



THE SETTLEMENT FUND

Presentation to 19th CNMI Legislature

April 21, 2016



- Settlement Agreement
- The Parties
- Class Membership Data
- NMI Government Payment Obligations
- Pending Legislation



Settlement Agreement



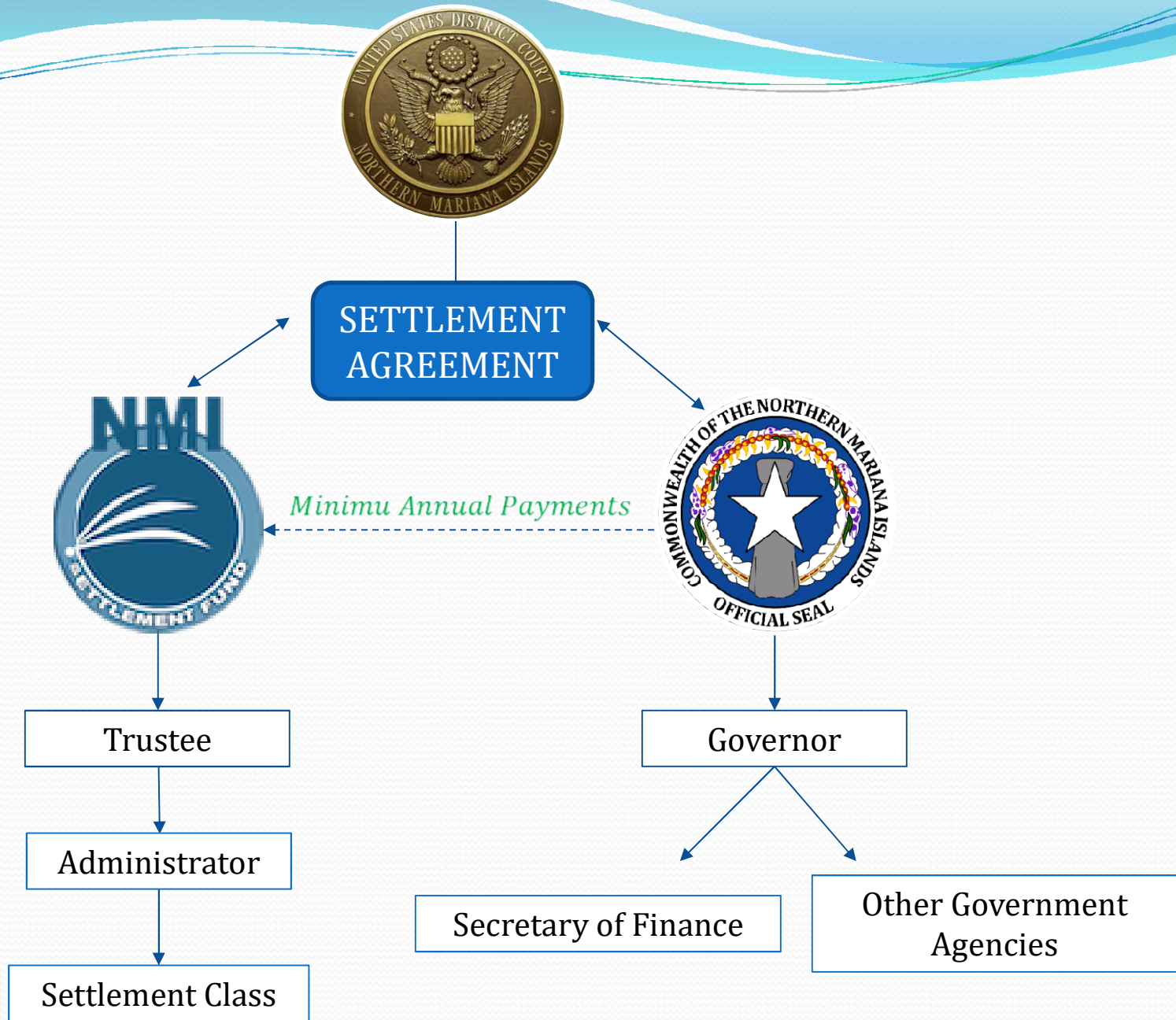
Betty Johnson et al. v. Eloy S. Inos et al.

The Settlement Agreement

- Created the Settlement Fund
- Approved by the NMI District Court
- Cannot be modified without District Court approval (*Settlement Agreement* ¶ 35 (ECF 468-1, at 40))
- Trustee appointed by NMI Court and Administrator selected is approved by Court - oversee Settlement Fund operations



The Parties





Class Membership Data



Membership and payments based on place of retirement and members' classification

(Period Ending 03/15/2016)							
Municipality from which Member retired	Total # of Members	NMISF Class Member Classification					Total Pension Payment - Annualized
		RETIREE DISABLED	RETIREE	SURV CHILD Disabled	SURV CHILD	SURV SPOUSE	
ROTA	302	\$ 78,970.46	\$ 4,897,135.27	\$ 1,963.37	\$ 66,931.87	\$ 675,883.05	\$ 5,720,884.02
SAIPAN	2,506	\$ 737,887.95	\$ 43,193,192.76	\$ 32,956.71	\$ 580,646.77	\$ 5,913,756.39	\$ 50,458,440.58
TINIAN	216	\$ 115,689.52	\$ 3,928,224.97	\$ 810.00	\$ 103,399.21	\$ 586,781.63	\$ 4,734,905.33
PPE 03/15/2015 PPE Total @ 100%	3,024						
Total Payment Annualized at 100%		\$ 932,547.93	\$ 52,018,553.00	\$ 35,730.08	\$ 750,977.85	\$ 7,176,421.07	\$ 60,914,229.93
Total Payment Annualized at 75%		\$ 699,410.95	\$ 39,013,914.75	\$ 26,797.56	\$ 563,233.39	\$ 5,382,315.80	\$ 45,685,672.45



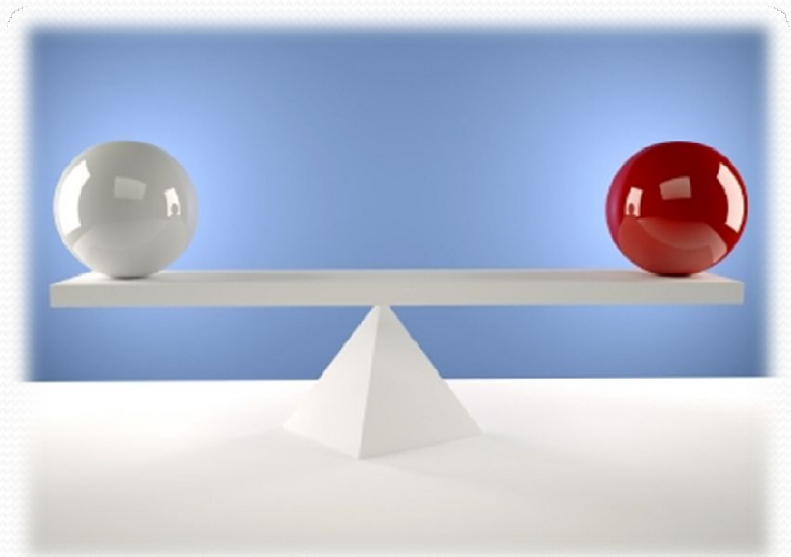
Distribution of payments based on current place of residence and classification `

(Period Ending 03/31/2016)							
PLACE OF RESIDENCE	Total # of Members	NMISF Class Member Classification					Total Pension Payment - Annualized
		RETIREE DISABLED	RETIREE	SURV CHILD Disabled	SURV CHILD	SURV SPOUSE	
CNMI	2288	\$ 770,358.51	\$ 40,734,292.87	\$ 31,748.06	\$ 613,568.02	\$ 5,599,240.54	\$ 47,749,208.00
CONTINENTAL U.S.	503	\$ 103,651.10	\$ 8,191,940.09	\$ -	\$ 80,120.04	\$ 1,077,283.43	\$ 9,452,994.66
FSM	13	\$ -	\$ 245,195.68	\$ -	\$ 1,486.92	\$ 12,941.98	\$ 259,624.58
GUAM	151	\$ 43,669.69	\$ 2,030,386.35	\$ 3,982.02	\$ 38,804.09	\$ 325,220.40	\$ 2,442,062.55
NON-US	40	\$ -	\$ 360,587.73	\$ -	\$ 12,115.50	\$ 106,316.88	\$ 479,020.11
REPUBLIC OF PALAU	29	\$ 14,868.63	\$ 456,150.28	\$ -	\$ 4,883.28	\$ 55,417.84	\$ 531,320.03
Total Payments @ 100%	3024	\$ 932,547.93	\$ 52,018,553.00	\$ 35,730.08	\$ 750,977.85	\$ 7,176,421.07	\$ 60,914,229.93
Total Payments @ 75%		\$ 699,410.95	\$ 39,013,914.75	\$ 26,797.56	\$ 563,233.39	\$ 5,382,315.80	\$ 45,685,672.45



Opt-Outs

- Members of NMI Retirement Fund who opted-out of Settlement Agreement
- Benefits **must be equal to** Settlement Class Members (e.g. GHLI coverage)
- If payments to those who opted out exceed that paid to the Settlement Class, "the CNMI must increase its annual minimum payments . . . to provide the Settlement Class Members who did not request exclusion with an equal percentage of Full Benefit Payments." *Settlement Agreement* ¶ 21.3 (ECF 468-1, at 29).





NMI Gov't Payment Obligations Under Settlement Agreement



Minimum Annual Payments (75% Pension)

- Mandated by Settlement Agreement (¶¶ 4, 4.3 (ECF 468-1, at 10))
- Annual Payments FY16

FY 2016	\$30M
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FY 2017	\$33M
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FY 2018	\$45M
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Minimum Annual Payments (75% Pension) Cont'd.

Timing of payments:

1Q:	15%
2Q:	50%
3Q:	70%
4Q:	100%

25% Pension Payments

- Not at expense of Minimum Annual Payments
- Must be properly appropriated



Judicial Building Loan

(Balance as of 3/4/16)

Principal Balance: \$4,470,542.65, no accrued interest

Proposed repayment plan:

- \$250,000 down payment
- \$52,014.55/month over 10 years



- **Employer contributions**
- **Default**
 - Execution of non-appealable Consent Judgment against the CNMI in the amount of \$779,000,000 (Settlement Agreement ¶ 6 (ECF 468-1, at 15))
 - Significant costs



Depletion Date - How the Legislature can make a difference



Minimum Annual Payments

- \$30M Payment from NMI Government for FY2016
- Regular payments to Fund would reduce the need to liquidate corpus to cover pension payments
- FY2015 payments were made at the end of the quarter

NMI Settlement Fund
Schedule of CNMI Government contribution payments
Fiscal Year 2016, per Settlement Agreement

Due Date	Cumulative Amount Due	Description	Date Remitted	Amount Remitted	Quarterly Balance Due	Annual Balance Due
9/30/2016		FY2016 Annual Payment				30,000,000.00
12/31/2015	4,500,000.00	End of 1st Quarter Payment @ 15%			4,500,000.00	
			12/1/2015	1,000,000.00	3,500,000.00	29,000,000.00
			12/3/2015	1,000,000.00	2,500,000.00	28,000,000.00
			12/14/2015	1,000,000.00	1,500,000.00	27,000,000.00
			12/28/2015	500,000.00	1,000,000.00	26,500,000.00
			12/30/2015	1,000,000.00	-	25,500,000.00
					-	25,500,000.00
					-	25,500,000.00
Totals:				4,500,000.00		
3/31/2016	15,000,000.00	End of 2nd Quarter Payment @50%			10,500,000.00	
			1/22/2016	1,000,000.00	9,500,000.00	24,500,000.00
			2/3/2016	875,000.00	8,625,000.00	23,625,000.00
			2/4/2016	875,000.00	7,750,000.00	22,750,000.00
			2/22/2016	1,000,000.00	6,750,000.00	21,750,000.00
			2/24/2016	1,000,000.00	5,750,000.00	20,750,000.00
			2/29/2016	1,000,000.00	4,750,000.00	19,750,000.00
			3/3/2016	1,000,000.00	3,750,000.00	18,750,000.00
			3/11/2016	1,000,000.00	2,750,000.00	17,750,000.00
			3/18/2016	1,000,000.00	1,750,000.00	16,750,000.00
			3/22/2016	1,000,000.00	750,000.00	15,750,000.00
			3/29/2016	750,000.00	-	15,000,000.00
					-	15,000,000.00
					-	15,000,000.00
Totals:				10,500,000.00		

Current Depletion Date 2019



**Timely (biweekly equal) payments of
Minimum Annual Payments =**

- (1) Avoid unnecessary
Investment Drawdowns**
- (2) Avoid unnecessary
Liquidation Expenses**
- (3) Extend Depletion Date**



Pending Legislation



Settlement Agreement prevails over any inconsistent local law

(See Settlement Agreement ¶¶ 28, 38.1 (ECF 468-1, at 34, 41))

House Bill 19-21

- To amend the Casino Gaming Law (PL 18-56) to dedicate entire \$15M annual license fee for 25% portion of pension payments

House Bill 19-24

- To create a Supplemental Retirement Benefit for retirees who are reemployed in the NMI Government

House Bill 19-91

- To amend section 8392(a)(2) of the Retirement Fund Act “to include veterinarians in the public sector as exempted professionals from the prohibition of reemployment and double dipping due to the lack of availability in the labor market.”



Senate Bill 19-10

- To amend Retirement Fund Act to allow retirees to enroll in the Government Health Insurance Program anytime after retirement

Senate Bill 19-16

- To allocate 50% of all civil and criminal fines and fees and all revenues collected by the Court (the source of funds for Judiciary Building Loan) to establish a Department of Public Safety operating fund.

Senate Bill 19-57

- To re-establish the special annuity for governors and lieutenant governors.

Senate Legislative Initiative 19-01

- To amend the CNMI Constitution to allow retirees to be reemployed without losing retirement benefits