MISSION STATEMENT
AARP is dedicated to enhancing quality of life for all as we age. We lead positive social change and deliver value to members through information, advocacy and service.

Edith Williams, Richard DeCarlo, and Pat Moles: AARP Social Security volunteers on location at the U.S. Capitol.
AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We publish AARP The Magazine, published bimonthly; AARP Bulletin, our monthly newspaper; AARP Segunda Juventud, our bimonthly magazine in Spanish and English; NRTA Live & Learn, our quarterly newsletter for 50+ educators; and our website, AARP.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.
2005 was our time to protect Social Security by defeating the idea of private accounts… to lead the way in encouraging Medicare beneficiaries to participate in the Part D prescription drug benefit… and to foster fresh ideas about the aging of society — in order to enhance the quality of life for all as we age.

Bill Novelli
Chief Executive Officer

Robert Hagans
Chief Financial Officer

John Rother
Group Executive Officer – Policy and Strategy

Joan Wise
General Counsel

Dawn Sweeney
President, AARP Services, Inc.

Thomas Nelson
Chief Operating Officer

Christopher Hansen
Group Executive Officer – State and National Initiatives

Jerry Florence (deceased)
Group Executive Officer – Membership

Shereen Remez
Interim Group Executive Officer – Membership

Robin Talbert
Executive Director, AARP Foundation

Kevin Donnellan
Interim Chief Communications Officer

Nancy LeaMond
Group Executive Officer – Social Impact

Ellie Hollander
Chief People Officer

Emilio Pardo
Chief Brand Officer

We spent $201 million in member services activities in 2005, an increase of 14.2 percent over 2004. This funded our continued efforts to improve communication with our more than 36 million members and to increase the tangible value of AARP membership. In addition, we invested $67 million in member acquisition and development. Increasing our membership and visibility continued to be a critical component of strengthening our core advocacy and research efforts on behalf of our members and reinforced our social impact work.

In furtherance of our social impact goals, we spent $69 million in legislation and research in 2005. These costs included funding our research information center, knowledge management group, federal and state affairs, and grassroots and elections. Some of our activities included preserving and strengthening Social Security, efforts to make prescription drugs more affordable, educating members and the public about the new Medicare Part D drug benefit, ensuring the quality and availability of long-term care, fighting predatory lending, and preserving pension rights.

As a result of our ongoing cost-containment efforts, management and general expenses were held relatively steady at $169 million. This represented 18.0 percent of revenue in 2005, compared with 13.8 percent in the prior year. These costs included our investment in human resources, information technology, and support services such as finance, legal, and internal audit.

AARP’s consolidated activities generated an increase in assets of $170.7 million—9.6 percent of total assets for calendar year 2005. Of this increase for the year, $42.5 million was set aside into Board-designated funds. With total assets of $1.8 billion and total liabilities of $1.4 billion, AARP ended the year with $339.1 million in net assets (19.1 percent of total assets) of which $134.3 million was designated by the Board for debt reduction, charitable activity, and future AARP programs.

The complete AARP 2005 Audited Financial Statements are available on the Internet at www.aarp.org/annualreport.
When I assumed the presidency of AARP two years ago, I said, “AARP has a demonstrated history of fighting for justice and fairness for all those 50 and older. We have the vision, the experience, and, most important, we have the will.”

That statement is even truer today, thanks in large part to the collaborative efforts of our volunteers and staff, whose work speaks volumes.

Our efforts in 2005 further solidified our leadership in matters affecting people over 50 and, instead, society as a whole. It is clearly our time to lead and empower those 50+ to live their lives to the fullest.

In 2005, we made it our time to go to the front lines of the battle over the future of Social Security. That my presidential term coincided with AARP’s battle to strengthen Social Security is one of those coincidences that leaves me feeling that nothing is coincidence. The timing couldn’t have been better for me personally. Having spent 25 years of my professional life working at the Social Security Administration, I believe so passionately in the program.

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I am proud to have served an organization whose time has truly come. AARP has taken a leadership role, working to empower people to bring about a society in which we all age with dignity and purpose. That means you. That means me. And that means our children and grandchildren, as well. Dignity and purpose are why AARP fights for Social Security, as well as for older workers, private pensions, health care reform, drug affordability, and age-friendly communities where people can continue to live independently. We pledge to use “the power to make it better” to ensure that people 50+ have independence, choice, and control in ways that are beneficial and affordable for them and all of society.

As my presidency comes to an end and I reflect on the past two years, I am humbled by the impact this organization has had on my life and the lives of millions of Americans. Our accomplishments over the past two years have been staggering. Let me highlight just a few:

• We responded decisively after hurricanes Katrina and Rita with prompt on-the-ground support and AARP Foundation funding for 41 local groups in Alabama, Louisiana, Mississippi, and Texas less than three weeks after the hurricanes.

• We strengthened our voice on international aging issues and conducted ground-breaking research to compare retirement trends across different countries. We also convened international conferences on issues such as long-term care, private and public pension systems, and age-friendly communities.

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Mary E. Smith
President, AARP
“It’s Our Time….”

I can almost hear AARP’s founder, Dr. Ethel Percy Andrus, saying these words. She believed when she founded AARP in 1958 that “It’s Our Time.” But when I step back and think about it, I realize that it really wasn’t so much that it was her time, but that she made it her time.

In Dr. Andrus’ time, it was uncommon for women to pursue higher education, women principals in schools (which she was) were rare, and retirement was considered a time to sit back and relax. It certainly doesn’t sound like an ideal time for her. But Ethel Percy Andrus founded the National Retired Teachers Association (NRTA) and AARP after she retired. She made it her time by recognizing needs and finding ways to meet them by providing leadership.

Harry Truman once said, “[People] make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.” That’s what Dr. Andrus did, and that’s what AARP is still doing today.

We entered 2005 knowing that we would be engaged in a tough battle over the future of Social Security. While our ultimate goal was (and still is) to make Social Security solvent for the long term while maintaining a guaranteed, adequate benefit, we knew that we would first have to defeat the idea of creating private accounts out of Social Security. As 2005 came to a close, the public had pretty much concluded that creating private accounts out of Social Security was a bad idea, and what had been at the start of the year a forceful call for such accounts had not succeeded. We didn’t achieve a solvency solution to Social Security in 2005, but we did lay to rest (at least for now) the notion of creating private accounts out of Social Security and establish some key principles on which a solvency solution can be reached.

2005 was also our time to lead the effort to get Medicare beneficiaries enrolled in the new Medicare Part D prescription drug benefit. Since we had the leadership to get the Medicare Modernization Act enacted into law in 2003, we also wanted to help beneficiaries make the important choices about whether or not to enroll in the program and about selecting the plan that would benefit them the most. To do that, we launched a major campaign to inform and educate our members and the public about the new Medicare Part D benefit.

Medicare Part D is now helping millions of older Americans better afford their prescription drugs. But everyone needs more affordable prescription drugs. So in addition to our Medicare Part D education and outreach campaign, we continued our campaign for more affordable prescription drugs. Our AARP Rx Watchdog Reports and research forums were instrumental in keeping the spotlight on rising drug prices. We also continued lobbying for state and federal laws that would allow safe and legal prescription drugs to be imported from Canada and Mexico.

B. Health and Supportive Services

- Americans have affordable coverage for, and access to, quality health care and supportive services.
- Medicare is strengthened as the most important source of quality health care for older Americans.
- Prescription drugs are more affordable to older Americans.
- Individuals have access to home- and community-based care.
- Individuals have access to a range of financing sources for needed long-term services and supports.
- Appropriate quality services are delivered efficiently and effectively across all settings.
- Stable and affordable health coverage for all is available.
- Americans 50+ have improved health status (through healthy behaviors).
- An increasing number of 50+ individuals become more physically active.
- An increased proportion of people 50+ use medication wisely.

C. Livable Communities

- Americans 50+ are able to sustain mobility as they age.
- There are adequate mobility options when driving is not feasible.
- Americans 50+ have appropriate and affordable housing options.
- Individuals have adequate housing options that enable them to age in place.

D. Global Aging

- Nations exchange experiences and best practices on global aging issues to strengthen policies in the United States and other countries as a means of economic security and quality of life for all, regardless of age.
- AARP is a leading force in international understanding and dialogue around the global aging agenda.

E. Navigation — Access to Information

- Americans 50+ have access to needed information and resources.
- AARP provides one-stop access to needed information and resources.

Summary of 2005 AARP Financial Statements

The following summary financial information is from the consolidated statements of activities and financial position of AARP and its affiliates for the year ending December 31, 2005.

Revenue
Our total operating revenue in 2005 was $916 million, an increase of 6.6 percent over 2004. Membership dues ($239 million) and royalties and service provider relationship management fees ($379 million) continued to be the two largest sources of revenue supporting AARP programs and services. All federal funds are administered by the AARP Foundation, AARP's affiliated charity.

Expenses
Our operating expenses totaled $925 million in 2005, an increase of 15.6 percent over 2004. We made investments in member services, communication, and advocacy activities to carry out our member and social impact agendas. AARP publications — primarily The Magazine and AARP Bulletin — cost $165 million to produce and distribute to our members in 2005. Advertising revenue offset about 64.5 percent of these costs.

We continued to invest heavily in programs and services that directly benefit members and their communities — a total of $254 million during 2005, up 6.2 percent from 2004. These include: the AARP Driver Safety Program; member education, community presence, volunteer coordination; and AARP Foundation’s Legal Counsel for the Elderly, which provides free legal assistance and education to older adults, primarily in the District of Columbia. Also included are two other AARP Foundation programs, AARP Tax-Aide and the AARP Senior Community Service Employment Program (SCSEP), which transitions low-income people into paid employment.
other nations. And our state offices led the way in developing, and advocating for, some innovative state-level solutions to make prescription drugs and health care generally more affordable.

IN 2005, WE ADDED MORE THAN 800,000 NEW MEMBERS AND BETTER INTEGRATED OUR SOCIAL IMPACT AND MEMBER VALUE WORK.

As more and more people get older, our research tells us that more of them want to continue working, out of either need or choice. This year we reached a new milestone in our continued advocacy on behalf of older workers when we joined with Towers Perrin to release The Business Case for Workers Age 50+: Planning for Tomorrow’s Talent Needs in Today’s Competitive Environment. This study not only challenges the myths about the costs and value of older workers, but also demonstrates that companies should view 50+ workers as a solution to meeting their workforce needs. It also shows, through documented best practices and case studies, how to develop and implement an effective strategy for retaining and recruiting workers 50+.

There’s no question that the world is changing. And boomers especially are looking for leadership to show them how they can become involved in social change to build a better America. At AARP, we’re looking to the future and providing that leadership. In 2005, we introduced Reimagining America: AARP’s Blueprint for the Future. This document recognizes that the aging of the boomers and the increased longevity of Americans present real financial and social challenges to all sectors of society, and argues that, as a nation, we can balance our longer lives with these challenges and build a stronger nation in the process. It lays out an ambitious but realistic agenda that will protect vital public programs, protect the independence and choice of people as they get older, and remain fair to all generations.

Social impact is what fundamentally distinguishes us from other organizations. Our members value our long history of social activism, and we are well-positioned to inspire a new generation to work for positive social change. In 2005, we added more than 800,000 new members and better integrated our social impact and member value work.

It’s our time to lead. I’ve always believed that true leadership must lead to change that translates into social betterment. That’s our mission at AARP: to enhance the quality of life for all as we age. Whether fighting for the future of Social Security, educating people about the Medicare prescription drug benefit, helping to make communities more livable, transforming the health care system, demonstrating the value of older workers, or protecting the pensions of workers, we are making life better for people as they age.

Bill Novelli
Chief Executive Officer, AARP
Member Voices: Pat Moles, Edith Williams, and Richard DeCarlo

AARP volunteers are making an enormous impact on their lives — and the lives of other older adults. Take Pat Moles and Edith Williams, for example. The two women separately signed up to receive presentation training from AARP. “When we discovered we were both from Montgomery County, we decided to be co-presenters,” says Pat. “We divvy up responsibilities, and it makes the presentation more interesting.”

The two have spoken at retirement communities, colleges, and community fairs on topics such as discussing tough issues with your children and prolonging independent living. “Seniors have valuable life experiences — and AARP taps into them,” Pat says. Adds Edith, “I’ve learned so much from being a volunteer. In helping others, I grow as an individual.”

Like Pat and Edith, Richard DeCarlo shares a thirst for knowledge and sharing. “If you care, you share,” says Richard. An active AARP volunteer for more than 13 years, Richard is now president of the largest AARP chapter in Washington, DC. He also serves as a “good will” ambassador at national AARP events held across the country.

Richard encourages chapter members to participate in all that AARP has to offer. “We have lots of volunteer opportunities here in DC,” says Richard. For instance, Richard galvanized more than 50 AARP members from his chapter to participate in a Social Security rally on Capitol Hill. Pat and Edith were also at the rally, getting out the message about AARP’s position on the proposed privatization of Social Security.

“Volunteering with AARP has been the crowning achievement of my life,” says Richard. “It’s given me an opportunity to share with others and others to share with me. I’m really proud to be a member.”
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2005 marked another historic year of growth for AARP, as well as continued progress toward our social change and member value goals. All this resulted from the remarkable passion and commitment of our staff, volunteers, and members. We were steadfast in our commitment to building and sustaining a WORLD-CLASS organization, while achieving successes in the ongoing debate over the future of Social Security and prescription drug affordability. We launched a major campaign to inform and educate the public about the new Medicare Part D benefit and advanced our commitment to keeping older workers in the workforce through our National Workforce Initiative. We published *Reimagining America: AARP's Blueprint for the Future*, which puts forth a common-sense framework to deal with an aging society and positions AARP as a leading voice with the message that the challenges of an aging America are manageable and indeed beneficial.
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Strengthening Social Security was a top priority in 2005, and our work in that area is the essence of meaningful social impact.

Late in 2004, the Bush Administration proposed diverting payroll contributions to fund private accounts carved out of Social Security. This would have done little to assure the continued values we have come to expect from the program. In fact, private accounts would damage Social Security by cutting guaranteed benefits, creating a mountain of debt, and passing the bill to future generations. AARP and millions of Americans viewed this as a serious threat to a system that has provided security since 1935. So we embarked on a national campaign to ensure that Social Security remains secure for future generations of Americans. It was the right thing to do at the right time, and we took on the challenge.

AARP members, volunteers, and the public at large demonstrated their support for blocking private accounts that take money out of Social Security. Some 1.3 million petitions were signed and sent to lawmakers, 412,000 calls and 150,000 emails were received by Members of Congress, and our 250 forums and local meetings drew thousands of participants. AARP members felt empowered and supported by our commitment and leadership in the debate to protect this important bedrock for financial security.

As the debate over securing Social Security moves forward, any legislation must, at a minimum, be measured against a basic checklist:

- Risk-free benefits that can’t be outlived for all who contribute.
- Annual adjustments that keep up with inflation.
- Protection for working families with retirement, disability, and survivor benefits.
- Broad participation by workers to ensure fairness.
- Balanced contributions from both employees and employers, and benefits based on those contributions.
- An early retirement benefit that meets the needs of American workers.

These values and checklist items leave more than enough room for sensible ideas and needed changes that can go a long way toward eliminating the solvency shortfall. We know that finding consensus will not be easy, but it is something lawmakers must do. Getting to solvency will bring all Americans closer to a secure retirement.

Social Security

It’s Our Time

To Strengthen

Here are some highlights from 2005:

- AARP’s Social Security campaign will certainly go down in our history as one of the most integrated campaigns the Association has ever mounted. We played a leading role in this all-important national debate. By the beginning of 2006, the idea of creating private accounts out of Social Security was a backseat issue. That’s social impact.

  - We launched a major campaign to inform and educate our members and others about the new Medicare Part D benefit. Our AARP Rx Watchdog Reports and research forums were instrumental in keeping the spotlight on rising drug prices.
  - We also continued lobbying for state and federal laws that would allow safe and legal prescription drugs to be imported from Canada and other nations.
  - We published Reimagining America: AARP’s Blueprint for the Future, which lays out our view that America can afford to grow older, but only if policy makers move to put forward-thinking policies in place.
  - We handed over our Voices of Civil Rights archive to the Library of Congress. These firsthand accounts form the foundation of a great national treasure, and we are proud to have been a part of collecting them.
  - 2005 was a very successful year for the AARP Global Aging Program. While we continued to share our expertise and experience abroad and learn from the experiences of other nations, the Global Aging Program also focused on bringing international experiences to the United States as Social Security, pensions, and implementation of Medicare Part D dominated the domestic policy agenda.
  - Through the AARP Foundation, we led a large-scale fundraising effort to provide disaster relief services to older victims of the 2005 Gulf Coast hurricanes. By the end of the year, 41 grants totaling almost $1.6 million were issued to local organizations in the affected areas, which provided food, shelter, health services, housing, and legal assistance.
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IT’S OUR TIME TO ENCOURAGE

Medicare Part D Educational Outreach

We made 2005 our year to play a leading role in making prescription drug coverage available to Medicare beneficiaries. Today, more than 37 million Americans have Medicare prescription drug coverage (also known as Part D). Our volunteer and staff activities in the states and at the national level have made a real difference in people’s lives.

When launching the Medicare Rx Outreach campaign in September 2005, we understood that the true test would be the number of individuals we helped make an informed decision about how to enroll in the Part D plan that is right for them. Our local and national outreach efforts achieved three goals, to:

1. Position AARP as a trusted and credible source of information on the new Medicare Part D program.

In an effort to assist Medicare beneficiaries with the enrollment process, AARP published and distributed well over one million copies of consumer education materials, including a general informational publication, The New Medicare Prescription Drug Coverage: What You Need to Know, and a companion publication, The New Medicare Prescription Drug Coverage: Extra Help for People with Limited Incomes, which detailed the Extra Help benefit for Medicare beneficiaries with limited incomes. We also produced The New Medicare Prescription Drug Coverage: Using the Medicare Prescription Drug Plan Finder.

2. Encourage Medicare-eligible individuals to enroll in the Part D program by the May 15, 2006, enrollment deadline.

Our integrated outreach efforts included advertising, media outreach, and broad dissemination of informational booklets (in English and Spanish), as well as numerous outreach efforts coordinated by our 53 state offices. To reach more people who could qualify for limited-income assistance, which would cover almost all of their prescription costs, we stepped up national outreach, including distributing public service announcements and sponsoring audio news releases with information on how to apply for the Extra Help benefit. We also provided additional funding to organizations with existing programs that provide one-on-one enrollment help to low-income individuals, and reached out to low-income beneficiaries in rural and urban areas through local partners that conduct on-the-ground enrollment assistance.

3. Lift barriers to enrolling in Medicare Part D.

We worked to persuade government officials to take action on several key barriers to enrolling, including extending the enrollment deadline for low-income beneficiaries through 2006; extending enrollment for all beneficiaries in hurricane-affected states through 2006; keeping Niaspan, a cholesterol-lowering drug, on the list of Medicare-approved drugs through 2007; creating a standardized form for the exceptions and appeals process; and protecting beneficiaries from Part D plans’ formulary changes.
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Can a Business Case Be Made for 50+ Workers?

AARP took a bold position through a report that examined the cost of 50+ workers relative to cash compensation (including salary, pension, and health benefits), paid time off, and the “value” side (including engagement and turnover). This landmark report, The Business Case for Workers Age 50+: Planning for Tomorrow’s Talent Needs in Today’s Competitive Environment, which was produced by the management consulting firm Towers Perrin, addressed the ongoing concerns employers often express regarding the costs associated with older workers, particularly as they relate to health insurance coverage. The report shows that the additional cost associated with older workers is negligible and is largely offset by such factors as higher productivity, lower turnover rates, and greater loyalty. AARP believes including 50+ workers in employer strategies makes good business sense.

AARP formed the Alliance for an Experienced Workforce, made up of 22 associations that represent over five million companies nationwide. The Alliance seeks to be an information clearinghouse and “think tank” on ways to support the challenges that industries will face with the aging of their workforce. The Alliance will lead the way in providing employers with the information, tools, and resources they will need to meet the needs of their 50+ workforce.

In addition to addressing the challenges American businesses face with the aging of the workforce, AARP is committed to providing employment opportunities for our members and 50+ jobseekers. The AARP National Employer Team (NET; formerly the Featured Employers Program) represents national employers who are seeking the skills and experiences of 50+ workers. Companies representing the NET include The Home Depot, Kelly Services, Johns Hopkins, and CVS/pharmacy.

AARP is taking the lead on issues concerning 50+ workers as more employers (specifically in certain industries such as health care, manufacturing, and retail) are seeking our assistance in helping them solve issues related to their 50+ workforce.

Suzane W. Bradley (center), General Manager, Inclusion Strategies, Cinergy Corp., receives her AARP Best Employed for Workers Over 50 award from AARP Board President Marie F. Smith and AARP Chief Executive Officer Bill Novelli.
Can a Business Case Be Made for 50+ Workers?

AARP took a bold position through a report that examined the cost of 50+ workers relative to cash compensation (including salary, pension, and health benefits), paid time off, and the “value” side (including engagement and turnover). This landmark report, *The Business Case for Workers Age 50+: Planning for Tomorrow’s Talent Needs in Today’s Competitive Environment*, which was produced by the management consulting firm Towers Perrin, addressed the ongoing concerns employers often express regarding the costs associated with older workers, particularly as they relate to health insurance coverage. The report shows that the additional cost associated with older workers is negligible and is largely offset by such factors as higher productivity, lower turnover rates, and greater loyalty. AARP believes including 50+ workers in employer strategies makes good business sense.

AARP formed the Alliance for an Experienced Workforce, made up of 22 associations that represent over five million companies nationwide. The Alliance seeks to be an information clearinghouse and “think tank” on ways to support the challenges that industries will face with the aging of their workforce. The Alliance will lead the way in providing employers with the information, tools, and resources they will need to meet the needs of their 50+ workforce.

In addition to addressing the challenges American businesses face with the aging of the workforce, AARP is committed to providing employment opportunities for our members and 50+ jobseekers. The AARP National Employer Team (NET; formerly the Featured Employers Program) represents national employers who are seeking the skills and experiences of 50+ workers. Companies representing the NET include The Home Depot, Kelly Services, Johns Hopkins, and CVS/pharmacy.

AARP is taking the lead on issues concerning 50+ workers as more employers (specifically in certain industries such as health care, manufacturing, and retail) are seeking our assistance in helping them solve issues related to their 50+ workforce.
Looking Ahead: Social Impact & Member Value in 2006

2005 was a year marked by even greater passion for our mission and steady progress toward our social change and member value goals. We won a number of major battles for the future of Social Security and the implementation of the prescription drug benefit in Medicare.

In 2006, we will focus on four main themes:

1. Making available to our members relevant new and restaged products. We will make significant investments in developing products and services that speak directly to the way the Baby Boom Generation lives.

2. Communicating better with our members. Our members are becoming more technologically savvy. We will improve our website while developing and testing prototypes of new information products targeted for members’ specific interests.

3. Strengthening an already strong brand and integrating it throughout AARP’s work. This initiative will let the public see AARP not as an organization focused on the issue of retirement but on broad issues of living life to the fullest at every age in every American community.

4. Making effective investments in infrastructure to improve interactions with members. We plan to become much better at enhancing the contacts individual members have with us by developing a business strategy, Member Relationship Management, specifically to improve interactions with our members. We will also invest more in our integrated database infrastructure.

In addition, we will continue in our efforts to be more efficient by being faster and better in our quest to change the world. Our founder, Dr. Ethel Percy Andrus, carved out a niche when she founded AARP, and the Association has spent the last 47 years building on that niche. Now, others are experiencing an awakening in virtually every sector in which we operate, so we need to stay ahead of the game.

In 2006, we will be more visible in more places with more partners. We will have strategies tailored to boomers and other audiences, including web-based communication.

At the international level, the Board of Directors approved the creation of the AARP Global Network to be launched in 2006. For decades, AARP has been approached by organizations that want to learn how and what we do, in order to build a similar organization in their own country. The AARP Global Network will allow us to share best practices and deliver technical assistance to strengthen existing organizations and build new ones across the globe. The Network will bring together organizations from around the world that share the mission that the needs and interests of people as they age will be better met through social entrepreneurship.
AARP’s Member Value Agenda

People 50+ choose to join and stay with AARP because we deliver meaningful value and play a unique role in their lives.

1. Information
   - Members trust AARP as a primary source of credible, accurate, and actionable information that helps them make informed decisions and enhances the quality of their lives.
     - Members increasingly report that they trust AARP as an objective provider of credible information.
     - Members increasingly cite AARP’s information resources as a primary value of membership.
     - Members increasingly access timely, relevant, and high-quality information through the AARP information channel of their choice.

2. Benefits, Products, and Services
   - Members trust and choose AARP’s market-changing (or market-leading) benefits, products, and services because they meet their needs and enhance their lives.
     - Members (and prospective members) increasingly choose AARP as their provider of choice to acquire the benefits, products, and services they need and want.
     - Members realize/recognize value every day by using their AARP membership.

3. Engagement on Social Issues
   - Members value AARP’s active leadership on social issues.
     - Members are aware of and highly satisfied with AARP’s actions on issues of importance to them at national, state, and local levels.
     - Members increasingly engage in opportunities provided by AARP to contribute to improving their communities and society.

4. Relationship with AARP
   - Members feel they have a relationship with AARP and appreciate their ability to be heard.
     - Members have a passionate/strong relationship with AARP.
     - Members believe that AARP listens, acknowledges, and responds to their issues and viewpoints.

5. Personal Growth, Fulfillment, and Purpose
   - Members successfully explore, develop, and realize their personal potential.
     - Members view AARP as a partner in their quest for a creative empowered life beyond 50.
     - AARP helps individuals and society accept and value wisdom, vitality, and experience of people 50+.
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People 50+ will have independence, choice, and control in ways that are beneficial and affordable for them and for society as a whole.

A. Economic Security
- Americans can rely on Social Security that is solvent for the long term and maintains a guaranteed benefit and income protection features.
  - There is stronger public support for Social Security improvements that comport with AARP policies.
  - Legislation comporting with AARP’s policies is enacted to make Social Security stronger and solvent.
- Americans 50+ remain in the workforce, as desired.
  - Unfair and/or discriminatory treatment of 50+ workers is reduced.
  - Employers adopt policies and practices that afford 50+ workers more and better workplace options.
  - Underserved populations obtain employment.
- Americans accumulate and effectively manage adequate retirement assets.
  - Pensions and retirement savings vehicles are protected and, where possible, expanded.
  - Individuals manage financial decisions better.
  - Consumers are protected from financial fraud and abuse that can erode retirement savings and financial assets (including home equity and investments).
  - There is access to affordable, quality utility services.
- Americans with low incomes and special populations have increased resources available to meet their needs.
  - Low-income and special populations use benefits for which they are eligible.
  - Key components of the social safety net (e.g., SSI, state Rx, energy assistance) are preserved or expanded to protect the most vulnerable.
“It’s Our Time...”
I can almost hear AARP’s founder, Dr. Ethel Percy Andrus, saying these words. She believed when she founded AARP in 1958 that “It’s Our Time.” But when I step back and think about it, I realize that it really wasn’t so much that it was her time, but that she made it her time.

In Dr. Andrus’ time, it was uncommon for women to pursue higher education, women principals in schools (which she was) were rare, and retirement was considered a time to sit back and relax. It certainly doesn’t sound like an ideal time for her. But Ethel Percy Andrus founded the National Retired Teachers Association (NRTA) and AARP after she retired. She made her time by recognizing needs and finding ways to meet them by providing leadership.

Harry Truman once said, “[People] make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.” That’s what Dr. Andrus did, and that’s what AARP is still doing today.

We entered 2005 knowing that we would be engaged in a tough battle over the future of Social Security. While our ultimate goal was (and still is) to make Social Security solvent for the long term while maintaining a guaranteed, adequate benefit, we knew that we would first have to defeat the idea of creating private accounts out of Social Security. As 2005 came to a close, the public had pretty much concluded that creating private accounts out of Social Security was a bad idea, and what had been at the start of the year a forceful call for such accounts had not succeeded. We didn’t achieve a solvency solution to Social Security in 2005, but we did lay to rest (at least for now) the notion of creating private accounts out of Social Security. As 2005 came to a close, the public had pretty much concluded that creating private accounts out of Social Security was a bad idea, and what had been at the start of the year a forceful call for such accounts had not succeeded. We didn’t achieve a solvency solution to Social Security in 2005, but we did lay to rest (at least for now) the notion of creating private accounts out of Social Security and establish some key principles on which a solvency solution can be reached.

2005 was also our time to lead the effort to get Medicare beneficiaries enrolled in the new Medicare Part D prescription drug benefit. Since we had the effort to get the Medicare Modernization Act enacted into law in 2003, we also wanted to help beneficiaries make the important choices about whether or not to enroll in the program and about selecting the plan that would benefit them the most. To do that, we launched a major campaign to inform and educate our members and the public about the new Medicare Part D benefit.

Medicare Part D is now helping millions of older Americans better afford their prescription drugs. But everyone needs more affordable prescription drugs. So in addition to our Medicare Part D education and outreach campaign, we continued our campaign for more affordable prescription drugs. Our AARP RxWatchdog Reports and research forums were instrumental in keeping the spotlight on rising drug prices. We also continued lobbying for state and federal laws that would allow safe and legal prescription drugs to be imported from Canada and Mexico.

Part D benefit.

Americans have affordable coverage for, and access to, quality health care and supportive services.

• Medicare is strengthened as the most important source of quality health care for older Americans.
• Prescription drugs are more affordable to older Americans.
• Individuals have access to home- and community-based care.
• Individuals have access to a range of financing sources for needed long-term services and supports.
• Appropriate quality services are delivered efficiently and effectively across all settings.
• Stable and affordable health coverage for all is available.

Americans 50+ have improved health status (through healthy behaviors).

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• An increased proportion of people 50+ use medication vejally.

Americans 50+ have sustainable mobility as they age.
• There are adequate mobility options when driving is not feasible.
• Individuals retain their driving competencies and competent drivers retain their driving privileges to the maximum extent possible.
• Americans 50+ have appropriate and affordable housing options.
• Individuals have adequate housing options that enable them to age in place.

Nations exchange experiences and best practices on global aging issues to strengthen policies in the United States and other countries as a means of economic security and quality of life for all, regardless of age.

• AARP is a leading force in international understanding and dialogues around the global aging agenda.

Americans 50+ have access to and use needed information and resources.
• AARP provides one-stop access to needed information and resources.

AARP will work in partnerships and coalitions, and utilize information and education, advocacy, community service/volunteers, products and services, and other means to achieve these goals.

LETTER FROM BILL NOVELLI, AARP CHIEF EXECUTIVE OFFICER

The following summary financial information is from the consolidated statements of activities and financial position of AARP and its affiliates for the year ending December 31, 2005.

Revenue
Our total operating revenue in 2005 was $936 million, an increase of 6.6 percent over 2004. Membership dues ($229 million) and royalties and service provider relationship management fees ($379 million) continued to be the two largest sources of revenue supporting AARP programs and services. All federal funds are administered by the AARP Foundation, AARP’s affiliated charity.

Expenses
Our operating expenses totaled $925 million in 2005, an increase of 15.6 percent over 2004. We made investments in member services, communication, and advocacy activities to carry out our member and social impact agendas. AARP publications—primarily AARP The Magazine and AARP Bulletin—cost $165 million to produce and distribute to our members in 2005. Advertising revenue offset about 64.5 percent of these costs.

We continued to invest heavily in programs and services that directly benefit members and their communities—a total of $254 million during 2005, up 6.2 percent from 2004. These include: the AARP Driver Safety Program; member education; community presence; volunteer coordination; and AARP Foundation’s Legal Counsel for the Elderly, which provides free legal assistance and education to older adults, primarily in the District of Columbia. Also included are two other AARP Foundation programs, AARP Tax-Aide and the AARP Senior Community Service Employment Program (SCSEP), which transitions low-income people into paid employment.

B. Health and Supportive Services

C. Livable Communities

D. Global Aging

E. Navigation — Access to Information
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Harry Truman once said, “[People] make history and not the other way around.” In periods where there is no leadership, society stands still. Progress occurs when courageous, skilled leaders seize the opportunity to change things for the better.” That’s what Dr. Andrus did, and that’s what AARP is still doing today.

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Summary of 2005 AARP Financial Statements

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2005 was our time to protect Social Security by defeating the idea of private accounts... to lead the way in encouraging Medicare beneficiaries to participate in the Part D prescription drug benefit... and to foster fresh ideas about the aging of society — in order to enhance the quality of life for all as we age.

Bill Novelli
Chief Executive Officer

Robert Hagans
Chief Financial Officer

John Rother
Group Executive Officer – Policy and Strategy

Joan Wise
General Counsel

Dawn Sweeney
President, AARP Services, Inc.

Thomas Nelson
Chief Operating Officer

Christopher Hansen
Group Executive Officer – State and National Initiatives

Jerry Florence (deceased)
Group Executive Officer – Membership

Sheereen Remez
Interim Group Executive Officer – Membership

Robin Talbert
Executive Director, AARP Foundation

Kevin Donnellan
Interim Chief Communications Officer

Nancy LeaMond
Group Executive Officer – Social Impact

Ellie Hollander
Chief People Officer

Emilio Pardo
Chief Brand Officer

We spent $201 million in member services activities in 2005, an increase of 14.2 percent over 2004. This funded our continued efforts to improve communication with our more than 36 million members and to increase the tangible value of AARP membership. In addition, we invested $67 million in member acquisition and development. Increasing our membership and visibility continued to be a critical component of strengthening our core advocacy and research efforts on behalf of our members and reinforced our social impact work.

In furtherance of our social impact goals, we spent $69 million in legislation and research in 2005. These costs included funding our research information center, knowledge management group, federal and state affairs, and grassroots and elections. Some of our activities included preserving and strengthening Social Security, efforts to make prescription drugs more affordable, educating members and the public about the new Medicare Part D drug benefit, ensuring the quality and availability of long-term care, fighting predatory lending, and preserving pension rights.

As a result of our ongoing cost-containment efforts, management and general expenses were held relatively steady at $169 million. This represented 18.0 percent of revenue in 2005, compared with 13.8 percent in the prior year. These costs included our investment in human resources, information technology, and support services such as finance, legal, and internal audit.

AARP’s consolidated activities generated an increase in assets of $170.7 million — 9.6 percent of total assets for calendar year 2005. Of this increase for the year, $42.5 million was set aside into Board-designated funds. With total assets of $1.8 billion and total liabilities of $1.4 billion, AARP ended the year with $339.1 million in net assets (19.1 percent of total assets) of which $134.3 million was designated by the Board for debt reduction, charitable activity, and future AARP programs.

The complete AARP 2005 Audited Financial Statements are available on the Internet at www.aarp.org/annualreport.
We strengthened our voice on international aging issues and conducted ground-breaking work, as well. During her presidency, she emphasized international security issues. Ms. Khan retired after serving on multiple boards and initiatives with the Security Administration, including director of Manpower Development and Organization Planning. She is a member of the Board of Trustees of the University of Pennsylvania. She has received numerous awards, including the Governor’s Citation for Work in Education and an Honorary Doctorate of Laws from the University of New Mexico.

I am proud to have served an organization whose time has truly come. AARP has taken a leadership role, working to empower people to bring about a society in which we ALL age with dignity and purpose. That means to YOU that ME.

As my presidency comes to an end and I reflect on the past two years, I am humbled by the impact this organization has had on my life and the lives of millions of Americans. Our accomplishments over the past two years have been staggering. Let me highlight just a few:

We responded decisively after hurricanes Katrina and Rita with prompt on-the-ground support and AARP Foundation funding for 41 local groups in Alabama, Louisiana, Mississippi, and Texas less than three weeks after the hurricanes.

We strengthened our voice on international aging issues and conducted ground-breaking research to compare retirement trends across different countries. We also convened international conferences on issues such as long-term care, private and public pension systems, and livable communities.

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Erika D. Olsen

Ms. Olsen, also a partner of the law firm of Olsen, bubbles, is a 1991 graduate of the University of Minnesota School of Nursing. Dr. Olsen's recognitions include induction into the Delta Dental Association Hall of Fame and Human Services (HHS). In 1992, he retired as president and chair of the National Nominating Committee, and vice chair of the Board Audit and Finance Committee, and serves on the Governor's Task Force for Employment of Older Americans. She was director of the Area Agency on Aging (AAA) Services, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations. Mrs. Barnett received the Mayor's Award for Meritorious Service, with the majority of that time devoted to helping older adults. Ms. Hansen is a nursing faculty member at San Francisco State University and a senior fellow at the Center for the Health Professions at the University of California, San Francisco. Ms. Hansen is a member of both organizations.
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I am passionate about. Today, millions of beneficiaries are reaping the reward of prescription

When I assumed the presidency of AARP two years ago, I said, “AARP has a demonstrated history of fighting for justice and fairness for ALL those 50 and older. We have the vision, we have the experience, and, most important, we have the will.”

That statement is even truer today, thanks in large part to the collaborative efforts of our volunteers and staff, whose work speaks volumes.

Our efforts in 2005 further solidified our leadership in matters affecting people over 50 and, indeed, society as a whole. It is clearly our time to lead and empower those 50+ to live their futures to the fullest.

In 2005, we made it our time to go to the front lines of the battle over the future of Social Security. That my presidential term coincided with AARP’s battle to strengthen Social Security is one of those coincidences that leaves me feeling that nothing is coincidence. The timing couldn’t have been better for me personally, having spent 25 years of my professional life working at the Social Security Administration. I believe so passionately in the program. That statement is even truer today, thanks in large part to the collaborative efforts of our volunteers and staff, whose work speaks volumes.

Mrs. O’Gara also collaborated in authoring a journal article. Mrs. O’Gara retired from the Omaha Public Schools as assistant principal of Lincoln High School in 2003.

Mr. Maldonado retired from the Omaha Public Schools as assistant superintendent for the senior political action committee of Tarrant County. He also served on the AARP’s Board of Directors and the AARP Foundation Board of Directors and the AARP Services, Inc. Board.

Angel Rodolfo “A.R.” Sales, of Ft. Myers, FL, is on the Board Audit and Finance Committee and the AARP Services, Inc. Board. He is medical director of the Virgin Islands Medical Institute, which provides health care for low-income persons in the territory through its community health clinics.

AARP PRESIDENT 2004 – 2006

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Social Security is at the heart of who we are as a people. It’s not just about freedom from want. It’s about fairness among generations. It’s about strengthening families.

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When I assumed the presidency of AARP two years ago, I said, “AARP has a demonstrated history of fighting for justice and fairness for ALL those 50 and older. We have the vision, we have the experience, and, most important, we have the will.”

That statement is even truer today, thanks in large part to the collaborative efforts of our volunteers and staff, whose work speaks volumes.

Our efforts in 2005 further solidified our leadership in matters affecting people over 50 and, indeed, society as a whole. It is clearly our time to lead and empower those 50+ to live their futures to the fullest.

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2005 was our time to protect Social Security by defeating the idea of private accounts…to lead the way in encouraging Medicare beneficiaries to participate in the Part D prescription drug benefit… and to foster fresh ideas about the aging of society — in order to enhance the quality of life for all as we age.

Bill Novelli
Chief Executive Officer

Robert Hagans
Chief Financial Officer

John Rother
Group Executive Officer – Policy and Strategy

Jean Wise
General Counsel

Dawn Sweetney
President, AARP Services, Inc.

Thomas Nelson
Chief Operating Officer

Christopher Hansen
Group Executive Officer – State and National Initiatives

Jerry Florence (deceased)
Group Executive Officer – Membership

Shereen Remez
Interim Group Executive Officer – Membership

Robin Talbert
Executive Director, AARP Foundation

Kevin Donnellan
Interim Chief Communications Officer

Nancy LeaMond
Group Executive Officer – Social Impact

Ellie Hollander
Chief People Officer

Emilio Pardo
Chief Brand Officer

We spent $201 million in member services activities in 2005, an increase of 14.2 percent over 2004. This funded our continued efforts to improve communication with our more than 36 million members and to increase the tangible value of AARP membership. In addition, we invested $67 million in member acquisition and development. Increasing our membership and visibility continued to be a critical component of strengthening our core advocacy and research efforts on behalf of our members and reinforced our social impact work.

In furtherance of our social impact goals, we spent $69 million in legislation and research in 2005. These costs included funding our research information center, knowledge management group, federal and state affairs, and grassroots and elections. Some of our activities included preserving and strengthening Social Security, efforts to make prescription drugs more affordable, educating members and the public about the new Medicare Part D drug benefit, ensuring the quality and availability of long-term care, fighting predatory lending, and preserving pension rights.

As a result of our ongoing cost-containment efforts, management and general expenses were held relatively steady at $169 million. This represented 18.0 percent of revenue in 2005, compared with 13.8 percent in the prior year. These costs included our investment in human resources, information technology, and support services such as finance, legal, and internal audit.

AARP’s consolidated activities generated an increase in assets of $170.7 million—9.6 percent of total assets for calendar year 2005. Of this increase for the year, $42.5 million was set aside into Board-designated funds. With total assets of $1.8 billion and total liabilities of $1.4 billion, AARP ended the year with $339.1 million in net assets (19.1 percent of total assets) of which $134.3 million was designated by the Board for debt reduction, charitable activity, and future AARP programs.

The complete AARP 2005 Audited Financial Statements are available on the Internet at www.aarp.org/annualreport.
AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce AARP The Magazine, published bimonthly; AARP Bulletin, our monthly newspaper; AARP Segunda Juventud, our bimonthly magazine in Spanish and English; NRTA Live & Learn, our quarterly newsletter for 50+ educators; and our website, AARP.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.
MISSION STATEMENT
AARP is dedicated to enhancing quality of life for all as we age. We lead positive social change and deliver value to members through information, advocacy and service.

Edith Williams, Richard DeCarlo, and Pat Moles: AARP Social Security volunteers on location at the U.S. Capitol.