



ANNUAL REPORT 2023





86th Annual Meeting

Tuesday, April 16, 2024



5:00 p.m.

MEETING AGENDA

1. Call to Order.
2. Determine Quorum and Majority Requirements.
3. Introduction of Directors and Executive Leadership Team.
4. Approve Minutes of the 85th Annual Meeting.
5. Approve Reports:
 - a. Report of the Chairman of the Board & President/CEO.
 - b. Report of the Supervisory Committee.
 - c. Report of the Credit Committee.
 - d. Report of the ALM Committee.
 - e. Report of the Membership Committee.
 - f. Report of the Board Governance & Nominations Committee.
 - g. Report of Bylaw Amendments.
 - h. Report of the Nominating Committee.
 - i. Report of the Proxy Votes.
6. Elect Directors.
7. New Business.
8. Adjournment.

The 85th Annual Meeting of the Members was held via teleconference call on Tuesday, April 11, 2023. Twenty-three (23) members were in attendance. The meeting was called to order by Stephen Park, Chair, at 5:00 p.m.

Stephen Park declared that a quorum was present and that 62,956 of 75,840 or 83.0% of the outstanding members were represented either in person or by proxy. The Chair declared that it was a legal meeting.

- I. *Meeting Agenda, Annual Report & Meeting Script*  [Annual Report 2023.pdf](#)  [Annual Script 2023 Large Font.pdf](#)

Motion: A motion was made and seconded to dispense with the reading of the minutes of the previous Annual Meeting. Carried.

Motion: A motion was made and seconded to accept the Board Chair, Committee and President/CEO reports as printed. Carried.

The Chair reported on the amendments made to the Bylaws during 2022.

The Nominating Committee Chair, Cathy Corbi, presented a slate of nominees for Directors for three-year terms. The nominees were Kevin Leman, Stephen Park, and Richard “Lee” Piekarz.

Stephen Park reported 62,956 proxies would be voted for each nominee that was presented by the Nominating Committee.

Motion: A motion was made and seconded to instruct the Secretary to cast a unanimous ballot for the slate of nominees. Carried.

With respect to the New Business agenda item, the Chair addressed two questions that were submitted by GLCU members when they registered for the annual meeting:

Q1 I know that small banks need to have a correspondent bank that handles their business. What bank is GLCU’s correspondent bank? I have heard that some small banks are failing. Why?

Response: GLCU has a few correspondent banking relationships. The main relationship is with the Federal Reserve Bank. Other relationships include the Federal Home Loan Bank of Chicago, Associated Bank and corporate credit unions. There have been two bank failures since November 2020, Signature Bank and Silicon Valley Bank. These failures were caused by a sudden withdrawal of a majority of the depositor funds. In these two cases both financial institutions were focused on specific niche markets and were not diversified in terms of their customers. Signature Bank was tied into the crypto market and SVB was focused on the tech segment and industries. GLCU is a community-based financial institution and is very diversified with consumers and small business members from our field of membership that bank with us. It is important to note that GLCU member accounts are insured up to \$250,000 by the National Credit Union Association (NCUA), and no credit union member has ever lost a penny of insured savings at a federally insured credit union. As an Illinois state-chartered credit union, GLCU is primarily regulated by the Illinois Department of Financial and Professional Regulation. The credit union is insured by the NCUA and is also regulated and

examined by them as well. Great Lakes Credit Union is well-capitalized according to the NCUA. GLCU properly manages its liquidity and diversifies its portfolio. The credit union's board of directors oversees GLCU's liquidity and utilizes a third-party provider to validate management of the portfolio.

Q2 Has customer service by phone been outsourced in the past year? Is it still handled by GLCU employees? My most recent calls for help or information have not been addressed with the same quality or professionalism as in the past. Also, information for contacting branches by phone seems to have disappeared from the website.

Response: GLCU has not outsourced its member contact center in the past year, and we continue to support member support calls with our in-house team members. Despite our efforts to attract and retain qualified team members, we have experienced some turnover in our member contact center over the past year. We are committed to improving our learning, development and coaching programs to support our new staff members and enhance the level of support our members receive. We take your feedback seriously and are taking steps to address the issues you raised and to ensure that all of our members receive the best possible service. Regarding contacting our branches by phone, all locations can be reached by calling our primary member support number 800-982-7850. By navigating to the 'Locations' tab of our website, you will also find information for each branch location address, hours of service and our primary member support number. Within that section of the website, members also have the ability to schedule an appointment to speak with a member specialist at the location of their choosing. In Q3, we will be introducing a new phone system that will enable our members to directly contact any of our branches. This feature will also be reflected on our website.

Mr. Park noted GLCU greatly appreciates the engagement and feedback from our members.

Finally, Board Chair Stephen Park presented a milestone anniversary award to Director Pat Price for 10 years of service on the GLCU Board of Directors.

Motion: A motion was made and seconded to adjourn the meeting at 5:17 p.m. Carried.

/s/ STEPHEN PARK

/s/ JIM MARCH

2023 REPORTS

Report of the Board Chair– Stephen Park & President/CEO – Steven Bugg

It is important that together we accomplish financial well-being for all. People are healthier overall when they have confidence to manage day-to-day finances, the capacity to absorb financial shock, a dedicated partner to meet financial goals, and of course financial freedom to make choices in life. We also realize that a financial institution that prioritizes the needs of members, employees and the community usually outperforms those that pursue other approaches to creating value. At Great Lakes Credit Union and the GLCU Foundation for Financial Empowerment, it is our mission to create banking for a greater good in support of the *people helping people* philosophy. By doing so, we make our promise bigger, deeper, and more powerful.

The words “for all” remind us that every person deserves financial well-being. Everyone should have the opportunity to thrive financially. By incorporating financial well-being for all into every aspect of our business, we can take a more comprehensive approach to providing access for our members, employees, and communities.

Responsibility is the heart of credit unions’ congressional mandate, and the future of the credit union movement depends on living up to this promise.

Our Brand Promise includes a commitment to improving every person’s financial well-being.

Data backs up that promise with real, data-driven, and measurable results.

We build and share tools that put this promise into action.

Consumers are hurting. Recent research found that less than one-third of U.S. adults were financially healthy, while 55% were financially coping and 15% were financially vulnerable.

The entire credit union movement cannot lose sight for three important reasons:

1. It is the right thing to do as we were born as an opportunity for those outside mainstream financial services, and we continue that legacy today.
2. It is the smart thing to do as financially healthy people make financially healthy communities, and that is what credit unions are trying to build.
3. It is the relevant thing to do as financial well-being for all helps leaders and professionals tell the credit union story, which is one of cooperation and service.

These three key attributes remind us of the “why” behind our mission and purpose. How do we put financial well-being for all into practice? We commit to improving the financial lives of people within our field of membership; we assess and learn so we know our starting point and focus on understanding the demographics of our target area; we plan by leveraging empathy and community participation to check assumptions and identify true needs. This includes examining our products, services, and delivery channels through the eyes of members and allows the credit union both near-term solutions for financial hardships or crises and longer-term solutions for member financial health. Finally, we act to implement our strategies and continuously listen, learn, adjust, and improve. It is important to make it part of everyday work, focus on the most vulnerable, connect with the community, tackle drivers of economic insecurity and immobility at their source. As the financial services marketplace and consumers’ needs and expectations continue to evolve, the credit union business model needs to keep up.

Let us now focus on the “how” in our strategy. Since GLCU is a low-income designated and a community development credit union, we also offer many distinct products and services to support these efforts with our lending and deposit philosophy, our extensive investments in technology, our low-cost, innovative business products, and our well-trained, understanding professionals.

Our branch / financial well-being center is the “hub” of GLCU in the community where counseling and deeper conversations are encouraged. However, we also make it easier for members to engage more deeply, offering chat and our AI assistant Olive 24/7. During business hours, fully educated and knowledgeable member contact center staff are available to assist members. GLCU also utilizes our marketing channel to update and communicate with members and offers articles, videos, helpful hints and more. The GLCU website is the place for more extensive information for “everything GLCU!”

GLCU is proud of our diversity dating back to the Great Lakes Naval base 86 years ago, so diversity, equity and inclusion come naturally to our credit union. In fact, the credit union is dedicated to financial well-being from our board of directors to our front-line employees and has engrained the credit union philosophy of *people helping people* into our diverse culture. We aim to assist members to find meaningful products, services, access, and partnerships to help priority groups become more engaged with banking resources. We are also proud to offer one of the largest HUD Certified Counseling Programs in Illinois, and we partner with a variety of funders, including the City of Chicago, the State of Illinois, HUD, and several banks. Our counselors are HUD-certified, and GLCU also empowers our employees to seek their CUNA Certified Financial Counselor designation to assist members in our financial well-being centers / branches.

With our commitment to the community (see attached *2023 Year-in-Review* for results of specific outreach initiatives), and our interdepartmental cooperation, along with supporting the credit union movement’s vision and values, GLCU takes considerable pride in *Banking for a Greater Good*. We thank you for your continued business.

Sincerely,

Stephen Park, Board Chairman
Steve Bugg, President & CEO

2023 YEAR IN REVIEW

2023 Community Outreach Totals

2023 Financial and Housing Counseling Totals

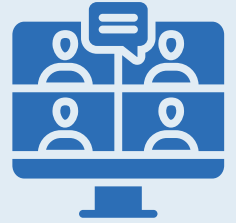
200

Employees
Volunteered



26

Workshops



3,917

Hours



1,173

Households
benefited from
Emergency Services

212

Events



733

Households
benefited from
1x1 counseling



33

Youth Education
Events



\$33 million

in community assets
saved by preventing
169 households
from defaulting on mortgages

Supervisory Committee – Kevin Leman, Chair

Consisting of three members elected by GLCU's Board of Directors, the Supervisory Committee ensures that a financially stable Credit Union operates in the best interest of its members.

It does this by monitoring the Credit Union's financial and risk reports, internal controls and operating policies and procedures. The Supervisory Committee also oversees the annual audit conducted by Doeren Mayhew & Co. P.C., a certified public accounting firm.

2023 was the first year that Doeren reviewed GLCU's business operations. The reviews include an assessment of the accounting, reporting and internal controls of GLCU operational areas. Based upon these reviews, recommendations are provided to the Supervisory Committee and Executive Leadership Team. The Supervisory Committee then evaluates the actions taken during the year by GLCU's Executive Leadership Team.

Additionally, Doeren conducted an annual audit of GLCU's consolidated financial statements for the year ending December 31, 2023, as required by the State of Illinois Department of Financial & Professional Regulation.

Based on its evaluation, the Committee is pleased to report that the audit results indicate GLCU exhibits sound financial performance and prudent management.

In the Supervisory Committee's opinion, GLCU's operations are compliant with state and federal regulations. The Credit Union has internal controls in place protecting the Credit Union, its members, management and employees.

Credit Committee – Jim Fabrie, Chair

The GLCU Credit Committee is appointed by the Board of Directors and is responsible for the general supervision of all loans and lines of credit to members. The Credit Committee delegates loan approval authority to the Credit Union's loan officers and meets as necessary to review special loan requests, observe lending trends and ensure members have access to numerous loan products, consistent with the lending policies established by the Board of Directors. The Committee remains dedicated to responsible lending, adaptability to economic conditions and maintaining a member-centric approach.

GLCU completed 2023 with a year-end portfolio balance of \$1.059 billion. We managed through a rising rate environment by maintaining competitive rates, making loans available to our both our members and prospective members within our diverse communities and continuing the evolution of our product suite. The Committee proudly presents these results and looks forward to continuing to serve the needs of GLCU's members.

ALM Committee – Jim March, Chair

The ALM Committee is appointed by the Board of Directors and meets at least quarterly and works in conjunction with the Pricing Committee to monitor GLCU's asset and liability positions. The Committee operates on an 'act and report' basis.

During 2023, the ALM modeling was completed by McQueen Financial Advisors. In addition, McQueen performed a prepayment analysis and assumption sensitivity analysis. The GLCU staff decided to switch ALM vendors from McQueen Financial Advisors to Performance Trust Capital Partners. GLCU ran both systems parallel to each other during the third and fourth quarters of 2023. For the first quarter of 2024, Performance Trust will be the primary and solo ALM vendor. Due to the unprecedented economic times and 11 rate hikes over the past 2 years, GLCU is experiencing extreme pressure with the net economic value of equity NEVE rate scenario shock tests. As a result, the +300 bp shock for all four quarter-ends was outside the policy limit change of (50%) with each quarter worsening. These results are similar for the majority of institutions across the county due to the drastic rate increase. To help alleviate this issue, three members of the GLCU staff attended derivatives education courses and educated the ALM Committee on the fundamentals of derivatives.

GLCU entered into a pay fix swap derivatives transaction in December 2023. The staff believes partnering with Performance Trust will aid GLCU into making smarter strategic decisions.

Membership Committee – Cathy Corbi, Chair

We had 7,351 new members join Great Lakes Credit Union in 2023, ending the year with a total of 80,830 members.

Board Governance & Nominations Committee – Cathy Corbi, Chair

In 2023, GLCU's Board Governance & Nominations Committee addressed a number of initiatives. We provided training for our Directors addressing the Bank Secrecy Act, Anti-Money Laundering, and Cybersecurity. We conducted a Board of Director Self-Assessment for the fifth consecutive year and engaged our partner Quantum Governance to conduct a year-over-year analysis of the results, which illustrated consistent performance by GLCU's Board of Directors. We continued to work on enhancements for our Board Governance Manual, a repository of policies and regulatory governance information for our Directors. Initiatives for 2024 will include the transition to a new Board Chair, and the planned addition of non-voting Associate Director/Advisory Council members in accordance with the criteria established by Illinois Credit Union Act Section 20.5.

Great Lakes Credit Union 2023 Bylaw Amendments

The following field of membership expansion was approved in 2023:

ARTICLE III – MEMBERSHIP

Section 1.

...

- *Employees and members of Leaders Network*
 - *Leaders Network membership is limited to youth, individual/general, clergy, religious institutions (organization itself and not employees or members of), community partners (organizational items and not employees or members of), and corporate sponsorship (organization itself and not employees or members of).*

...

The par value of each share was decreased from \$5.00 to \$1.00:

ARTICLE XI – SHARES

Section 1 – Shares

...

- f. The par value of each share shall be \$1.00.*

...

2024 DIRECTOR NOMINEES

- **Cathy Corbi** – Ret. Human Resource Director, Ray Graham Association. Director since 2018. Board Governance & Nominations Committee Chair & Credit Committee Member. Currently serving a three-year term expiring April 2024.
- **James Fabrie** – Director, IT Infrastructure and Operations, National General, an Allstate Company. Director since 2005. Board Treasurer, Credit Committee Chair & ALM Committee Member. Currently serving a three-year term expiring April 2024.
- **Jim March** – Director, Global Real Estate / Facilities, Circana. Director since 2007. Board Secretary & ALM Committee Chair. Currently serving a three-year term expiring April 2024.

**GREAT LAKES CREDIT UNION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2023 AND 2022**

Assets	2023	2022
Cash and cash equivalents	\$ 78,351,268	\$ 65,133,618
Investment securities (note 2)		
Equity	1,797,541	3,000,744
Available-for-sale	109,574,768	116,188,637
Loans, net of allowance for credit losses of \$9,949,722 and \$2,810,515 as of December 31, 2023 and 2022, respectively	1,049,778,933	1,079,635,745
Accrued interest receivable	3,847,270	3,431,776
Property and equipment (note 4)	17,707,844	18,475,100
NCUSIF deposit	9,069,622	8,167,970
FHLB stock	9,684,253	14,328,107
Split dollar insurance (note 11)	8,389,293	8,336,215
Credit union owned life insurance (COLI)	13,254,281	12,808,295
Other assets	12,054,531	11,643,263
	\$1,313,509,604	\$1,341,149,470
Total assets	\$1,313,509,604	\$1,341,149,470
<u>Liabilities and Members' Equity</u>		
Liabilities		
Members' shares and savings accounts (note 5)	\$1,004,038,503	\$ 952,010,316
Borrowed funds (note 6)	190,914,183	269,229,378
Uninsured secondary capital (note 8)	10,000,000	10,000,000
Accounts payable and other accrued liabilities	16,723,799	14,205,713
	1,221,676,485	1,245,445,407
Total liabilities	1,221,676,485	1,245,445,407
Commitments and contingent liabilities		
Members' equity		
Appropriated statutory	13,144,303	13,144,303
Undivided earnings	78,921,598	85,674,335
Equity acquired in mergers	11,315,706	11,315,706
Accumulated other comprehensive loss	(11,548,488)	(14,430,281)
	91,833,119	95,704,063
Total members' equity	91,833,119	95,704,063
Total liabilities and members' equity	\$1,313,509,604	\$1,341,149,470

**GREAT LAKES CREDIT UNION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Interest income		
Loans receivable	\$ 46,036,336	\$ 35,552,491
Investment securities	7,459,046	3,787,211
Total interest income	53,495,382	39,339,702
Interest expense		
Interest and dividends on members' shares and savings accounts	13,322,881	2,501,536
Interest on borrowed funds	8,028,834	5,436,375
Total interest expense	21,351,715	7,937,911
Net interest income	32,143,667	31,401,791
Recapture of credit losses	(306,729)	(289,166)
Net interest income after recapture of credit losses	32,450,396	31,690,957
Non-interest income		
Fees and other income	11,265,190	14,717,094
Non-interest expenses		
Compensation and benefits	21,891,886	20,733,923
Office operations	5,219,187	4,926,663
Occupancy	680,340	663,532
Operating expenses	13,216,566	10,905,744
Total non-interest expenses	41,007,979	37,229,862
Net earnings	\$ 2,707,607	\$ 9,178,189



THANKS FOR A GREAT YEAR!

