

---

AN ACT

To establish a Retirement Fund for the Government of the Northern Mariana Islands.

BE IT ENACTED BY THE NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1           Section 1. Purpose. The purpose of this Act is to provide a  
2 retirement fund, annuities and other benefits for the employees of the  
3 Government of the Northern Mariana Islands who become aged or otherwise  
4 incapacitated, and widows' annuities and other benefits to the dependents  
5 of such employees, thereby enabling the employees to accumulate reserves  
6 for themselves and their dependents to meet without prejudice or  
7 hardship the hazards of old age, disability, death and termination  
8 of employment, with the objective of encouraging qualified personnel  
9 to enter and remain in the service of the Northern Mariana Islands  
10 Government, thus effecting economy and efficiency in the administration  
11 of the Northern Mariana Islands Government.

12           Section 2. Title. There is within, and a public corporation and  
13 autonomous instrumentality of, the Government of the Northern Mariana  
14 Islands a fund called the "Northern Mariana Islands Retirement Fund."

15           Section 3. Definitions. Words and phrases, when used in this  
16 Act unless a different meaning is clearly indicated by the context,  
17 shall have the following meanings:

18                   (a) "Fund" shall mean the "Northern Mariana Islands  
19 Retirement Fund."

20                   (b) "Board" shall mean the Board of Trustees provided for  
21 herein as the agency responsible for the direction and operation of the

1 affairs and business of this system. Title to all assets of the Fund  
2 shall be held for the Fund by the Board of its qualified agents or  
3 custodians.

4 (c) "Employee" shall mean any person in the employment of the  
5 Northern Mariana Islands Government, in all occupational classifications,  
6 including a person whose work is classified as casual or temporary.

7 (d) "Member" shall mean any employee included in the  
8 membership of the Fund.

9 (e) "Service" shall mean actual employment by the government  
10 as an employee for salary or compensation, or service otherwise  
11 creditable as herein provided.

12 (f) "Prior service" shall mean service rendered prior to the  
13 operative date.

14 (g) "Membership service" shall mean service rendered on or  
15 after the operative date.

16 (h) "Total service" shall mean prior service and membership  
17 service.

18 (i) "Salary" shall mean the amount received by an employee  
19 for service, and shall include allowance for maintenance at the  
20 prescribed rate and any post differential.

21 (j) "Average annual salary" shall mean the average of the  
22 three highest annual salaries received by a member during his years of  
23 credited service or  $\$6,000.00$ , whichever is greater.

24 (k) "Regular interest" shall mean such rate as shall be  
25 fixed by the Board.

---

1           (1) "Child". The term "child" for the purpose of this Act  
2 shall mean an unmarried child, including an adopted child or recognized  
3 natural child, who receives more than one-half of his support from and  
4 lives with the member or employee in a regular parent-child relationship  
5 and who is under the age of 18 years, or such unmarried child regardless  
6 of age who has been examined and pronounced by two licensed physicians  
7 to be permanently physically or mentally disabled and incapable of  
8 self-support.

9           (m) "Agent" shall mean such person, firm or corporation,  
10 other than an employee or Board member, who is engaged by the Board to  
11 render service.

12           (n) "Custodian" shall mean any agent that is qualified and  
13 has assumed the responsibility for the physical possession of fund  
14 assets.

15           (o) "Investment agent" shall mean any agent that is  
16 qualified and has been engaged by the Board to provide investment  
17 advice.

18           Section 4. Powers. The Fund, through its Trustees, shall have  
19 and exercise each and all of the following powers:

20           (a) Establish, maintain and operate a Retirement Fund  
21 program for the public employees of the Commonwealth.

22           (b) Establish its internal organization and management.

23           (c) Adopt a seal.

24           (d) Sue or be sued in its corporate name.

25           (e) Employ, retain or contract for the services of qualified

1 managers and specialists, as individuals or as organizations.

2 (f) Adopt such rules and regulations as may be necessary  
3 for the exercise of the Fund's powers, performance of its duties and  
4 administration of its operation.

5 (g) Adopt and maintain a travel authorization policy  
6 notwithstanding any law to the contrary.

7 (h) Provide for the installation of a system of accounts and  
8 records which will give full effect to the requirements of this Act;  
9 adopt all necessary actuarial tables to be used in the operation of the  
10 Fund; and provide for the compilation of such statistical and financial  
11 data as may be required for actuarial valuations, periodic surveys  
12 and calculations.

13 (i) Obtain such information from the participating members  
14 and the government as shall be necessary for the proper operation of  
15 the Fund.

16 (j) Consider and pass upon all applications for annuities,  
17 benefits, refunds and other payments, and authorize the expenditures  
18 for such purposes in accordance with the provisions hereof.

19 (k) Accept any gift, grant or request of any money or  
20 property of any kind for the purposes designated by the grantor, if  
21 such purposes are specified as providing cash benefits to some or all  
22 of the members or annuitants of the Fund; if no such purposes are  
23 designated, the same shall be credited to the account representing  
24 income from investments.

25 (l) Have the accounts of the Fund audited as of the end of

1 each fiscal year by competent accountants, and submit an annual  
2 report to the government as soon as possible following the close of  
3 the year, embodying, among other things, a balance sheet showing the  
4 financial and actuarial condition of the Fund, a statement of income  
5 and expenditures for the year, a statement showing changes in the  
6 asset, liability and reserve accounts during the year, a statement of  
7 investments owned by the Fund, detailed statements of investments  
8 acquired and disposed of during the year, including the description  
9 of each security, purchase or sale price and names of vendors and  
10 vendees, and such other financial or statistical data as is necessary  
11 for a proper interpretation of the condition of the Fund and the  
12 results of its operation. The Board shall also cause to be published  
13 for distribution among the members a synopsis of such report.

14 (m) Appoint an attorney, under such arrangement as the  
15 Board may establish, who shall advise the Board and the Administrator  
16 on all legal matters to which the Fund is a party or in which the Fund  
17 is legally interested, and may represent the Fund in connection with  
18 legal matters before the Legislature, boards and other agencies of  
19 the Commonwealth and before courts in any jurisdiction.

20 (n) Do any and all other things necessary to the full and  
21 convenient exercise of the above powers.

22 Section 5. Board of Trustees.

23 (a) All powers vested in the Fund shall be exercised by the  
24 Board which shall consist of seven (7) members called Trustees to be  
25 appointed by the Governor with the advice and consent of the Senate.

1 The Commission shall select a chairman by a majority vote. Members  
2 shall serve for a term of four (4) years. Of the members first  
3 appointed, two (2) shall serve for two (2) years; two (2) shall serve  
4 for three (3) years; and three (3) shall serve for four (4) years.  
5 Determination as to who shall serve what term shall be by the drawing  
6 of lots. Vacancies shall be filled in the same manner as the original  
7 appointment.

8 (b) Four (4) Directors shall constitute a quorum of the  
9 Board for the transaction of business. The concurrence of four (4)  
10 members shall constitute official action of the Board. The Board may  
11 adopt rules and regulations governing the conduct of its affairs.

12 (c) Each Director shall receive the sum of Fifty Dollars  
13 (\$50.00) for his attendance at any meeting of the Board, but such  
14 compensation shall not apply to more than four (4) meetings or exceed  
15 Two Hundred Dollars (\$200.00) in any one calendar month. No Director  
16 shall receive any other compensation, but shall be reimbursed for  
17 actual travel, subsistence and out-of-pocket expenses incurred in the  
18 discharge of his responsibilities, including authorized attendance at  
19 meetings held away from the Commonwealth.

20 (d) No Director shall be liable for any decision made in  
21 the good faith non-malicious fulfillment of his duties.

22 Section 6. Administrator.

23 (a) The Board shall appoint an Administrator, who shall be its  
24 chief executive officer. The Administrator shall serve at the pleasure  
25 of the Board, which shall fix his compensation. The Administrator shall

1 have full charge and control of the operation and maintenance of the  
2 Fund.

3 (b) The powers of the Administrator shall include:

4 (1) To see that all rules and regulations of the  
5 Fund are enforced.

6 (2) To attend, unless excused by the Board, all  
7 meetings of the Board and to submit reports on the affairs of the Fund  
8 as required by the Board.

9 (3) To keep the Board advised on the needs of the Fund  
10 and to approve demands for payment of obligations within the purposes  
11 and amounts authorized by the Board.

12 (4) To keep all books, records, files and accounts of  
13 the Fund and receive all applications for annuities, benefits and  
14 refunds.

15 (5) To prepare periodic reports relative to the  
16 operations of the Fund and an annual report as of the close of each  
17 fiscal year reflecting the results of the financial operations of the  
18 Fund and embodying all important financial and statistical data  
19 pertinent to its operation.

20 (c) The Administrator may employ such clerical, medical,  
21 or other assistance as shall be necessary for the proper administration  
22 of the Fund. The Administrator may also engage actuarial or other  
23 professional service to assist in the preparation of the annual reports,  
24 to advise in matters of policy and to make the periodic actuarial  
25 surveys. The costs and expenses of the administration of the Fund,

1 including any custodial and audit fees incurred in connection with the  
2 financial operations of the Fund, shall be paid out of said Fund. At  
3 least once every five (5) years an actuarial survey and investigation  
4 shall be made of the operating experience of the Fund, including a  
5 study of rates of mortality, disability, retirement, separation and  
6 other essential factors relating to the operations of the Fund. Such  
7 survey shall also provide for a verification or redetermination of the  
8 rates of contributions by the government. The costs of such survey  
9 shall be paid from the Fund.

10 Section 7 Fund Members. The following employees shall be members  
11 of the Fund and subject to the provisions hereof:

12 (a) All employees regardless of age or length of service  
13 in the service of the government on the operative date shall become  
14 members of the Fund by virtue of their employment. Any person who  
15 shall be on an approved leave of absence on the operative date shall  
16 be subject to membership as of such date, as though he were in active  
17 service.

18 (b) All persons becoming employees after the effective date  
19 shall become members as a condition of employment, provided they are  
20 under the age of sixty (60) years on the date of entry into service.

21 (c) An employee of a public corporation of the government of  
22 the Northern Mariana Islands shall have the option of accepting or  
23 rejecting membership, and shall become a member only upon submission of  
24 a written request to the Board for membership.

25 (d) Any employee of the government whose employment is



1 purely temporary, seasonal, intermittent or part-time shall have the  
2 option of accepting or rejecting membership, and shall become a member  
3 only upon submission of a written request to the Board for membership.

4 Section 8. Ineligible Persons. The following employees shall not  
5 be eligible for membership:

6 (a) Persons whose services are compensated on a fee basis.

7 (b) Independent contractors.

8 (c) Persons whose employment is for a specific project.

9 The Board shall determine who are employees and entitled to membership  
10 within the meaning of this Act.

11 Section 9. Prior Service Credit. Each person becoming a member  
12 on the operative date shall be entitled to prior service credit for  
13 service rendered the government of the Trust Territory of the Pacific  
14 Islands, the government of the Northern Mariana Islands, an agency or  
15 instrumentality of the Government of the United States; provided,  
16 such service was rendered in the Northern Mariana Islands, or any  
17 municipality thereof including service as an elected official of a  
18 council or a legislature.

19 (a) In the case of any employee who shall have been a  
20 member of any such government Retirement Fund, and shall have received  
21 a refund or refunds of contributions made to such Fund, the allowance  
22 of prior service credit shall be conditioned upon such person making  
23 a contribution to the Fund in the full amount of refund or refunds  
24 received by such employee. Payment of such contribution shall be  
25 due as of the operative date and shall be made in lump sum, or in

1 installments under rules prescribed by the Board. Regular interest  
2 thereon shall begin to accrue from the operative date, which interest  
3 shall become a part of the principal sum to be paid to such person.

4 (b) Each member entitled to prior service credit shall  
5 file with the Board, on a form prescribed by the Board and under such  
6 rules as it may adopt, a detailed statement of all such prior service  
7 for which the member claims credit. Such credit shall be verified by  
8 the Board as soon as practicable after the filing thereof. Upon such  
9 verification, the Board shall cause to be issued a statement of prior  
10 service, certifying to the member the length of prior service for which  
11 credit has been granted.

12 (c) Such statement of prior service shall be final and  
13 conclusive for the purposes of the Fund as to such service, except for  
14 the correction of error; provided, that any member may within one (1)  
15 year from the date of original issuance of such certificate, request  
16 the Board to modify or correct such prior service certificate. Such  
17 certificate shall become null and void upon the death of a member and  
18 shall be cancelled automatically upon receipt by a member of a refund  
19 of his contributions. Such certificate may be reinstated only under  
20 the conditions prescribed by the provisions of this Act.

21 (d) Any employee who shall not be in service on the  
22 operative date or who is on an approved leave of absence on such date,  
23 for disability or other cause, shall be entitled to receive credit for  
24 prior service only when such employee shall have completed at least  
25 three (3) years of contributing membership service subsequent to the

1 operative date.

2       Section 10. Prohibition Against Double Credit for Same Period of  
3 Time. Should a member, for a specific period of time, be entitled to  
4 more than one of the types of credit authorized by this Act, he shall  
5 be allowed to obtain from said period of time only one type of credit,  
6 according to his election.

7       Section 11. Retirement.

8           (a) Any member may retire on a service retirement annuity  
9 upon written application to the Board; provided, that such member shall  
10 have attained at least sixty (60) years of age.

11           (b) Any employee who has completed twenty-five (25) years  
12 of service may retire and shall be entitled to full retirement annuity.

13           (c) Any retired employee who has previously elected to  
14 retire and who has completed at least twenty-five (25) years of service  
15 shall be eligible for full retirement benefits after the effective date  
16 of this Act.

17           (d) Any employee or member, whether active or inactive, at  
18 his option may retire after twenty (20) years of service, regardless  
19 of age. The retirement annuity for any employee or member described  
20 in this paragraph shall be reduced one-quarter of one percent for each  
21 month such employee or member is under the age of sixty (60); reduction  
22 shall be from the amount determined for such employee or member as  
23 hereinafter provided.

24       Section 12. Annuity Amount. The basic retirement annuity payable  
25 to any member shall be the following:

1           (a) An amount equal to two percent (2%) of average annual  
2 salary for each of the first ten (10) years of credited service, and  
3 two and one-half percent (2½%) of average annual salary for each year  
4 or part thereof of credited service over ten (10) years.

5           (b) In addition, there shall be added to the amount set  
6 forth in subsection (a) an amount equal to Twenty Dollars (\$20.00)  
7 Multiplied by each year of credited service, the total of which shall  
8 then be reduced by an amount equal to 100th of one percent (.01%) of  
9 said total for each One Dollar (\$1.00) that a member's average annual  
10 salary exceeds the amount of Six Thousand Dollars (\$6,000.00).

11           (c) No basic annuity shall exceed eighty-five percent (85%)  
12 of average annual salary.

13           (d) The basic minimum annual annuity shall not in any case  
14 be less than One Thousand Two Hundred Dollars (\$1,200.00) per year  
15 per member.

16           Section 13. Disability.

17           (a) Any member less than sixty (60) years of age, who shall  
18 become totally and permanently disabled for service, either mentally  
19 or physically, regardless of how or where the disability shall have  
20 occurred, shall be entitled to a disability retirement annuity, provided  
21 that he is not receiving disability payment from the United States  
22 Government for substantially the same ailment, and further provided  
23 that to be eligible for a disability retirement annuity, from a  
24 nonoccupational cause, he shall have had at least seven (7) years of  
25 creditable service in the Government of the Northern Mariana Islands

1 prior thereto.

2 (b) A member shall be considered totally and permanently  
3 disabled after the Board shall have received written certification by  
4 at least two (2) licensed and practicing physicians selected by the  
5 Board that the member is totally and likely to be permanently disabled  
6 for the further performance of the duties of any assigned position in  
7 the service of the government. If upon consideration of the report of  
8 such physicians and such other evidence as shall have been presented  
9 to it by the member or others interested therein, the Board finds the  
10 member to be totally and permanently disabled, it shall grant him a  
11 disability retirement annuity upon written certification that the  
12 member has been separated from the service of the employer because of  
13 total disability of such nature as to reasonably prevent further service  
14 for the employer, and as a consequence is not entitled to compensation  
15 from the government.

16 (c) The amount of disability retirement annuity shall be  
17 sixty-six and two-thirds percent (66 2/3%) of the salary of the member  
18 in effect at the date of disability. Any special compensation allowance  
19 received or payable to any member because of disability resulting from  
20 accidental causes while in the performance of a specific act or acts of  
21 duty shall be deducted from the disability annuity payable by the Fund  
22 on account of the same disability.

23 (d) At least once each year during the first five (5) years  
24 following the allowance of a disability annuity to any member, and at  
25 least once in every three year period thereafter, the Board shall

1 require any disability annuitant to undergo a medical examination to  
2 be made at place of residence of said annuitant, or at any other place  
3 mutually agreed upon, by a physician or physicians engaged by the Board.  
4 If any examination indicates that the annuitant is no longer physically  
5 or mentally incapacitated for service, or that he is engaged or is able  
6 to engage in a gainful occupation, payments of the disability annuity  
7 by the Fund shall be discontinued as soon as he is reinstated to the  
8 payroll following sick leave, but in no case shall payment be made for  
9 more than sixty (60) days after physicians engaged by the Board find  
10 the annuitant is no longer incapacitated for service.

11 (e) Should such annuitant become able to resume a gainful  
12 occupation and his earnings therefrom be less than his salary at the  
13 date of retirement or the salary currently paid for similar positions,  
14 whichever is lower, the Board shall continue the disability allowance  
15 in an amount which when added to his earnings from a gainful occupation,  
16 shall not exceed his salary at the date of retirement or the salary  
17 currently paid for similar positions, whichever is lower.

18 (f) Should any disability annuitant refuse to submit to a  
19 medical examination as herein provided, payments by the Fund shall be  
20 discontinued until his withdrawal of such refusal, and should his  
21 refusal continue for one (1) year, all rights of the member in any  
22 disability annuity shall be revoked by the Board.

23 (g) Any disability annuitant who is restored to active  
24 service shall have deductions taken for the retirement fund and upon  
25 subsequent retirement have his retirement allowance based upon all

1 allowable service including that upon which the disability allowance  
2 is based.

3 Section 14. Refund on Separation.

4 (a) Upon complete separation from service before a member  
5 shall have completed at least twenty (20) years total service, the  
6 member shall be entitled to receive a refund of his total contributions,  
7 including regular interest, but no payment of interest shall be made  
8 in any case in which total service is less than one (1) year. Total  
9 contributions shall include all contributions made by the member to  
10 obtain various types of credit authorized by this Act.

11 (b) Any member who withdraws after having completed at least  
12 three (3) years total service shall have the option of leaving his  
13 contribution in the Fund and receiving a service retirement annuity  
14 upon attainment of the age of sixty (60) years, without choice of any  
15 of the optional survivors' benefits hereinafter described.

16 (c) If such member has less than twenty (20) years of  
17 total service, he may elect to receive his contributions, with regular  
18 interest, as herein above provided, in lieu of the service retirement  
19 annuity. If his total service is twenty (20) years or more, the  
20 acceptance of such deferred retirement annuity payment beginning at  
21 the age of sixty (60) years shall be mandatory as to each member.

22 (d) Any member receiving a refund of contributions shall  
23 thereby ipso facto forfeit, waive and relinquish all accrued rights and  
24 benefits in the system, including all credited and creditable service.  
25 The Board may, in its discretion, regardless of cause, withhold payment

1 of a refund for a period not to exceed one (1) year after receipt of  
2 an application from a member.

3 (e) Any member who has received a refund shall be  
4 considered a new member upon subsequent reemployment if such person  
5 qualifies for membership under the provisions hereof. Such member  
6 shall have the right to make a repayment to the system of the amount  
7 or amounts previously received as refund, including regular interest  
8 from the dates of refund to the date of repayment. Upon the restoration  
9 of such refunds, as herein provided, such member shall have reinstated  
10 to his account all credited service represented by the refunds of which  
11 repayment has been made. Repayments of refunds by any member shall  
12 include all refunds received by a member prior to the date of his last  
13 withdrawal from service and shall be made in a single sum or in  
14 installments under the rules prescribed by the Board, except that in  
15 the event of installment payment, the member seeking reinstatement of  
16 prior credited service may execute, under rules prescribed by the  
17 Board, a credit life insurance policy on his life, wherein the Fund is  
18 beneficiary for the amount still due to be repaid to the Fund, the  
19 premium on such policy of insurance to be paid by the member and in the  
20 event of the member's death before the refund has been repaid without  
21 such credit life insurance having been obtained, then the annuity  
22 payable to the survivor or survivors shall be reduced pro rata.

23 Section 15. Death Prior to Retirement Without Survivor Benefits.  
24 Upon death of a member occurring before his retirement on a service  
25 retirement annuity or a disability retirement annuity, leaving no



---

1 persons eligible for survivor annuities as provided in Section 17, the  
2 following shall be payable:

3 (a) A refund of the total amount of contributions made by  
4 the member, including regular interest; and

5 (b) If the member was an employee at the date of death, a  
6 single death benefit payment in the amount of One Thousand Dollars  
7 (\$1,000.00).

8 Payment of these refunds and benefits shall be made to a  
9 beneficiary or beneficiaries designated by the member in a nomination  
10 petition filed with the Board, or if no such designation has been made,  
11 payment shall be made to the estate of the member.

12 Section 16. Death After Retirement Without Survivor Benefits.

13 Upon death of a member while in receipt of a service retirement annuity  
14 or disability retirement annuity, leaving no person entitled to survivor  
15 annuities as provided in Section 17 of this Act, the following shall be  
16 payable:

17 (a) The total amount of contributions made by the member,  
18 including regular interest, less the total amount of annuity payments  
19 received by the member; and

20 (b) A single sum death benefit payment in the amount of  
21 One Thousand Dollars (\$1,000.00).

22 Payment of these refunds and benefits shall be made to the  
23 beneficiary or beneficiaries designated by the member, in a nomination  
24 filed with the Board, or if no such designation has been made, payment  
25 shall be made to the estate of the member.

---

1           Section 17. Survivor Annuities.

2           (a) Payment to surviving spouse and minor children of a  
3 member. Upon death of a member, while in service, having completed at  
4 least three (3) years of total service, if a surviving spouse or minor  
5 children survive the member, the following annuities shall be payable:

6           (1) If a spouse survives, an annuity shall begin as  
7 of the date of the death of the member if the surviving spouse shall  
8 then have attained the age of at least thirty-five (35) years, or if  
9 such surviving spouse is under the age of thirty-five (35) years at  
10 such date, payment shall begin upon his or her attainment of such age.  
11 The annuity shall terminate upon death of surviving spouse or  
12 remarriage, whichever event first occurs.

13           (2) If both the surviving spouse and minor children  
14 under age eighteen (18) survive the member, an annuity shall begin  
15 immediately upon death of the member without regard to whether the  
16 surviving spouse shall have attained the age of thirty-five (35) years.  
17 The allowance for a minor child shall be payable until the child's  
18 attainment of age eighteen (18), marriage or death, whichever first  
19 occurs. The annuity of the surviving spouse shall terminate upon  
20 death or remarriage, whichever first occurs.

21           (3) If a minor child or children under age eighteen  
22 (18) survive a member and no parent of such child or children is living,  
23 an annuity on account of any child shall be payable until the child's  
24 attainment of age eighteen (18), marriage or death, whichever first  
25 occurs.

1                   (4) Payment of the annuity or allowance for a minor  
2 child or children provided for under paragraphs (2) and (3) of this  
3 Section may be continued up to twenty-two (22) years of age if such  
4 minor child or children are full-time students in an accredited college  
5 or university or educational institution.

6                   (b) Payment to surviving spouse and minor children of  
7 annuitant. Upon death of an annuitant, if a surviving spouse and/or  
8 children survive, annuities shall be payable to them at the same rate  
9 and under the same conditions as are applicable to survivors of a  
10 member whose death occurs while in service.

11                   (c) Payment to children disabled before eighteen (18)  
12 years. Upon death of an annuitant, or a member while in service  
13 having completed at least three (3) years of total service, if a  
14 surviving child or children is disabled, annuities shall continue to  
15 be payable to them after age eighteen (18) at the same annual rate as  
16 if they were minor children under the age of eighteen (18); provided,  
17 however, that such continuing annuity shall be conditional upon the  
18 child being disabled and having been examined by two licensed physicians  
19 before attaining the age of eighteen (18) and found to be permanently  
20 physically or mentally disabled and incapable of self-support. The  
21 results of such examination may be submitted to the Board at any time  
22 prior to the child's eighteenth (18th) birthday. Such annuity shall  
23 continue until death or until such child loses his permanent disability  
24 and becomes capable of self-support.

25                   (d) Optional provisions for unmarried employees. Upon

1 retirement from service, any unmarried employee, whether male or  
2 female, if in good health as determined upon medical examination, may  
3 elect to receive in lieu of his full service retirement annuity, on an  
4 actuarial equivalent basis, a reduced annuity payable during his or her  
5 lifetime with an annuity payable to his or her designated beneficiary  
6 at the same rate and under the same conditions as are applicable to  
7 survivors of a married member whose death occurs while in service. The  
8 reduced retirement annuity payable to the member under this option shall  
9 be ninety percent (90%) of the full service retirement annuity if the  
10 designated beneficiary is of the same age, or older, or less than five  
11 (5) years younger than the retired employee. Such retirement annuity  
12 shall be reduced to the extent of one percent (1%) for each additional  
13 year above five (5) that the age of the member exceeds the age of the  
14 beneficiary; provided, that the annuity for the member shall in no event  
15 be less than sixty percent (60%) of the full service retirement annuity.

16 (e) Upon death of a member, while in service or in receipt  
17 of a service retirement or disability retirement annuity, if a surviving  
18 spouse or minor children survive the member, a single sum death benefit  
19 payable in the amount of One Thousand Dollars (\$1,000.00) shall be  
20 payable.

21 Section 18. Survivor Annuity Rate Formula.

22 (a) The annual survivor annuity payable under Section 17  
23 shall be determined as follows:

24 (1) Spouse. The basic annual annuity shall be equal  
25 to fifty percent (50%) of the disability or service retirement annuity

---

1 earned by the member and accruing to his or her credit at the date of  
2 death for the period of his or her total service.

3 The spouse's basic annual annuity shall not, in any case, be less  
4 than One Thousand Two Hundred Dollars (\$1,200.00) per year.

5 (2) Children. The basic annual annuity shall be One  
6 Thousand Eighty Dollars (\$1,080.00) per year for a minor child up to  
7 eighteen (18) years of age. The total basic annual annuity for children  
8 shall not, in any case, exceed Three Thousand Two Hundred Forty Dollars  
9 (\$3,240.00) per year for three (3) or more minor children.

10 Section 19. Contributions to the Fund.

11 (a) Each member of the Fund shall contribute six and  
12 one-half percent (6½%) of salary earned and accruing to such member.

13 (b) These contributions shall be made as a deduction from  
14 salary, notwithstanding that the salary paid in cash to such member  
15 may be reduced thereby below any established statutory rate.

16 Section 20. Contributions by the Government. The government shall  
17 make contributions to the Fund each year on an actuarially funded basis  
18 toward the annuities and benefits herein provided. These contributions  
19 shall be equal to the sum of the following:

20 (a) An annual amount resulting from the application of a  
21 rate percent of the total salaries of all members representing the  
22 present value of the actuarial reserve requirement for membership  
23 service, for such year, for service retirement annuity, disability  
24 retirement annuity, and annuities to widows and children and the one  
25 year term premium for the government's liability for death benefits,

1 after taking credit, for the contributions by the members.

2 (b) An amount resulting from the application of a rate  
3 percent of total salaries of all members which will amortize the  
4 remaining liability for prior service over the remainder of a specified  
5 period, as determined by the Board upon recommendation of the actuary,  
6 but not to exceed a period of forty (40) years following the operative  
7 date.

8 (c) The amount of contributions by the government shall be  
9 determined by applying the applicable percentage rate of contributions  
10 as hereinabove prescribed to the total salaries paid to the members  
11 during each payroll period, and all such amounts shall be paid into  
12 the Fund following the close of each payroll period, concurrently with  
13 the contributions made to the Fund by the members.

14 Section 21. Investment of Funds.

15 (a) The reserves of the Fund in excess of requirements for  
16 current operations shall be invested and reinvested by or under  
17 authority of the Board of Trustees. At its discretion, the Board may  
18 designate its Chairman or an investment committee consisting of two (2)  
19 or more members of the Board to supervise this function; in either case,  
20 references to the Board in Sections 21 through 37 inclusive shall be  
21 deemed to refer to the individual or committee exercising said function.

22 (b) The Board shall have full power to manage the investments  
23 as in its considered judgment seems most appropriate to the requirements  
24 and objectives of the Fund, including, but not limited to the power to  
25 hold, purchase, sell, convey, assign, transfer, dispose of, lease,

1   subdivide or partition any assets held or proceeds thereof; to execute  
2   or cause to be executed relevant documents; to enter into protective  
3   agreements, execute proxies, grant consent; and to do all other things  
4   necessary or appropriate to its position as an owner or creditor.

5           (c) All proceeds and income from investments, of whatever  
6   nature, shall be credited to the account of the Fund. Transactions in  
7   marketable securities shall be carried out at prevailing market prices.

8           (d) The Board may commingle securities and monies subject to  
9   the crediting of receipts and earnings and charging of payments to the  
10  appropriate accounts established by this Act.

11          (e) No member of the Board and no employee of the Board shall  
12  have any direct or indirect interest in the income, gains or profits on  
13  any investment made by the Board, nor shall any such person receive any  
14  pay or emolument for services in connection with any investment made by  
15  the Board. Participation in the Fund under the terms of this Act shall  
16  not be construed to include interest, pay or emolument within the meaning  
17  of this subsection.

18          (f) No member of the Board, employee or agent shall become an  
19  endorser or surety or in any manner an obligor of investments made by the  
20  Fund, nor shall any member, employee or agent be held liable for actions  
21  taken in good faith and in performance of his duties.

22          (g) Investments may be held in bearer form, or may be  
23  registered either in the name of the Fund or the nominee of the  
24  custodian engaged under Section 22.

25          (h) Due bills may be accepted from brokers against payment

1           Section 23. Investment Agent.

2                   (a) In order to secure expert advice and counsel, the Board  
3 may engage an investment agent which shall be an investment counsel as  
4 hereinafter qualified. All costs incurred in this connection shall be  
5 paid from the Fund.

6                   (b) No person, firm or corporation shall be eligible for  
7 employment as investment counsel which acts as principal for its own  
8 account or as broker for a client other than the Fund in connection  
9 with the sale of any security to or the purchase of any security from  
10 the Fund.

11                  (c) No investment counsel shall be engaged unless:

12                           (1) The principal business of the person, firm or  
13 corporation selected by the Board consists of rendering investment  
14 supervisory services, that is, the giving of continuous advice as to  
15 the investment of funds on the basis of the individual needs of each  
16 client; and

17                           (2) The principal ownership and control of such person,  
18 firm or corporation rests with individuals who are actively engaged in  
19 such business; and

20                           (3) Such person, firm or corporation and its  
21 predecessors have been continuously engaged in such business for a  
22 period of ten (10) or more years; and

23                           (4) Such person, firm or corporation is registered as  
24 an investment advisor under the laws of the United States of America  
25 as from time to time in effect; and



1                   (5) The contract between the Board and the investment  
2 counsel is of no specific duration and is voidable at any time by either  
3 party; and

4                   (6) Such person, firm or corporation certifies, in  
5 writing, to the Board, that the assets under its direct investment  
6 supervision are in excess of Two Hundred Million Dollars  
7 (\$200,000,000.00).

8                   (d) The Board or its designee under Section 21 (a) shall  
9 establish and may from time to time change operating arrangements with  
10 the investment agent in order to facilitate efficient management and  
11 timely investment action.

12                   (e) No investment shall be made unless in the opinion of the  
13 investment agent it is an appropriate investment for the Fund and is an  
14 authorized investment under Sections 21 through 37 inclusive, or in the  
15 absence of such opinion, unless preceded by a resolution of the Board  
16 directing the investment.

17                   Section 24. General Investment Limitations. No investment shall  
18 be made if, after such investment, the Fund would own:

19                   (a) Any combination of obligations of any one political  
20 subdivision, corporation or other single issuing entity in excess of  
21 five percent (5%) of Fund assets at cost. This limitation shall not  
22 apply to general obligations of the United States, the Dominion of  
23 Canada, or this Commonwealth.

24                   (b) Obligations of the Dominion of Canada, together with its  
25 political subdivisions and corporations organized under its law or the

1 laws of its provinces in excess of ten percent (10%) of the Fund assets  
2 at cost.

3 (c) Obligations or other investments issued or guaranteed  
4 by this Commonwealth, in excess of ten percent (10%) of Fund assets at  
5 cost; provided, however, that this limitation shall not apply to such  
6 obligations or other investments that are unconditionally guaranteed as  
7 to principal and interest by, or supported by lease assignment from,  
8 another entity whose principal business is outside of said Commonwealth  
9 and whose obligations are authorized investments under Sections 21  
10 through 37 inclusive.

11 Section 25. Guarantees and Assignments. Bonds or other evidence  
12 of indebtedness of any issuing entity, if not authorized for investments  
13 by other sections, are authorized under this Section if they are:

14 (a) Unconditionally guaranteed as to principal and interest  
15 by another entity; or

16 (b) Secured by a first mortgage and by an unconditional  
17 assignment of lease payments by another entity; or

18 (c) Secured by a chattel mortgage or conditional sales  
19 contract and by an unconditional assignment of lease payments by  
20 another entity, and the face amount of the bonds or other evidence of  
21 indebtedness does not exceed eighty percent (80%) of the purchase price  
22 of the property securing the mortgage or contract;

23 PROVIDED, however, that under subsections (a), (b) and (c) the bonds or  
24 other evidences of indebtedness of the guarantor or lessor are authorized  
25 investments under Sections 21 through 37 inclusive.

---

1           Section 26. Authorized Investments. Sections 27 through 37  
2 inclusive, identify specific types of investments which are authorized  
3 for purchase by the Fund subject to the procedures, limitations and  
4 authorizations contained in Sections 21 through 25 inclusive. Nothing  
5 contained in any section shall be construed to require sale or  
6 disposition of an investment, authorized at the time of acquisition, if  
7 such investment should subsequently cease to be authorized for purchase.

8           Section 27. Authorized Investments: Bank Deposits.  
9 Interest-bearing time deposits in banks organized under the laws of the  
10 United States or any state or territory thereof, provided that said bank:

11                   (a) Has capital and surplus in excess of Ten Million Dollars  
12 (\$10,000,000.00); and

13                   (b) Is a member of the Federal Reserve System; and

14                   (c) Together with any predecessors has been conducting a  
15 banking business for a continuous period of ten (10) or more years; or

16                   (d) Any bank or savings and loan association chartered in  
17 Guam or this Commonwealth and a member of the Federal Deposit Insurance  
18 Corporation or the Federal Home Loan Bank System.

19           Section 28. Authorized Investments: Bonds of United States and  
20 Federal Instrumentalities. Bonds or other evidence of indebtedness of  
21 the United States of America or any of its agencies or instrumentalities  
22 when such obligations are guaranteed as to principal and interest by the  
23 United States of America or by any agency or instrumentality thereof.

24           Section 29. Authorized Investment: Canadian Bonds. Bonds or  
25 other evidences of indebtedness which are direct obligations of, or

---

1 secured by the full faith and credit of, the Dominion of Canada or any  
2 of its provinces, cities or municipal corporations, where there exists  
3 the power to levy taxes for the prompt payment of the principal and  
4 interest of such bonds or evidences of indebtedness; but the issuer  
5 shall not be in default in the payment of principal or interest on  
6 any bonds or other evidences of indebtedness.

7       Section 30. Authorized Investments: Bonds of States and  
8 Territories. Bonds or other evidences of indebtedness which are direct  
9 obligations of or secured by the full faith and credit of any state or  
10 territory of the United States or the District of Columbia where there  
11 exists the power to levy taxes for the prompt payment of the principal  
12 and interest of such bonds or evidences of indebtedness; but the issuer  
13 shall not be in default in the payment of principal or interest on any  
14 bonds or other evidences of indebtedness.

15       Section 31. Authorized Investments: Public Revenue Bonds.  
16 Bonds or other obligations which are payable from revenues or earnings  
17 specifically pledged therefor of a public utility, state, municipally  
18 or territorially owned, either directly or through any civil division,  
19 authority or public instrumentality of a state or territory or  
20 municipality; provided, that:

21           (a) The laws of the state or territory or municipality  
22 authorizing the issuance of such bonds or other obligations require that  
23 rates for service shall be fixed, maintained and collected at all times  
24 so as to produce sufficient revenue or earnings to pay all operating and  
25 maintenance charges and both principal and interest of such bonds or

---

1 obligations; and

2 (b) No such bonds or other obligations shall be in default  
3 in the payment of principal or interest.

4 Section 32. Authorized Investments: Bonds of Corporations.

5 (a) Bonds, debentures, notes and other evidences of  
6 indebtedness of any corporation or corporations created or existing  
7 under the laws of the United States or of any of the states or  
8 territories of the United States or the District of Columbia, or the  
9 Dominion of Canada or any of its provinces, which are not in default  
10 either as to principal or interest; provided, that:

11 (1) Such bonds or other evidences of indebtedness are  
12 rated within the four (4) highest categories by two (2) nationally  
13 recognized and published rating services which have been approved by  
14 the Board and the Investment Agent; or

15 (2) In case such bonds or other evidence of indebtedness  
16 are not so rated by two (2) such services, the net earnings available  
17 for fixed charges over a period of five (5) fiscal years next preceding  
18 the date of investment have averaged per year, and during either of the  
19 last two (2) years have been, after depreciation and after taxes, not  
20 less than:

21 A. Two (2) times its average annual fixed  
22 charges over the same period, in the case of any public utility  
23 company;

24 B. One and one-half (1½) times its average  
25 annual fixed charges over the same period, in the case of any

---

1 finance company; or

2 C. Three (3) times its average annual fixed  
3 charges over the same period, in the case of any other company.

4 (b) No investment shall be made in any one issue described  
5 in this Section in an amount in excess of ten percent (10%) of such  
6 issue.

7 Section 33. Authorized Investments: Equipment: Trust Obligations.

8 (a) Equipment trust obligations or certificates evidencing  
9 an interest in or lien upon transportation equipment used or to be used  
10 by a common carrier or carriers and a right to receive determined  
11 portions of fixed obligatory payments for the use or purchase of such  
12 equipment, when such obligations or certificates are issued and are  
13 unconditionally guaranteed as to principal and interest, and, as to the  
14 payment of such obligatory payments, by a corporation created or existing  
15 under the laws of the United States or any state, district or territory  
16 thereof, or the Dominion of Canada or any of its provinces, and when the  
17 face amount of such obligations or certificates does not exceed eighty  
18 percent (80%) of the purchase price of the transportation equipment.

19 (b) No investment shall be made in any one issue described  
20 in this Section in an amount in excess of ten percent (10%) of such  
21 issue.

22 Section 34. Authorized Investments: Preferred Stock.

23 (a) Preferred or guaranteed stock or shares of any  
24 institution created or existing under the laws of the United States or  
25 of any state, district or territory thereof or the District of Columbia,

1 or the Dominion of Canada or any of its provinces; provided, that:

2 (1) All publicly held prior obligations and prior  
3 preferred stock, if any, of such institution at the date of acquisition  
4 are eligible as investments under Sections 21 through 37 inclusive; and

5 (2) The net earnings of the institution available for  
6 fixed charges over a period of five (5) fiscal years next preceding the  
7 date of investment have averaged per year, and during either of the last  
8 two (2) years have been, after depreciation and after income taxes, not  
9 less than:

10 A. Two (2) times its average annual fixed charges,  
11 maximum contingent interest and preferred dividend requirements  
12 over the same period, in the case of any public utility company; or

13 B. Three (3) times its average annual fixed  
14 charges, maximum contingent interest and preferred dividend  
15 requirements over the same period, in the case of any other  
16 company.

17 (b) For purposes of this Section, the term "preferred  
18 dividend requirements" shall mean cumulative and noncumulative  
19 dividends on all preferred stock of the issuer, whether paid or not.

20 (c) Limitations:

21 (1) No investments shall be made in any one issue  
22 described in subsection 1 in an amount in excess of ten percent (10%)  
23 of such issues.

24 (2) No more than two percent (2%) of the Fund at cost  
25 shall be invested in the preferred stock of any one issuing company.

---

1                   (3) The aggregate of all investments authorized under  
2 this Section shall not exceed fifteen percent (15%) of Fund assets at  
3 cost.

4           Section 35. Authorized Investments: Common Stock. Common or  
5 capital stock or shares of any institution or entity created or  
6 existing under the laws of the United States or of any state, district  
7 or territory thereof or the District of Columbia, or the Dominion of  
8 Canada or any of its provinces; provided, that:

9                   (a) The issuing institution, entity, or a predecessor  
10 thereto has reported a profit in at least four (4) of the five (5)  
11 fiscal years next preceding the date of investment, or alternatively  
12 in at least seven (7) of the ten (10) fiscal years next preceding the  
13 date of investment; and

14                   (b) The institution, entity, or such predecessor has paid  
15 cash dividends on its common or capital stock in at least four (4)  
16 of the five (5) years next preceding the date of investment, or  
17 alternatively in at least seven (7) of the ten (10) fiscal years  
18 next preceding the date of investment; and

19                   (c) Total cash dividends have not exceeded total earnings  
20 in the five (5) years next preceding the date of investment; and

21                   (d) On the date of investment, the issuer shall not be in  
22 default in payment of principal or interest on any of its publicly held  
23 bonds or other evidences of indebtedness, and any contingent interest,  
24 cumulative and noncumulative preferred dividends, and dividends on  
25 prior common or capital stock shall have been paid in full.



1 (e) Limitations:

2 (1) No investment shall be made in any one (1) issue  
3 described in this Section in an amount in excess of ten percent (10%)  
4 of such issue; and

5 (2) The investment in common or capital stock of any  
6 one issuing company shall not exceed two percent (2%) of the Fund at  
7 cost; and

8 (3) The aggregate of all investments under this Section  
9 shall not exceed twenty-five percent (25%) of the Fund at cost.

10 Section 36. Investment Funds.

11 (a) Common or capital shares of any investment trust or  
12 mutual fund registered with the Securities and Exchange Commission  
13 under the Investment Company Act of 1940, as from time to time amended;  
14 provided, that the cost of the shares acquired is no greater than their  
15 net asset value on the date of acquisition.

16 (b) Preferred shares of any investment trust or mutual fund  
17 registered with the Securities and Exchange Commission under the  
18 Investment Company Act of 1940, as from time to time amended, provided  
19 that:

20 (1) The number of issued and outstanding common or  
21 capital shares multiplied by their asset value per share, plus

22 (2) The number of issued and outstanding preferred  
23 shares multiplied by their par or stated value, is at least fifty  
24 percent (50%) greater than the number of issued and outstanding preferred  
25 shares multiplied by their par or stated value. For purposes of this

---

1 Section, the number of issued and outstanding shares shall be taken  
2 as of the latest available public report of such investment trust or  
3 mutual fund. Preferred shares as described in this subsection shall  
4 not be subject to the provisions of Section 34.

5 (c) The term "net asset value" as used in this Section shall  
6 mean the total quoted or estimated market value of all securities or  
7 other assets owned, less the total of all determinable liabilities,  
8 as reported by such investment trust or mutual fund.

9 (d) Limitations:

10 (1) The investment in preferred, common and capital  
11 stock of any one investment trust or mutual fund shall not exceed  
12 five percent (5%) of the Fund at cost; and

13 (2) The aggregate of all investments under this  
14 Section shall not exceed ten percent (10%) of the Fund at cost.

15 Section 37. First Mortgages or Interests Therein: Secured  
16 Interests in Real Property.

17 (a) Entire first mortgages on improved unencumbered real  
18 property located in the United States, any state or territory thereof,  
19 or the District of Columbia; provided, that the amount loaned does not  
20 exceed seventy-five percent (75%) of the fair market value of such  
21 property, the worth to be substantiated by a qualified real estate  
22 appraiser acceptable to the Board.

23 (b) Bonds, notes, or other evidences of indebtedness secured  
24 by first mortgages on real property that are:

25 (1) Guaranteed by the Veterans' Administration under the

---

1 Servicemen's Re-adjustment Act of 1944 (as from time to time amended),  
2 or otherwise guaranteed by the United States of America, or by any  
3 agency or instrumentality of the United States of America which  
4 affords essentially the same protection as that provided by  
5 Servicemen's Re-adjustment Act; or

6           (2) Insured under the National Housing Act or under  
7 the Farmer's Home Administration Act of 1946 (as from time to time  
8 amended); provided, that the amount loaned does not exceed one hundred  
9 percent (100%) of the fair market value of the property, the worth to  
10 be substantiated by a qualified real estate appraiser acceptable to  
11 the Board.

12           (c) Real property, first mortgages on real property, or  
13 any participation or interest therein, which may also include  
14 equipment essential to the use of said real property, provided that:

15           (1) The repayment of principal and interest on such  
16 mortgages or the rental income from such real property or interest  
17 therein is guaranteed by, or secured by direct or assigned obligations  
18 of, any institution or entity whose bonds or other evidences of  
19 indebtedness are authorized investments under Sections 21 through 37  
20 inclusive; and

21           (2) Such property is located in the United States,  
22 any state or territory thereof, or the District of Columbia; and

23           (3) The amount loaned or paid does not exceed one  
24 hundred percent (100%) of the fair market value of property or  
25 participation or interest therein, the worth to be substantiated by a

1 qualified real estate appraiser acceptable to the Board.

2 (d) Any shares or participating interests in a corporation  
3 or trust formed to acquire investments of the type authorized in  
4 subsections (a), (b) and (c) of this Section.

5 (e) Improved real property, as used in this Section, shall  
6 mean real property on which are situated permanent buildings suitable  
7 for residence, industry or commerce. The term "mortgage" shall be  
8 construed to include a deed of trust for security. The term "interest  
9 in real property" shall be construed to include a leasehold in real  
10 property.

11 (f) Real property for the purposes of this Section shall not  
12 be deemed to be encumbered within the meaning of this Section by reason  
13 of the existence of instruments reserving rights-of-way, sewer rights  
14 and rights in walls nor by reason of building restrictions or other  
15 restrictive covenants, nor by reason of the fact that it is subject to  
16 lease under which rents or profits are reserved to the owner, if the  
17 security for such investment is a full and unrestricted first lien upon  
18 such real property and there is no condition nor right of re-entry or  
19 forfeiture under which such investments can be cut off, subordinated or  
20 otherwise disturbed.

21 (g) No investment shall be made, either directly or  
22 indirectly, in mortgages junior to first mortgages.

23 (h) No mortgage loan upon a leasehold shall be made or  
24 acquired pursuant to this Section unless the terms thereof provide for  
25 amortization payments to be made by the borrower on the principal thereof

---

1 at least once in each year in amounts sufficient to completely amortize  
2 the loan within a period of four-fifths (4/5) of the term of the  
3 leasehold, inclusive of the term which may be provided by enforceable  
4 option of renewal, which is unexpired at the time the loan is made, but  
5 in no event exceeding thirty (30) years.

6 (i) Servicing agreements may be arranged with qualified  
7 mortgage servicing institutions for the handling of mortgage service  
8 details. The servicer may be reimbursed the customary fee charged by  
9 the trade. The servicer shall furnish the Board each month, with  
10 respect to each mortgage serviced, postings of all cash transactions  
11 affecting each mortgage, and, at the end of each calendar year, a  
12 completely posted ledger sheet for each separate mortgage serviced,  
13 giving all cash transactions affecting such mortgage.

14 (j) The aggregate of all investments made under this  
15 Section shall not exceed forty percent (40%) of the Fund at cost.

16 Section 38. Contribution Reserves and Accounts. All assets of  
17 the Fund shall be credited according to the purposes for which they  
18 are held in the following designated reserve accounts:

19 (a) Member's Contribution Reserve. The amounts contributed  
20 by the members shall be credited to this reserve, together with regular  
21 interest thereon as herein provided. An individual account shall be  
22 maintained for each member to which shall be credited the amounts of  
23 his contributions and interest thereon. Regular interest on such  
24 contributions shall be credited annually, as of the close of each year,  
25 and shall be allowed only on the amount of the accumulated contributions

1 standing to the credit of each member at the beginning of each year.  
2 A statement of account shall be issued to each member annually, as of  
3 the end of each fiscal year, showing the amount of his accumulated  
4 contributions plus interest. Upon the granting of service retirement  
5 annuity, disability annuity, or survivors' annuity or benefit, the  
6 accumulated contributions, including interest, to the credit of the  
7 member concerned shall be transferred from this reserve to the  
8 retirement reserve. Refunds and death benefit payments representing  
9 members' contributions shall be charged to this reserve.

10 (b) Employer's Contribution Reserve. The amounts  
11 contributed by the government under the provisions hereof, for service  
12 retirement annuity, disability retirement annuity and benefits to  
13 survivors covering membership service and prior service, shall be  
14 credited to this reserve. Regular interest shall be credited annually  
15 upon the mean amount in the reserve. Upon granting of a service  
16 retirement annuity, disability retirement annuity or survivors'  
17 benefits, an amount representing the excess of the actuarial value of  
18 the annuity, or benefit over the accumulated contributions of the  
19 member, including interest, shall be transferred from this reserve  
20 to the retirement reserve.

21 (c) Retirement Reserve. Upon the granting of a service  
22 retirement annuity, disability retirement annuity, or survivors'  
23 benefits, the accumulated contributions of the member, including  
24 interest, and an amount representing the excess of the actuarial value  
25 of the annuity or benefit over such accumulated contributions, shall be

---

1 transferrèd to this reserve from the member's contribution reserve and  
2 employer's contribution reserve, respectively. All payments on account  
3 of any such annuity or benefit shall be charged to this reserve.  
4 Regular interest shall be credited annually upon the mean amount of  
5 this reserve. Any excess balance in this reserve, as determined by  
6 actuarial valuation as of the close of any fiscal year, shall be applied  
7 to reduce the employer's contributions for membership service for the  
8 fiscal year next following the date of such valuation. Any deficiency  
9 in this reserve shall be removed by an increase in the amount of  
10 employer's contributions for membership service.

11 (d) Death Benefit Account. The amount representing the  
12 contributions by the government for death benefits shall be credited to  
13 this account. All death benefit payments on account of death of the  
14 member while in service shall be charged to this account.

15 (e) Interest and Investment Income Reserve. All income from  
16 investments, including gains on investment transactions, shall be  
17 credited to this reserve. All losses on investments shall be charged to  
18 this reserve. All amounts required for interest on the other reserve  
19 accounts of the Fund shall be transferred from this reserve.

20 (f) Supplementary Annuity Payment Reserve. To defray the  
21 cost of increases in the annuity, investment income accruing to the Fund  
22 from investments held by the Fund, exclusive of gains or losses on sales  
23 or exchanges of investments during the year, over and above four percent  
24 (4%) per annum, shall be used to the extent necessary, and the amount  
25 thereof shall be transferred as of the end of each year, beginning with

---

1 the year 19\_\_\_, to an account to be designated as the "Supplementary  
2 Annuity Payment Reserve". The increases in annuities effective  
3 \_\_\_\_\_, shall be charged to this reserve.

4 Section 39. Interest of Members in Fund. Each member shall, by  
5 virtue of the payment of contributions to the system, receive a vested  
6 interest in such contributions, and in consideration of such vested  
7 interest, shall be conclusively deemed to undertake and agree to pay  
8 the same and to have the amounts deducted from his compensation as  
9 herein provided.

10 Section 40. Rights to Annuity. The right to a retirement annuity,  
11 disability annuity, survivors' annuity or benefit, death benefit, or any  
12 other benefit under the provisions hereof, by whatever name called, or  
13 refund, is personal with the recipient thereof, and the assignment or  
14 transfer of such benefit or any part thereof shall be void, except as  
15 herein provided; any such annuity, benefit or refund shall not answer  
16 for debts contracted by the person receiving the same, and it is the  
17 intention of this Act that they shall not be attached or affected by any  
18 judicial proceedings.

19 Section 41. Payments: Time For.

20 (a) Any service retirement annuity, disability retirement  
21 annuity, or any other annuity provided herein shall be payable in equal  
22 semi-monthly installments as life annuities, or as temporary annuities,  
23 as the case may be, and shall not be increased, decreased, revoked or  
24 repealed, except where specifically otherwise provided. The cost of  
25 providing death benefits for members in receipt of retirement annuities



1 shall not be construed as a reduction in the life annuity payable to  
2 the member.

3 (b) Semi-monthly annuity payments to eligible members shall  
4 commence on the first regular payment date immediately following the  
5 effective date of retirement or disability, and in the case of eligible  
6 survivors on the first regular payment date immediately following the  
7 death of the member or retiree. Said payments shall commence  
8 notwithstanding the fact that the Board of Trustees shall not have  
9 passed the application or authorized the expenditure therefor, in which  
10 event the payments shall be made for an amount estimated to be payable.  
11 The Board shall adopt rules and regulations to provide for the  
12 reimbursement of the Fund or the annuitant for estimated payments made  
13 in excess of or less than the annuity as finally determined by the Board.

14 (c) The first semi-monthly payment of annuities shall be  
15 prorated to provide benefits only for the portion of the preceding  
16 period during which the annuitant was eligible for such annuity.

17 (d) The last semi-monthly payment of annuities, whether  
18 occurring by reason of death, ineligibility, or otherwise, shall be  
19 prorated to provide benefits only for the portion of the preceding  
20 period during which the annuitant was eligible for such annuity.

21 Section 42. Intent of Law. It is the intention of this Act that  
22 the payment of the required contributions by the government shall be an  
23 obligation of the government, and all allowances, annuities, benefits  
24 and administration, custodial and audit fees shall be paid from the  
25 Fund.

1           Section 43. Penalties. Any person who knowingly makes any false  
2 statement, or falsifies or permits to be falsified any record or records  
3 of this system, in any attempt to defraud the system, is guilty of a  
4 misdemeanor, and shall be punishable therefor under the laws of the  
5 Commonwealth of the Northern Mariana Islands, and the system shall have  
6 the right to recover any payments made under false representations.

7           Section 44. Severability. If any provision of this Act or any  
8 rule, regulation, or order promulgated hereunder or the application  
9 of any such provision, rule, regulation or order to any person or  
10 circumstances shall be held invalid, by a court of competent  
11 jurisdiction, the remainder of this Act or any rules, regulations or  
12 orders promulgated pursuant thereto or the application of such  
13 provisions, regulations, rules or orders to persons or circumstances  
14 other than those to which it is held invalid, shall not be affected  
15 thereby.

16           Section 45. Effective Date. This Act shall take effect upon  
17 its approval by the Governor, or upon its becoming law without such  
18 approval; PROVIDED, however, that the provisions of this Act shall  
19 become operative on October 1, 1980. The Personnel Officer is hereby  
20 authorized to retain the services of a reputable actuary to determine

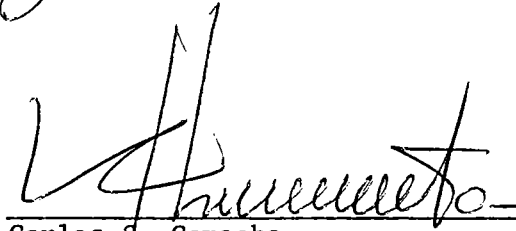
21  
22  
23  
24  
25

---

1 the cost of implementing this Act. In addition, the Director of  
2 Finance shall advise the Governor and the Presiding Officers of the  
3 Legislature as to methods of funding the Northern Mariana Islands  
4 Retirement Fund.

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

January 18, 1980

  
\_\_\_\_\_  
Carlos S. Camacho  
Governor  
Commonwealth of the Northern Marianas