



# MERCK EMPLOYEES FEDERAL CREDIT UNION

*Your Prescription to Financial Health.*

## 2020 Annual Report





## *Report of the Chairman & the President:*

### **2020: Pandemic Drives Changing Service Model at Your Credit Union**

Sometimes change is initiated and sometimes it is thrust upon you. It was certainly the latter in 2020 as the global coronavirus pandemic forced change on business, communities, culture and overall daily existence for people all over the world. Here at your credit union we had to move quickly to ensure we could still meet member demand and serve members with the same high-touch quality service that we pride ourselves on.

To be candid, it wasn't easy. We were faced with an operating environment where our face-to-face interaction with members was instantly curtailed. We still had the same member needs, but fewer ways to interact with members.

Fortunately, we were able to pivot and bring many of our functions and services online. We quickly launched a series of basic banking functions such as wires, new account openings and many others into the virtual channel, allowing members to still get their financial business done without having to physically visit the credit union or mail in information.

The results were in many cases surprising to us. We opened up more new memberships through the virtual channel than mail or in-person combined. We saw a record number of mobile deposit transactions in 2020. We quickly saw members gain confidence with our online services such as wire transfers, via the online channel. Our members showed their ability to adapt and change how they engaged with the credit union in this new era of getting business done virtually.

We also sought out new, innovative ways to interact with members. We launched a new Web site in 2020 that included all the new online tools, as well as a LiveChat feature where members could chat live with a credit union member service representative to get their questions answered without having to call or visit.

We plan to continue to find new ways to meet members demand wherever they may come, and as always focus on areas where we can add value to our members' financial lives. One of the advancements we were most proud of in 2020 was the launch of our new online Financial Wellness Center.

This interactive platform allows members to learn about a wide breadth of personal financial topics from the comfort of their computer. Members can learn at their own pace and test their knowledge. We remain committed to ensuring our members have the tools they need to improve their financial wellness.

From a balance sheet perspective, where 2020 was truly historic was in the influx of deposits that flowed into the credit union. Approximately \$280 million of member deposits came in during 2020. The credit union ended the year at \$2.2 billion in assets, an approximate \$300 million increase over yearend 2019.

We don't measure our success in terms of asset growth, but instead by the value we return to members. During 2020 we maintained one of the highest dividend savings rates among all financial institutions. While the largest of banks paid their depositors in the 0.05-0.10 range for the bulk of 2020, your credit union was paying between 1.125% and 1.25%. We were committed to returning value to members even as interest rates plummeted throughout 2020. Credit unions historically show their greatest worth to the members during challenging economic times and 2020 certainly proved that to be true.

Interestingly, while the news was dominated with layoffs and challenges that far too many Americans dealt with due to the pandemic, 2020 turned out to be one of the most vibrant real estate markets in many years. Record low interest rates kept home sales surging. Your credit union had a very strong year meeting its members' mortgage demand, funding approximately \$43

million in members' mortgages at market leading rates.

Your credit union remains strong and healthy financially. Even with absorbing \$280 million in deposits, we maintained an 11% capital level, far above the 7% well-capitalized regulatory requirement. The credit union's balance sheet is flexible from a liquidity standpoint and is rooted in high-quality investments.

We thank our members for their support and understanding during 2020 as we too had to adopt new strategies and techniques to conduct business. We have just begun. We will continue to find new ways to better serve the membership. Our focus remains on helping our members improve their financial wellness.

Respectfully submitted,  
Bernie Wisniewski, Chairman  
Paul Gentile, President



*(left to right) MEFCU CEO Paul Gentile & Chairman Bernie Wisniewski*



## Upton Place Branch Gets Facelift in 2020



The credit union's Upton Place branch received an update in 2020. The remodeled branch pays homage to the history of Merck & Co., utilizing a variety of vintage photos reflecting the company's history.

Members now have the ability to access both lending and IRA staff at Upton Place, the credit union's only public branch location not on a Merck campus. More office space also allows members to handle important matters more privately.

Due to COVID-19, the credit union was able to complete the renovations with minimal disruption to members. With safety protocols in place, members can now visit the branch and experience the changes firsthand.

### Supervisory Committee Report

The Supervisory Committee is an autonomous committee appointed by the Credit Union's Board of Directors and is responsible for the financial audit. The Supervisory Committee met periodically throughout 2020 to monitor office operations and perform random account verifications. To assist the Credit Union, the Supervisory Committee engaged the Certified Public Accounting Firm of the Curchin Group to conduct the annual audits as of December 31, 2020.

Your Supervisory Committee is pleased to report that the Credit Union is in sound financial condition and the records are in good order. This is based on the results of the Curchin Group's audit and their opinion of the financial statements as well as operating results. A copy of the Certified Audit is available for inspection at the Credit Union office in Rahway, New Jersey.

Respectfully Submitted,  
Andrea Krysienski, Chair  
Cynthia Franco  
Linda George  
Lorraine McLeod  
Linda Tuma

### Treasurer's Report

Merck Employees Federal Credit Union posted solid financials for 2020. These strong results allowed the credit union to continue its tradition of returning value to members through some of the highest payout ratios of any financial institution. The credit union paid out \$25,749,817.19 in member dividends, representing approximately 66% of total income. The average share balance at year end was \$77,630.86. Loans granted to members were \$50,880,764, up from \$29,779,615. Total loans outstanding ended 2020 at \$163,227,741, up from \$151,416,622 in 2019.

Providing members with a safe and sound institution is always one of our top priorities. In 2020 the credit union's Net Worth was 11.15%. With the support of Merck, our corporate sponsor, we continue to keep expenses low. 2020 operating expenses were \$6,691,516, representing just 17.09% of total income. A low operating expense ratio allows us to return more to members in the form of better rates and to continue our tradition of low fees.

Respectfully Submitted,  
Lisa Auerbach, Treasurer





## Board of Directors



**Bernard Wisniewski**  
**Chair**



**Jeffrey Hack**  
**Vice Chair**



**Lisa Auerbach**  
**Treasurer**



**Raffalle Karby**  
**Secretary**



**Douglas Christie**



**Ronald Coleman**



**Herman Johnson**



**Patrick Ruane**



**Charles Orgelfinger**



## Supervisory Committee



Andrea Krysienski  
**Chair**



Cynthia Franco



Linda George



Lorraine McLeod



Linda Tuma



## Financial Highlights of Last Year

Consolidated Balance Sheet  
December 31, 2020 and 2019  
(IN THOUSANDS)

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Cash	\$96,641	\$66,803
Investments*	\$1,918,439	\$1,666,097
Accrued Interest on Investments	\$9,146	\$8,281
Member Loans Less Allowance for Loan Losses	\$162,733	\$151,048
Furniture and Equipment Less Depreciation	\$1,699	\$1,517
Share Insurance Fund	\$14,269	\$13,288
Other Assets	\$1,057	\$952
<b>TOTAL ASSETS</b>	<b>\$2,203,984</b>	<b>\$1,907,986</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable & Accrued Interest	\$2,388	\$2,842
Dividends Payable	\$5,911	\$7,480
Share Accounts	\$1,929,903	\$1,650,806
Retained Earnings Substantially Restricted	\$265,782	\$246,858
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$2,203,984</b>	<b>\$1,907,986</b>

<b>STATISTICAL INFORMATION</b>	<b>2020</b>	<b>2019</b>
Loans Granted	\$50,880,764	\$29,779,615
Number of Loans Granted	793	1,019
Delinquent Loans	\$962,792	\$1,196,680
Number of Delinquent Loans	45	82
Number of Members	24,860	24,862

<b>FINANCIAL HIGHLIGHTS</b>		
Gain (loss) in Assets	15.5%	0.42%
Gain (loss) in Shares	16.9%	(0.90%)
Gain in Equity	7.67%	10.34%
Average Share Balance	\$77,631	\$66,399
Average Loan Balance	\$14,997	\$12,841
*Market Value of Investments	\$2,034,191,283	\$1,736,709,964

Statement of Income & Expense  
December 31, 2020 and 2019  
(IN THOUSANDS)

<b>OPERATING INCOME</b>	<b>2020</b>	<b>2019</b>
Income from Loans	\$6,155	\$6,759
Investment Income	\$33,105	\$34,171
<b>TOTAL INCOME</b>	<b>\$39,260</b>	<b>\$40,930</b>
<b>EXPENSES</b>		
Compensation & Employee Benefits	\$3,020	\$2,592
Office Operations	\$1,486	\$1,153
Professional & Outside Services	\$551	\$594
Other	\$1,590	\$1,229
<b>EXPENSES</b>	<b>\$6,647</b>	<b>\$5,568</b>
Provision for Loan Losses	\$109	\$38
<b>TOTAL EXPENSES BEFORE DIVIDENDS</b>	<b>\$6,756</b>	<b>\$5,606</b>
Income from Operations Before Dividends	\$32,504	\$35,324
Dividends Paid	\$25,750	\$30,486
Non-Operating Gain (Loss)	(\$181)	\$4,753
<b>NET INCOME</b>	<b>\$6,573</b>	<b>\$9,591</b>