

State Farm Federal Credit Union (SFFCU)
Annual Membership Meeting Minutes
Thursday, March 23, 2023

Board Secretary Teresa Herrera welcomed members to the 2023 Annual Meeting hosted live at Marina Heights in Tempe, AZ and online via Zoom. Since the COVID pandemic, this was the first time in three years that the meeting was held in person. She instructed members to submit questions to the email address: CU-Comments@statefarm.com. Questions and answers will be addressed in a summary published after the meeting.

Board Chairperson Holly Roberts verified that a quorum was present and called the meeting to order at 1:03 p.m. Central Time. Minutes of the 2022 Annual Meeting were approved as presented.

In her opening comments, Holly recognized Mike Mailloux for his time on the Board of Directors and indicated she was glad they will continue to work together. She reflected that much has changed over the past several years, including the transition to new CEO & President Steve Gorrie last year. She 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. Holly provided insight into 2022 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. Holly 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. She also referred to the **Supervisory Committee Report** prepared by **Committee Chairperson Kelly Dunn**, published in the **2022 Annual Report**, which affirms how SFFCU does business.

Holly recognized the hard work, dedication and commitment demonstrated by Credit Union leaders, staff and volunteers. She introduced **Chief Financial Officer Mike Mailloux** to share an update on SFFCU's financial position.

Mike indicated that while inflation, recession, Federal Reserve hikes and economic uncertainties were major financial headlines in 2022, SFFCU is financially strong and stable. The Credit Union continues to help members through relevant products and services while appropriately managing risks. In 2022, SFFCU experienced historic loan portfolio growth, had solid net income, added to its net worth, and returned almost \$10 million more in dividends to members than the previous year. He encouraged everyone to review the [2022 Annual Report](#) available on the SFFCU website.

Mike shared that assets fell from \$5.6 billion to \$5.3 billion in 2022. Investments, which make up the largest portion of assets, decreased by approximately \$500 million, or 10.7 percent, to a year-end \$4.2 billion. He thanked the Investments Department for their knowledge, experience, and partnership.

Mike reported an increase in the loan portfolio of \$127 million or 14.5 percent, surpassing the \$1 billion mark for the first time in SFFCU history. SFFCU provided members with \$576 million in loans and lines of credit, \$119 million more than 2022. He thanked the lending team who navigated the significant increase in loan volume as well as SFFCU employees who collectively serve members.

SFFCU achieved a new high Shares portfolio balance of \$5.1 billion in June 2022, however, ended the year at \$4.75 billion, a decrease of \$195 million or 4.0 percent. Members' equity, also referred to as net worth, grew from \$652 million to \$664 million in 2022. Net income earnings were \$11.5 million.

In terms of rates, Mike reinforced that, as a benefit program, SFFCU strives to offer high dividends on savings and low rates on loans. He shared that in 2022 banks paid an average of 16 basis points on savings, while SFFCU paid 175 basis points on average. This resulted in nearly \$57 million in dividends paid to members.

Mike indicated that 2022 reflects two completely different time periods when it comes to 2-year CD rates. With the historic number and pace of rate increases in the federal funds rate, it is easy to forget that in the first four months of 2022, SFFCU was paying nearly twice the credit union average 2-year CD rate and four times what banks were offering. To combat inflation the Federal Reserve began raising the federal funds rate starting in March and made six more increases during the year. Increases like those seen in 2022 had not been seen in nearly 30 years. SFFCU paid out more in 2022 as a percentage of revenue (79 percent) than in 2021 (72 percent). In terms of loans, the federal funds rate had a dramatic impact on vehicle loan rates, however, SFFCU continues to be better than both credit union and bank averages by 150 and 200 basis points, respectively. SFFCU vehicle loan rates are extremely competitive, and members continue to take advantage of the value. Personal loan rates are more than 250 basis points lower than the current average credit union and bank rates, which have now exceeded 10 percent on average.

Mike reiterated the mission of SFFCU is 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. Mike concluded by introducing **Chief Operating Officer Jennifer Fasking**.

Jennifer shared that the Credit Union has invested and focused on the member experience over the past several years. One of the biggest ways SFFCU has shown its value was through the ability to meet member needs through its lending products. SFFCU experienced record loan growth in 2022. In addition to expanding the loan portfolio to more than \$1 billion, the Credit Union lending area handled more than 22,000 loan applications, booked 14,232 loans for nearly \$485 million, processed 26,000 Line of Credit advances totaling \$90.9 million and maintained a loan approval rate of more than 80 percent. She thanked the entire lending area for their efforts in managing the high loan volume as well as thanked members for their patience as SFFCU processed loans as quickly as possible.

She expressed excitement over the success of online chat services which implemented in May 2022. Members have provided overwhelmingly positive feedback and have been quick to adopt the new service. In the first eight months of use, SFFCU handled 17,915 chat engagements, maintained service levels consistently above 90 percent, and implemented two enhancements – Auto Complete and Call Visualizer – to improve the functionality for members.

Jennifer provided statistics for how members are using online and mobile banking, which was introduced at the beginning of the pandemic. SFFCU online and mobile banking usage shows 71 percent of registered online banking members have actively logged-in to their accounts, with 90 percent of employee members logging in. On average, \$151 million is transferred through the online and mobile banking platform each month and more than 18,000 checks for \$27 million were processed through remote deposit capture in 2022.

Jennifer shared “behind the scenes” initiatives that were necessary and important to Operations but should have been transparent to members. These efforts helped improve Credit Union systems and processes to enhance the member experience. A large technology project enhanced the current system and will allow SFFCU to upgrade platforms more quickly and easily. It boosted security protocols, expanded disaster recovery capabilities, and aligns with Enterprise technology direction. As application volume increased, the Credit Union looked for ways internally to improve service and the member experience. SFFCU re-organized operations in order to provide consistent direction and focus to ensure teams were working together to achieve the same goals.

Jennifer thanked SFFCU staff for their dedication and commitment to helping members. She also thanked members for their feedback, which will help the Credit Union make improvements, and for placing their trust in SFFCU. She concluded by introducing **President and CEO Steve Gorrie**.

Steve acknowledged this was his first Annual Meeting as President and CEO and was thankful for the legacy of financial strength, remarkable service, and the mission of financial well-being that his predecessors left for him to steward. He expressed excitement for meeting in person and this year’s venue change to Marina Heights. He thanked the team who helped coordinate the Annual Meeting and all SFFCU staff for their hard work and dedication in serving our members during the challenging year.

Steve expressed that the last 12 months was like one perfect storm after another. From pandemic to inflation to increasing interest rates and potential recession, he noted SFFCU members have had an advantage during these stormy times. The Credit Union has helped members save money through high share savings rates and loan products with great low rates. 2022 also saw SFFCU increase its cybersecurity and data protection. The safety and protection of members and their data is of paramount importance to the Credit Union. Steve encouraged the use of eStatements, account notifications and two-factor authentication as services included in member benefits. They not only offer convenience and better access, but also extra layers of security to protect member identity and accounts.

Steve reviewed highlights from 2022, which included SFFCU handling more than 211,000 phone calls, engaging in nearly 18,000 chats, communicating through more than 11,000 secured messages and welcoming 6,000 new members. Additionally, SFFCU provided in excess of \$574 million to members in loans and lines of credit in 2022, while paying members \$57.2 million in dividends last year. SFFCU remains financially strong and stable, ending the year with \$5.3 billion in assets and a capital position of 12.61 percent. He reinforced the high marks SFFCU received during examinations by regulators.

Steve addressed current financial topics that are relevant in today’s environment – SFFCU’s current share savings rates and recent news of bank failures. He explained that during the pandemic, SFFCU dividend rates outpaced market rates and shares grew. In less than 12 months, the Federal Reserve has increased short-term interest rates nine times to combat inflation. During cycles of upward rates, the Credit Union does traditionally lag in the short-term because the SFFCU model is unique and our need for liquidity is very different than other financial institutions. SFFCU provides a safe place to save that is low risk and returns 70 to 80 percent of revenues annually to savers through dividend rates.

Steve shared there is a current “war on deposits” by many financial institutions. Because of the Credit Union’s product offerings, SFFCU is unable to quickly shift sales focus to higher interest-earning products such as credit cards or HELOCS to offset the cost of funds. While SFFCU continues to raise savings rates slower than some financial institutions, the Credit Union will return to paying more competitive savings rates in time. Steve also provided perspective on recent bank failures that have been in the media. By properly managing SFFCU assets and liabilities as well as deposits that are protected by the National Credit Union Share Insurance Fund, he assured members their deposits are safe at SFFCU.

Steve announced effective April 1, the Credit Union is updating its Immediate Family Member definition. SFFCU is broadening the definition by removing almost all limitations to children and extending the age of eligibility to 26.

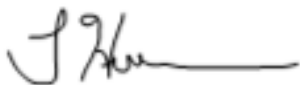
He concluded by thanking Stacie Rood and the entire HR Executive Team, the SFFCU Board of Directors, the Supervisory Committee, and the Young Adult Advisory Committee for their leadership, guidance, perspective, and support. He also thanked members for the trust they place in SFFCU in supporting their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

Teresa, representing the Nominating Committee, presented the slate of candidates nominated to fill four open positions for three-year terms on the Board of Directors. Those candidates were **Steve Gorrie, Charlie Cardiff, Rashawnda Harvey, and Teresa Herrera**. Because no additional nominations had been submitted for the vacancies, Teresa recommended the nominees be declared elected by acclamation. **Board Chairperson Holly Roberts** accepted the slate and the recommendation, declaring the nominees elected.

In closing, Holly expressed hope that members walk away from the meeting with confidence that SFFCU is committed to providing great rates, great products, and great services with a remarkable experience. She concluded by thanking members, on behalf of the Board and Management team, for taking time to attend the SFFCU Annual Membership Meeting.

Holly made a motion to adjourn the meeting and the motion was seconded. The meeting adjourned at 1:51 p.m. Central Time.

Respectfully Submitted:



Teresa Herrera, Board Secretary

Approved:



Holly Roberts, Board Chairperson