

Good Morning (Afternoon / Evening).

Thank you for the invitation to join the 2016 [State] Convention. I bring with me a warm welcome from the National Executive Board and the staff at Headquarters. Over the next few days, we're going to be talking a lot about the future of our great Association. NARFE is changing. NARFE HAS to change. But I assure you, our core values are not. We are poised to meet the challenges we are facing today and the ones that lie ahead.

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This year, the update from Headquarters begins and ends with the Strategic Plan. Approved by the NEB at its November 2015 board meeting, the full document has been circulated to all federations and chapters and resides on the NARFE website. I would like to thank the members of the Strategic Planning Committee, the Strategic Planning Team and the multitude of NARFE members, at all levels of the Association, who contributed to the plan's outcome via emails, meetings and phone calls.

While some may have the inclination to skip ahead to the plan recommendations, I urge you to read the plan far more closely. For those who have not yet done so -- please read the situation analysis. With this information, the urgent need for change within NARFE becomes clear.

I strongly recommend that all those who support the NARFE mission, and would like to see that mission prevail, log on to [narfe.org](http://narfe.org) and click on the strategic planning banner. Along with the plan, you will find a video providing insight into the issues that compelled the committee, the team and the board to reach the plan recommendations. It is imperative that the important decisions that need to be made at the National Convention this August are informed ones. I ask that you read and consider it carefully and with an open mind. Our future depends on it.

As you will see, the historical membership decline and the Association's reliance on dues revenue are highly notable aspects of the situation analysis. I would like to assure you that Headquarters has spent the last year working to address these issues. Let me begin with the Headquarters' update with the Marketing Department's efforts.

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NARFE's Marketing Department was established in 2014. Responsibility for and expertise in both dues and non-dues revenue was consolidated in a single, professionally staffed area. This has proven to be a successful reorganization.

2015 was a great year for membership recruitment and retention.

- In 2015, the decline in membership slowed by 27% when compared to 2014 – this while experiencing a 19% increase in reported deaths during the same time period.
- The NARFE Federal Benefits Institute was launched this past fall. The Institute is an umbrella under which much of our federal benefits information and guidance resides. The Institute page on the NARFE website houses all of our white papers as well as the ever popular “Be Prepared for Life's Events” guide. And, importantly, the page includes our new Institute webinars.

Live webinar events are being broadcast from the upgraded studio at NARFE Headquarters, hosted by the highly respected federal benefits expert Tammy Flanagan. Prospective members pay \$39.95 to view and join NARFE, while all webinars, live or archived on the Institute webpage, are always free to members.

The webinars are proving successful in four ways:

- First, significant online advertising of the webinars builds further awareness of the NARFE brand;
- Second, prospective members are joining NARFE;
- Third, the large number of existing members who attend each live event speaks to the value of the Institute as a retention tool; and
- Fourth, sponsorship of the webinars is providing needed non-dues revenue.

While the webinars are increasing our dues revenues, non-dues revenue efforts in 2015 brought a new level of sophistication, depth and breadth to this crucial area. For example:

- The number of affinity partners, those who provide discounts to our members and per-transaction revenue to NARFE, continue to grow.
- New, standardized contracts with our affinity partners make certain there are consistent deliverables, and new processes further expose discount

opportunities to members and track progress to adjust efforts in a timely manner.

- In total, 2015 affinity partner revenue exceeded the budget by 34%.
- New efforts at both the Legislative Conference and the Federation Presidents Meeting contributed to a 67% increase in 2015 sponsorship revenue over budget.
- Segmentation of our fundraising efforts and deeper analysis of these efforts in 2015 positions us for increased revenue in 2016.

Convention planning activity, now also a Marketing Department responsibility, will streamline our efforts for the 2016 convention, make more efficient and effective use of our resources, and, combined with new sponsorship efforts, break the cycle of historical financial loss for national conventions.

I couldn't be prouder of the work our Marketing Department is doing.

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Turning now to our legislative department. For the last six years, federal employees and retirees have been attacked from all angles – the media, members of Congress, even the Administration. Last year, we saw a House budget that asked for \$318 billion from the federal community. \$318 billion! And this is after our community has already given over \$120 toward deficit reduction.

But the fight didn't end with 2015. We expect the 2016 budget process to look similar, with the added bonus of election year politicking. Budget fights on Capitol Hill have led NARFE members to take action to protect their pay and benefits in larger numbers than we've seen in recent years. We must keep it up if we are to remain successful in fighting the onslaught of attacks on your EARNED pay and benefits.

While we hope to one day no longer be on the defensive, I am pleased to report that NARFE has been hugely successful in fighting these attacks. Not one dollar of that \$318 billion was actually signed into law. And it wasn't for a lack of trying. The Senate attempted to use the Thrift Savings Plan to offset the costs of a multi-year highway funding bill, and your grassroots efforts, in conjunction with our lobbying, stopped them in their tracks.

Additionally, we've been successful thus far in preventing flawed postal reform legislation from being considered. This legislation would negatively impact all federal employees and retirees, and we will continue to fight misguided bills that attempt to solve the Postal Service's financial problems on the backs of feds and retirees.

But it wasn't all defense. NARFE was THE organization that led the fight to prevent a massive 52% increase in Medicare premiums for over a million federal retirees. I know some of you weren't happy with the compromise, and that you saw a small increase in premiums while others were held harmless. However, without NARFE, I assure you you would be paying more than \$150 a month for your Medicare premiums.

In 2015, NARFE saw unprecedented coverage in the press, which is also the responsibility of our Legislative Department. Thanks to a combination of being out in front on certain issues and efforts to draw attention to other concerns that were being overlooked by the media, NARFE reached new heights. On topics as wide-ranging as the Medicare Part B issue, the new Self Plus One option and the OPM data breaches, NARFE was mentioned in the press more than 750 times in 2015. NARFE also garnered more coverage in national news outlets, including CBS Evening News and Fox Business News.

I will close the update on legislation by talking about the important role you play in our success. NARFE's Protect America's Heartbeat program exists to fight misconceptions about federal employees and retirees, and to protect your earned pay and benefits. The PAH campaign is about telling *your* story, and how the actions of Congress affect you personally. NARFE is in a unique position to separate itself from other groups vying for the attention of Congress. Don't let your representatives in Congress cast important votes without knowing what you have contributed as a federal employee, where you stand and where NARFE stands. Silence equals acceptance.

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Separate from legislation, but just as important, is NARFE-PAC, which is NARFE's Political Action Committee. It represents the only way NARFE, as an organization, can contribute to the campaigns of congressional candidates who support NARFE and our legislative agenda. Simply, NARFE-PAC exists to ensure our friends in Congress stay in Congress.

NARFE-PAC is sustained solely by your voluntary contributions. By law, we cannot use your dues money for political purposes. March was NARFE-PAC month, and I'm sure you noticed the wrap around the March magazine, encouraging you to donate. If you haven't sent in a contribution yet, I strongly urge you to do so today. If we want to stop playing defense and start playing more offense, it's critical we have a strong and viable NARFE-PAC.

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I am particularly proud of the joint effort of our legislative and federal benefits services departments as it relates to the OPM data breaches. On the afternoon of June 4 last year, I/President Thissen received a chilling call from the Office of Personnel Management, sharing that it was going to publicly announce a major cyberattack involving more than four million personnel data records containing the personal information of current and former federal employees. Two weeks later, we received word that a second, more massive cyberattack had taken place, involving the theft of background security investigation and security clearance records of more than 22 million current and former federal employees, contractors and military personnel. In the weeks and months that followed, NARFE kept in constant communication with OPM to keep members updated on the situation and answer calls and emails messages from members who were both scared and angry. NARFE's testimony before a House Committee on the breaches, along with our intense legislative lobbying effort ultimately resulted in a legislation extending free credit monitoring services and ID theft protection to those affected to 10 years.

But our Federal Benefits Services Department doesn't just react when there's a crisis. Over the past year, the Department responded to members' questions and concerns through telephone calls, letters and emails. At no time was this service more vital to members than during this past Federal Benefits Open Season when, due to the unprecedented number of health benefits change requests, the telephone lines to OPM were overwhelmed and it was nearly impossible for retirees to get through. NARFE's Federal Benefits Service Department staff was able to make special arrangements with OPM to forward health insurance changes to them for action. Those of you who have sought assistance from this department know how beneficial it is to NARFE members. As you recruit NARFE members, mentioning this membership benefit may make the difference in their decision to join to NARFE.

Additionally, the Federal Benefits Service department continued its series of online training modules for chapter service officers as part of the department's efforts to support these very important individuals. A fourth training module was made available this past year to service officers as an in-house presentation available under Officer Resources in the OAM, or Online Activities Module. The Department will be adding another module later this spring.

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Another great resource for our members is NARFE's magazine. I am happy to report that *narfe* magazine had a successful year. Year-over-year, our advertising revenues were up more than \$150,000 over 2014, as the magazine attracted new advertisers and got additional placements from existing advertisers. We think that this was related to the improving economy and the fact that our advertisers were seeing results in 2014 and wanted to keep the momentum going in 2015. In the same vein, advertising revenue in *NARFE NewsWatch*, our weekly emailed news digest, was up by more than \$20,000 in 2015 in year-over-year revenue.

The magazine continues to get great responses from NARFE members to our reader surveys on particular topics. We conducted seven emailed reader surveys in 2015 on a wide variety of topics: Workplace accommodations, the best places to retire, federal employee achievements, two-fed couples, health care choices in Medicare, federal employment of veterans and phased retirement. We extend a big "thank you" to the thousands and thousands of members who responded to our request for input into our stories.

Now a word on social media. Since this time last year, our Twitter followers have increased over 20 percent and our Facebook likes increased over 30 percent. But with the size of NARFE's membership and the reach social media provides us, we should have many more followers than we do now. If you haven't done so yet, please follow us on Twitter and Facebook. And tell your friends and family!

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On the Information Technology side of things, Headquarters continues to make upgrades to our systems. A lot of the work is behind the scenes, but the advances allow us to instantaneously verify mailing addresses and add congressional districts to member records, and they are helping us reduce errors in credit card transactions when members join or renew. What you actually may have noticed is that the NARFE website is now more "responsive," which means that many parts

of the site now can be viewed easily on tablets and smartphones. For the truly technologically savvy, you will be happy to know that we have migrated our database, web and email blast servers to the “cloud.” Now, instead of having to make expensive new hardware or software purchases when increases in speed or capabilities become necessary, we can request incremental adjustments through our cloud vendor, saving us money and providing us more flexibility. Our IT staff also is in the final stages of developing and implementing our new membership database software. It is in testing mode now.

Last, on the IT front, we have implemented new registration software for the National Convention that allows chapters to designate delegates, voting reps, alternates and proxies online through the OAM. We are not only saving paper processing, but we’re also reducing errors and a lot of the manual work previously done by Headquarters’ staff.

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As anyone who’s participated in a webinar lately can tell you, we’ve significantly upgraded our media room. We now have a state-of-the-art, nearly soundproof room that allows for more professional media production. Staff in several departments at Headquarters was instrumental in making this happen prior to our first Federal Benefits Institute webinar, and the professionalism is enhancing our webinar success.

And while we’re talking about upgrades, let me inform you of what else we’re doing at Headquarters. In 2015, we replaced the windows in front of the building with energy efficient windows. We also replaced the trim on the building that had deteriorated over the years with a more weather-resistance material and painted the exterior trim. We also installed a new roof due to age and reoccurring leaks, which is certified and warranted for 20 years.

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On the financial side of the house, we are continuing to look at ways to operate more effectively and efficiently. The 2015 audit was recently completed. For the third consecutive year, our efforts have paid off and the association ended the year with an increase in net assets.

We are early into 2016, and our investments continue to be a concern. However, we adjusted our portfolio and interest income is offsetting equity losses. We don't foresee any type of anomaly from our budget forecast by year end and we are forecasting an upswing in non-dues revenue overall and the National Convention is budgeted to break even. While dues revenue is decreasing, albeit at a much slower pace than in years past, we are offsetting those losses by increasing our non-dues revenues sources. Everyone at Headquarters is committed to seeing our organization thrive through efficiencies and improved methods.

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We have worked hard to deliver outstanding service to our members, to recruit new members, to retain existing members, to remain open to important innovations, and to combat the continued attacks on the earned benefits of federal employees and retirees. You will hear more about this hard work throughout the Convention. Again, I encourage you to keep an open mind as we chart the future of our organization. I'd like to make it clear that despite the extraordinary work accomplished at Headquarters, we are continuing to overcome a 30-plus year decline in membership. Without change, regardless of our great efforts, our financial solvency is unsustainable, and we face the potential for shutting our doors as early as 2020. Thanks to each of you for your contributions – and for giving me the honor of speaking to you today. As time permits, I would like to answer whatever questions you may have.