

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

First Regular

SESSION, 2025

S. B. NO. 24- 01

A BILL FOR AN ACT

To create a CNMI Term Pension Plan; and for other purposes.

BE IT ENACTED BY THE TWENTY-FOURTH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:

1 **Section 1. Findings and Purpose.** The Legislature finds that the Commonwealth
2 government's retirement Defined Benefit Plan (DBP) has been closed to new employees
3 and a majority of the government employees have withdrawn from the DBP since 2013 in
4 order to protect the retirees' benefits and the CNMI government from bankruptcy. Today,
5 the only retirement program offered by the CNMI government is a voluntary defined
6 contribution plan which is inadequate to provide for the retirement needs of government
7 employees. The Legislature finds that it is necessary to create a new retirement program
8 to be known as the "CNMI Term Pension Program" for the benefit of those government
9 employees who were prior members of the DBP who voluntarily withdraw from the DBP
10 to save the CNMI Government from bankruptcy and the retirees from losing their
11 retirement benefits.

12 The Legislature further recognizes those active government employees who
13 voluntarily withdrew from the DBP to protect the retirees' benefits and the CNMI
14 government's solvency lost their right to withdraw the government's employer
15 contributions to keep the DBP afloat. At that time, the employer contributions of 37.39%
16 was a substantial amount and a financial loss to those active government employees that
17 withdrew from the Defined Benefit Plan. The Legislature acknowledges the CNMI
18 government resolved its obligations to the retirees in the Defined Benefit Plan through an
19 agreement with the NMI Settlement Fund. The Settlement Agreement's primary purpose

1 was to guarantee that the government retirees received at least 75% of their existing
2 retirement benefits.

3 The Legislature finds that in consideration and in all fairness for those active
4 government employees who sacrificed their future retirement benefits for the continuity of
5 retirement payments to existing retirees in the DBP, this legislation proposes to create a
6 CNMI Term Pension Plan for employees of the executive, legislative, and judicial branches
7 of the Commonwealth government. The Legislature further finds that in addition to
8 employee contributions and budget allocations, additional funds can be collected and
9 deposited into the CNMI Term Pension Plan from the CNMI government's right to collect
10 deficient employer contributions for the all employers including all government public
11 corporations and autonomous agencies pursuant to Section 8.1 of the Settlement
12 Agreement. Moreover, the Legislature may further appropriate funds necessary to
13 implement and administer the CNMI Term Pension Plan.

14 **Section 2. Enactment.** Title 1, Division 8, Part 3 of the Commonwealth Code is
15 hereby amended by adding a new chapter 13 to read as follows:

16 **“Chapter 13. Commonwealth of the Northern Mariana Islands**
17 **Term Pension Plan.**

18 **Article 1. General Provisions.**

19 **§84101. Short Title.** This part may be cited as the “Commonwealth of the
20 Northern Mariana Islands Term Pension Plan Act of 2025.”

21 **§84102. Purpose.** The purpose of this chapter is to provide a short term retirement
22 security benefit known as the Term Pension Plan. Term Pension is a retirement program
23 designed to bridge the gap between when a person retires and the age when a person reaches
24 full retirement age with the Social Security Administration. The minimum retirement age
25 is established at Age 55. Term pension is offered at a shortened period of fifteen (15) years
26 not to exceed age 70 and terminates upon the death of the annuitant, whichever comes first.
27 At the same time the annuitant would have met their full retirement age eligibility to qualify
28 with Medicare Part A and Part B and Part D of the Social Security Administration.

1 Table 1 below illustrates an individual's full retirement age (FRA) is. This Table
 2 1 reflects the age at which eligible members can collect full benefits to which they are
 3 entitled, based on their work history. Term Pension terminates once the member reaches
 4 age 70 bridging the gap for every year beyond the FRA that they delay starting to collect
 5 their Social Security allowing their retirement benefits to grow by 8%.

Table 1. Full Retirement Age with Social Security

Birth Year	Full Retirement Age	Term Pension terminates at Age
1937 or earlier	65	70
1938	65 and 2 months	70
1939	65 and 4 months	70
1940	65 and 6 months	70
1941	65 and 8 months	70
1942	65 and 10 months	70
1943-1954	66	70
1955	66 and 2 months	70
1956	66 and 4 months	70
1957	66 and 6 months	70
1958	66 and 8 months	70
1959	66 and 10 months	70
1960 and later	67	70

6 Term Pension uses a predetermined fixed formula to calculate the amount of an
 7 employee's future benefit. The most common type of formula is based on the employee's
 8 terminal earnings. Under this formula, benefits are based on a percentage of average
 9 earnings during a specified number of years at the end of a worker's career. Under the
 10 Term Pension Plan, the calculation shall be 65% of the total average of the highest three
 11 earnings out of the last 25 years of a worker's career.

12 The Table below will help members understand how the Term Pension members
 13 annuity will be calculated upon reaching the minimum retirement Age of 55 but not more
 14 than 70 and the maximum vested service.

Table 2. Term Pension Calculation Applicability (Example 1)

	Highest 3 Earnings	Earnings 1	Earnings 2	Earnings 3
	2015	\$ 15,080.00	\$ 70,000.00	\$ 130,000.00
	2018	\$ 15,080.00	\$ 70,000.00	\$ 130,000.00
	2020	\$ 15,080.00	\$ 120,000.00	\$ 130,000.00
	Total	\$ 45,240.00	\$ 260,000.00	\$ 390,000.00
	Average of 3 highest	\$ 15,080.00	\$ 86,666.67	\$ 130,000.00
	Term Pension @ 65%	\$ 9,802.00	\$ 56,333.33	\$ 84,500.00
	Term Pension Cap (min. \$5,000 - max. \$60,000)	\$ 9,802.00	\$ 56,333.33	\$ 60,000.00
Vested Service	Percentage of Vested Service			
1	25%	2,450.50	14,083.33	15,000.00
2	55%	5,391.10	30,983.33	33,000.00
3	75%	7,351.50	42,250.00	45,000.00
4	90%	8,821.80	50,700.00	54,000.00
5	100%	9,802.00	56,333.33	60,000.00

1 **§84103. Definitions.** In this part, unless the context otherwise requires, words and
2 phrases shall have the following meanings:

3 (a) “Accumulated contributions” means the sum of all the amounts paid by, or
4 deducted from the compensation of a member and credited to their individual account
5 together with regular interest thereon.

6 (b) “Accrued benefits” means financial benefits earned by a member that are
7 attributable to past services. It does not include benefits projected to arise on account of
8 future services.

9 (c) “Annuitant” means any person in receipt of a benefit payable from the Northern
10 Mariana Islands Term Pension Plan.

11 (d) “Average annual salary” means the average of the three highest annual salaries
12 received by a member during the member’s years of membership service of \$5,000,
13 whichever is greater.

14 (e) “Beneficiary” means the recipient of any benefit from the system or, as the
15 context may indicate, the natural person or persons designated by a member to receive the
16 benefits payable in the event of his or her death.

1 (f) "Custodian" means any agent who is qualified and has assumed the
2 responsibility for the physical possession of Plan assets.

3 (g) "Member" means a Term Pension member. A member who retires or otherwise
4 terminates employment shall remain a member so long as he or she retains a right to any
5 benefits from the Plan.

6 (h) "Membership service" means service rendered on or after becoming a member
7 of the Plan for which contributions have been paid by the member.

8 (i) "Notice of Intent" means a document completed by interested public sector
9 employees who chose to voluntarily participate to become members of the Term Pension
10 Plan.

11 (j) "Regular interest" means the interest rate as fixed by the Plan custodian.

12 (k) "Salary" means salary paid to an employee for services including payment for
13 annual leave, sick leave, holiday pay, differential, typhoon pay differential and overtime
14 pay, and any kind of bonus salary.

15 (l) "Service" means actual employment by the government as an employee for
16 salary or compensation measured in calendar years of portions thereof, and creditable
17 service provided for in N.M.I. Constitution Art. II, Sec.20(b), and as herein provided.

18 (m) "Settlement Agreement" means the Stipulation and Agreement of Settlement
19 between the Betty Johnson Class Action and the CNMI Government in the NMI District
20 Court Case, Civil Action No. 09-00023.

21 (n) "Spouse" means the person to whom an individual is legally married.

22 (o) "Term Pension" means a retirement program designed to bridge the gap
23 between when a person retires and the age when a person reaches full retirement age with
24 the Social Security Administration. A term Pension program is offered for a period not to
25 exceed 15 years and terminates upon the death of the annuitant, whichever comes first.

26 (p) "Term Pension member" means employees of the government within all
27 branches, departments and agencies who have filed a notice of intent to become Term
28 Pension members and eligibility certified by the Office of Personnel Management and
29 concurred by the Department of Finance.

1 (q) "Term Pension Plan" or "Plan" means the Commonwealth Northern Mariana
2 Islands Term Pension Plan.

3 (r) "Vested accrued benefits" means accrued benefits to which a non-forfeitable
4 interest of a Pension plan member has attached, as provided by law.

5 **Article 2. The CNMI Term Pension Plan.**

6 **§84104. The Commonwealth of the Northern Mariana Islands Term Pension**
7 **Plan; Establishment; Management; Deposits.**

8 (a) *Establishment.* There is established in the Department of Finance a pension
9 plan for the employees of the executive, legislative and judicial branches of the government
10 of the Commonwealth of the Northern Mariana Islands to be known as the
11 "Commonwealth of the Northern Mariana Islands (CNMI) Term Pension Plan".

12 (b) *Management.* The Commonwealth of the Northern Mariana Islands Term
13 Pension Plan shall be administered within the Executive Branch under the Department of
14 Finance as a public program of the government of the Commonwealth of the Northern
15 Mariana Islands. The Secretary of the Department of Finance shall be the administrator of
16 the CNMI Term Pension Plan.

17 (c) Powers of the Administrator.

18 (1) To maintain and operate a CNMI Term Pension Plan for the employees
19 of the executive, legislative and judicial branches of the Commonwealth.

20 (2) To protect the financial integrity of the plan, and to commission
21 professional studies, if deemed necessary, to manage and recommend changes to
22 the plan.

23 (3) To employ, retain or contract with individuals or organizations for their
24 services as qualified managers and specialists.

25 (4) To provide for financial controls and the installation of a system of
26 accounts and records which will give full effect to the requirements of this act; to
27 adopt all necessary actuarial tables to be used in the operation of the program; and
28 to provide for the compilation of statistical and financial data as required for
29 actuarial valuations, periodic surveys and calculations.

(5) Engage the Public Auditor or an independent certified public accountant designated by the Public Auditor to conduct an annual audit of the plan in a form acceptable to the Public Auditor.

(6) As soon as possible after the close of each fiscal year, send to the governor and the legislature an annual statement on the operations of the plan in a format acceptable to them.

§ 84105. Term Pension Plan Deposits.

(a) In General. The administrator is authorized to establish and manage a special account separate from the general fund to be known as the “CNMI Term Pension Trust Fund”.

(b) The administrator is authorized to collect the CNMI government’s right to collect deficient employer contributions from all employers including all government public corporations and autonomous agencies pursuant to Section 8.1 of the Settlement Agreement. The funds collected in this section may be used for the administration of the CNMI Term Pension Plan.

(c) Payment. Each participating government department, agencies, under the Executive, Legislative and Judicial Branches shall allocate and contribute 10 percent from their annual budget to defray the costs associated with their Term Pension Plan members. The contribution shall automatically be drawn by the Secretary of Finance on the 10th and the 20th of each month to ensure timely Term pension payments are made to participating members.

Article 3. Participation and Membership in the Term Pension Plan.

§84106. Participation in the Term Pension Plan.

(a) Participation in the Term Pension Plan is available to existing employees of the Commonwealth Government within the Executive, Legislative and Judicial Branches, its departments and agencies.

(b) Government Corporations, semi-autonomous agencies, instrumentalities and separate political subdivisions participation in the CNMI Term Pension Plan is voluntary and may choose to establish and administer their own Term Pension Plan or mirror a

1 methodology similar to the Commonwealth Government which shall be promulgated and
2 adopted by their respective Board or governing body.

3 **§ 84107. Membership in the Term Pension Plan.**

4 (a) *Existing employees under 55 years of age.* Existing government employees
5 within the Commonwealth Government under the Executive, Legislative and Judicial
6 Branches, its departments and agencies shall require interested existing employees to file
7 a notice of intent to become Term Pension Plan members within 60 days of the effective
8 date of this Act. Participation is not mandatory, but optional and voluntary for interested
9 public sector employees within the Executive, Legislative and Judicial Branches, its
10 departments and agencies.

11 (b) *Existing employees age 55 or more.* Upon the effective date of this Act, all
12 eligible employees who will have reached age 55 or more on or before December 31, 2025,
13 were prior members of the defined benefit plan and have contributed a minimum of 25
14 years of service within the Commonwealth Government under the Executive, Legislative
15 and Judicial Branches, its departments and agencies, shall automatically become vested
16 members of the Term Pension Plan provided they have filed their Notice of Intent to
17 become Term pension members within 60 days on the effective date of this Act; and
18 provided further, that automatically vested members contribute into the Plan the sum of
19 not less than 10% of their predetermined annuity compensation continuously and thereafter
20 until they reach Age 70 when their Term Pension eligibility terminates or upon death.

21 (c) *New employees – effective date.* Notwithstanding any other provisions of law
22 or this Term Pension Plan, new employees have the option to become members of the Term
23 Pension Plan effective upon completion of the 180 days of the effective date of
24 employment and upon filing their Notice of Intent to become members.

25 **§84108. Term Pension Plan Membership: Ineligible persons.** The following
26 are identified as not eligible for membership:

- 27 (a) Persons whose services are compensated on a fee basis.
28 (b) Independent contractors.
29 (c) Persons whose employment is for a specific project.

1 (d) Employees who have reached Age 70 or more.

2 (e) Settlement Fund members.

3 (f) Eligible employees who failed to file their notice of intent to become Term
4 pension members within 60 days of the effective date of this Act.

5 **§ 84109. Employee Contributions.**

6 (a) Automatically vested employees who have filed their Notice of Intent within
7 60 days of the enactment of this legislation shall contribute into the Plan the sum of not
8 less than 10% of their semi-monthly compensation and credited to their individual account
9 together with regular interest thereon.

10 (b) Other employees who have filed their Notice of Intent shall contribute into the
11 Plan the sum of not less than 10% of their bi-weekly compensation and credited to their
12 individual account together with regular interest thereon.

13 **Article 4. Term Pension Benefits.**

14 **§84110. Retirement Benefits for Term Pension Members.**

15 (a) *Term Pension Benefits Cap.* Retirement benefits for participating Term Pension
16 members shall be capped annually at no less than \$5,000.00 and not more than \$60,000.

17 (b) *Term Pension Benefits Effective Date.* Term Pension benefits for participating
18 members shall effectuate beginning at Age 55 but not more than Age 70.

19 (c) *Vested employee.* A Term Pension member who is at least 55 years of age and
20 who has 25 years of government service shall automatically be vested and shall be eligible
21 to retire on a service retirement annuity upon certification by the Secretary of Finance and
22 in concurrence with the Office of Personnel Management. Such members shall receive an
23 annual annuity to be paid semi-monthly upon retirement calculated as follows:

24 (1) For Term Pension members retiring with 25 years or more of
25 contributing service to the Commonwealth Government within the Executive,
26 Legislative and Judicial Branches, its departments and agencies, the annuity shall
27 be at 65 percent of the total average of the highest three earnings out of the last 25
28 years or more of a worker's career not to exceed the Term Pension cap of \$60,000,
29 upon enrollment into the Term Pension Plan.

1 (2) Notwithstanding the foregoing, in no event shall the annual annuity of
2 any member entitled to retirement benefits be less than \$5,000.00.

3 (d) Except as provided in § 84107(b), existing employees who voluntarily opted to
4 become a member of the Term Pension Plan may retire upon reaching Age 55 and based
5 on the contributed percentage of vested service.

6 (e) Term Pension members and participating spouses are eligible for Group Health
7 Insurance coverage provided by the government; provided further, the participating
8 member pays for their membership coverage in order to qualify for the employer share of
9 contributions.

10 (f) Term Pension members shall be eligible for Group Life Insurance coverage
11 provided by the government; provided further, the participating member pays for their
12 membership coverage in order to qualify for the employer share of contributions.

13 (g) *Term Pension Benefit Payment Effective Date.* Term Pension benefit payments
14 for qualified retired members shall effectuate beginning on January 1, 2026.

15 **§84111. Spousal Benefits.**

16 A spouse of a participating Term Pension member is not eligible to receive a
17 spousal annuity under this plan; however, they are eligible to be enrolled under the Term
18 Pension member's eligibility into the Group Health Insurance government provider
19 program; provided further, the Term Pension member pays for the membership coverage
20 of the Plan he/she is enrolled in order to qualify for the employer share of contributions.
21 The spousal coverage under the Group Health Insurance program shall terminate when the
22 Term Pension member's eligibility terminates upon reaching age 70 or upon death.

23 **§84112. Benefits: Refund on Separation.**

24 (a) *Separation.* Employees who are members of the Term Pension Plan within 90
25 days of separation from the government shall be refunded at 25 percent of their employee
26 contribution and shall be prohibited from re-enrollment back into the Plan;

27 (b) The participating Term Pension member's separation from the government
28 shall automatically forfeit the employer's contribution deposited to the Term Pension Plan
29 on behalf of the individual.

(c) *Survivor Benefits.* Survivors of employees who are members of the Term Pension Plan whose membership terminates due to death prior to receiving their Term Pension annuity shall be entitled to the employee's contribution to the Plan; provided, the Survivors are identified as beneficiaries of the contributing Term Pension member; and provided further, that the employer contribution shall be forfeited upon death of a contributing member which shall remain deposited with the Term Pension Plan."

Section 3. Amendment. 1 CMC § 8456 is hereby amended to read as follows:

"§ 8456. Membership in Defined Contribution Plan; Limiting Participation in the Defined Benefit Plan.

Beginning on the effective date determined under § 8454, and to the fullest extent permitted by law, the Northern Mariana Islands Public Employees' Defined Contribution Retirement Plan shall be one of two ~~the single~~ retirement programs offered by the Commonwealth for all employees whose first time CNMI government employment commences on or after that date. Unless otherwise provided by federal law and § 8457, first time new public employees who are hired on or after the effective date determined under § 8454 shall be enrolled in the Defined Contribution Plan. A public employee who was previously a member of the defined benefit plan and who has an interruption in government service but has not received any retirement benefits from the defined benefit plan, including but not limited to contributions withdrawals, shall be reinstated to the defined benefit plan by written request upon being rehired as a public employee if that rehiring occurs within five years of the termination date of the employee's most recent CNMI government employment and that employee meets the requirements of this Chapter. Class I and Class II members of the Northern Mariana Islands Retirement Fund whose employment continues on or after the effective date determined under § 8454, shall continue to contribute and participate in the defined benefit plan without change in provisions or benefits, unless such members meet the conditions for transfer that are required under § 8458. In all cases where a question exists as to the readmission to membership in a retirement plan, the Administrator shall decide the question with the assistance of the plan's legal counsel. An employee who participates in the defined

1 contribution plan may not concurrently participate in the defined benefit plan with respect
2 to their employment.”


3 **Section 4. Severability.** If any provision of this Act or the application of any such
4 provision to any person or circumstance should be held invalid by a court of competent
5 jurisdiction, the remainder of this Act or the application of its provisions to persons or
6 circumstances other than those to which it is held invalid shall not be affected thereby.

7 **Section 5. Savings clause.** This Act and any repealer contained herein shall not be
8 construed as affecting any existing right acquired under contract or acquired under statutes
9 repealed or under any rule, regulation or order adopted under the statutes. Repealers
10 contained in this Act shall not affect any proceeding instituted under or pursuant to prior
11 law. The enactment of this Act shall not have the effect of terminating, or in any way
12 modifying, any liability, civil or criminal, which shall already be in existence at the date
13 this Act becomes effective.

14 **Section 6. Effective Date.** This Act shall take effect upon its approval by the
15 Governor or becoming law without such approval.

Prefiled:

Date: 1/13/2025

Introduced By: 

Sen. Jude U. Hofschneider

Reviewed for Legal Sufficiency by:



Senate Legal Counsel