



# GASETA

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JANUARY—MARCH 2008



## COLA BENEFITS

By: Catherine I. Sablan, Director—Gen. Admin. Services

***Did you notice any changes in the amount of your benefit check?*** Annuitants who received COLA last year will notice that their January 15, 2008, benefit check has been adjusted. Commonly referred to as “COLA”, the Cost of Living Increases were traditionally disbursed by including this retirement benefit in the semi-monthly checks of eligible retirees and surviving spouses (annuitants). In 2007, however, eligible annuitants received their COLA benefit in three separate checks. This adjustment reflects the COLA benefit and is the new benefit amount to be paid semi-monthly in 2008.

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***Are you eligible for COLA?*** Retired Class I and Class II members, the surviving spouses of Class II members, and the surviving spouses of Class I members without children, are eligible at age 55. For disability annuitants and the surviving spouses of Class I members with children, the age of eligibility is 62.

***Plus***, according to the law, the annuitant, or deceased spouse/Fund member, is entitled to such adjustment commencing on January 1 subsequent to the anniversary of the member’s retirement date upon attaining the age specified. For example, Class I member Tun Juan retired on June 16, 2006 and turned 55 on February 15, 2007. Tun Juan’s first COLA benefit entitlement shall be January 1, 2008. Another example is Class I member Tun Jose, who retired on June 16, 2006 and turned 55 on December 23, 2006. Tun Jose’s first COLA benefit entitlement shall be January 1, 2008.

For more information on COLA benefit and/or other benefits, please contact us.

WHERE WILL YOUR BENEFIT CHECK BE ON

JANUARY 15, 2008?

By: Catherine I. Sablan, Director—Gen. Admin. Services

With the advent of the New Year, annuitants (retirees and surviving spouses and children) are reminded that Benefit Checks are no longer being distributed from the Fund offices. If you did not opt before January 2, 2008 to receive your benefit check by Mail through your local post office, or by Allotment, electronically transmitted by the Fund to your designated checking or savings account, please pick up your check from “General Delivery” of the post office. You will need a current picture ID and must remember that the post office will return unclaimed mail *after 30 days*.

It isn’t too late to change — the appropriate forms are available from your branch office of the NMI Retirement Fund or through our website at [www.nmiretirement.com](http://www.nmiretirement.com)

## Board Resolution No. BR08-001

Many members are probably aware that the Board of Trustees on November 20th, 2007, signed a resolution suspending the processing of members' benefits, more particularly retirement applications. At least a dozen or so members that had planned to retire at the end of December 2007 were unfortunately affected by this Resolution, and there is sure to be more. However unfortunate as it may be, in the absence of the Government's remittance of its employer contributions, this course of action taken by the Board is in the best interest of its members and the solvency of the NMI Retirement Fund Program.

To have our members get a better understating of the Board's actions, the content of Board Resolution No. BR08-001, in its entirety, is reprinted below:

### **RESOLUTION OF THE BOARD OF TRUSTEES OF THE NORTHERN MARIANA ISLANDS RETIREMENT FUND TO SUSPEND PROCESSING OF MEMBERS' BENEFITS (BR08-001)**

WHEREAS, the Northern Mariana Islands Retirement Fund ("Retirement Fund") was statutorily created as a pension system to provide retirement security and other benefits to retired, qualified prior and present Northern Mariana Island Government ("Government") employees and their eligible dependents ("members");

WHEREAS, the Retirement Fund is to provide for an actuarially sound, locally funded pension system in accord with the constitutional provisions protecting members' rights;

WHEREAS, the Northern Mariana Island Constitution ("Constitution") protects the accrued benefits of the Retirement Fund's pension system from being diminished and/or impaired;

WHEREAS, the United States and Northern Mariana Islands Constitution prohibits the enactment of laws impairing the obligation of the contracts;

WHEREAS, there is a statutorily created contract between the Government and the Retirement Fund, for the purpose of providing a retirement or pension system for the intended, third party contractual beneficiaries — i.e. members;

WHEREAS, the members have a membership in the Retirement Fund system that constitutes a contractual relationship between members and the Retirement Fund;

WHEREAS, the Government is required by law to provide employer contributions to the Retirement Fund set by a Retirement Fund approved actuary;

WHEREAS, the Retirement Fund has received less than its full share of contractually bargained for Employer's Contributions from the Government, on an intermittent and/or continuous basis since calendar year 2001;

WHEREAS, the Retirement Fund has received less than its full share of the purportedly budgeted amounts from the Government who failed to remit payment of the statutorily mandated thirty percent (30%) of the hotel occupancy taxes and twenty percent (20%) of the alcoholic container excise taxes collected to finance the members' Group Health and Life Insurance (GHLI) program and their Annual Cost of Living Allowance increases as well as to ensure the Fund's actuarial soundness since 1995;

WHEREAS, the failure of the Government since on or about January 13, 2006 to remit the bi-weekly payments of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) toward reducing the arrearage of employer contributions owed to the Retirement Fund pursuant to a duly executed Memorandum of Agreement between the Government and the Retirement Fund;

WHEREAS, the Retirement Fund has received less than its full share of the past amounts necessary to provide for the Early Retirement Bonus;

WHEREAS, the Retirement Fund has received less than its full share of the Government's continued shortfall funding of the Special Benefit for Governors and Lieutenant Governors allotments for past or previous NMI Governors and Lt. Governors;

WHEREAS, the Government and the Legislature have gone to the extraordinary step of passing a law suspending the Government's Employer Contributions for FY 2006 and FY 2007;

WHEREAS, the Legislature overrode the Governor's veto and enacted Public Law 15-98, allowing Retirement Fund members with not more than 15 years of service to withdraw their contribution to the Fund with interest;

WHEREAS, the enactment of Public Law 15-98 will force the Retirement Fund to liquidate investments in order to meet the cash demands necessary to comply with the law;

WHEREAS, the Retirement Fund has already fallen below a level of forty percent (40%) total funded accrued actuarial liability of the total obligation of the Fund within the last five (5) years, is currently only forty-six percent (46%) funded, and has consistently failed to reach a

level of fifty percent (50%) total funded accrued actuarial liability of the total obligation of the Fund since fiscal year 2000;

WHEREAS, the Board of Trustees of the Retirement Fund are the governing body responsible for the direction and operation of the affairs and business of the Retirement Fund;

WHEREAS, the Board of Trustees of the Retirement Fund has a fiduciary duty to protect and prudently invest the assets of the Retirement Fund for the members' benefit; and

WHEREAS, the Board of Trustees has been for years gravely concerned that the Retirement Fund has been and is severely diminished and/or impaired by the acts or omissions of the Government and Legislature.

BE IT THEREFORE RESOLVED, that the Retirement Fund Board of Trustees, in upholding their fiduciary duty of protecting the Retirement Fund's assets for the members' benefits, intends to direct the Retirement Fund to immediately suspend processing all applications for retirement or any other benefits of any Retirement Fund member with deficient employer contribution; and

BE IT FURTHER RESOLVED, that a copy of this Resolution will be distributed to all Government agencies, Legislature, the Judiciary and all branches, departments, agencies, instrumentalities, public corporations, municipalities, political subdivisions and the Office of the Washington Representative.

The undersigned duly appointed and authorized representatives of the Retirement Fund, a Public, autonomous agency duly formed pursuant to the laws of the Commonwealth of the Northern Mariana Islands hereby certify that the foregoing is an officially sanctioned resolution duly adopted at a meeting of the Board of Trustees of the Retirement Fund, held in accordance with the NMI laws and procedures on November 20, 2007, and that said resolution is now in full force and effect.

IN WITNESS WHEREOF, We have executed our names as members of the NMI Retirement Fund Board of Trustees and have hereunto affixed the corporate seal of the NMI Retirement Fund this 20th day of November, 2007.

/s/ Juan T. Guerrero, Chairman; Oscar C. Camacho, Vice Chairman; Pedro Q. Dela Cruz, Member; Rose L. Igitol, Member; Bertha C. Leon Guerrero, Member; Juan SN. Lizama, Member; and Bernadita C. Palacios, Member.

**HEALTH MATTERS**

By: Dolores S. Moore, Director-GHLI

This is to again advise all members of the Government Group Health Insurance Program that on November 01, 2007, the Government Group Health Insurance Program was fully privatized with Aetna Global Benefits. For inquiries regarding your health insurance benefits, please contact Aetna Global Benefits at telephone number 1-800-231-7729 (Toll Free) or 1-800-813-775-0190 (Collect).

Online resources are also available for member information by visiting Aetna Navigator website to access securely at any time to find claim status and related details, print temporary ID Cards and download claim history.

How to register for Aetna Navigator:

- Visit [www.aetna.com](http://www.aetna.com)
- Click on "Register Now"



under the Aetna Navigator Section

- Complete the requested information to verify that you are an Aetna member
- Select a user name, password and security phrase.

By registering for Aetna Navigator, you will automatically be registered for the secure AGB member website, which can be accessed at [www.aetnaglobalbenefits.com](http://www.aetnaglobalbenefits.com). You only have to enroll online once to be able to access the AGB website.

If you have any questions, you can call our office to assist you at telephone number 664-8022/25.

the employee; and (3) all amounts collected as fines and penalties pursuant to the Law. Section 9353(d) further states, "the Commonwealth Treasurer shall deposit any monies paid into the fund into such depository banks as the Commission may direct. The Commission may invest any portion of the fund, which is not needed for current requirements in bonds or notes of the United States or Commonwealth or of any insured Commonwealth bank"

The passage of P.L. 15-99 on October 19, 2007 gave the WCC the flexibility to diversify and grow its assets. P.L. 15-99 entitled "to amend 4 CMC § 9353(d) to allow funds deposited in the Special Disability Fund to be invested in Investment Grade U.S. Fixed Income Securities as well as Unrated Securities of the U.S. Treasury and U.S. Government Agencies and other publicly traded securities with NYSE, AMEX, or NASDAQ in order to provide for the possibility of achieving a greater rate of return."

The Workers' Compensation Commission administers the SDF. The CNMI Treasurer is designated the custodian of the SDF. The CNMI Treasurer is authorized to deposit and disburse monies from the SDF only upon order and instruction received from the Commission.

WCC is responsible for the welfare and well-being for the government's 4,200 employees, subsequent to a work-related injury, and to monitor for compliances of over 20,000 private businesses employees.

To contact WCC, call telephone number 664-8024 or facsimile number 664-8074.

**WCC UPDATES**

membership, benefits for medical expenses, and death.

Pursuant to 4 CMC § 9353, Special Disability Fund is a special fund set aside for the purpose of making compensation for injury increasing disability. The fund sources for the Special Disability Fund (SDF) comes from: (1) a 2% of premiums received for workers' compensation coverage paid by all licensed carriers providing coverage in the Commonwealth; (2) a \$10,000.00 contribution from the employer/carrier each time the Administrators determine there is no eligible person to receive the survivor's benefit from a work-related incident resulting in the death of



By: Frank D. Cabrera, Director—WCC

The main purpose of the Workers' Compensation Law is to provide financial protection for both employers and employees in the Commonwealth from the catastrophic effects of work related injuries, illnesses, or death. It is a protection for the employees in terms of the availability of compensation during the periods of disability, compensation for dis-

**HEALTH & WCC PROGRAMS**

# FINANCE & INVESTMENTS UPDATES

## FY 2008 FINANCIAL OUTLOOK

By: Noel M. Soria, Comptroller

The first two-months operating results of FY 2008: **NMI Retirement Fund** - Annuity payments were \$9.96 million plus refunds and DBP to DCP conversion amounting to \$972,222; administrative expenses of \$275,004; and withdrawals from investments were \$5.262 million. Investment earnings for October 1-31, 2007 were \$12.66 million and paid management custodial fees of \$330,337 or net earnings of \$12.33 million. The total in-

vestments market value was \$490.42 million.

**GHLI** - November 1, 2007 is the effective date of the fully-insured plan of the government medical insurance program underwritten by Aetna Global Benefits (AGB). Premiums paid this first month was \$1.13 million representing 1,596 retirees and 1,595 active employees plus \$2.1 million in medical claims cost and TPA fee under the self-insured plan. Administrative expenses incurred were \$35,335. GHLI continues to seek assistance

from the CNMI Government for \$2.058 million in run-off claims (self-insured plan) and \$1.62 million of pre-Aetna (as Third Party Administrator) obligations to medical providers and vendors.

**WCC** - October and November 2007 results of operation: Disability incurred was \$5,441 plus administrative expenses of \$21,918 or total of \$27,359. First quarter allotment received was \$41,729. Collected 2% premiums and penalties and fines were \$11,256 and interest income of \$722.

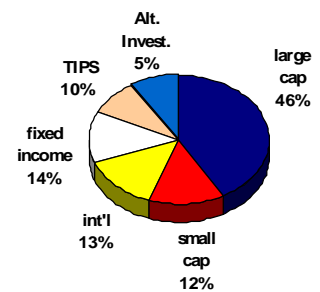
## INVESTMENTS STILL VOLATILE

By: Richard S. Villagomez, Director-I&LS/MHL

Investments continue to be diversified among several asset classes as well as strategies within each class. Two significant decisions by the Board affecting two of those strategies this quarter: 1) Fisher Investments was hired as the new manager of the U.S. Small Cap Equities Value strategy (the previous manager did not perform as expected); and 2) One manager under the Alternative Investment strategy was terminated for not performing as expected. The funds from that account are temporarily being managed under the U.S. Large Cap Equities Core strategy, so the Core strategy, as well as the equities, overall, are intentionally over-funded for now. The permanent destination of those funds is pending the findings of an Asset/Liability study (a study done periodically to determine the appropriate "mix" of investments given changes/developments since the previ-

ous study) which is in progress. The pie chart on the upper right shows the allocation of funds to each class, and the lower pie chart shows the corresponding strategies within each class.

Year-to-date to November 30, 2007, the portfolio continues to be in positive territory with returns slightly above 8%. Recent market activity has been volatile, however, and industry consensus points much of the same to continuing volatility into the near future. Several factors are fueling this turbulence but a large part has to do with the domino effects of the Sub-prime market on consumer spending, which drives 2/3rds of the U.S. economy. And the full effects of the "credit crunch" which, reportedly, the full impact have yet to be felt. On a fiscal year basis to November 30, 2007, performance has been flat, and the portfolio was valued at \$480 million (un-audited).



### MEMBER HOME LOAN PROGRAM

The Member Home Loan Program has been temporarily suspended to new applicants effective October 1, 2007 until further notice.

RECENT LEGISLATIONS AFFECTING THE FUND

By: Legal Department

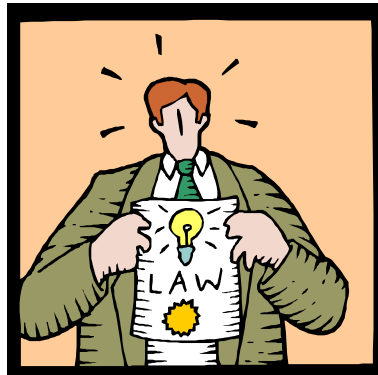
Below are the latest Public Laws that were passed affecting the Fund, WCC and GHLTF:

- P.L. 15-86 - This law amended 1 CMC § 7407, wherein restrictions were placed on government paid travel to economy class airfare only, and per diem rates for all government branches would be same as that of the executive branch per diem rates. (Effective date 9/26/07).

- P.L. 15-98 (H.B. 15-277) - This law, which took effect January 1, 2008, allows those Class I members of the Retirement Fund with 15 years of actual service contributions to withdraw their contributions.

- P.L. 15-99 (H.B. 15-272, SD1) - This law, amended 4 CMC § 9353(d) (Workers' Compensation) allowing funds deposited in the Special Disability Fund to be invested in Investment Grad U.S. Fixed Income Securities as well as Un-rated Securities of the U.S. Treasury and U.S. Government Agencies and other publicly traded securities in order to provide for the possibility of achieving a greater rate of return for the WCC's investments. (Effective date 10/19/07).

- P.L. 15-116 (H.B. 15-284) - This law, approved and signed by Governor Fitial, took effect



on October 29, 2007, which repealed and re-enacted P.L. 15-69 (originally vetoed by the Governor and overridden by the House and Senate), which would allow government employees to apply for Sick Leave to attend to immediate family members (i.e. spouse, children, parents, grandparents).

- P.L. 15-119 (S.B. 15-14) - Although S.B. 15-14 was vetoed by the Governor on 12/3/07, it was subsequently overridden by the House and Senate and became law effective 12/10/07, whereby this law amended 1 CMC § 8117 (i) of the Commonwealth Civil Service Act to provide that the Civil Service Commission shall amend the Civil Service Rules and Regulations to remove any and all provisions requiring that persons seeking to be certified as eligible for a civil service position have prior work if such persons possess a Bachelor's, Masters, or Doctoral degree, in a field of expertise related to the civil service position for which the person has applied.

CNMI Legal Holidays

2008

January 1	New Year's Day
January 21	Martin Luther King, Jr. Day
February 18	President's Day
March 21	Good Friday
March 24	Commonwealth Covenant Day
May 26	Memorial Day
July 4	Liberation Day
September 1	Labor Day
October 13	Commonwealth Cultural Day
November 4	Citizenship Day
November 27	Thanksgiving Day
December 8	Constitution Day
December 25	Christmas Day



**THE GASETA**  
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*"Investing For The Future Financial Security of Our Members"*