

TRUST TERRITORY OF THE PACIFIC ISLANDS
OFFICE OF THE HIGH COMMISSIONER
SAIPAN, MARIANA ISLANDS 96950

CABLE ADDRESS
RHCOTT SAIPAN

01
—
4

August 14, 1975

Mr. Fred M. Zeder
Director
Office of Territorial Affairs
Department of the Interior
Washington, D.C. 20240

Dear Mr. Zeder:

The Ad Hoc Committee is continuing to work on identification of problems incident to the prospective transfer of the Northern Marianas Social Security Fund from the Trust Territory Fund to the U.S. Treasury as provided in Section 606 of the Covenant.

For your information we are enclosing copies of three recent self-explanatory memoranda prepared by Trust Territory Actuarial Consultant Robert J. Myers commenting in detail on Section 606 of the Covenant and suggesting procedures for the transfer of funds.

In a meeting held on August 13, 1975, of the Ad Hoc Committee, Social Security representatives, and Mr. Myers, we discussed additional items which we feel merit your attention. The question was raised as to whether there will be any immediate need to transfer the funds to the U.S. Treasury upon approval of the Covenant. Social Security representatives pointed out that a precipitate transfer might adversely affect the current worth of the Social Security investment fund. Mr. Myers suggested the use of a memorandum of understanding between the Trust Territory Social Security Board and the U.S. Treasury and/or the U.S. Social Security Administration indicating agreement on a total transfer amount, providing for an initial payment, and balances, all with interest, to be paid over an agreed period of time. This would provide an orderly method of freeing investment funds with an opportunity for the least loss to the two funds.

We request that this request be explored with the U.S. Treasury.

Mrs. Effie Sparling, of the staff of the Attorney General, introduced the problem of the employee in private industry in the Marianas, not a Marianas citizen, and consequently not eligible for U.S. citizenship status under Commonwealth status, who must pay taxes into the Trust Territory system when not actually living within the Trust Territory.

2
Under present Trust Territory law there is no legal mechanism for requiring a private employer in the Marianas to pay taxes into the Trust Territory system on a Trust Territory citizen employee. To take care of this situation, it is conceivable that the Marianas Legislature could require that the private employee pay the tax to the Marianas Government, with subsequent disbursement into the Trust Territory Fund, a somewhat cumbersome procedure. The further problem arises as to the citizenship of the employee, a constantly recurring problem in the Trust Territory. Actually, citizenship of each and every employee paying into the Fund must be determined prior to transfer of the funds to the U.S. Treasury. This is often difficult.

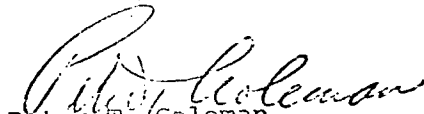
A practicable solution, to which we alluded in our dispatch TTPI No. 323, would be to negotiate a management agreement with the U.S. Treasury and/or the U.S. Social Security Administration for the existing Trust Territory organization to administer both funds under the existing system, with separate accounting, until termination of the Trusteeship Agreement and the establishment of the Commonwealth. The above and related problems could be resolved during the transition period rather than prior to separation by leaving intact the existing administrative mechanism. Marianas interest in the management can be protected by enabling both Boards to meet concurrently when necessary.

You may be interested in the attached copy of an estimated cost of administering the Marianas Fund under separate administration and under joint management, prepared by the Social Security Office.

To summarize, we ask that you arrange to explore with the U.S. Treasury the feasibility of negotiating (1) a memorandum of understanding to effect the Funds transfer amount, and (2) a management agreement for the maintenance by the Trust Territory Social Security Administration of the Marianas Fund under one system with the Trust Territory Fund, with separate accounting, until termination of the Trusteeship Agreement and Commonwealth status.

I might add that Mrs. Effie Sparling of the Attorney General's Office indicated she would be glad to discuss this with you shortly while in Washington on home leave.

Sincerely yours,


Peter T. Coleman
Deputy High Commissioner

Enclosures

14877