



NMI SETTLEMENT FUND

POST OFFICE BOX 501247, SAIPAN, MP 96950

October 19, 2014

VIA ELECTRONIC MAIL

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Senator Jovita M. Taimanao
Chairwoman
Committee on Fiscal Affairs
18th CNMI LEGISLATURE
P.O. Box 50129
Saipan, MP 96950

RE: *Comments Regarding H.B. No. 18-174: To provide a Supplemental Retirement Benefit for retirees who return to government employment.*

Dear Senator Taimanao:

Thank you for the opportunity to comment on H.B. No. 18-174 (“HB 18-174”).

We have reviewed HB 18-174 and believe that it does not comport with the terms of the Settlement Agreement. HB 18-174 attempts to modify or change the benefits received by a retiree returning to Government employment. The retiree is a “Class Member” whose benefits are defined in Section II.1.13 of the Settlement Agreement, as follows:

“Full Benefits Payments” or “Full Benefits” means benefit payments in the amount defined by 1 CMC §8301 et seq. (excluding any changes by P.L. 17-82 or P.L. 18-02) as those laws existed on June 26, 2013, or guaranteed by N. Mar. I. Const. art. II, §20(a) as it existed in June 26, 2013.

Settlement Agreement at 6. HB 18-174 seeks to modify a retiree/Class Member’s benefits by a “re-computation of retirement benefits for retirees returning to government services” and providing a Supplemental Retirement Benefit. Subsection 1.13 of the Settlement Agreement froze the Class Member’s “Full Benefits” as those laws existed on June 26, 2013. While this provision restricts changes to a Class Member’s benefits, it also protects the Class Member from reduction of benefits by legislation. Any legislation modifying the benefits of a Class Member is ineffective without the consent of the Settlement Fund and the NMI District Court’s approval. Thus, if HB 18-174 were to be signed into law, it would have no effect on the amount of benefits a retiree/Class Member’s receives under the Settlement Agreement.

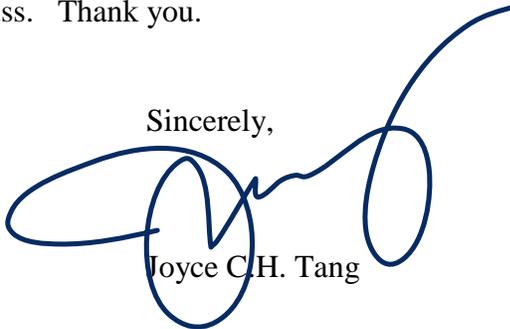
I also note that HB 18-174 seeks to repeal 1 CMC § 8365, which section directs that 30% of the Hotel Occupancy Tax and 20% of the Alcoholic Beverage Container Excise Tax be used to pay the Government’s obligations to the Fund.

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This revenue stream was used to pay the Government's unfunded liabilities, and was included as source of fund to pay the Annual Payments due to the Settlement Fund. For this reason, we believe the repeal of 1 CMC § 8365 to fund an otherwise unauthorized benefit to a retiree/Class Member is inappropriate and cannot be supported.

For the reasons discussed in this letter, it would be a mistake to allow HB 18-174 to pass into law. If you have further questions or concerns, please let me know and we can schedule a mutually acceptable time to discuss. Thank you.

Sincerely,

A handwritten signature in blue ink, consisting of a large loop on the left, a central vertical stroke, and a large loop on the right that extends upwards and to the right.

Joyce C.H. Tang