NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND

(Component Units of the CNMI Government)

REPORTS ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Years Ended September 30, 2009 and 2008

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH & LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

TABLE OF CONTENTS
September 30, 2009

		Page(s)
I.	NORTHERN MARIANA ISLANDS RETIREMENT FUND	
	Independent Auditor's Report on Financial Statements	1-2
	Management's Discussion and Analysis	3-10
	Financial Statements	
	Statements of Plan Net Assets Available for Benefits	11
	Statements of Excess Accumulated Plan Benefits over Plan Net Assets Available for Benefits	12
	Statements of Changes in Plan Net Assets Available for Benefits	13
	Notes to Financial Statements	14-51
	Required Supplementary Information	
	Schedule of Funding Progress – Defined Benefit Plan	52
	Schedule of Employer Contribution - Defined Benefit Plan	53
	Notes to Required Supplementary Information	54
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55-56
	Schedule of Findings	57-62
	Status of Prior Year Findings	63
II.	WORKERS' COMPENSATION COMMISSION	
	Independent Auditor's Report on Financial Statements	64-65
	Management's Discussion and Analysis	66-71
	Financial Statements	
	Statements of Fiduciary Net Assets	72
	Statements of Changes in Fiduciary Net Assets	73
	Notes to Financial Statements	74-81
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	82-83
	Schedule of Findings	84-86
	Status of Prior Year Findings	87

NORTHERN MARIANA ISLANDS
RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH & LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

TABLE OF CONTENTS
September 30, 2009

		Page(s)
III.	GROUP HEALTH AND LIFE INSURANCE TRUST FUND	
	Independent Auditor's Report on Financial Statements	88-89
	Management's Discussion and Analysis	90-95
	Financial Statements	
	Statements of Fiduciary Deficit Fund Balances	96
	Statements of Changes in Fiduciary Deficit Fund Balances	97
	Notes to Financial Statements	98-104
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	105-106
	Schedule of Findings	107
IV.	STATISTICAL SECTION	108-114

NORTHERN MARIANA ISLANDS RETIREMENT FUND

(Component Unit of the CNMI Government)

REPORTS ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Years Ended September 30, 2009 and 2008

J. Scott Magliari & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Northern Mariana Islands Retirement Fund

I have audited the accompanying statements of plan net assets available for benefits of the Northern Mariana Islands Retirement Fund (NMIRF or the Fund), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 2009 and 2008 and the related statements of changes in plan net assets available for benefits for the years then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the statements of plan net assets available for benefits, as of September 30, 2009 and 2008, and the related statements of changes in plan net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2010 on my consideration of the Northern Mariana Islands Retirement Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audits.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements and is the responsibility of the Fund's management but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of NMIRF's management. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The statistical tables supplementary information are presented for purposes of additional analysis, are not a required part of the basic financial statements and are the responsibility of NMIRF's management. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2009 and 2008

This section presents Management's Discussion and Analysis (MD&A) of the financial activities of the Northern Mariana Islands Retirement Fund (NMIRF or the Fund) as a narrative overview for the years ended September 30, 2009 and 2008. Readers are encouraged to consider the information presented in conjunction with the letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS (DEFINED BENEFIT PLAN)

- Net assets held in trust for pension benefits as of September 30, 2009 and 2008 were $353,475,412 and $403,205,012, respectively, a decrease of $49,729,600 or 12.3% from fiscal year 2008.

- Total Additions, as reflected in the statements of changes in plan net assets available for benefits, were $44,339,462 and $651,489 for the years ended September 30, 2009 and 2008, respectively. Total additions increased by $43,687,973 year over year largely due to total contributions. However, note that $24,526,498 of these contributions were provisioned as uncollectable by the Auditor.

- Value of investments at market value declined from $380,251,947 in Fiscal Year 2008 to $332,308,037 in 2009, a net change of negative $47,943,910. Of this amount, $43,020,741 is attributable to drawdowns to cover shortfalls in funding payout obligations.

- Total deductions, as reflected in the statements of changes in plan net assets available for benefits, were $94,069,062 and $107,644,453 for the years ended September 30, 2009 and 2008, respectively. This is a decrease of $13,575,391, or 12.6%, largely due to a lower provision for uncollectible contributions in 2009 and to a smaller extent an increase in benefits payouts.

- The funded ratios (the ratio of net assets held in trust for pension benefits vs. total actuarial present value of accrued liability) based on the 2008 Actuarial Valuation Report were 39.3% at Fiscal Year End 2009, and 47.2% in 2008, respectively. This deterioration in funding level was due to a combination of a) the decline in value of net assets held in trust for pension benefits, and b) the increase in total actuarial present value of accrued liability.

- Actuarial present value of accumulated plan benefits as of October 1, 2008 and 2007 were $899,440,600 and $853,726,478 respectively. Of these liabilities $60,057,174 and $73,486,456, respectively, are the present value of non-vested benefits.

OVERVIEW OF FINANCIAL STATEMENTS

This section of the MD&A serves as an introduction to the basic financial statements. The NMIRF has three basic financial statements, the notes to financial statements, and three required supplementary schedules of historical trend information and actuarial assumptions. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board utilizing the modified accrual basis of accounting.

The first basic financial statements are the **Statements of Plan Net Assets Available for Benefits.** This is a snapshot of account balances at fiscal year end. These statements reflect assets available for future payments to retirees and their beneficiaries and liabilities owed as of fiscal year end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

The second basic financial statements are the **Statements of Excess Accumulated Plan Benefits over Plan Net Assets Available for Benefits.** This Statement reflects whether or not the plan net assets are sufficient to pay the present value of the accumulated plan benefits. Unlike private pension plans, the NMIRF as a public fund is not required to present this information but the Fund's management believe that due to its funding status, it is relevant to reflect how much NMIRF has in excess accumulated plan benefits over plan net assets available for benefits.

The third basic financial statements are the **Statements of Changes in Plan Net Assets Available for Benefits.** This Statement reflects all the activities that occurred during the year and shows the impact of those activities as additions or deductions to the Plan. The trend of additions versus deductions to the Plan will indicate whether NMIRF's financial position is improving or deteriorating over time.

The **Notes to Financial Statements** (Notes) are an integral part of the financial reports. The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, **Required Supplementary Information** is presented concerning NMIRF's progress in funding its obligation to provide benefits to system members. The schedule of funding progress includes historical trend information about the actuarially-funded status of the Plan and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer contributions presents historical trend information about the annual required contribution of the employers and the actual contributions made. The significant actuarial assumptions include the actuarial cost, amortization, and asset valuation methods, remaining amortization period, and assumptions regarding the investment rate of return, projected salary increase, wage inflation, and assumed post-retirement benefit increases. These schedules provide information to help promote understanding of the changes in the funded status of the Plan over time.

FINANCIAL ANALYSIS (DEFINED BENEFIT PLAN)

Assets and Funded Ratio

As of September 30, 2009 and 2008, Defined Benefit Plan (DB Plan) net assets available for pension benefits payouts were $353,475,412 and $403,205,012, respectively. These assets exceeded total liabilities for each of those years of $64,802,936, and $61,348,299, respectively. Net assets represent resources available for future payments. However, unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees.

	2009	2008	2007
Cash	$ 3,022,070	$ 1,823,049	$ 2,068,666
Receivable from employers, net	45,494,633	42,266,032	43,003,125
Other receivables	33,289,843	36,004,915	37,094,178
Investments	332,308,037	380,251,947	482,067,888
Capital assets, net	3,336,062	3,379,569	2,986,041
Other assets	822,163	822,163	822,163
Prepaid expenses	5,540	5,636	4,832
Total assets	418,278,348	464,553,311	568,046,893
Deferred revenues	61,887,075	58,714,384	55,772,433
Refunds payable	1,088,960	62,689	-
Other liabilities	1,826,901	2,571,226	2,076,484
Total liabilities	64,802,936	61,348,299	57,848,917
Net Assets	$ 353,475,412	$ 403,205,012	$ 510,197,976

NMIRF's independent actuary, Buck Consultants, an ACS company, performed an actuarial valuation as of October 1, 2008. That report indicated a funded ratio of 44.8% for that year and 59.8% in the prior year. This translates to a 25.08% deterioration in funded ratio mostly due to a decrease in market value of assets, and to a smaller extent an increase in the present value of accrued benefits.

An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member.

The purpose of the valuation is to determine what future contribution by the members and the membership employers is needed to pay all expected future benefits. The 44.8% funded ratio means that as of October 1, 2008 NMIRF has approximately 45 cents available for each dollar of anticipated future liability.

FINANCIAL ANALYSIS (DEFINED BENEFIT PLAN), Continued

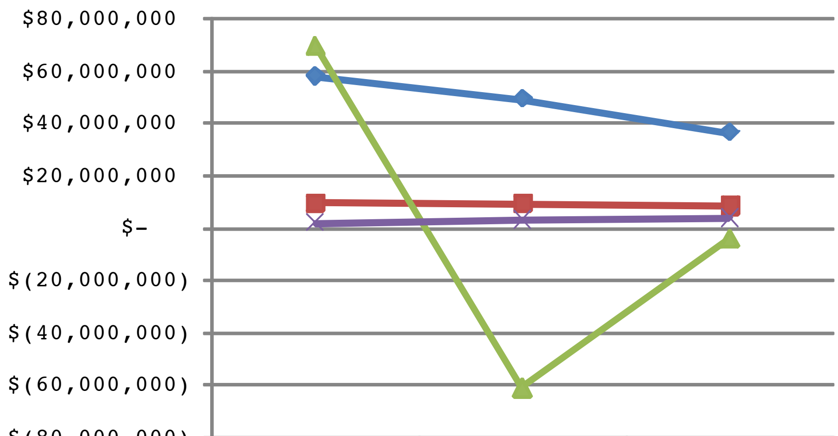
Changes in Net Assets

The following table presents the changes in the DB Plan net assets for the years ended September 30, 2009, 2008, and 2007, respectively.

	2009	2008	2007
Additions:			
Employer contributions	$ 36,329,773	$ 49,345,584	$ 58,127,114
Employee contributions	8,508,624	9,410,587	9,650,206
Net investment income (loss)	(4,302,790)	(61,279,992)	69,407,567
Other additions	3,803,855	3,175,310	2,086,624
Total additions	44,339,462	651,489	139,271,511
Deductions:			
Retirement benefits	55,201,281	54,522,953	51,615,969
Provision for uncollectible contributions	24,526,498	33,229,877	35,828,502
Refunds	4,841,691	5,554,957	5,278,316
Survivor benefits	5,738,051	5,283,650	4,962,681
Disability benefits	1,710,488	1,819,812	1,857,517
Transfers and rollovers	295,713	5,215,048	379,715
Death lump-sum distributions	62,291	55,827	57,895
Administrative expenses	1,693,049	1,962,329	1,781,430
Total deductions	94,069,062	107,644,453	101,762,025
Net increase (decrease) in net assets	(49,729,600)	(106,992,964)	37,509,486
Net asets held in trust for pension benefits, beginning of the year	403,205,012	510,197,976	472,688,490
Net asets held in trust for pension benefits, end of the year	$ 353,475,412	$ 403,205,012	$ 510,197,976

FINANCIAL ANALYSIS (DEFINED BENEFIT PLAN), Continued

Additions to Plan Net Assets



	2007	2008	2009
Employers contributions	$58,127,114	$49,345,584	$36,329,773
Employees contributions	9,650,206	9,410,587	8,508,624
Net investment income (loss)	69,407,567	(61,279,992)	(4,302,790)
Other additions	2,086,624	3,175,310	3,803,855

The primary sources to finance NMIRF retirement benefits are accumulated through employer and employee contributions, net investment income and other additions, which consist of rent and interest income. The penalty on unpaid contributions and CNMI appropriations are deferred using the modified accrual basis.

Employer Contributions declined by approximately $13 million or 26% to $36,329,773 in fiscal year 2009 from $49,345,584 in 2008. The decrease is due to certain autonomous agencies paying less than the required actuarial employer contribution rate of 37.3909%. In addition to the CNMI Government these agencies include:

- Commonwealth Utilities Corporation
- Public School System
- Northern Marianas College
- Commonwealth Ports Authority
- Tinian Mayors Office
- Tinian Youth Center
- Tinian Casino Gaming Commission
- Marianas Visitors Authority.

These agencies have been made aware of the deficient amounts and the NMIRF is intent on exhausting all possible means to collect all amounts due to the NMIRF.

FINANCIAL ANALYSIS (DEFINED BENEFIT PLAN), Continued

Additions to Plan Net Assets

Employee Contributions likewise decreased by $901,963 or 9% to $8,508,624 in 2009 from $9,410,587 in fiscal year 2008 due to the voluntary transfer of Class I DB Plan members to DC Plan.

Investments

Investment performance showed a loss 1.13% in 2009 versus a loss of 12.7% in 2008. The value of investments at market value declined from $380,251,947 in fiscal year 2008 to $332,308,037 in fiscal year 2009, a net change of negative $47,943,910. Of this amount; $43,020,741 is attributable to drawdowns to cover shortfalls in funding payout obligations. These shortfalls are the result of employers not paying at the actuarial determined rate.

Investments continue to be diversified among several asset classes and different strategies within each class. The two main asset classes in the strategic allocation are stocks and bonds, with 65% of the portfolio in stocks, 25% in bonds. The remaining 10% is allocated to alternative investments. The actual allocation varied throughout 2009 as the market values of investments changed daily but were kept within the ranges allowed in the Investment Policy Statement via drawdowns. Strategies that were determined to be most over allocated were targeted as the source of funding for each drawdown in to control risk by remaining close to the strategic allocation.

Other Additions increased by $628,545 compared to prior year primarily due to recognition of penalty for unpaid contributions.

FINANCIAL ANALYSIS (DEFINED BENEFIT PLAN), Continued

Deductions from Plan Net Assets

	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
Deductions:						
Retirement benefits	$ 55,201,281	58.7%	$ 54,522,953	50.7%	$ 51,615,969	50.7%
Provision for uncollectible contributions	24,526,498	26.1%	33,229,877	30.9%	35,828,502	35.2%
Refunds	4,841,691	5.1%	5,554,957	5.2%	5,278,316	5.2%
Survivor benefits	5,738,051	6.1%	5,283,650	4.9%	4,962,681	4.9%
Disability benefits	1,710,488	1.8%	1,819,812	1.7%	1,857,517	1.8%
Transfers and rollovers	295,713	0.3%	5,215,048	4.7%	379,715	0.3%
Death lump-sum distributions	62,291	0.1%	55,827	0.1%	57,895	0.1%
Administrative expenses	1,693,049	1.8%	1,962,329	1.8%	1,781,430	1.8%
Total deductions	$ 94,069,062	100.0%	$ 107,644,453	100.0%	$ 101,762,025	100.0%

The primary uses of NMIRF's assets include the payment of benefits to members and their beneficiaries, refund of contributions by those leaving government service, and the cost of administering the Plan. For the years ended September 30, 2009, 2008 and 2007, deductions were $94,069,062, $107,644,453 and $101,762,025, respectively. This reflects a decrease of $13,575,391 or 12.6% in 2009 and an increase of $5,882,428 or 5.8% in 2008. The significant decrease in 2009 is attributable to the reduction to the provision for uncollectible on contributions from $33.2 million in FY2008 down to $24.5 million in FY2009.

The NMIRF was able to maintain administrative expense within budget.

OVERALL ANALYSIS AND OTHER SIGNIFICANT INFORMATION

NMIRF's revenue collections for the year was $34.0 million which was $2.0 million higher than revenue estimates of $32.1 million. This was due to both the increased employee rate of contribution plus an increase in contributions from the CNMI Government in accordance with the Court's instruction to increase payment amounts. As a result the NMIRF drew down less from investments to cover shortfalls in funding to sustain the operating activities of the Fund versus the budgeted projection. Overall results from the operation for the full 12-months were within approved budgets for fiscal year 2009.

The unpaid employer contributions, increasing health insurance premiums, refunds, and not using the actuarial rate of 37.3909% by the employers for the remittance of their employer contributions to the Fund, automatically increases the potential risk of losing NMIRF's ability to manage the investments in a prudent way. Therefore, it is critical and essential to remit both employer and employee contributions to the Fund to avoid the eventual collapse and depletion of the Fund.

REQUEST FOR INFORMATION

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with a general overview of NMIRF's finances and to show accountability for the money it receives.

Questions about this report or request for additional financial information should be addressed to:

Mr. David Demapan
Comptroller
NMI Retirement Fund
PO Box 501247 CK
Saipan, MP 96950
www.nmiretirement.com

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Statements of Plan Net Assets Available for Benefits
September 30, 2009 and 2008

ASSETS	Defined Benefit Plan	Defined Contribution Plan	Total 2009	Total 2008
Cash (Notes 4, 6 and 11)	$ 3,022,070	$ -	$ 3,022,070	$ 1,823,049
Receivables:				
Employers				
Contribution (Notes 7 and 19)	190,049,516	-	190,049,516	165,330,811
Penalty on the unpaid contribution of the CNMI Government (Notes 4, 8 and 22)	45,108,689	-	45,108,689	41,848,218
Early retirement bonus program (Notes 15 and 19)	3,631,090	-	3,631,090	3,631,590
Special annuity (Notes 4, 9 and 22)	385,943	-	385,943	417,814
Prior service contribution (Notes 17 and 19)	780,733	-	780,733	780,733
Total receivable from employers	239,955,971	-	239,955,971	212,009,166
Less allowance for uncollectible receivables (Note 19)	194,461,338	-	194,461,338	169,743,134
Receivable from employers, net	45,494,633	-	45,494,633	42,266,032
CNMI appropriation (Notes 4, 10 and 22)	15,026,333	-	15,026,333	15,026,333
Judicial building loan receivable (Notes 4 and 11)	6,950,565	-	6,950,565	7,782,731
Member Home Loan program notes receivable, net (Notes 12, 26 and 28)	5,251,735	-	5,251,735	5,743,901
Note receivable from CGECU (Notes 4 and 13)	1,624,225	-	1,624,225	1,672,199
Benefits receivable (Notes 4, 16 and 22)	1,318,444	-	1,318,444	1,370,553
Accrued investment income (Note 26)	879,309	-	879,309	1,217,163
Loan receivable - GHLI Trust Fund (Note 14)	881,272	-	881,272	1,267,500
Note receivable - CPA	80,876	-	80,876	-
Other receivables (Notes 18 and 26)	1,277,084	-	1,277,084	2,305,742
Total receivables	78,784,476	-	78,784,476	78,652,154
Investments, at fair market value: (Notes 4, 6 and 26)				
Equity securities	191,550,022	-	191,550,022	249,371,001
United States Government securities	61,110,337	-	61,110,337	51,252,739
Corporate debt instruments	72,459,045	-	72,459,045	59,020,601
Mutual funds	6,051,649	11,630,272	17,681,921	11,255,862
Real estate investment trust	937,205	-	937,205	1,161,137
Cash equivalents	89,423	-	89,423	15,269,233
Others	110,356	-	110,356	-
Total investments	332,308,037	11,630,272	343,938,309	387,330,573
Capital assets, net (Notes 4 and 20)	3,336,062	-	3,336,062	3,379,569
Other assets (Notes 13 and 21)	822,163	-	822,163	822,163
Prepaid expenses	5,540	-	5,540	5,636
Total assets	418,278,348	11,630,272	429,908,620	472,013,144
LIABILITIES AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Accounts payable	412,363	-	412,363	367,896
Refunds payable	1,088,960	-	1,088,960	62,689
Deferred revenue (Notes 4 and 22)	61,887,075	-	61,887,075	58,714,384
Judicial Building Trust Fund (Note 11)	364,546	-	364,546	1,174,490
Compensated absences (Note 4)	66,089	-	66,089	66,089
Due to defined contribution plan (Note 17)	-	-	-	381,207
Other payables	983,903	-	983,903	581,544
Total liabilities	64,802,936	-	64,802,936	61,348,299
Net assets held in trust for pension benefits (Note 25)	$ 353,475,412	$ 11,630,272	$365,105,684	$410,664,845

Contingencies (Note 28)

See accompanying notes to financial statements.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Statements of Excess Accumulated Plan Benefits Over
Plan Net Assets Available for Benefits
September 30, 2009 and 2008

	Defined Benefit Plan	Defined Contribution Plan	Total 2009	Total 2008
Net assets held in trust for pension benefits	$ 353,475,412	$ 11,630,272	$ 365,105,684	$ 410,664,845
Actuarial Present Value of Accumulated Plan Benefits				
Vested benefits:				
Participants currently receiving benefits	707,301,510	-	707,301,510	660,384,309
Active participants	123,828,106	11,630,272	135,458,378	119,113,124
Other participants	8,253,810	-	8,253,810	8,202,422
Total present value of vested benefits	839,383,426	11,630,272	851,013,698	787,699,855
Nonvested benefits	60,057,174	-	60,057,174	73,486,456
Total actuarial present value of accumulated plan benefits	899,440,600	11,630,272	911,070,872	861,186,311
Excess accumulated plan benefits over plan net assets available for benefits (Note 25)	$ (545,965,188)	$ -	$ (545,965,188)	$ (450,521,466)

See accompanying notes to financial statements.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Statements of Changes in Plan Net Assets Available for Benefits
Years Ended September 30, 2009 and 2008

	Defined Benefit Plan	Defined Contribution Plan	Total 2009	Total 2008
Additions:				
Contributions:				
Employer (Notes 2 and 3)	$ 36,329,773	$ 1,378,068	$ 37,707,841	$ 49,864,936
Employee (Notes 2 and 3)	8,508,624	3,443,291	11,951,915	10,683,584
Total contributions	44,838,397	4,821,359	49,659,756	60,548,520
Investment income:				
Interest and dividend income (Notes 12, 13 and 14)	10,033,287	209,045	10,242,332	14,614,390
Net realized and unrealized gains (losses) on investments (Note 6)	(12,444,208)	(452,875)	(12,897,083)	(73,205,149)
Total investment income (loss), net	(2,410,921)	(243,830)	(2,654,751)	(58,590,759)
Less management and custodial fees	1,891,869	-	1,891,869	2,351,062
Net investment income (loss)	(4,302,790)	(243,830)	(4,546,620)	(60,941,821)
Other additions:				
Penalty on unpaid contributions (Note 8)	1,593,245	-	1,593,245	22,986
CNMI appropriations (Notes 10 and 22)	883,715	-	883,715	659,069
Rental and other income	1,326,895	-	1,326,895	2,493,255
Total other additions	3,803,855	-	3,803,855	3,175,310
Total additions	44,339,462	4,577,529	48,916,991	2,782,009
Deductions:				
Benefit and refund payments:				
Retirement benefits	55,201,281	554,946	55,756,227	54,888,364
Refunds	4,841,691	-	4,841,691	5,554,957
Survivor benefits	5,738,051	-	5,738,051	5,283,650
Disability benefits	1,710,488	-	1,710,488	1,819,812
Transfers and rollovers	295,713	(295,713)	-	23,598
Death lump-sum distributions	62,291	-	62,291	55,827
Total benefit and refund payments	67,849,515	259,233	68,108,748	67,626,208
Provision for uncollectible contributions	24,526,498	-	24,526,498	33,229,877
Administrative expenses (Note 4)	1,693,049	147,857	1,840,906	1,962,329
Total deductions	94,069,062	407,090	94,476,152	102,818,414
Net increase (decrease)	(49,729,600)	4,170,439	(45,559,161)	(100,036,405)
Net assets held in trust for pension benefits, beginning	403,205,012	7,459,833	410,664,845	510,701,250
Net assets held in trust for pension benefits, ending	$ 353,475,412	$ 11,630,272	$ 365,105,684	$ 410,664,845

See accompanying notes to financial statements.

(1) Retirement Plan Description

The following is a brief description of the Northern Mariana Islands Retirement Fund (NMIRF or the Fund) and Plan:

A. General

The Northern Mariana Islands Retirement Fund (NMIRF or the Fund) and Plan is a cost-sharing, multi-employer plan that is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Commonwealth of the Northern Mariana Islands (CNMI) Government. The Fund was initially established by the enactment of CNMI Public Law No. 1-43 on October 1, 1980, as amended by Public Law Nos. 2-18, 2-47, 3-99, 4-20 and Constitutional Amendment No. 19, to provide retirement, disability, death and other benefits to CNMI Government employees, their spouses and dependents, including its autonomous agencies, instrumentalities, public corporations and employees of the former Trust Territory of the Pacific Islands, who are U.S. citizens pursuant to the CNMI Constitution.

On May 7, 1989, Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act 1988, repealed the above mentioned laws and re-established the Fund as an autonomous agency and a public corporation of the CNMI. As such, the Fund is to provide retirement security and other benefits to government employees, their spouses and dependents, and to provide for an actuarially sound, locally funded pension system pursuant to the Agreement of the Special Representative on Future United States Financial Assistance for the Northern Mariana Islands. This is in accordance with the Constitutional provisions protecting the rights of government employees. This law is codified in Title 1, Division 8, Chapter 3 of the Commonwealth Code. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2 and 16-36.

On June 16, 2006, Public Law No. 15-13 was enacted to create portable individual retirement accounts for all new public employees who are hired on or after January 1, 2007.

(2) Description of the Defined Benefit Plan (DB Plan)

A. Membership

Membership in the DB Plan is mandatory for all employees of the central government, autonomous agencies, instrumentalities and public corporations, regardless of age, hired before January 1, 2007.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

A. Membership, Continued

As of September 30, 2009 and 2008, membership receiving benefits and entitled to benefits consisted of the following:

	2009	2008
Members currently receiving benefits:		
Retirees	2,152	2,190
Beneficiaries	525	657
Disabled	85	99
	2,762	2,946
Terminated employees entitled to benefits but not yet receiving them	0	154
	2,762	3,100

Active members contributing to the DB Plan as of September 30, 2009 and 2008 are as follows:

	2009	2008
Class I	3,204	3,262
Class II	229	239
	3,433	3,501

B. Contributions

Class I member contributions are required at 8.5% and 8.5% of base pay for fiscal year 2009 and 2008, respectively; and Class II member contributions are at 11% and 10% of base pay for fiscal year 2009 and 2008, respectively.

Based on the actuarial valuation as of October 1, 2008 issued in May 2010, the actuarially determined contribution rate for the fiscal year ended September 30, 2008 was 51.0578% of covered payroll.

The established statutory rate at September 30, 2009 and 2008 was 37.3909% and 36.7727% of covered payroll, respectively.

Public Law No. 15-126, authorizes the CNMI Government to remit only 18.667% of covered payroll and accrue the remaining 18% as liability to the NMIRF. The employer contribution remittance was further reduced by Public Law 16-2 to 11% of covered payroll.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

C. Summary of the Principal Provisions of the DB Plan

Class I and Class II provisions are summarized below:

Eligibility to Participate

Class II members are all persons who were Fund members prior to May 7, 1989, the effective date of Public Law No. 6-17, and who did not elect to transfer membership to Class I. Employees who had terminated employment after having completed three or more years of credited service in the Fund and were subsequently reemployed after May 7, 1989, provided that previous contributions to the Fund have not been refunded, are also classified under Class II membership.

All employees of the CNMI Government, public corporations, agencies and instrumentalities of the government hired on or after the effective date of Public Law No. 6-17 but before January 1, 2007, are Class I members. Class II members who later elected to transfer membership to Class I, or who had terminated employment and received a refund of contributions but subsequently reemployed by the CNMI government on or after May 7, 1989, become Class I members.

Service

Vesting service credit is an optional credit granted to any member as a result of graduation from an accredited college with at least an associate degree (a maximum of two years for an associate's degree and four years for a bachelor's degree); service with the United States Armed Forces (a maximum of two years); and overtime and compensatory time certified and approved by the Board of Trustees. These optional credits are granted for the purpose of eligibility for the additional five years credit pursuant to Constitutional Amendment No. 19, and for eligibility to retire. Vesting service credit is not used or factored in computing retirement benefits.

Credited service – A year of credited service is earned for a year of actual compensated government employment, with one-twelfth (1/12) year earned for each month. Credited service includes accumulated sick leave. An additional five (5) years of service is granted when a member accumulates twenty (20) years of vesting service.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

C. Summary of the Principal Provisions of the DB Plan, Continued

Benefit Formulas (to calculate annual benefits)

Class I Formula: The sum of (i) and (ii) below, but not less than $6,000 nor greater than 85% of average annual salary.

(i) The sum of 2.5% of average annual salary for each of the first 25 years of service with a maximum of 50% of average annual salary; plus

(ii) 2.5% of average annual salary for each year of service in excess of 25 years.

Class II Formula: The sum of (i) and (ii) below, but not less than $6,000 nor greater than 85% of average annual salary.

(i) The sum of 2% of average annual salary for each of the first 10 years of service and 2.5% of average annual salary for each year of service in excess of 10 years; plus

(ii) Twenty dollars ($20) for each year of service reduced by 1/100th of 1% for each dollar that average annual salary exceeds $6,000.

Average annual salary is the average of the three highest annual salaries, but not less than $6,000.

Normal Retirement

Eligibility – Class I: Age 62 and ten years of contributing membership service after May 7, 1989. Class II: Age 60 or 25 years of vesting service.

Amount of benefit – The annual retirement benefit is the benefit using the Class I formula for Class I members and the greater of the Class I or the Class II formula for Class II members.

Time and form of payment – Payment will be in the form of a life annuity with a cost of living increase each year for the first $30,000 of benefits equal to that which is used by the United States of America Social Security System commencing on January 1 subsequent to the anniversary of retirement after attainment of age 55.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

C. Summary of the Principal Provisions of the DB Plan, Continued

Early Retirement

Eligibility – Age 52 and 10 years of vesting service or 25 years of vesting service for a Class I member. At least 10 years of credited service must be earned after May 7, 1989. Class II members are not eligible.

Amount of benefit – Same as for normal retirement, but not less than $6,000; provided that the member pay a contribution set by the Fund, but no more than the contribution required of Class II Members.

Time and form of payment – Same as the normal retirement benefit.

Retirement Bonus

If a participant hired on or prior to December 15, 1999 retires with at least 20 years of vesting service, he or she will receive from the participant's hiring authority, a retirement bonus equal to 30% of annual salary. The participant's normal retirement benefit is recomputed to reflect the bonus. No retirement bonus shall be paid to a member electing to retire after December 31, 2005.

Termination

Eligibility – Class I members with 10 years of contributing membership service. Class II members who accumulate at least 3 years of vesting service.

Amount of benefit – Same as the normal retirement benefit.

Time and form of payment – Same as the normal retirement benefit, except that the annuity commences at age 62 for Class I members and age 60 for Class II members.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

C. Summary of the Principal Provisions of the DB Plan, Continued

Disability Retirement

Eligibility – Members who are less than age 62, who are totally and permanently disabled, and, in the case of non-occupational causes, who accumulate at least 5 years of membership service.

Amount of benefit – 50% of the member's salary in effect as of the date of disability, less any special compensation allowances or reductions due to subsequent earnings. At age 62 the member will receive a normal retirement benefit calculated assuming service had continued to age 62 at the same salary received at time of disability and the Class I formula is used. Disability benefits will be reduced by U.S. Social Security, Workers' Compensation or other disability insurance payments.

Time and form of payment – Same as the normal retirement benefit.

Survivor's Benefits

Eligibility – Members who are active employees with at least 18 months of service for Class I and at least 3 years of service for Class II or members who are receiving retirement or disability benefits.

Amount of benefit – A surviving spouse will receive 50% of the member's normal retirement benefit, or benefit being paid at death, but not less than $6,000 per year. Each surviving minor child (with a maximum of three children) will receive the greater of $1,080 and 16-2/3% of the member's normal retirement benefit or the benefit being paid at death.

Time and form of payment – The surviving spouse's benefit commences immediately if there are minor children, otherwise at the spouse's attainment of age 35, and continues until remarriage or death. Payment will be in the form of a life annuity with a cost of living increase each year equal to that which is used by the U. S. Social Security System, but not less than 2%, commencing January 1 subsequent to the anniversary of the spouse's annuity date after attainment of age 55.

The children's benefit commences immediately and continues until the respective child's attainment of age 18 (age 22 if a full-time student) unless the child is disabled.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

C. Summary of the Principal Provisions of the DB Plan, Continued

Lump-sum Death Benefit

Eligibility – Members who are active employees or members who are receiving retirement or disability benefits.

Amount of benefit – A lump-sum payment of $1,000 plus, if there are no surviving spouse or children, a refund, (reduced by pension payments already received) of 1/3 of the accumulated employee contributions with interest.

Contributions

Class I Members who are active employees contribute 7.5% of salary for fiscal year 2008 and will increase their rate of contribution by 1.0% per year until it reaches 10.5%. Refund is made on termination with less than 10 years of service. Class II Members who are active employees contribute 10% of salary for the fiscal year 2008 and will increase their rate of contribution by 1.0% per year until it reaches 11.0%. Members who terminate with less than 3 years of service will receive a refund of their accumulated contribution with interest. The Class I and Class II refunds stated above are subject to an early withdrawal penalty of 10% of the total contributions, excluding interest. Class II Members who terminate with 3 but less than 20 years of service may request a refund of their accumulated contributions with interest in lieu of their termination benefits. If a member or survivor dies before receiving annuity payments which equal or exceed 1/3 the member's accumulated contributions with interest, the balance will be paid to the beneficiary.

Life and Health Insurance

Annuitants may elect to continue their CNMI Government life and health insurance coverage under the same terms and conditions in-force at the time of retirement. Half of the life insurance premium will be paid by the Fund. The Fund will pay the same portion of the health insurance premium as paid for active employees by the government.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

D. Present Value of Vested and Non-Vested Accrued Benefits, Continued

The present values of vested and non-vested accrued benefits provide a measure of the value of future plan benefit payments resulting from service earned to October 1, 2008. It is intended that when these measures are compared to plan assets, they will be useful in assessing the progress being made towards funding such benefits. These amounts meet the actuarial understanding of the reporting requirements of the Financial Accounting Standards Board (FASB) Statement No. 35 *"Accounting and Reporting by Defined Benefit Pension Plan"*.

The total present value of accrued benefits measures the value of that part of all expected future plan benefit payments to current participants (active and inactive) which may be considered to result from service rendered and compensation earned prior to the valuation date. (Probable future service is, however, considered in determining eligibility for, and the anticipated dates of, retirement, disability, or death.)

The present value of vested accrued benefits measures the value of only some of the benefits considered in determining the total present value of accrued benefits. The benefits for which a value is calculated under this measure are only those to which a participant has a right that is based solely on service rendered prior to the valuation date, and that is not contingent on continuation of employment.

The present value of non-vested accrued benefits is the excess of the total present value of accrued benefits over the present value of vested accrued benefits.

Following are the Actuarial Cost Method and Assumptions:

Actuarial Cost Method:	Entry age normal
Valuation of Assets:	Market value, including accrued but unpaid contributions.
Investment Income:	7.5% per year
Salary Increase:	3% per year for each covered person. Covered pay of the overall population is assumed to remain constant.
Expenses:	1.1% of payroll
Mortality:	The 1971 Group Annuity Mortality Table for Males, using rates for ages three years older for males.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

D. Present Value of Vested and Non-Vested Accrued Benefits, Continued

Retirement Age: For active participants, earlier of age 62, if eligible, and 25 years of vesting service; and

For inactive participants, age 62 for Class I and age 60 for Class II.

Pre-Retirement Spouse Benefit: 94% of participants are assumed to be married and males are assumed to be five years older than their female spouses.

Married participants are assumed to have two minor children aged 13 on benefit commencement date.

Turnover: In accordance with a table of which the following are sample annual rates:

Age	Rate of Turnover
20	.1303
25	.1078
30	.0858
35	.0683
40	.0508
45	.0333
50	.0158
55 and over	.0000

Disability: In accordance with a table of which the following are sample annual rates:

Age	Males	Females
25	.00020	.00021
30	.00023	.00036
35	.00035	.00061
40	.00060	.00093
45	.00112	.00135
50	.00310	.00185
55	.00334	.00261
60	.00441	.00352

75% of disabilities occurring in the first 5 years of employment are assumed to be occupational disabilities.

(2) Description of the Defined Benefit Plan (DB Plan), Continued

D. Present Value of Vested and Non-Vested Accrued Benefits, Continued

Choice of Membership Class:	All Class II active members are assumed to choose to remain as Class II members.
Retirement Bonus:	Bonus is assumed to be paid by the employer, not NMIRF.
Cost of living adjustment:	2% compound interest
Post-retirement Life Insurance Coverage:	All future retirees elect coverage of 2 times their annual salary.
Post-retirement Health Insurance Coverage:	Value an annual benefit equal to the Government premium for Family High Option coverage. Assume 5.5% annual increase. 75% of active participants are expected to continue medical coverage.

(3) Description of the Defined Contribution Plan (DC Plan)

A. Purpose

The Defined Contribution Plan was created by Public Law No. 15-13 to provide an individual account retirement system for any person employed by the CNMI Government. The NMIRF Administrator is responsible for the general administration and operation of the Fund. The NMIRF Board of Trustees serve in an advisory capacity to the DC Plan. The DC Plan, by its nature, is fully funded on a current basis from employer and member contributions.

B. Membership

The DC Plan is a multi-employer pension plan and is the single retirement program for all new employees whose employment commences on or after January 1, 2007.

Existing Class I members of the DB Plan with less than 10 years of service credit may, upon written election, voluntarily and irrevocably elect membership in the DC Plan. This option shall expire 12 months after enactment of legislation.

	2009	2008
Active members	1,787	841
Terminated member with balance	-	1
Total	1,787	842

(3) Description of the Defined Contribution Plan (DC Plan), Continued

C. Contribution

Each member of the DC Plan is required to contribute to the member's individual account an amount equal to ten (10) percent of the member's compensation.

Employers shall contribute to each member's individual account an amount equal to four (4) percent of the member's compensation.

D. Vesting

A participating member is immediately and fully vested in that member's contributions and related earnings. Member's contributions include any rollover contributions made by the member.

A member is fully vested in the employer contributions made on that member's behalf, and related earnings, after five (5) years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of:

(1) 25 percent with two years of service;
(2) 50 percent with three years of service; and
(3) 75 percent with four years of service.

(4) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Northern Mariana Islands Retirement Fund:

Reporting Entity

The NMIRF is a component unit of the primary government of the CNMI and is included in the government's comprehensive annual financial report as the administrator of the retirement fund.

The Governmental Accounting Standards Board has developed criteria relating to elements of financial accountability to be used to determine the reporting entity. Financial accountability is manifested when the primary government appoints a voting majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

(4) Summary of Significant Accounting Policies, Continued

The Retirement Fund Board of Trustees is the governing authority of the Fund who administers the provisions of the Retirement Fund Act. It consists of seven members appointed by the Governor of the CNMI with the advice and consent of the CNMI Legislature. The Board's composition is three representatives from Saipan, one each from Tinian and Rota, one from the Carolinian Community, and one representing the Women's interest. The Board has independence in the operation and management of the Fund and appoints an Administrator to act as the principal administrative officer of the Fund. The CNMI Legislature has significant ability to influence funding, approve the Fund's budget and pass laws governing the Fund.

Basis of Presentation

The financial statements of the Fund are prepared using the economic resources measurement focus and accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and in accordance with Governmental Accounting Standards Board Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plan"*. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. GASB Statement No. 25 has been implemented for the defined benefit pension plans.

In June of 1999, the GASB issued Statement No. 34 (the "Statement") *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*. The Statement establishes new financial reporting requirements for state and local governments throughout the United States by setting forth the required components of the basic financial statements and required supplementary information.

The financial statements include certain prior-year summarized comparative information in total but not by plan. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2007, from which the summarized information was derived.

GASB No. 34 has no impact on NMIRF's net assets but does require certain changes to the presentation of the financial statements and additional disclosures. With these financial statements, NMIRF has implemented these changes, and accordingly, has included Management's Discussion and Analysis as required by the Statement.

GASB No. 40 Implementation

NMIRF implemented GASB Statement No. 40, *"Deposit and Investment Risk Disclosures"*, an amendment of GASB Statement No. 3 as of September 30, 2005. GASB No. 40 modifies previous custodial credit risk disclosure requirements and establishes more comprehensive risk disclosure requirements relating to other common risks of investments, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

(4) Summary of Significant Accounting Policies, Continued

Basis of Accounting

The Fund prepares its financial statements using the accrual basis of accounting with an economic resources measurement focus. An economic resource focus concentrates on a fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. Member and employer contributions are recognized when due pursuant to formal commitments, as well as statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date.

Due to the deficit fund balance of the CNMI government, the Fund opted to record revenues from the CNMI government, aside from contributions, when measurable and available. Thus, receivable for appropriations and penalties are recorded with a credit to deferred revenue. Actual revenues are only recorded when such are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

New Accounting Standards

In November 2006, the GASB issued Statement No. 49, *"Accounting and Financial Reporting for Pollution Remediation Obligations"*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The implementation of this Statement did not have a material effect on the accompanying financial statements of the NMIRF.

In June 2007, the GASB issued Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets"*. This Statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is not effective until June 30, 2010. The NMIRF has not determined its effect on the financial statements.

In November 2007, GASB issued Statement No. 52,*"Land and Other Real Estate Held as Investments by Endowments"*. This Statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting amounts in similar entities that exist to invest resources for the purpose of generating income. The provisions of this Statement are effective for periods beginning after June 15, 2008. The implementation of this Statement did not have a material effect on the accompanying financial statements of the NMIRF.

(4) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2008, GASB issued Technical Bulletin No. 2008-1, *"Determining the Annual Required Contribution Adjustment for Postemployment Benefit"*, which clarifies the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and Statement No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions, for calculating the annual required contribution (ARC) adjustment. The provisions of this Statement are effective for periods beginning after December 15, 2008. The management of NMIRF believes that implementation of this statement does not materially affect the financial statements of the Fund.

In June 2008, GASB issued Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"*. This Statement is intended to improve how State and Local governments report information about derivative instruments - financial arrangements bused by governments to manage specific risks or make investments in their financial statements. The provisions of this Statement are effective for periods beginning after June 15, 2009. The management of NMIRF believes that implementation of this statement does not materially affect the financial statements of the Fund.

In February 2009, GASB issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*. This Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this Statement are effective for periods beginning after June 15, 2010. Management believes that the implementation of this Statement will not have a material effect on the financial statements of the Fund.

In March 2009, GASB issued Statement No. 55, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*. This Statement is to improve financial reporting by contributing to the GASB efforts to codify all generally accepted accounting principles (GAAP) for State and Local governments so that they derive from a single source. This statement is effective upon issuance. The implementation of this Statement did not have a material effect on the accompanying financial statements of the NMIRF.

In March 2009, GASB issued Statement No. 56, *"Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards"*. This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICP A) auditing literature into the GASB's accounting and financial reporting literature for State and Local governments, and addresses three issues from the AICP A's literature - related party transactions, going concern considerations and subsequent events. This statement is effective upon issuance. The implementation of this Statement did not have a material effect on the accompanying financial statements of the NMIRF.

(4) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2009, the GASB issued Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies"*, which provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors under Chapter 9 of the United States Bankruptcy Code. This statement is effective beginning after June 15, 2010, with retroactive application for all periods presented during which the government was in bankruptcy.

Cash and Cash Equivalents

For purposes of reporting the statement of plan net assets available for benefits, cash and cash equivalents include cash on hand, in banks and certificates of deposit with maturities of three months or less.

Deposits and Investments

The reserves of the DB Plan in excess of current operational requirements are invested under the authority of the Board of Trustees. In investing these reserves, the Board employs the services of investment professionals and consultants to assist NMIRF in its investment program. These professionals are all registered with the U.S. Securities and Exchange Commission as investment advisors. The assets are usually invested in stocks, bonds, and real estate traded in recognized stock markets such as the New York Stock Exchange. The Board is required to diversify investments in accordance with prudent investment standards. Investment guidelines, issued by the Board of Trustees, contain limits and goals for each type of investment portfolio and specify prohibited transactions.

Valuation of Investments

Marketable securities held for investment purposes are stated at fair market value in accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*. Fair market value is determined by quoted prices in active markets for equity securities, mutual fund investments and corporate debt instruments. The Fund's investment policies are defined in Public Law No. 6-17, subsequently amended by Public Law No. 6-41.

(4) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets consist of property and equipment used for administering the Fund and are carried at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Estimated lives used range from 3 to 15 years for all assets except building, which is being depreciated over 39 years.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents – Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Prior service and buy-back service receivables – Fair value approximates carrying value, as the interest rates on the obligations are fixed and are the same rates that would be charged to new participants for similar agreements.

Judicial building and CGEGU loans receivable – Fair value approximates carrying value, as the interest rates on the obligations are fixed and are the same rates that would be charged for similar agreements.

Deferred revenue – Fair value approximates carrying value, since the related receivable is based on a fixed interest rate, which would be the same rate charged to a new participant for a similar agreement.

(4) Summary of Significant Accounting Policies, Continued

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Employees are credited with annual leave at rates ranging from 4 to 8 hours per pay period depending on their length of service. Accumulation of such annual leave credit is limited to 480 hours, which is equivalent to 60 days. Liabilities for unpaid annual leave are accrued at the end of each accounting period utilizing current salary rates.

Unused leave is payable to employees upon resignation or termination of employment if the employee has completed one year or more of service. Accrued annual leave was $66,089 at September 30, 2009 and 2008.

Sick Leave

Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment.

Administrative expenses

A budget for the administrative expenses of NMIRF is prepared and approved by the Board of Trustees. Administrative expenses are paid from investment earnings.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(5) Description of Non-Retirement Funds

The following is a brief description of the non-retirement funds administered by NMIRF:

Workers' Compensation Commission

The Workers' Compensation Commission (WCC) is a component unit of the CNMI Government, and follows the accounting and reporting requirements specified by accounting principles generally accepted in the United States of America applicable to pension and other employee and benefit plans. Condensed financial information regarding the WCC is as follows:

	2009	2008
Total assets	$ 2,196,728	$ 2,114,253
Total liabilities	$ 930,753	$ 887,406
Fund balance reserved for payment of special disability claims	1,265,975	1,226,847
Total liabilities and fund equity	$ 2,196,728	$ 2,114,253
Total revenues	$ 259,408	$ 209,935
Total expenditures	220,280	197,007
Excess of revenues over expenditures	$ 39,128	$ 12,928

The WCC was created with the passage of CNMI Public Law No. 6-33 in June 1989. The Board of Trustees of the Fund administers WCC.

(5) Description of Non-Retirement Funds, Continued

Northern Mariana Islands Government Health and Life Insurance Trust Fund

Prior to Public Law No. 10-19, the CNMI Government administered the Government Life and Health Insurance Programs for CNMI Government employees. Public Law No. 10-19 transferred administration of this program to the NMIRF and created the Northern Mariana Islands Government Health and Life Insurance Trust Fund (GHLI Trust Fund).

The GHLI Trust Fund is considered a component unit of the CNMI, and follows the accounting and reporting requirements specified by accounting principles generally accepted in the United States of America applicable to pension and other employee benefit plans.

Condensed financial information regarding the GHLI Trust Fund is as follows:

	2009	2008
Total assets	$ 897,425	$ 904,359
Total liabilities	$18,834,191	$19,177,008
Fund deficit	(17,936,766)	(18,272,649)
Total liabilities and fund deficit	$ 897,425	$ 904,359
Total revenues	$ 595,607	$ 1,861,607
Total medical claims costs	(147,169)	(2,510,795)
Total expenditures	(112,555)	(368,941)
Excess (deficiency) of revenues over expenditures	$ 335,883	$(1,018,129)

(6) Deposits and Investments Risk

Deposits

At September 30, 2009 and 2008, the Fund's cash balances were deposited in various checking accounts. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to $250,000. From the total bank balance of $3,022,070 in 2009 and $1,823,049 in 2008, only $250,000 in each year is subject to coverage by the FDIC with the remaining balance exceeding insurable limits. Amounts in excess of insurable limits are, however, collateralized with the bank's securities. Such collateralization is in accordance with the legal requirement of NMIRF for the bank to secure the Fund's deposits as of September 30, 2009 and 2008.

(6) Deposits and Investments Risk, Continued

Investments

Governmental accounting standards require that the investments reported as of the balance sheet date be categorized according to level of credit risk associated with the Fund's custodial arrangements at that time. The level of credit risk is defined as follows:

Category 1 - insured and registered for which the securities are held by the Fund or its agent in the Fund's name;

Category 2 - uninsured and registered for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name; and

Category 3 - uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Fund's name.

At September 30, 2009 and 2008, all of the Fund's investments are classified in Category 1. Carrying values of the NMIRF investments as of September 30, 2009 and 2008 are as follows:

	Carrying Value	
Defined Benefit Plan	2009	2008
Investments Categorized:		
Domestic Stocks (Common, Preferred, ADRs)	$ 126,899,760	$ 227,806,354
U.S. Treasury STRIPS	35,336,322	49,520,438
U.S. Agencies	417,287	-
Mortgage Pass Throughs	21,677,422	26,395,757
Domestic Corporate Bonds	22,055,667	26,372,816
Foreign Corporate Bonds	46,712,702	-
Foreign Stocks	64,650,262	21,564,647
Collateralized Mortgage Obligations	3,690,676	6,252,028
U.S. Treasuries	3,679,306	1,732,301
Total Categorized	325,119,404	359,644,341
Investments Not Categorized:		
Money Market Funds	6,051,649	14,214,350
Mutual Bond Funds	-	5,232,119
Real Estate Investment Trust	937,205	1,161,137
Cash equivalents	89,423	
Others	110,356	-
Total Not Categorized	7,188,633	20,607,606
Total Investments Held Outside the State Treasury	$ 332,308,037	$ 380,251,947

(6) Deposits and Investments Risk, Continued

Credit Risk

Credit risk is the risk that an issuer or other counter-party to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. NMIRF utilizes external investment managers to manage its portfolios.

NMIRF's investment policy for its DB Plan specifies the following regarding fixed income investments held in its portfolio:

- All fixed income securities shall have a Moody's, Standard and Poor's and/or Fitch credit quality rating of no less than BBB.
- The exposure of the portfolio to any one company, other than securities of the US government, shall not exceed 5% of the market value of the portfolio under management by each investment manager.
- Each fixed income portfolio of each investment manager shall be suitably diversified as to any single issuer or class of issuer so that an adversity affecting a particular issuer or sector will not impact a substantial share of the total portfolio.
- NMIRF's portfolio per investment managers are regularly reviewed to ensure compliance to abovementioned requirements.

Summarized below are the ratings of NMIRF DB Plan fixed income investments as of September 30, 2009 and 2008:

	September 30, 2009 Carrying Value				
Moody's/S&P/Fitch Credit Rating	U.S. Agencies	Mortgage Pass Throughs	Collateralized Mortgage Obligations	Money Market and Mutual Bond Funds	Domestic Corporate Bonds
Aaa/AAA	$ 417,287	$ 21,677,422	$ 3,690,676	$ -	$ -
Aa/AA	-	-	-	-	1,101,275
A	-	-	-	-	17,496,459
Baa/BBB	-	-	-	-	3,457,933
Unrated	-	-	-	6,051,649	-
TOTAL	$ 417,287	$ 21,677,422	$ 3,690,676	$ 6,051,649	$ 22,055,667

(6) Deposits and Investments Risk, Continued

	September 30, 2008 Carrying Value				
Moody's/S&P/Fitch Credit Rating	U.S. Agencies	Mortgage Pass Throughs	Collateralized Mortgage Obligations	Money Market and Mutual Bond Funds	Domestic Corporate Bonds
Aaa/AAA	$ -	$ 26,395,757	$ 6,252,028	$ 3,500,130	$ 313,112
Aa/AA	-	-	-	-	4,314,849
A	-	-	-	-	18,081,730
Baa/BBB	-	-	-	-	3,663,125
Unrated	-	-	-	15,946,339	-
TOTAL	$ -	$ 26,395,757	$ 6,252,028	$ 19,446,469	$ 26,372,816

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Fund's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's DB Plan investments by maturity:

September 30, 2009:

		Investment Maturities (in Years)			
Investment Type	Carrying Value	Less Than 1	1 to 5	6 to 10	More Than 10
Investments Subject to Interest Rate Risk:					
U.S. Treasury STRIPS	$ 35,336,322	$ 825,580	$ 14,044,358	$ 8,590,888	$ 11,875,496
Mortgage Pass Through	21,677,422	-	-	3,399,227	18,278,195
Domestic Corporate Bonds	22,055,667	1,207,657	10,347,847	5,050,293	5,449,870
Collateralized Mortgage Obligations	3,690,676	-	375,591	192,964	3,122,121
Mutual Bond Funds	-	-	-	-	-
U.S. Treasuries	3,679,306	-	-	2,344,808	1,334,498
U.S. Agencies	417,287	-	221,021	-	196,266
Total Investment Subject to Interest Rate Risk	86,856,680	2,033,237	24,988,817	19,578,180	40,256,446
Investments Not Subject to Interest Rate Risk:					
Cash equivalents	89,421				
Domestic Stocks	173,612,463				
Foreign Stocks	64,650,262				
Money Market Funds	6,051,649				
Real Estate Investment Trust	937,205				
Others	110,357				
Total Investments Not Subject to Interest Rate Risk	245,451,357				
Total Investments	$ 332,308,037				

(6) Deposits and Investments Risk, Continued

September 30, 2008:

Investment Type	Carrying Value	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More Than 10
Investments Subject to Interest Rate Risk:					
U.S. Treasury STRIPS	$ 49,520,438	$ -	$ 24,146,914	$ 10,000,242	$ 15,373,282
Mortgage Pass Through	26,395,757	-	-	2,178,101	24,217,656
Domestic Corporate Bonds	26,372,816	2,292,291	12,145,099	6,682,438	5,252,988
Collateralized Mortgage Obligations	6,252,028	-	-	1,749,422	4,502,606
Mutual Bond Funds	5,232,119	3,486,638	-	1,745,481	-
U.S. Treasuries	1,732,301	-	321,282	-	1,411,019
Total Investment Subject to Interest Rate Risk	115,505,459	$ 5,778,929	$ 36,613,295	$ 22,355,684	$ 50,757,551
Investments Not Subject to Interest Rate Risk:					
Domestic Stocks	227,806,354				
Foreign Stocks	21,564,647				
Money Market Funds	14,214,350				
Real Estate Investment Trust	1,161,137				
Total Investments Not Subject to Interest Rate Risk	264,746,488				
Total Investments	$ 380,251,947				

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2009 and 2008, the NMIRF had no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the Fund would not be able to recover the value of its deposits, investments, or securities. As of September 30, 2009 and 2008, 100% of the Fund's investments were held in the NMIRF's name, and the Fund is not exposed to custodial credit risk related to these investments.

(6) Deposits and Investments Risk, Continued

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

NMIRF investment in foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held for less than 30 days in foreign accounts until it can be repatriated or expended.

Securities Lending

CNMI statutes permit the Fund to participate in securities lending transactions, and the Fund has, pursuant to a Securities Lending Authorization Agreement, authorized an Agent in lending the Fund's securities to broker-dealers and banks pursuant to a form of loan agreement. During the years ended September 30, 2009 and 2008, the agent loaned, on behalf of the Fund, securities, including U.S. government obligations, domestic corporate bonds, and domestic and international equities, held by agent as custodian and received, as collateral, United States and foreign currency cash, securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit. The Agent does not have the ability to pledge or sell collateral securities absent borrower default. Borrowers delivered collateral for each loan equal to 125% of the fair value of the loaned securities. In accordance with GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions", securities lending collateral reported in the statement of plan net assets represented only cash collateral invested in the lending agent's cash collateral investment pool.

Securities Lending Collateral Interest Rate Risk

Cash collaterals from loans of securities are reinvested by the investment manager. A duration mismatch between loan and reinvestment is limited to a conservative maximum of 15 days.

Securities loaned are covered by a contractual indemnification against broker default, that is, if a broker fails to return loaned securities when required, the investment manager will, within two business days, and at its expense, either replace the loaned securities or credit the NMIRF for the market value of the unreturned loaned securities determined as of the close of business on the date the securities should have been returned.

(6) Deposits and Investments Risk, Continued

Derivatives

The NMIRF's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include currency contracts, including futures and forward contracts, to hedge foreign currency exposure into US dollars. Leverage may not be used and an investment manager may not hedge more than 25% of the value of the non US assets managed by such investment manager.

(7) Employer Contributions

Public Law No. 6-17, codified at 1 CMC §8312 and §8314, created the NMIRF, an autonomous agency and public corporation of the CNMI Government. This law establishes the Fund providing for bi-weekly contributions to be made by the CNMI government employees or members through a fixed percentage of earnings, as well as bi-weekly contributions made by the Government as the employer and plan sponsor, on an actuarially funded basis.

Employer retirement contributions receivable were $190,049,516 and $165,330,811 as of September 30, 2009 and 2008, respectively. Of these employer contributions receivable, $164,832,706 and $149,957,778 were due from the CNMI Government as of September 30, 2009 and 2008, respectively. The CNMI Government is in arrears in its employer contributions to the Fund.

The CNMI Government, through the Department of Finance, pledged to make regular bi-weekly payments to the Fund in the amount of $1,100,000 to be applied to the balance in arrears for employer contributions beginning December 3, 2004. In June 2006, the CNMI governor signed Public Law No. 15-15 suspending employer contributions for the remainder of fiscal year 2006 and thereafter. On April 15, 2009, the CNMI governor signed Public Law 16-36 to mandate the CNMI government to prioritize the payment of employer contribution of government employees who are eligible to retire.

Management asserts the need to make a 100% allowance on this account. (See Note 19).

(8) Penalty on the Unpaid Contributions Due from CNMI Government

Pursuant to Public Law No. 6-41, codified in 1 CMC §8362, any employer who fails to pay or remit contributions as required by this section shall pay a penalty of 10% per month or part thereof for which the contribution remains unpaid, up to a maximum penalty of 25% of the unpaid contributions.

Assessed penalties on unpaid CNMI Government employer contributions amounted to $45,108,689 and $41,848,218 as of September 30, 2009 and 2008, respectively. The assessments were recorded as a receivable from the CNMI Government. However, due to the uncertainty of the Government's ability to pay, the recognition of related revenue was deferred until payments are actually collected (See Note 22).

(9) Special Annuity

The Fund pays special annuities to certain government officials. The liability for these annuities is the responsibility of the CNMI government.

Summary of changes in the receivable for special annuity as of September 30, 2009 and 2008 are as follows:

	2009	2008
Beginning balance	$ 417,814	$ 448,998
Annuity payments made	237,885	149,081
Appropriations received	(269,756)	(180,265)
Ending balance	$ 385,943	$ 417,814

As discussed in Note 4, appropriations receivable are recorded with a credit to deferred revenue. Actual revenues are only recorded when such are collectible within the current period or soon enough thereafter to pay liabilities of the current period. (See Notes 10 and 22)

(10) CNMI Appropriations

Public Law No. 11-41 earmarked 90% of poker machine licensing fees for the Fund. The fees were considered as part of the required employer contributions. However, during the fiscal year 2002, the CNMI Government suspended this law, leaving NMIRF with a receivable balance of $8,494,020, which is still outstanding as of September 30, 2009 and 2008.

Public Law No. 8-31 earmarked the Fund with an amount of $2,000,000 for fiscal years 2004 to 2006 superseding the previous law. The receivable from the CNMI government from Public Law 8-31 appropriations was $6,532,313 at September 30, 2009 and 2008.

Appropriations receivable are recorded with a credit to deferred revenue. Actual revenues are only recorded when such are collectible within the current period or soon enough thereafter to pay liabilities of the current period (See Note 22).

(11) CNMI Judicial Building Loan Receivable

On February 28, 1995, the Board of Trustees approved a total loan of $13,528,331 to the CNMI for the construction of a judicial complex in Saipan. The loan bears an interest rate of 7.5% per annum, payable for a period of fifteen years. As of September 30, 1998, the NMIRF had paid or accrued all progress billings on this project. From this loan, the CNMI provided NMIRF adequate security for the loan in the form of a first mortgage on the real property on which the Judicial Complex was constructed and assignment of all its revenues. Accordingly, pursuant to Public Law No. 7-25, a Judicial Building Fund (JBF) was created. The JBF was established for the purpose of liquidating the cost of constructing the Judicial Complex and that all revenues collected by the courts are directly deposited into this JBF.

CNMI judicial building loan receivable balance at September 30, 2009 and 2008 was $6,950,565 and $7,782,731, respectively.

(12) Member Home Loan Program

The Member Home Loan Program (MHLP) was created through Public Law No. 6-17 (effective April 1, 1991) and made available to all vested members of the Fund with at least 36 months of contributing service. This public law authorized up to 40% of Fund assets to be made available to the program. Borrowings are restricted to the construction, purchase, and improvement of principal residence or refinancing of existing mortgages on a member's home. The Fund can lend amounts ranging from $5,000 to $150,000 with the current interest rates at 8.5% to 9% per annum.

As of September 30, 2009 and 2008, the member home loan program receivable amounts are as follows:

	2009	2008
Notes receivable	$ 5,920,999	$ 6,340,883
Allowance for doubtful accounts	(669,264)	(596,982)
Notes receivable, net	$ 5,251,735	$ 5,743,901

Interest income earned on the MHLP was $660,664 and $572,711 for the years ended September 30, 2009 and 2008.

(13) Notes Receivable from Commonwealth Government Employees' Credit Union

Public Law No. 9-52 became effective on September 18, 1995. This law authorized the NMIRF to loan the Commonwealth Government Employees' Credit Union (CGECU) up to $2 million for a period of up to 30 years, with interest thereon at a rate that is at least equal to the actuarially assumed rate of return on plan assets which is 7.5% at September 30, 2009 and 2008.

On October 12, 1995, the NMIRF Board of Trustees approved a 30-year loan of $1.2 million to the CGECU. On October 31, 1995, the loan amount was increased to $2 million. The loan bears interest at an initial rate of 8% per annum and is to be repaid from the operating income of the CGECU. The loan is collateralized by real property and is secured by the full faith and credit of the CNMI Government. Carrying value of this note receivable as of September 30, 2009 and 2008 is $1,624,225 and $1,672,199, respectively. Interest income earned on this loan was $132,026 and $136,426 for the years ended September 30, 2009 an 2008, respectively.

As an inducement to enter into this loan agreement, the CNMI Government deeded two parcels of real property to the NMIRF. Each parcel is approximately 3,000 square meters. One property is on the island of Tinian and the other is on the island of Rota. These parcels have been included in the statement of plan net assets as part of other assets at appraised value of $546,650 as of May 12, 1997 (See Note 21). Additionally, a first mortgage on real property located in Navy Hill, Saipan, CNMI was also used as collateral for this loan.

(14) Loan Receivable Group Health Life Insurance Trust Fund (GHLI Trust Fund)

On February 1, 2008, the NMIRF Board of Trustees authorized an investment of $1,200,000 notes receivable to the GHLI Trust Fund. This loan bears interest of 7.5% per annum with initial repayment of $158,000 on November 1, 2008 and monthly amortization of $30,000 including interest commencing on November 10, 2008 until the loan is fully paid.

(15) Early Retirement Bonus Program

On October 1, 1993, CNMI Public Law No. 8-30 established the Early Retirement Bonus Program. This public law provides for an early retirement bonus of thirty percent (30%) of a member's annual salary for members with at least 20 years of vesting service.

The early retirement bonus is included in the pension benefit calculation. Funding for the bonus is the responsibility of the employing agency. If the employing agency certifies that no funds are available, the Fund shall pay the bonus subject to appropriation by the CNMI Legislature. At September 30, 2009 and 2008, the Fund recognizes as receivable from CNMI Government $3,631,090 and $3,631,590, respectively, for early retirement benefits.

For the fiscal year 2009 and 2008, the CNMI Department of Finance was not able to confirm the receivable balance because the CNMI Legislature has not budgeted nor appropriated funds for it. Consequently, due to the uncertainty of its collectibility, an allowance for uncollectible receivables of $3,631,090 and $3,631,590 was presented at September 30, 2009 and 2008, respectively (See Note 19).

(16) Benefits Receivable

Benefits receivable consist of the following at September 30, 2009 and 2008:

	2009	2008
Buyback Receivable	$ 487,915	$ 519,185
Underpayment of Contributions	471,390	460,259
Benefits Overpayment	359,139	391,109
Total	$1,318,444	$1,370,553

Following the modified accrual basis of recording revenue, which is also a generally accepted accounting principle in the United States of America for government entities, deferred revenue was credited when these receivables were recognized. Earned revenues will only be recognized when such receivables are actually collected (See Note 22).

(17) Trust Territory Prior Service Receivables

Members of the NMIRF may enter into agreements with the NMIRF to purchase credit for services rendered (without making contributions) from October 1980 to the present. The agreements are for periods of up to seven years and bear interest at rates ranging from the actuarially assumed rate of return on plan assets (7.5% at September 30, 2001) to the average of the most recent 5-year rate of return on plan assets (7.5% at September 30, 2008). The balance due for such credits was $780,733 at September 30, 2009 and 2008.

Individuals who were employed by the government of the Trust Territory of the Pacific Islands (TTPI) are entitled to purchase credit for services rendered to the TTPI.

Initially, the individuals were required to pay both the employer's and the employee's shares. Public Law 9-25 granted these individuals relief from paying in the employers' share and required that any employer contributions already paid-in be refunded and reported to the CNMI Legislature.

For the fiscal year 2009 and 2008, the CNMI Department of Finance was not able to confirm the receivable balance because the CNMI Legislature has not budgeted nor appropriated funds for it. Consequently, due to the uncertainty of its collectibility, an allowance for uncollectible receivables of $780,733 was presented at September 30, 2009 and 2008 (See Note 19).

(18) Other Receivables

At September 30, 2009 and 2008, other receivables of the DB Plan included in the statement of plan net assets consist of the following:

	2009	2008
Receivable from broker	$ 970,968	$ 1,623,164
Others	306,116	301,371
	$ 1,277,084	$ 1,924,535

(19) Allowance for Uncollectible Receivables from Employers

The allowance for uncollectible receivables is stated at an amount which management believes will be adequate to absorb possible losses on receivables that may become uncollectible based on their evaluations and collections experience. The allowance is established through a provision for uncollectible receivables charged to expense.

As of September 30, 2009 and 2008, the allowance for uncollectible receivables from employers, consist of the following:

	2009	2008
CNMI Primary Government:		
Employer contributions (Note 7)	$164,832,706	$149,957,778
Early retirement bonus program (Note 15)	3,631,090	3,631,590
Prior service contribution (Note 17)	780,733	780,733
Total CNMI Primary Government	169,244,529	154,370,101
CNMI Autonomous Agencies:		
Employer contributions (Note 7)	25,216,809	15,373,033
	$194,461,338	$169,743,134

(20) Capital Assets

The following is a summary of capital assets as of September 30, 2009 and 2008:

	2009	2008
Building improvements	$3,706,447	$3,706,447
Software	584,219	584,219
Office equipment and furniture	518,411	512,632
Mechanical equipment	361,000	361,000
Electrical equipment	208,698	208,698
Vehicles	74,890	74,890
	5,453,665	5,447,886
Accumulated depreciation	(2,196,274)	(2,068,317)
Depreciable assets, net	3,257,391	3,379,569
Construction in progress	78,671	-
Total	$3,336,062	$3,379,569

Depreciation expense for the years ended September 30, 2009 and 2008 are $127,957 and $146,712, respectively.

(21) Other Assets

As of September 30, 2009 and 2008, the Fund classified as other assets, certain parcels of land deeded by CGECU to NMIRF valued at $546,650 and incurred architectural and engineering services for the design of its office buildings on Rota and Tinian which totals $275,513.

The project in Rota and Tinian started on May 27, 1998 but its completion was subsequently deferred until further funding is made available from the CNMI Government. This cost may already be subject to impairment; however the accompanying financial statements have not been adjusted to reflect any impairment.

(22) Deferred Revenue

Revenues from the CNMI Government, except contributions which is governed by GASB 25, were deferred. This is following the concept of modified accrual basis and the current financial resources measurement focus wherein earned revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

As of September 30, 2009 and 2008, deferred revenue consists of the following:

	2009	2008
Penalty for unpaid contributions (Note 8)	$ 45,108,689	$ 41,848,218
CNMI appropriations (Note 10)	15,026,333	15,026,333
Benefits receivable (Note 16)	1,314,644	1,370,553
Special annuity (Note 9)	385,943	417,814
Prior service trust fund	51,466	51,466
	$ 61,887,075	$ 58,714,384

(23) Funding Policy, Status and Progress

As a condition of participation, Class I members are required to contribute 8.5% of their annual salary and Class II members are required to contribute 11% of their annual salary to the Fund. The Government and its agencies are required to contribute, each year, an amount equal to that year's obligations for annuities, benefits and administration. The Fund's Board of Trustees makes such a determination and reports the needed funding to the CNMI Legislature. In addition, Public Law 5-3 earmarked 90% of the revenues derived from poker machine licensing fees to the Fund. The Board also advises the CNMI Legislature of the actuarially determined percentage of payroll necessary to fund the retirement program. The CNMI Legislature is required to meet the actuarial funding requirement.

Based on the most recent actuarial valuation report (as of October 1, 2008), the actuarially computed funding requirement is 51.0578% of covered payroll.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Fund's funding status on a going-concern basis, and to evaluate progress made in accumulating adequate assets to pay benefits when due.

This measure is independent of the actuarial funding method as discussed in Note 24 to the financial statements. Information regarding the Fund's historical trend of accumulating assets to pay benefits is included in the financial statements as supplementary information.

The pension benefit obligation was determined as part of the actuarial valuation at October 1, 2008. Significant actuarial assumptions are similar to those used in arriving at the actuarial present value of accumulated plan benefits.

(23) Funding Policy, Status and Progress, Continued

As of October 1, 2008, the unfunded pension benefit obligation was as follows:

	Class II	Class I	Total
Present value of vested accrued benefits:			
Active participants	$ 28,506,160	$ 95,321,946	$ 123,828,106
Terminated with vested benefits	2,423,860	5,829,950	8,253,810
Retired and beneficiaries	587,326,714	119,974,796	707,301,510
	618,256,734	221,126,692	839,383,426
Non-vested accrued benefits	12,860,045	47,197,129	60,057,174
Total present value of accrued benefits	631,116,779	268,323,821	899,440,600
Net assets available for benefits, at market value	(159,286,708)	(243,918,304)	(403,205,012)
Unfunded benefit obligation (Excess market value over accrued benefits)	$471,830,071	$ 24,405,517	$496,235,588

The October 1, 2008 actuarial valuation include 1) an update of actuarial assumptions for cost of living adjustment increases and retirement age; 2) the effect of Public Law 15-70 increasing the member contribution rates to 10.5% and 11% for class I and II members, respectively; and 3) capping the COLA to the first $30,000 of benefits.

The present values of vested and non-vested accrued benefits provide a measure of the value of future plan benefit payments resulting from services earned to the valuation date. It is intended that when these measures are compared to plan assets, they will be used in assessing the progress being made towards funding such benefits. These amounts meet the reporting requirements of the Financial Accounting Standards Board (FASB) Statement No. 35, *"Accounting and Reporting by Defined Benefit Pension Plans."*

(24) Contributions Required and Contributions Made

An independent actuary determines the funding requirement. It is computed as that percentage of total payroll that is necessary to accumulate sufficient assets to pay benefits when due. Level percentage of payroll contribution rates was determined using the Entry Age normal cost method. The Fund also uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 2006.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the actuarial present value of accumulated plan benefits and the pension benefit obligation as mentioned in Notes 2 and 23 respectively, to the accompanying financial statements.

As of the most recent actuarial valuation report (October 1, 2008), the computed funding requirements for Class I members are 11.91% and 8.5% for employers and employees, respectively, and for Class II members the requirements are 612.10% and 11% for employers and employees, respectively, of covered payroll. The amounts of employer and employee contributions actually made, as percentages of the current-year covered payroll were unavailable.

(25) Excess Accumulated Plan Benefits over Plan Net Assets Available for Benefits

Based on the latest actuarial valuation of the DB Plan dated October 1, 2008, the present value of accrued benefits amounts to $899,440,600. As of September 30, 2009 plan net assets available for benefits was $353,475,412.

This statements shows that should the plan terminate at September 30, 2009, the Fund's plan net assets available for benefits is not enough to pay for its accrued benefits. Present value of accrued benefits in excess of the plan net assets available for benefit was $545,965,188.

(26) Concentration of Risk

The NMIRF is a public employees' retirement system open to employees of the CNMI Government. All active participants live and work in the CNMI. Retirees live primarily in the CNMI; however, some retirees live in the Continental United States of America, Guam and other countries.

The NMIRF has investment policies that prohibit concentration of its risk in investment portfolio. All loans receivable at September 30, 2009 are to individuals or entities located in the CNMI. The NMIRF's policy is to require sufficient collateral to secure loans made, usually in the form of a real estate mortgage. The NMIRF has immediate access to such collateral, and maintains mortgage documents in its files.

Should all borrowers default on their loan agreements and the value of any collateral is determined to be worthless, the accounting loss the NMIRF would incur would be equal to the balance of loans receivable as shown in the accompanying financial statements.

(27) Risk Management

The NMIRF is subject to various risks in the normal course of business. The NMIRF protects itself against property and liability risks in part by purchasing insurance from private companies. The NMIRF is self-insured for workers' compensation claims.

(28) Contingencies

For the purpose of increasing its available funding, NMIRF ("Seller") executed a loan purchase agreement with the Guam Savings and Loan Association, now known as Bank Pacific ("Buyer") for certain loans under the Member Home Loan Program amounting to $3,024,914. Such loans were sold with full recourse. Under the terms of this agreement, Seller shall repurchase the loan in default from the Buyer at an amount equal to the unpaid principal balance, all accrued and unpaid interest, and all costs and fees incurred by Buyer to the date of repurchase. As of September 30, 2009, no qualified loans were delinquent, and although some uncertainty exist, NMIRF believes that the borrowers can pay the remaining balance and that ultimately, no liability would arise from this agreement.

(29) Other Matters

The Fund has not remitted nor provided for the fees for the Office of the Public Auditor. 1 CMC Division 7 Chapter 3 § 7831, states that "the Executive Director for all corporations or other autonomous agencies of the CNMI which are not funded primarily by legislative appropriations shall pay to the CNMI Treasurer an amount not less than the greater of one percent (1%) of its total operations budget from sources other than legislative appropriations or pursuant to any other formula upon which the Public Auditor and the agency may agree". The fund is negotiating with the Public Auditor for a lesser fee, since the Fund does not have any other source of income aside from contributions and investment income which the Fund only holds in fiduciary capacity for its members. The accompanying financial statements do not include any estimated liability that may arise in relation with this statute.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Required Supplementary Information
Schedule of Funding Progress – Defined Benefit Plan

September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Funded Ratio (a/b)
Oct. 1, 1999	$ 385,376,003	$ 790,469,942	48.8%
Oct. 1, 2000	$ 453,519,324	$ 809,397,124	56.0%
Oct. 1, 2001	$ 375,089,058	$ 863,782,365	43.4%
Oct. 1, 2002	$ 335,285,391	$ 909,298,181	36.9%
Oct. 1, 2003	$ 385,672,027	$ 902,640,147	42.7%
Oct. 1, 2004	$ 399,806,956	$ 951,849,098	42.0%
Oct. 1, 2005	$ 460,131,501	$ 1,007,330,985	45.7%
Oct. 1, 2006	$ 472,688,490	$ 987,148,939	45.9%
Oct. 1, 2007	$ 510,197,976	$ 879,262,269	58.0%
Oct. 1, 2008	$ 403,205,012	$ 933,062,839	43.2%

Actuarial Valuation Date	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Oct. 1, 1999	$ 405,093,939	$ 156,911,826	258.17%
Oct. 1, 2000	$ 355,877,800	$ 144,720,672	245.91%
Oct. 1, 2001	$ 488,693,307	$ 151,695,905	322.15%
Oct. 1, 2002	$ 574,012,790	$ 147,433,030	389.34%
Oct. 1, 2003	$ 516,968,120	$ 150,272,175	344.02%
Oct. 1, 2004	$ 552,042,142	$ 150,265,226	367.38%
Oct. 1, 2005	$ 547,199,484	$ 147,584,792	370.77%
Oct. 1, 2006	$ 514,460,449	$ 137,098,513	375.25%
Oct. 1, 2007	$ 369,064,293	$ 117,820,440	313.24%
Oct. 1, 2008	$ 529,857,827	$ 91,053,703	581.90%

See accompanying notes to required supplementary information.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Required Supplementary Information
Schedule of Employer Contribution – Defined Benefit Plan

September 30, 2009

Years Ended September 30	Annual Required Employer Contributions	Actual Employer Contributions Received	Percentage Contributed
1998	$ 40,478,534	$ 23,529,379	58.13%
1999	$ 38,429,440	$ 19,306,371	50.24%
2000	$ 39,407,510	$ 23,580,619	59.84%
2001	$ 41,172,999	$ 16,972,137	41.22%
2002	$ 38,297,318	$ 25,506,419	66.60%
2003	$ 41,968,946	$ 25,142,680	59.91%
2004	$ 40,614,528	$ 34,312,705	84.48%
2005	$ 40,284,859	$ 33,947,623	84.47%
2006	$ 40,747,619	$ 25,336,594	62.18%
2007	$ 58,127,114	$ 18,439,692	31.72%
2008	$ 49,135,385	$ 21,344,895	43.44%

See accompanying notes to required supplementary information.

(1) Schedule of Funding Progress

The actuarial accrued liability is a measure intended to help assess each of the plan's funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets is determined on a market-related basis that recognizes 20% of the current year's unrecognized and unanticipated gains and loss (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contribution between entry age and assumed exit age. Entry age is established by subtracting credited service from current age on the valuation date. For additional information refer to Note 23, Funding Policy Status and Progress.

(2) Actuarial Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2008
Actuarial cost method	Entry age
Amortization method	level percent – period is open
Remaining amortization period	38 years (commencing October 1, 2008)
Asset valuation method	Market value, including accrued contributions
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.0%

NORTHERN MARIANA ISLANDS
RETIREMENT FUND
(A Component Unit of the CNMI Government)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Year Ended September 30, 2009

J. Scott Magliari & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Northern Mariana Islands Retirement Fund

I have audited the financial statements of Northern Mariana Islands Retirement Fund (NMIRF) as of and for the year ended September 30, 2008, and have issued my report thereon dated May 28, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered NMIRF's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the NMIRF's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the NMIRF's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the NMIRF's financial statements that is more than inconsequential will not be prevented or detected by NMIRF's internal control. I consider the deficiencies described as findings nos. 2009-01 through 2009-05 in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NMIRF's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that findings nos. 2009-01, 2009-02 and 2009-04 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMIRF's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as finding nos. 2009-03 through 2009-05.

NMIRF's responses to the findings identified in my audit described in the accompanying Schedule of Findings are in a separate letter prepared by NMIRF's management. I did not audit NMIRF's responses and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of NMIRF, the Board of Trustees, the Office of the Public Auditor and the cognizant audit and is not intended to be and should not be used by anyone other than these specified parties.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Schedule of Findings
September 30, 2009

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes ______ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ yes ______ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

SECTION II – INDEX TO FINANCIAL STATEMENTS FINDINGS

Reference Number	Findings	Reference Page Number
2009-01	Reconciliation of Employers Contributions Receivable	58
2009-02	Reconciliation of Subsidiary Ledgers to General Ledger Balances	59
2009-03	Overpayment of Refund	60
2009-04	Review of Financial Statements	61
2009-05	Review of Contract with Third-party Systems Developer	62

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2009-01 Reconciliation of Employers Contributions Receivable

Criteria:

Periodic reconciliation of Receivable from Employers should be performed to ascertain reasonableness of receivable balances.

Context:

Audit of employers contributions receivables balances.

Condition:

The confirmation received from a plan sponsor showed significant difference with the employer contributions receivable. NMIRF have not performed account reconciliation with the plan sponsor. Furthermore, the audit proposed a significant audit adjustment to reconcile the NMIRF receivable balance and the payable recognized by the plan sponsor.

Cause:

The NMIRF only uploads the payroll information provided by the plan sponsors, agrees the remittance to the reported contributions and does not perform an independent verification of the correctness of employer contribution receivable.

Effect:

Although, the difference was reconciled during the audit, the weakness in NMIRF's internal control over its receivable balances could result to misstatement in the account balances that may not be detected timely.

Recommendation:

NMIRF should establish and document a reconciliation procedure, wherein the plan sponsor's payable balances are reconciled periodically with NMIRF's receivable balances.

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2009-02 Reconciliation of Subsidiary Ledgers to General Ledger Balances

Criteria:

Periodic reconciliation of general ledger and subsidiary ledgers should be performed to ascertain reasonableness of account balances.

Context:

Audit of subsidiary ledgers.

Condition:

The subsidiary ledgers and general ledger balances of the following accounts are not reconciled:

	Per General Ledger	Per Subsidiary Ledgers	Difference
Employer Contributions	$ 25,743,388	$ 25,824,264	$ (80,876)
Mortgage Loan Receivables	5,636,855	5,920,998	(284,143)
Buy Back Receivable	458,911	412,951	45,960
Accounts Payable	1,423,718	1,502,389	78,671

Cause:

The above condition is due to the improper utilization of the subsidiary ledger module of the accounting system used by NMIRF.

Effect:

Although, the difference was reconciled during the audit, the weakness in NMIRF's internal control over subsidiary ledgers could result to misstatement in the account balances that may not be detected timely.

Recommendation:

NMIRF should properly utilize the subsidiary ledger module of its accounting system. All changes of accounts with subsidiary ledgers should be posted using the proper module and not through direct adjustments in the general ledger balance.

Furthermore, regular reconciliation should be performed to ensure that the balances agree.

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2009-03 Overpayment of Refund

Criteria:

Pursuant to Public Law 15-98, qualified members may refund their contributions plus interest.

Condition:

I noted that the refund made to a member exceeded his actual contributions plus interest. The disbursement made included the buyback balance that were uncollected.

Effect:

The above condition results in overpayment of refund that may not be collectible.

Cause:

The NMIRF database software does not address the consolidation of buyback payment information and contributions received, hence upon receipt of a request for refund the NMIRF has to manually calculate the refund balance when the requesting member have buyback payments.

Recommendation:

NMIRF should develop and implement monitoring controls, policies and procedures to ensure that there are no overpayments of benefits.

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2009-04 Review of Financial Statements

Criteria:

Monthly financial statements must be prepared by the Accounting Department and reviewed by the Administrator and presented to the Board of Directors.

Context:

Review of Minutes of Board Meetings.

Condition:

I noted on the minutes of the Board of Trustees meetings that the Controller only presents certain elements of the NMIRF financial statements, such as investment withdrawals for the period and contributions received, and not a complete set of financial statements. No regular financial statements are prepared, hence there were several adjusting and reclassification entries at year-end.

Effect:

The financial information presented to management and the Board of Trustees may be incomplete to provide management with sufficient information to make informed decisions.

Cause:

The lack of periodic reconciliations noted in Finding Nos. 2009-01 and 2009-02, among other may have prevented the Accounting Department from generating reliable financial information.

Recommendation:

The NMIRF should adhere to its monthly financial statement closing procedures and ensure that a complete set of financial statements are presented to the Board of Trustees, or at least to the Finance Committee.

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2009-05 Review of Contract with Third-party Systems Developer

Criteria:

The NMIRF, being fiduciary in nature should ensure that the funds of the NMIRF are expended for reasonable and necessary expenditures.

Context:

Review of contracts.

Condition:

In my 2008 letter to those in-charge with governance we noted that the third-party systems developer may be in violation of the terms of the contract. The contract states that the project should be completed and successfully rolled-out by September 30, 2008. As of audit date, May 28, 2010, the database software has not been fully implemented.

Effect:

The vendor is in violation of the terms of the contract and NMIRF may be in violation of its fiduciary responsibility for not claiming remuneration from the vendor for the delay in the implementation of the database system as it is 90% paid for already.

Cause:

The lack of oversight on the contractor.

Recommendation:

The NMIRF should ensure that the terms of contracts are adhered to not only by NMIRF but also by the contractor.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A Component Unit of the CNMI Government)

Schedule of Findings
September 30, 2009

SECTION III – STATUS OF PRIOR YEAR FINDINGS

Reference Number	Findings	Status
2008-01	Employee Contribution Rate	Unresolved. The Database Software upgrage which was supposed to address this finding was not fully implemented.
2008-02	Underpayment of Contributions	Unresolved Refer to 2008-01 status.
2008-03	Overpayment of Benefits	Unresolved Refer to 2008-01 status.
2008-04	Documentation of Annuitants	Unresolved Refer to 2008-01 status.
2007-01	Reconciliation of employers contributions	Unresolved. See 2009-01
2007-02	Underpayment of contributions	Unresolved Refer to 2008-01 status.
2007-03	Overpayment of benefits	Unresolved Refer to 2008-01 status.
2006-02	Underpayment of contributions	Unresolved Refer to 2008-01 status.
2006-03	Overpayment of benefits	Unresolved Refer to 2008-01 status.

CNMI WORKERS' COMPENSATION COMMISSION

(Component Unit of the CNMI Government)

REPORTS ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH ***GOVERNMENT AUDITING STANDARDS***

Years Ended September 30, 2009 and 2008

J. Scott Magliari & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

Independent Auditor's Report

The Board of Trustees
CNMI Workers' Compensation Commission

I have audited the accompanying statements of fiduciary net assets of the Commonwealth of the Northern Mariana Islands (CNMI) Workers' Compensation Commission (WCC), a component unit of the CNMI Government, as of September 30, 2009 and 2008 and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the WCC's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WCC's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As discussed in Notes 3 and 9 to the financial statements, the WCC has a limited period of experience in estimating loss reserves and paying workers' compensation and disability claims. Because of the length of time required for the ultimate liability for workers' compensation and special disability claims to be determined, the WCC has limited historical experience data upon which to base an estimate of the ultimate liability. As a result, the Board of Trustees is unable to establish a reserve for estimated workers' compensation and special disability claims. Accordingly, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In my opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had the reserve been established, as discussed in the third paragraph, the basic financial statements referred to above present fairly, in all material respects, the WCC's statements of fiduciary net assets, as of September 30, 2009 and 2008, and the related statements of changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2010 on my consideration of the CNMI Workers' Compensation Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 66 through 71 is not a required part of the basic financial statements and is the responsibility of the WCC's management but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise WCC's basic financial statements. The statistical tables are presented for purposes of additional analysis, are not a required part of the basic financial statements and are the responsibility of WCC's management. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

This section presents Management's Discussion and Analysis (MD&A) of the financial activities of the Commonwealth of Northern Mariana Islands (CNMI) Workers' Compensation Commission (WCC) as a narrative overview for the years ended September 30, 2009 and 2008. Readers are encouraged to consider the information presented in conjunction with the letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- Fund Net assets held in trust as of September 30, 2009 and 2008 were $1,265,975 and $1,226,847, respectively, an increase of $39,128 or 3% from prior year.

- Total revenues, as reflected in the statements of changes in fiduciary net assets, were $259,408 and $209,935 for the years ended September 30, 2009 and 2008, respectively. Total revenues increased by $49,473 or 24% for the year ended September 30, 2009. The primary reason for the increase in revenue is the collection of CNMI government appropriations.

- Total expenditures, as reflected in the statements of changes in fiduciary net assets, were $220,280 and $197,007 for the years ended September 30, 2009 and 2008, respectively. This represented an increase of $23,273 or 12% from prior year due to disability claims payments.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements. The WCC has two basic financial statements and the notes to financial statements. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board utilizing the accrual basis of accounting.

The first basic financial statements are the **Statements of Fiduciary Net Assets.** This is a snapshot of account balances at fiscal year end. These statements reflect assets available for future payments of workers' compensation benefits and liabilities owed as of fiscal year end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

The second basic financial statements are the **Statements of Changes in Fiduciary Net Assets.** This Statement reflects all the activities that occurred during the year and shows the impact of those activities as revenues or additions and expenditures or deductions to the fund. The trend of additions versus deductions to the fund will indicate whether WCC's financial position is improving or deteriorating over time.

The **Notes to Financial Statements** (Notes) are an integral part of the financial reports. The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Net Assets

As of September 30, 2009, 2008 and 2007, net assets were $1,265,975, $1,226,847 and $1,213,919, respectively. Total assets of $2,196,728, $2,114,253 and $2,159,001 exceeded total liabilities of $930,753, $887,406 and $945,082 as of September 30, 2009, 2008 and 2007, respectively. Net assets represent resources available for future payments, which means after all liabilities are paid off, WCC has at end of September 30, 2009, 2008 and 2007, $1,265,975 and $1,226,847 and $1,213,919, respectively to pay for workers' compensation benefits.

Fiduciary Net Assets (in thousands)	2009	2008	Change Amount	%
Cash and restricted deposits	$ 727	$ 608	$ 119	20
Investments, at fair market value	663	683	(20)	(3)
Receivables	806	822	(16)	(2)
Capital assets, net	1	1	-	-
Total Assets	2,197	2,114	83	4
Accounts payable and accrued liabilities	131	67	64	96
Deferred revenue	800	820	(20)	(2)
Total Liabilities	931	887	44	5
Net Assets	$ 1,266	$ 1,227	$ 39	3

Fiduciary Net Assets (in thousands)	2008	2007	Change Amount	%
Cash and restricted deposits	$ 608	$ 549	$ 59	11
Investments, at fair market value	683	692	(9)	(1)
Receivables	822	917	(95)	(10)
Capital assets, net	1	1	-	-
Total Assets	2,114	2,159	(45)	(2)
Accounts payable and accrued liabilities	67	31	36	116
Deferred revenue	820	914	(94)	(10)
Total Liabilities	887	945	(58)	(6)
Net Assets	$ 1,227	$ 1,214	$ 13	1

Changes in Net Assets

The following table presents the changes in fiduciary net assets for the years ended September 30, 2009, 2008, and 2007, respectively.

Changes in Fiduciary Net Assets (in thousands)	**2009**	**2008**	**Change Amount**	**%**
Revenues	$ 259	$ 210	$ 49	23
Expenditures	220	197	23	12
Net increase	39	13	26	200
Fiduciary net assets, beginning	1,227	1,214	13	1
Fiduciary net assets, ending	$ 1,266	$ 1,227	$ 39	3

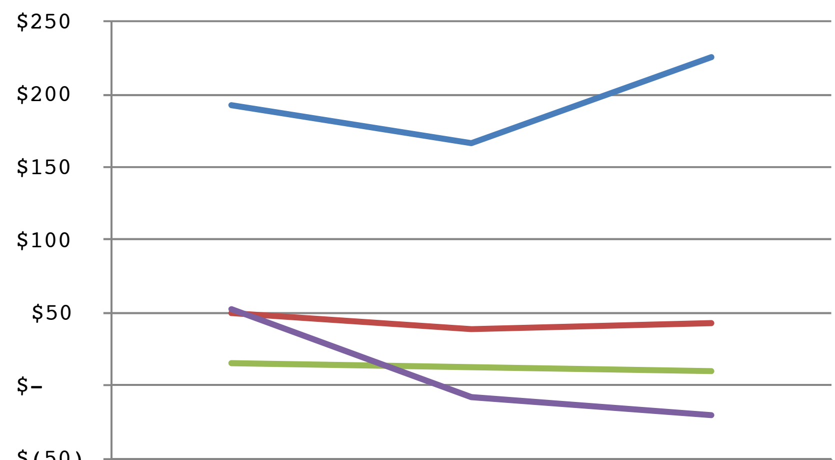
Changes in Fiduciary Net Assets (in thousands)	**2008**	**2007**	**Change Amount**	**%**
Revenues	$ 210	$ 311	$ (101)	(32)
Expenditures	197	193	4	2
Net increase	13	118	(105)	(89)
Fiduciary net assets, beginning	1,214	1,096	118	11
Fiduciary net assets, ending	$ 1,227	$ 1,214	$ 13	1

Revenues

Revenues (in thousands)	2009	2008	2007
CNMI appropriations	$ 226	$ 166	$ 193
Premiums from insurers	43	39	50
Fines and penalties	10	13	15
Other	(20)	(8)	53
Total	$ 259	$ 210	$ 311

There have been no significant changes in WCC's revenues in the past three years. The CNMI appropriation remained the same over the past three years; however, fiscal year 2009 revenues included 2008 appropriation collected in 2009. During fiscal year 2009, the investment market value dropped by $20K due from the market contractions as demonstrated in the table above, identified as "Other," for a loss of $20K.

WCC has revenue potential if collection efforts are exerted on outstanding claims assessments valued at $800,007, $820,046, and $914,252 as of September 30, 2009, 2008, and 2007, respectively.



	2007	2008	2009
CNMI appropriations	$193	$166	$226
Premiums from insurers	50	39	43
Fines and penalties	15	13	10
Other	53	(8)	(20)

Expenditures

	2009		2008		2007	
Expenditure (in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Salaries and wages	$ 84	38%	$ 83	42%	$ 96	50%
Employee benefits	43	20%	40	20%	46	24%
Disability claims	47	21%	21	11%	14	7%
Other administrative expenses	46	21%	53	27%	37	19%
Total	$ 220	100%	$ 197	100%	$ 193	100%

The primary uses of WCC's assets include the payment of benefits to members, salaries and benefits of its employees and the cost of administering the fund. For the years ended September 30, 2009, 2008 and 2007, expenditures were $220,280, $197,007 and $192,738, respectively, reflecting an increase of $23,273 or 12% in 2009, an increase of $4,269 or 2% in 2008 and a decrease of $68,782 or 26% in 2007. The significant increase in 2009 is due to settlement of a major claim by a government employee.

OVERALL ANALYSIS

Overall, as of September 30, 2009, 2008 and 2007 and for the years then ended, WCC's financial position and results of operations have increased over each prior year. For the year ended September 30, 2009, 2008 and 2007, net assets increased $39,128 or 3%, $12,928 or 1% and $118,010 or 11%, respectively, over the prior years. The appropriations received from the CNMI government are just enough to cover administration of the fund and provide for current claims and does not provide for premiums to increase reserve to fund future claims. The WCC have not commissioned an actuarial valuation of future death and medical benefits.

OTHER SIGNIFICANT MATTERS

Continuing Risk Exposure

The imminent risk surrounding the government workers' compensation program is mainly due to under-funding. The CNMI is self-insured on its workers' compensation program covering over 5,700 employees.

Tracking only two major casualties involving government employees, since inception, WCC made pay-outs of over $900,000 for medical expenses for these instances only. By way of example, should 10 employees be exposed to the same fatalities, WCC would need at least $4.5 million in cash reserve.

The Board of Trustees has communicated this issue twice to the CNMI Legislature in order to reduce the risk exposure of the CNMI Government.

Two options presented were: (1) earmark ½ of 1% of the payroll budget every year to WCC; and (2) procurement of third-party workers compensation coverage for each agency including the Central government.

REQUEST FOR INFORMATION

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with a general overview of WCC's finances and to show accountability for the money it receives.

Questions about this report or request for additional financial information should be addressed to:

Mr. David Demapan
Comptroller
CNMI Workers' Compensation Commission
PO Box 501247 CK
Saipan, MP 96950
http://www.nmiretirement.com

CNMI WORKERS' COMPENSATION COMMISSION
(A Component Unit of the CNMI Government)

Statements of Fiduciary Net Assets
September 30, 2009 and 2008

	Expendable Trust Fund	
Assets	2009	2008
Cash and cash equivalents (Note 2)	$ 183,416	$ 117,296
Restricted cash - Special Disability Fund (Note 3)	416,295	363,821
Restricted certificate of deposit - Special Disability Fund (Note 3)	126,816	126,816
Investments (Notes 2 and 4)	663,098	683,008
Accounts receivable (Notes 6 and 7)	800,007	820,046
Other receivables	5,933	2,260
Capital assets, net (Notes 2 and 5)	1,163	1,006
Total assets	2,196,728	2,114,253
Liabilities		
Accounts payable and accrued liabilities (Note 2)	130,746	67,360
Deferred revenue (Note 7)	800,007	820,046
Total liabilities	930,753	887,406
Contingencies (Note 9)		
Net Assets		
Held in trust for workers' compensation benefits and other purposes	$ 1,265,975	$ 1,226,847

See accompanying notes to financial statements.

CNMI WORKERS' COMPENSATION COMMISSION
(a component unit of the CNMI Government)

Statements of Changes in Fiduciary Net Assets
Years ended September 30, 2009 and 2008

	Expendable Trust Fund 2009	Expendable Trust Fund 2008
Revenues:		
CNMI appropriations (Note 8)	$ 226,582	$ 165,442
Premiums from insurers	42,609	39,357
Fines and penalties (Note 6)	9,865	13,293
Investment income	16,443	25,320
Unrealized loss on investment	(36,091)	(33,477)
Total revenues, net	259,408	209,935
Expenditures:		
Salaries and wages	84,326	83,135
Disability claims	46,553	21,422
Employee benefits	43,538	39,978
Professional fees	14,502	9,973
Rent	14,013	16,426
Utilities	7,121	17,844
Repairs and maintenance	3,031	794
Communications	2,344	1,818
Office supplies	2,270	1,860
Depreciation	841	237
Management and custodial fees	262	360
Printing	-	913
Miscellaneous	1,479	2,247
Total expenditures	220,280	197,007
Net increase	39,128	12,928
Net assets, beginning of the year	1,226,847	1,213,919
Net assets, end of the year	$ 1,265,975	$ 1,226,847

See accompanying notes to financial statements.

(1) Organization

The CNMI Workers' Compensation Commission (WCC) was created pursuant to 4 CMC 9301, Public Law 6-33 signed on June 27, 1989, becoming effective on October 25, 1989. Public Law 6-33 empowers the WCC to implement and enforce the provisions of the law for the effective administration of the program. The Administrator of the Northern Marianas Island Retirement Fund (NMIRF) oversees the administration and management of the program.

The primary purpose of the Worker's Compensation Law is to provide financial protection to both employers and employees for the catastrophic effects of work related injuries, illnesses or deaths. It is a social insurance plan that compensates employees for disabilities incurred from work related injuries regardless of fault. It is also a no-fault insurance program, solely paid for by the employer.

The WCC ensures that private sector employers obtain and provide workers' compensation insurance coverage for their employees. The WCC also administers the CNMI government's workers' compensation self-insurance program.

Limits of Liability

The Worker's Compensation program offers "protection for employees and employers". This refers to the limitation of employer's liability and employee's benefits. It is a protection for employees in terms of the availability of compensation during periods of disability, compensation for dismemberment, benefit for medical expenses and deaths. If coverage is not secured through a private carrier, the employer is liable to pay for compensation.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The WCC is an expendable trust fund. The measurement focus of such a fund is the flow of current financial resources. The financial statements of the WCC are presented on the modified accrual basis of accounting whereby revenues are recorded when they become measurable and available and expenses are recorded when the related liabilities are incurred.

Generally, an expendable trust fund's assets include those financial resources that are available to finance current expenditures of the fund. Items that will consume expendable financial resources during the fiscal period are classified as liabilities.

(2) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting the Statements of Fiduciary Net Assets, WCC considers cash and cash equivalents to be cash on bank deposits, time certificates of deposits, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

At September 30, 2009 and 2008, the bank balances were $183,416 and $117,296, respectively. WCC, at times, maintains cash in excess of the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250,000 in 2009 and 2008.

Valuation of Investments

As part of WCC's cash management program, it maintains a portfolio of marketable investment securities, which are stated at fair market value. Fair market value is determined by quoted prices in active markets for equity securities, mutual fund investments and corporate debt instruments.

WCC is administered by the NMIRF Board of Trustees thus, follows the policies set forth in the rules and regulations promulgated by the NMIRF. The NMIRF's investment policies are defined in Public Law 6-17, subsequently amended by Public Law 6-41.

Investment of Funds

The fund reserves in excess of current operational requirements are invested under the authority of the Board of Trustees. In investing these reserves, the Board employs the services of investment professionals and consultants who are subject to the investment policy statement issued by the Board.

These professionals are registered with the U.S. Securities and Exchange Commission as investment advisors. The assets are primarily invested in stocks, bonds, and real estates traded in recognized stock markets such as the New York Stock Exchange.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets are recorded at cost. Acquisitions in over $500 are capitalized. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

Income Taxes

WCC is a component unit of the CNMI government. Accordingly, WCC is not subject to income taxes.

Annual Leave

Employees are credited with annual leave at rates ranging from 4 to 8 hours per pay-period depending on their length of service. Accumulation of such annual leave credit is limited to 480 hours, which is equivalent to 60 days. Liabilities for unpaid annual leave are accrued at the end of each accounting period utilizing current salary rates. At September 30, 2009 and 2008, accrued annual leave was $9,674 included in the accompanying statements of fiduciary net assets as part of accounts payable and accrued liabilities.

(3) Special Disability Fund

The Special Disability Fund (SDF) is a special fund restricted for the purpose of making compensation for injury increasing disability in accordance with subsection (f) of Section 9308 of Public Law 10-19. The funding sources for this fund come from the following: (1) Two percent of the premium received for workers' compensation coverage levied against all insurers (carriers) licensed to do business in the CNMI. This charge is remitted quarterly from the total premium collected during the preceding calendar quarters. (2) A $10,000 contribution from the employer/carrier each time the Administrator determines that there is no eligible person to receive the survivor's benefit from a work related incident resulting in the death of the employee; and (3) all amounts collected as fines and penalties pursuant to the law.

As of September 30, 2009 and 2008, the total restricted cash and certificate of deposit were $543,111 and $490,637, respectively. These amounts are deposited into two separate accounts of SDF; one maintained in a checking account, the other placed in a certificate of time deposit that are held-in trust by the Treasurer of the CNMI, and are not money or property of the CNMI Government.

The WCC also maintains as restricted investments $663,098 and $683,008 as of September 30, 2009 and 2008, respectively.

(3) Special Disability Fund, Continued

The restricted cash and certificate of deposit exceed FDIC insured limits of $250,000 as of September 30, 2009 and 2008 by $166,295 and $113,821, respectively. Employees of the WCC and NMIRF do not have signature authority over these accounts. The SDF was established to accommodate special disability claims as discussed in the following paragraph.

For any employee working in the CNMI, the SDF will be used to pay for the difference between the compensation for permanent total disability and when an employee receives an injury which of itself would cause only partial disability but when combined with a previous disability, results in total disability. The maximum workers' compensation benefit is the lesser of $140 per week or two thirds of the employee's wages, with a maximum amount for one occurrence of $40,000. WCC's share of the $40,000 maximum is the amount not covered by insurance provided by the injured employer.

Further, if an employee dies from a work-related injury without a beneficiary entitled to receive the death benefit, the carrier (on behalf of the employer) shall contribute $10,000 to the SDF. Under section 9353(e) of Public Law 6-33, neither the CNMI government nor the WCC shall be liable for disability benefits in excess of the amount accumulated in the SDF. If the obligations of the SDF exceed the balance in the SDF, the WCC must immediately inform the CNMI Legislature of the deficiency.

(4) Investments

Governmental Accounting Standards require that the investments reported as of the balance sheet date be categorized according to level of credit risk associated with the Fund's custodial arrangements at that time. The level of credit risk is defined as follows: Category (1) - insured and registered for which the securities are held by the WCC or its agent in the WCC's name; Category (2) - uninsured and registered for which the securities are held by the broker's or dealer's trust department or agent in the WCC's name; Category (3) - uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the WCC's name. At September 30, 2009 and 2008, all of WCC's investments are classified in Category (1).

WCC implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *"Deposit and Investment Risk Disclosures"*, an amendment of GASB Statement No. 3 as of September 30, 2005. GASB 40 modifies previous custodial credit risk disclosure requirements and establishes more comprehensive risk disclosure requirements relating to other common risks of investments, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

(4) Investments, Continued

WCC's investments are held by a bank-administered trust company. Carrying values of investments at September 30, 2009 and 2008 are as follows:

	2009	2008
Stock mutual fund	$ 453,757	$ 496,315
Mutual bond funds	178,560	172,093
Money market placements	30,781	13,713
Total	663,098	682,121
Accrued income	-	887
	$ 663,098	$ 683,008

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, WCC would not be able to recover the value of its deposits, investments, or securities. As of September 30, 2009 and 2008, 100% of WCC's investments were held in the WCC's name, and the WCC is not exposed to custodial credit risk related to these investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the WCC manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the interest rate sensitivity of the fair values of the WCC's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity:

September 30, 2009

		Investment Maturities (in Years)	
Investment Type	Carrying Value	Less Than 1	1 to 5
Investments subject to interest rate risk:			
Mutual bond fund	$ 178,560	$ -	$ 178,560
Total investments subject to interest rate risks	178,560	$ -	$ 178,560
Investments not subject to interest rate risk	484,538		
Total investments	$ 663,098		

(4) Investments, Continued

Interest Rate Risk, Continued

September 30, 2008

Investment Type	Carrying Value	Investment Maturities (in Years) Less Than 1	1 to 5
Investments subject to interest rate risk:			
Mutual bond fund	$ 172,093	$ -	$ 172,093
Total investments subject to interest rate risks	172,093	$ -	$ 172,093
Investments not subject to interest rate risk	510,028		
Total investments	$ 682,121		

Credit Risk

Credit risk is the risk that an issuer or other counter-party to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations.

The credit rating of the $172,093 investment in fiscal year 2008 subject to interest rate risk is as follows:

Aaa/AAA	$ 66,149
Aa/AA	105,944
Total	$ 172,093

The 2009 fixed income investments are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2009 and 2008, the WCC had no single issuer that exceeds 5% of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. WCC does not maintain investments held in foreign currencies.

(5) Capital Assets

A schedule of capital assets at September 30, 2009 and 2008 is as follows:

	Estimated Useful Lives	2009	2008
Vehicles	5 years	$ 19,595	$ 19,595
Office equipment	5 years	18,328	17,330
Furniture and fixtures	7 years	1,646	1,646
		39,569	38,571
Accumulated depreciation		(38,406)	(37,565)
		$ 1,163	$ 1,006

Depreciation expense for the years ended September 30, 2009 and 2008 are $841 and $237, respectively.

(6) Fines and Penalties

The WCC may assess penalties of up to $100 per day against employers who fail to obtain worker's compensation insurance coverage for their employees. Uncollected fines and penalties assessed (net of waived amounts) as of the years ended September 30, 2009 and 2008 totaled $800,007 and $820,046, respectively.

The accounts receivable from employers' fines and penalties reported in the accompanying statements of fiduciary net assets is based on a maximum assessment of $1,500 per year per employer. The actual amount collected may be less, as WCC officials have discretion to waive a portion of the assessments.

(7) Deferred Revenue

Revenues earned from fines and penalties are deferred until collected. At September 30, 2009 and 2008, deferred revenue was $800,007 and $820,046, respectively.

(8) CNMI Appropriation

WCC received $226,582 and $165,442 CNMI Government appropriations in fiscal years 2009 and 2008, respectively, to cover a portion of its operating costs. These amounts are recognized as revenue in the accompanying financial statements.

(9) Contingencies

WCC assumed responsibility for administering and paying disability claims for CNMI government employees on October 25, 1989. Effective September 1, 1990, the WCC contracted an insurance carrier to provide coverage for CNMI government employees. The contractual agreement with the insurance carrier was terminated effective May 31, 1991. The CNMI Government is self-insured for disability claims for the periods covering from October 25, 1989 to September 1, 1990 and from June 1, 1991 through September 30, 2008. No reserve for such claims has been provided for in the accompanying financial statements at September 30, 2009 and 2008.

WCC is subject to various risks in the normal course of operations. WCC protects itself against these risks by purchasing property and liability insurance from private insurance companies. WCC is self-insured for workers' compensation claims. Management has not established a reserve for workers' compensation claims.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS (CNMI)
WORKERS' COMPENSATION COMMISSION
(A Component Unit of the CNMI Government)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH ***GOVERNMENT AUDITING STANDARDS***

Year Ended September 30, 2009

J. Scott Magliari & COMPANY
CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING and ON COMPLIANCE and OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
CNMI Worker's Compensation Commission

I have audited the financial statements of CNMI Workers' Compensation Commission (WCC) as of and for the year ended September 30, 2008, and have issued my report thereon dated May 28, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered WCC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the WCC's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the WCC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the WCC's financial statements that is more than inconsequential will not be prevented or detected by WCC's internal control. I consider the deficiency described as finding no. 2009-01 in the accompanying Schedule of Finding to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by WCC's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that finding no. 2009-01 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

WCC's response to the finding identified in my audit described in the accompanying Schedule of Finding are in a separate letter prepared by WCC's management. I did not audit WCC's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of WCC, the Board of Trustees, the Office of the Public Auditor and the cognizant audit and is not intended to be and should not be used by anyone other than these specified parties.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

CNMI WORKERS' COMPENSATION COMMISSION
(A Component Unit of the CNMI Government)

Schedule of Finding
September 30, 2009

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes ______ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

SECTION II – INDEX TO FINANCIAL STATEMENTS FINDING

Reference Number	Finding	Reference Page Number
2009-01	Collectability of Outstanding Notice of Assessments	85-86

CNMI WORKERS' COMPENSATION COMMISSION
(A Component Unit of the CNMI Government)

Schedule of Finding
September 30, 2009

SECTION II – FINANCIAL STATEMENTS FINDING

Finding No. 2009-01 Collectability of Outstanding Notice of Assessments

Criteria:

Generally Accepted Accounting Principles require that receivables should be evaluated for collectability.

Context:

Audit of outstanding assessments, deferred revenues and related income account.

Condition:

As of September 30, 2009, there were 544 employers with outstanding assessments amounting to $800,007.

Summarized as follows are the changes in outstanding assessments:

	2009	2008
Beginning balance	$ 820,046	$ 914,252
Current year transactions:		
Assessments	45,900	83,260
Waived assessments	(56,074)	(164,173)
Collections	(9,865)	(13,293)
Ending balance	$ 800,007	$ 820,046

Collections accounted for only 15% of total deductions for the fiscal year 2009 while waived assessments constitute 85%. This indicates that the majority of the assessments are being waived rather than being collected. Furthermore, aging of outstanding assessments shows $784,232 or 98% were over 90 days overdue.

Effect:

Fraud could occur and not be detected in a timely manner.

Cause:

There are no monitoring policies and procedures in place to prevent fraud and misstatement from occurring and be detected in a timely manner.

SECTION II – FINANCIAL STATEMENTS FINDING

Finding No. 2009-01 Collectability of Outstanding Notice of Assessments, Continued

Recommendation:

Although the write-off of these receivables would not have any impact on WCC's net assets because revenues are deferred until collected, I recommend that management review collectability of these receivables and write-off uncollectible amounts so the assets and liabilities are not overstated.

CNMI WORKERS' COMPENSATION COMMISSION
(A Component Unit of the CNMI Government)

Schedule of Finding
September 30, 2009

SECTION III – STATUS OF PRIOR YEAR FINDING

Reference Number	Finding	Status
2008-01	Collection of Outstanding Notice of Assessments	Unresolved. See 2009-01

GROUP HEALTH AND LIFE INSURANCE TRUST FUND

(Component Unit of the CNMI Government)

REPORTS ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH ***GOVERNMENT AUDITING STANDARDS***

Years Ended September 30, 2009 and 2008

J. Scott Magliari & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

Independent Auditor's Report

The Board of Trustees
Commonwealth of the Northern Mariana Islands
Group Health and Life Insurance Trust Fund

I have audited the accompanying statements of fiduciary deficit fund balances of the Commonwealth of the Northern Mariana Islands (CNMI) Group Health and Life Insurance Trust Fund (GHLI Trust Fund), a component unit of the CNMI Government, as of September 30, 2009 and 2008 and the related statements of changes in fiduciary deficit fund balances for the years then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of the Northern Mariana Islands Group Health and Life Insurance Trust Fund as of September 30, 2009 and 2008, and its revenues, expenditures and changes in fiduciary deficit fund balances for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2010, on my consideration of the Commonwealth of the Northern Mariana Islands Group Health and Life Insurance Trust Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 90 through 95 is not a required part of the basic financial statements and is the responsibility of GHLI Trust Fund's management but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise GHLI Trust Fund's basic financial statements. The statistical tables are presented for purposes of additional analysis, are not a required part of the basic financial statements and are the responsibility of GHLI Trust Fund's management. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2009 and 2008

This section presents Management's Discussion and Analysis (MD&A) of the financial activities of the Commonwealth of the Northern Mariana Islands Group Health and Life Insurance Trust Fund (GHLI Trust Fund) as a narrative overview for the years ended September 30, 2009 and 2008. Readers are encouraged to consider the information presented in conjunction with the letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- Deficit fund balance as of September 30, 2009, 2008 and 2007 were $17,936,766, $18,272,649 and $17,254,520, respectively. Deficit decreased by $335,883 or 2% and increased by $1,018,129 or 6%, respectively for the years ended September 30, 2009 and 2008.

- Total operating revenues, as reflected in the Statements of Changes in Fiduciary Deficit Fund Balance, were $595,607, $1,861,607 and $9,626,858 for the years ended September 30, 2009, 2008 and 2007, respectively. Total operating revenues decreased by $1,266,000 or 68% in 2009 compared to 2008 due to lower appropriation from the CNMI government while the $7,765,251 or 81% decrease in 2008 compared to 2007 is due to the privatization of the Group Health Plan, wherein the GHLI Trust Fund retains only 2% of collected premiums.

- Cost of medical claims, as reflected in the Statements of Changes in Fiduciary Deficit Fund Balance, as of September 30, 2009, 2008 and 2007 were $147,169, $2,510,795 and $7,986,031, respectively. Cost of medical claims decreased by $2,363,626 or 94% and $5,475,236 or 69% for the years ended September 30, 2009 and 2008, respectively.

- Total operating expenses, as reflected in the Statements of Changes in Fiduciary Deficit Fund Balance, were $112,555, $368,941 and $1,514,267 for the years ended September 30, 2009, 2008 and 2007, respectively. This represented a decrease of $256,386 or 69% and $1,145,326 or 76% from prior year mainly due to privatization of the Group Health Plan wherein the GHLI Trust Fund does not pay third party administrator professional fee.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements. The GHLI Trust Fund has two basic financial statements and the notes to financial statements. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board utilizing the accrual basis of accounting.

The first basic financial statements are the **Statements of Fiduciary Deficit Fund Balance.** This is a snapshot of account balances at fiscal year end. These statements reflect GHLI Trust Fund's excess liability over total assets. This amount is ultimately due from the CNMI Government.

The second basic financial statements are the **Statements of Changes in Fiduciary Deficit Fund Balance.** This Statement reflects all the activities that occurred during the year and shows the impact of those activities as revenues or additions and expenditures or deductions to the plan. The trend of additions versus deductions to the plan will indicate whether GHLI Trust Fund's financial position is improving or deteriorating over time.

The **Notes to Financial Statements** (Notes) are an integral part of the financial reports. The Notes provide additional information that is essential to a full understanding of the data provided in the financial statement.

FINACIAL ANALYSIS

Deficit Fund Balance

As of September 30, 2009, 2008 and 2007, deficit fund balances were $17,936,766, $18,272,649 and $17,254,520, respectively. Total liabilities of $18,834,191, $19,177,008 and $18,092,613 exceeded total assets of $897,425, $904,359 and $838,093 as of September 30, 2009, 2008 and 2007, respectively. Deficit fund balances represent liabilities in excess of assets available to pay for liabilities. Public Law 10-19 stated that the CNMI Government would be ultimately liable for the liabilities of the Trust Fund and not the NMIRF.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2009 and 2008

FINACIAL ANALYSIS, Continued

Deficit Fund Balance, Continued

Fiduciary Deficit Fund (in thousands)	**2009**	**2008**	**Change Amount**	**%**
Cash and cash equivalents	$ 882	$ 887	$ (5)	(1)
Capital assets, net	15	17	(2)	(12)
Total	897	904	(7)	(1)
Accounts payable and accrued expenses	16,540	16,625	(85)	(1)
Health insurance premiums payable	1,271	1,199	72	6
Life insurance premiums payable	150	153	(3)	(2)
Loan payable	873	1,200	(327)	(27)
Total	18,834	19,177	(343)	(2)
Net Assets	$ (17,937)	$ (18,273)	$ 336	(2)

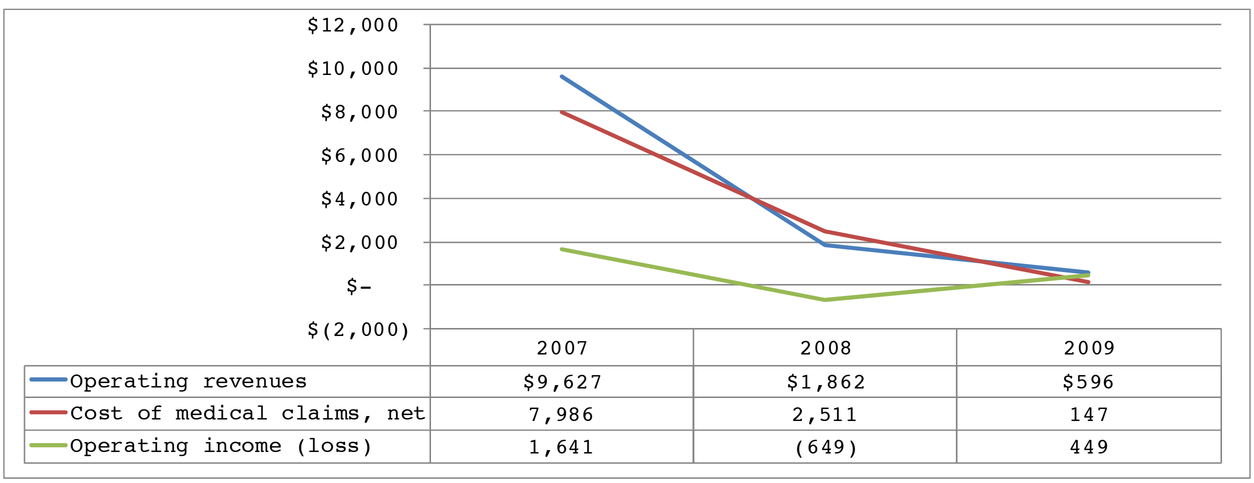
Fiduciary Deficit Fund (in thousands)	**2008**	**2007**	**Change Amount**	**%**
Cash and cash equivalents	$ 887	$ 286	$ 601	210
Contributions receivable	-	532	(532)	(100)
Capital assets, net	17	20	(3)	(15)
Total	904	838	66	8
Accounts payable and accrued expenses	16,625	17,564	(939)	(5)
Health insurance premiums payable	1,199	-	1,199	100
Life insurance premiums payable	153	528	(375)	(71)
Loan payable	1,200	-	1,200	100
Total	19,177	18,092	1,085	6
Net Assets	$ (18,273)	$ (17,254)	$ 1,019	6

Changes in Fiduciary Deficit Fund Balance

The following table presents the changes in fiduciary deficit fund balance for the years ended September 30, 2009, 2008 and 2007, respectively.

Changes in Fiduciary Deficit Fund Balance (in thousands)	2009	2008	2007
Operating revenues	$ 596	$ 1,862	$ 9,627
Cost of medical claims, net	147	2,511	7,986
Operating income (loss)	449	(649)	1,641
Expenditures	113	370	1,514
Net increase (decrease)	336	(1,019)	127
Fiduciary deficit, beginning of year	(18,273)	(17,254)	(17,381)
Fiduciary deficit, end of year	$(17,937)	$(18,273)	$(17,254)

Operating Income (Loss)



With the privatization of the Group Health Plan, the operating income and cost of medical claims decreased. The cost of medical claims beginning after November 1, 2007 shall be the liability of the insurance provider. The GHLI Trust Fund is only liable to unpaid claims incurred before the privatization or "runoff claims". In fiscal year 2009 and 2008, the GHLI Trust Fund received appropriation of $122,630 and $1,200,000, respectively, from the CNMI government and $1,200,000 in 2008 as loan from the NMIRF to pay runoff claims.

Expenditures

Expenditure (in thousands)	2009	2008	2007
Interest expense	$ 64	$ 68	$ -
Salaries and wages	28	102	137
Employee benefits	12	46	59
Professional fees	5	110	1,282
Depreciation	2	3	2
Office supplies	1	1	2
Rent	-	19	16
Utilities	-	13	2
Travel	-	3	4
Communications	-	2	3
Printing and subscriptions	-	2	1
Repairs and maintenance	-	-	3
Freight and postage	-	-	1
Miscellaneous	1	1	2
	$ 113	$ 370	$ 1,514

Prior to privatization, GHLI Trust Fund operating expenses are maintained within $1.5 million. The operating expenses significantly decreased in fiscal year 2009 and 2008 due to the privatization of the Group Health Plan. GHLI Trust fund projects that the 2% and 5% surcharge on the health and life insurance premiums, respectively, would be sufficient to fund its operating expenses and payoff accrued medical expenses due to third parties from prior years.

OVERALL ANALYSIS OTHER SIGNIFICANT MATTERS

Overall financial position as of September 30, 2009 improved by $335,883 or 2% compared to September 30, 2008.

The GHLI Trust Fund and the CNMI Government are faced with the challenge of funding the $18 million deficit fund balance as of September 30, 2009. This deficit fund balance does not include unprocessed claims due mostly to the Commonwealth Health Center of approximately $28.75 million.

REQUEST FOR INFORMATION

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with a general overview of GHLI Trust Fund's finances and to show accountability for the money it receives.

Questions about this report or request for additional financial information should be addressed to:

Mr. David Demapan
Comptroller
NMI Group Health Life Insurance Trust Fund
PO Box 501247 CK
Saipan, MP 96950
http://www.nmiretirement.com

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

Statements of Fiduciary Deficit Fund Balances
September 30, 2009 and 2008

	Expendable Trust Fund	
Assets	2009	2008
Current assets		
Cash and cash equivalents (Note 2)	$ 882,030	$ 886,781
Other receivable	50	-
Total current assets	882,080	886,781
Capital assets, net (Notes 2 and 4)	15,345	17,578
Total assets	897,425	904,359
Liabilities		
Current liabilities		
Current portion of loan payable (Note 9)	304,302	327,753
Accrued interest (Note 9)	-	67,500
Accounts payable and accrued expenses (Note 2)	216,488	156,325
Health insurance premiums payable (Note 5)	1,271,108	1,199,087
Life insurance premiums payable (Note 6)	150,426	152,879
Medical claims payable (Note 7)	16,322,922	16,401,217
Total current liabilities	18,265,246	18,304,761
Loan payable - net of current portion (Note 9)	568,945	872,247
Total liabilities	18,834,191	19,177,008
Deficit Fund Balances		
Held in trust for medical and life insurance benefits (Note 11)	$ (17,936,766)	$ (18,272,649)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

Statements of Changes in Fiduciary Deficit Fund Balances
Years Ended September 30, 2009 and 2008

	Expendable Trust Fund 2009	Expendable Trust Fund 2008
Operating revenues:		
Health and life insurance premiums (Notes 3 and 6)	$ -	$ 483,943
CNMI appropriation (Note 7)	122,630	1,200,000
Life and health insurance surcharge	454,708	163,457
Other income	18,269	14,207
Total operating revenues	595,607	1,861,607
Cost of medical claims, net of discount (Note 7)	147,169	2,510,795
Operating income (loss)	448,438	(649,188)
Operating Expenses:		
Interest expense	63,747	67,500
Salaries and wages	28,458	102,004
Employee benefits	12,088	45,849
Professional fees	4,500	109,560
Depreciation (Note 4)	2,233	2,920
Office supplies	534	559
Printing and subscriptions	88	2,198
Rent	-	19,545
Utilities	-	12,618
Travel	-	2,711
Communications	-	2,240
Repairs and maintenance	-	254
Miscellaneous	907	983
Total operating expenses	112,555	368,941
Changes in net assets	335,883	(1,018,129)
Deficit fund balances, beginning of the year	(18,272,649)	(17,254,520)
Deficit fund balances, end of the year	$ (17,936,766)	$ (18,272,649)

See accompanying notes to financial statements.

(1) Description of the Fund

On June 21, 1996, Public Law 10-19 was enacted to transfer the administration of the Group Health and Life Insurance Programs to the Northern Marianas Islands Retirement Fund (NMIRF). The passage of this law eventually created the new Commonwealth of the Northern Mariana Islands Group Health and Life Insurance Trust Fund (GHLI Trust Fund) to be held in trust and administered in accordance with policies set forth in the rules and regulations promulgated by the NMIRF.

The GHLI Trust Fund was established to ensure that CNMI Government employees are provided with medical and life insurance benefits, and that funds collected and disbursed for these purposes are administered in a fiscally sound and professionally accountable manner.

Public Law 10-19 created a segregated fund to hold employee and employer contributions to the programs. All employer and employee contributions to the GHLI programs shall be collected and held in the GHLI Trust Fund. The monies in the GHLI Trust Fund may be expended only for the payment of insurance premiums, claims, reasonable costs of administration and related expenses.

Public Law 10-19 specifies that liabilities of the Government Life and Health Insurance Programs will be liabilities of the CNMI Government and not liabilities of the NMIRF. The CNMI Government is therefore self-insured for the payment of medical claims in excess of the Trust Fund's available fund balance.

The GHLI Trust Fund health benefit administration was privatized on November 1, 2007.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The GHLI Trust Fund is an expendable trust fund. The measurement focus of such a fund is the flow of current financial resources. The financial statements of the GHLI Trust Fund are presented on the modified accrual basis of accounting whereby revenues are recorded when they become measurable and available and expenses are recorded when the related liabilities are incurred.

Generally, an expendable trust fund's assets include those financial resources that are available to finance current expenditures of the fund. Items that will consume expendable financial resources during the fiscal period are classified as liabilities.

(2) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Membership

Membership to the GHLI Trust Fund is optional to active employees of the CNMI Government and its autonomous agencies while annuitants are provided with an option, to be exercised within six months of date of retirement, to continue their government health coverage under the same group terms and conditions as the government coverage. Any person who declines to exercise the health insurance option within six months of the date of retirement, or who exercises the option and subsequently cancels health insurance coverage for more than six months, shall not be entitled to reapply for coverage.

Cash and Cash Equivalents

For purposes of reporting the statements of fiduciary net assets, cash and cash equivalents are defined as amounts in demand deposits as well as highly liquid investments maturing within three months from the date acquired.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

Income Taxes

The GHLI Trust Fund is a component unit of the CNMI Government. Accordingly, the GHLI Trust Fund is not subject to income taxes.

Annual Leave

Employees are credited with annual leave at rates ranging from 4 to 8 hours per pay-period depending on their length of service. Accumulation of such annual leave credit is limited to 480 hours, which is equivalent to 60 days. Liabilities for unpaid annual leave are accrued at the end of each accounting period utilizing current salary rates. At September 30, 2009 and 2008, accrued annual leave was $25,254 included in the accompanying statements of fiduciary deficit fund balances as part of accounts payable and accrued expenses.

(2) Summary of Significant Accounting Policies, Continued

Sick Leave

Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment.

(3) Eligibility and Contributions

The Group Life Insurance Program is open to active employees who work at least 20 hours per week and retired CNMI government employees who retire as a result of length of service, disability or age, as well as their dependents. Further, these eligible persons must have elected to enroll during the period permitted in the Emergency Regulations adopted on September 6, 1996.

Life insurance coverage is to be provided by a private carrier. Contributions from employees and employers are based on rates as determined by the Board of Trustees. The rates in effect for group life insurance at the time of the transfer (June 21, 1996) shall continue to be in effect until a change is made by the Board of Trustees. Employee deductions are made through payroll or pension benefit withholdings.

Beginning with the partial plan year that commenced January 1, 2004, the contributions and premium for each category were increased by the Board of Trustees. There have been no changes in the contributions and premium since then.

When the health benefit administration was transferred to Aetna Global Benefits in July 1, 2006, the following rates were applied:

		Retiree Semi-monthly	Active Bi-weekly
Single	Government share	$ 14.66	$ 13.55
	Subscriber share	$ 55.34	$ 51.45
Couple	Government share	$ 26.53	$ 24.51
	Subscriber share	$103.47	$ 90.49
Family	Government share	$ 50.49	$ 46.60
	Subscriber share	$139.51	$133.40

(3) Eligibility and Contributions, Continued

The GHLI Trust Fund health benefit administration was privatized on November 1, 2007 and the following rates were applied:

		Retiree Semi-monthly	Active Bi-weekly
Single	Government share	$ 26.00	$ 23.53
	Subscriber share	$ 58.95	$ 54.89
Couple	Government share	$ 52.35	$ 48.23
	Subscriber share	$121.91	$112.53
Family	Government share	$ 81.55	$ 75.28
	Subscriber share	$190.30	$175.66

Effective November 1, 2008, the new employee contribution to premiums is as follows:

		Retiree Semi-monthly	Active Bi-weekly
Single	Government share	$ 28.78	$ 26.56
	Subscriber share	$ 67.14	$ 61.98
Couple	Government share	$ 58.99	$ 54.45
	Subscriber share	$137.64	$127.05
Family	Government share	$ 92.08	$ 85.00
	Subscriber share	$214.84	$198.32

(4) Capital Assets

A schedule of capital assets at September 30, 2009 and 2008 is as follows:

	Estimated Useful Lives	2009	2008
Furniture and fixtures	7 years	$ 9,120	$ 9,120
Office equipment	5 years	63,050	63,050
Vehicles	5 years	14,595	14,595
		86,765	86,765
Accumulated depreciation		(71,420)	(69,187)
		$ 15,345	$ 17,578

Depreciation expense for the years ended September 30, 2009 and 2008 are $2,233 and $2,920, respectively.

(5) Third-party Administrator

On August 1, 2001, CNMI Group Health and Life Insurance Trust Fund, by and through the Northern Marianas Islands Retirement Fund, engaged Hawaii Pacific Medical Referral, Inc. (HPMR) to implement a third-party administration (TPA) for both on and off-island health care plan members. This is to better serve the members by providing discounted medical services through HPMR's medical provider network, case management, utilization review and claims processing services.

In July 1, 2006, GHLI Trust Fund acquired the services of Aetna Global Benefits (Aetna) as its third party administrator. Service fee paid by GHLI Trust Fund for Aetna is at $32.39 per member per month. TPA fees paid for the year ended September 31, 2008 was $109,560.

The group health care insurance plan was privatized on November 1, 2007. Premiums paid by government and the subscribers are remitted to the GHLI Trust Fund which then remits all contributions to Aetna after deducting 2% surcharge.

Health insurance premiums paid to Aetna for the years ended September 30, 2009 and 2008 were $12,922,940 and $11,753,652, respectively, of these $1,271,108 and $1,199,087 were unremitted as of September 30, 2009 and 2008, respectively. These are recorded as health insurance premiums payable in the accompanying Statements of Fiduciary Deficit Fund Balances.

(6) Life Insurance Premium

On March 29, 2001, GHLI Trust Fund, by the Northern Marianas Islands Retirement Fund (NMIRF), entered into an agreement with Individual Assurance Company, Life & Health Accident (IAC) to provide group life insurance for the Government of the CNMI employees, dependents of employees and retirees. The term of the policy is for a period of three (3) years commencing April 1, 2004. The rates for basic life insurance were as follows: (1) $0.40 per $1,000 per bi-weekly pay period with critical illness; and (2) $0.34 per $1,000 per bi-weekly pay period without critical illness. The agreement with IAC expired in 2008.

On July 1, 2008, GHLI Trust Fund, entered into an agreement with Netcare Life & Health Insurance (Netcare) to provide group life insurance for the Government of the CNMI employees, dependents of employees and retirees. The term of the policy is for a period of three (3) years commencing July 1, 2008. The rates for basic life insurance are as follows: (1) $0.40 per $1,000 per bi-weekly pay period for active and retired individuals term life insurance including accidental death and dismemberment, extended insurance (waiver of premium) and living benefit coverage for active members, and including extended insurance (waiver of premium) and living benefit coverage for retired members. Members have the option to include dependent coverage for additional premium. The initial premium rate is guaranteed until June 30, 2010.

(6) Life Insurance Premium, Continued

Netcare or GHLI Trust Fund may negotiate the third year's policy rate based upon the experience ending four months prior to the end of the second year.

(7) Cost of Medical Claims

Cost of medical claims of $147,169 and $2,510,795 for the years ended September 30, 2009 and 2008 are recorded net of discounts of $0 and $28,787 in fiscal year 2009 and 2008, respectively.

The GHLI Trust fund received a $1,200,000 appropriation in 2008 from the CNMI government to pay medical claims accrued before the privatization of the Group Health Plan.

Unpaid processed medical claims included in the accompanying statements of fiduciary deficit fund balances amounted to $16,322,922 and $16,401,217 as of September 30, 2009 and 2008, respectively.

(8) Unprocessed Medical Claims

As disclosed in Note 1, Public Law 10-19 stated that the CNMI Government and not the NMIRF would be ultimately liable for the liabilities of the Trust Fund. In relation to this, GHLI Trust Fund has submitted unprocessed claims from the Commonwealth Health Center and Hawaii Pacific Medical Referral with service dates as of September 30, 2006 and earlier that totaled $38.9 million. Unprocessed claims as of September 30, 2007 were approximately $35 million. However, the ultimate liability that will result from these claims has not been determined. Due to this, these claims have not been recorded, and the amounts due from the CNMI government for these claims have also not been disclosed.

With the privatization of the Group Health Plan in November 1, 2007, the CNMI Government will not be liable for medical claims accruing after privatization. The CNMI Government is only liable for its share in medical premiums.

(9) Loan Payable

On February 1, 2008, the NMIRF Board of Trustees authorized an investment of $1,200,000 notes receivable to the GHLI Trust Fund. This loan bears interest of 7.5% per annum with initial repayment of $158,000 on November 1, 2008 and monthly amortization of $30,000 including interest commencing on November 10, 2008 until the loan is fully paid.

Future minimum payments are as follows:

Year ending September 30,	Principal	Interest	Total
Current:			
2010	$ 304,302	$ 55,779	$ 360,081
Non Current:			
2011	327,838	32,162	360,000
2012	241,107	7,525	248,632
	568,945	39,687	608,632
	$ 873,247	$ 95,466	$ 968,713

Interest expense for the years ended September 30, 2009 and 2008 were $63,747 and $67,500, respectively.

(10) Risk Management

The GHLI Trust Fund is subject to various risks in the normal course of operations. The GHLI Trust Fund protects itself against these risks by purchasing liability insurance from private companies.

(11) Deficit Fund Balances

As of September 30, 2009 and 2008, GHLI Trust Fund's deficit fund balances amount to $17,936,766 and $18,272,649, respectively. As disclosed in Notes 1 and 8, Public Law 10-19 stated that the CNMI Government and not the NMIRF would be ultimately liable for the liabilities of the Trust Fund.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Year Ended September 30, 2009

J. Scott Magliari & COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN OFFICE:
Family Building, Suite 201
PMB 297 Box 10000
Saipan, MP 96950
Tel: (670) 233-1837/0456
Fax: (670) 233-8214
Email: magliari@pticom.com

GUAM OFFICE:
Reflection Center, Suite 204
P.O. Box 12734
Tamuning, GU 96931
Tel: (671) 472-2680/2687
Fax: (671) 472-2686
Email: kflynn@ite.net

PALAU OFFICE:
PIDC Apartment No. 11
P.O. Box 1266
Koror, PW 96940
Tel: (680) 488-8615
Fax: (680) 488-8616
Email: coconutrum@palaunet.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING and ON COMPLIANCE and OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
NMI Group Health and Life Insurance Trust Fund

I have audited the financial statements of CNMI Group Health and Life Insurance Trust Fund (GHLI Trust Fund) as of and for the year ended September 30, 2009, and have issued my report thereon dated May 28, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered GHLI Trust Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GHLI Trust Fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the GHLI Trust Fund's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the GHLI Trust Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the GHLI Trust Fund's financial statements that is more than inconsequential will not be prevented or detected by the GHLI Trust Fund's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the GHLI Trust Fund's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiency in internal control over financial reporting that I consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GHLI Trust Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of GHLI Trust Fund, the Board of Trustees, the Office of the Public Auditor and the cognizant audit and is not intended to be and should not be used by anyone other than these specified parties.

J. Scott Magliari & Company

Saipan, Commonwealth of the Northern Mariana Islands
May 28, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(A Component Unit of the CNMI Government)

Schedule of Finding
September 30, 2009

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______yes	__x__no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______yes	__X__none reported
Noncompliance material to financial statements noted?	______yes	__X__no

SECTION II – INDEX TO FINANCIAL STATEMENTS FINDING

None noted.

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART I. NORTHERN MARIANA ISLANDS RETIREMENT FUND

Table 1 Net Assets

Fiscal Year Ending September 30,	Total Assets	Total Liabilities	Net Assets held in Trust for Pension Benefits
2009	$ 429,908,620	$ 64,802,936	$ 365,105,684
2008	$ 472,013,144	$ 61,348,299	$ 410,664,845
2007	$ 568,550,167	$ 57,848,917	$ 510,701,250
2006	$ 523,231,057	$ 50,542,567	$ 472,688,490
2005	$ 504,376,999	$ 44,245,498	$ 460,131,501
2004	$ 407,540,252	$ 7,733,296	$ 399,806,956
2003	$ 389,631,273	$ 3,959,246	$ 385,672,027
2002	$ 339,179,647	$ 3,894,256	$ 335,285,391
2001	$ 378,782,079	$ 3,693,021	$ 375,089,058
2000	$ 456,996,027	$ 3,476,703	$ 453,519,324

Table 2 Changes in Net Assets

Fiscal Year Ending September 30,	Total Additions	Total Deductions	Changes in Net Assets	Net Assets, Beginning	Net Assets, Ending
2009	$ 48,916,991	$ 94,476,152	$ (45,559,161)	$ 410,664,845	$ 365,105,684
2008	$ 2,782,009	$ 102,818,414	$ (100,036,405)	$ 510,701,250	$ 410,664,845
2007	$ 139,457,912	$ 101,445,152	$ 38,012,760	$ 472,688,490	$ 510,701,250
2006	$ 88,520,799	$ 75,963,810	$ 12,556,989	$ 460,131,501	$ 472,688,490
2005	$ 120,026,665	$ 59,702,120	$ 60,324,545	$ 399,806,956	$ 460,131,501
2004	$ 112,885,380	$ 98,750,451	$ 14,134,929	$ 385,672,027	$ 399,806,956
2003	$ 106,147,818	$ 55,761,182	$ 50,386,636	$ 335,285,391	$ 385,672,027
2002	$ 27,743,910	$ 67,547,577	$ (39,803,667)	$ 375,089,058	$ 335,285,391
2001	$ (29,995,471)	$ 48,434,795	$ (78,430,266)	$ 453,519,324	$ 375,089,058
2000	$ 118,303,589	$ 50,160,269	$ 68,143,320	$ 385,376,004	$ 453,519,324

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART I - NORTHERN MARIANA ISLANDS RETIREMENT FUND, continued

Table 3 Schedule of Revenues by Sources

Fiscal Year Ending September 30,	Employee Contributions	Employer Contributions*	Investment Income (loss), Net	CNMI Appropriations	Other Income	Total
2009	$ 11,951,915	$ 37,707,841	$ (4,546,620)	$ 883,715	$ 2,920,140	$ 48,916,991
2008	$ 10,683,584	$ 49,864,936	$ (60,941,821)	$ 659,069	$ 2,516,241	$ 2,782,009
2007	$ 9,711,613	$ 58,151,686	$ 69,507,989	$ 675,159	$ 1,411,465	$ 139,457,912
2006	$ 10,883,652	$ 40,747,619	$ 35,154,027	$ 687,686	$ 1,047,815	$ 88,520,799
2005	$ 11,836,454	$ 40,284,859	$ 67,285,330	$ -	$ 620,022	$ 120,026,665
2004	$ 12,156,404	$ 59,670,684	$ 38,572,608	$ 1,880,000	$ 605,684	$ 112,885,380
2003	$ 12,171,783	$ 39,323,544	$ 52,007,089	$ 2,000,000	$ 645,402	$ 106,147,818
2002	$ 10,525,660	$ 37,423,070	$ (21,079,068)	$ 642,981	$ 231,267	$ 27,743,910
2001	$ 11,386,721	$ 38,394,742	$ (82,555,191)	$ 2,617,013	$ 161,244	$ (29,995,471)
2000	$ 11,017,358	$ 36,723,000	$ 67,878,721	$ 2,617,013	$ 67,497	$ 118,303,589

* Employer contributions in FY 2004, 2005 and 2006 includes penalty of $4.9 million and $19.0 million

** In 2006 and 2005, NMIRF adopted the modified accrual basis of recording revenue from appropriations from CNMI Government due to unavailability of such appropriations to pay current obligations.

Table 4 Schedule of Expenses by Type

Fiscal Year Ending September 30,	Benefits Payments	Administrative Expenses	Provisions	Total
2009	$ 68,108,748	$ 1,840,906	$ 24,526,498	$ 94,476,152
2008	$ 67,626,208	$ 1,962,329	$ 33,229,877	$ 102,818,414
2007	$ 63,835,220	$ 1,781,430	$ 35,828,502	$ 101,445,152
2006	$ 60,213,662	$ 1,949,985	$ 13,800,163	$ 75,963,810
2005	$ 51,722,560	$ 1,727,688	$ 6,251,872	$ 59,702,120
2004	$ 48,414,015	$ 1,646,748	$ 48,689,688	$ 98,750,451
2003	$ 45,820,883	$ 1,686,707	$ 8,253,592	$ 55,761,182
2002	$ 43,024,940	$ 1,734,819	$ 22,787,818	$ 67,547,577
2001	$ 39,713,889	$ 1,757,662	$ 6,963,244	$ 48,434,795
2000	$ 38,721,272	$ 2,248,215	$ 9,190,782	$ 50,160,269

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART I - NORTHERN MARIANA ISLANDS RETIREMENT FUND, continued

Table 5 Schedule of Benefit Payments by Type

Fiscal Year Ending September 30,	Age and Service			Disability	Refunds	Total
	Retired Members	Survivors	Death Benefits			
2009	$ 55,756,227	$ 5,738,051	$ 62,291	$ 1,710,488	$ 4,841,691	$ 68,108,748
2008	$ 54,888,364	$ 5,283,650	$ 55,827	$ 1,819,812	$ 5,578,555	$ 67,626,208
2007	$ 51,615,969	$ 4,962,681	$ 57,895	$ 1,857,517	$ 5,341,158	$ 63,835,220
2006	$ 49,068,320	$ 4,761,419	$ 60,628	$ 1,745,555	$ 4,577,740	$ 60,213,662
2005	$ 43,209,342	$ 4,125,910	$ 48,651	$ 1,404,326	$ 2,934,331	$ 51,722,560
2004	$ 40,174,378	$ 3,885,727	$ 46,467	$ 1,268,301	$ 3,039,142	$ 48,414,015
2003	$ 37,563,646	$ 3,540,771	$ 47,583	$ 1,073,750	$ 3,595,133	$ 45,820,883
2002	$ 34,568,758	$ 3,324,133	$ 40,167	$ 917,921	$ 4,173,961	$ 43,024,940
2001	$ 32,610,856	$ 3,047,572	$ 33,667	$ 818,511	$ 3,203,283	$ 39,713,889
2000	$ 31,204,410	$ 2,792,035	$ 34,237	$ 709,032	$ 3,981,558	$ 38,721,272

Table 6 Membership: Defined Benefit Plan

Fiscal Year Ending September 30,	Members Currently Receiving Benefits			Retired but not Receiving Benefits	Total	Active
	Retirees	Beneficiaries	Disabled			
2009	2,152	525	85	-	2,762	3,433
2008	2,190	657	99	154	3,100	3,501
2007	2,112	631	105	126	2,974	4,595
2006	2,007	693	103	129	2,932	5,067
2005	1,809	631	85	127	2,652	5,394
2004	1,705	605	79	no data	2,389	5,517
2003	1,598	492	73	115	2,278	5,219
2002	1,552	533	55	118	2,258	5,141
2001	1,461	528	57	112	2,158	5,271
2000	1,409	517	48	102	2,076	5,181

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART II – WORKERS' COMPENSATION COMMISSION

Table 1 Net Assets

Fiscal Year Ending September 30,	Total Assets	Total Liabilities	Net Assets
2009	$ 2,196,728	$ 930,753	$ 1,265,975
2008	$ 2,114,253	$ 887,406	$ 1,226,847
2007	$ 2,159,001	$ 945,082	$ 1,213,919
2006	$ 2,019,890	$ 923,981	$ 1,095,909
2005	$ 1,869,160	$ 843,552	$ 1,025,608
2004	$ 1,916,644	$ 1,017,416	$ 899,228
2003	$ 1,770,076	$ 826,693	$ 943,383
2002	$ 1,538,599	$ 565,619	$ 972,980
2001	$ 997,540	$ 165,111	$ 832,429
2000	$ 809,285	$ 128,072	$ 681,213

Table 2 Changes in Net Assets

Fiscal Year Ending September 30,	Total Revenues	Total Expenditures	Change in Net Assets	Net Assets, Beginning	Net Assets, Ending
2009	$ 259,408	$ 220,280	$ 39,128	$ 1,226,847	$ 1,265,975
2008	$ 209,935	$ 197,007	$ 12,928	$ 1,213,919	$ 1,226,847
2007	$ 310,748	$ 192,738	$ 118,010	$ 1,095,909	$ 1,213,919
2006	$ 331,821	$ 261,520	$ 70,301	$ 1,025,608	$ 1,095,909
2005	$ 444,672	$ 318,292	$ 126,380	$ 899,228	$ 1,025,608
2004	$ 430,515	$ 474,670	$ (44,155)	$ 943,383	$ 899,228
2003	$ 443,951	$ 473,548	$ (29,597)	$ 972,980	$ 943,383
2002	$ 452,285	$ 311,734	$ 140,551	$ 832,429	$ 972,980
2001	$ 524,445	$ 373,229	$ 151,216	$ 681,213	$ 832,429
2000	$ 516,137	$ 320,139	$ 195,998	$ 485,215	$ 681,213

Table 3 Schedule of Revenues by Source

Fiscal Year Ending September 30,	Appropriations	Premiums	Fines and Penalties	Others	Total
2009	$ 226,582	$ 42,609	$ 9,865	$ (19,648)	$ 259,408
2008	$ 165,442	$ 39,357	$ 13,293	$ (8,157)	$ 209,935
2007	$ 193,187	$ 49,838	$ 14,767	$ 52,956	$ 310,748
2006	$ 266,388	$ 31,733	$ 23,911	$ 9,789	$ 331,821
2005	$ 355,300	$ 56,836	$ 27,460	$ 5,076	$ 444,672
2004	$ 355,300	$ 53,871	$ 14,716	$ 6,628	$ 430,515
2003	$ 355,300	$ 41,159	$ 15,690	$ 31,802	$ 443,951
2002	$ 348,063	$ 50,159	$ 17,333	$ 36,730	$ 452,285
2001	$ 378,396	$ 57,854	$ 25,486	$ 62,709	$ 524,445
2000	$ 378,395	$ 60,704	$ 38,913	$ 38,125	$ 516,137

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART II – WORKERS' COMPENSATION COMMISSION

Table 4 Schedule of Expenses by Type

	Fiscal Year Ending September 30,				
	2009	2008	2007	2006	2005
Salaries and wages	$ 84,326	$ 83,135	$ 95,588	$ 127,106	$ 116,125
Employee benefits	43,538	39,978	46,162	58,984	49,564
Disability claims	46,553	21,422	13,648	45,046	109,361
Utilities	7,121	17,844	11,435	3,054	2,090
Rent	14,013	16,426	7,730	9,663	13,078
Professional fees	14,502	9,973	9,115	5,045	4,898
Office supplies	2,270	1,860	1,714	1,915	1,805
Communications	2,344	1,818	2,158	1,953	5,970
Printing	-	913	596	913	662
Repairs and maintenance	3,031	794	-	1,590	2,451
Management and custodial fees	262	360	3,034	2,842	2,110
Depreciation	841	237	355	1,001	952
Travel and transportation	-	-	132	1,181	6,617
Dues and subscription	-	-	44	-	1,097
Training	-	-	-	-	-
Freight and postage	-	-	-	-	74
Cost allocated from NMIRF	-	-	-	-	-
Bad debts	-	-	-	-	-
Miscellaneous	1,479	2,247	1,027	1,227	1,438
Total	$ 220,280	$ 197,007	$ 192,738	$ 261,520	$ 318,292

	Fiscal Year Ending September 30,				
	2004	2003	2002	2001	2000
Salaries and wages	$ 150,931	$ 167,272	$ 156,362	$ 174,400	$ 147,129
Employee benefits	65,316	54,726	51,738	48,745	46,627
Disability claims	202,752	178,528	17,047	75,980	27,792
Utilities	2,943	3,177	4,659	3,815	2,536
Rent	14,469	10,629	12,561	10,629	10,629
Professional fees	4,682	725	2,039	2,858	1,468
Office supplies	2,510	1,767	2,233	1,332	2,668
Communications	3,679	2,548	2,964	2,899	2,240
Printing	1,114	-	-	-	-
Repairs and maintenance	2,912	-	-	-	-
Management and custodial fees	2,909	2,796	2,624	2,452	1,947
Depreciation	1,081	2,070	6,039	8,631	3,635
Travel and transportation	9,660	38,548	9,755	11,481	6,486
Dues and subscription	1,600	4,750	-	-	-
Training	-	1,625	1,200	2,370	4,500
Freight and postage	74	119	1,607	1,092	2,815
Cost allocated from NMIRF	-	-	20,083	24,506	26,423
Bad debts	-	2,259	15,695	-	31,380
Miscellaneous	9,038	2,009	5,128	2,039	1,864
Total	$ 475,670	$ 473,548	$ 311,734	$ 373,229	$ 320,139

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART III – GROUP HEALTH AND LIFE INSURANCE TRUST FUND

Table 1 Net Assets

Fiscal Year Ending September 30,	Total Assets	Total Liabilities	Deficit
2009	$ 897,425	$ 18,834,191	$ (17,936,766)
2008	$ 904,359	$ 19,177,008	$ (18,272,649)
2007	$ 838,093	$ 18,092,613	$ (17,254,520)
2006	$ 3,458,869	$ 20,839,949	$ (17,381,080)
2005	$ 1,594,092	$ 13,506,304	$ (11,912,212)
2004	$ 960,396	$ 8,889,155	$ (7,928,759)
2003	$ 5,209,060	$ 5,209,060	$ -
2002	$ 3,718,857	$ 3,718,857	$ -
2001	$ 4,742,383	$ 4,742,383	$ -
2000	$ 1,108,086	$ 1,108,086	$ -

Table 2 Changes in Net Assets

Fiscal Year Ending September 30,	Operating Income (Loss)	Expenditures	Changes in Fund Balance	Deficit, Beginning	Restatement	Deficit, Ending
2009	$ 448,438	$ 112,555	$ 335,883	$(18,272,649)	$ -	$(17,936,766)
2008	$ (649,188)	$ 368,941	$ (1,018,129)	$(17,254,520)	$ -	$(18,272,649)
2007	$ 1,640,827	$ 1,514,267	$ 126,560	$(17,381,080)	$ -	$(17,254,520)
2006	$ (4,058,112)	$ 1,410,756	$ (5,468,868)	$(11,912,212)	$ -	$(17,381,080)
2005	$ (2,607,093)	$ 1,376,360	$ (3,983,453)	$ (7,928,759)	$ -	$(11,912,212)
2004	$ (2,367,197)	$ 1,366,424	$ (3,733,621)	$ -	$ (4,195,138)	$ (7,928,759)
2003	$ 2,586,666	$ 2,586,666	$ -	$ -	$ -	$ -
2002	$ 1,370,944	$ 1,370,944	$ -	$ -	$ -	$ -
2001	$ 378,238	$ 378,238	$ -	$ -	$ -	$ -
2000	$ 349,851	$ 349,851	$ -	$ -	$ -	$ -

Note: The restatement pertains to revenues from CNMI recorded in prior periods to cover for excess of medical costs over actual premiums collected. Such revenues were never remitted by the CNMI government, thus during the fiscal year 2005 Audit, GHLITF opted to record revenue using the modified accrual basis of accounting, in which revenues are not recognized unless they are available to finance current obligations.

Table 3 Schedule of Revenues by Source

Fiscal Year Ending September 30,	Health Insurance Premiums	Investment Income	Life and Health Insurance Surcharge	CNMI Appropriation	Other Income	Cost of Medical Claims	Operating Income (Loss)
2009	$ -	$ 18,269	$ 454,708	$ 122,630	$ -	$ (147,169)	$ 448,438
2008	$ 483,943	$ 14,207	$ 163,457	$ 1,200,000	$ -	$ (2,510,795)	$ (649,188)
2007	$ 9,559,092	$ 67,766	$ -	$ -	$ -	$ (7,986,031)	$ 1,640,827
2006	$ 7,851,218	$ 48,425	$ -	$ -	$ -	$(11,957,755)	$ (4,058,112)
2005	$ 7,738,642	$ 27,770	$ -	$ -	$ -	$(10,373,505)	$ (2,607,093)
2004	$ 6,995,577	$ 44,551	$ -	$ -	$ -	$ (9,407,325)	$ (2,367,197)
2003	$ 6,601,742	$ 4,282	$ -	$ -	$ -	$ (4,019,358)	$ 2,586,666
2002	$ 8,514,432	$ 2,937	$ -	$ -	$ -	$ (7,146,425)	$ 1,370,944
2001	$ 8,514,424	$ 20,177	$ -	$ -	$ 350	$ (8,156,713)	$ 378,238
2000	$ 7,285,748	$ 22,396	$ -	$ -	$ 5,314	$ (6,963,607)	$ 349,851

NORTHERN MARIANA ISLANDS RETIREMENT FUND
WORKERS' COMPENSATION COMMISSION
GROUP HEALTH AND LIFE INSURANCE TRUST FUND
(Component Units of the CNMI Government)

STATISTICAL DATA

For the Last Ten Years
(Unaudited)

PART III – GROUP HEALTH AND LIFE INSURANCE TRUST FUND, Continued

Table 4 Schedule of Expenses by Type

	Fiscal Year Ending September 30,				
	2009	2008	2007	2006	2005
Professional fees	$ 4,500	$ 109,560	$ 1,282,290	$ 1,149,889	$ 1,107,274
Salaries and wages	28,458	102,004	136,913	163,794	185,929
Interest expense	63,747	67,500	-	-	-
Employee benefits	12,088	45,849	59,252	71,056	57,357
Rent	-	19,545	16,287	-	-
Utilities	-	12,618	1,671	-	-
Depreciation	2,233	2,920	2,207	663	2,315
Travel	-	2,711	4,089	4,895	12,149
Communications	-	2,240	2,836	3,883	3,057
Printing and subscription	-	2,198	979	7,516	4,580
Office supplies	534	559	2,391	2,606	1,817
Repairs and maintenance	-	254	2,837	1,640	613
Freight and postage	-	-	221	3,333	-
Allocated overhead from NMIRF	-	-	-	-	-
Printing	88	-	-	-	-
Other employee benefits	-	-	-	-	-
Miscellaneous	907	983	2,294	1,481	1,269
Total	$ 112,555	$ 368,941	$ 1,514,267	$ 1,410,756	$ 1,376,360

	Fiscal Year Ending September 30,				
	2004	2003	2002	2001	2000
Professional fees	$ 1,104,862	$ 2,319,769	$ 1,040,894	$ 6,963	$ 3,138
Salaries and wages	165,004	167,970	190,629	231,105	208,077
Interest expense	-	-	-	-	-
Employee benefits	51,864	54,185	66,148	73,062	59,128
Rent	-	14,659	21,001	18,276	19,545
Utilities	-	5,007		5,674	4,489
Depreciation	6,901	3,762	17,916	7,623	11,910
Travel	2,488	6,029	-	-	-
Communications	4,574	4,716	4,688	4,824	7,684
Printing and subscription	5,238	3,939	4,574	-	-
Office supplies	2,298	2,230	8,771	2,576	4,535
Repairs and maintenance	19,937	2,451	1,757	2,014	2,350
Freight and postage	-	-	1,556	-	-
Allocated overhead from NMIRF	-	-	6,475	18,274	21,790
Printing	-	-		5,064	4,925
Other employee benefits	2,446	-			
Miscellaneous	812	1,949	6,535	2,783	2,280
Total	$ 1,366,424	$ 2,586,666	$ 1,370,944	$ 378,238	$ 349,851