowers and terms.

Steve reiterated the mission of SFFCU to remain safe and relevant for members and reinforced how results from regulators and various internal and external audits provide evidence of the safety and soundness of SFFCU. Steve concluded by introducing **Chief Operating Officer Jennifer Fasking**.

Jennifer reinforced the continued focus of SFFCU on improving the member experience. The redesign of the SFFCU website was the biggest initiative in 2021. The new site, which used member feedback to guide content, is a virtual hub of information presented in a more intuitive, contemporary design. It is now easier for members to find information about rates, products, and services. She highlighted several website sections and features.

She provided statistics for how members are using online and mobile banking functionality that was introduced at the beginning of the pandemic. SFFCU online and mobile banking usage shows 70.6 percent of registered online banking members have actively logged-in to their accounts, with 90 percent of employee members logging in. On average, \$132.5 million is transferred through the online and mobile banking platform and more than 19,000 checks were processed through remote deposit capture.

Jennifer expressed excitement about the re-opening of the Corporate Member Care Station (MCS) and explained the decision to temporarily close again. COVID-19 cases spiked in the Bloomington/Normal area and SFFCU was asked to redeploy resources to assist with critical recruiting and hiring efforts. SFFCU currently is balancing both the needs of the Enterprise and its members. Thankfully, online and mobile banking and the newly designed website provide members with most of the resources they would find in the MCS.

Jennifer announced the newest SFFCU initiative that will be rolling out in Q2 2022 – Online Chat Services. Accessible through the online banking and mobile app platforms, this new feature will be a great addition to remote access capabilities. Online chat allows members and SFFCU staff to collaborate in real-time. Members can ask questions about products, services or assistance with completing an application. More complex questions can easily transition to a phone call.

Jennifer thanked SFFCU staff for their dedication and commitment to helping members. She also thanked members for their feedback, and for placing their trust in SFFCU. She concluded by introducing **President and CEO Tom DeWitt**.

Tom opened by discussing how SFFCU has worked to enhance its online experiences to make it easier for members to connect with SFFCU as well as continue to maintain a “personal touch”, which differentiates SFFCU as a valued benefit. He also thanked SFFCU staff for their commitment to serving its members during the unprecedented times.

Tom expressed excitement over the new SFFCU website and said he enjoys reading the member testimonials on the site. He also commented on the re-opening of the Corporate MCS and the decision to close the other MCSs. While not an easy decision, the hybrid approach to work at State Farm and the reduced level of in-office associates meant SFFCU needed to make some changes in order to continue offering competitive rates, products and services. He shared SFFCU was disappointed to temporarily close the Corporate MCS in January and hopes it will re-open soon. He asked for patience and understanding while the MCS is closed.

Tom reviewed highlights from 2021, which included SFFCU handling more than 214,000 phone calls, engaging with members in nearly 15,000 secured message interactions through our online and mobile banking system and welcoming 4,000 new members. He shared how the COVID-19 Member Support and Disaster Relief programs epitomized the purpose of SFFCU -- a not-for-profit, member-owned, cooperative institution that exists to serve its members. Additionally, SFFCU provided in excess of \$457 million to members in loans and lines of credit in 2021, while paying members more than \$113 million in dividends over the last two years. SFFCU remains financially strong, ending the year with \$5.6 billion in assets and a capital position of 11.67 percent.

Tom announced his plan to retire as of August 1, 2022, and announced his successor, Steve Gorrie, who was selected to become the next SFFCU President and CEO. Steve is a familiar face and a seasoned leader. Steve has a wealth of financial and credit union industry experience and an in-depth understanding of the mission, vision, and values of SFFCU.

He concluded by thanking the HR Executive Team, especially Rod Hoff, the SFFCU Board of Directors, the Supervisory Committee, and the Young Adult Advisory Committee for their leadership, guidance, perspective, and support. He also thanked members for the trust they place in SFFCU in supporting their financial dreams. Tom turned over the meeting to **Board Secretary Neil Jackson** to present the **Nominating Committee Report and Slate of Candidates for Board positions**.

Neil, representing the Nominating Committee, presented the slate of candidates nominated to fill three open positions for three-year terms on the Board of Directors. Those candidates were **Jeffrey Attwood**, **Neil Jackson**, and **Holly Roberts**. Because no additional nominations had been submitted for the three vacancies, Neil recommended the nominees be declared elected by acclamation. **Board Chairperson Mike Mailloux** accepted the slate and the recommendation, declaring the nominees elected.

In closing, Mike reiterated that, as a member-owned institution, it is the members who make SFFCU a great benefit for employees, agents, retirees, and family members. Mike also recognized Tom DeWitt for his 25 years of leading SFFCU. He congratulated Tom on his upcoming retirement and Steve on his upcoming new role.

He concluded by thanking members, on behalf of the Board and Management team, for taking time to attend the SFFCU Annual Membership Meeting.

Mike entertained a motion to adjourn. The meeting adjourned at 1:50 p.m. Central Time.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Caroline Johnson". The signature is written in black ink on a light gray rectangular background.

Caroline Johnson, Credit Union Analyst

A handwritten signature in cursive script that reads "Neil Jackson". The signature is written in black ink on a light gray rectangular background.

Neil Jackson, Board Secretary