

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				
		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

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 4

HIGHLIGHTS

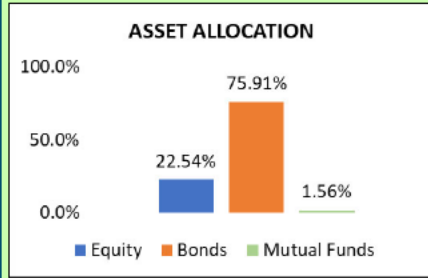
MINIMUM ANNUAL PAYMENTS. The NMI Government has paid the \$42 million Minimum Annual Payment (“MAP”) for FY 2020, the \$40 million MAP for FY 2021, and \$3.1 million of the \$38 million MAP for FY 2022. The FY 2020, FY 2021, and FY 2022 MAP was reduced due to the reduction in MAP in the FY 2018 and FY 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)

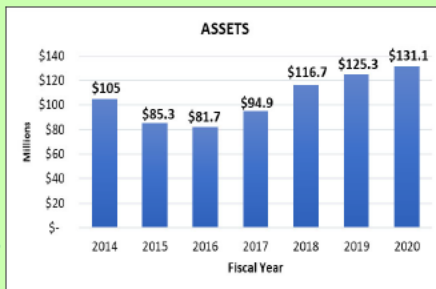


Source: Wilshire October 2021 Flash Report

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.