

8/26/11

On most everyone's mind this past week was the news that the Retirement Fund might go defunct as soon as three years from now. The news was brought by the managing partner of one of the Fund's investment managers. Maggie Rabovsky of Wilshire Associates told the Retirement Fund Board, and later, members of the legislature and retirees, that at the current rate of drawdown of funds from the Retirement Fund's investment portfolio, the fund would go broke in just three years. The CNMI is off the charts in that the government has not supported the Fund, compared to what is done by mainland state governments, she said. Instead, this is where CNMI funds go: "...the Secretary of Finance (Finance), Ms. Larrisa Larson (Secretary), ... testified about the Government's monthly revenue of approximately \$9 million, which fluctuates but is anticipated to drop significantly. She also testified [that] Finance has an internal policy of prioritizing life or death Government obligations such as the Commonwealth Utilities Corporation payments of approximately \$250,000 per week totaling \$1 million per month; the Commonwealth Health Center payments of approximately \$1 to \$2 million per month; and employee payroll of approximately \$3 million per payroll, totaling \$6 million per month. The Secretary testified that after she pays these life or death Government obligations, **there are no monies to be paid to anything else including all vendor payments and the Fund.** [emphasis added] The Secretary upon questioning by Plaintiff stated the retirement fund payments were not considered a life or death obligation."

That's a direct quote from the "Order After June 29, 2011 Review Hearing" issued by Judge Kenneth Govendo this past week in the NMI Retirement Fund's suit against the governor and the Department of Finance for payment of the monies owed it by the government..

The Secretary does go on to say, according to the Order, "the Government's proposed budget for Fiscal Year 2012 appropriates approximately \$10 million for payment to the Fund. The Secretary further stated that it was the plan of the Governor's Office that the \$10 million appropriation to the Fund would not change even if the projected budget was decreased." But this will not be enough, according to Rabovsky..

A previous consultant had said the Fund might last five years, but Judge Govendo's order that the Fund put aside \$100,000,000 to cover Fund liabilities has brought about the shorter time line..

There's been some confusion, misinformation, as to where the idea and the size of the reserve fund originated. Here's the story, again quoting from Govendo's order: During a previous hearing, the subject of holding current defined benefit employee contributions in reserve had come up in the context of the Fund failing. (The following appears as a footnote in the original. I was unable to format it as such. *This matter started as a default judgment against the*

Defendants. There were no liability issues and the amount of the judgment should have been stipulated to. Instead, it was necessary to hold many hearings to determine the damages; damages that need to be continually updated. Lately, the Court has had a good look at the government finances and the outlook is dismal in the Defendants coming anywhere close to paying off this judgment or even making annual payments that will equal the interest on the judgment. Additionally, the Court is aware of how much the Fund draws down annually to pay the present retirees and expenses. Unfortunately, the Court is now forced to consider the unthinkable and heretofore unspeakable ♦when is the Fund going to fail? It is now time for all concerned to start planning for it.)

Fund Administrator Richard Villagomez testified that the Fund ♦s preliminary estimate of employee contributions held by the Fund and not yet repaid as pensions was approximately \$72 million. The Court said the media had reported it may be up to \$90 million. Ms. Alepuyo advised the Court that the amount is now closer to \$100 million. After a short discussion in which the Court suggested that the Fund ♦s trustees implement a policy in case of Fund failure to protect those funds for current defined benefit employees and new retirees who have not yet received the amount they had put into the Fund, Ms. Alepuyo suggested that the Court make it part of this Order..

"In light of some of the serious problems that the Fund has had in the past and the Court ♦s suspicion that if the Court does not protect the current defined benefit members and new retirees, the Fund may not be able to do so, the Court will make such an Order." And so it did. Both legislators and the administration have been deaf to warnings of an imminent collapse unless government contributions were paid, unless legally provided appropriations were made. Now, when it is, for all practical purposes, too late, they ♦ve finally begun to listen.. Apparently some amelioration of the order is underway. There is concern that the order does not treat all defined benefit members equitably, and meetings are under way in an attempt to fix the problem. But whether the ♦fix ♦ gives a longer life to the Fund itself is not yet known..

Short takes: - Someone has suggested that people might find casinos more acceptable if the trade-off were that all poker machines would be shut down. Poker parlors are so conveniently located in every neighborhood that one doesn't even need a car to get there, and one can drop in any time of day or night wearing shorts, t-shirt and zoris, making them easily accessible to everyone, goes the argument, whereas, theoretically at least, casinos would be located only in the big hotels, and might even require prospective gamblers to be slightly more respectably clothed, thus reducing their accessibility. Of course, you'd have to buy off the poker machine owners somehow or other, but it could cut down on the number of local residents who gamble. But then, that would reduce government revenue, and the government wouldn ♦t be happy with that. Not really a win-win proposition.....

- With the legislature busy handing out certificates of commendation here and there - and not that one begrudges the recipients their recognition, but it would be SO nice if the legislature would instead focus on cutting costs, reforming operations, streamlining procedures - the question is,

who will hand out a certificate of commendation to the Commonwealth Retirement Fund's diligent, conscientious, eagle-eyed, untiring, ever-present, voluntary and unpaid member representative? Donna J. Cruz attends every RF board meeting, sends out timely "unofficial" minutes of each and every one, regularly distributes other pertinent notices to members, and keeps track of the Commonwealth Retirement Association's deadlines for meetings and elections - none of which has been acknowledged in any way by either members, the CRA or the RF. She too deserves a commendation - a medal, even, as an unsung heroine!.

- One aspect of life on island that has improved immensely over the years, and that continues to maintain its improved status - at least so far - is the condition of restaurant restrooms. There was a time, some 25 to 30 years ago, when one took one's life in one's hands if one ventured into most restaurants' restrooms. But thanks to the on-going inspection program of the CHC's Bureau of Environmental Health, restrooms today - at least in the restaurants I frequent - are clean, do have running water, and while they may run out of paper towels, don't run out of toilet paper..

- In case you missed it, do go back and read Dr. Thomas Arkle's translation of the speech given by the governor at that energy conference in Alaska last week. It's truly a work of art! It appeared in the 8/24 issue of *Marianas Variety*, and can be found at <
<http://www.mvariety.com/2011082339528/letter-to-the-editor/letter-to-the-editor-governors-alaska-speech-and-footnote.php?Itemid=0>>.

. - Guam and the CNMI may or may not re-unite, but it sure would be nice if they could at least share events that were of mutual interest. According to the *Marianas Variety*, this past week a Japanese contemporary crafts exhibit was brought to Guam by the Japan Foundation, and a senior lecturer of Pacific Studies from New Zealand spoke in Guam on issues of migration and the identity of Micronesians in the Pacific - but neither event came to the CNMI, though both would have been just as appropriate, just as much of interest, as they were to Guam. The CNMI could never afford to bring such events here on its own, but sharing the costs with Guam should make it affordable. Humanities Council, Commonwealth Council of Arts and Culture, are you listening?