

SETTLEMENT CLASS MEMBERSHIP BREAKDOWN
(as of 11/15/19)

The following chart shows the distribution of benefit payments based on members' current place of residence and classification:

PLACE OF RESIDENCE	Total # of Members	NMISF Class Member Classifications				
		Retiree Disabled	Retiree	Surviving Child Disabled	Surviving Child	Surviving Spouse
CNMI	2018	23	1440	9	68	478
CONTINENTAL U.S.	537	4	375	4	21	133
FSM	13	0	7	0	1	5
GUAM	123	0	80	0	10	33
NON U.S.	53	0	32	0	3	18
REPUBLIC OF PALAU	22	0	16	0	1	5
Total	2766	27	1950	13	104	672

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Our mission is to effectuate the terms of the global Settlement and to ensure the continuation of payment of pension benefits to the NMI Government Retirees.



NEWSLETTER
ISSUE 3

HIGHLIGHTS

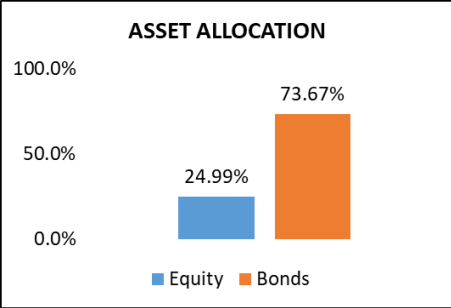
MINIMUM ANNUAL PAYMENTS. The NMI Government has paid in full the \$45 million minimum annual payment (“MAP”) due for FY 2018 and \$44 million due for FY 2019. The FY 2020 amount due is \$43 million, of which the Government has paid \$4 million as of November 22, 2019. The MAP status is available on the Fund’s website at <https://www.nmisf.com/rfp/annual-payment-status/>.

ALTERNATIVE PAYMENT OF A GREATER AMOUNT. In addition to the MAP obligations, the Settlement Agreement requires the Government to make an Alternative Payment of a Greater Amount (“APGA”) equal to the difference of 17% of the Total Annual Revenue, after deducting the MAP amount paid. Public Law 20-68 appropriated \$11,534,522.00 for the FY 2016 APGA payment. The FY 2017 APGA due is \$17,693,037.40, of which the Government has paid \$1.25 million as of November 15, 2019. Additionally, Acting Governor Arnold Palacios signed into law legislation that appropriated \$1 million towards the outstanding FY 2017 APGA due. There is no APGA due for FY 2018.

25% BENEFIT PAYMENTS. The Government has remitted \$2.3 million since the start of FY 2020 for the 25% payments, which are not required under the Settlement Agreement. The Fund will continue to accommodate the Government’s request to process these payments, as long as the Government continues to comply with payment obligations under the Settlement Agreement, and all payments comply with NMI appropriation laws.

FY 2015 – FY 2018 AUDITED FINANCIAL STATEMENTS. The Fund received an unqualified audit opinion from Ernst & Young, LLP (E&Y) on its FY 2015 through FY 2018 financial statements. E&Y issued its Report of Independent Auditors for FY 2015 and 2016 on February 20, 2018; for FY 2017 on December 27, 2018; and for FY 2018 on September 23, 2019, copies of which are available at <https://www.nmisf.com/audit-reports/>.

HIGHLIGHTS (Continued)



Source: Wilshire October 2019 Flash Report

INVESTMENT UPDATE. The Fund's investment asset balance is \$99,127,350 (as of October 31, 2019), a gain of \$12.9 million from the beginning balance on January 31, 2019, of \$86,198,000. The asset allocation was 73.67% in bonds and 24.99% in equity. Because of recent political instability, the Settlement Fund is reducing equity allocation to 10%.

The Government's weekly \$1 million payments towards the MAP, payment of APGA, and continued commitment to the weekly MAP payments has allowed the Fund to reduce drawdowns on its investments to cover members' benefits and invest its money. In turn, the frequency in payments has prevented the estimated 2019 depletion of the Fund. There are now reserves sufficient to cover at least 2 years of benefit payments.

JUDICIAL BUILDING LOAN. The outstanding balance of the Judicial Building Loan, which matured on March 1, 2015, is \$1,871,662.16 (as of November 27, 2019). Given the Government's payment history, it will take 24 to 36 months to pay off the remaining balance. An amendment to P.L. 19-67, which allowed the Government to apply for a low interest USDA loan to pay off the entire balance owed to the Fund, is pending.

SUSTAINABILITY OF THE FUND. To achieve sustainability for the Fund, the Fund's investment consultant Maggie Ralbovsky of Wilshire Investments has advised that a lump sum payment of \$575 million or an additional \$45 million payment per year in addition to the MAP would be required.

The Trustee will continue to engage the Government in discussions regarding the funding sources available to achieve sustainability.

LEGISLATIVE UPDATES

PROPOSED FUNDING SOURCE FOR PAYMENTS

HB 21-76 restores the annual casino license fee as the primary or supplemental funding source for the 25% payments and bonus to retirees. The Bill is under review by the House Ways and Means committee.

BENEFITS

SLI 21-06 seeks to amend the Constitution to remove the five-year credit for those with at least 20 years of creditable service, remove language regarding the legislative prohibition of the recomputation of benefits, and allow retirees to be reemployed without losing retirement benefits for an indefinite period, as long as local non-retiree applicants are given priority on vacancies. This initiative is with the Fiscal Affairs committee. *This bill is not permitted under the Settlement Agreement.*

NEW RETIREMENT FUND

HB 21-1 establishes a new retirement fund for new government employees. The Fund has expressed to the Legislature its concern about the bill's impact on the Government's ability to satisfy payment obligations to the Fund and the additional long-term liabilities for the Government. The Bill is with the House Judiciary and Governmental Operations committee.

PUBLIC LAWS

FUNDING SOURCES FOR PAYMENTS

P.L. 21-10, signed by Acting Governor Palacios on October 18, 2019, appropriates \$1 million of the \$15.5 million annual casino license fee for partial payment of the outstanding \$17.7 million APGA amount due to the Fund.

P.L. 21-8, signed by Governor Torres on September 26, 2019, establishes the FY 2020 NMI Government budget, which covers the \$43 million MAP payment due for FY 2020.

PUBLIC LAWS (Continued)

FUNDING SOURCES FOR PAYMENTS (Continued)

P.L. 20-68, signed by Governor Torres on October 4, 2018, appropriated \$11.5 million to pay the APGA to the Fund for FY 2016 and \$3.5 million for bonuses to Settlement Class Members and Retirement Fund members receiving an annuity.

P.L. 20-67, signed by Governor Torres on September 27, 2018, established the FY 2019 NMI Government budget, which covers the \$44 million MAP payment due for FY 2019.

P.L. 20-57, signed by Governor Torres on April 24, 2018, authorized the Department of Finance to pay the 25% retiree death benefit payments.

P.L. 20-35, signed by Acting Governor Hocog on December 15, 2017, appropriates the first \$22 million of the Casino Gross Revenue Tax in 4 CMC § 2308 for the 25% payments and bonus to retirees.

P.L. 20-34, signed by Acting Governor Hocog on December 15, 2017, sets aside the first \$22 million of the Casino Gross Revenue Tax in 4 CMC § 2308 for the 25% payments and bonus to retirees.

P.L. 20-33, signed by Acting Governor Hocog on December 15, 2017, established a Settlement Fund Revolving Fund Accounting for MAP obligations for FY 2018 through FY 2024.

P.L. 20-10, signed by Governor Torres on September 25, 2017, appropriates the first \$22 million of the Casino Gross Revenue Tax in 4 CMC § 2308 for the 25% payments and bonus to retirees.

GROUP HEALTH INSURANCE

P.L. 20-40, signed by Governor Torres on January 26, 2018, permits annuitants who did not enroll or re-enroll in health insurance within six months of the date of retirement to enroll during the open enrollment month. This expires on December 31, 2020.



SETTLEMENT CLASS MEMBERSHIP BREAKDOWN
(as of 11/15/2021)

The following chart shows the distribution of benefit payments based on members' current place of residence and classification:

PLACE OF RESIDENCE	Total # of Members	NMISF Class Member Classification					Surviving Child	Surviving Spouse
		Retiree Disabled	Retiree	Surviving Child Disabled	Surviving Child	Surviving Spouse		
CNMI	1897	15	1326	8	53	495		
CONTINENTAL U.S.	533	4	370	5	12	142		
FSM	14	0	8	0	1	5		
GUAM	106	0	72	0	4	30		
NON U.S.	48	0	31	0	3	14		
REPUBLIC OF PALAU	28	0	20	0	2	6		
Total	2626	19	1827	13	75	692		

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NEWSLETTER
ISSUE 4

HIGHLIGHTS

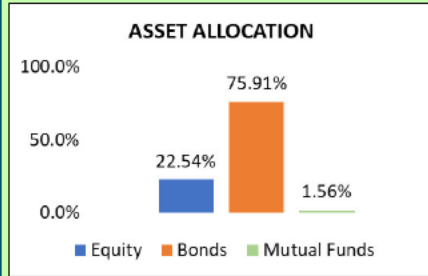
MINIMUM ANNUAL PAYMENTS. The NMI Government has paid the \$42 million Minimum Annual Payment (“MAP”) for FY 2020, the \$40 million MAP for FY 2021, and \$3.1 million of the \$38 million MAP for FY 2022. The FY 2020, FY 2021, and FY 2022 MAP was reduced due to the reduction in MAP in the FY 2018 and FY 2019 actuarial reports, which are available on the Fund’s website at <https://www.nmisf.com/actuary-reports/>. The FY 2020 MAP was reduced by \$1 million, the FY 2021 MAP by \$2 million, and the FY 2022 MAP by \$3 million. The MAP status is available at <https://www.nmisf.com/rfp/annual-payment-status/>.

ALTERNATIVE PAYMENT OF A GREATER AMOUNT. In addition to the MAP obligations, the Settlement Agreement requires the Government to make an Alternative Payment of a Greater Amount (“APGA”) equal to the difference of 17% of the Total Annual Revenue, after deducting the MAP paid. The Government has paid in full the FY 2017 APGA due in the amount of \$17,693,037.40. No APGA is due for FY 2018 and FY 2019.

25% BENEFIT PAYMENTS. The Government remitted \$13.98 million in FY 2020 and \$13.56 million for FY 2021, for the 25% payments, which are not required under the Settlement Agreement. The Fund will continue to accommodate the Government’s request to process payments, as long as the Government continues to comply with payment obligations under the Settlement Agreement, and all payments comply with NMI appropriation laws.

FY 2019 AND FY 2020 AUDITED FINANCIAL STATEMENTS. The Fund received an unqualified audit opinion from Ernst & Young, LLP (E&Y) on its FY 2019 and FY 2020 financial statements. E&Y issued its Report of Independent Auditors for FY 2019 on July 27, 2020; and for FY 2020 on September 29, 2021, copies of which are available at <https://www.nmisf.com/audit-reports/>.

HIGHLIGHTS (Continued)



Source: Wilshire October 2021 Flash Report

INVESTMENT UPDATE. The Fund's investment asset balance is \$130,509,577 as of October 31, 2021. The asset allocation was 75.91% in bonds, 22.54% in equity, and 1.56% in mutual funds.

The Government's weekly payments towards the MAP, full payment of the FY 2017 APGA, and continued commitment to weekly MAP payments have prevented drawdowns on the Fund's investments in FY 2020 and FY 2021 to cover members' benefits, and allowed the Fund to invest its money. There are now reserves to cover 2 years of benefit payments.

ASSETS. As of FY 2020, the Fund's total assets were \$131,111,419, a \$26.1 million increase since FY 2014. Of the \$131.1 million, the Fund's investments (\$119,080,802) accounted for about 91% of the assets.



Source: FY 2014-FY 2020 Audit Reports

JUDICIAL BUILDING LOAN. The outstanding balance of the Judicial Building Loan, which matured on March 1, 2015, is \$497,861.72 including interest (as of November 15, 2021). The Government paid \$1 million in FY 2019, about \$844,000 in FY 2020, and about \$890,000 in FY 2021. Given the Government's payment history, it will take about 8 months to pay off the remaining balance.

LITIGATION STATUS

NMI Settlement Fund v. Commonwealth Utilities Corporation, Civil Action No. 11-0114-CV (NMI Superior Ct.)

Under the Settlement Agreement, the Retirement Fund assigned and transferred its rights, title, and interest in and to the claims in this case to the Settlement Fund. The claims filed against CUC arose from CUC's nonpayment of employer contributions due to the Fund in FY 2008 through the date of the complaint. As of April 29, 2011, CUC owed approximately \$3,175,225 in employer contributions to the Fund.

On August 16, 2017, the Settlement Fund substituted in as plaintiff. The parties have reached a tentative settlement, subject to the District Court's approval.



Ada v. Torres, Civil Action No. 20-0105-CV (NMI Superior Ct.)

PSS Commissioner Alfred Ada and PSS filed a lawsuit against Governor Ralph DLG. Torres and Secretary of Finance David Atalig, alleging that the PSS did not receive its share of 25% portion of CNMI general revenues based on the NMI Supreme Court's determination of the composition of "general revenues" in *In re Certified Question Petition from Ralph DLG. Torres & Marylou S. Ada*, 2020 MP 6. The 25% of the general revenues claimed by the PSS appears to include appropriations for the FY 2020 MAP and 25% benefit payments for Class Members. PSS filed a motion for summary judgment on its claims.

Because of the allegations and claims raised by the PSS, the Fund filed a Motion to Enforce Final Judgment, seeking the District Court's confirmation that the PSS is not entitled to 25% of the funds appropriated for the FY 2020 MAP and 25% benefit payments, and that PSS's action violates the Settlement Agreement; and intervened in the Superior Court case.

The PSS subsequently filed for dismissal of the lawsuit, and the Superior Court dismissed the case without prejudice. Separately, the District Court denied the Fund's Motion to Enforce, concluding there was no breach of the Settlement Agreement and the Superior Court matter does not affect the Settlement Agreement.

LEGISLATIVE UPDATES

PROPOSED FUNDING SOURCES FOR PAYMENTS

S.R. 22-10 urges Governor Torres to reserve funds for a retiree bonus or Cost of Living Allowance for Settlement Class members.

TRUSTEE'S FEES, REPORTING, AND ACCOUNTING STANDARDS

HR 21-37 requests that the Government oppose the District Court's Order authorizing the Trustee's reports to hourly rate, and that the Fund submit actuary and investment the legislature, and comply with the Governmental and Accounting Standards Board ("GASB") statement No. 68 and No. 71.

The Fund submitted a response, available at <https://www.nmisf.com/2020/9-24-2020-ltr-to-rep-querrero-re-hr-21-37/>, disputing certain factual misrepresentations in the initiative. As detailed in the Stipulation filed in the District Court on December 2, 2016, the Fund disagrees with the Secretary of Finance's determination that GASB applies because the Fund is not a "component unit" of the Government, and is not a pension plan and does not operate or manage a pension plan. Rather, the Fund is a not-for-profit tax exempt entity that accepted the transfer of certain Retirement Fund assets, which neither the Government nor the Retirement Fund own or control.

The Fund's comments on pending legislation are available at <https://www.nmisf.com/rfp/relevant-pending-bills/>.

PUBLIC LAWS

FUNDING SOURCES FOR PAYMENTS

P.L. 22-8, signed by Governor Torres on September 30, 2021, establishes the FY 2022 NMI Government budget, which covers the MAP payment due for FY 2022.

P.L. 21-35, signed by Governor Torres on October 1, 2020, establishes the FY 2021 NMI Government budget, which covers the MAP payment due for FY 2021.