

8/31/12

There's a saying about fools rushing in where [even] angels fear to tread, and it looks very much like that is what the CNMI is on the verge of doing by signing up for Social Security for its government employees. The acting governor has already signed House Bill 17-312 - which expresses the intent of the CNMI to join the Social Security program, into law - with a hoped-for start-up date of October 1, the beginning of the new fiscal year. House Bill 17-315 was also passed by the Senate but with an amendment, and now needs the concurrence of the House before it can be submitted to the acting governor for his signature. Not many people have seen the final version of the companion H.B. 17-315, which spells out a few of the details on how the transition would work at the local level.

According to the bill, membership in Social Security will be mandatory for all present and future government employees. H.B. 17-315 would allow existing members of the Defined Benefit plan to withdraw from the Retirement Fund without penalty, and to obtain a refund of the payments they've made into the plan. If the members choose to continue membership in the Fund's Defined Benefit Plan, H.B.17-315 provides the following incomprehensible formula for what the government and its agencies would pay as the employer share: "an amount equal to the sum of normal cost of providing payments to beneficiaries and the expense of administering the Fund for the next fiscal year as a level percentage of the weighted dollar average of service years over a specified period, as determined by the Secretary of Finance."

Under H.B. 17-315, membership in the Defined Contribution plan would also become voluntary. For those members who stay in the Defined Contribution plan, the government and its agencies would continue the 4% contribution they are now making as long as the employee remains a member of the DC plan.

The rush to pass the bills comes from their impact on the CNMI's FY '13 budget. The expectation is that most, if not all, Defined Benefit members would withdraw from the DB plan, thus relieving the government from its obligation to pay the Retirement Fund anything from now on, on their behalf. Many members of the Defined Contribution plan are also expected to withdraw. The story goes that the money thus "unencumbered" is the source of the "extra" \$10 million that was recently added to expected CNMI revenue for 2013. No other explanation for this "windfall" that gave new life to the FY 2013 budget has ever been provided.....

H.B.17-315 would provide for employees in the Defined Benefit plan to get back the money they've put into the CNMI Retirement Fund - with interest. But shouldn't the costs of having administered those funds over the years be deducted first? Processing the employees' share, keeping accounts of those shares, seeing to the prudent investment of the shares, all costs money, all of which has been expended by the Retirement Fund. Yet allowance for those costs, so far as is known, has not been made in calculating what employees are entitled to get back when they withdraw their savings.

What of people who will be ready to retire in two, or four, or six, or eight years? In order to qualify for retirement under Social Security, one has to work 40 quarters - the equivalent of 10 years. Does that mean these people will now have to work another ten years before they can retire? Though H.B. 17-315 would allow Retirement Fund members to continue membership in the Fund, they'd have to pay into Social Security as well. Has anyone presented the costs and benefits of doing so? of doing a "buy-back"?

What about the health insurance now provided through the Retirement Fund? What about the life insurance? What about the death benefit? Where will the funds to continue pensions for the already-retired come from?

One must also ask whether the whole thing can really be implemented in 30 days - all the records set up, the mechanisms established for allocating funds, the many changes implemented in the data bases maintained by all the parties involved, the regulations written? Neither the CNMI nor the U.S. is known for its efficiency (just look at the snail's pace of the U.S. CW processing!). The Retirement Fund has many weaknesses. Not the least of which is its liberal benefits. But that can be fixed (as has been shown by the just-issued CNMI Supreme Court ruling that the 3% retirement bonus for lawyers, judges and all other elected officials is unconstitutional.) It should be allowed to continue, to remain in effect, not only until everyone affected understands what his/her options are under Social Security and can make informed decisions, but also until the many details and mechanisms involved in its implementation are fully worked out on both the federal and the CNMI level.

Though the legislature is under the gun to approve the FY '13 budget by the end of September, it might want to think about passing a reduced budget, which could then be modified later in the year, if, as, and when Social Security in the CNMI does, in fact, become a reality..... It certainly would be the prudent thing to do.

On the other hand, it sounds like what CHC needs is a little more rushing around than is taking place in trying to resolve its dilemma. There's endless reporting of various moneys available for drawdown from here and there which somehow never gets resolved, with the consequence that more and more of CHC's doctors, nurses and staff have become discouraged, disheartened and are leaving; more of its services are being shut down due to lack of staff and supplies.

The stories always recite the same litany as to what it would take to fix the problem: CHC must provide a business plan, forecast of operations, statement of cash flow, drawdown schedule, projected balance sheets, schedule of timelines for implementing goals and objectives, identification of persons or departments responsible for their completion, etc. This list has been in the offing for weeks, yet there's been no evidence that any action is being taken to satisfy any part of the requirements. If the scene is simply too much of a moving target, couldn't this be presented within the frame of response? Surely reality would recognized the difficulties?

Now it looks like the legislature has given up. It wants to put a "sin tax" on unhealthy foods and drink, and use that revenue to support CHC. That's all very well and good - sin taxes are good for everyone's health - but it will take months for such a system to be put into place, and it's not at all clear how far the revenue that would be generated would go in meeting CHC needs.

According to an account in the 8/27 issue of the *Marianas Variety*, Guam's Memorial Hospital administrator, by the end of his first week on the job, presented a "strategic plan which relies on ... accountability, cost efficiency, excellence in performance, safety and quality, or...ACES+Q" to the GMH board of trustees. Wouldn't it be nice if he could be cloned? Since that's not possible, maybe the CNMI could borrow him for a week?

Short takes:

- With the national election campaign getting ever more rude, noisy, intrusive, our appreciation to the *Variety* for its Friday "Opinion Page" on which it regularly posts a literate, reputable, thought-provoking nationally syndicated commentary on both sides of whatever particular political issue is on the agenda at the moment, so the reader gets a balanced view. A not-so-common practice nowadays!
- A brief notice appeared in the papers recently announcing that there would be a celebration of the Commonwealth Health Center's 25th birthday. Fortunately, there were no further notices. The state of CHC at the moment is nothing to celebrate.
- Federal funds have apparently become available to take another step in the eventual rehabilitation of the Puerto Rico dump. There's a notice out in the papers asking for comments on five design concepts put together in coordination with interested stakeholders, and local and federal regulatory agencies. The report and proposed closure plans are available for public viewing at the CIP Office on Capitol Hill, located in the Juan A. Sablan building on Capitol Hill through September 14. For more information call: 664-2371,75. Watch for an announcement of a public hearing.
- On Wednesday, September 5, Saipan Chamber of Commerce's monthly luncheon meeting will feature Dr. Peter Lillienthal, a respected renewable energy expert, with diesel retrofit projects accomplished in the U.S. Virgin Islands, Anguilla, Bermuda, Hawaii, the Philippines and with the World Bank in Argentina and Indonesia.). He has been active in the field of renewable energy, and will speak to SCC about what other small islands, and island nations, have accomplished in integrating renewable energy into their systems. Also making a short presentation will be CNMI Homeland Security Director Marvin Seman on local initiatives underway to protect business and community should disaster occur. It all takes place at the Hyatt's Sandcastle, with the luncheon beginning at 11:30 a.m., and the meeting itself starting at 12 noon.