



*Seventeenth Legislature*  
*of the*  
*Commonwealth of the Northern Mariana Islands*  
**IN THE HOUSE OF REPRESENTATIVES**

**1st Day, Fifth Special Session**

**July 6, 2012**

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**H. L. I. 17-5**

**A HOUSE LEGISLATIVE INITIATIVE**

**To add a new Section 10 to Article X of the Constitution of the Commonwealth of the Northern Mariana Islands to authorize the Commonwealth to issue pension obligation bonds and for other purposes.**

**Be it enacted by the Seventeenth Northern Marianas Commonwealth Legislature:**

**Section 1. Findings.** The Legislature finds:

(a) The Commonwealth has failed for several years to contribute its actuarially required employer contributions to the Northern Mariana Islands Retirement Fund ("Fund").

(b) The Commonwealth Superior Court issued a judgment in Civil Action No. 06-0367, finding the Commonwealth is obligated to pay the Fund \$317,492,291 as of November 10, 2010.

(c) It is necessary and proper to help resolve the above mentioned litigation by authorizing the issuance of pension obligation bonds to generate revenues immediately which

1 the Commonwealth can repay over time, as the bonds mature, thus lessening the immediate  
2 fiscal impact on the Commonwealth.

3 (d) The issuance of pension obligation bonds could grant the Retirement Fund a  
4 substantial sum of money to invest and compound returns over time in order to ensure the  
5 fiscal solvency and viability of the pension system.

6 (e) The constitutional amendment proposed by this initiative authorizes issuance of  
7 pension obligation bonds. Before any such bonds are actually issued, the Commonwealth  
8 additionally must assess their feasibility. The feasibility of the bonds depends upon bond  
9 market conditions, prevailing interest rates, and other factors that may change over time.

10 (f) Under current law, the issuance of pension obligation bonds may be precluded by  
11 Article X, Section 4 of the Constitution because the amounts due relate to the operating  
12 deficit. Article X, Section 4 limits the issuance of public debt in two ways: (1) by prohibiting  
13 its use for operating expenses; and (2) by limiting its total to no more than ten percent (10%)  
14 of the aggregate assessed valuation of the real property within the Commonwealth. Article X,  
15 Section reads as follows:

16 **Article X, Section 4: Public Debt Limitation. Public indebtedness other than**  
17 **bonds or other obligations of the government payable solely from the revenues derived**  
18 **from a public improvement or undertaking may not be authorized in excess of ten**  
19 **percent of the aggregate assessed valuation of the real property within the**  
20 **Commonwealth. Public indebtedness may not be authorized for operating expenses of**  
21 **the Commonwealth or its political subdivisions.**

22 (g) The limitations of Article X, Section 4 should not preclude the Commonwealth  
23 from addressing its obligations to the Retirement Fund. The proposed initiative waives those

1 limitations and substitutes other limitations, including the requirement that the cumulative  
2 amount of the bonds not exceed the Commonwealth's actuarially determined unfunded  
3 accrued liability to the Retirement Fund.

4 (h) The limitations in Article X, Section 3 will continue to apply to the bonds. Those  
5 limitations serve as an additional protection for the public interest. Under Article X, Section  
6 3, the Commonwealth may not issue pension obligation bonds without the affirmative vote of  
7 two thirds of the members in each house of the legislature. Article X, Section 3 reads as  
8 follows:

9 **Article X, Section 3: Public Debt Authorization. Public debt may not be**  
10 **authorized or incurred without the affirmative vote of two-thirds of the members in**  
11 **each house of the legislature.**

12 (i) In the 2010 general election, House Legislative Initiative 17-1, HS1 was placed on  
13 the ballot for ratification by the voters of the CNMI to authorize the Commonwealth to issue  
14 a pension obligation bond. 11,436 total registered voters participated in the voting process for  
15 HLI 17-1, HS1. However, only 4,200 voted to ratify HLI 17-1, HS1, while 5,611 voted  
16 against it and 1,599 voters left their ballots blank with respect to that initiative. The  
17 Legislature finds that there was insufficient time to fully educate the voters about the  
18 mechanics of HLI 17-1, HS 1 and the benefits to the Northern Mariana Islands Retirement  
19 Fund's Defined Benefit Plan members. As such, a re-introduction of this initiative is proper  
20 and beneficial so as to provide our voters another opportunity to be more educated about  
21 pension obligation bonds and to participate in process of sustaining the retirement fund  
22 program.

1 (j) Accordingly, the Seventeenth Northern Marianas Legislature finds it is necessary  
2 and proper to amend the Constitution of the Commonwealth of the Northern Mariana Islands  
3 to add a new Section 10 to Article X (Taxation and Public Finance) to authorize the  
4 Commonwealth to issue pension obligation bonds.

5 **Section 2. Legislative Initiative.**

6 The Seventeenth Northern Marianas Commonwealth Legislature, by the affirmative  
7 vote of three-fourths of the members of each house present and voting, hereby proposes the  
8 following amendment to add a new Section 10 to Article X of the Constitution of the  
9 Commonwealth of the Northern Mariana Islands to be placed before the people for  
10 ratification at the next general election or at the next special election established by law:

11 “A PROPOSED CONSTITUTIONAL AMENDMENT

12 To add a new Section 10 to Article X (Taxation and Public Finance) of the  
13 Constitution of the Commonwealth of the Northern Mariana Islands to authorize the  
14 Commonwealth to issue pension obligation bonds and for other purposes.


15 **Section 10: Pension Obligation Bonds. Upon the affirmative vote of two-**  
16 **thirds of the members of each house of the Legislature, the Commonwealth may**  
17 **issue pension obligation bonds, the cumulative amount of which shall not exceed**  
18 **the Commonwealth’s actuarially determined unfunded accrued liability to the**  
19 **Retirement Fund. The net proceeds of each bond issuance shall be deposited and**  
20 **invested along with other monies in a defined benefit plan trust fund**  
21 **administered by the Northern Mariana Islands Retirement Fund. The bonds**  
22 **issued under this section shall comply with Section 3 of this Article and shall be**  
23 **exempt from Section 4 of this Article.”**

**Section 3. Adoption and Transmittal.**

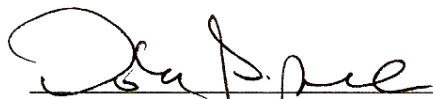
The Speaker of the House and the President of the Senate shall certify, and the Clerks of the House and Senate shall attest to the passage of this Legislative Initiative. The House Clerk shall then cause the Initiative to be transmitted to the Governor and the Board of Elections. Pursuant to Article XVIII, Section 5 of the Commonwealth Constitution, the Board shall place this Legislative Initiative, with the Findings and Purpose section herein, before the people of the Commonwealth for ratification vote at the earlier of the next regular general election or the next special election established by law.

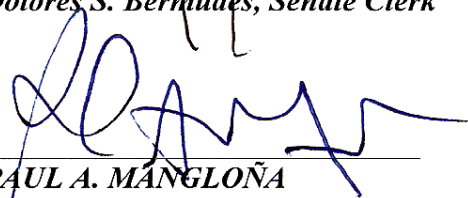
**PASSED BY THE HOUSE OF REPRESENTATIVES ON JULY 6, 2012 BY THE AFFIRMATIVE VOTE OF TWO-THIRDS OF THE MEMBERS PRESENT AND VOTING**

Attested to by   
**Linda B. Muña, House Clerk**

Certified by:   
**ELICEO "Eli" D. CABRERA**  
**Speaker of the House**

**PASSED BY THE SENATE ON AUGUST 8, 2012 BY THE AFFIRMATIVE VOTE OF THREE-FOURTHS OF THE MEMBERS PRESENT AND VOTING**

Attested to by:   
**Dolores S. Bermudez, Senate Clerk**

Certified by:   
**PAUL A. MANGLOÑA**  
**President of the Senate**