

NINETEENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

THIRD SPECIAL SESSION, 2015

S. B. NO. 19-44

A BILL FOR AN ACT

To amend 1 CMC §§ 8459(a) and 8460(a) to require employers to contribute 4 percent of an employee's compensation if an employee contributes at least 4 percent to the employee's Defined Contribution Plan individual account; and for other purposes.

BE IT ENACTED BY THE NINETEENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1 **Section 1. Findings and Purpose.** The Legislature finds that Public Law 15-13,
2 the Defined Contribution Plan Act of 2006 (DC Plan), was enacted to substitute the
3 Northern Mariana Islands (NMI) Retirement Fund retirement plan, which was on the
4 verge of bankruptcy and financial collapse. The DC Plan was the new government
5 retirement plan for all government employees hired after June 2006. The DC Plan
6 authorized the establishment of portable individual retirement accounts, or 401 k plans,
7 for all new public employees. The DC Plan mandated all new government employees to
8 contribute 10 percent of their compensation to their 401 k accounts and the employers to
9 contribute 4 percent of the employee's compensation to the employee's 401k account.

10 After the collapse of the NMI Retirement Fund, the Legislature enacted Public
11 Laws 17-79 and 82 to express the intent of the Commonwealth of the Northern Mariana
12 Islands to have the insurance system established by Title II of the Social Security Act
13 extended to the elected officials and employees of the Commonwealth of the Northern
14 Mariana Islands and its political subdivisions and instrumentalities as provided in 26
15 USC §3103 and §3111 and to mandate all government employees to participate in the
16 social security program. The government's participation in the U.S. Social Security

1 program was intended to reduce the operating expenses of the government and helped
2 ensure a stable retirement for the people of the Commonwealth.

3 The Legislature finds, however, that all retirement experts agree that relying
4 solely on social security benefits is not enough to sustain the needs and requirements of
5 most retirees. These experts encourage employers and employees to invest in
6 supplemental retirement accounts to ensure stable and sufficient retirement for the
7 people. Based on this premise, the legislature enacted Public Law 17-82, to maintain the
8 Defined Contribution Plan but make it voluntary rather than mandatory. Pursuant to the
9 law, government employees may maintain their current 401k plans and other employees
10 may establish new 401 k accounts and contribution any percentage of their compensation
11 to their 401ks. However, the employer contribution of 4 percent was only mandated if
12 employees contributed at least 10 percent of their compensation under Public Law 17-82.

13 The Legislature finds that employers should contribute 4 percent of employees'
14 contributions if such employees contribute at least 4 percent of their compensation in
15 order to ensure a stable retirement for the people of the Commonwealth. Employers have
16 an obligation to provide stable and sufficient retirement benefits to its employees. The
17 Legislature further finds that employers in the private sector invest in their employees by
18 matching the employee's 401k contributions. Moreover, the federal government requires
19 employers and employees to pay matching contributions of 6.2% to social the social
20 security program. The Commonwealth government employers should provide their
21 employees with the same retirement benefits. It is not reasonable to require government
22 employees to first contribute 10 percent of their compensation to their 401 k account
23 before the employer contributes 4 percent, which is also less than the 10 percent
24 employee contribution. Most 401ks were intended to have employer and employee
25 matching contributions. Furthermore, even if the Commonwealth employers contribute 4
26 percent to all qualified 401 k accounts, the employers would still realize a tremendous
27 savings in retirement contributions because instead of paying 37 percent to the NMI
28 Retirement Fund, employers are only contributing 6.2 percent to the Social Security Plan

1 and 4 percent to the DC Plan for a total of 10.2 percent. That's an annual savings of 26.8
2 percent of the employer's previous retirement contribution payments. Accordingly, the
3 purpose of this legislation is to require government employers to contribute 4 percent of
4 an employee's compensation if the employee contributes at least 4 percent to the
5 employee's Defined Contribution Plan or 401k individual account.

6 **Section 2. Amendment.** 1 CMC § 8459(a), as amended, is hereby amended to
7 read as follows:

8 **“§ 8459. Members’ Contributions; Mandatory Voluntary.**

9 (a) Each member shall may contribute to the member's individual account any
10 amount equal to ten percent of the member's compensation during the calendar year or a
11 shortened year determined from the date of the first pay period commencing after the date
12 on which the employee became a member of the plan. The maximum amount of annual
13 contribution is subject to the limits established by the Internal Revenue Service.”

14 **Section 3. Amendment.** 1 CMC § 8460(a), as amended, is hereby amended to
15 read as follows:

16 **“§ 8460. Employer Contributions.**

17 (a) An employer shall contribute to each member's individual account an amount
18 equal to 4 percent of the member's compensation only if the member contributes at least 4
19 percent of the member's compensation during the calendar year or a shortened year
20 determined from the date of the first pay period commencing after the date on which the
21 employee became a member of the plan. If an employee contributes more than 4 percent
22 of the member's compensation, the employer contribution shall remain 4 percent.”

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

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

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

Date: 05/04/15

Introduced By: /s/

Sen. Sixto K. Igisomar

Reviewed for Legal Sufficiency by:

Senate Legal Counsel