

# U. S. Postal Service FCU

## 88<sup>th</sup> Annual Meeting Agenda

### July 27, 2022

#### Participants:

[JOHN ROSATO, Chairman of the Board of Directors]  
[STEVE CIMINO, CEO USPS FCU]  
[ERIKA LANCESKIS, Meeting Organizer]  
[BILL BATTERTON, Supervisory Committee Chairman]

#### CALL TO ORDER

**[JOHN ROSATO]** Hello! I'm John Rosato, Chairman of the Board of Director's and I would like to call the 88th Annual Meeting of the U.S. Postal Service Federal Credit union to order. On behalf of the Board of Directors, welcome to our Virtual Annual Meeting. I would like to acknowledge the Board of Directors who you can view in the About Us section of our website.

The next order of business is the Chairman's Report. The Chairman's Report is included in the Annual Report for your review.

#### CHAIRMAN'S REPORT

Let me begin by thanking you for being a member. There is no credit union without its member-owners, and we know you have many choices when deciding where to conduct your financial affairs.

Despite the uncertain economic outlook, inflationary pressures and rising interest rates, the U. S. Postal Service Federal Credit Union ("USPS FCU") remained focused on providing you with the most competitive rates and the best service possible.

Overall, the Credit Union performed well during 2021. USPS FCU grew its loan portfolio by \$30M, nearly doubling our goal for the year. This strong loan growth was largely driven by demand for mortgage refinancing and auto loans. When coupled with other cost control initiatives, which led to a significant reduction in our cost of funds, USPS FCU realized a net income of \$493 thousand – significantly surpassing our goal of \$311 thousand. The Credit Union ended the year with a Net Worth of \$28.2M, an increase of 5.2% over last year. USPS FCU also maintained its "well-capitalized" rating by our federal regulator, the NCUA. These financial results are impressive, particularly considering the national economic climate, and are the result of the hard work of USPS FCU's dedicated management team.

Beyond the financials, I also want to highlight several other accomplishments:

- The Credit Union put a lot of effort into improving its IT infrastructure and completed several projects during 2021. Of particular note, we rolled out a new phone system, launched a new home banking platform with an enhanced member app, added 24/7 home banking support, implemented a new audio

response system, and upgraded our corporate and redundant firewalls for increased systems security. All of these initiatives are designed to improve the member experience and to help our staff serve you better.

- USPS FCU launched a new, insured loan product that will help us lend to members with lower credit scores while also ensuring that the Credit Union limits its exposure to loss of principal in the event of default. Expanding the pool of members eligible for loans is part of the Credit Union ethos; promoting the financial welfare of our membership. When we can accomplish this goal while exposing the Credit Union to minimal risk, everyone wins.
- Credit Union Management put a lot of effort into evaluating additional ways we can better meet our members' financial needs while also diversifying our loan portfolio. As a result, USPS FCU is considering offering new home improvement and interest-only home equity loans. While IT hurdles still need to be overcome, and the economic conditions need to be right, we hope to introduce these products later in 2022.
- In 2021, we completed a merger with the National Alliance of Postal and Federal Employees Federal Credit Union and welcomed its approximately 500 members to the USPS FCU family. Our team is grateful to have the opportunity to serve the members of NAPFE FCU with a wide array of products and services. We are also pleased to be able to preserve the roots of a postal-affiliated credit union that was established back in 1977. This merger added \$2.5M in assets to our balance sheet.

Looking forward, the Board sees opportunities to continue improving the balance sheet, paying competitive rates, and generating net income. Because the Credit Union is "well capitalized," and because we continue to put in the time and effort to chart our path forward, your Board is confident in USPS FCU's future and its ability to continue serving its member-owners.

**[JOHN ROSATO]** Now I would like to introduce the CEO, Steve Cimino.

**MINUTES:** (begins at 5min 00sec)

**[STEVE CIMINO]** Thank you Chairman Rosato.

Now, we will move on to the next item of business. The minutes of the last annual meeting have been posted on our website. If you have a correction, just click on the raise hand icon and enter your response by clicking the question icon. Erika Lanceskes, our Organizer, will field any responses. Are there any corrections?

**[ERIKA LANCESKIS]** Thank you Mr. Cimino. We will pause to give the attendees time to raise their hand and type a response. We will tabulate the responses and reply after the Treasurer's Report.

**[STEVE CIMINO]** Thank you, Erika.

## TREASURER'S REPORT FOR 2021 (begins at min 47sec)

**[STEVE CIMINO]** Normally our Treasurer, Mr. Tom Dale, would present this report, however, I will be providing a brief summary of your Credit Union's financial performance for 2021.

It was once again a noteworthy year on several levels as we faced many challenges. Most, if not all, businesses across the board continue to be impacted by the lingering effects of the pandemic and economic uncertainty.

Prior to the beginning of 2020, the Credit Union's Board of Directors approved several strategic and financial goals for 2021 through 2023 with a particular focus on deploying funds in a variety of loan categories. While the purpose of placing those funds in loans is to provide higher returns, other goals established were set to ensure safety and soundness by constantly monitoring cost of funds, net income, and maintaining a strong new worth.

During 2021, Credit Union assets declined by roughly \$4 million ending the year at \$272M as some funds in maturing certificates of deposit paying sustainably higher rates were withdrawn. Management strategically lowered the cost of funds to improve its financial performance and anticipated a significant portion of high the rate certificates to leave the credit union.

Total loan balances increased by approximately \$39.1 million, or 22% for the year. The Credit Union had a targeted loan goal of \$16 million. The balances of the targeted loans increased a total of \$30.6 million or 191% and almost doubled the goal. The resulting 2021 loan-to-asset ratio of 80% outpaced the goal of 73%. Loan volume continues to be robust this year as we continue to meet the loan demand for our members.

As a result of the increase in loans, the shift from lower yielding alternative investments, an increase in non-interest type income and a slight decrease in operating expense, we ended 2021 with total net income of \$493 thousand surpassing our targeted goal.

The anticipated decline in assets coupled with the increase in net income places the ratio of members' equity to total assets, or net worth ratio, at 10.41%. While we were a bit shy on meeting the 2021 net worth goal of 10.8%, USPS FCU continues to remain well above the 7% regulatory minimum established by our federal regulator, the National Credit Union Administration (NCUA). The bottom line is we are "Well Capitalized" and continue to be a safe and sound financial institution for our entire membership.

Due to the diligent work provided by our totally volunteer Board of Directors, our Supervisory Committee's constant due diligence oversight and our dedicated staff, your Credit Union continues to successfully navigate through these challenging times and remains very strong.

Thank you for your loyalty to the Credit Union. We are committed to providing a high level of exceptional service and will continue to strengthen our ability to deliver services remotely. We are constantly evaluating our product and service offerings to provide you the necessary tools to help assist in improving your financial well-being. We want USPS FCU to be the financial institution of choice and we will continue to work hard to earn and keep your trust.

This concludes the financial overview and the Treasurer's Report for today's meeting.

**[STEVE]** Were there any responses or corrections of the minutes?

**[ERIKA]** There are no responses, Mr. Cimino.

**[STEVE]** Thank you, Erika. Seeing none, the minutes are approved as posted.

**NOMINATING COMMITTEE REPORT:** (begins at 12min 47sec)

**[STEVE CIMINO]** Now it's time to move on to the Nominating Committee Report. I would now like to introduce the Supervisory Committee Chairman, Bill Batterton.

**[BILL BATTERTON]**

Thank you Mr. Cimino. The next item of business will be the report of the Nominating Committee.

There were five (5) vacancies for the Board of Directors and only one person nominated for each position. The nominees' biographical information was published in the April 2022 edition of Postscripts, which can be viewed on our website. If preregistered, you received the biographical information yesterday in an email. It is also available today as an attachment in the handout section. There were no additional candidates.

Therefore, by acclamation, election of the following five (5) individuals to the Board of Directors, each to serve a two-year term is as follows:

- Phillip Brady Hayden, Incumbent
- Gilbert A. Ford, Jr., Incumbent
- Christina Lewis, Incumbent
- Michael McCartney, Incumbent
- Richard Yessian, Incumbent

That concludes the Nominating Committee Report.

**[BILL BATTERTON]** The next item of business is the Supervisory Committee Report.

**SUPERVISORY COMMITTEE REPORT:** (begins at 11min 24 sec)

This past year, your Supervisory Committee consisted of Lee Green, Dick Strasser, Carol Morgan, Bob Pedersen, and myself Bill Batterton, (Chairman). During 2021, the Committee engaged the CPA firm Nearman, Maynard, Vallez to audit the accompanying financial statements of the USPS Federal Credit Union which comprise the statement of financial condition as of December 31, 2021 and 2020, and related statements of income, changes in members' equity, comprehensive income, and cash flows. In their opinion, the financial statements present fairly, in all material respects, the financial position of the USPS Federal Credit Union in accordance with accounting principles generally accepted in the United States of America.

We would like to thank the Credit Union staff and management for their cooperation with the Supervisory Committee and our external auditors during the past year and hope that they will continue to receive your cooperation and support. That concludes the Supervisory Committee Report.

Thank you, Mr. Cimino.

**NEW BUSINESS:** (begins at 12min 47sec)

**[STEVE CIMINO]** Thank you, Mr. Batterton. We have no unfinished business. If you have new business, please click on the raise hand icon and enter your response by clicking the question icon. Is there new business to come before the assembly? Our organizer will again field any responses.

**[ERIKA]** Thank you Mr. Cimino. We will pause to give the attendees time to raise their hand and type a response. We will tabulate the responses and reply after the Scholarship Winners are announced.

**[STEVE CIMINO]** Thank you, Erika. I will move to the next item of business, this year's winners of the Frederick J. Heinen Scholarship, which honors Fred Heinen who served this Credit Union faithfully and unselfishly as Chairman, Vice Chairman, Secretary/Treasurer, Director, and mentor for twelve years.

**SCHOLARSHIP WINNERS** (begins at 13min 25 sec)

The content and quality of the essays were exceptionally well written this year and the judges agreed on the following winners for 2022.

1st Place goes to Mark Phelps. He is the recipient of a \$1,000 scholarship, congratulations Mark!

2nd Place goes to Rebecca Audette. She is the recipient of a \$750 scholarship, congratulations Rebecca!

The winners have been notified and the funds have been deposited to his or her Credit Union Savings Account.

Let's return to Erika to see if there is any New Business.

**[ERIKA]** There were no responses, Mr. Cimino.

**[STEVE CIMINO]** Thank you, Erika.

**[STEVE CIMINO]** In closing, the Board of Directors, the Supervisory Committee and all the employees of U. S. Postal Service Federal Credit Union appreciate your interest and attendance.

There being no other business, the meeting will adjourn. Be safe and stay well. And last but not least, thank you for being a member!

