

Explanation of NARFE Dues Distribution

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Dues Collections

NARFE Headquarters collects both NARFE National dues and NARFE Chapter dues for the following:

- New memberships (dues code 1A);
- Membership renewals for one year (dues code A1);
- Membership renewals for two years (dues code A2);
- Membership renewals for three years (dues code A3);
- Dues Withholding payments made by OPM (dues code B and C);
- Life membership payments for National NARFE dues (dues code D); and
- Annual Chapter dues related to NARFE Life membership (dues code D).

In addition, NARFE Headquarters collects a reduced amount of dues from members who joined as Active Federal Employees more than 12 years ago and who are still designated as Active Federal Employees (reference NARFE National Standing Rules, Rule 1, Section 2, paragraph D) as follows:

- Membership renewals for one year (dues code AA);
- Membership renewals for two years (dues code AB); and
- Membership renewals for three years (dues code AC).

The costs to members of some of these dues options are as follows:

- Dues code 1A (includes 1 year of membership) \$40.00
- Dues code A1 (for National-Only members) \$40.00
- Dues code A1 (for Chapter members) \$40.00 plus 1 year of Chapter dues
- Dues code A2 (for National-Only members) \$72.00
- Dues code A2 (for Chapter members) \$72.00 plus 2 years of Chapter dues
- Dues code A3 (for National-Only members) \$102.00
- Dues code A3 (for Chapter members) \$102.00 plus 3 years of Chapter dues
- Dues code AA..... \$25.00
- Dues code AB \$45.00
- Dues code AC \$60.00

Payments for the dues withholding option are received monthly from OPM, but the annualized amounts are as follows:

- Dues code B (for Chapter members) \$34.00 plus 1 year of Chapter dues
- Dues code C (for National-Only members) \$34.00

Payments for Life memberships (dues code D) one-time payments based upon the current annual dues amount of \$40.00 and an actuarial calculation of the life span of members; however, it can be paid quarterly over a one-year term. The Chapter dues are paid separately by the member on an annual basis on the members normal annual renewal date. The current National Life membership charges are based upon the member's age when National Life membership is initiated and currently are as follows:

| <u>Age Range</u> | <u>Single Payment</u> | <u>Potential Quarterly Installments</u> |
|------------------|-----------------------|---|
| 30 – 39 | \$1,796.00 | \$450.25 |
| 40 – 50 | \$1,408.00 | \$353.25 |
| 51 – 55 | \$1,127.00 | \$283.00 |
| 56 – 60 | \$960.00 | \$241.25 |
| 61 – 65 | \$801.00 | \$201.50 |
| 66 – 70 | \$653.00 | \$164.50 |
| 71 – 75 | \$514.00 | \$129.75 |
| 76 – 80 | \$392.00 | \$99.25 |
| 81 – 90 | \$251.00 | \$64.00 |
| 91 – 100 | \$127.00 | \$33.00 |

Dues Distributions

Except for dues collected via Dues Withholding and Life memberships, dues are distributed the month following the month the dues are collected, as follows:

- For National-Only Members:
 - To NARFE Headquarters 90% of dues collected
 - To NARFE Federations 10% of dues collected
- For renewing Chapter members, except dues codes AA, AB, and AC:
 - To NARFE Headquarters 90% of National dues collected
 - To NARFE Federations 10% of National dues collected
 - To NARFE Chapters Chapter dues collected
- For renewing Chapter members with dues code AA:
 - To NARFE Headquarters 57% of National dues collected
 - To NARFE Federations 10% of National dues collected
 - To NARFE Chapters 33% of National dues collected
- For renewing Chapter members with dues code AB:
 - To NARFE Headquarters ...90% of National dues collected less 1 year of Chapter dues
 - To NARFE Federations 10% of National dues collected
 - To NARFE Chapters 1 year of Chapter dues
- For renewing Chapter members with dues code AC:
 - To NARFE Headquarters..90% of National dues collected less 2 years of Chapter dues
 - To NARFE Federations ... 10% of National dues collected
 - To NARFE Chapters 2 years of Chapter dues

- For new Chapter members:
 - To NARFE Headquarters 57% of National dues collected
 - To NARFE Federations 10% of National dues collected
 - To NARFE Chapters 33% of National dues collected

For dues collected via Dues Withholding, dues are distributed in the month they are collected, as follows:

- For National-Only members:
 - To NARFE Headquarters 90% of monthly National dues collected
 - To NARFE Federations 10% of monthly National dues collected
- For Chapter members:
 - To NARFE Headquarters 90% of monthly National dues collected
 - To NARFE Federations 10% of monthly National dues collected
 - To NARFE Chapters 1 year of Chapter dues less \$0.04 prepaid on the anniversary of the effective date of the dues withholding initiation

For dues collected via Life memberships, dues are collected and are put in a trust fund for distribution during the lives of the life members. The Chapter dues portion are collected annually for distribution to the Chapters annually on the anniversary date of each life membership. The following NARFE National annual dues amounts that were in place in the past are used as the basis in these calculations:

- \$9.00 for Life Memberships initiated prior to 1986
- \$12.00 for Life Memberships initiated from 1986 thru 1989
- \$15.00 for Life Memberships initiated from 1990 thru 1995
- \$20.00 for Life Memberships initiated from 1996 thru 2004
- \$29.00 for Life Memberships initiated from 2005 thru 2011
- \$40.00 for Life Memberships initiated from 2012 thru the present

The distributions are done as follows:

- For National-Only members:
 - To NARFE Headquarters 90% of the base annual dues amount divided by 12
 - To NARFE Federations 10% of the base annual dues amount divided by 12
- For Chapter members:
 - To NARFE Headquarters 90% of the base annual dues amount divided by 12
 - To NARFE Federations 10% of the base annual dues amount divided by 12
 - To NARFE Chapters Chapter annual dues on the anniversary of Life Membership

Analysis and Recommendations

The current dues collection and distribution process is a very complicated and involved process, as indicated by the three pages were required to describe it. It utilizes the cash basis in some cases, the accrual basis in other basis, and the advanced payment basis in other cases. Further complications are added by the inclusion of dues codes AA, AB, and AC for active federal employees who joined over 12 years ago and are still classified by NARFE as active federal employees.

To simplify the process and make it more user friendly for each of the main players (i.e., NARFE Headquarters, NARFE Federations, and NARFE Chapters), the following recommendations are made:

- Delete dues codes AA, AB, and AC;
- Change the Chapter's share of a new member's dues from one third of the dues collected to the standard annual Chapter dues;
- Change the Chapter's share of dues withholding dues from a slightly reduced annual Chapter dues to the standard annual Chapter dues;
- Convert all dues distributions to NARFE Headquarters and to NARFE Federations to a cash basis, as this will allow both types to utilize interest bearing accounts; and
- Convert all dues distributions to NARFE Chapters to monthly payments of accrued amounts as this will simplify financial records for NARFE Chapter Treasurers, allow a more balanced budget process, and allow dues payment to the appropriate Chapter immediately upon the transfer of a member into or out of a Chapter.