



## **Backgrounder and FAQ on Board's Proposed Revision of NAIFA National Bylaws**

### ***Board Proposal Based on Member Feedback and Recommendations of NAIFA Quality Member Experience (QME) Task Force July 2017***

To further the NAIFA 20/20 strategic plan, the NAIFA Board is proposing a new set of NAIFA Bylaws to implement the recommendations of the Quality Member Experience (QME) Task Force, with three main goals:

1. Create a NAIFA federation structure with chapter relationships between national, states, and strong locals, so we have fewer – but more successful – associations to pursue the NAIFA mission;
2. Establish standards for successful NAIFA associations that we're all accountable for at the national, state, and local level; and
3. Move to one consistent dues amount nationwide.

The National Council will consider the proposal during the National Council Session on Sunday, Sept. 10, 2017. If adopted, the new NAIFA bylaws will be effective Jan. 1, 2019, and the federation will work together towards implementation between now and 2019.

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### **What is the role of the Quality Member Experience (QME) Task Force?**

The QME Task Force is a broad cross section of NAIFA leaders, members and executives appointed by the Board of Trustees to implement the next phase of the [NAIFA 20/20 Strategic Plan](#). Its primary goal is to examine and recommend how to improve the NAIFA business and financial models to deliver a quality member experience for all NAIFA members. The task force held a two-day in-person summit at NAIFA's headquarters in January 2017 and convened over several conference calls throughout 2017.

### **Why focus on the business and financial models?**

The NAIFA 20/20 [Strategic Plan](#), adopted by the Board in spring 2016, identifies three goals to empower members and transform NAIFA for success in 2020 and beyond. Implementation of the first goal – to establish NAIFA as the premiere advocacy, member empowerment and awareness organization – is well under way. The QME Task Force was established to begin implementation of goals #2 and #3: to improve the business model to more effectively deliver member value and grow membership; and to improve the financial model to diversify revenue and provide additional resources to members.

## **What were the Task Force recommendations?**

The Task Force presented three recommendations in its March 2017 [report](#). After two rounds of member review and feedback, the task force in July revised recommendation #1 to extend chapter status to eligible local associations.

### **The three recommendations now form the basis of the Board's proposal to revise the NAIFA National bylaws:**

Recommendation #1: Restructure NAIFA as a professional association, with a national association, state chapters, certain local chapters, and local activities coordinated by the states. Members join and pay dues to the national organization, with a portion of dues shared with the state chapter, and any local chapter, to which a member belongs

### **What does this model propose for NAIFA National?**

As a professional organization for insurance and financial advisors, members will join the national organization (NAIFA National) with a portion of dues shared with the state chapter (and local chapter if applicable) to which a member belongs. The model proposes an enhanced role for National to support chapters in advocacy and programming needs. National will have more structured involvement with the chapters and be *accountable* to its members for the delivery of resources and support to ensure quality member services and products across the country.

### **What does this model propose for NAIFA state associations?**

As state chapters, the NAIFA states will continue to be separately incorporated and have their own board and other governance requirements. Each state chapter will have [chapter agreements](#) with NAIFA National and will operate according to the terms of the chapter agreement as well as state law.

### **How will the “chapter status” impact operations at NAIFA states?**

The chapter agreements will detail specific roles and responsibilities for which National and each state will be held accountable. Like NAIFA National, the states will be *required* to strengthen their support in local areas and will be held *accountable* for the delivery of quality member services.

### **What does this model propose for NAIFA local associations?**

The local associations will transform to different models depending on the current status of each local association.

#### **Local Area Chapters**

Strong local associations will be eligible to become NAIFA local chapters if they choose. Like a state chapter, the local chapter will be incorporated as a nonprofit corporation under the laws of its state and will maintain federal (and state, if applicable) income tax exemption.

The local chapter will have its own board and other governance requirements. Each chapter will have [chapter agreements](#) with NAIFA National and its state, and will operate according to the terms of the chapter agreement as well as state law.

## **Will a local chapter have a leadership team in addition to a board?**

Yes, local chapters will have a structure comparable to the state chapters, with officers and trustees, association executive support and committees, including government relations (APIC, IFAPAC), professional development and education and membership.

## **How will a local association qualify for chapter status?**

Recommendations from the QME Working Group on State and Local Structure specify that local associations with at least 200 members will be eligible for chapter status upon signing a chapter agreement with the state and national.

## **If a local association has fewer than 200 members, can it obtain chapter status?**

According to the recommendations from Working Group 1, locals with between 100 and 200 members may apply to their state and the national association for local chapter status if they satisfy state and national association standards for operational compliance (e.g., tax-exempt and corporate status; current bylaws; leadership team; D&O insurance) and successful programming (e.g., ongoing advocacy, professional development and education, and membership activities). The operational and programming standards that would be considered in making this determination are likely those that were developed by Working Group 2, which developed the proposed standards.

## **How will the local chapter be financed?**

See Recommendation #3.

## **What if my local association is not eligible for chapter status?**

Local activity will continue – and be strengthened – in the form of local-area teams, committees or units of the state chapters. Because the former local associations no longer will be separately incorporated organizations, volunteers will be free of time-consuming governance and administrative requirements. Working with their state, volunteers may focus their talents on programming and political activities that most impact and benefit members and the industry.

## **How will locals with non-chapter status be assured that their state will support and maintain local engagement and activity?**

The chapter agreements between each state and NAIFA National that will be put in place will require each entity to be accountable and to adhere to standards for success as recommended by the NAIFA Standards & Accountability Working Group (see recommendation #2). Among the standards for success will be the state's role in ensuring a strong local presence in programming and political involvement.

At the same time, NAIFA National will be held accountable for working with states to deliver quality services to members in local markets. For example, NAIFA invested in a new Skill Builders Series program to train members in core competency areas such as time management, fiduciary compliance and professional prospecting. Curriculum for these four-hour programs was developed in response to a national survey of NAIFA members. National will assist states in the delivery of these programs so members across the country experience consistency in quality training and services.

### **How will local activity take place in the absence of a local board?**

As part of the chapter agreement, the state will maintain the local presence through programming and activities in those areas. This presents opportunities to attract a broader audience, coordinate highly sought after speakers, and bring relevant and timely programming to local communities. National will continue to develop and broaden its repertoire of programs and professional development for delivery by the state in coordination with the local affiliates as well. The end result is greater resources and professional support delivered locally through the states and National.

### **How will signature events be managed at the local level?**

Local signature events such as golf tournaments, yearly banquets and other events can be held under the proposed structure. Local committees that organize these events will work directly with the state chapter to organize and implement the activities. This will allow broader participation, better access to sponsors, and the ability to leverage state-wide resources. The state is positively incentivized to utilize successful local programming vehicles that have a proven track record of fundraising and programming excellence.

### **How will local awards be managed?**

Local awards can be offered under the proposed structure with state support. The states and their affiliates will be encouraged to establish procedures, such as creating local committees that can review nominees and work with the state to vet and honor deserving members.

### **How will NAIFA attract and develop new leaders at the local level?**

While local governance will no longer be a burden in certain states, there are a wealth of opportunities to spearhead programming in professional development and political involvement at all levels. With fewer positions overseeing governance, the committee opportunities will be deeper and broader. Individuals will have the opportunity to work on both local and state-wide programming and have greater access to hone leadership skills in ways that are immediately impactful to members in their area. Individuals will also work more broadly with other leaders throughout their state and perhaps region that will offer greater exposure to potential mentors, mentees and other career professionals from a greater variety of backgrounds.

### **How will this proposed structure impact NAIFA's ability to continue to position itself as a 'grassroots' organization?**

NAIFA is, and must remain, a grassroots organization, which is essential for our fundamental advocacy mission and integral to our professional development and networking programs. The QME plan seeks (1) to strengthen these grassroots activities by bringing more consistency to program delivery, through statewide coordination; (2) to improve these grassroots activities by holding national, state and local chapters accountable through chapter agreements; and (3) to energize these grassroots activities by freeing local leaders from the administrative burden of local association governance.

## **How will political involvement and fundraising be affected at the state and local level?**

National will continue to work closely with the chapters to assist with IFAPAC, grassroots constituent lobbying and political program training at the federal and state level. Chapters will be required to maintain their fundraising activity and assist local committees when needed.

## **Many local associations have a range of funds in their accounts. What will happen to their remaining account balances when the new structure is put in place?**

The NAIFA [Working Group on Association Finances](#) has outlined procedures in its [recommendations](#). For non-chapter locals, the account balances will be closed upon QME implementation in January 2019. If requested by the local, state chapters should earmark local association funds for activities in the local area that are consistent with the purpose for which the local raised or maintained the funds. Prior to 2019, the local board will decide how the funds will be used in ways that benefit NAIFA members or are otherwise consistent with current local bylaws. It is suggested that any funds be transferred to the state chapter or NAIFA National to be used for the benefit of NAIFA members, programs or activities in the local area where the funds originated.

## **How will local activity be supported financially?**

The states will be empowered to determine how best to allocate their dues portion to support both statewide and local-area programs and activities throughout the year.

## **How many local associations exist in the Federation today?**

The number of local associations has declined more than 20% over the last 10 years, from 655 in 2010 to 513 in 2017, as a result of mergers and dissolutions proposed by the leaders in those markets. Reasons for the decline range from the inability to attract leaders to the board, to minuscule membership numbers and low or no participation at local meetings and events. Regardless of the reason, the task force and Board believe that recommendation #1 is a more deliberate, proactive and strategic approach in association management and operations to address this trend. It will empower the chapters with the flexibility to allocate resources that meet member needs based on demands in the marketplace. Some markets will prosper with virtual events, while others will continue to convene in-person. There are several successful examples where this already is happening at NAIFA.

## **How many local associations currently have at least 200 members?**

There are 17 locals with more than 200 members (this excludes at-large locals).

## **How many locals have 100-200 members?**

There are 59 local associations with 100-199 members. (In addition, the majority of NAIFA locals – 307 – have fewer than 50 members; 77 locals have 10 members or less.)

## **How will the proposed structure impact the number of delegates in the National Council?**

With this model, there will be an expanded National Council, with all active members eligible to vote on matters presented at the NAIFA annual business meeting.

## **Why should NAIFA implement recommendation #1?**

The need to strengthen the business model with a new structure has been discussed at length and over several years by a broad cross section of NAIFA leaders and executives. The board believes there is consensus that NAIFA's 127-year-old Federation structure must change to reflect the more effective and efficient contemporary models used by successful associations today. A strong and sustainable NAIFA is a benefit to all members as well as the industry, and change is needed to better ensure our ability to address the emerging needs of our members and future members.

## **Recommendation #2: NAIFA ensures a baseline of quality member services through established standards for success at the national and state and local level.**

### **What are the standards for success?**

See the [recommendations](#) from the Standards and Accountability Working Group.

### **What areas will be covered under the standards for success?**

The standards will address many of the areas already included in the Jack E. Bobo Award of Excellence: advocacy and government relations; governance and administration; membership issues such as events, presentations and recruitment; and programs and professional development offerings.

## **Why should NAIFA implement recommendation #2?**

For too long NAIFA members across the enterprise have experienced an inconsistent experience in the delivery of messaging, events, programs and services. The QME Task Force and Board of Trustees believe transparent and clearly-defined standards for success must be established, measured and *tracked for accountability* at all levels of the association. While striving for excellence, standards will be both achievable *and* impactful. Positive results will be realized across the NAIFA enterprise.

## **Recommendation #3: NAIFA reduces the number of dues structures from 600 to one.**

### **What will be the dues amount?**

The Board of Trustees will set the unified dues amount for the NAIFA federation before January 2019.

### **What will be the revenue share?**

Beginning January 2019, the Board will allocate 40% of membership dues to the state chapters, or 20% each to a member's state and local chapter where a member belongs to a local chapter. The board will establish a policy to provide states sufficient notice of the dues amount so states may plan and manage their budgets accordingly.

**Operational costs vary from state to state. How will the Board ensure that the chapters will properly function under this recommended structure and dues distribution?**

Chapters may leverage revenue sharing opportunities for new products and services developed by NAIFA National, such the Skill Builders Series and other training programs. The proposed structure also seeks to grow non-dues revenue streams through increased sponsorships and other sources that will enhance program offerings at states. NAIFA also intends to grow membership through the proposed unified dues system which will enable states to deliver consistency in messaging, quality programming and member services.

**Will the board have the ability to establish new or special dues categories?**

Yes. In 2016 the National Council passed a bylaws amendment to empower the board to establish a dues amount for group sales to companies. Under the QME recommendation, the Board may create special member categories that pay a different dues rate, such as for retired professionals, new advisors, or other appropriate categories.

**Why should NAIFA implement recommendation #3?**

The current 600+ dues structures pose a range of administrative challenges. Unified dues will simplify operations, reduce costs and empower staff and leaders with a simple answer to what should be a simple question from prospects: "What are NAIFA's dues?" We are One NAIFA.

**Are the recommendations from each of the four working groups final?**

No. The federation will work together towards implementation between now and 2019. The working group recommendations were developed by a cross-section of NAIFA leaders, members and executives to provide a framework and offer some direction to help members envision the potential transition, set-up and operation of a new and restructured NAIFA.

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