

HOUSE LEGISLATIVE INITIATIVE 17-1

ENGLISH TRANSLATION

This legislative initiative amends Article X of the CNMI Constitution by adding a new section. The new provision authorizes the Commonwealth *to issue pension obligation bonds (POBs)*. A POB is defined as a taxable bond issued by a state or local government that sponsors a pension plan to:

- (1) Pay a portion or all of a pension plan's Unfunded Actuarial Accrued liability (UAAL) which is the present value shortfall between the future benefit owed to employees and the resources available to pay such benefits when due; and/or
- (2) Pay a plan's normal contributions (present value of benefits earned by current employees).

Unlike regular bonds where the proceeds can be used by the state for a variety of reasons, a POB can only be used for the purpose intended. Here, the legislature has found that as a result of the judgment against the government owed to the Retirement Fund, "... it is necessary and proper to resolve the [on-going litigation] by authorizing the issuance of pension obligation bonds to generate revenues immediately which the Commonwealth can repay over time, as the bonds mature, thus lessening the immediate fiscal impact on the Commonwealth."

This proposed amendment allows the CNMI Government to issue a POB to aid in funding the retirement fund. To issue a POB, the initiative provides that the CNMI Government must first determine how much of the UAAL the government is looking to reduce. The legislature limits the amount of the POB by stating it is not to exceed "the Commonwealth's actuarially determined unfunded accrued liability to the Retirement Fund." Accordingly, this initiative seeks to amend the Constitution to allow the CNMI to incur a debt by issuing a POB to exceed 10% of the aggregate assessed valuation of the real property in the CNMI and to authorize the debt to be incurred **for investment purposes**. Next, the CNMI Government must hire an investment bank (or a group of investment banks) who will try to sell the bond to investors and once sold those bond proceeds will be provided to the Retirement Fund. The Retirement Fund will then invest the proceeds along with their current invested assets with the goal of earning a return on investments that is greater than the repayment interest rate or the borrowing cost. The CNMI Government will then be responsible for making payments on the bond.

PROS

1. This amendment allows the CNMI Government to borrow money to pay the NMIRF. Putting money into the NMIRF would help make sure that the CNMI retirees in the Defined Benefits Plan receive future benefits when due.
2. Currently, the CNMI Government owes the NMIRF approximately \$300 million as of 2009, therefore by issuing a POB, there will not be an increase in debt. Rather the POB is a way for the CNMI Government to refinance this existing debt.
3. The legislative initiative includes safeguards requiring the CNMI to first obtain an expert/formal assessment as to whether the Government can afford to float a POB.
4. The POB can provide budgetary relief by stretching the debt over an extended period of time and lowering current obligations.

CONS

1. The CNMI Government will have to put up collateral against the issuance of the bond.
2. The issuance of the bond does not get the CNMI out of debt but rather obligates the debt to the POB investors. Therefore, POB payments will be made to off-island investors.
3. **The CNMI might incur further “unfunded accrued liability” through legislative actions of increasing benefits and through drops in the stock market.**
4. The only limit on the amount of the debt that the CNMI might incur through the POBs is the amount of the UAAL owed by the CNMI to the NMIRF. If the CNMI Government fails to make necessary contributions in the future, that liability can increase. As well other events could negatively impact the UAAL.

CHAMORRO TRANSLATION

Este na legislative initiative ha amenda i Attikulu X gi Konstitusion CNMI ni manã'yi nuebu na seksiona. I nuebu na probension ha áturisa i Commonwealth ***para u laknos i pension obligation bonds (POBs)***. I POB ha defina komu taxable bond ni malaknos ginen i state pat local government ni ini-sponsor siha ni pension plan para:

(1) Apãsi palu pat todú i pension plan's Unfunded Actuarial Accrued liability (UAAL) ni prinisenta

i bãlen i shortfall gi entalo' i mamamaila' na benefisio ni madibi i emple'ao siha yan i

resources ni guaha ni para u ma'apãsi i benefisio siha ni manmadibi; yan/pat

(2) I naturãt na plãnon ápas kontribusion siha (gi presente na presio gi benefisio siha ni magãnna ginen i presente na emple'ao siha).

Achuk i regulãt na bonds nai gaige i proceeds siña manma'usa ginen i state para todú klãsen rason siha, i POB siña manma'usa para i ma'intensiona na manera. Guini, i leyes latura ha sodda' na komu i resutta ginen i huisio kontra i gobietnamento madibi guatu i Fondon Ritiru, “. . . ya nisisãrio yan propiu na para u masãtba i [on-going litigation] ginen i ma'áaturisa i issuance of pension obligation bonds para u fanrikohi ensigidas salãppe' siha ni i

Commonwealth siña ha ta'lon umapási chaddek, komu i bonds mature, siempre i menus i immediate fiscal impact gi Commonwealth.”

Este i mapropone na amendasion ha sedi i Gobietnamenton CNMI na para u laknos i POB para u inayuda gi fumondo i fondon ritiru. Para u laknos i POB, i initiative ha pribeniyi na i Gobietnamenton CNMI debi na finene'na u detitmina kuánto gi i UAAL i gobietnamento ha a'atan para u ribâha. I leyeslatura ha midí i kantidâ gi POB ni ha sâsangan na ti u inipos i “Commonwealth actuarially ni ha detitmina i unfunded accrued liability para i Fondon Ritiru.” Sigun, este na initiative ha aligao para u amenda i Konstitusion ni para u sedi i CNMI para u incur i dibi ni para u laknos i POB ni para u inipos dies (10) pot sientu gi aggregated assessed valuation gi i real property gi halom i CNMI yan para u âturisa i dibi na para u incurred para i hinangain investment siha. Otro, i Gobietnamenton CNMI debi na u fangonne' investment bank (pat gurupon investment banks) anai siña machagi mambende bond para i investors yan komu mabende ayo todú na bond proceeds siempre prinibeniyi guatu gi Fondon Ritiru. I Fondon Ritiru para u invest despues i proceeds yan i iyon-ñiha current invested assets yan i diniseha gi ginana gi despues i investment siha ni takkilo'ña ki ni i repayment interest rate pat i gâston inayao. I Gobietnamenton CNMI para u responsâpble na mafa'titinas i apas gi i bond.

Finabot

1. Este na amendasion ha sedi i Gobietnamenton CNMI para u ayao salâppe' ni para u apási i NMIRF. Para u manâna'yi salâppe' hâlom gi NMIRF ya siempre inayuda siguru na i CNMI na ritirâo siha gi halom i Defined Benefits Plan u fanmanrisisibi benefisio yanggin mâtto i tiempo.
2. Gi presente, i Gobietnamenton CNMI ha didibi i NMIRF guaha tressientos(3) milyon pesos komu i 2009 na sâkkan, ayo guenao na i manâ'in i POB, ayo na ti para u mahâtsa i dibi. Enlugât i POB i manera para i Gobietnamenton CNMI na para u refinance este i presente na dibi.
3. I legislative initiative ha na'sâonao i safeguards ni dinimânda i CNMI na para u henta i expert/formal assessment komu para pat i Gobietnamento siña ha afford para u float i POB.
4. I POB siña ha pribeniyi budgetary relief ni para u estira i dibi gi ma'ekstende na tiempo yan u na'takpapa' i presente na obligasion siha.

Kinentra

1. I Gobietnamenton CNMI debi na u na'huyong collateral gi para i malaknos i bond.
2. I malaknos i bond ti siña ha na'huyong i CNMI gi dibi lão siña ha obliga dibi ni para i investors. Pues ayo na i apas i POB siha debi na u mafa'tinas para i off-island investors.
3. I CNMI siña gumuaha remedio para i "unfunded accrued liability" ni ginen i aksion i legislative ni ginen i mahãtsan i benefisio siha yan ginen i tumunok i stock market.
4. Unu ha' minidi gi kantidã gi dibi ni i CNMI siña ha incur ginen i POB siha na kantidã gi UAAL ni ha dibi ginen i CNMI para i NMIRF. Yanggin i Gobietnamenton CNMI ti ha fa'tinas i nesisãrio na kontribusion siha gi mamamaila' na tiempo, ayo na i liability siña mahãtsa. Komu parehu yan otro na manera siha ni siña gumuaha negative impact i UAAL.

CAROLINIAN TRANSLATION

- (1) Legislative initiative yeel ebwe siweli Article X mellól CNMI Allégh Lapalap ngáre re aschuulong talil ye e ffé. Aweewe ye e ffé nge e ngálleey bwángil Commonwealth ebwe isisiwow **pension obligation bonds (POBs)**. Faal POB nge taxable bond iye e toowow mereel state me local government iye e amwaschú plóónol salaapi igha ebwe:

- (1) Abwóssuw eghús me ngáre alongal plóónol Unfunded Actuarial Accrued liability (UAAL) llapal ye ese ghówuta ighila leefilal schóóy angaang igha resáál kke abwóssuur me alillis ye ebwe abwóssuur benefits ngáre aa atol; me ngáre
- (2) Abwóssuw schéschéél plóónol salaapi ((llapal benefisio ye eyoor mereel schóóy angaang kka ighila).

Ese weewe me regular bond igha essogh tappal aweewe ye ebwe mwir sãngi, POB schagh mille emmwel ebwe yááyá reel meeta re mángi físchí. Igheey, Sów Fféerúl Allégh nge aa schuungi bwe mwirilóól aweewel government igha eyoor diibil mereel Retirement Fund, "...e pirisisu me efil rebwe ammwelaaló (on-going litigation) ngáre re kkeyil ngálleey pension obligation bonds bwe ebwe fféer salaapi bwelle Commonwealth ebwe abwós mweteló mmwal, ngáre schagh bond ghatcheló, ebwe mescheragheló weiresil fiscal impact mellól Commonwealth."

Pomwol lliwel nge e lighiti ngáli CNMI Government ebwe atoowowu POB igha ebwe alillisilong salaapial retirement fund. Reel isisiwowul POB, eyoorátá plóono yeel bwe ipigh CNMI Government ebwe ghuleey fitoow UAAL, ye gobenno ekke amweri bwe ebwe fischelitiw. Sów Fféerúl Allégh nge e fischeli llapal POB, igha ekke ira bwe essóbw luuló “Commonwealth actuarially determined unfunded accrued to the Retirement Fund.” Schéschéél, plóono yeel nge ekke amweri ngare ebwe siweli Allegh Lapalap (Constitution) igha ebwe lighiti ngáli CNMI ebwe amwela diibil ngáre e isisiwow POB iye ebwe aluuló 10% reel llapal méél falúw mellól CNMI me mweiti ngáli diibi ebwe amwela kkapasal investment. Bwal eew, CNMI Government ebwe umwumw investment bank (me ngáre mwiischil investment banks) iye ebwe améew ngáli bond ngáli investors me ngáre schagh aa améémé ngáli fáaráághil bond ebwal ayoorá ngáli Retirement Fund. Retirement Fund ebwe alailayú salaapial fengál me llapal salaapial ighila me kkapasal (goal) igha ekke bweibwogh interest mereel repayment sáangi mwolofít (borrowing cost). Ebwe toowow nge CNMI Government ebwele abwóssuw bond.

GHATCHÚL

- (1) Lliwel yeel ebwe mweiti ngáli CNMI Government ebwe mwolofít salaapi bwe ebwe abwóssuw NMIRF. Isisilongol salaapi llól NMIRF ebwe alughulugh bwe schóóy aséésé mellól CNMI sáangi Defined Benefits Plan ebwe bweibogh benefisio ngáre aa tooto atol, mweteló mmwal.
- (2) Ighila, CNMI Government nge eyoor yaar mwolofít (diibi) mereel NMIRF, ebwe yoor elebwughúw ssel (\$300 million) sáangi schagh ruwangeras tiwoow (2009). Iwe ngáre schagh re atoowowu POB, essóbw sássár diibi (mwolofít). Emmwel POB mille CNMI ebwe ayoorá refinance reel diibi kka ighila.
- (3) Legislative Initiative e atoolongow ammwelil ye ebwe mweiti ngáli CNMI bwe ebwe ghommwal umwumw soumáng (expert)reel assósót ngáre e mmwel ngáli Government ebwe pomwoli POB.
- (4) POB nge e ayoorátá ammwelil budgetary sáangi schagh ighiwe me fischeli kkapasal angaangal ighila.

NNGÓWAL

- (1) CNMI Government nge ebwe ayoora alughulugh (collateral reel isisiwowul bond).
- (2) CNMI nge essóbw toowow mellól bond ngáre e sisisiwow bond iwe, emmwel ubwe mweiti ngáli POB investors. Iwe, salaapial POB ebwe mwet ngáli off-island investors.
- (3) Emmwel bwe CNMI ebwe sobweey yaal ammwela “unfunded accrued liability” ngare e allegh sassaril benefisio me ngare e ppungutiw kkapasal stock market.
- (4) Eew schagh aighúghúl llapal diibi iye CNMI ebwe toolong llól POBs iye UAAL e diibi mereel CNMI ngáli NMIRF. Ngáre CNMI Government e ghitipwotchol atotoolong salaapi mweteló mmwal, angaang yeel nge ebwe sássátá. Mebwal akkááw mwóghut ebwe aweiresi UAAL.