

2011

Supplement to
Annual Reports and Resolutions
Volume 1

152nd Annual Session
Las Vegas, Nevada
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Board Report 1/ Credentials, Rules and Order

Resolution No. 21 New ☒ Substitute ☐ Amendment ☐Report: Board Report 1 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: NATotal Net Financial Implication: \$ None Net Dues Impact: \$ NoneAmount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

**REPORT 1 OF THE BOARD OF TRUSTEES TO THE HOUSE OF DELEGATES:
ASSOCIATION AFFAIRS AND RESOLUTIONS**

This is the first in a series of reports to be presented by the Board of Trustees to the House of Delegates at the 152nd Annual Session of the American Dental Association.

Appreciation to the Council on ADA Sessions and the 2011 Committee on Local Arrangements: The American Dental Association is pleased to have its 152nd Annual Session in Las Vegas, Nevada.

The Council on ADA Sessions has created a meeting that lives up to the ADA's reputation for delivering an extraordinary education and exhibition experience. The Board of Trustees wishes to express its sincere gratitude to the Council, and the exceptional leadership of Dr. Kevin M. Laing, 2010-2011 Council Chair and Dr. Kent H. Percy, Program Chair. They have planned and produced not only an innovative continuing education program, but an exhibition that allows dental professionals to experience firsthand the latest in cutting edge dental materials, services and new technologies.

Council members: Dr. Hugo F. Bertagni, Dr. Michael M. Blicher, Dr. James R. Foster, Dr. Randy G. Fussell, Dr. James E. Galati, Daniel A. Hammer (ASDA liaison), Dr. Ronald K. Heier, Dr. Mark C. Huberty, Dr. William E. Lee, Dr. Hutson E. McCorkle, Dr. Keri L. Miller (New Dentist Committee Liaison), Dr. David K. Okano, Dr. Gregory J. Peppes, Dr. Kent H. Percy (2012 CAS chair-designate), Dr. John P. Pietrasik, Dr. Michael C. Remes, Dr. Richard K. Rounsaville, Dr. S. Shane Samy, Dr. Dennis D. Shinbori and Dr. Charles L. Steffel (Board of Trustees liaison) are all to be recognized for their commendable achievement.

The Board also extends its sincere thanks to those chairpersons who so capably assisted Dr. Gregg C. Hendrickson, general chair of the 2011 Committee on Local Arrangements: Dr. James G. Kinard, vice chair; Dr. Michael C. Lloyd, program co-chair; Dr. William G. Pappas, program co-chair; Dr. George F. Rosenbaum, registration co-chair; Dr. Jonathan E. Rothbart, hospitality co-chair; Dr. Rick B. Thriot, hospitality co-chair; Dr. Brad A. Wilbur, registration co-chair.

Finally, the Board expresses tremendous appreciation to all of the volunteers on the Committee on Local Arrangements for the assistance they provide to the Council in the operation of this annual session. The Board recognizes and thanks the Nevada Dental Association for their contributions to the success of 2011 Las Vegas annual session.

Without the wonderful assistance from these individuals and organizations, and their efforts working as a team with the ADA, this annual session would not be possible.

Election of Honorary Membership: In accordance with Resolution 78H-1980 (*Trans.*1980:590), which empowers the Board of Trustees to elect honorary members of the Association, the following individuals have been elected to Honorary Membership.

Dr. Choo Teck Chaun
Ms. Jocelyn Lance
Ms. Frances Miliano
Ms. Jeanne Rude

These individuals in various ways have made outstanding contributions to the advancement of the art and science of dentistry or contributions above and beyond expectation to the profession. The Board offers its sincerest congratulations to its newest honorary members.

Distinguished Service Award: Established in 1970, the Distinguished Service Award is the highest honor conferred by the Association's Board of Trustees. Each year the Board may select one recipient for the Award. The Board is pleased to announce that the recipient of the 2011 Distinguished Service Award is Dr. L. Jackson Brown.

L. Jackson Brown, D.D.S., Ph.D.: Dr. Brown received his dental degree from the University of Missouri and his Ph.D. in Economics and Epidemiology from Columbia University.

Currently, Dr. Brown is president of Jack Brown Consulting, LLC. and the editor of *Journal of Dental Education (JDE)*.

From 1996 to 2007, Dr. Brown served as the Associate Executive Director (AED) of the Health Policy Resources Center division of the American Dental Association. As AED, Dr. Brown directed the provision of unbiased, scientifically valid information and analysis on priority economic, epidemiological and other technical issues for ADA staff and policy-making bodies. As the head of this division, Dr. Brown was also responsible for oversight of activities of the Dental Economics Advisory Group (DEAG) and the Survey Center—providing management and interpretation of survey results published by the Survey Center. He also initiated and was co-editor of the ADA Dental Health Policy Analysis Series (DHPAS). Some highlights of his ADA tenure are:

- Dr. Brown received a grant from the U.S. Health Resources and Services Administration (HRSA) to study the workforce in dentistry. Two publications resulted (1) *Adequacy of Current and Future Dental Workforce* and (2) *Adequacy of Current and Future Dental Workforce: Theory and Analysis*.
- Dr. Brown served as lead staff for the ADA Future of Dentistry Project. He contributed substantively to the content of the report. Along with the Chairman of the Oversight Committee, Dr. Brown also edited the book, *Future of Dentistry*.
- He co-authored several chapters in the completed monograph, *The Economics of Dental Education*. He also co-edited the monograph with Dr. Lawrence H. Meskin.
- Dr. Brown was the lead staff for the 2006 Workforce Task Force. Working closely with the chairman and members of the Task Force, Dr. Brown greatly contributed to the content of the report which was approved by the 2006 House of Delegates.
- He led the design and analysis of the outcome assessment of a grant from the U.S. National Cancer Institute to study the impact of continuing education courses on early detection of oral cancer and smoking cessation motivation on subsequent practices of dental health professionals who took the courses.

1 Prior to coming to ADA, Dr. Brown served as director of the Division of Epidemiology and Oral
2 Disease Prevention at the National Institute for Dental Research from 1991-1996. Between 1976 and
3 1996, Dr. Brown held numerous positions in various government agencies, including the Bureau of
4 Health Professions, National Institute of Dental Research and the National Institutes of Health.

5 **Retiring Officers and Trustees:** The Board of Trustees wishes to express its gratitude to the following
6 officers and trustees for services rendered to the Association during their tenure on the Board: Dr. A.J. Smith,
7 first vice president; Dr. Robert A. Faiella, trustee, First District; Dr. R. Wayne Thompson, trustee, Twelfth
8 District; Dr. Kenneth Versman, trustee, Fourteenth District; and Dr. S. Jerry Long, trustee, Fifteenth District.

9 **Appreciation to Employees:** The Board of Trustees is pleased to bring to the attention of the House of
10 Delegates 31 members of the Association staff for their years of service.

11 *Fifty-Five Years:* Rafael Bowen, Paffenbarger Research Center

12 *Forty Years:* Josephine Szymczyk, Global Affairs

13 *Thirty-Five Years:* Tomisena Cole and Lalita Pittman, Administrative Services; Ruth Schultz, Library Services

14 *Thirty Years:* Katherine Barbush, Education; David Dwyer, Tyree Hayden and Quang Trieu, Finance and
15 Operations; Patrick Williams; Membership; Judith Jakush, Publishing; Jessie Elie and Clifford Whall, Science

16 *Twenty-Five Years:* Rocio Avalos, Anna Hudson, Thomas Wall, Practice; Esperanza Gonzalez, Education;
17 Rachel Rebeles, My Tran, Finance and Operations; Maria Boyd, Publishing; Kathleen Todd, Science; Sandra
18 Rostek, ADA Health Foundation

19 *Twenty Years:* Marcia McKinney, Education; Nina Koziol, Science; Thomas Spangler, Government Affairs.

20 *Fifteen Years:* Karen Burgess and April Kates-Ellison, Membership; Beth Essig, Information Technology;
21 Catherine Horan, Education; GraceAnn Pastorelli, Practice; Drago Skrtic, Paffenbarger Research Center.

22 **Nominations to Councils and Commissions:** The Board of Trustees annually submits to the House of
23 Delegates nominations for membership to the councils, commissions and New Dentist Committee. Based on
24 the ADA *Bylaws*, the nominees for ADA open positions on the Commission on Dental Accreditation and
25 Council on Scientific Affairs were selected by the Board from nominations open to all trustee districts.
26 Additionally, in accordance with a long-standing House directive, the Board is providing a brief narrative
27 comment on each nominee's qualifications. The *Bylaws*, Chapter VI, Conflict of Interest, requires nominees
28 for Councils and Commissions to complete a conflict of interest statement and file such statements with the
29 Secretary of the House of Delegates to be made available to the delegates prior to election.
30

1

2 The qualifications of these nominees for members appear on page 1009.

**ACCESS, PREVENTION AND
INTERPROFESSIONAL RELATIONS**

Dr. John P. Fisher, Massachusetts
Dr. E. Jane Gillette, Montana
Dr. Bernadette A. Logan, Pennsylvania
Dr. David C. Schirmer, New York
Mr. Greg Baber, Uvalde, Texas (AHA)
TBD (AMA Representative)

ADA SESSIONS

Dr. Barry Cohen, Pennsylvania
Dr. Steven E. Parker, Ohio
Dr. Robert E. Roesch, Nebraska
Dr. Neil E. Torgerson, Florida

COMMUNICATIONS

Dr. Alice G. Boghosian, Illinois
Dr. Michael G. Maihofer, Michigan
Dr. Minerva Patel, New York
Dr. George R. Shepley, Maryland

DENTAL ACCREDITATION

Dr. Richard B. Kahn, New Jersey, **2012 designate*
Dr. Perry K. Tuneberg, Illinois

DENTAL BENEFIT PROGRAMS

Dr. Mark H. Blaisdell, Utah
Dr. C. Celeste Coggin, Georgia, *ad interim*
Dr. Charles W. Hoffman, Florida
Dr. John G. Masak, Wisconsin
Dr. Robert L. Mazzola, Ohio

DENTAL EDUCATION AND LICENSURE

Dr. James M. Boyle, III, Pennsylvania
Dr. Roger B. Simonian, California

DENTAL PRACTICE

Dr. Robert A. Mason, Arkansas
Dr. Charles Maxwell, South Carolina
Dr. J. Mark Thomas, Indiana
Dr. Joseph G. Unger, Illinois

ETHICS, BYLAWS AND JUDICIAL AFFAIRS

Dr. Barry D. Curry, Kentucky
Dr. Darryll L. Beard, Illinois
Linda K. Himmelberger, Pennsylvania
Dr. Laura Williams, Washington

GOVERNMENT AFFAIRS

Dr. Richard A. Black, Texas
Dr. Michael R. Breault, New York
Dr. Irving S. Lebovics, California
Dr. Gus C. Vlahos, Virginia

MEMBERSHIP

Dr. Natasha A. Lee, California
Dr. Shelley Barker Olson, North Carolina
Dr. Gene Shoemaker, Wisconsin
Dr. Edwin A. del Valle-Sepúlveda, Puerto Rico

**MEMBERS INSURANCE AND RETIREMENT
PROGRAMS**

Dr. Mark S. Chaney, Louisiana
Dr. James A. Gillcrist, Tennessee
Dr. Sanjay Patel, California
Dr. Timmothy J. Schwartz, Illinois

NATIONAL DENTAL EXAMINATIONS

Dr. Robert A. Hersh, New Jersey

NEW DENTIST

Dr. Michael A. LeBlanc, Kansas
Dr. Irene Marron-Tarrazi, Florida
Dr. Heather A. Maupin, Indiana
Dr. Timothy W. Oh, Maine

SCIENTIFIC AFFAIRS

Dr. Thomas C. Hart, Illinois
Dr. Jacqueline M. Plemons, Texas, *ad interim*
Dr. Thomas P. Sollecito, Pennsylvania
Dr. Geoffrey A. Thompson, Wisconsin
Dr. Ray C. Williams, New York

Resolution

21. Resolved, that the nominees for membership on ADA Councils, Commissions, and New Dentist Committee submitted by the Board of Trustees in accordance with Chapter VII, Section 100(H) of the Bylaws be elected.

* In response to Resolution 76H-2010, beginning in 2012, new Commissioner appointees will be identified one year in advance of their term of service to participate in CODA activities.

Retiring Council and Commission Members: The Board of Trustees wishes to acknowledge with appreciation the service of the following council and commission members.

**ACCESS, PREVENTION AND
INTERPROFESSIONAL
RELATIONS**

Gary S. Davis, Pennsylvania
A. J. Homicz, New Hampshire
Melanie S. Lang, Washington
David J. Miller, New York

ADA SESSIONS

Ronald K. Heier, Pennsylvania
Kevin M. Laing, Ohio
Hutson E. McCorkle, Florida
Michael C. Remes, Minnesota

COMMUNICATIONS

Jonathan R. Gellert, New York
Eugene T. Giannini, Washington, D.C.
Josef N. Kolling, Michigan
Mary A. Starsiak, Illinois

DENTAL ACCREDITATION

Reuben N. Pelot, III, Tennessee

DENTAL BENEFIT PROGRAMS

Philip J. Eversman, Indiana
Harry C. Futrell, Florida
Daniel J. Klemmedson, Arizona
Christopher J. Smiley, Michigan

DENTAL EDUCATION AND LICENSURE

Brian T. Kennedy, New York
James L. Schmidt, Maine

DENTAL PRACTICE

H. Lee Gardner, Jr., South Carolina
Stephen O. Glenn, Oklahoma
Michael H. Halasz, Ohio
Christopher C. Larsen, Illinois

ETHICS, BYLAWS AND JUDICIAL AFFAIRS

Thomas W. Gamba, Pennsylvania
Carl L. Sebelius, Jr., Tennessee
Terri S. Tiersky, Illinois
Rodney B. Wentworth, Washington

GOVERNMENT AFFAIRS

James D. Condrey, Texas
Rodney J. Klima, Virginia
Matthew J. Neary, New York
Donald M. Schinnerer, California

MEMBERSHIP

Rex B. Card, North Carolina
Todd R. Christy, Michigan
Virginia A. Hughson-Otte, California
William F. Martin, III, Maryland

**MEMBERS INSURANCE AND RETIREMENT
PROGRAMS**

Philip M. Abshere, New Mexico
D. Douglas Cassat, California
C. Richard Gerber, West Virginia
Louis A. Imburgia, Illinois

NATIONAL DENTAL EXAMINATIONS

Stephen T. Radack, III, Pennsylvania

NEW DENTIST

Jeremy M. Albert, Florida
Jennifer J. Jerome, Ohio
Robert S. Leland, Massachusetts
Stacey E. Swilling, Arkansas

SCIENTIFIC AFFAIRS

Steve R. Armstrong, Iowa
Robert J. Buhite, Sr., New York
John O. Burgess, Alabama
George W. Taylor, III, Michigan

ADA Institute for Diversity in Leadership: The ADA Board of Trustees selected the following dentists to be the ninth class of the ADA Institute for Diversity in Leadership, to begin the program in September 2011:

Dr. Loren Alves, San Antonio, Texas
Dr. Bijan Anvar, Larchmont, New York
Dr. Viviana Avila-Gnau, Boston, Massachusetts
Dr. Catherine Bunin-Stevenson, Wiscasset, Maine
Dr. Isaiah Davis, Columbia, South Carolina
Dr. Suzanne Germain, Zionsville, Indiana
Dr. Shailee Gupta, Austin, Texas
Dr. Laji James, Houston, Texas
Dr. Diwakar Kinra, Flint, Michigan
Dr. Flavia Lamberghini, Chicago, Illinois
Dr. Edgar Mendieta, Columbus, Ohio
Dr. Romesh Nalliah, Boston, Massachusetts

The Institute Program. The Institute serves dentists who belong to racial, ethnic and/or gender groups that have traditionally been underrepresented in leadership roles. Core to the program's philosophy is that the lasting leadership learning is lifelong and experience-based. The Institute themes are: *empower yourself; make a difference in your community; discover your strengths, and learn from the best.*

The new class will have three sessions at ADA Headquarters in Chicago during its Institute year—in September, December and the following September. The sessions will include faculty seminars and time for the participants to discuss their project plans and progress with classmates, faculty and mentors. Leading faculty from Northwestern University's Kellogg School of Management and Duke University provide quality small-group education and mentoring. They are joined by dental leaders and corporate sponsor executives in serving as mentors to the class.

Between Chicago sessions, a series of evening conference calls enable class members to share progress with their projects and receive advice from classmates, faculty, alumni and mentors. A Web forum is also available for ongoing interaction.

The program is partially supported through generous contributions from two corporations: Procter & Gamble Oral Health and Henry Schein Dental.

Feedback from the Institute Classes. In September 2010, when the 2009-10 class completed its year and the 2010-2011 class began its program, 100% of those responding to the evaluation said they "strongly agreed" that the program was worth their time. As to the value of feedback and suggestions on leadership projects, those responding rated it 4.5 (on a 5.0 scale), and gave networking opportunities a 4.8 rating. In December, when there is special focus on project planning, the feedback and suggestions on leadership projects was rated a 5 on a 5 point scale by 100 of the respondents. Nearly 90% of the participants "strongly agreed" with the statement, "...the Institute was worth their time." Comments (and themes) consistently noted by participants: included "...learned so much...feedback from professors, mentors and students were most helpful."

Alumni Survey. Each year since the beginning of the program, alumni of the Institute have been asked to complete an assessment about their leadership experiences since finishing the Institute. In 2008, the ADA began an ongoing review to show respondents the leadership involvement they have reported before and to request updates.

Of the 80 Institute alumni, 64 completed at least one survey between 2008 and 2011 for an overall response rate of 80%. Of these, 60 alumni (94 %) reported participation in at least one leadership or volunteer activity since completing the Institute. Collectively, alumni reported participation in at least 196 leadership and

volunteer activities. (Twelve respondents reported "five or more" activities). The most frequently reported are dental associations (44%) and educational institutions (20%). Others are community health centers, hospitals, private dental practices, state board of dentistry members, government and business. Some examples of leadership roles include: constituent society committee and council chair; component society editor and assistant constituent society editor; delegates and alternate delegates to ADA House; Associate Dean of Diversity and Inclusion; president of ethnic dental organization; ADA Strategic Planning Committee member; Give Kids A Smile local program chair; state board of dentistry member; and various roles in community health care programs and initiatives.

Several comments reported by recent participants (2010-2011) of the program included:

"Viewing the evolution of projects during the course of the year offered reassurance that accomplishments of significant impact can and do occur with perseverance and mentorship."

"The lecturers were phenomenal. They not only covered broad topics, but they applied them to our leadership projects. The lectures were engaging and interactive."

"Enjoyed all of the sessions and hearing about my colleagues' projects!"

"All lectures provided useful concepts that I could use on a daily basis in my interactions with others."

"Re tour of ADA Building: I had no idea of all that goes on! It really made me place more value of my membership."

Response to Resolutions from the 2010 House of Delegates

Disclosure Policy: Resolution 99H-2010 states:

Resolved, that chairs of any meeting of the ADA, including Executive Committee, Board of Trustees, councils, committees and the House of Delegates read the following at the opening of each meeting:

In accordance with the ADA Disclosure Policy, at this time anyone present at this meeting is obligated to disclose any personal or business relationship that they or their immediate family may have with a company or individual doing business with the ADA, when such company is being discussed. This includes, but is not limited to insurance companies, sponsors, exhibitors, vendors and contractors.

and be it further

Resolved, that all members of the House of Delegates must complete a written disclosure and that any noted conflicts of interest be transmitted to the House of Delegates if they have any such relationship that may present a conflict of interest, and be it further

Resolved, that when speaking on the floor of the House of Delegates or in Reference Committees, those individuals/members shall first identify those relationships before speaking on an issue related to such conflict of interest.

Shortly after the adjournment of the 2010 House of Delegates, the Board of Trustees and its standing committees, ADA councils and committees incorporated the reading of the disclosure statement at the start of each meeting. The Speaker of the House of Delegates has suggested that the disclosure statement be presented at each meeting of the House by the Chair of the Standing Committee on Credentials, Rules and Order. Additionally the statement has been added to the *Manual of the House of Delegates*, in the section "General Procedures for Reference Committees," and it will be read by the Reference Committee Chair at the start of each hearing. Members of the House will also be advised that during meetings of the House and at

reference committee hearings they shall identify relationships before speaking on an issue related to such conflict of interest.

The second resolving clause requires all members of the House of Delegates, which includes delegates, alternate delegates, officers and members of the Board of Trustees and ADA past presidents, to complete a written disclosure statement. The Legal Department developed a Statement of Disclosure of Interests, which the Board of Trustees reviewed and approved in April 2011. This Statement was transmitted to the members of the House of Delegates through a Delegates Dispatch eMemo, sent June 7, 2011, and it is posted in the House of Delegates area of ADA.org. State executive directors have been requested to follow up with individuals who have not returned the form. Completed forms where a conflict of interest has been noted will be posted online in the House of Delegates restricted access area.

Regular Comprehensive Policy Review: Resolution 111H-2010 states:

111H-2010. Resolved, that the Board of Trustees develop a timetable and protocol to allow the review of all Association policies every three years, and be it further

Resolved, that the Councils, committees, taskforce, or other Association agency assigned with the review consider the following in making recommendations:

- Relevance to current situation
- Continued need
- Consistency with other Association policies
- Appropriateness of language and terminology

and be it further

Resolved, that recommended rescissions and revisions will be brought to the House of Delegates in resolution form for debate and approval, and be it further

Resolved, that recommendations for maintaining policies unchanged will be assimilated into a single resolution, and if approved, unchanged policies will continue to carry the identifying information of their original adoption, and be it further

Resolved, that any policies that delegates remove from the re-approval consent calendar, and which after appropriate debate are amended or substituted, be automatically referred to the appropriate agency for reconsideration during the following year, and be it further

Resolved, that existing policy "Sunset Review of Association Policies" (*Trans.*1995:659), be rescinded.

Shortly after the adjournment of the 2011 House of Delegates, a workgroup that included administrative staff and council directors was convened to consider the scope and impact of Resolution 111H-2010. Due to the fact that the ADA *Current Policies* publication contains more than 650 policies and given the complexity of many policy issues, it was determined that agencies should be allowed flexibility to develop individual three-year reporting plans. Additionally, the first series of policy review resolutions per Resolution 111H will be presented to the 2012 House of Delegates.

To better facilitate the business of the House, and in keeping with the Reference Committee structure for review of resolutions, the following protocol was recommended.

- Each council and commission will determine its own three-year comprehensive review and reporting plan, with the policies in a resolution that conveys that the list of policies be maintained (policy maintenance resolution).

- 1 • Each policy maintenance resolution will be referred by the Speaker of the House to an appropriate
2 Reference Committee for consideration. Accordingly, the policy resolution will be reviewed by the
3 Board of Trustees, the district caucuses and the appropriate reference committee prior to
4 consideration on the floor of the House of Delegates.
- 5 • The Reference Committee will hear testimony on the policy maintenance resolution and will make a
6 recommendation to the House based on testimony presented at the hearing. The resolution to
7 maintain a list of policies will appear in the Reference Committee's Consent Report.
- 8 • When the policy maintenance resolution is before the House, an individual delegate may seek to
9 amend the policy maintenance resolution by removal of a specific policy. Following discussion
10 regarding the reasons for removal of the policy and following a vote on the motion to amend, if
11 adopted, the policy will automatically be referred to the appropriate agency for reconsideration during
12 the following year.
- 13 • The process for amending and rescinding policies remains the same, with individual resolutions
14 presented for House action.

15 At its June session, the Board adopted the workgroup's recommended timeline and protocol for the
16 implementation of a regular comprehensive policy review.
17

STATEMENT OF QUALIFICATIONS OF NOMINEES TO COUNCILS AND COMMISSIONS**Access, Prevention and Interprofessional Relations**

Fisher, John P., Massachusetts, 2015. Dr. John Fisher received his pre-doctoral education at the Catholic University of American, and received his dental degree from Temple University in 1992. He has been in the practice of general dentistry in Salem, Massachusetts since 1974, and has served as General Dental Officer, Lieutenant Colonel (retired) in the U.S. Army Reserves from 1974 through 2001. He has also served as a Clinical Instructor in Fixed Prosthodontics at Boston University Goldman School of Dental Medicine from 1974 to 1984. Dr. Fisher has served the Massachusetts Dental Society on their Board of Trustees, as well as being elected through the officer positions, serving as president in 2010-11.

Dr. Fisher is a thoughtful, hard working member of the First District Caucus, and has demonstrated a passion for many issues related to the Council activities, particularly in the area of increasing Medicaid participation rates, having served as the chair of the MDS MassHealth Task Force, as well as with the Better Oral Health for Massachusetts Coalition. Through his commitment to access to oral healthcare, his familiarity with issues surrounding increasing provider participation in Medicaid and community-based systems, and his leadership on building relationships with non-dental partners to promote the oral health of the public, Dr. Fisher will be a significant contributor to the mission of the Council.

Gillette, E. Jane, Montana, 2015. Montana clinical research dentist and private practitioner Dr. Jane Gillette is a nationally-recognized leader in primary oral disease prevention, health disparities and evidence-based dentistry. Dr. Gillette has a unique and diverse background which includes leadership and work experience in a variety of practice settings including the Federal Dental Service, FQHC's, private practice and the academic/research setting. She currently serves in a leadership capacity with many health organizations including the National Network for Oral Health Access (NNOHA), the American Academy of Pediatric Dentistry (AAPD) and the National Institute of Dental and Craniofacial Research (NIDCR) funded practice-based research network NW PRECEDENT. Dr. Gillette is one of the nation's leading advocates for reducing health disparities and improving health outcomes via the production and utilization of high quality scientific evidence and works closely with the ADA's Center for Evidence-Based Dentistry. For the past 4 years she has served on the ADA's Evidence-Based Dentistry Champions Conference coordinating committee and lectured and taught course work at this conference as well. Dr. Gillette is a reviewer of scientific evidence for the ADA's evidence-based dentistry website (EBD.ADA.org), an editor for *The Journal of Evidence-Based Dental Practice* and lectures nationally on topics related to evidence-based dentistry and research translation. Within her state of Montana, Dr. Gillette serves on the MDA Board of Trustees (5 years), the MDA Council on Government Affairs (5 years), is the MDA Chair for the Council on Public Health and Planning (2 years), serves as an Alternate Delegate (5 years) and is the creator and director of the infant oral health program Access to Baby and Child Dentistry (AbCd) MT program (2 years).

Logan, Bernadette A., Pennsylvania, 2015. Since 1994 when Dr. Bernadette Logan began service to The Children's Dental Clinic, which provides comprehensive dental care and education for students who qualify for federal free and reduced lunches in school districts, her involvement with dental access programs has expanded. Dr. Logan has served as co-chair of her local society's Give Kids A Smile program since its inception in 2003. The program has grown to three annual treatment events to provide a dental safety net for indigent children in three counties. Through her GKAS program, Dr. Logan has had opportunity to network with a community clinic in West Chester, Pennsylvania (Community Volunteers in Medicine), as well as area school hygienists, Head Start, and Public Citizens for Children and Youth (PCCY). Dr. Logan is an active member of her local, district, and PDA access to care committees, having served as chair at all three levels. She works hard to coordinate efforts of state stakeholders, Departments' of Education and Health, as well as recognize and recruit fellow volunteers.

Schirmer, David C., New York, 2015. Dr. David Schirmer is enthusiastic, energetic and reliable. He is actively involved in all levels of the tripartite, including being named to the ADA Dental Quality Alliance. Some of his current affiliations include: New York State Association for Rural Health; New York State Oral Health Coalition, member, Committees for Public Policy, Fluoridation, and Access to Care; New York State

Department of Health, Bureau of Dental Health, Community Water Fluoridation Speakers Bureau; and Corning Coalition for Community Water Fluoridation, Public Relations Liaison. Dr. Schirmer has completed course work toward a Masters in Public Health including problem solving in public health, social and behavioral aspects of public health, epidemiology, and biostatistics at Johns Hopkins University Bloomberg School of Public Health.

ADA Sessions

Cohen, Barry, Pennsylvania, 2015. Dr. Barry Cohen has been director of CE for the Dental Society of Chester County and Delaware County, Pennsylvania for the last 21 years. CERP recognized since CERP began until 2013, Dr. Cohen has planned five full-day meetings a year with 100-200 attendees with international speakers. As director, Dr. Cohen oversees all aspects of the meetings including location, on-site registration, meals, choice of speakers, lecture format, audio visual, etc. Dr. Cohan has chaired many committees and served as general chair for the Second District (PDA) Valley Forge Dental Conference. Dr. Cohen is serving currently on the scientific, sponsorship, and steering committees.

Parker, Steven E., Ohio, 2015. Dr. Steven Parker served as president of the Stark County Dental Society in 2008. His list of qualifications include: member and chair of the Ohio Dental Association (ODA) Annual Sessions Committee, member of ODA Strategic Plan and Membership Services Committees, and member of Local Arrangements Committee, ADA Conference on New Dentist.

Roesch, Robert E., Nebraska, 2015. Dr. Robert Roesch received his dental degree from the University of Nebraska in 1976 and is a general dentist in Fremont, Nebraska. Dr. Roesch has served as president of the Nebraska Dental Association and has been involved with planning the Nebraska Dental Association Annual Session for many years. He has his Mastership from the Academy of General Dentistry and has assisted with the Nebraska Academy of General Dentistry Master Track curriculum. Dr. Roesch is also the president of the Board of Three Rivers Public Health Department.

Torgerson, Neil E., Florida, 2015. Dr. Neil Torgerson has served on the Florida Dental Association's Committee of the Florida National Dental Convention for 17 years. In that he served the committee in all aspects of its workings. Dr. Torgerson served as program chairman for the 2000-01 program and has served as its general chairman for six years. He has been asked to serve as general chair for one more year by the current Board of Trustees. Dr. Torgerson has extensive knowledge in all the detailed workings of the annual meeting and feels he can be of great service to the Council on ADA Sessions.

Communications

Boghosian, Alice G., Illinois, 2015. For several years now, Dr. Alice G. Boghosian has been very active and engaged in matters of organized dentistry, functioning very effectively addressing issues facing the Association and the profession and doing so as a very capable ADA Spokesperson. Dr. Boghosian also has experience as a spokesperson on selected topics for the Illinois State Dental Society (ISDS) and the Chicago Dental Society and currently chairs the ISDS Public Relations Committee. Her communication skills are most impressive and her knowledge-base on the issues of the dental profession, the Association, and related matters are encyclopedic. She has an unblemished record relative to a demonstration of outstanding leadership. Although blessed with a healthy respect and sensitivity regarding the myriad of issues facing dentistry, health care, and the Association, she has shown, time and again, no hesitation or fear relative to rolling up her sleeves and diving into hard work on matters of a controversial nature. Dealing with contentious issues is one of her greatest strengths. She has a remarkable ability to view matters from all sides of the spectrum and addresses each view with the respect and fairness of which it is worthy and deserving.

Patel, Minerva, New York, 2015. Dr. Minerva Patel is a very energetic and enthusiastic member of the American Dental Association. She is a successful pediatric dentist in White Plains, New York. Dr. Patel served as president of the Scarsdale Dental Society Northern Westchester Dental Study Group, and the Eastchester Dental Society. She chaired her component's New Dentist Committee from 2006 to 2009 and

served as council member for the same committee for the New York State Dental Association. She is conversant in current communications technology.

Maihofer, Michael G., Michigan, 2015. Dr. Maihofer has written for and edited several dental publications over the last 18 years. He served as his component editor from 1992 to 1999 and as MDA (Michigan Dental Association) editor from 2000 to 2005. Dr. Maihofer has also served on MDA's House communications committee, completed the MDA's spokesperson training program and was assigned to cover the ADA's Reference Committee on Communications all five years he served as MDA editor. He has made many national contacts during his tenure on the Board of the American Association of Dental Editors. The majority of his work in organized dentistry has focused on member communications.

Shepley, George R., Maryland, 2015. Dr. George Shepley has served as president of the Maryland Academy of General Dentistry, member and chair nationally of the Academy of General Dentistry Dental Education Council, division coordinator of the Continuing Education Division (Dental Education, PACE, and Annual Meeting Councils) of the AGD, regional director of Region 5 AGD, and recently elected as Region 5 Trustee of AGD beginning July 2011. He has been selected to receive spokesperson training for the AGD in October 2011. Dr. Shepley was involved in the AGD 2005 Strategic Plan and the AGD 2010 Strategic Plan. He has been an alternate delegate to the ADA for the past six years. He is past president of the Baltimore City Dental Society and is a long time member of the Maryland State Dental Association Legislative Committee. Dr. Shepley has been selected as a Fellow in the American College of Dentists and has served as Maryland Chair. He has been awarded Fellowship, Mastership, and the Life Long Learning and Service Recognition Award of the AGD. Dr. Shepley is also a Fellow of the Pierre Fauchard Academy.

Dental Accreditation

Kahn, Richard B., New Jersey, ¹2012 designate. Dr. Richard Kahn is a Board certified periodontist with a career long history of involvement in dental education and active participation in organized dentistry. He has served as the president of the New Jersey Dental Association, 2010-11 and the New Jersey Society of Periodontists, 1998-2000. In his evolution toward the presidency he held all the chair positions. He has served as both an ADA Delegate and Alternate Delegate. Dr. Kahn is also the New Jersey representative to the American Academy of Periodontology's (AAP) State and Regional Assembly. He also serves on the AAP Finance Committee. He expects to be nominated and run for AAP Trustee from the 7th District, New Jersey representative.

Tuneberg, Perry K., Illinois, 2015. Dr. Perry Tuneberg is a former ADA Eighth District Trustee (2002-06), a former president of the Illinois State Dental Society (ISDS) and a former president of the Winnebago County Dental Society. He has served on the ADA Council on Membership and has served a number of times on ADA House of Delegates Reference Committees through the years, including service as Reference Committee Chair on at least two occasions. He Chaired the ADA Dental Content Committee, while on the ADA Board. He served on the Workforce Taskforce, the ADA Foundation Board and he chaired the Community Dental Health Coordinator (CDHC) Development Committee. He served for two years on the Oversight Committee for the Commission on Dental Accreditation (CODA). While on the ADA Board he also served as Board Liaison to the Councils on Membership, Dental Benefits and Scientific Affairs. Dr. Tuneberg served a four year term on the ADA Board Compensation Committee and as its Chair in his final year on the Board. Dr. Tuneberg is an examiner for the Central Region Dental Testing Service (CRDTS). In short, the list of examples of Dr. Tuneberg's vast service experiences is lengthy, impressive and esteemed.

Dental Benefit Programs

Blaisdell, Mark H., Utah, 2015. Dr. Mark Blaisdell graduated from the University of the Pacific School of Dentistry in 1981. He started a private practice in Bountiful, Utah and has been a fee for service practicing

¹ In response to Resolution 76H-2010, beginning in 2012, new Commissioner appointees will be identified one year in advance of their term of service to participate in CODA activities.

dentist throughout his career. He has served in the Utah Dental Association leadership from 1999 to 2006 and president of Utah Dental Association from 2005 to 2006. He has just finished serving a four year term as a delegate to the ADA for the Utah Dental Association. Dr. Blaisdell is a Fellow of the International College of Dentists, Fellow of the Pierre Fauchard Academy and has been nominated for membership in the American College of Dentists. Dr. Blaisdell has been instrumental in the repeal of sales tax on prosthetic laboratory fees and in the passing of a Dental Ethics bill in the Utah House and Senate. He has been the Insurance Liaison for the dentists in the state who have had difficulty with claims and benefits.

Coggin, C. Celeste, Georgia, 2012, ad interim.

Hoffman, Charles W., Florida, 2015. Dr. Charles Hoffman has been in private practice general dentistry for the past 30 years. He has served as president, Florida Dental Association, 2009-10; Florida's Surgeon General's Ad Hoc Committee on Oral Health and Workforce, 2008; HRSA Oral Health Workforce Group, 2008-09; FDA Services Board, 1999-2005; Atlantic Coast District Dental Association Peer Review Chairman 1989-93; ADA Council on Membership, 1999-2002; and chairman 2000-01 and 2001-02.

Masak, John G., Wisconsin, 2015. Dr. John Masak has been practicing general dentistry in Appleton, Wisconsin for 25 years. While serving on the Wisconsin Dental Association (WDA) Board of Trustees, many local, state, and national committees, he has proven to be a tireless volunteer. Dr. Masak has served on the Dental Benefits, Practice, Science and Health Reference Committee and attended the Effective Benefits Communications Seminar. He was a member of the Dental Benefits Plans Committee, 2010-11, and board liaison to the Dental Benefits Plans Committee. Dr. Masak was a member of the WDA Management Corporation Board, 2004-11 serving as vice president, 2005-07, and president, 2007-10. He has been politically active on both state and national issues effecting dentistry as well as everyday life. Dr. Masak will be a great addition to the Council.

Mazzola, Robert L., Ohio, 2015. Dr. Robert Mazzola was president of the Dayton Dental Society from 2007 to 2008. In addition, he is member and chair of the ODA Council on Dental Care Practices and Dental Programs. Dr. Mazzola has been a member of the ADA House of Delegates for four years.

Dental Education and Licensure

Boyle, James M., III, Pennsylvania, 2015. Dr. James Boyle is a Diplomate of the American Board of Oral and Maxillofacial Surgery. From 1995 to 1996 he was attending staff at Bethesda Naval Hospital. Dr. Boyle is past president, York County Dental Society; past president, Fifth District, Pennsylvania Dental Association; and president-elect, Pennsylvania Society of Oral and Maxillofacial Surgeons. Dr. Boyle is a graduate from University of North Carolina School of Dentistry.

Simonian, Roger B., California, 2015. Dr. Roger Simonian currently serves on the ADA Joint Advisory Committee on International Accreditation, 2006 to present, and is a past member of the Commission on Dental Accreditation. He served on the Dental Board of California from 1993 to 2001 and served as president in 2000. During his time on the Dental Board, he gained valuable insight and firsthand experience in the legislative, regulatory and enforcement process. His service on the Board also provided him the opportunity to work with legislators, special interest groups and the media, as well as help formulate regulations for infection control, RDHAP, material fact sheets, pediatric conscious sedation, licensure by credential, and oral surgery scope of practice. While on the Dental Board, Dr. Simonian served as a member of the examination committee and as chair of the enforcement committee. As a member of the former, he participated in all California dental license exams.

For more than 30 years, Dr. Simonian has been involved in the Community Regional Medical Center's General Dentistry Residency Program in Fresno. The hospital-based GPR program is in tandem with a four-year OMFS residency and also has rotations from dental students, dental assisting students, and dental hygiene students. Over the years, Dr. Simonian's responsibilities have included clinical supervision, administration and coordination of the rural health clinic, hospital SNF and Alzheimer SNF. He is an adjunct professor at the University of the Pacific (UOP) Arthur A. Dugoni School of Dentistry, which the residency

program is affiliated. Dr. Simonian's additional past service experience includes time as chair of the California Dental Association (CDA) Council on Education and Professional Relations, member of the CDA Council on Legislation, CDA trustee, and president of his local component, the Fresno-Madera Dental Society. He currently sits on the advisory board for the RDH program in Reedley, California. Dr. Simonian received his D.D.S. from UOP Arthur A. Dugoni School of Dentistry in 1973 and is a member of the Pierre Fauchard Academy, American Association of Dental Examiners, and the American College of Dentistry.

Dental Practice

Mason, Robert A., Arkansas, 2015. Dr. Robert Mason is a general dentist. He graduated from Washington University School of Dentistry, St. Louis, Missouri, in 1981, and completed his undergraduate degree at Harding College in 1977. He was an instructor of Embryology, Histology, Dental Anatomy, Pharmacology, and Local Anesthetic at the University of Arkansas Fort Smith Dental Hygiene Program. Under a different hat, Dr. Mason is an Army Colonel, serving Arkansas as the State Surgeon for the Arkansas National Guard and the Chief Surgeon Army National Guard Bureau. A 2005 graduate, Dr. Mason attended US Army War College with a Masters Degree in Strategic Studies. He has served in a variety of ways supporting dentistry in Northwest Arkansas. In 2010-11, he served as president of the Arkansas Dental Association, and in July 2011, he was inducted into the Arkansas Officials Hall of Fame.

Maxwell, Charles B., South Carolina, 2015. Dr. Charles Maxwell graduated from the MUSC College of Dental Medicine in 1977 and practices general dentistry in Johnsonville, South Carolina. He is the immediate past president of the South Carolina Dental Association, in addition to being a past president of the South Carolina Board of Dentistry. His other membership affiliations include the American College of Dentists, the International College of Dentists, the Pierre Fauchard Academy, and the Academy of General Dentistry, which he served as president of the South Carolina section in 1993. Outside of dentistry, he is also a leader in his community as a former president of the Lions Club and chairman of the School Board. Dr. Maxwell's career as a general dentist and his leadership resume qualifies him to serve on this Council.

Thomas, J. Mark, Indiana, 2015. Dr. Mark Thomas is a past president of the Indiana Dental Association (IDA) President, 2009-2010 and former member of the IDA Councils on Government Affairs and ADA Sessions. He is a past chair of the IDA Council on Membership and IDEA Corporation. He has served in the American Dental Association House of Delegates for the past 14 years, 8 as a Delegate as well as having served on two ADA Reference Committees, chairing one. Dr. Thomas is a member of AGD and Fellow of ICD, ACD and the Pierre Fauchard Academy.

Unger, Joseph G., Chicago, 2015. From the point of graduation from Dental School, Dr. Joseph Unger has been enormously active in the organized dental profession. He is a William J. Greek Leadership Award winner (1990), which is an honor bestowed annually on a worthy new Illinois dentist for their high level of exemplary service to the profession. Dr. Joseph Unger is a past president of the Illinois State Dental Society (ISDS). He logged a successful term of service on the New Dentist Committee, when that Committee was pretty much in its infancy. Dr. Unger has extensive experience on a whole host of dental issues, including matters relating to Dental Practice. He currently serves on the ISDS Governmental Affairs Committee and is a frequent contributor of sound thought and prudent action items. Dr. Unger is well-suited to the challenges of the Council on Dental Practice and the plethora of dental practice matters. He follows in his father's footsteps in being a strong advocate for the dental profession and unselfishly offering his time, skills and knowledge on behalf of dentistry.

Ethics, Bylaws and Judicial Affairs

Beard, Darryll L., Illinois, 2015. Dr. Darryll Beard is the current Illinois State Dental Society (ISDS) President whose term will end in September of this year. He has extensive service, on both the state and local level, through various organized dentistry duties and responsibilities. He is a former president of his local dental component. Dr. Beard's service record is without blemish.

1 *Curry, Barry C., Kentucky, 2015.* Dr. Barry Curry is a senior member of the Executive Board of the Kentucky
2 Dental Association and an ADA delegate. During his tenure in these positions he has consistently been the
3 ethical conscience and the voice of reason and practicality for the organization. Dr. Curry is well respected,
4 well read, and listened to for his opinions, which are based on the practical application and interpretation of
5 organization policy. He should be an excellent addition to the Council on Ethics, Bylaws and Judicial Affairs.

6 *Himmelberger, Linda K., Pennsylvania, 2015.* Dr. Linda Himmelberger is a member of International College
7 of Dentists-USA (ICD-USA), American College of Dentists, and Pierre Fauchard Academy. A 2011 recipient
8 of the Pierre Fauchard Award, Dr. Himmelberger has served as the Pennsylvania Dental Association's (PDA)
9 secretary, president-elect, president and immediate past president. During this 6-year tenure, she served on
10 the Bylaws Committee of the Board of Trustees. This Committee revised PDA bylaws, House of Delegates
11 manual, and policy manual. Dr. Himmelberger created a policy manual for her local dental society
12 (Chester/Delaware). Currently serving on the Bylaws Committee of ICD-USA Board of Regents, Dr.
13 Himmelberger served a 6-year term on the Pennsylvania State Board of Dentistry and has written bylaws for
14 ICD-USA District 3 (Pennsylvania).

15 *Williams, Laura, Washington, 2015.* Dr. Laura Williams has practiced general dentistry for 18 years in East
16 Wenatchee, Washington. She has served on strategic planning, governance review, and budget and finance
17 for the Washington State Dental Association (WSDA). She has been chair of her component Peer Review
18 Committee for 3 years. She has served on the WSDA Board of Directors since 2007 and has represented
19 WSDA as a delegate to the ADA House of Delegates for several years. She has a particular interest in dental
20 ethics and has mentored new dentists in her component and young people in her community in ethics and
21 professionalism. She is a member of the International College of Dentists and the Pierre Fauchard Academy.
22 She completed a general practice hospital residency and was employed in a hospital practice setting prior to
23 beginning her private practice career. She has a broad understanding of the profession and has been
24 dedicated to achieving excellence in all her volunteer activities with organized dentistry.

25 **Government Affairs**

26 *Black, Richard A., Texas, 2015.* Dr. Richard Black received both his D.D.S and M.S. in Orthodontics from the
27 University of Texas Health Science Center/Houston Dental Branch. He currently practices in El Paso, Texas,
28 and is a Medicaid provider of orthodontic services in Texas and New Mexico. Dr. Black is a member of the
29 American Orthodontic Association and the Southwest Society of Orthodontics, and has served as the
30 president of both the El Paso Dental Society and the Texas Dental Association after service on their Boards'
31 of Directors. For the past four years, he has chaired TDA's Council on Legislative and Regulatory Affairs.

32 On the ADA level, Dr. Black is a past member of the Council on Ethics, Bylaws and Judicial Affairs, and is a
33 15th District delegate in the ADA House of Delegates. Additionally, he was an Area Team Leader at the ADA
34 Grassroots Leadership Conference. Dr. Black is a Fellow in both the American College of Dentists and the
35 International College of Dentists.

36 *Breault, Michael R., New York, 2015.* Dr. Michael Breault is a recent past president of the New York State
37 Dental Association (NYSDA). On the state level he was a very active participant and leader in many
38 legislative activities. Dr. Breault effectively worked with NYSDA's lobbyist and executive director to lay out
39 strategy and successfully address issues affecting the dental profession. He has attended and participated in
40 numerous Washington Leadership Conferences. Dr. Breault clearly understands the legislative process and
41 is politically astute.

42 *Lebovics, Irving S., California, 2015.* Dr. Irving Lebovics has been actively involved in legislative activities for
43 over 25 years, including experience as the legislative chair of the Los Angeles Dental Society, member and
44 chair of the California Dental Association (CDA) Government Affairs Council, member of the CalDPAC Board
45 of Directors and Executive Committee and member of the American Dental Education Association's
46 Legislative Advisory Committee. His involvement with CDA's Government Affairs Council has especially
47 given him a special sense of satisfaction in being able to accomplish significant things on behalf of the dental
48 profession together with a group of dedicated colleagues.

Dr. Lebovics has been in private practice in prosthetic dentistry for 30 years and is a Fellow of the American College of Dentistry. He is a founding board member and member of the executive committee of the Los Angeles Oral HealthCare Foundation. Dr. Lebovics has also previously served as a delegate to the ADA House of Delegates.

Vlahos, Gus C., Virginia, 2015. Dr. Gus Vlahos graduated from the Medical College of Virginia School of Dentistry in 1981, and practices general dentistry in Dublin, Virginia. He is a past president of his component dental society and the Virginia Dental Association in 2007-08. Dr. Vlahos' other member affiliations include the American College of Dentists, the International College of Dentists, and the Pierre Fauchard Academy. He has been active in the 16th District delegation to the ADA, serving as chair in 2011. Most importantly, he was a member and chair of the Virginia PAC board, as well as, member and vice chair of ADPAC. He also was on the ADA Advocacy Summit Core Team, as well as the Task Force. His experience as a dental leader and his familiarity with advocacy make him a natural fit for the Council on Government Affairs.

Membership

Barker Olson, Shelley, North Carolina, 2015. Dr. Shelley Barker Olson has a keen interest in membership recruitment, particularly amongst her contemporaries. She currently serves as the membership chair for the North Carolina Dental Society and has also been active in her component dental societies, having served as secretary of her district society and president of her local society, the state's second largest. Dr. Olson brings an enthusiasm for organized dentistry as a young dentist that will be an asset to the Council on Membership.

Lee, Natasha A., California, 2015. Dr. Natasha Lee has strong professional relationships with ADA leadership and staff, many of whom she has worked with in the past due to her involvement in the ADA Committee on the New Dentist and House of Delegates. She has a strong background and extensive experience with membership recruitment and retention at all levels of the tripartite and can offer a unique perspective having chaired both the San Francisco Dental Society Membership Committee and California Dental Association (CDA) Council on Membership, and having already served one year as a liaison to the ADA Council on Membership. In addition to her service on membership committees, Dr. Lee has served on the executive committee and board of the San Francisco Dental Society, the CDA Committee on the New Dentist, CDA Strategic Planning Committee, Leadership Development Committee and Business Intelligence Task Force. She currently serves on both the CDA Board of Trustees and TDIC/TDIC Insurance Solutions Board of Directors. Dr. Lee is a private practice dentist and is a member of the American College of Dentists, International College of Dentists, Pierre Fauchard Academy, and American Dental Education Association.

Del Valle- Sepúlveda, Edwin A., Puerto Rico, 2015. Dr. Edwin Del Valle has served two years as president of the Colegio Cirjuanias Dentistas Puerto Rico. He has actively tried to improve that ADA membership within Puerto Rico. Dr. Del Valle has been both an alternate and delegate to the ADA House of Delegates for many years, where he served ably. His commitment to the tripartite system is unquestioned; as the 4th District's member to the Council, he will be able to contribute to ADA efforts in recruiting more Hispanic members for the ADA as well as help Puerto Rico improve their membership numbers.

Shoemaker, Gene B., Wisconsin, 2015. During Dr. Gene Shoemaker's professional career he has given tirelessly to the profession of dentistry. His contributions range from serving six years on the Wisconsin Dental Association (WDA) Board of Trustees followed by holding the offices of state vice president, president-elect and president to serving on many local and state committees. He was also a delegate and alternate delegate to the ADA House of Delegates for many years. He was a member of the ADA Committee on the New Dentist from 1996 to 2000. At the local level he served on the WDA Membership Committee, 1992-2006. He served on the WDA New Dentist Committee, 1995-2001, and chaired that group from 1998 to 1999. He was also a member of the Mentor Advisory Group from 1995 to 2001 and chaired that group from 1998 to 2001. Dr. Shoemaker has devoted many years creating a strong association through membership. He will be an outstanding addition to the Council.

Members Insurance and Retirement Programs

Chaney, Mark S., Louisiana, 2015. Dr. Mark Chaney served many years on the Louisiana Council on Insurance and as its chairman for 5 years. Dr. Chaney conceived of the idea for, and started and directed, the Allied Dental Association Trust. The Trust consisted of three state dental associations, Louisiana, Mississippi, and Oklahoma, joining forces in developing a large group to negotiate the best medical insurance for its members at reasonable rates. He has worked in many areas dealing with personnel for dental associations and non-profits. He has experience with the hiring, contract writing and evaluation of personnel, along with managing the benefits packages. He manages a successful dental practice and oversees the 401K program.

Gillcrist, James A., Tennessee, 2015. Dr. James Gillcrist is one of the major architects of the TNcare Medicaid system in Tennessee. He has served as the director of that organization since its inception. In doing so, he has served both dentistry and the citizens of his state. Dr. Gillcrest has given the dentist the tools necessary to provide care for the underserved in Tennessee and as a result has had a measurable effect on the oral health and well being of the citizens. His understanding of payment systems will make him a valuable asset to this Council.

Patel, Sanjay, California, 2015. Dr. Sanjay Patel's combined 7-years of experience as a member of the California Dental Association's (CDA) Product Evaluation Committee and TDIC/TDIC Insurance Solutions Board of Directors has provided him the opportunity to be principally involved in the introduction of personal lines and worker's compensation available to CDA members. He is fully aware of the insurances and other products offered by this ADA council, having worked with the life, disability and hospital income insurances which ADA offers. Additionally, Dr. Sanjay has many relationships at the local, state and national level that help him to keep informed about the needs of dentists for insurance and retirement benefits. Dr. Patel's previous experience includes past president of the Contra Costa Dental Society and member of the CDA Foundation Board of Advisors. He has been actively involved in the legislative arena as well, which has helped him to forge a bond with many political figures at the local, state and national level. Dr. Patel is passionate about his service to organized dentistry, an able communicator and problem solver and has an interest in emerging technology.

Schwartz, Timmothy J., Illinois, 2015. Dr. Timmothy J. Schwartz is the current vice-speaker of the Illinois State Dental Society (ISDS) House of Delegates. He has served as a trustee for his component on the ISDS Board of Trustees and has been much immersed in various dental matters of importance for a substantial number of years. He has a remarkable grasp of medical and dental benefit matters and can hold his own with anyone when speaking on these issues, as well as discuss insurance, benefit and retirement matters directly with the payers, brokers and benefit management entities without skipping a beat. With a healthy background on a vast array of insurance matters and with a dedication to the profession worthy of high praise, Dr. Schwartz will be a very favorable and first-class selection for the Council on Members Insurance and Retirement Programs.

National Dental Examinations

Hersh, Robert A., New Jersey, 2015. Dr. Robert Hersh has practiced clinical dentistry for the past 35 years, specializing in periodontology. During this period, he has served as the president of the New Jersey Dental Association, New Jersey Society of Periodontology and American Academy of Oral Medicine, New Jersey Section. Dr. Hersh has also served as a faculty member at New York State University School of Dentistry, although, he is not currently on any school's faculty. He has, as well, served for the past 25 years as a periodontal consultant on the New Jersey Board of Dentistry, but is not a member of the state Board of Dentistry. Dr. Hersh served two-years, active duty, in the US Army Corps. He has also given approximately 50 programs to dental and hygiene groups on a number of clinical topics pertaining to periodontics, occlusion and dental implantology. He has been elected to the American College of Dentists and has a strong interest in maintaining the integrity and continued advancement of the dental profession. Further, Dr. Hersh believes that the dental profession may continue to advance only if dental education continues to produce qualified practitioners, teachers and researchers.

1 New Dentist

2 *Davidson, Madalyn, Illinois, 2013, ad interim.* Dr. Madalyn Davidson has demonstrated much interest and
3 invested much time, talent and effort, from the point of her graduation from dental school through to the
4 present. Fortunately, Illinois has been blessed with great individuals willing to serve the ADA and the
5 membership on the New Dentist Committee. With the stepping-down of the present representative, Dr.
6 Davidson can step-up and move forward as the nominee of choice to assume the duties as the Eighth District
7 representative to this vitally active and important committee. She has been very active with service on the
8 Illinois State Dental Society's New Dentist Committee for a few years now and knows the work quite well. Her
9 performance is top-notch and her dedication is unparalleled. She clearly demonstrates a willingness to not
10 only participate, but she readily accepts and embraces leadership roles when called upon. Dr. Davidson's
11 selfless endeavors and at-the-ready volunteerism spirit speak volumes in terms of her allegiance to the
12 Association and to the dental profession.

13 *LeBlanc, Michael A., Kansas, 2015.* Dr. Michael LeBlanc is active in his community through several non-profit
14 groups benefitting children throughout his community as well as working with children in his practice. He
15 believes it is important to be involved and reach out and help one another in order to help the entire
16 community.

17 *Marron-Tarrazzi, Irene, 2015.* Dr. Irene Marron-Tarrazzi is a practicing periodontist in the Miami area and
18 within her short tenure as a member of the ADA tripartite, has participated in a number of levels in leadership.
19 She was selected to the ADA Institute for Diversity in Leadership in 2008 and utilized those acquired skill sets
20 to become the current president of her component dental association of the tripartite. She also has been a
21 contributing member to the Florida Dental Association's Leadership Development Committee and Council on
22 Membership. Dr. Marron-Tarrazzi is a vibrant role model for the new dentist and brings those characteristics
23 necessary to focus on the new dentist as a part of the ADA team.

24 *Maupin, Heather A., Indiana, 2015.* Heather Maupin is a 2011 recipient of the Indiana Dental Association
25 "Rising Star" award. She is a member of the Indianapolis District Dental Society New Member Committee.
26 Dr. Maupin is chair of the IDDS Dues Incentive Program and delegate to the ADA House of Delegates. Dr.
27 Maupin is also a member of the Kaplan College Dental Assisting Advisory Board.

28 *Oh, Timothy W., Maine, 2015.* Dr. Timothy Oh completed his pre-doctoral education at Pacific Union College,
29 and began his dental degree at the Loma Linda University School of Dentistry, serving as class president
30 prior to transferring to the Arizona School of Dentistry and Oral Health, where he received his D.M.D. in 2008,
31 and again serving as class president. He is also currently enrolled in the University of North Carolina Gillings
32 School of Global Public Health, expecting his M.P.H. degree in June, 2012.

33 Dr. Oh is currently the founder and president of Caring Hands of Maine, Inc., a non-profit organization for
34 health promotion in rural Maine, as well as clinical director and general dentist in the Caring Hands of Maine
35 Dental Center, a non-profit dental clinic providing care to primarily Medicaid children and adolescents through
36 clinic-based and mobile dental capacities. Dr. Oh also serves on the Maine Dental Association Executive
37 Board, and is the chair of the Membership Committee, as well as on the Maine Dental Access Coalition.
38 Through his hard work and commitment to access, diversity involvement, and organized dentistry early in his
39 career, Dr. Oh will be a significant contributor to the mission of the New Dentist Committee.

40 Scientific Affairs

41 *Dr. Thomas Hart, Illinois, 2015.* Over his career, Dr. Thomas Hart has developed a broad expertise in clinical
42 and basic science research. He has served in active clinical practice, directly treating patients, and has also
43 participated actively in clinical investigations of caries, periodontal diseases, and genetic syndromes of the
44 oral/dental/craniofacial region as well as kidney disease. His research has been funded primarily by the
45 National Institutes of Health, NIDCR, and NIDDK, and has been funded by approximately \$12 million. He has
46 also participated as PI of clinical trials for several products, including trials submitted to the FDA. Dr. Hart has
47 served actively on boards of medical centers and clinical research initiatives in major academic/medical

centers. His lab research has identified the genetic basis of 7 conditions, and resulted in development of several genetic tests. His work has been clinical/translational. His expertise includes clinical phenotyping and clinical treatment while his research expertise spans cell culture, immunohistochemistry, proteomics and molecular biology (DNA and RNA). Dr. Hart is also experienced in clinical genetics and regulatory aspects of genetic testing and implementation of genetic discoveries into clinical practice. He would like to facilitate clinical and translational aspects of genetics to improve the diagnosis and treatment of oral/dental and craniofacial diseases. His experience in the clinical, basic science and regulatory arena provides a basis to serve the ADA Council on Scientific Affairs in a range of areas.

Plemons, Jacqueline M., Texas, 2013, ad interim. Dr. Plemons received her D.D.S. in 1986 and completed a Fellowship in Oral Medicine, received her certificate in Periodontics, and received her M.S. in Oral Biology in 1988 from Baylor College of Dentistry. She has experience as an educator, research scientist with significant peer-reviewed publications, private practice and is one of the profession's leaders in stomatology serving as assistant director of the Stomatology Center at Baylor College of Dentistry. Dr. Plemons is respectful of the significance of translational science. She would not only make the time commitment, but would do a most thorough job with any assigned tasks and even those assumed tasks. She will always function above and beyond any expectations and is recommended unreservedly to serve on the Council on Scientific Affairs.

Dr. Thomas P. Sollecito, Pennsylvania, 2015. Dr. Sollecito is a graduate from the University of Pennsylvania School of Dental Medicine and has been a member of the ADA and organized dentistry his entire career. Dr. Sollecito is an attending physician in Oral Medicine at the Hospital of the University of Pennsylvania, Department of Oral and Maxillofacial Surgery and Hospital Dentistry; Professor of Oral Medicine, Department of Oral Medicine; Professor of Oral Medicine in Otolaryngology: Head and Neck Surgery; and chair, Department of Oral Medicine at the University of Pennsylvania. Dr. Sollecito has authored or co-authored 85 original articles and abstracts which have selectively appeared in national and international journals, and has authored fourteen chapters in dental textbooks. He currently serves as president to the American Academy of Oral Medicine, and Chief of Oral Medicine University of Pennsylvania Health System, and president of the University of Pennsylvania Chapter, Omicron Kappa Upsilon. Dr. Sollecito has the experience and credentials to be a valued member of the Council on Scientific Affairs.

Dr. Geoffrey A. Thompson, Wisconsin, 2015. Dr. Geoffrey Thompson possesses professional and research capabilities that would benefit the Council, derived from a strong background in clinical dentistry, dental research and education. His career reflects his personal commitment of caring for patients, mentoring students and giving to the profession.

Dr. Ray C. Williams, New York, 2015. Dr. Ray C. Williams, Dean, Stony Brook University School of Dental Medicine, has distinguished himself with a diverse and extensive career in lecturing and research. He has advanced training in Periodontology and Oral Medicine from the Harvard School of Dental Medicine. Over the years, Dr. Williams has held many academic positions, including: Chair of the Department of Periodontology, University of North Carolina School of Dentistry at Chapel Hill; Straumann Distinguished Professor, University of North Carolina School of Dentistry at Chapel Hill; member, University of North Carolina Center for Oral and Systemic Diseases; head of the Department of Periodontology, Harvard School of Dental Medicine; and associate dean for Postdoctoral Education, Harvard School of Dental Medicine.

Dr. Williams' research interests include: clinical and translational research in pharmacological modification of the host response to treat periodontal disease; the risk for periodontitis; periodontitis as a risk for systemic disease; and wound healing around teeth and dental implants. He is a nationally and internationally renowned author and lecturer with 110 publications in dental journals, book chapters and commentaries. He serves or has served on the following editorial boards: *The Journal of Periodontology*, *The Compendium of Continuing Dental Education*, *The Journal of Esthetic and Restorative Dentistry*, *The Chinese Journal of Dental Research*, and *The International Journal of Periodontics and Restorative Dentistry*. His communication skills and abilities to work with others are outstanding. His research and academic background will impact the Council on Scientific Affairs in a positive way. He is aware of the commitment involved and is eager to serve his profession.

ADDENDUM TO BOARD REPORT 1**Additional Responses to Resolutions from the 2010 House of Delegates:**

International Service Inspired by Dr. Thomas Grams: At the October 2010 ADA House of Delegates, the Reference Committee on Membership and Planning reviewed a resolution submitted by the Fourteenth Trustee District (Resolution 116) which urged the ADA Foundation (ADAF) to create a fund in the memory of Dr. Thomas Grams. Dr. Grams (CO) worked with Global Dental Relief as the dental director, an NGO based in Denver that in partnership with local organizations brings free dental care to impoverished communities in Nepal, northern India, Guatemala, Vietnam and ultimately Afghanistan. In August 2010, Dr. Grams was killed in Afghanistan when he was working with the NGO International Assistance Mission. The Reference Committee determined "the original resolution had the potential to not meet its intended goal of honoring Dr. Grams." They also felt the intent of the resolution was honorable and needed to be moved forward. Therefore, the Committee recommended that the ADA Committee on International Programs and Development (CIPD) study an international humanitarian relief project in memory of Dr. Thomas Grams. The recommendation reads as follows:

Resolved, that the ADA through the Committee on International Programs and Development study and implement, if feasible, an international humanitarian relief project in memory of Dr. Thomas Grams.

In preparation for the CIPD February meeting, staff investigated the necessary details to create a fund in someone's memory, but discovered the process was very complicated. In addition, staff spoke to the ADAF, which confirmed the concerns and complications involved with such an endeavor. It was generally agreed that the CIPD lacks a mechanism for accepting tax deductible donations, which impedes the feasibility of carrying out the resolution, and that such a project may simply be beyond the ADA's mission and scope. However, it was determined that the resolution might more appropriately be addressed by the Foundation as the Foundation already has mechanisms in place for accepting donations. Accordingly, under the signature of CIPD chair, the CIPD requested the ADA Foundation to consider whether it could facilitate the implementation of Resolution 116.

In the first week of July, the CIPD chair received a response from the ADAF president which stated that the Foundation currently has a fundraising moratorium. At its August meeting the CIPD again addressed the issue of a fund being established in the name of Dr. Grams. However, due to the impediments surrounding any ADA fundraising, it was determined that a humanitarian project in the name of Dr. Grams could not be undertaken by the ADA. The CIPD believes the project may best be undertaken at the state level where Dr. Grams was known and respected. Perhaps a defined project tied to the NGO in which he served as dental director would not only be more practical, but much more meaningful.

Treasurer Nomination Process: In response to Resolution 90H-2010, Treasurer Nomination Process, the Board of Trustees, at its July/August 2011 session, developed a list of qualifications for the Office of Treasurer, seeking a balance between a set of criteria which are generalized (and therefore of limited utility) and detailed (and therefore likely to severely limit the pool of candidates). The Board also modified the Treasurer Curriculum Vitae Form to elicit information on both desired attributes and requirements. The following resolution was adopted by the Board.

B-122-2011. Resolved, that the Board publish in *ADA News* prior to the 2011 House a set of desirable attributes for those seeking the office of Treasurer and a set of requirements for those seeking that office and a standard curriculum vitae form designed to elicit information from candidates about these attributes and requirements for the office of treasurer, and be it further

Resolved, that the Board, without offering any conclusion as to whether candidates possess them, offer the following set of desirable attributes to the House to help inform the House's consideration of candidates for the office of Treasurer:

1. Excellent communication skills so as to be able to assist in interpreting Association finances and effectively share financial information with the House of Delegates and the membership;
2. High integrity; and
3. Experience with the ADA budget process and finances such as may be obtained from serving as a delegate, trustee, council member or similar service.

and be it further

Resolved, that the requirements for the office of Treasurer that the Board shall use to inform the House whether any candidate is qualified are:

1. Be an active, life or retired member, in good standing;
2. Not be a Trustee or elective officer [other than the sitting Treasurer] of the Association; and
3. Possess a strong background in finance as evidenced by service in roles such as: treasurer of a Constituent Society or Specialty Organization; member for two or more years of a finance committee or audit committee of a Constituent Society or Specialty Organization; member of a board of directors of a for-profit corporation or for-profit subsidiary of a Constituent Society or Specialty Organization; or any other position(s) providing comparable experience.

Death of Former ADA Officials:

Since the last meeting of the House of Delegates, the following former officials have passed away: Dr. Leo R. Finley, Jr., ADA Trustee (1998-2002) and Dr. Charles D. Krouse, ADA vice president (1974-1975).

Resolution No. 21 New ☐ Substitute ☐ Amendment ☐Report: Board Report 1 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: NATotal Net Financial Implication: \$ None Net Dues Impact: \$ NoneAmount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

1 **NOMINATIONS TO ADA COUNCILS AND COMMISSIONS**2 **Background:** (See pages 1009 for qualification of nominees)**ACCESS, PREVENTION AND
INTERPROFESSIONAL RELATIONS**

Dr. John P. Fisher, Massachusetts
 Dr. E. Jane Gillette, Montana
 Dr. Bernadette A. Logan, Pennsylvania
 Dr. David C. Schirmer, New York
 Mr. Greg Baber, Uvalde, Texas (AHA)
 TBD (AMA Representative)

ADA SESSIONS

Dr. Barry Cohen, Pennsylvania
 Dr. Steven E. Parker, Ohio
 Dr. Robert E. Roesch, Nebraska
 Dr. Neil E. Torgerson, Florida

COMMUNICATIONS

Dr. Alice G. Boghosian, Illinois
 Dr. Michael G. Maihofer, Michigan
 Dr. Minerva Patel, New York
 Dr. George R. Shepley, Maryland

DENTAL ACCREDITATION

Dr. Richard B. Kahn, New Jersey, **2012 designate*
 Dr. Perry K. Tuneberg, Illinois

DENTAL BENEFIT PROGRAMS

Dr. Mark H. Blaisdell, Utah
 Dr. C. Celeste Coggin, Georgia, *ad interim*
 Dr. Charles W. Hoffman, Florida
 Dr. John G. Masak, Wisconsin
 Dr. Robert L. Mazzola, Ohio

DENTAL EDUCATION AND LICENSURE

Dr. James M. Boyle, III, Pennsylvania
 Dr. Roger B. Simonian, California

DENTAL PRACTICE

Dr. Robert A. Mason, Arkansas
 Dr. Charles Maxwell, South Carolina
 Dr. J. Mark Thomas, Indiana
 Dr. Joseph G. Unger, Illinois

ETHICS, BYLAWS AND JUDICIAL AFFAIRS

Dr. Barry D. Curry, Kentucky
 Dr. Darryll L. Beard, Illinois
 Dr. Linda K. Himmelberger, Pennsylvania
 Dr. Laura Williams, Washington

GOVERNMENT AFFAIRS

Dr. Richard A. Black, Texas
 Dr. Michael R. Breault, New York
 Dr. Irving S. Lebovics, California
 Dr. Gus C. Vlahos, Virginia

MEMBERSHIP

Dr. Natasha A. Lee, California
 Dr. Shelley Barker Olson, North Carolina
 Dr. Gene Shoemaker, Wisconsin
 Dr. Edwin A. del Valle-Sepúlveda, Puerto Rico

**MEMBERS INSURANCE AND RETIREMENT
PROGRAMS**

Dr. Mark S. Chaney, Louisiana
 Dr. James A. Gillcrist, Tennessee
 Dr. Sanjay Patel, California
 Dr. Timmothy J. Schwartz, Illinois

NATIONAL DENTAL EXAMINATIONS

Dr. Robert A. Hersh, New Jersey

NEW DENTIST

Dr. Michael A. LeBlanc, Kansas
Dr. Irene Marron-Tarrazi, Florida
Dr. Heather A. Maupin, Indiana
Dr. Timothy W. Oh, Maine

SCIENTIFIC AFFAIRS

Dr. Thomas C. Hart, Illinois
Dr. Jacqueline M. Plemons, Texas, *ad interim*
Dr. Thomas P. Sollecito, Pennsylvania
Dr. Geoffrey A. Thompson, Wisconsin
Dr. Ray C. Williams, New York

Resolution

21. Resolved, that the nominees for membership on ADA Councils, Commissions, and New Dentist Committee submitted by the Board of Trustees in accordance with Chapter VII, Section 100(H) of the Bylaws be elected.

BOARD RECOMMENDATION: Vote Yes.

BOARD VOTE: UNANIMOUS.

Resolution No. 32-34 New ☒ Substitute ☐ Amendment ☐Report: Credentials, Rules and Order Date Submitted: July 2011Submitted By: Standing Committee on Credentials, Rules and OrderReference Committee: NATotal Net Financial Implication: \$ None Net Dues Impact: \$Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

1 **REPORT OF THE STANDING COMMITTEE ON CREDENTIALS, RULES AND ORDER**2 **Background:** The Standing Committee on Credentials, Rules and Order of the House of Delegates is
3 charged by the ADA *Bylaws*, Chapter V, HOUSE OF DELEGATES, Section 140Bb, with the following duties:4 b. DUTIES. It shall be the duty of the Committee (1) to record and report the roll call of the House of
5 Delegates at each meeting; (2) to conduct a hearing on any contest regarding the certification of a
6 delegate or alternate delegate and to report its recommendations to the House of Delegates; (3) to
7 prepare a report, in consultation with the Speaker and Secretary of the House of Delegates, on matters
8 relating to the order of business and special rules of order; (4) to consider all matters referred to it and
9 report its recommendations to the House of Delegates.

10 In accordance with its duties, the Committee submits the following report.

11 **Minutes of 2010 Session of the House of Delegates:** The minutes of the 2010 session of the House of
12 Delegates have been posted (*Trans.*2010:479-644) on ADA.org at
13 https://www.ada.org/members/sections/about/hod_draft_minutes_2010.pdf14 Questions or corrections regarding the minutes may be forwarded to Michelle Kruse, manager, House of
15 Delegates at krusem@ada.org.16 **32. Resolved**, that the minutes of the 2010 session of the House of Delegates, as published in
17 *Transactions, 2010* (pages 479-644), be approved.18 **Adoption of Agenda and Order of Agenda Items:** The Committee has examined the agenda for the
19 meetings of the House of Delegates. Accordingly, the Committee recommends adopting the agenda as the
20 official order of business for this session. The Committee also recommends that the Speaker of the House be
21 allowed to rearrange the order of the agenda as deemed necessary to expedite the business of the House.22 **33. Resolved**, that the agenda as printed in the *2011 Manual of the House of Delegates and*
23 *Supplemental Information* be adopted as the official order of business for this session, and be it further24 **Resolved**, that with the consent of the House of Delegates, the Speaker be authorized to alter the order
25 of the agenda as deemed necessary in order to expedite the business of the House.26 **Referrals of Reports and Resolutions:** A standing rule of the House of Delegates directs that prior to each
27 session of the House, the Speaker shall prepare a list of recommended referrals to reference committees with
28 the list to be available at the opening meeting of the House and be subject to amendment or approval on vote
29 of the House of Delegates.

This preliminary list of referrals (circulated in the form of the Updated General Index to the resolution worksheets) will be provided with the second distribution of resolution worksheets in late September. The Speaker will announce additional referrals during the first meeting of the House of Delegates. A complete list of referrals, in the form of an agenda, will be available in the reference committee hearing rooms on Tuesday morning, October 11.

34. Resolved, that the preliminary and supplemental list of referrals submitted by the Speaker of the House of Delegates be approved.

Annual Reports and Resolutions, Manual of the House of Delegates and Resolution Worksheets: The publication, *Annual Reports and Resolutions 2011* was posted in mid-July on ADA.org and can be accessed through the following link: <http://www.ada.org/2011annualreports.aspx>

Annual Reports and Resolutions also will be located in the Library section of ADA Connect.

In addition, the first set of resolution worksheets will be posted on ADA Connect by end of day, Friday, August 5; posted on ADA.org the following week and mailed to the members of the House of Delegates who had requested paper copies beginning the week of August 15.

The second set of resolution worksheets will become available shortly after the Board of Trustees' September 19-21 session. The second set of resolution worksheets will be posted on ADA Connect by end of day, Monday, September 26 and mailed by Friday, September 30. A limited quantity of the printed first and second sets of resolution worksheets will be available in the House of Delegates Information and Resources Office, located in Room 114, Level 1 of the MGM Grand. Appropriate announcements were included in the cover letter transmitting the worksheets as well as in the *ADA News*.

The *Manual of the House of Delegates and Supplemental Information* has been developed to complement the resolution worksheets. This booklet incorporates the "Rules of the House of Delegates" and all pertinent meeting information (i.e., House agendas, members of the Standing and Reference Committees, reference committee hearing schedule, and schedule of district caucuses). This booklet was posted on ADA Connect and ADA.org (downloadable format), and mailed with the first set of resolution worksheets.

Supplement to Annual Reports and Resolutions is prepared primarily for historical purposes only since it reprints in resolution worksheet form all the reports and resolutions presented to the House of Delegates. This publication will be available online in the first quarters of 2012.

Hearings of Reference Committees: The reference committees of the House of Delegates will hold hearings on Tuesday, October 11, in various rooms on Level 3 of the MGM Grand. The list of reference committee hearing rooms appears in the *Manual of the House of Delegates and Supplemental Information*.

Tuesday, October 11, 2011

7:00 a.m. to 9:00 a.m.	Dental Benefits, Practice and Health
8:00 a.m. to 10:00 a.m.	Budget, Business and Administrative Matters
9:00 a.m. to 11:00 a.m.	Dental Education, Science and Related Matters
10:00 a.m. to Noon	Legal, Legislative and Public Affairs Matters
11:00 a.m. to 1:00 p.m.	Membership and Planning

Hearings will continue beyond the scheduled hours if everyone has not had an opportunity to be heard or if the complete agenda has not been covered.

1 In accordance with the *Manual of the House of Delegates*, section "General Procedures for Reference
2 Committees," any member of the Association, whether or not a member of the House of Delegates is
3 privileged to attend and participate in the discussion during the reference committee hearings. Guests of the
4 Association are also welcome to attend reference committee hearings provided they identify themselves to
5 the committee. Nonmembers of the Association may participate at hearings only on the invitation of a
6 majority of the reference committee. At reference committees, everyone (individuals/members) will be
7 obligated to disclose any personal or business relationship that they or their immediate family may have with
8 a company or individual doing business with the ADA, when such company is being discussed, prior to
9 speaking on an issues related to such a conflict of interest.

10 Association staff is available at hearings to provide information requested by members of reference
11 committees or through the Chair by those participating in the discussion.

12 **Reports of Reference Committees:** Completed reference committee reports will be made available to the
13 chair of record of each delegation on Wednesday morning, October 12. A sufficient number of copies of each
14 report will be provided for each delegation's delegates, alternate delegates, secretary, executive secretary,
15 trustee and editor. Reference committee reports will be posted on ADA Connect and will be available early
16 morning on October 12. A limited number of USB flash drives containing the reference committee reports will
17 also be provided to each district caucus.

18 Delegates must bring their copies of reference committee reports to the meetings of the House of Delegates
19 since additional printed copies will be limited.

20 An all inclusive consent calendar will again be used by the reference committees. Each reference committee
21 will submit an all inclusive consent calendar in addition to its regular report. The consent calendar will contain
22 every resolution referred to the committee and will reflect the committee's recommendation to adopt, adopt in
23 lieu of, not adopt or refer on each resolution. By adopting the consent calendar resolution, the
24 recommendations of the reference committee will become the action of the House of Delegates. As
25 customary, before voting on the consent calendar, any delegate has the right to request that a resolution or
26 resolutions be moved for discussion and vote.

27 **Nominations of Officers:** The nominations of officers (president-elect, second vice president and speaker of
28 the House of Delegates) will take place at the first meeting of the House on Monday afternoon, October 10.
29 Candidates for elective office will be nominated from the floor of the House by a simple declaratory statement,
30 which may be followed by an acceptance speech not to exceed four minutes by the candidate. Seconding
31 nominations is not permitted.

32 No additional nominations will be accepted after the Monday afternoon meeting.

33 **Nomination of Trustees:** Nominations of members of the Board of Trustees from Districts 1, 12, 14, and 15
34 will take place at the first meeting of the House. Prior to such nominations, the delegates from each of the
35 districts concerned must caucus for the purpose of determining their nominee or nominees in accordance with
36 the provisions of Chapter VII, Section 40, of the *Bylaws*. A list of caucus meetings will be found in the *Manual*
37 *of the House of Delegates and Supplemental Information*. **This listing constitutes official notice of**
38 **caucus.**

39 The results of the caucus must be reported to the Secretary of the House of Delegates no later than the
40 opening of the meeting on Monday. In the event of a contested trustee election, candidates for the office of
41 trustee shall be nominated from the floor of the House of Delegates by a simple declaratory statement, which
42 may be followed by an acceptance speech not to exceed four minutes for the candidate from the podium.
43 Seconding nominations is not permitted.

44 **Nominations to Councils and Commissions:** The Board of Trustees presents the list of its nominations to
45 councils and commissions in Report 1, which appears on the appropriate resolution worksheet. Additional

1 nominations of council and commission members may be made from the floor of the House of Delegates only
2 during the Monday afternoon meeting.

3 **Voting Procedures in the House:** The method of voting in the House of Delegates is usually determined by
4 the Speaker who may call for a voice vote, show of hands (voting cards), standing vote, roll call of the
5 delegations, electronic voting or such other means that the Speaker deems appropriate. The House may
6 also, by majority vote, determine for itself the method of voting that it prefers.

7 Only votes cast by voting members of the House of Delegates either for or against a pending motion shall be
8 counted. Abstentions shall only be counted in determining if a quorum is present. If the result of a vote is
9 uncertain or if a division is called for, the Speaker may use the electronic voting method or may call for a
10 standing vote. If a standing vote, the count will be made by tellers appointed by the Speaker and reported to
11 the Secretary of the House.

12 In accordance with Resolution 49H-2010, the *ADA Bylaws* and the *House Manual* have been amended to
13 explicitly prohibit proxy voting in the House of Delegates. However, an alternate delegate may vote when
14 substituted for a voting member in accordance with procedures established by the Committee on Credentials,
15 Rules and Order.

16 **Election Procedures:** Voting for the offices of president-elect, second vice president and speaker of the
17 House of Delegates will be conducted in Room 114, Level 1 of the MGM Grand, from 6:30 a.m. to 8:00 a.m.
18 on Thursday, October 13. Members should bring their number 6 meeting card and vote early in order to avoid
19 a delay at the voting machines.

20 In the event a second balloting is necessary, the number 6 meeting card will be reused. The second balloting
21 will be conducted on Thursday, October 13, at a time announced by the Speaker.

22 The Standing Committee on Credentials, Rules and Order oversees the confirmation and reporting of election
23 results. The Committee will verify the number of votes received by each candidate prior to the election results
24 being placed in a sealed envelope and transmitted to the Secretary of the House. The Secretary will review
25 and forward the results to the Speaker for announcement. CRO members present during the review of
26 election results will remain in the voting area until the House is informed of the election results. If there are
27 any delays in reporting election results, the Committee chair will immediately notify the Secretary of the delay.

28 *Amendment of the ADA Bylaws Regarding Candidate Election Process.* The Committee wishes to highlight a
29 revision to the *House Manual*, section "Election Protocol for a Tie Vote" that was made to comply with the
30 intent of Resolution 137H-2010. That resolution amended the *Bylaws*, Chapter V, Section 150a, as follows:

31 When one is to be elected and more than one has been nominated, the majority of the ballots cast shall
32 elect. In the event no candidate receives a majority on the first ballot, ~~the two (2) candidates receiving the~~
33 ~~greatest number of votes shall be balloted upon again. the candidate with the fewest votes shall be~~
34 ~~removed from the ballot and the remaining candidates shall be balloted upon again. This process shall~~
35 be repeated until one (1) candidate receives a majority of the votes cast.

36 Please refer to page 16 of the House Manual for the revised text of this section.

37 **Standing Order of Business—Installation of New Officers and Trustees:** The installation ceremony for
38 new officers and trustees will take place on Friday, October 14, as the first item of business with the time to
39 be specified by the Speaker of the House of Delegates.

40 **Introduction of New Business:** The Committee calls attention to the *Bylaws*, Chapter V, Section 130(Ae)
41 which provides that no new business shall be introduced into the House of Delegates less than 15 days prior
42 to the opening of the annual session, unless submitted by a Trustee District. No new business shall be
43 introduced into the House of Delegates at the last meeting of a session except when such new business is
44 submitted by a Trustee District and is permitted to be introduced by a two-thirds (2/3) affirmative vote of the

delegates present and voting. **The motion introducing such new business shall not be debatable.** Approval of such new business shall require a majority vote except new business introduced at the last meeting of a session that would require a bylaw amendment cannot be adopted at such last meeting. Reference Committee recommendations shall not be deemed new business.

Resolutions of Reaffirmation/Commendation: The Committee calls attention to the House rule governing resolutions of reaffirmation or commendation, which states that "Resolutions which (1) merely reaffirm or restate existing Association policy, (2) commend or congratulate an individual or organization, or (3) memorialize an individual shall not be introduced to the House of Delegates" (*Trans.*1977:958).

Explanation of Resolution Numbering System for New Delegates and Alternate Delegates: Original resolutions are numbered consecutively regardless of whether the source is a council, other Association agency, constituent society, delegate, Board of Trustees or House reference committee. Revisions made by the Board, reference committee or House are considered "amendments" to the original resolution. If amended by the Board, the suffix "B" follows the resolution number (Res. 24B); if amended by a reference committee, the suffix "RC" follows (Res. 24RC).

If a resolution is adopted by the House, the suffix "H" follows the resolution number (Res. 24H). The "H" always indicates that the resolution was adopted.

If a resolution is not adopted or is referred by the House of Delegates, the resolution number remains the same. For example:

Res. 78B is considered by the House and not adopted, the number remains the same: Res. 78B.

Res. 7RC is considered by the House and referred for study, the number remains the same: Res. 7RC.

If a Board (B) or reference committee (RC) resolution is a substitute for several original resolutions, the Board's recommended substitute or the reference committee's recommended substitute uses the number of the first resolution submitted and adds the proper suffix (B or RC). The report will clearly state that the other resolution or resolutions have been considered and are included in the "B" or "RC" resolution. A resolution submitted by an agency other than the Board or a reference committee as a substitute or amendment retains the original resolution number followed by the suffix "S-1" (Res 24S-1). If two substitute resolutions are submitted for the same original resolution, the suffixes are "S-1" and "S-2" (Res. 24S-1, Res. 24S-2).

Note. If a substitute resolution is received too late to be introduced to the House of Delegates through a reference committee report, the originator of the substitute resolution is responsible for calling it to the Speaker's attention when the original resolution is being discussed by the House of Delegates.

Recognition of Those Waiting to Speak: When a member wishes to address the House, the individual should approach the microphone, secure the attention of the Speaker through the attendant at the microphone and wait to speak until recognized by the Speaker. The member should then state his or her name, district and state for the benefit of the official reporter. If all members of the House follow this procedure, work will be expedited and all who wish to will be given an opportunity to be heard.

When an electronic vote is taken, the Speaker will allow sufficient time for members at the microphone to return to their places before taking the vote. In the event debate continues on the same issue, the Speaker will honor the microphone sequence prior to taking the electronic vote. Therefore, a member who was at the microphone and did not have an opportunity to speak before that vote was called and who wishes to continue debate on the same issue should return to the microphone where they were prior to the electronic vote.

Access to Floor of House: Access to the floor of the House of Delegates is limited to the officers and members of the House of Delegates, the elective and appointive officers of the Association, the former presidents, the members of the Board of Trustees, the chairs of councils and commissions, the members of councils and commissions when requested by the chair, the secretaries and executive directors of constituent

societies, the executive director and president of the American Student Dental Association, an officially designated representative from each of the American Hospital Association and the American Medical Association, and members of the Headquarters Office staff.

Admission to the floor will not be granted without the display of the appropriate annual session badge. Every delegate must also hand an appropriately numbered card to the attendant at the door for each meeting so that the official attendance record may be maintained. Former officers and former trustees will also be admitted to the section reserved for alternate delegates and upon request will receive all worksheet materials distributed to delegates and alternate delegates.

Secretaries and Executive Directors of Constituent Societies: In accordance with the standing rule of the House, "The secretary and executive director of a constituent society may be seated with the constituent society delegates on the floor of the House of Delegates even though they are not official delegates." Under the standing rules, it is not permissible to designate an "acting" secretary or executive director of a constituent society so that he or she may be seated on the floor of the House, unless that person is designated as "acting" secretary or executive director for the remaining portion of the annual session.

Substitution of Alternate Delegates for Delegates: Delegates wishing to substitute alternate delegates from their delegation for themselves during a meeting of the House of Delegates must complete the appropriate delegate-alternate substitution form. Delegates are required to sign the form and surrender their admission cards for the meeting or meetings not attended before admission cards will be issued to alternate delegates by the Committee on Credentials, Rules and Order. Substitution of alternate delegates may be made during all four meetings of the House of Delegates. In order for a complete and accurate attendance record for all meetings of the 2011 House of Delegates, submission of these completed substitution forms is essential.

Closed Session: A closed session is any meeting or portion of a meeting of the House of Delegates with limited attendance in order to consider a highly confidential matter. A closed session may be held if agreed upon by general consent of the House or by a majority of the delegates present at the meeting in which the closed session would take place. In a closed session, attendance is limited to officers of the House, delegates and alternates, and the elective and appointive officers, trustees and general counsel of the Association. In consultation with the Secretary of the House, the Speaker may invite other persons with an interest in the subject matter to remain during the closed session. In addition to senior staff, this is likely to include members and staff of the council(s) or commission(s) involved with the matter under discussion and executive directors of constituent societies and the American Student Dental Association. No official action may be taken nor business conducted during a closed session.

Immediately after a closed session, the Speaker will inform delegates that they may present a motion to request permission to review information which was discussed in the closed session, with the information being discussed only with members present at the session. This provision is not applicable to an attorney-client session.

Attorney-Client Session. An attorney-client session is a form of closed session during which an attorney acting in a professional capacity provides legal advice, or a request is made of the attorney for legal advice. During these sessions, the legal advice given by the attorney may be discussed at length, and such discussion is "privileged." The requests, advice, and any discussion of them are protected, which means that opponents in litigation, media representatives, or others cannot legally compel their disclosure. The purpose of the privilege is to encourage free and frank discussions between an attorney and those seeking or receiving legal advice. The privilege can be lost (waived) if details about the attorney-client session are revealed to third parties. Once the privilege has been waived, there is a danger that all privileged communications on the issues covered in the attorney-client session, regardless of when or where they took place, may become subject to disclosure. For attorney-client sessions, the Speaker and Secretary shall consult with the Chief Legal Counsel regarding attendance during the session. No official action may be taken nor business conducted during an attorney-client session.

In accordance with the above information, all those participating in an attorney-client session shall refrain from disclosing information about the discussion held during the attorney-client session. In certain cases, a decision may be made to come out of the attorney-client session for purposes of conducting a non-privileged discussion of the same or related subject matter. The difference will be that during the non-privileged session there will be no discussion of any legal advice requested by attendees during the attorney-client session or about any of the legal advice given by the legal counsel. It is such requests for legal advice, legal advice given, and discussion of the legal advice during the attorney-client session that are protected by the privilege and that shall not be disclosed or discussed outside of the attorney-client session.

Manual of the House of Delegates: Each member of the House of Delegates has received a copy of the *2011 Manual of the House of Delegates* either in paper format with the worksheet mailing or online through ADA Connect. The *Manual* contains the standing rules of the House of Delegates and the pertinent provisions of the *Bylaws*.

Members of the House should familiarize themselves with the rules and procedures set down in the Manual so that work may proceed as rapidly as possible.

Distribution of Materials in the House of Delegates: The Committee calls attention to the procedures to be followed for distributing materials in the House of Delegates: (1) no material may be distributed in the House without obtaining permission from the Secretary of the House; (2) material to be distributed must relate to subjects and activities that are proposed for House action or information; and (3) material to be distributed on behalf of any member's candidacy for office shall be limited to printed matter on paper only and nothing else.

Media Representatives at Meetings of the House of Delegates: On occasion, representatives of the press and other communications media may be in the visitors' section of the House and in reference committee hearings.

House of Delegates Information and Resource Office: An Information and Resource Office will be open Sunday, October 9 through Wednesday, October 12, and will be located in the MGM Grand, Level 1, Room 114. This office will be open to delegates, alternates, constituent society officers and staff. The office will be equipped with computers, a copying machine, resource materials for researching issues, the first and second set of resolution worksheets and printed Reference Committee reports; and general information about the meetings of the House of Delegates and related activities. Everyone is urged to use the Information and Resource Office when drafting resolutions or testimony. Individuals having resolutions for submission to the House of Delegates will be directed to the Headquarters Office where final resolution processing will occur.

Recycling Opportunities: Recycling containers will be located in the House of Delegates and in the vicinity of other "paper heavy" meeting rooms (reference committee hearings, caucus meetings and the ADA offices). The Committee encourages the use of these containers for recyclable materials.

Resolutions

Resolution 32 (Worksheet:1028)

Resolution 33 (Worksheet:1029)

Resolution34 (Worksheet:1030)

Resolution No. 32 New ☒ Substitute ☐ Amendment ☐

Report: Credentials, Rules and Order Date Submitted: July 2011

Submitted By: Standing Committee on Credentials, Rules and Order

Reference Committee: NA

Total Financial Implication: None

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

MINUTES OF 2010 SESSION OF THE HOUSE OF DELEGATES

Background: The minutes of the 2010 session of the House of Delegates have been posted (*Trans.2010:479-644*) on ADA.org at https://www.ada.org/members/sections/about/hod_draft_minutes_2010.pdf

Resolution

32. Resolved, that the minutes of the 2010 session of the House of Delegates, as published in *Transactions, 2010* (pages 479-644), be approved.

Resolution No. 33 New ☒ Substitute ☐ Amendment ☐

Report: Credentials, Rules and Order Date Submitted: July 2011

Submitted By: Standing Committee on Credentials, Rules and Order

Reference Committee: NA

Total Financial Implication: None

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

ADOPTION OF AGENDA AND ORDER OF AGENDA ITEMS

Background: The Committee has examined the agenda for the meetings of the House of Delegates. Accordingly, the Committee recommends adopting the agenda as the official order of business for this session. The Committee also recommends that the Speaker of the House be allowed to rearrange the order of the agenda as deemed necessary to expedite the business of the House.

Resolution

33. Resolved, that the agenda as printed in the *2011 Manual of the House of Delegates and Supplemental Information* be adopted as the official order of business for this session, and be it further

Resolved, that with the consent of the House of Delegates, the Speaker be authorized to alter the order of the agenda as deemed necessary in order to expedite the business of the House.

Resolution No. 34 New ☒ Substitute ☐ Amendment ☐

Report: Credentials, Rules and Order Date Submitted: July 2011

Submitted By: Standing Committee on Credentials, Rules and Order

Reference Committee: NA

Total Financial Implication: None

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

REFERRALS OF REPORTS AND RESOLUTIONS

1 **Background:** A standing rule of the House of Delegates directs that prior to each session of the House, the
2 Speaker shall prepare a list of recommended referrals to reference committees with the list to be available at
3 the opening meeting of the House and be subject to amendment or approval on vote of the House of
4 Delegates.

5 This preliminary list of referrals (circulated in the form of the Updated General Index to the resolution
6 worksheets) will be provided with the second distribution of resolution worksheets in late September. The
7 Speaker will announce additional referrals during the first meeting of the House of Delegates. A complete list
8 of referrals, in the form of an agenda, will be available in the reference committee hearing rooms on Tuesday
9 morning, October 11.

10 Resolution

11 **34. Resolved**, that the preliminary and supplemental list of referrals submitted by the Speaker of the
12 House of Delegates be approved.

Budget, Business and Administrative Matters

Resolution No. 14-15 New ☒ Substitute ☐ Amendment ☐Report: Board Report 2 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: Budget, Business and Administrative Matters

Total Net Financial Implication: \$ Net Dues Impact: \$

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: Supports achievement of all Strategic Goals (Required)**REPORT 2 OF THE BOARD OF TRUSTEES TO THE HOUSE OF DELEGATES: ADA OPERATING
ACCOUNT FINANCIAL AFFAIRS AND RECOMMENDED BUDGET FISCAL YEAR 2012**

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Introduction: In accordance with its *Bylaws* duties, the Board of Trustees presents the proposed 2012 operating budget for the Association. This report also provides the House of Delegates with comparative financial data over a three-year period. Finally, it includes background commentary and an analysis of significant budget changes for 2012. The Board is recommending a 2012 operating budget of \$119,831,124 in revenues and \$120,970,216 in expenses, income taxes, and net capital expenditures, generating a net deficit of (\$1,139,092) including decision packages. In arriving at this proposal, the Board of Trustees and the Administrative Review Committee analyzed budget requests relative to the Association's strategic priorities. Resources were reallocated between programs and divisions in an effort to maximize their effective use in executing the ADA's Strategic Plan for 2012-2014. Additionally, non-dues revenue sources were carefully examined to determine whether they were estimated at appropriate amounts.

Key comments concerning the 2012 budget follow:

- The initial 2012 base operating budget had a deficit of approximately \$6.7 million. The deficit was partially reduced by giving each division a goal to improve their operating budgets by 12%. The improvements could either be by generating additional non-dues revenue or reducing operating expenses.
- Membership dues revenues and membership full dues paying equivalents (FTE's) are expected to increase by approximately 150 members when comparing the 2012 budget to the 2011 budget. Dues revenue for 2012 remains relatively flat when compared to 2011, increasing by \$121,867 or 0.23%.
- Non-dues revenues in the base budget are expected to increase by almost \$4.7 million or 7.8%, with the most significant increase being in Product sales, Advertising revenue, testing fees, meeting and seminar income. The increase in Product sales is due to 2012 being a year where there is a new release of *CDT*. A new version of *CDT* is released every other year. The increase in Advertising revenue is due to 3% rate increases and several new initiatives being launched in JADA and ADA News. The increase in Testing and Accreditation revenue is due to fee increases for the exams the ADA administers, increase in accreditation fees and an increase in the amount the ADA charges to CERP providers. The increase in Meeting and Seminar income is due to increasing exhibit booth rental fees and miscellaneous registration fees related to annual session. Partially offsetting the increase in revenue is a decrease in Investment Income due to the appreciation/depreciation of deferred compensation investments which has an offsetting expense in the staff compensation category.
- Base budget operating expenses are projected to increase by 1.9%. The increase in operating expenses is due to increased spending in Salaries & Temp Help, Meeting Expense, Professional Services and Office Expenses. The increase in Salaries & Temp Help is due to increases in budgeted temporary help throughout the Association to bring the budget in line with historical actual spending and what is expected in 2012. The increase in Meeting Expenses is largely due the ADA having to pay the California Dental Association (CDA) a significant amount in site distribution as a result of the ADA annual session being in San Francisco at the CDA canceling their northern meeting accordingly. The increase in Professional Services is the direct result of the increase in testing revenue. The ADA pays a vendor to proctor the exams and as revenue goes up due to additional tests being taken, the amount paid to the vendor increases. Office Expenses increased due to annual session audio visual costs being higher in San Francisco vs. Las Vegas and software maintenance costs due to implementing the new systems that were implemented via the 2011 special assessment. Partially offsetting the increase in operating expenses are declines in Fringe Benefit costs and Grants and Awards expense. The decline in Fringe Benefits is partially due to a reduction in pension expense and a decline in expense associated with appreciation/depreciation of deferred compensation which is offset by an equal amount of investment income. The decline in Grants and Awards is due to a reduction in expenses associated with the State Public Affairs grants.

- The 2012 budget adds value to membership with new program decision packages totaling \$407,500 in revenue, \$1,711,596 in expenses and \$728,455 in net capital for a net of expense of \$2,032,551.
- The Board of Trustees approved a resolution recommending a \$7 dues increase which will add \$747,950 in dues revenue to the 2012 budget. If the House of Delegates approves the recommended dues increase, the ADA budget would have a deficit of (\$391,142). This would require an additional \$4 dues increase to offset the remaining deficit.

Budget Methodology and Structure

The ADA implemented the Hyperion Planning system that was approved by the 2010 House of Delegates via the special assessment and a 2010 contingency fund request. This system is being used to develop the annual budget and quarterly forecasts. During the implementation phase of the project, management decided to change the structure of how program costs are tracked. Additionally, management and volunteers wanted to develop a mechanism to easily identify the costs of programs/activities/projects. In 2011, a project ID structure was implemented which allows individual project ID's to be assigned to programs/activities/projects. This will allow the Board of Trustees and management to make informed decisions related to individual programs going forward. For 2011 actuals are being recorded using project ID's and the 2012 budget was also developed using project ID's. It should be noted that it will take a full year of tracking actual by project ID before valued added analysis can be performed on the programs that currently have project ID's assigned.

Hyperion allows for making assumptions related to testing revenue, membership dues, registration fees compensation expense, taxes, fringes, consulting fees, outside services, temporary help, travel costs and capital expenditures. The system provided flexibility to make changes to assumptions and get almost instant results based on the changes. Additionally, for expenses such as consulting, outside services and temporary help, Hyperion required the budget preparers to individually enter these expenses into the software by project so that management had the ability to analyze the detail behind a budget request.

In 2012, departments that have compensation (salary) expense now have expenses related to payroll taxes and fringe benefits. These costs in prior years were included in the Central Administration budget. Hyperion allows allocation of these costs at the department level. This provides management with a more accurate depiction of the cost of a program/activity. Because it would be difficult to compare the 2012 budget to prior years based on this change, a new column was added to back out the payroll taxes and fringe benefits. When comparing the 2012 budget to prior years use the column titled "2012 Budget Less Taxes & Fringes".

Initial budgets were built around what is needed for 2012. Budget managers were directed not to build their budgets based on the approved 2011 budget.

Staff was directed to present proposed new activities in decision packages that could be reviewed, evaluated and ranked. Proposals for new activities from all divisions were considered in a pool and competed against each other for funding. This process facilitated consideration of strategic priorities at an organizational level.

Budget Timeline and Process

The following is offered as an overview of the complex and resource intensive process that occurs over a six month period, to help the House appreciate the entire process undertaken in the development of each year's budget, including invaluable input from all of the councils and the Administrative Review Committee (which had two House members serve on it).

1 *Initial Stages:* Each of the 20 separate ADA divisions began the budget process by developing draft base
2 budgets and potential decision packages based on the current strategic plan needs of the ADA. At this
3 stage, the work is begun by division staff, and from the start all staff were directed to engage all ADA
4 councils, committee and commissions in the budget process. On a continuing basis, all council members
5 will be further educated on the fiduciary role of councils and a standing item on each council agenda will
6 be review of budgets. Thus, the already substantial investment of volunteer time in the early budget
7 process (and throughout that process) will grow in the coming year.

8
9 The Association 2012 budget process started in mid February when each ADA division entered its base
10 budget and any recommended decision packages using the new Hyperion budget application that will
11 enhance the ADA's analysis and budgeting capacity over time. After all these initial budgets were
12 submitted, the Finance Division reviewed all the budgets for completeness and accuracy. Finance also
13 developed budget summaries as one method to highlight the nature and extent of the net deficit at this
14 early draft stage of the budget process.

15
16 *Second Round:* In mid March, using these initial budget drafts and summaries, the Executive Director,
17 Chief Financial Officer, Managing Vice President of Administrative Services, Managing Vice President of
18 Human Resources and Organizational Development, Controller and the Budget Manager met with each
19 division individually to understand the department/divisional operating budget requests and proposed
20 decision packages. This group thoroughly reviewed the proposed budgets for alignment with strategic
21 plan goals and efficient use of resources and suggested some changes apparent as a result of these
22 meetings. These divisional internal budget review meetings lasted an entire week. At the conclusion of
23 the internal budget review meetings in March, another version of the 2012 budget was built on changes
24 and a significant net deficit continued to exist. As a result, each division was asked to revisit its proposed
25 budgets to identify additional revenue sources or expense cuts. The goal from this process was an overall
26 reduction in the budget expense (or increase in revenue) of 12% to close the budget gap.

27
28 *Third Round:* At this point, important programs and initiatives were identified for possible cutbacks.
29 Division staff presented these issues to the appropriate council members for feedback and approval or
30 rejection and for the development of alternative ideas. The goal of this process was to provide the
31 volunteer leaders, familiar with the programs and priorities of the division, the opportunity to make
32 proposals based on the relative importance of expense items and programs and the viability of developing
33 new revenue sources.

34
35 *Administrative Review Committee:* As a result of this input from the volunteers, each division made specific
36 recommendations for closing the budget gap. The Finance Division consolidated these recommendations,
37 highlighting specific cuts, and forwarded this information to the Administrative Review Committee.

38
39 The Administrative Review Committee is made up of the Budget and Finance Committee with the
40 Treasurer serving as chair. Again this year, two House members were included on the committee and
41 played an invaluable role in the analysis of the proposed budget. The Administrative Review Committee
42 met for two days from May 3–4 with the focus on reviewing the budget changes by division, making its own
43 recommendations for budget changes, reviewing all decision packages and coming up with a strategy on
44 presenting the budget and dues recommendation to the Board of Trustees in June.

45
46 *Board of Trustees:* Based on the work of the Administrative Review Committee meeting in May, the
47 Finance Division developed a draft of this report for consideration by the full Board. The result was a 56
48 page report which included many schedules and significant narrative. Relevant sections of this draft report
49 were reviewed by each ADA division and corrections were made to it based on this review. This report
50 was then sent to the Board of Trustees prior to its June 2011 meeting. In addition to the draft report, its
51 schedules and narrative, the Board of Trustees was provided with the list of the specific budget changes
52 recommended by the *Administrative Review Committee*: divisional ranking by priority of programs/projects
53 and an explanation of how these programs/projects were linked to the ADA Strategic Plan.

The Board of Trustees, at the June meeting, considered all of this information over the greater part of its three day meeting. In addition to the written material, the Treasurer provided guidance and comment, and each division presented a brief overview of its budget, focusing on eliminations, justified by alignment with the Strategic Plan and cost/benefit. The Board thoroughly reviewed the work of the Administrative Review Committee and its recommendations, questioned staff on specific issues in the budget and discussed input received by trustees from particular councils. The Board focused on going through the recommended budget changes and voting whether to accept or reject the Administrative Review recommendations for each ADA department/division. The Board also thoroughly examined all proposed decision packages and voted whether to recommend them for funding. Finally, the Board of Trustees voted to recommend to the House of Delegates that the full dues rate for 2012 increase by \$7.

After the June Board of Trustees budget actions, the Finance Division revised Board Report 2 to reflect the comments and votes of the Board at its June meeting. The Board of Trustees again reviewed this report in July and August and, after reflecting changes made during the meeting, voted to transmit it to the House of Delegates.

2012 BUDGET SUMMARY WORKSHEET FINANCIAL IMPLICATIONS RECAP

			2012		2012	Percent
	2010	2011	Base	Decision	Budget Incl	Change
	Actual	Budget	Budget	Packages	Base/Dec Pkg	Fav/(Unfav)
Dues Revenue	53,725,594	53,942,300	54,064,167	0	54,064,167	0.23%
Non-Dues Revenue	58,256,500	61,017,350	65,359,457	407,500	65,766,957	7.78%
Total Revenues	111,982,094	114,959,650	119,423,624	407,500	119,831,124	4.24%
Total Expenses	113,593,286	117,994,800	120,213,326	1,711,596	121,924,922	-3.33%
Net Income (Loss) before Income Tax	(1,611,192)	(3,035,150)	(789,702)	(1,304,096)	(2,093,798)	31.02%
Income Taxes	(1,433,186)	(1,250,000)	(1,250,000)	0	(1,250,000)	0.00%
Net Revenue/(Expense) After Taxes	(3,044,378)	(4,285,150)	(2,039,702)	(1,304,096)	(3,343,798)	21.97%
Other Items						
3% Merit Increase	0	0	(1,162,500)	0	(1,162,500)	-100.00%
1% Comp Adjustments	0	0	(387,500)	0	(387,500)	-100.00%
Resource Adjustments Identified Per Cuts	0	0	401,916	0	401,916	100.00%
Sunsetting Programs/Resource Reductions	0	0	1,600,000	0	1,600,000	100.00%
Net Capital Add Back	3,837,609	3,243,550	2,481,245	(728,455)	1,752,790	-45.96%
Net Surplus/(Deficit)	793,231	(1,041,600)	893,459	(2,032,551)	(1,139,092)	-9.36%
Pension Contribution	(4,321,860)					
Pension Expense (add back)	7,287,657					
Net Pension	2,965,797					
Portion of Budgeted Pension Contribution						
Transferred to Reserves	(3,200,000)					
Net ADA Operations after Pension Adj	559,028					

Note: A three year average Chicago area CPI dues increase amounted to \$7 or \$747,950 in dues which was approved by the Board of Trustees via a separate resolution and forwarded to the House of Delegates.

Note: Actual results for 2010 are not final, and updated information should be available for the 2011 House of Delegates.

1

NATURAL ACCOUNT SUMMARY WORKSHEET

			2012		2012	Percent
	2010	2011	Base	Decision	Budget Incl	Change
	Actual	Budget	Budget	Packages	Base/Dec Pkg	Fav/(Unfav)
Revenues						
Membership Dues	53,725,594	53,942,300	54,064,167	0	54,064,167	0.23%
Advertising	9,306,519	9,822,500	10,792,353	0	10,792,353	9.87%
Rental Income	5,439,856	5,693,450	5,499,847	0	5,499,847	-3.40%
Publication & Product Sales	8,074,870	6,807,700	8,511,460	200,000	8,711,460	27.96%
Testing Fees & Accreditation	15,344,789	16,178,850	17,427,264	0	17,427,264	7.72%
Meeting & Seminar Income	8,389,305	10,591,500	11,634,010	0	11,634,010	9.84%
Grants & Contributions	1,692,169	1,506,900	1,762,920	207,500	1,970,420	30.76%
Royalties	5,227,524	5,268,700	4,960,050	0	4,960,050	-5.86%
Investment Income	1,878,234	2,629,000	2,063,000	0	2,063,000	-21.53%
Other Income	2,903,234	2,518,750	2,708,553	0	2,708,553	7.54%
Total Revenues	111,982,094	114,959,650	119,423,624	407,500	119,831,124	4.24%
Expenses						
Total Salaries and Temporary Help	38,308,083	39,320,150	39,683,839	291,229	39,975,069	-1.67%
Total Payroll Taxes	2,525,691	2,687,600	2,856,432	23,459	2,879,891	-7.15%
Total Fringe Benefits	14,832,702	17,098,650	16,629,645	115,320	16,744,965	2.07%
Total Travel Expenses	5,661,297	5,966,450	6,022,637	73,728	6,096,365	-2.18%
Printing, Publication & Marketing	11,444,908	11,562,300	11,812,589	305,220	12,117,809	-4.80%
Meeting Expenses	2,415,240	2,174,850	3,497,902	15,000	3,512,902	-61.52%
Consulting and Outside Services	4,088,049	5,241,900	5,269,897	683,505	5,953,402	-13.57%
Professional Services	9,314,451	8,257,400	8,625,625	103,500	8,729,125	-5.71%
Bank & Credit Card Fees	1,083,340	1,026,350	1,149,393	0	1,149,393	-11.99%
Office Expenses	4,746,826	4,802,750	5,356,292	47,830	5,404,122	-12.52%
Facility & Utility Costs	4,697,166	5,078,100	5,294,115	9,555	5,303,670	-4.44%
Grants and Awards	2,718,477	2,179,500	1,858,200	15,250	1,873,450	14.04%
Endorsement Costs	633,065	581,550	647,000	0	647,000	-11.25%
Depreciation/Amortization	6,446,157	6,115,700	6,088,204	0	6,088,204	0.45%
Other Expenses	1,307,698	2,341,300	2,470,354	28,000	2,498,354	-6.71%
ADA Foundation - Grant	3,370,136	3,560,250	2,951,202	0	2,951,202	17.10%
Total Expenses	113,593,286	117,994,800	120,213,326	1,711,596	121,924,922	-3.30%
Net Income (Loss) before Income Tax	(1,611,192)	(3,035,150)	(789,702)	(1,304,096)	(2,093,798)	31.02%
Income Taxes	(1,433,186)	(1,250,000)	(1,250,000)	0	(1,250,000)	0.00%
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Net Pension	2,965,797					
Portion of Budgeted Pension Contribution						
Transferred to Reserves	(3,200,000)					
Net ADA Operations after Pension Adj	559,028					

3

Revenues

Total revenues in the 2012 base budget are being forecast at \$119,423,624. Membership dues represent 45.1% of total revenue. The 2012 base budget anticipates \$65,359,457 in non-dues revenue, an increase of \$4,342,107 or 7.1% when compared 2011. Decision packages add an additional \$407,500 in revenue bringing total revenue to \$119,831,124. Highlights of various revenue categories are provided below.

Membership Dues: In order to arrive at the overall budget for dues, the Division of Membership, Tripartite Relations and Marketing estimates the future membership levels for each dues paying category and multiplies those numbers by the various dues rates. For informational purposes and ease of comparison between years, the number of full-time equivalent members can be calculated by dividing the budgeted dues amount before dues rebates and prior year dues by the full dues rate of \$505, which translates to approximately 106,688 and 106,832 full-time equivalent (FTE) members for the 2011 and 2012 budgets, respectively. Final 2010 membership FTE's were 107,692.

The 2012 budget forecasts \$53,950,167 in dues revenues before rebates and prior year dues, and \$54,064,167 in dues income net of prior year dues and rebates offered to state societies as an incentive to encourage prompt payment of member monies to the Association.

Advertising: This category primarily includes revenue mainly from advertising sales in ADA publications, new initiatives in electronic media and secondarily at annual session. Revenue is expected to increase from a total of \$9,822,500 to \$10,792,353. The increase in advertising revenue is partially due to increasing advertising rates by 3% and launching several new initiatives in JADA and ADA.org that will generate additional advertising revenue in 2012. Additionally, Conference & Meeting Services is launching new annual session products in 2012 that will include advertisements.

Rental Income: This revenue category primarily includes rental income from the Headquarters Building and the Washington DC Building. Rental income is projected to decline by 3.4% from \$5,693,450 to \$5,499,847 due to straight line rent accrual (required by Generally Accepted Accounting Principles to spread the impact of rent abatements and escalations over the life of tenant leases). This can cause some fluctuation in annual rental income. Additionally, rent revenue loss is anticipated due to a lease non-renewal and rent abatements due to 2 lease renewals at the Headquarters building.

Publication and Product Sales: Projected 2012 base budget sales total \$8,511,460 and one decision package adds \$200,000 to bring the total to \$8,711,460. This is an increase of \$1,903,760 when compared to the 2011 total of \$6,807,700. The 27.96% increase is mainly due to 2012 being a year when a new release of *CDT* is offered. *CDT* and the *CDT Companion* have a two-year product cycle. Additionally, net revenue of \$210,000 is budgeted based on implementing a new Member Service Center performance based compensation program that will allow Product Development and Sales to market sales of products to dental schools, government agencies and large group practices.

Testing Fees and Accreditation: Budgeted revenues from testing and accreditation fees are expected to rise from \$16,178,850 in 2011 to \$17,427,264 in 2012. The increase is mainly due to fees for exams, accreditation fees and CERP fees being increased across the board.

Meeting and Seminar Income: Meeting and Seminar budgeted income is expected to increase by \$1,042,510. The increase is related to the ADA increasing the price of exhibit booths, housing rebate revenue and miscellaneous registration fees. The increase in exhibit space fees is needed to help offset the cost of the site distribution expense that is paid to the California Dental Association.

Grants, Contributions, and Sponsorships: Base budget income from grants, contributions, and sponsorships is projected to increase by \$256,020. The increase is partially related to seeking corporate sponsorship/grant funding to support the Dental Quality Alliance activities. Additionally, the ADA is seeking grants from the ADA Foundation to help offset the cost of a couple of programs that were administered by the

ADA Foundation in prior years. The ADA Foundation still has prior year donations that were collected for specific programs and the ADA will request a grant from the Foundation because the ADA is now administering the programs.

Decision packages added \$207,500 in revenue to this category bring the total to \$1,970,420.

Royalties: Budgeted revenue represents royalties received from the *ADA Business Resources* program, *CDT* licenses, domestic and international product licenses, and the selling of mailing lists. Royalty revenue is projected to decline by \$308,650. The decrease is largely due to royalty revenue from the members insurance and retirement program being reclassified to the other income category to better reflect the source of income. Additionally, the decline in royalty revenue is related to a decline in revenues from the Café and catering vendor who operates the food service business in the ADA building and pays the ADA a royalty based on annual revenue generated. Partially offsetting the decline in royalty revenue is increases in ADA Business Resources royalties from Credit card, practice financing and patient financing. Additional favorable offsets are expected as a result of increases in non-*CDT* product licenses and mailing list royalties.

Investment Income: Projected revenue of \$2,063,000 for 2012 includes both interest and dividends on Reserve Fund assets and investment earnings on cash flow within the operating account. This category also includes \$500,000 in revenue related to the appreciation/depreciation of deferred compensation investments that has an offsetting expense in the Fringe Benefit category.

The cash yield on the assets of the Reserve Fund is included in the operating budget as a key component of the dues stabilization financial strategy. The inclusion of such investment revenues in the operating budget is a direct benefit of the ADA's strong reserve position. Budgeted interest and dividends on operating cash and reserve assets are projected to decrease by \$166,000 when compared to 2011.

Other Income: This category is composed of miscellaneous revenue, including such items as overhead revenue from subsidiaries and the member's insurance program, and Seal Program revenues. Budgeted revenue in 2012 represents a 7.5% increase when compared to 2011. The reduction is largely due to the reclassification of revenue related to the member's insurance and retirement program from royalty income to this category.

Expenses

Total operating expenses in the base budget are being forecast at \$120,213,326 for 2012 before decision packages, an increase of 1.9%. If approved, decision packages will add an additional \$1,711,596 in expenses, bringing the total to \$121,924,922. Highlights of various expense categories are provided below.

Staff Compensation: Base budget Staff Compensation expenses are budgeted at \$39,683,839. This is a minimal increase over the 2011 budget. The minimal increase is due to budgeting for additional temporary help to bring the budget more in line with actual spending. After including decision packages, the total expense in this category is \$39,975,069. The decision packages being recommended add 3 full-time positions and one part-time position to the budget.

Payroll Taxes: This category includes expense associated with employer related taxes such FICA, SUI and FUI. The increase in the budget for this category is based on an anticipated increase in maximum compensation limits and increases in salary levels.

Decision packages added \$23,459 to this category bringing the total to \$2,879,891.

Fringe Benefits: Expenses in this category include pension, group medical premiums, dental insurance, life insurance, 401k, workers compensation, deferred compensation benefits and union dues. Base budget expenses in this category totaled \$16,629,645, which is a decline of \$469,005 or 2.7% when compared to 2011. The decline is partially due to a reduction in pension expense based on a plan change recommended

by ADA's actuaries. Additionally, appreciation/depreciation of deferred compensation declined in 2012 and this revenue is offset by an equal amount of expense in the Investment Income category of revenue. Partially offsetting these declines is an increase in group medical costs associated with the retiree medical plan.

Decision package added \$115,320 to this category bringing the total to \$16,744,965.

Travel Expenses: Base budget expenses for travel are projected to be \$6,022,212 compared to \$5,966,450 in 2011.

After including proposed decision packages, travel expenses total \$6,096,320.

Printing, Publications and Marketing: The 2012 base budget for this category reflects a modest increase in expenses of \$250,289 or 2.2%. The increase is a direct result of an increase in product sales (*CDT*) and an increase in advertising revenue. Partially offsetting the increase is declines in video production costs in the division of Communications and Marketing and a reduction in paper costs in JADA and ADA News as these publications will be printed on a lower grade of paper in 2012 without a reduction in quality. Decision packages add \$305,220 in expense to this category bringing the total expense to \$12,117,809.

Meeting Expenses: Base budget expenses for meetings are increasing by \$1,323,052 or 60.8%. The increase is due to the significant site distribution expense paid to the California Dental Association (CDA) related to the annual session. The budget for site distribution in 2012 is \$1.4 million compared to \$35,000 in 2011. After including decision packages, the total expense in this category is \$3,512,902. Excluding the CDA site distribution, the meeting expense line item would show a decrease in 2012 versus 2011.

Consulting Fees and Outside Services: The base budget increased by \$27,997 when compared to the 2011 budget. This category increased as a result of the upgrade of the PeopleSoft Human Resources system in 2012. This is phase II of the PeopleSoft upgrade. The PeopleSoft financial system is being upgraded in 2011 (the upgrade was funded via the special assessment). The increase is partially offset by reductions in the consulting fees and outside services being utilized to conduct surveys and analysis in the Health Policy Resources division. Additionally, there were a couple of 2010 House resolutions that were one-time in nature that increase the 2011 budget in this category. The one-time expenses have been eliminated from the 2012 budget.

Decision packages add \$683,505 to this category bringing the 2012 budget total to \$5,953,402.

Professional Services: The base budget increased from \$8,257,400 in 2011 to \$8,625,625 in 2012. The increase in this category is largely the result of increases in test fee administration costs, legal fees and fees paid. The increase in test administration costs are directly related to the increase associated with testing revenue.

Decision packages add \$103,500 to this category bringing the 2012 budget total to \$8,729,125.

Bank and Credit Card Fees: This category represents transaction fees paid to financial institutions and reimbursements to state and local societies for credit card fees related to ADA membership dues collection. Expenses increased from \$1,026,350 in 2011 to \$1,149,393 in 2012. The increase is directly related to more transactions Association-wide being paid via credit card. Additionally, increases in exam fees and product sales leads to an increase in credit card fees.

Office Expenses: The base budget expenses in this category are budgeted to increase 11.5% from \$4,802,750 in 2011 to \$5,356,292 in 2012. The increase is due to added costs of audio visual at annual session in San Francisco, software maintenance due to implementing new systems that were passed via the 2011 special assessment and an increase in FDI dues.

Decision packages add \$47,830 in expenses, bringing the total office expenses to \$5,404,122.

Facility and Utility Costs: These expenses represent costs for building management and operations, maintenance, and real estate taxes for the ADA Headquarters and Washington DC buildings. The 2012 base budget of \$5,294,115 anticipates a 4.2% increase as a result of a projected increase in property tax estimates, and general building services at the ADA Headquarters Building.

Decision packages added \$9,555 to this category.

Grants and Awards: The ADA distributes grants to support various organizations for specific functions. Expenses in this category decreased from \$2,179,500 in 2011 to \$1,873,450 in 2012 after decision packages. The decrease is due to a reduction in expenses related to the State Public Affairs Program grants.

Endorsement Costs: This category represents monies paid to state societies that participate in the *ADA Business Resources* program and to the AMA for use of medical codes in *CDT* related products. The expenses in this category are expected to increase from \$581,150 in 2011 to \$647,000 in 2012. The increase is directly related the increase in royalty income from the *ADA Business Resources* program resulting in higher endorsement payments to state societies.

Depreciation and Amortization: This category shows a \$27,496 decrease from \$6,115,700 to \$6,088,204 in 2012. Depreciation fluctuates annually based on prior year and proposed current year capital acquisitions.

Other Expenses: Other expenses include general insurance, recruiting costs, staff development, overhead recovery, and the contingency fund. Base budget expenses not categorized elsewhere are expected to increase from \$2,341,300 in 2011 to \$2,470,354 in 2012. The increase is partially due to the ADA budgeting for additional enterprise business skills and functional training in 2012. Additionally, the budget for recruitment costs was increased.

Decision packages added \$28,000 to this category.

ADA Foundation Grant: The Association's annual grant to the Foundation decreased by \$609,048 from \$3,560,250 in 2011 to \$2,951,202 in 2012.

Other Items

3% Merit Increase: This 3% increase or \$1,162,500 is meant to provide compensation increases to staff Association-wide. Only a portion of the 3% merit will be provided as across the board salary increase with the remainder being given to the highest achievers. It should be noted, that ADA staff did not receive any merit increase in 2010 and the 2011 budget included a minimal merit increase pool of 1.5%.

1% Compensation Adjustment: The \$387,500 is being requested to allow for movement through salary ranges and promotions for staff as warranted.

Resource Adjustments Identified Per Cuts: There are a few divisions throughout the ADA that could downsize resources and this \$401,916 takes into consideration the salary, taxes and benefits of these identified positions.

Sunsetting of Programs/Resource Reductions: There is a management goal to identify programs and/or resources that can be eliminated to meet this \$1.6 million target. Management has committed to take opportunities for headcount reductions through natural attrition and review of programs.

Net Capital Expenditures: The depreciation budget in Central Administration and Association-wide exceeds the capital budget by \$2,481,245 which is added back to the operating budget and offsets expenses. After decision packages, the excess is reduced to \$1,752,790.

AMERICAN DENTAL ASSOCIATION DIVISIONAL SUMMARY WORKSHEET

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	(See Note A) 2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
Legal Affairs	23,883	45,200	49,800	0	49,800	49,800	10.18%
Government & Public Affairs	29,970	23,000	22,000	0	22,000	22,000	-4.35%
Corp. Rel & Strat. Mkng Alliances	230,213	1,500	0	0	0	0	-100.00%
Membership, Tripartite Relations & Marketing	569,301	650,050	713,135	0	713,135	713,135	9.70%
Conference & Meeting Services	9,588,830	11,274,200	12,207,203	0	12,207,203	12,207,203	8.28%
Headquarters Building	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Washington Building	1,554,872	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Finance and Operations	2,521,333	2,842,500	2,605,900	0	2,605,900	2,605,900	-8.32%
Central Administration	57,614,340	57,984,700	57,458,617	0	57,458,617	57,458,617	-0.91%
Contingency General	27,106	0	0	0	0	0	0.00%
Dental Practice/Professional Affairs	23,493	77,950	278,970	171,500	450,470	450,470	477.90%
Health Policy Resource Center	108,742	52,500	184,800	0	184,800	184,800	252.00%
Education	16,229,430	17,275,450	18,852,736	0	18,852,736	18,852,736	9.13%
Science	683,281	797,000	676,713	36,000	712,713	712,713	-10.58%
ADA Publishing	9,895,003	10,532,200	11,639,002	0	11,639,002	11,639,002	10.51%
Product Development and Sales	8,995,149	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Division of Global Affairs	87,929	0	0	0	0	0	0.00%
Communications	0	1,200	30,600	0	30,600	30,600	2450.00%
Total Revenues	111,982,094	114,959,650	119,423,624	407,500	119,831,124	119,831,124	4.24%
Expenses							
Administrative Services	6,240,085	6,257,100	7,873,474	27,000	7,900,474	6,678,393	-6.73%
Legal Affairs	4,253,579	3,280,550	4,045,555	0	4,045,555	3,226,758	1.64%
Government & Public Affairs	7,180,296	7,184,250	7,224,245	10,250	7,234,495	6,257,168	12.90%
Corp. Rel & Strat. Mkng Alliances	450,407	414,150	573,652	0	573,652	415,184	-0.25%
Membership, Tripartite Relations & Marketing	5,910,461	6,218,300	8,153,245	120,818	8,274,063	6,346,088	-2.05%
Conference & Meeting Services	7,096,507	7,749,350	10,244,054	0	10,244,054	9,359,288	-20.78%
Headquarters Building	4,443,472	4,802,400	5,137,925	0	5,137,925	5,012,822	-4.38%
Washington Building	881,438	791,850	870,363	0	870,363	870,363	-9.92%
Finance and Operations	3,502,281	3,747,800	5,283,086	0	5,283,086	3,664,682	2.22%
Central Administration	29,295,088	29,420,100	10,017,003	0	10,017,003	28,941,358	1.63%
Contingency General	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Information Technology	5,778,338	6,309,850	9,133,930	856,275	9,990,205	7,964,946	-26.23%
Dental Practice/Professional Affairs	3,995,276	4,405,600	5,874,736	196,235	6,070,971	4,616,406	-4.78%
Health Policy Resource Center	1,619,397	1,789,050	2,524,449	0	2,524,449	1,886,893	-5.47%
Education	12,185,741	12,451,250	15,212,853	0	15,212,853	12,638,242	-1.50%
Science	4,446,303	5,661,350	7,219,515	335,905	7,555,420	5,732,286	-1.25%
ADA Publishing	8,058,692	8,239,900	9,590,210	6,230	9,596,440	8,582,964	-4.16%
Product Development and Sales	3,926,408	3,705,950	4,512,355	80,000	4,592,355	4,222,902	-13.95%
Division of Global Affairs	1,066,420	911,150	1,216,162	78,883	1,295,045	1,115,191	-22.39%
Communications	2,570,066	3,654,850	4,506,514	0	4,506,514	3,392,987	7.16%
Total Expenses	113,593,286	117,994,800	120,213,326	1,711,596	121,924,922	121,924,922	-3.33%
Net Income (Loss) before Income Tax	(1,611,192)	(3,035,150)	(789,702)	(1,304,096)	(2,093,798)	(2,093,798)	31.02%
Income Taxes	(1,433,186)	(1,250,000)	(1,250,000)	0	(1,250,000)	(1,250,000)	0.00%
Net Revenue/(Expense) After Tax	(3,044,378)	(4,285,150)	(2,039,702)	(1,304,096)	(3,343,798)	(3,343,798)	21.97%
Other Items							
3% Merit Increase	0	0	(1,162,500)	0	(1,162,500)	(1,162,500)	-100.00%
1% Comp Adjustments	0	0	(387,500)	0	(387,500)	(387,500)	-100.00%
Resource Adjustments Identified Per Cuts	0	0	401,916	0	401,916	401,916	100.00%
Sunsetting Programs/Resource Reductions	0	0	1,600,000	0	1,600,000	1,600,000	100.00%
Net Capital Add Back	3,837,609	3,243,550	2,481,245	(728,455)	1,752,790	1,752,790	-45.96%
Net Surplus/(Deficit) (See Note B)	793,231	(1,041,600)	893,459	(2,032,551)	(1,139,092)	(1,139,092)	-09.36%

Note A: The fringes and payroll taxes were backed out of the divisional totals in this column and the aggregate total of the fringes and taxes was added to Central Administration. This was done so that the reader can do a true comparison of the 2011 and 2012 budgets.

Note B: For the 2010 Actual column see additional below the line items on page 2005.

In 2012, departments that have compensation (salary) expense now have expenses related to payroll taxes and fringe benefits. These costs in prior years were included in the Central Administration budget. Hyperion allows us to allocate these costs at the department level. This provides management with a more accurate depiction of the cost of a program/activity. Because it would be difficult to compare the 2012 budget to prior years based on this change, a new column was added to back out the payroll taxes and fringe benefits. When comparing the 2012 budget to prior years use the column titled "2012 Budget Less Taxes & Fringes".

Division of Administrative Services

The Division of Administrative Services consists of the Office of the Executive Director, the Office of Strategy Management, the Department of Board and House Matters, Department of Officer Services, Office of the Chief Policy Advisor and Department of Human Resources. This division serves primarily as administrative infrastructure to the Association through implementation of actions and policies of the House of Delegates and Board of Trustees; supervision of activities of Association staff and agencies by the Office of the Executive Director/COO; and administration of personnel policies and practices as well as recruitment and retention of staff through the Department of Human Resources. The Department of Board and House Matters manages the coordination of in person and conference call meetings of the Board of Trustees and its standing committees. Under the direction of the Speaker and Secretary of the House of Delegates, the Department also coordinates the annual session meeting of the House of Delegates, which includes managing distribution of all House materials in both electronic and paper format; coordinating the credentialing of delegates/alternates; producing the historical publications in both paper and electronic format (Annual Reports and Resolutions, Supplement, Transactions, Current Policies, Index of Official Actions); and providing administrative support to the Election Commission. Coordinating activities, travel schedules and correspondence for the President, President-elect and Executive Director is the responsibility of the Department of Officer Services, along with providing administrative support for the Chief Policy Advisor. Establishing, implementing and coordinating strategic planning activities are managed by the Office of Strategy Management.

DIVISIONAL SUMMARY WORKSHEET ADMINISTRATIVE SERVICES

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringe	2012 Budget Less Taxes/Fringes	Percent Change Fav/ (Unfav)
Revenues							
Expenses							
Office of the Executive Director	539,084	733,250	1,116,269	0	1,116,269	873,479	-19.12%
Strategy Management	220,805	108,200	145,310	0	145,310	105,345	2.64%
Board of Trustees	1,880,945	1,960,950	2,309,386	0	2,309,386	2,196,542	-12.01%
Office of the President	632,135	404,000	609,124	0	609,124	480,353	-18.90%
Office of the President-Elect	266,145	281,100	382,646	0	382,646	313,686	-11.59%
Office of the Immediate Past Pres	23,800	0	0	0	0	0	0.00%
Office of the Treasurer	105,640	103,200	139,843	0	139,843	98,545	4.51%
House of Delegates	805,853	929,750	938,635	0	938,635	858,039	7.71%
Human Resources	1,440,335	1,439,100	1,836,552	27,000	1,863,552	1,456,035	-1.18%
Office of the Chief Policy Advisor	325,343	297,550	395,709	0	395,709	296,369	0.40%
Total Expenses	6,240,085	6,257,100	7,873,474	27,000	7,900,474	6,678,393	-6.73%
Net Revenue/(Expenses)	(6,240,085)	(6,257,100)	(7,873,474)	(27,000)	(7,900,474)	(6,678,393)	-6.73%

In comparing the proposed 2012 budget to the budget for 2011, this division shows an increase in net expenses of \$421,293 or 6.73%. The increase in the base budget is partially due to a \$196,154 increase in compensation expenses as a result of two positions being upgraded to executive levels. A director level position in the Office of the Executive Director and a senior director level position in the Human Resources were upgraded to a Managing Vice President level in the first quarter of 2011. Increases in travel costs relate primarily to expenses for the FDI delegation being transferred to the budgets of the officers and Board of Trustees, which in prior years all FDI expenses were consolidated in the Division of Global Affairs' budget. This increase should be offset by a decrease in the Global Affairs budget. Also contributing to the increase in expenses is additional costs in the House of Delegates area for internet connectivity at the House and slightly higher costs associated with meeting in San Francisco and an increase in special events, special projects and recruitment costs in the Human Resources department. Partially offsetting the increase in expenses is a reduction due to proposing that the Mega Topic Discussion be held every other year. The following decision package is recommended for funding in 2012:

- \$27,000 to reinstate the Tuition Assistance Program. The ADA is a knowledge-based organization with many key jobs requiring advanced degrees and specialized educational training. Employees should be encouraged to improve their job-related skills and knowledge, and to acquire the education necessary to enhance their ability to contribute to the intellectual quality of work performed at the ADA. This valuable program is one of the most attractive benefits our Association can offer to increase quality of performance and for self-improvement of key skills. An education assistance program also helps to attract and retain talent that would allow the ADA to gain even more skilled professionals.

The program would provide modest financial support for approved coursework on a reimbursement basis. Many of the past participants in prior tuition assistance programs have been pursuing PhDs and building their knowledge base in core Association areas such as Science and Education.

Division of Legal Affairs

The ADA Division of Legal Affairs actively advances the ADA's Mission & Vision for the public's oral health by protecting, defending and advocating for the legal rights and interests of the ADA. The Legal staff works collaboratively both within the Division and with volunteer leaders and staff colleagues to help ADA agencies achieve their objectives. Legal's work supports the entire Association by:

- Acting as a legal and business resource to facilitate and advance the work and mission of ADA's members and staff;
- Utilizing legal advocacy to help position the ADA in its efforts to protect patients and the dental profession;
- Protecting the legal rights and interests of the Association, including in such areas as litigation and compliance with federal, state and local laws;
- Providing legal counsel to the ADA House of Delegates, Board of Trustees, Executive Director, Councils, Commissions, Committees and other ADA agencies and staff, and to the governing bodies, officers and staff of the ADA's not-for-profit and wholly-owned for-profit affiliates;
- Supporting the Council on Ethics, Bylaws and Judicial Affairs, housed in the Division, which oversees the enforcement of the ADA *Principles of Ethics and Code of Professional Conduct* and reviews proposed changes of the ADA *Constitution and Bylaws*;
- Ensuring that documents affecting or creating Association's legal rights and interests, such as contracts and similar instruments are drafted, reviewed, and executed in a manner that furthers ADA's business objectives and minimizes legal and financial risk;
- Promoting and protecting ADA's valuable intellectual property assets, including its patents, trademarks, ADA.org content, publications and other proprietary materials;
- Managing risk of harm to ADA's assets by researching and securing appropriate insurance coverage;

- Tracking legal developments and disseminating legal information in areas relevant to professional practice and dental care through ADA publications and resources;
- Maintaining the ADA Contract Analysis Service, housed in the Legal Division, which provides informational legal reviews of contracts offered to dentists by third party payers, dental management service organizations and informational reviews of contracts that offer dental students scholarships or loans in exchange for commitments of future employment;
- Supporting and advancing ADA positions in the legal arena through any available means, including submissions to regulatory agencies and *amicus curiae* briefs with the state and federal courts throughout the country; and
- Reviewing ADA statements intended for dissemination to the public, official agencies, or other entities in order to ensure that such statement conform to ADA's legal and reputational interests.

DIVISIONAL SUMMARY WORKSHEET LEGAL AFFAIRS

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringe	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Chief Legal Counsel	23,883	45,200	40,000	0	40,000	40,000	-11.50%
International Use of the Seal	0	0	9,800	0	9,800	9,800	100.00%
Total Revenues	23,883	45,200	49,800	0	49,800	49,800	10.18%
Expenses							
Chief Legal Counsel	3,643,957	2,702,350	2,847,880	0	2,847,880	2,235,631	17.27%
Council Ethics Bylaws & Judic	308,202	317,050	404,720	0	404,720	308,876	2.58%
Contract Analysis Services	196,574	102,150	359,455	0	359,455	248,751	-143.52%
International Use of the Seal	0	0	15,000	0	15,000	15,000	-100%
Annual External Audit & Tax Fees	0	0	197,350	0	197,350	197,350	-100%
Internal Audit	104,845	159,000	221,150	0	221,150	221,150	-39.09%
Total Expenses	4,253,579	3,280,550	4,045,555	0	4,045,555	3,226,758	1.64%
Net Revenue/(Expenses)	(4,229,696)	(3,235,350)	(3,995,755)	0	(3,995,755)	(3,226,758)	0.27%

It should be noted that prior to 2012 the International Seal Program revenues/expenses and Annual External Audit fees were included the Chief Legal Counsel department and now are broken out separately.

In comparing the proposed 2012 base budget to the 2011 annual budget, the budget for the Legal Division shows a decline in net expenses of \$8,592 or .27%. Revenue increased by 10.18% due to anticipated increase in in-house legal fees as a result of the intercompany services agreement between the ADA and ADABEI. The decline in expenses is due to an expected reduction in external audit fees and travel expenses. The reduction in audit fees in 2012 is due to more accurate estimates after completion of the first year audit process with a new firm. The reduction in travel is due to the 2012 CEBJA council meeting travel expenses being budgeted more in line with historical spending. Partially offsetting the favorable variances is a \$54,000 increase in outside legal fees.

Division of Government & Public Affairs

The Division of Government and Public Affairs oversees the federal and state political, legislative and advocacy activities of the ADA and ADPAC on behalf of the dental profession. The Division is organized into several departments to accomplish its mission with the Councils on Government Affairs providing input and proposing policy. The Department of State Government Affairs assists state and local dental societies to achieve their regulatory and legislative goals. The Congressional Affairs and Federal Affairs departments function as liaisons and advocates with Congress and the Executive branch via testimony, personal meetings and communications. The budget supports some of the administrative expenses of ADPAC, an organization that allows member dentists to support federal candidates who have positive views toward dentistry and involve dentists in political issues important to the profession. With support from the Communications Division and in concert with the Council on Government Affairs, and the State Public Affairs Oversight Committee, the Division operates the State Public Affairs (SPA) program, which assists state dental societies in pursuing their policy and advocacy goals on issues of national importance.

**DIVISIONAL SUMMARY WORKSHEET
GOVERNMENT & PUBLIC AFFAIRS**

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringe	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
State Government Affairs	21,039	23,000	22,000	0	22,000	22,000	-4.35%
ADPAC Gov	8,931	0	0	0	0	0	0.00%
Total Revenues	29,970	23,000	22,000	0	22,000	22,000	-4.35%
Expenses							
Sr. VP Government/Public Aff.	882,875	1,321,850	1,429,123	0	1,429,123	1,207,117	8.68%
Council on Government Affairs	204,351	241,000	220,271	0	220,271	174,236	27.70%
State Government Affairs	731,211	907,450	851,884	0	851,884	635,280	29.99%
ADPAC Gov	871,654	740,050	885,563	0	885,563	728,168	1.61%
Congressional Affairs	617,897	627,250	588,614	0	588,614	437,873	30.19%
Federal Affairs/Policy	420,571	446,150	624,895	10,250	635,145	450,599	-1.00%
Department of Public Affairs	41,102	0	0	0	0	0	0.00%
Council on Communications	38,689	0	0	0	0	0	0.00%
State Public Affairs Program	3,371,946	2,900,500	2,623,895	0	2,623,895	2,623,895	9.54%
Total Expenses	7,180,296	7,184,250	7,224,245	10,250	7,234,495	6,257,168	12.90%
Net Revenue/(Expenses)	(7,150,326)	(7,161,250)	(7,202,245)	(10,250)	(7,212,495)	(6,235,168)	12.93%

Comparing the proposed 2012 budget to the 2011 budget, this division shows a decrease in net expenses of \$926,082 or 12.93%. The net favorable variance to 2011 is partially due to the elimination of two staff positions, one each in the departments of State Government Affairs and Congressional Affairs. Additional savings of \$276,605 will be realized in by reducing grants in the State Public Affairs (SPA) program. Furthermore, in ADPAC, the Washington Leadership Conference funding was reduced by \$20,000. Also contributing to the reduction in expenses is elimination of many trips throughout the division and a reduction of outside lobbyist expenses in the Sr. VP Government/Public Affairs department. It should be noted that the departments of Public Affairs and Council on Communications were transferred out of this division in April of 2010 as part of an internal reorganization that resulted in creating a division of Communications & Marketing.

The following decision package is recommended for funding in 2012:

- \$10,250 to a continuing education program at the National Primary Oral Health Conference. Funding a half day continuing education program on workforce development best practices at the National Primary Oral Health Conference (NPOHC), which is sponsored by the National Network for Oral Health Access (NNOHA).

The National Primary Oral Health Conference is an annual meeting for health center dentists and their support team, which historically has been underwritten by the Health Resources and Services Administration of the Department of Health and Human Services. NNOHA is a 501 (c) 3 non-profit organization founded in 1990 by a group of health center Dental Directors that provides a network for dental providers who work in health centers. NNOHA will be the lead sponsor for the 2012 conference. The conference offers learning opportunities related to disease prevention, clinical skills needed to serve high-risk and low-income populations, and leadership and management of non-profit oral health programs. On average 350 Health Center dentists attend the conference. NNOHA would like the ADA to provide financial support for workforce development sessions in the 2012 program. This would include 4 or 5 sessions on best practices for: high retention rates; recruiting dentists to work in remote areas; how to get the word out about Health Center dental careers; incentive programs that work; and a session dedicated to Health Center workforce development resources that are available.

Division of Corporate Relations & Strategic Marketing Alliances

The Division of Corporate Relations and Strategic Marketing Alliances formulates and implements the ADA's corporate relations strategy and tactics, as well as certain strategic marketing alliances such as the Smile Healthy certification program. The division also serves as ADA's coordinating link for corporate sponsorships and the Strategic Partner program as well as fundraising for certain Give Kids A Smile activities, such as the Awards Gala.

DIVISIONAL SUMMARY WORKSHEET CORPORATE RELATIONS & STRATEGIC MARKETING ALLIANCES

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
<u>Revenues</u>							
VP Corp Rel & Strat Mktng Allian	230,213	1,500	0	0	0	0	-100.00%
Total Revenues	230,213	1,500	0	0	0	0	-100.00%
<u>Expenses</u>							
VP Corp Rel & Strat Mktng Allian	450,407	414,150	573,652	0	573,652	415,184	-0.25%
Total Expenses	450,407	414,150	573,652	0	573,652	415,184	-0.25%
Net Revenue/(Expenses)	(220,194)	(412,650)	(573,652)	0	(573,652)	(415,184)	-0.61%

Net expenses in 2012 are unfavorable by \$2,534 to 2011 partially due to the 2012 budget not including any royalty revenue related to the Smile Healthy Program. The minor increase in expense relates to one additional trip being budgeted in 2012 to meet with corporate contacts about potentially sponsoring ADA programs and events.

Division of Membership, Tripartite Relations & Marketing

The mission of the Division of Membership, Tripartite Relations and Marketing is to build community as it creates, enhances and promotes member value; recruits and retains members; fosters a collaborative tripartite network; provides leadership development; brings consistency to marketing strategies, messages and branding; and positions the ADA as America's leading advocate for oral health among its stakeholders.

In support of its mission, the Division serves the Council on Membership and two standing committees of the Board of Trustees: the New Dentist Committee and Diversity Committee. The Council on Membership's bylaws responsibilities includes: formulate and recommend membership related policies; identify and monitor trends and issues that affect membership recruitment and retention; support development of membership benefits; and enhance tripartite membership efforts and to act as an advocate for member benefits. The Council also conducts the Annual Membership Recruitment and Retention Conference. The New Dentist Committee works to integrate dentists less than ten years out of dental school into organized dentistry and to provide resources and programs that reinforce the value of organized dentistry among dental students and new graduates. The Committee also conducts the annual New Dentist Conference, publishes *ADA New Dentist News* quarterly and supports tripartite new dentist leadership development. The Diversity Committee is supported by Dental Society Services as it fulfills its duties to monitor and advise the Board on diversity initiatives in support of the ADA's strategic plan, including oversight for the Institute for Diversity in Leadership and initiatives from the 2010 National Summit on Diversity in Dentistry.

The Division manages MC², Membership Contact and Connections, which provides constituent and component societies and membership outreach volunteers tools, resources, training and consultation in order to maximize overall tripartite market share. The Department of Dental Society Services reinforces the strength of tripartite organized dentistry programs and information for: a) leaders, emerging leaders and executives; and b) for the network of dental societies using ADA's Tripartite System membership software. The Member Service Center is responsible for improving the member/customer experience by functioning as the first point of contact in support of the ADA's recruitment, retention and non-dues revenue generation strategies by centralizing transactions such as orders and inquiries, and thus providing a more streamlined member/customer experience. The Department of Membership Marketing works to increase the ADA's market share in all direct member categories, support tripartite membership recruitment and retention, and provide comprehensive member services for federal dental service members. Membership Marketing also supports the Office of Student Affairs and Dental School Programs working together to introduce students to the ADA and accelerate them to organized dentistry by adding value to the dental school experience and positioning the ADA as a lifelong resource for educational needs.

The Department of Membership Information is responsible for maintaining accurate membership, occupation and demographic data for over 236,000 dentist and student records. Membership Information serves as the primary liaison between the ADA and constituent societies in member dues processing.

DIVISIONAL SUMMARY WORKSHEET
MEMBERSHIP, TRIPARTITE RELATIONS & MARKETING

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Base Budget	Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Sr. VP Membership & DSS	27,500	60,000	40,000	0	40,000	40,000	-33.33%
Membership Initiative	68,000	70,000	97,850	0	97,850	97,850	39.79%
Dept Dental Society Svcs Core	26,070	35,550	56,285	0	56,285	56,285	58.33%
Committee on New Dentist	307,731	272,500	290,000	0	290,000	290,000	6.42%
Dept of Membership Marketing	0	0	15,000	0	15,000	15,000	0.00%
Department of Membership Info	35,000	72,000	74,000	0	74,000	74,000	2.78%
Dental School Programs	100,000	140,000	140,000	0	140,000	140,000	0.00%
Office of Student Affairs	5,000	0	0	0	0	0	0.00%
Total Revenues	569,301	650,050	713,135	0	713,135	713,135	9.70%
Expenses							
Sr. VP Membership & DSS	461,173	425,050	558,010	0	558,010	439,902	-3.49%
Membership Initiative	689,212	708,600	829,944	0	829,944	679,242	4.14%
Dept Dental Society Svcs Core	803,852	791,500	1,154,288	35,818	1,190,106	855,219	-8.05%
Council on Membership Admin.	328,840	826,950	947,584	0	947,584	822,839	0.50%
Member Service Center	830,426	838,500	1,347,064	0	1,347,064	855,812	-2.06%
Committee on New Dentist	462,082	509,300	578,949	0	578,949	511,075	-0.35%
Dept of Membership Marketing	483,952	555,150	692,126	85,000	777,126	635,616	-14.49%
Creative Services CC	152,530	0	0	0	0	0	0.00%
Department of Membership Info	860,080	916,350	1,303,836	0	1,303,836	907,698	0.94%
Dental School Programs	153,859	139,250	168,710	0	168,710	168,710	-21.16%
Office of Student Affairs	480,953	507,650	572,734	0	572,734	469,975	7.42%
ADA Pavilion CC	31,781	0	0	0	0	0	0.00%
Marketing Comm & Branding	171,721	0	0	0	0	0	0.00%
Total Expenses	5,910,461	6,218,300	8,153,245	120,818	8,274,063	6,346,088	-2.05%
Net							
Revenue/(Expenses)	(5,341,160)	(5,568,250)	(7,440,110)	(120,818)	(7,560,928)	(5,632,953)	-1.16%

The proposed 2012 base budget for this division reflects an increase in net expenses versus 2011 of \$64,703 or 1.16%. The increase in revenue is due to the 2012 budget assuming corporate sponsorship for the Federal Dental Service annual session reception and the Annual Conference on Membership Recruitment and Retention. The 2012 budget also includes revenue from fees charged registrants of the Annual Conference on Membership Recruitment and Retention and President-Elects Conference. Base budget expenses are virtually flat from 2011. Some savings are anticipated through the reduction of the student block grant program, elimination of temporary assistance for Find-A-Dentist, a critical issues survey and travel associated with ADA Pavilion to regional dental meetings. It should be noted that the departments of Creative Services, ADA Pavilion and Marketing Communications and Branding were transferred out of this division in April of 2010 as part of an internal reorganization that resulted in creating a division of Communications & Marketing.

1 The following decision packages are funded, resulting in an increase in expenses:

- 2
- 3 • \$27,930 to fund a Diversity Leadership Event. This package positions ADA to help support one of the
4 major prospects for joint action emerging from the 2010 National Summit on Diversity in Leadership,
5 which brought together leaders from the Society of American Indian Dentists (SAID), the National Dental
6 Association (NDA), the Hispanic Dental Association (HDA), and the ADA. In subsequent conference
7 calls, the presidents of the four associations have agreed in principle to a joint leadership program at the
8 combined annual meeting of HDA, HDA and SAID, set for July 2012. Top leaders, emerging leaders,
9 and other members would all be excellent participants. Outcomes should include new insights to
10 common ground for joint action by the organizations, and more collegial relationships among leaders and
11 others from the associations.

12
13 It is proposed that \$27,930 be approved to cover half of the estimated speakers' cost, plus travel and
14 registration fees for the ADA president, president-elect, executive director, Diversity Committee of the
15 Board (four leaders), and three staff to support the event and the ADA representatives.

- 16
- 17 • \$7,888 to fund Diversity and Inclusion Training for the Board of Trustees. Building on the 2011 program,
18 which was recommended by the Diversity Committee and approved by the Board, this program will
19 continue advancing the Board's capacity to lead ADA as a highly diverse, inclusive association whose
20 members serve increasingly diverse communities.

21
22 This will be a half-day program, part of Board orientation in August 2012.

- 23
- 24 • \$85,000 to conduct a study on Membership Values and Loyalty. The ADA conducted a member value
25 and loyalty study in 2005, with a follow-up study of new members in 2006. Those studies focused on
26 member perceptions of value received at all three levels of the tripartite and determined drivers of
27 member value related to national ADA benefits, with minimal consideration given to state or local dental
28 society benefits ("state and local meetings" served as the proxy).

29
30 The nationwide member value and loyalty research would be a more robust survey, customized to each
31 constituent dental society. The questions related to benefits at the national level would be consistent in
32 all versions. The ratings of constituent-level and component benefits would vary according to the
33 constituent dental society and these questions would be developed in collaboration with each constituent
34 society.

35
36 This research would provide an updated look at the relative value of ADA member benefits on the
37 national level, as well as provide each constituent dental society with information on the relative value of
38 member benefits at the constituent and component level. The research would allow an overall
39 assessment by constituent society of the key drivers of member value. Performance ratings of national,
40 constituent and component member benefits would also be addressed. In addition to an overall report,
41 each constituent dental society would receive a report to address findings for members in that state.
42 Survey results will assist in supporting both recruitment and retention efforts.

43
44

Division of Conference and Meeting Services

The Division of Conference and Meeting Services plans and coordinates the annual session, provides meeting and event services across the Association, coordinates the use of in-house conference facilities, oversees operations of in-house food services, and coordinates travel and accommodations for volunteers and staff. The greatest proportion of divisional activity is directed toward the annual session with the Council on ADA Sessions. The annual session provides the dental community with a broad spectrum of professional, educational and social activities, connecting grassroots members with the ADA in one of the most tangible ways. Planning and production of this event is a collaborative effort of staff, volunteers, and contractors, and includes a myriad of activities such as marketing, promotion, registration, ticket sales, exhibit booth sales, sponsorship, program coordination and publication production.

**DIVISIONAL SUMMARY WORKSHEET
CONFERENCE & MEETING SERVICES**

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Council on ADA Session	8,956,258	10,737,400	11,630,703	0	11,630,703	11,630,703	8.32%
Conference Services	545,655	406,300	510,250	0	510,250	510,250	25.58%
Meeting Room Management	86,917	130,500	66,250	0	66,250	66,250	-49.23%
Total Revenues	9,588,830	11,274,200	12,207,203	0	12,207,203	12,207,203	8.28%
Expenses							
Managing VP Conference Services	271,607	295,200	396,253	0	396,253	291,195	1.36%
Council on ADA Session	5,665,100	6,261,150	8,240,408	0	8,240,408	7,791,002	-24.43%
Conference Services	1,100,462	1,109,550	1,533,993	0	1,533,993	1,203,691	-8.48%
Meeting Room Management	59,338	83,450	73,400	0	73,400	73,400	12.04%
Total Expenses	7,096,507	7,749,350	10,244,054	0	10,244,054	9,359,288	-20.78%
Net Revenue/(Expenses)	2,492,323	3,524,850	1,963,149	0	1,963,149	2,847,915	-19.20%

The Division of Conference and Meeting Services budget for 2012 reflects a decrease of \$676,935 or 19.2% in net revenue. Revenue increased by \$933,003 but expenses increased by \$1,609,938. This large increase in expenses is primarily due to the large society reimbursement paid to the California Dental Association for merging their large fall meeting into annual session, budgeted at \$1,400,000. Therefore, excluding the CDA reimbursement, total expenses have only increased by \$209,938 or 2.7% increase.

Revenue is projected to increase as a result of increasing exhibit space rental fees, advertising revenue housing rebate revenue and miscellaneous registration fees. The increase in exhibit space rental is due to increasing the fees charged for booth space at annual session. The increased fee for San Francisco is needed to help offset the cost of the significant site distribution expense that is paid to the California Dental Association (CDA). The increase in advertising revenue is due to a new product launch in 2012 that includes advertisements. Housing rebate revenue is projected to increase in 2012 based on an increase in the contracted blocks with the hotels in San Francisco and higher room rates. Revenue in the department of Conference Services appears to be increasing by 25.58% but this is just a budgeting correction for 2012.

Conference Services coordinates the President-Elect campaign functions and collects revenue from the candidates to cover the exact costs of the receptions. Overall, campaign receptions are budget neutral but are increasing both revenues and expenses in the 2012 budget. Partially offsetting the increase in revenue is a decline in royalty revenue in the Meeting Room Management Department due to declining revenue associated with the Café and catering business. The Café and catering is managed by an outside vendor and the ADA receives a royalty based on the revenue generated annually.

The increase in expenses is largely due to the site distribution expense increasing by \$1,365,000. The ADA, based on policy, is responsible for reimbursing the state and local societies for cancelling their annual meetings or for lost net revenue. CDA hosts a large meeting so the reimbursement is significant in 2012 versus 2011 where the Nevada state and local societies do not host an annual trade show. Additionally, increases in compensation expense are expected as a result of staff turnover. Also contributing to the increase in expenses is an increase in labor and meeting set-up costs because San Francisco labor rates are higher than the rates in Las Vegas.

Headquarters Building

The Headquarters Building houses the majority of ADA staff in a premier location in Chicago. Approximately half of the building is rented to outside tenants. Jones Lang LaSalle provides day-to-day building management services, as well as providing or coordinating property construction management, janitorial, security, and leasing services.

DIVISIONAL SUMMARY WORKSHEET HEADQUARTERS BUILDING

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
Headquarters Building	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Total Revenues	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Expenses							
Headquarters Building	4,443,472	4,802,400	5,137,925	0	5,137,925	5,012,822	-4.38%
Total Expenses	4,443,472	4,802,400	5,137,925	0	5,137,925	5,012,822	-4.38%
Net Revenue/(Expenses)	(644,254)	(833,050)	(1,329,681)	0	(1,329,681)	(1,204,578)	-44.60%

Projected revenues for the Headquarters Building are expected to decrease by \$161,106 to \$3,804,244 when comparing 2012 to 2011. The reduction in revenue is partially due to straight line rent accrual (required by Generally Accepted Accounting Principles to spread the impact of rent abatements and escalations over the life of tenant leases). Additional rent revenue loss is anticipated due to Suite 1020 not renewing and rent abatement due to 2 lease renewals. Expenses are expected to increase by \$210,422 to \$5,012,822 when comparing 2012 to 2011. The increase in expenses is partially due to a projected increase in property taxes. Additionally, costs for building services are expected to increase in 2012. Finally, depreciation expenses for building assets being requested in 2012 are now being budgeted in the division that is purchasing the assets. In prior years, all depreciation was budgeted in Central Administration.

Washington DC Building

The Washington DC Building houses the majority of ADA Government Affairs staff. Ten of the twelve floors are rented to outside tenants. Borger Management provides day-to-day building management services as well as providing or coordinating property construction management, janitorial, security, and leasing services.

**DIVISIONAL SUMMARY WORKSHEET
WASHINGTON DC BUILDING**

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Base Budget	Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Washington DC Building	1,554,872	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Total Revenues	1,554,872	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Expenses							
Washington DC Building	881,438	791,850	870,363	0	870,363	870,363	-9.92%
Total Expenses	881,438	791,850	870,363	0	870,363	870,363	-9.92%
Net Revenue/(Expenses)	673,435	882,600	799,730	0	799,730	799,730	-9.39%

The Washington DC Building net revenue for 2012 is projected to be unfavorable by \$82,870 when compared to 2011. Revenue is relatively flat when compared to 2011. Expenses are expected to increase by 9.92% largely due to an escalation in property taxes and building management fees. Additionally, depreciation expenses for building assets being requested in 2012 are now being budgeted in the division that is purchasing the assets. In prior years, all depreciation was budgeted in Central Administration.

Division of Finance and Operations

Finance and Operations supports the financial, accounting, investing and budgeting activities within the Association. These efforts are supported by volunteers who serve on the Budget and Finance Committee, as well as the Board of Trustees. Finance also assists the Board and House in fulfilling their fiduciary responsibilities through audited financial statements and other reports, as well as financial oversight.

Central Services, Duplicating, Shipping and Receiving provide administrative support services to the Association through centralized purchasing, processing of mail, managing the receiving dock, providing in-house photocopying and printing services.

The Council on Members Insurance & Retirement Programs is also housed here. This program provides valuable member benefits through its insurance and retirement products.

**DIVISIONAL SUMMARY WORKSHEET
FINANCE & OPERATIONS**

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
Chief Financial Officer	1,539,380	1,729,000	1,563,000	0	1,563,000	1,563,000	-9.60%
Central Services	16,522	21,000	13,000	0	13,000	13,000	-38.10%
Council on Mbr Ins & Rtrmt Prg	965,431	1,092,500	1,029,900	0	1,029,900	1,029,900	-5.73%
Total Revenues	2,521,333	2,842,500	2,605,900	0	2,605,900	2,605,900	-8.32%
Expenses							
Chief Financial Officer	361,888	367,650	490,628	0	490,628	373,014	-1.46%
Accounting Department	1,565,374	1,713,050	2,532,364	0	2,532,364	1,694,958	1.06%
Central Services	901,700	928,500	1,504,249	0	1,504,249	974,279	-4.93%
Council on Mbr Ins & Rtrmt Prg	673,318	738,600	755,845	0	755,845	622,431	15.73%
Total Expenses	3,502,280	3,747,800	5,283,086	0	5,283,086	3,664,682	2.22%
Net Revenue/(Expenses)	(980,947)	(905,300)	(2,677,186)	0	(2,677,186)	(1,058,782)	-16.95%

The 2012 net base expense for the Division of Finance and Operations is unfavorable by \$153,482. Revenue declined by \$236,600 and expenses declined by \$83,118. The decline in net expense is largely due to a projected decrease in interest and dividends on Operating Cash and Reserve Fund assets. Interest and dividends projections are based on anticipated short-term interest rates and market conditions. Additionally, the royalty revenue and reimbursement revenue from the insurance programs are projected to decline in 2012. The reduction in expenses is mainly due to the tax/fringe expense in the Council on Members Insurance and Retirement Program (CMIRP). CMIRP is the one department that had a portion of their taxes/fringes charged to their department due to the reimbursement of overhead expenses of the program from the vendor. The 2012 budget backed out the entire tax/fringe expense which artificially creates an unfavorable variance when comparing budgets. Partially offsetting the decline in expenses is the Central Services department budgeting for office equipment and repair cost in 2012. These expenses were budgeted in Central Administration in prior years.

Central Administration

Central Administration combines into one area those revenue and expense activities that do not directly relate to any one division but rather reflect upon the Association in its entirety. These include membership dues revenue, royalty income, endorsement costs, depreciation, grants and the like. Additionally, travel and compensation savings are also budgeted in Central Administration. It should be noted that as a result of the Hyperion implementation, fringe benefits starting in 2012 have been budgeted at the departmental level throughout the ADA. You will notice that the 2010 actual and 2011 budget columns still include budget for these expenses. The new method of budgeting could only be done starting with the 2012 budget. You can find an association-wide comparison of fringe benefit and payroll tax expense in the Natural Account Summary on page 2005 of this report.

1 **Travel Savings:** For 2012, Association-wide travel savings are budgeted to be \$450,000, which is equal to
2 the 2011 budget. Invariably, actual travel costs incurred and trips taken do not coincide with budgeted levels
3 due to various factors. Since these events are difficult to project on a divisional basis, an estimate has been
4 developed for the organization as a whole based upon historical experience.
5

6 **Compensation Savings:** In 2012, compensation savings of \$1,200,000 are projected as a result of normal
7 staff turnover which is consistent with the 2011 budget. Similar to travel savings above, an estimate has been
8 developed for the organization as a whole since projections at a divisional level would be difficult.
9

**NATURAL CATEGORY ANALYSIS
CENTRAL ADMINISTRATION**

	2010 Actual	2011 Budget	2012 Budget	Percent Change Fav/(Unfav)
<u>Revenues</u>				
Membership Dues	53,725,594	53,942,300	54,064,167	0.23%
Royalties	2,759,196	2,332,100	2,467,850	5.82%
Investment Income	338,854	900,000	500,000	-44.44%
Other Income	790,696	810,300	426,600	-47.35%
Total Revenues	57,614,340	57,984,700	57,458,617	-0.91%
<u>Expenses</u>				
Total Salaries and Temporary Help	1,021,363	(852,350)	(500,000)	41.34%
Total Payroll Taxes	2,505,563	2,665,900	0	100.00%
Total Fringe Benefits	14,654,468	17,016,700	700,500	95.88%
Total Travel Expenses	0	(450,000)	(450,000)	0.00%
Printing, Publication & Marketing	1,988	0	0	0.00%
Consulting and Outside Services	67,816	40,000	40,000	0.00%
Professional Services	22,693	0	22,500	-100.00%
Bank & Credit Card Fees	452,855	468,100	464,000	0.88%
Office Expenses	40,399	8,500	6,500	23.53%
Facility & Utility Costs	8,426	7,000	8,500	-21.43%
Grants and Awards	35,000	85,000	85,000	0.00%
Endorsement Costs	487,824	448,900	500,000	-11.38%
Depreciation/Amortization	6,446,157	6,115,700	5,893,800	3.63%
Other Expenses	295,919	306,400	295,001	3.72%
ADA Foundation - Grant	3,370,136	3,560,250	2,951,202	17.11%
Total Expenses	29,410,607	29,420,100	10,017,003	65.95%
Net Revenue/(Expenses)	28,203,733	28,564,600	47,441,614	66.09%

Revenues in 2012 are expected to decline slightly to \$57,458,617 in 2012 from \$57,984,700 in 2011 due to a reduction in the amount budgeted for appreciation/depreciation of deferred compensation investments, which has an offsetting expense in the Staff Compensation category of expenses. Also contributing to the decline is a reduction in other income as a result of reclassifying overhead recovery from ADA Foundation from the other income line to offsetting the grant expense line. Partially offsetting the decline is a modest increase in membership dues and \$135,750 increase in royalty revenue related to the *ADA Business Resources* program. For 2012, total expenses are \$10,017,002 versus \$29,420,100. This significant decline in expenses is due to all payroll tax and fringe benefit except for workmen's compensation, life insurance and union dues costs shifting to individual departments association-wide in 2012. This was done as part of the Hyperion system being implemented that allows the ADA to allocate tax and benefit costs at the department level. This provides the ADA with a mechanism to report fully loaded costs at the programs/activity/project

level. Additionally, depreciation expense for any new assets will be budgeted at the department level. Depreciation for assets budgeted and purchased prior to 2012 is still budgeted in Central Administration.

If all the payroll tax and fringe benefit costs except workers compensation insurance and union dues were backed out the total budgeted expense for 2011 would be \$10,655,400. Comparing 2012 total expenses of \$10,017,002 to the updated 2011 total of \$10,655,400 shows a decline in expenses for 2012. The decline is attributable to the depreciation on assets approved for purchase in 2012 being budgeted in the departments requesting the asset purchases. Detailed explanations of the above mentioned variances are noted in the following paragraphs.

Membership Dues: Since membership dues are the result of all activities of the Association, they are recorded in this area. The explanation of the 2012 budget for membership dues is presented on Page 2006, Lines 6-15. Dividing this budgeted dues amount by the full dues rate calculates a number for full dues equivalent members.

	2011	2012
Membership dues budget (before dues rebate & prior year dues)	\$53,877,300	53,950,167
Dues Rate	505	505
Full dues equivalent members	106,688	106,832
Rounded	106,700	106,850

Dues revenue includes an offset for the dues rebate paid to constituent dental societies that submit their dues to the Association in December, January, or February. This rebate is expected to decrease to \$5,000 in 2012 from \$25,000 in 2011. Rebates on dues are lower in 2012 due to short term interest rates remaining low.

Royalties: Royalty income is derived from monies received through the *ADA Business Resources* program. The ADA receives approximately 55% of the gross program royalties. Such income is expected to increase from \$2,332,100 in 2011 to \$2,467,850 in 2012. ADA Business Resources revenue was increased in all business lines including credit card, practice financing and patient financing royalties.

Investment Income: Projected revenue of \$500,000 for 2012 relates to the appreciation/depreciation of deferred compensation investments and fluctuates on an annual basis. There is an offsetting expense in the Staff Compensation category of expenses.

Other Income: Projected base budget revenue in 2012 represents a 47.35% decrease when compared to 2011 for this category. The reduction is primarily due to reclassifying overhead recovery from ADA Foundation as an offset to the grant expense, so that the grant to ADA Foundation is shown as a single line in the 2012 budget.

Expenses

Expenses in Central Administration are largely depreciation expense and Grants to the ADA Foundation and various other organizations. It also includes compensation and travel savings, which offset costs to account for open staff positions and budgeted trips that are not taken.

Total Salaries and Temp Help: This category includes an expense offset of \$1,200,000 for compensation savings and \$700,000 to cover service awards, off cycle salary increases and severance pay.

Fringe Benefits: This category includes expense associated with the appreciation/depreciation of deferred compensation investments. There is offsetting revenue in the Other Income category. Furthermore, this category includes budget dollars for workers compensation insurance and union benefits for the building engineers that are ADA staff.

Professional Services: This category includes investment consulting advisory fees related to the ADA operating and reserve investment portfolios..

Bank & Credit Card Fees: This category includes expenses for bank and credit card transaction fees and reimbursements to state and local societies for credit card fees from ADA membership dues collection. Expenses in this category showed no significant change.

Grants and Awards: This category includes grants to the Dental Lifeline Network, the Alliance of the ADA and the Samuel D. Harris Museum of Dentistry. Expenses are consistent with the 2011 budget.

Endorsement Costs: This category represents revenue sharing monies paid to state societies that participate in the *ADA Business Resources* program. The increase is a direct result of the increase in royalty revenue earned through the program.

Depreciation and Amortization: This category shows a decrease from \$6,115,700 in 2011 to \$5,893,800 in 2012. The decline is attributable to the depreciation on assets approved for purchase in 2012 being budgeted in the departments requesting the asset purchases.

Other Expenses: The largest component of this category is general insurance. The decline in expenses in this category is due to bringing the budget for general insurance premiums more in line with 2010 actual expenses.

ADA Foundation Grant: The ADA grant to the Foundation is budgeted at \$2,951,202 compared to the 2011 budget of \$3,560,250.

Contingency Fund

Annually the ADA budget includes monies for Contingency items. These items are for unanticipated expenses that come up after the budget is approved by the House of Delegates. Because the ADA budget is developed many months in advance of the actual calendar year, there is need to have a contingency fund to handle requests for additional funding throughout the year.

Prior to each Board of Trustees meeting, staff is asked if any contingency fund requests need to be presented to the Board of Trustees for approval. The requests that are submitted are provided to the Finance and Budget Committee who evaluate the requests and provide the Board of Trustees with their recommendation on each individual request. The Board of Trustees then votes to approve or deny each individual request.

The 2012 budget includes \$1,000,000 for Contingency fund requests which is the same amount as budgeted in 2011.

**DIVISIONAL SUMMARY WORKSHEET
CONTINGENCY FUND**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Change
<u>Revenues</u>							Fav/(Unfav)
Contingency Fund	27,106	0	0	0	0	0	0.00%
Total Revenues	27,106	0	0	0	0	0	0.00%
<u>Expenses</u>							
Contingency Fund	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Total Expenses	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Net Revenue/(Expenses)	(665,926)	(1,000,000)	(1,000,000)	0	(1,000,000)	(1,000,000)	0.00%

Division of Information Technology

The Division of Information Technology is comprised of three technology-related departments, Application Development, Technology Architecture & Database Administration and Internet & Intranet Systems, which provide cost-effective technology and telephone support to the Association and its divisions in Chicago, and Washington DC through a number of PC, Web and LAN-based application systems, office automation, and network services. In addition, these departments provide technology support to the tripartite through the Tripartite System and directly to members and the public through ADA.org on the Internet. They also provide technology support to the Association's revenue-generating programs. This division is also comprised of one administrative department, Office of the Chief Technology Officer, which provides the leadership and support for the Association's technology resources provided by these three departments.

These department budgets are meant to fund ongoing daily operations. Although cost saving measures are important in managing this functional area, it is critical that periodic upgrades and replacements occur to maintain and enhance service levels. If the technology environment is not kept relatively current, eventual replacement would come at a much higher cost in the future.

**DIVISIONAL SUMMARY WORKSHEET
INFORMATION TECHNOLOGY**

	2010	2011	2012	2012	2012	Percent	
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
<u>Revenues</u>							
<u>Expenses</u>							
Chief Technology Officer	522,226	634,900	822,605	9,555	832,160	655,067	-3.18%
Dept of Information Technology	2,184,114	2,241,750	3,160,963	154,974	3,315,937	2,599,062	-15.94%
Dept of Application Development	2,043,050	2,294,500	3,310,360	574,441	3,884,801	3,145,134	-37.07%
Internet & Intranet Services	1,028,948	1,138,700	1,840,002	117,305	1,957,307	1,565,683	-37.50%
Total Expenses	5,778,338	6,309,850	9,133,930	856,275	9,990,205	7,964,946	-26.23%
Net Revenue/(Expenses)	(5,778,338)	(6,309,850)	(9,133,930)	(856,275)	(9,990,205)	(7,964,946)	-26.23%

The net expense budget for the Division of Information Technology increased by \$1,655,096 or 26.23%. The increase in expenses is partially due to funding of nine decision packages totaling \$856,275 in operating expenses and \$630,225 in capital. The decision package totals detailed in the chart only include the operating component of the decision packages. Also contributing to the increase in expenses is the 2012 base budget including operating expenses associated with phase II of the PeopleSoft upgrade. In 2012, the Human Resources system is scheduled to be upgraded with an added \$137,640 in operating expenses and \$321,150 in capital. In 2011, the PeopleSoft financial system is being upgraded but that funding is not included in the 2011 budgeted totals because this project was funded via the special assessment and is tracked separately from the operating budget.

Also contributing to the increase in expenses is an increase in Software maintenance in the department of Application Development due to the addition of applications not previously funded within this budget. These items include Aptify, Hyperion and Decision Lens which were budgeted through the special assessment in 2011. The remaining funds are for software maintenance on existing systems. Software maintenance fees increase about 4% annually so this increase was added to existing maintenance fees that have been funded within this line item annually. Furthermore, in the department of Internet & Intranet Systems funding was added back to complete the Content Management System (CMS) replacement implementation and for unplanned projects that require hiring outside IT consulting to assist with completing these unanticipated requests. Software maintenance has increased from 2011 due to the addition of new applications that will replace the current CMS and Web Analytics software tool. In 2012, maintenance will be paid on the existing applications until the replacement applications are in production. The maintenance costs associated with the old applications will be deducted from the 2013 budget. In addition, the Division of Information Technology budgeted \$116,150 for functional training (staff development). In prior years, these costs were budgeted in the department of Human Resources within the division of Administrative Services. Finally, \$57,344 of capital depreciation related to new capital purchases was added to the base budget. In prior years, these costs were budgeted in Central Administration.

The following decision packages are recommended for funding:

- \$9,555 to fund the expansion of the Business Continuity Plan. The purpose of this decision package is to expand the Business Continuity Plan (BCP) by purchasing safety-related products for the Chicago Headquarters Building, the Washington DC Office and the Paffenbarger Research Center as recommended by the BCP consultant firm, Attanium Consulting. This decision package would be accomplished by purchasing Automated External Defibrillators, First Aid Kits, Reflective Vests for Floor Safety Captains and thumb drives for ready access to the BCP material for the Emergency Management Team (EMT) and Crisis Management Team (CMT).

- \$154,974 to fund a Security Analyst position. The purpose of this decision package is to request a new full-time Security Analyst staff position to support the security requirements that will ensure the ADA's technology infrastructure remains secure.

The security requirements of the Division of Information Technology have increased over the past few years. More systems have exposure to the Internet and complex new systems are being added in 2011 and 2012. The ADA is making ADA data more available on the internet and this trend is expected to increase in the future. Other organizations and individuals attempt to obtain this data even when roadblocks are put in the way. Security threats are more frequent, more serious, and more sophisticated. Regulations such as HIPAA and PCI have become stronger and more complex. Tools that allow would-be intruders to attempt break-ins are readily available and allow people who do not have extensive technical skills to make these attempts. IT staff have always made security fixes a high priority, but no one is dedicated to this responsibility. Security issues regularly pop up and unexpectedly take a significant portion of several staffers' time, which takes time away from day-to-day responsibilities and other job-related projects already in their queue.

The February 2011 McGladrey audit recommended increased attention to security issues, such as server patching. A new full-time staff person will ensure that these anticipated audit points are addressed as well as provide dedicated and improved security support. This ensures that infrastructure security as a whole is being addressed.

- \$110,090 to fund a Senior Application Developer position. The purpose of this package is to request the funding to hire a full-time Senior Application Developer to maintain and support Aptify, the Association's Order Management, Membership Management and eCommerce application (i.e. AMS Association Management Software). This new software application is scheduled to be implemented in late 2011 and will replace Siebel for Order Management and eCommerce. The software implementation is scheduled to continue into 2012 and will replace the Tripartite System, currently used by the ADA, 40 Constituents and 65 Component Societies.

This person will be responsible for the analysis and development efforts to maintain, support and enhance the AMS as well as all interfaces to existing core ADA applications in order to meet the ADA's business needs. In addition, this person will define business and technical requirements; define and develop technical design; develop user acceptance and support documentation, develop and implement workflow and template updates; provides written technical documentation for existing software configuration and configurations under development. This staff person works closely with the AMS Project Manager and with all appropriate ADA staff to develop streamlined applications.

- \$119,951 to fund a Database Administrator position. The purpose of this decision package is to request a new full-time staff position for a Database Administrator (DBA) to support the system databases used by ADA computer programs.

1 This decision package will be accomplished by hiring a second full-time staff person dedicated to the
2 support and maintenance of Microsoft SQL Server databases used by ADA computer programs. This
3 new DBA position will work closely and collaboratively with the current DBA on day-to-day operations,
4 which includes night and weekend activities to ensure jobs run and systems do not shut down.

- 5 • \$196,815 to fund the replacement of the FileWeb system (\$170,000 is allocated to operating expenses
6 and \$26,815 is allocated to capital expenditure). The purpose of this decision package is to request the
7 necessary funding to retain outside IT consulting services to assist IT staff with the initial planning phase
8 to replace the Association's document management system (ADA FileWeb). This phase would include
9 establishing a cross-divisional ADA Work Team that would provide input on features and functionality
10 required to meet the ADA's business needs. Interviews would be conducted with ADA divisions to obtain
11 a better understanding of their needs so the best solution can be selected and implemented. The Work
12 Team will also be involved in product evaluations, product selections and conversion planning. It is
13 anticipated that this planning phase will take about six (6) months to complete. This planning phase will
14 provide IT with a more thorough and accurate understanding of the work effort and costs associated with
15 purchasing and implementing a new document management system. These costs would be presented in
16 a decision package in the 2013 budget.

- 17 • \$163,145 in total expense to fund the purchase of additional Microsoft SharePoint licenses. Of the total,
18 \$37,530 is allocated as an operating expense and \$125,615 as capital. The purpose is to expand the
19 knowledge management and collaboration systems to provide stability, enhance collaborative services
20 and provide broader access to these systems for Committees, Workgroups and program participants.

21 The knowledge management and collaboration environments can be enhanced by purchasing and
22 implementing additional software to provide redundancy and enhance system performance. Some of
23 these enhancements include extended mobility, Workgroup communication, meeting management,
24 instant messaging capabilities and the addition of special interest information for personal profiles called
25 "my sites".

- 26 • \$42,350 in total expense to fund an LMS Authoring Tool. In 2012, the ADA learning activities for web
27 delivery will be identified and standard ADA course development procedures will be defined and
28 implemented to support the development of course curricula.

29 The authoring software tool selected will be compliant with the Aptify eLearning module that is currently
30 owned by the ADA to ensure that the curricula developed can be delivered via the Association
31 Management System. ADA staff will review and access software packages such as Adobe Captivate and
32 Tech Smith Camtasia for compatibility and functionality prior to purchase.

33 Beginning in 2013, the courses developed with the selected authoring software tool will be migrated to the
34 Aptify eLearning module to accommodate the termination of the contract with IMV, the vendor that
35 currently hosts ADA CE Online. The migration to the AMS will allow the ADA to capture a significantly
36 higher proportion of online CE course fees and gain control over the policies and protocols for course
37 delivery.

38 This activity will be in the first phase in developing the ADA's capacity for internal management of ADA
39 CE Online. CELL and IT staff anticipate submitting a joint decision package in the 2013 budget cycle that
40 will address the configuration of Aptify software to meet the ADA's eLearning requirements for the
41 implementation and ongoing management of these new learning activities.

- 42 • \$97,850 in total expense to fund the platform to build an internal mobile development and deployment
43 capability. Of the total, \$37,425 is allocated as an operating expense and \$60,425 as capital. This will
44 allow the ADA to incorporate support for mobile devices including smart phones (Apple iPhone,
45 Blackberry, and Droid), tablets (Apple iPad and Droid Xoom and eReaders (Apple, Amazon, Sony, and

Barnes and Noble); develop applications and content that can be exploited on those platforms; and a supply chain that can enable easy delivery of ADA commercial assets utilizing these platforms. To stay relevant, this capability would need to be upgraded and analyzed regularly to include expert resourcing to provide quality assurance and recommend innovations. Lastly, this could also involve partnering with an outside party to provide additional resourcing on a contract basis to supplement the ADA development capacity.

This would be accomplished by building a development platform with the appropriate tools; purchasing test devices representative of the ADA's target market and demand; developing an electronic store delivery and integration to the ADA's website and eCommerce website and provide device and application support.

- \$558,000 in total expense to fund conversion of the existing Tripartite System (TS) to Aptify, the Association's new Association Management system being implemented in 2010. Additionally, this package will fund implementing two pilot tripartite sites currently using TS and pilot two online event registrations on Aptify. Of the total \$174,400 is operating expense and \$383,600 is capital.

In 2010, a Feasibility Study was conducted to find a software application that could replace the customer relationship management and order management/eCommerce functionalities provided by Siebel since 2004. An ADA Work Team was established that included staff from the various departments actively using Siebel to conduct their day-to-day business. Requests for Information (RFI) were sent to six (6) potential vendors, which the Work Team narrowed down to two (2) vendors as potential replacements by mid-year 2011. The study was further expanded to determine if either of the vendors could also provide additional functionality needed by other ADA Divisions, but not readily available in Siebel. The Work Team concluded that Aptify Association Management Software could be used to replace the functionality provided by Siebel and provide additional capabilities not available in Siebel. A final piece was researched to determine if Aptify could replace the Tripartite System, currently used for membership management activities at the ADA Headquarters, 40 State societies and 65 Local societies. To complete the research, the Work Team was expanded to include TS experts within the ADA to represent TS users across the Tripartite as the Aptify membership functionality was explored. In December 2010, the Work Team concluded that Aptify was a fit and recommended that Aptify replace TS.

In February 2011, a pricing agreement was reached with Aptify that would allow the ADA to purchase software licensing for an unlimited numbers across the Tripartite. The software licensing costs are currently funded in the 2011 Special Assessment Fund. Since the research to potentially replace TS was conducted after the 2011 budgets were prepared, funding was not included to cover the implementation costs to replace TS with the new Association Management System.

Division of Dental Practice/Professional Affairs

The Division of Dental Practice/Professional Affairs includes the Council on Dental Practice (CDP), the Council on Dental Benefit Programs (CDBP), the Council on Access, Prevention and Interprofessional Relations (CAPIR) and the Department on Dental Informatics (DDI).

Several subcommittees and work groups support the Council on Dental Practice, including the Dental Team Advisory Panel; the Subcommittee on Workforce Issues; the Subcommittee on the Future of Dental Laboratory Technology; the Subcommittee on Economic Issues; the Subcommittee on Comparative Effectiveness Research; the Subcommittee on "Going Green," the Subcommittee on Dental Assistant Training, the Subcommittee on Practice Patterns and Transitions; and the Electronic Health Record Members Advisory Group, which are included in the Council's administrative budget. The Dentist Well-Being Advisory Committee, the Well-Being Task Force and the Ergonomics and Disability Support Advisory Committee are included in the Dentist Health and Wellness budget, which falls under the auspices of the Council. In addition, the CDP has been tasked with the administration of the Hillenbrand Fellowship Program and maintains the Dental Practice Hub on ADA.org. The Council is also responsible for issues related to

1 emergency preparedness and disaster recovery in the dental office, as well as monitoring future trends
2 related to teledentistry. The Council's primary focus involves the development and dissemination of dental
3 practice management and marketing information to assist dentists in the efficient operation of their dental
4 practices.

5 The Council on Dental Benefit Programs is supported by the Dental Codes Maintenance and Development,
6 Dental Benefit Information Service (DBIS) and the Office of Quality Assessment and Improvement (QA&I)
7 program areas, which are displayed as separate budgets within the Council. The Council also has a newly
8 formed SNODENT/EHR Vocabulary Subcommittee that develops recommendations regarding the Council's
9 responsibility for oversight of the SNODENT development process. Lead staff support for the SNODENT
10 activities is provided by the Department of Dental Informatics. This Council focuses on dental benefit design,
11 problem solving for and education of members regarding dental insurance, maintenance of the procedure
12 codes and ADA claim form, and providing peer review program guidelines and workshops. Dental Code
13 Maintenance and Development is concerned with maintaining the ADA's *Code on Dental Procedures and*
14 *Nomenclature* and provides the technical content for various code-related publications and educational
15 seminars, including new online courses. This program area also provides staff support to the ADA Code
16 Revision Committee. The DBIS area provides a resource on the vast array of dental benefit plans, develops
17 educational materials, including an online course and interacts with third-party payers. QA&I manages peer
18 review education and provides research and analysis on a variety of quality and risk associated topics. CDBP
19 has also been assigned the Dental Quality Alliance and facilitates its work now that it has become a
20 functioning entity.

21 The Council on Access, Prevention and Interprofessional Relations' primary purpose is to broaden the scope
22 of oral health care within the total health care system; promote preventive dentistry as a cornerstone of oral
23 health care; provide leadership, vision and coordination of the ADA's activities in the areas of access to dental
24 care for specific population groups such as the elderly, those living with special health care needs, those
25 living with medical co-morbidities, geographically isolated, the economically disadvantaged and others; to
26 assist constituent and component societies in assessing oral health needs; identifying gaps and building
27 community oral health infrastructure and capacity; to promote and support population-based preventive health
28 interventions; to promote interdisciplinary understanding, cooperation and education on behalf of the dental
29 profession, other health care organizations and the public; to promote the role of dentistry and dentists in the
30 overall health care system; to promote community outreach and cultural competence; and to support the
31 American Indian/Alaska Native Dental Placement Program, National Children's Dental Health Month and the
32 Give Kids A Smile expansion. Program activities are reflected in the respective cost centers within the
33 Council, which include CAPIR Administration; Fluoridation and Preventive Health; Interprofessional
34 Relations; Access, Community Oral Health Infrastructure and Capacity; Community Outreach and Cultural
35 Competence; Geriatric Oral Health; and Children's Oral Health which includes both the Give Kids A Smile
36 program and National Children's Dental Health program. CAPIR also has been assigned oversight for the
37 Community Dental Health Coordinator Pilot Program.

38 The role of the Department of Dental Informatics (DDI) is to apply information technology to administrative
39 and clinical workflows in dentistry. The primary objective of dental informatics is to improve patient care and
40 increase administrative efficiency through the use of information technology. The DDI continues to serve as
41 the primary resource to dental offices that have questions about all enacted and pending HIPAA regulations.
42 In addition, the DDI provides staff support to the EHR Work Group and the EHR Work Group's Advisory
43 Committees. The DDI works with many areas within the ADA, particularly the Council on Dental Benefit
44 Programs and the Council on Dental Practice. The DDI is also supporting CDBP with the updating of the
45 Systematized Nomenclature of Dentistry (SNODENT). In addition to the above, DDI now staffs the Dental
46 Content Committee. The DDI advocates for the dental profession through active participation in the
47 standards community and provides staff support to the ADA's Standards Committee on Dental Informatics. In
48 addition, the Department of Dental Informatics assists with coordinating ADA comments on legislation and
49 regulations related to Health Information Technology (HIT), Administrative Simplification and Electronic Health

Records in order to protect the profession from the unnecessary application of standards that could adversely affect dental practice.

DIVISIONAL SUMMARY WORKSHEET DENTAL PRACTICE/PROFESSIONAL AFFAIRS

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
CDP - Administration	6,515	8,950	6,600	0	6,600	6,600	-26.26%
Dental Codes Standards and Adm	3,878	0	0	0	0	0	0.00%
Dent Ben Info Serv and Third	2,800	3,500	4,500	0	4,500	4,500	28.57%
Quality Assess & Improvement	0	0	93,100	0	93,100	93,100	100.00%
CAPIR - Administrative	300	0	0	0	0	0	0.00%
Fluoridation Preventive Health	0	0	0	86,500	86,500	86,500	100.00%
Interprofessional Relations	0	0	18,000	0	18,000	18,000	100.00%
Geriatric Oral Health Program	0	0	0	85,000	85,000	85,000	100.00%
Children's Oral Health	0	0	156,770	0	156,770	156,770	100.00%
CAPIR GKSMILE	10,000	10,000	0	0	0	0	-100.00%
Dentist Health and Wellness	0	55,500	0	0	0	0	-100.00%
Total Revenues	23,493	77,950	278,970	171,500	450,470	450,470	477.90%
Expenses							
Sr VP Dental Prac/Prof Affairs	287,896	354,900	481,531	0	481,531	358,226	-0.94%
Direct Reimb Mrktng Campaign	163,735	0	0	0	0	0	0.00%
CDP - Administration	586,137	734,300	1,049,122	0	1,049,122	764,789	-4.15%
CDBP - Administrative	298,327	303,650	401,744	0	401,744	305,735	-0.69%
Dental Codes Standards and Adm	240,983	302,050	284,002	10,335	294,337	214,711	28.92%
Dent Ben Info Serv and Third	253,453	288,450	388,596	0	388,596	274,443	4.86%
Quality Assess & Improvement	122,440	206,050	384,899	0	384,899	300,810	-45.99%
CAPIR - Administrative	293,957	303,400	569,664	0	569,664	422,813	-39.36%
Fluoridation Preventive Health	131,102	232,750	328,833	86,500	415,333	312,927	-34.45%
Interprofessional Relations	159,438	156,450	257,934	6,000	263,934	196,125	-25.36%
Access and Community Health	196,192	177,300	223,810	3,400	227,210	167,529	5.51%
Comm Outreach & Cultri Competence	242,387	270,400	279,815	5,000	284,815	242,938	10.16%
Geriatric Oral Health Program	163,917	161,100	203,518	85,000	288,518	237,957	-47.71%
Children's Oral Health	151,781	119,250	213,994	0	213,994	203,879	-70.97%
CAPIR GKSMILE	216,300	182,650	0	0	0	0	100.00%
Department of Dental Informatics	363,318	415,500	622,068	0	622,068	485,101	-16.75%
Dentist Health and Wellness	123,912	197,400	185,206	0	185,206	128,423	34.94%
Total Expenses	3,995,275	4,405,600	5,874,736	196,235	6,070,971	4,616,406	-4.78%
Net Revenue/(Expenses)	(3,971,782)	(4,327,650)	(5,595,766)	(24,735)	(5,620,501)	(4,165,936)	3.74%

The 2012 budgeted net expenses improved by \$161,714 or 3.74% when compared to 2011. Revenue increased by \$372,520 as a result of income related to seeking corporate sponsorship/grant funding to support the Dental Quality Alliance activities. Additional revenue was also budgeted in CAPIR's Children's Oral Health program area via an anticipated grant from the ADA Foundation. Finally, two decision packages added \$171,500 in revenue, which is explained later in this section.

Expenses increased by \$210,806 when compared to the 2011 budget. The increase in expenses is mainly due to funding of six decision packages adding \$196,235 in expense to this division. Additionally, the Hillenbrand Fellowship and a portion of the program related costs for the Give Kids a Smile Program in prior years were charged to the ADA Foundation. These programs are now fully controlled by the ADA and the 2012 budget includes full funding to support these programs. It should be noted that a divisional reorganization shifted salary dollars between department so you will notice both favorable and unfavorable variance as a result of the shift in salary dollars.

The following decision packages are recommended for funding:

- \$10,335 to fund the CRC Appeal Committee meeting. The CRC Appeal Committee is provided for in the CRC operating protocol. It convenes when a CRC member organization seeks binding resolution of actions where there is a tie vote. Binding resolution is made by an independent party selected by the ADA and Payer members of the Appeal Committee.

This decision package will cover the travel related costs for one two-day CRC Appeal Committee meeting in May 2012. The travel costs cover the costs for three volunteers (two ADA representatives; CDBP chair) and one Appeal Committee fifth member, meeting meals for five (three ADA volunteers; two ADA staff), professional services expense payable to the American Arbitration Association for identification of Appeal Committee fifth member and travel and meal costs for the fifth member.

- \$86,500 in revenue and \$86,500 in expense to fund Fluoridation Technical Assistance Materials. CAPIR's Prevention focus area conducts activities and recommends policies related to population-based preventive oral health measures. By providing consultation and technical assistance on community water fluoridation, CAPIR assists dentists to position themselves as community leaders on issues related to oral health.

These activities assist the Council to fulfill its *Bylaws* duties to: (b) To recommend policies, advise other ADA agencies and develop programs relating to access to care; population-based prevention, including community water fluoridation; and interprofessional relations; (c) To provide advice and technical assistance to constituencies and communities to assess community oral health needs; develop coalitions and partnerships; and design, implement and evaluate programs to meet community oral health needs, and (d) To recommend policies, advise constituencies and communities, provide technical assistance and develop programs focused on building community oral health infrastructure and capacity, reducing oral health disparities and increasing access to care.

This program involves the development and production of the following items:

Community Water Fluoridation Video. This item would provide a vehicle to get fluoridation messages to decision makers and the public via TV and other venues and would counter the myriad of opposition videos available on the Web. CAPIR has been approached by the American Association of Public Health Dentistry who has indicated they would like to collaborate with the ADA on this project.

Caries/Enamel Fluorosis Picture Portfolio. This picture portfolio would assist dentists in discussing the risk/benefit issues surrounding community water fluoridation. This unique portfolio would allow dentist to provide a accurate portrayal of fluorosis to counter the misinformation that is available on the Web. An accurate picture will be worth more than a thousand words.

Fluoridation PowerPoint Presentation Kit. This most requested resource would aid dentists in presentations to decision makers and in efforts to develop coalitions to support fluoridation. The kit includes the presentation, suggested script and sample handouts.

1 *Technical Assistance Tool Kits (Initial and Advanced)*. These kits are for those just beginning to consider
2 fluoridation for their communities (Initial) and those embroiled in active campaigns (Advanced). Items to
3 be included would be fact sheets, talking points, sample op-ed letters, press releases and more.

- 4
5 • \$6,000 to fund ADA membership in the American Association of Ambulatory Health Care (AAAHC). The
6 purpose of this decision package is to add the annual membership dues for the ADA to join AAAHC and
7 have a voting seat on the AAAHC Board of Directors.

8
9 The AAAHC is a non-profit organization formed in 1979. It is a leader in developing standards to advance
10 and promote patient safety, quality and value for ambulatory health care through peer-based accreditation
11 processes, education and research. Accreditation is ultimately awarded to organizations that are found to
12 be in compliance with the Accreditation Association standards. The Accreditation Association currently
13 accredits over 4,000 organizations in a wide variety of ambulatory health care settings, including
14 ambulatory and office based surgery centers, dental practices, managed care organizations, and Indian
15 and student health centers. Dr. Sheila Strock, senior manager, Interprofessional Relations, is the
16 appointed Official Observer for the ADA.

17 During the past year, AAAHC contracted with the Health Resources and Services Administration (HRSA)
18 and has scheduled three surveys at Federally Qualified Health Centers (FQHCs) beginning in June 2010.
19 AAAHC is also actively developing relationships with the National Association of Community Health
20 Centers (NACHC), as well as state-based community health associations. AAAHC also continues to
21 expand its market internationally with the first accreditation recently awarded in Costa Rica to a dental
22 practice.

23 AAAHC is in the process of developing a survey specific to dental practice. This is particularly applicable
24 to oral surgery practices as several states require evidence of accreditation in order to provide care under
25 the state practice act. The American Association of Oral and Maxillofacial Surgeons (AAOMS) is a
26 member of AAAHC and is actively involved in the development of the dental model for accreditation.

27 Presently, the ADA is not a member organization of AAAHC. Member organizations are represented on
28 the Board and impact the decisions of AAAHC.

- 29 • \$3,400 to fund National Association of Community Health Centers (NACHC) engagement. NACHC,
30 which represents Federally Qualified Health Centers (FQHCs), has historically equated primary health
31 care with only medical care. Oral health and behavioral health have been relegated as secondary.

32 NACHC has expressed little interest in promoting oral health as integral to primary care in legislation or
33 federal policies; yet NACHC consistently seeks ADA support when lobbying for additional health center
34 funding.

35 Through increased ADA visibility and drawing attention to the importance of oral health, CAPIR seeks to
36 assist NACHC in developing policies, plans and programs that support diverse community efforts to link
37 people to needed oral health services.

38 As directed by CAPIR resolution at its January 2010 meeting, this decision package establishes an
39 ongoing CAPIR presence through participation at two NACHC conferences annually to begin to raise
40 awareness among NACHC leadership, staff and its constituencies that oral health is not elective. Oral
41 health is primary care.

- 42 • \$5,000 to fund AI/AN Dental Placement Program Assessment. The purpose of this activity is to assess
43 the American Indian/Alaska Native Dental Placement Program for program improvement and other
44 development activities.

1 The Council proposes to accomplish this assessment by working with the ADA Survey Center to
2 administer a mail questionnaire to volunteer dentists and dental students, Indian Health Service (IHS) and
3 tribal dental personnel who supervise these volunteers, and IHS headquarters staff responsible for
4 coordinating activities with the ADA and the IHS extern program. Results of this assessment will be used
5 to improve and further develop the American Indian and Alaska Native Dental Placement Program.

6 The Council coordinates the recruitment, placement and support of dental volunteers serving in
7 rural/frontier Indian Country. The AI/AN Dental Placement program fosters relationship development
8 between ADA and Indian Health Service (IHS) and tribal dental programs and other related communities
9 of interest. The project serves as a resource to ADA members, staff and other relevant stakeholders.
10 Council volunteers and/or staff act as liaisons between IHS extern coordinators and dental student
11 externs. No funds were previously appropriated for program evaluation or improvement activities.

12 CAPIR believes it will be helpful, at this time, to conduct an assessment of the AI/AN Dental Placement
13 Program by administering surveys to all dentists and dental students who have served as volunteers or
14 student externs. To supplement this information, the Council plans to work cooperatively with IHS
15 Headquarters staff and local IHS and tribal dental programs to survey personnel about ways the program
16 may be improved.

17 Results of this assessment will be reported to the 2013 House of Delegates.

- 18 • \$85,000 in revenue and \$85,000 in expense to fund the National Coalition Consensus Conference
19 (NCCC) JADA Supplement. The purpose of this decision package is to obtain the financial support
20 needed to publish a Special Supplement of JADA containing five papers prepared for the National
21 Coalition Consensus Conference: Oral Health of Vulnerable Older Adults and Persons with Disabilities,
22 as well as a sixth paper summary of recommendations.

23 The National Coalition Consensus Conference: Oral Health of Vulnerable Older Adults and Persons with
24 Disabilities was held on November 18-19, 2010, in Washington, D.C. The purpose of the Conference
25 was to take the first step in building a broad coalition of groups aware of the oral health challenges facing
26 our nation's vulnerable adults and committed to developing resources needed to address these
27 challenges. The Conference brought together representatives from professional dental associations,
28 general health organizations, consumer advocacy groups and policy-makers.

29 On the first day, invited speakers took 30 minutes to present highlights and recommendations from
30 commissioned papers on pre-determined topics. The paper presentations were followed by a short 10
31 minute reactor response. The audience then had the opportunity to provide input as they discussed the
32 presentations. Fully 30% of conference time the first day was devoted to rich small group (8-9 persons)
33 discussion facilitated and recorded by ADA's National Elder Care Advisory Committee (NECAC)
34 volunteers. On the second day, a smaller Core Group consisting of NECAC members, organizers,
35 presenters, reactors and key stakeholders considered the input from the previous day and worked to
36 refine the overall recommendations.

37 Hundreds of recommendations and ideas resulted from the Conference. These are being organized and
38 coalesced into a manageable set of recommendations and action items that will be shared with
39 Conference participants.

40 The adoption of this decision package would allow for the publication and dissemination of materials
41 presented at this historic ADA hosted conference. The dissemination of these materials will facilitate their
42 used in policy formation and ongoing efforts to raise awareness regarding the oral health issues
43 surrounding these vulnerable populations.
44
45

Health Policy Resources Center

The Health Policy Resources Center (HPRC) is a central repository for information relating to the health policy of the ADA. The main purpose of this area is to strengthen and contribute to ADA's policy and advocacy on economic and technical issues. This is accomplished by identifying critical policy position development needs of the Association in economic and technical areas for use by ADA councils, commissions and the Board; by providing unbiased, scientifically valid information and analysis on priority economic issues of the Association for staff and policy-making bodies; by determining and prioritizing the objective, and economic/technical research needed for effective positioning and advocacy; by being responsible for oversight of activities of the Dental Economic Advisory Group; and by providing management and interpretation of survey results published by the Survey Center. In addition, HPRC also provides analytical and statistical services to other agencies within the ADA.

HPRC is the central ADA source for collection, analysis, and publication of current statistics on dentistry. Surveys are conducted in response to mandates of the House of Delegates and directives of the Board of Trustees, as well as requests from the Association's councils, departments and commissions. In addition to making the reports available as free downloadable reports to members, salable materials to non-members and the public and providing internal survey research assistance, the Survey Center also provides survey research consultation to tripartite members. The Survey Center also provides research samples and custom analysis of existing primary data for industry, dental organizations, and other related agencies (e.g., hospitals, educational institutions).

**DIVISIONAL SUMMARY WORKSHEET
HEALTH POLICY RESOURCES CENTER**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
Survey Center	97,661	52,500	184,800	0	184,800	184,800	252.00%
Health Policy Analysis	11,081	0	0	0	0	0	0.00%
Total Revenues	108,742	52,500	184,800	0	184,800	184,800	252.00%
Expenses							
Managing VP HPRC	241,404	324,150	462,625	0	462,625	349,273	-7.75%
Survey Center	1,092,818	1,144,850	1,571,908	0	1,571,908	1,180,157	-3.08%
Health Policy Analysis	285,175	320,050	489,916	0	489,916	357,463	-11.69%
Total Expenses	1,619,397	1,789,050	2,524,449	0	2,524,449	1,886,893	-5.47%
Net Revenue/(Expenses)	(1,510,655)	(1,736,550)	(2,339,649)	0	(2,339,649)	(1,702,093)	1.98%

HPRC's 2012 budgeted net expense is projected to be favorable by \$34,457 or 1.98%. The increase in expected revenue is due to an increase in sales of certain reports that are expected to no longer be provided to members for free. Starting in 2009, members were provided reports free of charge through Res 80H-2008. HPRC has proposed that this resolution be rescinded. Partially offsetting the increase in revenue is an increase in expenses when compared to 2011. The increase in expenses is largely due to budgeting additional consulting/outside services. HPRC plans on conducting additional data collection efforts for the

2012 survey of dental practice and 2012 distribution of dentist's survey. Additionally, in the Managing VP HPRC department, travel expenses increased as a result of increasing the number of DEAG volunteers funded. In 2011, eight volunteers were funded and the 2012 budget allows for twelve volunteers. Additional consulting services are also required to fill skills gaps.

Division of Education/Professional Affairs

The Division of Education is made up of three agencies with *Bylaws* authority: the Council on Dental Education and Licensure, the Commission on Dental Accreditation and the Joint Commission on National Dental Examinations; and three departments: the Department of Testing Services, the Department of Library Services, and the Center for Continuing Education and Lifelong Learning (CELL). Among its responsibilities, the Council on Dental Education and Licensure provides oversight for the Continuing Education Recognition Program (CERP) that evaluates and recognizes providers of continuing dental education and the Dental Admission Testing Program (DAT). Major areas of responsibility include the promotion of excellence and consistency in education, improving the quality of dental education and the quality and uniformity of licensure examinations. The Department of Library Services supports the Association's role as a vital information source.

The Center for Continuing Education and Lifelong Learning houses two programs, the CELL Seminar Series and ADA CE Online. In conjunction with other Association divisions, it develops markets and administers continuing education programs that support practicing dentists and the dental team. Additionally, the Center provides serves as a resource on continuing education to other departments in order to enhance the consistency, quality and delivery of the Association's continuing education offerings and maintains the Association's CERP status.

**DIVISIONAL SUMMARY WORKSHEET
EDUCATION/PROFESSIONAL AFFAIRS**

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
Ctr Contin Ed & Lifelong Learn	397,844	700,600	841,125	0	841,125	841,125	20.06%
Council Dentl Educ & Licensure	250,550	279,000	335,697	0	335,697	335,697	20.32%
Commission Dentl Accreditation	1,382,454	1,553,600	1,729,705	0	1,729,705	1,729,705	11.34%
Nat'l Board Dental Examination	8,211,593	8,242,500	9,711,159	0	9,711,159	9,711,159	17.82%
Admission Tests	4,833,262	5,409,500	5,019,650	0	5,019,650	5,019,650	-7.21%
Outside Client Services	1,118,262	1,052,250	1,179,400	0	1,179,400	1,179,400	12.08%
Library Services	35,464	38,000	36,000	0	36,000	36,000	-5.26%
Total Revenues	16,229,429	17,275,450	18,852,736	0	18,852,736	18,852,736	9.13%
Expenses							
Ctr Contin Ed & Lifelong Learn	490,747	718,250	817,811	0	817,811	701,398	2.35%
Sr. VP Education/Prof Affairs	364,080	365,600	442,090	0	442,090	323,871	11.41%
Council Dentl Educ & Licensure	794,776	797,950	1,113,641	0	1,113,641	807,287	-1.17%
Commission Dentl Accreditation	2,041,082	2,108,400	2,801,747	0	2,801,747	2,240,316	-6.26%
Nat'l Board Dental Examination	5,569,243	5,245,150	6,217,820	0	6,217,820	5,442,787	-3.77%
Admission Tests	1,494,684	1,809,900	1,909,578	0	1,909,578	1,699,873	6.08%
Outside Client Services	689,137	584,050	725,843	0	725,843	626,619	-7.29%
Library Services	741,991	821,950	1,184,323	0	1,184,323	796,091	3.15%
Total Expenses	12,185,740	12,451,250	15,212,853	0	15,212,853	12,638,242	-1.50%
Net Revenue/(Expenses)	4,043,689	4,824,200	3,639,883	0	3,639,883	6,214,494	28.82%

The 2012 budget net revenue increased by \$1,390,294 or 28.82%. The increase in net revenue is mainly due to an increase in National Board exams, Dental Admissions test application fees, transcript fees, an increase in Accreditation fees, an increase in International Accreditation revenue and an increase in fees charged to CERP providers.

Expenses increased by \$186,991 when comparing 2012 to 2011. The increase in expenses is largely due to an increase of \$155,200 in test administration fees related to the National Board exams. Typically if testing revenue increases, test administration fees will also increase. Partially offsetting the increase in expenses is the elimination of the subscription to the Cochrane Library in the Library Services Department.

Division of Science/Professional Affairs

The Division of Science provides staff support to the Council on Scientific Affairs and manages the ADA Center for Evidence-Based Dentistry, the ADA Seal of Acceptance program, the ADA *Professional Product Review*, the ADA Laboratories and the longitudinal research project that monitors the occupational and general health status of the dental team known as the Health Screening Program. The Division houses the Department of Standards Administration, which coordinates and administers national and international dental standards for dental products and informatics. Through these programs, the Division of Science monitors

emerging dental science and responds to critical issues that could potentially affect professional policies and decisions. The division reviews the scientific basis of advertising claims for ADA publications and products bearing the ADA Seal of Acceptance. The Division provides member dentists, the dental healthcare team, and the public with timely and relevant information based upon sound scientific principles and evidence-based research. Through the ADA Laboratories, the division assures the accuracy and reproducibility of safety and efficacy data submitted to the ADA Acceptance Program to gain the Seal of Acceptance and evaluates products for the ADA Professional Product Review.

DIVISIONAL SUMMARY WORKSHEET SCIENCE/PROFESSIONAL AFFAIRS

	2010	2011	2012	2012	2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Department of Standards Admin	39,757	200,500	50,400	0	50,400	50,400	-74.86%
Sr. VP Science Prof. Affairs	25,000	0	0	0	0	0	0.00%
Council on Scientific Affairs	0	0	0	36,000	36,000	36,000	100.00%
Research and Laboratory	0	0	30,000	0	30,000	30,000	100.00%
Product Evaluations	1,774	3,000	0	0	0	0	-100.00%
OTC Seal Program	516,750	578,500	577,113	0	577,113	577,113	-0.24%
Evidence Based Dentistry	100,000	15,000	19,200	0	19,200	19,200	28.00%
Total Revenues	683,281	797,000	676,713	36,000	712,713	712,713	-10.58%
Expenses							
Department of Standards Admin	510,498	707,150	681,504	80,380	761,884	606,538	14.23%
Sr. VP Science Prof. Affairs	600,276	700,500	967,513	2,710	970,223	692,305	1.17%
Council on Scientific Affairs	727,281	816,300	1,102,868	60,556	1,163,424	847,685	-3.84%
Research and Laboratory	1,369,380	1,996,650	2,892,093	0	2,892,093	2,191,306	-9.75%
Product Evaluations	594,928	617,850	529,220	65,000	594,220	454,725	26.40%
OTC Seal Program	319,503	328,400	487,412	127,259	614,671	474,571	-44.51%
Evidence Based Dentistry	324,437	494,500	558,905	0	558,905	465,156	5.93%
Total Expenses	4,446,303	5,661,350	7,219,515	335,905	7,555,420	5,732,286	-1.25%
Net Revenue/(Expenses)	(3,763,022)	(4,864,350)	(6,542,802)	(299,905)	(6,842,707)	(5,019,573)	-3.19%

The 2012 net expenses are unfavorable by \$155,223 or 3.19% as a result of funding six decision packages totaling \$299,905 in net expense. If the decision packages were netted out, the Division of Science would show a reduction in net expenses totaling \$144,682. The net reduction after backing out decision packages is due to eliminating the publication of the Product Evaluation print newsletter in 2012.

The reduction in revenue and expenses in the Standards Administration Department is due to the 2011 budget including corporate sponsorship revenue and related expenses for the 2011 Meeting of ISO/TC106 Dentistry group.

The increase in revenue in the Research and Laboratory department is due to projected corporate funding of the 2012 Health Screening Program. The associated \$350,000 in expenses for the HSP is also included in the R&L budget. This program was funded by the ADA Foundation prior to 2011.

The following decision packages are recommended for funding:

- \$80,380 to fund a consultant to assist with Dental Informatics Administration. Through resolutions of the House of Delegates and to support the stated mission and goals of the ADA, the ADA has committed to fostering interoperability of dental data and devices through development, adoption, and implementation of standards and to educating ADA members in the application of standards. One example of such a standard is the DICOM (Digital Communications and Imaging in Medicine) standard. In addition, there is a great need to assure purchasers about digital technology system performance in the real world practice setting and to assist in establishing interoperability between imaging systems and EHR systems. An example of this type of implementation activity is IHE (Integrating the Healthcare Enterprise), which is a non-profit health informatics standards-based organization that brings together users and developers of healthcare information technology. The goal of IHE is to accelerate the adoption of digital technologies by improving the real world functionality, usability, and exchange of digital information among healthcare systems. The Council on Dental Practice and the ADA Board EHR Workgroup have specifically approved the participation of the ADA as the lead dental organization with DICOM and IHE. IHE is a new endeavor for the ADA and, as the Primary Domain Sponsor (Secretariat) for the new IHE Dental Domain, and this activity alone will require an increase in ADA resources devoted to standards development. In addition, DICOM dental activity has increased and will continue to do so for the foreseeable future.

In order to fully implement the standards development and implementation activities for new digital dental technologies and to handle the increasing amount of development in the health informatics technology standards area, there is a need for a consultant in the Department of Standards Administration to assist with management and support these activities.

- \$2,710 to fund the Senior Vice President of Science travel to serve as a Consultant to the FDI Science Committee. The ADA Senior Vice President of the Division of Science is an appointed consultant to the FDI World Dental Federation. This decision package will allow this individual to attend the mid-year FDI committee meetings in Geneva. Attending these meetings will also allow this person to collaborate with the World Health Organization (WHO), which is also based in Geneva, in order to help link professional programs and respond to national and international emerging issues.

Currently there are three international issues that the ADA is directly involved with through the FDI: 1) United Nations Environmental Programme, 2) Global Caries Initiative and 3) Caries Classification System.

By attending the FDI mid-year meetings, the ADA will have an opportunity to address environmental concerns about amalgam and mercury waste, oral care preventive programs and the related access to care issues. The meetings will address: effectively responding to risk assessment, prevention and disease management issues through the phase down of amalgam, a revised caries classification, and disease management system. A current key objective is to address UNEP environmental demands to phase down the use of dental amalgam by phasing up preventive programs.

The FDI and ADA positions on amalgam call for additional public health and oral health representation to the treaty negotiations at the United Nations, and are essential if the Association wants to ensure that U.S. negotiating teams treat amalgam as a public health issue. By attending the FDI mid-year meetings, the ADA Senior Vice President of the Division of Science will have an opportunity to participate in discussions regarding environmental concerns about amalgam and mercury waste, oral care preventive programs and the related access-to-care issues on the global level. Having a direct scientific liaison from the ADA to the FDI and WHO is imperative during these very critical debates.

- \$12,000 in both revenue and expense to fund the Norton Ross Award. Initiated in 1991, the Norton M. Ross Award for Excellence in Clinical Research has been a program under the ADAF with administrative/operational support from ADA staff. In September 2010 the ADAF Board of Directors

1 voted to discontinue financial support for the ADA Gold Medal for Research and the Norton M. Ross
2 Awards.

3 Based on the importance of these awards in recognizing outstanding contributions to dental and clinical
4 research, the Council on Scientific Affairs recommended to the ADA Board of Trustees that both award
5 programs be continued under the auspices of the ADA.

6 At its December 2010 meeting, the ADA Board of Trustees accepted the recommendation of the CSA.
7 Therefore separate 2012 decision packages are being submitted for the Norton M. Ross and ADA Gold
8 medal awards.

9 Primary administrative / logistical management of the Norton M. Ross Award will reside with the Division
10 of Science staff, with support from Corporate Relations (corporate funding) and ADA Sessions (Award
11 Reception at ADA Annual Session).

12 This decision package proposes a \$5,000 cash award and related program expenses. Since inception,
13 the award has been \$5,000. If sufficient corporate underwriting can be secured, an increase to a \$10,000
14 cash award will be considered. Given the prominence of past Award recipients, the broad recognition
15 that the Award has achieved, as well as the change in currency value over time, an increase in the cash
16 award is reasonable and perhaps necessary to continue to attract prominent nominees.

17 Additionally, the selection committee has met in person in the past: this decision package recommends
18 that this practice be discontinued since the selection process can effectively be carried out via other
19 methods such as telephone conference meetings and other electronic communications methods. This
20 savings may help to fund a higher cash award without a significant increase to the corporate underwriting
21 needed to continue the program.

22 It is anticipated that the entire expense amount will be offset by corporate funding. Besides the cash
23 award, the major expenses are for the Award lunch/reception at Annual Session (\$4,000 estimated for 20
24 people at \$200 per person), travel expenses for the Award winner/spouse to attend the Award reception
25 in addition to miscellaneous Award-related expenses (brochure, Award plaque, postage, etc.).

- 26
- 27 • \$24,000 in revenue and \$48,556 in expense to fund the Gold Medal Award. In September 2010 the
28 ADAF Board of Directors voted to discontinue financial support for the ADA Gold Medal for Research and
29 the Norton M. Ross Awards.

30 Based on the importance of these awards in recognizing outstanding contributions to dental and clinical
31 research, the Council on Scientific Affairs recommended to the ADA Board of Trustees that both award
32 programs be continued under the auspices of the ADA.

33 At its December 2010 meeting, the ADA Board of Trustees accepted the recommendation of the CSA.
34 Therefore separate 2012 decision packages are being submitted for the ADA Gold medal and Norton M.
35 Ross awards.

36 Primary administrative / logistical management of the ADA Gold Medal Award will reside with the Division
37 of Science staff, with support from Corporate Relations (corporate funding) and ADA Sessions (Award
38 Reception at ADA Annual Session).

39 The selection committee has met in person in the past: this decision package recommends that this
40 practice be discontinued since the selection process can effectively be carried out via other methods such
41 as telephone conference meetings and other electronic communications methods.
42

- 1 • \$65,000 to fund Clinical Research Projects. Funding will allow the ADA to do the following:
 - 2
 - 3 ○ To expand acquisition of clinical evaluation data that provides clinically relevant information and
 - 4 complement the ADA Laboratories' test results.
 - 5 ○ To respond to members' requests that PPR present topics concerning clinical techniques, new
 - 6 technology and dental therapeutics, and other areas currently limited by laboratory tests alone
 - 7 ○ To provide hands-on product evaluation opportunities of new technology and clinical techniques
 - 8 to member dentists
 - 9 ○ To develop state-of-the-art continuing education programs with intellectual property generated by
 - 10 the ADA
 - 11 ○ To enhance existing presence on ada.org with features that engage members' feedback
 - 12 ○ Continuation of the dental school programs following the success of the pilot project that began in
 - 13 2008 and was published in April 2011
 - 14 ○ Expanding and enhancing collaborative projects, particularly with agencies, such as the
 - 15 Department of Defense/Federal dentists, and others that have expressed a strong interest in joint
 - 16 evaluations.
 - 17 ○ Testing products in dental schools. The ADA would coordinate/supply the products to include a
 - 18 sufficient number of manufacturers and to ensure data with fair representation/reflection of the
 - 19 products' attributes from all manufacturers
- 20 • \$127,259 to revitalize the Seal of Acceptance Program. The objective is to develop a marketing program
- 21 to revitalize the ADA Seal in order to demonstrate the value of the ADA Seal to ADA members, members
- 22 of the healthcare team, consumers and manufacturers. Ultimately, the goal is to increase member and
- 23 consumer awareness of the Seal, leading to increased participation of manufacturers in the program.
- 24 Research conducted by the ADA marketing department in December 2009 shows that consumer
- 25 awareness of the ADA Seal of Acceptance has declined from 77% in 2001 to 54% in 2009, although the
- 26 Seal remains the most recognized ADA brand among members of the public. Manufacturer participation
- 27 in the Seal program has also decreased by 35% since 2001.
- 28 The research reveals that many manufacturers feel the Seal has "lost its luster" and needs revitalization
- 29 to remain relevant with consumers.
- 30 The good news is that consumers who are aware of the Seal have a high level of respect for it: 73%
- 31 prefer products with the ADA Seal; and 69% are willing to pay more for products with the ADA Seal.
- 32 These findings are a strong indication that the ADA Seal remains a product differentiator among parity
- 33 products, which is a motivating factor among manufacturers.
- 34

35 **Publishing Division**

36 The Publishing Division's mission is to produce credible, high quality ADA publications at a profit that inform
37 the dental profession (in the US and globally) about the latest practical and scientific information as well as
38 socioeconomic and political issues affecting oral health care. These publications are produced in print and
39 electronic formats. The Division directs the editorial, business, and financial operations of ADA publications in
40 print and electronic media—*JADA*, *ADA News*, and all catalog products. Responsibilities run the full gamut of
41 strategic planning, product and content development in print and on ADA.org, as well as business
42 development (advertising sales, marketing, printing, distribution and fulfillment). Publishing also oversees the
43 activities of *JADA*'s scientific editor, editorial board, industry advisory board, and advertising sales
44 representatives.
45
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**DIVISIONAL SUMMARY WORKSHEET
PUBLISHING**

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Base Budget	Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
JADA	2,699,106	2,687,450	3,305,504	0	3,305,504	3,305,504	23.00%
ADA News	5,572,358	5,856,550	6,056,055	0	6,056,055	6,056,055	3.41%
2010 Print Buying Guide	427,572	0	0	0	0	0	0.00%
Sales & Marketing	126,777	127,700	144,043	0	144,043	144,043	12.80%
ADA.org Publishing Section	1,069,192	1,860,500	2,133,400	0	2,133,400	2,133,400	14.67%
Total Revenues	9,895,005	10,532,200	11,639,002	0	11,639,002	11,639,002	10.51%
Expenses							
Managing VP Publishing G & A	415,137	437,950	591,524	6,230	597,754	476,456	-8.79%
JADA	2,673,117	2,481,900	3,061,798	0	3,061,798	2,768,838	-11.56%
ADA News	3,837,841	4,242,950	4,510,753	0	4,510,753	4,120,774	2.88%
2010 Print Buying Guide	124,473	0	0	0	0	0	0.00%
Sales & Marketing	545,800	582,150	832,417	0	832,417	623,178	-7.05%
Editorial Office	213,919	234,250	291,943	0	291,943	291,943	-24.63%
ADA.org Publishing Section	248,405	260,700	301,775	0	301,775	301,775	-15.76%
Total Expenses	8,058,692	8,239,900	9,590,210	6,230	9,596,440	8,582,964	-4.16%
Net Revenue/(Expenses)	1,836,313	2,292,300	2,048,792	(6,230)	2,042,562	3,056,038	33.32%

The 2012 Publishing Division's budgeted net revenue is favorable by \$763,738 or 33.32% when compared to 2011. The increase in revenue is partially due to increasing advertising rates by 3% across the board. Additionally, several new initiatives will be launched in JADA and ADA.org that will generate additional advertising net revenue in 2012.

The increase in expenses is mainly due to increased costs of printing and sales commissions. Paper costs would have been higher but JADA and ADA News will be printed on a lower grade of paper in 2012. Sales commissions increased as a result of the projected increase in advertising revenue. Finally, travel expenses increased in the Managing VP Publishing and ADA News departments. The increase in the Managing VP travel allows for additional trips to visit with customers, sales representatives and industry representatives. The increase in ADA News travel allows for staff to attend ADA events such as Give Kids a Smile and the New Dentist Conference. In prior years, these types of trips were budgeted in the division that hosted the event but due to the new Project ID structure that was implemented these trips are budgeted in the division where the staff doing the travel is housed.

The following decision package is recommended for funding:

- \$6,230 for the Managing VP to attend the FDI meeting in 2012. *The Journal of the American Dental Association* entered into an agreement with the Chinese Stomatological Association and the Hong Kong Dental Association to introduce a Chinese language edition of JADA in the 4th quarter of 2011. The latter's organization is headquartered in Hong Kong, host city of the 2012 FDI Congress. This presents a unique opportunity for the publisher of JADA to promote the new publication to the Asian market and to

meet the officers of the HKDA, CSA, and other dental organizations in Asia with the intention of expanding publication of JADA in other areas, such as Shanghai and Singapore.

The ADA publisher will be able to promote and support the launch of the new Chinese language edition of JADA at the 2012 FDI Congress in Hong Kong, and to pursue new markets for additional editions through professional contacts at this meeting.

Product Development & Sales

The Department of Product Development and Sales is responsible for the development, production, marketing and distribution of 500+ patient education, practice management and compliance products in print and electronic media. Staff performs market research to measure product demand and customer satisfaction, develops content with internal and external subject matter experts, routes content to councils and internal reviewers, and oversees production and distribution. Products are marketed using a multi-channel strategy including catalogs, e-grams, direct mail, display advertising and trade shows. Staff is also responsible for licensing *CDT* and other catalog product content to US and international licensees. ADA Mailing List sales are also handled in this department.

DIVISIONAL SUMMARY WORKSHEET PRODUCT DEVELOPMENT AND SALES

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
PDS-Administration	8,995,149	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Total Revenues	8,995,149	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Expenses							
PDS-Administration	3,926,408	3,705,950	4,512,355	80,000	4,592,355	4,222,902	-13.95%
Total Expenses	3,926,408	3,705,950	4,512,355	80,000	4,592,355	4,222,902	-13.95%
Net Revenue/(Expenses)	5,068,741	4,052,450	4,713,456	120,000	4,833,456	5,202,909	28.39%

This 2012 budget reflects a 28.39% or \$1,150,459 increase in net revenue of which \$120,000 is related to the decision package that is recommended for funding. The improvement in net revenue is largely due to 2012 being a year when sales spike due to a new release of *CDT*. *CDT* is released every other year. Additionally, net revenue of \$210,000 is budgeted based on implementing a new Member Service Center performance based compensation program that will allow PDS to market sales of products to dental schools, government agencies and large group practices.

The following decision package is recommended for funding:

- \$200,000 in revenue and \$80,000 in expense to hire a Product Information Consultant. The consultant will be responsible for procuring, organizing and maintaining product information in the Association Management System (AMS). Currently, PDS offers over 500 products with over 50 data fields including, weight, no. of pages, unit of measure, cost, description, lifecycle, etc. The new AMS will allow PDS to highlight additional product information including Table of Contents, sample pages and chapters, sample brochures, video clips, etc. This information will be available online to assist members and other customers in making a purchase decision.

Moreover, the consultant will be responsible for implementing best practices in product merchandising, a fundamental aspect of a successful commerce environment. The ability to offer the right product, to the right customer at just the right time is essential to increasing member value, product awareness and non dues revenues. The new AMS system offers myriad opportunities to link products together to increase sales. For example, a customer purchasing *CDT* would be offered the Coding Companion or a customer selecting 3 or more flip guides would be offered an additional discount incentive for purchasing a 4th flip guide. Cross selling products is considered a best practice in call center and e-catalog marketing and proven to increase average order value and overall revenues.

Currently, product and offer information is entered and maintained by IT staff. The new AMS system implementation will transfer product and offer administration from IT to PDS, freeing up IT staff. The expanded capabilities of the new AMS system require additional time to set up the intuitive and dynamic offers typical of the online marketplace.

This consultant will also assist with the procurement and management of certain departmental assets, such as clinical graphics used in products. To remain competitive, PDS must frequently update its content. Outstanding content and graphics are what give PDS patient education products their competitive edge, according to extensive customer feedback. An improved capacity to procure new graphics will lead to a direct increase in revenue.

Division of Global Affairs

This division's purpose is to enable all ADA international activities such as: the Committee on International Programs and Development, the International Development Subcommittee, and the International Business Development Staff Workgroup (international business plan). The Division also assists other committees/workgroups, ADA staff and officers in maintaining and forming relationships with international organizations, colleagues and contacts, so that international initiatives reflect the ADA International Strategic Approach that was approved by the Board of Trustees.

The division also manages the ADA's FDI World Dental Federation membership and promotes its international agenda, assuring the stature of the Association in the global dental community; facilitates the operations, planning, coordination and logistics of the ADA/FDI delegation who represent the ADA on governance, communications, dental practice, education, science and standards, dental development and health promotion at the FDI Annual World Dental Congress and within the North American Regional Organization (NARO).

The ADA International Development Subcommittee and the HVO Oral Health Initiative strives to provide and promote opportunities for global volunteer service to ADA members who wish to address clinical and patient needs while sharing knowledge and expertise with local health-care workers and providers in order to improve dental skills, practice methodologies, and access to care for underserved populations.

**DIVISIONAL SUMMARY WORKSHEET
GLOBAL AFFAIRS**

	2010	2011	2012	2012	2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Global Affairs	31,805	0	0	0	0	0	0.00%
FDI World Dntl Federation	44,378	0	0	0	0	0	0.00%
ADA/HVO International Development	11,746	0	0	0	0	0	0.00%
Total Revenues	87,929	0	0	0	0	0	0.00%
Expenses							
Global Affairs	425,618	404,300	559,165	78,883	638,048	476,140	-17.77%
FDI World Dntl Federation	468,571	340,050	441,716	0	441,716	423,770	-24.62%
ADA/HVO International Development	47,132	39,800	59,854	0	59,854	59,854	-50.39%
Intern't'l Business Development	125,099	127,000	155,427	0	155,427	155,427	-22.38%
Total Expenses	1,066,420	911,150	1,216,162	78,883	1,295,045	1,115,191	-22.39%
Net Revenue/(Expenses)	(978,491)	(911,150)	(1,216,162)	(78,883)	(1,295,045)	(1,115,191)	-22.39%

The 2012 budgeted expense is unfavorable by \$204,041 or 22.39% when compared to 2011. The increase in expenses in the Global Affairs division is due to two decision packages being recommended for funding in 2012. FDI expenses increased as a result of an increase in the membership dues projected to be paid to the FDI. FDI membership dues fluctuate annually based on the exchange rate and are difficult to predict. Also contributing to the increase in FDI expenses is travel-related costs due to the location of the 2012 FDI World Dental Congress. The 2012 meeting is in Hong Kong which necessitates added travel costs when compared to the 2011 meeting costs in Mexico City. The increase in the ADA/HVO department is due to additional trips being budgeted related to Humanitarian activities. Also the expense relating to hosting international guests and international VIP's at the ADA Annual Session has been transferred from Conference and Meeting Services to the Division of Global Affairs. Finally, the increase in the International Development department is due to staff traveling to more international dental meetings in 2012 to support ADA product sales and promotional activities.

The following decision packages are recommended for funding:

- \$44,993 to fund a part-time position to facilitate the ADA's membership in the FDI World Dental Federation and coordinate international programs and activities within the Division including the logistics and administration of all Committee meetings. This position will work cross divisionally to maximize the ADA's impact on the international dental community and the number of international programs in which the ADA can become involved by enabling the manager of international business and communications and the manager, international development and outreach to spend less time on record-keeping, clerical correspondence and administrative tasks and more time on their primary duties. This position will coordinate the administration and logistics of the ADA delegation to the FDI World Dental Federation and the ADA/FDI Advisory Committee, which includes creating cultural packages and dossier materials, as well as handling the logistics of the ADA/FDI Delegation meeting during the FDI Congress and at other times when necessary. The Senior Project Assistant will handle and confirm the congress registration,

hotel block, and delegation schedule, as well as plan any events or meetings needed. This position will act as the liaison to FDI staff and the ADA FDI delegation.

This position would also update the WebPages of ADA.org including the International Associations/Organizations, International Landing Pages and International Meetings and Events calendar, as well as help coordinate the international programs and onsite setup at the Annual Session.

This person would update and maintain the international electronic communications (content) of ADA.org and respond to international inquiries regarding the ADA Annual Session. He or she would work cross-divisionally to assist in the administration and promotion of ADA Affiliate membership and assist the manager, international business and communications, in projects that will enhance the Affiliate member's experience. This person will assist in the gathering of research and data critical to the international business plan.

This position would also support the manager, international development and outreach, with the logistics and tasks of the Certificate for International Volunteer Service, Humanitarian Award, and ADA International Volunteer Webpage. This includes updating and maintaining the database of international volunteer organizations and history of Certificate and Humanitarian Award recipients.

- \$33,890 to fund an International China Initiative. The objective is to capitalize on already being in the Asia region for the 2012 FDI World Dental Congress Hong Kong in order to re-establish the ADA's relationship with the Chinese Stomatological Association (CSA) and dental industry in China. Strategic collaborations in China will allow the ADA to define the role it will play in China and, in part, it will lead to new sources of revenue for the Association.

As a matter of protocol, an ADA delegation will visit China in August or September 2012, either before or after the FDI Congress in Hong Kong. The ADA Delegation to China will consist of the President-Elect; Member of the Board of Trustees; Executive Director; ADA Publisher; Senior Director, Division of Global Affairs; Manager, International Business and Communications; and the ADA's China Consultant. Colgate China will play an active role in facilitating the visit and have pledged their support in helping the ADA to be successful in China. The ADA delegation will visit Beijing, Shanghai and Chengdu where they will hold key meetings with the CSA; deans of dental schools; prominent Chinese dental manufacturers; and key opinion leaders. These activities will create new strategic relationships and strengthen existing ones, which will be critical as the Association defines an appropriate business strategy in China in order to capitalize on the explosive Chinese market and to build on the launch of the new Chinese edition of JADA (Fall 2011).

Division of Communications and Marketing

The Division of Communications and Marketing is a shared service resource working with all ADA divisions to meet the communications and marketing needs of the Association. With strategic guidance from the Council on Communications, the division advises the ADA on brand image and the usage and application of intellectual property in all communications and is charged with safeguarding the reputation of the Association. The division engages member, professional and public audiences in order to preserve and enhance the ADA's position as America's leading advocate for oral health. The division's responsibilities include media relations, public affairs and advocacy, the creation and production of all video media and public service announcements, executive communications, creation and management of all digital media assets, marketing research, marketing strategy, copywriting, design and printing services as well as environmental scanning.

The Marketing Department ensures that the ADA speaks with a unified voice, provides a point of integration for the effective application of communications plans and brings operating efficiencies to the development and production of all video and print materials. The Public Affairs Department, located in the Washington office, provides counseling and support to Leadership on access to care, workforce, scope of practice and other

legislative and advocacy issues and strategic counsel to the State Public Affairs Program. Through the Public and Professional Communications Department all media relations and issues management activities are conducted in close collaboration with Leadership and the other Divisions, with primary responsibility for managing the reputation of the ADA. Additionally this department provides media training for ADA spokespeople and Leadership and support for all executive communications needs. The Electronic Media Department responsibilities include oversight of ADA.org, ADA Intranet, ADA e-mail publications, and other electronic media. Electronic Media works closely with Information Technology to ensure the high functionality of the resources available electronically and that the user experiences are positive, impactful and fully consistent with the both the brand and image of the Association.

DIVISIONAL SUMMARY WORKSHEET COMMUNICATIONS AND MARKETING

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Base Budget	Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Public Affairs	0	0	2,400	0	2,400	2,400	100.00%
Media Relations	0	1,200	28,200	0	28,200	28,200	2250.00%
Total Revenues	0	1,200	30,600	0	30,600	30,600	2450.00%
Expenses							
Sr VP Communications	183,153	269,150	335,140	0	335,140	255,876	4.93%
Marketing & Brand Management	637,924	876,250	1,248,548	0	1,248,548	881,717	-0.62%
Electronic Media	321,195	503,100	662,165	0	662,165	439,526	12.64%
Public Affairs	324,825	376,650	503,157	0	503,157	361,685	3.97%
Public/Prof. Communications	183,872	373,250	480,554	0	480,554	341,244	8.57%
Council on Communication	167,978	221,700	336,952	0	336,952	252,687	-13.98%
Creative Services	430,745	522,250	538,117	0	538,117	496,752	4.88%
Media Relations	245,918	335,550	331,322	0	331,322	292,941	12.70%
ADA Pavilion	74,455	176,950	70,559	0	70,559	70,559	60.12%
Total Expenses	2,570,065	3,654,850	4,506,514	0	4,506,514	3,392,987	7.16%
Net Revenue/(Expenses)	(2,570,065)	(3,653,650)	(4,475,914)	0	(4,475,914)	(3,362,387)	7.97%

This division was created during 2010 as part of an internal reorganization. Entire departments and portions of budgets were transferred to this division from the Divisions of Administrative Services, Government Affairs and Membership, Tripartite Relations and Marketing. Four of the departments in this division were complete reallocations from these divisions and five departments included partial reallocations. Portions of the reallocation were effective February 1, 2010 with the remainder effective April 1, 2010. This timing is central to comparisons of 2012 and 2011 to 2010 actuals. Additionally, there are several departments whose Q1 2010 actuals are housed in the divisions mentioned above.

When comparing the 2012 budget to the 2011 budget, net expense is favorable by \$291,263 or 7.97%. In 2011, the division of Communications realigned staff between departments which is captured in the 2012 budget.

1 The increase to revenue in Media Relations reflects support activity for Give Kids a Smile. This revenue is an
2 anticipated grant from the ADA Foundation to cover those costs.

3 Significant budget reductions were taken in both staff and program expense. The division eliminated one
4 position and downgraded another resulting in a net expense reduction of \$114,000. Further reductions
5 impacted the ADA Pavilion, Creative Services, Marketing and Electronic Media 2012 departmental budgets.
6 The reduction in the ADA Pavilion budget eliminates ADA participation at seven regional dental meetings.
7 The reduction in Creative Services eliminates "Dudley" public service announcement video production and
8 distribution. Reductions to Marketing include elimination of marketing spending for a promotional campaign to
9 increase consumer usage of Find A Dentist and reductions in market research. Finally, reductions in
10 Electronic Media eliminate temporary staffing backup and travel for the volunteer Chair of the council social
11 media workgroup to attend a media industry event in order to gain a greater understanding of best practices
12 in social media.

13 14 **Capital Budget**

15 House of Delegates Resolution 132H-1992 (*Trans.*1992:588) directs that a description of all proposed capital
16 expenditures exceeding \$25,000 be incorporated into the report of the Board on financial matters. The
17 schedule and explanatory narrative that follows are intended to comply with this requirement.

18 Individual expenditures below this \$25,000 threshold, when possible, have been aggregated into broad
19 categories for presentation on the next page.

Description	BASE FUNDING	DECISION PACKAGES	COMBINED COST
Building			
Smoke Shaft - Fire Damper Installation	\$ 280,000	-	280,000
Security Access System Including Elevators	280,000	-	280,000
Upgrade Security Cameras	28,000	-	28,000
10th Floor Upgrades - Leasing Enhancements	145,000	-	145,000
HVAC Paint Project	70,000	-	70,000
Isolation Damper Install - Tenant Floors	240,000	-	240,000
VFD Install - Main Chilled Water Pumps	82,000	-	82,000
S3 & S5 FSC Controller Upgrade	26,500	-	26,500
2nd Floor Staircase Lighting Upgrade	11,500	-	11,500
HVAC Air Compressor Replacement	64,000	-	64,000
VFD Install - Condenser Water Pumps	20,000	-	20,000
Replacement Valves - Steam Control System	28,000	-	28,000
Replacement Fill Media - Cooling Tower	64,000	-	64,000
LakeShore Neurology Suite 740	12,690	-	12,690
American College of Prostodontists Suite 1000	35,310	-	35,310
SEE-USA / RA Consultanting Suite 1020	26,130	-	26,130
Leasehold Improvements related to vacant space	161,600	-	161,600
Leasing Fees	53,104	-	53,104
Exterior Caulking Windows East and North Side	12,000	-	12,000
Total Building	1,639,834	0	1,639,834
Technology			
Computer Hardware and Software	957,000	-	957,000
Content Management Software	206,875	-	206,875
PeopleSoft Upgrade Phase II - HR System	321,150	-	321,150
AMS - TS & Events Enhancements	-	383,600	383,600
File Web Replacement	-	26,815	26,815
MS SharePoint (HOD & Collaboration)	-	125,615	125,615
Mobile Applications	-	60,425	60,425
Total Technology	1,485,025	596,455	2,081,480
Scientific Equipment			
Mercury Analyzer for Amalgam Separator Evaluation	51,200	-	51,200
Ion Chromatography Instrument for Seal Program	48,000	-	48,000
Computer numerical Controlled 3-Axis Milling Machine	12,300	-	12,300
Scanning Electron Microscope (SEM)	73,200	-	73,200
Total Scientific Equipment	184,700	0	184,700
Office Equipment	67,400	-	67,400
Build new HR MVP Office	-	85,000	85,000
Reconfigure Existing Cubes & Glass Top for Conf Table DC	-	47,000	47,000
Conference & Meetings Café Furniture, Equipment & AV	30,000	-	30,000
Contingency Fund	200,000	-	200,000
Total	\$ 3,606,959	728,455	4,335,414

1 **Smoke Shaft Damper Installation:** This is the removal of the old windows in the smoke shaft that are
2 obsolete by that we mean the windows themselves and their associated controllers. This project was started
3 in 2011
4

5 **New Security Access System – Includes Elevators:** Replacing the current TouchCom System, this is old
6 and hard to service. Include functionality to retrofit the elevators with key card security which will limit access
7 to certain floors.

8 **Upgrade Security Camera:** Replacing current cameras with new cameras and installing cameras in
9 stairwells.

10 **10th Floor Upgrades:** Upgrading the common corridor and bathrooms to aid in leasing space on floor.

11 **HVAC Paint Project:** Painting of the condenser lines, cooling tower's framing and housing fans with good
12 epoxy paint which will protect the steel from rusting.

13 **Installation of Isolation Dampers on the Tenant Floors:** By installing isolation dampers on the tenant
14 floors one on the west side and one on the east side. We will be able to isolate one half of the floors in the
15 following examples.

16 1. The east lower level fan goes down we could close the isolation dampers for the lower east half of the
17 building and just have the west fan supply air until repairs can be made.

18 2. We can cut down on unnecessary HVAC cost by closing down these dampers during afterhours
19 operations.

20 **VFD Install – Main Chilled Water Pumps:** Will save wear and tear on the motors and reduce electrical
21 costs associated with the water pumps.

22 **S3 & S5 FSC Controller Upgrade:** Part of plan to place all HVAC equipment into the new Building
23 Automation System (BAS).

24 **2nd Floor Staircase Lighting Upgrade:** Lights by the wall are all out and engineers cannot change them
25 without a scaffold, making it very costly. New fixtures would allow engineers to change bulbs with a pole
26 extension.

27 **HVAC Air Compressor Replacement:** Current compressors are outdated and very costly to maintain. New
28 compressors would will be more efficient and save building on maintenance.

29 **VFD Install – Condenser Water Pumps:** Part of building capital plan to replace all fans and motors to
30 variable frequency drives to save on electrical expense and wear and tear on equipment.

31 **Replacement Valves – Steam Control System:** Current valves are near the end of their useful life and if
32 they breakdown it would be difficult to control the building heating system.

33 **Replacement Fill Media – Cooling Tower:** Fill media is a mechanism that keeps the water clean in the
34 cooling tower saving the chillers wear and tear. Should be replaced every 10years.
35

36 **Lakeshore Neurology Tenant Improvement Suite 740:** Anticipate a \$15 per square foot allowance to
37 renew the tenant.

38 **American College of Prostodontists Suite 1000:** Anticipate a \$15 per square foot tenant allowance to
39 renew the tenant.

1 **See-USA / RA Consultanting Suite 1020:** Anticipate a \$15 per square foot tenant allowance to renew the
2 tenant.

3 **Leasehold Improvements and Leasing Fees DC:** When tenants sign new leases or renew current leases
4 they are allocated an allowance for improvements to their leased space. The budgeted amount of \$161,000
5 is based upon the leases expiring in 2012 in the Washington DC building. The leasing fees are the paid to
6 the management company upon tenants signing their contracts.

7 **Exterior Caulking Windows East and North Side – DC:** Exterior caulking of the joints between the exterior
8 precast and window sections on the East and North side of the DC building.

9 **Computer Hardware and Software:** It has been the Association's practice to replace and upgrade a portion
10 of existing computer equipment on an annual basis in recognition of technical obsolescence and excessive
11 repair. The rapid pace of technological improvements has caused the Association to cycle replacements
12 every three years.

13 **Content Management Software Implementation:** This request is to purchase new content management
14 software and fund the implementation costs of the project.

15 **PeopleSoft Upgrade Phase II – HR System:** The purpose of the request in funding is to secure outside IT
16 consulting service to complete the upgrade of the PeopleSoft Human Resources Management System that
17 will be started in the fourth quarter of 2011.

18 **AMS – TS & Events Enhancements:** This decision package is to obtain outside IT consulting services to
19 complete a conversion of the existing Tripartite System (TS) to Aptify, the Association's new Association
20 Management System at ADA Headquarters, implement Aptify at two (2) pilot tripartite sites currently using TS
21 and pilot two (2) online event registrations on Aptify.

22 **File Web Replacement:** Of the total, \$170,000 is operating expense and \$26,815 is capital. The purpose of
23 this decision package is to request the necessary funding to retain outside IT consulting services to assist IT
24 staff with the initial planning phase to replace the Association's document management system (ADA
25 FileWeb).

26 **MS SharePoint (HOD & Collaboration):** \$163,145 in total expense to fund purchase additional Microsoft
27 SharePoint licenses. Of the total \$37,530 is operating expense and \$125,615 is capital. The purpose is to
28 expand the knowledge management and collaboration systems to provide stability, enhance collaborative
29 services and provide broader access to these systems for Committees, Workgroups and program
30 participants.

31 **Mobile Applications:** \$97,850 in total expense to fund the platform to build an internal mobile development
32 and deployment capability. Of the total \$37,425 is operating expense and \$60,425 is capital. This will allow
33 the ADA to incorporate support for mobile devices including smart phones (Apple iPhone, Blackberry, and
34 Droid), tablets (Apple iPad and Droid Xoom and eReaders (Apple, Amazon, Sony, and Barnes and Noble);
35 develop applications and content that can be exploited on those platforms; and a supply chain that can enable
36 easy delivery of ADA commercial assets utilizing these platforms.

37 **Mercury Analyzer for Amalgam Separator Evaluation:** To purchase a mercury analyzer to replace the one
38 currently being used.

39 **Ion Chromatography Instrument Seal of Acceptance Program:** Ion chromatography (IC) is the key
40 instrument used for fluoride product testing in OTC Seal program. It is still the most cost effective way to
41 measure sodium monofluorophosphate (MFP) and fluoride release rate of toothpaste. In another words, we
42 cannot test the fluoride toothpaste according to the ADA Guidelines without IC.

Computer Numerical Controlled 3-Axis Milling Machine: Professional Product Review has placed many new demands on the amount of engineering and unique work that the ADA laboratory is producing, which did not exist in the past. We have worked around this issue on multiple occasions by compromising the design of various tests to accommodate the machining tools available. In particular, future projected demands will require an output that will not be possible with the current tools at our disposal. It is simply not cost or labor efficient to create new devices (sometimes multiple copies) without the proper tools to do so.

Our machine shop has put together a number of options for a new mill and has acquired three quotes from different manufacturers and we have come to the conclusion that the TORMAC Personal CNC is the device we should purchase. It can be integrated with our Solid Works software and will give us great control and speed with new designing and building new devices. It will allow us to avoid purchasing high cost, unique, off the shelf components.

Scanning Electron Microscope (SEM): We have sent specimens selectively to PRC in the past for images of products we have tested. This makes for a more interesting and informative presentation, which raises dentists' awareness and demonstrates our scientific approach, e.g. surfaces presented in the Polishing Systems (Vol. 5, Iss. 1.) This model is a bench top model, compact and less expensive than larger models, but sufficient for our needs. This could be used in virtually every evaluation we perform.

Office Equipment: This provides for standard Association-wide furniture replacement, dual-line fax machines and 2 filtered water replacements. The ADA is also budgeting to replace the carpet on the 2nd floor of 211 E. Chicago building.

Build New Office for Managing VP of Human Resources: This position currently has a director's cube which is not an enclosed office. Because this position deals with personnel matters, which in many cases are sensitive in nature, an enclosed office is being requested.

Reconfigure Existing Cubes in Headquarters Building & Purchase Glass Top for Conference Table in DC Building: Replace existing IT consulting cubicles with standard size cubicles for \$15,000. The 5th floor has several small stations for consultants to sit when doing work on-site at the ADA. The plan is to convert these small work stations to three standard size cubes so that the standard sized cubes can be utilized for additional ADA staff being requested in IT decision packages. Additionally, \$10,000 is required to replace existing audit cubicles with standard size cubicles in the accounting area. The 19th floor has work stations that were originally created for internal/external auditors to sit when doing work on-site at the ADA. The auditors have instead utilized conference rooms while on-site. The plan is to convert these small work stations to two standard size cubes so that the standard sized cubes can be utilized for existing ADA staff. The standard size cubicles are needed due to space reconfiguring as a result of having to build a new office for the Managing Vice-President of Human Resources. Existing cubes will need to be removed or reconfigured which will displace current staff and require the additional cubicles. Another \$10,000 is requested to modify workstations in the Department of Testing Services.

Requesting purchase of glass tops for \$12,000 to protect the conference tables in the Washington DC office. The conference tables were purchased when the ADA space in DC was renovated in 2009. There is already noticeable damage to the conference tables so the plan is to purchase the glass tops to protect the tables from any further damage.

Café Furniture, Equipment and Audio Visual Equipment: Café furniture is worn and breaking from everyday use, need to replace with furniture designed for high volume areas. A common customer complaint is lack of available seating, will add different table configuration to accommodate larger number of guests during peak breakfast and lunch times with more durable/safe furniture.

The dishwasher has been inoperable since 2006. Efforts to repair have been unsuccessful as the parts needed are no longer available. Replacement is needed for efficient food service in the Executive Dining Room kitchen and enhanced sanitation.

- 1 Replace TV monitors with five (5) flat screen models. Retire old LCD projectors and replace with five (5)
- 2 newer models that are both energy efficient as well as easily portable.
- 3 **Contingency Fund:** The capital budget includes a contingency fund for unanticipated but necessary
- 4 expenditures, just as the operating budget does. The Board will approve all expenditures from the capital
- 5 contingency fund.
- 6

1 **New Program/Decision Packages**

2 The following is a summary of the decision packages that are approved for funding by the Board of Trustees.

Decision Packages Recommended for Funding		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Administrative Services</u>					
CC_1050400000	Tuition Assistance	-	27,000	-	
<u>Division of Government & Public Affairs</u>					
CC_1200300000	National Primary Oral Health Conference	-	10,250	-	
<u>Division of Membership, Tripartite Relations & Marketing</u>					
CC_1300150000	Diversity Leadership Event	-	27,930	-	
CC_1300150000	Diversity Training for the Board of Trustees	-	7,888	-	
CC_1300400000	Membership Values and Loyalty Research	-	85,000	-	
<u>Division of Global Affairs</u>					
CC_1300800000	Manager, International Humanitarian Programs	-	44,993	-	1
CC_1300800000	International China Initiative	-	33,890	-	
<u>Division of Finance & Operations</u>					
CC_1400200000	Build new HR MVP Office	-	-	85,000	
CC_1400200000	Replace IT Consulting Cubes with Standard Cubes	-	-	15,000	
CC_1400200000	Replace Accounting Audit Cubes with Standard Cubes	-	-	10,000	
CC_1400200000	Build New Modified Workstations in DTS	-	-	10,000	
CC_1400200000	Glass Tops to Protect DC Conference Tables	-	-	12,000	
CC_1400200000	Replace DC Reception Desk	-	-	-	
<u>Division of Information Technology</u>					
CC_1450000000	Business Continuity Plan	-	9,555	-	
CC_1450350000	Security Analyst	-	154,974	-	1
CC_1450400000	Senior Applications Developer (AMS)	-	110,090		1
CC_1450400000	Database Administrator	-	119,951		1
CC_1450400000	File Web Replacement	-	170,000	26,815	
CC_1450400000	AMS - TS & Events Enhancements	-	174,400	383,600	
CC_1450450000	MS SharePoint (HOD & Collaboration)	-	37,530	125,615	
CC_1450450000	LMS Authoring Tool	-	42,350	-	
CC_1450450000	Mobile Applications	-	37,425	60,425	

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Decision Packages Recommended for Funding - Continued		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Science/Professional Affairs</u>					
CC_1450500000	Dental Informatics Administration	-	80,380	-	
CC_1650000000	ADA FDI Delegation	-	2,710	-	
CC_1650050000	Norton Ross Award	12,000	12,000	-	
CC_1650050000	Gold Medal Award	24,000	48,556	-	
CC_1650200000	Clinical Evaluation Projects	-	65,000	-	
CC_1650200001	Pilot to Revitalize the Seal Program	-	127,259	-	
<u>Division of Dental Practice/Professional Affairs</u>					
CC_1500200005	CRC Appeal Committee	-	10,335	-	
CC_1500300005	Flouridation Technical Assistance Materials	86,500	86,500	-	
CC_1500300010	Membership to AAAHC	-	6,000	-	
CC_1500300015	NACHC Engagement	-	3,400	-	
CC_1500300020	AI/AN Dental Placement Program Assessment	-	5,000	-	
CC_1500300025	NCCC JADA Supplement	85,000	85,000	-	
<u>Division of ADA Publishing</u>					
CC_1700000000	ADA FDI Delegation	-	6,230	-	
CC_1380250000	Product Information Consultant	200,000	80,000	-	
	Totals	407,500	1,711,596	728,455	4
	Net Total Decision Packages - Operating & Capital	(2,032,551)			

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- 1 The following decision packages were not recommended for funding by the Board of Trustees.

Decision Packages Not Recommended for Funding		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Government & Public Affairs</u>					
CC_1200150000	ADPAC Board In-District Travel	-	32,193	-	
<u>Division of Finance & Operations</u>					
CC_1400200000	Machine Operator Specialist	-	77,936		1
CC_1400200000	Build Private Offices in Legal	-	-	39,000	
CC_1400200000	Exterior ADA Signage for DC Building	-	-	33,000	
CC_1400200000	Replace DC Reception Desk	-	-	15,000	
CC_1450000000	IT Help Desk Staff Analysis	-	79,040	-	
CC_1450400000	Exhibitors Software Replacement	-	50,000	10,000	
CC_1450400000	MS BizTalk Upgrade	-	19,200	67,800	
CC_1450450000	Symptom Checker Implementation	-	54,300	124,600	
CC_1450450000	Taxonomy Software	-	66,000	-	
CC_1500300005	Revision of Fluoridation Facts	-	54,500	-	
CC_1500300020	Health Literacy Survey of Students	-	5,000	-	
	Totals	-	438,169	289,400	1
		(727,569)			

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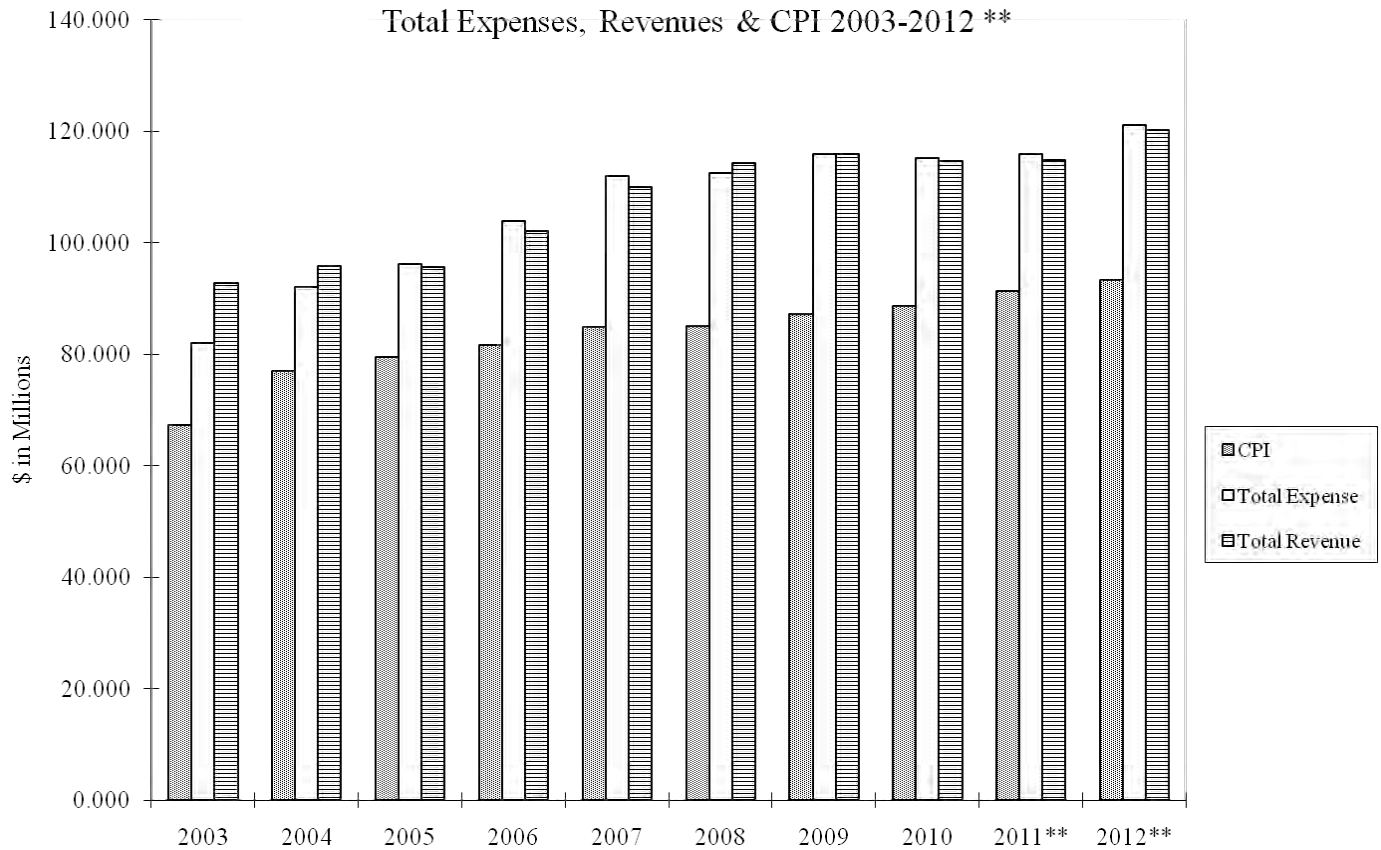
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Consumer Price Index

The preparation of the following chart was directed by the House of Delegates Resolution 87H-1983 (*Trans.* 1983:573). Its original purpose was to provide a comparison of Association expenses and revenues to the Consumer Price Index (CPI) as compiled by the Bureau of Labor Statistics.



** Projected (assuming 3.1% and 2.2% annual CPI (decrease)/increase in 2010 and 2012 respectively). 2003 revenue and expense totals includes a half-year of ADA Publishing. 2004 CPI total adjusted to include ADA Publishing

Association Reserves

The Association's Reserve Division consists of a Capital Formation Account and an Investment Account. The former includes long-term capital investment in ADA Business Enterprises Inc., which is not easily liquidated and therefore not available for immediate situations.

On the other hand, the Investment Account represents liquid reserves that are more readily convertible to cash. The objectives of the liquid reserve fund are to sustain basic operations and core member services during a short- or long-term economic downturn, as well as to cover unbudgeted expenditures brought about by events or opportunities requiring immediate funding. Association leadership attempts to balance the need for liquid reserve funds against maintaining an affordable membership dues structure, recognizing that a strong reserve position is a key component of the long-term financial strategy of dues stabilization.

Reserve Division Investment Account. Investments in this account are currently allocated among mutual funds and managers with differing investment strategies. This approach diversifies the overall portfolio and distributes the risk.

1 Several transactions affected the Reserve Division Investment Account during 2010:

Balance, December 31, 2009	\$ 42,299,679
Investment Results net of management fees	6,121,527
Transfer of dividends to operations	(1,203,473)
Transfer of 2008 net surplus from General Fund	1,597,783
Transfer of 2009 net surplus from General Fund	3,252,370
Executive Parity Plan Activity:	
Transfer of awards to reserves	255,294
Transfer of distributions from reserves	(310,610)
Net change in liability	(55,316)
Retiree Medical Plan:	
Funding	1,117,102
Reduction of receivable for funding	(1,117,102)
Reserve Commitments Activity:	
National Issues Discussion on Workforce	(4,604)
Remediation Process	(180,000)
Preservation of Evidence	(40,004)
ADA Foundation Interim Funding	(250,000)
2010 Excess Pension Budgeted Contribution	3,200,000
ADA DC Building Renovations	(866,384)
Workforce Models (CDHC) Pilot Program	(2,513,990)
Balance, December 31, 2009 before commitments and pending transfers	\$ 51,412,904
Pending Transfers:	
ADA DC Building Renovations	(3,059)
Workforce Models (CDHC) Pilot Program	(163,928)
National Issues Discussion on Workforce	3,007
Preservation of Evidence	(109,546)
Alabama Litigation	(100,000)
ADA Staff Charity Raffle Funding	(2,500)
Authorized Commitments:	
ADA 2010 Budget Deficit	(536,050)
ADA DC Building Renovations Funding	17,815
Workforce Models (CDHC) Pilot Program	(1,444,787)
National Issues Discussion on Workforce	(18,803)
Remediation Process	(70,000)
Preservation of Evidence	(450)
ADA Foundation Interim Funding	(96,550)
2010 Excess Pension Budgeted Contribution	(3,200,000)
Balance, December 31, 2010	<u>\$ 45,688,053</u>

2
3 Resolution 59-2007 (*Trans.*2008:440) that the Board be urged to target the ADA's liquid reserves at a level of
4 50% of the Association's annual budgeted operating expenses, and to consider any excess in developing the
5 following year's annual operating budget consistent with the long-term strategy of dues stabilization taking

into consideration any known contingent use of reserves. Outlined below is the status of the Reserve Division account at May 30, 2011 (Note that the 2010 surplus has not yet been transferred to reserves, pending the finalization of the audit).

Balance, May 31, 2011 before commitments and pending transfers \$ 53,921,388

Pending Transfers:

ADA DC Building Renovations	(3,059)
Workforce Models (CDHC) Pilot Program	(1,399,070)
National Issues Discussion on Workforce	3,007
Preservation of Evidence	(109,546)
Alabama Litigation	(100,000)
2009 ADA Net Surplus Additional Amount	815,142
ADA Staff Charity Raffle Funding	(2,500)

Remaining Authorized Commitments:

Workforce Models (CDHC) Pilot Program	(209,645)
National Issues Discussion on Workforce	(18,803)
Remediation Process	(70,000)
Preservation of Evidence	(450)
ADA Foundation Interim Funding	(96,550)
2010 Excess Pension Budgeted Contribution	(3,200,000)
State Public Affairs Program Funding	(46,000)

Balance, May 31, 2011 adjusted for commitments \$ 49,483,914

Percent of 2011 budgeted expenses of \$116,001,250 42.7%

2010 Financial Results

ADA Operating Results: At the time of printing, 2010 final results have not been completed as a result of a delay in the annual audit. If the annual audit is complete prior to annual session, an update will be distributed on-site in Las Vegas.

Headquarters Building Renovation and Valuation

The House adopted Resolution 69H-2002 (*Trans.*2002:372), directing that the estimated market value of the ADA headquarters building be included in Board Report 2. The two most likely uses of the ADA building by a purchaser would be as an office building or a conversion to a residential property. These are two very different uses and very different markets which yield different estimated valuations. Per discussion with real estate transaction professionals in Chicago, there has been no appreciable change in the market price determined for each of these potential uses in the last year. Thus, the estimated market values remain approximately \$41.5 million for sale to a residential developer and \$33 to \$39 million for office use. The value for office use assumes that the building would be occupied, meaning the ADA would commit to a long-term lease as a tenant (an expense not now incurred) or find a replacement tenant and rent space in a different building.

These amounts represent gross selling price before any related sale and closing costs. These valuations reflect current conditions in the Chicago real estate market.

One-Time Activities

The following chart is in response to Resolution 86H-1999 (*Trans.* 1999:894). The resolutions listed below were approved at the 2010 House for spending in 2010 for one-time activities. These items are not included in the 2012 budget.

2010 House Resolution	Description	(Revenue)/ Expense
Administrative Services		
123H	Continuation of Special Committee on & Financial Affairs	\$ 110,000
Education/Professional Affairs		
63H	Online Continuing Education Courses for 2011	15,000
42H	B.O.T. Workgroup: Developing a New Part Three of National Boards, Eliminating Live Patients	18,400
Science/Professional Affairs		
71H	Request for Funding of Health Screening Program	350,000
Total one-time activities in the 2011 budget		<u>\$ 493,400</u>

Resolutions

See Resolution 14; Worksheet:2064

See Resolution 15; Worksheet:2065

BOARD RECOMMENDATION: Vote Yes to Transmit.

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEINBERG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	RICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VIGNA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Board Rpt. 2

Resolution No. 14 New ☒ Substitute ☐ Amendment ☐Report: Board Report 2 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$119,831,124 Revenue
\$120,970,216 Ongoing Expense Net Dues Impact: \$Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Supports achievement of all strategic goals (Required)**APPROVAL OF 2012 BUDGET****Background:** (See Report 2 of the Board of Trustees to the House of Delegates: ADA Operating Account Financial Affairs and Recommended Budget, Fiscal Year 2012, Worksheet:2000)**Resolution****14. Resolved,** that the 2012 Annual Budget of revenues and expenses, including net capital requirements be approved.**BOARD RECOMMENDATION: Vote Yes.**

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEINBERG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	RICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VIGNA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Res. 14

Resolution No. 15 New ☒ Substitute ☐ Amendment ☐Report: Board Report 2 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ 747,950 Net Dues Impact: \$ 7Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Supports achievement of all strategic goals (Required)**ESTABLISHMENT OF DUES EFFECTIVE JANUARY 1, 2012**

Background: The Board of Trustees at its June 2011 meeting approved a preliminary balanced budget with a deficit of (\$927,342) and a recommended dues increase of \$7.00, which would produce a budgeted deficit of \$179,392. Notification of this dues increase was circulated to all constituent dental societies and announced in an official Association publication. The following resolution, submitted by the Board of Trustees, reflects the proposed dues increase of \$7.00.

Resolution

15. Resolved, that the dues of ADA active members shall be five hundred twelve dollars (\$512.00), effective January 1, 2012.

BOARD RECOMMENDATION: Vote Yes.

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEINBERG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	RICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VIGNA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Res. 15

Resolution No. 105-2010 New ☒ Substitute ☐ Amendment ☐Report: None Date Submitted: July 2011Submitted By: Seventh Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None Net Dues Impact: \$ NoneAmount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Member (Required)

AMENDMENT OF THE ADA BYLAWS: SETTING THE DUES OF ACTIVE MEMBERS
Held Over from 2010 (Amendment to Bylaws Subject to 90-Day Notice)

The following resolution was adopted by the Seventh Trustee District and submitted on September 24, 2010, by Mr. Douglas Bush, executive director, Indiana Dental Association.

Background: Chapter V, Section 130, of the ADA *Bylaws* states that the House of Delegates is to establish the dues of active members by a two-thirds affirmative vote of the delegates present and voting.

This policy has generated considerable disorganization and confusion at recent House meetings. This is due to the fact that the Annual Budget and resolutions creating a financial impact, can be approved with a simple majority vote of 50%, while adoption of the dues necessary to fund the proposal requires a two-thirds vote. An impasse is created when a resolution achieves a 50% vote, but falls short of the two-thirds vote required for funding.

This conflict can be remedied by: 1) Increasing the percentage of votes required to approve both the Annual Budget and any resolutions calling for an appropriation of funds; and 2) Decreasing the percentage of votes required to set the Association's annual dues.

The North Dakota Dental Association has submitted two resolutions to the 2010 House that would raise the percentage of votes required to approve the Annual Budget (Resolution 62) and to pass a resolution calling for appropriation of funds (Resolution 61) to three-fifths (60%). The Seventh Trustee District supports these resolutions and the ADA Board of Trustees has recommended the House of Delegates vote "yes" on these two resolutions.

To further address the issue, the Seventh Trustee District is submitting the following resolution that proposes lowering the vote required to set the ADA dues for Active Members to the same three-fifths (60%) majority. This amendment to the *Bylaws* changes the procedure for setting dues and requires 90 days written notice to the House. Therefore, the Seventh District wishes to present this resolution to the 2010 House, with the intention to carry over to the 2011 House for a vote.*

Therefore be it

Resolution

105-2010. Resolved, that Chapter V, Section 130A.d of the ADA *Bylaws* be amended as follows:

APPROVAL OF THE DUES OF ACTIVE MEMBERS. The dues of active members of this Association shall be established by the House of Delegates as the last item of business at each annual session. The resolution to establish the dues of active members for the following year shall be proposed at each annual session by the Board of Trustees in conformity with Chapter VII, Section 100F of these Bylaws, may be amended to any amount and/or reconsidered by the House of Delegates until a resolution establishing the dues of active members is adopted by a sixty percent (60%) ~~three-fifths (3/5)~~ ~~two-thirds (2/3)~~ affirmative vote of the delegates present and voting.

*Note: The 2010 Standing Committee on Constitution and Bylaws editorially revised this resolution. The resolution as presented reflects this editorial change.

BOARD RECOMMENDATION: Vote Yes.

BOARD VOTE: UNANIMOUS.

Resolution No. 105S-1-2010 New ☐ Substitute ☒ Amendment ☐Report: None Date Submitted: October 3, 2011Submitted By: Tenth Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None Net Dues Impact: \$ NoneAmount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

1
2 **SUBSTITUTE FOR RESOLUTION 105-2010: AMENDMENT OF ADA BYLAWS:**
3 **SETTING THE DUES OF ACTIVE MEMBERS**

4 The following resolution was adopted by the Tenth Trustee District and submitted on October 3, 2011, by Mr.
5 Paul Knecht, executive director, South Dakota Dental Association.

6 **Background:** Chapter V, Section 130, of the ADA *Bylaws* states that the House of Delegates is to establish
7 the dues of active members by a two-thirds affirmative vote of the delegates present and voting.

8 This policy has generated considerable disorganization and confusion at recent House meetings. This is due
9 to the fact that the Annual Budget and resolutions creating a financial impact, can be approved with a simple
10 majority vote, while adoption of the dues necessary to fund the proposal requires a two-thirds vote. An
11 impasse is created when a resolution achieves a majority vote, but falls short of the two-thirds vote required
12 for funding.

13 This conflict can be remedied by: 1) Increasing the percentage of votes required to approve both the Annual
14 Budget and any resolutions calling for an appropriation of funds; and 2) Decreasing the percentage of votes
15 required to set the Association's annual dues.

16 Resolution 105-2010 would decrease the votes required to approve a dues increase from two-thirds of the
17 House to 60%, however resolutions calling for appropriation of funds require only a simple majority.

18 To address the issue, the Tenth Trustee District proposes to amend Resolution 105-2010 to make the vote
19 required to set the ADA dues for Active Members the same as the vote required to make an appropriation of
20 funds.

21 Therefore be it

22 **Resolution**

23 **105S-1-2010. Resolved,** that Chapter V, Section 130A.d of the ADA *Bylaws* be amended as follows:

24 APPROVAL OF THE DUES OF ACTIVE MEMBERS. The dues of active members of this Association
25 shall be established by the House of Delegates as the last item of business at each annual session.
26 The resolution to establish the dues of active members for the following year shall be proposed at each
27 annual session by the Board of Trustees in conformity with Chapter VII, Section 100F of these *Bylaws*,
28 may be amended to any amount and/or reconsidered by the House of Delegates until a resolution
29 establishing the dues of active members is adopted by a ~~sixty percent (60%) majority of three-fifths~~
30 ~~(3/5) two-thirds (2/3) affirmative votes~~ of the delegates present and voting.

1 **BOARD RECOMMENDATION: Received after this section had been reproduced for House**
2 **distribution.**

3 Budget, Business & Administrative Matters

ADA Strategic Plan Goal: Financial (Required)

AMENDMENT OF THE ADA *CONSTITUTION* REGARDING AUDIT RESPONSIBILITIES

The following resolution was adopted by the Special Committee on Financial Affairs and transmitted on September 20, 2010, by Dr. Ronald P. Lemmo, Committee Chair.

Background: After the Special Committee meeting of September 10, 2010, and after the Board voted to recommend the formation of the Council on Financial Affairs, an issue was raised about a potential conflict with the *Constitution*.

Industry standards and best practices recommend that organizations like the ADA have an independent Audit Committee. The Special Committee believes that this independence is best achieved by transferring the Audit function to the House of Delegates. This requires that the *Constitution* be changed to remove the Audit function from the Board, and establish the Audit Committee as a committee of the House under the new Council on Financial Affairs.

In an effort to resolve the Constitutional issue that was raised, and to allow the work of the Special Committee to be in front of the House of Delegates, the following resolution is being proposed.

Resolution

114-2010. Resolved, that ARTICLE IV, *Section 20*, of the ADA *Constitution* be amended as follows (new language underscored):

Section 20. ADMINISTRATIVE BODY: The administrative body of this Association with the exception of audit responsibilities shall be a Board of Trustees, which may be referred to as “the Board” or “this Board” as provided in Chapter VII of the *Bylaws*.

BOARD COMMENT: Based on the advice of Chief Legal Counsel and the Special Committee on Financial Affairs as explained in its Annual Report to the House (Worksheet:2166), the Board agrees with the Special Committee that this resolution should not be adopted.

BOARD RECOMMENDATION: Vote No.

BOARD VOTE: UNANIMOUS.

Resolution No. None New ☒ Substitute ☐ Amendment ☐Report: Board Report 4 Date Submitted: July 2011Submitted By: Board of TrusteesReference Committee: Budget, Business and Administrative Matters

Total Net Financial Implication: \$ Net Dues Impact: \$

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: Ensure Financial Stability (Required)**REPORT 4 OF THE BOARD OF TRUSTEES TO THE HOUSE OF DELEGATES: COMPENSATION AND CONTRACT RELATING TO THE EXECUTIVE DIRECTOR**

Background: The Board of Trustees executed a three-year employment agreement with the current Executive Director on April 29, 2009. Either party may terminate the agreement without cause by giving the other party written notice of termination at least 60 days prior to the termination date. The Executive Director is the only member of the ADA staff with a written employment contract. The contract provides that the Executive Director's performance is to be reviewed by the Board on an approximately annual basis or more frequently, as deemed appropriate by the Board, at the Board's sole discretion. Based upon the performance reviews, the Board of Trustees may increase her compensation. From time to time the Board of Trustees engages external experts to conduct a market comparison assessment of the Executive Director's pay and use such information in setting compensation level. The most recent such market comparison assessment was conducted by the consulting firm of Sullivan Cotter in April 2011.

Compensation and Benefits: The Executive Director's starting annual base salary was \$375,000. Effective January 1, 2011, the Executive Director's annual base salary was increased to \$450,000. The adjusted salary level was based upon the findings from an April 2011 market comparison assessment study and a review of the Executive Director's 2010 performance. The market study compared compensation for the ADA's Executive Director both to the median compensation data from three national surveys of not-for-profit organizations and to median compensation data calculated from an analysis of Executive Director pay at 11 potential competitor associations. Median market base salary ranged from to \$464,096 to \$541,496. The ADA's adjusted salary rate of \$450,000 is 3% below the bottom of this range.

A review of the Executive Director's 2010 performance was performed by MRA Associates in May 2011 through a 360 feedback survey conducted by MRA Associates. Feedback was obtained from the ADA Board of Trustees and the direct reports to the Executive Director. The summary of the feedback from the Board of Trustees was as follows: 73% - expectations met or exceeded; 4% - expectations not met; 23% - unable to rate/no knowledge.

The Executive Director's salary is paid in accordance with the Association's standard payroll schedule and policies. The Executive Director is also entitled to all of the fringe benefits offered during the term of this Agreement to all other similarly situated Association employees having her length of service in the employ of the Association; provided, however, that such fringe benefits do not include "Severance Pay" under the ADA Employee Handbook or any other ADA policy or procedure relating to severance pay.

In addition, the Executive Director participates in the Executive Parity Plan, a non-qualified retirement plan that restores the value of lost benefits to senior ADA executives who otherwise would suffer significant benefit reductions (20% to 60% reduction) because of the tax laws. This non-qualified plan is funded via a specified cash amount the Board sets aside annually to be paid upon vesting. This plan came about after the Omnibus

1 Budget Reconciliation Act of 1993 reduced future covered pension benefits for any employee whose earnings
2 exceeded an annual threshold. Like many for-profit corporations, and other Chicago-based professional
3 associations, the Board recompenses the Executive Director and other affected senior executives for this
4 reduction in pension plan benefits.

5 The Executive Director also receives a \$5,000 annual contribution to the Great-West Variable Annuity Plan; a
6 parking space in the Association Headquarters building; the reimbursement of reasonable, substantiated
7 expenses incurred to purchase and maintain a membership in one city or athletic club in the Chicago area;
8 one cellular telephone, spousal travel to the Association's annual session; and membership dues in
9 professional associations, (except the dues of the American Dental Association and its constituent and
10 component dental societies). The Board collects data from outside consultants and various published reports
11 in order to compare the compensation and benefits package of the Executive Director to other similarly sized
12 non-profit organizations.

13 Resolutions

14 This report is informational in nature and no resolutions are presented

15 **BOARD RECOMMENDATION: Vote Yes to Transmit.**

16 **BOARD VOTE: UNANIMOUS. (BOARD OF TRUSTEES CONSENT CALENDAR ACTION—NO BOARD**
17 **DISCUSSION).**

Resolution No. 14B-15 New ☒ Substitute ☐ Amendment ☐

 Report: Board Report 2 Date Submitted: September 2011

 Submitted By: Board of Trustees

 Reference Committee: Budget, Business and Administrative Matters

Total Net Financial Implication: \$ Net Dues Impact: \$

Amount One-time \$ Amount On-going \$

 ADA Strategic Plan Goal: Supports achievement of all Strategic Goals (Required)

REPORT 2 OF THE BOARD OF TRUSTEES TO THE HOUSE OF DELEGATES: ADA OPERATING ACCOUNT FINANCIAL AFFAIRS AND RECOMMENDED BUDGET FISCAL YEAR 2012

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Introduction: In accordance with its *Bylaws* duties, the Board of Trustees presents the proposed 2012 operating budget for the Association. This report also provides the House of Delegates with comparative financial data over a three-year period. Finally, it includes background commentary and an analysis of significant budget changes for 2012. The Board is recommending a 2012 operating budget of \$119,831,124 in revenues and \$118,397,157 in expenses, income taxes, and net capital expenditures, generating a net surplus of \$1,433,967 including decision packages. This is a revised proposed 2012 budget as the Board of Trustees made changes to the operating budget at their September meeting. These changes incorporate changes to the ADA pension, retiree medical and 401k plans. In arriving at this proposal, the Board of Trustees and the Administrative Review Committee analyzed budget requests relative to the Association's strategic priorities. Resources were reallocated between programs and divisions in an effort to maximize their effective use in executing the ADA's Strategic Plan for 2012-2014. Additionally, non-dues revenue sources were carefully examined to determine whether they were estimated at appropriate amounts.

Key comments concerning the 2012 budget follow:

- The initial 2012 base operating budget had a deficit of approximately \$6.7 million. The deficit was partially reduced by giving each division a goal to improve their operating budgets by 12%. The improvements could either be by generating additional non-dues revenue or reducing operating expenses.
- Membership dues revenues and membership full dues paying equivalents (FTE's) are expected to increase by approximately 150 members when comparing the 2012 budget to the 2011 budget. Dues revenue for 2012 remains relatively flat when compared to 2011, increasing by \$121,867 or 0.23%.
- Non-dues revenues in the base budget are expected to increase by almost \$4.7 million or 7.8%, with the most significant increase being in Product sales, Advertising revenue, testing fees, meeting and seminar income. The increase in Product sales is due to 2012 being a year where there is a new release of *CDT*. A new version of *CDT* is released every other year. The increase in Advertising revenue is due to 3% rate increases and several new initiatives being launched in JADA and ADA News. The increase in Testing and Accreditation revenue is due to fee increases for the exams the ADA administers, increase in accreditation fees and an increase in the amount the ADA charges to CERP providers. The increase in Meeting and Seminar income is due to increasing exhibit booth rental fees and miscellaneous registration fees related to annual session. Partially offsetting the increase in revenue is a decrease in Investment Income due to the appreciation/depreciation of deferred compensation investments which has an offsetting expense in the staff compensation category.
- Base budget operating expenses are projected to decrease by .08% or \$936,974. The decrease in operating expenses is due to declines in Fringe Benefit costs and Grants and Awards expense. The decline in Fringe Benefits is partially due to a reduction in pension and retiree medical expenses as a result of the plan changes that were approved by the Board of Trustees at their September 2011 meeting. Additionally, a decline in expense associated with appreciation/depreciation of deferred compensation is projected which is offset by an equal amount of investment income. The decline in Grants and Awards is due to a reduction in expenses associated with the State Public Affairs grants. The ADA also further reduced the grant to the ADA Foundation at their September meeting. Partially offsetting the decline in expense is increased spending in Salaries & Temp Help, Meeting Expense, Professional Services and Office Expenses. The increase in Salaries & Temp Help is due to increases in budgeted temporary help throughout the Association to bring the budget in line with historical actual spending and what is expected in 2012. The increase in Meeting Expenses is largely due to the ADA having to pay the California Dental Association (CDA) a significant amount in site distribution as a result of the ADA annual session being in San Francisco and the CDA canceling their northern

meeting accordingly. The increase in Professional Services is the direct result of the increase in testing revenue. The ADA pays a vendor to proctor the exams and as revenue goes up due to additional tests being taken, the amount paid to the vendor increases. Office Expenses increased due to annual session audio visual costs being higher in San Francisco vs. Las Vegas and software maintenance costs due to implementing the new systems that were implemented via the 2011 special assessment.

- The 2012 budget adds value to membership with new program decision packages totaling \$407,500 in revenue, \$1,694,537 in expenses and \$728,455 in net capital for a net of expense of \$2,014,992.
- The Board of Trustees approved a resolution recommending a \$7 dues increase which will add \$747,950 in dues revenue to the 2012 budget. If the House of Delegates approves the recommended dues increase, the ADA budget would have a surplus of \$2,181,917.

Budget Methodology and Structure

The ADA implemented the Hyperion Planning system that was approved by the 2010 House of Delegates via the special assessment and a 2010 contingency fund request. This system is being used to develop the annual budget and quarterly forecasts. During the implementation phase of the project, management decided to change the structure of how program costs are tracked. Additionally, management and volunteers wanted to develop a mechanism to easily identify the costs of programs/activities/projects. In 2011, a project ID structure was implemented which allows individual project ID's to be assigned to programs/activities/projects. This will allow the Board of Trustees and management to make informed decisions related to individual programs going forward. For 2011 actuals are being recorded using project ID's and the 2012 budget was also developed using project ID's. It should be noted that it will take a full year of tracking actual by project ID before valued added analysis can be performed on the programs that currently have project ID's assigned.

Hyperion allows for making assumptions related to testing revenue, membership dues, registration fees compensation expense, taxes, fringes, consulting fees, outside services, temporary help, travel costs and capital expenditures. The system provided flexibility to make changes to assumptions and get almost instant results based on the changes. Additionally, for expenses such as consulting, outside services and temporary help, Hyperion required the budget preparers to individually enter these expenses into the software by project so that management had the ability to analyze the detail behind a budget request.

In 2012, departments that have compensation (salary) expense now have expenses related to payroll taxes and fringe benefits. These costs in prior years were included in the Central Administration budget. Hyperion allows allocation of these costs at the department level. This provides management with a more accurate depiction of the cost of a program/activity. Because it would be difficult to compare the 2012 budget to prior years based on this change, a new column was added to back out the payroll taxes and fringe benefits. When comparing the 2012 budget to prior years use the column titled "2012 Budget Less Taxes & Fringes".

Initial budgets were built around what is needed for 2012. Budget managers were directed not to build their budgets based on the approved 2011 budget.

Staff was directed to present proposed new activities in decision packages that could be reviewed, evaluated and ranked. Proposals for new activities from all divisions were considered in a pool and competed against each other for funding. This process facilitated consideration of strategic priorities at an organizational level.

Budget Timeline and Process

The following is offered as an overview of the complex and resource intensive process that occurs over a six month period, to help the House appreciate the entire process undertaken in the development of each year's budget, including invaluable input from all of the councils and the Administrative Review Committee (which had two House members serve on it).

Initial Stages: Each of the 20 separate ADA divisions began the budget process by developing draft base budgets and potential decision packages based on the current strategic plan needs of the ADA. At this stage, the work is begun by division staff, and from the start all staff were directed to engage all ADA councils, committee and commissions in the budget process. On a continuing basis, all council members will be further educated on the fiduciary role of councils and a standing item on each council agenda will be review of budgets. Thus, the already substantial investment of volunteer time in the early budget process (and throughout that process) will grow in the coming year.

The Association 2012 budget process started in mid February when each ADA division entered its base budget and any recommended decision packages using the new Hyperion budget application that will enhance the ADA's analysis and budgeting capacity over time. After all these initial budgets were submitted, the Finance Division reviewed all the budgets for completeness and accuracy. Finance also developed budget summaries as one method to highlight the nature and extent of the net deficit at this early draft stage of the budget process.

Second Round: In mid March, using these initial budget drafts and summaries, the Executive Director, Chief Financial Officer, Managing Vice President of Administrative Services, Managing Vice President of Human Resources and Organizational Development, Controller and the Budget Manager met with each division individually to understand the department/divisional operating budget requests and proposed decision packages. This group thoroughly reviewed the proposed budgets for alignment with strategic plan goals and efficient use of resources and suggested some changes apparent as a result of these meetings. These divisional internal budget review meetings lasted an entire week. At the conclusion of the internal budget review meetings in March, another version of the 2012 budget was built on changes and a significant net deficit continued to exist. As a result, each division was asked to revisit its proposed budgets to identify additional revenue sources or expense cuts. The goal from this process was an overall reduction in the budget expense (or increase in revenue) of 12% to close the budget gap.

Third Round: At this point, important programs and initiatives were identified for possible cutbacks. Division staff presented these issues to the appropriate council members for feedback and approval or rejection and for the development of alternative ideas. The goal of this process was to provide the volunteer leaders, familiar with the programs and priorities of the division, the opportunity to make proposals based on the relative importance of expense items and programs and the viability of developing new revenue sources.

Administrative Review Committee: As a result of this input from the volunteers, each division made specific recommendations for closing the budget gap. The Finance Division consolidated these recommendations, highlighting specific cuts, and forwarded this information to the Administrative Review Committee.

The Administrative Review Committee is made up of the Budget and Finance Committee with the Treasurer serving as chair. Again this year, two House members were included on the committee and played an invaluable role in the analysis of the proposed budget. The Administrative Review Committee met for two days from May 3–4 with the focus on reviewing the budget changes by division, making its own recommendations for budget changes, reviewing all decision packages and coming up with a strategy on presenting the budget and dues recommendation to the Board of Trustees in June.

Board of Trustees: Based on the work of the Administrative Review Committee meeting in May, the Finance Division developed a draft of this report for consideration by the full Board. The result was a 56 page report which included many schedules and significant narrative. Relevant sections of this draft report were reviewed by each ADA division and corrections were made to it based on this review. This report was then sent to the Board of Trustees prior to its June 2011 meeting. In addition to the draft report, its schedules and narrative, the Board of Trustees was provided with the list of the specific budget changes recommended by the *Administrative Review Committee*: divisional ranking by priority of programs/projects and an explanation of how these programs/projects were linked to the ADA Strategic Plan. The Board of Trustees, at the June meeting, considered all of this information over the greater part of its three day meeting. In addition to the written material, the Treasurer provided guidance and comment, and each division presented a brief overview of its budget, focusing on eliminations, justified by alignment with the Strategic Plan and cost/benefit. The Board thoroughly reviewed the work of the Administrative Review Committee and its recommendations, questioned staff on specific issues in the budget and discussed input received by trustees from particular councils. The Board focused on going through the recommended budget changes and voting whether to accept or reject the Administrative Review recommendations for each ADA department/division. The Board also thoroughly examined all proposed decision packages and voted whether to recommend them for funding. Finally, the Board of Trustees voted to recommend to the House of Delegates that the full dues rate for 2012 increase by \$7.

After the June Board of Trustees budget actions, the Finance Division revised Board Report 2 to reflect the comments and votes of the Board at its June meeting. The Board of Trustees again reviewed this report in July and August and, after reflecting changes made during the meeting, voted to transmit it to the House of Delegates.

The Board of Trustees also reviewed the budget in September and voted to transmit a revised version of the 2012 budget to the House of Delegates. This version of the budget takes into consideration changes to the ADA pension, retiree medical and 401k plans that the Board of Trustees approved at their September meeting. Additionally, the Board of Trustees reduced the ADA Foundation grant by an additional \$900,000, reduced the Student Block Program by \$100,000 and reduced the target for Sunsetting Programs by \$600,000.

REVISED Board Report 2
BUDGET, BUSINESS AND
ADMINISTRATIVE MATTERS

**2012 BUDGET SUMMARY WORKSHEET
FINANCIAL IMPLICATIONS RECAP**

			2012		2012	Percent
	2010	2011	Base	Decision	Budget Incl	Change
	Actual	Budget	Budget	Packages	Base/Dec Pkg	Fav/(Unfav)
Dues Revenue	53,725,594	53,942,300	54,064,167	0	54,064,167	0.23%
Non-Dues Revenue	58,352,284	61,017,350	65,359,457	407,500	65,766,957	7.78%
Total Revenues	112,077,878	114,959,650	119,423,624	407,500	119,831,124	4.24%
Total Expenses	114,119,420	117,994,800	117,057,826	1,694,037	118,751,863	-0.64%
Net Income (Loss) before Income Tax	(2,041,542)	(3,035,150)	2,365,798	(1,286,537)	1,079,261	135.56%
Income Taxes	(1,507,606)	(1,250,000)	(1,250,000)	0	(1,250,000)	0.00%
Net Revenue/(Expense) After Taxes	(3,549,148)	(4,285,150)	1,115,798	(1,286,537)	(170,739)	96.02%
Other Items						
3% Merit Increase	0	0	(1,162,500)	0	(1,162,500)	-100.00%
1% Comp Adjustments	0	0	(387,500)	0	(387,500)	-100.00%
Resource Adjustments Identified Per Cuts	0	0	401,916	0	401,916	100.00%
Sunsetting Programs/Resource Reductions	0	0	1,000,000	0	1,000,000	100.00%
Net Capital Add Back	3,837,609	3,243,550	2,481,245	(728,455)	1,752,790	-45.96%
Net Surplus/(Deficit)	288,461	(1,041,600)	3,448,959	(2,014,992)	1,433,967	237.67%
Pension Contribution	(4,321,860)					
Pension Expense (add back)	7,287,657					
Net Pension	2,965,797					
Portion of Budgeted Pension Contribution						
Transferred to Reserves	(3,200,000)					
Net ADA Operations after Pension Adj	54,258					

Note: A three year average Chicago area CPI dues increase amounted to \$7 or \$747,950 in dues which was approved by the Board of Trustees via a separate resolution and forwarded to the House of Delegates.

Note: Actual results for 2010 are not final, and updated information should be available for the 2011 House of Delegates.

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NATURAL ACCOUNT SUMMARY WORKSHEET

	2010	2011	2012	2012	Percent	
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Base/Dec Pkg	Change Fav/(Unfav)
Revenues						
Membership Dues	53,725,594	53,942,300	54,064,167	0	54,064,167	0.23%
Advertising	9,306,519	9,822,500	10,792,353	0	10,792,353	9.87%
Rental Income	5,424,031	5,693,450	5,499,847	0	5,499,847	-3.40%
Publication & Product Sales	8,070,209	6,807,700	8,511,460	200,000	8,711,460	27.96%
Testing Fees & Accreditation	15,351,626	16,178,850	17,427,264	0	17,427,264	7.72%
Meeting & Seminar Income	8,456,805	10,591,500	11,634,010	0	11,634,010	9.84%
Grants & Contributions	1,734,103	1,506,900	1,762,920	207,500	1,970,420	30.76%
Royalties	5,227,524	4,684,700	4,960,050	0	4,960,050	5.88%
Investment Income	1,878,234	2,629,000	2,063,000	0	2,063,000	-21.53%
Other Income	2,903,233	3,102,750	2,708,553	0	2,708,553	-12.70%
Total Revenues	112,077,878	114,959,650	119,423,624	407,500	119,831,124	4.24%
Expenses						
Total Salaries and Temporary Help	38,308,083	39,320,150	39,683,839	291,229	39,975,068	-1.67%
Total Payroll Taxes	2,525,691	2,687,600	2,856,432	23,459	2,879,891	-7.15%
Total Fringe Benefits	14,906,110	17,098,650	14,633,638	97,761	14,731,399	13.84%
Total Travel Expenses	5,665,789	5,966,450	6,022,637	73,728	6,096,365	-2.18%
Printing, Publication & Marketing	11,443,773	11,562,300	11,712,589	305,220	12,017,809	-3.94%
Meeting Expenses	2,781,694	2,174,850	3,497,902	15,000	3,512,902	-61.52%
Consulting and Outside Services	4,095,743	5,241,900	5,269,897	683,505	5,953,402	-13.57%
Professional Services	9,329,590	8,257,400	8,625,625	103,500	8,729,125	-5.71%
Bank & Credit Card Fees	1,083,340	1,026,350	1,149,393	0	1,149,393	-11.99%
Office Expenses	4,781,149	4,802,750	5,356,292	47,830	5,404,122	-12.52%
Facility & Utility Costs	4,701,051	5,078,100	5,294,115	9,555	5,303,670	-4.44%
Grants and Awards	2,668,560	2,179,500	1,858,200	15,250	1,873,450	14.04%
Endorsement Costs	633,065	581,550	647,000	0	647,000	-11.25%
Depreciation/Amortization	6,446,157	6,115,700	6,088,204	0	6,088,204	0.45%
Other Expenses	1,307,985	2,341,300	2,470,355	28,000	2,498,355	-6.71%
ADA Foundation - Grant	3,441,640	3,560,250	1,891,708	0	1,891,708	46.87%
Total Expenses	114,119,420	117,994,800	117,057,826	1,694,037	118,751,863	-0.64%
Net Income (Loss) before Income Tax	(2,041,542)	(3,035,150)	2,365,798	(1,286,537)	1,079,261	135.56%
Income Taxes	(1,507,606)	(1,250,000)	(1,250,000)	0	(1,250,000)	0.00%
Net Revenue/(Expense) After Taxes	(3,549,148)	(4,285,150)	1,115,798	(1,286,537)	(170,739)	96.02%
Other Items						
3% Merit Increase	0	0	(1,162,500)	0	(1,162,500)	-100.00%
1% Comp Adjustments	0	0	(387,500)	0	(387,500)	-100.00%
Resource Adjustments Identified Per Cuts	0	0	401,916	0	401,916	100.00%
Sunsetting Programs/Resource Reductions	0	0	1,000,000	0	1,000,000	100.00%
Net Capital Add Back	3,837,609	3,243,550	2,481,245	(728,455)	1,752,790	-45.96%
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Pension Contribution	(4,321,860)					
Pension Expense (add back)	7,287,657					
Net Pension	2,965,797					
Portion of Budgeted Pension Contribution						
Transferred to Reserves	(3,200,000)					
Net ADA Operations after Pension Adj	54,258					

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Revenues

2 Total revenues in the 2012 base budget are being forecast at \$119,423,624. Membership dues represent
3 45.1% of total revenue. The 2012 base budget anticipates \$65,359,457 in non-dues revenue, an increase of
4 \$4,342,107 or 7.1% when compared to 2011. Decision packages add an additional \$407,500 in revenue
5 bringing total revenue to \$119,831,124. Highlights of various revenue categories are provided below.

6 **Membership Dues:** In order to arrive at the overall budget for dues, the Division of Membership, Tripartite
7 Relations and Marketing estimates the future membership levels for each dues paying category and multiplies
8 those numbers by the various dues rates. For informational purposes and ease of comparison between
9 years, the number of full-time equivalent members can be calculated by dividing the budgeted dues amount
10 before dues rebates and prior year dues by the full dues rate of \$505, which translates to approximately
11 106,688 and 106,832 full-time equivalent (FTE) members for the 2011 and 2012 budgets, respectively. Final
12 2010 membership FTE's were 107,692.

13 The 2012 budget forecasts \$53,950,167 in dues revenues before rebates and prior year dues, and
14 \$54,064,167 in dues income net of prior year dues and rebates offered to state societies as an incentive to
15 encourage prompt payment of member monies to the Association.

16 **Advertising:** This category primarily includes revenue mainly from advertising sales in ADA publications,
17 new initiatives in electronic media and secondarily at annual session. Revenue is expected to increase from
18 a total of \$9,822,500 to \$10,792,353. The increase in advertising revenue is partially due to increasing
19 advertising rates by 3% and launching several new initiatives in JADA and ADA.org that will generate
20 additional advertising revenue in 2012. Additionally, Conference & Meeting Services is launching new annual
21 session products in 2012 that will include advertisements.

22 **Rental Income:** This revenue category primarily includes rental income from the Headquarters Building and
23 the Washington DC Building. Rental income is projected to decline by 3.4% from \$5,693,450 to \$5,499,847
24 due to straight line rent accrual (required by Generally Accepted Accounting Principles to spread the impact of
25 rent abatements and escalations over the life of tenant leases). This can cause some fluctuation in annual
26 rental income. Additionally, rent revenue loss is anticipated due to a lease non-renewal and rent abatements
27 due to 2 lease renewals at the Headquarters building.

28 **Publication and Product Sales:** Projected 2012 base budget sales total \$8,511,460 and one decision
29 package adds \$200,000 to bring the total to \$8,711,460. This is an increase of \$1,903,760 when compared to
30 the 2011 total of \$6,807,700. The 27.96% increase is mainly due to 2012 being a year when a new release of
31 *CDT* is offered. *CDT* and the *CDT Companion* have a two-year product cycle. Additionally, net revenue of
32 \$210,000 is budgeted based on implementing a new Member Service Center performance based
33 compensation program that will allow Product Development and Sales to market sales of products to dental
34 schools, government agencies and large group practices.

35 **Testing Fees and Accreditation:** Budgeted revenues from testing and accreditation fees are expected to
36 rise from \$16,178,850 in 2011 to \$17,427,264 in 2012. The increase is mainly due to fees for exams,
37 accreditation fees and CERP fees being increased across the board.

38 **Meeting and Seminar Income:** Meeting and Seminar budgeted income is expected to increase by
39 \$1,042,510. The increase is related to the ADA increasing the price of exhibit booths, housing rebate
40 revenue and miscellaneous registration fees. The increase in exhibit space fees is needed to help offset the
41 cost of the site distribution expense that is paid to the California Dental Association for cancelling their fall
42 meeting.

43 **Grants, Contributions, and Sponsorships:** Base budget income from grants, contributions, and
44 sponsorships is projected to increase by \$256,020. The increase is partially related to seeking corporate
45 sponsorship/grant funding to support the Dental Quality Alliance activities. Additionally, the ADA is seeking

grants from the ADA Foundation to help offset the cost of a couple of programs that were administered by the ADA Foundation in prior years. The ADA Foundation still has prior year donations that were collected for specific programs and the ADA will request a grant from the Foundation because the ADA is now administering the programs.

Decision packages added \$207,500 in revenue to this category bringing the total to \$1,970,420.

Royalties: Budgeted revenue represents royalties received from the *ADA Business Resources* program, *CDT* licenses, domestic and international product licenses, and the selling of mailing lists. Royalty revenue is projected to increase by \$275,350. The increase in royalty revenue is due to increases in ADA Business Resources royalties from Credit card, practice financing and patient financing. Additional royalty revenue is expected as a result of increases in non-*CDT* product licenses and mailing list royalties. Partially offsetting the this favorable variance is a decrease in royalty revenue from the members insurance and retirement program which was reclassified to the other income category to better reflect the source of income. Additionally, the decline in royalty revenue is related to a decline in revenues from the Café and catering vendor who operates the food service business in the ADA building and pays the ADA a royalty based on annual revenue generated.

Investment Income: Projected revenue of \$2,063,000 for 2012 includes both interest and dividends on Reserve Fund assets and investment earnings on cash flow within the operating account. This category also includes \$500,000 in revenue related to the appreciation/depreciation of deferred compensation investments that has an offsetting expense in the Fringe Benefit category.

The cash yield on the assets of the Reserve Fund is included in the operating budget as a key component of the dues stabilization financial strategy. The inclusion of such investment revenues in the operating budget is a direct benefit of the ADA's strong reserve position. Budgeted interest and dividends on operating cash and reserve assets are projected to decrease by \$166,000 when compared to 2011.

Other Income: This category is composed of miscellaneous revenue, including such items as overhead revenue from subsidiaries and the member's insurance program, and Seal Program revenues. Budgeted revenue in 2012 represents a 12.7% decrease when compared to 2011. The decline is largely due to a reduction in the overhead revenue that the ADA will receive from the ADA Foundation. The 2012 budgeted netted this reduction against the ADA Foundation Grant expense. Additionally, a couple of other divisions reclassified revenue to other categories to better reflect the source of revenue. Partially offsetting the unfavorable variance is the reclassification of revenue related to the member's insurance and retirement program from royalty income to this category.

Expenses

Total operating expenses in the base budget are being forecast at \$117,057,826 for 2012 before decision packages, a decrease of .08%. If approved, decision packages will add an additional \$1,694,037 in expenses, bringing the total to \$118,751,863. Highlights of various expense categories are provided below.

Staff Compensation: Base budget Staff Compensation expenses are budgeted at \$39,683,839. This is a minimal increase over the 2011 budget. The minimal increase is due to budgeting for additional temporary help to bring the budget more in line with actual spending. After including decision packages, the total expense in this category is \$39,975,068. The decision packages being recommended add 3 full-time positions and one part-time position to the budget.

Payroll Taxes: This category includes expense associated with employer related taxes such as FICA, SUI and FUI. The increase in the budget for this category is based on an anticipated increase in maximum compensation limits and increases in salary levels.

Decision packages added \$23,459 to this category bringing the total to \$2,879,891.

Fringe Benefits: Expenses in this category include pension, group medical premiums, dental insurance, life insurance, 401k, workers compensation, deferred compensation benefits and union dues. Base budget expenses in this category totaled \$14,633,638, which is a decline of \$2,465,012 or 14.4% when compared to 2011. The decline is partially due to a reduction in pension, retiree medical and 401k expenses based on a plan change that were approved by the Board of Trustees at their September meeting. Additionally, appreciation/depreciation of deferred compensation declined in 2012 and this revenue is offset by an equal amount of expense in the Investment Income category of revenue. Partially offsetting these declines is an increase in group medical costs associated with the retiree medical plan.

Decision package added \$97,761 to this category bringing the total to \$14,731,399.

Travel Expenses: Base budget expenses for travel are projected to be \$6,022,637 compared to \$5,966,450 in 2011.

After including proposed decision packages, travel expenses total \$6,096,320.

Printing, Publications and Marketing: The 2012 base budget for this category reflects a modest increase in expenses of \$150,289 or 1.3%. The increase is a direct result of an increase in product sales (*CDT*) and an increase in advertising revenue. Partially offsetting the increase is declines in video production costs in the division of Communications and Marketing and a reduction in paper costs in JADA and ADA News as these publications will be printed on a lower grade of paper in 2012 without a reduction in quality. Decision packages add \$305,220 in expense to this category bringing the total expense to \$12,017,809.

Meeting Expenses: Base budget expenses for meetings are increasing by \$1,323,052 or 60.8%. The increase is due to the significant site distribution expense paid to the California Dental Association (CDA) related to the annual session. The budget for site distribution in 2012 is \$1.4 million compared to \$35,000 in 2011. After including decision packages, the total expense in this category is \$3,512,902. Excluding the CDA site distribution, the meeting expense line item would show a decrease in 2012 versus 2011.

Consulting Fees and Outside Services: The base budget increased by \$27,997 when compared to the 2011 budget. This category increased as a result of the upgrade of the PeopleSoft Human Resources system in 2012. This is phase II of the PeopleSoft upgrade. The PeopleSoft financial system is being upgraded in 2011 (the upgrade was funded via the special assessment). The increase is partially offset by reductions in the consulting fees and outside services being utilized to conduct surveys and analysis in the Health Policy Resources division. Additionally, there were a couple of 2010 House resolutions that were one-time in nature that increase the 2011 budget in this category. The one-time expenses have been eliminated from the 2012 budget.

Decision packages add \$683,505 to this category bringing the 2012 budget total to \$5,953,402.

Professional Services: The base budget increased from \$8,257,400 in 2011 to \$8,625,625 in 2012. The increase in this category is largely the result of increases in test fee administration costs, legal fees and fees paid. The increase in test administration costs are directly related to the increase associated with testing revenue.

Decision packages add \$103,500 to this category bringing the 2012 budget total to \$8,729,125.

Bank and Credit Card Fees: This category represents transaction fees paid to financial institutions and reimbursements to state and local societies for credit card fees related to ADA membership dues collection. Expenses increased from \$1,026,350 in 2011 to \$1,149,393 in 2012. The increase is directly related to more transactions Association-wide being paid via credit card. Additionally, increases in exam fees and product sales leads to an increase in credit card fees.

Office Expenses: The base budget expenses in this category are budgeted to increase 11.5% from \$4,802,750 in 2011 to \$5,356,292 in 2012. The increase is due to added costs of audio visual at annual session in San Francisco, software maintenance due to implementing new systems that were passed via the 2011 special assessment and an increase in FDI dues.

Decision packages add \$47,830 in expenses, bringing the total office expenses to \$5,404,122.

Facility and Utility Costs: These expenses represent costs for building management and operations, maintenance, and real estate taxes for the ADA Headquarters and Washington DC buildings. The 2012 base budget of \$5,294,115 anticipates a 4.2% increase as a result of a projected increase in property tax estimates, and general building services at the ADA Headquarters Building.

Decision packages added \$9,555 to this category.

Grants and Awards: The ADA distributes grants to support various organizations for specific functions. Expenses in this category decreased from \$2,179,500 in 2011 to \$1,873,450 in 2012 after decision packages. The decrease is due to a reduction in expenses related to the State Public Affairs Program grants.

Endorsement Costs: This category represents monies paid to state societies that participate in the *ADA Business Resources* program and to the AMA for use of medical codes in *CDT* related products. The expenses in this category are expected to increase from \$581,150 in 2011 to \$647,000 in 2012. The increase is directly related to the increase in royalty income from the *ADA Business Resources* program resulting in higher endorsement payments to state societies.

Depreciation and Amortization: This category shows a \$27,496 decrease from \$6,115,700 to \$6,088,204 in 2012. Depreciation fluctuates annually based on prior year and proposed current year capital acquisitions.

Other Expenses: Other expenses include general insurance, recruiting costs, staff development, overhead recovery, and the contingency fund. Base budget expenses not categorized elsewhere are expected to increase from \$2,341,300 in 2011 to \$2,470,355 in 2012. The increase is partially due to the ADA budgeting for additional enterprise business skills and functional training in 2012. Additionally, the budget for recruitment costs was increased.

Decision packages added \$28,000 to this category.

ADA Foundation Grant: The Association's annual grant to the Foundation decreased by \$1,668,542 from \$3,560,250 in 2011 to \$1,891,708 in 2012.

Other Items

3% Merit Increase: This 3% increase or \$1,162,500 is meant to provide compensation increases to staff Association-wide. Only a portion of the 3% merit will be provided as across the board salary increase with the remainder being given to the highest achievers. It should be noted, that ADA staff did not receive any merit increase in 2010 and the 2011 budget included a minimal merit increase pool of 1.5%.

1% Compensation Adjustment: The \$387,500 is being requested to allow for movement through salary ranges and promotions for staff as warranted.

Resource Adjustments Identified Per Cuts: There are a few divisions throughout the ADA that could downsize resources and this \$401,916 takes into consideration the salary, taxes and benefits of these identified positions.

Sunsetting of Programs/Resource Reductions: There is a management goal to identify programs and/or resources that can be eliminated to meet this \$1 million target. Management has committed to take opportunities for headcount reductions through natural attrition and review of programs.

1 **Net Capital Expenditures:** The depreciation budget in Central Administration and Association-wide exceeds
2 the capital budget by \$2,481,245 which is added back to the operating budget and offsets expenses. After
3 decision packages, the excess is reduced to \$1,752,790.
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ADMINISTRATIVE MATTERS

AMERICAN DENTAL ASSOCIATION
DIVISIONAL SUMMARY WORKSHEET

	2010 Actual	2011 Budget	2012 Base Budget	Decision Packages	2012 Budget Incl Taxes/Fringes	(See Note A) 2012 Budget Less Taxes/Fringes	Percent Change Fav/(Unfav)
Revenues							
Legal Affairs	23,883	45,200	49,800	0	49,800	49,800	10.18%
Government & Public Affairs	29,970	23,000	22,000	0	22,000	22,000	-4.35%
Corp. Rel & Strat. Mkng Alliances	230,213	1,500	0	0	0	0	-100.00%
Membership, Tripartite Relations & Marketing	1,569,732	1,742,550	1,743,035	0	1,743,035	1,743,035	0.03%
Conference & Meeting Services	9,656,330	11,274,200	12,207,203	0	12,207,203	12,207,203	8.28%
Headquarters Building	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Washington Building	1,539,047	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Finance and Operations	1,555,902	1,750,000	1,576,000	0	1,576,000	1,576,000	-9.94%
Central Administration	57,614,340	57,984,700	57,458,617	0	57,458,617	57,458,617	-0.91%
Contingency General	27,106	0	0	0	0	0	0.00%
Dental Practice/Professional Affairs	23,493	77,950	278,970	171,500	450,470	450,470	477.90%
Health Policy Resource Center	108,742	52,500	184,800	0	184,800	184,800	252.00%
Education	16,236,267	17,275,450	18,852,736	0	18,852,736	18,852,736	9.13%
Science	683,281	797,000	676,713	36,000	712,713	712,713	-10.58%
ADA Publishing	9,895,003	10,532,200	11,639,002	0	11,639,002	11,639,002	10.51%
Product Development and Sales	8,990,487	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Division of Global Affairs	94,863	0	0	0	0	0	0.00%
Communications	0	1,200	30,600	0	30,600	30,600	2450.00%
Total Revenues	112,077,878	114,959,650	119,423,624	407,500	119,831,124	119,831,124	4.24%
Expenses							
Administrative Services	6,243,785	6,257,100	7,780,737	27,000	7,807,737	6,678,393	-6.73%
Legal Affairs	4,258,574	3,280,550	3,976,974	0	3,976,974	3,226,759	1.64%
Government & Public Affairs	7,131,779	7,184,250	7,131,631	10,250	7,141,881	6,257,168	12.90%
Corp. Rel & Strat. Mkng Alliances	450,407	414,150	562,359	0	562,359	415,184	-0.25%
Membership, Tripartite Relations & Marketing	6,569,205	6,956,900	8,566,629	120,818	8,687,447	6,868,518	1.27%
Conference & Meeting Services	7,465,620	7,749,350	10,140,742	0	10,140,742	9,359,289	-20.78%
Headquarters Building	4,455,980	4,802,400	5,124,272	0	5,124,272	5,012,822	-4.38%
Washington Building	882,816	791,850	870,363	0	870,363	870,363	-9.92%
Finance and Operations	2,831,057	3,009,200	4,339,284	0	4,339,284	3,042,251	-1.10%
Central Administration	29,445,459	29,420,100	8,957,509	0	8,957,509	25,868,299	12.07%
Contingency General	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Information Technology	5,793,385	6,309,850	8,952,877	844,658	9,797,535	7,964,946	-26.23%
Dental Practice/Professional Affairs	4,001,813	4,405,600	5,735,348	196,235	5,931,583	4,616,406	-4.78%
Health Policy Resource Center	1,619,397	1,789,050	2,460,964	0	2,460,964	1,886,892	-5.47%
Education	12,193,326	12,451,250	14,885,745	0	14,885,745	12,638,243	-1.50%
Science	4,450,156	5,661,350	7,031,463	335,905	7,367,368	5,732,286	-1.25%
ADA Publishing	8,061,811	8,239,900	9,474,322	6,230	9,480,552	8,582,964	-4.16%
Product Development and Sales	3,927,155	3,705,950	4,472,994	80,000	4,552,994	4,222,902	-13.95%
Division of Global Affairs	1,066,517	911,150	1,198,564	72,941	1,271,505	1,115,191	-22.39%
Communications	2,578,147	3,654,850	4,395,049	0	4,395,049	3,392,987	7.16%
Total Expenses	114,119,420	117,994,800	117,057,826	1,694,037	118,751,863	118,751,863	-0.64%
Net Income (Loss) before Income Tax	(2,041,542)	(3,035,150)	2,365,798	(1,286,537)	1,079,261	1,079,261	135.56%
Income Taxes	(1,507,606)	(1,250,000)	(1,250,000)	0	(1,250,000)	(1,250,000)	0.00%
Net Revenue/(Expense) After Tax	(3,549,148)	(4,285,150)	1,115,798	(1,286,537)	(170,739)	(170,739)	96.02%
Other Items							
3% Merit Increase	0	0	(1,162,500)	0	(1,162,500)	(1,162,500)	-100.00%
1% Comp Adjustments	0	0	(387,500)	0	(387,500)	(387,500)	-100.00%
Resource Adjustments Identified Per Cuts	0	0	401,916	0	401,916	401,916	100.00%
Sunsetting Programs/Resource Reductions	0	0	1,000,000	0	1,000,000	1,000,000	100.00%
Net Capital Add Back	3,837,609	3,243,550	2,481,245	(728,455)	1,752,790	1,752,790	-45.96%
Net Surplus/(Deficit) (See Note B)	288,461	(1,041,600)	3,448,959	(2,014,992)	1,433,967	1,433,967	237.67%

Note A: The fringes and payroll taxes were backed out of the divisional totals in this column and the aggregate total of the fringes and taxes was added to Central Administration. This was done so that the reader can do a true comparison of the 2011 and 2012 budgets.

Note B: For the 2010 Actual column see additional below the line items on page 2005.

In 2012, departments that have compensation (salary) expense now have expenses related to payroll taxes and fringe benefits. These costs in prior years were included in the Central Administration budget. Hyperion allows us to allocate these costs at the department level. This provides management with a more accurate depiction of the cost of a program/activity. Because it would be difficult to compare the 2012 budget to prior years based on this change, a new column was added to back out the payroll taxes and fringe benefits. When comparing the 2012 budget to prior years use the column titled "2012 Budget Less Taxes & Fringes".

Division of Administrative Services

The Division of Administrative Services consists of the Office of the Executive Director, the Office of Strategy Management, the Department of Board and House Matters, Department of Officer Services, Office of the Chief Policy Advisor and Department of Human Resources. This division serves primarily as administrative infrastructure to the Association through implementation of actions and policies of the House of Delegates and Board of Trustees; supervision of activities of Association staff and agencies by the Office of the Executive Director/COO; and administration of personnel policies and practices as well as recruitment and retention of staff through the Department of Human Resources. The Department of Board and House Matters manages the coordination of in person and conference call meetings of the Board of Trustees and its standing committees. Under the direction of the Speaker and Secretary of the House of Delegates, the Department also coordinates the annual session meeting of the House of Delegates, which includes managing distribution of all House materials in both electronic and paper format; coordinating the credentialing of delegates/alternates; producing the historical publications in both paper and electronic format (Annual Reports and Resolutions, Supplement, Transactions, Current Policies, Index of Official Actions); and providing administrative support to the Election Commission. Coordinating activities, travel schedules and correspondence for the President, President-elect and Executive Director is the responsibility of the Department of Officer Services, along with providing administrative support for the Chief Policy Advisor. Establishing, implementing and coordinating strategic planning activities are managed by the Office of Strategy Management.

DIVISIONAL SUMMARY WORKSHEET ADMINISTRATIVE SERVICES

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringe	Budget Less Taxes/Fringes	Change Fav/ (Unfav)
Revenues							
Expenses							
Office of the Executive Director	614,297	733,250	1,109,430	0	1,109,430	873,480	-19.12%
Strategy Management	220,824	108,200	140,872	0	140,872	105,345	2.64%
Board of Trustees	1,881,670	1,960,950	2,295,816	0	2,295,816	2,196,586	-12.02%
Office of the President	557,068	404,000	599,533	0	599,533	480,307	-18.89%
Office of the President-Elect	266,145	281,100	379,692	0	379,692	313,686	-11.59%
Office of the Immediate Past Pres	23,800	0	0	0	0	0	0.00%
Office of the Treasurer	105,640	103,200	135,427	0	135,427	98,546	4.51%
House of Delegates	807,385	929,750	929,789	0	929,789	858,039	7.71%
Human Resources	1,441,612	1,439,100	1,799,035	27,000	1,826,035	1,456,035	-1.18%
Office of the Chief Policy Advisor	325,343	297,550	391,144	0	391,144	296,369	0.40%
Total Expenses	6,243,784	6,257,100	7,780,738	27,000	7,807,738	6,678,393	-6.73%
Net Revenue/(Expenses)	(6,243,784)	(6,257,100)	(7,780,738)	(27,000)	(7,807,738)	(6,678,393)	-6.73%

In comparing the proposed 2012 budget to the budget for 2011, this division shows an increase in net expenses of \$421,293 or 6.73%. The increase in the base budget is partially due to a \$196,154 increase in compensation expenses as a result of two positions being upgraded to executive levels. A director level position in the Office of the Executive Director and a senior director level position in the Human Resources were upgraded to a Managing Vice President level in the first quarter of 2011. Increases in travel costs relate primarily to expenses for the FDI delegation being transferred to the budgets of the officers and Board of Trustees, which in prior years all FDI expenses were consolidated in the Division of Global Affairs' budget. This increase should be offset by a decrease in the Global Affairs budget. Also contributing to the increase in expenses is additional costs in the House of Delegates area for internet connectivity at the House and slightly higher costs associated with meeting in San Francisco and an increase in special events, special projects and recruitment costs in the Human Resources department. Partially offsetting the increase in expenses is a reduction due to proposing that the Mega Topic Discussion be held every other year. The following decision package is recommended for funding in 2012:

- \$27,000 to reinstate the Tuition Assistance Program. The ADA is a knowledge-based organization with many key jobs requiring advanced degrees and specialized educational training. Employees should be encouraged to improve their job-related skills and knowledge, and to acquire the education necessary to enhance their ability to contribute to the intellectual quality of work performed at the ADA. This valuable program is one of the most attractive benefits our Association can offer to increase quality of performance and for self-improvement of key skills. An education assistance program also helps to attract and retain talent that would allow the ADA to gain even more skilled professionals.

The program would provide modest financial support for approved coursework on a reimbursement basis. Many of the past participants in prior tuition assistance programs have been pursuing PhDs and building their knowledge base in core Association areas such as Science and Education.

Division of Legal Affairs

The ADA Division of Legal Affairs actively advances the ADA's Mission & Vision for the public's oral health by protecting, defending and advocating for the legal rights and interests of the ADA. The Legal staff works collaboratively both within the Division and with volunteer leaders and staff colleagues to help ADA agencies achieve their objectives. Legal's work supports the entire Association by:

- Acting as a legal and business resource to facilitate and advance the work and mission of ADA's members and staff;
- Utilizing legal advocacy to help position the ADA in its efforts to protect patients and the dental profession;
- Protecting the legal rights and interests of the Association, including in such areas as litigation and compliance with federal, state and local laws;
- Providing legal counsel to the ADA House of Delegates, Board of Trustees, Executive Director, Councils, Commissions, Committees and other ADA agencies and staff, and to the governing bodies, officers and staff of the ADA's not-for-profit and wholly-owned for-profit affiliates;
- Supporting the Council on Ethics, Bylaws and Judicial Affairs, housed in the Division, which oversees the enforcement of the ADA *Principles of Ethics and Code of Professional Conduct* and reviews proposed changes of the ADA *Constitution and Bylaws*;
- Ensuring that documents affecting or creating Association's legal rights and interests, such as contracts and similar instruments are drafted, reviewed, and executed in a manner that furthers ADA's business objectives and minimizes legal and financial risk;
- Promoting and protecting ADA's valuable intellectual property assets, including its patents, trademarks, ADA.org content, publications and other proprietary materials;

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- Managing risk of harm to ADA's assets by researching and securing appropriate insurance coverage;
- Tracking legal developments and disseminating legal information in areas relevant to professional practice and dental care through ADA publications and resources;
- Maintaining the ADA Contract Analysis Service, housed in the Legal Division, which provides informational legal reviews of contracts offered to dentists by third party payers, dental management service organizations and informational reviews of contracts that offer dental students scholarships or loans in exchange for commitments of future employment;
- Supporting and advancing ADA positions in the legal arena through any available means, including submissions to regulatory agencies and *amicus curiae* briefs with the state and federal courts throughout the country; and
- Reviewing ADA statements intended for dissemination to the public, official agencies, or other entities in order to ensure that such statement conform to ADA's legal and reputational interests.

**DIVISIONAL SUMMARY WORKSHEET
LEGAL AFFAIRS**

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Budget	Packages	Budget Incl Taxes/Fringe	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Chief Legal Counsel	23,883	45,200	40,000	0	40,000	40,000	-11.50%
International Use of the Seal	0	0	9,800	0	9,800	9,800	100.00%
Total Revenues	23,883	45,200	49,800	0	49,800	49,800	10.18%
Expenses							
Chief Legal Counsel	3,647,833	2,702,350	2,801,500	0	2,801,500	2,235,631	17.27%
Council Ethics Bylaws & Judic	309,322	317,050	393,052	0	393,052	308,877	2.58%
Contract Analysis Services	196,574	102,150	348,922	0	348,922	248,751	-143.52%
International Use of the Seal	0	0	15,000	0	15,000	15,000	-100%
Annual External Audit & Tax Fees	0	0	197,350	0	197,350	197,350	-100%
Internal Audit	104,845	159,000	221,150	0	221,150	221,150	-39.09%
Total Expenses	4,258,574	3,280,550	3,976,974	0	3,976,974	3,226,759	1.64%
Net Revenue/(Expenses)	(4,229,696)	(3,235,350)	(3,995,755)	0	(3,995,755)	(3,226,759)	0.27%

It should be noted that prior to 2012 the International Seal Program revenues/expenses and Annual External Audit fees were included in the Chief Legal Counsel department and now are broken out separately.

In comparing the proposed 2012 base budget to the 2011 annual budget, the budget for the Legal Division shows a decline in net expenses of \$8,592 or .27%. Revenue increased by 10.18% due to anticipated increase in in-house legal fees as a result of the intercompany services agreement between the ADA and ADABEI. The decline in expenses is due to an expected reduction in external audit fees and travel expenses. The reduction in audit fees in 2012 is due to more accurate estimates after completion of the first year audit process with a new firm. The reduction in travel is due to the 2012 CEBJA council meeting travel expenses

being budgeted more in line with historical spending. Partially offsetting the favorable variances is a \$54,000 increase in outside legal fees.

Division of Government & Public Affairs

The Division of Government and Public Affairs oversees the federal and state political, legislative and advocacy activities of the ADA and ADPAC on behalf of the dental profession. The Division is organized into several departments to accomplish its mission with the Councils on Government Affairs providing input and proposing policy. The Department of State Government Affairs assists state and local dental societies to achieve their regulatory and legislative goals. The Congressional Affairs and Federal Affairs departments function as liaisons and advocates with Congress and the Executive branch via testimony, personal meetings and communications. The budget supports some of the administrative expenses of ADPAC, an organization that allows member dentists to support federal candidates who have positive views toward dentistry and involve dentists in political issues important to the profession. With support from the Communications Division and in concert with the Council on Government Affairs, and the State Public Affairs Oversight Committee, the Division operates the State Public Affairs (SPA) program, which assists state dental societies in pursuing their policy and advocacy goals on issues of national importance.

DIVISIONAL SUMMARY WORKSHEET GOVERNMENT & PUBLIC AFFAIRS

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringe	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
State Government Affairs	21,039	23,000	22,000	0	22,000	22,000	-4.35%
ADPAC Gov	8,931	0	0	0	0	0	0.00%
Total Revenues	29,970	23,000	22,000	0	22,000	22,000	-4.35%
Expenses							
Sr. VP Government/Public Aff.	884,275	1,321,850	1,408,216	0	1,408,216	1,207,117	8.68%
Council on Government Affairs	204,351	241,000	216,172	0	216,172	174,236	27.70%
State Government Affairs	731,211	907,450	830,527	0	830,527	635,280	29.99%
ADPAC Gov	871,654	740,050	867,714	0	867,714	728,168	1.61%
Congressional Affairs	617,897	627,250	576,818	0	576,818	437,872	30.19%
Federal Affairs/Policy	420,571	446,150	608,288	10,250	618,538	450,600	-1.00%
Department of Public Affairs	41,102	0	0	0	0	0	0.00%
Council on Communications	38,689	0	0	0	0	0	0.00%
State Public Affairs Program	3,322,029	2,900,500	2,623,895	0	2,623,895	2,623,895	9.54%
Total Expenses	7,131,779	7,184,250	7,131,630	10,250	7,141,880	6,257,168	12.90%
Net Revenue/(Expenses)	(7,150,326)	(7,161,250)	(7,102,245)	(10,250)	(7,119,880)	(6,235,168)	12.93%

Comparing the proposed 2012 budget to the 2011 budget, this division shows a decrease in net expenses of \$926,082 or 12.93%. The net favorable variance to 2011 is partially due to the elimination of two staff positions, one each in the departments of State Government Affairs and Congressional Affairs. Additional

savings of \$276,605 will be realized in by reducing grants in the State Public Affairs (SPA) program. Furthermore, in ADPAC, the Washington Leadership Conference funding was reduced by \$20,000. Also contributing to the reduction in expenses is elimination of many trips throughout the division and a reduction of outside lobbyist expenses in the Sr. VP Government/Public Affairs department. It should be noted that the departments of Public Affairs and Council on Communications were transferred out of this division in April of 2010 as part of an internal reorganization that resulted in creating a division of Communications & Marketing.

The following decision package is recommended for funding in 2012:

- \$10,250 to a continuing education program at the National Primary Oral Health Conference. Funding a half day continuing education program on workforce development best practices at the National Primary Oral Health Conference (NPOHC), which is sponsored by the National Network for Oral Health Access (NNOHA).

The National Primary Oral Health Conference is an annual meeting for health center dentists and their support team, which historically has been underwritten by the Health Resources and Services Administration of the Department of Health and Human Services. NNOHA is a 501 (c) 3 non-profit organization founded in 1990 by a group of health center Dental Directors that provides a network for dental providers who work in health centers. NNOHA will be the lead sponsor for the 2012 conference. The conference offers learning opportunities related to disease prevention, clinical skills needed to serve high-risk and low-income populations, and leadership and management of non-profit oral health programs. On average 350 Health Center dentists attend the conference. NNOHA would like the ADA to provide financial support for workforce development sessions in the 2012 program. This would include 4 or 5 sessions on best practices for: high retention rates; recruiting dentists to work in remote areas; how to get the word out about Health Center dental careers; incentive programs that work; and a session dedicated to Health Center workforce development resources that are available.

Division of Corporate Relations & Strategic Marketing Alliances

The Division of Corporate Relations and Strategic Marketing Alliances formulates and implements the ADA's corporate relations strategy and tactics, as well as certain strategic marketing alliances. The division also serves as ADA's coordinating link for corporate sponsorships and the Strategic Partner program as well as fundraising for certain Give Kids A Smile activities, such as the Awards Gala.

DIVISIONAL SUMMARY WORKSHEET CORPORATE RELATIONS & STRATEGIC MARKETING ALLIANCES

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
VP Corp Rel & Strat Mktng Allian	230,213	1,500	0	0	0	0	-100.00%
Total Revenues	230,213	1,500	0	0	0	0	-100.00%
Expenses							
VP Corp Rel & Strat Mktng Allian	450,407	414,150	562,359	0	562,359	415,184	-0.25%
Total Expenses	450,407	414,150	562,359	0	562,359	415,184	-0.25%
Net Revenue/(Expenses)	(220,194)	(412,650)	(562,359)	0	(562,359)	(415,184)	-0.61%

Net expenses in 2012 are unfavorable by \$2,534 to 2011 partially due to the 2012 budget not including any royalty revenue related to the Smile Healthy Program. The minor increase in expense relates to one

1 additional trip being budgeted in 2012 to meet with corporate contacts about potentially sponsoring ADA
2 programs and events.
3
4

5 **Division of Membership, Tripartite Relations & Marketing**

6
7 The mission of the Division of Membership, Tripartite Relations and Marketing is to build community as it
8 creates, enhances and promotes member value; recruits and retains members; fosters a collaborative
9 tripartite network; provides leadership development; brings consistency to marketing strategies, messages
10 and branding; and positions the ADA as America's leading advocate for oral health among its stakeholders.
11

12 In support of its mission, the Division serves the Council on Membership and two standing committees of the
13 Board of Trustees: the New Dentist Committee and Diversity Committee. The Council on Membership's
14 bylaws responsibilities includes: formulate and recommend membership related policies; identify and monitor
15 trends and issues that affect membership recruitment and retention; support development of membership
16 benefits; and enhance tripartite membership efforts and to act as an advocate for member benefits. The
17 Council also conducts the Annual Membership Recruitment and Retention Conference. The New Dentist
18 Committee works to integrate dentists less than ten years out of dental school into organized dentistry and to
19 provide resources and programs that reinforce the value of organized dentistry among dental students and
20 new graduates. The Committee also conducts the annual New Dentist Conference, publishes *ADA New*
21 *Dentist News* quarterly and supports tripartite new dentist leadership development. The Diversity Committee
22 is supported by Dental Society Services as it fulfills its duties to monitor and advise the Board on diversity
23 initiatives in support of the ADA's strategic plan, including oversight for the Institute for Diversity in Leadership
24 and initiatives from the 2010 National Summit on Diversity in Dentistry.
25

26 The Division manages MC², Membership Contact and Connections, which provides constituent and
27 component societies and membership outreach volunteers tools, resources, training and consultation in order
28 to maximize overall tripartite market share. The Department of Dental Society Services reinforces the
29 strength of tripartite organized dentistry programs and information for: a) leaders, emerging leaders and
30 executives; and b) for the network of dental societies using ADA's Tripartite System membership software.
31 The Member Service Center is responsible for improving the member/customer experience by functioning as
32 the first point of contact in support of the ADA's recruitment, retention and non-dues revenue generation
33 strategies by centralizing transactions such as orders and inquiries, and thus providing a more streamlined
34 member/customer experience. The Department of Membership Marketing works to increase the ADA's
35 market share in all direct member categories, support tripartite membership recruitment and retention, and
36 provide comprehensive member services for federal dental service members. Membership Marketing also
37 supports the Office of Student Affairs and Dental School Programs working together to introduce students to
38 the ADA and accelerate them to organized dentistry by adding value to the dental school experience and
39 positioning the ADA as a lifelong resource for educational needs.
40

41 The Department of Membership Information is responsible for maintaining accurate membership, occupation
42 and demographic data for over 236,000 dentist and student records. Membership Information serves as the
43 primary liaison between the ADA and constituent societies in member dues processing.
44
45
46
47
48

DIVISIONAL SUMMARY WORKSHEET
MEMBERSHIP, TRIPARTITE RELATIONS & MARKETING

	2010	2011	2012	2012	2012	Percent	
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Sr. VP Membership & DSS	27,500	60,000	40,000	0	40,000	40,000	-33.33%
Membership Initiative	68,000	70,000	97,850	0	97,850	97,850	39.79%
Dept Dental Society Svcs Core	26,070	35,550	56,285	0	56,285	56,285	58.33%
Committee on New Dentist	307,731	272,500	290,000	0	290,000	290,000	6.42%
Dept of Membership Marketing	0	0	15,000	0	15,000	15,000	0.00%
Department of Membership Info	70,000	72,000	74,000	0	74,000	74,000	2.78%
Dental School Programs	100,000	140,000	140,000	0	140,000	140,000	0.00%
Office of Student Affairs	5,000	0	0	0	0	0	0.00%
Council on Mbr Ins & Rtrmt Prg	965,431	1,092,500	1,029,900	0	1,029,900	1,029,900	100.00%
Total Revenues	1,569,732	1,742,550	1,743,035	0	1,743,035	1,743,035	0.03%
Expenses							
Sr. VP Membership & DSS	461,173	425,050	551,123	0	551,123	439,900	-3.49%
Membership Initiative	689,212	708,600	811,798	0	811,798	679,242	4.14%
Dept Dental Society Svcs Core	803,991	791,500	1,119,613	35,818	1,155,431	855,219	-8.05%
Council on Membership Admin.	328,955	826,950	934,555	0	934,555	822,839	0.50%
Member Service Center	830,426	838,500	1,275,851	0	1,275,851	855,812	-2.06%
Committee on New Dentist	462,275	509,300	569,557	0	569,557	511,075	-0.35%
Dept of Membership Marketing	484,017	555,150	679,846	85,000	764,846	635,616	-14.49%
Creative Services CC	152,536	0	0	0	0	0	0.00%
Department of Membership Info	844,810	916,350	1,254,096	0	1,254,096	907,698	0.94%
Dental School Programs	153,859	139,250	168,710	0	168,710	168,710	-21.16%
Office of Student Affairs	481,122	507,650	458,686	0	458,686	369,976	27.12%
ADA Pavilion CC	31,781	0	0	0	0	0	0.00%
Marketing Comm & Branding	171,721	0	0	0	0	0	0.00%
Council on Mbr Ins & Rtrmt Prg	673,326	738,600	742,794	0	742,794	622,431	100.00%
Total Expenses	6,569,204	6,956,900	8,566,629	120,818	8,687,447	6,868,518	1.27%
Net Revenue/(Expenses)	(4,999,472)	(5,214,350)	(6,823,594)	(120,818)	(6,944,412)	(5,125,483)	1.70%

The proposed 2012 base budget for this division reflects a decrease in net expenses versus 2011 of \$88,867 or 1.70%. The minimal increase in revenue is due to the 2012 budget assuming corporate sponsorship for the Federal Dental Service annual session reception and the Annual Conference on Membership Recruitment and Retention. The 2012 budget also includes revenue from fees charged registrants of the Annual Conference on Membership Recruitment and Retention and President-Elects Conference. Largely offsetting the increase in revenue is a decline in royalty revenue and reimbursement revenue from the insurance programs in 2012. Base budget expenses are expected to decline by \$88,382 or 1.27% when compared to 2011. The reduction in expenses is mostly due to savings related to a significant reduction of the student

block grant program and the tax/fringe expense in the Council on Members Insurance and Retirement Program (CMIRP). CMIRP is the one department that had a portion of their taxes/fringes charged to their department due to the reimbursement of overhead expenses of the program from the vendor. The 2012 budget backed out the entire tax/fringe expense which artificially creates a favorable variance when comparing budgets. Additional savings are attributed to the elimination of temporary assistance for Find-A-Dentist, a critical issues survey, travel associated with ADA Pavilion to regional dental meetings. It should be noted that the departments of Creative Services, ADA Pavilion and Marketing Communications and Branding were transferred out of this division in April of 2010 as part of an internal reorganization that resulted in creating a division of Communications & Marketing.

The following decision packages are funded and partially offset the decline in expenses:

- \$27,930 to fund a Diversity Leadership Event. This package positions ADA to help support one of the major prospects for joint action emerging from the 2010 National Summit on Diversity in Leadership, which brought together leaders from the Society of American Indian Dentists (SAID), the National Dental Association (NDA), the Hispanic Dental Association (HDA), and the ADA. In subsequent conference calls, the presidents of the four associations have agreed in principle to a joint leadership program at the combined annual meeting of NDA, HDA and SAID, set for July 2012. Top leaders, emerging leaders, and other members would all be excellent participants. Outcomes should include new insights to common ground for joint action by the organizations, and more collegial relationships among leaders and others from the associations.

It is proposed that \$27,930 be approved to cover half of the estimated speakers' cost, plus travel and registration fees for the ADA president, president-elect, executive director, Diversity Committee of the Board (four leaders), and three staff to support the event and the ADA representatives.

- \$7,888 to fund Diversity and Inclusion Training for the Board of Trustees. Building on the 2011 program, which was recommended by the Diversity Committee and approved by the Board, this program will continue advancing the Board's capacity to lead ADA as a highly diverse, inclusive association whose members serve increasingly diverse communities.

This will be a half-day program, part of Board orientation in August 2012.

- \$85,000 to conduct a study on Membership Values and Loyalty. The ADA conducted a member value and loyalty study in 2005, with a follow-up study of new members in 2006. Those studies focused on member perceptions of value received at all three levels of the tripartite and determined drivers of member value related to national ADA benefits, with minimal consideration given to state or local dental society benefits ("state and local meetings" served as the proxy).

The nationwide member value and loyalty research would be a more robust survey, customized to each constituent dental society. The questions related to benefits at the national level would be consistent in all versions. The ratings of constituent-level and component benefits would vary according to the constituent dental society and these questions would be developed in collaboration with each constituent society.

This research would provide an updated look at the relative value of ADA member benefits on the national level, as well as provide each constituent dental society with information on the relative value of member benefits at the constituent and component level. The research would allow an overall assessment by constituent society of the key drivers of member value. Performance ratings of national, constituent and component member benefits would also be addressed. In addition to an overall report, each constituent dental society would receive a report to address findings for members in that state. Survey results will assist in supporting both recruitment and retention efforts.

Division of Conference and Meeting Services

The Division of Conference and Meeting Services plans and coordinates the annual session, provides meeting and event services across the Association, coordinates the use of in-house conference facilities, oversees operations of in-house food services, and coordinates travel and accommodations for volunteers and staff. The greatest proportion of divisional activity is directed toward the annual session with the Council on ADA Sessions. The annual session provides the dental community with a broad spectrum of professional, educational and social activities, connecting grassroots members with the ADA in one of the most tangible ways. Planning and production of this event is a collaborative effort of staff, volunteers, and contractors, and includes a myriad of activities such as marketing, promotion, registration, ticket sales, exhibit booth sales, sponsorship, program coordination and publication production.

**DIVISIONAL SUMMARY WORKSHEET
CONFERENCE & MEETING SERVICES**

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Council on ADA Session	9,023,758	10,737,400	11,630,703	0	11,630,703	11,630,703	8.32%
Conference Services	545,655	406,300	510,250	0	510,250	510,250	25.58%
Meeting Room Management	86,917	130,500	66,250	0	66,250	66,250	-49.23%
Total Revenues	9,656,330	11,274,200	12,207,203	0	12,207,203	12,207,203	8.28%
Expenses							
Managing VP Conference Services	271,607	295,200	388,732	0	388,732	291,195	1.36%
Council on ADA Session	6,034,189	6,261,150	8,188,902	0	8,188,901	7,791,002	-24.43%
Conference Services	1,100,486	1,109,550	1,489,708	0	1,489,708	1,203,692	-8.48%
Meeting Room Management	59,338	83,450	73,400	0	73,400	73,400	12.04%
Total Expenses	7,465,620	7,749,350	10,140,742	0	10,140,741	9,359,289	-20.78%
Net Revenue/(Expenses)	2,190,710	3,524,850	2,066,461	0	2,066,462	2,847,914	-19.20%

The Division of Conference and Meeting Services budget for 2012 reflects a decrease of \$676,936 or 19.2% in net revenue. Revenue increased by \$933,003 but expenses increased by \$1,609,938. This large increase in expenses is primarily due to the large society reimbursement paid to the California Dental Association for merging their large fall meeting into annual session, budgeted at \$1,400,000. Therefore, excluding the CDA reimbursement, total expenses have only increased by \$209,938 or 2.7% increase.

Revenue is projected to increase as a result of increasing exhibit space rental fees, advertising revenue housing rebate revenue and miscellaneous registration fees. The increase in exhibit space rental is due to increasing the fees charged for booth space at annual session. The increased fee for San Francisco is needed to help offset the cost of the significant site distribution expense that is paid to the California Dental Association (CDA). The increase in advertising revenue is due to a new product launch in 2012 that includes advertisements. Housing rebate revenue is projected to increase in 2012 based on an increase in the contracted blocks with the hotels in San Francisco and higher room rates. Revenue in the department of Conference Services appears to be increasing by 25.58% but this is just a budgeting correction for 2012.

Conference Services coordinates the President-Elect campaign functions and collects revenue from the candidates to cover the exact costs of the receptions. Overall, campaign receptions are budget neutral but are increasing both revenues and expenses in the 2012 budget. Partially offsetting the increase in revenue is a decline in royalty revenue in the Meeting Room Management Department due to declining revenue associated with the Café and catering business. The Café and catering is managed by an outside vendor and the ADA receives a royalty based on the revenue generated annually.

The increase in expenses is largely due to the site distribution expense increasing by \$1,365,000. The ADA, based on policy, is responsible for reimbursing the state and local societies for cancelling their annual meetings or for lost net revenue. CDA hosts a large meeting so the reimbursement is significant in 2012 versus 2011 where the Nevada state and local societies do not host an annual trade show. Additionally, increases in compensation expense are expected as a result of staff turnover. Also contributing to the increase in expenses is an increase in labor and meeting set-up costs because San Francisco labor rates are higher than the rates in Las Vegas.

Headquarters Building

The Headquarters Building houses the majority of ADA staff in a premier location in Chicago. Approximately half of the building is rented to outside tenants. Jones Lang LaSalle provides day-to-day building management services, as well as providing or coordinating property construction management, janitorial, security, and leasing services.

DIVISIONAL SUMMARY WORKSHEET HEADQUARTERS BUILDING

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
Headquarters Building CC	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Total Revenues	3,799,219	3,969,350	3,808,244	0	3,808,244	3,808,244	-4.06%
Expenses							
Headquarters Building CC	4,455,980	4,802,400	5,124,272	0	5,124,272	5,012,822	-4.38%
Total Expenses	4,455,980	4,802,400	5,124,272	0	5,124,272	5,012,822	-4.38%
Net Revenue/(Expenses)	(656,761)	(833,050)	(1,316,028)	0	(1,316,028)	(1,204,578)	-44.60%

Projected revenues for the Headquarters Building are expected to decrease by \$161,106 to \$3,804,244 when comparing 2012 to 2011. The reduction in revenue is partially due to straight line rent accrual (required by Generally Accepted Accounting Principles to spread the impact of rent abatements and escalations over the life of tenant leases). Additional rent revenue loss is anticipated due to Suite 1020 not renewing and rent abatement due to two lease renewals. Expenses are expected to increase by \$210,422 to \$5,012,822 when comparing 2012 to 2011. The increase in expenses is partially due to a projected increase in property taxes. Additionally, costs for building services are expected to increase in 2012. Finally, depreciation expenses for building assets being requested in 2012 are now being budgeted in the division that is purchasing the assets. In prior years, all depreciation was budgeted in Central Administration.

Washington DC Building

The Washington DC Building houses the majority of ADA Government Affairs staff. Ten of the twelve floors are rented to outside tenants. Borger Management provides day-to-day building management services as well as providing or coordinating property construction management, janitorial, security, and leasing services.

DIVISIONAL SUMMARY WORKSHEET WASHINGTON DC BUILDING

	2010	2011	2012	Decision	2012	2012	Percent
	Actual	Budget	Base Budget	Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Washington DC Building	1,554,872	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Total Revenues	1,554,872	1,674,450	1,670,093	0	1,670,093	1,670,093	-0.26%
Expenses							
Washington DC Building	881,438	791,850	870,363	0	870,363	870,363	-9.92%
Total Expenses	881,438	791,850	870,363	0	870,363	870,363	-9.92%
Net Revenue/(Expenses)	673,435	882,600	799,730	0	799,730	799,730	-9.39%

The Washington DC Building net revenue for 2012 is projected to be unfavorable by \$82,870 when compared to 2011. Revenue is relatively flat when compared to 2011. Expenses are expected to increase by 9.92% largely due to an escalation in property taxes and building management fees. Additionally, depreciation expenses for building assets being requested in 2012 are now being budgeted in the division that is purchasing the assets. In prior years, all depreciation was budgeted in Central Administration.

Division of Finance and Operations

Finance and Operations supports the financial, accounting, investing and budgeting activities within the Association. These efforts are supported by volunteers who serve on the Budget and Finance Committee, as well as the Board of Trustees. Finance also assists the Board and House in fulfilling their fiduciary responsibilities through audited financial statements and other reports, as well as financial oversight.

Central Services, Duplicating, Shipping and Receiving provide administrative support services to the Association through centralized purchasing, processing of mail, managing the receiving dock, providing in-house photocopying and printing services.

**DIVISIONAL SUMMARY WORKSHEET
 FINANCE & OPERATIONS**

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Chief Financial Officer	1,539,380	1,729,000	1,563,000	0	1,563,000	1,563,000	-9.60%
Central Services	16,522	21,000	13,000	0	13,000	13,000	-38.10%
Total Revenues	1,555,902	1,750,000	1,576,000	0	1,576,000	1,576,000	-9.94%
Expenses							
Chief Financial Officer	361,888	367,650	483,731	0	483,731	373,014	-1.46%
Accounting Department	1,565,960	1,713,050	2,433,126	0	2,433,126	1,694,958	1.06%
Central Services	903,209	928,500	1,422,427	0	1,422,427	974,279	-4.93%
Total Expenses	2,831,057	3,009,200	4,339,284	0	4,339,284	3,042,251	-1.10%
Net Revenue/(Expenses)	(1,275,155)	(1,259,200)	(2,763,284)	0	(2,763,284)	(1,466,251)	-16.44%

The 2012 net base expense for the Division of Finance and Operations is unfavorable by \$207,051. Revenue declined by \$174,000 and expenses increased by \$33,051. The decline in net expense is largely due to a projected decrease in interest and dividends on Operating Cash and Reserve Fund assets. Interest and dividends projections are based on anticipated short-term interest rates and market conditions. The increase in expenses is due to Central Services department budgeting for office equipment and repair cost in 2012. These expenses were budgeted in Central Administration in prior years.

Central Administration

Central Administration combines into one area those revenue and expense activities that do not directly relate to any one division but rather reflect upon the Association in its entirety. These include membership dues revenue, royalty income, endorsement costs, depreciation, grants and the like. Additionally, travel and compensation savings are also budgeted in Central Administration. It should be noted that as a result of the Hyperion implementation, fringe benefits starting in 2012 have been budgeted at the departmental level throughout the ADA. You will notice that the 2010 actual and 2011 budget columns still include budget for these expenses. The new method of budgeting could only be done starting with the 2012 budget. You can find an association-wide comparison of fringe benefit and payroll tax expense in the Natural Account Summary on page 2005 of this report.

Travel Savings: For 2012, Association-wide travel savings are budgeted to be \$450,000, which is equal to the 2011 budget. Invariably, actual travel costs incurred and trips taken do not coincide with budgeted levels due to various factors. Since these events are difficult to project on a divisional basis, an estimate has been developed for the organization as a whole based upon historical experience.

Compensation Savings: In 2012, compensation savings of \$1,200,000 are projected as a result of normal staff turnover which is consistent with the 2011 budget. Similar to travel savings above, an estimate has been developed for the organization as a whole since projections at a divisional level would be difficult.

NATURAL CATEGORY ANALYSIS
CENTRAL ADMINISTRATION

	2010	2011	2012	Percent
	Actual	Budget	Budget	Change
				Favorable/
Revenues				
Membership Dues	53,725,594	53,942,300	54,064,167	0.23%
Royalties	2,759,196	2,332,100	2,467,850	5.82%
Investment Income	338,854	900,000	500,000	-44.44%
Other Income	790,696	810,300	426,600	-47.35%
Total Revenues	57,614,340	57,984,700	57,458,617	-0.91%
Expenses				
Total Salaries and Temporary Help	738,528	(852,350)	(500,000)	-41.34%
Total Payroll Taxes	2,505,563	2,665,900	0	100.00%
Total Fringe Benefits	14,845,192	17,016,700	700,500	95.88%
Total Travel Expenses	0	(450,000)	(450,000)	0.00%
Printing, Publication & Marketing	1,988	0	0	0.00%
Consulting and Outside Services	73,158	40,000	40,000	0.00%
Professional Services	22,693	0	22,500	-100.00%
Bank & Credit Card Fees	452,855	468,100	464,000	0.88%
Office Expenses	40,516	8,500	6,500	23.53%
Facility & Utility Costs	8,426	7,000	8,500	-21.43%
Grants and Awards	85,000	85,000	85,000	0.00%
Endorsement Costs	487,824	448,900	500,000	-11.38%
Depreciation/Amortization	6,446,157	6,115,700	5,893,800	3.63%
Other Expenses	295,919	306,400	295,001	3.72%
ADA Health Foundation - Grant	3,441,640	3,560,250	1,891,708	46.87%
Total Expenses	29,445,459	29,420,100	8,957,509	69.55%
Net Revenue/(Expense) After Taxes	28,168,881	28,564,600	48,501,108	69.79%

Revenues in 2012 are expected to decline slightly to \$57,458,617 in 2012 from \$57,984,700 in 2011 due to a reduction in the amount budgeted for appreciation/depreciation of deferred compensation investments, which has an offsetting expense in the Staff Compensation category of expenses. Also contributing to the decline is a reduction in other income as a result of reclassifying overhead recovery from ADA Foundation from the other income line to offsetting the grant expense line. Partially offsetting the decline is a modest increase in membership dues and \$135,750 increase in royalty revenue related to the *ADA Business Resources* program. For 2012, total expenses are \$8,957,509 versus \$29,420,100. This significant decline in expenses is due to all payroll tax and fringe benefit except for workmen's compensation, life insurance and union dues costs shifting to individual departments association-wide in 2012. This was done as part of the Hyperion system being implemented that allows the ADA to allocate tax and benefit costs at the department level. This provides the ADA with a mechanism to report fully loaded costs at the programs/activity/project level.

1 Additionally, depreciation expense for any new assets will be budgeted at the department level. Depreciation
2 for assets budgeted and purchased prior to 2012 is still budgeted in Central Administration.

3
4 If all the payroll tax and fringe benefit costs except workers compensation insurance and union dues were
5 backed out the total budgeted expense for 2011 would be \$10,655,400. Comparing 2012 total expenses of
6 \$8,957,509 to the updated 2011 total of \$10,655,400 shows a decline in expenses for 2012. The decline is
7 attributable to the depreciation on assets approved for purchase in 2012 being budgeted in the departments
8 requesting the asset purchases. Detailed explanations of the above mentioned variances are noted in the
9 following paragraphs. Additionally, the 2012 grant to the ADA Foundation was budgeted at \$1,891,708 which
10 is \$1,668,542 less than what was budgeted for in 2011.

11
12 **Membership Dues:** Since membership dues are the result of all activities of the Association, they are
13 recorded in this area. The explanation of the 2012 budget for membership dues is presented on Page 2006,
14 Lines 6-15. Dividing this budgeted dues amount by the full dues rate calculates a number for full dues
15 equivalent members.
16

	2011	2012
Membership dues budget (before dues rebate & prior year dues)	\$53,877,300	53,950,167
Dues Rate	505	505
Full dues equivalent members	106,688	106,832
Rounded	106,700	106,850

17
18 Dues revenue includes an offset for the dues rebate paid to constituent dental societies that submit their dues
19 to the Association in December, January, or February. This rebate is expected to decrease to \$5,000 in 2012
20 from \$25,000 in 2011. Rebates on dues are lower in 2012 due to short term interest rates remaining low.

21 **Royalties:** Royalty income is derived from monies received through the *ADA Business Resources* program.
22 The ADA receives approximately 55% of the gross program royalties. Such income is expected to increase
23 from \$2,332,100 in 2011 to \$2,467,850 in 2012. ADA Business Resources revenue was increased in all
24 business lines including credit card, practice financing and patient financing royalties.

25 **Investment Income:** Projected revenue of \$500,000 for 2012 relates to the appreciation/depreciation of
26 deferred compensation investments and fluctuates on an annual basis. There is an offsetting expense in the
27 Staff Compensation category of expenses.

28 **Other Income:** Projected base budget revenue in 2012 represents a 47.35% decrease when compared to
29 2011 for this category. The reduction is primarily due to reclassifying overhead recovery from ADA
30 Foundation as an offset to the grant expense, so that the grant to ADA Foundation is shown as a single line in
31 the 2012 budget.

32 Expenses

33 Expenses in Central Administration are largely depreciation expense and Grants to the ADA Foundation and
34 various other organizations. It also includes compensation and travel savings, which offset costs to account
35 for open staff positions and budgeted trips that are not taken.

36 **Total Salaries and Temp Help:** This category includes an expense offset of \$1,200,000 for compensation
37 savings and \$700,000 to cover service awards, off cycle salary increases and severance pay.

38 **Fringe Benefits:** This category includes expense associated with the appreciation/depreciation of deferred
39 compensation investments. There is offsetting revenue in the Other Income category. Furthermore, this

category includes budget dollars for workers compensation insurance and union benefits for the building engineers that are ADA staff.

Professional Services: This category includes investment consulting advisory fees related to the ADA operating and reserve investment portfolios.

Bank & Credit Card Fees: This category includes expenses for bank and credit card transaction fees and reimbursements to state and local societies for credit card fees from ADA membership dues collection. Expenses in this category showed no significant change.

Grants and Awards: This category includes grants to the Dental Lifeline Network, the Alliance of the ADA and the Samuel D. Harris Museum of Dentistry. Expenses are consistent with the 2011 budget.

Endorsement Costs: This category represents revenue sharing monies paid to state societies that participate in the *ADA Business Resources* program. The increase is a direct result of the increase in royalty revenue earned through the program.

Depreciation and Amortization: This category shows a decrease from \$6,115,700 in 2011 to \$5,893,800 in 2012. The decline is attributable to the depreciation on assets approved for purchase in 2012 being budgeted in the departments requesting the asset purchases.

Other Expenses: The largest component of this category is general insurance. The decline in expenses in this category is due to bringing the budget for general insurance premiums more in line with 2010 actual expenses.

ADA Foundation Grant: The ADA grant to the Foundation is budgeted at \$1,891,708 compared to the 2011 budget of \$3,560,250.

Contingency Fund

Annually the ADA budget includes monies for Contingency items. These items are for unanticipated expenses that come up after the budget is approved by the House of Delegates. Because the ADA budget is developed many months in advance of the actual calendar year, there is need to have a contingency fund to handle requests for additional funding throughout the year.

Prior to each Board of Trustees meeting, staff is asked if any contingency fund requests need to be presented to the Board of Trustees for approval. The requests that are submitted are provided to the Finance and Budget Committee who evaluate the requests and provide the Board of Trustees with their recommendation on each individual request. The Board of Trustees then votes to approve or deny each individual request.

The 2012 budget includes \$1,000,000 for Contingency fund requests which is the same amount as budgeted in 2011.

**DIVISIONAL SUMMARY WORKSHEET
 CONTINGENCY FUND**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Change
							Fav/(Unfav)
<u>Revenues</u>							
Contingency Fund	27,106	0	0	0	0	0	0.00%
Total Revenues	27,106	0	0	0	0	0	0.00%
<u>Expenses</u>							
Contingency Fund	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Total Expenses	693,031	1,000,000	1,000,000	0	1,000,000	1,000,000	0.00%
Net Revenue/(Expenses)	(665,926)	(1,000,000)	(1,000,000)	0	(1,000,000)	(1,000,000)	0.00%

Division of Information Technology

The Division of Information Technology is comprised of three technology-related departments, Application Development, Technology Architecture & Database Administration and Internet & Intranet Systems, which provide cost-effective technology and telephone support to the Association and its divisions in Chicago, and Washington DC through a number of PC, Web and LAN-based application systems, office automation, and network services. In addition, these departments provide technology support to the tripartite through the Tripartite System and directly to members and the public through ADA.org on the Internet. They also provide technology support to the Association's revenue-generating programs. This division is also comprised of one administrative department, Office of the Chief Technology Officer, which provides the leadership and support for the Association's technology resources provided by these three departments.

These department budgets are meant to fund ongoing daily operations. Although cost saving measures are important in managing this functional area, it is critical that periodic upgrades and replacements occur to maintain and enhance service levels. If the technology environment is not kept relatively current, eventual replacement would come at a much higher cost in the future.

**DIVISIONAL SUMMARY WORKSHEET
 INFORMATION TECHNOLOGY**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
<u>Revenues</u>							
<u>Expenses</u>							
Chief Technology Officer	522,226	634,900	805,870	9,555	815,425	655,068	-3.18%
Dept of Information Technology	2,188,707	2,241,750	3,092,420	150,492	3,242,912	2,599,061	-15.94%
Dept of Application Development	2,044,250	2,294,500	3,249,969	567,305	3,817,275	3,145,134	-37.07%
Internet & Intranet Services	1,038,203	1,138,700	1,804,618	117,305	1,921,923	1,565,683	-37.50%
Total Expenses	5,793,386	6,309,850	8,952,877	844,657	9,797,535	7,964,946	-26.23%
Net Revenue/(Expenses)	(5,793,386)	(6,309,850)	(8,952,877)	(844,657)	(9,797,535)	(7,964,946)	-26.23%

The net expense budget for the Division of Information Technology increased by \$1,655,096 or 26.23%. The increase in expenses is partially due to funding of nine decision packages totaling \$856,275 in operating expenses and \$630,225 in capital. The decision package totals detailed in the chart only include the operating component of the decision packages. Also contributing to the increase in expenses is the 2012 base budget including operating expenses associated with phase II of the PeopleSoft upgrade. In 2012, the Human Resources system is scheduled to be upgraded with an added \$137,640 in operating expenses and \$321,150 in capital. In 2011, the PeopleSoft financial system is being upgraded but that funding is not included in the 2011 budgeted totals because this project was funded via the special assessment and is tracked separately from the operating budget.

Also contributing to the increase in expenses is an increase in Software maintenance in the department of Application Development due to the addition of applications not previously funded within this budget. These items include Aptify, Hyperion and Decision Lens which were budgeted through the special assessment in 2011. The remaining funds are for software maintenance on existing systems. Software maintenance fees increase about 4% annually so this increase was added to existing maintenance fees that have been funded within this line item annually. Furthermore, in the department of Internet & Intranet Systems funding was added back to complete the Content Management System (CMS) replacement implementation and for unplanned projects that require hiring outside IT consulting to assist with completing these unanticipated requests. Software maintenance has increased from 2011 due to the addition of new applications that will replace the current CMS and Web Analytics software tool. In 2012, maintenance will be paid on the existing applications until the replacement applications are in production. The maintenance costs associated with the old applications will be deducted from the 2013 budget. In addition, the Division of Information Technology budgeted \$116,150 for functional training (staff development). In prior years, these costs were budgeted in the department of Human Resources within the division of Administrative Services. Finally, \$57,344 of capital depreciation related to new capital purchases was added to the base budget. In prior years, these costs were budgeted in Central Administration.

The following decision packages are recommended for funding:

- \$9,555 to fund the expansion of the Business Continuity Plan. The purpose of this decision package is to expand the Business Continuity Plan (BCP) by purchasing safety-related products for the Chicago Headquarters Building, the Washington DC Office and the Paffenbarger Research Center as recommended by the BCP consultant firm, Attanium Consulting. This decision package would be accomplished by purchasing Automated External Defibrillators, First Aid Kits, Reflective Vests for Floor Safety Captains and thumb drives for ready access to the BCP material for the Emergency Management Team (EMT) and Crisis Management Team (CMT).

- \$150,492 to fund a Security Analyst position. The purpose of this decision package is to request a new full-time Security Analyst staff position to support the security requirements that will ensure the ADA's technology infrastructure remains secure.

The security requirements of the Division of Information Technology have increased over the past few years. More systems have exposure to the Internet and complex new systems are being added in 2011 and 2012. The ADA is making ADA data more available on the internet and this trend is expected to increase in the future. Other organizations and individuals attempt to obtain this data even when roadblocks are put in the way. Security threats are more frequent, more serious, and more sophisticated. Regulations such as HIPAA and PCI have become stronger and more complex. Tools that allow would-be intruders to attempt break-ins are readily available and allow people who do not have extensive technical skills to make these attempts. IT staff have always made security fixes a high priority, but no one is dedicated to this responsibility. Security issues regularly pop up and unexpectedly take a significant portion of several staffers' time, which takes time away from day-to-day responsibilities and other job-related projects already in their queue.

The February 2011 McGladrey audit recommended increased attention to security issues, such as server patching. A new full-time staff person will ensure that these anticipated audit points are addressed as well as provide dedicated and improved security support. This ensures that infrastructure security as a whole is being addressed.

- \$106,475 to fund a Senior Application Developer position. The purpose of this package is to request the funding to hire a full-time Senior Application Developer to maintain and support Aptify, the Association's Order Management, Membership Management and eCommerce application (i.e. AMS Association Management Software). This new software application is scheduled to be implemented in late 2011 and will replace Siebel for Order Management and eCommerce. The software implementation is scheduled to continue into 2012 and will replace the Tripartite System, currently used by the ADA, 40 Constituents and 65 Component Societies.

This person will be responsible for the analysis and development efforts to maintain, support and enhance the AMS as well as all interfaces to existing core ADA applications in order to meet the ADA's business needs. In addition, this person will define business and technical requirements; define and develop technical design; develop user acceptance and support documentation, develop and implement workflow and template updates; provides written technical documentation for existing software configuration and configurations under development. This staff person works closely with the AMS Project Manager and with all appropriate ADA staff to develop streamlined applications.

- \$116,431 to fund a Database Administrator position. The purpose of this decision package is to request a new full-time staff position for a Database Administrator (DBA) to support the system databases used by ADA computer programs.

1 This decision package will be accomplished by hiring a second full-time staff person dedicated to the
2 support and maintenance of Microsoft SQL Server databases used by ADA computer programs. This
3 new DBA position will work closely and collaboratively with the current DBA on day-to-day operations,
4 which includes night and weekend activities to ensure jobs run and systems do not shut down.

- 5 • \$196,815 to fund the replacement of the FileWeb system (\$170,000 is allocated to operating expenses
6 and \$26,815 is allocated to capital expenditure). The purpose of this decision package is to request the
7 necessary funding to retain outside IT consulting services to assist IT staff with the initial planning phase
8 to replace the Association's document management system (ADA FileWeb). This phase would include
9 establishing a cross-divisional ADA Work Team that would provide input on features and functionality
10 required to meet the ADA's business needs. Interviews would be conducted with ADA divisions to obtain
11 a better understanding of their needs so the best solution can be selected and implemented. The Work
12 Team will also be involved in product evaluations, product selections and conversion planning. It is
13 anticipated that this planning phase will take about six (6) months to complete. This planning phase will
14 provide IT with a more thorough and accurate understanding of the work effort and costs associated with
15 purchasing and implementing a new document management system. These costs would be presented in
16 a decision package in the 2013 budget.

- 17 • \$163,145 in total expense to fund the purchase of additional Microsoft SharePoint licenses. Of the total,
18 \$37,530 is allocated as an operating expense and \$125,615 as capital. The purpose is to expand the
19 knowledge management and collaboration systems to provide stability, enhance collaborative services
20 and provide broader access to these systems for Committees, Workgroups and program participants.

21 The knowledge management and collaboration environments can be enhanced by purchasing and
22 implementing additional software to provide redundancy and enhance system performance. Some of
23 these enhancements include extended mobility, Workgroup communication, meeting management,
24 instant messaging capabilities and the addition of special interest information for personal profiles called
25 "my sites".

- 26 • \$42,350 in total expense to fund an LMS Authoring Tool. In 2012, the ADA learning activities for web
27 delivery will be identified and standard ADA course development procedures will be defined and
28 implemented to support the development of course curricula.

29 The authoring software tool selected will be compliant with the Aptify eLearning module that is currently
30 owned by the ADA to ensure that the curricula developed can be delivered via the Association
31 Management System. ADA staff will review and access software packages such as Adobe Captivate and
32 Tech Smith Camtasia for compatibility and functionality prior to purchase.

33 Beginning in 2013, the courses developed with the selected authoring software tool will be migrated to the
34 Aptify eLearning module to accommodate the termination of the contract with IMV, the vendor that
35 currently hosts ADA CE Online. The migration to the AMS will allow the ADA to capture a significantly
36 higher proportion of online CE course fees and gain control over the policies and protocols for course
37 delivery.

38 This activity will be in the first phase in developing the ADA's capacity for internal management of ADA
39 CE Online. CELL and IT staff anticipate submitting a joint decision package in the 2013 budget cycle that
40 will address the configuration of Aptify software to meet the ADA's eLearning requirements for the
41 implementation and ongoing management of these new learning activities.

- 42 • \$97,850 in total expense to fund the platform to build an internal mobile development and deployment
43 capability. Of the total, \$37,425 is allocated as an operating expense and \$60,425 as capital. This will
44 allow the ADA to incorporate support for mobile devices including smart phones (Apple iPhone,
45 Blackberry, and Droid), tablets (Apple iPad and Droid Xoom and eReaders (Apple, Amazon, Sony, and

Barnes and Noble); develop applications and content that can be exploited on those platforms; and a supply chain that can enable easy delivery of ADA commercial assets utilizing these platforms. To stay relevant, this capability would need to be upgraded and analyzed regularly to include expert resourcing to provide quality assurance and recommend innovations. Lastly, this could also involve partnering with an outside party to provide additional resourcing on a contract basis to supplement the ADA development capacity.

This would be accomplished by building a development platform with the appropriate tools; purchasing test devices representative of the ADA's target market and demand; developing an electronic store delivery and integration to the ADA's website and eCommerce website and provide device and application support.

- \$558,000 in total expense to fund conversion of the existing Tripartite System (TS) to Aptify, the Association's new Association Management system being implemented in 2010. Additionally, this package will fund implementing two pilot tripartite sites currently using TS and pilot two online event registrations on Aptify. Of the total \$174,400 is operating expense and \$383,600 is capital.

In 2010, a Feasibility Study was conducted to find a software application that could replace the customer relationship management and order management/eCommerce functionalities provided by Siebel since 2004. An ADA Work Team was established that included staff from the various departments actively using Siebel to conduct their day-to-day business. Requests for Information (RFI) were sent to six (6) potential vendors, which the Work Team narrowed down to two (2) vendors as potential replacements by mid-year 2011. The study was further expanded to determine if either of the vendors could also provide additional functionality needed by other ADA Divisions, but not readily available in Siebel. The Work Team concluded that Aptify Association Management Software could be used to replace the functionality provided by Siebel and provide additional capabilities not available in Siebel. A final piece was researched to determine if Aptify could replace the Tripartite System, currently used for membership management activities at the ADA Headquarters, 40 State societies and 65 Local societies. To complete the research, the Work Team was expanded to include TS experts within the ADA to represent TS users across the Tripartite as the Aptify membership functionality was explored. In December 2010, the Work Team concluded that Aptify was a fit and recommended that Aptify replace TS.

In February 2011, a pricing agreement was reached with Aptify that would allow the ADA to purchase software licensing for an unlimited numbers across the Tripartite. The software licensing costs are currently funded in the 2011 Special Assessment Fund. Since the research to potentially replace TS was conducted after the 2011 budgets were prepared, funding was not included to cover the implementation costs to replace TS with the new Association Management System.

Division of Dental Practice/Professional Affairs

The Division of Dental Practice/Professional Affairs includes the Council on Dental Practice (CDP), the Council on Dental Benefit Programs (CDBP), the Council on Access, Prevention and Interprofessional Relations (CAPIR) and the Department on Dental Informatics (DDI).

Several subcommittees and work groups support the Council on Dental Practice, including the Dental Team Advisory Panel; the Subcommittee on Workforce Issues; the Subcommittee on the Future of Dental Laboratory Technology; the Subcommittee on Economic Issues; the Subcommittee on Comparative Effectiveness Research; the Subcommittee on "Going Green," the Subcommittee on Caries Risk Assessment; the Subcommittee on Dental Assistant Training; and the Subcommittee on Practice Patterns and Transitions, which all are included in the Council's administrative budget. The Dentist Well-Being Advisory Committee, the Well-Being Task Force and the Ergonomics and Disability Support Advisory Committee are included in the Council's Dentist Health and Wellness budget, which falls under the auspices of the Council. In addition, the CDP has been tasked with the administration of the Hillenbrand Fellowship Program and maintains the

1 Dental Practice Hub on ADA.org. The Council is also responsible for issues related to emergency
2 preparedness and disaster recovery in the dental office, as well as monitoring future trends related to
3 teledentistry and the electronic health record. The Council's primary focus involves the development and
4 dissemination of dental practice management and marketing information to assist dentists in the efficient
5 operation of their dental practices.

6 The Council on Dental Benefit Programs is supported by the Dental Codes Maintenance and Development,
7 Dental Benefit Information Service (DBIS) and the Quality Assessment and Improvement (QA&I) program
8 areas, which are displayed as separate budgets within the Council. This Council focuses on dental benefit
9 design, problem solving for and education of members regarding dental insurance, maintenance of the
10 procedure codes and ADA claim form, and providing peer review program guidelines and workshops. The
11 Council's Subcommittee on the Code is concerned with maintaining the ADA's *Code on Dental Procedures
12 and Nomenclature* and provides the technical content for various code-related publications and educational
13 seminars, including new online courses. The DBIS area provides a resource on the vast array of dental
14 benefit plans, develops educational materials, including an online course and interacts with third-party payers.
15 QA&I manages peer review education and provides research and analysis on a variety of quality and risk
16 associated topics. CDBP has also been assigned the Dental Quality Alliance, which has become a significant
17 endeavor and facilitates its work now that it has become a functioning entity.

18 The Council on Access, Prevention and Interprofessional Relations' primary purpose is to broaden the scope
19 of oral health care within the total health care system; promote preventive dentistry as a cornerstone of oral
20 health care; provide leadership, vision and coordination of the ADA's activities in the areas of access to dental
21 care for specific population groups such as the elderly, those living with special health care needs, those
22 living with medical co-morbidities, geographically isolated, the economically disadvantaged and others; to
23 assist constituent and component societies in assessing oral health needs; identifying gaps and building
24 community oral health infrastructure and capacity; to promote and support population-based preventive health
25 interventions; to promote interdisciplinary understanding, cooperation and education on behalf of the dental
26 profession, other health care organizations and the public; to promote the role of dentistry and dentists in the
27 overall health care system; to promote community outreach and cultural competence; and to support the
28 American Indian/Alaska Native Dental Placement Program, National Children's Dental Health Month and the
29 Give Kids A Smile expansion. Program activities are reflected in the respective cost centers within the
30 Council, which include CAPIR Administration; Fluoridation and Preventive Health; Interprofessional
31 Relations; Access, Community Oral Health Infrastructure and Capacity; Community Outreach and Cultural
32 Competence; Geriatric Oral Health; and Children's Oral Health which includes both the Give Kids A Smile
33 program and National Children's Dental Health Month program. CAPIR also has been assigned oversight for
34 the Community Dental Health Coordinator Pilot Program.

35 The role of the Department of Dental Informatics (DDI) is to apply information technology to administrative
36 and clinical workflows in dentistry. The primary objective of dental informatics is to improve patient care and
37 increase administrative efficiency through the use of information technology. The DDI continues to serve as
38 the primary resource to dental offices that have questions about all enacted and pending HIPAA regulations.
39 The DDI works with many areas within the ADA, particularly the Council on Dental Benefit Programs and the
40 Council on Dental Practice. The DDI is also supporting CDBP with the updating of the Systematized
41 Nomenclature of Dentistry (SNODENT). In addition to the above, DDI now staffs the Dental Content
42 Committee. The DDI advocates for the dental profession through active participation in the standards
43 community and provides staff support to the ADA's Standards Committee on Dental Informatics. In addition,
44 the Department of Dental Informatics assists with coordinating ADA comments on legislation and regulations
45 related to Health Information Technology (HIT), Administrative Simplification and Electronic Health Records in
46 order to protect the profession from the unnecessary application of standards that could adversely affect
47 dental practice.

48
49
50

1
2
3**DIVISIONAL SUMMARY WORKSHEET
DENTAL PRACTICE/PROFESSIONAL AFFAIRS**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
CDP - Administration	6,515	8,950	6,600	0	6,600	6,600	-26.26%
Dental Codes Standards and Adm	3,878	0	0	0	0	0	0.00%
Dent Ben Info Serv and Third	2,800	3,500	4,500	0	4,500	4,500	28.57%
Quality Assess & Improvement	0	0	93,100	0	93,100	93,100	100.00%
CAPIR - Administrative	300	0	0	0	0	0	0.00%
Fluoridation Preventive Health	0	0	0	86,500	86,500	86,500	100.00%
Interprofessional Relations	0	0	18,000	0	18,000	18,000	100.00%
Geriatric Oral Health Program	0	0	0	85,000	85,000	85,000	100.00%
Children's Oral Health	0	0	156,770	0	156,770	156,770	100.00%
CAPIR GKSMILE	10,000	10,000	0	0	0	0	-100.00%
Dentist Health and Wellness	0	55,500	0	0	0	0	-100.00%
Total Revenues	23,493	77,950	278,970	171,500	450,470	450,470	477.90%
Expenses							
Sr VP Dental Prac/Prof Affairs	287,896	354,900	474,899	0	474,899	358,226	-0.94%
Direct Reimb Mrkting Campaign	163,735	0	0	0	0	0	0.00%
CDP - Administration	586,137	734,300	1,021,589	0	1,021,589	764,789	-4.15%
CDBP - Administrative	298,327	303,650	393,710	0	393,710	305,735	-0.69%
Dental Codes Standards and Adm	240,983	302,050	275,119	10,335	285,454	214,712	28.92%
Dent Ben Info Serv and Third	253,453	288,450	375,034	0	375,034	274,443	4.86%
Quality Assess & Improvement	122,440	206,050	376,227	0	376,227	300,810	-45.99%
CAPIR - Administrative	294,024	303,400	555,210	0	555,210	422,813	-39.36%
Fluoridation Preventive Health	131,102	232,750	317,843	86,500	404,343	312,927	-34.45%
Interprofessional Relations	159,438	156,450	251,676	6,000	257,676	196,125	-25.36%
Access and Community Health	196,192	177,300	219,377	3,400	222,777	167,529	5.51%
Comm Outreach & Cultrl Competence	242,387	270,400	275,458	5,000	280,458	242,938	10.16%
Geriatric Oral Health Program	163,917	161,100	198,610	85,000	283,610	237,956	-47.71%
Children's Oral Health	157,970	301,900	212,583	0	212,583	203,879	32.47%
CAPIR GKSMILE	216,300	0	0	0	0	0	100.00%
Department of Dental Informatics	363,598	415,500	609,601	0	609,601	485,101	-16.75%
Dentist Health and Wellness	123,912	197,400	178,412	0	178,412	128,423	34.94%
Total Expenses	4,001,811	4,405,600	5,735,348	196,235	5,931,583	4,616,406	-4.78%
Net Revenue/(Expenses)	(3,978,318)	(4,327,650)	(5,456,378)	(24,735)	(5,481,113)	(4,165,936)	3.74%

The 2012 budgeted net expenses improved by \$161,714 or 3.74% when compared to 2011. Revenue increased by \$372,520 as a result of income related to seeking corporate sponsorship/grant funding to support the Dental Quality Alliance activities. Additional revenue was also budgeted in CAPIR's Children's Oral Health program area via an anticipated grant from the ADA Foundation. Finally, two decision packages added \$171,500 in revenue, which is explained later in this section.

Expenses increased by \$210,806 when compared to the 2011 budget. The increase in expenses is mainly due to funding of six decision packages adding \$196,235 in expense to this division. Additionally, the Hillenbrand Fellowship and a portion of the program related costs for the Give Kids a Smile Program in prior years were charged to the ADA Foundation. These programs are now fully controlled by the ADA and the 2012 budget includes full funding to support these programs. It should be noted that a divisional reorganization shifted salary dollars between department so you will notice both favorable and unfavorable variance as a result of the shift in salary dollars.

The following decision packages are recommended for funding:

- \$10,335 to fund the CRC Appeal Committee meeting. The CRC Appeal Committee is provided for in the CRC operating protocol. It convenes when a CRC member organization seeks binding resolution of actions where there is a tie vote. Binding resolution is made by an independent party selected by the ADA and Payer members of the Appeal Committee.

This decision package will cover the travel related costs for one two-day CRC Appeal Committee meeting in May 2012. The travel costs cover the costs for three volunteers (two ADA representatives; CDBP chair) and one Appeal Committee fifth member, meeting meals for five (three ADA volunteers; two ADA staff), professional services expense payable to the American Arbitration Association for identification of Appeal Committee fifth member and travel and meal costs for the fifth member.

- \$86,500 in revenue and \$86,500 in expense to fund Fluoridation Technical Assistance Materials. CAPIR's Prevention focus area conducts activities and recommends policies related to population-based preventive oral health measures. By providing consultation and technical assistance on community water fluoridation, CAPIR assists dentists to position themselves as community leaders on issues related to oral health.

These activities assist the Council to fulfill its *Bylaws* duties to: (b) To recommend policies, advise other ADA agencies and develop programs relating to access to care; population-based prevention, including community water fluoridation; and interprofessional relations; (c) To provide advice and technical assistance to constituencies and communities to assess community oral health needs; develop coalitions and partnerships; and design, implement and evaluate programs to meet community oral health needs, and (d) To recommend policies, advise constituencies and communities, provide technical assistance and develop programs focused on building community oral health infrastructure and capacity, reducing oral health disparities and increasing access to care.

This program involves the development and production of the following items:

Community Water Fluoridation Video. This item would provide a vehicle to get fluoridation messages to decision makers and the public via TV and other venues and would counter the myriad of opposition videos available on the Web. CAPIR has been approached by the American Association of Public Health Dentistry who has indicated they would like to collaborate with the ADA on this project.

Caries/Enamel Fluorosis Picture Portfolio. This picture portfolio would assist dentists in discussing the risk/benefit issues surrounding community water fluoridation. This unique portfolio would allow dentist to provide a accurate portrayal of fluorosis to counter the misinformation that is available on the Web. An accurate picture will be worth more than a thousand words.

1
2 *Fluoridation PowerPoint Presentation Kit.* This most requested resource would aid dentists in
3 presentations to decision makers and in efforts to develop coalitions to support fluoridation. The kit
4 includes the presentation, suggested script and sample handouts.

5
6 *Technical Assistance Tool Kits (Initial and Advanced).* These kits are for those just beginning to consider
7 fluoridation for their communities (Initial) and those embroiled in active campaigns (Advanced). Items to
8 be included would be fact sheets, talking points, sample op-ed letters, press releases and more.

- 9
10 • \$6,000 to fund ADA membership in the American Association of Ambulatory Health Care (AAAHC). The
11 purpose of this decision package is to add the annual membership dues for the ADA to join AAAHC and
12 have a voting seat on the AAAHC Board of Directors.

13
14 The AAAHC is a non-profit organization formed in 1979. It is a leader in developing standards to advance
15 and promote patient safety, quality and value for ambulatory health care through peer-based accreditation
16 processes, education and research. Accreditation is ultimately awarded to organizations that are found to
17 be in compliance with the Accreditation Association standards. The Accreditation Association currently
18 accredits over 4,000 organizations in a wide variety of ambulatory health care settings, including
19 ambulatory and office based surgery centers, dental practices, managed care organizations, and Indian
20 and student health centers. Dr. Sheila Strock, senior manager, Interprofessional Relations, is the
21 appointed Official Observer for the ADA.

22 During the past year, AAAHC contracted with the Health Resources and Services Administration (HRSA)
23 and has scheduled three surveys at Federally Qualified Health Centers (FQHCs) beginning in June 2010.
24 AAAHC is also actively developing relationships with the National Association of Community Health
25 Centers (NACHC), as well as state-based community health associations. AAAHC also continues to
26 expand its market internationally with the first accreditation recently awarded in Costa Rica to a dental
27 practice.

28 AAAHC is in the process of developing a survey specific to dental practice. This is particularly applicable
29 to oral surgery practices as several states require evidence of accreditation in order to provide care under
30 the state practice act. The American Association of Oral and Maxillofacial Surgeons (AAOMS) is a
31 member of AAAHC and is actively involved in the development of the dental model for accreditation.

32 Presently, the ADA is not a member organization of AAAHC. Member organizations are represented on
33 the Board and impact the decisions of AAAHC.

- 34 • \$3,400 to fund National Association of Community Health Centers (NACHC) engagement. NACHC,
35 which represents Federally Qualified Health Centers (FQHCs), has historically equated primary health
36 care with only medical care. Oral health and behavioral health have been relegated as secondary.

37 NACHC has expressed little interest in promoting oral health as integral to primary care in legislation or
38 federal policies; yet NACHC consistently seeks ADA support when lobbying for additional health center
39 funding.

40 Through increased ADA visibility and drawing attention to the importance of oral health, CAPIR seeks to
41 assist NACHC in developing policies, plans and programs that support diverse community efforts to link
42 people to needed oral health services.

43 As directed by CAPIR resolution at its January 2010 meeting, this decision package establishes an
44 ongoing CAPIR presence through participation at two NACHC conferences annually to begin to raise
45 awareness among NACHC leadership, staff and its constituencies that oral health is not elective. Oral
46 health is primary care.

- \$5,000 to fund AI/AN Dental Placement Program Assessment. The purpose of this activity is to assess the American Indian/Alaska Native Dental Placement Program for program improvement and other development activities.

The Council proposes to accomplish this assessment by working with the ADA Survey Center to administer a mail questionnaire to volunteer dentists and dental students, Indian Health Service (IHS) and tribal dental personnel who supervise these volunteers, and IHS headquarters staff responsible for coordinating activities with the ADA and the IHS extern program. Results of this assessment will be used to improve and further develop the American Indian and Alaska Native Dental Placement Program.

The Council coordinates the recruitment, placement and support of dental volunteers serving in rural/frontier Indian Country. The AI/AN Dental Placement program fosters relationship development between ADA and Indian Health Service (IHS) and tribal dental programs and other related communities of interest. The project serves as a resource to ADA members, staff and other relevant stakeholders. Council volunteers and/or staff act as liaisons between IHS extern coordinators and dental student externs. No funds were previously appropriated for program evaluation or improvement activities.

CAPIR believes it will be helpful, at this time, to conduct an assessment of the AI/AN Dental Placement Program by administering surveys to all dentists and dental students who have served as volunteers or student externs. To supplement this information, the Council plans to work cooperatively with IHS Headquarters staff and local IHS and tribal dental programs to survey personnel about ways the program may be improved.

Results of this assessment will be reported to the 2013 House of Delegates.

- \$85,000 in revenue and \$85,000 in expense to fund the National Coalition Consensus Conference (NCCC) *JADA* Supplement. The purpose of this decision package is to obtain the financial support needed to publish a Special Supplement of *JADA* containing five papers prepared for the National Coalition Consensus Conference: Oral Health of Vulnerable Older Adults and Persons with Disabilities, as well as a sixth paper summary of recommendations.

The National Coalition Consensus Conference: Oral Health of Vulnerable Older Adults and Persons with Disabilities was held on November 18-19, 2010, in Washington, D.C. The purpose of the Conference was to take the first step in building a broad coalition of groups aware of the oral health challenges facing our nation's vulnerable adults and committed to developing resources needed to address these challenges. The Conference brought together representatives from professional dental associations, general health organizations, consumer advocacy groups and policy-makers.

On the first day, invited speakers took 30 minutes to present highlights and recommendations from commissioned papers on pre-determined topics. The paper presentations were followed by a short 10 minute reactor response. The audience then had the opportunity to provide input as they discussed the presentations. Fully 30% of conference time the first day was devoted to rich small group (8-9 persons) discussion facilitated and recorded by ADA's National Elder Care Advisory Committee (NECAC) volunteers. On the second day, a smaller Core Group consisting of NECAC members, organizers, presenters, reactors and key stakeholders considered the input from the previous day and worked to refine the overall recommendations.

Hundreds of recommendations and ideas resulted from the Conference. These are being organized and coalesced into a manageable set of recommendations and action items that will be shared with Conference participants.

The adoption of this decision package would allow for the publication and dissemination of materials presented at this historic ADA hosted conference. The dissemination of these materials will facilitate their

used in policy formation and ongoing efforts to raise awareness regarding the oral health issues surrounding these vulnerable populations.

Health Policy Resources Center

The Health Policy Resources Center (HPRC) is a central repository for information relating to the health policy of the ADA. The main purpose of this area is to strengthen and contribute to ADA's policy and advocacy on economic and technical issues. This is accomplished by identifying critical policy position development needs of the Association in economic and technical areas for use by ADA councils, commissions and the Board; by providing unbiased, scientifically valid information and analysis on priority economic issues of the Association for staff and policy-making bodies; by determining and prioritizing the objective, and economic/technical research needed for effective positioning and advocacy; by being responsible for oversight of activities of the Dental Economic Advisory Group; and by providing management and interpretation of survey results published by the Survey Center. In addition, HPRC also provides analytical and statistical services to other agencies within the ADA.

HPRC is the central ADA source for collection, analysis, and publication of current statistics on dentistry. Surveys are conducted in response to mandates of the House of Delegates and directives of the Board of Trustees, as well as requests from the Association's councils, departments and commissions. In addition to making the reports available as free downloadable reports to members, salable materials to non-members and the public and providing internal survey research assistance, the Survey Center also provides survey research consultation to tripartite members. The Survey Center also provides research samples and custom analysis of existing primary data for industry, dental organizations, and other related agencies (e.g., hospitals, educational institutions).

DIVISIONAL SUMMARY WORKSHEET HEALTH POLICY RESOURCES CENTER

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Change
							Fav/(Unfav)
Revenues							
Survey Center	97,661	52,500	184,800	0	184,800	184,800	252.00%
Health Policy Analysis	11,081	0	0	0	0	0	0.00%
Total Revenues	108,742	52,500	184,800	0	184,800	184,800	-252.00%
-							
Expenses							
Managing VP HPRC	241,404	324,150	456,574	0	456,574	349,271	-7.75%
Survey Center	1,092,818	1,144,850	1,527,252	0	1,527,252	1,180,157	-3.08%
Health Policy Analysis	285,175	320,050	477,138	0	477,138	357,464	-11.69%
Total Expenses	1,619,397	1,789,050	2,460,964	0	2,460,964	1,886,892	-5.47%
Net Revenue/(Expenses)	(1,510,655)	(1,736,550)	(2,276,164)	0	(2,276,164)	(1,702,092)	1.98%

1 HPRC's 2012 budgeted net expense is projected to be favorable by \$34,457 or 1.98%. The increase in
2 expected revenue is due to an increase in sales of certain reports that are expected to no longer be provided
3 to members for free. Starting in 2009, members were provided reports free of charge through Res 80H-2008.
4 HPRC has proposed that this resolution be rescinded. Partially offsetting the increase in revenue is an
5 increase in expenses when compared to 2011. The increase in expenses is largely due to budgeting
6 additional consulting/outside services. HPRC plans on conducting additional data collection efforts for the
7 2012 survey of dental practice and 2012 distribution of dentist's survey. Additionally, in the Managing VP
8 HPRC department, travel expenses increased as a result of increasing the number of DEAG volunteers
9 funded. In 2011, eight volunteers were funded and the 2012 budget allows for twelve volunteers. Additional
10 consulting services are also required to fill skills gaps.

11 **Division of Education/Professional Affairs**

12 The Division of Education is made up of three agencies with *By/laws* authority: the Council on Dental
13 Education and Licensure, the Commission on Dental Accreditation and the Joint Commission on National
14 Dental Examinations; and three departments: the Department of Testing Services, the Department of Library
15 Services, and the Center for Continuing Education and Lifelong Learning (CELL). Among its responsibilities,
16 the Council on Dental Education and Licensure provides oversight for the Continuing Education Recognition
17 Program (CERP) that evaluates and recognizes providers of continuing dental education and the Dental
18 Admission Testing Program (DAT). Major areas of responsibility include the promotion of excellence and
19 consistency in education, improving the quality of dental education and the quality and uniformity of licensure
20 examinations. The Department of Library Services supports the Association's role as a vital information
21 source.

22
23 The Center for Continuing Education and Lifelong Learning houses two programs, the CELL Seminar Series
24 and ADA CE Online. In conjunction with other Association divisions, it develops markets and administers
25 continuing education programs that support practicing dentists and the dental team. Additionally, the Center
26 provides serves as a resource on continuing education to other departments in order to enhance the
27 consistency, quality and delivery of the Association's continuing education offerings and maintains the
28 Association's CERP status.
29
30

**DIVISIONAL SUMMARY WORKSHEET
EDUCATION/PROFESSIONAL AFFAIRS**

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base	Decision	Budget Incl	Budget Less	Change
			Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
Ctr Contin Ed & Lifelong Learn	397,844	700,600	841,125	0	841,125	841,125	20.06%
Council Dentl Educ & Licensure	250,550	279,000	335,697	0	335,697	335,697	20.32%
Commission Dentl Accreditation	1,382,454	1,553,600	1,729,705	0	1,729,705	1,729,705	11.34%
Nat'l Board Dental Examination	8,211,593	8,242,500	9,711,159	0	9,711,159	9,711,159	17.82%
Admission Tests	4,833,262	5,409,500	5,019,650	0	5,019,650	5,019,650	-7.21%
Outside Client Services	1,125,099	1,052,250	1,179,400	0	1,179,400	1,179,400	12.08%
Library Services	35,464	38,000	36,000	0	36,000	36,000	-5.26%
Total Revenues	16,236,266	17,275,450	18,852,736	0	18,852,736	18,852,736	9.13%
Expenses							
Ctr Contin Ed & Lifelong Learn	490,747	718,250	804,358	0	804,358	701,398	2.35%
Sr. VP Education/Prof Affairs	364,080	365,600	430,222	0	430,222	323,871	11.41%
Council Dentl Educ & Licensure	794,782	797,950	1,077,617	0	1,077,617	807,287	-1.17%
Commission Dentl Accreditation	2,041,348	2,108,400	2,731,887	0	2,731,887	2,240,316	-6.26%
Nat'l Board Dental Examination	5,569,825	5,245,150	6,121,195	0	6,121,195	5,442,787	-3.77%
Admission Tests	1,496,560	1,809,900	1,882,286	0	1,882,286	1,699,873	6.08%
Outside Client Services	689,137	584,050	711,950	0	711,950	626,619	-7.29%
Library Services	746,846	821,950	1,126,230	0	1,126,230	796,092	3.15%
Total Expenses	12,193,325	12,451,250	14,885,745	0	14,885,745	12,638,243	-1.50%
Net Revenue/(Expenses)	4,042,941	4,824,200	3,966,991	0	3,966,991	6,214,493	28.82%

The 2012 budget net revenue increased by \$1,390,293 or 28.82%. The increase in net revenue is mainly due to an increase in National Board exams, Dental Admissions test application fees, transcript fees, an increase in Accreditation fees, an increase in International Accreditation revenue and an increase in fees charged to CERP providers.

Expenses increased by \$186,993 when comparing 2012 to 2011. The increase in expenses is largely due to an increase of \$155,200 in test administration fees related to the National Board exams. Typically if testing revenue increases, test administration fees will also increase. Partially offsetting the increase in expenses is the elimination of the subscription to the Cochrane Library in the Library Services Department.

Division of Science/Professional Affairs

The Division of Science provides staff support to the Council on Scientific Affairs and manages the ADA Center for Evidence-Based Dentistry, the ADA Seal of Acceptance program, the ADA *Professional Product Review*, the ADA Laboratories and the longitudinal research project that monitors the occupational and general health status of the dental team known as the Health Screening Program. The Division houses the

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BUDGET, BUSINESS AND
ADMINISTRATIVE MATTERS

Department of Standards Administration, which coordinates and administers national and international dental standards for dental products and informatics. Through these programs, the Division of Science monitors emerging dental science and responds to critical issues that could potentially affect professional policies and decisions. The division reviews the scientific basis of advertising claims for ADA publications and products bearing the ADA Seal of Acceptance. The Division provides member dentists, the dental healthcare team, and the public with timely and relevant information based upon sound scientific principles and evidence-based research. Through the ADA Laboratories, the division assures the accuracy and reproducibility of safety and efficacy data submitted to the ADA Acceptance Program to gain the Seal of Acceptance and evaluates products for the ADA Professional Product Review.

DIVISIONAL SUMMARY WORKSHEET
SCIENCE/PROFESSIONAL AFFAIRS

	2010	2011	2012	2012	2012	Percent	
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Department of Standards Admin	39,757	200,500	50,400	0	50,400	50,400	0.75%
Sr. VP Science Prof. Affairs	25,000	0	0	0	0	0	0.00%
Council on Scientific Affairs	0	0	0	36,000	36,000	36,000	100.00%
Research and Laboratory	0	0	30,000	0	30,000	30,000	100.00%
Product Evaluations	1,774	3,000	0	0	0	0	1.00%
OTC Seal Program	516,750	578,500	577,113	0	577,113	577,113	0.00%
Evidence Based Dentistry	100,000	15,000	19,200	0	19,200	19,200	0.00%
Total Revenues	683,281	797,000	676,713	36,000	712,713	712,713	10.58%
-							
Expenses							
Department of Standards Admin	510,559	707,150	663,570	80,380	743,950	606,538	14.23%
Sr. VP Science Prof. Affairs	600,276	700,500	943,654	2,710	946,364	692,305	1.17%
Council on Scientific Affairs	727,295	816,300	1,067,368	60,556	1,127,924	847,685	-3.84%
Research and Laboratory	1,370,504	1,996,650	2,819,144	0	2,819,144	2,191,306	-9.75%
Product Evaluations	596,560	617,850	516,860	65,000	581,860	454,725	26.40%
OTC Seal Program	319,516	328,400	475,057	127,259	602,316	474,571	-44.51%
Evidence Based Dentistry	325,448	494,500	545,810	0	545,810	465,156	5.93%
Total Expenses	4,450,158	5,661,350	7,031,463	335,905	7,367,368	5,732,286	-1.25%
Net Revenue/(Expenses)	(3,766,877)	(4,864,350)	(6,354,750)	(299,905)	(6,654,655)	(5,019,573)	-3.19%

The 2012 net expenses are unfavorable by \$155,223 or 3.19% as a result of funding six decision packages totaling \$299,905 in net expense. If the decision packages were netted out, the Division of Science would show a reduction in net expenses totaling \$144,682. The net reduction after backing out decision packages is due to eliminating the publication of the Product Evaluation print newsletter in 2012.

The reduction in revenue and expenses in the Standards Administration Department is due to the 2011 budget including corporate sponsorship revenue and related expenses for the 2011 Meeting of ISO/TC106 Dentistry group.

The increase in revenue in the Research and Laboratory department is due to projected corporate funding of the 2012 Health Screening Program. The associated \$350,000 in expenses for the HSP is also included in the R&L budget. This program was funded by the ADA Foundation prior to 2011.

The following decision packages are recommended for funding:

- \$80,380 to fund a consultant to assist with Dental Informatics Administration. Through resolutions of the House of Delegates and to support the stated mission and goals of the ADA, the ADA has committed to fostering interoperability of dental data and devices through development, adoption, and implementation of standards and to educating ADA members in the application of standards. One example of such a standard is the DICOM (Digital Communications and Imaging in Medicine) standard. In addition, there is a great need to assure purchasers about digital technology system performance in the real world practice setting and to assist in establishing interoperability between imaging systems and EHR systems. An example of this type of implementation activity is IHE (Integrating the Healthcare Enterprise), which is a non-profit health informatics standards-based organization that brings together users and developers of healthcare information technology. The goal of IHE is to accelerate the adoption of digital technologies by improving the real world functionality, usability, and exchange of digital information among healthcare systems. The Council on Dental Practice and the ADA Board EHR Workgroup have specifically approved the participation of the ADA as the lead dental organization with DICOM and IHE. IHE is a new endeavor for the ADA and, as the Primary Domain Sponsor (Secretariat) for the new IHE Dental Domain, and this activity alone will require an increase in ADA resources devoted to standards development. In addition, DICOM dental activity has increased and will continue to do so for the foreseeable future.

In order to fully implement the standards development and implementation activities for new digital dental technologies and to handle the increasing amount of development in the health informatics technology standards area, there is a need for a consultant in the Department of Standards Administration to assist with management and support these activities.

- \$2,710 to fund the Senior Vice President of Science travel to serve as a Consultant to the FDI Science Committee. The ADA Senior Vice President of the Division of Science is an appointed consultant to the FDI World Dental Federation. This decision package will allow this individual to attend the mid-year FDI committee meetings in Geneva. Attending these meetings will also allow this person to collaborate with the World Health Organization (WHO), which is also based in Geneva, in order to help link professional programs and respond to national and international emerging issues.

Currently there are three international issues that the ADA is directly involved with through the FDI: 1) United Nations Environmental Programme, 2) Global Caries Initiative and 3) Caries Classification System.

By attending the FDI mid-year meetings, the ADA will have an opportunity to address environmental concerns about amalgam and mercury waste, oral care preventive programs and the related access to care issues. The meetings will address: effectively responding to risk assessment, prevention and disease management issues through the phase down of amalgam, a revised caries classification, and disease management system. A current key objective is to address UNEP environmental demands to phase down the use of dental amalgam by phasing up preventive programs.

The FDI and ADA positions on amalgam call for additional public health and oral health representation to the treaty negotiations at the United Nations, and are essential if the Association wants to ensure that U.S. negotiating teams treat amalgam as a public health issue. By attending the FDI mid-year meetings, the ADA Senior Vice President of the Division of Science will have an opportunity to participate in discussions regarding environmental concerns about amalgam and mercury waste, oral care preventive programs and the related access-to-care issues on the global level. Having a direct scientific liaison from the ADA to the FDI and WHO is imperative during these very critical debates.

- 1
- 2 • \$12,000 in both revenue and expense to fund the Norton Ross Award. Initiated in 1991, the Norton M.
- 3 Ross Award for Excellence in Clinical Research has been a program under the ADAF with
- 4 administrative/operational support from ADA staff. In September 2010 the ADAF Board of Directors
- 5 voted to discontinue financial support for the ADA Gold Medal for Research and the Norton M. Ross
- 6 Awards.

7 Based on the importance of these awards in recognizing outstanding contributions to dental and clinical

8 research, the Council on Scientific Affairs recommended to the ADA Board of Trustees that both award

9 programs be continued under the auspices of the ADA.

10 At its December 2010 meeting, the ADA Board of Trustees accepted the recommendation of the CSA.

11 Therefore separate 2012 decision packages are being submitted for the Norton M. Ross and ADA Gold

12 medal awards.

13 Primary administrative / logistical management of the Norton M. Ross Award will reside with the Division

14 of Science staff, with support from Corporate Relations (corporate funding) and ADA Sessions (Award

15 Reception at ADA Annual Session).

16 This decision package proposes a \$5,000 cash award and related program expenses. Since inception,

17 the award has been \$5,000. If sufficient corporate underwriting can be secured, an increase to a \$10,000

18 cash award will be considered. Given the prominence of past Award recipients, the broad recognition

19 that the Award has achieved, as well as the change in currency value over time, an increase in the cash

20 award is reasonable and perhaps necessary to continue to attract prominent nominees.

21 Additionally, the selection committee has met in person in the past: this decision package recommends

22 that this practice be discontinued since the selection process can effectively be carried out via other

23 methods such as telephone conference meetings and other electronic communications methods. This

24 savings may help to fund a higher cash award without a significant increase to the corporate underwriting

25 needed to continue the program.

26 It is anticipated that the entire expense amount will be offset by corporate funding. Besides the cash

27 award, the major expenses are for the Award lunch/reception at Annual Session (\$4,000 estimated for 20

28 people at \$200 per person), travel expenses for the Award winner/spouse to attend the Award reception

29 in addition to miscellaneous Award-related expenses (brochure, Award plaque, postage, etc.).

30

- 31 • \$24,000 in revenue and \$48,556 in expense to fund the Gold Medal Award. In September 2010 the
- 32 ADAF Board of Directors voted to discontinue financial support for the ADA Gold Medal for Research and
- 33 the Norton M. Ross Awards.

34 Based on the importance of these awards in recognizing outstanding contributions to dental and clinical

35 research, the Council on Scientific Affairs recommended to the ADA Board of Trustees that both award

36 programs be continued under the auspices of the ADA.

37 At its December 2010 meeting, the ADA Board of Trustees accepted the recommendation of the CSA.

38 Therefore separate 2012 decision packages are being submitted for the ADA Gold medal and Norton M.

39 Ross awards.

40 Primary administrative / logistical management of the ADA Gold Medal Award will reside with the Division

41 of Science staff, with support from Corporate Relations (corporate funding) and ADA Sessions (Award

42 Reception at ADA Annual Session).

The selection committee has met in person in the past: this decision package recommends that this practice be discontinued since the selection process can effectively be carried out via other methods such as telephone conference meetings and other electronic communications methods.

- \$65,000 to fund Clinical Research Projects. Funding will allow the ADA to do the following:
 - To expand acquisition of clinical evaluation data that provides clinically relevant information and complement the ADA Laboratories' test results.
 - To respond to members' requests that PPR present topics concerning clinical techniques, new technology and dental therapeutics, and other areas currently limited by laboratory tests alone
 - To provide hands-on product evaluation opportunities of new technology and clinical techniques to member dentists
 - To develop state-of-the-art continuing education programs with intellectual property generated by the ADA
 - To enhance existing presence on ada.org with features that engage members' feedback
 - Continuation of the dental school programs following the success of the pilot project that began in 2008 and was published in April 2011
 - Expanding and enhancing collaborative projects, particularly with agencies, such as the Department of Defense/Federal dentists, and others that have expressed a strong interest in joint evaluations.
 - Testing products in dental schools. The ADA would coordinate/supply the products to include a sufficient number of manufacturers and to ensure data with fair representation/reflection of the products' attributes from all manufacturers

- \$127,259 to revitalize the Seal of Acceptance Program. The objective is to develop a marketing program to revitalize the ADA Seal in order to demonstrate the value of the ADA Seal to ADA members, members of the healthcare team, consumers and manufacturers. Ultimately, the goal is to increase member and consumer awareness of the Seal, leading to increased participation of manufacturers in the program.

Research conducted by the ADA marketing department in December 2009 shows that consumer awareness of the ADA Seal of Acceptance has declined from 77% in 2001 to 54% in 2009, although the Seal remains the most recognized ADA brand among members of the public. Manufacturer participation in the Seal program has also decreased by 35% since 2001.

The research reveals that many manufacturers feel the Seal has "lost its luster" and needs revitalization to remain relevant with consumers.

The good news is that consumers who are aware of the Seal have a high level of respect for it: 73% prefer products with the ADA Seal; and 69% are willing to pay more for products with the ADA Seal. These findings are a strong indication that the ADA Seal remains a product differentiator among parity products, which is a motivating factor among manufacturers.

Publishing Division

The Publishing Division's mission is to produce credible, high quality ADA publications at a profit that inform the dental profession (in the US and globally) about the latest practical and scientific information as well as socioeconomic and political issues affecting oral health care. These publications are produced in print and electronic formats. The Division directs the editorial, business, and financial operations of ADA publications in print and electronic media—*JADA*, *ADA News*, and all catalog products. Responsibilities run the full gamut of strategic planning, product and content development in print and on ADA.org, as well as business development (advertising sales, marketing, printing, distribution and fulfillment). Publishing also oversees the activities of *JADA*'s scientific editor, editorial board, industry advisory board, and advertising sales representatives.

1
2DIVISIONAL SUMMARY WORKSHEET
PUBLISHING

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
<u>Revenues</u>	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
JADA	2,699,106	2,687,450	3,305,504	0	3,305,504	3,305,504	23.00%
ADA News	5,572,358	5,856,550	6,056,055	0	6,056,055	6,056,055	3.41%
2010 Print Buying Guide	427,572	0	0	0	0	0	0.00%
Sales & Marketing	126,777	127,700	144,043	0	144,043	144,043	12.80%
ADA.org Publishing Section	1,069,192	1,860,500	2,133,400	0	2,133,400	2,133,400	14.67%
Total Revenues	9,895,005	10,532,200	11,639,002	0	11,639,002	11,639,002	10.51%
<u>Expenses</u>							
Managing VP Publishing G & A	415,137	437,950	584,157	6,230	590,387	476,456	-8.79%
JADA	2,673,906	2,481,900	3,026,770	0	3,026,770	2,768,838	-11.56%
ADA News	3,838,117	4,242,950	4,465,198	0	4,465,198	4,120,774	2.88%
2010 Print Buying Guide	124,473	0	0	0	0	0	0.00%
Sales & Marketing	547,847	582,150	804,479	0	804,479	623,178	-7.05%
Editorial Office	213,926	234,250	291,943	0	291,943	291,943	-24.63%
ADA.org Publishing Section	248,405	260,700	301,775	0	301,775	301,775	-15.76%
Total Expenses	8,061,811	8,239,900	9,474,322	6,230	9,480,552	8,582,964	-4.16%
Net Revenue/(Expenses)	1,833,194	2,292,300	2,164,680	(6,230)	2,158,450	3,056,038	33.32%

The 2012 Publishing Division's budgeted net revenue is favorable by \$763,738 or 33.32% when compared to 2011. The increase in revenue is partially due to increasing advertising rates by 3% across the board. Additionally, several new initiatives will be launched in JADA and ADA.org that will generate additional advertising net revenue in 2012.

The increase in expenses is mainly due to increased costs of printing and sales commissions. Paper costs would have been higher but JADA and ADA News will be printed on a lower grade of paper in 2012. Sales commissions increased as a result of the projected increase in advertising revenue. Finally, travel expenses increased in the Managing VP Publishing and ADA News departments. The increase in the Managing VP travel allows for additional trips to visit with customers, sales representatives and industry representatives. The increase in ADA News travel allows for staff to attend ADA events such as Give Kids a Smile and the New Dentist Conference. In prior years, these types of trips were budgeted in the division that hosted the event but due to the new Project ID structure that was implemented these trips are budgeted in the division where the staff doing the travel is housed.

The following decision package is recommended for funding:

- \$6,230 for the Managing VP to attend the FDI meeting in 2012. *The Journal of the American Dental Association* entered into an agreement with the Chinese Stomatological Association and the Hong Kong Dental Association to introduce a Chinese language edition of JADA in the 4th quarter of 2011. The latter's organization is headquartered in Hong Kong, host city of the 2012 FDI Congress. This presents a unique opportunity for the publisher of JADA to promote the new publication to the Asian market and to meet the officers of the HKDA, CSA, and other dental organizations in Asia with the intention of expanding publication of JADA in other areas, such as Shanghai and Singapore.

The ADA publisher will be able to promote and support the launch of the new Chinese language edition of JADA at the 2012 FDI Congress in Hong Kong, and to pursue new markets for additional editions through professional contacts at this meeting.

Product Development & Sales

The Department of Product Development and Sales is responsible for the development, production, marketing and distribution of 500+ patient education, practice management and compliance products in print and electronic media. Staff performs market research to measure product demand and customer satisfaction, develops content with internal and external subject matter experts, routes content to councils and internal reviewers, and oversees production and distribution. Products are marketed using a multi-channel strategy including catalogs, e-grams, direct mail, display advertising and trade shows. Staff is also responsible for licensing *CDT* and other catalog product content to US and international licensees. ADA Mailing List sales are also handled in this department.

DIVISIONAL SUMMARY WORKSHEET PRODUCT DEVELOPMENT AND SALES

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Change
Revenues							
PDS-Administration	8,990,487	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Total Revenues	8,990,487	7,758,400	9,225,811	200,000	9,425,811	9,425,811	21.49%
Expenses							
PDS-Administration	3,927,155	3,705,950	4,472,994	80,000	4,552,994	4,222,902	-13.95%
Total Expenses	3,927,155	3,705,950	4,472,994	80,000	4,552,994	4,222,902	-13.95%
Net Revenue/(Expenses)	5,063,332	4,052,450	4,752,817	120,000	4,872,817	5,202,909	28.39%

This 2012 budget reflects a 28.39% or \$1,150,459 increase in net revenue of which \$120,000 is related to the decision package that is recommended for funding. The improvement in net revenue is largely due to 2012 being a year when sales spike due to a new release of *CDT*. *CDT* is released every other year. Additionally, net revenue of \$210,000 is budgeted based on implementing a new Member Service Center performance based compensation program that will allow PDS to market sales of products to dental schools, government agencies and large group practices.

The following decision package is recommended for funding:

- \$200,000 in revenue and \$80,000 in expense to hire a Product Information Consultant. The consultant will be responsible for procuring, organizing and maintaining product information in the Association Management System (AMS). Currently, PDS offers over 500 products with over 50 data fields including, weight, no. of pages, unit of measure, cost, description, lifecycle, etc. The new AMS will allow PDS to highlight additional product information including Table of Contents, sample pages and chapters, sample brochures, video clips, etc. This information will be available online to assist members and other customers in making a purchase decision.

Moreover, the consultant will be responsible for implementing best practices in product merchandising, a fundamental aspect of a successful commerce environment. The ability to offer the right product, to the right customer at just the right time is essential to increasing member value, product awareness and non dues revenues. The new AMS system offers myriad opportunities to link products together to increase sales. For example, a customer purchasing *CDT* would be offered the Coding Companion or a customer selecting 3 or more flip guides would be offered an additional discount incentive for purchasing a 4th flip guide. Cross selling products is considered a best practice in call center and e-catalog marketing and proven to increase average order value and overall revenues.

Currently, product and offer information is entered and maintained by IT staff. The new AMS system implementation will transfer product and offer administration from IT to PDS, freeing up IT staff. The expanded capabilities of the new AMS system require additional time to set up the intuitive and dynamic offers typical of the online marketplace.

This consultant will also assist with the procurement and management of certain departmental assets, such as clinical graphics used in products. To remain competitive, PDS must frequently update its content. Outstanding content and graphics are what give PDS patient education products their competitive edge, according to extensive customer feedback. An improved capacity to procure new graphics will lead to a direct increase in revenue.

Division of Global Affairs

This division's purpose is to enable all ADA international activities such as: the Committee on International Programs and Development, the International Development Subcommittee, and the International Business Development Staff Workgroup (international business plan). The Division also assists other committees/workgroups, ADA staff and officers in maintaining and forming relationships with international organizations, colleagues and contacts, so that international initiatives reflect the ADA International Strategic Approach that was approved by the Board of Trustees.

The division also manages the ADA's FDI World Dental Federation membership and promotes its international agenda, assuring the stature of the Association in the global dental community; facilitates the operations, planning, coordination and logistics of the ADA/FDI delegation who represent the ADA on governance, communications, dental practice, education, science and standards, dental development and health promotion at the FDI Annual World Dental Congress and within the North American Regional Organization (NARO).

The ADA International Development Subcommittee and the HVO Oral Health Initiative strives to provide and promote opportunities for global volunteer service to ADA members who wish to address clinical and patient needs while sharing knowledge and expertise with local health-care workers and providers in order to improve dental skills, practice methodologies, and access to care for underserved populations.

**DIVISIONAL SUMMARY WORKSHEET
 GLOBAL AFFAIRS**

			2012		2012	2012	Percent
	2010	2011	Base	Decision	Budget Incl	Budget Less	Change
	Actual	Budget	Budget	Packages	Taxes/Fringes	Taxes/Fringes	Fav/(Unfav)
Revenues							
Global Affairs	38,739	0	0	0	0	0	0.00%
FDI World Dntl Federation	44,378	0	0	0	0	0	0.00%
ADA/HVO International Development	11,746	0	0	0	0	0	0.00%
Total Revenues	94,863	0	0	0	0	0	0.00%
Expenses							
Global Affairs	425,706	404,300	543,874	72,941	616,815	476,140	-17.77%
FDI World Dntl Federation	468,571	340,050	439,409	0	439,409	423,770	-24.62%
ADA/HVO International Development	47,132	39,800	59,854	0	59,854	59,854	-50.39%
Intern't'l Business Development	125,107	127,000	155,427	0	155,427	155,427	-22.38%
Total Expenses	1,066,516	911,150	1,198,564	72,941	1,271,505	1,115,191	-22.39%
Net Revenue/(Expenses)	(971,653)	(911,150)	(1,198,564)	(72,941)	(1,271,505)	(1,115,191)	-22.39%

The 2012 budgeted expense is unfavorable by \$204,041 or 22.39% when compared to 2011. The increase in expenses in the Global Affairs division is due to two decision packages being recommended for funding in 2012. FDI expenses increased as a result of an increase in the membership dues projected to be paid to the FDI. FDI membership dues fluctuate annually based on the exchange rate and are difficult to predict. Also contributing to the increase in FDI expenses is travel-related costs due to the location of the 2012 FDI World Dental Congress. The 2012 meeting is in Hong Kong which necessitates added travel costs when compared to the 2011 meeting costs in Mexico City. The increase in the ADA/HVO department is due to additional trips being budgeted related to Humanitarian activities. Also the expense relating to hosting international guests and international VIP's at the ADA Annual Session has been transferred from Conference and Meeting Services to the Division of Global Affairs. Finally, the increase in the International Development department is due to staff traveling to more international dental meetings in 2012 to support ADA product sales and promotional activities.

The following decision packages are recommended for funding:

- \$39,051 to fund a part-time position to facilitate the ADA's membership in the FDI World Dental Federation and coordinate international programs and activities within the Division including the logistics and administration of all Committee meetings. This position will work cross divisionally to maximize the ADA's impact on the international dental community and the number of international programs in which the ADA can become involved by enabling the manager of international business and communications and the manager, international development and outreach to spend less time on record-keeping, clerical correspondence and administrative tasks and more time on their primary duties. This position will coordinate the administration and logistics of the ADA delegation to the FDI World Dental Federation and the ADA/FDI Advisory Committee, which includes creating cultural packages and dossier materials, as well as handling the logistics of the ADA/FDI Delegation meeting during the FDI Congress and at other times when necessary. The Senior Project Assistant will handle and confirm the congress registration,

hotel block, and delegation schedule, as well as plan any events or meetings needed. This position will act as the liaison to FDI staff and the ADA FDI delegation.

This position would also update the WebPages of ADA.org including the International Associations/Organizations, International Landing Pages and International Meetings and Events calendar, as well as help coordinate the international programs and onsite setup at the Annual Session.

This person would update and maintain the international electronic communications (content) of ADA.org and respond to international inquiries regarding the ADA Annual Session. He or she would work cross-divisionally to assist in the administration and promotion of ADA Affiliate membership and assist the manager, international business and communications, in projects that will enhance the Affiliate member's experience. This person will assist in the gathering of research and data critical to the international business plan.

This position would also support the manager, international development and outreach, with the logistics and tasks of the Certificate for International Volunteer Service, Humanitarian Award, and ADA International Volunteer Webpage. This includes updating and maintaining the database of international volunteer organizations and history of Certificate and Humanitarian Award recipients.

- \$33,890 to fund an International China Initiative. The objective is to capitalize on already being in the Asia region for the 2012 FDI World Dental Congress Hong Kong in order to re-establish the ADA's relationship with the Chinese Stomatological Association (CSA) and dental industry in China. Strategic collaborations in China will allow the ADA to define the role it will play in China and, in part, it will lead to new sources of revenue for the Association.

As a matter of protocol, an ADA delegation will visit China in August or September 2012, either before or after the FDI Congress in Hong Kong. The ADA Delegation to China will consist of the President-Elect; Member of the Board of Trustees; Executive Director; ADA Publisher; Senior Director, Division of Global Affairs; Manager, International Business and Communications; and the ADA's China Consultant. Colgate China will play an active role in facilitating the visit and have pledged their support in helping the ADA to be successful in China. The ADA delegation will visit Beijing, Shanghai and Chengdu where they will hold key meetings with the CSA; deans of dental schools; prominent Chinese dental manufacturers; and key opinion leaders. These activities will create new strategic relationships and strengthen existing ones, which will be critical as the Association defines an appropriate business strategy in China in order to capitalize on the explosive Chinese market and to build on the launch of the new Chinese edition of JADA (Fall 2011).

Division of Communications and Marketing

The Division of Communications and Marketing is a shared service resource working with all ADA divisions to meet the communications and marketing needs of the Association. With strategic guidance from the Council on Communications, the division advises the ADA on brand image and the usage and application of intellectual property in all communications and is charged with safeguarding the reputation of the Association. The division engages member, professional and public audiences in order to preserve and enhance the ADA's position as America's leading advocate for oral health. The division's responsibilities include media relations, public affairs and advocacy, the creation and production of all video media and public service announcements, executive communications, creation and management of all digital media assets, marketing research, marketing strategy, copywriting, design and printing services as well as environmental scanning.

The Marketing Department ensures that the ADA speaks with a unified voice, provides a point of integration for the effective application of communications plans and brings operating efficiencies to the development and production of all video and print materials. The Public Affairs Department, located in the Washington office, provides counseling and support to Leadership on access to care, workforce, scope of practice and other

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legislative and advocacy issues and strategic counsel to the State Public Affairs Program. Through the Public and Professional Communications Department all media relations and issues management activities are conducted in close collaboration with Leadership and the other Divisions, with primary responsibility for managing the reputation of the ADA. Additionally this department provides media training for ADA spokespeople and Leadership and support for all executive communications needs. The Electronic Media Department responsibilities include oversight of ADA.org, ADA Intranet, ADA e-mail publications, and other electronic media. Electronic Media works closely with Information Technology to ensure the high functionality of the resources available electronically and that the user experiences are positive, impactful and fully consistent with the both the brand and image of the Association.

**DIVISIONAL SUMMARY WORKSHEET
COMMUNICATIONS AND MARKETING**

	2010	2011	2012		2012	2012	Percent
	Actual	Budget	Base Budget	Decision Packages	Budget Incl Taxes/Fringes	Budget Less Taxes/Fringes	Change Fav/(Unfav)
Revenues							
Public Affairs	0	0	2,400	0	2,400	2,400	100.00%
Media Relations	0	1,200	28,200	0	28,200	28,200	2250.00%
Total Revenues	0	1,200	30,600	0	30,600	30,600	2450.00%
Expenses							
Sr VP Communications	183,153	269,150	332,746	0	332,746	255,876	4.93%
Marketing & Brand Management	643,307	876,250	1,208,999	0	1,208,999	881,717	-0.62%
Electronic Media	321,195	503,100	634,817	0	634,817	439,526	12.64%
Public Affairs	324,825	376,650	490,944	0	490,944	361,684	3.97%
Public/Prof. Communications	183,872	373,250	468,143	0	468,143	341,244	8.57%
Council on Communication	168,124	221,700	328,288	0	328,288	252,688	-13.98%
Creative Services	431,232	522,250	533,738	0	533,738	496,752	4.88%
Media Relations	247,958	335,550	326,816	0	326,816	292,941	12.70%
ADA Pavilion	74,479	176,950	70,559	0	70,559	70,559	60.12%
Total Expenses	2,578,145	3,654,850	4,395,050	0	4,395,050	3,392,987	7.16%
Net Revenue/(Expenses)	(2,578,145)	(3,653,650)	(4,364,450)	0	(4,364,450)	(3,362,387)	7.97%

This division was created during 2010 as part of an internal reorganization. Entire departments and portions of budgets were transferred to this division from the Divisions of Administrative Services, Government Affairs and Membership, Tripartite Relations and Marketing. Four of the departments in this division were complete reallocations from these divisions and five departments included partial reallocations. Portions of the reallocation were effective February 1, 2010 with the remainder effective April 1, 2010. This timing is central to comparisons of 2012 and 2011 to 2010 actuals. Additionally, there are several departments whose Q1 2010 actuals are housed in the divisions mentioned above.

When comparing the 2012 budget to the 2011 budget, net expense is favorable by \$291,263 or 7.97%. In 2011, the division of Communications realigned staff between departments which is captured in the 2012 budget.

1 The increase to revenue in Media Relations reflects support activity for Give Kids a Smile. This revenue is an
2 anticipated grant from the ADA Foundation to cover those costs.

3 Significant budget reductions were taken in both staff and program expense. The division eliminated one
4 position and downgraded another resulting in a net expense reduction of \$114,000. Further reductions
5 impacted the ADA Pavilion, Creative Services, Marketing and Electronic Media 2012 departmental budgets.
6 The reduction in the ADA Pavilion budget eliminates ADA participation at seven regional dental meetings.
7 The reduction in Creative Services eliminates "Dudley" public service announcement video production and
8 distribution. Reductions to Marketing include elimination of marketing spending for a promotional campaign to
9 increase consumer usage of Find A Dentist and reductions in market research. Finally, reductions in
10 Electronic Media eliminate temporary staffing backup and travel for the volunteer Chair of the council social
11 media workgroup to attend a media industry event in order to gain a greater understanding of best practices
12 in social media.

13 14 **Capital Budget**

15 House of Delegates Resolution 132H-1992 (*Trans.*1992:588) directs that a description of all proposed capital
16 expenditures exceeding \$25,000 be incorporated into the report of the Board on financial matters. The
17 schedule and explanatory narrative that follows are intended to comply with this requirement.

18 Individual expenditures below this \$25,000 threshold, when possible, have been aggregated into broad
19 categories for presentation on the next page.

	BASE	DECISION	COMBINED
Description	FUNDING	PACKAGES	COST
Building			
Smoke Shaft - Fire Damper Installation	\$ 280,000	-	280,000
Security Access System Including Elevators	280,000	-	280,000
Upgrade Security Cameras	28,000	-	28,000
10th Floor Upgrades - Leasing Enhancements	145,000	-	145,000
HVAC Paint Project	70,000	-	70,000
Isolation Damper Install - Tenant Floors	240,000	-	240,000
VFD Install - Main Chilled Water Pumps	82,000	-	82,000
S3 & S5 FSC Controller Upgrade	26,500	-	26,500
2nd Floor Staircase Lighting Upgrade	11,500	-	11,500
HVAC Air Compressor Replacement	64,000	-	64,000
VFD Install - Condenser Water Pumps	20,000	-	20,000
Replacement Valves - Steam Control System	28,000	-	28,000
Replacement Fill Media - Cooling Tower	64,000	-	64,000
LakeShore Neurology Suite 740	12,690	-	12,690
American College of Prostodontists Suite 1000	35,310	-	35,310
SEE-USA / RA Consultanting Suite 1020	26,130	-	26,130
Leasehold Improvements related to vacant space	161,600	-	161,600
Leasing Fees	53,104	-	53,104
Exterior Caulking Windows East and North Side	12,000	-	12,000
Total Building	1,639,834	0	1,639,834
Technology			
Computer Hardware and Software	957,000	-	957,000
Content Management Software	206,875	-	206,875
PeopleSoft Upgrade Phase II - HR System	321,150	-	321,150
AMS - TS & Events Enhancements	-	383,600	383,600
File Web Replacement	-	26,815	26,815
MS SharePoint (HOD & Collaboration)	-	125,615	125,615
Mobile Applications	-	60,425	60,425
Total Technology	1,485,025	596,455	2,081,480
Scientific Equipment			
Mercury Analyzer for Amalgam Separator Evaluation	51,200	-	51,200
Ion Chromatography Instrument for Seal Program	48,000	-	48,000
Computer numerical Controlled 3-Axis Milling Machine	12,300	-	12,300
Scanning Electron Microscope (SEM)	73,200	-	73,200
Total Scientific Equipment	184,700	0	184,700
Office Equipment			
Office Equipment	67,400	-	67,400
Build new HR MVP Office	-	85,000	85,000
Reconfigure Existing Cubes & Glass Top for Conf Table DC	-	47,000	47,000
Conference & Meetings Café Furniture, Equipment & AV	30,000	-	30,000
Contingency Fund	200,000	-	200,000
Total	\$ 3,606,959	728,455	4,335,414

Smoke Shaft Damper Installation: This is the removal of the old windows in the smoke shaft that are obsolete by that we mean the windows themselves and their associated controllers. This project was started in 2011

New Security Access System – Includes Elevators: Replacing the current TouchCom System, this is old and hard to service. Include functionality to retrofit the elevators with key card security which will limit access to certain floors.

Upgrade Security Camera: Replacing current cameras with new cameras and installing cameras in stairwells.

10th Floor Upgrades: Upgrading the common corridor and bathrooms to aid in leasing space on floor.

HVAC Paint Project: Painting of the condenser lines, cooling tower's framing and housing fans with good epoxy paint which will protect the steel from rusting.

Installation of Isolation Dampers on the Tenant Floors: By installing isolation dampers on the tenant floors one on the west side and one on the east side. We will be able to isolate one half of the floors in the following examples.

1. The east lower level fan goes down we could close the isolation dampers for the lower east half of the building and just have the west fan supply air until repairs can be made.

2. We can cut down on unnecessary HVAC cost by closing down these dampers during afterhours operations.

VFD Install – Main Chilled Water Pumps: Will save wear and tear on the motors and reduce electrical costs associated with the water pumps.

S3 & S5 FSC Controller Upgrade: Part of plan to place all HVAC equipment into the new Building Automation System (BAS).

2nd Floor Staircase Lighting Upgrade: Lights by the wall are all out and engineers cannot change them without a scaffold, making it very costly. New fixtures would allow engineers to change bulbs with a pole extension.

HVAC Air Compressor Replacement: Current compressors are outdated and very costly to maintain. New compressors would will be more efficient and save building on maintenance.

VFD Install – Condenser Water Pumps: Part of building capital plan to replace all fans and motors to variable frequency drives to save on electrical expense and wear and tear on equipment.

Replacement Valves – Steam Control System: Current valves are near the end of their useful life and if they breakdown it would be difficult to control the building heating system.

Replacement Fill Media – Cooling Tower: Fill media is a mechanism that keeps the water clean in the cooling tower saving the chillers wear and tear. Should be replaced every 10years.

Lakeshore Neurology Tenant Improvement Suite 740: Anticipate a \$15 per square foot allowance to renew the tenant.

American College of Prostodontists Suite 1000: Anticipate a \$15 per square foot tenant allowance to renew the tenant.

See-USA / RA Consultanting Suite 1020: Anticipate a \$15 per square foot tenant allowance to renew the tenant.

Leasehold Improvements and Leasing Fees DC: When tenants sign new leases or renew current leases they are allocated an allowance for improvements to their leased space. The budgeted amount of \$161,000 is based upon the leases expiring in 2012 in the Washington DC building. The leasing fees are the paid to the management company upon tenants signing their contracts.

Exterior Caulking Windows East and North Side – DC: Exterior caulking of the joints between the exterior precast and window sections on the East and North side of the DC building.

Computer Hardware and Software: It has been the Association's practice to replace and upgrade a portion of existing computer equipment on an annual basis in recognition of technical obsolescence and excessive repair. The rapid pace of technological improvements has caused the Association to cycle replacements every three years.

Content Management Software Implementation: This request is to purchase new content management software and fund the implementation costs of the project.

PeopleSoft Upgrade Phase II – HR System: The purpose of the request in funding is to secure outside IT consulting service to complete the upgrade of the PeopleSoft Human Resources Management System that will be started in the fourth quarter of 2011.

AMS – TS & Events Enhancements: This decision package is to obtain outside IT consulting services to complete a conversion of the existing Tripartite System (TS) to Aptify, the Association's new Association Management System at ADA Headquarters, implement Aptify at two (2) pilot tripartite sites currently using TS and pilot two (2) online event registrations on Aptify.

File Web Replacement: Of the total, \$170,000 is operating expense and \$26,815 is capital. The purpose of this decision package is to request the necessary funding to retain outside IT consulting services to assist IT staff with the initial planning phase to replace the Association's document management system (ADA FileWeb).

MS SharePoint (HOD & Collaboration): \$163,145 in total expense to fund purchase additional Microsoft SharePoint licenses. Of the total \$37,530 is operating expense and \$125,615 is capital. The purpose is to expand the knowledge management and collaboration systems to provide stability, enhance collaborative services and provide broader access to these systems for Committees, Workgroups and program participants.

Mobile Applications: \$97,850 in total expense to fund the platform to build an internal mobile development and deployment capability. Of the total \$37,425 is operating expense and \$60,425 is capital. This will allow the ADA to incorporate support for mobile devices including smart phones (Apple iPhone, Blackberry, and Droid), tablets (Apple iPad and Droid Xoom and eReaders (Apple, Amazon, Sony, and Barnes and Noble); develop applications and content that can be exploited on those platforms; and a supply chain that can enable easy delivery of ADA commercial assets utilizing these platforms.

Mercury Analyzer for Amalgam Separator Evaluation: To purchase a mercury analyzer to replace the one currently being used.

Ion Chromatography Instrument Seal of Acceptance Program: Ion chromatography (IC) is the key instrument used for fluoride product testing in **OTC Seal** program. It is still the most cost effective way to measure sodium monofluorophosphate (MFP) and fluoride release rate of toothpaste. In another words, we cannot test the fluoride toothpaste according to the ADA Guidelines without IC.

Computer Numerical Controlled 3-Axis Milling Machine: Professional Product Review has placed many new demands on the amount of engineering and unique work that the ADA laboratory is producing, which did not exist in the past. We have worked around this issue on multiple occasions by compromising the design of various tests to accommodate the machining tools available. In particular, future projected demands will require an output that will not be possible with the current tools at our disposal. It is simply not cost or labor efficient to create new devices (sometimes multiple copies) without the proper tools to do so.

Our machine shop has put together a number of options for a new mill and has acquired three quotes from different manufacturers and we have come to the conclusion that the TORMAC Personal CNC is the device we should purchase. It can be integrated with our Solid Works software and will give us great control and speed with new designing and building new devices. It will allow us to avoid purchasing high cost, unique, off the shelf components.

Scanning Electron Microscope (SEM): We have sent specimens selectively to PRC in the past for images of products we have tested. This makes for a more interesting and informative presentation, which raises dentists' awareness and demonstrates our scientific approach, e.g. surfaces presented in the Polishing Systems (Vol. 5, Iss. 1.) This model is a bench top model, compact and less expensive than larger models, but sufficient for our needs. This could be used in virtually every evaluation we perform.

Office Equipment: This provides for standard Association-wide furniture replacement, dual-line fax machines and 2 filtered water replacements. The ADA is also budgeting to replace the carpet on the 2nd floor of 211 E. Chicago building.

Build New Office for Managing VP of Human Resources: This position currently has a director's cube which is not an enclosed office. Because this position deals with personnel matters, which in many cases are sensitive in nature, an enclosed office is being requested.

Reconfigure Existing Cubes in Headquarters Building & Purchase Glass Top for Conference Table in DC Building: Replace existing IT consulting cubicles with standard size cubicles for \$15,000. The 5th floor has several small stations for consultants to sit when doing work on-site at the ADA. The plan is to convert these small work stations to three standard size cubes so that the standard sized cubes can be utilized for additional ADA staff being requested in IT decision packages. Additionally, \$10,000 is required to replace existing audit cubicles with standard size cubicles in the accounting area. The 19th floor has work stations that were originally created for internal/external auditors to sit when doing work on-site at the ADA. The auditors have instead utilized conference rooms while on-site. The plan is to convert these small work stations to two standard size cubes so that the standard sized cubes can be utilized for existing ADA staff. The standard size cubicles are needed due to space reconfiguring as a result of having to build a new office for the Managing Vice-President of Human Resources. Existing cubes will need to be removed or reconfigured which will displace current staff and require the additional cubicles. Another \$10,000 is requested to modify workstations in the Department of Testing Services.

Requesting purchase of glass tops for \$12,000 to protect the conference tables in the Washington DC office. The conference tables were purchased when the ADA space in DC was renovated in 2009. There is already noticeable damage to the conference tables so the plan is to purchase the glass tops to protect the tables from any further damage.

Café Furniture, Equipment and Audio Visual Equipment: Café furniture is worn and breaking from everyday use, need to replace with furniture designed for high volume areas. A common customer complaint is lack of available seating, will add different table configuration to accommodate larger number of guests during peak breakfast and lunch times with more durable/safe furniture.

The dishwasher has been inoperable since 2006. Efforts to repair have been unsuccessful as the parts needed are no longer available. Replacement is needed for efficient food service in the Executive Dining Room kitchen and enhanced sanitation.

- 1 Replace TV monitors with five (5) flat screen models. Retire old LCD projectors and replace with five (5)
- 2 newer models that are both energy efficient as well as easily portable.
- 3 **Contingency Fund:** The capital budget includes a contingency fund for unanticipated but necessary
- 4 expenditures, just as the operating budget does. The Board will approve all expenditures from the capital
- 5 contingency fund.
- 6

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ADMINISTRATIVE MATTERS

1 **New Program/Decision Packages**

2 The following is a summary of the decision packages that are approved for funding by the Board of Trustees.

Decision Packages Recommended for Funding		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Administrative Services</u>					
CC_1050400000	Tuition Assistance	-	27,000	-	
<u>Division of Government & Public Affairs</u>					
CC_1200300000	National Primary Oral Health Conference	-	10,250	-	
<u>Division of Membership, Tripartite Relations & Marketing</u>					
CC_1300150000	Diversity Leadership Event	-	27,930	-	
CC_1300150000	Diversity Training for the Board of Trustees	-	7,888	-	
CC_1300400000	Membership Values and Loyalty Research	-	85,000	-	
<u>Division of Global Affairs</u>					
CC_1300800000	Manager, International Humanitarian Programs	-	39,051	-	1
CC_1300800000	International China Initiative	-	33,890	-	
<u>Divison of Finance & Operations</u>					
CC_1400200000	Build new HR MVP Office	-	-	85,000	
CC_1400200000	Replace IT Consulting Cubes with Standard Cubes	-	-	15,000	
CC_1400200000	Replace Accounting Audit Cubes with Standard Cubes	-	-	10,000	
CC_1400200000	Build New Modified Workstations in DTS	-	-	10,000	
CC_1400200000	Glass Tops to Protect DC Conference Tables	-	-	12,000	
CC_1400200000	Replace DC Reception Desk	-	-	-	
<u>Divison of Information Techonology</u>					
CC_1450000000	Business Continuity Plan	-	9,555	-	
CC_1450350000	Security Analyst	-	150,492	-	1
CC_1450400000	Senior Applications Developer (AMS)	-	106,475		1
CC_1450400000	Database Administrator	-	116,431		1
CC_1450400000	File Web Replacement	-	170,000	26,815	
CC_1450400000	AMS - TS & Events Enhancements	-	174,400	383,600	
CC_1450450000	MS SharePoint (HOD & Collaboration)	-	37,530	125,615	
CC_1450450000	LMS Authoring Tool	-	42,350	-	
CC_1450450000	Mobile Applications	-	37,425	60,425	

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REVISED Board Report 2
BUDGET, BUSINESS AND
ADMINISTRATIVE MATTERS

Decision Packages Recommended for Funding - Continued		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Science/Professional Affairs</u>					
CC_1450500000	Dental Informatics Administration	-	80,380	-	
CC_1650000000	ADA FDI Delegation	-	2,710	-	
CC_1650050000	Norton Ross Award	12,000	12,000	-	
CC_1650050000	Gold Medal Award	24,000	48,556	-	
CC_1650200000	Clinical Evaluation Projects	-	65,000	-	
CC_1650200001	Pilot to Revitalize the Seal Program	-	127,259	-	
<u>Division of Dental Practice/Professional Affairs</u>					
CC_1500200005	CRC Appeal Committee	-	10,335	-	
CC_1500300005	Flouridation Technical Assistance Materials	86,500	86,500	-	
CC_1500300010	Membership to AAAHC	-	6,000	-	
CC_1500300015	NACHC Engagement	-	3,400	-	
CC_1500300020	AI/AN Dental Placement Program Assessment	-	5,000	-	
CC_1500300025	NCCC JADA Supplement	85,000	85,000	-	
<u>Division of ADA Publishing</u>					
CC_1700000000	ADA FDI Delegation	-	6,230	-	
CC_1380250000	Product Information Consultant	200,000	80,000	-	
Totals		407,500	1,694,037	728,455	4
Net Total Decision Packages - Operating & Capital		(2,014,992)			

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REVISED Board Report 2
BUDGET, BUSINESS AND
ADMINISTRATIVE MATTERS

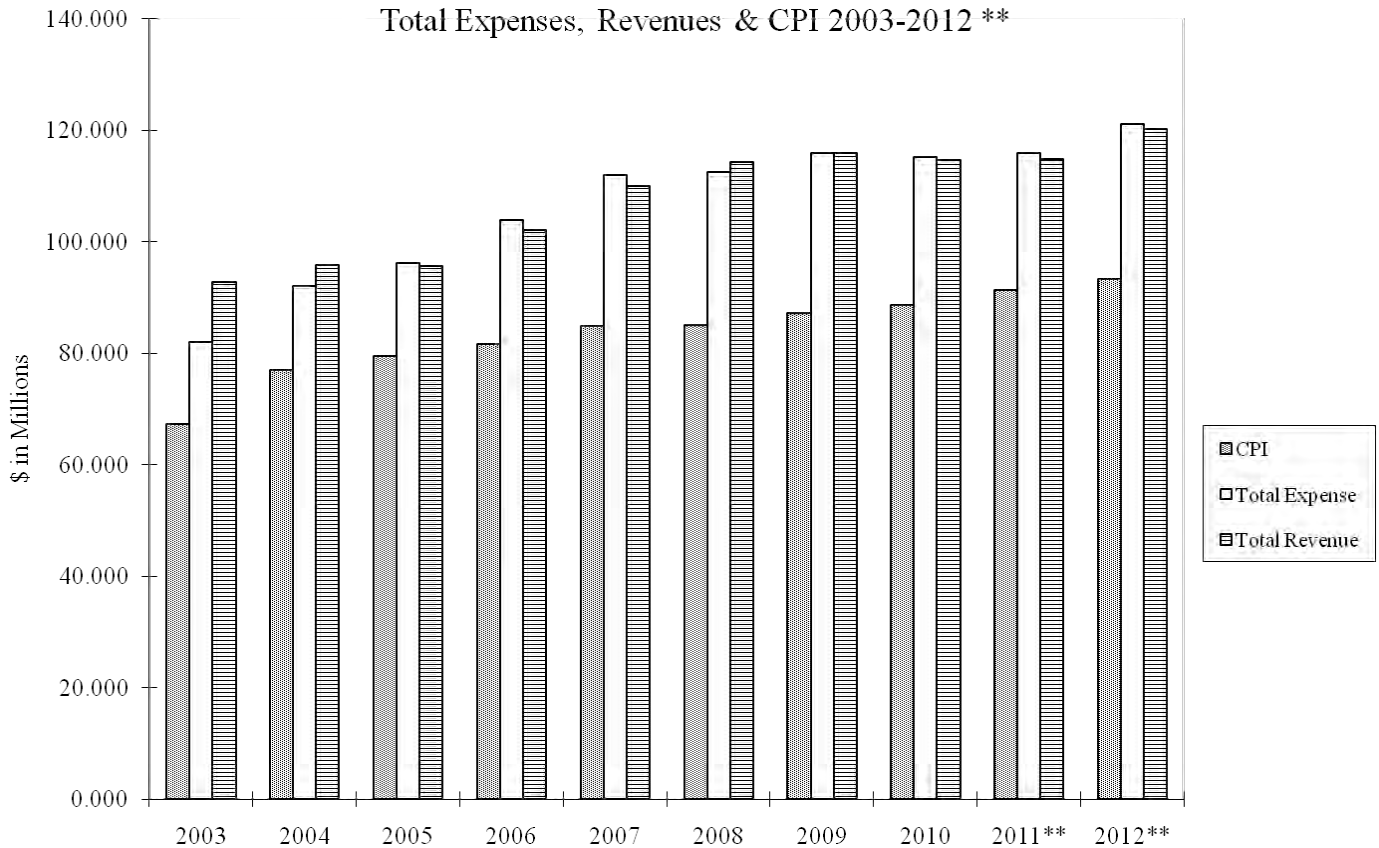
- 1 The following decision packages were not recommended for funding by the Board of Trustees.

Decision Packages Not Recommended for Funding		<u>Revenue</u>	<u>Expense</u>	<u>Capital</u>	<u>Positions</u>
<u>Division of Government & Public Affairs</u>					
CC_1200150000	ADPAC Board In-District Travel	-	32,193	-	
<u>Division of Finance & Operations</u>					
CC_1400200000	Machine Operator Specialist	-	77,936		1
CC_1400200000	Build Private Offices in Legal	-	-	39,000	
CC_1400200000	Exterior ADA Signage for DC Building	-	-	33,000	
CC_1400200000	Replace DC Reception Desk	-	-	15,000	
CC_1450000000	IT Help Desk Staff Analysis	-	79,040	-	
CC_1450400000	Exhibitors Software Replacement	-	50,000	10,000	
CC_1450400000	MS BizTalk Upgrade	-	19,200	67,800	
CC_1450450000	Symptom Checker Implementation	-	54,300	124,600	
CC_1450450000	Taxonomy Software	-	66,000	-	
CC_1500300005	Revision of Fluoridation Facts	-	54,500	-	
CC_1500300020	Health Literacy Survey of Students	-	5,000	-	
Totals		-	438,169	289,400	1
		(727,569)			

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Consumer Price Index

The preparation of the following chart was directed by the House of Delegates Resolution 87H-1983 (*Trans.* 1983:573). Its original purpose was to provide a comparison of Association expenses and revenues to the Consumer Price Index (CPI) as compiled by the Bureau of Labor Statistics.



** Projected (assuming 3.1% and 2.2% annual CPI (decrease)/increase in 2010 and 2012 respectively). 2003 revenue and expense totals includes a half-year of ADA Publishing. 2004 CPI total adjusted to include ADA Publishing.

Association Reserves

The Association's Reserve Division consists of a Capital Formation Account and an Investment Account. The former includes long-term capital investment in ADA Business Enterprises Inc., which is not easily liquidated and therefore not available for immediate situations.

On the other hand, the Investment Account represents liquid reserves that are more readily convertible to cash. The objectives of the liquid reserve fund are to sustain basic operations and core member services during a short- or long-term economic downturn, as well as to cover unbudgeted expenditures brought about by events or opportunities requiring immediate funding. Association leadership attempts to balance the need for liquid reserve funds against maintaining an affordable membership dues structure, recognizing that a strong reserve position is a key component of the long-term financial strategy of dues stabilization.

Reserve Division Investment Account. Investments in this account are currently allocated among mutual funds and managers with differing investment strategies. This approach diversifies the overall portfolio and distributes the risk.

1 Several transactions affected the Reserve Division Investment Account during 2010:

Balance, December 31,2009	\$ 42,299,679
Investment Results net of management fees	6,121,527
Transfer of dividends to operations	(1,203,473)
Transfer of 2008 net surplus from General Fund	1,597,783
Transfer of 2009 net surplus from General Fund	3,252,370
Executive Parity Plan Activity:	
Transfer of awards to reserves	255,294
Transfer of distributions from reserves	(310,610)
Net change in liability	(55,316)
Retiree Medical Plan:	
Funding	1,117,102
Reduction of receivable for funding	(1,117,102)
Reserve Commitments Activity:	
National Issues Discussion on Workforce	(4,604)
Remediation Process	(180,000)
Preservation of Evidence	(40,004)
ADA Foundation Interim Funding	(250,000)
2010 Excess Pension Budgeted Contribution	3,200,000
ADA DC Building Renovations	(866,384)
Workforce Models (CDHC) Pilot Program	(2,513,990)
Balance, December 31, 2009 before commitments and pending transfers	\$ 51,412,904
Pending Transfers:	
ADA DC Building Renovations	(3,059)
Workforce Models (CDHC) Pilot Program	(163,928)
National Issues Discussion on Workforce	3,007
Preservation of Evidence	(109,546)
Alabama Litigation	(100,000)
ADA Staff Charity Raffle Funding	(2,500)
Authorized Commitments:	
ADA 2010 Budget Deficit	(536,050)
ADA DC Building Renovations Funding	17,815
Workforce Models (CDHC) Pilot Program	(1,444,787)
National Issues Discussion on Workforce	(18,803)
Remediation Process	(70,000)
Preservation of Evidence	(450)
ADA Foundation Interim Funding	(96,550)
2010 Excess Pension Budgeted Contribution	(3,200,000)
Balance, December 31, 2010	\$ 45,688,053

2
3 Resolution 59-2007 (*Trans.*2008:440) that the Board be urged to target the ADA's liquid reserves at a level of
4 50% of the Association's annual budgeted operating expenses, and to consider any excess in developing the
5 following year's annual operating budget consistent with the long-term strategy of dues stabilization taking

into consideration any known contingent use of reserves. Outlined below is the status of the Reserve Division account at May 30, 2011 (Note that the 2010 surplus has not yet been transferred to reserves, pending the finalization of the audit).

Balance, May 31, 2011 before commitments and pending transfers \$ 53,921,388

Pending Transfers:

ADA DC Building Renovations	(3,059)
Workforce Models (CDHC) Pilot Program	(1,399,070)
National Issues Discussion on Workforce	3,007
Preservation of Evidence	(109,546)
Alabama Litigation	(100,000)
2009 ADA Net Surplus Additional Amount	815,142
ADA Staff Charity Raffle Funding	(2,500)

Remaining Authorized Commitments:

Workforce Models (CDHC) Pilot Program	(209,645)
National Issues Discussion on Workforce	(18,803)
Remediation Process	(70,000)
Preservation of Evidence	(450)
ADA Foundation Interim Funding	(96,550)
2010 Excess Pension Budgeted Contribution	(3,200,000)
State Public Affairs Program Funding	(46,000)

Balance, May 31, 2011 adjusted for commitments \$ 49,483,914

Percent of 2011 budgeted expenses of \$116,001,250 42.7%

2010 Financial Results

ADA Operating Results: At the time of printing, 2010 final results have not been completed as a result of a delay in the annual audit. If the annual audit is complete prior to annual session, an update will be distributed on-site in Las Vegas.

Headquarters Building Renovation and Valuation

The House adopted Resolution 69H-2002 (*Trans.*2002:372), directing that the estimated market value of the ADA headquarters building be included in Board Report 2. The two most likely uses of the ADA building by a purchaser would be as an office building or a conversion to a residential property. These are two very different uses and very different markets which yield different estimated valuations. Per discussion with real estate transaction professionals in Chicago, there has been no appreciable change in the market price determined for each of these potential uses in the last year. Thus, the estimated market values remain approximately \$41.5 million for sale to a residential developer and \$33 to \$39 million for office use. The value for office use assumes that the building would be occupied, meaning the ADA would commit to a long-term lease as a tenant (an expense not now incurred) or find a replacement tenant and rent space in a different building.

These amounts represent gross selling price before any related sale and closing costs. These valuations reflect current conditions in the Chicago real estate market.

One-Time Activities

The following chart is in response to Resolution 86H-1999 (*Trans.* 1999:894). The resolutions listed below were approved at the 2010 House for spending in 2010 for one-time activities. These items are not included in the 2012 budget.

2010 House Resolution	Description	(Revenue)/ Expense
Administrative Services		
123H	Continuation of Special Committee on & Financial Affairs	\$ 110,000
Education/Professional Affairs		
63H	Online Continuing Education Courses for 2011	15,000
42H	B.O.T. Workgroup: Developing a New Part Three of National Boards, Eliminating Live Patients	18,400
Science/Professional Affairs		
71H	Request for Funding of Health Screening Program	350,000
Total one-time activities in the 2011 budget		<u>\$ 493,400</u>

Resolutions

See Resolution 14B; Worksheet:2137

See Resolution 15; Worksheet:2065

BOARD RECOMMENDATION: Vote Yes to Transmit.

Resolution No. 14B New ☐ Substitute ☐ Amendment ☒Report: Board Report 2 Date Submitted: September 2011Submitted By: Board of TrusteesReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$119,831,124 (Revenue)\$118,397,157 (Expense)Net Dues Impact: \$Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Supports achievement of all strategic goals (Required)

1

AMENDMENT TO 2012 BUDGET

2 **Background:** Because of the significant impact of changes resulting from the Board recommendations
 3 adopted after the completion of the project to study the ADA Employee Benefit Plans, virtually all department
 4 costs required revisions which will be reflected in a revised version of Board Report 2. In addition, the Board
 5 adopted additional changes to deliver a 2012 budgeted surplus that is specifically designated as a
 6 contribution to build reserves and bolster the financial stability of the Association.

7 The Board revised the budget based on changes that were recommended as a result of the Study of the
 8 Employee Benefit Plans. The previously adopted Resolutions included B-154 through B-160 as noted in
 9 Board Report 13.

10 The Board reconsidered funding of the Student Block Program and the reduction related to sunsetting of
 11 program and resource reductions. All these budget changes are included in Appendix 1.

12 Therefore, be it

13

Resolution

14 **14B. Resolved,** that the 2012 annual budget as revised in Appendix 1 be approved.
 15

16 **BOARD RECOMMENDATION: Vote Yes on the Substitute.**
 17

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEINBERG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	RICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VIGNA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Res. Resolution 14B

18

ADA 2012 Budget Amendments Based on September Board Meeting

	<u>Amount</u>
2012 Budget (deficit) August Version of Board Report 2	\$(1,139,092)

Changes Based on Resolutions Passed by BOT at September Board Meeting

Increase ADA Pension Expense Based on Final Actuarial Calculations (Plan savings were incorporated in August version of Bd Rpt 2)	(496,594)
Reduce ADA Retiree Medical Expense	2,736,717
Increase in ADA 401k Expense Based on \$1,000 Contribution Per Person	(226,934)
Net Reduction in ADA Foundation Grant Based on Changes in Pension, Retiree Medical and 401k plans	159,870
Reduce grant to the Foundation by \$900,000.	900,000
Reduce student block grant by \$100,000 and revise program to make it an application program for the constituents.	100,000
Reduce Target for Sunsetting Programs	<u>(600,000)</u>
Net Positive impact on the 2012 budget	<u>\$ 2,573,059</u>

2012 Budget surplus after changes as of 9/21/11	<u><u>\$ 1,433,967</u></u>
--	-----------------------------------

**The Board has designated that this
Surplus should be contributed to reserves.**

Resolution No. 42 New ☒ Substitute ☐ Amendment ☐
 Report: NA Date Submitted: September 2011
 Submitted By: Special Committee on Financial Affairs
 Reference Committee: Budget, Business and Administrative Matters
 Total Net Financial Implication: \$ None Net Dues Impact: \$
 Amount One-time \$ Amount On-going \$
 ADA Strategic Plan Goal: _____ (Required)

1 APPOINTMENT OF CHAIR OF THE BOARD OF TRUSTEES' AUDIT COMMITTEE

2 The following resolution was adopted by the Special Committee on Financial Affairs and transmitted on
 3 September 1, 2011.

4 **Background:** The Special Committee on Financial Affairs (SCFA) has been particularly concerned with the
 5 need for a more independent audit committee of the Association. Although the Committee has recommended
 6 that the House not support the held over resolution (Resolution 114-2010) transferring the audit function from
 7 the Board of Trustees to the House, it believes other steps can be taken to increase the independence of the
 8 Audit Committee of the Board.

9 In its initial Board comment on Resolution 114, the Board stated, "the Board sees value in continuing
 10 consultation with outside resources and with the SCFA to determine whether the purposes of this Resolution,
 11 which appear to be increased transparency, the assurance of an independent audit process, and an
 12 appropriate level of oversight by the House of Delegates, can be achieved by an alternate mechanism." The
 13 Committee appreciates the Board's willingness to seek an alternate mechanism to achieve "increased
 14 transparency, the assurance of an independent audit process, and an appropriate level of oversight by the
 15 House of Delegates."

16 The SCFA believes that altering the Board *Rules* relating to the Audit Committee is one step that may be
 17 taken to achieve these goals. At present, the *Rules* state that the "senior trustee" shall be chair of the
 18 committee. The SCFA believes that the Audit Committee members themselves (including the two House
 19 members who sit on the Committee) should be able to elect the chair. This would allow the Audit Committee
 20 the flexibility to select a chair with experience in audit issues, especially when the senior trustee may lack that
 21 experience. Accordingly, the SCFA strongly urges the Board to allow members of its Audit Committee to
 22 select the chair of that committee from among its members who are also ADA members. (The SCFA has
 23 added language to its resolution to exclude the outside financial expert on the committee, if he or she is not
 24 an ADA member, from serving as chair.) The SCFA believes this step will promote needed independence of
 25 the Audit Committee.

26 Resolution

27
 28 **42. Resolved,** that the House of Delegates urges the Board of Trustees to modify the Board *Rules* to
 29 allow the members of the Board's Audit Committee to elect its own chair from among all members of the
 30 Committee who are ADA members.

31
 32 **BOARD COMMENT:** The Board thanks the Special Committee for its hard work and thoughtful suggestion.
 33 Board Rules currently call for the most senior trustee on the Audit Committee to act as chair. The Board does
 34 not support changing this practice. Having the most senior trustee act as chair assures that the chair will

possess important institutional memory and provide continuity in the work of the Audit Committee. Both institutional memory and continuity of experience are important to the efficient operation of the Committee. In addition, the Board believes that because the Audit Committee is such an important committee of the Board, the chair should be a Board member. For these reasons, the Board recommends that the House vote no on Resolution 42.

BOARD RECOMMENDATION: Vote No.

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
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<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Res. Resolution 42

ADA Strategic Plan Goal: Financial (Required)

Moreover, it has been widely recognized by all involved that the involvement of House members on the Board's Audit, Budget and Finance, Pension and Strategic Planning Committees has been very beneficial and constructive. Indeed, the Board has amended its own *Rules* in order to continue this practice. The House members (who, this year, are also members of the Special Committee) have added value to the existing

Board committees. But, in order to maximize that value to both the Board and the House, these members need to have an opportunity to pool their knowledge from across the committees and bring that knowledge to bear on communications to the House and additional input to the Board.

Having thoroughly considered the options, the Committee finds that the creation of a new committee of the Board builds into the Association a substantial opportunity to decrease our financial risk while at the same time minimizing cost and impact on structure. Therefore, this resolution urges the Board to create a new committee of the Board made up of members representing the House on other Board committees. The new committee would meet in conjunction with those other committees, so there would be minimal added cost to the Association. The financial impact associated with this resolution includes minimal added travel. The Committee does recognize that staff resources would be needed to support the new committee but concluded that the task to be assigned to the new committee warrants this commitment. Because the committee would be advisory to the Board, the Special Committee has been informed that it need not include a majority of Board members.

Resolution

43. Resolved, that the House urges the Board to continue to appoint up to eight members representing the House to serve on the following Board committees, in the numbers indicated: two (2) members on the Audit Committee, two (2) on the Budget and Finance Committee (and therefore the Administrative Review Committee of the Board), two (2) on the Pension Committee, and two (2) on the Strategic Planning Committee, and be it further

Resolved, that the House urges the Board to create a standing advisory committee of the Board on financial matters, and be it further

Resolved, that the Board is urged to create the Committee on Financial Matters consisting of the members representing the House sitting on the Audit, Budget and Finance, Pension and Strategic Planning Committees of the Board and the ADA Treasurer and one Board member as liaison without the right to vote, with the chair to be selected by the committee from among the voting committee members representing the House, and be it further

Resolved, that the President be urged to appoint members to the Committee on Financial Matters, for up to two, three-year staggered terms, and to appoint members based on the following criteria:

- a. Knowledge, skills or abilities in finance, audit and/or accounting as evidenced by prior training, degree, certification or experience, such as service at the constituent or specialty organization level in financial positions, including treasurer, audit committee member, financial affairs committee member, or delegation budget group member; and,
- b. Experience as a delegate or alternate of the House of Delegates, past or present.

and be it further

Resolved, that the responsibilities of the Committee on Financial Matters should include:

- a. To coordinate financial communications to the House, in consultation with the Treasurer at least quarterly;
- b. To advise the Board on financial matters and aid in the development of long-range financial objectives of the Association;
- c. To provide the Board with a House perspective on financial issues;
- d. To assist in advising the Board on education to members of the Board of Trustees, the standing committees of the Board of Trustees, the House of Delegates, and the councils on fiduciary and financial obligations; and

- e. To assist the Board in evaluation of programs based on the relationship between the cost of the programs and the value to membership, and make recommendations to the Board towards achieving greater program alignment with the strategic plan and successful compliance with a system of metrics.

BOARD COMMENT: The Board thanks the Special Committee on Financial Affairs for its hard work throughout the year. The Board is convinced of the value of having members of the House of Delegates as full members of its existing committees. These members already provide to the Board the perspective of the House on many important issues. For this reason, the Board has amended its Rules to include House members on these committees.

The Board cannot, however, support creation of a new committee on financial matters. Most of the key duties proposed for this new committee are already the responsibility of other committees and the Board will certainly consider expanding the duties of existing Board Committees or officers to ensure that the communication and educational roles will be assumed by them. Moreover, the Board is especially aware of the need to spend resources wisely and does not believe another layer of governance is in the best interests of the Association. Although the Board recognizes that the proposed committee would cost, in hard money, \$20,000, that figure does not account for the significant staff resources. Based on experience with other Board committees, the Board estimates a cost in staff resources of \$126,000 which would need to be devoted to the committee. The nature of the responsibilities proposed for this committee would require senior staff assistance, along with legal and administrative support.

The Board supports the first resolving clause of the Resolution and therefore recommends that the following substitute Resolution be adopted in lieu of Resolution 43.

Resolution

43B. Resolved, that the House urges the Board to continue to appoint up to eight members representing the House to serve on the following Board committees, in the numbers indicated: two (2) members on the Audit Committee, two (2) on the Budget and Finance Committee (and therefore the Administrative Review Committee of the Board), two (2) on the Pension Committee, and two (2) on the Strategic Planning Committee.

BOARD RECOMMENDATION: Vote Yes on the Substitute.

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	GOUNARDES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SEAGO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	WEBER
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	HAGENBRUCH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SMITH, A. J.					Res. Resolution 43B

Resolution No. 43BS-1 New ☐ Substitute ☒ Amendment ☐Report: NA Date Submitted: October 2011Submitted By: Seventeenth Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None Net Dues Impact: \$Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: _____ (Required)

**SUBSTITUTE FOR RESOLUTION 43B: CREATION OF A STANDING COMMITTEE ON
FINANCIAL AFFAIRS**

The following substitute for Resolution 43B (Worksheet:2142) was adopted by the Seventeenth Trustee district and transmitted on October 9, 2011, by Dr. Jolene Paramore, Seventeenth District.

Resolution

43BS-1. Resolved, that the House urges the Board to continue to appoint up to eight members representing the House to serve on the following Board committees, in the numbers indicated: two (2) members on the Audit Committee, two (2) on the Budget and Finance Committee (and therefore the Administrative Review Committee of the Board), two (2) on the Pension Committee, and two (2) on the Strategic Planning Committee, and be it further

Resolved, that the House further urges the Board to appoint individuals with knowledge, skills or abilities in finance and/or accounting as evidenced by prior training, degree, certification or experience, such as service at the constituent or specialty organization level in financial positions, including treasurer, audit committee member, financial affairs committee member, or delegation budget group member; and experience as a delegate or alternate of the House of Delegates.

BOARD RECOMMENDATION: Received after this section had been reproduced for House distribution.

Resolution No. 44 New ☒ Substitute ☐ Amendment ☐Report: Report of the Special Committee on Financial Affairs Date Submitted: September 2011Submitted By: Special Committee on Financial AffairsReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None Net Dues Impact: _____

Amount One-time _____ Amount On-going _____

ADA Strategic Plan Goal: Financial (Required)**REPORT OF THE SPECIAL COMMITTEE ON FINANCIAL AFFAIRS
IN RESPONSE TO RESOLUTION 124-2010**

The following resolution was adopted by the Special Committee on Financial Affairs and transmitted on September 1, 2011.

Background: At the 2010 House of Delegates, Resolution 124 was referred to the Special Committee on Financial Affairs (the Committee) for review. Resolution 124-2010 provided:

124-2010. Resolved, that all new decision packages recommended by the Finance Committee and approved by the Board of Trustees are presented for approval to the House of Delegates individually with corresponding dues increase, if any, to fund each decision package.

The Committee spent considerable time and effort reviewing the resolution and discussing the merits of various approaches to the underlying issue. While it fully shares the concern with fiscal responsibility behind the resolution, the Committee concluded that it could not support the resolution as written for a variety of reasons. The Committee was concerned that the resolution would place too much business before the House, so that insufficient time would be devoted to important matters entrusted to the House. The Committee was further concerned with the lack of a threshold dollar value for any decision package to be brought to the attention of the House, for similar reasons. Finally, the Committee concluded that an alternative to the resolution would address the underlying problems and ensure that actions with significant financial impact would be given adequate consideration.

As a result of this process, the Committee developed an alternative approach to the issues underlying the original Resolution 124-2010. The Committee concluded that it would be better to work collaboratively with the Board of Trustees on its approach and submitted a draft resolution to the Board for consideration. The Board responded to the Committee in August, agreeing with parts of the Committee's approach but expressing reservations as to others. The Committee recognized the effort undertaken by the Board in analyzing its proposal and greatly appreciates the Board's willingness to work with the Committee.

Although there was not complete agreement between the Committee and the Board, the Committee felt that the areas which appeared to be common ground advanced the causes of greater accountability in the budget process and an enhanced role of committees of the House in that process. Accordingly, the Committee is supporting a new resolution in lieu of Resolution 124-2010 which contains only those clauses which the Committee believes were acceptable to both it and the Board. (The Committee has made one change to these clauses: It added the Administrative Review Committee to the list of bodies which would weigh programs against a set of universal criteria.)

At this point, the Committee is still considering additional resolutions to address the issues raised here. However, the Committee feels it is important to move forward now with ideas it believes it shares with the Board of Trustees.

So that the House can have the benefit of the Committee's original thoughts on this issue and the careful consideration given to those by the Board, the Committee is appending a copy of the correspondence from the Board to the Committee (which includes the Committee's original proposal and the Board's comments).

Accordingly, the Special Committee on Financial Affairs proposes the following resolution:

Resolution

44. Resolved, that all councils receive annual training on their fiduciary responsibilities to the Association, and be it further

Resolved, that the appropriate agency of the Association develop a *universal set of assessment criteria* to be applied by each council (and the Administrative Review Committee) in ranking programs as part of the budget process. Criteria could include the following:

- How closely the program is aligned with the Strategic Plan,
- An assessment of the comparative value of the program in relation to other existing and proposed programs,
- The effectiveness of the program in meeting its goals and its efficiency in doing so, and
- Consideration of budget offsets and alternative sources of funding

and be it further

Resolved, that each council shall utilize the universal set of assessment criteria in evaluating its programs and reporting to the Administrative Review Committee, and be it further

Resolved, that councils (or, where appropriate, the Board) shall review all resolutions having cost implications for the Association which have been submitted prior to the first mailing of resolutions to delegates and shall provide a written report to the House that includes the council's (or Board's) recommendation and assessment in light of the universal set of assessment criteria.

BOARD RECOMMENDATION: Vote Yes.

BOARD VOTE: UNANIMOUS.

**ADA American
Dental
Association®**

America's leading
advocate for oral health

Report of Special Committee
Appendix 1 to Resolution 44

211 East Chicago Avenue
Chicago, Illinois 60611-2637

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www.ada.org

Raymond F. Gist, D.D.S.
President

August 4, 2011

Dr. Ronald Lemmo
2775 Bishop Road, Suite A
Wickliffe, OH 44092-2683

Dear Ron:

On behalf of the Board of Trustees, thank you and the entire Special Committee on Financial Affairs for the opportunity to provide you with input on a response to the referral to SCFA of Resolution 124. It is clear to the entire Board that SCFA has identified some serious areas of concern and that the Committee has given these issues a great deal of thought. Because we thought a written response from the Board would be the most effective means of providing the Committee with input, the attached document has been thoroughly reviewed and approved by the Board. In addition, the Board has committed to continue to study the issues raised by the Committee in the coming year. We look forward to working with the House as we move forward.

Sincerely,



Raymond Gist, D.D.S.
President

RG:lh
Attachment

cc: Members, Special Committee on Financial Affairs
Officers and Members of the ADA Board of Trustees

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1 **COMMENTS OF THE BOARD OF TRUSTEES ON THE**
2 **RESPONSE OF SPECIAL COMMITTEE ON FINANCIAL AFFAIRS TO REFERRAL**
3 **OF RESOLUTION 124-2010**

4 **Background:** Last year, the House referred Resolution 124-2010 (Review of Decision Packages) to the
5 Special Committee on Financial Affairs for review. That resolution stated:

6 **124. Resolved,** that all new decision packages recommended by the Finance Committee and
7 approved by the Board of Trustees are presented for approval to the House of Delegates individually
8 with corresponding dues increase, if any, to fund each decision package.

9 The Committee spent considerable time and effort reviewing the resolution and discussing the merits of
10 various approaches to the underlying issue. While it fully shared the concern with fiscal responsibility behind
11 the resolution, the Committee concluded that it could not support the resolution as written for a variety of
12 reasons. The Committee was concerned that the resolution would place too much business before the House,
13 so that insufficient time would be devoted to important matters entrusted to the House. The Committee was
14 further concerned with the lack of a threshold dollar value for any decision package to be brought to the
15 attention of the House, for similar reasons. Finally, the Committee concluded that an alternative to the
16 resolution would address the underlying problems and would allow actions with a significant financial impact
17 to be addressed in a way which would assure adequate consideration of the issues.

18 **COMMENT:** The Board appreciates the Special Committee's thoughtful review of Resolution 124-2010,
19 and agrees with the Special Committee's assessment that the resolution as written presents practical
20 problems for the House. A process as described in the original Resolution 124-2010 has the potential to
21 overburden the House rather than facilitate its work.

22 The Committee eventually concluded that any new program or initiative (whether through a decision package
23 or a resolution) having a financial impact (cost) of \$35,000 should require vetting by the appropriate council
24 before action is taken by the House. Councils should be required to report to the House explaining the value
25 of the program in light of the strategic plan, an assessment of the comparative value in relation to existing
26 programs, and consideration of budget offsets and alternative funding. If a particular program or project is not
27 appropriately housed in a council, then the task should fall to the Board. Because the House must not be
28 prevented from taking action, even in the absence of review by a council or the Board, should circumstances
29 require it, the Committee concluded that any proposal needs to include a provision for a House override.

30 I. What Weaknesses of The Current System Are To Be Addressed?

31 The Committee was particularly concerned with the need to identify the actual problem any resolution along
32 these lines is meant to address. The Committee concluded that the primary issue to be addressed is:

33 The absence of a *meaningful* opportunity for the House to evaluate new programs with respect to the
34 strategic plan and to weigh new programs relative to existing programs.

35 **COMMENT:** The Special Committee has done a very good job of accurately summarizing a key problem
36 in our current budget process. The BOT appreciates the committee's recognition of the positive changes
37 made over the last two budgeting cycles that have enhanced the Board's ability to fulfill their responsibility
38 in this regard. The Board is committed, along with the Special Committee, to a budgeting process that
39 involves volunteer input into its development and oversight with an emphasis on alignment with the
40 strategic plan.

41 The absence of a meaningful opportunity to consider a program and to obtain additional information places
42 the House at risk of violating its fiduciary duties because it forces the House to take action, without being

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properly informed. Further, another weakness of the current system is that the House can address the proposed budget only through accepting or rejecting the entire budget. While a line-item veto by the House may appear to be one solution to this weakness, the Committee did not believe a line-item veto was either appropriate or practical.

COMMENT: The Board thanks the Special Committee for recognizing that a line-item veto is neither practical nor appropriate, and the Board also believes it is important to remind the House that it has considerable ability to shape the budget in the absence of a line-item veto. The House may vote to return the budget to the board with specific recommendations.

II. The Role of Councils

Councils are committees of the House and, as such, are uniquely positioned to aid the House in fulfillment of its fiduciary responsibilities. Councils are also the Association's experts in their particular areas of activity. Thus, their input into the relative value of programs and adherence to the strategic plan are especially valuable. Significantly, in light of the issue in need of addressing, identified above, councils have the opportunity to fully consider all relevant facts regarding a proposal and to seek input and information from others if needed.

Councils already have a role in evaluating programs proposed through the internal budget process. The proposal presented here provides the Councils with the same role as to programs introduced outside the budget process, thereby creating parity among all proposed programs.

A. As to Programs Considered Through the Existing Internal Budget Process

While councils do have a role in the budgeting process, the level of involvement is uneven across Councils. Further, it is not clear the extent to which councils are trained on the Strategic Plan and how to compare new programs against the strategic plan. There are plans in place to address this through better council orientation, so councils will have a greater capacity to address budget issues effectively. This will enhance the Councils' role in the internal budget process. The Committee fully supports this effort and notes that, ultimately, it is the responsibility of council members to insist on needed training if it is not forthcoming. The Committee believed strongly that the responsibilities and role in the budget process belonged to each member of a council, and not just to the chair or vice chair.

Given the appropriate training, council members have a meaningful opportunity to fully consider new proposals and, importantly, to ask questions and seek additional information. This is an opportunity often denied the House by the nature of the House procedures. Moreover, programs considered through these normal channels also are screened by senior management, go through the administrative review process (which presently involves, among others, members of the Budget and Finance Committee and of the House) and are passed upon by the Board. Other than concerns about proper training of council members in their fiduciary duties (which is being addressed), the Committee was fairly comfortable with the existing process as to programs considered through the existing budget process.

Indeed, the Committee's proposal would modify that process only by specifically requiring the development and use of a *universal set of assessment criteria* to be applied by each council in order to rank programs. Criteria could include the following:

- the value of the program in light of the strategic plan,
- an assessment of the comparative value in relation to existing programs,
- both the effectiveness and efficiency of the program, and
- consideration of budget offsets and alternative funding.

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Councils would be expected to report on any new programs in light of these criteria to the Administrative Review Committee as part of the regular budget process.

COMMENT: The Board shares the view of the Special Committee that the current internal budget process is working (and will improve) and also agrees that the role of the member volunteers on Councils will be enhanced through more advanced training on fiscal responsibilities and the budgeting process. The Board applauds the Committee's recommendation for the development of a universal set of assessment criteria. The Special Committee has again done fine work developing the criteria. The Board believes the criteria suggested by the Special Committee are well thought out and appropriate. Of course, programs also need to be assessed against all other programs throughout the Association, and Councils are not well placed to perform this particular assessment. Therefore, the Board does suggest the inclusion of additional criteria for use by the Admin Review and Board in the final development of the budget. Further, this capacity to review programs against other programs should be enhanced by the full implementation of the Hyperion accounting program.

B. As to Programs Introduced Through the House

Currently, Councils have no role in evaluating programs (in the form of resolutions with a negative financial impact) introduced through the House (except for those proposed by councils themselves).

Instead, the House is the sole evaluator. As noted, this creates a risk for the House to fail in its fiduciary duty because, often, the House is given limited information, has a limited opportunity to obtain additional information and has a limited time to review the proposed resolution in any case. Further, the House currently has no opportunity to weigh the relative value of proposed programs against existing or other proposed programs. One result is that the House approves new programs in a virtual vacuum, adding roughly one million dollars in new programs every year.

The challenge is how to empower the House to play an effective role in evaluating proposed programs and to weigh the relative value of all programs in light of the strategic plan. As will be explained, councils, as committees of the House, can provide this ability to the House with added efficiency and without eliminating the right of the House to take action if needed. It is not practical for the entire House to be involved in all the details of budget development, but the House can have a voice in it through its committees, the councils.

Accordingly, the Committee recommends that all new programs with a cost implication introduced outside the normal budget process (either introduced at the House or prior to the House but too late to be reviewed by a council) be automatically referred to the appropriate council (or, where there is no such council, the Board), with a report back to the next House evaluating the resolution in the context of the universal assessment criteria discussed above.

The Committee considered whether this process should only apply to resolutions with a cost implication above some threshold level (e.g. \$35,000). The Committee, however, concluded that all resolutions with any cost implication should be vetted through a council (or, where appropriate, the Board) and, therefore does not propose a financial threshold.

Through reports to the House, the House will be better informed on all issues encompassed within the universal set of assessment criteria. Moreover, councils, unlike the House, are positioned to seek out additional information and to take reasonable time in assessing all available information. Through councils, as committees of the House, the House can share in these advantages and better exercise its fiduciary duties.

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The Committee fully recognizes that this rule would delay some action by the House, through referral to a council. However, as noted above, an override option is included. Moreover, councils and the Board are free to meet between regularly scheduled meetings to assess new proposals in advance of the House meeting. Indeed, the resolution would require some councils to meet (presumably by conference call) to assess any resolutions submitted after the last council meeting and before the first mailing of resolutions to the House.

Of course, absent an ability to override this rule, the House would be handicapped in dealing with emergencies and fast-developing issues. Accordingly, some form of House override must be provided. The Committee recommends that the House be free to take action on any resolution without Council or Board input upon a 2/3 majority vote.

COMMENT: The Board shares the legitimate concern of the Special Committee regarding how the House can effectively evaluate resolutions with financial implications that come to the HOD without volunteer input. However, the Board is equally concerned about any protocol that could restrict the will of the House or convey a message that the House is acting irresponsibly. The committee has presented a protocol that seems like a logical solution to the identified concern, but the Board wishes to express several reservations that we feel are important for the Special Committee to consider. First, the draft proposal infringes on the right of the House to make financial decisions by a simple majority vote of the body. Until the House decides to enact a change in the required vote percentage necessary for passage of resolutions with financial implication or passage of the entire budget, the Board could not support a super majority requirement. Second, the Board is concerned that the proposal could increase the workload on the House, particularly at the first session where the resolutions would need to be referred to reference committees. There would need to be some discussion on the merits of each resolution so the delegates could make an informed decision about whether to refer to a reference committee or hold over until the next year's House. This additional layer of debate could lengthen the sessions of the House and hinder the decision making process.

In the end, the Board has to have confidence in the House's decision making ability, even in the absence of complete information. Much of the information necessary to make an informed decision can be obtained through reference committee discussions and testimony. If the reference committee does not feel that there is enough information regarding the value and alignment with the strategic plan to forward a resolution to the House, they could recommend referral to the appropriate Council for review. For these reasons, the Board enthusiastically supports the first four resolving clauses, but has reservations about the last three resolving clauses.

Finally, the Board greatly appreciates the Special Committee's effort to seek comment from the Board on this important matter. The Special Committee has done fine work on a complex matter and the Board hopes these comments are helpful in its ongoing work.

Accordingly, the Special Committee on Financial Affairs proposes the following resolution:

Resolved, that all councils receive annual training on their fiduciary responsibilities to the Association, and be it further

Resolved, that the appropriate agency of the Association develop a *universal set of assessment criteria* to be applied by each council in ranking programs as part of the budget process. Criteria could include the following:

- How closely the program is aligned with the strategic plan,
- An assessment of the comparative value of the program in relation to other existing and proposed programs,
- The effectiveness of the program in meeting its goals and its efficiency in doing so, and
- Consideration of budget offsets and alternative sources of funding,

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1 and be it further

2 **Resolved**, that each council shall utilize the universal set of assessment criteria in evaluating its
3 programs and reporting to the Administrative Review Committee, and be it further

4 **Resolved**, that councils (or, where appropriate, the Board) shall review all resolutions having cost
5 implications for the Association which have been submitted prior to the first mailing of resolutions to
6 delegates, and shall provide a written report to the House to include the council's (or Board's)
7 recommendation and assessment in light of the universal set of assessment criteria, and be it further

8 **Resolved**, that, for any resolution having a cost implication for the Association submitted after the
9 first mailing of resolutions to delegates which has not been vetted by a council (or, where appropriate,
10 the Board), such resolution shall be held over for one year and automatically referred to the
11 appropriate council (or the Board), with a report back to the next House with a recommendation and
12 assessment in light of the universal set of assessment criteria, and be it further

13 **Resolved**, that the required review and assessment by a council or the Board would be deemed to
14 be satisfied for any amended or substitute resolution arising out of a resolution which had been
15 reviewed and assessed by a council or the Board, and be it further

16 **Resolved**, that notwithstanding the foregoing, upon a motion, the House may vote on a resolution
17 having a cost implication for the Association in the absence of a required recommendation and
18 assessment by a Council or the Board, with approval occurring upon a two-thirds majority vote.

1 LONG-TERM FINANCIAL STRATEGY

4 Long-Term Financial Strategy of Dues Stabilization (17H-2008)

10 Currently, there is no established long term financial strategy or policy for the ADA. In addition, there is a lack
11 of agreement among volunteer leadership regarding the interpretation of the Dues Stabilization policy set by
12 the House in 2008. The Board understands that members of the House do not believe this policy ties the
13 hands of the Board in proposing dues increases, while the Board believes it is limited in the amount of a dues
14 increase that is permissible under current ADA policy. The fact that there is disagreement on this point is
15 reason enough to revisit this policy.

16 The Association lacks a well defined short-and long-term financial sustainability strategy/policy relating to
17 allocating finite financial resources beyond one year at a time. The Board is proposing such a policy be
18 established by the House of Delegates so that all members of the ADA governance share a consistent view of
19 short-and long-term financial planning and how to mitigate future financial risk to the Association.

20 Finally, the Association needs to be able to fund a capital investment account over time, to allow it to address
21 routine capital needs without an extraordinary special assessment. Financial resources required to “keep the
22 lights on” should either be in the annual base budget, or if the expected expenses accrue over a period of
23 years (for example: aging technology infrastructure, deferred building maintenance and other routine and
24 necessary capital investments), to set aside for future expenses by placing a reasonable amount in the base
25 budget each year for a sort of “rainy day” fund for predictable and routine business expenses.

26 A single year view of financial affairs due to the current annual budgeting process creates unnecessary
27 financial risk for the ADA. The question before the House is not to commit future Houses of Delegates to
28 discretionary expenses in future years, but rather to provide a pathway for the ADA on how to achieve long-
29 term financial stability through the annual budgeting process. The Board of Trustees is requesting that the
30 House of Delegates provide a framework for decision making regarding the short-and long-term financial
31 health of the ADA. The following resolution seeks to address each of these issues.

Proposed Resolution

52. Resolved, that the Board follow a short and long-term financial strategy that provides funding for new programs/services and products through appropriate dues increases; identifies existing programs/services and products to be sunset so that existing finite human and financial resources may be redeployed for new initiatives that align with the Strategic Plan of the ADA that deliver greater member value or public health impact, and be it further

Resolved, that the Long-Term Financial Strategy of Dues Stabilization policy (Resolution 17H-2008, *Trans.*2008:421), be rescinded.

BOARD RECOMMENDATION: Vote Yes.

BOARD VOTE: UNANIMOUS.

**REPORT 5 OF THE BOARD OF TRUSTEES TO THE HOUSE OF DELEGATES: INFORMATION
TECHNOLOGY INITIATIVES, EXPENDITURES AND ESTIMATED COSTS, AND ANTICIPATED FUTURE
PROJECTS**

The following projects are being funded by the 2011 Special Assessment Funds for IT Initiatives:

- *PeopleSoft.* The PeopleSoft Financial System and Human Resources Management System (HRMS) needed upgrading to maintain compliance with the ADA software license agreement with the vendor. Once the Financial System upgrade is completed, Phase I will begin on the HRMS upgrade. The funding for Phase II of the HRMS upgrade was submitted in the 2012 IT budget as a decision package. At the end of these upgrades, the ADA will be compliant with software license agreements and will move forward with a program to keep the ADA current on these license agreements as part of the IT base budget.
- *Data Warehouse.* In 2010, an Executive Dashboard was developed to track progress of ADA goals. This Executive Dashboard is populated by a Data Warehouse. The data presented in this dashboard is tied to Association-wide and division goals and allows access to analyze goal progress. Additional software licenses are budgeted within the Special Assessment Fund to expand this capability.
- *Hyperion Planning System.* Hyperion was configured and installed in 2010 to replace a custom-developed budgeting system and to provide zero-based budgeting and forecasting processes to the ADA. Additional user licenses and consulting services were funded by the Special Assessment Fund to expand the use of this system to all ADA budget preparers.
- *Association Management System (Aptify).* In 2010, IT facilitated a process with a cross-divisional working team to analyze the options of whether to continue to invest in Siebel for eCommerce and case management or to sunset Siebel in favor of an Association Management System platform. This working team recommended that an Association Management System should be purchased to replace Siebel. Aptify was the selected software system. In addition to eCommerce and case management, this software platform also offers membership management, events management, learning management, online CE and several other relevant modules. In 2011, the ADA purchased Aptify with an unlimited user license environment. Outside IT consulting services were retained with Aptify to assist ADA staff with the system implementation. This project is currently underway and the first phase – to replace Siebel - is scheduled to be completed by December 2011. Additionally, an

experienced Aptify Senior Application Developer was hired as part of a two year plan to reduce the ADA's reliance on outside consulting firms. In 2012, a decision package was submitted to retain outside IT consulting service to assist IT staff with migrating the Tripartite System (TS) to Aptify. It also includes funding to hire another full-time Aptify Senior Application Developer.

- *Content Management Bridge.* This data migration software provides automation of documents into the RedDot Content Management system for ADA.org thus eliminating several manual processes. A project is underway to determine if the ADA will proceed with using RedDot in the long term. Based on the outcome of that project, this purchase may not be made.
- *eMail Forwarding.* The ADA eMail Forwarding system provides ADA members the functionality to forward their email using the ADAMEMBERS.NET email address to their personal email addresses. This system was implemented in 2005 and to date, member utilization has been very low. This system will either be upgraded to be compliant with recommendations in the audit Corrective Action Plan (CAP) or sunset. A decision process is underway with the Membership Division to determine an approach.

Work on all of these updates is progressing and it is expected that the Special Assessment Fund for Information Technology will cover all costs.

The following section provides an overview on select projects included within the 2011 IT base budget and not part of the 2011 Special Assessment Fund for Information Technology Initiatives:

- *Document Management (ADA FileWeb).* A decision package was submitted in the 2012 budget to plan and design to migrate away from ADA FileWeb and to ADA Connect for document management. The eventual migration to ADA Connect is scheduled to be completed in 2013.
- *Internet.* In 2011, a full time staff member was hired to support the Evidence-Based Dentistry website and mobile application. The Online Dental Product Buyers' Guide and a new Annual Session website were implemented this past January utilizing existing ADA staff. Mobile applications for annual session, CDT-II and the New Dentists' Committee meeting were also released this year leveraging various funding in IT, Product Development and Sales and Conference and Meeting Services budgets. In 2012, funding was requested to replace the ADA's current Content Management System (RedDot). The manufacturer of RedDot has stated its intention to move away from this product and therefore a new solution must be implemented. Additionally, a decision package was submitted for 2012 to develop a mobile application development platform that will optimize spending on mobile application development.
- *ADA Connect.* Funding for ADA Connect was included in the 2011 IT base budget. ADA Connect will replace SiteScape, the ADA's current software application for collaboration work by ADA Councils, Committees and Standards Committees as well as support Resolution 36H-2009 to implement electronic mechanisms to support the ADA House of Delegates by the 2012 Annual Session. ADA Connect was made available to the House on August 1, 2011. This new software application will be deployed to the Councils, Committees and Standards Committees in 2011 on a defined timeline. A decision package was submitted in 2012 to expand the use of this tool.

Background: This report to the House of Delegates on the ADA's Information Technology initiatives, expenditures and future projects is submitted as required by Resolution 30H-2003 (*Trans.2003:334*), which urged the Board to provide an annual report summarizing technology initiatives, expenditures, estimated costs, anticipated projects and their sources of funding.

The Division of Information Technology (IT) uses an established plan to provide technology staff with the goals and objectives necessary to support the ADA Strategic Plan. This plan allows the IT division to address

1 immediate issues and the opportunity to provide quality information technology operations to service ADA
2 members and the tripartite.

3 **Year 2011 Projects and Expenditures:** In 2011, the IT division continues to move forward with projects in
4 its core areas. As of this report, the following projects are completed and others are currently in the working
5 stages with a completion goal by the end of the year.

- 6 • *Document Management (FileWeb).* The Association implemented Open Text Livelink as its
7 document management system in 2002. This system, which was branded “ADA FileWeb” allows
8 ADA staff to efficiently store and share documents. In 2011, an upgrade is scheduled to be
9 completed by year end. This upgrade will improve the user interface as well as provide new user
10 functionalities and features. In 2012, work will begin on implementing a replacement for ADA
11 FileWeb. An outside IT consulting firm will be retained in 2012 to assist staff with completing a
12 planning effort for the migration away from Open Text Livelink and to ADA Connect. The information
13 obtained in this phase will be used to select features and implement the new system in 2013. A
14 decision package was submitted in the 2012 budget to fund the consulting services needed to
15 complete the Planning and Analysis phase of this project.
- 16 • *Data Warehouse.* In 2011, a new data mart was developed and deployed for Conference & Meeting
17 Services, which allows for the analysis of annual session booth sales over the last ten years. Also in
18 2011, additional licenses will be purchased to expand access to the Electronic Dashboard. This
19 purchase is funded in the 2011 Special Assessment Fund for InformationTechnology Initiatives. In
20 2012, work will continue on enhancing and expanding the Electronic Dashboard. Enhancement work
21 will also continue on existing data marts and new data marts will be implemented as needed upon
22 request. Any requests for new data marts or enhancements to existing data marts are completed
23 using existing staff.
- 24 • *Internet.* In 2011, the following internet projects were completed:
 - 25 ○ Enhancements to ADA.org
 - 26 ○ Enhancements to the Evidence-Based Dentistry (EBD) website including a mobile application
 - 27 ○ A full-time staff person was hired in 2011 to provide system support for EBD and to
28 implement enhancements and fixes as identified by the Division of Science. This new
29 position will eliminate the need to retain outside IT consulting services to complete this work.
 - 30 ○ The project to develop an online Dental Buyers' Guide, was launched in January 2011. This
31 guide will provide comprehensive company and product listings and detailed product
32 specifications to help dentists make well informed purchases while viewing and comparing
33 among thousands of products. This new tool replaced the printed guide previously produced
34 by the Publishing Division.
 - 35 ○ Work continued on enhancing and supporting the DENTPIN application, eCommerce
36 applications for Membership renewals, Testing Services, ADA Foundation donations, ADPAC
37 contributions, online meeting registrations and supporting Siebel's eCommerce functionality.
 - 38 ○ A new annual session website was launched. This new site provides easier online
39 registration functionality and provides up-to-the-minute session information. A mobile
40 application for the iPhone and Android was also developed and deployed as part of this
41 project. Session attendees can use this app to locate exhibitors, find continuing education
42 class times and locations and other relevant session information.
 - 43 ○ A new CDT-II mobile application was also launched in 2011. The CDT product, which is
44 currently sold as a hard-bound manual and a CD-Rom is consistently one of top selling
45 products for the ADA. This new app will allow a dentist to search for CDT codes from their
46 mobile device.

- A mobile application was also developed and deployed for the 2011 New Dentists' Conference. Similar to the annual session app, conference attendees will be able to locate exhibitors and search for continuing education course logistics.
- ADA Member eMail Forwarding system upgrade to current Microsoft .NET technology is required. This application provides ADA members the functionality to forward their email using the ADAMEMBERS.NET email address to their personal email address. This system has not been upgraded since its implementation in 2005. An upgrade will ensure the security and dependability of this system and meet the requirements stated in the IT Corrective Action Plan (CAP). In addition, Microsoft will discontinue supporting the technology currently used for this system at the end of 2011. Member usage of this system is very low. IT is currently working with the Division of Membership to determine if the ADA should continue to offer this service. If the service is discontinued, then the planned funding will not be used.
- Data migration software is required if the ADA continues to use RedDot Content Management software. This software provides the automation of documents into the RedDot Content Management system for the ADA.org website and all other websites managed via the content management system. It allows text data to automatically load and eliminates the manual process. This software is currently scheduled to be purchased and implemented by the end of 2011. In 2012, funding to replace RedDot is included in the base budget. OpenText, will discontinue supporting this product in the near future. In addition, the end-user and vendor experiences with OpenText have not met ADA standards. The Request for Proposal (RFP) process is scheduled to begin in late 2011 so a selection can be made and a new software tool can be purchased assuming budget approval in 2012. The implementation would also begin in 2012.
- A decision package was submitted in the 2012 budget to build an internal mobile development and deployment capability that helps the ADA to incorporate support for mobile devices including smart phones, tablets and eReaders; develop applications and content that can be exploited on these platforms and a supply chain that can enable easy delivery to ADA commercial assets using these platforms.
- *ADA Connect/Knowledge Management.* A decision package was submitted and approved in the 2011 budget to purchase a software solution to replace the Association's current collaboration software application (SiteScape) and to address Resolution 36H-2009 (*Trans.*2009:406;409), which was adopted at the 2009 annual session to study electronic mechanisms to provide the ADA House of Delegates (HOD) with efficient and updated information and that the identified mechanism be implemented by the 2012 annual session. An ADA cross-divisional Work Team was established, which included HOD members and ADA volunteers to review a number of solutions and participate in vendor demonstrations. In the end, it was decided that a Microsoft (MS) SharePoint environment would be implemented. The ADA network infrastructure is built on a Microsoft platform so implementing a MS product would require less effort from a technology standpoint. In addition, MS SharePoint could potentially replace ADA FileWeb due to its document management and collaboration functionalities. MS SharePoint has the look and feel of other Microsoft products currently used at the ADA such as Word and Outlook so transitioning to this new environment will be easier for the users. An outside IT consulting firm was retained to assist ADA staff with the development and implementation of the ADA Connect environment. This project went into production on August 1, 2011 to the HOD. Training is being conducted with the HOD members with the goal to have them ready to use ADA Connect at the 2011 House of Delegates. Work will also begin on the development of a balloting and voting system to be available via ADA Connect and used by ADA Councils, Committees and Standards committees. This functionality will be deployed in time for use by the Standards committees when they come onto the system in early 2012. A decision package was submitted for 2012 to expand this environment to provide stability, enhance collaboration services and provide broader access to other groups such as Committees, Workgroups and program

participants. This expansion would include purchasing MS SharePoint software licenses for additional users and funding to retain outside IT consulting services to assist staff with the development and implementation of enhancements and fixes to the ADA Connect environment.

- *PeopleSoft.* In 2010, a redesign of the Budget module was completed to accommodate the new zero-based budgeting process. Pages were added for staff to explain travel, professional services and consulting expenses. This module was replaced in late 2010 by the Hyperion Budget & Financial Planning module. Phase I of the Financial system upgrade was completed. This Phase included all the preparation work that needed to be completed before the actual system upgrade work could begin. This upgrade will keep the system in compliance with the software maintenance and support agreement and will ensure that updates and security patches are received and installed in a timely manner to keep the system current. Phase II of the upgrade is underway and is scheduled to be completed by September 2011. Once the Financial System upgrade is completed, work will begin on upgrading the Human Resources Management System (HRMS). This upgrade is scheduled to begin in late 2011 and will be completed in 2012. Similar to the Financial System, this upgrade is necessary to maintain compliance with the software maintenance agreement and will ensure that updates and security patches are received and installed in a timely manner to keep the system current. The Finance and HRMS system upgrades scheduled in 2011 are being funded from the 2011 Special Assessment Fund for IT Initiatives. A decision package was submitted in the 2012 budget to complete the HRMS upgrade and was approved as part of the base budget in 2012.
- *Hyperion Budgeting Module.* In 2010, a Supplemental Appropriation Request was submitted and approved at the April Board of Trustees meeting to purchase a minimum number of software licenses (25) with associated software maintenance and to fund outside IT consulting services to implement Oracle's Hyperion Budgeting Module. This software application will support the implementation of zero-based budgeting and improve the ADA's financial forecasting process. In order to use this system for the 2012 budget cycle, which begins in early 2011, it had to be implemented by the end of 2010. The implementation was completed on time and user training was conducted in early 2011 in time to for the 2012 budget cycle. In 2011, additional licensing was purchased to deploy Hyperion to all budget preparers. Outside IT consulting services have been retained to provide system support and enhancements. Work was completed to include forecasting capabilities. The first financial forecasting using Hyperion is scheduled to be completed in June. Work is also being done to improve the reporting capabilities. As with any new software application, a learning curve is necessary to get comfortable and learn how to use this new system. Hyperion has robust reporting capabilities way beyond what was provided using the PeopleSoft Budget pages. Finance staff are working with outside IT consultants to determine which reports are needed, how they want financial information presented and how to create those reports. These projects are being funded from the 2011 Special Assessment Fund for IT Initiatives. In 2012, system enhancements, fixes and support will be completed by ADA staff. No additional funding has been requested for this project.
- *Tripartite System.* In 2010, versions 9.6 and 9.7 of the Tripartite System were released. Version 9.6 included minor enhancements and fixes along with a new feature called TS Task Manager. This new feature allows users to create and assign tasks within the Tripartite System (TS). A new link was also created, which allows users to run reports created in Microsoft Access directly from TS. Version 9.7 involved upgrading the system to Microsoft SQL Server 2008. This upgrade is a technology infrastructure upgrade that ensures that the software application is running on the latest technology platform. The Data Synchronization (DataSync) module was rewritten. This module synchronizes all the member data within the Tripartite System so that all TS users have consistent data. The rewrite improved the speed and accuracy of the data exchange among the various TS sites. In 2011, another upgrade is scheduled for release in September. This upgrade will include enhancements and fixes that are identified by the current upgrade process. A total of ten TS deployments were completed between 2010 and 2011, which included three new constituent organizations - Idaho State Dental Association, Montana Dental Association and Utah Dental Association and seven new

1 component organizations – Peoria District Dental Society (Illinois), Cincinnati Dental Society (Ohio),
2 Eastern Shore Dental Society (Maryland), Birmingham District Dental Society (Alabama); Northern
3 Nevada Dental Society, Queens County Dental Society (New York) and Nassau County Dental
4 Society (New York). With these additions, 40 states, 68 components and the ADA are actively using
5 TS. No additional funding has been requested on this project. All current work related to TS is
6 completed by internal staff. In 2012, the ADA will begin transitioning from TS to Aptify, the ADA's
7 new Association Management System (AMS). The plan is to convert the ADA and two current TS
8 sites. The ADA purchased enterprise licensing, which allows all current TS sites to move to Aptify as
9 well as any new sites to come on to Aptify if they so choose.

- 10 • *Infrastructure Hardware/Software Licenses.* The expenditures reflected in 2010, 2011 and 2012 are
11 primarily for hardware and software licenses to maintain the Association's network infrastructure as
12 well as provide end-user equipment such as desktops, laptops and printers. In addition, funding is
13 budgeted annually for a manufacturer-certified on-site technician. As part of the network server and
14 printer maintenance agreement, this technician is available on-site to fix hardware under warranty
15 instead of depending on "depot warranty service." This on-site service minimizes downtime for users.
16 In 2010, software and hardware upgrades were made to the Chicago telephone system to keep in
17 compliance with the maintenance agreement. In 2011, the ADA will upgrade to Microsoft Office
18 2010. This software includes new versions of Microsoft Word, Excel, PowerPoint and Outlook. MS
19 Access users and some MS Visio and Project users will also be upgraded. Software was purchased
20 in June and staff training will be scheduled in late summer or after annual session. Software
21 upgrades and installations will be completed for the Chicago telephone system. These upgrades
22 include an upgrade to Automatic Call Distribution (ACD). This upgrade is required to ensure that the
23 ADA stays in compliance with the maintenance agreement. A project is also being scheduled to
24 expand the ADA's internal conference call bridge from 16 to 32 users. Staff can use the internal
25 conference bridge to conduct meetings via conference call. Unlike Genesys, the ADA's vendor for
26 conference call services, ADA departments are not charged back to use the internal conference
27 bridge. IT absorbs the maintenance costs of this system within its operating budget. Although the
28 internal conference bridge does not offer all the features as the conference call vendor, it is a cost
29 effective alternative for departments that can use this internal service. In 2012, additional upgrades
30 are planned to be done on the core telephone systems for Chicago and Washington DC.
- 31 • *Siebel.* The Siebel software application provides a solution for a Member Service Center (MSC)
32 designed to provide ADA members with the information they need with one phone call; an e-
33 Commerce solution to provide online purchasing of ADA products; and a Technical Help Desk
34 solution to manage technical support calls from ADA members and staff. In 2010, an audit was
35 conducted on Siebel to determine if fixes should be implemented in the next version in order to
36 resolve performance issues. It was decided that the system could be maintained in its current state
37 long enough to get users through until Aptify is implemented in late 2011. Outside IT consultants
38 were retained to investigate a major bug with the personalized products sold by the Department of
39 Product Development & Sales. It was discovered that a Siebel Configurator software license was
40 needed, which the ADA did not own. The license was purchased in 2011 and implemented resolving
41 this issue. Siebel is currently under maintenance through May 2012. Once Aptify is implemented
42 and in production, Siebel software maintenance and support will be terminated.
- 43 • *Association Management Software.* In 2010, IT completed an analysis for options to either continue
44 to invest in Siebel and make the changes necessary to reduce customization and eliminate manual
45 processes or to sun-set Siebel in favor of an Association Management System (AMS) platform. A
46 benefit of moving to an AMS structure is that it offers much more functionality than just commerce.
47 The two AMS vendors that were considered, Aptify and AVECtra also have mature offerings in Event
48 Management, Learning Management and Online CE, Advertising, and many other features, which
49 provide an opportunity to eliminate other third-party applications currently in use by the ADA for these
50 functions and integrate them into one application platform. During this analysis, it was also

discovered that an AMS could replace the Tripartite System (TS) at the ADA, all current TS sites and implemented to new sites. It was decided that an AMS would be the best solution and Aptify was the selected system to replace Siebel. A decision package was submitted in the 2011 budget to purchase an Association Management System, hire one new IT staff position and provide staff training. The funding for this project is in the 2011 Special Assessment Fund for IT Initiatives. In 2011, Aptify consultants were retained to assist ADA staff with this massive project. The Discovery, Business Requirements and Technical Requirements are completed. The implementation phase is scheduled to start at the end of June and is scheduled to be completed by mid-December. This implementation will encompass replacing Siebel and the eCatalog. The new position for a Sr. Application Developer was filled and this new person started on June 27, 2011. They will focus on working with the Aptify consultants on the system implementation. Once the system is implemented, this person will be responsible for maintaining, supporting and enhancing the system, which will reduce the need for outside IT consulting services. Training has been ongoing for existing IT staff to support this system long term as well as for end-users in the Member Service Center. Enterprise software licensing has been purchased, which will allow any and all TS sites to move to Aptify as well as add any new state and local societies. A decision package has been submitted in 2012 to fund outside IT consulting services to assist in the replacement of TS at the ADA and to begin Aptify implementations at existing TS sites. The 2012 implementation schedule calls for two site conversions. This schedule will increase as implementations become more familiar. In addition to the TS conversion, it is planned to begin implementation of the Events module. This module will replace the hard-coded online meeting registrations on ADA.org. ADA departments scheduling meetings will have the ability to develop their meeting registrations with this module, which will eliminate the need for IT staff to develop them. A decision package was also submitted to hire a second Sr. Application Developer. This person will also maintain, support and enhance the system. The goal is to have highly trained, knowledgeable ADA staff dedicated to this system whereby significantly reducing the need for outside IT consulting services.

- *Preservation of Evidence.* In April 2010, all ADA staff received a memo from attorneys Hinshaw & Culbertson regarding a preservation of evidence request. In order for IT to comply with this request, additional computer equipment such as computer hard drives and system backup tapes were purchased. IT did not have the funding within its operating budget to purchase equipment above and beyond its normal maintenance requirements. The Preservation of Evidence requirements continued into 2011 so a Supplemental in the amount of \$80,000 was submitted and approved at the December 2010 Board meeting to obtain funding for 2011. This funding was also fully spent so an additional 2011 Supplemental in the amount of \$70,000 was submitted and approved. In April 2011, a memo was sent to all ADA staff from ADA's Legal department removing many of the preservation of evidence restrictions on ADA staff. While this memo reduced many of data retention requirements for IT, it did not eliminate them. Therefore, the \$70,000 will be used to purchase equipment through 2011.

The following table details the spending against the 2011 Special Assessment Fund for IT Initiatives through July 31, 2011:

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Project	Approved Funding	Total Expenditures thru 7/31/11	Invoiced Expenses Expected in August	Remaining Funding as of 9/1/11	Committed Expenses thru 12/31/11	Remaining Funding as of 12/31/11
PS HR - Phase I	40,000.00	0.00	0.00	40,000.00	40,000.00	0.00
PS Finance - Phase II	489,400.00	286,125.00	26,226.00	177,049.00	145,674.00	31,375.00
DW Software	20,050.00	0.00	0.00	20,050.00	20,050.00	0.00
Hyperion Budget Tool	201,800.00	169,059.00	2,284.00	30,457.00	29,212.00	1,245.00
AMS	1,600,000.00	1,021,639.00	253,270.00	325,091.00	309,090.00	16,001.00
CM Data Bridge Software	18,900.00	0.00	0.00	18,900.00	18,900.00	0.00
Email Forwarding	130,300.00	0.00	0.00	130,300.00	130,300.00	0.00
Totals	2,500,450.00	1,476,823.00	281,780.00	741,847.00	693,226.00	48,621.00

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The table below outlines expenditures in the core areas in 2010; projected spending in the operating and capital budgets and projected spending for items being funded from the \$23 special assessment in 2011 and planned spending in 2012. Also disclosed is spending related to infrastructure hardware and major projects.

IT Core Area	2010 Actual Spending	2011 Projected Spending	2011 Special Assessment Spending	Total 2011 Projected Spending	2012 Planned Spending
FileWeb	0	10,000	0	10,000	180,000
Data Warehouse	0	0	20,050	20,050	0
Internet	131,600	1,500	149,200	150,700	395,075
ADA Connect/Knowledge Management	0	430,828	0	430,828	173,145
PeopleSoft	30,000	0	529,400	529,400	458,790
Hyperion Budgeting Module	183,976	0	201,800	201,800	0
Tripartite System	0	0	0	0	0
Infrastructure Hardware/Licenses	1,303,443	1,551,788	0	1,551,788	1,269,000
Siebel	54,003	58,154	0	58,154	0
Order Management/eCommerce	0	0	1,600,000	1,600,000	670,887
Total Project Spending	1,703,022	2,052,270	2,500,450	4,552,720	3,146,897
Balance of IT Operating Budget	5,292,786	5,768,867	0	5,768,867	8,830,573
Total IT Spending	<u>\$6,995,808</u>	<u>7,821,137</u>	<u>2,500,450</u>	<u>10,321,587</u>	<u>11,977,470</u>

Note: 2012 IT spending includes taxes and fringes benefit costs related to employees. Prior year IT budgets and actual spending do not include these expenses as those costs were budgeted and actual expenses recorded in the Division of Central Administration.

The table below summarizes the previous information based on the source of funding. The IT division continues to maintain and upgrade its current core areas while also providing ongoing support and completing various IT-related projects for ADA divisions.

IT Core Area

	Operating Budget	Capital Budget	Total
2010 Spending			
FileWeb	\$0	0	0
Data Warehouse	0	0	0
Internet (1)	31,647	99,953	131,600
PeopleSoft (2)	0	30,000	30,000
Tripartite System	0	0	0
Infrastructure Hardware/ Licenses (3)	375,740	927,703	1,303,443
Siebel (4)	54,003	0	54,003
Hyperion Budgeting Module (5)	24,162	159,814	183,976
Total Project Spending	485,552	1,217,470	1,703,022
Balance of IT Operating Budget	5,292,786	0	5,292,786
Total IT Spending	<u>\$5,778,338</u>	<u>1,217,470</u>	<u>6,995,808</u>

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<u>2010 Consulting Projects</u>	<u>Total Spending</u>	<u>Operating Budget</u>	<u>Capital Budget</u>
FileWeb Totals	0	0	0
Data Warehouse Totals	0	0	0
Web Redesign	31,647	31,647	0
Evidence-Based Dentistry Website	99,953	0	99,953
Internet Totals (1)	131,600.00	31,647.00	99,953
PS Finance Upgrade - Phase I	30,000	0	30,000
PeopleSoft Totals (2)	30,000	0	30,000
Tripartite System Totals	0	0	0
Warranty Technician	70,748	70,748	0
Telephone System Upgrades	3,075	3,075	0
Operating Software	52,367	52,367	0
Capital Hardware	860,826	0	860,826
Capital Software	66,877	0	66,877
Preservation of Evidence	249,550	249,550	0
Infrastructure Totals (3)	1,303,443	375,740	927,703
Siebel Audit	38,640	38,640	0
Personalization Products Fix	15,363	15,363	0
Siebel Totals (4)	54,003	54,003	0
Hyperion Budget & Planning Tool	63,814	0	63,814
Hyperion Budget & Planning Tool	120,162	24,162	96,000
Hyperion Totals (5)	183,976	24,162	159,814
Grand Totals	1,703,022	485,552	1,217,470

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2011 Planned Spending	2011 Operating Budgeted Spending	2011 Capital Budget	2011 Special Assessment Spending	Total 2011 Budgeted Spending
FileWeb (6)	\$10,000	0	0	10,000
Data Warehouse (7)	0	0	20,050	20,050
Internet (8)	1,500	0	149,200	150,700
ADA Connect/Knowledge Mgmt (9)	169,885	260,943	0	430,828
PeopleSoft (10)	0	0	529,400	529,400
Hyperion Budgeting Module (11)	0	0	201,800	201,800
Tripartite System	0	0	0	0
Infrastructure Hardware/Licenses (12)	313,510	1,238,278	0	1,551,788
Siebel (13)	46,088	12,066	0	58,154
Order Management/eCommerce (14)	0	0	1,600,000	1,600,000
Total Project Spending	540,983	1,511,287	2,500,450	4,552,720
Balance of IT Operating Budget	5,768,867	0	0	5,768,867
Total IT Spending	<u>\$6,309,850</u>	<u>1,511,287</u>	<u>2,500,450</u>	<u>10,321,587</u>

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2011 Consulting Projects	<u>Total Projected Spending</u>	<u>Operating Budget</u>	<u>Capital Budget</u>	<u>Special Assessment Fund</u>
FileWeb Upgrade	10,000	10,000	0	0
FileWeb Totals (6)	10,000	10,000	0	0
Data Warehouse (7)	20,050	0	0	20,050
Mobile Application	1,500	1,500	0	0
eMail Forwarding System Upgrade	130,300	0	0	130,300
Content Mgmt Data Bridge Software	18,900	0	0	18,900
Internet Totals (8)	150,700	1,500	0	149,200
ADAConnect/KM (9)	430,828	169,885	260,943	0
PS Finance System Upgrade– Phase II	489,400			489,400
PS HR System Upgrade – Phase I	40,000			40,000
PeopleSoft Totals (10)	529,400	0	0	529,400
Hyperion Budget Module (11)	0	0	0	201,800
Tripartite System	0	0	0	0
Warranty Technician	75,000	75,000	0	0
Telephone Upgrades	62,438	7,010	55,428	0
Network Infrastructure	13,755	10,000	3,755	0
Network Security	25,000	25,000	0	0
Operating Software	46,500	46,500	0	0
Capital Hardware	877,600	0	877,600	0
Capital Software	301,495	0	301,495	0
Preservation of Evidence - Supplementals	150,000	150,000	0	0
Infrastructure Totals (12)	1,551,788	313,510	1,238,278	0
Personalized Products fix for PDS	58,154	46,088	12,066	0
Siebel Totals (13)	58,154.00	46,088.00	12,066.00	0

Grand Totals	4,552,720	540,983.00	1,511,287.00	2,500,450
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IT Core Area

2012 Planned Spending	Operating Budget	Capital Budget	Total
FileWeb (14)	\$180,000	0	180,000
Data Warehouse	0	0	0
Internet (15)	127,775	267,300	395,075
ADA Connect/Knowledge Mgmt (16)	47,530	125,615	173,145
PeopleSoft (17)	137,640	321,150	458,790
Tripartite System	0	0	0
Infrastructure Hardware/ Licenses (18)	215,000	1,054,000	1,269,000
Siebel	0	0	0
Hyperion Budgeting Module	0	0	0
Order Management/eCommerce (19)	282,287	383,600	670,887
Total Project Spending	995,232	2,151,665	3,146,897
Balance of IT Operating Budget	8,830,573	0	8,830,573
Total IT Spending	<u>\$9,825,805</u>	<u>2,151,665</u>	<u>11,977,470</u>

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2012 Consulting Projects	Total Projected Spending	Operating Budget	Capital Budget
FileWeb Support	10,000	10,000	0
FileWeb Replacement Planning - DP	170,000	170,000	0
FileWeb Totals (14)	180,000	180,000	0
Data Warehouse Totals	0	0	0
Content Management System	254,875	48,000	206,875
Course Authoring Tool - DP	42,350	42,350	0
Mobile Application Platform - DP	97,850	37,425	60,425
Internet Totals (15)	395,075	127,775	267,300
ADA Connect/KM Expansion - DP	173,145	47,530	125,615
ADA Connect/KM Totals (16)	173,145	47,530	125,615
PeopleSoft Human Resources Upgrade - Phase II	458,790	137,640	321,150
PeopleSoft Totals (17)	458,790	137,640	321,150
Tripartite System	0	0	0
Warranty Technician	75,000	75,000	0
Telephone Upgrades	93,000	20,000	73,000
Server Clustering & Virtualization	10,000	10,000	0
Network Security	35,000	35,000	0
Operating Software	75,000	75,000	0
Capital Hardware	981,000	0	981,000
Capital Software	0	0	0
Infrastructure Totals (18)	1,269,000	215,000	1,054,000
Siebel	0	0	0
Hyperion Budget Module	0	0	0
Aptify Rollout - TS Replacement & Event - DP	558,000	174,400	383,600
Sr. Application Developer - DP	112,887	112,887	0
Aptify Totals (19)	670,887	287,287	383,600
Grand Totals	3,146,897	995,232	2,151,665
DP = Decision Package in 2012 Budget			

1 **Resolutions**

2 This report is informational and no resolutions are presented.

3 **BOARD RECOMMENDATION: Vote Yes to Transmit.**

4

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	BLANTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KIESLING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	STEFFEL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CALNON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LONG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SUMMERHAYS
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ENGEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	THOMPSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FAIELLA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NORMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VERSMAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEINBERG	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	RICH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	VIGNA
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5

- Due primarily to the current (2007-now) low interest environment and then to new U.S. government funding requirements, the cash costs for annual funding of pension plan obligations has been escalating (projected to reach \$11 million in 2012).
- Unfunded pension plan obligations (e.g., the difference between the actuarial estimate of funds needed to achieve 100% funded status and actual funds already contributed to-date) have grown from \$17.5 million in 2008 to \$48 million at year end 2010. [Note: the \$48 million is based on a projection of current + future pension obligations to be incurred for the ADA's existing employee base]

if they were to continue working until retirement age; only \$32.8 million of this amount was related to current pension plan obligations already incurred and owed to pension plan participants.]

- These escalating expenses and liabilities were eroding ADA's consolidated net operating assets (from \$57 million in 2007 to negative \$1.6 million as of 12/31/10).
- At the same time, the projected liability to the ADA (e.g., the costs of benefits already provided to current retirees plus an actuarial estimate of benefits owed to future retirees) from the costs of retiree medical and dental plans has grown to almost \$20 million at year end 2010.

Savings Achieved: The Board has adopted resolutions which will change the current pension plan (e.g., defined benefit plan) beginning January 1, 2012 to a less costly defined benefit plan formula and adopt changes to other plan features that will sharply minimize the future costs and risks of the plan to the ADA. Further, the Board has adopted resolutions to modify the current 401K plan (e.g., defined contribution plan) also beginning January 1, 2012. Finally, the Board has adopted resolutions restructuring the retiree medical benefit program by 2014.

Immediate and long-term relief of both cash costs and liability would result. Further, the ADA would shift a portion of the risks from investment return volatility away from the ADA to become a shared risk with the employees' by restructuring the retirement plan to enhance the portion of retirement benefits provided via the 401(k) plan instead of the pension plan.

Pension Plan / 401k Plan Savings

- Upon formal announcement of changes to affected employees and retirees, the ADA will adjust its 2011 pension liability as reported on its balance sheets from an estimated \$41.2 million to a projected \$34.4 million.
- Once the pension plan meets the government required 100% funding level in 2017, liability will be effectively eliminated for the pension plan and investment returns would become the primary source to fund continued operation.
- Actual cash funds needed to make contributions to the pension plan are expected to drop for 2012 from an estimate of \$10.6 million down to a projection of \$8.2 million.
- This reduced \$8.2 million projection for 2012 includes over \$6 million in cash needed to fund already incurred current obligations – the catch-up funding amount – which requirement will continue through 2017 when the pension plan is projected to reach 100% funded status as required by US government regulations enacted in 2006. These catch up payments will be required regardless of any changes to or even elimination of, the pension plan.
- Going forward on a normal cost basis, total funds for financing employees' retirement plan benefits would decrease from an average projection of approximately \$6 million per year to approximately \$4 million per year.
 - The amount required for normal funding of the pension plan would drop to an average of \$2 million per year (and would be eliminated in years beginning 2018 and thereafter when investment returns from the pooled assets exceeds the \$2 million annual contribution requirement).
 - The amount to fund an enhanced 401(k) benefit will be approximately \$1.5-\$2.0 million per year. This amount is expected to be paid only annually (rather than on a per pay period basis) providing the ADA with cash flow management advantages. For 2012, the Budget & Finance Committee approved an annual contribution of \$1,000 per employee (versus a fully loaded enhanced benefit of 4% of salary per employee); with intent to continue increasing such contribution amount per employee each year until the 4% level is able to be achieved.

Retiree Medical Plan Savings

- Upon announcement of changes to affected employees and retirees, the ADA will adjust its basis for funding retiree medical benefits by a reduction of over \$2 million, leaving a projected net cost of just (approximately) \$100,000 per year.
- Reported liability on the ADA balance sheet is projected will be reduced for 2011 from \$21.5 million for retiree medical and dental benefits to under \$9 million.

Combined Long-Term Savings

- Over 15-years 2012-2026:
 - Estimated cost savings will be \$61 million
 - Estimated reduction in reported liability will be \$37.1 million.

Findings: The Board Report by the standing committees of the Board to the full Board of Trustees is incorporated in full as the statement of findings for this report to the House of Delegates. Such full statement of findings also presents a set of Appendices which includes: a glossary of terms (Appendix A), a summary description of the features of the current ADA employee benefit plans including the Executive Parity Plan (Appendix C), the demographic study of ADA staff (Appendix D), the final reports issued by the consulting firms (Appendices F and I), and a financial model developed by ADA Finance and Human Resources to estimate the impact of costs and liabilities to the ADA of alternative plan design options over a 10-year period (Appendices G1 and G2).

Board Actions:

B-154-2011. Resolved, that the Board of Trustees directs that Section 2.7 of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Average Monthly Compensation for benefits accrued as Career Average Monthly Compensation, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Section 2.7 be made.

B-155-2011. Resolved, that the Board of Trustees directs that Article IV of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to require calculation the Normal Retirement Benefit for all benefits earned as the sum of (1) the amount accrued by the participant in the Plan as of December 31, 2011 and (2) 1% of Career Average Monthly Compensation multiplied by total Years of Benefit Service at normal retirement date to a maximum of 30 such years on or after January 1, 2012, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article IV be made.

B-156-2011. Resolved, that the Board of Trustees directs that Article V of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Normal Retirement Date for retirements to be the date on which a participant attains the age of 65 and meets the vesting requirements, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article V be made.

B-157-2011. Resolved, that the Board of Trustees directs that Article VI of the Employees' Retirement Plan be amended effective as of January 1, 2012 to eliminate the early retirement calculation based on attaining age 62 and at least 25 years of vesting service, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article VI be made.

B-158-2011. Resolved, that the Board of Trustees directs that the ADA Employees' Savings and Thrift Plan be amended effective January 1, 2012 to eliminate the \$500 match currently in the Plan for one year only and replace it with a \$1,000 contribution to the ADA Employees' Savings and Thrift Plan and to develop a plan in 2012 to achieve a 4% contribution of annual salary to the 401k ADA Employees' Savings and Thrift Plan as part of the amended ADA Pension Program, dependent on the relevant yearly financial position of the ADA and its ability to fund an annual 4% contribution of covered compensation to the account of each eligible participant contribution level, and be it further

Resolved, that such other amendments to the ADA Employees' Savings and Thrift Plan necessary to implement the foregoing amendment be made.

B-159-2011. Resolved, that the Board of Trustees directs that the definition of "Who Is Eligible" under the ADA Medical Benefits Plan be amended effective January 1, 2014 to remove from eligibility any person who is a retiree of the American Dental Association, and be it further

Resolved, that the ADA directs that a Medical Benefits Reimbursement Plan for ADA Retirees be adopted effective January 1, 2014 to reimburse each eligible ADA retiree who has attained the minimum age of 65 and who submits the appropriate documentation for qualified medical amounts, including annual premium costs for publicly available medical insurance. Initial amount of annual reimbursement beginning 1/1/2014 not to exceed \$1500 – 1800, as determined by age of eligible retiree at time of reimbursement.

B-160-2011. Resolved, that the Board of Trustees directs that the definition of "Who Is Eligible" under the ADA Direct Reimbursement Employees' Dental Care Plan be amended effective January 1, 2014 to reimburse each ADA retiree who has attained the minimum age of 65 and who submits the appropriate documentation for qualified dental expenses. Such reimbursement amount to be equal to the amount provided at time of reimbursement to an active employee.

Resolutions

This report is informational in nature and no resolutions are presented.

BOARD RECOMMENDATION: Vote Yes to Transmit.

Board Vote:														
Yes	No	Abstain	Absent		Yes	No	Abstain	Absent		Yes	No	Abstain	Absent	
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REPORT OF THE PENSION AND COMPENSATION COMMITTEES OF THE BOARD OF TRUSTEES: RECOMMENDED CHANGES TO ADA EMPLOYEE RETIREMENT PLANS

Goal: Financial. Ensure that the ADA is a financially stable organization that provides appropriate resources to enable strategic and operational initiatives.

Executive Summary: The Pension and Compensation Committees under oversight of the Budget and Finance Committee of the Board have completed independent and joint evaluations of the ADA employees' qualified retirement plans, other employee benefit plans, and employee base salary costs which collectively comprise the ADA's total annual cash compensation expense. This review process was undertaken in response to House Resolution 2010-134 and included the Special Committee on Financial Affairs (SCFA) in all information shared with the Committees of the Board.

The Board Committees have concluded after an in depth analysis of multiple options, as has senior management, that the current pension plan (e.g., defined benefit plan) design is unsustainable from a financial perspective. The Board Committees recommend changing the current pension plan beginning January 1, 2012 to a less costly defined benefit plan formula and adopting changes to other plan features that will sharply minimize the future costs and risks of the plan to the ADA. Further, the Committees recommend modification of the current 401K plan (e.g., defined contribution plan) also beginning January 1, 2012, and restructuring the retiree medical benefit program by 2014. In the opinion of the Committees and senior management, these options best mitigate most of the risks involved in this decision from both a financial and human resource perspective.

Budget Impact: Immediate relief of both costs and liability would result. Once the pension plan meets the government required 100% funding level in 2017, liability will be effectively eliminated for the pension plan and investment returns would become the primary source to fund continued operation. Over 15-years 2012-2026, estimated cost savings would be \$61 million (\$142.2MM - \$81.0 MM) and estimated reduction in reported liability would be \$37.1 million (\$52MM - \$14.9MM).

(\$000)	Original Annual Plans for 2012	Projected Plans after Changes for 2012	Original 15-Year Estimate 2012-2026	Projected 15-Year Estimate after Changes
Pension Funding - Normal	\$4,129	\$1,793	\$92,624	\$33,642
Pension Funding – Catch-up to 100%	\$6,488	\$6,394	\$33,690	\$33,171
Pension Funding Offset from Returns	\$0	\$0	(\$43,622)	(\$21,469)
401(k) Contribution	\$0	\$453	\$0	\$29,594
401(k) Match	\$236	\$0	\$3,750	\$0
Retiree Medical / Dental Funding	\$2,807	\$47	\$55,749	\$6,087
Total Costs	\$13,660	\$8,687	\$142,191	\$81,025
Pension Unfunded Liability	\$35,000	\$27,200	\$0 By Year-end 2017	\$0 By Year-end 2016
Retiree Medical / Dental Liability	\$23,500	\$9,000	\$52,000 By Year-end 2025	\$14,900 By Year-end 2025
Total Liabilities	\$58,500	\$36,200	\$52,000	\$14,900

Most Cash Efficient Option Was Selected: A well-funded defined benefit plan such as the ADA has historically maintained allows use of plan investment returns to reduce cash needed from operations to fund future benefit obligations, providing an efficient means to constrain cash costs typically not available under other retirement plan options. Once the extraordinary short-term catch-up funding demands of the ADA's defined benefit plan have been satisfied – created in large part by the unprecedented U.S. government requirement for all pension plans to reach 100% funding by 2017 – cash efficiency will resume, and the exposure to impacts on the liability from extreme volatility will also be reduced.

A hard freeze option, in which future retirement benefits would be provided solely by a 401k savings plan, was also considered by the Committees but would not offer similar cash efficiency. The ADA would not be able to recapture investment returns left in the pension plan unless a hybrid defined benefit/defined contribution plan (e.g., a cash balance plan) were implemented. But cash balance plans, by their design, allow lump sum payouts increasing the cost of operation and impact on investment options due to the drain of lump sum payouts. As a result the projected cost savings over a 15-year period were less than the recommended option. Reduction in liability volatility also was not materially better than compared to the proposed option because the ADA will continue to be responsible for the pension plan obligations incurred up to 12/31/11; this is a legal obligation that cannot be changed by introducing a hard freeze.

Any change in benefit value under the Pension Plan will also similarly reduce any benefit values earned under the Pension Parity Plan. This plan is provided to allow highly compensated executive staff earning over the annual IRS compensation limits (currently \$245,000) to earn a retirement benefit similar to the benefits earned by ADA staff who are not affected by the IRS limit. The plan also allows as of 2001 for the Officers who are treated as employees (President, President Elect and Treasurer) to participate; such participation covering their full compensation from the ADA not just any portions in excess of the IRS limits because in general the Officers will not meet the vesting requirements of the Pension Plan. [See Appendix C for further details.] The Parity Plan only exists as an extension of the Pension Plan. If the Pension Plan benefits are reduced or eliminated so shall the Parity Plan benefits be reduced or eliminated. Note the Parity Plan will be studied further as part of the work by the Compensation Committee in the next 3-6 months to perform the 1st Total Compensation assessment of the ADA employee pay and deferred compensation programs.

Key External and Internal Environmental Factors:

- Weak stock market performance followed by the current low interest rate environment created extreme unpredictable volatility in the pension liability, contributing to significant erosion of net operating assets since 2007
- The relative richness of the current defined benefit (pension) plan design as compared to peer organizations allows substantial change in plan design while continuing to offer a benefit that remains a key reason staff have historically chosen to stay employed with the ADA.
- Flat dues and non dues revenue over the last four years, against expense inflation
- Low non dues percentage of total dues revenue as compared to peer organizations
- The Pension Protection Act of 2006 requires the ADA to fully fund its pension by 2017; this is a key one-time reason for the unpredictable growth in pension liability and relates to benefits already incurred
- Unique business model of the ADA is sustained by recruiting and retaining individuals with high levels of education, content expertise, experience and proven leadership ability
- Changes in the calculation of the liability due to a change in Actuaries

Process:

- The Pension, Compensation and Budget and Finance committees conducted an in depth review, using three external consultants and evaluating over ten potential options
- Five plan change scenarios were analyzed in detail through a robust financial model and optional scenarios were evaluated against the risks and benefits to the ADA from a financial and a human resource perspective (e.g., a multi-prong decision framework)
- A comprehensive comparison was performed of ADA's key financial indicators (e.g., revenue size, benefit costs as a % of salaries, etc.) and of all ADA employee benefit plans versus financial numbers and benefit plans of multiple groups of organizations against which the ADA might compete for people.
- An extensive sample analysis was conducted covering 106 ADA active staff to validate that retirement and other benefits have high value to staff attraction and retention decisions

Action Desired: Adopt proposed resolutions**Staff Contact:**

Kathleen O'Loughlin, Executive Director, oloughlink@ada.org (312-440-2670)
 Sabrina King, Vice President, Human Resources, kings@ada.org (312-440-2755)
 Paul Sholty, Chief Financial Officer, sholtyp@ada.org (312-440-2516)

Proposed Resolutions

B-154-2011. Resolved, that the Board of Trustees directs that Section 2.7 of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Average Monthly Compensation for benefits accrued as Career Average Monthly Compensation, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Section 2.7 be made.

B-155-2011. Resolved, that the Board of Trustees directs that Article IV of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to require calculation the Normal Retirement Benefit for all benefits earned as the sum of (1) the amount accrued by the participant in the Plan as of December 31, 2011 and (2) 1% of Career Average Monthly Compensation multiplied by total Years of Benefit Service at normal retirement date to a maximum of 30 such years on or after January 1, 2012, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article IV be made.

B-156-2011. Resolved, that the Board of Trustees directs that Article V of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Normal Retirement Date for retirements to be the date on which a participant attains the age of 65 and meets the vesting requirements, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article V be made.

B-157-2011. Resolved, that the Board of Trustees directs that Article VI of the Employees' Retirement Plan be amended effective as of January 1, 2012 to eliminate the early retirement calculation based on attaining age 62 and at least 25 years of vesting service, and be it further

1 **Resolved**, that such other amendments to the ADA Employees' Retirement Plan necessary to
2 implement the foregoing amendment to Article VI be made.

3
4 **B-158-2011. Resolved**, that the Board of Trustees directs that the ADA Employees' Savings and
5 Thrift Plan be amended effective January 1, 2012 to eliminate the \$500 match currently in the
6 Plan for one year only and replace it with a \$1,000 contribution to the ADA Employees' Savings
7 and Thrift Plan and to develop a plan in 2012 to achieve a 4% contribution of annual salary to the
8 401k ADA Employees' Savings and Thrift Plan as part of the amended ADA Pension Program,
9 dependent on the relevant yearly financial position of the ADA and its ability to fund an annual 4%
10 contribution of covered compensation to the account of each eligible participant contribution level,
11 and be it further

12 **Resolved**, that such other amendments to the ADA Employees' Savings and Thrift Plan
13 necessary to implement the foregoing amendment be made.

14 **B-159-2011. Resolved**, that the Board of Trustees directs that the definition of "Who Is Eligible"
15 under the ADA Medical Benefits Plan be amended effective January 1, 2014 to remove from
16 eligibility any person who is a retiree of the American Dental Association, and be it further

17
18 **Resolved**, that the ADA directs that a Medical Benefits Reimbursement Plan for ADA Retirees be
19 adopted effective January 1, 2014 to reimburse each eligible ADA retiree who has attained the
20 minimum age of 65 and who submits the appropriate documentation for qualified medical
21 amounts, including annual premium costs for publicly available medical insurance. Initial amount
22 of annual reimbursement beginning 1/1/2014 not to exceed \$1500 – 1800, as determined by age
23 of eligible retiree at time of reimbursement.

24 **B-160-2011. Resolved**, that the Board of Trustees directs that the definition of "Who Is Eligible"
25 under the ADA Direct Reimbursement Employees' Dental Care Plan be amended effective
26 January 1, 2014 to reimburse each ADA retiree who has attained the minimum age of 65 and
27 who submits the appropriate documentation for qualified dental expenses. Such reimbursement
28 amount to be equal to the amount provided at time of reimbursement to an active employee.
29

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21	benefit plans versus proposed changed benefit plans
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24	offering multiple options of retirement benefit plans' designs for consideration

25 Introduction

26 This report and its recommendations are in response to the House of Delegates Resolution 134-2010, as
27 amended, and Resolution 123-2010, Section L.

28 Resolution 134-2010 states:

29 **Second, Fifth, Thirteenth and Seventeenth Trustee Districts Resolution 134, as amended—**
30 **Study of ADA Employees' Retirement Plans**

31 **Resolved**, that the study of the ADA Employees Retirement Plan as submitted in Board Report
32 12 (Worksheet:2164) be referred back to the Board of Trustees for evaluation and study by the
33 Board and for submission of the Board's recommendations regarding these retirement plans to
34 the 2011 House of Delegates, and be it further

35 **Resolved**, that the Board of Trustees also review all ADA employee benefit packages.

36 **(LEGAL NEEDS TO COMMENT HERE ABOUT THE WORDING OF THE RESOLUTION, THAT**
37 **IN HIND SIGHT, IT SHOULD HAVE BEEN MADE CLEAR THAT THE BOARD HAS THE**
38 **CONSTITUTIONAL AUTHORITY TO MAKE THIS DECISION AND REPORT BACK TO THE**
39 **HOUSE, NOT SEND A RECOMMENDATION TO THE HOD FOR ACTION-CRAIG AND TOM**
40 **SOLIDAY'S EMAIL.**

41 As excerpted, Section L of Resolution 123-2010 states:

42 **Seventh Trustee District Resolution 123S-2 a substitute for Eighth Trustee District**
43 **Resolution 123—Continuation of Special Committee on Financial Affairs**

44 **... Resolved**, that the roles and responsibilities of the committee be:

... I. Evaluate all aspects of the Association's staff retirement plan designs and assumptions, and to communicate with and educate the House of Delegates about these plans. ...

KPMG, external auditors to the Association, have also recommended that all employee compensation and benefit programs be periodically reviewed. Such a review, often called a Total Compensation review, is typically conducted on a periodic basis by larger employers to measure their employee offerings against their competition; this benchmarking analysis has not been performed by the ADA within at least the past seven years. Therefore, the evaluation of the ADA employees' retirement plans occurred within the fuller context of an examination of all employee compensation and benefit programs.

See **Appendix A** for a glossary of key benefit and compensation terms used in this report.

Why Did We Do This Second Review?

The ADA has four assets: members, money, real estate and its professional staff. As a service organization, the ADA's ability to meet the needs of its members and the public is highly dependent on the capabilities and capacities of its staff and volunteer leaders. The short and long-term financial sustainability of the ADA is dependent on carefully allocating financial resources toward professional staff resources (and physical plant resources) against what is "affordable". The ADA has historically been a conservative manager of its resources but recently has been caught in a perfect storm of external and internal events placing extreme negative pressure on the long term financial health of the ADA.

Since 2008, the expense and liabilities related to operating the ADA Employees' Retirement Plan (its pension or defined benefit plan) have grown significantly and now divert finite financial resources from the attainment of the Strategic Plan Goals and the ongoing development of its staff which enhances the ADA's ability to compete for key talent.

- Due primarily to the current (2007-now) low interest environment and then to new U.S. government funding requirements, the cash costs for annual funding of pension plan obligations has been escalating (projected to reach \$11 million in 2012). In addition, unfunded pension plan obligations (e.g., the difference between the actuarial estimate of funds needed to achieve 100% funded status and actual funds already contributed to-date) have grown from \$17.5 million in 2008 to \$48 million at year end 2010. These escalating expenses and liabilities erode ADA's consolidated net operating assets (from \$57 million in 2007 to negative \$1.6 million as of 12/31/10).
- At the same time, the projected liability to the ADA (e.g., the costs of benefits already provided to current retirees plus an actuarial estimate of benefits owed to future retirees) from the costs of retiree medical and dental plans has grown to almost \$20 million at year end 2010.

In 2009 the House, directed that these costs and liabilities be examined resulting in Board Report 12 under House Resolution 85-2009. This prior study was returned to the Board for further study and a request for recommendations resulting in the work effort of this more extensive review process.

Second Process and Scope

A broad volunteer and staff team was assembled to perform the more extensive work efforts required of this Total Compensation review. Total Compensation is defined as the sum of annual cash compensation + the value of employee benefits provided to employees; and is a way of evaluating the effectiveness and appropriateness of the collective package of 'pay/benefits' paid in not-for-profit organizations as well as in for profit companies.

The team consisted of all members of the Pension and Compensation committees, the chair of the Budget & Finance Committee, the ADA Executive Director, the ADA Chief Financial Officer, and the VP of Human Resources plus key staff from ADA Human Resources. The SCFA was fully integrated in all

education and data analysis activities, with direct representation of two members of SCFA in developing final recommendations of the Pension Committee.

See **Appendix B** for a list of team members.

The team conducted an extensive request for proposal (RFP) process covering eleven (11) external benefit consulting firms. Through the RFP action, the team was able to evaluate and select highly regarded expert consulting firms to assist in the new review process.

- The Pension Committee engaged Towers Watson (TW) to perform the plan design and costs study of the retirement plans.
- Towers Watson then engaged a current ADA vendor, Clarity in Numbers, to perform all necessary actuarial calculations and cost/liability estimates.
- The Compensation Committee engaged Benefits Compensation Resources (BCR) to perform the evaluation of all other benefit plans and cash pay expense by qualitative and quantitative comparison of ADA plans and costs to plans and costs offered by multiple groups of external competitors (included not-for-profit and for-profit entities).

The scope of this 2011 review was broader than was performed for Board Report 12, and included these ADA employee plans (and attendant costs),

See **Appendix C** for a brief description of each benefit plan:

Pension Committee Responsibility	Compensation Committee Responsibility
Retirement Plans, collectively	Other Employee Benefit Plans
• Pension Plan	• Medical Insurance Plans
• Executive Parity Pension Plan	• Dental Reimbursement Plan
• Retiree Healthcare Plan	• Life Insurance Plan
• 401k Savings Plan	• Travel Accident Insurance Plan
	• Long Term Disability Insurance Plan
	• Tuition Assistance Plan
	Salary and Other Cash Pay Plans

ADA Finance and Human Resources senior staff met in February 2011 with SCFA to enlist SCFA's help to better determine the probable objectives and intent of the House in returning Board Report 12 to the Board for additional evaluation. SCFA clarified the House's concern about risks to the long-term health of the Association posed by the current retirement plans. The options and conclusions presented by Board Report 12 appeared to be inadequate in addressing the Association's needs. The intent was not to reduce ADA employee retirement benefits per se but to sharply rein in volatility of expenses and better manage/reduce funding costs. Thus **cost savings and liability risk/volatility reduction together with sustaining the value of ADA benefit plans for employee attraction and retention purposes** were seen as mutually acceptable objectives for re-evaluation efforts.

What Factors Influenced Rising Costs and Liabilities/Volatility?

A rigorous, intensive education and review process was engaged in by the Board Committees (and also by SCFA) during March through August 2011.

They first assessed the impact on the ADA retirement program from several **external factors**.

- Depressed investment environment – Since 2007, the ADA pension plan has been adversely impacted by historic lows for both interest rates and equity investment values, which have resulted in rapid and unpredictable volatility in the ADA's unfunded pension liability. For example,

a 50 basis point (.50%) swing in the investment interest rates, up or down, equals a net \$9 million change in the ADA's pension liability.

- New U.S. government regulations on pension plans – In 2006 a new regulation was enacted to protect the U.S. Pension Benefit Guaranty Corporation (PBGC) from projected losses. This regulation is now requiring pension plan sponsors like the ADA to 'catch-up' to 100% funding of all benefit obligations by 2017. The ADA had maintained very solid funding at 65% or better of our benefit obligations, which was more than adequate to cover projected pension payments. But the ADA has no choice and must adhere to the new catch-up funding regulations. (a)
- Errors in calculations by ADA's previous actuaries – \$21.6 million of the additional ADA pension liability being reported for 2010 is a result from correcting use of the wrong mortality table by ADA's prior actuaries and correcting another error in the prior actuaries' calculations. Separately, another \$2.5M actuarial adjustment was required to be added to retiree medical liability to correct a prior actuaries' calculation. (The contract for actuarial services was sent out to bid in 2010 and Clarity in Numbers was engaged to provide those services previously supplied by MWM Consulting)
- Weak ADA revenue generation – The external consulting firm, Benefits Compensation Resources (BCR) found that ADA is currently underperforming a peer group of not-for-profit organizations on revenue generated per full time head (ADA is earning \$263,000/head vs. the average of the peer group which is \$296,000/head).
- Revenue weakness results in weaker performance on financial numbers – Underperformance on total revenue together with retirement plan expense growth are considered by BCR as the key factors contributing to ADA total costs of human resource assets being higher than its peers, reaching 48.6% of operating budget vs. only 43.5% of operating budget among the peer organizations.

(a) Note: the liability funding regulations do not apply to the Executive Pension Parity Plan as that plan does not sustain any unfunded liabilities. Instead, annual costs are expensed when incurred and if a covered participant's benefit is not yet vested, the cash is transferred to ADA's long-term reserve accounts until vesting is achieved and benefits are disbursed. See Appendix C for a history of payouts for the annual periods ending 2006-2010.

The Board Committees evaluated the costs of the ADA retirement program and overall employee benefit programs by considering several **internal factors**.

- ADA's staff cash wages have historically been at or below average for its marketplace – Benefit Consulting Resources (BCR) analyzed ADA's current cash compensation (base pay + any bonus pay) and found ADA currently pays at 85% of its peer group companies.
- Lower average wages were generally offset by ADA purposefully offering a strong benefits package – BCR found that ADA's benefits package was generally better than the average package offered by other associations in its marketplace. This was a way for ADA to successfully compete for people talent in two high cost, urban job markets – Chicago, IL and Washington, DC – where high value compensation packages are the norm among larger employers due to cost of living and the competition from multiple employment options being available to top quality talent.
- Retirement benefits have been a centerpiece of the ADA benefits package – The external consulting firm Towers Watson (TW) valued the ADA total retirement package at 14.7% of average pay / employee vs. a median of 8.1% of average pay / employee among the not-for-profit and corporate organizations offering pension plans in the TW benefits survey database.
- Retiree medical and dental benefits were a second centerpiece in the ADA benefits package – The ADA retiree package has been a substantial benefit, allowing retirees as early as 55 years of age to continue coverage under ADA health programs by paying 100% of the premium from age 55 to normal retirement age, and then by paying the same subsidized premium as an active employee once the retiree reached normal retirement age.
- ADA has successfully attracted staff because of its benefits package – In an internal survey of 106 recent ADA new hires (23% of total 2011 staff), generous benefits were listed as one of the top five reasons the new hires chose to join the ADA.

- The ADA offers senior management a pension parity plan in part to offset the lack of lower cash pay – BCR found that other associations offer their executives cash incentive/bonus plans which are not available at the ADA. BCR with TW found the ADA makes up for some of this pay gap by offering a parity plan where the executive staff can earn retirement levels equal to levels earned by non-executive staff not subject to the IRS caps on benefit paid from pension plans. (a)
- Collectively the sum of other employee benefits is equal in value to the non-retirement benefits offered by other employers in the ADA's competitive marketplace.

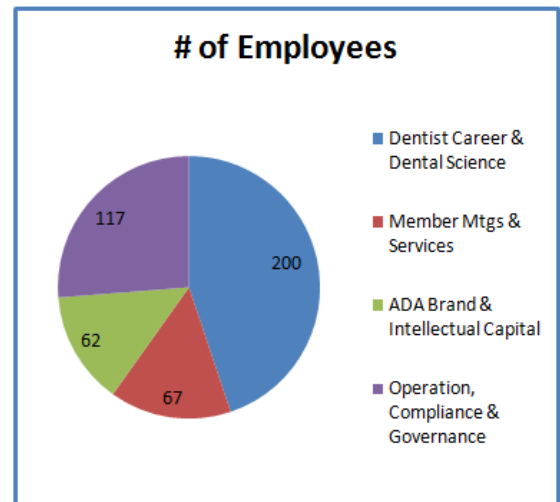
(a) Officers of the ADA (President, President Elect and Treasurer) have been eligible to participate under the pension parity plan as of 2001. The basis of their participation was made on the recommendation of the prior ADA actuary. The then actuary, MWM Consulting Group, followed ADA external legal counsel's advice that Officers were to be recognized as employees of the ADA during their term of office for tax purposes. As such MWM determined that Officers are not eligible to participate in the qualified pension and 401k plans of their own private practices using income from the ADA (e.g., a SERP or IRA). Therefore, MWM proposed the Officers be permitted to participate under the pension parity plan, which is a non-qualified plan, as if the Officers had been covered by the ADA pension plan except subject to vesting upon termination of their term as an Officer, even if such term ends before five years of Vesting Service as defined under the qualified pension plan.

What Factors Influenced the Value Offered by Current Benefit Plans?

The 'value' to an employer of its pay and benefits program is measured in its ability to attract and then retain the best available people needed to operate well. The ADA has been successful in both attracting and retaining the professional staff required to meet our unique dental industry/association goals and objectives in large part due to the attractiveness of our current benefit plans.

ADA Human Resources conducted a formal assessment of ADA staff in May 2011. This assessment identified that 200 (over 44%) of our professional staff work directly in dental profession content expert roles (high levels of specific dental expertise) supporting members' careers and the areas of dental education and science. The assessment also found the ADA has strong longevity among all staff, averaging 10-12.5 years of service depending on area of specialization. This is a snapshot of ADA's staff segmented into four primary categories of specialty:

Key Role	# EEs Overall	# New Hires <5 yrs	Avg Age (yrs)	Avg Serv (yrs)
Dentistry-focused Roles	200	36	50	12.5
Membership Services	67	19	46	10
Brand & Intellectual Capital	62	16	48.5	11.5
Operations, Compliance & Govern	117	21	48	12.5

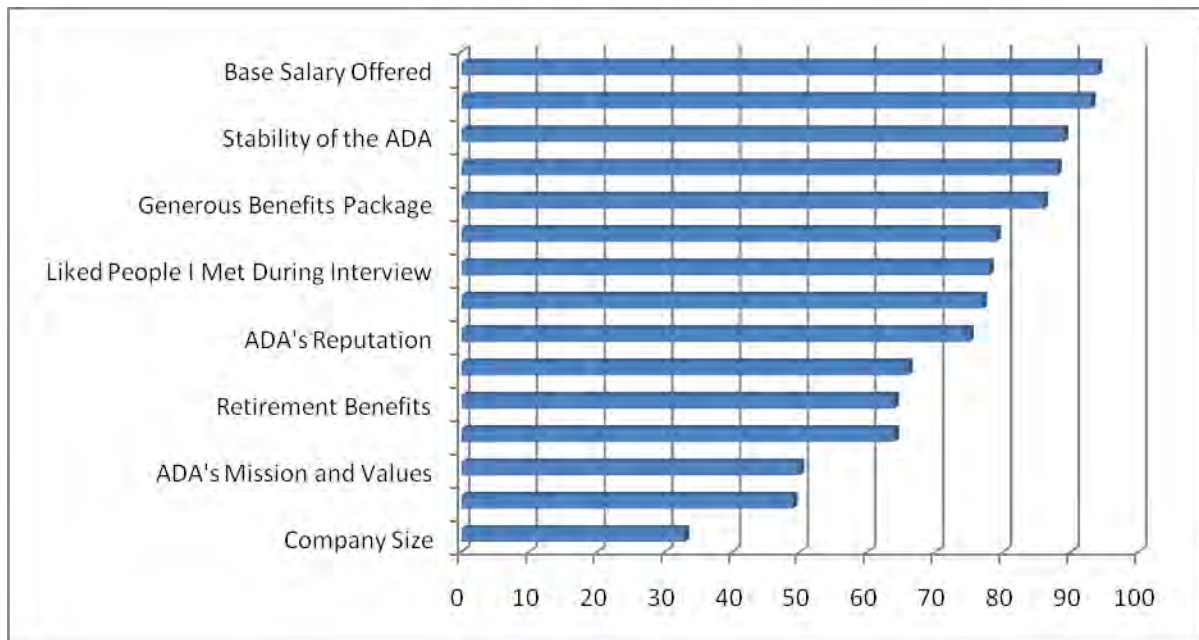


Looking closely at the type of staff hired in the past five years, the assessment found the ADA tends to seek primarily middle-age, highly educated and seasoned professionals. An unexpectedly high percentage of these hires came from outside of the not-for-profit association environment.

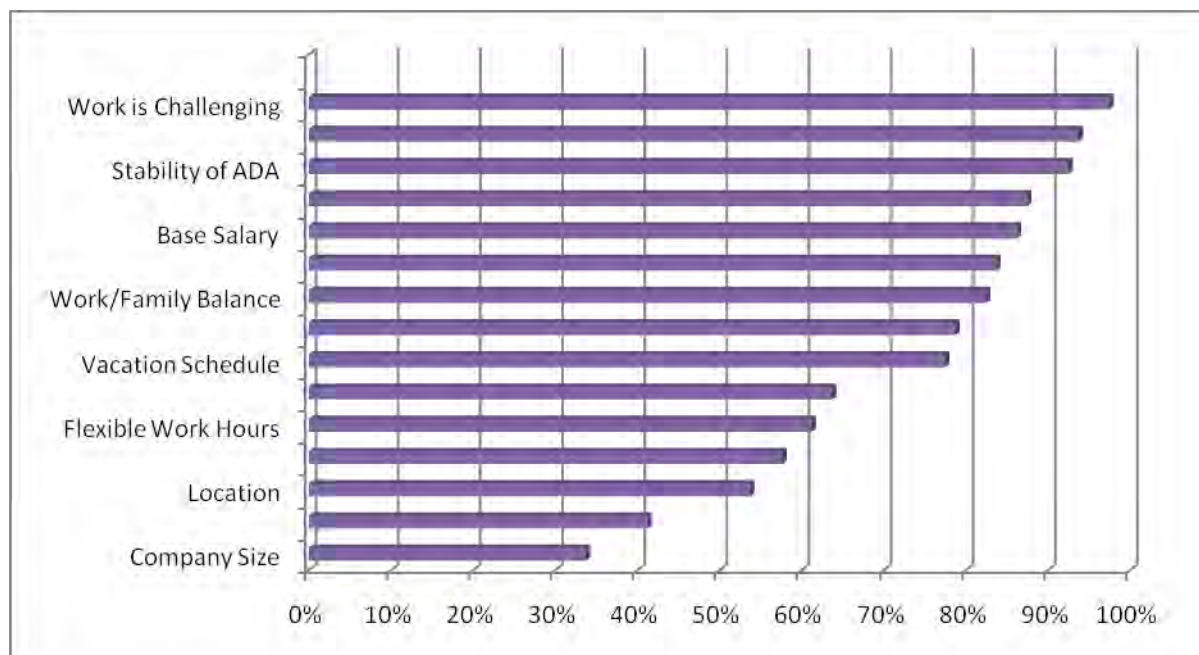
- Recent ADA new hires were an average of 42 years of age (with many serving as lead income earners for their household)
- The education levels of new hires was high: 49% had a DMD/DDS, PhD, JD or Masters degree; 42% had a Bachelors degree and 28% of new hires into dentistry-focused roles were dentists or hold a PhD
- The main source for dental content expertise has been in Academia and Corporate (79% combined)
- Corporate employers have become a primary source of talent for the ADA in other areas too: 54% of new hires who promote ADA Brand & Intellectual Capital came from Corporate employers as did 88% of new hires who enable Operations, Compliance & Governance functions

The assessment was able to validate that staff do in fact place a **high value** on the ADA benefits package both as a factor in attracting them to work at the ADA, and then in retaining them. The relative value of retirement benefits in particular was found to be most important to retention.

The chart on the next page offers a quantitative comparison of the relative value placed on 15 factors of the ADA job package by *recent new hires* that joined the ADA in 2007-2011; scale measures 0-100% of the importance of a factor to their employment decision.



The chart on the next page offers a similar quantitative comparison of the relative value placed on 15 factors of the job package for staff with 11-20 years of service. It is important to note that retirement benefits moved up to the 4th most important factor to the decision to stay employed with the ADA by the surveyed staff.



See **Appendix D** for the full qualitative and quantitative analysis performed of the ADA professional staff.

Other Relevant Information about the ADA Staff

In August, the Board Committees also received information helpful to the Committees' evaluation process from the 2011 annual survey conducted by ADA senior management to measure staff engagement levels. Engagement is a measure of the level of personal commitment and extra work effort above normal job duties that an employee is willing to voluntarily offer to an employer to accomplish the employer's objectives.

- ADA Employee Engagement has sharply decreased – Recent tight economic conditions of the ADA combined with operating changes such as the replacement of over 60% of executive management, recent reductions in staff training & development investments, and increased staff workloads to meet demands from a strengthened ADA mission are eroding staff engagement levels. As of May 2011, only 27% of staff considers themselves 'fully engaged' by their work experience at the ADA versus 45% of staff at April 2011.
- A drop in employee engagement is of concern – The professional staff plays a vital role in supporting ADA's unique mission and strategies. This staff tends to consist heavily of highly educated and well-experienced professionals, many with master and doctorate degrees and who have the ability to find attractive alternative employment even in tight job markets. ADA turnover is trending up; 2011 year-to-date voluntary resignations are exceeding the full year rate for 2010 resignations.

The Committees considered these declining engagement trends as well as the findings from the staff assessment in weighing the relative financial advantages of the retirement plans' options presented to the ADA by Towers Watson.

The Education of Team Volunteers on Financial Metrics

To begin this second review process both consulting firms asked the Board Committees to supply a list of potential competitor groups and any key performance indicators (KPIs) used by ADA to measure efficiency of how it is managing employee pay and benefit expenses. ADA had not historically defined

such comparative measurement criteria. A work group was organized within the review team to become educated on how to build the needed information.

The work group numbered 13 and consisted of seven (7) volunteers (the Committee chair plus 1 member of each the Compensation, Pension and SCFA committees plus the chair of the Budget & Finance Committee) and six (6) ADA executives including the ADA Executive Director. The net effect was a total of nine (9) dentists were available to participate in the work group. See **Appendix B** for a list of the participants in the work group.

Senior consultants from BCR and TW jointly led the work group through a series of education meetings.

First, the work group identified 11 potential top competitor associations against which ADA might compete for its people talent. The list of top competitors is listed in the chart; an additional 12 competitors were also considered for secondary comparison but are not listed in the chart.

American Bar Association
National Association of Realtors
American Hospital Association
American Medical Association
Joint Commission on Accreditation of Healthcare Orgs
American Diabetes Association
Alzheimer's Association
American Heart Association
American Osteopathic Association
American Cancer Association
American Dietetic Association

Second, the work group identified some key financial performance indicators (KPIs) that could be used to measure how well the ADA is managing people expenses.

BCR used the work group results and published 2009 financial reports to benchmark certain of ADA's key financial KPIs against the top11 competitors. Key findings:

- The ADA is not as efficient as its top competitors in generating revenue, which in part drives the % ratios up
- The ADA has higher % cost ratios than its competitors; in part this seems to be because current benefits and taxes (e.g., the fringe rate) is a larger % of wage expense.

2009 Financial Benchmark Results	Revenues	Employee Costs as % Operating Budget	Benefits & Taxes (Fringe) as % Wage Expense
ADA	\$263,190 per employee	49.2%	42.7% (a)
Top Competitors	\$295,820 per employee	43.5%	36.9%
(a) Once ADA completes the necessary U.S. government required pension plan funding to 100% by 2017, the fringe rate under the current retirement plans' design drops would drop to 29.6% in 2018; under the proposed plans' design, the fringe rate is projected to drop to 35% in 2017 and then level off at +/-22% by 2018. This will be a fringe ratio significantly better than competitors.			

See **Appendix E** for BCR's full benchmark financial analysis comparing 2009 financial data for the ADA and the top 11 competitors plus the 12 secondary competitors.

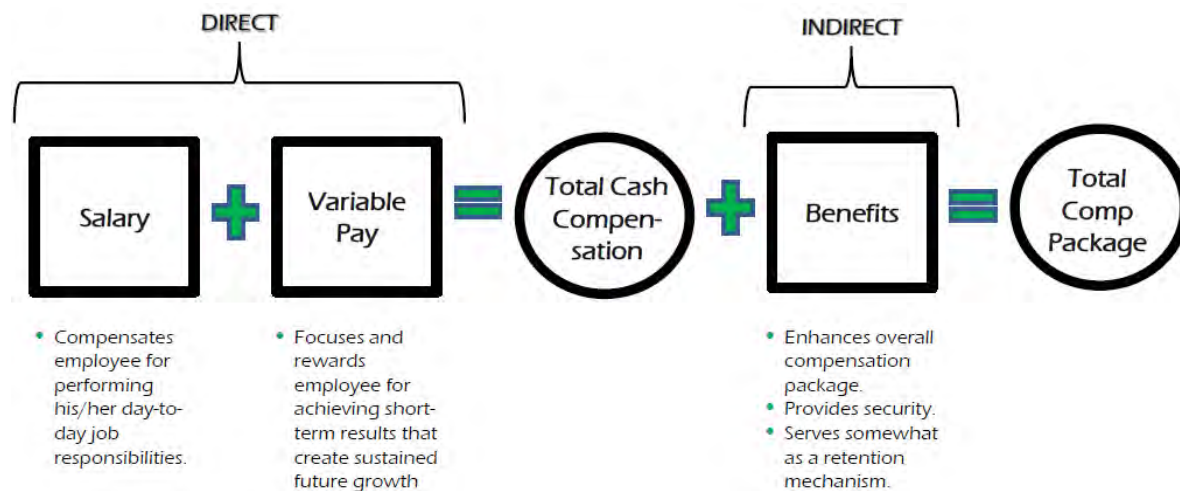
The Education of Team Volunteers on Total Compensation Metrics

The concept of managing 'Total Compensation' is not generally used by smaller employers, but it is a very important concept for larger employers.

Total Compensation is a way larger employers measure the value of their pay and benefits package against the value of the pay and benefits package of other employers in their same marketplace. A total compensation package is the sum of base salary paid + any incentive or bonuses paid (e.g., variable compensation) + the cash cost of any benefit programs (e.g., insurance premiums paid by the ADA for an employee, taxes paid by the ADA, unemployment insurance coverage, etc.)

ADA Human Resources and Finance with BCR and TW conducted a series of special meetings to educate the work group and then the full committees on best practices and issues in managing total compensation. The challenge for the ADA is it is a larger employer who must compete for people talent in high cost urban job markets.

BCR was able to provide a visual view of the total compensation package that many found helpful. This visual view is presented below.



BCR performed two competitive analyses of the ADA against peer organizations using the total compensation view: a comparison of compensation and a comparison of non-retirement benefits.

BCR found that ADA's employment package has historically been designed to provide average or below average cash wages but an above average benefits program as a way for the ADA to have some advantage to attracting and retaining staff. The ADA operates in two high cost, urban job markets – Chicago, IL and Washington, DC – where high value compensation packages are the norm among larger employers due to cost of living and the competition from multiple employers vying for top quality talent.

1. BCR compensation comparisons: ADA base compensation is now under pressure due to the lack of meaningful pay increases between 2009 and 2011 and elimination of annual bonus awards. Currently ADA total cash compensation pays at only 85% of its peer group companies.
2. BCR non-retirement comparisons: The overall ADA benefits package, excluding retirement benefits, is competitive to its marketplace. The medical plan has lower deductibles, co-insurance and co-pay than the medical plans of many other competitors however this is offset in large part by ADA staff

1 paying a higher percentage of premium costs (35% of cost versus more common percentage of 15-
2 25%). ADA pays for all the other company-provided benefits: 2x salary for life insurance; a 70%
3 income replacement for long-term disability and up to 100% income replacement for short-term
4 disability. ADA does not provide certain benefits typically provided by larger employers such as
5 Accidental Death & Dismemberment Insurance, Dependent Life Insurance, or the ability to purchase
6 additional life insurance.

7 BCR noted that the existence of a pension parity plan for ADA executives who would otherwise have
8 their pension benefits capped by IRS limits is becoming less common; fewer than 50% of employers
9 with pension plans offer a parity type plan.

10 The combination of lower cash pay but higher benefits value led BCR to conclude that the ADA could
11 reduce the richness of its retirement plans' formula and still offer a valuable benefit that helps attract new
12 staff. However, BCR agreed that any change in benefits for existing staff would be seen as a pay cut.

13 The full findings of the BCR study will be used by the Compensation Committee to conduct a Total
14 Compensation evaluation of the ADA employee pay and deferred compensation programs during October
15 2011 and April 2012.

16 See **Appendix F for the final competitive market report from BCR** covering all ADA employee benefits
17 and pay.

18 **Understanding the Proposed Changes to ADA Retirement Benefits**

19 The Board Committees took all of the internal and external factors together with the findings from the
20 analyses conducted by ADA Human Resources and BCR as the context to evaluate the retirement plan
21 options presented by Towers Watson (see section later in this report). The Committees sought to
22 simultaneously achieve changes that enhance ADA long-term financial stability, sustain credible and
23 attractive benefit policies, and enable a fully-engaged staff to deliver value to Association members.
24 Based on the sum of all findings for the 2011 review process, the Board Committees believe adopting the
25 proposed resolutions meet this delicate and complex balance among potential risks to the ADA.

26 *What's Changing and Rationale*

27 **Pension** – Current plan offers: benefit formula based on an average of 2.135% + 2.6% of the five years of
28 highest pay x years of service (max of 30 years); staff may retire with a full pension at age 62 + 25 years
29 of service; staff who are on permanently disabled may continue to accrue pension eligible service during
30 disability until retirement age is reached; and staff who work past age 65 may earn a benefit based on an
31 actuarial calculation that is higher than the normal retirement benefit.

32 **Key Changes:**

- 33 • Reduce the benefit formula to a flat 1% of average pay earned over the full ADA career (e.g.,
34 career average pay) x years of service
- 35 • Staff must work until age 65 for a full benefit
- 36 • Permanently disabled staff may no longer accrue additional service
- 37 • Eliminate the actuarial calculation that adjusts benefits artificially for working past age 65
- 38 • Adapt the calculation of any benefits determined under the pension parity plan to reflect the
39 reduction in the benefit formula

40 **Rationale:**

- 41 • Once the ADA meets the U.S. government required 100% funding level (which represents \$35
42 million of the current \$48 million in long-term liability), our members will again reap the historical

1 cash efficiencies of a pension plan – the ability to fund future cash obligations in large part from
2 investment returns; the excessive liability obligation situation is a short-term issue

- 3 • The formula change offers immediate and meaningful savings in both cash costs and long-term
4 liability. Normal annual cash costs would be reduced from \$4-6 million to under \$2 million.
- 5 • Unlike many public municipalities and corporations, the ADA has historically been a conservative
6 and successful pension plan (e.g., defined benefit plan) manager and employs a very proactive
7 investment manager, Ellwood Associates..
- 8 • Ellwood Associates has a plan to de-risk the investment volatility of the pension plan by matching
9 benefit payouts with investment mix (i.e., how much the plan is invested in equities versus bonds
10 or cash).
- 11 • The pension plan was already changed (in 1994) to allow the ADA to conserve cash in the plan
12 by eliminating lump sum distributions.
- 13 • Maintaining a portion of retirement benefits in a defined benefit plan is very attractive to retaining
14 existing staff and allows the ADA to attract mid-career hires with a benefit that is still an
15 advantage over the benefits offered by other employers

16 **401k Savings** – Current plan offers: \$500 match contribution by the ADA per year to any eligible staff that
17 defers at least 2% of their annual salary into the savings plan.

18 Key Changes:

- 19 • Supplement the reduced pension benefit with an annual contribution by the ADA of funds equal to
20 at least 4% of each staff employee's salary (provided in addition to normal base salary)
- 21 • Eliminate the \$500 match

22 Rationale:

- 23 • Offsets the negative impact on staff from the change in pension benefit which is significant
- 24 • Allows providing a competitive total retirement benefit while minimizing long-term liability to the
25 ADA
- 26 • May be more attractive to the younger new hire staff who are able to understand a 401k benefit
27 more easily than a pension benefit

28 **Retiree Medical / Dental** – Current plan offers: dental reimbursement benefit of \$1300 per covered
29 retiree and each eligible family member; retirees between ages 55 and 65 able to maintain a group
30 insurance benefit that may not otherwise be available to them due to pre-existing condition exclusions;
31 continued participation in ADA's active employee medical plan for the remainder of life once age 65 is
32 reached; partial subsidy of expense once reach age 65

33 Key Changes (delayed implementation until 2014):

- 34 • Keeps ADA dental benefit as is, no changes
- 35 • Eliminates continued coverage by any retiree under the ADA medical plans
- 36 • Eliminates eligibility for any retiree medical benefit of retirees younger than age 65
- 37 • Removes uncontrolled escalation in costs. Once a retiree hits age 65, they receive a flat
38 reimbursement of up to \$1,500 while aged 65-75 years old and up to \$1,800 for ages over 75

39 Rationale:

- 40 • We are a dental association and believe in supporting a lifetime of good oral health
- 41 • Reimbursement levels allow retirees to still purchase a high value medi-gap insurance plan
- 42 • Immediately reduces a major long-term liability on the ADA's financial statements, and
43 dramatically slows the growth in future liability due to an increased number of retirees
- 44 • Still providing a benefit that is more competitive than other common employers

1 *Financial View of Savings from the Proposed Changes in Retirement Plans*

Based on 10-year financial model	Base year	Improvement in Financial Performance	
		1 year	Post 100% Pension Funding
	2011	2012	2018
Fringe Cost – Current	\$18,881	\$21,352	\$14,594
Fringe Cost – Proposed	No Chg	\$17,459	\$10,914
Fringe Costs as % Wages – Current	48.9%	53.2%	29.6%
Fringe Costs as % Wages – Proposed	No Chg	43.5%	22.1%
Pension Liability – Current	\$41,200	\$35,000	Income Gain of (\$3,900)
Pension Liability – Proposed	\$34,400	\$27,200	Income Gain of (\$16,500)
Retiree Health Liability – Current	\$21,500	\$23,500	\$35,300
Retiree Health Liability – Proposed	\$8,500	\$9,000	\$11,700

2
3 ADA Finance and Human Resources prepared a detailed financial decision model to analyze the year-by-
4 year estimated savings from the recommended changes using the categories reported by the ADA on its
5 typical financial statements. The model used a set of fixed assumptions to test the magnitude of savings
6 that might be achieved from each of the options offered to the ADA by Towers Watson.

7 See **Appendix G** for the 10-year comparison of current versus proposed costs and liabilities using the
8 financial decision model. Note: Fringe cost = Benefits + Taxes. Note 2: any costs related to the pension
9 parity plan are integrated into annual fringe cost and do not impact pension liability.

10 **Assessing the Impact of Benefit Changes on ADA Staff – Two Views**

11 The significant long-term financial improvement for the Association resulting from implementation of the
12 proposed pension and retiree medical plan revisions would be achieved at a measureable change in
13 benefit values for existing staff. However, the Board Committees hope that continuing an opportunity to
14 participate in a pension plan supplemented with an improved 401(k) benefit and a modified retiree
15 medical subsidy will enable the ADA to still be viewed as an attractive employer by ADA's preferred pool
16 of highly educated and experienced job candidates.

17 For assessing impact of the change in benefits on staff, ADA's actuary, Clarity in Numbers did a
18 comparison of the *total income replaced from ALL SOURCES* of cash retirement supplements – social
19 security, personal 401k savings contributions (based on average of 6% of salary), any 401k match or
20 contributions from the ADA, plus the value of the pension benefit – for a hypothetical employee aged 50
21 years with 10 years of service at the time of the changes, and who works until age 65.

22 An average rule among larger employers has been for income replacement from all sources to be +/-80%
23 of salary at time of retirement. The current ADA pension and 401k plans contributed to an income
24 replacement that was better than the average; the proposed plans' would bring ADA at or well below
25 average. The staff with higher levels of specialized skills would experience the most change.

Employee aged 50; 10 years of service today; retires at age 65	Current Plans – Income Replacement ALL SOURCES	Proposed Plans – Income Replacement ALL SOURCES
Base pay = \$40,000	110%	83%
Base pay = \$80,000	95%	72%
Base pay = \$160,000	90%	61%

Executive Level

83%(a)

54%(a)

(a) The ADA uses the pension parity plan as a way to help those executives whose benefits would be capped under the standard pension plan to achieve a reasonable level of income replacement compared to a non-executive employee. The proposed changes would continue the parity plan.

A second view of the impact on staff comes from a focus group of 31 ADA staff. The charts below summarize the pros, cons and mitigating factors developed by the focus group that would apply to the Committees' proposed resolutions.

Focus Group Analysis: Impact on Staff of 1% Career Average Pension + 4% 401k Contribution	
<i>Pros</i>	<ul style="list-style-type: none"> ✓ Allows ADA to manage costs yet still offer a good mix of benefits ✓ The volatility of market investment risk would be shared more between the ADA (via pension plan) and the staff (via 401k plan) ✓ Keeping a pension plan attracts new talent to the ADA, allows ADA to keep its competitive advantage
<i>Cons</i>	<ul style="list-style-type: none"> ⇓ Penalizes early retirees by eliminating the pre-65 benefit subsidies ⇓ Penalizes the most productive employees who would expect to receive meaningful pay changes over time by moving from a final average pay formula to a career average pay formula ⇓ Lowers employee engagement, reduces the value of working at the ADA ⇓ Promotes loss of brain trust / knowledge if eligible staff retire sooner
<i>More Ways to Mitigate Costs / Negative Staff Impact</i>	<ul style="list-style-type: none"> ▪ Consider outsourcing functions as appropriate to constrain employee costs ▪ Volunteers would share the financial burden of cutting costs by allowing some programs to be sunset ▪ Reduce in-person volunteer meetings and increase use of technologies to hold down meeting costs and free up resources ▪ Modify the pension plan to look at the last 10 years of final pay, instead of the 5 years of highest pay or a career average of pay ▪ ADA should make at least the 4% contribution to 401k, and no less than 2%, but really should consider a 6% contribution ▪ Allow more employees to work from home to allow hotelling (this allows selling floor space which will increase revenues)

Focus Group Analysis: Impact on Retirees of Age 65+ Medi-Gap Plan Reimbursement Benefit	
<i>Pros</i>	<ul style="list-style-type: none"> ✓ Reduces the pool of eligible medical plan participants and reduces costs of medical plans ✓ Dental coverage is predictable ✓ Avoids embarrassment to the dental profession of not offering dental coverage for retirees
<i>Cons</i>	<ul style="list-style-type: none"> ⇓ It's a hardship on older retiree's budget to adjust to the loss of subsidy ⇓ Penalizes early retirees by eliminating medical coverage when they may be subject to pre-existing conditions and aren't yet eligible for Medicare ⇓ ADA liability shrinks initially but will still grow as more staff retire
<i>More Ways to Mitigate Costs / Negative Staff Impact</i>	<ul style="list-style-type: none"> ▪ Delay decision until understand effect of state medical exchanges in 2014 ▪ Provide retirees (current & future) a fixed stipend to control costs ▪ Change retiree age to align with Social Security ▪ Grandfather existing employees eligible for retiree benefit

1 See **Appendix H** for the focus group's full analysis of all the retirement plan options presented to the ADA
2 by Towers Watson.

3 **The Options Considered**

4 The consulting firm Towers Watson (TW) performed an analysis of the current ADA benefits plans to help
5 the Board Committees have a starting point for reference. Key findings:

6 1. The current pension plan was designed to provide an average income replacement ratio range of +/-
7 80%-100% from all retirement sources (social security, personal savings to 401K, and the ADA
8 pension plan) based on between 15 and 25 years of continuous service.

9 2. The current pension/parity plan combination was designed to substitute for the lack of a long-term
10 incentive plan that would typically be offered senior executives as a way to earn somewhat similar
11 combined income replacement levels (i.e., 50%-80%) as other staff. Executives are adversely
12 affected by IRS caps on eligible benefits from standard benefit programs.

13 3. TW valued the current ADA total retirement package at 14.7% of average pay per employee vs. a
14 median of 8.1% of average pay per employee among the not-for-profit and corporate organizations
15 offering pension plans in the TW benefits survey database.

16 TW then developed a series of 10 plan design options for the Committees to consider. See summary on
17 the next two pages of the options presented and the Committees assessment of the degree to which the
18 option fit ADA's objectives of reducing costs and limiting liability/volatility while sustaining competitive
19 employee benefit values and positioning the ADA as an attractive employer.

Pension / 401k Options (a)	Description	Committees' Assessment
Current Design	Formula based on last five years highest pay with subsidies that promote retirement before age 65	Not sustainable. Over competitive.
Soft Freeze + 10 % 401k	Staff hired by 12/31/11 would continue in current plans. New hires beginning 1/1/12 only receive 10% of salary ADA 401k contribution	No real savings. Pass.
Hard Freeze + 10% 401k	All staff move to 10% of salary ADA 401k contribution on 1/1/12	Possibility. But costs more in cash (used to pay for 401k) than 1% option and ADA would still have to maintain closed pension plan and ADA loses ability to recapture investment returns from closed pension plan; if add a cash balance hybrid option instead, creates a lot of complexity for barely \$6MM in savings over 15-years time compared to 1% option
2% Pension + 4% 401k	On 1/1/12, all staff move to reduced formula based on 2% of average pay over full ADA career; no pre-65 subsidies for early retirement + 4% of salary ADA 401k contribution	No real savings. Pass.
1% Pension +	On 1/1/12, all staff move to reduced	Selected. Offers best combination of

4% 401k	formula based on 1% of average pay over full ADA career; no pre-65 subsidies for early retirement + 4% of salary ADA 401k contribution	efficient cash management, reduced and constrained liability, ability to recapture investment returns and ADA keeps competitive advantage for attracting and retaining its unique type of specialized staff.
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- (a) The ADA will have the legal obligation to continue operating and funding the current pension plan until all benefit obligations are satisfied; which would be tied to some date in the long-term future when the last retirement annuity payment is distributed to the last living eligible retiree covered by the plan.

Retiree Health Plans	Description	Committees' Assessment
Current Design	All retirees may continue to receive ADA medical and dental benefits as if an active employee. Ages 55 to normal retirement, pay 100% of medical premium but at normal retirement age (can be as early as age 62 + 25 years of service) pay only 35% of premium. Receive dental benefit worth \$1300 per covered person.	Not sustainable. Over competitive.
Stop pre-65 medical subsidy	Stop subsidizing medical insurance premiums for staff between ages 62 and 65. Keep dental benefits as is.	No real savings. Pass.
Stop pre and post-65 subsidy of medical premium	All retirees would have to pay 100% of any costs for ADA medical insurance premiums. Keep dental benefits as is.	Possibility. But continuing coverage of retirees in ADA medical plans continues to leave ADA on hook for potentially high claims obligations, which would result in continued high liability charges against long-term investment assets.
Stop all medical and dental coverage	All retirees would no longer receive any healthcare benefits from the ADA	Pass. ADA is in the health care industry; it seems inconsistent with our culture and mission to stop helping former long-term staff to maintain good health care access.
Continue dental coverage only	Retirees would only receive a dental care benefit from the ADA; keep dental benefits as is	Pass. Again, seemed inconsistent with our culture and mission to eliminate dental care assistance.
Added alternative:	Keep dental benefits as is except only available once retiree reaches age 65.	Selected. Meets our culture and mission while dramatically reducing ADA liabilities.
Offer medical subsidy like dental subsidy	Change to a medical reimbursement benefit for retirees aged 65 and older to help purchase own medi-gap insurance or prescription drugs. Allow value of reimbursement to adjust for key change in rates of insurance at age 76	

Recommendation (Resolutions)

Having completed the analyses and studies required by the referral of Resolution 134-2010 and Section L of Resolution 123-2010, the Pension and Compensation Committees recommend the adoption of the following resolutions:

B-154-2011. Resolved, that the Board of Trustees directs that Section 2.7 of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Average Monthly Compensation for benefits accrued as Career Average Monthly Compensation, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Section 2.7 be made.

B-155-2011. Resolved, that the Board of Trustees directs that Article IV of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to require calculation the Normal Retirement Benefit for all benefits earned as the sum of (1) the amount accrued by the participant in the Plan as of December 31, 2011 and (2) 1% of Career Average Monthly Compensation multiplied by total Years of Benefit Service at normal retirement date to a maximum of 30 such years on or after January 1, 2012, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article IV be made.

B-156-2011. Resolved, that the Board of Trustees directs that Article V of the ADA Employees' Retirement Plan be amended effective as of January 1, 2012 to define Normal Retirement Date for retirements to be the date on which a participant attains the age of 65 and meets the vesting requirements, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article V be made.

B-157-2011. Resolved, that the Board of Trustees directs that Article VI of the Employees' Retirement Plan be amended effective as of January 1, 2012 to eliminate the early retirement calculation based on attaining age 62 and at least 25 years of vesting service, and be it further

Resolved, that such other amendments to the ADA Employees' Retirement Plan necessary to implement the foregoing amendment to Article VI be made.

B-158-2011. Resolved, that the Board of Trustees directs that the ADA Employees' Savings and Thrift Plan be amended effective January 1, 2012 to eliminate the \$500 match currently in the Plan for one year only and replace it with a \$1,000 contribution to the ADA Employees' Savings and Thrift Plan and to develop a plan in 2012 to achieve a 4% contribution of annual salary to the 401k ADA Employees' Savings and Thrift Plan as part of the amended ADA Pension Program, dependent on the relevant yearly financial position of the ADA and its ability to fund an annual 4% contribution of covered compensation to the account of each eligible participant contribution level, and be it further

Resolved, that such other amendments to the ADA Employees' Savings and Thrift Plan necessary to implement the foregoing amendment be made.

B-159-2011. Resolved, that the Board of Trustees directs that the definition of "Who Is Eligible" under the ADA Medical Benefits Plan be amended effective January 1, 2014 to remove from eligibility any person who is a retiree of the American Dental Association, and be it further

1 **Resolved**, that the ADA directs that a Medical Benefits Reimbursement Plan for ADA Retirees be
2 adopted effective January 1, 2014 to reimburse each eligible ADA retiree who has attained the
3 minimum age of 65 and who submits the appropriate documentation for qualified medical
4 amounts, including annual premium costs for publicly available medical insurance. Initial amount
5 of annual reimbursement beginning 1/1/2014 not to exceed \$1500 – 1800, as determined by age
6 of eligible retiree at time of reimbursement.

7 **B-160-2011. Resolved**, that the Board of Trustees directs that the definition of “Who Is Eligible”
8 under the ADA Direct Reimbursement Employees’ Dental Care Plan be amended effective
9 January 1, 2014 to reimburse each ADA retiree who has attained the minimum age of 65 and
10 who submits the appropriate documentation for qualified dental expenses. Such reimbursement
11 amount to be equal to the amount provided at time of reimbursement to an active employee.
12
13

1

<u>Term</u>	<u>Definition</u>
Actuary	<p>A business professional who deals with the financial impact of risk and uncertainty. Actuaries provide expert assessments of financial security systems, with a focus on their complexity, their mathematics, and their mechanisms.</p> <p>The ADA's current actuary is Clarity in Numbers. Clarity in Numbers was chosen by the Pension Committee in 2010 and become the ADA's actuary for the Pension and Parity plans in 2011.</p>
Career Average Earnings	The monthly average of an employee's compensation over the course of their entire career.
Cash Balance Plan	<p>A cash balance plan is a defined benefit plan that defines the benefit in terms that are more characteristic of a defined contribution plan. In other words, a cash balance plan defines the promised benefit in terms of a stated account balance.</p> <p>In a typical cash balance plan, a participant's account is credited each year with a pay credit (such as 5 percent of compensation from his or her employer) and an interest credit (either a fixed rate or a variable rate that is linked to an index such as the one-year Treasury bill rate). Increases and decreases in the value of the plan's investments do not directly affect the benefit amounts promised to participants. Thus, the investment risks and rewards on plan assets are borne solely by the employer.</p>
Debt Repayment	Catch-up pension contributions to ensure appropriate annual funding requirements are met.
Defined Benefit Plan (Pension)	<p>An employer-sponsored retirement plan where employee benefits are sorted out based on a formula using factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the company.</p> <p>The ADA Pension Plan is a defined benefit pension plan. Under this plan, retirement benefits are computed based upon a fixed formula, which is the same for every employee. The formula takes into account your specific average monthly earnings, your service with the Association and your Social Security Covered Compensation. The plan formula, called a final pay formula, is designed to provide monthly retirement benefits which when added to the employee's anticipated social security benefits, will be based in part on the employee's pre-retirement income and length of service.</p> <p>The IRS limits the amount of individual compensation, which can be considered in computing benefits under tax qualified benefit plans. Each year an actuary determines how much the ADA must contribute to cover current and future Plan expenses. The ADA pays the entire cost of the Plan.</p>

	<p>The ADA's current plan is based on the following formula:</p> <ul style="list-style-type: none"> (a) 2.135% of your Average Monthly Compensation up to the 1/12 of the Social Security Covered Compensation limit, plus (b) 2.6% of your final Average Monthly Compensation over the 1/12 of the Social Security Covered Compensated limit. (c) Add (a) and (b) and multiply this amount by your years of Benefit Service (up to 30).
Defined Contribution Plan (401k)	<p>A retirement plan in which a certain amount or percentage of money is set aside each year by an employer for the benefit of the employee. Employees may also contribute a portion of their salary (up to the annual IRS maximum). There are restrictions as to when and how employees can withdraw these funds without penalties.</p> <p>The ADA's 401k plan allows employees to contribute 2-50% of their salary (up to the IRS annual limits of \$16,500 for employees under age 50 and \$22,000 for employees over age 50).</p>
Employer Match – 401k Plan	<p>Dollar amount or percentage an employer provides to a participant's defined contribution account.</p> <p>The ADA's employer match is 50% of the employee's contribution, up to \$500 annually.</p>
Final Average Earnings	<p>Under the ADA's Pension Plan this means: The monthly average of an employee's compensation for the 60 consecutive months producing the highest average;</p>
Fringe Benefits	<p>Fringe benefits commonly include health insurance, group term life coverage, education reimbursement, childcare and assistance reimbursement, cafeteria plans, employee discounts, personal use of a company owned vehicle and other similar benefits</p>
Hard Freeze	<p>A hard freeze is when a pension plan ends for current employees and any future employees. After the freeze is put in place, typically a different retirement plan is introduced for all employees (existing and future employees).</p>
Insurance Exchanges	<p>The Health Care Reform Act requires that each state establish an health care medical exchange no later than January 1, 2014.</p>
Pension Liability	<p>Obligation recognized by the employer for the future liability to make annuity payments to employees. The reserve is typically a liability when it results from charging pension expense.</p>
Parity Plan	<p>Qualified Pension Plan for executives whose compensation is above the IRS limits and therefore are unable to be provided similar benefits as other</p>

	<p>non-executive employees from the standard pension plan.</p> <p>The ADA's Parity Plan is a deferred compensation plan (non tax qualified). It was established in order to provide executives earning in excess of the IRS plan compensation limits with retirement plan benefits equivalent to the level of benefits less highly paid employees are allowed to receive through the tax qualified pension plan.</p> <p>Because the Parity Plan is not protected by the special tax privileges extended to tax qualified plans, provisions of the plan that relate to the vesting, taxation and distribution of benefits are significantly different from those of the qualified pension plan.</p>
Request for Proposal (RFP)	A Request for Proposal is issued at an early stage in a procurement process, where an invitation is presented for vendors/consultants, often through a bidding process, to submit a proposal on a specific service. The RFP process brings structure to the procurement decision and is meant to allow the risks and benefits to be identified clearly upfront.
Retiree Welfare Plans	Benefits offered to retirees after they leave an employer.
Retiree Medical Liability	Obligation recognized by the employer for future liability to provide medical insurance to retirees.
Soft Freeze	A soft freeze is when the pension plan continues for current employees and a different retirement plan is introduced for new employees.
Variable Pay	Focuses and rewards employee for achieving short-term results that create sustained future growth. This is pay provided as an incentive or bonus in addition to any base salary. Typically the ability to receive variable pay is tied both to the employer's ability to pay for the cost and the eligible employee achieving some minimum level of performance.
Vesting	The process by which employees accrue non-forfeitable rights over employer contributions that are made to the employee's qualified retirement plan account. This can apply to benefits under both a defined benefit plan (pension) or a defined contribution plan (401k) or a pension parity plan.

<u>Budget & Finance Committee:</u> Dr. R. Wayne Thompson, Kansas, chair Dr. Edward Leone, Colorado Dr. A. J. Smith, Utah Dr. Charles Norman, North Carolina Dr. Dennis Engel, Wisconsin Dr. Steven Gounardes, New York Dr. Idalia Lastra, Florida Dr. J Ted Sherwin, Virginia	<u>Compensation Committee:</u> Dr. Robert Faiella, Massachusetts, chair Dr. William Calnon, New York Dr. Raymond Gist, Michigan Dr. Edward Leone, Colorado Dr. W. Ken Rich, Kentucky Dr. Donald Seago, Mississippi Dr. Carol Summerhays, California
<u>Pension Committee</u> Dr. Edward Leone, Colorado, chair Dr. Wendy Brown, Maryland Dr. William Calnon, New York Dr. Raymond Gist, Michigan Dr. Steven Gounardes, New York Dr. Jeffrey Hurst, Colorado Dr. Charles Norman, North Carolina Dr. Kathleen OLoughlin Mr. Paul Sholty Mr. J. Craig Busey Ms. Sabrina King	<u>Special Committee on Financial Affairs</u> Dr. Ronald Lemmo, Ohio, chair Dr. Wendy Brown, Maryland Dr. Jeffrey Hurst, Colorado Dr. Steven Kend, California Dr. Idalia Lastra, Florida Dr. J. Ted Sherwin, Virginia Dr. Paul Zimmerman, Maine
<u>Special Work Group to Review Team</u> Volunteers Dr. Robert Faiella, Compensation Committee, chair Dr. Edward Leone, Pension Committee, chair Dr. Ronald Lemmo, Special Committee on Financial Affairs, chair Dr. R. Wayne Thompson, Budget and Finance Committee, chair Dr. Carol Summerhays Dr. Chuck Norman Dr. Jeffrey Hurst Staff Dr. Kathy OLoughlin Mr. Jerry Bowman Ms. Judith Fleeks Ms. Sabrina King Ms. Wendy-Jo Toyama Dr. Gregory Zeller	

Pension Plan

The ADA Pension Plan is a defined benefit pension plan. Under this plan, retirement benefits are computed based upon a fixed formula, which is the same for everyone. The formula takes into account your specific average monthly earnings, the employee's service with the Association and their Social Security Covered Compensation. The plan formula, called a final pay formula, is designed to provide monthly retirement benefits which when added to the employee's anticipated social security benefits, will be based in part on the employee's pre-retirement income and length of service.

The IRS limits the amount of individual compensation, which can be considered in computing benefits under tax qualified benefit plans. Each year an actuary determines how much the ADA must contribute to cover current and future Plan expenses. The ADA pays the entire cost of the Plan.

The formula used to compute the monthly benefit is:

- *2.135% of the employee's average monthly compensation not exceeding their "social security covered compensation" plus*
- *2.6% of the employee's average monthly compensation in excess of their "social security covered compensation" times*
- *The years of service with the ADA up to a maximum 30 years.*

Executive Parity Pension Plan

The Parity Plan is a non-tax qualified deferred compensation plan. There are two classifications of employees who are eligible to participate in the Parity Plan. It was established in 1994 in order to provide executives (classified as Regular Employees) earning in excess of the IRS plan compensation limits with retirement plan benefits equivalent to the level of benefits they would have been able to earn under the qualified pension plan if such benefit amounts were not capped due to IRS limits on benefits earned under qualified plans. Currently only staff earning in excess of \$245,000 annually would be eligible for coverage under the parity pension plan. Beginning in 2001, three ADA Officer positions (classified as Temporary Employees), President, President Elect and Treasurer, became eligible to also participate under the parity plan; see more information on the next page.

Parity Plan benefits, although based upon the same pension formula as the qualified pension plan, differ in two important ways.

- First, the Parity Plan benefits are paid in single lump sum amounts, and not as monthly annuity benefits. The single lump sum amounts are calculated by ADA's actuary to provide a present cash value that would be equivalent to the sum of missing monthly annuity benefits that might have been otherwise payable to the participant under the qualified pension plan if IRS limits were not applied. The calculation uses an estimate of interest rates (current industry practice is 6%) and a factor for determining the present value of the cash equivalent based on the applicable annual mortality table published by the IRS each year.
- Second, Parity Plan benefits are taxed differently than qualified pension plan benefits. Participants are subject to normal income taxation at the time the lump sum payments are made. This tax effect would diminish the parity basis of the payments so current industry practice is to gross up the value of the payments by a 20% factor to enable participants to pay the taxes due from benefit payments instead of personal income. This action serves to maintain the parity purpose of the plan.

Benefit Treatment and 5-Year Payment History – Executive Staff

Appendix C
Current Benefit Plan Descriptions

- The majority of executive staff retirement benefits are earned through the Pension Plan. Only 'excess' benefits can be earned under the Parity Plan, such excess benefits are designed to allow the executive to achieve similar levels of income replacement opportunities as executives who do not reach the IRS limit.
- The executive must meet the vesting requirements of the pension plan (five years of service) to be eligible for benefits under the Parity Plan.
- The value of the Parity Plan payout is subject to normal taxation because the plan is not a qualified plan; therefore each participant receives a cash allocation from the Parity Plan called 'the restoration amount' which covers the cost of projected tax expenses. The restoration amount is 20% of a participant's projected annual benefit.
- Benefits are calculated as:
 - The portion of compensation above the IRS limit multiplied by the normal pension formula = eligible monthly excess payment amount
 - Multiplied by a factor from the R2000 mortality table to project out the value of the benefit based on the estimated length of retirement (e.g., from age 65 to death) = projected benefit
 - Divided by 6% (current interest rate allowed) to create a present value (PV) of the projected benefit to determine the lump sum amount of any benefit = PV benefit value
 - The PV benefit value minus any PV benefit value from the prior year's participation is set aside in a deferral account for payment to the executive at retirement (or termination of employment) = current year's eligible PV benefit
 - However, the value of the PV benefit is considered taxable income to the executive when set aside into the deferral account.
 - To offset the possible tax effect, a flat rate tax is assumed of 20%, and the PV benefit is grossed up by 20% to create a payment amount that is paid to the executive to settle current taxes due = restoration amount (i.e., restoring the 20% portion of the PV benefit considered eroded by the effect of owing taxes on the set aside benefit).
- The chart below summarizes the recent five years of actual pension parity payments, 2006-2010, for eligible executive staff participants. Note that eligibility to participate by staff roles is determined annually based on their annual compensation level versus the IRS limits. Larger payments in the chart designated with a (1) are the payment of the sum of set aside amounts to the executive at his / her termination of employment from the ADA. Otherwise payments are the restoration amounts provided to pay estimated taxes incurred on set aside benefits.
- In 2011, only one staff role is expected to be eligible for a parity plan benefit.

A. PENSION PARITY PLAN PAYMENTS – 5-YEAR HISTORY					
Staff	2,006	2,007	2,008	2,009	2,010
Executive Director (1)		263,333			
Chief Operating Officer (1)		85,709			
AED, Administrative Services	10,795				
Chief Legal Counsel (1)	19,535				106,746
Chief Financial Officer (1)			114,485		
Chief Policy Advisor	15,561	16,902	14,110		
Sr. VP, Science			8,857	4,221	
Sr VP, Education	4,912	34,482	27,186	16,235	7,051
Sr. VP, Membership	246				
Managing VP, Corp Rel & Strategy	1,739	6,362	13,558	3,851	
VP, Publishing	371		5,270		
Managing VP, HPRC	1,587	16,377			

Appendix C
Current Benefit Plan Descriptions

Executive Director, ADAF (1)					2,581
Chief Operating Officer, ADABEI	2,244	1,072			
(1) Larger payouts to staff occurred at termination of employment, at that time all unpaid vested benefits were disbursed in a single lump sum					

The President, President Elect and Treasurer are designated as employees of the ADA as of a legal ruling made by ADA counsel in 2001. As employees, the officers earn W-2 wage income instead of 1099 stipends. This ADA wage income is not eligible for tax-advantaged deferral into the officer's retirement savings vehicle through his / her private practice; thus the officers are potentially adversely affected for purposes of retirement savings by this treatment as an employee.

Officer roles are not generally eligible to participate under the qualified pension plan because their terms do not typically meet the five year vesting requirement. The exception will be an officer who has served in an officer / employee capacity for more than five years (e.g., a Treasurer who serves two 3-year terms). In 2001, the Parity Plan was amended to allow Officers to earn a full pension equivalent benefit through the Parity Plan.

Benefit Treatment and 5-year Payment History – Officers designated as 'Employees'

- All of the Officer retirement benefits are earned through the Parity Plan, unless he / she has met the vesting hurdle of the Pension Plan, in such case only 'excess' benefits can be earned under the Parity Plan, such excess benefits are designed to allow the Officer to achieve similar levels of income replacement opportunities as someone who does not reach the IRS limit.
- The Officer Parity Plan benefits vest immediately each year upon allocation but are set aside for payment when the Officer's final term of service ends.
- The benefit is calculated using the same formula as the calculation above for an executive staff member except all ADA compensation not just the amount in excess of the IRS limit is typically used in the calculation.
- The same taxation rules apply, however, no restoration amount is paid annually. It is rolled over into the account and paid at the time the PV benefit value is paid.
- Payment of any benefit is deferred until after the final term of service as an Officer is complete. Thus payment to a President Elect is set aside and not paid until the term as President ends.
- The chart below summarizes the recent five years of actual pension parity payments, 2006-2010, for eligible Officer participants. Larger payments in the chart, on the rows designated with a (2), are a result of the President at the time also serving as the Executive Director hence payment is based in part on the performance of two roles.

B. PENSION PARITY PLAN PAYMENTS – 5-YEAR HISTORY					
Volunteers /Officers	2,006	2,007	2,008	2,009	2,010
President (2)	123,100	130,200	253,269	205,563	169,038
President Elect (2)(3)	-	-	-	-	-
Treasurer (4)	-	-	-	-	-
Total	182,096	556,444	438,743	231,879	287,426
(2) Larger payouts to staff occurred at termination of employment, at that time all unpaid vested benefits were disbursed in a single lump sum					
(3) Payments to the President reflect benefits earned over the two years' term covering time					

served as President Elect and then served as President. A single lump sum payment covering both years is made at time term ends as President

- (4) No payment is made to the Treasurer role until all consecutive periods served as Treasurer have completed; current deferred balance held for Treasurer is \$96,442

1

2 Retiree Healthcare Plan

3 When an active employee becomes eligible to elect early (at 55 years old with 10 or more years of
4 service) or normal (at 62 years old with 25 or more years of service or age 65) retirement benefits, the
5 employee may elect to continue medical and/or dental coverage in their current plans. If an employee is
6 not participating in medical or dental insurance at the time of becoming eligible for early or normal
7 retirement benefits, the employee is not eligible to participate in medical or dental coverage during
8 retirement. The chart below illustrates the costs of medical coverage.

9

Retirement Scenario	Costs
Active employee retires before age 65	100% of the cost of coverage
Active employee retires at or after age 65	Association pays 65% of the cost of coverage, retiree pays 35% of the costs
Active employee retires after 25 years of service and after reaching age 62	Association pays 65% of the cost of coverage, retiree pays 35% of the costs

401k Savings Plan

Employees may defer between 2-50% of gross salary, before taxes. The Association 401(k) Savings Plan provides a matching formula equal to \$.50 for every one dollar saved up an annual maximum match of \$500. Like all qualified plans, many IRS rules and limits apply to aspects of the 401(k) plan. The maximum annual amount any individual can save on a pre-tax basis is limited by the IRS to a specific dollar amount, which is indexed annually. For 2011, the annual deferral limit is \$16,500 (\$22,000 if the employee is 50 or older). Note: if the recommendations of this report are adopted, the annual match of \$500 will be eliminated and replaced by a 4% annual employer contribution.

Medical Insurance Plans

All full-time employees are eligible to enroll in health insurance, which becomes effective on the first day of the month following 30 days of full-time employment. The ADA offers two preferred provider organizations (PPOs) and two health maintenance organizations (HMOs) to employees in the Chicago office and two PPOs and one HMO to employees in DC and PRC. The ADA pays 65% of the premium and the employee contributes 35% of the premium.

Dental Reimbursement Plan

The dental direct reimbursement (DR) plan is available to all full-time employees on the first day of the month following 30 days of employment. The plan provides up to \$1300 in benefits, per person, per calendar year. If the employee is eligible for dental benefits July 1 or thereafter, the plan provides benefits up to \$650 per person for the rest of the calendar year.

Life Insurance Plan

Life insurance is available to all employees as of the first day of full-time employment. The benefit is equal to two times annual salary.

Travel Accident Insurance Plan

The plan provides protection against accidental injuries resulting in death, dismemberment or loss of sight sustained while traveling on official assignment for the ADA.

Long Term Disability Insurance Plan

Employees are covered as of the first day of full-time employment. There is a 90-day waiting period for benefits, and the benefit is 70% of monthly salary up to \$15,000 a month. Evidence of insurability is required

Appendix C
Current Benefit Plan Descriptions

1 for employees that have a benefit greater than \$10,000 per month. This benefit may continue to age 65
2 under some circumstances.

3 Tuition Assistance Plan

4 The Tuition Assistance Program is designed to assist full time, regular, active employees of the American
5 Dental Association who are in good standing and have completed six months of full time employment with the
6 ADA.

7

Who Are The ADA Professional Staff?

Includes Analysis of Employment
Decision Factors

May 2011

Who Are the ADA Professional Staff?

Key attributes:

- ❑ Mid to late career when joining the ADA family
- ❑ Highly educated, skilled and mature
- ❑ Most from a Corporate or Academic environment
- ❑ Highly motivated by the work performed & challenging assignments – the work is top attraction factor
- ❑ Believe in the ADA's Mission/Values
- ❑ Enjoy working with co-workers & volunteers
- ❑ Generous benefits important both to attract & retain
- ❑ Retirement benefits very important to longer-tenured staff
- ❑ 29% of sample set recently considered other employers

Two Views Presented

1. Demographic Overview

- By Job Level
- By Key Roles in Support of ADA Goals & Members

2. Relative Value of Employment Factors

- Excerpts from two employee surveys
 - “Why I Joined the ADA” and
 - “Why I Stay at ADA”

Methodology

- Employee data (e.g. salary, grade, job title, etc.) extracted from People Soft in May 2011
- Two surveys distributed in March & April 2011 to validate relative value of employment decision factors – used two sample sets
 - “Why Stay” to staff with 11-20 & 0-5 years of service
 - “Why Join” to staff with 0-5 years of service
 - Measured 15 pre-set factors to assess relative value
 - Allowed write-ins to drill down into the top reasons

DEMOGRAPHIC OVERVIEW

Distribution of Staff by Job Level

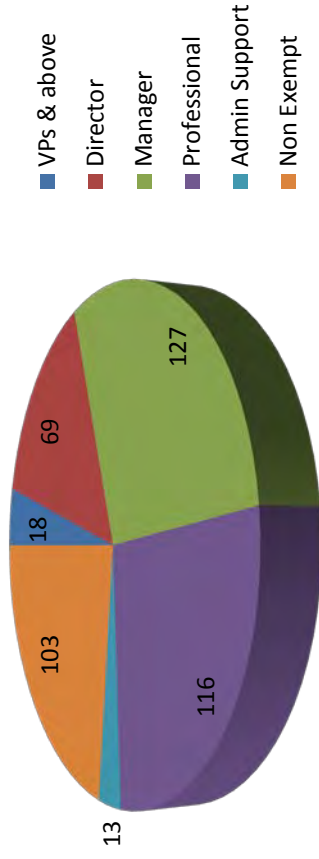
Position	# of Employees
VPs and Above	18
Directors	69
Managers	127
Professional	116
Admin Support	13
Non-Exempt	103

Professional indicates an employee with a job title of Coordinator, Analyst, etc.

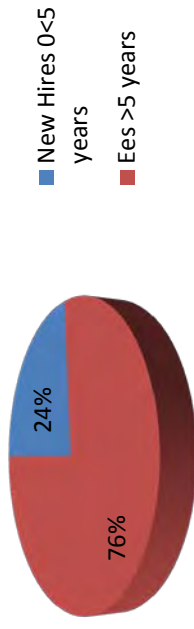
ADA Overall
 Average Salary: \$86,583
 Average Age: 48 yrs
 Average Service: 11.6 yrs

All data presented is as of 5/1/11.

Employees by Job Level

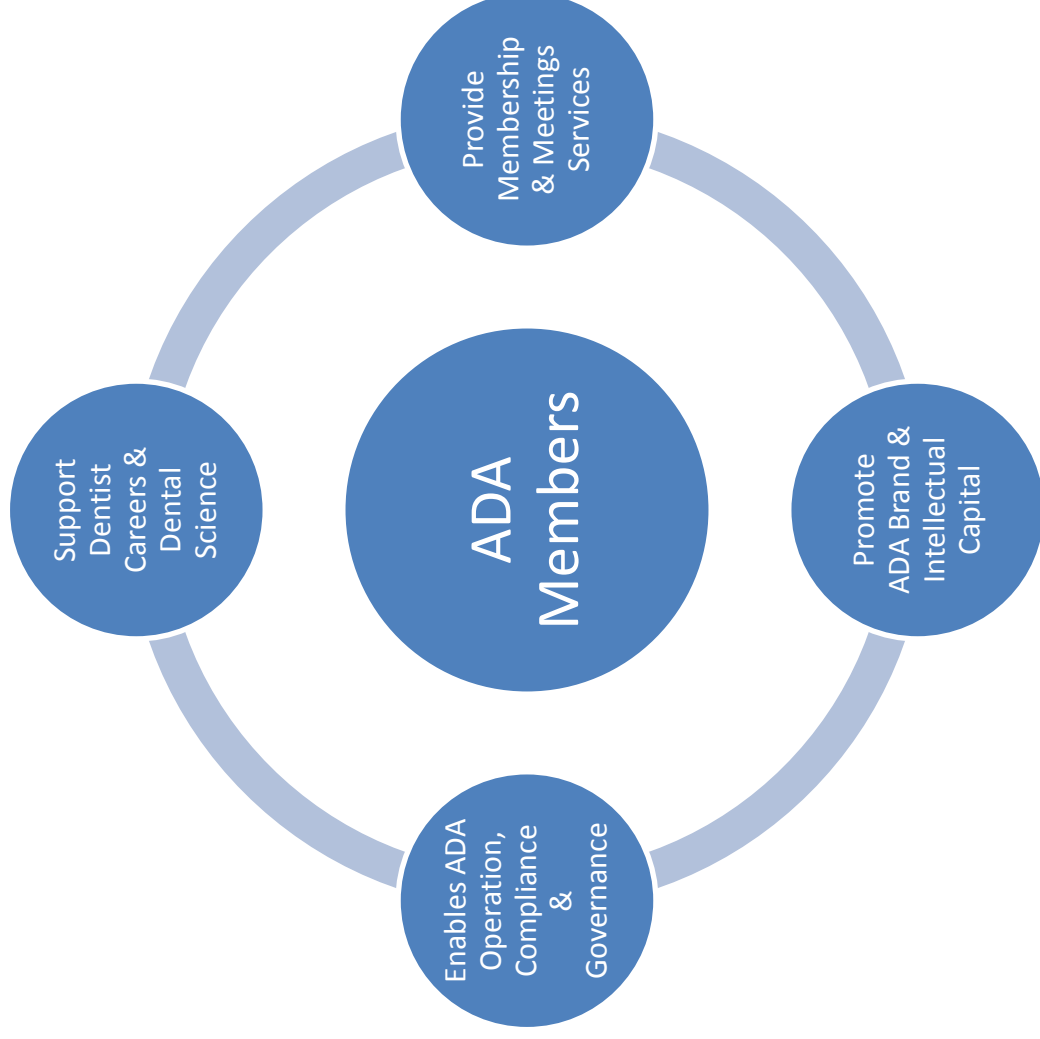


Retirement Vesting Split



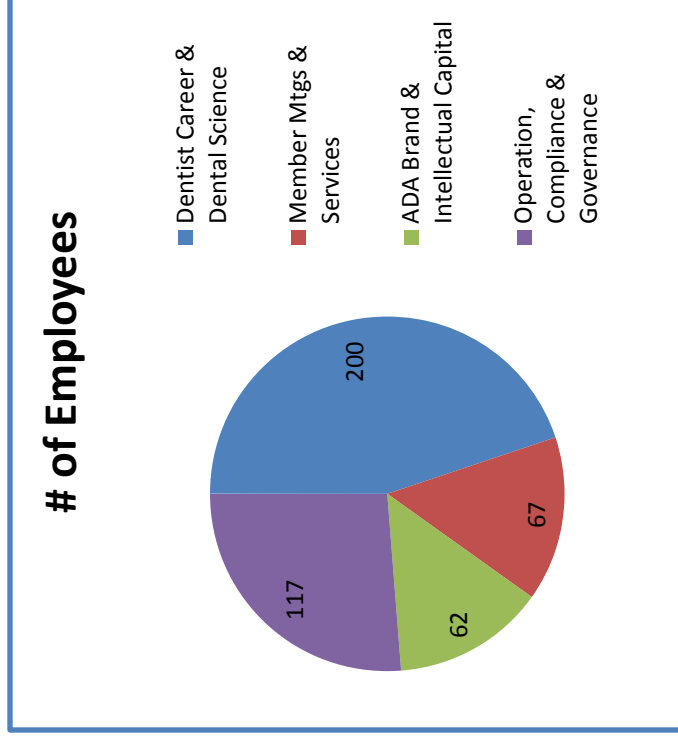
127 employees are age 55 yrs or older and have at least 10 years of service = retirement eligible now

Key Roles of the Professional Staff

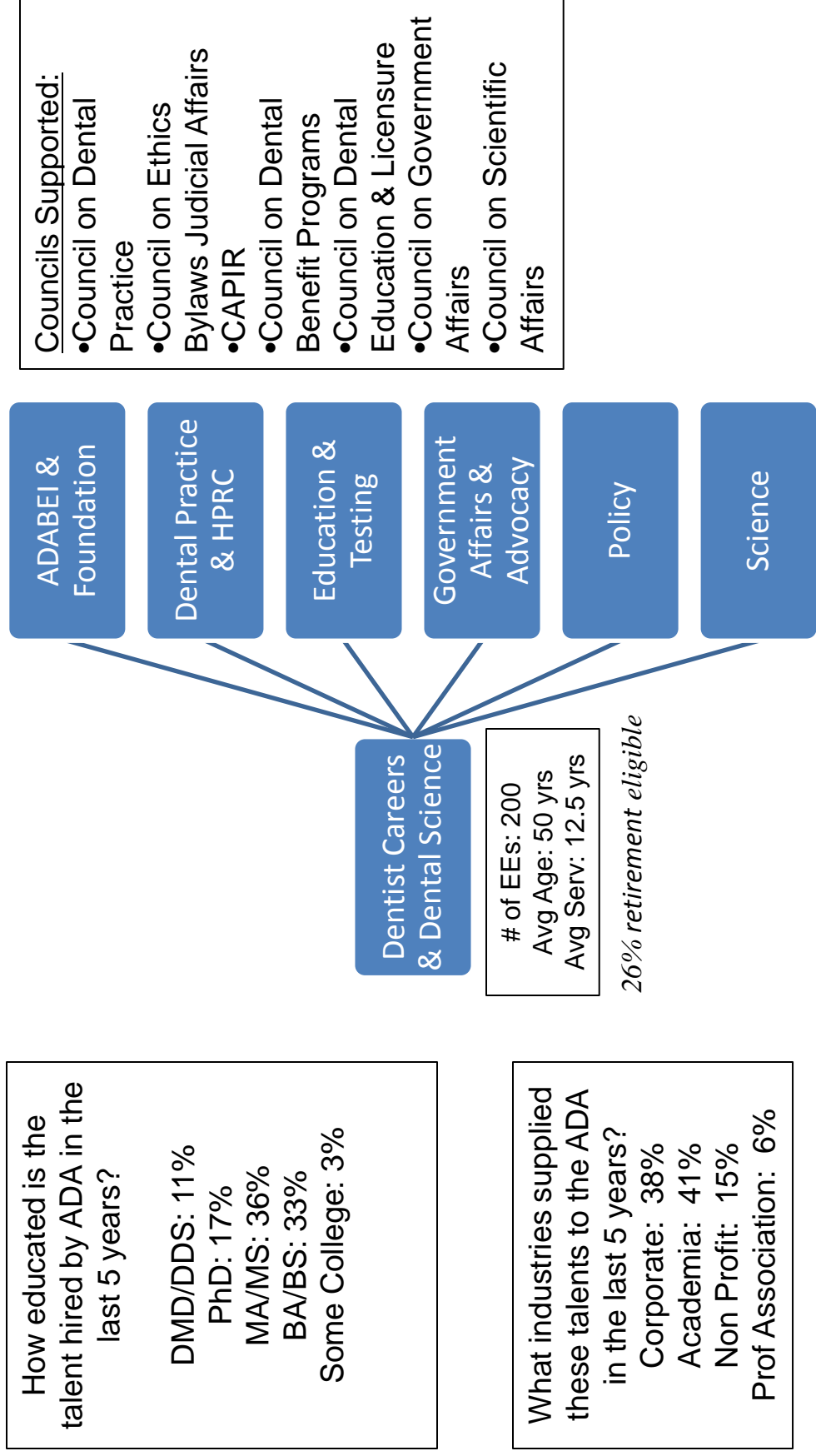


Distribution of Staff by Key Role

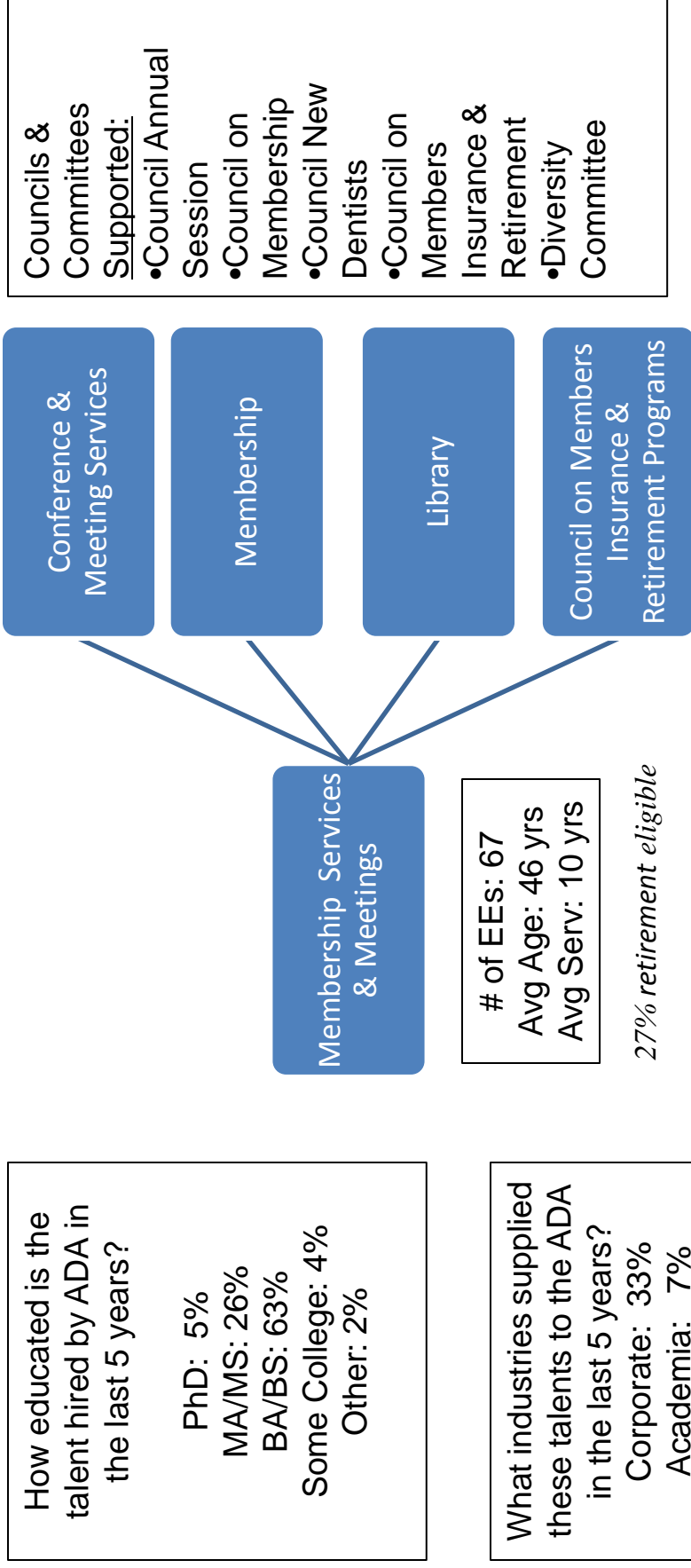
Key Role	# EEs Overall	# New Hires <5 yrs	Avg Age (yrs)	Avg Serv (yrs)
Dentistry-focused Roles	200	36	50	12.5
Membership Services	67	19	46	10
Brand & Intellectual Capital	62	16	48.5	11.5
Operations, Compliance & Govern	117	21	48	12.5



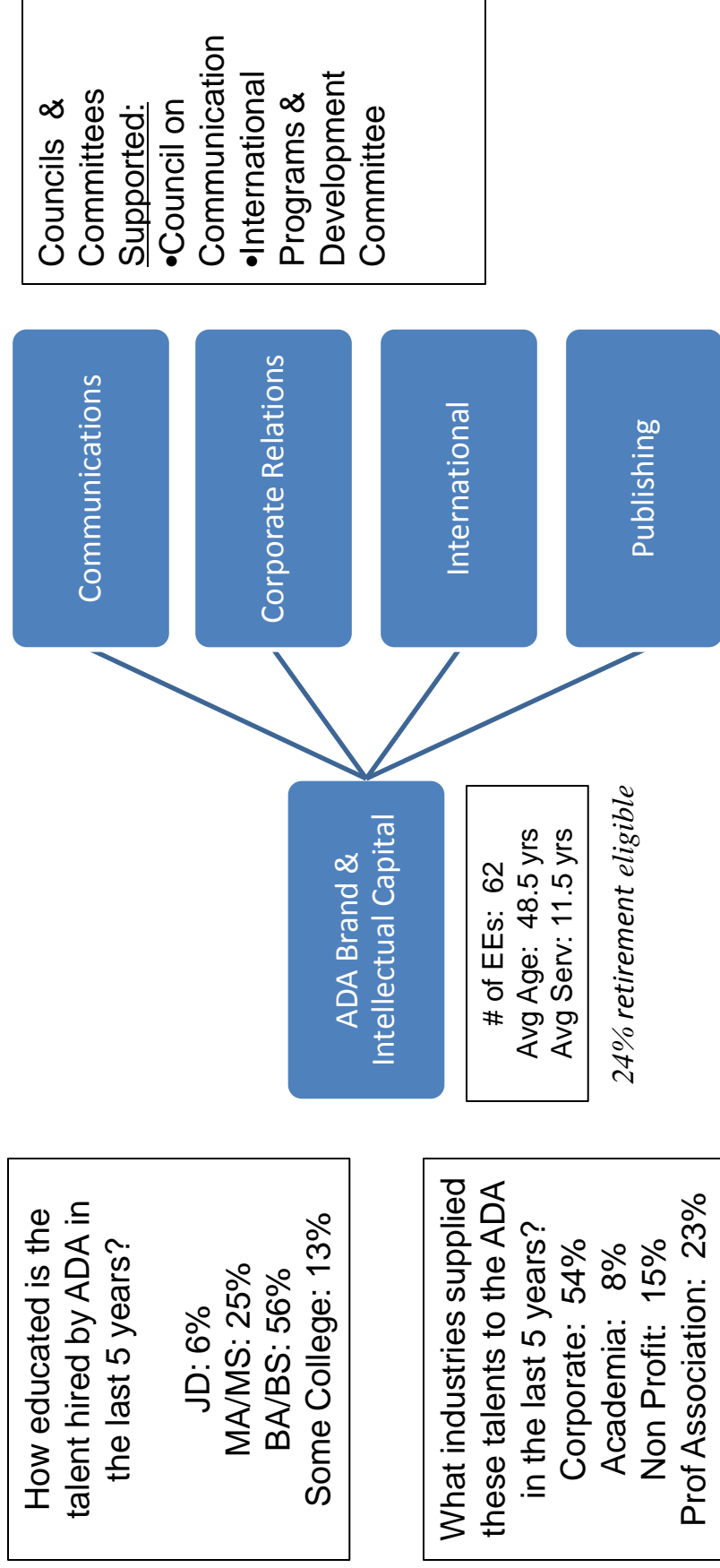
Who Are We By Key Role – Support Dentist Careers & Dental Science



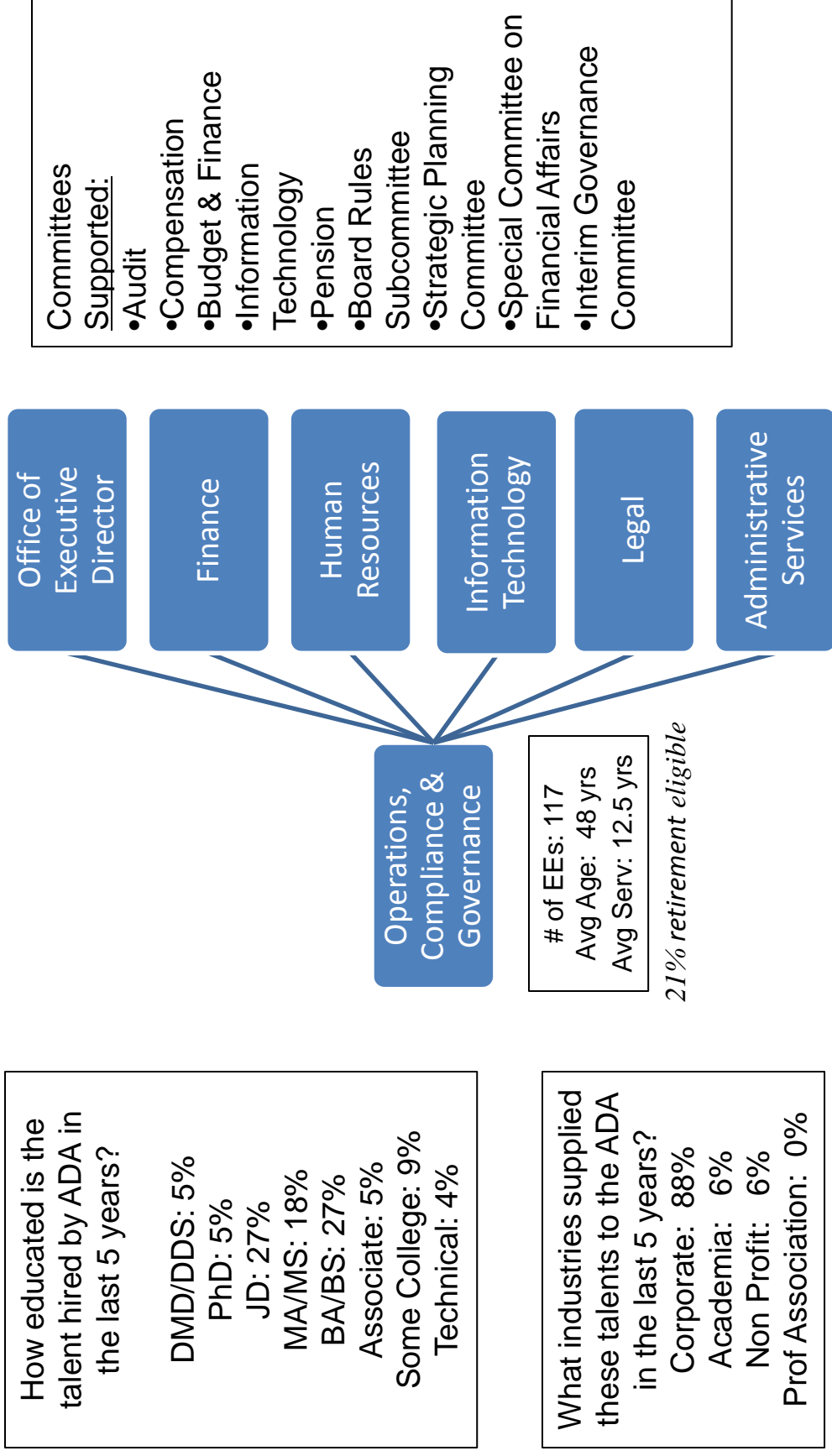
Who Are We By Key Role – Provide Member Meetings and Services



Who Are We by Key Role: Promote ADA Brand & Intellectual Capital



Who Are We by Key Role: Enable ADA Operations, Compliance & Governance



Key Takeaways from Demographics

- ADA is a large, complex professional association with diverse hiring needs & high ties to member interests
 - Majority of hires from outside the association arena
 - 74% of jobs directly support ADA's top 3 strategic goals (health-care focus)

Key Takeaways from Demographics

- For the last 5 years, the main source for Dentistry-based jobs has been Academia and Corporate (79% combined)
 - Candidates for certain Dentistry-based jobs require National searches by recruiters and search firms
 - Many positions take 6-12 months to fill
 - ADA competes against bonus payouts, tenure, sabbaticals, free tuition for dependents to attract these talents from academia

Key Takeaways from Demographics

- Corporate employers have become a primary source of talent for the ADA in other areas too
 - 54% of new hires who promote ADA Brand & Intellectual Capital come from Corporate
 - 88% of new hires who enable Operations, Compliance & Governance come from Corporate
- By contrast, 60% of new hires who provide Member based services come from Non Profit & Professional Associations

Key Takeaways from Demographics

- ADA hires mature, already seasoned talent
 - Average age = 48 years; recent hires = 42 years
 - US average age = 37 years
 - Among recent hires (0-5 yrs service):
 - 60% are over 36 years of age
 - 10% are aged 56-62 years (most in Dentistry-based key roles)
 - 2 hires were over age 63 (eligible for retirement age after 5 yrs)
- Roughly 1 of every 4 ADA staff is eligible to retire

Key Takeaways from Demographics

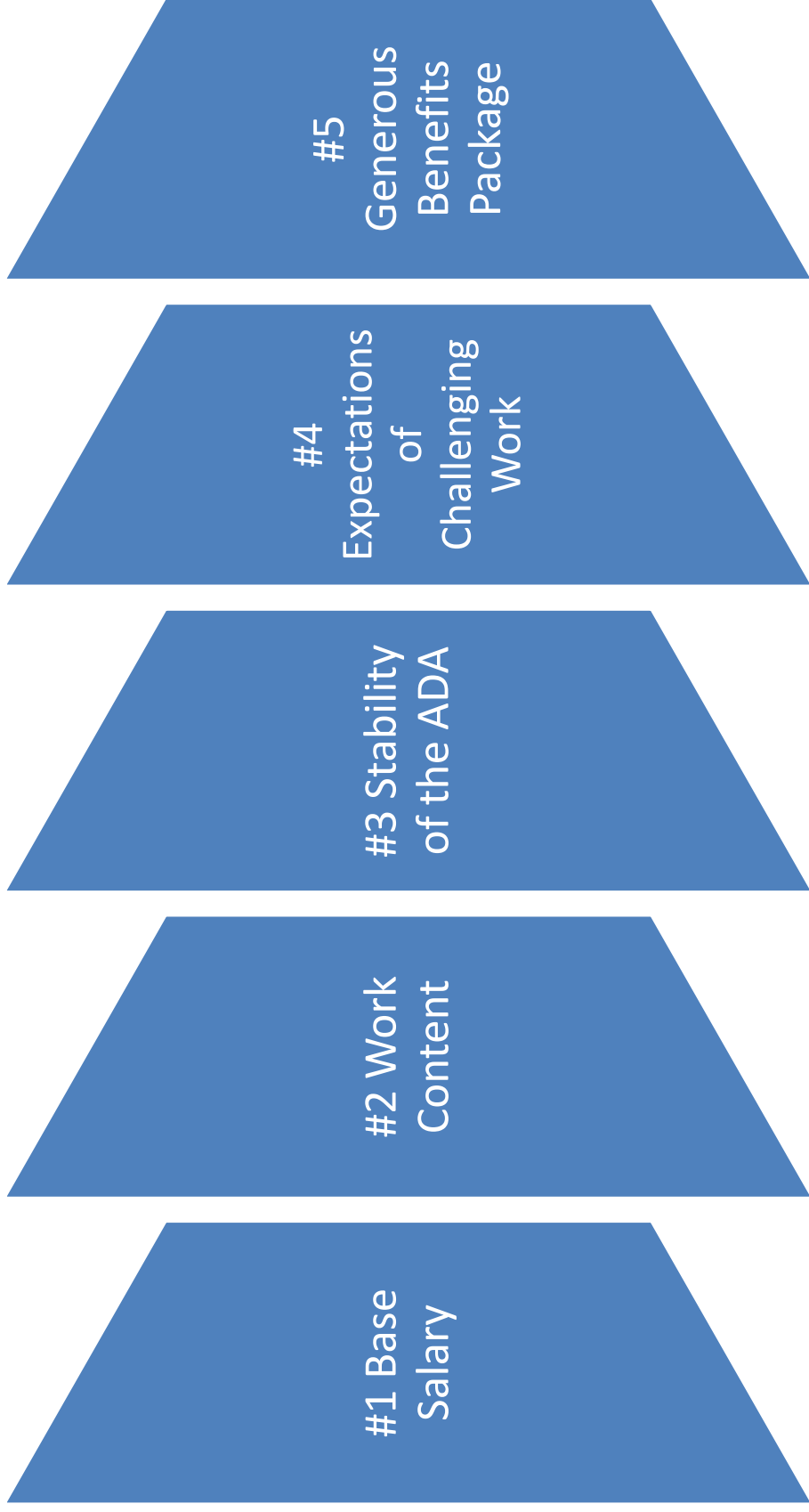
- ADA hires a highly educated work force
 - 49% of new hires have a DMD/DDS; PhD; JD or Masters degree
 - 42% of new hires have a Bachelors degree
 - 28% of Dentistry–based new hires are dentists or hold a PhD

SURVEY FINDINGS:

WHY STAFF JOIN & STAY WITH ADA

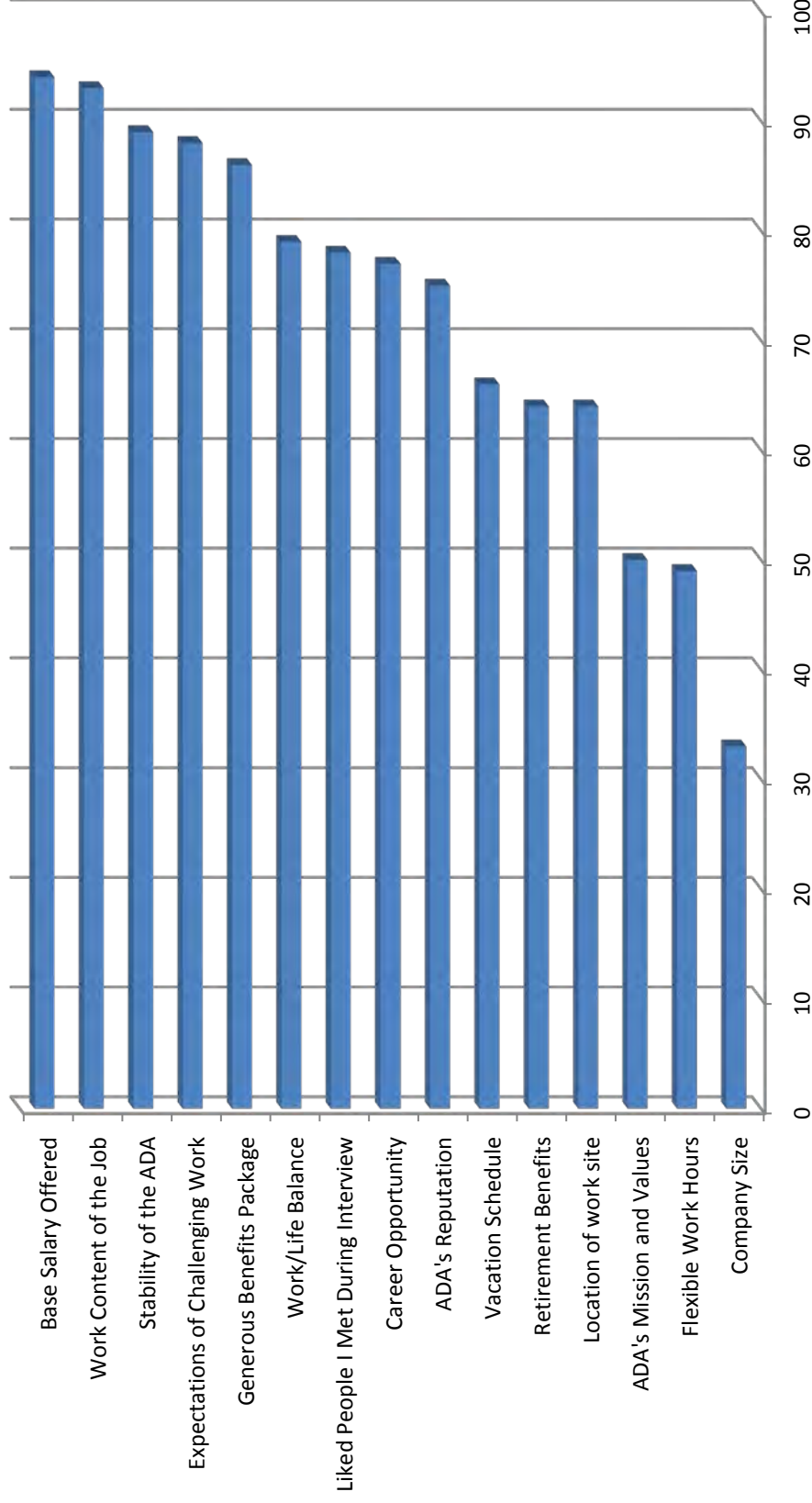
What Attracts Job Candidates to ADA?

Top 5 Factors in **Decision to Join** the ADA (0-5 Yrs Svc)*



**From 15 pre-set factors*

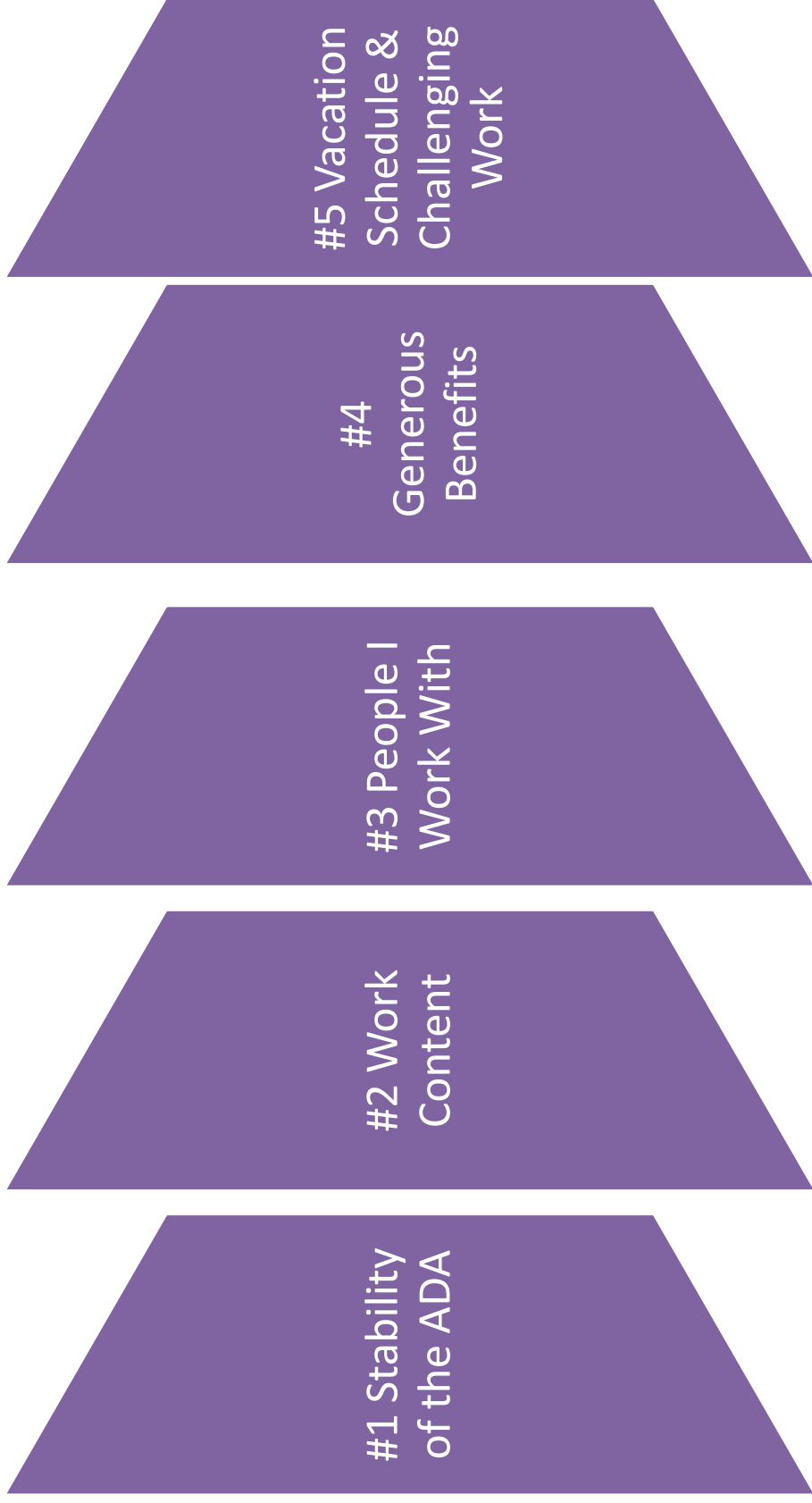
Snapshot of Relative Value for All Factors: Why Join (0-5 yrs)



From 15 pre-set factors

What Retains ADA Staff?

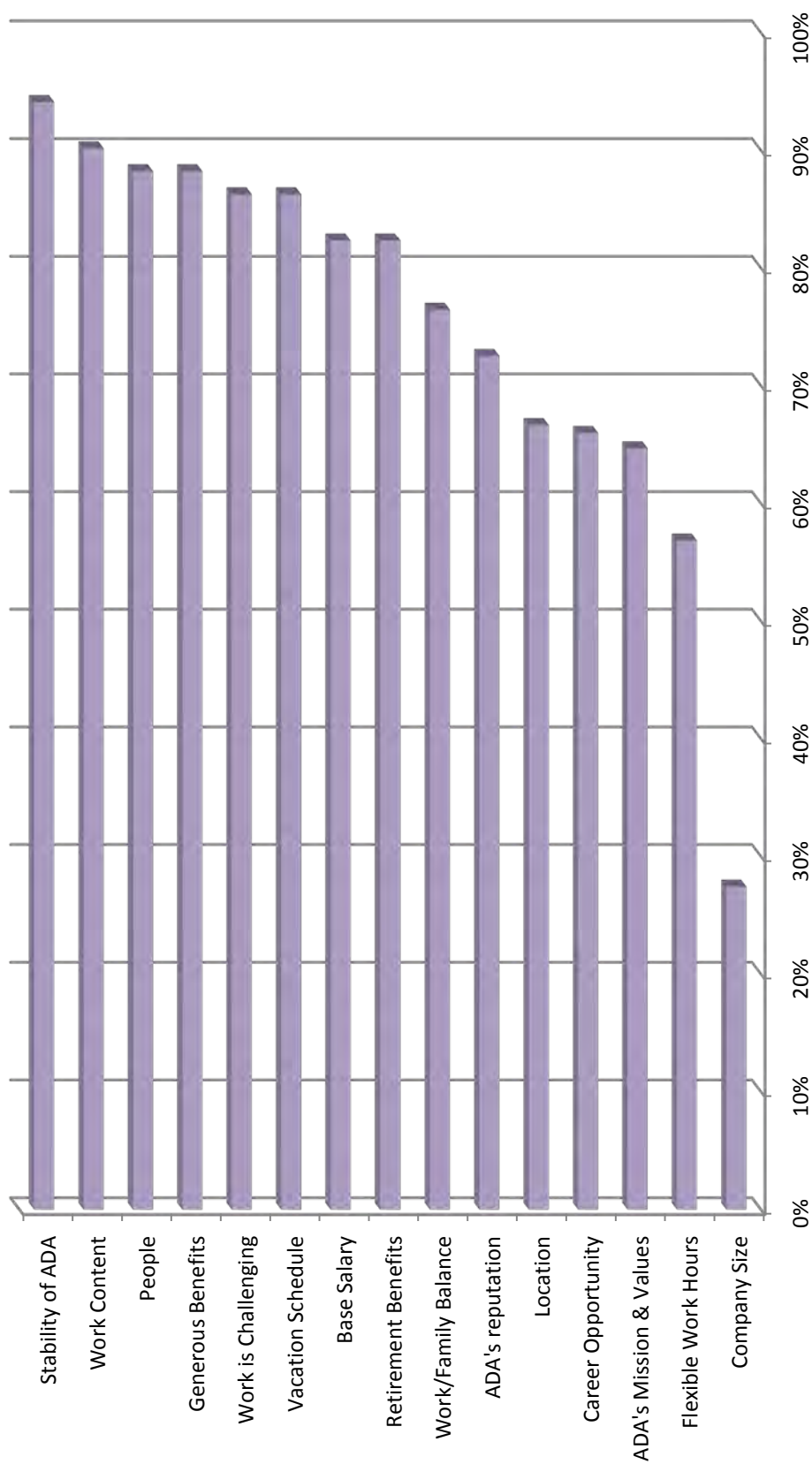
Top 5 Factors In **Decision to Stay** with ADA (0-5 yrs)*



**From 15 pre-set factors*

Snapshot of Relative Value for All Factors: Why Stay (0-5 yrs)

Factors Chosen as Critical or Important to Decision to Stay



From 15 pre-set factors

What Retains ADA Staff?

Top 5 Factors In Decision to Stay with ADA (11-20 yrs)*

#1 The Work is Challenging

#2 Work Content

#3 Stability of the ADA

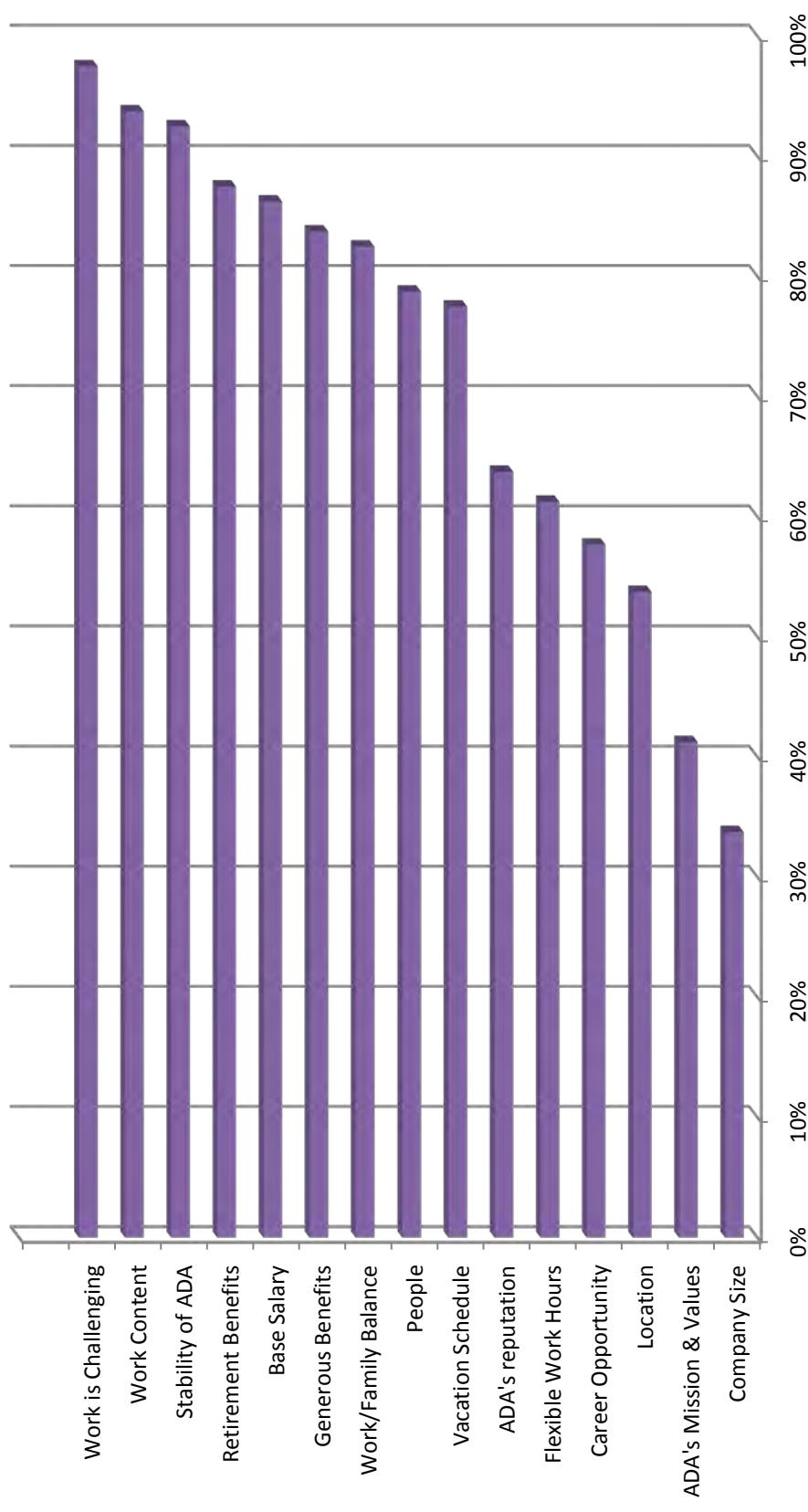
#4 Retirement Benefits

#5 Base Salary

**From 15 pre-set factors*

Snapshot of Relative Value for All Factors: Why Stay (11-20 yrs)

Factors Chosen as Critical or Important to Decision to Stay



From 15 pre-set factors

When Given Open Choice ...

- Work content, salary and location are the top attraction factors for joining ADA
- Benefits move up in attraction value as the top factors have been satisfied

	Reason1	# of Responses	Reason2	# of Responses	Reason3	# of Responses
#1	The Work	21	Salary	21	Location	18
#2	Career Opportunity	10	The People	12	Salary/Benefits (tie)	16
#3	Stability of the ADA	9	The Work	11	The Work	10
#4	I Needed a Job	8	Career Opp/Benefits (tie)	8	ADA Reputation/People (tie)	5
#5	ADA Values/Mission Benefits & Location (tie)	7	ADA Mgmt/Reputation (tie)	4	ADA Mgmt/Org Size (tie)	4
		6				
	Total # of Responses	92		90		87

Frequency analysis of factors for “**Question #8** - All things being equal, what are the top 1-3 reasons you chose to **STAY** with the ADA?

When Given Open Choice ...

- Benefits and Challenging Work consistently ranked in top 3 reasons for staying with ADA
- Other key retention factors include:
 - Stability of ADA, its People, Values/Mission

	Reason1	# of Responses	Reason 2	# of Responses	Reason 3	# of Responses	Reason 4	# of Responses	Reason 5	# of Responses
#1	Benefits	31	Challenging Work	28	Benefits	37	Benefits	22	Challenging Work	18
#2	Challenging Work	30	Benefits	27	People	21	People	18	Location	16
#3	Stability of the ADA	20	Salary	27	Challenging Work	20	Location	15	Benefits	12
#4	People	17	People	19	Salary	16	Challenging Work	15	People	12
#5	ADA Values/Mission	15	ADA Values/Mission	17	ADA Values/Mission	14	ADA Values/Mission	13	Salary	11
									ADA Values/Mission	11
	Total # of Responses	178		175		164		146		123

Frequency analysis of factors for “**Question #5** - All things being equal, what are the top 1-5 reasons you chose to **STAY** with the ADA?

Key Survey Findings – Attraction

- Attraction to ADA is highly influenced by Work Content and Base Salary
- Location is also important to initial attraction
- Benefits are an important attraction, though not a top decision driver for most
 - Retirement benefits create value dependent on personal situation
 - Work/Life Balance ranks higher in decision to join
- ADA management and Mission also attractive

Key Survey Findings – Retention

- Once employed, relative value rankings change
 - Stability of ADA and Work Content ranked highest in value on decisions to stay
 - Salary moves down in relative importance during early tenure but regains relative value over time
 - May be due to salary compression effect of staying with one employer

Key Survey Findings – Retention

- Retirement Benefits grow in importance to decision to stay, increasing in value with tenure
 - #8 ranked factor for retaining staff with 0-5 yrs svc
 - #4 ranked factor for retaining staff with 11-20 yrs svc

Other Survey Findings

- ADA has strong retention, but vulnerability
 - 29% of ‘Why Stay’ survey (54 people) has actively searched for another job in last 3 years
- ADA offers Work/Life fringe benefits of increasing value to attraction & retention
 - Vacation Schedule, Flexible Work Schedules
- Lack of career opportunity & work load top write-ins as key areas for improvement

Possible Conclusions

What Does Staff Value?	How Do We Get There?
Opportunities to continue working on challenging assignments to meet the ADA's Mission	Continue high quality of ADA work content and linking work to strategic goals
Stable work environment	Continue prudent spending measures across the ADA for long-term stability
Generous benefits & (for many) a viable retirement benefit	Reach conclusions for Pension & Total Compensation Studies that balance costs and purpose
Base salary commiserate with work content and assignments	Understand ADA vs. market from Total Compensation study; communicate findings to staff
Work/Life Balance; improve development options and reduce work loads	Continue enhancing ADA non-cash fringe benefits & streamlining work; develop Total Rewards philosophy to grow investment in development

Possible Conclusions

- Reduction in retirement benefits will have adverse impact, but options exist to mitigate
 - Assumptions
 - Base salaries at or above market, not below
 - ADA able to address work loads
 - Career opportunity addressed for top performers
 - Non-cash benefits continue to be advanced
 - Pension benefit reduction not enough to change relative value of benefits to staff employment decisions
 - 401k is enhanced vs. market as an offset to pension

Questions

- Contact
 - Sabrina King, Managing VP HR/OD, kings@ada.org
 - Pam Disselhorst, Manager Benefits, disselhorstp@ada.org



Discussion Guide

Appendix C: Top Competitors

Organization Name	Date of 990	Total No. of Employees	Revenues IRS Form 990 Part 1, Line 12	Expenses IRS Form 990 Part 1, Line 18	Total Salaries and Wages IRS Form 990 Part IX, Lines 5 - 7		Total Benefits (Pension 401(k), 403(b), ER Contribution, Other Benefits, Payroll Taxes) IRS Form 990 Part IX, Lines 8-10			Total Employee Costs IRS Form 990 Part IX, Lines 5-10	
					\$	% of Revenue	\$	% of Revenue	% of Total Salaries and Wages	\$	% of Operating Budget
American Dental Association Chicago, IL	November 2010	506	\$118.7	\$108.7	\$57.5	31.6%	\$16.0	13.5%	42.7%	\$53.5	49.2%
American Bar Association Chicago, IL	June 2010	1,228	\$148.5	\$138.2	\$41.7	28.1%	\$19.8	13.3%	47.5%	\$61.5	44.5%
National Association of Realtors Chicago, IL	November 2010	391	\$161.9	\$174.2	\$59.7	24.5%	\$8.4	5.8%	23.7%	\$49.1	28.2%
American Hospital Association Chicago, IL	August 2010	302	\$98.7	\$96.0	\$31.7	32.1%	\$16.6	16.8%	52.4%	\$48.3	50.3%
American Medical Association Chicago, IL	November 2010	1,106	\$207.9	\$221.6	\$93.4	44.9%	\$27.0	13.0%	28.9%	\$120.4	54.3%
Joint Commission on Accreditation of Healthcare Organizations	October 2010	486	\$123.4	\$113.6	\$64.3	52.1%	\$15.4	12.5%	24.0%	\$79.7	70.2%
American Diabetes Association Alexandria, VA	November 2010	1,668	\$195.5	\$196.8	\$48.5	24.8%	\$11.6	5.9%	23.9%	\$60.1	30.5%
Alzheimer's Association Chicago, IL	December 2010	321	\$85.0	\$87.3	\$19.6	23.1%	\$4.7	5.5%	24.0%	\$24.3	27.8%
American Heart Association Dallas, TX	November 2010	3,960	\$600.5	\$580.4	\$187.3	31.2%	\$52.4	8.7%	28.0%	\$239.7	41.3%
American Osteopathic Association Chicago, IL	March 2010	173	\$51.4	\$53.7	\$11.0	35.0%	\$3.1	9.9%	28.2%	\$14.1	41.8%
American Cancer Society Atlanta, GA	July 2010	2,199	\$575.3	\$591.2	\$87.5	23.3%	\$19.5	5.2%	22.3%	\$107.0	27.4%
American Dietetic Association Chicago, IL	February 2010	180	\$33.0	\$32.6	\$10.6	32.1%	\$2.6	7.9%	24.5%	\$13.2	40.5%
Average w/o ADA		1,110	\$187.4	\$187.8	\$57.8	30.8%	\$16.6	8.8%	28.7%	\$74.3	39.6%
25th Percentile w/o ADA		356	\$91.9	\$91.7	\$25.7	27.9%	\$7.1	7.7%	27.5%	\$36.3	39.6%
50th Percentile w/o ADA	Median	502	\$148.5	\$138.2	\$41.7	28.1%	\$15.4	10.4%	36.9%	\$60.1	43.5%
75th Percentile w/o ADA		1,447	\$201.7	\$209.2	\$75.9	37.6%	\$19.7	9.7%	25.9%	\$93.4	44.6%

Source: Most recent 990 filed by organization.



Discussion Guide

Appendix E: Additional Competitors

Selected ADA Competitors
(\$ in millions)*

Organization Name	Date of 990	Total No. of Employees	Revenues IRS Form 990 Part 1, Line 12	Expenses IRS Form 990 Part 1, Line 18	Total Salaries and Wages IRS Form 990 Part IX, Lines 5 - 7		Total Benefits (Pension 401(k), 403(b), ER Contribution, Other Benefits, Payroll Taxes) IRS Form 990 Part IX, Lines 8-10		Total Employee Costs IRS Form 990 Part IX, Lines 5-10	
					\$	% of Revenue	\$	% of Revenue and Wages	\$	% of Operating Budget
American Dental Association Chicago, IL	November 2010	506	\$118.7	\$108.7	\$37.5	31.6%	\$16.0	13.5%	\$53.5	49.2%
American Lung Association, New York, NY	March 2010	132	\$47.8	\$51.9	\$6.9	14.4%	\$2.1	4.4%	\$9.0	17.3%
ACT, Inc. Iowa City, Ia	June 2010	2,260	\$238.1	\$229.1	\$67.6	28.4%	\$21.7	9.1%	\$89.3	39.0%
American Board of Internal Medicine Philadelphia, PA	May 2010	191	\$35.3	\$40.3	\$15.2	43.1%	\$4.9	13.9%	\$20.1	49.9%
American Society for Testing and Materials West Conshohocken, PA	October 2010	201	\$45.0	\$42.5	\$14.0	31.1%	\$6.1	13.6%	\$20.1	47.3%
Association of American Medical Colleges Washington, DC	February 2011	638	\$109.4	\$104.8	\$45.5	41.6%	\$11.4	10.4%	\$56.9	54.3%
Educational Commission for Foreign Medical Graduates Philadelphia, PA	August 2010	919	\$50.3	\$47.0	\$20.6	41.0%	\$12.7	25.2%	\$33.3	70.9%
Federation of State Medical Boards Dallas, TX	December 2009	206	\$32.1	\$35.3	\$9.9	30.8%	\$2.4	7.5%	\$12.3	34.8%
Illinois Wesleyan University Bloomington, IL	June 2010	1,261	\$74.8	\$74.0	\$32.1	42.9%	\$8.6	11.5%	\$40.7	55.0%
Rotary International Evanston, IL	February 2010	606	\$66.4	\$75.9	\$20.6	31.0%	\$6.9	10.4%	\$27.5	36.2%
Thunderbird School of Global Management Glendale, AZ	April 2010	652	\$63.9	\$65.3	\$26.0	40.7%	\$5.0	7.8%	\$31.0	47.5%
United Way of Metropolitan Chicago, Inc. Chicago, IL	November 2010	154	\$48.9	\$49.0	\$6.1	12.5%	\$1.8	3.7%	\$7.9	16.1%
YWCA of Metropolitan Chicago Chicago, IL	February 2010	180	\$9.1	\$10.7	\$4.8	53.7%	\$1.0	11.0%	\$5.8	54.2%
Average w/o ADA		617	\$68.4	\$68.8	\$22.4	32.8%	\$7.1	10.3%	\$29.5	42.9%
25th Percentile w/o ADA		188	\$42.6	\$42.0	\$9.2	21.5%	\$2.3	5.5%	\$11.5	27.4%
50th Percentile w/o ADA		406	\$49.6	\$50.5	\$17.9	36.1%	\$5.6	11.2%	\$23.8	47.2%
75th Percentile w/o ADA		719	\$69.5	\$74.5	\$27.5	40.2%	\$9.3	13.6%	\$35.2	47.2%



Total Rewards Framework

July 15, 2011

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Deerfield, IL 60015
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Email: b-cresources@msn.com

- This report is intended to provide a total rewards perspective to ADA's Board of Trustees and House of Delegates to facilitate decisions that need to be made with respect to ADA's Total Rewards strategy.

	<u>Page No.</u>
■ Project Goals and Objectives	4
■ Compensation Components	5
■ Total Rewards Framework in the “New Normal”	6
■ Executive Summary	8
■ ADA Versus Trends Today	12
■ Top Competitors/Comparator Group	13
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■ Costs	16
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● Is Compensation Competitive?	18
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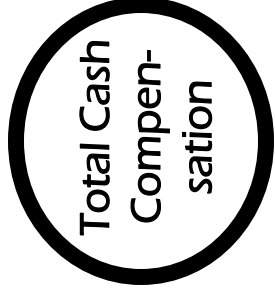
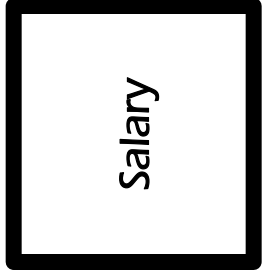
■ Objectives and Scope

The overall objective of the project is to conduct a competitive review of ADA's benefits and a competitive benchmark market review for selected ADA positions. The purpose of this review is to ensure ADA can continue to be competitive in the market to enable it to attract and retain high-performing employees to help drive its future success.

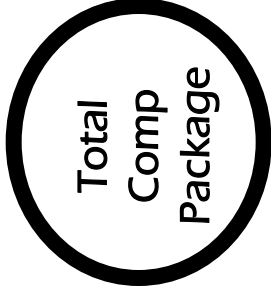
The **specific objectives** of the project are:

- Obtain data for the benefits and compensation review from ADA and inventory and evaluate all elements of ADA's current compensation and benefits programs.
- Benchmark and assess the competitiveness of ADA's base salary and incentives/bonuses as compared to the external market.
- Assess ADA's benefits program as compared to the external market.
- Review and analyze all internal/external data and develop summary of key findings, observations and directions for change. Meet with ADA to review report.
- Work with ADA to develop a total rewards philosophy and a set of guidelines that can be used as a framework for future compensation and benefit actions.

DIRECT



INDIRECT

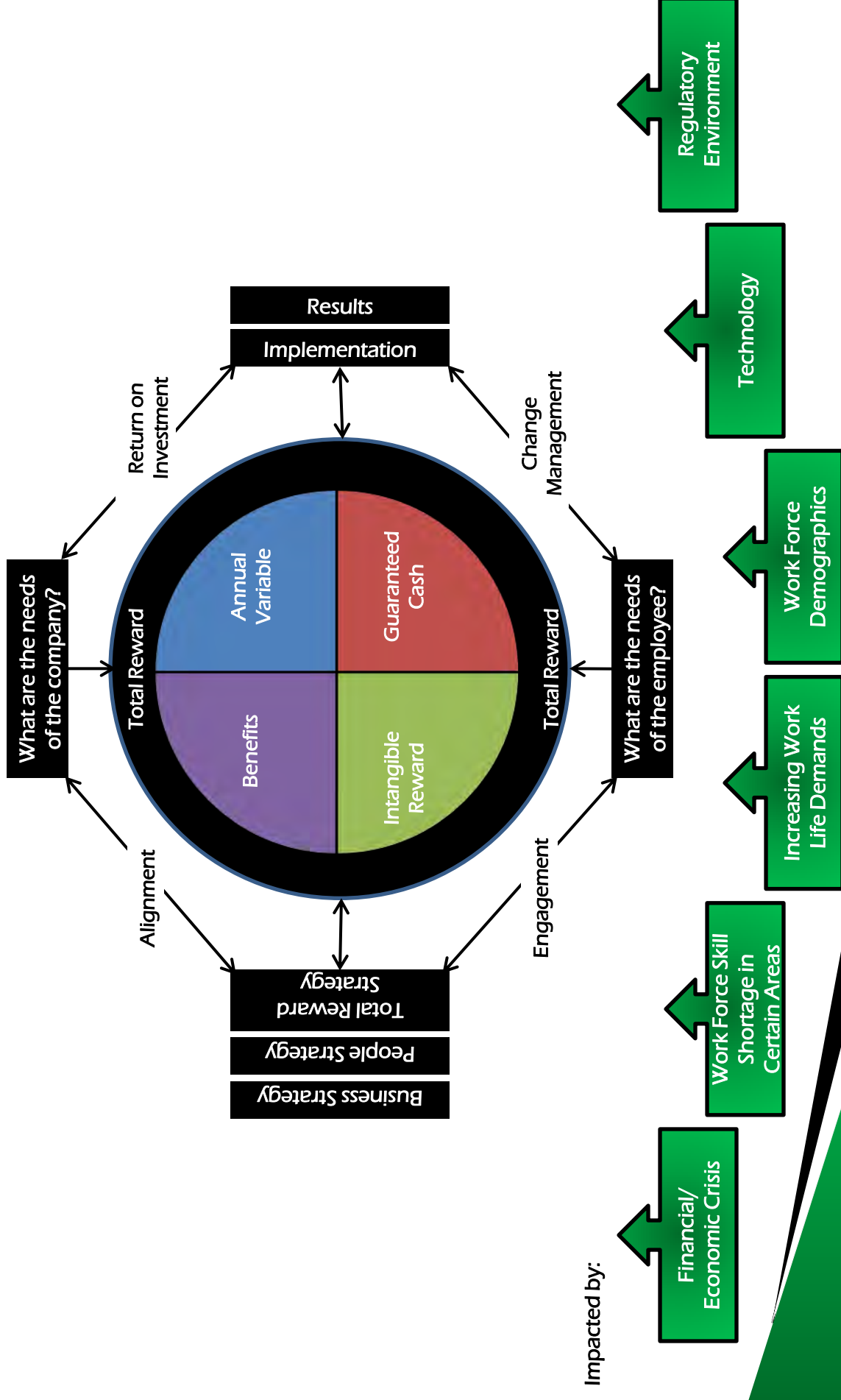


- Compensates employee for performing his/her day-to-day job responsibilities.

- Focuses and rewards employee for achieving short-term results that create sustained future growth

- Enhances overall compensation package.
- Provides security.
- Serves somewhat as a retention mechanism.

Every organization has to determine how much of total compensation should be in pay versus benefits.



- ADA provided the position descriptions to BCR for the positions to be externally benchmarked. BCR provided summary position descriptions from the external surveys utilized back to ADA's HR team to ensure the benchmark matches were appropriate. In situations where the content of a specific job was not clear based on the documentation, BCR worked with ADA's Human Resources Director to clarify our understanding.
- The competitive external benchmarking review was conducted relative to competitive levels within similarly-sized organizations, using the following published surveys:
 - ASAE Association Compensation & Benefits Study: 2010/2011
 - Association Forum Compensation and Benefits Study: 2010/2011
 - Culpepper Compensation Survey: 2010 (Executive, Technical, and Operations)
 - prmc Consulting Not-For-Profit Survey: 2010
 - Salary.com
 - Radford Global Life Sciences Survey: 2010
 - 2010 Survey Report on College & University Personnel Compensation
 - Various Towers Watson Reports on Compensation (Middle Management, Accounting & Finance, Human Resources, Office Personnel, IT, Professional Services, Supervisory Management, Sales, and Top Management: 2010/2011)

■ The following summarizes the major findings from the competitive review and assessment.

Rating Scale



Fully Consistent
With Best Practices



Does Not Meet
Best Practices



Compensation Component	Description	Comments	Rating
• Documented Total Rewards Philosophy	• ADA doesn't presently have a Total Rewards Philosophy.	• ADA should continue the process of developing a Total Rewards Philosophy to utilize as a framework for future Total Rewards decisions.	▲
• Base Salary	• ADA's approach has been to target the market median.	• ADA's positions that were benchmarked are for the most part are paid competitively with the market (between 90% to 110% of the market).	●
• Variable Pay (i.e., Incentive Plan)	• There really is no variable pay plan in place.	• Many NFPs have an incentive plan in place to create alignment with key objectives for the organization. The use of variable pay has been increasing over the last several years.	○
• Market Ratio	• A market ratio analysis demonstrates how employees are paid to the specific market data for those jobs in that function.	• The overall ADA base pay market ratio shown on page 15 is around 100% and for total cash it's 85% on average, or 80% on a weighted average basis. Typically pay that is within +/- 10% of the market median is considered competitive.	●

■ The following is a summary from the competitive review and assessment.

Rating Scale



Fully Consistent
With Best Practices

Partially Consistent
With Best Practices

Does Not Meet
Best Practices

Compensation Component	Description	Comments	Rating
• Compa Ratio	<ul style="list-style-type: none"> A compa ratio analysis demonstrates how employees are paid competitive to the salary structure in place. 	<ul style="list-style-type: none"> ADA's average compa ratio of 90% indicates that overall it is not paying employees near the midpoint of its ranges. 	▲
• Job Evaluation and Grade Structure	<ul style="list-style-type: none"> ADA currently slots the placement of its employees in its grade level structure. 	<ul style="list-style-type: none"> Having a more consistent approach for placing positions into a job family band will lead to better alignment of positions and pay. 	▲
• ADA's Ratio of Salaries to Revenues and Expenses of Similar Organizations	<ul style="list-style-type: none"> ADA's total salaries and expenses were compared to other NFPs. 	<ul style="list-style-type: none"> ADA's total salaries and expenses seem to be higher than other similar NFPs. 	○

- The benefits information contained in this report was obtained from the sources listed below:
- ADA census and benefit cost data.
 - Information obtained from ADA regarding the operation and communication of its benefits plan.
 - Survey data from the following published surveys:
 - AON Client-Commissioned Benefits Survey 2009
 - 2010-2011 Association Forum of Chicagoland Compensation and Benefits Survey;
 - ASAE Association Compensation and Benefits Study 2010-2011 Edition;
 - IFEB (International Foundation of Employee Benefits) Employee Benefits Survey – 2011;
 - Kaiser Employer Health Benefits 2010 Annual Survey;
 - NonProfitTimes 2010 Nonprofit Organizations Salary and Benefits Report;
 - Society of Human Resources Management (SHRM) 2010 Employee Benefits Report ; and
 - 990 reports for selected Not-For-Profits.

Note: When selecting data from these published survey sources, organizations with similar staff sizes or operating budgets were utilized as comparisons for ADA's benefits. Also, the IFEB Survey provides a comparison from a For Profit perspective.

Rating Scale

More Than Competitive

Fully Competitive

Partially Competitive

Not Competitive

* Executives impacted by IRC plan limits and Board President, President Elect and Treasurer.

Retirement Benefits	Rating	
	Prevalence	Design
Pension Plan		
401(k)		
Executive Parity*		

Prevalence:

A dominant or widespread practice (e.g., x% of companies have this type of plan).

Design:

The benefit features and plan provisions (e.g., deductibles).

Fringe Benefits	Rating	
	Prevalence	Design
Medical/EAP		
Dental Reimbursement		
Life Insurance/AD&D		
Optional and Dependent Life Insurance		N/A
Long-Term Care		
Short-Term Income Replacement (STIR)		
Long-Term Disability (LTD)		
Vacation/Holiday/Personal Days		
Sick Days		

ADA's Current Situation

- ADA's base salaries are fully competitive with the market.
- ADA doesn't have a variable compensation portion above base pay tied to specific organizational goals and objectives.
- ADA's delivery of benefits is more of a **defined benefits** approach.
- ADA is missing a focus on an overall total rewards and recognition philosophy.

Trends

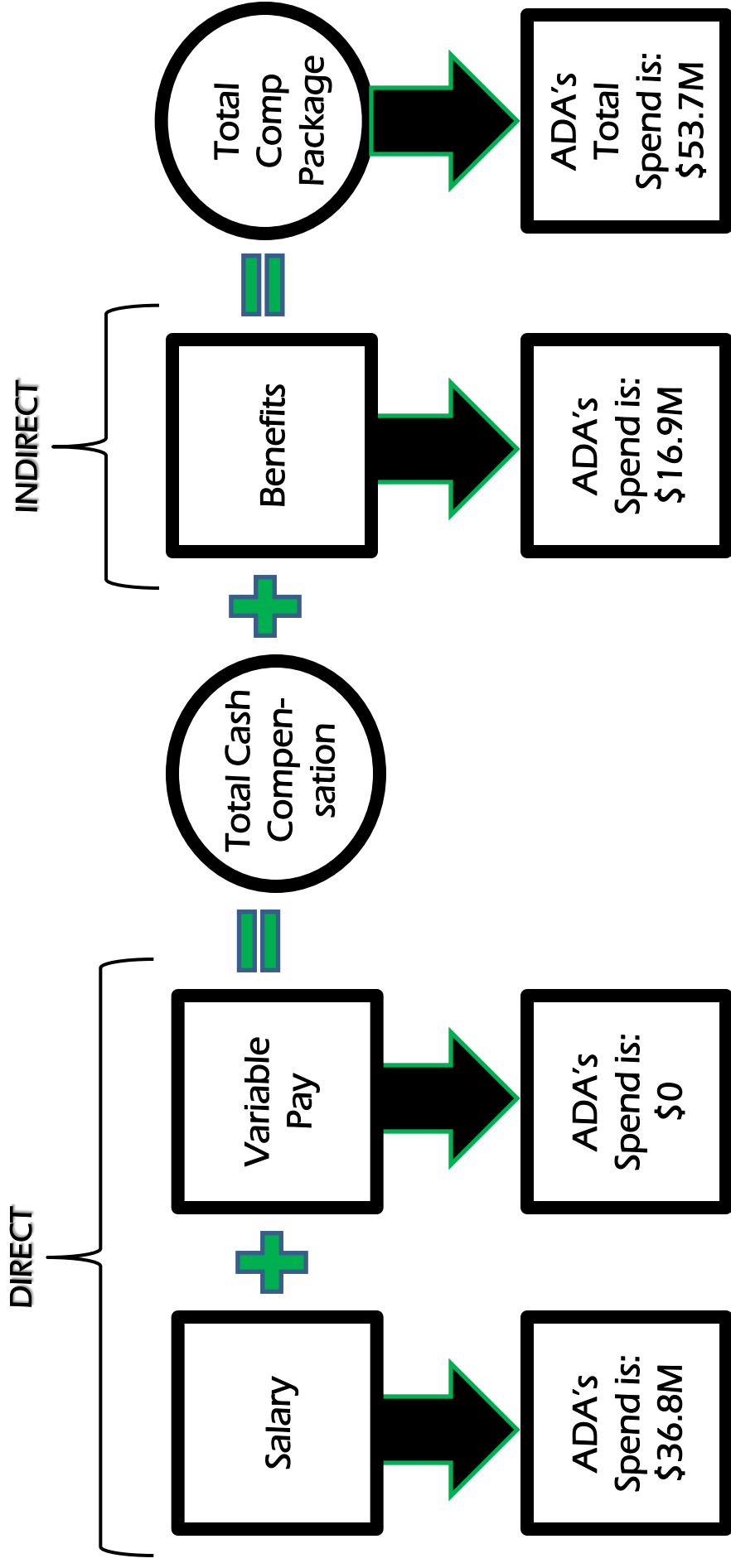
- Organizations continue to maintain competitive base salaries but have started to move away from the notion of annual entitlement pay increases and towards periods between increases (18 months versus 12 months) based on the market and performance. High performers are the primary focus for greater salary adjustments.
- Organizations have been adding an at-risk or variable pay component tied to specific performance criteria to help drive performance that is value-added to the organization.
- Organizations have shifted to **defining the contribution** they want to make towards employees' benefits and encouraging more employee responsibility and engagement.
- Organizations are focusing on a total rewards approach that incorporates recognition/appreciation and development/career opportunities.

- ADA's Compensation Committee reviewed 36 NFPs to determine its Top Competitor/Comparator Group against which to compare its Total Rewards package.
 - Best Practice is about 10 to 15 organizations.
- The Compensation Committee collaborated and evaluated these NFPs on the following factors:
 - Type of Organization
 - Membership Type
 - IRS Status
 - Revenue Size
 - Operating Budget Size
 - Staff Size
 - Geographic Scope
 - Industry Interest Area
- The Top Competitor/Comparator Group is not final and will need to change over time as ADA and its peer organizations will also evolve over time.
- Unique issues will most likely need to be addressed outside the Top Competitors/Comparator Group.

■ Based on the various factors, the organizations selected are shown below:

Offer a Pension Plan	Organization Name	Date of 990	Total No. of Employees	Revenues <i>IRS Form 990 Part 1, Line 12</i>	Expenses <i>IRS Form 990 Part 1, Line 18</i>
Yes	American Dental Association Chicago, IL	November 2010	506	\$118.7	\$108.7
Frozen	American Bar Association Chicago, IL	June 2010	1,228	\$149.0	\$138.2
Yes, Money Purchase Plan	National Association of Realtors Chicago, IL	November 2010	391	\$161.9	\$174.2
Frozen	American Hospital Association Chicago, IL	August 2010	502	\$98.7	\$95.9
Frozen	American Medical Association Chicago, IL	November 2010	1,106	\$207.9	\$221.6
Yes, Account Balance Plan	Joint Commission on Accreditation of Healthcare Organizations	October 2010	486	\$123.4	\$113.6
No	American Diabetes Association Alexandria, VA	November 2010	1,666	\$195.5	\$196.8
No	Alzheimer's Association Chicago, IL	December 2010	321	\$85.0	\$87.3
No	American Heart Association Dallas, TX	November 2010	3,960	\$600.5	\$580.4
No	American Osteopathic Association Chicago, IL	March 2010	173	\$31.4	\$33.7
Frozen	American Cancer Society Atlanta, GA	July 2010	2,199	\$375.3	\$391.2
No	American Dietetic Association Chicago, IL	February 2010	180	\$33.0	\$32.6
	Average w/o ADA		1,110	\$187.4	\$187.8
	25th Percentile w/o ADA		356	\$91.9	\$91.6
	50th Percentile w/o ADA	Median	502	\$149.0	\$138.2
	75th Percentile w/o ADA		1,447	\$201.7	\$209.2

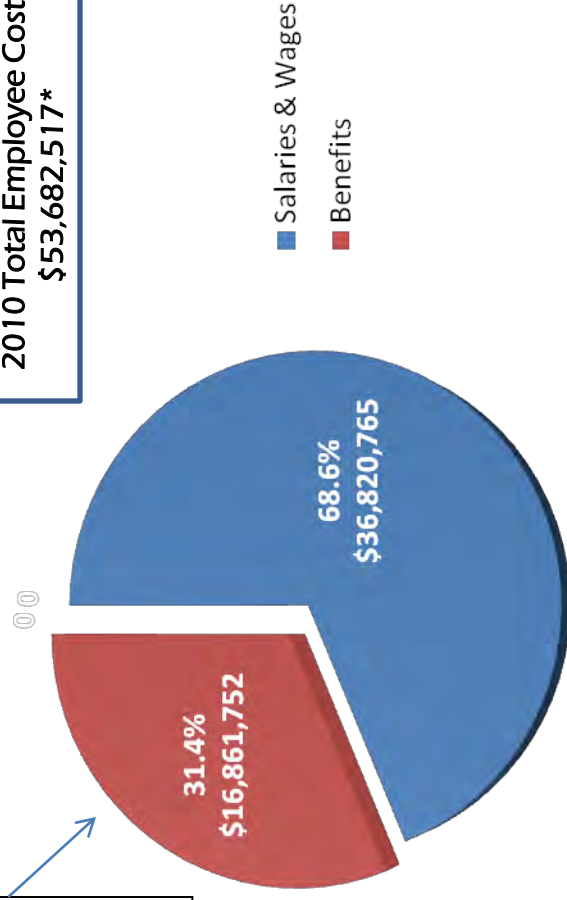
*Source: Most recent 990 filed by organization.



Life/LTD	1.7%	\$929,847
Health	9.5%	\$5,120,848
Pension	14.8%	\$7,935,450
401(k)	0.4%	\$209,207
Social Security/Medicare	4.5%	\$2,434,186
Workers' Comp	0.3%	\$140,709
Unemployment Insurance	0.2%	\$91,505

* Based on 2010 actual cost information supplied by ADA. Pension includes extra contributions for funding gap.

2010 Total Employee Cost
\$53,682,517*



Mix of Pay and Benefits is 70/30. What should it be?

Revenues Per FTE:

ADA: \$263.19 (\$118.7 M/451)



Top Competitors: \$295.82 Median

Salaries as a % of Revenue:

ADA: 32.9%



Top Competitors: 28.1% Median

- Base salaries are competitive.
- ADA is spending more on base salaries than Top Competitors.
∴ Lower revenues increase salaries as a % of revenues.

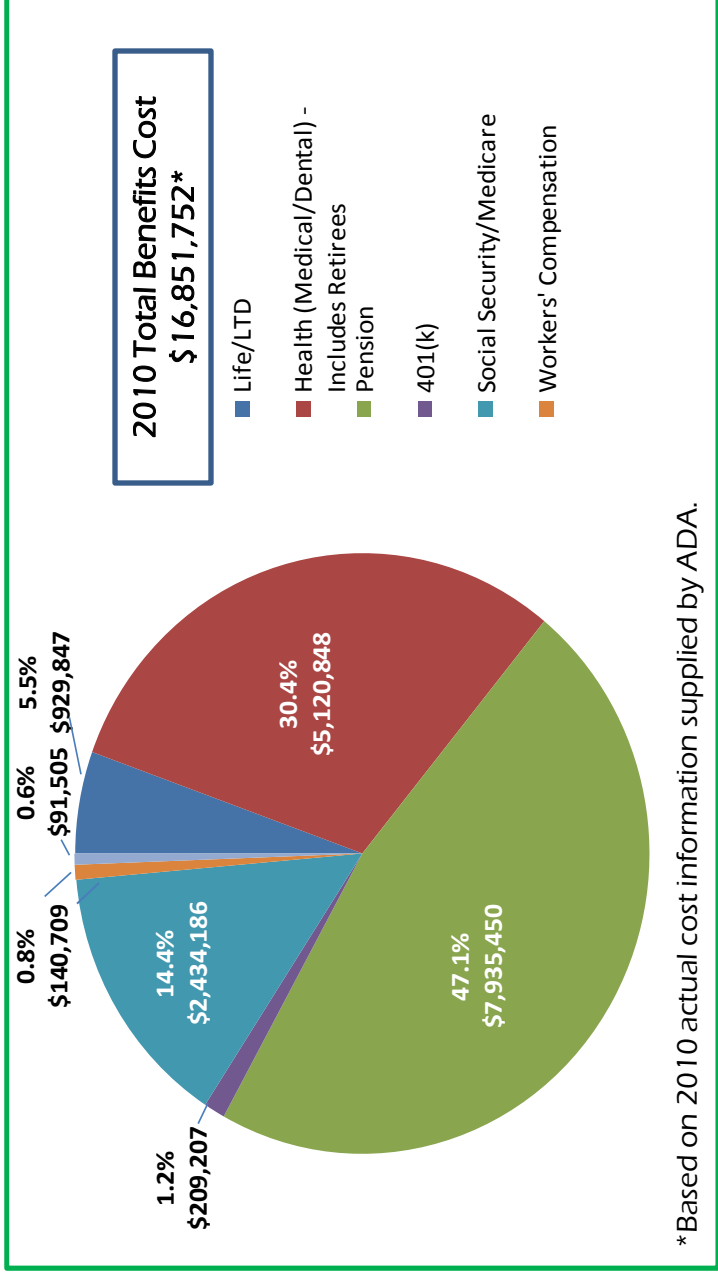
- The following chart shows how the average of ADA's base salaries compare to the Average Market Medians for the positions benchmarked.

		ADA Data*				Market Data				
EE Count	205	Avg Base	Avg Total	Current	Base/ Midpt	Avg Market Base	Avg Market TCC	ADA Base v's Market Base	ADA TCC v's Market TCC	ADA Cur Mid pt v's Market Base
		\$109.12	\$109.47	\$119.94				90.98%	\$109.07	\$128.74
Average										

*Excludes Officers & Executive Director

- Competitive benchmarking shows ADA's base salaries are competitive with the market (+/- 10% of market median) but total pay is not.

Pay Component	Market Competitiveness
Base Salary	Fully Competitive
Variable Pay	Not Competitive
Total Cash Compensation (Base + Variable)	Not Competitive



- The pension plan represents half of ADA's benefit costs.
- Medical/Dental benefits represent almost one-third of ADA's benefit costs which is impacted significantly by retiree medical costs.

■ Revenues Per FTE:

ADA: \$263.19 (\$118.7M/451)

Top Competitors: \$295.82 Median

■ Operating Budget Per FTE:

ADA: \$214.55 (\$108.7M/451)

Top Competitors: \$275.30

■ Benefits as a % of Revenue:

ADA: 13.5%

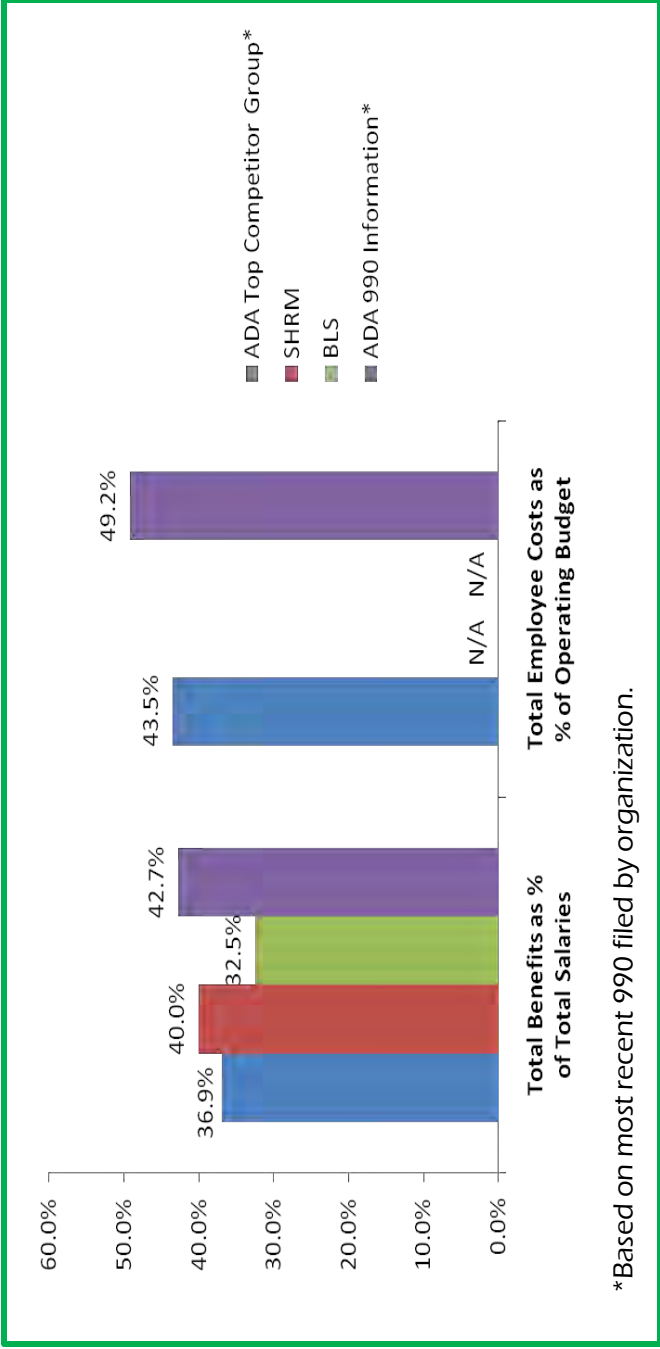
Top Competitors: 10.4%

■ Benefits as a % of Operating Budget:

ADA: 14.7%

Top Competitors: 11.1%

- ADA's benefits are over competitive with the market.
- Some differences may be due to: plan design provisions, employee demographics and pay, and investment performance, funded status and actuarial assumptions for pension plans.

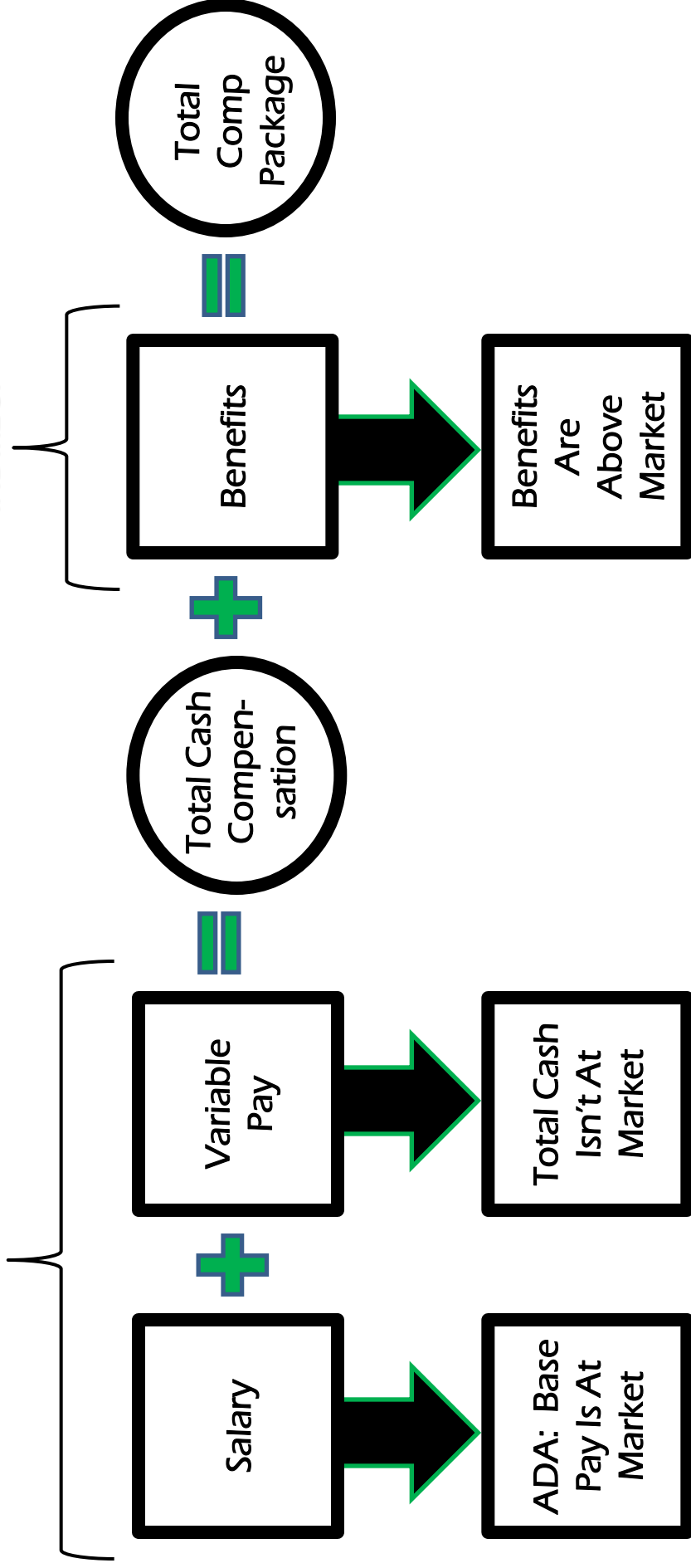


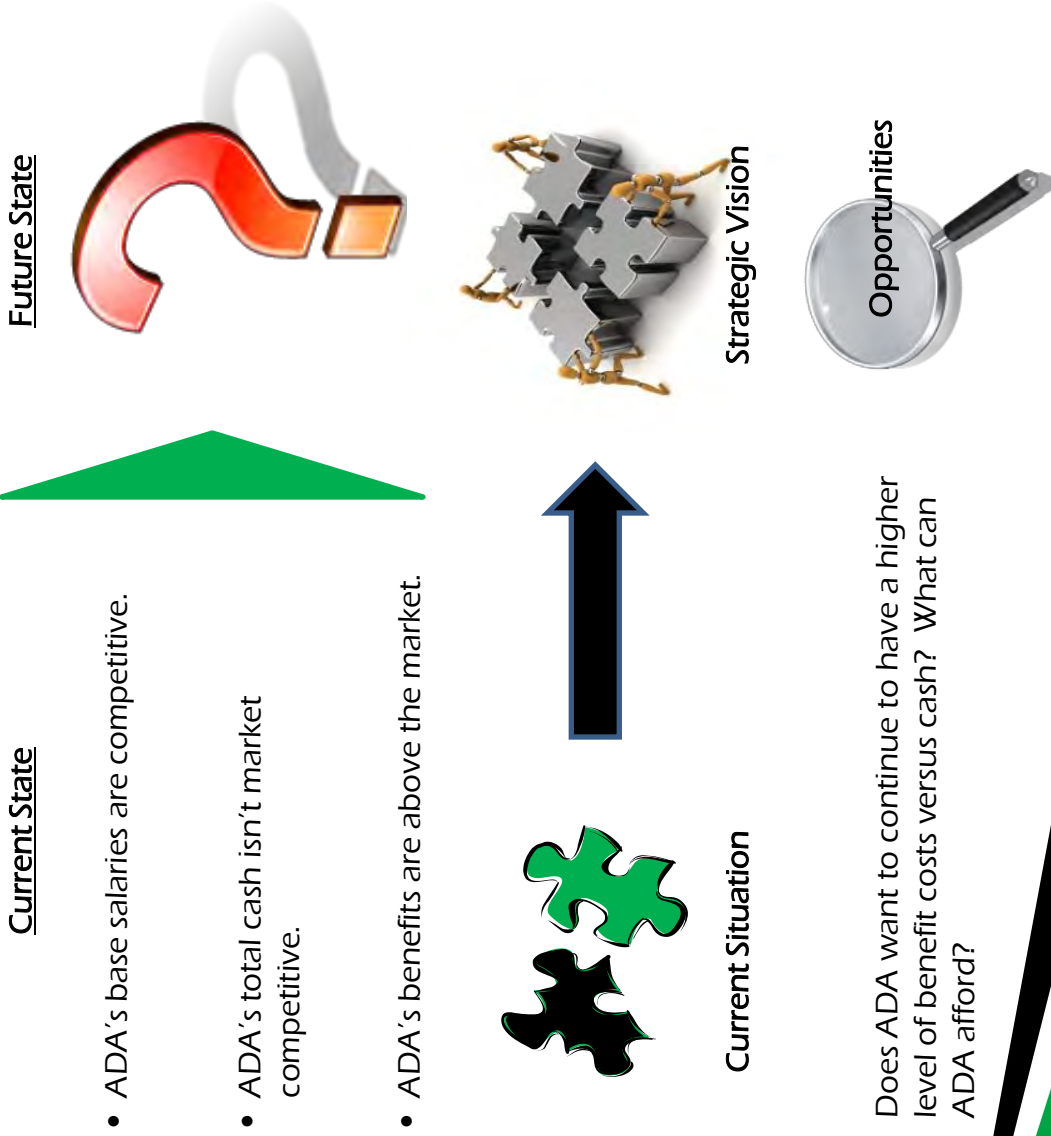
*Based on most recent 990 filed by organization.

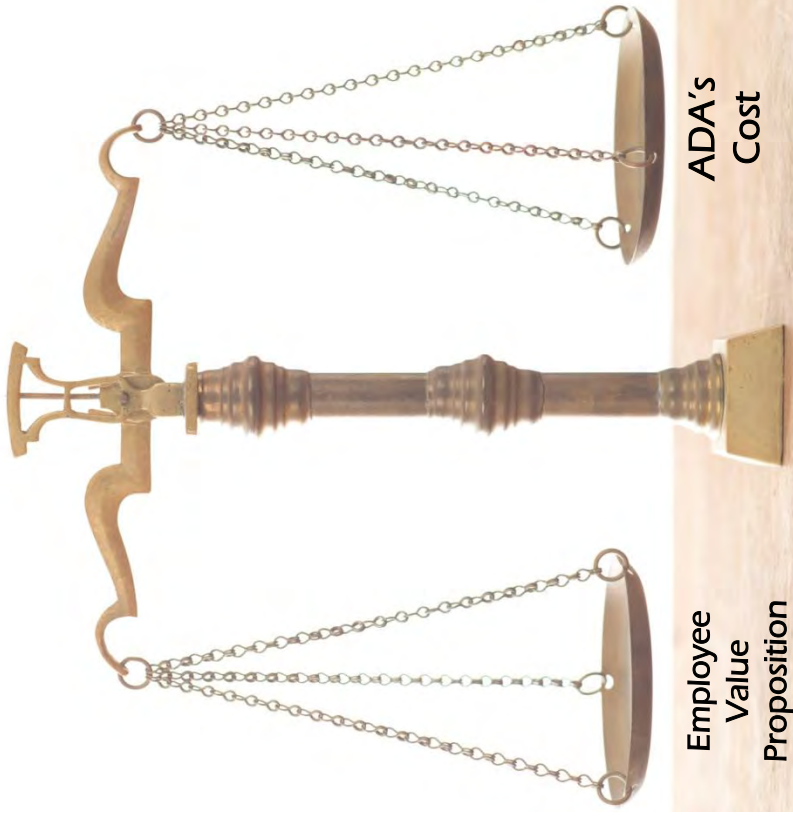
- The percent of revenue and operating budget spent on compensation and benefits is of function of how much ADA decides to spend on employee costs and on what components.

DIRECT

INDIRECT







**ADA needs to balance its fiscal
needs against its ability to attract
and retain employee talent.**

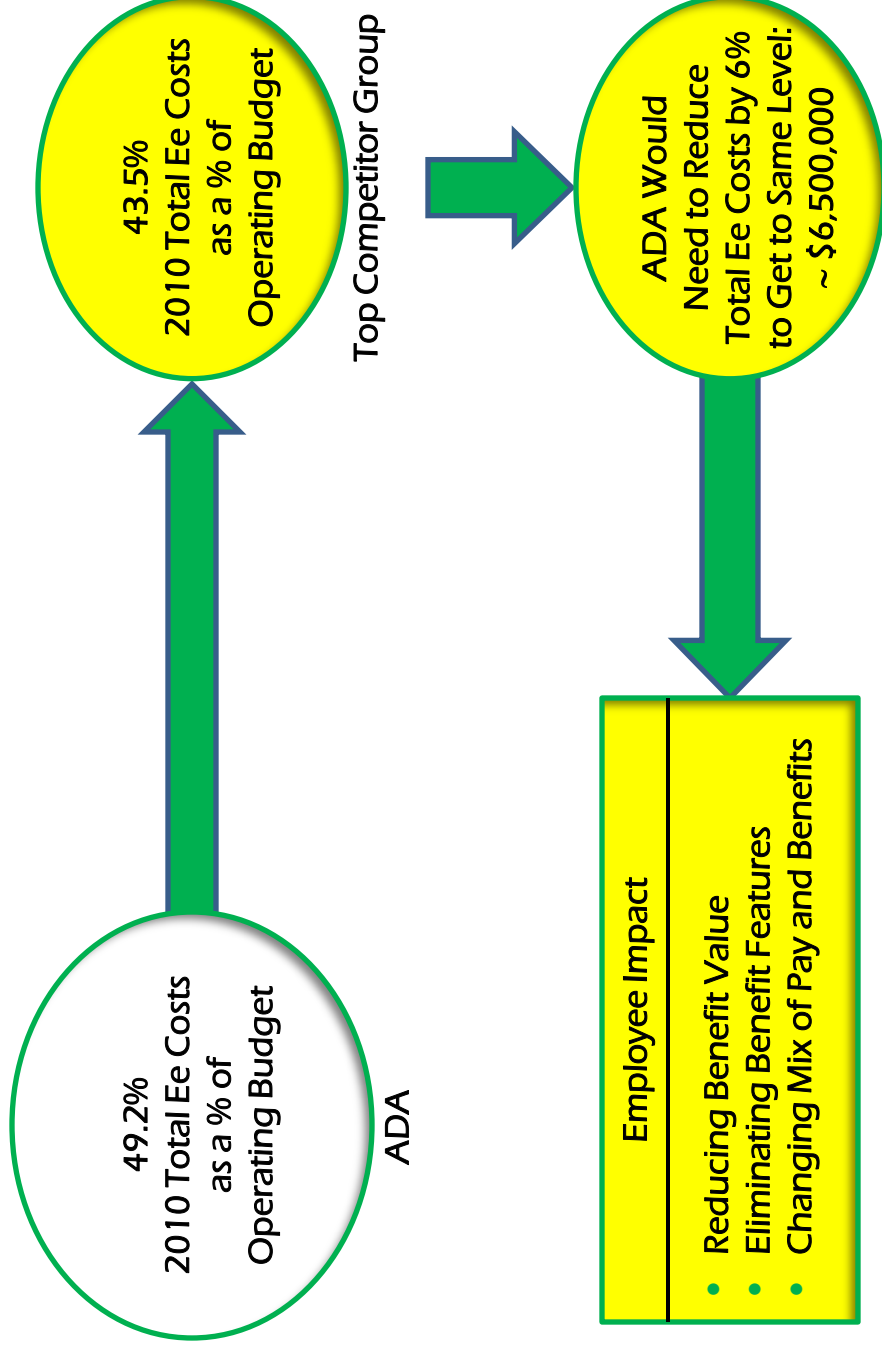
	Total Benefits* as % of Total Salaries (Excludes Cost of Pay For Time Off)**	Total Employee Costs* as % of Operating Budget	Comments
ADA Top Competitor Group IRS Form 990 Data (Excludes ADA)	36.9% Median	43.5% Median	<ul style="list-style-type: none"> Calculated based on data from the 2009 Plan Year 990 filed in 2010.
Society of Human Resources Management (SHRM) 2010 Benefits Survey	40.0% Average	N/A	<ul style="list-style-type: none"> For organizations with 500+ employees, includes both for-profit and not-for-profit organizations.
Bureau of Labor Statistics Data, December 2010	32.5% Average	N/A	<ul style="list-style-type: none"> For private employers with 500 or more employees.
ADA 990 Information	42.7%	49.2%	<ul style="list-style-type: none"> Calculated based on data from the 2009 Plan Year 990 filed in 2010.

* Payroll taxes are included as part of Total Benefits.

** Some organizations report Pay for Time Off within salaries; others don't. Pay For Time Off traditionally includes vacation, sick and personal days and holidays. For comparison purposes, it has been excluded.


A 990 is an annual information reporting return that Federal tax-exempt organizations must file with the IRS. It provides information on the organization's mission, programs and finances, including wages, salaries and benefit costs.

- ADA needs to define how much of its operating budget it wants to spend on total employee costs.



■ What's the target ADA wants to achieve?

- How big of a reduction should be targeted and over what time period? What's the impact on employees?
 - For every 1% of Operating Budget Total Employee Cost reduction, \$ 1.0 million must be removed from the value of employees' total rewards package.
- What steps would ADA take to keep salaries competitive (i.e., 95% to 105% of the market)?
- What if ADA wants to add a variable pay component? How would ADA make that happen?
- Would ADA want to provide employees with a greater opportunity to earn more in total cash and have a higher level of 401(k) match? What benefit plans and costs would need to change to achieve this goal?



In order to determine what compensation and benefit plan designs and plan costs are appropriate,



ADA needs to determine how much of its total rewards package should be in pay versus benefits and what it can afford to spend.

Appendix: Top Competitors

Organization Name	Date of 990	Total No. of Employees	Revenues IRS Form 990 Part 1, Line 12	Expenses IRS Form 990 Part I, Line 18	Total Salaries and Wages IRS Form 990 Part IX, Lines 5 - 7		Total Benefits [Pension 401(k), 403(b), ER Contribution, Other Benefits, Payroll Taxes] IRS Form 990 Part IX, Lines 8 - 10			Total Employee Costs IRS Form 990 Part IX, Lines 5 - 10	
					\$	% of Revenue	\$	% of Revenue	% of Total Salaries and Wages	\$	% of Operating Budget
American Dental Association Chicago, IL	November 2010	506	\$118.7	\$108.7	\$37.5	31.6%	\$16.0	13.5%	42.7%	\$53.5	49.2%
American Bar Association Chicago, IL	June 2010	1,228	\$148.5	\$138.2	\$41.7	28.1%	\$19.8	13.3%	47.5%	\$61.5	44.5%
National Association of Realtors Chicago, IL	November 2010	391	\$161.9	\$174.2	\$39.7	24.5%	\$9.4	5.8%	23.7%	\$49.1	28.2%
American Hospital Association Chicago, IL	August 2010	502	\$98.7	\$96.0	\$31.7	32.1%	\$16.6	16.8%	52.4%	\$48.3	50.3%
American Medical Association Chicago, IL	November 2010	1,106	\$207.9	\$221.6	\$93.4	44.9%	\$27.0	13.0%	28.9%	\$120.4	54.3%
Joint Commission on Accreditation of Healthcare Organizations	October 2010	486	\$123.4	\$113.6	\$64.3	52.1%	\$15.4	12.5%	24.0%	\$79.7	70.2%
American Diabetes Association Alexandria, VA	November 2010	1,666	\$195.5	\$196.8	\$48.5	24.8%	\$11.6	5.9%	23.9%	\$60.1	30.5%
Alzheimer's Association Chicago, IL	December 2010	321	\$85.0	\$87.3	\$19.6	23.1%	\$4.7	5.5%	24.0%	\$24.3	27.8%
American Heart Association Dallas, TX	November 2010	3,960	\$600.5	\$580.4	\$187.3	31.2%	\$52.4	8.7%	28.0%	\$239.7	41.3%
American Osteopathic Association Chicago, IL	March 2010	173	\$31.4	\$33.7	\$11.0	35.0%	\$3.1	9.9%	28.2%	\$14.1	41.8%
American Cancer Society Atlanta, GA	July 2010	2,199	\$375.3	\$391.2	\$87.5	23.3%	\$19.5	5.2%	22.3%	\$107.0	27.4%
American Dietetic Association Chicago, IL	February 2010	180	\$33.0	\$32.6	\$10.6	32.1%	\$2.6	7.9%	24.5%	\$13.2	40.5%
Average w/o ADA		1,110	\$187.4	\$187.8	\$57.8	30.8%	\$16.6	8.8%	28.7%	\$74.3	39.6%
25th Percentile w/o ADA		356	\$91.9	\$91.7	\$25.7	27.9%	\$7.1	7.7%	27.5%	\$36.3	39.6%
50th Percentile w/o ADA	Median	502	\$148.5	\$138.2	\$41.7	28.1%	\$15.4	10.4%	36.9%	\$60.1	43.5%
75th Percentile w/o ADA		1,447	\$201.7	\$209.2	\$75.9	37.6%	\$19.7	9.7%	25.9%	\$93.4	44.6%

*Source: Most recent 990 filed by organization.

Pension Plan Design	Scenario (1-5)	5	1% Career Average
Retiree Health Plan Design	Scenario (1-7)	6	Medical Reimbursement Cap (\$1,500/\$1,800)

A "Standalone ADA" 501(c)(6) COSTS:

Cost Management Factors:												
# Employees												
451												
Operating Expense Budget												
		(\$000)										
		247										
Benefits & Taxes (e.g., Fringe Cost):												
Pension Benefits Funding :												
Normal Cost (Includes Parity Plan)												
Catch - Up (Supplemental) Cost												
Total Pension Benefits Funding		18										
401k Match-(based on pension scenario #)		4% contribution										
		0										
Retiree Health Plan Funding :												
Medical												
Dental												
Supplemental												
Total Retiree Health Funding		5										
Active Medical Funding (excl. Retiree)		8										
Disability Premiums		2										
SSI & Medicare Taxes		5										
Workers' Comp/Unemployment		1										
Total Benefits & Taxes		38										
Total Employee Costs (Base + incentive + Benefits/Taxes)		120										
(= Total Compensation Package)												

B Consolidated ADA Balance Sheet (Liabilities) /Asset:

	(underfunded) / overfunded	(48,771)	(34,400)	(27,200)	(18,800)	(10,100)	(2,900)	5,500	14,000	16,500	19,100	21,900	24,800
Pension Liability													
Retiree Health Liability	(underfunded) / overfunded	(19,563)	(8,500)	(9,000)	(9,500)	(9,900)	(10,400)	(10,800)	(11,300)	(11,700)	(12,100)	(12,600)	(13,000)

Fringe Cost Ratio

[illegible]

<i>Pension Plan Design</i>	<i>Scenario (1-5)</i>	<i>1</i>	<i>Current Design</i>
<i>Retiree Health Plan Design</i>	<i>Scenario (1-7)</i>	<i>1</i>	<i>Current Design</i>

A **"Standalone ADA " 501(c)(6) COSTS:**

Cost Management Factors:		Revenue		PROJECTIONS (\$000)									
# Employees		or Costs		Per EE									
		(\$000)		(\$000)									
Operating Expense Budget		247											
Benefits & Taxes (e.g., Fringe Cost):		18											
Pension Benefits Funding :													
Normal Cost (Includes Parity Plan)													
Catch - Up (Supplemental) Cost													
Total Pension Benefits Funding		18											
401k Match-(based on pension scenario #)		0											
Retiree Health Plan Funding :		0											
Medical		4											
Dental		0											
Supplemental		0											
Total Retiree Health Funding		5											
Active Medical Funding (excl. Retiree)		8											
Disability Premiums		2											
SSI & Medicare Taxes		5											
Workers' Comp/Unemployment		1											
Total Benefits & Taxes		38											
Total Employee Costs (Base + incentive + Benefits/Taxes)		\$120											
(= Total Compensation Package)													

B **Consolidated ADA Balance Sheet (Liabilities)/Asset:**

Pension Liability	(underfunded) / overfunded	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retiree Health Liability	(underfunded) / overfunded	(48,771) (19,563)	(41,200) (21,500)	(35,000) (23,500)	(27,700) (25,200)	(20,100) (27,000)	(13,800) (28,800)	(5,600) (30,900)	3,500 (33,100)	3,900 (35,300)	4,800 (37,600)	5,700 (39,800)	6,400 (42,000)

C **Fringe Cost Ratio**

Benefits & Taxes % of Wages Expense	37.0%	40.0%	47.0%
[(ADA Benefits + Taxes as % Wage Expense)			
Market =	36.9%		
design note! this is overall, not just competitors with pension plans			
	48.9%	53.2%	54.6%
		50.4%	45.5%
		47.8%	47.5%
		29.6%	30.1%
		29.8%	29.3%

**SUGGESTIONS ON RETIREMENT PLAN OPTIONS
FROM ADA STAFF FOCUS GROUPS**

July 27, 2011

Thirty-one ADA employees came together in three focus groups to help ADA ensure the staff viewpoint is incorporated into the upcoming decisions regarding ADA employee retirement benefit plans. Participants were provided background on ADA's financial situation and copies of the options for changes to the pension and retiree welfare benefit plans as presented to ADA by the external consulting firm, Towers Watson. The groups did not yet have any hard financial data – it would not be available until after the July/August board meeting. Thus, their initial suggestions are based on thoughtful consideration of the information provided. There was consensus that any changes should consider how past, current and future employees made or will make decisions on their own financial future.

This report offers suggested pros and cons (and potential mitigants to the cons) for each option presented in the Towers Watson report. **Suggestions begin on page 4.**

Among the options considered, the participants would select 'Option 2 – Soft Freeze' for the pension plan and 'Option A – No change' for the retiree welfare plan. Participants shared member concerns about the long-term financial health of the ADA and believe a robust benefits package is necessary to attract the uniquely qualified professionals needed to carry out the ADA mission.

Who Was Represented?

The participants represented a highly diverse cross-section of ADA division staff in both Chicago, IL and Washington, DC. Eight people volunteered after the invitation in the June 'As A Matter of Fact'. HR then randomly invited people from a list that organized staff by four characteristics – age, years of service, division grouping and job title grouping – until reaching a starting pool of 40 (roughly 10% of ADA staff). Of the 40, 31 people were available to participate. The chart below shows the groups' scope of characteristics.

Age		Service		Division Grouping*		Title	
55 and older	11	25+ years	6	Dentistry-based	15	Sr. Mgr./ Dir.	10
40 - 54	10	10 -24 years	8	Membership	5	Manager	10
20 - 39	10	5.1 - 9 years	7	Brand	5	Non-Mgmt	11
		0 - 5 years	10	Governance	6		

* Each ADA Division was sorted into one of four key role groupings to allow for better randomization of staff

Focus groups cannot speak for everyone; they can only offer a sample opinion. These focus groups included only active staff; no retirees.

Methodology

On Tuesday, July 12th the groups met as one for a 2-1/2 hour deep dive into available information that is being provided to Board of Trustee Committees to shape the Board's retirement plan decisions.

On Thursday, July 14th, the groups split into three and engaged in a 3-hour process as a mock Board of Trustees. They were tasked with using all the data learned two days prior to select a primary suggested option for the pension plan and option for the retiree medical and dental plans. Subsequently during the week of July 25th a subset of 10 staff from the focus groups met to flesh out pros, cons, mitigants for each option.

Stressful Surprises and Concepts Faced Head On

Two pieces of information came as a big surprise to participants and helped them better understand factors negatively influencing costs of retirement benefits:

- 1) Pension plan funding calculations were using out of date mortality tables which contributed in large part to the pension funding shortfall the Board is now addressing.
- 2) Employee and retiree medical benefits are essentially self-funded; Blue Cross Blue Shield provides administrative services and stop-loss insurance. This means ADA is fully responsible to pay all costs from its operating income or as necessary its long-term investments. This affects retirement benefits because ADA must create an actuarial estimate of projected retiree medical costs each year and carry that liability on its financial books, reducing the investment funds available to use for other purposes.

One of the most stressful concepts explored was the notion that people (humans) can be viewed as a series of numbers/assets in financial decisions. The group grappled with the duality that individually each person uniquely matters and is personally valued for the full sum of their contributions. But an organization can and should be able to view a collection of people as critical resources within business operations; with a set of quantifiable costs that can be analyzed for measuring effectiveness of investment. Even though there was extremely lively debate on this topic, the idea of people as business resources helped the groups understand the implications of the pay market data that was presented.

In Their Own Words

In reflecting on their focus group experience and the choices facing the ADA, participants had these closing thoughts to share:

... Awareness of ADA as an attractive employer and worry about the impact of benefit changes on hiring

- *The ADA is a great place to work and a great resource for members because of the staff we hire. While our current benefits package is above market, we are below market on total cash compensation. Attracting great talent to the ADA and keeping them is important so that we can remain the premier source of sound scientific information about dentistry. If you diminish benefits, you will need to think about cash bonuses to attract high caliber employees and to retain them. But even that may not be enough when compared to other institutions recruiting PhDs, DDSs, etc, and really, at all levels of responsibility. We can't make mistakes very often because people depend on the ADA to be right.*
- *ADA staff work very hard to support the members and ensure they have a positive experience with the association. WE do that because the ADA is a great place to work with fantastic benefits. We hope the Board and House will remember that when they go to make their decision on whether to retain those benefits.*
- *While we can appreciate the tough financial situation and decision to be made; keep in mind that a robust benefits package will help retain and attract the special skill-set the association*

needs to reach its goals.

... Respect for the ADA's financial condition; asking decision-makers to please go beyond simple 'cost'

- *I would tell our Board and our members the ADA is forever their association and they have to make the best decisions regarding its financial health. A financially healthy ADA is much better than no ADA. As staff, we have been hired as their biggest advocates to support their profession and help keep their association moving forward. Having to deliberate and make a recommendation on the future of an employment benefit I was given on my hire date (and fully vested in five years later) was one of the most challenging things I've had to do at any employer.*
- *The longer someone has been on staff, the more he or she has grown dependent on the pension plan for retirement planning. We understand that the consensus seems to be that the current plan is unsustainable. Please be mindful of how and how far the goalposts are moved. The longer someone has been working for you, the greater the likelihood for an unfortunate outcome.*
- *When I came here 10 years ago, I had two other competitive offers, but I chose ADA because I was impressed with the number of people who had been here for such long tenures. It told me that ADA must be a good place to work to be able to keep people with such high technical skills for so long.*
- *Consider how changes that are out of your control have affected you, and realize that your decisions will generate the same feelings among staff.*
- *Please turn on your compassion; forget for a moment that you may be a dentist in a small or mid-sized practice and please remember that now you are acting as a manager of a multi-million dollar organization with hundreds of employees who have seen things taken away from them little-by-little; understand the employee point-of-view as best you can and as much as the employee group tried to understand the member point-of-view.*
- *Please take into consideration the time, effort and expertise provided by ADA staff for the betterment of the Association. Please do not view us as "financial assets" only, but also as men and women with goals to reach as well as having families who depend on us. In addition, that we have been upholding our side of the bargain by dealing in good faith with the organization.*
- *ADA employees are extremely important for this organization. There are a lot of great employees here who love working here and want to continue to provide excellent work for this organization. Please value the employees and in return we will give you 110%. Be open to listen to employee concerns and work with us.*

... Acceptance that change may be needed and hope that decisions go beyond immediate considerations

- *We understand that something needs to be done, so let's meet at a happy medium.*
- *Preserve what is in place and begin new program as soon as possible.*
- *Think about the decision at hand. Freezing the pension does not solve our short term financial issues. Interest rates will go up and the economy will get better. The ADA has many, many dedicated, intelligent, hard working and loyal people working for them. We will find other sources of revenue; we will survive the storm if we do not make knee jerk reactions. The long term employees deserve to be taken care of. They are the reason why the association is what it is today - a strong, powerful, 152 year association. The BEST healthcare association in the country. Do not make a decision on retiree benefits until 2013 when the new healthcare reform policies are rolled out. Continue to support our retirees until there are other options for them.*
- *ADA staff understands and appreciates the financial issues surrounding the need for exploring changes in the Pension and Welfare programs. But many group members would have liked to discuss other options than the limited number from which a selection had to be identified.*
- *Look at the long term picture, when markets and investment income will be higher; keep the*

promises made when an employment offer was made; do not blame the employees for poor management and oversight of the pension fund.

- *Remember that people are behind those numbers and whatever you decide is going to impact lives.*

... Very glad that the staff view is being included and they had a chance to participate

- *I was glad to have the opportunity to participate.*
- *I enjoy being in the focus group. I learn a lot from my fellow co-workers and ADA. Continue to have more future focus group. I'm glad that I was able to participate.*
- *Thanks for allowing our participation. The process has been very open and professional.*
- *Thank you for the opportunity to participate in this discussion. Although it's clear the pension will change in some way, I truly appreciate the transparency of the ADA and that the perspectives and recommendations of employees are being taken into consideration.*
- *This has been a refreshing experience. I look forward to more, starting with a focus group on the medical benefit plan.*

PENSION PLAN SUGGESTIONS FROM FOCUS GROUPS

Pension – Design 1	Pros	Cons	Mitigants
Current program is unchanged	<ul style="list-style-type: none"> • From long-term standpoint, interest rates will go up and government-inspired funding gap will go away • Enhances ADA as an employer in the marketplace • Helps achieve Best Place to Work by 2014 goal • Acknowledges employees should not be penalized for bad decisions or omissions by those responsible for maintaining pension plan • Fulfills a promise for long term employees • Existing plan is an essential factor relied on when retirement planning 	<ul style="list-style-type: none"> • Does not address current financial situation at ADA • Encourages long term employees to stay from financial standpoint • Less money for other salaries/incentives/benefit • Future financial risk/liability remains 	<ul style="list-style-type: none"> • Can't make a decision without financial data • Increase membership • Increase membership dues/non-dues to mirror the marketplace • Get rid of low performers to minimize scope of plan • Freeze for a period of time until interest rates go up • Outsource functions as appropriate to constrain employee costs

PENSION PLAN SUGGESTIONS FROM FOCUS GROUPS

Pension – Design 2	Pros	Cons	Mitigants
<p>Soft Freeze: current plan closed to future new hires but current participants continue accruing benefits</p> <p>10% fixed contribution to the 401K plan for new hires</p>	<ul style="list-style-type: none"> • Demonstrates ADA's ongoing commitment to its workforce • Short-term financial liability to the ADA – don't panic - the market will rebound • Closes the pool of pension eligible's, thus ensuring a finite financial commitment • Offering a 401K with 10% contribution will be attractive to new hires • New, younger employees will be appreciative of a 401K, may not be expecting a pension plan • This is an in-between option – compromise between maintaining current pension and implementing a hard freeze for all • Existing plan is an essential factor relied on when retirement planning • Employment offers were made and accepted with a defined benefit pension component of the benefits package and the ADA should honor its promise • Approximately 25% of employees are eligible for retirement; this option allows for normal transition to retirement • Protects the current staff • Staff willing to sacrifice potentially bigger returns and immediate access to cash withdrawals of 401k funds due to current economic realities and long-term investment • Other options punish longer-term employees 	<ul style="list-style-type: none"> • Maintaining the pension plan for current participants may still be a future financial risk/liability for the ADA • Lack of a pension plan for new hires (particularly seasoned expert dental applicants) may decrease the ADA's ability to compete in some marketplaces • New employees may leave the ADA more readily if a pension is not offered, taking their 401K contributions with them -- less incentive to stay long-term • Employees sometimes lack the knowledge and expertise to effectively manage their own 401K plans – additional resources may be needed to advise an increased number of the employees participating at higher rates in the plan • Hard to replace institutional knowledge, if drastic changes to pension plan are made. Employees eligible to retire will do so when the changes take place. • Change to pension plan is a salary cut. Salaries have been held constant for last two years, medical premiums increased, tuition reimbursement benefit was removed. Increased work loads for many also a rub. • Fiscal savings may not be adequate, but financial information was not yet available for us to analyze • ADA will still have to fund the liability until benefits stop • Takes away the competitive advantage that a DB (albeit moderate) can have on future recruitment value 	<ul style="list-style-type: none"> • Just a market issue now – market will correct in the future • Increase membership • Increase membership dues/non-dues to mirror the marketplace • Get rid of low performers to minimize scope of plan • Outsource functions as appropriate to constrain employee costs

PENSION PLAN SUGGESTIONS FROM FOCUS GROUPS

Pension – Design 3	Pros	Cons	Mitigants
Hard Freeze: current plan closed to future employees and current participants cease to accrue additional benefit; 10% fixed contribution to the 401K plan.	<ul style="list-style-type: none"> Shifts risk of volatility from ADA to employees Frees up funds for salaries/incentives/benefits 401k contributions can fluctuate – ADA may reduce contribution rate in tough times 	<ul style="list-style-type: none"> Shifts risk of volatility from ADA to employees 401k contributions can fluctuate – ADA may reduce contribution rate Encourages eligible employees to retire now Less incentive to stay Reduces competitive recruitment advantage Disadvantage to those not vested Not fulfilling a promise to those not vested Lowers employee engagement Loss of association knowledge/brain trust/talent if eligible employees retire 	<ul style="list-style-type: none"> All current employees vested immediately Provides 10% 401K contribution for income replacement Raising funds available for salaries/benefits/incentives Increase non-financial benefits (workplace flexibility, work at home, sabbaticals) Outsource functions as appropriate to constrain employee costs

Pension – Design 4 & 5	Pros	Cons	Mitigants
<p>Eliminate pension plan features and reduce plan formula</p> <p>Design 4: reduce formula to 2%</p> <p>Design 5: reduce formula to 1%</p>	<ul style="list-style-type: none"> Shares the risk of volatility Manages plan costs Attracts new talent to the ADA Good mix of DC and DB plan 	<ul style="list-style-type: none"> Penalizes most productive employees (career average vs. last 5 years) Penalizes early retirees (eliminating pre-65) Lowers employee engagement Loss of association knowledge/brain trust/talent if eligible employees retire. 	<ul style="list-style-type: none"> Outsource functions as appropriate to constrain employee costs Volunteers should share the financial burden of cutting costs Modify the plan to last 10 years pay vs. career average At least 4% contribution, no less if 2% formula selected Should be 6% if formula changes to 1% - increase salaries /benefits More employees should be allowed to work at home to allow hotelling concept - (selling floor space will increase revenues) Reduce in-person volunteer meetings and increase other use of technologies to hold meetings costs down, free up resources

RETIREE WELFARE PLAN SUGGESTIONS FROM FOCUS GROUPS

Retiree Benefits - Design A	Pros	Cons	Mitigants
<p>Current program is unchanged</p> <p><i>[Retiree Option 1 on financial model]</i></p>	<ul style="list-style-type: none"> Provides healthcare coverage for former employees – 55-65 year olds pay full premium Details on future coverage requirements should be determined first Valuable benefit for employees near retirement but not Medicare eligible Avoids hasty action at this point in time with so many unknowns looming regarding US healthcare Meaningful benefit, hard to get insurance with possible medical conditions The ADA is a healthcare organization and we should provide our employees/retirees with this benefit 	<ul style="list-style-type: none"> Unknown/unpredictable financial exposure to the ADA 	<ul style="list-style-type: none"> Delay decision until understand effect of state medical exchanges in 2014

RETIREE WELFARE PLAN SUGGESTIONS FROM FOCUS GROUPS

Each of these options would change medical coverage, but NO change to dental coverage

Retiree Benefits – Design B1, B2 & C	Pros	Cons	Mitigants
<p>B1: Eliminate pre-65 medical benefits coverage</p> <p><i>[Retiree Option 2 on financial model]</i></p> <hr/> <p>B2: Eliminate pre and post-65 medical benefits coverage</p> <p><i>[Retiree Option 3 on financial model]</i></p> <hr/> <p>C: Protect dental coverage for all current and future retirees but eliminate medical coverage</p> <p><i>[Retiree Option 4 on financial model]</i></p>	<ul style="list-style-type: none"> Reduces the pool of eligible participants and reduces costs of medical plans Dental coverage is predictable 	<ul style="list-style-type: none"> Hardship on older retiree's budget ADA liability continues causing a drain on long-term finances Penalizes employees who have reached normal retirement age 	<ul style="list-style-type: none"> Provide retirees current & future fixed stipend to control costs Change retiree age to align with Social Security Grandfather existing employees eligible for retiree benefit

Eliminate ALL retiree welfare coverage

Retiree Benefits – Design B3	Pros	Cons	Mitigants
<p>Eliminate all medical and dental coverage</p> <p><i>[Retiree Option 5 on financial model]</i></p>	<ul style="list-style-type: none"> Same as Design B1 & B2 	<ul style="list-style-type: none"> Same as B1 & B2 Embarrassment to the dental profession for not offering dental coverage for retirees 	



Retirement Program Review

A presentation to The American Dental Association

July 29, 2011

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Agenda

- Why Offer Retirement Benefits? (ADA's Objectives)
- Where Are We Today?
- Review of Current State
 - Summary of Retirement Programs
 - Retirement Benefit Accumulation
 - Current Plan Costs
- Benchmarks
- Design Alternatives – Retirement Program
- Design Alternatives Compared to Objectives
- Design Alternatives – Retiree Welfare
- Roadmap – Next Steps
- Appendix

Why Offer Retirement Benefits? (ADA's Objectives)

- Need a competitive program as compared to midsize or large Chicago employers
 - Attract new talent
 - Retain current talent
- Need to provide adequate retirement income
 - So long service employees can leave voluntarily
- However, ADA also needs to manage its retirement plan financials
 - Annual cash costs
 - Unfunded liabilities
 - Volatility of costs/liabilities

Where Are We Today?

- Market trends are as follows:
 - Pension plan benefits are being reduced
 - Movement away from pension plans to defined contribution plans
 - Reduction in organizations providing retiree medical benefits (pre and post-65)
- The American Dental Association (ADA) has not changed its retirement program for many years, resulting in an overly competitive program
 - Recent success in attracting experienced talent
- There is a high financial cost for the ADA pension plan in the short-term
 - Primarily from 2008 investment losses
- High employee 401(k) contributions with modest ADA matching contributions
 - Successful use of 401(k) plan
- Future Considerations – In order to balance ADA's objectives, it may need to:
 - Reduce/eliminate pension plan benefit accruals
 - Possibly expand ADA defined contribution benefits
 - Reduce/eliminate retiree welfare
 - Consider a temporary accrual suspension

Review of Current State - Summary of Retirement Programs (See appendix for more detail)

- Defined Benefit (DB) Plan – DB Plans provide an annual benefit for life when employee retires
 - Pension plan
 - Pay and service related benefit
 - Early retirement at age 55 with 10 years of service, plus other options
 - Funded plan – ADA invests assets
 - Parity plan
 - Same benefit as Pension Plan for compensation beyond IRS limits
 - Unfunded plan
 - Annual cash out required due to IRS rules

Review of Current State - Summary of Retirement Programs (See appendix for more detail)

- Defined Contribution (DC) Plan – DC plans provide annual contributions into employee-invested accounts (paid as a lump sum without a lifetime benefit guarantee)
 - 401(k) plan with Match
 - ADA contribution contingent on employee savings
 - \$500 annual cap on ADA contributions
 - Fixed contribution
 - No current ADA contribution
 - Contribution made to all employees
 - Hybrid contribution
 - No current ADA contribution
 - Same as fixed contribution, except contribution and assets delivered through pension plan

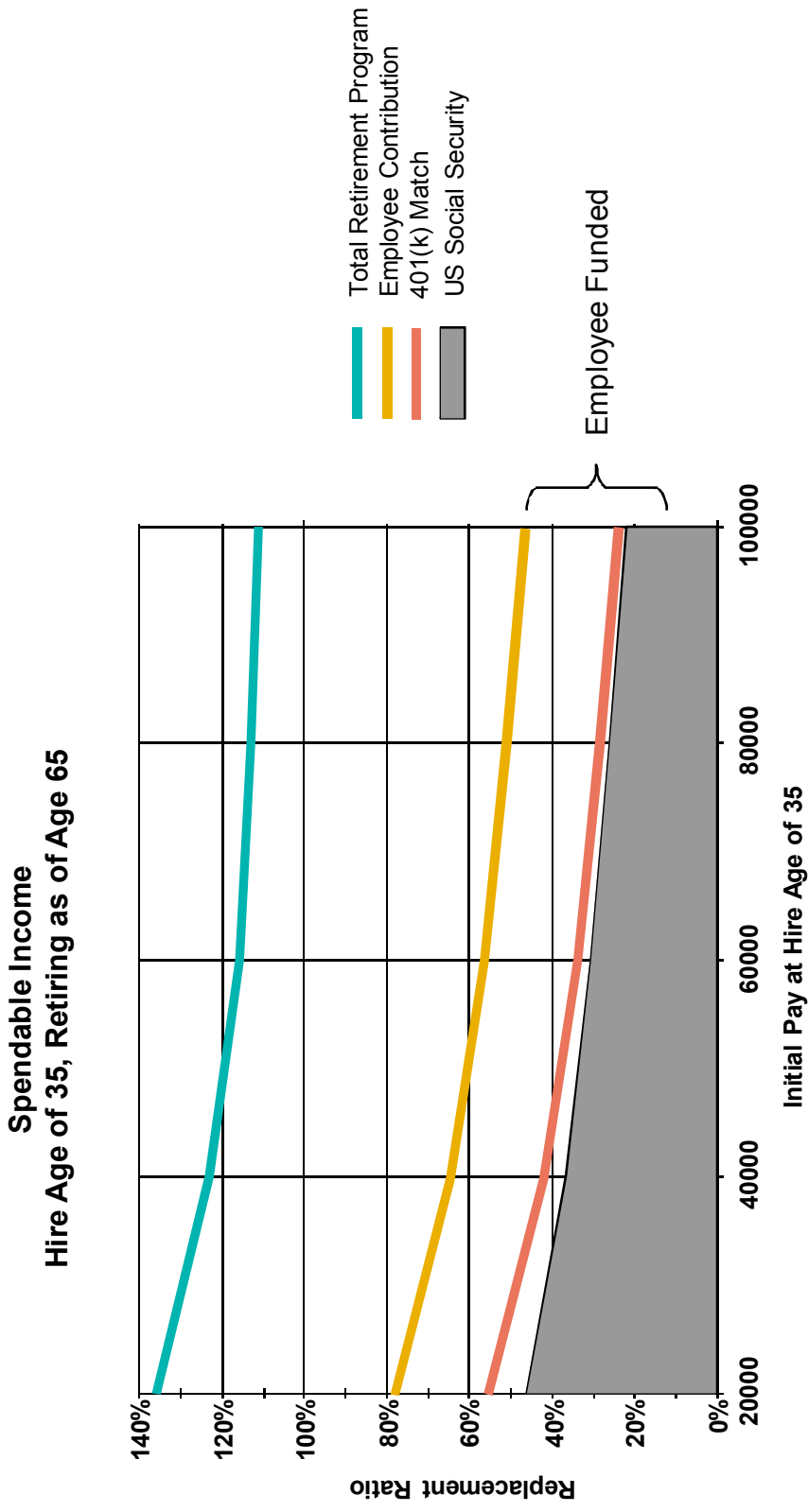
Review of Current State - Summary of Retirement Programs (See appendix for more detail)

- Retiree Welfare Plan
 - Medical benefits
 - Available after retirement
 - ADA subsidizes the retiree premium cost
 - Dental benefits
 - Available after retirement
 - ADA subsidizes the retiree premium cost
 - Life insurance benefits
 - Not provided

Review of Current State – Assumptions for Retirement Benefits Accumulation Illustration

- The hypothetical employee on the graph is a career employee, hired at age 35 and retiring at age 65
- The current plan includes the defined benefit plan, \$500 match and a 6% employee 401(k) contribution

Review of Current State – Retirement Benefit Accumulation of a Hypothetical Career Employee



Review of Current State – 2010 Plan Cash Costs

Pension Plan:	Annual Cost (millions)
Pension Plan – annual benefit accrual	\$4.8
Pension Plan – funding improvement payment*	<u>5.1</u>
Pension Plan subtotal	\$9.9
401(k) Plan Match	0.3
Retiree Welfare Plan	<u>0.6</u>
Plan Totals	\$10.8

* Payment required for roughly 5 or 6 years, to bring the plan funding up to 100% of target liability. Amount accelerated due to recent legislation.

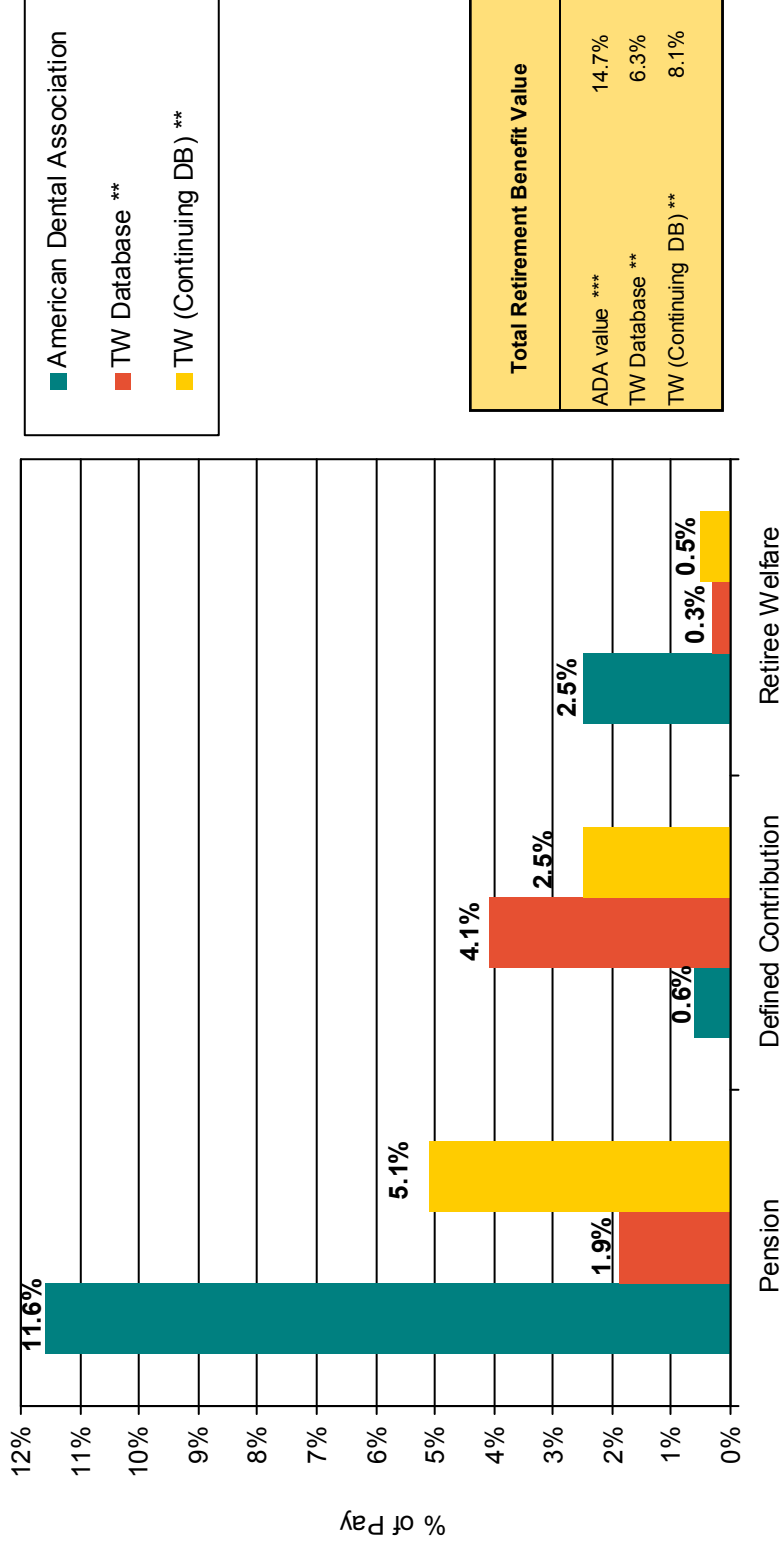
Review of Current State – 2010 Plan Annual Cash Costs (Value of Benefits Accruing)

Retirement Program	Cost (millions)	% of Pay*
Pension Plan	\$4.8	13.0%**
401(k) Plan Match	0.3	0.8
Retiree Welfare Plan	<u>0.6</u>	<u>1.6</u>
Plan Totals	\$5.7	15.4%

* Based on annual rate of compensation of \$36,820,765

** Average rate; cost for an individual varies by age, pay and service

Benchmark – Cost Comparison (GAAP* Basis)



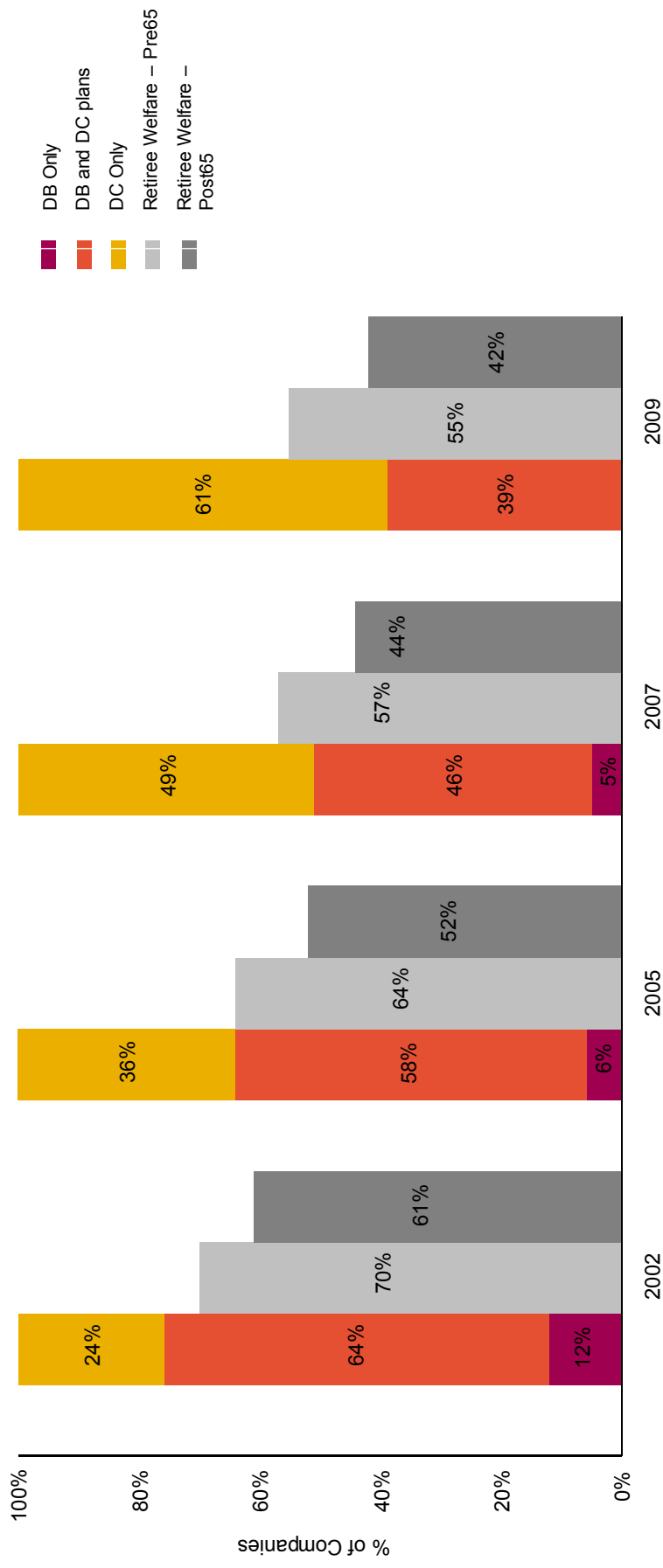
Total Retirement Benefit Value	
ADA value ***	14.7%
TW Database **	6.3%
TW (Continuing DB) **	8.1%

* Benchmark information is generally compiled on GAAP costs, not on a cash cost basis

** Includes for-profit companies

*** Based on 2010 payroll of \$36,820,765

Benchmark - Trends in Retirement Program Designs*



* Programs made available to new hires

Source: TW (EBIC) Broad-Based Database - (717 Companies)

towerwatson.com

Retirement Plan Design Alternatives

Potential Design Alternatives – Prior Considerations*

- Design 1: Current program is unchanged**
- Design 2: Soft freeze
 - Current Pension Plan is closed to future employee hires, but current participants continue accruing benefits
 - **Future** employees receive a fixed ADA contribution of 10% of compensation to the 401(k) plan
- Design 3: Hard freeze
 - Current Pension Plan is closed to future employees and current participants will cease to accrue any additional benefit
 - **All** employees receive a fixed ADA contribution of 10% of compensation to the 401(k) plan

* From Board Report #12 (2010)

** Excluding changes already adopted by the ADA.

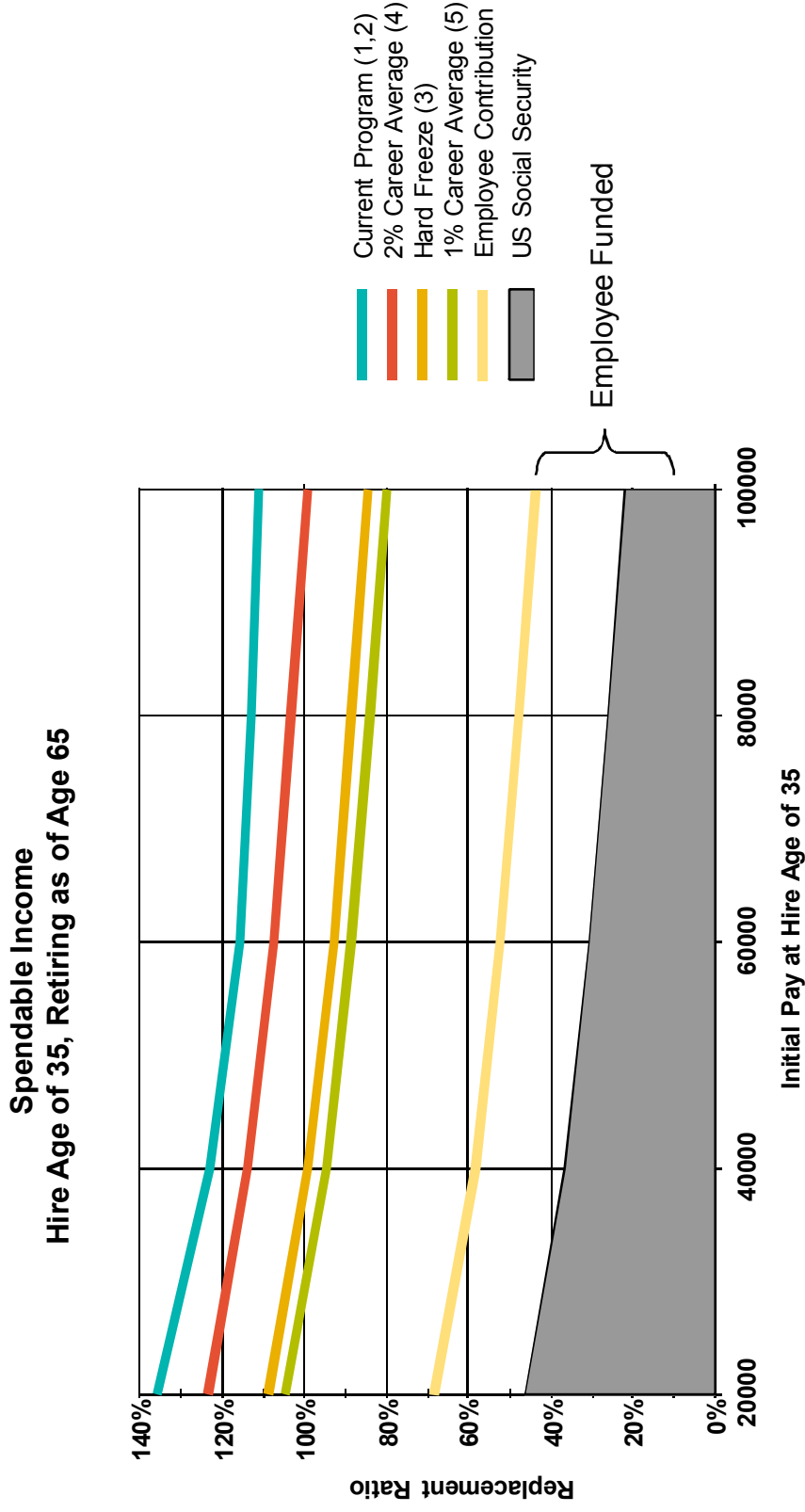
Potential Design Alternatives – Additional Options

- Design 4: Eliminate pension plan features and reduce plan formula*
 - Reduce ADA financial incentive to retire early
 - Change average pay basis from final 5 years to all years (career average)
 - Reduce pension formula to 2% of pay each year**
 - ADA fixed contribution of 4% of compensation to the 401(k) plan
- Design 5: Same as Design 4, but reduce pension formula to 1% of pay each year

* Protect accrued benefits. Earn future benefits more slowly, wear-away early retirement subsidy.

* Current accrual percentages are step rate: 2.135% on the first portion of pay and 2.60% on the next portion.

Design Alternatives – Retirement Benefit Accumulation of a Hypothetical Career Employee



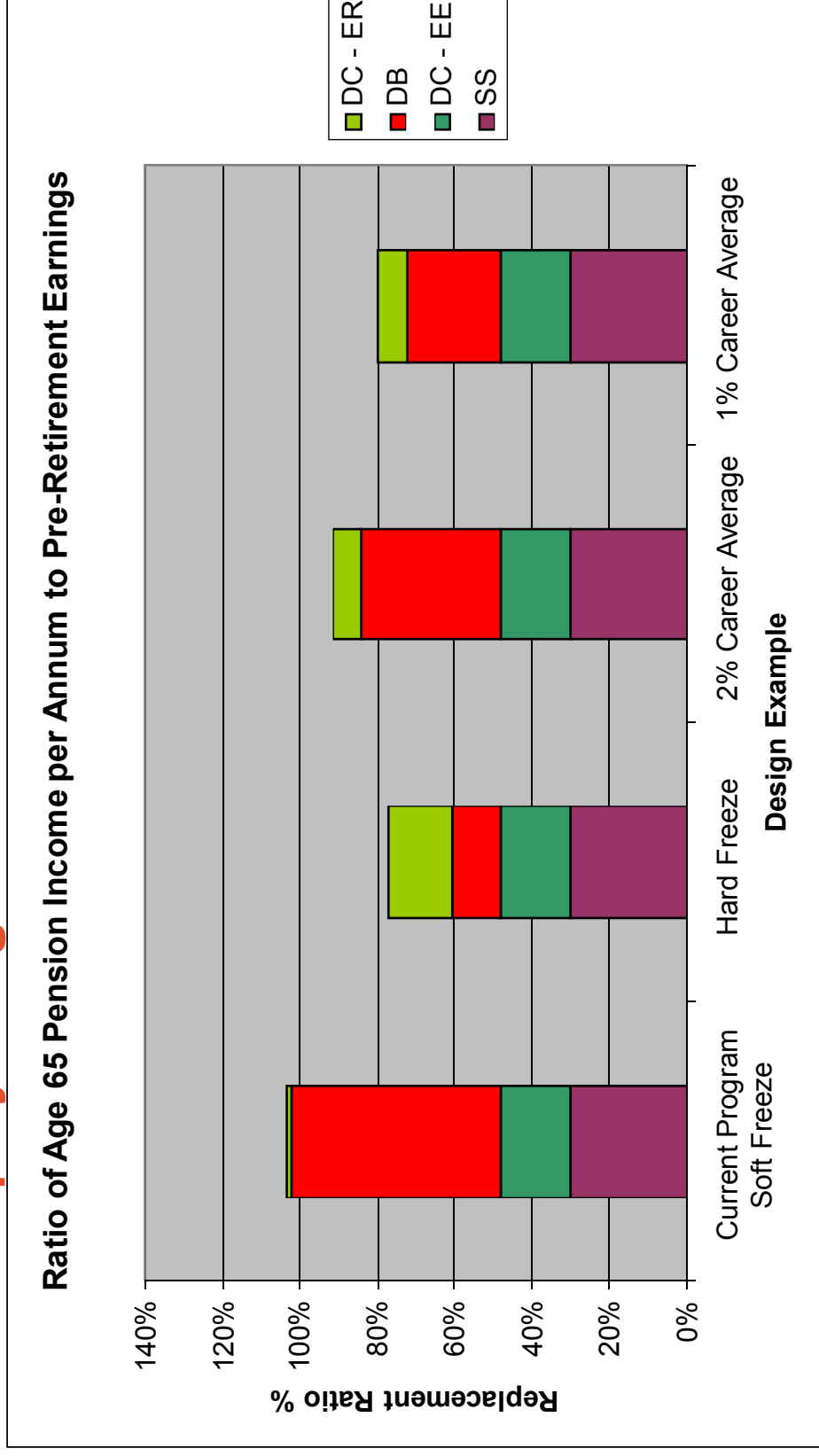
Annual salary growth: 3.5%

Mortality: IRS standard table

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Impact on Employees' Retirement Income – Current Employee Age 50 with 10 Years of Service



Assumptions:

Annual salary growth: 3.5%

Mortality: IRS standard table

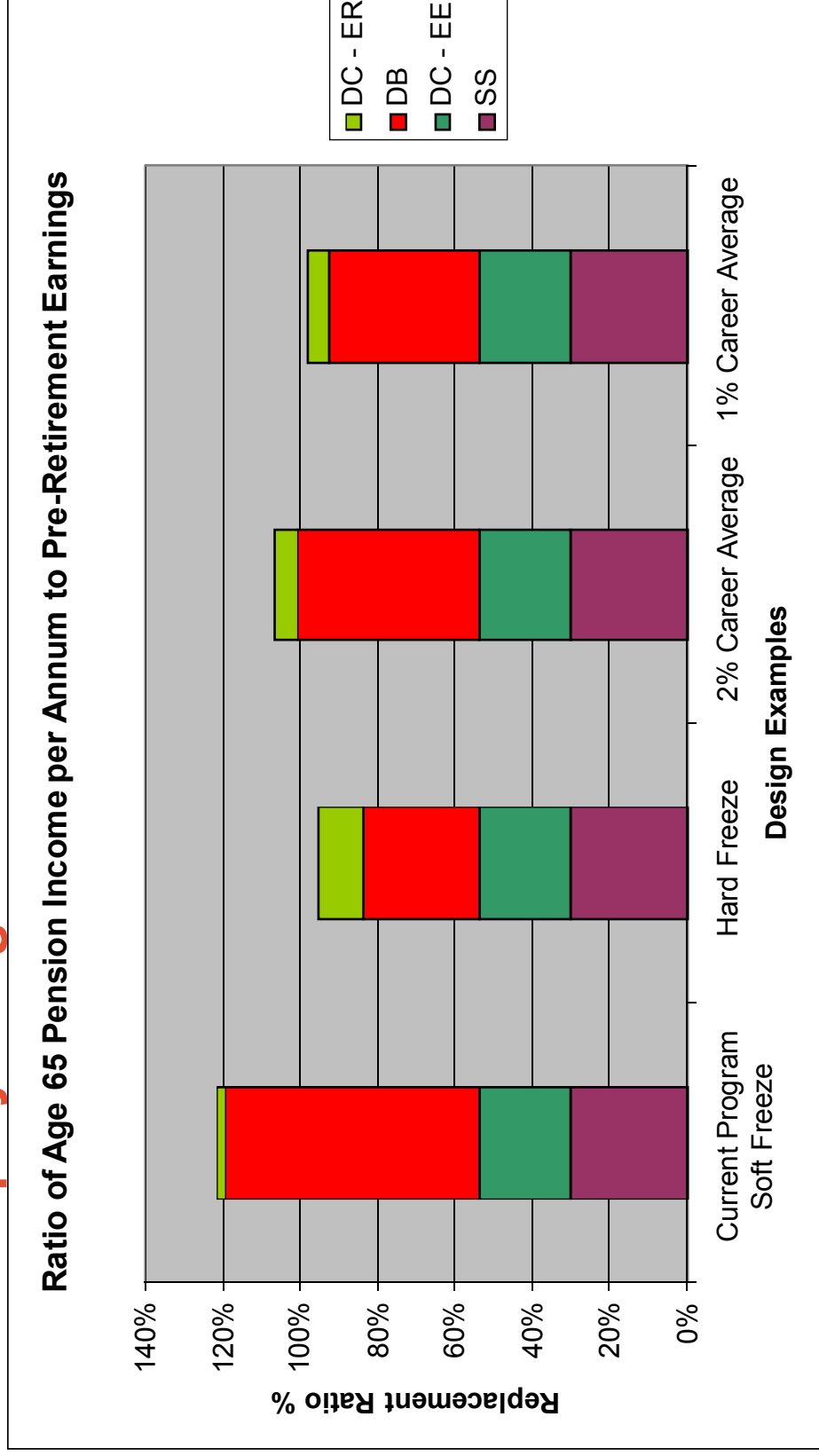
Social Security benefit assumed to replace 30% of pre-retirement earnings

towerawatson.com

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Impact on Employees' Retirement Income – Current Employee Age 55 with 20 Years of Service



Assumptions:

Annual salary growth: 3.5%

Mortality: IRS standard table

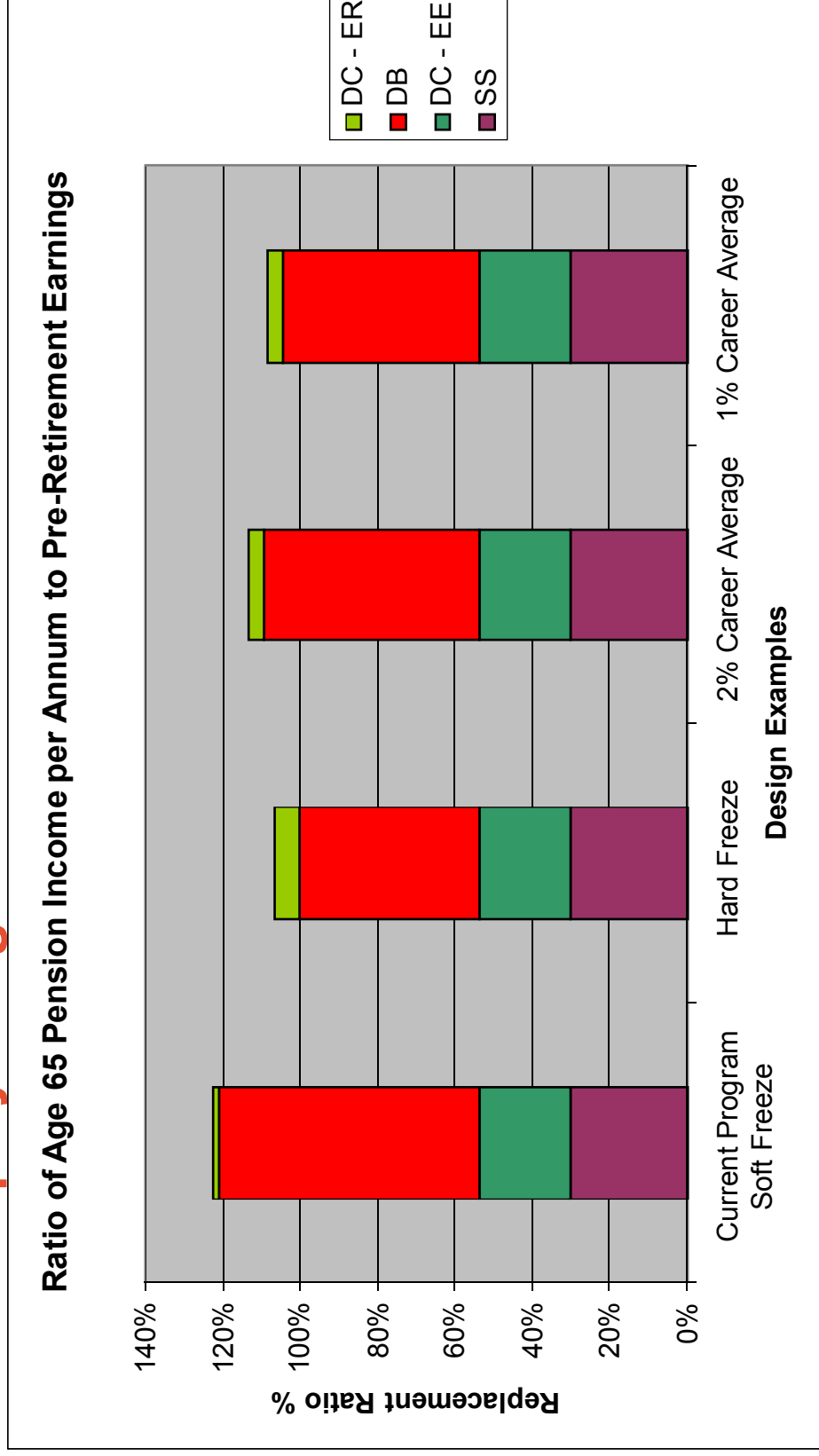
Social Security benefit assumed to replace 30% of pre-retirement earnings

towerwatson.com

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Impact on Employees' Retirement Income – Current Employee Age 60 with 25 Years of Service



Assumptions:

Annual salary growth: 3.5%

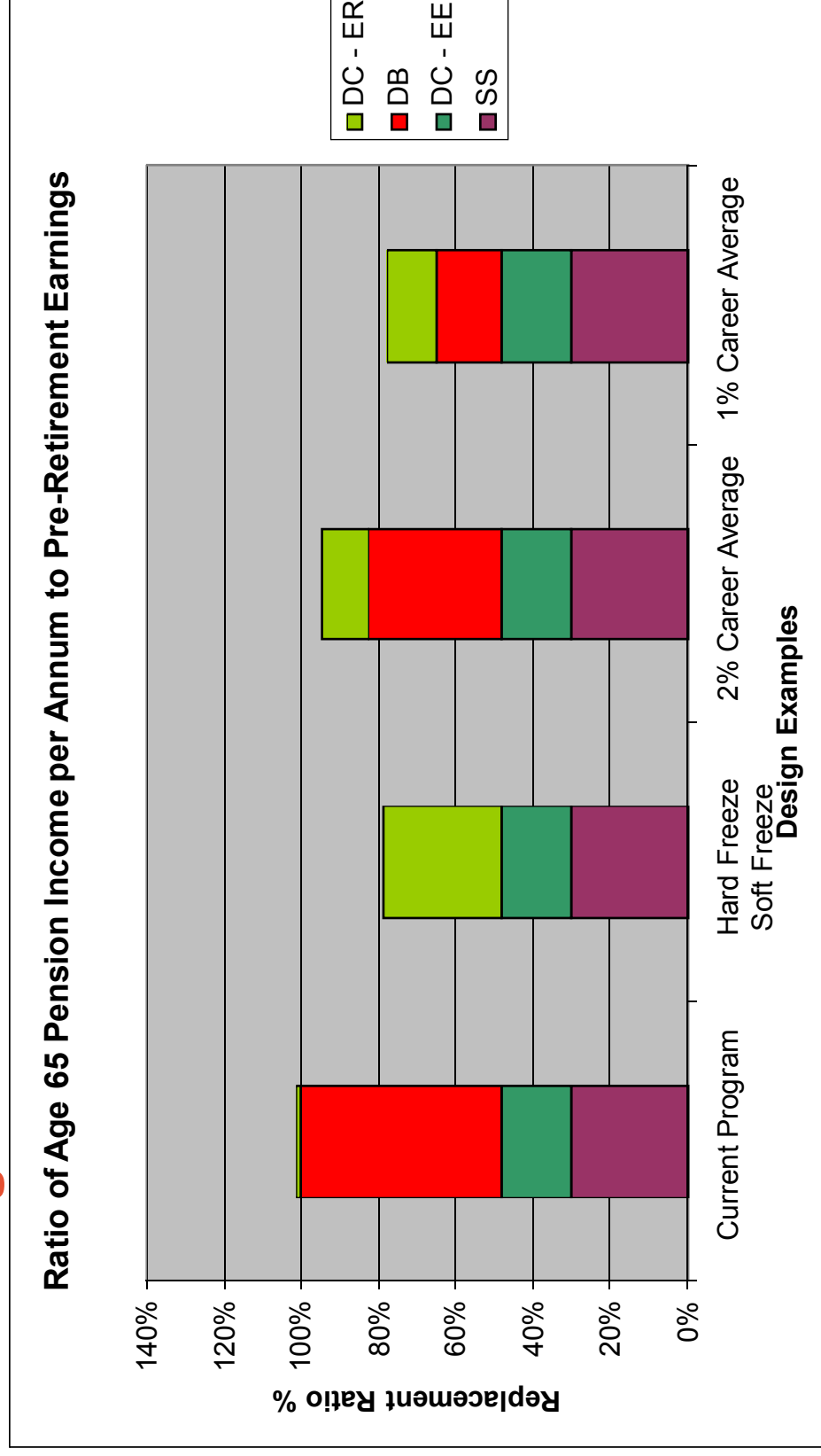
Mortality: IRS standard table

Social Security benefit assumed to replace 30% of pre-retirement earnings

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Impact on Employees' Retirement Income -- New Hire Age 40



Assumptions:

Annual salary growth: 3.5%

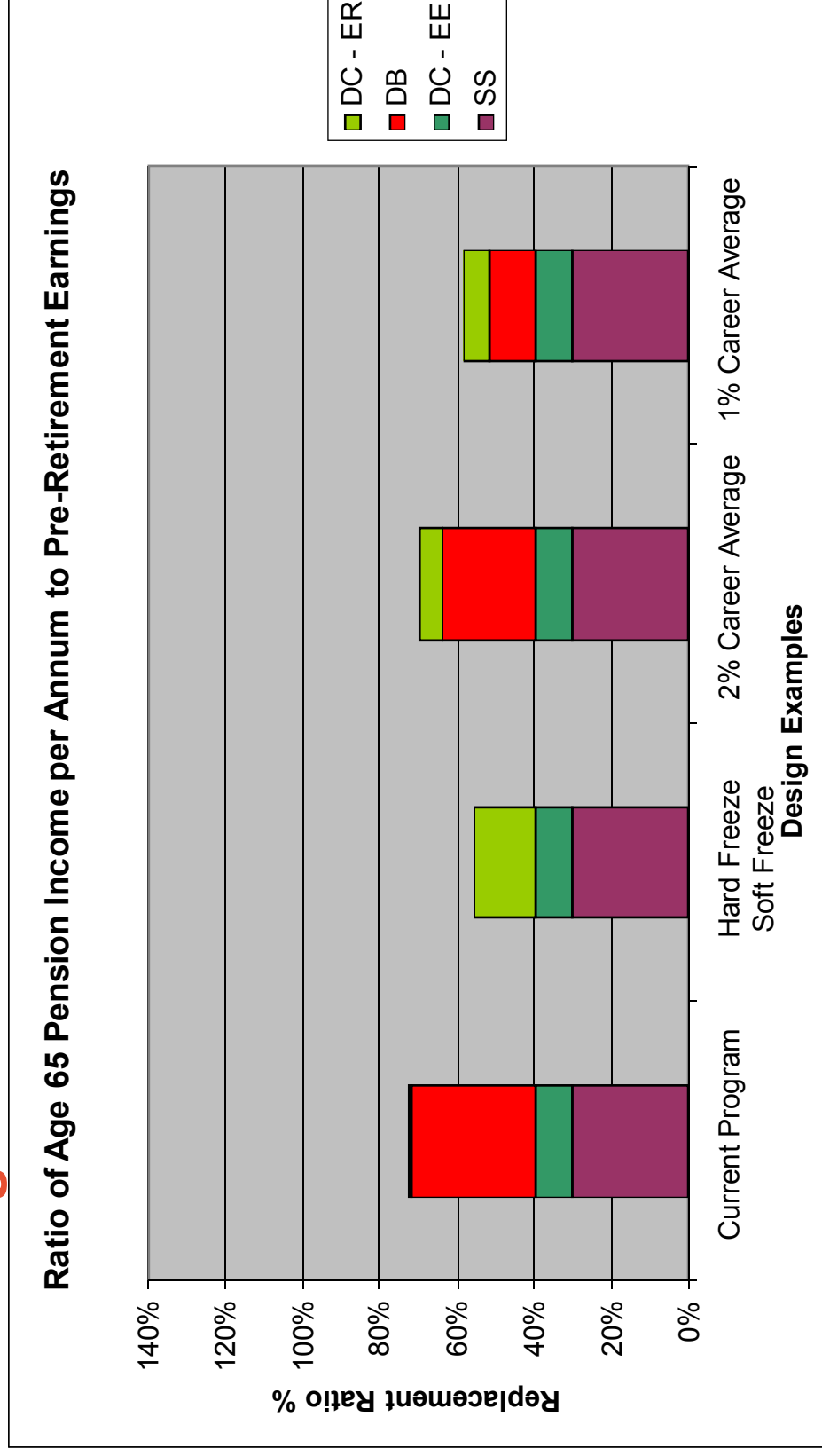
Mortality: IRS standard table

Social Security benefit assumed to replace 30% of pre-retirement earnings

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Impact on Employees' Retirement Income -- New Hire Age 50



Assumptions:

Annual salary growth: 3.5%

Mortality: IRS standard table

Social Security benefit assumed to replace 30% of pre-retirement earnings

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Alternatives – Cash Cost Projections*

- Three Components of cash costs:
 - Benefit accruals
 - Pension
 - Defined Contribution / Match
 - Pension debt repayment
 - Will result in 100% pension funding within 5 - 6 years
 - Pension investment return
 - Offsets interest cost and part of current pension accruals
 - Likely to offset more than 100% of accruals under most design alternatives
 - Consider hybrid DC approach to use any asset surplus funding

* Cost modeling prepared by Clarity in Numbers; summarized by Towers Watson

Design Alternatives Cash Cost Projections* 15 Year Cumulative Cost Summary (\$000s)

Version 1 – Traditional DC

	Current Plan	Soft Freeze	Hard Freeze	2% Career Average	1% Career Average
DC Costs (Traditional)	3,750	45,200	76,475	30,675	30,675
DB - Qualified/Parity	91,250	61,750	0	61,625	28,750
Total Costs	95,000	106,950	76,475	92,300	59,425
Debt Repayment*	35,700	35,625	34,925	35,425	35,150
Costs Less Debt	130,700	142,575	111,400	127,725	94,575
Investment Offsets**	(46,225)	(38,675)	-	(43,525)	(22,750)
Total	84,475	103,900	111,400	84,200	71,825

* Debt repayments accumulated from 2012 - 2017

** Investment offsets accumulated from 2018 - 2026

Cost modeling prepared by Clarity in Numbers; summarized by Towers Watson.

Design Alternatives Cash Cost Projections* 15 Year Cumulative Cost Summary (\$000s)

Version 2 – Hybrid DC

	Current Plan	Soft Freeze	Hard Freeze	2% Career Average	1% Career Average
DC Costs (Hybrid)**	3,750	45,200	76,475	30,675	30,675
DB - Qualified/Parity	91,250	61,750	0	61,625	28,750
Total Costs	95,000	106,950	76,475	92,300	59,425
Debt Repayment*	35,700	35,700	35,700	35,700	35,700
Costs Less Debt	130,700	142,650	112,175	128,000	95,125
Investment Offsets**	(46,225)	(46,225)	(46,225)	(46,225)	(46,225)
Total	84,475	96,425	65,950	81,775	48,900

* Debt repayments accumulated from 2012 - 2017

** Investment offsets accumulated from 2018 - 2026

*** Simplified

Cost modeling prepared by Clarity in Numbers; summarized by Towers Watson.

Comparison of Objectives to Plan Design Alternatives

	Current Program (#1)	Soft Freeze (#2)	Hard Freeze (#3)	Eliminate Plan Features – 2% Career Average Plan (#4)	Eliminate Plan Features – 1% Career Average Plan (#5)
Competitive Program	Very Good	Good	Good	Very Good	Good
Retain Current Talent	Very Good	Very Good	Fair	Good	Good
Attract Mid-Career Hire	Very Good	Good	Good	Very Good	Good
Manage Plan Costs	Poor	Fair	Very Good	Good	Good/Very Good
Manage Volatility	Poor*	Poor*	Very Good	Good*	Good*
Provide adequate retirement income	Very Good	Very good	Good	Very good	Good

* Can be managed through investment policy

Retiree Welfare Design Alternatives

Potential Design Alternatives – Retiree Welfare Plan

- Design A: Current program is unchanged
- Design B: Change for current/future retirees
 - Design B1: Eliminate pre-65 medical benefits coverage
 - Design B2: Eliminate pre and post-65 medical benefits coverage
 - Design B3: Eliminate all medical and dental coverage
- Design C: Protection of dental coverage for all current and future retirees
 - Same as B2 above

Design Alternatives – Retiree Welfare Cash Cost Projections (\$000s)*

Year	Projected ADA-Provided Benefit Payment* Estimates				
	Design A	Design B1	Design B2	Design B3	Design C
2012	725	625	150	0	150
2013	875	750	175	0	175
2014	1,000	875	200	0	200
2015	1,050	925	200	0	200
2016	1,075	1,000	225	0	225
2017	1,200	1,100	250	0	250
2018	1,275	1,175	250	0	250
2019	1,450	1,350	275	0	275
2020	1,675	1,550	325	0	325
2021	1,875	1,700	350	0	350
2022	2,025	1,800	375	0	375
2023	2,225	1,950	400	0	400
2024	2,350	2,100	425	0	425
2025	2,525	2,250	450	0	450
2026	2,650	2,450	475	0	475
Total	23,975	21,600	4,525	0	4,525

* Amounts represent net expected ADA payments, including any implicit rate subsidy

Cost modeling prepared by Clarity in Numbers; summarized by Towers Watson.

Roadmap – Next Steps

- Select design alternative(s)
 - Retirement and retiree welfare plans
- Refine alternative(s)
- Board approval on design alternative(s)
- Amend plan documents (DB and DC)
- Communicate changes to employees
 - ADA rationale for change
 - Government required (204(h) notice for pension, at least 45 days before plan amendment effective)
- Update Summary Plan Descriptions and provide Summary Material Modifications
- Update administrative process to reflect changes

Appendix

Review of Current State - Summary of Retirement Programs

- Pension Plan
 - Pay and service related benefit
 - Highest average pay over 60 months
 - Service capped at 30 years
 - Accrual factors 2.135%/2.60%
 - Early retirement at age 55 with 10 years of service
 - Unreduced benefit at age 65 with 5 years of service or age 62 with 25 years of service
- 401(k) Plan with Match
 - \$0.50 ADA match for every dollar contributed by employee, up to a maximum annual match of \$500
- Retiree Welfare Plan
 - ADA pays 100% of dental premiums for employee and spouse
 - ADA pays a portion of medical premiums at retirement
 - Normal retirement (age 65 with 5 years of service, or age 62 with 25 years of service), ADA pays 65% of the costs of all coverage
 - Early retirement (age 55 with 10 years of service), employee pays 100% of the cost of pre-65 coverage and ADA pays 65% of cost of post-65 coverage

Review of Current State – Assumptions for Retirement Benefits Accumulation Illustration

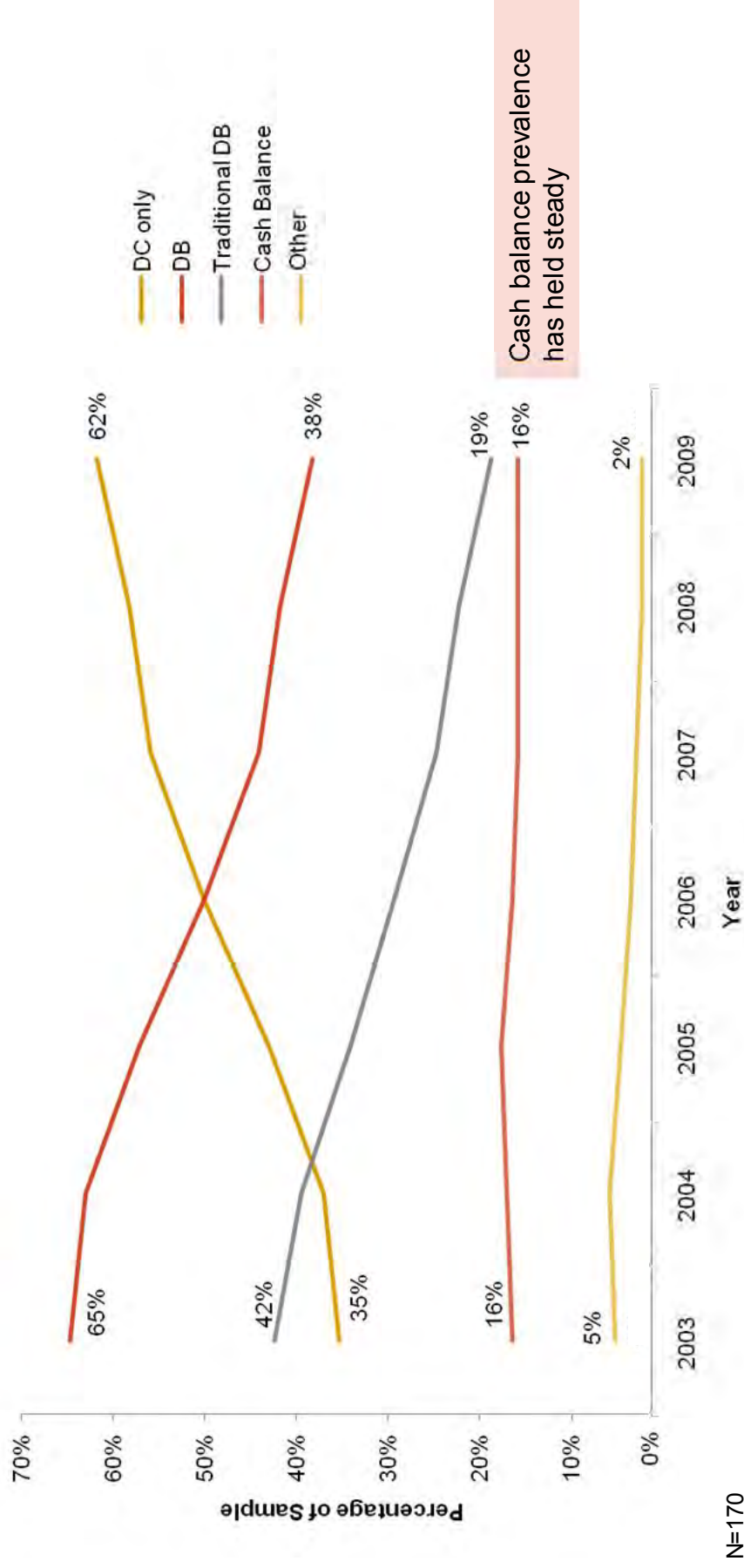
- Assumptions
 - Annual salary increase: 3.5% (includes promotions)
 - Current IRS standard mortality table
 - Equivalence of lifetime and account benefits based on 6% interest
 - Annual investment Return of 6% for defined contribution (employee-invested accounts)
 - Inflation indexing for Social Security benefits only

Review of Current State - Demographics

- 453 Active employees
- Average age: 48.0
- Average recent hire age: 41.0
- Average service: 11.6
- Average annual earnings: \$86,583
- Key groups (retirement-eligible)
 - 98 employees that are age 55+ with at least 10 years of service
 - 16 employees that are age 62 with 25 years of service
 - 13 employees that are age 65 with 5 years of service

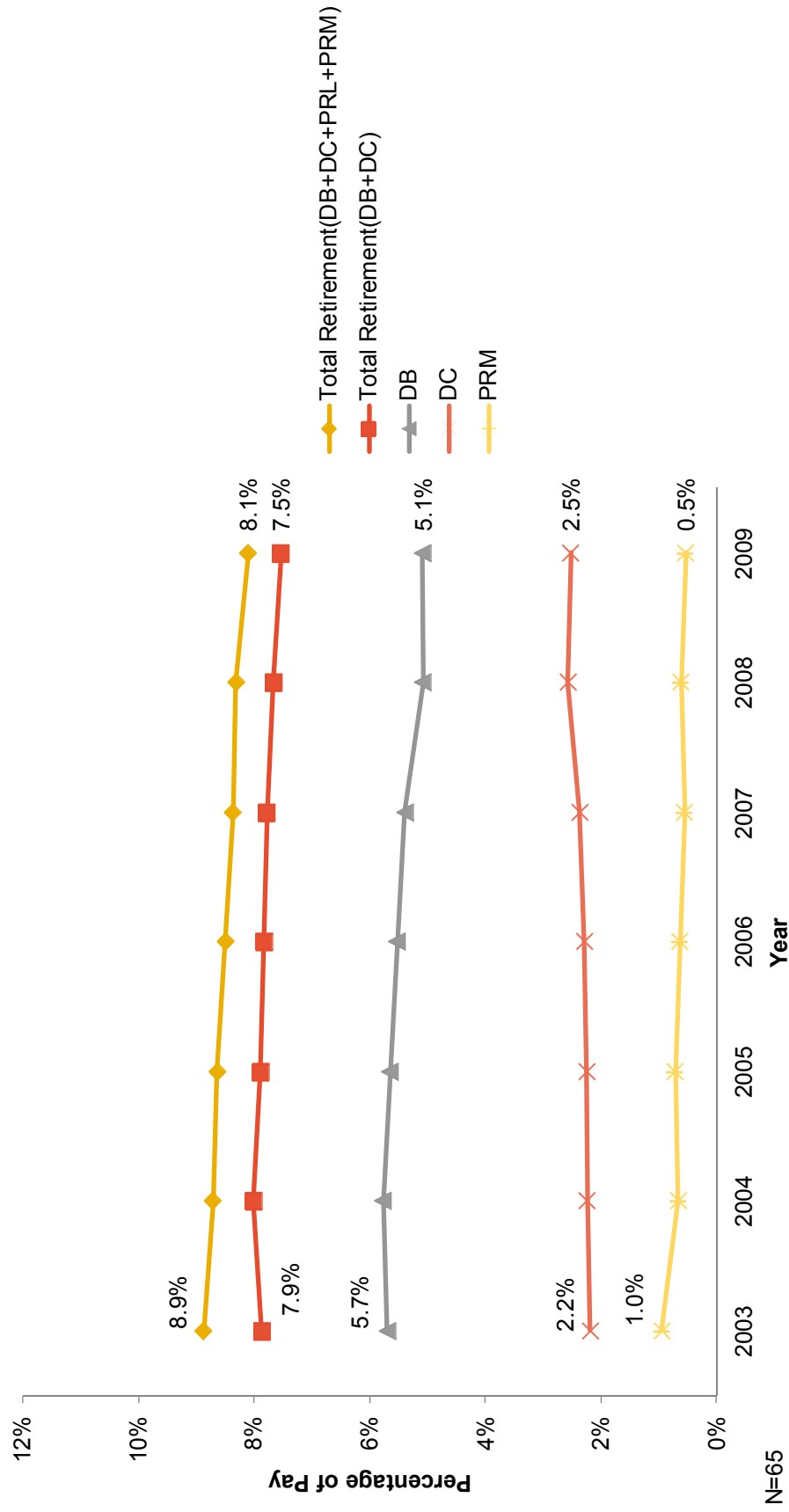
Benchmark - DC has become the most prevalent plan

Retirement Plan Prevalence for Newly Hired Employees
All companies in consistent sample



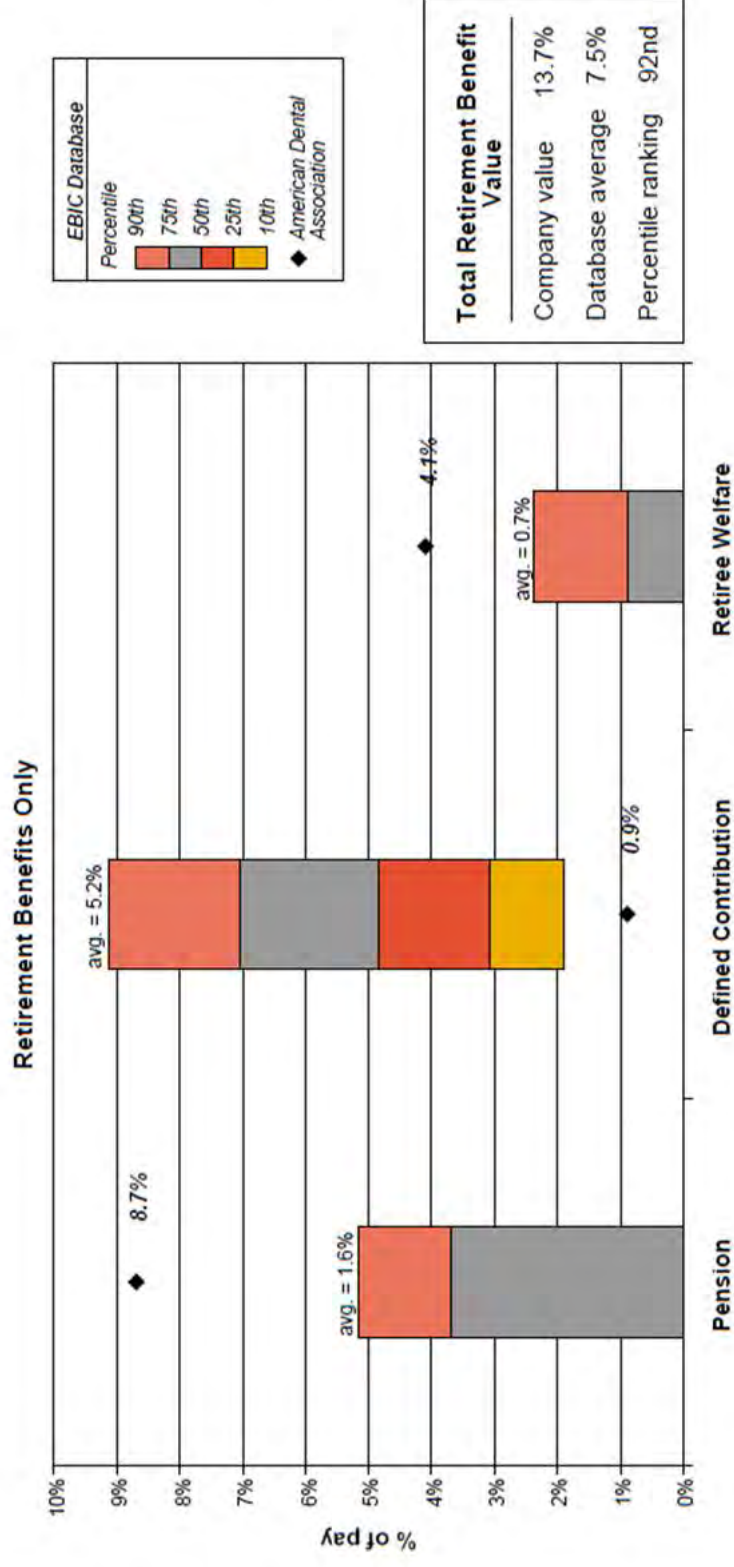
Benchmark – Trend in Retirement Program Spending*

Total Retirement and Component Benefit Values as a Percentage of Pay

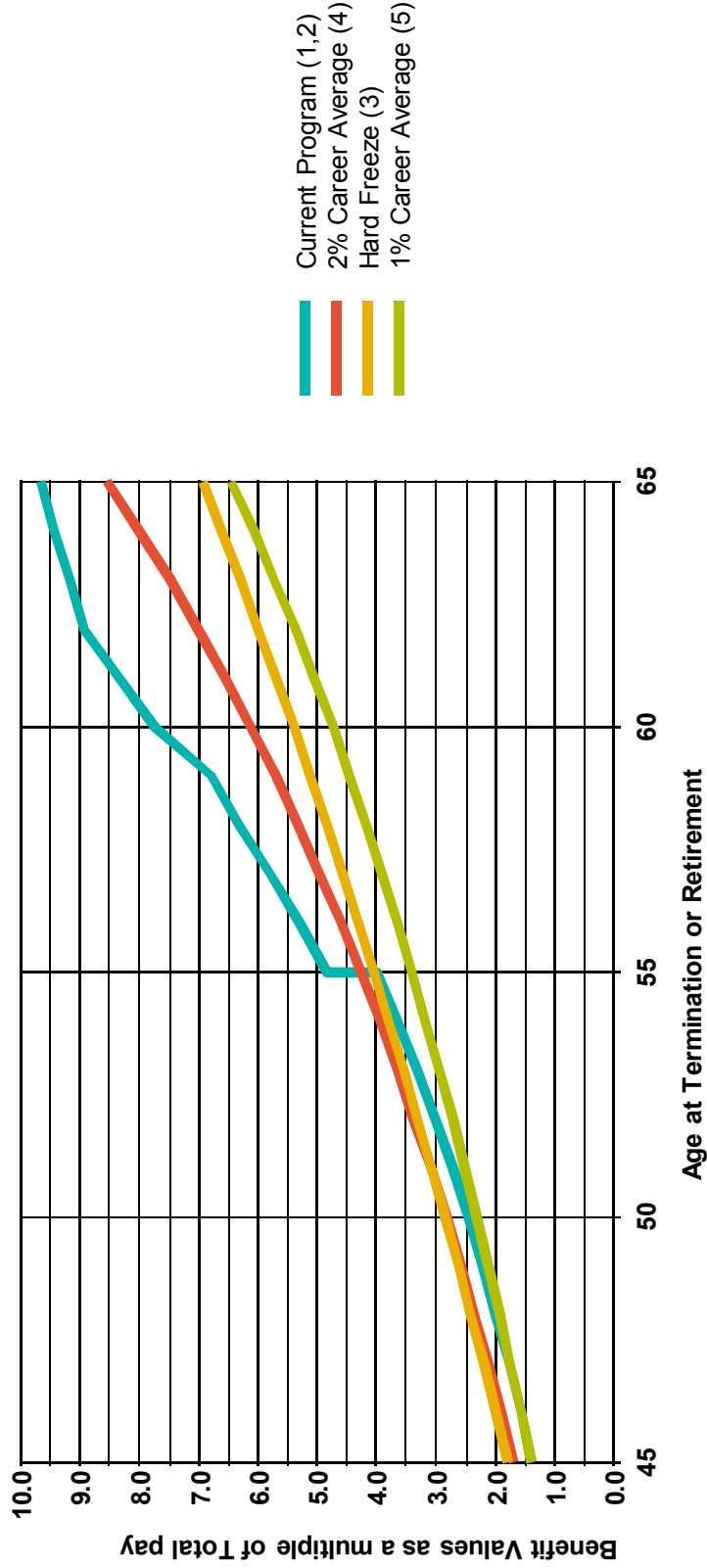


* For companies maintaining a DB plan throughout entire study period

Benchmark – Cost Comparison



Design Alternatives – Benefit Accrual of a Hypothetical Career Employee



Assumptions:

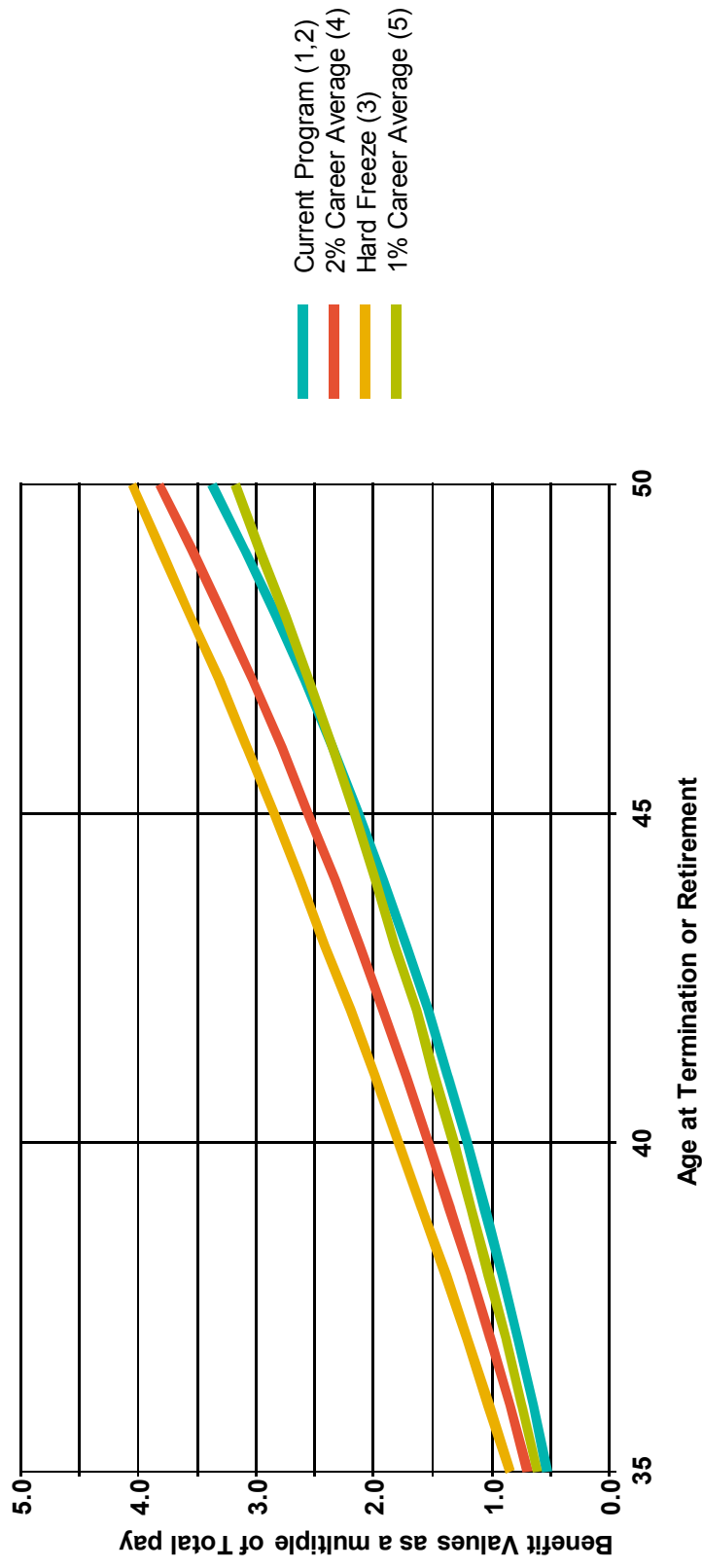
Annual salary growth: 3.5%

Mortality: IRS standard table

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Alternatives - Benefit Accrual of a Hypothetical Career Employee (During the First 15 Years)



Assumptions:

Annual salary growth: 3.5%

Mortality: IRS standard table

DB/DC equivalence based on: 6.0%

DC Investment Return: 6.0%

Design Alternatives Cash Cost Projections – Traditional DC (\$000s)*

5-Year Totals			
Design	DB	DC	Total
1	21,800	1,250	23,050
2	20,000	6,425	26,425
3	0	21,625	21,625
4	14,850	8,675	23,525
5	7,225	8,675	15,900

10-Year Totals			
Design	DB	DC	Total
1	53,400	2,500	55,900
2	43,700	21,400	65,100
3	0	46,725	46,725
4	35,125	18,750	53,875
5	16,175	18,750	34,925

15-Year Totals			
Design	DB	DC	Total
1	91,250	3,750	95,000
2	61,750	45,200	106,950
3	0	76,475	76,475
4	61,625	30,675	92,300
5	28,750	30,675	59,425

Design	Description
1	Current Plan
2	Soft Freeze
3	Hard Freeze
4	2% Career Average
5	1% Career Average

* Cost modeling prepared by Clarity in Numbers; summarized by Towers Watson.
Benefit accrual cost only. Does not reflect plan over funding from investment returns

Retirement Plan Design Projection Estimates – Traditional DC (Cash Costs, in 000s)

Year	Current Plan			Soft Freeze			Hard Freeze		
	Pension*	401(k) Match	Total	Pension*	401(k) Match	Total	Pension*	401(k) Match	Total
2012	3,875	250	4,125	3,875	250	4,125	0	4,050	4,050
2013	4,125	250	4,375	3,925	1,025	4,950	0	4,200	4,200
2014	4,275	250	4,525	3,950	1,350	5,300	0	4,325	4,325
2015	4,300	250	4,550	3,775	1,725	5,500	0	4,475	4,475
2016	5,225	250	5,475	4,475	2,075	6,550	0	4,575	4,575
2017	5,925	250	6,175	4,975	2,375	7,350	0	4,675	4,675
2018	6,275	250	6,525	5,050	2,675	7,725	0	4,850	4,850
2019	6,375	250	6,625	4,850	2,950	7,800	0	5,025	5,025
2020	6,500	250	6,750	4,600	3,300	7,900	0	5,175	5,175
2021	6,525	250	6,775	4,225	3,675	7,900	0	5,375	5,375
2022	6,950	250	7,200	4,175	4,075	8,250	0	5,550	5,550
2023	7,175	250	7,425	3,875	4,400	8,275	0	5,750	5,750
2024	7,450	250	7,700	3,525	4,725	8,250	0	5,925	5,925
2025	7,975	250	8,225	3,425	5,125	8,550	0	6,125	6,125
2026	8,300	250	8,550	3,050	5,475	8,525	0	6,400	6,400
5-Yr Total	21,800	1,250	23,050	20,000	6,425	26,425	0	21,625	21,625
10-Yr Total	53,400	2,500	55,900	43,700	21,400	65,100	0	46,725	46,725
15-Yr Total	91,250	3,750	95,000	61,750	45,200	106,950	0	76,475	76,475

* Does not include debt repayment costs (\$35,700,000 for current plan during 2011 - 2017)

* Does not reflect changes in investment policy

Retirement Plan Design Projection Estimates – Traditional DC (Cash Costs, in 000s)

Year	Current Plan			2% Career Average			1% Career Average		
	Pension*	401(k) Match	Total	Pension*	401(k) Match	Total	Pension*	401(k) Match	Total
2012	3,875	250	4,125	2,775	1,625	4,400	1,400	1,625	3,025
2013	4,125	250	4,375	2,900	1,675	4,575	1,450	1,675	3,125
2014	4,275	250	4,525	2,975	1,750	4,725	1,450	1,750	3,200
2015	4,300	250	4,550	3,025	1,800	4,825	1,450	1,800	3,250
2016	5,225	250	5,475	3,175	1,825	5,000	1,475	1,825	3,300
2017	5,925	250	6,175	3,525	1,875	5,400	1,600	1,875	3,475
2018	6,275	250	6,525	3,875	1,950	5,825	1,725	1,950	3,675
2019	6,375	250	6,625	4,125	2,025	6,150	1,800	2,025	3,825
2020	6,500	250	6,750	4,300	2,075	6,375	1,875	2,075	3,950
2021	6,525	250	6,775	4,450	2,150	6,600	1,950	2,150	4,100
2022	6,950	250	7,200	4,875	2,225	7,100	2,150	2,225	4,375
2023	7,175	250	7,425	5,050	2,300	7,350	2,350	2,300	4,650
2024	7,450	250	7,700	5,225	2,375	7,600	2,500	2,375	4,875
2025	7,975	250	8,225	5,575	2,450	8,025	2,725	2,450	5,175
2026	8,300	250	8,550	5,775	2,575	8,350	2,850	2,575	5,425
5-Yr Total	21,800	1,250	23,050	14,850	8,675	23,525	7,225	8,675	15,900
10-Yr Total	53,400	2,500	55,900	35,125	18,750	53,875	16,175	18,750	34,925
15-Yr Total	91,250	3,750	95,000	61,625	30,675	92,300	28,750	30,675	59,425

* Does not include debt repayment costs (\$35,700,000 for current plan during 2011 - 2017)

* Does not reflect changes in investment policy

Basis for Results / Actuarial Certification

The calculations summarized in this presentation involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in this presentation are reasonable and appropriate for the purposes for which they have been used. In our opinion, all calculations are in accordance with generally accepted actuarial principles and practices. We have relied on the current actuary for the 2010 pension plan costs and all projections, the prior actuary for the estimated 2011 retiree medical plan costs, and the ADA for the 2011 estimated 401(k) match payout. The undersigned consultants of Towers Watson Delaware Inc. with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. There is no relationship between the American Dental Association and Towers Watson Delaware Inc. that impairs our objectivity.

Dave Riddell, FSA, EA

Mark Adams, FSA, EA

ADA Strategic Plan Goal: (Required)

28 Section 20. ADMINISTRATIVE BODY: The administrative body of this Association with the exception
29 of audit responsibilities shall be a Board of Trustees, which may be referred to as "the Board" or "this
30 Board" as provided in Chapter VII of the *Bylaws*.

Because it involves a change to the Association's constitution, this resolution was held over to the 2011 House meeting. The Committee devoted considerable time investigating this issue, both on its own and with the assistance of the Association's Chief Legal Counsel, Craig Busey. With Mr. Busey's permission, the Committee is attaching a memorandum prepared by him on the risks associated with shifting audit responsibilities to the House. The Committee thanks Mr. Busey for his hard work on this topic.

Based on this due diligence, the complications arising out of Illinois corporate law and the Association's governance structure, the Committee has come to the conclusion that a shift in audit responsibilities is not feasible at this time.

Accordingly, the Committee recommends that the House Not Adopt Resolution 114-2010.

Nevertheless, the Committee continues to believe that a more independent audit committee is in the best interests of the Association. The Committee also believes that certain steps proposed by it move the Association in this direction. In a separate resolution (Resolution 43, Worksheet:2140), the Committee is proposing a new Board committee on financial matters with House members already sitting on other Board committees to be its members. Likewise, in lieu of referred Resolution 124-2010, the Committee is proposing a new mechanism for the House to have a voice in budget matters.

Finally, the Committee strongly believes that the Board should allow members of its audit committee to select the chair of that committee from among its members who are also ADA members. The Committee believes this step will promote needed independence of the Audit Committee. The Committee has put forward a resolution (Resolution 42, Worksheet:2138), urging the Board to amend its rules to accomplish this.

Continuation of Special Committee on Financial Affairs: In response to Resolution 123H-2010, Dr. Ray Gist, ADA President, appointed the following members to this committee: Drs. Ronald P. Lemmo (chair), Wendy A. Brown, Jeffery M. Hurst, Steven Kend, Idalia Lastra, J. Ted Sherwin, and Paul S. Zimmerman, and, as *ex officio* members: Drs. Maxine Feinberg, Edward Leone, Jr., and Charles H. Norman, III.

Dr. Gist appointed Committee members to sit on various Board committees: Drs. Lemmo and Zimmerman to the Audit Committee; Drs. Sherwin and Lastra to the Budget and Finance Committee; Drs. Brown and Hurst to the Pension Committee; and Drs. Sherwin and Kend to the Strategic Planning Committee.

Meetings of the Special Committee on Financial Affairs: In performing its responsibilities, the Committee met numerous times in person or by phone. Minutes approved to date are posted on ADA.org at <https://www.ada.org/members/1338.aspx>.

Meeting with the Board of Trustees: On July 30, 2011, an informal meeting took place between members of the Board of Trustees and the Committee. Dr. William Calnon moderated the meeting. This meeting allowed all those present to state their approach to various issues facing the Association and to clear up potential misunderstandings. The Committee believes the meeting was very beneficial and thanks the Board and, in particular, Dr. Calnon, for facilitating it. The Committee believes that the effective collaboration between the Board and the Committee is at least partially attributable to this meeting.

Report on the Committee's Work Fulfilling the Responsibilities of Resolution 123-2010: For the sake of clarity, the Committee offers to the House a review of its activities as they relate to specific provisions of Resolution 123-2010:

- a) Disseminate information to the House of Delegates in accordance with the timetable prescribed by the Board of Trustees and the Committee on matters related to the audit function:
 - i. The Committee encouraged the Treasurer and CFO to communicate to the House regarding audits and availability of financial statements throughout the year.

- ii. In addition, this charge was fulfilled by the Committee by having two of its members sit on the Board of Trustees' Audit Committee.
- b) Aid in the development of, and make recommendations for, long range financial objectives of the Association.
- i. This charge was accomplished through members of the Committee sitting on the Board of Trustees Budget and Finance Committee and Strategic Planning Committee.
 - ii. Understanding the need for the Association to evolve to a system of metrics, the Committee continued to raise the issue with the appropriate parties to raise the level of understanding of the importance of defining metrics, and then applying the consistently across each Council, the Board's Budget and Finance Committee and the Association.
 - iii. Another key aspect of the Committee's work on this charge relates to its discussions on referred Resolution 124-2010 and the resulting resolution the Special Committee is presenting to the House (under separate copy).
- c) Act as a resource to the Budget and Business Matters Reference Committee.
- i. Members of the Committee will be available to the House at the Budget and Business Matters Reference Committee during the 2011 House of Delegates.
 - ii. In addition, throughout the year, the Committee has issued reports and e-memos which may also be a resource to the reference committee.
- d) Assist the Treasurer in communicating financial matters to the House of Delegates at least quarterly.
- i. The Committee forwarded a resolution to the Board urging it to document all financial policies and reporting responsibilities related to the House of Delegates.
 - ii. The Committee also passed a resolution formally urging the Treasurer to communicate with the House regarding financial affairs. The Committee urged the Treasurer to work with the CFO to identify what information may be shared with the House, even in the absence of audited results.
 - iii. The Committee also engaged with the Executive Director and listened to an informative report from her on Association finances. The Special Committee urged her to share that presentation with the House (which the Committee understands will be done).
- e) Assist leadership in providing ongoing education to members of the Board of Trustees, the standing committees of the Board of Trustees, the House of Delegates, and the councils on financial fiduciary obligations.

- i. The Committee reviewed the Board's orientation materials relating to finances.
 - ii. The Committee reviewed a CEBJA report on delegates' fiduciary duties and highlighted the report in an e-memo to the House.
 - iii. The Committee urged the Board to direct the staff to develop an orientation module for the House of Delegates on fiduciary responsibilities and understand this will be done, with the CEBJA report serving as a foundation.
 - iv. The Committee likewise urged the Board to direct the staff to develop orientation modules for Council and Committee Chairs as well as Council and Committee members and understands this is in progress.
- f) Urge the Treasurer of the Association and the Board of Trustees to accept recommendations from the Committee in fulfilling their fiduciary duties in evaluating Association programs based on the relationship between the cost of the programs and the values placed on the programs by members of the Association.
 - i. Two members of the Committee sit on the Board's Administrative Review Committee.
 - ii. The Committee refers the House to its report in response to the referral of Resolution 124-2010 to it, which proposes new policy in direct response to this charge.
- g) Recommend to the Board of Trustees potential modifications to Association programs based on their alignment with the strategic plan and their successful compliance with the system of metrics established, goals and priorities, as they relate to finances and cost-to-benefit ratios.
 - i. As was addressed earlier, much of the Committee's work focused on this charge.
 - ii. In addition, members of the Committee sit on the Board's Budget and Finance Committee, Administrative Review Committee, and Strategic Planning Committee.
- h) Communicate the House's perspective on the value to the Association's members of ongoing and new member programs to those councils, commissions and committees having responsibility.
 - i. Again, much of the Committee's work has focused on this charge as described earlier.
 - ii. The Committee again refers the House to its report in response to the referral of Resolution 124-2010 to it, which proposes new policy in response to this charge.
 - iii. The Committee was impressed with the work of the Executive Director in presenting financial information to it and requested that she present the same information to the Councils. The Special Committee is pleased that this work has been underway.
- i) Nominate and urge the Board of Trustees to appoint six of the Committee's members to serve on the following Board committees in the numbers indicated: two (2) members on the Strategic Planning Committee; two (2) members on the Pension Committee; and two (2) members on the Finance Committee (and therefore the Administrative Review Committee of the Board of Trustees).
 - i. The Committee is pleased to report that it did exactly as directed by the House and that the inclusion of House members on these committees has been very well received by the Board.
- j) Urge the Board of Trustees to seek the services of an outside financial professional to serve on the Audit Committee.

- i. The Committee made this suggestion to the Board and notes that further work on this topic is still underway.
- k) Review the *Organization and Rules of the Board of Trustees* as they relate to financial risk Management and make recommendations to the Board of Trustees.
 - i. The Committee provided to the Board a comprehensive letter setting forth numerous suggestions for changes to the Board Rules. A copy of this letter was posted on ADA.org and is available at <https://www.ada.org/members/1338.aspx>.
- l) Evaluate all aspects of the Association' staff retirement plan designs and assumptions, and to communicate with and educate the House of Delegates about these plans.
 - i. As the Committee has made clear in a number of e-memos to the House, the Committee has been involved in the pension review study from the beginning and all data and reports provided to the Board and its committees have been shared with it. This study will result in a separate report to the House by the Board reporting on the Board's actions taken in response to this study.

Conclusion: The Committee is very pleased with its opportunity to serve the best interests of the Association. The Committee feels that the Association has made tremendous strides toward fiscal responsibility. It has greatly enjoyed working with the Board of Trustees and the staff of the Association in its efforts to make progress in this regard. Our work is not completed because there is still much to be done, but we are confident that the work begun by the Special Committee will continue with the House members who will be serving on the Board committees, and with the House that is now more aware of its continued fiduciary responsibilities.

Resolutions

This report is informational and no resolutions are presented.

BOARD RECOMMENDATION: Vote Yes to Transmit.

BOARD VOTE: UNANIMOUS. (BOARD OF TRUSTEES CONSENT CALENDAR ACTION–NO BOARD DISCUSSION)

Proposed Constitutional Amendment

In reference to the proposed constitutional amendment which seeks to transfer the audit responsibilities from the Board of Trustees ("Board" or "BOT") to the House of Delegates ("House" or "HOD")¹, the Chief Legal Counsel has been asked to determine whether the passage of such an amendment would create any legal issues or risks to the Association. Having given significant consideration to this matter, and having consulted various resources and conferred with outside counsel, we offer the following thoughts:

1. Can the House legally transfer the audit responsibilities to itself from the Board?

The answer is yes. The House, as the supreme authoritative body of ADA, can clearly take on any responsibilities that it wishes. This does not mean, however, that doing so will not raise other legal issues or risks that ought to be considered, as noted below.

2. What would the transfer of the audit responsibilities mean to the duties of the Board?

It would essentially fragment the Board's authority. As currently constituted, the ADA Bylaws clearly delegate management of the Association to the BOT, and the audit responsibility is part of those management responsibilities. To transfer that responsibility would be to divide the management function between the HOD and the BOT, which would in turn raise issues relating to the exercise of the duties of each body. The Board's exercise of its duties to manage the affairs of the Association could be adversely affected by its inability to interact with the auditors and the audit committee.

3. What would the transfer of the audit responsibilities mean to the duties of the House?

It would complicate them. For the House to assume the audit responsibilities would impose on the House a broader and much more direct fiduciary obligation than it currently has. Even though the House would presumably delegate the audit authority to a committee or council, it would be taking on a greater responsibility for receiving and acting on direct reports. The fiduciary duties thus assumed would arguably require the House to become directly involved in the audit process and require members to familiarize themselves with the details of the audit. Moreover, transferring the audit authority would also cause the House to be involved in the management of the Association and create confusion as to the identity of the managing body.

¹ The resolution in question is **Resolution 114—Amendment of the ADA Constitution Regarding Audit Responsibilities**

Resolved, that ARTICLE IV, *Section 20*, of the *ADA Constitution* be amended as follows (new language underscored):

Section 20. ADMINISTRATIVE BODY: The administrative body of this Association with the exception of audit responsibilities shall be a Board of Trustees, which may be referred to as "the Board" or "this Board" as provided in Chapter VII of the *Bylaws*.

We note that this newly-assumed duty of the House could not adequately be addressed by instructing the audit committee to report to the Board. This would not, in our view, remove the committee's duty to report to the House as well, and would only create more confusion in the process. For the Board to receive the audit committee's report without having participated in the audit process would create ambivalence as to the Board's duties and authority and blur the roles and responsibilities of the two bodies. The House, as the decision-making body with respect to audit, would bear the responsibilities and liabilities for anything related to audit (for example, the failure to remedy audit weaknesses with management).

4. Would the transfer of the audit process to the House create any issues of confidentiality?

Yes. The audit process is a highly technical, complex, and sensitive process that deals with highly confidential information. (See Appendix 1 hereto.) This information includes financial information, compliance issues involving areas of material risk to the Association, and results of investigations into potentially wrongful conduct. If the House takes on this process, it must also become the body to which all this sensitive information is reported.

Best practices dictate that the audit committee meet with the auditor, review the annual audit, and recommend its approval or modification to the full body to which it reports. Best practices also require the review of the annual audit and the audit committee's report and recommendations by the full body, which should meet with the auditor before formally accepting or rejecting the audit. If the audit committee is moved to the House, it would be extremely cumbersome, if not impossible, to follow this process in a timely manner. Moreover, the dissemination of audit weaknesses and other highly sensitive information to more than 900 people would create legal risks to the ADA.

5. To what extent is the audit committee required to be independent, and does transferring the audit responsibility to the House better serve to establish that independence?

It is essential that the audit committee be "independent", but the necessity for independence does not support the transfer of the audit function. While there is no definitive source for best practices regarding audit committees for non-profit organizations, there is no suggestion in any of the examined sources that implies the need to remove the audit function from the Board of Directors. Indeed, the Sarbanes-Oxley Act ("SOX")², the federal law passed to address poor governance by public corporations, provides some guidance.

SOX requires that each member of an audit committee be a member of the board of directors and be "independent". BoardSource (formerly The National Center for Nonprofit Boards) and Independent Sector state, "'Independence' in the Act is defined as not being part of the management team and not receiving any compensation (either directly or indirectly) from the company as a consultant for other professional services, though board service may be compensated."³ Independence from the management team thus means, in the case of ADA, autonomy and separation from the executive director and the chief financial officer. This separation makes sense because an audit is an examination of an organization's staff-generated financial statements by an independent public accounting firm which culminates in

² (Pub.L. 107-204, 116 Stat. 745, enacted July 30, 2002). See also Appendix 2 attached.

³ BoardSource and Independent Sector, "The Sarbanes-Oxley Act and its Implications for Nonprofit Boards", 2006, http://www.boardsource.org/dl.asp?document_id=558.

the production of an opinion regarding the financial statements' accuracy. Thus, in the case of ADA, SOX would require that no members of staff, including the executive director, serve on the audit committee, although it is reasonable to have the chief financial officer provide staff support to the audit committee.

6. Is it the House or the Board that constitutes ADA's "Board of Directors" under Illinois law?

The House is the legislative and governing body as contemplated by the ADA Constitution, but the ADA Bylaws clearly delegate management of the Association affairs to the BOT. Under the Bylaws, the Board is "the managing body of the Association." As such, the Board is, among other things, "vested with full power to conduct all business of the ADA, subject to the laws of the State of Illinois, the Articles of Incorporation, the Constitution and Bylaws, and the mandates of the House of Delegates." Significantly, the ADA Articles of Incorporation envision the role of the single statutory board to be fulfilled by the Board of Trustees. (See Appendix 3 attached hereto). Under Illinois law, the Board has the responsibility, subject to the Bylaws, to manage the affairs of the ADA, and the BOT is thus the "board of directors" referred to in the Illinois General Not for Profit Corporation Act. Indeed, to regard the House as the "board of directors" would create substantial questions under Illinois law as to the ability of such a large body to effectively manage the Association. Moreover, the IRS, with its recent interest in ensuring good governance in nonprofit entities, requires the disclosure of the number of voting members on the governing body.

7. Are there any other comparable organizations that place their audit function in a body other than the board?

We are not aware of any other major not-for-profit association comparable in size and financial assets to the ADA that has vested audit responsibilities with any other internal body except its board of directors. These organizations include the American Medical Association, the American Bar Association, and the AICPA (whose "house of delegates" is called the "Council"). Indeed, even the Academy of General Dentistry (AGD), which some have suggested that we look to as a model, has placed its audit committee under the ambit of its board of directors. (Please see Appendix 4 attached.)

8. If the audit committee is transferred to the House, will the names of the entire HOD have to be reported on the ADA's IRS Form 990?

Perhaps. Form 990 requires identification of the group of persons authorized under state law to make governance decisions on behalf of the organization and its members, if applicable. The governing body is generally speaking, the board of directors (sometimes referred to as board of trustees) of a corporation or association.

Although the Form 990 instructions on their face indicate there is no need to describe limited scope delegations of authority by the governing body (such as audit), the instructions are arguably addressing the typical situation where a board delegates its authority to a committee of the board. In the case raised by moving audit to a committee of the HOD, such a structure is beyond what is contemplated by the instructions, and since the new structure results in a bifurcation of duties (with two bodies sharing responsibility for "governing"), it is possible that all

members of the House (and perhaps the members of the BOT as well) may have to be listed on Schedule O of the 990.

9. Does moving the audit committee under the House better enable the House to fulfill its fiduciary duty?

No. To the extent that the management responsibilities are allocated to the Board, the members of the HOD may satisfy their fiduciary duties by exercising oversight over the Board and relying on the Board to exercise their duties. It is appropriate under the law for a governing body, such as the House, to rely on the information, opinions, reports, statements (including financial statements and other financial data), decisions, judgments, and performance provided by anyone acting under a proper delegation of responsibilities unless the governing body knows or has reason to know that reliance is unwarranted. In addition, the House could ensure oversight by requiring, through the Bylaws, that the audit committee has representation by members of the House, as the Board has already agreed.

Appendix 1

Illustrative List of Specific Responsibilities of Audit Committee Members⁴

Note: Each item listed is a summary point – there may be numerous aspects to each point that are not listed separately

Oversight of the Financial Reporting Process

- Meet privately and separately with CEO, CFO, independent external auditor, chief audit executive, General Counsel, senior management, and audit committee members only, and others as appropriate to the organization. Note: Probably meet with the internal and external auditor and CFO at least quarterly or more often as circumstances dictate
- Review critical accounting policies, practices, judgments, estimates, significant issues, significant transactions, adjustments, unusual items, complex issues, and business arrangements
- Review annual audited financial statements (including any federal Office of Management and Budget (OMB) A-133 reports if applicable)
- Review information provided to watchdog agencies as applicable
- Obtain explanations from management on all significant variances
- Question management and external auditor on significant financial reporting issues
- Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting
- Determine when a subject matter expert is required and hire advisors when needed
- Determine and designate the audit committee's financial expertise (or designee)
- Oversee system for compliance with legal and regulatory requirements (for example, OMB circulars, state fundraising and licensing)
- Oversee adequacy of the organization's system of internal control
- Review management letters containing the recommendations of the external auditor and management's responses

Oversight of the External and Internal Audit Functions

- Provide pre-approval of all audit and permitted non-audit services performed by the external auditor
- Review qualifications of and appoint, dismiss and/or replace external and internal auditor
- Review audit plan and scope of audit to be conducted by internal audit and external auditor
- Conduct evaluations of internal auditor and external auditor
- Oversee system of risk assessment and risk management as determined by the board of directors (audit committee primarily focused on financial risk) (may include overseeing comprehensive assessment of the business and reputations risks faced by the organization and assessing the internal controls over those risks; holding management, including the Executive Director, responsible for an effective internal control structure; confirming that employees have a confidential way to report concerns regarding fraud, financial impropriety and misuse of funds)

Continued on next page....

⁴ Compiled from the following: Audit Committee Guide for Not-for-Profit Organizations, Freed Maxick & Battaglia, PC; Audit Committee Guide for Not-for-Profit Organizations, McGladrey & Pullen, 2008 Revision; Grant Thornton Not-for-profit audit committee handbook; and AICPA Audit Committee Charter Matrix, 2010.

Audit Committee Process and Procedures

- Develop audit committee charter
- Conduct annual review of the audit committee charter
- Develop annual calendar based upon audit committee charter that ties to the board calendar
- Set agenda for the audit committee meetings based upon the audit committee charter
- Determine audit committee information and communication framework (that is, information requirements from management, reports, format, and timeliness)
- Ensure meeting minutes are prepared, documented, and approved by the audit committee
- Provide reports to the board of directors
- Educate the other board members on the understanding of the financial statements and financial statements risks
- Prepare annual audit committee report
- Conduct annual self-assessment of effectiveness and efficiency of the audit committee and evaluation
- Review organization's procedures for reporting of problems, including whistle-blower and other communication methods
- Determine audit committee's process for "special investigations" (that is, whistle-blower allegation, antifraud plan compliance, discovery of error, illegal acts, and so on)
- Review reports from internal audit function
- Aware of legal and regulatory requirements for financial reporting and auditing of financial statements
- Review of IRS Form 990

Appendix 2
SOX

SOX amended Section 10A of the Securities Exchange Act of 1934 (15 U.S.C. 78f) to add the following provision, among others:

(3) INDEPENDENCE-

(A) IN GENERAL- Each member of the audit committee of the issuer shall be a member of the board of directors of the issuer, and shall otherwise be independent.

(B) CRITERIA- In order to be considered to be independent for purposes of this paragraph, a member of an audit committee of an issuer may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee—

- (i) accept any consulting, advisory, or other compensatory fee from the issuer; or
- (ii) be an affiliated person of the issuer or any subsidiary thereof.

Under SOX, an “affiliated person” is generally defined as one who exercises control over the entity, or who has a controlling interest, or who has a direct influence over the management of the entity, other than by virtue of serving as a director. Consequently, participation by members of the board in the audit committee is not only permitted, but is even contemplated under the federal law.

Appendix 3

ADA Governance Documents and Illinois Not for Profit Corporation Act "Illinois NFP Act"

ADA Constitution

ARTICLE IV • GOVERNMENT

Section 10. LEGISLATIVE BODY: The legislative and governing body of this Association shall be a House of Delegates which may be referred to as "the House" or "this House."

Section 20. ADMINISTRATIVE BODY: The administrative body of this Association shall be a Board of Trustees, which may be referred to as "the Board" or "this Board."

ADA Bylaws

Chapter VII BOARD OF TRUSTEES

Section 90. POWERS: The Board of Trustees shall be the managing body of the Association, vested with full power to:

A. Conduct all business of the Association, subject to the laws of the State of Illinois, the Articles of Incorporation, the Constitution and Bylaws and the mandates of the House of Delegates. The power of the Board of Trustees to act as the managing body of the Association shall not be construed as limiting the power of the House of Delegates to establish policy with respect to the governance of this Association in all its activities, except for areas expressly reserved in these Bylaws as powers and/or duties of the Board of Trustees, as the same may be amended by the House of Delegates from time to time in accordance with these Bylaws.

Illinois NFP Act

Section 108.05:

Each corporation shall have a board of directors, and except as provided in articles of incorporation, the affairs of the corporation shall be managed by or under the direction of the board of directors.

ADA Articles of Incorporation

9. EXERCISE OF CORPORATE POWERS.

Except as otherwise provided by law, the affairs of this corporation shall be governed and the corporate powers of the corporation shall be exercised by a Board of Directors (to be known as the Board of Trustees), House of Delegates, officers, councils, committees, members, agents and employees as set forth in the Constitution and Bylaws and the titles, duties, powers, and methods of electing, designating or selecting all of the foregoing shall be as provided therein.

Appendix 4

Bylaws of Academy of General Dentistry



Academy
of General Dentistry

Audit Committee Charge

The Audit Committee is appointed by the President under direction of the Board of Trustees and has sole responsibility for:

1. Monitoring the integrity of the financial statements and internal controls of the AGD.
2. Oversight of the AGD's external auditors.
3. Mediation of disagreements between management and the auditors regarding financial reporting.
4. The determination of the independence of the external auditors.

The Audit Committee should be fully independent. "Independent" means that none of the members of the Audit Committee are part of the management team, and the Committee is free to act in its oversight functions throughout the organization without undue outside influence or coercion.

The Audit Committee shall be composed of three members:

- One member serves as chair as appointed by the President.
- One member must have expertise to serve as the financial and accounting expert on the Committee and is the liaison between the Committee and the auditors.
- One member must be knowledgeable about AGD structure and functions and will serve as the liaison between the Committee and management in the areas of internal controls, compliance, ethics and management.

The Treasurer; Executive Director; and Director of Finance shall serve as consultants to this Committee and be present at each meeting as directed by the chair.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the AGD or the AGD's outside counsel or external auditor to attend a meeting of the council or to meet with any member of, or consultant to, the Committee. However, any needs of the Committee that would result in financial obligation to the AGD outside of that which is already budgeted to this Committee would have to be reviewed and accepted by the Board of Trustees or Executive Committee prior to the obligation. The Audit Committee may seek any information it requires from employees of the AGD – all of whom are directed to cooperate with the Committee's requests.

The Audit Committee shall report to the Board at least twice annually. If deemed necessary, the Audit Committee may also report directly to the House of Delegates.

Responsibilities of the Audit Committee include:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the AGD's financial statements
3. Review major changes to the AGD's auditing and accounting principles and practices as suggested by the external auditor or management
4. Direct the appointment of the external auditor, which is ultimately accountable to the Audit Committee.
5. Approve the fees to be paid to the external auditor subject to Board approval.
6. Approve the annual Audit Scope.
7. Review with the external auditor, any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the AGD's response to that letter. Such review should include:
 - A. Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information
 - B. Any disagreements between management and the external auditors that need to be mediated by the Audit Committee.
11. Pre-approve all audit and non-audit services to be performed by the AGD's external auditors. The responsibilities of pre-approval may be designated to one member of the Audit Committee who, after giving such pre-approval, must report to the full Committee.
12. Review any and all reports issued by the external auditors, with respect to the AGD's financial statement and critical accounting policies
13. Review with staff liaison and management the process for communicating the Code of Conduct to AGD personnel, and monitoring compliance therewith.
14. Receive regular updates from management and AGD legal council regarding compliance matters.

15. Establish a process for receiving, processing, tracking, communicating, and investigating reports of concerns regarding questionable accounting, internal control or audit matters or fraud.
16. Assess the effectiveness of the AGD's internal control system including information technology security and control.
17. Discuss with management the AGD's policies with respect to risk assessment and risk management.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that AGD's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

Bylaws:

A. Audit Committee.

The duty of this committee shall be to carry out all functions outlined within the Audit Committee Charge.

Board Policy Manual:

A. Audit Committee

1. The Audit Committee shall consist of three (3) members; one (1) member serves as chair as appointed by the incoming president; one (1) member must have expertise to serve as the financial and accounting expert on the committee and is the liaison between the committee and the auditors; one (1) member must be knowledgeable about AGD structure and functions and will serve as the liaison between the committee and management in the areas of internal controls, compliance, ethics and management. The treasurer; executive director; and director of finance shall serve as consultants to this committee and be present at each meeting as directed by the chair.
2. It shall be the duty of this committee:
 - a. To monitor the integrity of the financial statements and internal controls of the AGD;
 - b. To oversee the AGD's external auditors;
 - c. To mediate disagreements between management and the auditors regarding financial reporting;
 - d. To determine the independence of the external auditors.

Resolution No. 68 New ☒ Substitute ☐ Amendment ☐

Report: NA Date Submitted: October 3, 2011

Submitted By: Sixth Trustee District

Reference Committee: Budget, Business and Administrative Matters

Total Net Financial Implication: \$ None Net Dues Impact: \$ None

Amount One-time \$ _____ Amount On-going \$ _____

ADA Strategic Plan Goal: Financial Stability (Required)

1 PARITY PLAN EXPLANATION, EVALUATION AND FUTURE STATUS

2 The following resolution was adopted by the Sixth Trustee District and submitted on October 3, 2011, by Mr.
3 David S. Horvat, executive director, Tennessee Dental Association.

4 **Background:** Since the Parity Plan is a significant portion of the ADA Budget, the House of Delegates must
5 have complete information in order to understand the plan and vote regarding its continuation, possible
6 modification, or termination.

7 Resolution

8 **68. Resolved**, that the Board of Trustees report to the 2012 House of Delegates regarding the Parity Plan
9 including:

- 10 a) A Complete explanation of the current Parity Plan including who is eligible;
- 11 b) The financial impact to the ADA with regard to continuation of the Parity Plan as it currently
- 12 exists, and;
- 13 c) A recommendation on whether or not the Parity Plan should be continued in its present form,
- 14 modified or terminated.

15 **BOARD RECOMMENDATION:** Received after this section had been reproduced for House
16 **distribution.**

Resolution No. 78 New ☒ Substitute ☐ Amendment ☐Report: NA Date Submitted: October 2011Submitted By: Seventeenth Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None (FTE: .25) Net Dues Impact: \$Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Financial (Required)

1 **COMPOSITION OF FINANCIAL AFFAIRS COMMITTEE**

2 The following resolution was adopted by the Seventeenth Trustee District and transmitted on October 9,
3 2011, by Dr. Jolene Paramore, Seventeenth District.

4 **Background:** By separate resolution, the creation of a financial affairs committee of the House of Delegates
5 is being proposed with the duties of (1) communicating with the House of Delegates on the Association's
6 financial affairs; (2) aiding in the development of long range financial objectives of the Association, including
7 the relationship between the programmatic costs and ADA member value; (3) providing the House with a
8 strategic budgeting perspective; and (4) reporting to the House at least twenty (20) days prior to the
9 convening of the first session of the House of Delegates. Because of these duties, it is important that
10 committee members have in depth knowledge of the budgeting, financial and strategic planning activities of
11 the Association.

12 **Resolution**

13 **78. Resolved,** that the House of Delegates strongly urges the President to appoint the House of
14 Delegates members serving on the Audit, Budget and Finance, Pension and Strategic Planning
15 committees of the Board of Trustees to the Financial Affairs Committee, and be it further

16 **Resolved,** that the House Financial Affairs Committee be authorized to schedule up to two (2) conference
17 calls to facilitate completion of its duties.

18 **BOARD RECOMMENDATION:** Received after this section had been reproduced for House distribution.

19

20

Resolution No. 79 New ☒ Substitute ☐ Amendment ☐Report: NA Date Submitted: October 2011Submitted By: Seventeenth Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None (FTE:.25) Net Dues Impact: \$Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Financial (Required)**1 AMENDMENT TO THE ADA BYLAWS REGARDING FINANCIAL AFFAIRS COMMITTEE**

2 The following resolution was adopted by the Seventeenth Trustee District and submitted on October 7, 2011,
3 by Ms. Judy Stone, agency relations manager, Florida Dental Association.

4 **Background:** In 2009, after the release of the KPMG report, it became evident that a series of checks and
5 balances was needed for the financial affairs of the Association along with increased communication on
6 financial matters with the House. A resolution was submitted to create a Council on Financial Affairs which
7 was referred to the Board of Trustees. In December 2009, over 50 HOD members sent a letter to then ADA
8 President, Dr. Ron Tankersley, asking him to assign 2 members of the House with financial expertise to the
9 Audit, Finance, and Pension committees of the Board of Trustees. Dr. Tankersley understood the need for
10 House input into the financial matters of the Association and created the Special Committee on Financial
11 Affairs (SCFA).

12 Last year, in Orlando, the House voted by a margin greater than 90% to reaffirm the need for and continue
13 the SCFA with additional duties and representation on the Strategic Planning Committee. The House
14 sustained the Special Committee due to its concerns over the current and future financial well being of the
15 Association. Though some of the conditions that created these concerns have been mitigated, the need to
16 build institutional changes that help diminish the future risks to the Association still exists, as seen by the
17 challenges faced in the 2009, 2010, and 2011 House of Delegates.

18 After nearly 2 years in existence, the Board and the ADA staff have found great value in the SCFA and the
19 expenses of the SCFA members to attend the Board committee meetings were included in the 2012 Budget.
20 All agree there is a profound need for financial communication to the House and Board that has been
21 carefully vetted by the SCFA in consultation with the Treasurer in order for the House to fulfill their fiduciary
22 responsibility. The SCFA provides the Board and staff with information that helps them improve and sustain
23 the systems that monitor and adjust the linkage between our strategic plan and every step of the budget
24 process. Due to the Special Committee's skills, experience, and information gained from serving on four
25 Board Committees, the ability to meet together and discuss the Association's financial affairs has provided a
26 perspective for the House, Board, and staff that has proven to be a useful asset to the ADA.

27 The performance of the Special Committee on Financial Affairs has consistently demonstrated that it provides
28 unique services to the Association and a permanent committee is the best mechanism to fill the voids of the
29 past, with the smallest footprint. While it may prove to be needed in the future, presently a Council is
30 unnecessarily large, may not be skills-based due to its size, is costly due to staff requirements, and is not
31 being considered at this time. A superior alternative exists through a committee of the House, made up of 8
32 HOD members with financial expertise and the Treasurer (ex officio). The Board has modified their Rules to
33 include 2 members on each of those 4 Board committees but there is no mechanism for the group to meet

and communicate with the House. In addition, Board Rules may be changed at the will of the Board and House input and communication could be eliminated at any time.

In an effort to codify the committee as House policy in our Bylaws, this resolution is presented. Care has been taken to ensure that the duties of the new Committee of the House on Financial Affairs would not duplicate the duties of the Board's financial committees, but would aid in the House's understanding of their responsibilities and augment the existing structure. A Committee of the House on Financial Affairs would provide accurate and timely communication with the House in consultation with the Treasurer, thereby safeguarding the checks and balances that previously had been missing. It would assure the transparency and information flow necessary for the House to fulfill its fiduciary responsibility, improve trending and outcomes evaluation, and continue the benefit the committee provides for the ongoing fiscal health of the Association, all with a minimal financial implication.

Resolution

79. Resolved, that *Bylaws* Chapter V, HOUSE OF DELEGATES, Section 140, COMMITTEES, be amended by the addition of a new letter E. Financial Affairs Committee and the re-lettering of the current E. Special Committees to F. (deletions stricken through, additions underscored):

Section 140. Committees: The Committees of the House of Delegates shall be:

E. FINANCIAL AFFAIRS COMMITTEE.

a. COMPOSITION. The Financial Affairs Committee consisting of eight (8) members of the House of Delegates, shall be appointed by the President at least ninety (90) days prior to the commencement each session of the House of Delegates. The Treasurer shall serve as an ex officio member of the committee. The committee will elect the Chairperson of the committee from the members of the Committee but excluding the Treasurer.

b. DUTIES. The duties of the Financial Affairs Committee shall be to (1) communicate with the House of Delegates, in consultation with the Treasurer, on the Association's financial affairs; (2) aid in the development of long range financial objectives of the Association, including the relationship between the programmatic costs and ADA member value; (3) provide the House with a strategic budgeting perspective; and (4) report to the House at least twenty (20) days prior to the convening of the first session of the House of Delegates.

~~EF. SPECIAL COMMITTEES. The Speaker, with the consent~~

BOARD RECOMMENDATION: Received after this section had been reproduced for House distribution.

Resolution No. 77 New ☒ Substitute ☐ Amendment ☐Report: Board Report 13 Date Submitted: October 2011Submitted By: Eighth, Fifth and Seventeenth Trustee DistrictsReference Committee: Budget, Business and Administrative Matters

Total Net Financial Implication: \$ Net Dues Impact: \$

Amount One-time \$ Amount On-going \$

ADA Strategic Plan Goal: (Required)

1 **ADA PENSION PLANS**

2 The following resolution was adopted by the Eighth, Fifth and Seventeenth Trustee Districts and submitted on
3 October 6, 2011, by Dr. Robert Bitter, chair, Eighth District; Ms. Martha Phillips, executive director, Georgia
4 Dental Association; and Dr. Kim Jernigan, chair, Seventeenth District.

5 **Background:** Numerous recommendations were presented in the ADA Board of Trustees Report 13 to the
6 ADA House of Delegates as regards to changes to the ADA employees' benefits package. The Eighth District
7 is concerned that the changes recommended in this report do not adequately safeguard the ADA from further
8 financial liabilities due to the nature of Defined Benefit Pension Plan.

9 Board Report 13 utilizes actuarial assumptions calculated at a 6% return on investment, which then allows for
10 the positive financial findings which led to the recommendations for the Hybrid Benefit plan as compared to
11 the others. More realistic assumptions in today's economic environment and for the foreseeable future are
12 not so optimistic and would be, at best, in the 3-5% range of return on investment. If this range is used in
13 computing the cost of the retirement benefit plans, then the ADA is at much greater financial risk, and the
14 proposed Hybrid Plan would not provide the Association any financial benefit.

15 We believe that the ADA should not assume any additional risk on any of its pension plans as a part of good
16 fiduciary management for the Association.

17 **Resolution**

18 **77. Resolved,** that the ADA House of Delegates urge the ADA Board of Trustees to eliminate the Defined
19 Benefit Pension Plan and the Executive Pay Parity Plan for new employees or enrollees and institute a
20 defined contribution plan for new hires effective January 1, 2012.

21 **BOARD RECOMMENDATION:** Received after this section had been reproduced for House
22 distribution.

Resolution No. 80 New ☒ Substitute ☐ Amendment ☐Report: NA Date Submitted: October 2011Submitted By: Seventeenth Trustee DistrictReference Committee: Budget, Business and Administrative MattersTotal Net Financial Implication: \$ None Net Dues Impact: \$Amount One-time \$ Amount On-going \$ADA Strategic Plan Goal: Financial (Required)

1 **PRELIMINARY BUDGET PRESENTATION**

2 The following resolution was adopted by the Seventeenth Trustee District and submitted on October 7, 2011,
3 by Ms. Judy Stone, agency relations manager, Florida Dental Association.

4 **Background:** Over the recent past, the ADA BOT has presented deficit budgets with maximum dues
5 increase, as calculated in accordance with the dues stabilization strategy, to the HOD for approval at the
6 beginning of the annual session. Historically, the HOD has added programs to the budget of approximately
7 \$1,000,000 each year. The ADA has ever-increasing expenses and flat membership numbers and revenues.
8 Our Executive Director has stated we are "living beyond our means." The Association cannot sustain this
9 financial disconnect.

10 Whereas, the ADA BOT has presented a preliminary budget for approval at the beginning of the ADA annual
11 session with the maximum amount of dues increase consistent with the policy of dues stabilization, and

12 Whereas, the ADA HOD consistently adds about \$1,000,000 worth of programs each year after the
13 preliminary budget has been approved, prompting a last minute effort to make cuts in order to fulfill the will of
14 the House and balance the budget, and

15 Whereas, the ADA HOD has resisted raising dues to entirely cover recent shortfalls to balance the budget,
16 which caused the BOT to have to meet "behind the curtain" after all House business was completed, which is
17 not an acceptable practice for an Association with a \$120 million budget, be it

18 **Resolution**

19 **80. Resolved,** that all of the budget surplus in the proposed budget, not used to fund resolutions with
20 financial implication passed that year by the House, be placed in reserves, and be it further,

21 **Resolved,** that at the time the budget is presented, the Board shall include a list of programs or line items
22 in the amount of at least \$1,000,000 that would most likely be cut if the House amended budget ends in
23 deficit. The House as it attempts to provide a balanced budget could then determine whether to urge the
24 Board to cut some items from the list provided or fund from reserves, or the House of Delegates can
25 decide to raise dues or reconsider resolutions previously adopted at a previous meeting of that session.

26 **BOARD RECOMMENDATION: Received after this section had been reproduced for House**
27 **distribution.**

28

Resolution No. 82 New ☒ Substitute ☐ Amendment ☐
 Report: NA Date Submitted: October 2011
 Submitted By: Twelfth Trustee District
 Reference Committee: Budget, Business and Administrative Matters
 Total Net Financial Implication: TBD Net Dues Impact: _____
 Amount One-time \$ _____ Amount On-going _____
 ADA Strategic Plan Goal: _____ (Required)

DEFINED BENEFIT PLAN

The following resolution was submitted by the Twelfth Trustee District and transmitted on October 10, 2011, by Dr. Mark Chaney, Delegate.

Background: The current defined benefits plan at the American Dental Association has served our organization for several years. However, current economic and operational costs can no longer support a defined benefits plan, as we currently have in place.

The Twelfth district of the American Dental Association presents the following resolution for consideration:

Resolution

82. Resolved, that the Board of Trustees be urged:

- 1) To end the current defined benefits plan effective 12/31/2011 with respect to all existing employees within the plan.
- 2) To fund the existing plan by 2017, as required by government regulations.
- 3) To implement a 401(k) plan effective 01/01/2012 for all current and new employees at a matching level of up to 3% of salary.
- 4) To eliminate the parity plan effective as of 12/31/2011.

BOARD RECOMMENDATION: Received after this section had been reproduced for House distribution.

