



**HOUSE OF REPRESENTATIVES**  
SIXTEENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE  
FIRST REGULAR SESSION, 2008

**HOUSE LEGISLATIVE INITIATIVE 16-13, HD2**

**A HOUSE LEGISLATIVE INITIATIVE**

To amend Article III, Section 20 of the Constitution of the Northern Mariana Islands.

**BE IT ENACTED BY THE SIXTEENTH NORTHERN MARIANAS COMMONWEALTH  
LEGISLATURE:**

1       **Section 1. Legislative findings.** The Commonwealth Legislature finds that the  
2 finances of the CNMI have been adversely impacted by declining tax revenues, excessive  
3 fuel costs, reliance on public employment, and continued demand for government services.  
4 This strain on public resources has resulted in a diminished government contribution to the  
5 N.M.I. Retirement Fund, the public retirement program for CNMI government employees.

6       Traditionally, the CNMI government has provided a very generous, and expensive,  
7 retirement benefit for its members. Member benefits have expanded over the years as a result  
8 of numerous statutes enacted for that purpose. For example:

- 9           1. Public Law 3-99 increased the benefit paid to members of the Retirement Fund.
- 10          2. Public Law 5-48 gave additional service credit to certain members.
- 11          3. Public Law 7-39 offered a generous Cost of Living Allowance (COLA) to
- 12           annuitants.
- 13          4. Public Law 7-40 allowed for at least limited "double-dipping" by government
- 14           employees.
- 15          5. Public Law 8-24 added an overtime work service credit.
- 16          6. Public Law 8-30 established an early retirement incentive.
- 17          7. Public Law 8-31 provided for an additional COLA increase.
- 18          8. Public Law 8-39 granted additional prior service credit for certain members.
- 19          9. Public Law 9-25 refunded member-paid employer contributions.
- 20          10. Public Law 11-95 permitted retirees to receive survivor benefits in addition to
- 21           other benefits.

1 11. Public Law 15-3 1 allowed a government employee to waive salary and continue  
2 receiving retirement benefits.

3 12. Public Law 15-61 prohibited the Fund from paying less than the full pension to  
4 retirees.

5 13. Public Law 15-98 authorized members with 15 years of service to withdraw their  
6 contributions.

7 At the same time that benefits were being increased, the government, often out of  
8 financial necessity, was adding to the burden on the retirement system by diverting revenues  
9 from and transferring costs to the Fund. In particular:

10 1. Public Law 9-28 diverted amusement revenues from the Fund to a Man'amko  
11 center.

12 2. Public Law 10-19 transferred the Group Health and Life Insurance to the  
13 Retirement Fund.

14 3. Public Law 10-88 gave elected officials the right to waive their salary and  
15 continue receiving retirement benefits.

16 4. Public Law 11-2 allowed retirees in certain occupations to return to work for up to  
17 two years without losing benefits.

18 5. Public Law 14-98 exempted the Public School System (PSS) from the increase in  
19 contribution rate.

20 6. Public Law 15-15 suspended the employer contribution to the Fund for part of  
21 Fiscal Year 2006 and all of Fiscal Year 2007.

22 7. Public Law 15-24 established "Austerity Fridays," reducing the employee  
23 contribution but maintaining full benefits for those employees.

24 Over time, the practice of adding to member benefits while siphoning off dedicated  
25 retirement revenues has exacerbated the government's liability to the Fund, and has  
26 contributed to the explosion in the overall unfunded liability of the Fund. Although several  
27 agreements were concluded for the repayment of the government's liability, to date it is now  
28 estimated that the government owes roughly \$193 million to the Fund, which now has an  
29 unfunded liability of nearly one half billion dollars.. Roughly 2,800 retirees and 4,595 active  
30 members do or will rely on the Fund for financial security.

1 The increase in benefits and reduction in revenues led the Board of Trustees of the  
2 Fund to take the drastic and unprecedented action of refusing to process retirement  
3 applications in November of 2007. (See Board Resolution 08-001.) Furthermore, the Fund is  
4 now in litigation with the central government over the non-payment of employer  
5 contributions.

6 The purpose of this initiative is to prohibit future benefits increases unless and until:  
7 a) the Commonwealth government satisfies its liabilities to the Retirement Fund, or b) the  
8 Fund is fully funded. This action is taken in furtherance of providing long term stability to a  
9 resource upon which so many families in the CNMI depend.

10 **Section 2. Legislative initiative.** The Sixteenth Northern Marianas Commonwealth  
11 Legislature, by the affirmative vote of three-fourths of the members of each house present  
12 and voting, hereby proposes the following amendment to Article III, Section 20 of the  
13 Constitution of the Northern Mariana Islands to be placed before the people for ratification at  
14 the next general election:

15 **"A PROPOSED CONSTITUTIONAL AMENDMENT**

16 Article III, section 20 of the Constitution of the Northern Mariana  
17 Islands is amended as follows:

18 **"Section 20: Retirement System.**

19 a) Membership in an employee retirement system of the Commonwealth shall  
20 constitute a contractual relationship. Accrued benefits of this system shall be neither  
21 diminished nor impaired.

22 b) An employee who has acquired not less than twenty years of creditable  
23 service under the Commonwealth retirement system shall be credited an additional  
24 five years and shall be eligible to retire. An employee who elects to retire under this  
25 provision may not be reemployed by the Commonwealth Government or any of its  
26 instrumentalities or agencies, for more than 60 days in any fiscal year without losing  
27 his or her retirement benefits for the remainder of that fiscal year, except that the  
28 legislature may by law exempt reemployment of retirees as classroom teachers,  
29 doctors, nurses, and other medical professionals from this limitation, for  
30 reemployment not exceeding two (2) years. No retiree may have their retirement




benefits recomputed based on any reemployment during which retirement benefits are drawn, but every such reemployed retiree shall nevertheless be required to contribute to the retirement fund during the period of reemployment, at the same rate as other government employees. The legislature may prohibit recomputation of retirement benefits based on reemployment after retirement in any event or under any circumstances.

c) The Legislature shall not increase benefits until all government obligations to the retirement system have been satisfied or the system is fully funded. Provided further that no law shall be enacted by the Legislature that will create an unfunded liability to the retirement system."

**Section 3. Adoption and transmittal.** The Speaker of the House and the President of the Senate shall certify, and the Clerks of the House and Senate shall attest to the passage of this legislative initiative. The House Clerk shall then cause the initiative to be transmitted to the Governor and the Commonwealth Election Commission. Pursuant to Article XVIII, Section 5 of the Commonwealth Constitution, the Commission shall place this legislative initiative, with the findings section contained herein, before the people of the Commonwealth for ratification vote at the next regular general election.

**Passed by the House of Representatives on July 30, 2008, and the Senate on October 28, 2009, by the affirmative vote of three-fourths of the members in each house.**


**Certified by:**

  
**Arnold I. Palacios**  
Speaker of the House

  
**Pete P. Reyes**  
Senate President

**Attested to by:**

  
**Evelyn C. Fleming**  
House Clerk

  
**Dolores S. Bermudes**  
Senate Clerk