NORTHERN MARIANA ISLANDS RETIREMENT FUND
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July 19, 1995

Honorable Felix R. Nogis
Chairman
Committee on Executive Branch and Local Government
Third Constitutional Convention, Capital Hill
Saipan MP 96950

Dear Mr. Chairman:

We have reviewed your committee's revised Report No. 2: Article III (Executive Branch) and accordingly agree with the conclusions. For your information, Section 19 dealing with the retirement system was formulated by Delegate Aldan and myself with the assistance of our respective legal counsels as a compromise proposal. This was done at the direction of your committee.

Section 19 is an excellent compromise that would grant constitutional protection to the assets of the Fund without constitutionalizing the Fund itself. However, the last sentence in Section 19 would provide tax relief to retirees so that they will not be subject to the current tax laws. We believe this is a legislative matter and should be left out of Section 19. On the one hand, the tax law in effect at December 31, 1994 is no longer in the books. It seems to us that it is not appropriate to include a constitutional language resurrecting a statute that no longer exists by a mere reference to it. On the other hand, not all retirees can be considered "helpless" or "poor" because many of them are highly compensated and could afford to pay their fair share of the tax burden. It is also true that there are many retirees who may not afford to pay taxes under current laws because their pensions are at or near the minimum level. In order to bring about fairness in the tax treatment of retirees this matter should be left to the legislature to address. Accordingly, we recommend deleting the last sentence in Section 19.

We hope that the committee makes no further changes to the proposal other than the above recommendation. We encourage the Convention to support the proposal as recommended.

Sincerely,

Edward H. Manglona
Administrator

xc: Board of Trustees