

# SAIPAN CHAMBER OF COMMERCE

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January 23, 2009

The Honorable Arnold I. Palacios  
Speaker, House of Representatives  
16th Northern Marianas Commonwealth Legislature  
Saipan, MP 96950

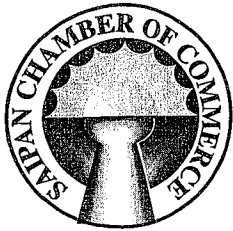
Re: House Bill No. 16-201

Dear Mr. Speaker:

Thank you for the opportunity to comment on House Bill 16-201, to establish a government service severance package. The Saipan Chamber of Commerce's Government Relations Committee, co-chaired by Alex Sablan and Mike Johnson, has reviewed and discussed the bill. The Chamber disagrees with the intent of H.B. 16-201, and urges your committee to recommend that it be rejected by the House of Representatives.

The bill acknowledges that "[a]s many as 300 government employees are now eligible to retire but will not be permitted to retire until the government pays its contribution to the NMI Retirement Fund" and also acknowledges the financial insolvency of the Commonwealth government. The bill then proposes a scheme that would cost the government *more* than if the necessary contributions to the NMIRF were made, which would enable those desiring to do so to obtain retirement benefits. We do not understand how any elected official could contemplate a program that would cost our government an unnecessary and significant amount of money, as this bill would.

Under the provisions of this bill, those 300 employees currently eligible for retirement would receive maximum severance payments of \$40,000 per individual (which additional lump-sum income, incidentally, would likely subject a number of recipients to a higher effective tax rate). If an eligible employee's NMIRF contribution deficiency is \$10,000, that individual would be paid approximately \$30,000 in excess of the amount currently necessary for the government pay in order for that individual to be eligible to receive retirement benefits. Our government is not in a financial position to justify such boundless generosity.



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Page 2 of 2

If there exists, in this time of economic crisis, excess funds in the amount of \$7 million, as speculated in Section 4 of the bill, we suggest that the government use those monies to pay down some of its long overdue obligations to the Retirement Fund. We also note that the cost of this "severance package" scheme is likely to be far in excess of \$7 million, and question how the government would fund the excess obligations. If, for example the 300 currently eligible employees (forgetting for the moment the additional classes of eligible employees that would be newly created by virtue of Sections 3(a)(1) and (2) of the bill) opted to take advantage of the provisions of this bill and each of those long-term employees salary was only \$20,000 per year, the cost of just making the two-year lump-sum salary payments would be \$12,000,000. That figure does not include the amounts needed to fulfill the obligation under Section 3(b)(2) that the government remit full payment of the employer retirement contribution, including past deficiencies, for each of those individuals.

We cannot comprehend how a government that is currently unwilling or unable to make the minimum payments necessary to allow eligible employees to retire and receive benefits believes that it can, or should, make those minimum payments in addition to awarding cash bonuses to people who would otherwise not receive such windfalls. We urge the government to (1) make the minimum payments necessary to allow for eligible employees to retire, (2) decrease your payroll, and (3) not hand out unnecessary cash bonuses. This bill is exactly the sort of "overly generous benefit package" that is decried in the first paragraph of its own "Findings and Purpose."

I would be happy to answer any questions you have or provide any information you may need with regard to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Arenovski".

James T. Arenovski  
President