



Office of the Governor of Guam

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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

Office of the Governor of Guam
Hagåtña, Guam

DEC 31 2004

4:30
[Signature]

DEC 2004

The Honorable Vicente C. Pangelinan
Speaker
Mina' Bente Siete Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 413 (COR), "AN ACT TO PROVIDE TRANSITION OF BENEFITS FOR RETIREMENT AND ACCRUED SICK LEAVE FOR THE GUAM TELEPHONE AUTHORITY (GTA) CLASSIFIED EMPLOYEES COVERED UPON THE PRIVATIZATION OF GTA, PURSUANT TO PUBLIC LAWS 26-70 AND 27-63," now designated as Public Law 27-151.

Sinseru yan Magåhet,

[Signature]

FELIX P. CAMACHO
I Maga'låhen Guåhan
Governor of Guam

Attachment: copy attached of signed bill

cc: The Honorable Tina Rose Muna-Barnes
Senator and Legislative Secretary

I MINA'BENTE SIETE NA LIHESLATURAN GUÅHAN
2004 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that Bill No. 413 (COR), "AN ACT TO PROVIDE TRANSITION OF BENEFITS FOR RETIREMENT AND ACCRUED SICK LEAVE FOR THE GUAM TELEPHONE AUTHORITY (GTA) CLASSIFIED EMPLOYEES COVERED UPON THE PRIVATIZATION OF GTA, PURSUANT TO PUBLIC LAWS 26-70 AND 27-63," was on the 20th day of December, 2004, duly and regularly passed.

Attested.

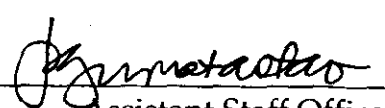


Tina Rose Muña Barnes
Senator and Legislative Secretary



vicente (ben) c. pangelinan
Speaker

This Act was received by *I Maga'lahaen Guåhan* this 20 day of December, 2004,
at 5:50 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:



FELIX P. CAMACHO
I Maga'lahaen Guåhan

Date: December 30, 2004

Public Law No. 27-151

I MINA'BENTE SIETE NA LIHESLATURAN GUÅHAN
2004 (SECOND) Regular Session

Bill No. 413 (COR)

As amended on the Floor.

Introduced by:

R. J. Respicio
Toni Sanford
v. c. pangelinan
F. B. Aguon, Jr.
J. M.S. Brown
F. R. Cunliffe
Carmen Fernandez
Mark Forbes
L. F. Kasperbauer
R. Klitzkie
L. A. Leon Guerrero
J. A. Lujan
T. R. Muña Barnes
J. M. Quinata
Ray Tenorio

**AN ACT TO PROVIDE TRANSITION OF BENEFITS FOR
RETIREMENT AND ACCRUED SICK LEAVE FOR THE
GUAM TELEPHONE AUTHORITY (GTA) CLASSIFIED
EMPLOYEES COVERED UPON THE PRIVATIZATION OF
GTA, PURSUANT TO PUBLIC LAWS 26-70 AND 27-63.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds
3 that, according to meetings and surveys conducted by the Employee
4 Coordinating Committee (ECC) and their Employment Financial Advisor
5 (EFA) consultants, the employees of the Guam Telephone Authority (GTA)
6 will be adversely impacted by the privatization of GTA due to the current

1 government of Guam policies governing distribution of vested and non-
2 vested retirement benefits and sick leave hours. Every employee at GTA will
3 be impacted by one of these two issues. Therefore, it is the intent of this Act to
4 protect the accrued sick leave and retirement benefits for qualified employees
5 of GTA since they should not be severely and adversely impacted due to the
6 privatization of GTA by providing transition benefits to these employees.

7 **Section 2.** This Act *only* applies to Guam Telephone Authority (GTA)
8 employees who are covered by the GTA privatization laws, Public Law 26-70
9 and Public Law 27-63, and who elect to join the privatized GTA.

10 **Section 3. Provisions for GTA employees.** The following is
11 authorized for the classified employees of the Guam Telephone Authority:

12 (a) Those employees who are members of the Defined Benefit
13 retirement plan who separate and terminate from the government
14 of Guam service and withdraw their contribution from the
15 retirement plan shall be granted a separation incentive bonus,
16 which is equal to five percent (5%) of their annual base salary
17 times five (5), upon termination from the government of Guam
18 and acceptance of employment with the privatized Guam
19 Telephone Authority. Payment of the incentive separation bonus
20 shall be disbursed from the proceeds of the sale of GTA.

21 (b) Those employees of the Guam Telephone Authority who are
22 members of the Defined Contribution retirement plan and have
23 completed less than five (5) years total services shall be entitled to
24 an amount equal to the government contribution and earning, in
25 addition to their employee contribution and earning upon

1 termination from government of Guam employment and
2 acceptance of employment with the privatized Guam Telephone
3 Authority. The payment of the government contribution and
4 earning shall come from the current operating income of the
5 Guam Telephone Authority.

6 **(c) Buyout of Employees Accrued Sick Leave.** Employees of the
7 Guam Telephone Authority shall have the following options with
8 respect to accrued sick leave upon the closure of the purchase of GTA:

9 (1) Complete one hundred percent (100%) payout of their
10 accrued sick leave upon termination from the government of
11 Guam and acceptance of employment with the privatized
12 Guam Telephone Authority, which payout shall be from the
13 cash of GTA (other than subscriber deposits and customer
14 prepayments) on hand at the time of closing of the purchase
15 of GTA, it being understood that the government of Guam
16 shall be *solely* responsible for such payout and that the
17 purchaser of GTA *shall have no* obligation whatsoever with
18 respect to such payout. This payout shall be exempt from
19 calculation of the three (3) highest annual salaries for
20 Defined Benefits members, and shall also be exempt from
21 the calculation of the non-base pay option; or

22 (2) Pursuant to and consistent with existing law, rule and
23 regulation, apply their accrued sick leave towards retirement
24 service credit.



Office of Senator Antoinette (Toni) Sanford
Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions
Suite 15B, 777 Route 4, Sinajana, Guam 96910 / Telephone (671) 479-8664/6 Fax (671) 479-8667 Email: senatorsanford@ite.net

November 19, 2004

Senator Lou Leon Guerrero
Chairperson, Committee on Rules & Health
TWENTY-SEVENTH GUAM LEGISLATURE
155 Hesler Street
Hagatna, Guam 96910

Dear Senator Leon Guerrero,

The Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions, to which **Bill No. 353 "An act to fund and to protect the accrued attendant benefits for the Guam Telephone Authority (GTA) classified employees covered by 26-70"** was referred, wishes to report its findings and recommendation TO DO PASS as substituted by the Committee.

The voting record is as follows:

TO PASS	<u>6</u>
NOT TO PASS	<u>0</u>
ABSTAIN	<u>0</u>
TO PLACE IN INACTIVE FILE	<u>0</u>

Copies of the Committee report and other pertinent documents are attached.

Antoinette (Toni) Sanford
Chair

Attachment.



Office of Senator Antoinette (Toni) Sanford

Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions

Suite 15B, 777 Route 4, Sinajana, Guam 96910 / Telephone (671) 479-8664/6 Fax (671) 479-8667 Email: senatorsanford@ite.net

November 19, 2004

MEMORANDUM

TO: Committee Members

FROM: Chairwoman

SUBJECT: Committee Report and Voting

Transmitted herewith for your information and action is the report on **Bill No. 353, as substituted, "An act to fund and to protect the accrued attendant benefits for the Guam Telephone Authority (GTA) classified employees covered by 26-70."**

Please review the report and take the appropriate action on the voting sheet. Your prompt attention and action on this matter is greatly appreciated. Should you have any questions regarding the report or accompanying documents, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read "Antoinette Sanford".

Antoinette (Toni) Sanford

Attachment.




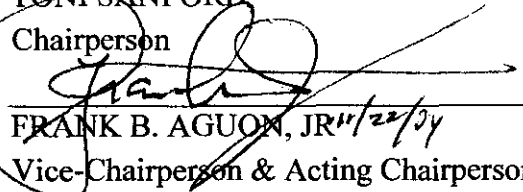
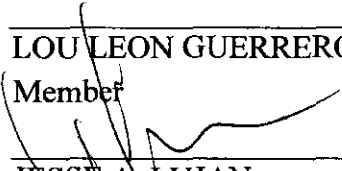
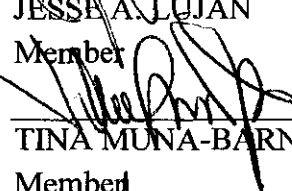



Office of Senator Antoinette (To...) Sanford

Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions
 Suite 15B, 777 Route 4, Sinajana, Guam 96910 /Telephone (671) 479-8664/6 Fax (671) 479-8667 Email: senatorsanford@ite.net

Bill No. 353, as substituted, "An act to fund and to protect the accrued attendant benefits for the Guam Telephone Authority (GTA) classified employees covered by 26-70."

	TO PASS	NOT TO PASS	TO ABSTAIN	INACTIVE FILE
 TONI SANFORD Chairperson	✓			
 FRANK B. AGUON, JR. <i>11/22/24</i> Vice-Chairperson & Acting Chairperson	✓			
LARRY KASPERBAUER Member				
 LOU LEON GUERRERO Member	✓			
 JESSE A. LUJAN Member	✓			
 TINA MUNA-BARNES Member	✓			
 JOHN M. QUINATA Member				
RORY J. RESPICIO Member				
 BEN C. PANGELINAN Speaker & Ex-officio Member	✓			

**COMMITTEE ON ECONOMIC DEVELOPMENT, RETIREMENT,
INVESTMENTS, PUBLIC WORKS, AND REGULATORY
FUNCTIONS**

Twenty-Seventh Guam Legislature
155 Hesler Street, Hagatna Guam 96910



**COMMITTEE REPORT
ON**

Bill 353: “An act to fund and to protect the accrued attendant benefits of retirement and sick leave for the Guam Telephone Authority (GTA) classified employees covered by 26-70.”

COMMITTEE MEMBERS

Chairperson Senator Toni Sanford
Vice-Chairperson Senator Frank B. Aguon, Jr.

Majority Members

Senator Lou Leon Guerrero
Senator Tina Muna Barnes
Senator John M. Quinata
Senator Rory Respicio
Speaker ben c. pangelinan (ex-officio)

Minority Members

Senator Jesse A. Lujan
Senator Larry Kasperbauer

I. OVERVIEW

A. Purpose and Essential Elements

The purpose of Bill 353 “An act to fund and to protect the accrued attendant benefits of retirement and sick leave for the Guam Telephone Authority (GTA) classified employees covered by 26-70,” is to protect the accrued sick leave and retirement benefits of qualified GTA employees since they should not be adversely impacted due to the privatization of GTA.

B. Public Hearing Conducted

The Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions conducted a public hearing on Wednesday, October 27, 2004 in the Legislative Public Hearing Room, I Liheslaturan Guahan, in Hagatna. Public notice was provided on October 20 and 25, 2004.

Committee Chairwoman Toni Sanford called the public hearing to order at 11:05 a.m. in the Legislative Public Hearing Room. Committee members present were: Senator Rory Respicio, Speaker Ben C. Pangelinan, Senator Lou Leon Guerrero, Senator Tina Muna Barnes, Senator J. Q. Quinata. Non-committee members present included: Senators Robert Klitzkie, Senator Joanne Brown.

Individuals who appeared before the Committee to provide testimony at the public hearing included: Joe T. San Agustin, Wilfred Aflague, Frank Kim, John Mendiola, Juan Finona, Nacrina Mendiola, Cecilia Martinez, Vicente Perez, Larry Perez, Matthew Hernandez, Frankie San Nicolas and Rick Calvo.

II. SUMMARY OF TESTIMONY

Chairwoman Sanford welcomed everyone and invited Senator Rory Respicio to give an overview of the bill as its author.

Senator Respicio explained that Bill 353 was established to help those employees on the verge of retirement in regards to helping them fully retire, as well as those with an accrual of sick leave. He recognized that there are no funds available from the retirement fund for this, so he is targeting a percentage of proceeds from the sale of GTA. He noted that proceeds from GTA sale will prevent a negative impact on the retirement fund and provide for those employees on the verge of retirement. He was soliciting consensus to help the employees of GTA.

Chairwoman Sanford called on Speaker Joe T. San Agustin and acknowledged the rest of the panel present to provide testimony.

Speaker Joe T. San Agustin pointed out that the Director of the Retirement Fund, Wilfred Aflague was also in the room to present testimony. He apologized for not submitting written testimony.

He noted that due to the board's fiduciary responsibility, they oppose the bill because it provides special treatment of employees of GTA and discriminates against the rest of government employees by providing a waiver of the three percent reduction on retirement benefits. Currently, government employees with less than twenty-five years must retire with the reductions while employees with at least twenty-five years are granted full retirement.

Employees of GMH and DOE were in similar situations regarding displacement and outsourcing, and were not afforded the same opportunities that are being considered for GTA employees. Even though an actual study was not conducted, San Agustin stated that this will allow an increase in the Fund's un-funded liability.

In order for GTA employees to retire, it will cost approximately \$17,000 more per individual per year times for the remaining lifespan of each individual. He explained the typical life span of a male and female and points out that because these employees are so young they will be exceeding the typical retirement benefit amount versus a retired employee that is older. This amount figures to be a sizeable fund that amounts to roughly \$21 million dollars just for these 29 employees. The Retirement Fund board's main concern is the financial impact with this bill.

There are currently 17,000 members in the Retirement Fund, of which 6,000 are retirees. The worry is among the 10,000 active government employees, of which 5,000 are still on the DB plan. It will be a tremendous cost that the government would have to put out to make it up because the Retirement Fund cannot afford to put out \$17,000 more in annuity without a source of repayment. Compounded with plans for further privatization of government services, this bill creates a definite concern.

The Retirement Fund is also faced with a current negative cash problems and having to address their issue of the unfunded liability. Currently, the total receipts from contributions are about \$9 million per month and the payout is \$13 million per month which creates a negative monthly cash outflow of about \$3.5 to \$5 million. That diverts approximately \$5 million from current assets of the fund to operations instead of investing the money.

When the fund does not have enough to pay retirement annuities, the legislature will have to restructure the benefits structure – to either increase the contribution rate or reduce the benefit structure – instead of retiring at 85%, maybe go down to 75%. In the current arrangement, the annuity benefit formula is attractive – but it can't continue if bills like this go through – as it erodes the fund's ability to pay the annuities.

He noted that the proceeds from the GTA sale is an attractive source of funds but it appears that different people have different thoughts on where the funds should go. He noted that the Governor has announced that it should go to build a new hospital.

There is another provision in the bill – an individual employee transfer – from the Defined Benefit retirement plan to the Define Contribution plan. The DB transfer window was for a period of one month – the month of March – and P.L. 26-85 extended that period for two more months. If every DB member transfers out into the DC, that is preferable. If any member who wishes to get out of the DB to the DC, benefits the Fund because once a person transfers into the DC, the unfunded liability disappears.

Another section of the bill was on buyout of the employee's accrued sick leave. The sick leave buyout can be considered as a double credit for retirement purposes – non-based pay. The last legislature excluded non-based – even overtime – because it had a direct impact on the fund. In the past, people got more in retirement benefits because they accrued so much overtime and so much non-base pay.

There is no provision, also, that previous employees would benefit this provision to re-enter Government of Guam employment status. Currently, P.L. 27-106 provide employees affected by privatization or outsourcing to be eligible for priority placement, which is commendable. This should be automatic.

The federal government offers 'bumping' rights, which doesn't exist in GovGuam. We should make government-wide priority placement mandatory and force agencies to participate in this effort to save the employees who want to stay in the government.

In closing, his primary concern is that there are 1800 out there eligible for this option retirement should this bill go through – and although not clearly addressed in this bill – one of these 1800 people would go through the legal system to exercise their rights, which will open up Pandora's box.

Can the General Fund – or any agency for that matter – afford this? There is equal opportunity for employees and there are many precedents in our government with these problems and ultimately we will have to pay for it.

The privatization of GTA does not adversely affect the retirement membership of GTA employees. Those who have not met their minimum service or age limit to retire have options. They may leave their contribution in the Fund and apply for a deferred age retirement or they may apply for refund of their contributions – they can always get their money out if they have less than 25 years of service.

But to provide special consideration for a special group – out of 17,000 members to give special treatment for just 29 employees – there is no equity. We must look for the overall good, through no fault of their own that GTA got privatized, but we must address them somewhere – provide them jobs some place. But for the government to throw in money for these select individuals and their survivors is something for the committee to reconsider.

He begs the committee to reconsider this bill and hold it back until an actuary study is made to determine the impact. Can we afford it? The Federal law – in Title 48 – must be

considered because this constitutes special treatment for a special class of people. This may be in violation of this federal law, so he suggests the committee look into this law. Mr. San Agustin feels for the 29 members of GTA, but he must stand to protect the 17,000 members of the Retirement Fund and their survivors whose livelihoods depend on the Fund.

Wilfred Aflague, Director of the Guam Retirement Fund, added that this legislation really requires an actuarial study. The Fund now has an actuary on board – the contract was recently signed – and this would be one of their first priorities. The \$21 million figure as mentioned by Mr. San Agustin is just an in-house calculation based on the list provided of 16 males and 13 females. If this waiver is not imposed on optional retirement less 3% per year, it will cost all of them \$519,000/year additional benefits. It costs \$277,000/male x 16 males x 35 years; each female \$242,000/each x 13 females x 40 years, or about \$17,337/male and \$18,628/female. Multiplied, it is about \$21 Million; however, these are in-house calculations but the professional actuary must come up with his figure.

On the payment of sick leave, this could have a double impact on the proposed GTA retirees because if they elect non-base pay inclusion, then this would be added on to their non-base pay, which would greatly impact their retirement benefits.

The other matter that is sensitive is that we must be cognizant of the judge's order that mandates that they look at any legislation that would impact the unfunded liability of the Retirement Fund.

Mr. Aflague repeated a comment he made previously, that if he were a GovGuam employee in the DB plan with 10-15 years of government service, he would be concerned right now if there would still be a retirement fund. At present, the cash assets are at \$1.2 billion dollars, but our unfunded liability is exactly that -- \$1.2 billion dollars – which means that they don't have the money for this. He reiterated what the Fund Chairman stated earlier about having to draw down cash from contributions now to pay for retirees payroll, which is \$13 million per month. It is incumbent of the Board to protect the Fund for all retirees, present and future.

Mr. Frank Kim, Senior Consultant from Bering Point, representing the GTA employees as a financial advisor, read from a written testimony submitted.

Mr. Kim stated that the majority of the GTA employees are in acceptance with the transition of GTA from government agency to private entity. He noted that in a recent employee poll taken, 88% indicated that they will sign on with the new company and are looking forward to it. The salary benefits package being offered to them is superior to their current packages. The company will inherit experienced and qualified employees, knowledgeable of the telecommunications market on Guam. It will be beneficial for both sides; however, some employees face major obstacles regarding the existing retirement plan and sick leave benefits. They are worried about the penalties, fees and deadlines as stated in the law, which restrict them from transitioning over and or to retire from GovGuam before starting employment with the new company.

Mr. Kim stated that this was why Bill 353 was drafted and submitted to the Guam Legislature for consideration. He asked for the committee's support.

Mr. John Mendiola, Chairperson of the Employees Coordinating Committee for the privatization of GTA, presented Chairwoman Sanford with a petition signed by approximately 1600 employees, families and friends in support of Bill 353. He then read from prepared written testimony acknowledging the hard work and efforts of everyone in the privatization process. Mr. Mendiola stated that his committee stands behind their motto of "No Employee Left Behind," adding that their task will be completed only upon fulfillment of the employees' wishes and needs.

Mr. Mendiola stated that the committee acknowledges the relevant laws in place; however, they appeal to the committee to consider the forced exodus of these GovGuam employees and ask that the committee grant the approval of Bill 353.

Mr. Juan Finona, a member of the Employees Coordinating Committee, testifying in favor of Bill 353, acknowledging that the GTA is the first all-out sale of a government agency – a very large transition for the employees. He noted that not only are the employees affected, but so are their families and friends. He believes that the current laws in place do not adequately address the unique situation of these employees.

He addressed the comments from the Retirement Fund and Dept. of Administration representatives. He believes that they should have addressed their concerns during the Public Hearing that led to the passing of Public Law 27-63. They could have negotiated with GTA management on the annuity being paid by GTA annually. He believes that it is in the best interest of GTA retirees to have the Retirement Fund, the 27th Guam Legislature and the governor of Guam to agree on a portion of the proceeds to accommodate the GTA retirees for the next ten years with proceeds collecting interest to continue annuity payments.

In closing, he asked, "When the privatization of GTA was being negotiated, when the documents became public information – why didn't the Retirement Fund bring these issues being testified today and not back in the month of September? We believe that we are following the instructions from the Retirement Fund representatives who briefed us on our rights on how to present our concerns in Bill 353. Why are these other concerns being brought out now? Is it our fault that we, the employees of GTA, studied our options – public versus private employment – and that we are seeking what is best for our employment and family future? We are just following what we can to survive..."

Ms. Nacrina Mendiola, a 20-year GTA employee, spoke in favor of Bill 353. Ms. Mendiola spoke of her employment with GTA since July 1984. She served under seven General Managers and several administrations; seen the agency revenues rapidly decrease because of government directives, and even more so now since the implementation of the Telecommunications Act of 1996. Ms. Mendiola spoke of working proudly for the government of Guam. She acknowledges that she must move on now because the government has chosen to privatize our company. The government stands to gain by

receiving the much-needed \$150 million cash infusion into the General Fund. The government stands to gain by reducing the workforce by approximately 300 employees. The employees have been displaced, but the government can redeem itself by approving Bill 353.

According to their records, Ms. Mendiola stated that the waiver of the 3% penalty only stands to affect less than 15 employees. The rollover of the DB plan to the privatized plan will affect only less than 180 employees. The sick leave payout will be paid out of the acquisition proceeds; however, as an alternative, GTA has budgeted internally as well.

Ms. Mendiola acknowledges overwhelming opposition to these provisions because of the impact to the Retirement Fund and to president's setting standards; however, she states that it is due to unusual circumstances. It is a result of separation due to privatization and not a voluntary act of separation.

In closing, Ms. Mendiola reiterated that she and her colleagues have served the government of Guam with dedication and loyalty and feels that they should not be treated as 'nobody's child,' and expects the elected leaders to own up. Referencing the 1600 signatures presented to the committee chairwoman, Ms. Mendiola asked how much did they need those votes?

Ms. Cecilia Martinez, Human Resources Manager, Department of Administration spoke in behalf of Ms. Lou Perez, Director of DOA, and read from prepared written testimony. Regardless of the fact that there will be funds available to pay for accrued sick leave or for payment for costs associated with the Retirement Fund allowing for a waiver of the 3% penalty upon retirement with less than 30 years of service, DOA feels that GTA employees are GovGuam employees and should be treated in the same manner as all other employees that have left the government for other reasons.

We must understand that there is no profit-sharing within this organization; therefore, there should be no special benefits as is being requested. If the government waives the 3% early retirement penalty for those employees on the Defined Benefit plan, it would be difficult to deny all other government employees the same consideration. This can be very costly in the long run.

The option proposing to grant to those GTA employees who do not wish to retire and who are currently on the DB plan to switch to the DC plan with a 10% contribution by the government as a match to the employees contribution appears rather generous because it also allows for the interest earned on the DB to roll over.

The rollover interest should be sufficient in addition to the current 5% government match. This practice may also negatively impact the retirement fund in that those employees will leave the DB plan, reducing the active employees contribution to the DB plan.

This is excessively generous because no other employee who leaves GovGuam for whatever reason other than disability or death was ever awarded a payout of 100% of

accrued sick leave. There are current laws that prohibit sick leave payout. Employees with over 10 years of government service may have accrued well over 1000 hours. The payout value for those hours, depending on the employee's hourly rate, will be costly and could establish a new precedent for all other employees affected by layoffs or privatization efforts in the future.

There is no option provided in this bill by which an employee may choose to get the payout or be given retirement credit for sick leave as is currently the practice. If this bill becomes law, the employee may get both payout and retirement credit.

Another problem with the second option on the employee buyout of accrued sick leave – this would invite other employees who have left the government and have vested sick leave to request for the same payout or to donate their sick leave to other employees whether or not there is a need for the recipient.

As a general rule, DOA opposed any special benefits not applied government-wide. If the committee deems it necessary to provide this special service to these GTA employees, it may be more appropriate to give these employees a special cash bonus or severance pay, which may not have the same effect to the government as proposed in Bill 353.

Chairwoman Sanford thanked Ms. Martinez and invited GTA Manager Larry Perez to join the panel, then asked Mr. Vicente Perez to present his testimony.

Mr. Vicente Perez, a GTA employees, read from prepared written testimony in support of Bill 353. He attested to the loyalty and dedication of the GTA employees and pledges to continue on as new employees of TeleGuam. He feels that the GTA employees deserve to receive what they've earned and worked hard for as government employees. However, he is asking that the committee continue their good works – thanking the legislators for passing bills 366 and 367 into law – by passing Bill 353 as well.

Mr. Larry Perez, GTA General Manager, also shares many of the concerns of the employees, as an employee of GTA for the last 16 years before accepting the position as General Manager. He shared some of the history of the privatization efforts from the onset. He discussed some of the issues presented to every governing body on the impact of the GTA privatization that were posed back then when he was on the committee. It wasn't until the latter stages of privatization when Bills 366 and 367 was becoming a reality when the questions finally started to be asked. The reality is that people started owning up – and these issues on this bill are concerns that were never addressed back then. He believes that if these concerns were addressed back, it might have made a difference in the sale of GTA.

He acknowledges the conflict in what is being asked by these employees – because of the impact on the Fund, they could be jeopardizing their own retirement – so it is a double-edged sword. He understands DOA's position about equality; however, the other agencies are not being privatized as is GTA. It is not the same; therefore, it is a serious consideration he is asking the committee to deliberate.

He recognizes the possibility of encouraging the migration of members from the DB to the DC plan, and see's the benefit of an educational awareness of this option.

Mr. Perez sees that if this bill passes, other agencies may be a bit more receptive to privatizing as not being so bad, not so cumbersome. He sees the bigger picture and sees privatization as an opportunity for everyone.

Mr. Perez recognizes the hard work and dedication of the GTA employees. He would prefer not to leave anybody behind and would like to see a win-win situation for everyone.

In closing, Mr. Perez stated that the end product is never the same as what was originally submitted. They are open to negotiation. What he does not want to see is an 'all or none' proposition. The employees are open to ideas. They helped us accomplish privatization. They are here to stay, so whatever we pay them in sick leave, etc., will come back to Guam through their investments. Please hear what they have to say.

Chairwoman Sanford thanked Mr. Perez and invited her colleagues to address the panel, beginning with Speaker Ben Pangelinan.

Speaker Pangelinan spoke briefly to acknowledge the GTA employees present, stating that they were very clear in what they want.

Senator Klitzkie thanked the GTA employees for fixing his telephone last week. He especially acknowledged the members of the Employees Coordinating Committee as a special interest group; however, he does not see anything wrong with it because they do all the research and analysis that makes the legislative process go more smoothly. He did ask Mr. Kim if he drafted Bill 353, to which Mr. Kim replied negatively, but did state that he assisted in the drafting.

Senator Klitzkie posed one question about the provision on sick leave payout. He stated that sick leave has no monetary value. There is no provision for cashing out sick leave.

Mr. Kim responded that the employees accumulate certain hours of sick leave per pay period and to assign a cash value to that would be based on their hourly rate.

Senator Klitzkie noted that the bill does not agree with what Mr. Kim explained. Further, he noted that the accrued sick leave was gained over several years and not on the present year, therefore, how did they intend to assign the value – at the time the sick leave was accrued or at the time it was cashed in, to which Mr. Kim replied that it would be at the time of cash in. Again, Senator Klitzkie said that this bill did not address that.

Wilfred Aflague did clarify that only in the case of death of a government employee will sick leave be paid out to the survivors.

Senator Klitzkie also discussed the transition from DB to DC, that it would be possible to tie in the sick leave benefit into the DC plan, which would be an incentive for those employees to transition into the DC plan.

Mr. Kim stated that currently, members of the DB plan can apply sick leave to their years of service toward retirement whereas on the DC plan, sick leave is frozen and cashed out at age 55 at 50% of those sick leave hours.

Chairwoman Sanford did state that GTA's balance sheet reflected an accrual for the sick leave pay cash out, quantified at current rate – about \$3 million dollars – and the GTA board had recognized that liability.

Senator Lou Leon Guerrero said that she just came to listen to the employees; however, she notes that throughout these times, it's mostly the representatives that have spoken to date, up until Ms. Mendiola spoke today. She is noticing that not all the employees wanted to privatize, from what Ms. Mendiola stated about being "forced" to privatize.

Ms. Mendiola spoke from the crowd, which was inaudible, so the senator asked her to approach the microphone to be heard. She restated that she is not against privatization, but did state that it was a government mandate. She is going to the new company, but she just wants to know what the government is going to do about displacing them as employees.

Mr. Kim asked to clarify Ms. Mendiola's comments, as it is not that the GTA employees are being forced to privatize, but that privatization is being forced upon them.

Senator Leon Guerrero said that the whole process was put in place to address the concerns of the employees. Why it took so long was that they were concerned about the employee's welfare – their displacement, for one – among other unknowns. The reason for the extended length of time is to assure for the employees welfare. It was only through the ECC addressing these specific concerns about sick leave and early retirement and waiver fees, etc. that it was made known to the legislature. She is concerned that it would have been good – as the GTA General Manager stated – if these issues were addressed during negotiations. This is why she is concerned to hear these concerns from people other than the representatives, because throughout this process, these representatives have represented that the employees are okay about everything to date. But where the money is going to come from is a big concern. If everyone is looking at the sale proceeds, the net will probably be only \$4 million at the end. However, Senator Lou restated that it is evident in the laws that have been passed to date relative to the GTA sale have always shown that the employees welfare as always been of utmost concern.

Mr. Kim acknowledged that the employees rights have been very well protected in the public law and that they are cognizant of that fact.

Senator Leon Guerrero then asked for clarification – is the proposal to have these amounts paid out from the GTA proceeds?

Mr. Kim responded that it is up to the senators to decide.

Senator Leon Guerrero said that everyone wants to get a part of the proceeds from the sale of GTA. She might have to tell Bill McMillan to forget about the \$33 million seed money for the hospital.

Senator Barnes interjected that she was under the impression that there were funds set aside that may be able to subsidize this.

Senator Leon Guerrero responded that earlier, the Retirement Director said that the waiver of the 3% might cost \$21 million dollars. This is the kind of information we need for us to make these decisions on how to balance out the needs of the GTA employees as well as all the other employees of GovGuam.

Senator J.Q. Quinata asked how they came up with the \$21 million figure, and is the Retirement Fund requesting that it be paid out of the proceeds?

Wilfred Aflague prefaced his response by stating that the Retirement Fund was not a party of negotiations of the GTA sale. They were asked from time to time, by Mr. Perez, and by Chairwoman Sanford, to have an employee from Members and Benefits section to accompany them to meetings to assist the employees to understand the Retirement Fund rules and regulations. At no point in time was there ever communication between the GTA General Manager and himself to quantify the 3% waiver. To him that warrants more than just a phone call for this matter of importance.

To come up with the dollar figure – pending the actuarial study – they took the mortality tables that say women live to about age 80 and men live to about 75, and they took the 3% per year waiver and broke it down to about \$519,000/year for this proposed retirees, multiplied that by the number of males and females. Survivors were factored in as well, which came up to \$21 million, which will probably be substantiated by an actuarial study.

Senator Quinata asked if that age was on Guam or a national figure?

Mr. Aflague replied that mortality tables pertain to Guam and this part of Micronesia.

Senator Quinata then asked GTA General Manager Larry Perez how much is GTA currently paying for current retirees?

Mr. Perez replied that they expend \$750,000/year, which is a retained liability by the Government of Guam.

Senator Quinata asked if that comes out of the proceeds or does the General Fund have to pick this up?

Mr. Perez replied that it isn't even addressed at this point, to which **Chairwoman Sanford** clarified that it will have to come from the General Fund because GTA will no longer exist.

Senator Quinata then asked Mr. Perez if he could name one retirement plan better than the GovGuam plan because he thinks that GovGuam has the best plan, as far as the DB is concerned.

Mr. Perez said that there were hundreds, and Mr. Aflague concurred with Mr. Perez, in that in principal, knowing now that the unfunded liability is at \$1.2 billion dollars, almost any other fund is better right now because we're looking at a 10-11 life span of the plan as it is now. If we add on to the unfunded liability, it will expire even quicker.

Senator Joanne Brown believes that there are serious concerns that the senators need to address. These are unique situations for the employees of GTA because it is the first privatized agency, so how do we address that. And on the issues of equity, what about the other employees of the government of Guam. Decisions are never easy, but everything must be taken into consideration before we deliberate toward the policy decisions we have to make. She just wanted to share with the audience her position and how she intends to look at this issue in making a decision.

Senator Tina Muna Barnes would like to ask if there was anything in writing to see the actual computations to see what we have to work with; however, **Chairwoman Sanford** did clarify to Senator Barnes that prior to her arrival, this issue was addressed.

Mr. Wilfred Aflague did agree that they are working on the numbers and will get this estimate to the committee before the end of this week.

Senator Rory Respicio spoke last as the author of Bill 353, and he invited the ECC panel back to the table to have them answer questions as needed. Senator Respicio reviewed the extent of their frequent meetings addressing the various issues and concerns of the ECC. He asked GM Perez to affirm the dollar amount he budgeted for sick leave – at \$3 million dollars, based on assumption of a payout upon closing.

Speaker Pangelinan asked the GM about why he was paying out for annual leave, to which Mr. Perez explained how they had to deplete the annual leave or lose it. Because of the typhoon restoration period, he could not allow certain employees to take leave. As such, he needed to pay out their accrued excess annual leave because they could not take leave, so at the end of the fiscal year, he paid out their leave.

Senator Respicio also addressed Mr. Perez's comment about not taking a position on this bill. He asked what his position was on this bill for the record, to which Mr. Perez replied that as a member of the administration, he had to take a look at the impact of this bill as a whole. This group has a certain request and he supports this position wholly. On the other side, the employees are faced with a privatization initiative, and he cannot close his doors to that. He has to balance things out, so he has to offer pros and cons, and presented these concerns to the senators.

Senator Respicio interjected to state that he didn't think Mr. Perez was presenting these concerns to the senators; rather, he is shoving the responsibility to the legislature and the senator did not appreciate that. In fact, he asked the ECC members if they were under the assumption that the GM was in complete favor of this bill, which was why they were invited back up to the table.

Mr. Perez responded by stating that the fact that he included a budget item to address sick leave. He believes that they worked in concert to identify what employee issues were missed, because congruent to the privatization, certain things were surfacing that should have been discussed before his time, such as the sick leave, the early out penalties, these issues were just now being brought up – it should have been done at their level – but he has an operation to run, so he can't piece meal their activities. He wants to make it clear that he has been working with them, in fact, they better say that he's been working with them. He has been directing them to move on this thing. He even put them on admin leave to take care of these issues and asked John Mendiola to say something at this point.

Senator Respicio commented that it would be moot to have him comment since you already instructed them to vouch for his support.

Mr. Mendiola responded by stating that he did go before the GM and asked for his support – he did pledge to give them that support – giving them whatever administrative leave or assistance to access any resource or information in order to accomplish their tasks.

Senator Respicio concurred that the ECC membership has always received the GM's full support; however, he did ask if they were under the impression that the GTA management endorsed Bill 353; and also how do we deal with those on the verge of retirement.

Mr. Finona clarified that we are subordinates under the GTA general manager and they follow that protocol. Any documents relative to Bill 353 must be approved by the GM. We work under him and need his approval for anything we do. He is here to verify that he did budget for our sick leave buyout.

Senator Respicio asked if he budgeted for the retirement issue specifically.

Mr. Finona restated that Bill 353 says that it is from the proceeds, not from the budget of GTA. The only budget is the sick leave. The proceeds of the sale takes care of the 3% penalties and other retirement issues. It is in the bill.

Mr. Perez reiterated his position before the committee. With no mincing of words, the issues in Bill 353 should have been addressed a long time ago. He was disappointed in the whole process. He was disappointed in the ECC. He was disappointed in the EFA. He was disappointed on why are we just now addressing it – and he did share that.

Chairwoman Sanford asked to interject, posing her question to Mr. Kim – was this an oversight in the negotiations that the early retirement was left out, not thought of, not brought up? Why was this not part of the negotiations?

Mr. Kim responded that this issue has been ongoing since last year. The employees have constantly brought this up to them and they've been working on it aside from the negotiations.

Chairwoman Sanford asked why it was being handled aside and not a part of the negotiations?

Mr. Kim did not have an answer, to which the Chair asked him wasn't he getting paid to protect the employees, and he affirmed that stating that he was tracking down these issues not directly a part of the negotiations because this would go on whether or not the sale was approved or not.

Chairwoman Sanford said it was unfortunate that this was never even brought up during negotiations.

Mr. Perez continuing on his position on Bill 353 – another issue he presented to the ECC – is that based on the information that they asked about the sick leave pay out, the issue of the early out penalty came in among other issues, he basically asked them how much this was going to all cost us during their work sessions. He wanted to see if there was any way to work these things out without having to touch the proceeds, but there was no figure.

Chairwoman Sanford stated that at a minimum, whether they had the dollar figure or not, they should have at least discussed it, to which he agreed.

Mr. Perez continued by saying that he was trying his best to absorb whatever expenses with the intent of not touching the proceeds at all. He added that it is in the purchase agreement that any excess cash in GTA will go as part of the \$150 million. GTA currently has \$16.5 million, \$10 million is already earmarked. Any excess, including if they go above 65,000 lines, it is \$2,252.00 per line above 65,000; so they are working to bring those numbers up to give the legislature more money to make it a sweeter deal.

Mr. Perez said he advised the ECC that if this Bill 353 is presented to the Legislature, that they had to be prepared to accept whatever amendments result because the senators have to look to the greater good and that they had to decide on which issues they were willing to concede on – that it will be a dialog – that the senators have fiduciary obligations that the ECC must respect. What is being presented to the senators today are issues that should have never been addressed since 1996 to present, and the reality that he communicated to them is that this is a negotiation process.

Senator Respicio then asked what issues are they willing to concede?

Mr. Perez said that this is up to the ECC. He doesn't even know what the actuarial study reads, what the magical figure is, to which Chairwoman Sanford said to start with \$21 million.

Mr. Kim stated that the \$21 million figure is based on an in-house study by the Retirement Fund. They are still working on the actuarial study expected within 6 months; however, their \$21 million is based on their projection of 29 employees that they feel are eligible for retirement. Based on his company's projection, they have identified only 8 employees as opposed to their 29, so that's a big difference.

Chairwoman Sanford said that there needs to be a reconciliation between the Retirement Fund and GTA before we move forward.

Senator Respicio affirmed to the GTA employees that the legislature is on their side, attesting to the hard work they have put into this process. However, when presented with Bill 353, as much as he wanted to ensure for the welfare of the employees, there was no real figure available to quantify how much it would cost to address these issues and affected employees, so the decision was to introduce the bill and have a public hearing and ask the Retirement Fund to provide an actuarial report, so this is why we only dealt with the sale of GTA. It would not have been prudent to rush into this thing, but this is a process, and we need to know what the costs will be and we'll make our decisions from thereon. He asked Mr. Perez to continue to communicate to the employees that their welfare is of utmost concern not only to him but to all of the senators.

Senator Quinata asked one last question of Mr. Perez – regarding the sick leave buyout – were increments factored in there?

Mr. Perez responded in the affirmative that there is a budget item including a one-step increment, but he is awaiting an opinion from the Civil Service Commission to ensure that he is following all requirements prior to releasing said increments.

Chairwoman Sanford closed by reassuring everyone that Bill 353 will not move forward until they are able to quantify between the parties involved on the actual quantity – what is the impact for this early retirement. The issue of the sick leave is to address which options to move forward with, including what Senator Klitzkie suggested about moving the money from the DB to the DC plan. There will be more discussion with the ECC; however, we've had our public hearing and the testimonies have been recorded. We will continue to interact with you and move things forward.

Matthew Hernandez, an ECC member, presented oral testimony and brought up that from May 12-14, 2004, there were employee forums concerning the DB plans, and the Retirement Fund was involved. On May 18th, the ECC met with the Chair and reiterated their concerns, waiting until September and then drafted their own bill because they didn't hear anything.

He voiced concern that Retirement was saying that they were never aware of their issues. Where have they been since May 18th? Back on September 21st, the ECC met with the

Lieutenant Governor, who directed Grace to e-mail Wilfred about the 3% and how much the impact would cost.

The ECC was instructed to meet with them on the 27th, which was cancelled because of budget hearings. He asked how can they now say that they never heard about the 3% waiver? Now the employees have to wait until six months until the actuary is done before we get the information needed to come up with a decision. Who is going to suffer for it? It's going to be the employees. Retirement estimates 29 employees will be impacted, but we have different information. We have not been able to get information from them, but from our own records we have found that the number of employees is much less. Retirement has been meeting with you senators saying they are against this bill, saying they estimate 29 employees with no figures?

He voiced displeasure at the employees still being in limbo about their retirement and sick leave position. If they can gather information from their own records to determine that only 8 employees will be impacted, why can't Retirement do their fair share. Mr. Hernandez is asking for their fair share.

Chairwoman Sanford thanked Matthew for speaking out and agreed that he is right, noting two flaws. Number one, the negotiating committee should have addressed this as a subject from a year ago. Secondly, the Retirement Fund has been involved in this process, although not a part of the committee, but as a task force. One of the biggest challenges they had, though, was that they did not have an actuarial. They have one now. They've done the rough numbers, but we can't trust those numbers, because there such a deviation from \$5 million to \$21 million. There is a big difference between 9 to 29 employees. So we need to be sure before we move forward.

Frankie San Nicolas, a GTA employee, spoke orally that he was always against privatization, but he moved past his feelings and now supports the process. What he is asking for now – and he always brings it up to the ECC – what about us? What about us? Can we get a lateral? He hopes that the senators enforce priority placement. A lot of employees want to stay with the government. “If you won't offer the early out, please give us that opportunity.” He is glad the ECC's leadership and begs the senators to enforce priority placement.

Rick Calvo, a GTA employee, spoke about his employment of 18 years with GTA. He is one of the 8 employees affected by this bill. He believes that his record speaks for itself as a workaholic. He has over 2,600 hours of sick leave, which would put him at about 24 years and some months if applied toward retirement.

His primary concern now is that the Retirement Fund representatives say that it'll take another six months before the study will be done. What's going to happen to him come January at the take over? He's going to stay pro-government. He's got a lot staked on this. The retirement system is the best option for him because he has the years of service. He is asking for the 3% for those who are eligible for retirement so that they could move forward with their lives. Another issue is on the priority placement – there is a lot of interpretation with the Civil Service Commission – that the first refusal, you're out of the

list for two years. This is confusing. Also, if they don't find work for you after two years, you're out?

He says that the employees who have given most of their working lives to the government, take care of them. Let them take their sick leave, retire early, a waiver on the 3% -- they deserve it.

I want to stay in the government, I don't want to work for a private company, but I support the privatization effort. Right now, he feels like he has wasted his time serving the community. In closing, he quoted, "Don't ask what you can do for your government. It's what the government can do for me now." That is all he is asking.

Chairwoman Sanford asked GM Perez if he had done research to identify which employees wished to stay with the government. Mr. Kim responded by saying that their last survey taken in September 12% intended to stay with the government, although they still have the right to sign with the new company. Eight of the 12 % are eligible for retirement.

Chairwoman Sanford thanked Mr. Kim for his response and thanked everyone else for their contributions. She stated that they would be meeting to reconcile the actual numbers of this early retirement to quantify it and move forward from here, depending on when Retirement can come back with their numbers. **Chairwoman Sanford** then adjourned this public hearing.

III. COMMITTEE FINDINGS

The Committee on Economic Development, Retirement, Investments, Public Works, and Regulatory Functions finds that the issue on the early retirement benefits cannot be addressed until the legal and actuarial analysis is completed; therefore, Bill 353, as substituted, will address the sick leave payout and the authorization for GTA employees to rollover from the Defined Contribution to the Defined Benefit retirement plans as stated.

IV. COMMITTEE RECOMMENDATIONS

The Committee on Economic Development, Retirement, Investments, Public Works, and Regulatory Functions recommends that Bill 353, "An act to fund and to protect the accrued attendant benefits for the Guam Telephone Authority (GTA) classified employees covered by P.L. 26-70," as substituted by the Committee, be hereby reported out with the recommendation "TO DO PASS."

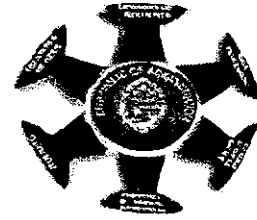
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Lourdes M. Perez
Director
Joseph C. Manibusan
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October 27, 2004

Senator Antoinette Sanford
Chairwoman, Committee on Economic Development, Retirement,
Investments, Public Works and Regulatory Functions
27th Guam Legislature
155 Hesler Street
Hagatña, Guam 96910

Re: Comments on Bill No. 353

Dear Senator Sanford and Members of Your Committee:

Buenas yan Hafa Adai! This is to submit the Department of Administration's comments on Bill 353, relative to funding and protecting the accrued attendant benefits of retirement and sick leave for the Guam Telephone Authority (GTA) classified employees.

While we recognize this gesture is considerate of and generous to GTA employees, we feel that the passage of Bill 353 establishes a precedence that will be followed by all other privatization efforts. Regardless of the fact that there will be funds available to pay for accrued sick leave or for payment for costs associated which the Retirement Fund allowing for a waiver of the 3% penalty upon retirement with less ^{than} 30 years of service, we feel that GTA employees are government of Guam employees and shall be treated in the same manner as all other employees that have left the Government for other reasons. If the government waives the 3% early retirement penalty for those employees on the Defined Benefit Retirement Plan (DB), it would be a difficult thing to deny all other government employees the same consideration. This can be very costly in the long run.

Secondly, the option proposing to grant to those GTA employees who do not wish to retire and who are currently on the DB Retirement Plan to switch to the Defined Contribution (DC) Plan with a 10% contribution by the government as a match to the employee's contribution, appears rather generous because it also allows for the interest earned on the DB to rollover. The rollover interest should be sufficient in addition to the current 5% government match. This practice may also negatively impact the Retirement Fund in that those employees, who have this generous option, will leave the DB Plan, hence, reducing the active employees' contributions to the DB Plan.

Lastly, Bill 353 proposes to payout 100% of the GTA employees' earned sick leave. Again,



Good morning Mr. Speaker and the members of the Legislature of Guam.

I am Frank Kim, a Senior Consultant with the firm of BearingPoint, the company that represents the employees of the Guam Telephone Authority as their Financial Advisor.

Over the past 4 years, we have worked closely with the employees and their elected representatives, the Employees Coordinating Committee to ensure that all employees were always kept well informed on Privatization issues. Over this period of time, we have come to know the employees well and we have listened to all their issues and concerns and have acted on them by taking the appropriate actions. The reason we are here today is to once again support active GTA employees that have concerns regarding their Retirement Plans and Sick Leave benefits.

The majority of the employees are in acceptance with the transition of GTA from a Government agency to a private entity. In the most recent poll conducted with the employees, 88% of the employees indicated that they intend to sign with the new company and are looking forward to their new positions and being able to compete in the open market. It has also been well documented that the salary/benefits package being offered to them by the new company is superior to their current packages. The company in return is going to inherit a well-experienced local management team and workforce that understand the nuances of the Telcom industry in Guam. In short, the transition for both sides is going to be beneficial for each other.

However, some employees are now facing major obstacles in terms of the Retirement Plan and Sick Leave benefits. Currently, the existing laws regarding the GovGuam Retirement Plan restricts



those employees that are looking to transition over to the new company. There are penalties, there are fees, and there are deadlines that restrict those employees looking to transition over and/or to retire from the Government prior to stating their employment with the new company.

This is why Bill 353 with amendments has been drafted and submitted to the Guam Legislature, and this is why we are all here today to voice our concerns and to respectfully request your support for the passing of Bill 353 to Public Law. We ask that you ensure that the employees and their families are not adversely impacted by the Sale of GTA.

In summary, as the GTA Employee's Financial Advisor, we strongly urge the Guam Legislature to approve Bill 353.

Thank you.



“ECC” TESTIMONY – PUBLIC HEARING Bill 353

BUENAS YAN HAFADA! Madam Chairwoman, Honorable Senators, Members of the media and Guests.

I am John Mendiola, the Chairperson of the Employees Coordinating Committee for the Privatization of GTA. It has been a long, hard and sometimes frustrating and thankless journey since the promulgation of this committee in 1997, arising from the need of an elected body of GTA employees to participate, represent, and promote the employees’ concerns and issues and to ensure that their best interests are voiced throughout the privatization process.

We, the ECC, have worked very hard with the Management, the Advisors, GTA employees and others to make sure that the employees’ rights were protected throughout the privatization process. We have always been supportive of privatization, supportive of the decisions being made, and in continuously providing updated information to the employees. This support was reflected most recently in the recent passing of Bills 366/367.

We are very pleased with our accomplishments although tempered with humility, and to have overcome so many barriers and obstacles to achieve this present juncture. We unanimously stand behind our motto of “No Employee Left Behind”. And our task will be laid to rest ONLY upon the fulfillment of the employee’s wishes and needs.

The issue on hand today is Bill 353, a bill drafted to further protect the rights of the employees as it pertains to their current Retirement Plans and the compensation of their accrued Sick Leave.



The subjects covered in Bill 353 are extremely important to those employees and their families who will be affected because of the insecurity permeating the ranks resulting from this major transition. We have met with all of you on several occasions, conveying our fears, concerns and the seeking for your assistance and direction.

We realize that there are relevant laws currently in place; however, in order to better serve the needs, and to assist the employees in their transitional leap, because of their forced exodus from being “protected” GovGuam employees to a private sector world of work, we respectfully ask your indulgence and ultimately grant us your approval and blessing regarding Bill 353.

We are all filled with great expectation for what the future holds, and in closing, we would like to extend our “DANKOLU NA SI YU’OS MA’ASE” to everyone for their contribution in making this privatization process a great success and also for the opportunity in representing the most important asset of GTA, the EMPLOYEES, during this historical milestone.



“ECC” TESTIMONY – PUBLIC HEARING Bill 353

Honorable Senators of the 27th Guam Legislature, Respective observers, and the People of Guam, my name is Juan Finona, I am not only a member of the Employees Coordinating Committee, but also a GTA employee, and a citizen of Guam. I am here today to present testimony for the support of the passing of Bill 353, a bill formulated to address Retirement Plan and Sick Leave issues concerning the GTA employees affected by the Privatization process.

As a member of the ECC, we represent the employees of GTA, and it is the desire of the majority of the employees that those issues presented in Bill 353 are passed into Public Law. The Privatization of GTA is the 1st large-scale endeavor of this type on the island of Guam and is a very large transition process for the majority of the employees. With so many changes to come about, we want to ensure that the employees are kept well informed, have options to consider, and most importantly, are protected to be able to exercise those options.

The current laws that are in place to address the retirement issues do not adequately address those employees in this unique situation of Privatization. It would be unfair to force those employees to take the only options currently available to them, and so that is why we are here to support the options addressed in Bill 353.

Not only are all employees are effected by the Privatization process but so are their family members and friends. Furthermore, future agencies that undergo similar processes will be able to benefit from the wise decisions that you Senators make. As you can see, this is not only simply a GTA employee issue that will effect current employees, family members and friends, but one of



bigger proportions that will go on to effect future agencies and their employees, and ultimately all citizens of Guam.

At this time, I am requesting to re-testify upon hearing statements made by the other testimonies. In closing, we, the GTA employees and citizens of Guam, thank each and everyone present in the support of Bill 353

Good morning, Mr. Speaker, Madame Chair Sanford and members of the Committee on Utilities & Land as well as members of the Committee on Economic Development, Retirement, Investments, Public Works & Regulatory Functions. I come before you today to appeal your consideration in passing Bill No. 353.

I have been employed by the Guam Telephone Authority since July 1984 and have seen privatization efforts come and go, and to be honest with you, I never expected for it to get this far, however with the ever changing telecommunications environment, it has come to fruition. I have had the honor and privilege of serving under seven (7) General Managers. I have seen various government directives issued throughout the years that hampered the Authority from competition. I have seen the Authority's revenues rapidly decrease throughout the years because of these government directives and even more so with the implementation of the Telecommunications Act of 1996. But I stuck it through. I served GTA as well as my government proudly and steadfastly throughout thick and thin. Many of my colleagues have done the same.

The time has come now for us to move on, driven by economic factors because the government has chosen to privatize our company. The government stands to gain by receiving the much needed \$150 million cash infusion into the General Fund. The government stands to gain by reducing its employee workforce by approximately 300 employees. All this not by choice, but we are compelled to accept this as the current environment will eventually run the government owned entity into the red.

The government has displaced us but now has a chance to redeem itself through Bill 353. The waiver of the 3% penalty only stands to affect less than 15 employees. The rollover of the DB plan to the privatized plan will only affect less than 180 employees. The sick leave payout will be paid out of the acquisition proceeds, however, GTA has budgeted internally as well.

While I understand there is overwhelming opposition to these provisions 1) due to the financial impact on the Retirement Fund; and 2) due to precedence setting standards, one must understand that is due to unusual circumstances. **IT IS A RESULT OF SEPARATION DUE TO PRIVATIZATION, AND NOT DUE TO A VOLUNTARY ACT OF SEPARATION OR RESIGNATION.**

In closing, my colleagues and I have served GTA and the Government of Guam proudly and commendably and we only want what is due to us for such dedication and loyalty. We should not be treated as "NOBODY'S CHILD". And just as we teach our children to own up to the decisions that they make, we expect our elected leaders to do the same...OWN UP!



NACRINA F. MENDIOLA
Administrative Services Officer
Guam Telephone Authority

Hafa Adai Mr Speaker, Senators, GTA employees, and Distinguish Guest,

Today, I stand before you to testify in full support of bill 353, an act to fund and protect the accrued attendant benefits of retirement and sick leave for the Guam Telephone Authority classified employees covered by PL. 26-70, effectuated by the privatization of GTA.

Mr. Speaker, as we the employees of the Guam Telephone Authority move forward on our new path to success, nothing will be sweeter than to be energized by your good deeds and that of this body, by passing this bill into law. As dedicated and loyal employees of the government of Guam, we, the employees have served our community and government, very well and with great pride. Rest assured, we will most definitely continue to do so as new employees of Teleguam. As we part the government, we would like to part with that which we have earned and so rightfully deserve and to be compensated in a manner of our choosing, and that which would benefit each of us most and individually as employees.

Mr. Speaker, Senators, the greatest justice this body has done for the people of Guam and the employees of GTA during this legislative term was to unanimously pass into law, bill 366 and 367. For that, I want to express my sincere thank you and dungkulu na si yuus maasi. The people of Guam will forever remember all of you, Mr Lawrence Perez, GTA General Manager, our GTA Board, Team GTA, the honorable Governor Felix P. Camacho, and of course, the honorable Congress woman , Madeline Z. Bordallo for diligently working together to make this a reality and putting our community first. As such, we the employees come before once again to solicit your favorable support and yes vote on bill 353.

In closing, please do the right thing, bid us farewell as members of your family (the Government of Guam family), and give us your blessing by voting yes on bill 353. Good luck in your endeavors and may God bless you all in your deliberations.



Vicente P. Perez Jr.

