

SETTLEMENT CLASS MEMBERSHIP BREAKDOWN
(as of 6/30/17)

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					Total Pension Payments
		Retiree Disabled	Retiree	Surviving Child Disabled	Surviving Child	Surviving Spouse	
CNMI	2,158	\$ 477,577.75	\$ 29,146,887.94	\$ 19,017.36	\$ 253,883.48	\$ 4,235,008.84	\$ 34,132,375.37
CONTINENTAL U.S.	499	\$ 11,288.70	\$ 5,995,600.34	\$ 6,978.60	\$ 50,812.30	\$ 837,163.33	\$ 6,901,843.27
FSM	14	\$	\$ 146,883.30	\$	\$ 1,115.28	\$ 38,189.91	\$ 186,188.49
GUAM	147	\$ 9,511.02	\$ 1,369,002.54	\$	\$ 35,810.64	\$ 259,831.14	\$ 1,674,155.34
NON-US	44	\$	\$ 329,491.52	\$	\$ 3,296.99	\$ 85,457.55	\$ 418,246.06
REPUBLIC OF PALAU	27	\$	\$ 317,726.31	\$	\$ 9,196.96	\$ 57,813.85	\$ 384,737.12
Total Payments @ 100%	2,889	\$ 498,377.47	\$ 37,305,591.95	\$ 25,995.96	\$ 354,115.65	\$ 5,513,464.62	\$ 43,697,545.65
Total Payments @ 75%		\$ 373,783.10	\$ 27,979,193.96	\$ 19,496.97	\$ 265,586.74	\$ 4,135,098.47	\$ 32,773,159.24

NMI Settlement Fund
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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 2

HIGHLIGHTS

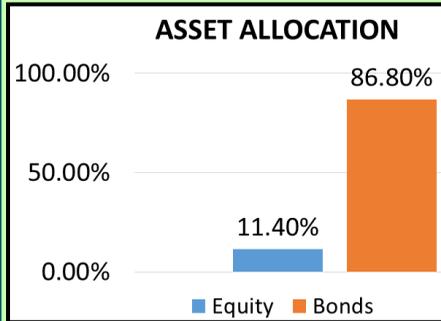
MINIMUM ANNUAL PAYMENTS. The NMI Government has paid in full the minimum annual payments (“MAP”) due for FY 2016 (\$30 million) and FY 2017 (\$33 million). The amount due for FY 2018 is \$45 million. The Fund thanks the Government for prioritizing its MAP obligations by making timely and periodic payments.

ALTERNATIVE PAYMENT OF A GREATER AMOUNT. In addition to the Government’s 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. The sum of \$5.9 million due for FY 2014 and \$1.2 million for FY 2015 was paid by the Government pursuant to P.L. 20-09. A separate appropriation bill will be passed to fund the \$11.5 million due for FY 2016 APGA. The Governor has committed to paying the \$11.5 million in FY 2018.

25% BENEFIT PAYMENTS. Although the 25% benefit payments are not required to be paid under the Settlement Agreement, the Fund will continue to accommodate the Government’s request to process the 25% benefit payments as long as (1) the Government is current on all payments obligated under the Settlement Agreement (i.e., MAP and APGA), and (2) all payments comply with CNMI appropriation laws.

FY 2014 AUDITED FINANCIAL STATEMENTS. The Settlement Fund received an unqualified audit opinion on its FY 2014 financial statements. Ernst & Young, LLP (E&Y) performed the audit, and issued its Report of Independent Auditors on June 30, 2017. A copy of the report is available on the Fund’s website at www.nmisf.com. E&Y has been engaged to perform the audits for the FY 2015 and FY 2016 financial statements, which are expected to be completed by December 31, 2017.

HIGHLIGHTS (Continued)



Source: Wilshire June 2017 Flash Report

INVESTMENT UPDATE. The Fund's investment asset balance is \$77,151,000 (as of June 30, 2017), a gain of \$3.1 million from the beginning balance on January 31, 2017 of \$74,047,000. The asset allocation was 86.8% in bonds and 11.4% in equity.

In 2014, the Fund reported, based on circumstances at the time, that its investment assets would be depleted by 2019.

The Fund's investment manager has stated that if the Government continues to pay its MAP and APGA obligations timely and on a weekly basis, the Fund's anticipated asset depletion date may be extended to the end of 2024.

The Casino GRT has in the past year developed into a major source of revenue for the CNMI. Continuing payment of the Casino GRT to the Government at the current rate is, at best, uncertain. The lack of diversification of revenue sources creates risks for the CNMI. To mitigate the attendant risks to the Fund, the Trustee is exploring options, including obtaining full funding of the Fund. Based on discussions with Maggie Ralbovsky of Wilshire Investments, the Fund's investment advisor, subject to certain assumptions, an infusion of an **additional \$490 million** is required to fully fund the Settlement Fund today. The Trustee will engage the Government in discussions regarding options available to obtain this funding.

JUDICIAL BUILDING LOAN. The outstanding balance of the Judicial Building Loan, which matured on March 1, 2015, is \$3,667,219 (including accrued interest through September 15, 2017). Pursuant to P.L. 19-67, the Government applied for a low interest loan with the U.S. Department of Agriculture to pay off the entire balance owed to the Fund. While the loan application has been pending, the Government has made payments totaling \$942,773 in FY 2017.

LEGISLATIVE UPDATES

PROPOSED FUNDING SOURCES FOR PAYMENTS

HB 20-10 establishes a Settlement Fund Revolving Fund Account, consisting of gross revenue taxes collected each fiscal year and will be used to pay the MAP obligations. The Bill is with the Senate.

HB 20-28 amends the "Casino Law" by dedicating the license fee to cover the 25% payments. The Bill is with the House Ways and Means committee.

HB 20-99 appropriates the first \$22 million of the Casino Gross Revenue Tax in 4 CMC § 2308 for the 25% payments and bonus to retirees. This Bill is pending the Governor's review.

GROUP HEALTH AND LIFE INSURANCE

SB 20-04 raises life insurance coverage for government employees and retirees from 1.8 to 2 times the annual salary of the employee or retiree, and allows annuitants to continue coverage under the same terms and conditions offered to government employees each fiscal year. The life insurance premiums will be divided between the NMI Retirement Fund and annuitant. The Bill is with the House.

SB 20-05 gives government employees who participated in the life insurance program for at least a minimum period of five years the option to continue coverage upon separation from service. The employee will be responsible for 100% of premium payments. The Bill also authorizes elected officials and government employees who retire under the U.S. Social Security System to continue coverage, with premiums being divided between the Government and the retiree. The Bill is with the House.

BENEFITS

HB 20-36 reinstates the special retirement annuity for former NMI Governors and Lieutenant Governors, except those "impeached or convicted of a felony while in office or convicted of other misconduct while in office," and provides that eligible officials receive "65% of the last annual salary paid to them" during their tenure. The Bill is with the House.

SLI 20-01 amends the Constitution to "authorize reemployment of retirees as classroom teachers, doctors, nurses, and other medical professionals without losing their pension benefits for an unlimited period of time." The initiative is with the House.

Both bills are not permitted under the Settlement Agreement.

PUBLIC LAWS



FUNDING SOURCES FOR PAYMENTS

P.L. 20-09, signed by Governor Torres on September 12, 2017, appropriated \$7,129,041.76 to pay the APGA to the Fund for FY 2014 and FY 2015.

P.L. 19-36, signed by Acting Governor Victor B. Hocog on February 18, 2016, amended 4 CMC § 1803 to allow the Secretary of Finance to use tax revenues allotted to the NMI Retirement Fund "without appropriation to fund the operations and obligations of the fund, and/or the 25% pension payments to retirees."

S.L.L. 19-12, signed by Acting Governor Victor B. Hocog on February 18, 2016, appropriated \$1.8 million to cover the 25% payments for "retirees and surviving beneficiaries of the Third Senatorial District."

JUDICIAL BUILDING FUND LOAN

P.L. 19-67, signed by Governor Torres on September 27, 2016, authorized the Government to enter into a loan agreement with the USDA for up to \$15 million to pay off the Judicial Building Fund loan and for the expansion of Judiciary and other facilities.

BONUS

P.L. 19-75, signed by Governor Torres on December 19, 2016, appropriated \$3.5 million to "be equally distributed to pay a bonus to the retirees and retiree's beneficiaries." Although the bonuses are not obligations under the Settlement Agreement, the Fund processed the bonus payments as an accommodation to the Government and in accordance with the Secretary's payment instructions.