

On My Mind  
6/18/10

The "Five Point Plan," so arduously being promoted by the administration and the Retirement Fund as the way to maintain the Fund's fiscal solvency and viability, sounds eminently reasonable at first hearing - and, so far as I am aware, last Tuesday's presentation was the first time Retirement Fund members were given an opportunity to hear it - though the plan has been presented to various other groups over the last several weeks.

Yet closer examination reveals that the Plan is about as discriminatory, punitive and unhelpful as a plan can get. It discriminates against and punishes members of the plan - retired or not - it does not solve the immediate crisis, nor does it offer reasonable steps toward resolving the longer-term dilemma.

In putting the Plan together, its sponsors said they looked for every way possible to reduce the Fund's "unfunded liabilities" - debts for which no money is available to pay them - that was legal and permitted by the Constitution. Unfortunately, its sponsors did not go outside the box, and ignored the many other options that have been identified as possible means in that infamous list being touted by the Commonwealth Retiree Association for reducing the Fund's unfunded liabilities.

The first item in the Five Point Plan calls for a line-item appropriation to cover employer contributions, instead of the employer contribution ratio that is now used in determining the amount employers are required to contribute to the Retirement Fund for their employees. According to retiring Executive Director Mark Aguon, the employer contribution ratio is an outdated approach. Other than the fact that the line item appropriation would represent a fixed amount, and therefore be easier to work with, budget-wise, being a complete klutz with figures, I could not follow the reasoning behind the suggestion.

Item two calls for the legislature to pass House Local Initiative 17-4 in time to get it on the ballot this November. H.L.I 17-4 would amend the CNMI Constitution to allow the floating of a pension obligation bond by the Retirement Fund - "should that ever become reasonable and feasible." A pension obligation bond, it was explained, would spread the Fund's unfunded liability over time, thus reducing the immediate crunch. It should be noted that the amendment would not authorize the POB, per se; it would merely allow one to be floated, though the impression was clear that both plan sponsors felt a POB was essential to survival of the Fund. If the amendment does not get on the ballot this November, it will be two years before the possibility of floating a bond can even be entertained - assuming an amendment were to pass in the following election.

The third item deals with legislation. The Fund and the administration are recommending that the legislature amend P.L. 16-7, which would change the methodology for determining the employer contribution to the Fund (see item #1, above), allow conversion of non-vested members of the defined benefit plan to the defined contribution plan (why would anyone want to do that?), set the cost of living adjustment (COLA) as a one-time annual payout but not added to the regular annuity amount, and to pass an

as-yet-unnumbered so called "omnibus" bill that would, among other things, remove responsibility for Workman's Compensation and Health and Life Insurance from the Retirement Fund.

Item number four of the Plan would impose a "hard freeze" on those members who are younger than a yet-to-be-determined specified age and/or have less than a yet-to-be-determined specified number of years of service. It would freeze the benefits of those members at the levels in effect when the freeze was imposed, but it would not lower any benefits the members had already accrued.

The fifth and final recommendation deals with phasing out the Retirement Fund, which Aguon predicted would, at its earliest, occur in 2027, twenty years after start-up of the Defined Contribution Plan which, in effect, closed membership in the Defined Benefit Plan. With no more DBP members, the Fund would not need the staffing, and would not be performing all the functions it does now. The suggested steps include issuing an RFP for a reputable insurance company or bank to guarantee annuities to all current retirees and active DBP members; sub-contracting administrative functions of the Fund to a bank to process benefit checks and to an insurance company to process retirement claims; and transferring all assets of the Fund (Credit Union, judicial loan, all real estate and other assets) to the Government - the health and life insurance program having already been privatized.

In short, the Plan proposes to cut fundamental retiree benefits. It offers no alternatives.

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The Five Point Plan was put together by the administration and the Retirement Fund. No legislators were involved, nor were members of the Fund. It is no wonder the plan is so unpalatable. Plans are acceptable, adopted, far more readily if the parties involved - the stakeholders - are included in the process of developing the plan - a principle ignored by the makers of this one - to their detriment.

It is indicative of the Fund's secretiveness, condescension, paternalism, that only about 40-50 retirees were present for the power-point presentation. The Fund had advertised an open forum from 1-4 p.m., and a "fund presentation" from 4-6 p.m., last Tuesday, but gave no inkling that in actuality the first part was aimed at Defined Contribution members, the second at Defined Benefit members. I called, and thus did not show up until 4:00 p.m. How many did not, and showed up at 1:00, only to be told that that session wasn't for them? How many stayed, or returned for the later session?

The complaint is heard over and over that the retirees are unresponsive, uninterested, uncaring about the dilemma facing the Retirement Fund. But that is because the Fund makes no effort to inform its members about the issues that affect them. It does not alert them to proposed laws in the legislature that are good or bad or provide them with copies or access to them; it does not provide them with other documents that might help them understand proposed decisions of the Board; it does not prepare issue papers, issue a newsletter, hold periodic member meetings. With a totally uninformed membership -

except for those fortunate enough to be on Donna Cruz' mailing list - it is no surprise that there is no participation now in the Fund's efforts to survive.

The issues are complex. They are difficult to understand. But it is the responsibility of the Fund to keep its members informed. It has made no effort to do - until the last ditch effort of this past week's meeting, which was not only not all that revealing, but also very limited in its effect, with so few in attendance. Relying on the media is not enough, as reports of last Tuesday's meeting are but another example. Nor is relying on the web, though the Fund's web site is said to be improving.

Will the Commonwealth Retirees Association fill the vacuum? So far, it has not done a very good job of doing so. Among other things, the CRA Board seems to have taken upon itself the right to voice the opinion of CRA members without even consulting them - putting the credibility of the CRA at issue from the very start.

CRA's Oscar Camacho brought a list of CRA Board member concerns to the late afternoon session last Tuesday. Will that list be made available to CRA members? When, how, will CRA members be given the opportunity to participate in the dialog? As surely they must be.....

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Short takes:

I have been chastised for using the term "legal permanent resident" in writing about improved status for foreign workers in the CNMI. Seems that's a so-called "term of art" and has a specific meaning different from the sense in which I was using it. I apologize for any confusion it may have caused.

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The Hard Rock Café recently sponsored a contest to see how many burgers contestants could consume in three minutes. Encouraging gluttony where obesity, diabetes are prevalent? What were they thinking?

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The U.S. Navy has released the Mariana Islands Range Complex Final Environmental Impact Statement/Overseas Environmental Impact Statement (EIS/OEIS). It can be found on the web at < [www.MariansRangeComplexEIS.com](http://www.MariansRangeComplexEIS.com) >. A copy is available at the JoeTen Kiyu Library. Deadline for comments is July 6, 2010, and should be sent to < [marianas.tap.eis@navy.mil](mailto:marianas.tap.eis@navy.mil) >. Of particular interest to the CNMI is the section on ocean waters and undersea areas which includes the waters north of Pagan.

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Rotary Club has joined the national drive to donate new and used movie DVD's to veterans, especially to those with limited access for whatever reason. On Saipan, new and used DVD's, portable players, or cash, may be dropped off between Monday June 21st and Monday June 28<sup>th</sup> at the Hyatt front desk, Megabyte, or Ernest and Young (Oleai Center). The Rotary goal is 1,000 DVD's toward which local underwater photographer Mike Tripp has already donated 650 copies of his "Underwater World of Saipan." More information is available at < [www.dvds4vets.org](http://www.dvds4vets.org) >.