

FREQUENTLY ASKED QUESTIONS:
25% PENSION PAYMENTS FROM PUBLIC LAW 18-56

What is Public Law 18-56?

Public Law 18-56, the “Casino Law,” authorized the Government to issue and award an exclusive gambling license and to use of a portion of the annual license fee payment to pay 25% of the pension payments reduced under the Settlement Agreement.

Will the NMI Government continue to pay all or part of the 25% payment each year?

News media reports that the 25% payments have been “restored” have led to a lot of confusion among Settlement Fund members about whether 25% payments will continue to be paid every year. Based on the Settlement Fund Trustee’s reading of Public Law 18-56, which is currently the only source of funding for the 25% payments, payments will depend on several factors: (1) the continuous payment of the \$15 million annual exclusive license fee by the licensee; (2) appropriation of funds by the Senatorial Districts; (3) identification of the \$15 million funding for Year 5 of the exclusive casino licensing period; and (4) contribution from the Government for the shortage to pay the full 25% payment. The Government’s ability to fund all or part of the 25% payment for each fiscal year is not definite and will depend in large part on continuous funding and payment by the licensee and the Government to make up for any shortage.

NMI Settlement Fund
PO Box 501247
Saipan, MP 96950
www.nmisf.com

PLACE
STAMP
HERE

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 1

HIGHLIGHTS



MINIMUM ANNUAL PAYMENTS FROM NMI GOVERNMENT

The Settlement Agreement requires the NMI Government to make minimum annual payments (“MAP”) to the Settlement Fund on a quarterly basis: FY2014 (\$25M), FY2015 (\$27M), and FY2016 (\$30M). Although payments have been timely, the Trustee has expressed concerns with the Government’s unpredictable and irregular payments. The Government continues to prioritize the 25% pension payments over its MAP obligations to the detriment of the retirees. The funds available under Public Law 18-56—the sole funding source for the 25% pension—have been exhausted, and the Government has relied on the Governor’s emergency powers to fund the 25% pension for the past 5 months. The Government’s pattern of irregular payments and prioritization of the 25% pension may lead to significant costs to retirees.

MERRILL LYNCH LITIGATION

The Financial Arbitration claim against Merrill Lynch was settled for \$7,350,000. Chief Judge Tydingco-Gatewood approved the settlement on November 20, 2015. After payment of expenses and attorneys’ fees, the Settlement Fund received \$5,121,964.40.

ADMINISTRATIVE CASES

The District Court approved the Settlement Fund Appeal Rules and Procedures, which may be viewed online: www.nmisf.com. Members will receive notices of hearing dates by May 2016 when cases are assigned to a Hearing Officer or Arbitrator.

NOTICES OF OVERPAID AND UNDERPAID BENEFITS

The initial results of the new pension audit software program showed large sums of possible overpayments and underpayments with regard to approximately 400 members. The District Court ordered that notices be issued to members who were overpaid or underpaid. The Appeals Coordinator has started the process of sending notices. For inquiries, contact Kristina T. Sablan at 322-3863 or email appeals@nmisf.com.

FINANCIAL OVERVIEW

The Settlement Fund completed FY2015 under budget by \$2,563,282.97 (budgeted amount: \$50,760,878.25). The FY2016 budget totals \$48,636,413 (a reduction of 4.19% from FY2015).

	FY 2015 Approved Budget	FY 2016 Proposed Budget	FY'16- FY'15 % change
Pension Benefits & Refunds:			
Total Benefits Payment	47,817,000.00	46,315,000.00	-3.14%
Total Refunds	850,000.00	225,000.00	-73.53%
Total Benefits and Refunds Payment	48,667,000.00	46,540,000.00	-4.37%
General & Admin. Expenses			
Total Personnel Expenses	887,878.25	848,413.00	-4.44%
Total Professional Fees	940,000.00	899,500.00	-4.31%
Total Other General & Admin. Expenses	256,000.00	338,500.00	32.23%
Total General & Admin. Expenses	2,083,878.25	2,086,413.00	0.12%
Total Fixed Assets	10,000.00	10,000.00	0.00%
Total Expenditures	50,760,878.25	48,636,413.00	-4.19%

INVESTMENT UPDATE

The Settlement Fund's investment asset balance was \$73,700,000 as of September 30, 2015. The investment policy of the Settlement Fund is very conservative because the Settlement Fund cannot take high levels of capital market risk. The asset allocation for FY2016 is 95% in bonds and 5% in equity, and the target return is 3.8%. The Settlement Fund is expected to become a pay-as-you-go in FY2019, by which time retirement income of the beneficiaries will be completely dependent upon the Government's contributions. The Trustee has suggested that the Government give the 25% payments to the Settlement Fund to invest, which will help extend the Fund's investment horizon.



LEGISLATIVE UPDATES

HB 19-21 amends the "Casino Law" by dedicating the entire license fee to cover the 25% payments reduced under the Settlement Agreement. HB 19-21 is before the House Ways and Means committee; no action taken.

HB 19-24 provides a Supplemental Retirement Benefit to retirees who return to government service by re-computing retirement benefits. The Trustee opposes this bill because it would be ineffective under the Settlement Agreement. HB 19-24 is before the House Ways and Means committee; no action taken.

SB 19-10 amends the Retirement Act to allow retirees to enroll in the Government Health Insurance Program any time after retirement. Given the possible effect on premiums and deductibles, the Trustee has recommended that the law be further studied before further consideration. SB 19-10 was referred to the Senate Health and Welfare committee; no action taken.

SB 19-16 allocates 50% of all civil and criminal fines and fees and all revenues collected by the Court (the source of funds for the Judiciary Building Loan) to establish a Department of Public Safety operating fund.

SB 19-57 seeks to re-establish the special annuity for governors and lieutenant governors to be paid directly by the Government through annual appropriations. The bill passed the Senate and is before the House for consideration.

SLI 19-01 amends Article III, Section 20(b) of CNMI Constitution to "allow government retirees to be reemployed without losing their retirement benefits for an unrestricted period of time, provided that qualified local non-retiree applicants be given first priority vacancies." The Settlement Fund will continue to monitor this initiative. The initiative was referred to the Judiciary, Government and Law committee; no action taken.

SETTLEMENT CLASS MEMBERSHIP BREAKDOWN (as of 9/30/15)

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

PLACE OF RESIDENCE	Total # of Members	NMISF Class Member Classifications						Total Pension Payments
		Retiree Disabled	Retiree	Surviving Child Disabled	Surviving Child	Surviving Spouse		
CNMI	2,280	\$ 887,586.24	\$ 41,298,164.64	\$ 27,506.64	\$ 468,126.96	\$ 5,519,182.32	\$ 48,200,566.80	
CONTINENTAL U.S.	495	\$ 15,051.60	\$ 7,967,517.84	\$ 9,304.80	\$ 49,896.96	\$ 1,069,779.12	\$ 9,111,550.32	
GUAM	148	\$ 13,877.76	\$ 1,901,768.64	\$ -	\$ 46,954.56	\$ 276,373.68	\$ 2,238,974.64	
NON-U.S.	41	\$ -	\$ 484,322.88	\$ -	\$ 2,866.80	\$ 74,595.12	\$ 561,784.80	
REPUBLIC OF PALAU	29	\$ 14,868.72	\$ 377,597.28	\$ -	\$ 13,334.88	\$ 84,634.80	\$ 490,435.68	
FSM	16	\$ -	\$ 287,942.88	\$ -	\$ -	\$ 19,328.64	\$ 307,271.52	
Total Payments @ 100%	3,009	\$931,384.32	\$52,317,314.16	\$36,811.44	\$581,180.16	\$7,043,893.68	\$60,910,583.76	

Total Payments @ 75%

\$698,538.24

\$39,237,985.62

\$27,608.58

\$435,885.12

\$5,282,920.26

\$45,682,937.82