May 17, 2016

Honorable Judith T. Won Pat, Ed.D
Speaker
I Mina’trentai Tres Na Lihesturacion Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Madame Speaker:

Attached is Bill No. 2-33 (COR) “An act to add a New Article 5 to Chapter 8, Title 4, Guam Code Annotated Relative to Creating a New Defined Benefit 1.75% Retirement System; and to creating a new Cash Balance Plan as alternatives to the defined contribution retirement system,” which I have VETOED.

I vetoed this bill because we lack the information needed to ensure the financial future of our government, government employees and retirees are protected. In short, we do not know if we can afford it.

There is one thing that is absolutely clear when you look at Bill 2-33, it does not provide the whole picture. And when you are talking about the possibility of bankrupting the Government of Guam by increasing the unfunded liabilities of the Retirement Fund by $140 million, half of a picture isn’t good enough.

We found ourselves in this situation in 1995. We certainly cannot afford to make this mistake again — even though we closed the Defined Benefits plan we are still paying for it today.

But that’s what we were given with this bill – a half picture. Further, the actuarial report that is supposed to support it is no longer relevant because of the amendments the Legislature made to the bill.

And this is why the Department of Administration wants a second actuary report.

The Department of Administration has received a response to the request for proposal. Also, to address Vice Speaker Cruz’s concern, they have expanded their search to professional publications. This study could provide the answers we need. In addition, their findings could help us create a retirement plan that addresses the needs of our retirees in a responsible manner and that does not burden our tax payers and put our government’s financial health at risk.
We owe it to our taxpayers, government employees, and retirees to ensure that a new retirement plan is deliberate, fiscally prudent, and takes the entire financial impact into account.

Respectfully,

EDDIE BZA CALVO
Governor of Guam
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA’LĀHEN GUÅHAN

This is to certify that Substitute Bill No. 2-33 (LS), “AN ACT TO ADD A NEW ARTICLE 5 TO CHAPTER 8, TITLE 4, GUAM CODE ANNOTATED RELATIVE TO CREATING A NEW “DEFINED BENEFIT 1.75” RETIREMENT SYSTEM; AND TO CREATING A NEW CASH BALANCE PLAN (“GUAM RETIREMENT SECURITY PLAN”) AS ALTERNATIVES TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM UPON TIMELY ELECTION IN ACCORDANCE WITH REGULATIONS TO BE PROMULGATED; TO AMEND §§ 8208 AND 8209(a) OF ARTICLE 2, CHAPTER 8, TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO INCREASING THE DEFINED CONTRIBUTION RETIREMENT SYSTEM MEMBER AND EMPLOYER CONTRIBUTIONS TO SIX AND TWO TENTHS PERCENT (6.2%); AND TO AMEND § 8137(B), ARTICLE 1, CHAPTER 8, TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE AMORTIZATION PERIOD OF THE UNFUNDED LIABILITY FOR PRIOR SERVICE,” was on the 3rd day of May 2016, duly and regularly passed.

Judith T. Won Pat, Ed.D.
Speaker

Attested:

Tita Rose Muña Barnes
Legislative Secretary

This Act was received by I Maga’lāhen Guåhan this 5 day of May, 2016, at 4:46 o'clock P.M.

Edward J.B. Calvo
I Maga’lāhen Guåhan

Date: May 17, 2016

Public Law No.
ANTAINAN TRES NA LIHESLATURAN GUÁHAN
2015 (FIRST) Regular Session

Bill No. 2-33 (LS)
As substituted by the Committee on Appropriations and Adjudication; amended in the Committee of the Whole; and further amended on the Floor.

Introduced by:

B. J. F. Cruz
Michael F. Q. San Nicolas
T. C. Ada
V. Anthony Ada
FRANK B. AGUON, JR.
Frank F. Blas, Jr.
James V. Espaldon
Brant T. McCreadie
Tommy Morrison
T. R. Muña Barnes
R. J. Respicio
Dennis G. Rodriguez, Jr.
Mary Camacho Torres
N. B. Underwood, Ph.D.
Judith T. Won Pat, Ed.D.

AN ACT TO ADD A NEW ARTICLE 5 TO CHAPTER 8, TITLE 4, GUAM CODE ANNOTATED RELATIVE TO CREATING A NEW “DEFINED BENEFIT 1.75” RETIREMENT SYSTEM; AND TO CREATING A NEW CASH BALANCE PLAN (“GUAM RETIREMENT SECURITY PLAN”) AS ALTERNATIVES TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM UPON TIMELY ELECTION IN ACCORDANCE WITH REGULATIONS TO BE PROMULGATED; TO AMEND §§ 8208 AND 8209(a) OF ARTICLE 2, CHAPTER 8, TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO INCREASING THE DEFINED CONTRIBUTION RETIREMENT SYSTEM MEMBER AND EMPLOYER CONTRIBUTIONS TO SIX AND TWO TENTHS PERCENT (6.2%); AND TO AMEND §
BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings and Intent. *I Mina'Trentai Tres Na Liheslaturan Guåhan* finds that there are three (3) separate retirement plans generally available to government of Guam employees: (a) employees employed on or before September 30, 1995 were required to become members of the Retirement Fund (Defined Benefit Plan) under Article 1, Chapter 8, Title 4 of the Guam Code Annotated; (b) employees employed after September 30, 1995 were and remain required to become participants in the Defined Contribution Retirement System under Article 2, Chapter 8, Title 4 of the Guam Code Annotated; and (c) all employees, except those participating in a government of Guam sponsored plan under Section 403(b) of the Internal Revenue Code, may voluntarily participate in the Deferred Compensation Program under Article 3, Chapter 8, Title 4 of the Guam Code Annotated.

*I Mina'Trentai Tres Na Liheslaturan Guåhan* further finds that the Defined Contribution Retirement System was established in 1995 amid concerns and findings by the Twenty-Third Guam Legislature that:

(a) The Actuarial Valuation of the Retirement [Defined Benefit] Plan prepared by Deloitte & Touche as of September 30, 1993, expressed concern that benefit levels are rather excessive in comparison to most other government retirement systems.

(b) Benefit levels and retirement policy should be reviewed and benefit levels should be adjusted in order to address specific inequities, excessiveness, and desired policy objectives.
(c) In establishing benefits for a new plan, generally accepted retirement income levels standards should be observed and the details of any new plan must be considered thoroughly and a comprehensive education and implementation plan must be developed.


I Mina'Trentai Tres Na Liheslaturan Guåhan has continued to review benefit levels and retirement policy in light of retirements of participants in the Defined Contribution Retirement System, as well as the Defined Benefit Plan. The review by I Mina'Trentai Tres Na Liheslaturan Guåhan involved consideration of a comprehensive and detailed study by Milliman, Inc. of alternative retirement plans and arrangements, based upon the Actuarial Valuation under the Defined Benefit Plan as of September 30, 2008, and updated through September 30, 2014. The alternatives, which included cost comparisons between Social Security, the Defined Contribution Retirement System, Social Security plus the Defined Contribution Retirement System, and the Defined Benefit 1.75 Plan (formerly known as the Hybrid Plan) herein, were prepared as part of an analysis of funding requirements and retirement benefit levels of participants in the Defined Contribution Retirement System and future government of Guam employees.

I Mina'Trentai Tres Na Liheslaturan Guåhan finds that an alternative retirement program that combines a defined benefit “floor” of benefits, along with a mandatory salary reduction deferred compensation program, is necessary to provide a reasonable opportunity for current government employees to maintain their standards of living in retirement, while also balancing the government’s budgetary needs and obligations to active and retired government employees and their survivors. I Mina'Trentai Tres Na Liheslaturan Guåhan finds that this combination of benefits under an alternative “Defined Benefit 1.75 Retirement System” is reasonable and prudent to balance the needs of government employees as well as the
government as a whole.

*I Mina'Trentai Tres Na Liheslaturan Guåhan* intends to establish a new "Defined Benefit 1.75 Retirement System" to be comprised of participation in: (1) the preexisting Retirement Fund that shall provide for an unreduced retirement defined benefit equal to one and seventy-five hundredths percent (1.75%) of an employee's average annual salary for each year of credited service at retirement age 62; and (2) the preexisting Deferred Compensation Program providing for a mandatory pre-tax salary reduction contribution equal to one percent (1%) of a member's base salary.

*I Mina'Trentai Tres Na Liheslaturan Guåhan* further intends to create and establish an alternative new retirement plan to provide for the secure, fair, and orderly retirement of the personnel of the government of Guam. The new retirement plan is intended to be a tax-qualified cash balance plan to be known as the government of Guam Retirement Security Plan (GRSP) which shall constitute a body corporate and all business of the GRSP shall be established in the name of the government of Guam Retirement Security Plan. The Board of Trustees created pursuant to Article 1, Chapter 8, Title 4 of the Guam Code Annotated shall administer the government of Guam Retirement Security Plan. The Board of Trustees may sue and be sued, contract and be contracted with and conduct all the business of the GRSP in the name of the government of Guam Retirement Security Plan.

*I Mina'Trentai Tres Na Liheslaturan Guåhan* intends that beginning January 1, 2018, the GRSP and the Defined Contribution Retirement System shall be the retirement programs for all new employees whose employment commences on or after that date. After January 1, 2018, all new employees shall be automatically enrolled into the GRSP but will have sixty (60) days from the date of hire to elect to participate in the Defined Contribution Retirement System.
I Mina'Trentai Tres Na Liheslaturan Guåhan further intends to allow participants with interests in the Defined Contribution Retirement System to timely elect to participate in, and in certain circumstances, transfer their account balances to, either the “Defined Benefit 1.75 Retirement System” or the GRSP, in accordance with the adoption of regulations promulgated by the Board of Trustees of the Retirement Fund pursuant to the Administrative Adjudication Act.

I Mina'Trentai Tres Na Liheslaturan Guåhan further intends that, effective January 1, 2018, members’ and employer contributions to members’ accounts in the Defined Contribution Retirement System shall be increased from five percent (5%) to six and two tenths percent (6.2%).

Section 2. Summary of Key Provisions in New Defined Benefit 1.75 Retirement System. A new Article 5 as described in Section 3 of this Act shall be added to Title 4 (Public Officers and Employees), Chapter 8 (Retirement of Public Employees), of the Guam Code Annotated, to create a “Defined Benefit 1.75 Retirement System” that is comprised of participation in the preexisting Retirement Fund and Deferred Compensation Program. Subsections A to E of this Section 2 are provided only as a convenient summary of the key provisions of the Defined Benefit 1.75 Retirement System, and are not meant to be codified in Chapter 8, Title 4 of the Guam Code Annotated.

A. Voluntary Participation in the Defined Benefit 1.75 Retirement System

(1) New Employees

With limited exceptions, new employees whose employment commences between April 1, 2017 and December 31, 2017, inclusive, may elect, during the “Election Window” commencing on April 1, 2017 and ending on December 31, 2017, to participate in the Defined Benefit 1.75 Retirement System effective as of January 1, 2018.
(2) Former Employees Who Are Reemployed

(a) Reemployed employees who have retired under government of Guam sponsored plans are prohibited from participating in the Defined Benefit 1.75 Retirement System. All reemployed employees who retired under the Defined Benefit Plan, the Defined Contribution Retirement System, or the Defined Benefit 1.75 Retirement System are required to participate in the Defined Contribution Retirement System.

(b) Reemployed employees who were members of the Defined Benefit Plan and did not refund (withdraw) their employee contributions upon separation from service shall resume membership in the Defined Benefit Plan.

(c) Reemployed employees (prior to January 1, 2018) with interests in the Defined Contribution Retirement System shall participate in the Defined Contribution Retirement System, unless such eligible employees timely elect to participate in the Defined Benefit 1.75 Retirement System (and in some cases, transfer their account balances) under the following circumstances:

i. Such eligible employees who are reemployed prior September 30, 2017, may, during the “Election Window” commencing on April 1, 2017 and ending on September 30, 2017 (October 31, 2017 for reemployment commencing during the month of September 2017) elect to participate in the Defined Benefit 1.75 Retirement System, and transfer the required portion of their Defined Contribution Retirement System account balances to the
Retirement Fund for credited service effective as of January 1, 2018.

ii. Such eligible employees who are reemployed between October 1, 2017 and December 31, 2017, inclusive, may, within thirty (30) days of their reemployment, elect to participate in the Defined Benefit 1.75 Retirement System effective as of January 1, 2018, but may not transfer their account balances in the Defined Contribution System to the Retirement Fund for credited service.

(3) Disabled Participants Receiving Ancillary Benefits Under Article 4

Disabled participants in the Defined Contribution Retirement System who are receiving pre-retirement disability benefits under Title 4, Chapter 8, Article 4 of the Guam Code Annotated prior to December 31, 2017, may, during the “Election Window” commencing on April 1, 2017 and ending on December 31, 2017, elect to participate in the Defined Benefit 1.75 Retirement System, and transfer their account balance in the Defined Contribution Retirement System to the Retirement Fund for credited service, to be effective upon the later of (A) January 1, 2018, or (B) termination of their disability benefits in connection with their retirement or their reemployment with the government of Guam.

(4) Current Employees

Employees participating in the Defined Contribution Retirement System on March 31, 2017 may, during the Election Window” commencing April 1, 2017 and ending on September 30, 2017, elect to
participate in the Defined Benefit 1.75 Retirement System, and transfer
the required portion of their Defined Contribution Retirement System
account balances to the Retirement Fund thereunder, effective as of
January 1, 2018. If the participant’s account has been reduced by any
withdrawal, the participant may repay the withdrawn amounts, plus
interest, in order to reinstate full credited service under the Defined
Benefit 1.75 Retirement System.

B. Employee Contributions

(1) Mandatory pre-tax employee contributions equal to nine
and five tenths percent (9.5%) of the member’s base salary shall be
made to the Retirement Fund and subject to the management and
administration of the Retirement Fund under Article 1, Chapter 8, Title
4, of the Guam Code Annotated.

(2) Mandatory pre-tax employee contributions equal to one
percent (1%) of the member’s base salary shall be made to the Deferred
Compensation Program under Article 3, Chapter 8, Title 4 of the Guam
Code Annotated.

C. Employer Contributions

Employer contributions on behalf of members under the
Retirement Fund shall be in accordance with applicable contribution
requirements described in § 8137, Article 1, Chapter 8, Title 4 of the
Guam Code Annotated.

D. Member Retirement Benefits

(1) The Retirement Fund shall provide a retirement annuity in
an amount equal to one and seventy-five hundredths percent (1.75%)
of a member’s average annual salary (the average of the highest three
(3) annual base salaries, and where non-base compensation is excluded)
for each year of credited service (subject to a minimum of One Thousand Two Hundred Dollars ($1,200) per year, and a maximum of eighty-five percent (85%) of average annual salary). The retirement annuity shall be subject to annual increase based on specified fixed dollar increments. A member shall be eligible to receive an unreduced retirement annuity at age sixty-two (62) (where the maximum benefit of eighty-five percent (85%) of average annual salary is achieved with forty-nine (49) years of credited service), and shall be eligible to receive a reduced retirement annuity at age fifty-five (55) and twenty-five (25) years of credited service (subject to a reduction of five tenths percent (.5%) per month for each month under age sixty-two (62)).

(2) The Deferred Compensation Program shall provide a retirement benefit equal to a member’s account balance at the time of distribution, which account balance may be paid in the form of annuity, installment, or lump sum payments as may be elected by the member.

E. Survivor And Disability Benefits

(1) Under the Retirement Fund, surviving spouses shall be eligible for survivor benefits equal to sixty percent (60%) of a member’s retirement annuity (minimum of One Thousand Two Hundred Dollars ($1,200) per year). Surviving minor children shall be eligible for surviving child benefits equal to Two Thousand Eight Hundred Eighty Dollars ($2,880) per child (up to Fourteen Thousand Four Hundred Dollars ($14,400) in the aggregate). An additional lump sum benefit of One Thousand Dollars ($1,000) also is available. The survivor annuity (but not annuity for surviving minor children) shall be subject to annual increase based on specified fixed dollar increments.
(2) Under the Retirement Fund, a member shall be eligible for a disability retirement annuity equal to fifty percent (50%) of the member's average annual salary. The disability annuity shall be subject to annual increase based on specified fixed dollar increments.

Section 3. Statutory Provisions Establishing Defined Benefit 1.75 Retirement System. A new Article 5 is hereby added to Chapter 8, Title 4 of the Guam Code Annotated, to read as follows:

"Article 5
Defined Benefit 1.75 Retirement System

§ 8501. Definitions.
As used in this Article, unless the context otherwise requires:

(a) Actuarial Cost of Credited Service means a percentage of historical base salary corresponding to the service for which a member's account is credited with employer contributions under the Defined Contribution Retirement System through the date preceding the member's transfer to the Defined Benefit 1.75 Retirement System. The applicable percentage shall be specified by the Board based on an actuarial review of the cost of credited service. The same percentage shall apply to all members.

(b) Board of Trustees or Board means the Board of Trustees of the government of Guam Retirement Fund, which is responsible for the direction and operation of the affairs and business of the Defined Benefit 1.75 Retirement System.

(c) Code means the United States Internal Revenue Code of 1986, as amended, and corresponding references to the Guam Territorial Income Tax Code, as may be appropriate.

(d) Deferred Compensation Program means the government
of Guam Deferred Compensation Program established and operated in accordance with Article 3 of this Chapter and inclusive of modifications in the terms and conditions of the Deferred Compensation Program applicable to the members of the Defined Benefit 1.75 Retirement System under this Article 5.

(c) **Defined Contribution System** means the government of Guam Defined Contribution Retirement System established and operated in accordance with Article 2 of this Chapter and inclusive of modifications in the terms and conditions of the Defined Contribution Retirement System applicable to the members of the Defined Benefit 1.75 Retirement System under this Article 5.

(f) **Director** means the Director of the government of Guam Retirement Fund as appointed by the Board in accordance with § 8140 of Article 1, Chapter 8, Title 4 of the Guam Code Annotated.

(g) **Employer** means each and every line department or agency of the Executive Branch, every autonomous and semi-autonomous agency or instrumentality, every public corporation, every educational institution, whether secondary or post-secondary, the Legislative Branch, the Judicial Branch, the Public Defender Corporation, and every public entity hereafter to be created by law within Guam that has employed or employs a member.

(h) **Excess Account Balance** means the amount by which a member's account balances in § 8208 (Member's Contributions) and § 8209.1(a) (Rollover of Member's Contributions from § 8164(a)) of this Chapter exceeds the member's Actuarial Cost of Credited Service.

(i) **Existing Retirement System** means the government of Guam Retirement Fund established and operated in accordance with
Article 1 of this Chapter and exclusive of modifications in the terms
and conditions of the Existing Retirement System applicable to the
members of the Defined Benefit 1.75 Retirement System under this
Article 5.

(j) **Defined Benefit 1.75 Retirement System or DB 1.75 Plan**
means the government of Guam Defined Benefit 1.75 Retirement
System established and operated under this Article 5. The Defined
Benefit 1.75 Retirement System **shall** consist of the mandated and
coordinated participation of members in two separate and preexisting
retirement programs:

(1) the Retirement Fund established and maintained
under Article 1, Chapter 8, Title 4 of the Guam Code Annotated;
inclusive of the modifications to the terms and conditions of the
Retirement Fund for Defined Benefit 1.75 Plan members as set
forth in this Article 5; and

(2) the Deferred Compensation Program established
and maintained under Article 3, Chapter 8, Title 4 of the Guam
Code Annotated.

(k) **Member or Defined Benefit 1.75 Plan member** means any
person who meets the eligibility requirements for membership in the
Defined Benefit 1.75 Retirement System as described in § 8502 and
participates in the Defined Benefit 1.75 Retirement System.

(l) **Retirement Fund** means the government of Guam
Retirement Fund established and operated in accordance with Article 1
of this Chapter and inclusive of the modifications in the terms and
conditions of the Existing Retirement System applicable to members of
the Defined Benefit 1.75 Retirement System under this Article 5.
§ 8502. Establishment of the Government of Guam Defined Benefit 1.75 Retirement System; Membership in DB 1.75 Retirement System.

(a) Defined Benefit 1.75 Retirement System. Beginning January 1, 2018, the government of Guam Defined Benefit 1.75 Retirement System shall be established hereunder and System shall be comprised of membership under the government of Guam Retirement Fund established under Article 1 of this Title and the Deferred Compensation Program established under Article 3 of this Title. The Defined Benefit 1.75 Retirement System does not comprise a separate fund or trust for members thereunder, but is the coordinated participation on a mandatory basis at specified benefit levels in the Retirement Fund and voluntary basis at specified benefit levels in the Deferred Compensation Program. Beginning January 1, 2018, the Defined Benefit 1.75 Retirement System shall be the retirement program for employees who timely elect to participate in the Defined Benefit 1.75 Retirement System. Members of the Defined Contribution System whose employment continues beyond December 31, 2017, shall continue to contribute to and participate in the Defined Contribution System without change in provisions or benefits, except as provided from time to time under the Defined Contribution System.

(b) Membership in Retirement Fund

(1) Defined Benefit 1.75 Plan Election by New Employees in Defined Contribution System. All new employees whose employment commences between April 1, 2017 and December 31, 2017, inclusive, and who satisfy the eligibility requirements for membership under §§ 8105 and 8106, may elect
to participate in the Retirement Fund as “Defined Benefit 1.75
Plan members” in accordance with such eligibility requirements.
No additional new employees shall be admitted to the Existing
Retirement System on or after January 1, 2018, except as
provided hereunder or provided from time to time under the
Existing Retirement System. Members of the Existing
Retirement System whose employment continues beyond
December 31, 2017, shall continue to contribute and participate
in the Existing Retirement System without change in provisions
or benefits, except as provided from time to time under the
Existing Retirement System. Except for those members who
elect to participate in the Defined Benefit 1.75 Retirement
System pursuant to § 8502(b)(2), any new employee hired after
January 1, 2018 and who elects to participate in the Defined
Contribution Retirement System and current members of the
Defined Contribution System whose employment continues
beyond December 31, 2017, shall continue to contribute and
participate in the Defined Contribution System without change
in provisions or benefits, except as provided from time to time
under the Defined Contribution System.

(2) Defined Benefit 1.75 Plan Election by Current
Employees in Defined Contribution System. All employees who
are members in the Defined Contribution System on March 31,
2017 shall be eligible to elect on a voluntary basis to become
Defined Benefit 1.75 Plan members effective as of January 1,
2018, and to terminate active participation in the Defined
Contribution System as of such date, by making the appropriate
election with the Defined Benefit 1.75 Retirement System in the form and manner as determined by the Board during the election period commencing on April 1, 2017 and ending on September 30, 2017. After having made such election to become a Defined Benefit 1.75 Plan member, the member may not change such election or again become an active member of the Defined Contribution System. The failure to make such election shall be deemed to constitute an election by the member to remain as an active member under the Defined Contribution System. Such election shall not apply to members in the Defined Contribution System who have retired or otherwise terminated employment from government service and who are not employed by the government of Guam at the time of the election and as of the January 1, 2018, effective date of participation in the Defined Benefit 1.75 Plan.

(3) Reemployment of Existing Retirement System Member. Any employee who is a member in the Existing Retirement System, who leaves government service and who is later reemployed after December 31, 2017 by the government of Guam, shall become an active member in the Existing Retirement System upon reemployment if such employee has not received a refund of contributions resulting in ineligibility for membership under § 8130(b), and if such employee otherwise meets the eligibility requirements under the Existing Retirement System.

(4) Reemployment of Defined Contribution System Member. Any employee who is a member maintaining an
interest in the Defined Contribution System, who leaves government service and who is later reemployed by the government of Guam prior to September 30, 2017, shall become an active member in the Defined Contribution System upon reemployment if such employee otherwise meets the eligibility requirements under the Defined Contribution System.

(A) However, if such a member is reemployed during the period commencing on April 1, 2017, and ending on September 30, 2017, then:

(i) the member shall be eligible to elect on a voluntary basis to become a member of the Defined Benefit 1.75 Plan if such member otherwise meets the eligibility requirements for membership under §§ 8105 and 8106;

(ii) the election period for this election shall be the period commencing on April 1, 2017, and ending on September 30, 2017 (or October 31, 2017 for members reemployed during the month of September 2017), and the effective date of the member’s membership in the Defined Benefit 1.75 Plan shall be January 1, 2018; and

(iii) the member’s account under the Defined Contribution System shall be subject to transfer to the Defined Benefit 1.75 Retirement System in accordance with §§ 8503(d)(2) and 8504.
(B) Further, if such a member is reemployed between October 1, 2017 and December 31, 2017, inclusive:

(i) the member shall be eligible to elect on a voluntary basis to become a member of the Defined Benefit 1.75 Plan if such member otherwise meets the eligibility requirements for membership under §§ 8105 and 8106;

(ii) the election period for such election shall be the thirty (30) day period beginning on the date of reemployment, and the effective date of the member's membership in the Defined Benefit 1.75 Plan shall be the date of reemployment; and

(iii) the member's account under the Defined Contribution System shall not be subject to transfer to the Retirement Fund.

(5) Reemployment of Defined Contribution System Member on Disability. Notwithstanding § 8502(b)(4), a member of the Defined Contribution System who had incurred a disability and at any time been eligible to receive any benefits provided under any long-term disability insurance policy issued pursuant to § 8213 or Article 4 of this Title shall not be eligible for membership under the Defined Benefit 1.75 Retirement System upon reemployment, but such member who satisfies the eligibility requirements for membership under §§ 8206 and 8207 at such time shall participate in the Defined Contribution System in accordance with such eligibility requirements. However, in
the case of a member of the Defined Contribution System who is receiving disability benefits under § 8213 or Article 4 of this Title on or before September 30, 2017, such member shall be eligible to elect on a voluntary basis to become a member of the Defined Benefit 1.75 Plan in the event of the member’s reemployment or retirement on or after January 1, 2018. For this purpose, the election period for this election shall be the period commencing on April 1, 2017, and ending on September 30, 2017 (or October 31, 2017, for employees who commence receiving disability benefits during the month of September 2017), and the effective date of the member’s membership in the Defined Benefit 1.75 Plan shall be the later of: (A) January 1, 2018, or (B) the date of the member’s reemployment or retirement.

(6) Reemployment of government of Guam Retiree. Any employee who retired under the Existing Retirement System, the Defined Contribution System, or the Defined Benefit 1.75 Retirement System, shall participate in the Defined Contribution Plan upon reemployment.

(c) Membership in Deferred Compensation Program. Defined Benefit 1.75 Plan members shall participate in the Deferred Compensation Program effective as of the date on which they commence participation in the Retirement Fund.

(d) Membership in Welfare Benefit Plans. Defined Benefit 1.75 Plan members shall not be eligible to participate in the welfare benefit plans established and maintained under Article 4 of this Title. As such, members of the Defined Contribution System who elect to
become Defined Benefit 1.75 Plan members pursuant to § 8502(b) shall terminate participation in such welfare benefit plans effective as of the date on which they commence participation in the Defined Benefit 1.75 Retirement System.

(e) Applicability of Articles 1 through 3, Chapter 8. Except as otherwise provided hereunder, with respect to Defined Benefit 1.75 Plan members who participate in the Retirement Fund, Defined Contribution System, and Deferred Compensation Program in accordance with the Defined Benefit 1.75 Retirement System provisions under this Article 5, the provisions of Articles 1 through 3 of this Chapter 8, respectively, shall be applicable to Defined Benefit 1.75 Plan members in a manner no different than the application to members who are not Defined Benefit 1.75 Plan members.

§ 8503. Defined Benefit 1.75 Plan Member Basic Retirement Annuity

(a) Amount of Basic Retirement Annuity. Notwithstanding the otherwise applicable formula under § 8122 or other successor provision, the basic retirement annuity payable to a Defined Benefit 1.75 Plan member under the Retirement Fund shall be the following: an amount equal to one and seventy-five hundredths percent (1.75%) of average annual salary for each year of credited service; no basic retirement annuity shall exceed eighty-five percent (85%) of average annual salary; and the basic retirement annuity shall not, in any case, be less than One Thousand Two Hundred Dollars ($1,200) per year per member. For purposes of defining “salary” and “average annual salary” under § 8104(i) and (j), respectively, with respect to the determination of the basic retirement annuity payable to a Defined Benefit 1.75 Plan
member, the term "salary" shall mean the member's base salary excluding all non-base compensation.

(b) Automatic Increases in Annuity for Basic Retirement Annuity. Any Defined Benefit 1.75 Plan member receiving a basic retirement annuity under the Retirement Fund shall receive each year on the anniversary date of the member's retirement or entitlement, an automatic "sliding scale" increase in the member's annual annuity as applicable under the Retirement Fund pursuant to § 8122 or other successor provision.

(c) Retirement. Notwithstanding the otherwise applicable retirement requirements under §§ 8119 through 8120.1 or other successor provisions, a Defined Benefit 1.75 Plan member may retire on a service retirement annuity under the Retirement Fund, upon written application to and approval by the Board; provided that such member shall have attained at least sixty-two (62) years of age and has completed five (5) years of service. However, at the option of the Defined Benefit 1.75 Plan member, whether active or inactive, such member may retire after (1) attaining at least fifty-five (55) years of age and (2) completing twenty-five (25) years of service, in which case the retirement annuity for such member shall be reduced one half (1/2) of one percent (1%) for each month such member is under the age of sixty-two (62) years at such time of retirement, from the amount of the retirement annuity determined for such member as of his attainment of age sixty-two (62).

(d) Credited Service for Transfers from Defined Contribution System
(1) Transfer of Account to Defined Benefit 1.75 Retirement System. With respect to a member in the Defined Contribution System on March 31, 2017 who timely elects to be a member in the Defined Benefit 1.75 Retirement System effective as of January 1, 2018, in accordance with the election procedures under § 8502(b)(2), the member's account balance under the Defined Contribution System shall be transferred to the Defined Benefit 1.75 Retirement System, in accordance with § 8504, effective as of January 1, 2018. Further, with respect to a member in the Defined Contribution System who is reemployed by the government of Guam during the period between April 1, 2017 and September 30, 2017, inclusive, and who becomes a member in the Defined Benefit 1.75 Retirement System effective as of January 1, 2018, in accordance with the election procedures under § 8502(b)(4), the member's account balance under the Defined Contribution System shall be transferred to the Defined Benefit 1.75 Retirement System, in accordance with § 8504, effective as of January 1, 2018. Finally, with respect to a member in the Defined Contribution System who is receiving disability benefits and who becomes a member in the Defined Benefit 1.75 Retirement System upon reemployment or retirement in accordance with § 8502(b)(5), the member's account balance under the Defined Contribution System shall be transferred to the Defined Benefit 1.75 Retirement System, in accordance with § 8504, effective as of the effective date of the member's membership in the Defined Benefit 1.75 Plan as described in § 8502(b)(5). In these cases, as of the effective date of the transfer...
of a member’s account from the Defined Contribution System to
the Defined Benefit 1.75 Retirement System, such member’s
membership in the Defined Contribution System shall terminate.
The transfer of a member’s account from the Defined
Contribution System to the Defined Benefit 1.75 Retirement
System attributable to the transfer of Member Contributions
pursuant to § 8208, and Member’s Contribution Reserve and
Transfer Incentive Reserve pursuant to § 8209.1(a) and (b), shall
be made in accordance with § 8504. The transfer of a member’s
Employer Account to the Defined Benefit 1.75 Retirement
System attributable to the transfer of Employer’s Contributions
pursuant to § 8209(a) (whether the account reflecting such
employer contributions are vested or unvested, and inclusive of
unvested suspense accounts) shall be pursuant to § 8503(d)(2).
Any Ancillary Benefit Account maintained under the Defined
Contribution System on behalf of the member as described in §
8201(n) shall not be subject to transfer.

(2) Defined Contribution System Credited Service.
Effective as of the effective date of the transfer of the member’s
account from the Defined Contribution System to the Retirement
Fund under this § 8503(d), the service for which the member’s
account is credited with employer contributions under the
Defined Contribution System (including the service under the
Retirement Fund attributable to the employee contributions
previously transferred from the Retirement Fund to the Defined
Contribution System pursuant to the member’s election under §
8207), shall be credited to the member for purposes of
determining the member’s years of credited service and basic retirement annuity under the Retirement Fund in accordance with § 8503. In connection with credited service transferred from the Defined Contribution System to the Retirement Fund under § 8503(d)(1), a member’s § 8209(a) Employer’s Contribution account (whether the account reflecting such employer contributions are vested or unvested, and inclusive of unvested suspense accounts) shall be transferred to the member’s § 8164(b) account (Employer’s Contribution Reserve) under the Retirement Fund.

(3) Credited Service for Repayment of Defined Contribution System Contributions. In the event that the Defined Benefit 1.75 Plan member’s account under the Defined Contribution System was previously reduced by the member’s withdrawal of an amount from the member’s account that is attributable to contributions during the member’s active participation in the Defined Contribution System, the member shall be allowed to repay to the Retirement Fund the amount of the withdrawal, adjusted for interest during the period commencing on the date of the withdrawal and ending on the date of the repayment, which repayment must be made in any combination of the following: a single payment, transfer of Excess Account Balance, or installments to the Retirement Fund in accordance with the Article 1 of Chapter 3, Division 1, Title 2 of the Guam Administrative Rules, as amended. If such withdrawn portion of the member’s account is not timely repaid in full to the Retirement Fund, then the service that otherwise
would be credited under the Retirement Fund for service during the member’s active participation in the Defined Contribution System shall be reduced to account for the service to which the withdrawal relates, in accordance with rules, regulations, and procedures as promulgated or approved by the Board.

(4) Credited Service for Repayment of Prior Retirement Fund Contributions. In the event that the member’s account under the Defined Contribution System was previously reduced by the member’s withdrawal of an amount from the member’s account that is attributable to the prior transfer of employee contributions from the Retirement Fund to the Defined Contribution System (specifically, considering only the portion of the account derived from the transferred Member’s Contribution Reserve, and not the Employer’s Contribution Reserve) pursuant to the member’s election under § 8207, the member shall be allowed to repay to the Retirement Fund the amount of the withdrawal, adjusted for interest during the period commencing on the date of the withdrawal and ending on the date of the repayment, which repayment must be made in any combination of the following: a single payment, transfer of Excess Account Balance, or installments to the Retirement Fund in accordance with the Article 1 of Chapter 3, Division 1, Title 2 of the Guam Administrative Rules, as amended. If such withdrawn portion of the member’s account is not timely repaid in full to the Retirement Fund, then the service that otherwise would be credited under the Retirement Fund for service during the member’s prior participation in the Retirement Fund shall be
reduced to account for the service to which the withdrawal relates in accordance with rules, regulations, and procedures as may be promulgated or approved by the Board.

§ 8504. Transfer of Member Accounts from Defined Contribution System; Transfer of Excess Account Balance, If Any.

(a) In connection with credited service transferred from the Defined Contribution Retirement System to the Retirement Fund under § 8503(d)(1), a member’s Member Account balances in the Defined Contribution System shall be transferred to the Defined Benefit 1.75 Retirement System in accordance with this Section.

(b) An amount equal to the lesser of a member’s:

(1) § 8208 and § 8209.1(a) account balances, if any; or

(2) actuarial cost of credited service, shall be transferred to the Defined Benefit 1.75 Retirement System as set forth in this § 8504(b). The actuarial cost of credited service for a member transferring to the Defined Benefit 1.75 Plan shall be funded first from the member’s § 8209.1(a) account, if any, and applied to the member’s § 8164(a) Member’s Contribution Reserve; any further amounts needed to fund up to the actuarial cost of credited service shall be funded next from the member’s § 8208 pre-tax account and applied to a pre-tax subaccount in the member’s § 8164(a) Member’s Contribution Reserve. Excess Account Balance, if any, attributable to a member’s § 8209.1(a) account shall be transferred to the member’s post-tax account in the Deferred Compensation Program, except for amounts designated by the member to be applied to repay prior partial withdrawals from the member’s account in accordance with §
8503(d)(3). Excess Account Balance, if any, attributable to a member’s § 8208 Member Contribution Account shall be transferred to the member’s pre-tax account in the Deferred Compensation Program, except for amounts designated by the member to be applied to repay prior partial withdrawals from the member’s account in accordance with § 8503(d)(3).

(c) An amount equal to the member’s § 8209.1(b) account (Rollover Employer’s Contributions from § 8164(b), also referred to as the Transfer Incentive Reserve) shall be transferred to the member’s pre-tax account in the Deferred Compensation Program, except for amounts designated by the member to be applied to repay prior partial withdrawals from the member’s account in accordance with § 8503(d)(3).

§ 8505. Defined Benefit 1.75 Plan Member Disability Retirement Annuity.

(a) Amount of Disability Retirement Annuity. Notwithstanding the otherwise applicable formula under § 8125 or other successor provision, the amount of basic disability retirement annuity for a Defined Benefit 1.75 Plan member under the Retirement Fund shall be fifty percent (50%) of average annual salary based on the average three (3) highest annual salaries received the member during that member’s years of credited service. For purposes of defining “salary” and “average annual salary” under § 8104(i) and (j), respectively, with respect to the determination of the basic disability retirement annuity payable to a Defined Benefit 1.75 Plan member, the term “salary” shall mean the member’s base salary excluding all non-base compensation.
(b) Automatic Increases in Annuity for Disability Retirement Annuity. Any Defined Benefit 1.75 Plan member receiving a recomputed disability retirement annuity under the Retirement Fund shall receive each year on the anniversary date of the member’s retirement or entitlement, an automatic sliding scale increase in the member’s annual basic disability retirement annuity as applicable under the Retirement Fund pursuant to § 8129 or other successor provision.

§ 8506. Defined Benefit 1.75 Plan Member Death and Survivors Benefits.

The death benefit and survivor annuity provisions in connection with a member’s death under §§ 8131 through 8135 or other successor provisions shall be applicable to Defined Benefit 1.75 Plan members in a manner no different than the application to members who are not Defined Benefit 1.75 Plan members.

§ 8507. Defined Benefit 1.75 Plan Member Contributions to Fund.

The member contribution provisions under § 8136 or other successor provision shall be applicable to Defined Benefit 1.75 Plan members in a manner no different than the application to members who are not Defined Benefit 1.75 Plan members. However, notwithstanding that the contributions by Defined Benefit 1.75 Plan members are designated as member contributions and shall be administered as member contributions under § 8136, such contributions shall be on a mandatory basis deducted from the member’s base salary and paid by the employer in lieu of contributions by the member, and shall constitute pre-tax “pick-up” employer contributions for purposes of determining the income tax treatment of such contributions under Section 414(h) of the United States Internal Revenue Code.
§ 8508. Deferred Compensation Program.

In accordance with § 8308, the employer shall automatically enroll members and may deduct and credit Defined Benefit 1.75 Plan member contributions under the Deferred Compensation Program in an amount equal to one percent (1%) of the member’s base salary. However, notwithstanding that the contributions by Defined Benefit 1.75 Plan members are designated and shall be administered as member contributions under § 8308, such contributions shall be on a voluntary basis deducted from the member’s base salary and paid by the employer in lieu of contributions by the member, and shall constitute pre-tax “pick-up” employer contributions for purposes of determining the income tax treatment of such contributions under Section 414(h) of the United States Internal Revenue Code.”

Section 4. Rules and Regulations. No later than March 31, 2017, the Board of Trustees of the Retirement Fund shall approve such plan documents, rules, regulations, administrative procedures and forms that it may deem necessary and appropriate to implement the Defined Benefit 1.75 Retirement System established by this Section.

Section 5. Framework for the Creation, Approval, and Adoption of a Cash Balance Plan to be known as the Guam Retirement Security Plan (GRSP). No later than March 31, 2017, the Board of Trustees of the Retirement Fund shall create, approve, and adopt a Cash Balance Plan to be known as the Guam Retirement Security Plan (GRSP), plan documents, rules, regulations, administrative procedures, and forms that it may deem necessary and appropriate to implement the GRSP pursuant to the Administrative Adjudication Act in accordance with the following provisions:

(1) Membership in Guam Retirement Security Plan.
(a) Guam Retirement Security Plan. Upon creation, approval, and adoption of a GRSP by the Board of Trustees of the Retirement Fund and beginning on or after April 1, 2017, the government of Guam GRSP shall be established in accordance with the regulations created, adopted, and approved by the Board of Trustees of the Retirement Fund and shall be the single retirement program for all new employees whose employment commences on or after December 31, 2017, unless such employee elects to participate in the Defined Contribution Retirement System within sixty (60) days of the employee’s hire date. Members of the Defined Contribution System whose employment continues beyond June 30, 2017 shall continue to contribute to and participate in the Defined Contribution System without change in provisions or benefits, except for members who elect to become GRSP members or as provided from time to time under the Defined Contribution System.

(b) Membership in Guam Retirement Security Plan.

(i) New Employees. All new employees whose employment commences between April 1, 2017 and December 31, 2017, and who satisfy the eligibility requirements for membership in accordance with the GRSP regulations as created, approved, and adopted by the Board of Trustees of the Retirement Fund, may participate in the Retirement Fund as GRSP members in accordance with such eligibility requirements. Beginning January 1, 2018, all new employees whose employment commences on or after January 1, 2018 are automatically enrolled in the GRSP retirement program unless the employee elects to participate in the Defined Contribution System within sixty (60) days from the employee’s date of hire.
New employees electing to participate in the Defined Contribution Retirement System shall contribute to and participate in the Defined Contribution Retirement System as provided in Article 2 of Title 4, Guam Code Annotated. No additional new employees shall be admitted to the Existing Retirement System on or after December 31, 2017, except as provided from time to time under the Existing Retirement System. Members of the Existing Retirement System whose employment continues beyond December 31, 2017, shall continue to contribute and participate in the Existing Retirement System without change in provision or benefits, except as provided from time to time under the Existing Retirement System. Members of the Defined Contribution System whose employment continues beyond December 31, 2017, shall continue to contribute and participate in the Defined Contribution System without change in provisions or benefits, except as provided from time to time under the Defined Contribution System.

(ii) Guam Retirement Security Plan Election by Current Employees in Defined Contribution System. All employees who are members in the Defined Contribution System on March 31, 2017, shall be eligible to elect on a voluntary basis to become GRSP members effective as of January 1, 2018, and to terminate active participation in the Defined Contribution System as of such date, by making the appropriate election with the GRSP in the form and manner as determined by the Board during the election period commencing on April 1, 2017 and ending on
September 30, 2017. After having made such election to become a GRSP member, the member may not change such election or again become an active member of the Defined Contribution System. The failure to make such election shall be deemed to constitute an election by the member to remain as an active member under the Defined Contribution System or the Defined Benefit 1.75 Retirement System. Such election shall not apply to members in the Defined Contribution System who have retired or otherwise terminated employment from government service and who are not employed by the government of Guam at the time of the election and as of the January 1, 2018, effective date of participation in the GRSP.

(iii) Reemployment of Existing Retirement System Member. Any employee who is a member in the Existing Retirement System, who leaves government service and who is later reemployed prior to December 31, 2017 by the government of Guam, shall become an active member in the Existing Retirement System upon reemployment if such employee has not received a refund of contributions resulting in ineligibility for membership under § 8130(b), and if such employee otherwise meets the eligibility requirements under the Existing Retirement System. However, if such employee has received a refund of contributions under § 8130, and if such employee otherwise meets the eligibility requirements for membership, then such employee shall become an active member in the GRSP upon reemployment.
(iv) Reemployment of Defined Contribution System Member. Any employee who is a member maintaining an interest in the Defined Contribution System, who leaves government service and who is later reemployed prior to September 30, 2017, by the government of Guam, shall become an active member in the Defined Contribution System upon reemployment if such employee otherwise meets the eligibility requirements under the Defined Contribution System.

(A) However, if such a member is reemployed during the period commencing on April 1, 2017, and ending on September 30, 2017, then:

(aa) the member shall be eligible to elect on a voluntary basis to become a member of the GRSP if such member otherwise meets the eligibility requirements for membership;

(bb) the election period for this election shall be the period commencing on April 1, 2017, and ending on September 30, 2017 (or October 31, 2017, for members reemployed during the month of September 2017), and the effective date of the member’s membership in the Defined Benefit 1.75 Retirement System shall be January 1, 2018; and

(cc) the member’s account under the Defined Contribution System shall be subject to transfer to the GRSP in accordance with the regulations created, approved, and adopted by the Board of Trustees of the Retirement Fund.
(B) Further, if such a member is reemployed after September 30, 2017:

(aa) the member shall be eligible to elect on a voluntary basis to become a member of the GRSP if such member otherwise meets the eligibility requirements for membership;

(bb) the election period for such election shall be the thirty (30) day period beginning on the date of reemployment, and the effective date of the member's membership in the GRSP shall be the later of January 1, 2018 or the date of reemployment; and

(cc) the member's account under the Defined Contribution System shall not be subject to transfer to the Retirement Fund.

(v) Reemployment of Defined Contribution System Member on Disability. Notwithstanding the above Section 1(b)(ii), a member of the Defined Contribution System who had incurred a disability and at any time been eligible to receive any benefits provided under any long-term disability insurance policy issued pursuant to § 8213 or Article 4 of this Title shall not be eligible for membership under the GRSP upon reemployment, but such member who satisfies the eligibility requirements for membership under §§ 8206 and 8207 at such time shall participate in the Defined Contribution System in accordance with such eligibility requirements. However, in the case of a member of the Defined Contribution System who is
receiving disability benefits under § 8213 or Article 4 of Title 4 of the Guam Code Annotated during the period commencing April 1, 2017, and ending on September 30, 2017, such member shall be eligible to elect on a voluntary basis to become a member of the GRSP in the event of the member’s reemployment or retirement on or after January 1, 2018. For this purpose, the election period for this election shall be the period commencing on April 1, 2017, and ending on September 30, 2017 (or October 31, 2017, for members who commence receiving disability benefits during the month of September 2017), and the effective date of the member’s membership in the GRSP shall be the later of:

(A) January 1, 2018, or
(B) the date of the member’s reemployment or retirement.

(vi) Reemployment of government of Guam Retiree. Any employee who retired under the Existing Retirement System, the Defined Contribution System, the Defined Benefit 1.75 Retirement System, or the GRSP shall participate in the Defined Contribution Plan upon reemployment.

(2) Guam Retirement Security Plan Member Framework.

(a) GRSP Member Contributions to Fund. All contributions by GRSP members shall be mandatory and equal to six and two tenths percent (6.2%) of base pay. Such reductions from base pay, although designated as member contributions, shall be deducted by the employer at the normal payroll intervals, shall be paid by the employer in lieu of contributions by the member, and shall be remitted within five (5)
working days to the Retirement Fund. The employer shall deduct the member’s mandatory contributions required by this Section from member’s base pay on or after the first payroll interval following the latest of (i) the enactment of this Act, (ii) January 1, 2017, or (iii) a GRSP member’s transfer to the GRSP pursuant to the created, approved, and adopted regulations by the Board of Trustees of the Retirement Fund and contributions so deducted shall be treated as employer contributions in determining federal tax treatment under Section 414(h) of the United States Internal Revenue Code. The employer shall contribute or pay these member deducted contributions from the same source of funds that is used in paying base pay to the member. Member contributions deducted shall be treated for all purposes of the government of Guam Retirement Fund GRSP in the same manner and to the same extent as member contributions made prior to the date of deduction. All member contributions shall be immediately credited to member GRSP accounts pursuant to the created, adopted, and approved GRSP regulations by the Board of Trustees of the Retirement Fund.

(b) Guam Retirement Security Plan Employer Contribution and Pay Credits. Each employer shall, pursuant to Section 5(2)(a), make a contribution to each GRSP member’s account pursuant to the created, adopted, and approved GRSP regulations by the Board of Trustees of the Retirement Fund that is equal to six and two tenths percent (6.2%) of such member’s base pay. In addition, each participating employer shall match the first six and two tenths percent (6.2%) of each member’s base pay, which shall be known as a “pay credit,” and shall be paid to the Fund and credited to such member’s
GRSP account. Each participating employer shall ensure that its employer or member contributions are made within five (5) working days. In the case of an officer or an employee of the government of Guam, any unpaid employer contribution shall be a government debt, contracted as a result of a casual deficit in the government’s revenues, to be accorded preferred status over other expenditures.

(c) Interest Credit.

(i) The GRSP shall include a fixed “interest credit” of four percent (4%) annually toward GRSP member accounts, and such interest credit requirements shall be in accordance with the Internal Revenue Code requirements for a Cash Balance Plan to be a qualified retirement plan.

(ii) The GRSP shall permit gains in excess of the “interest credit” of four percent (4%) to offset losses, in accordance with the Internal Revenue Code for requirements for a Cash Balance Plan to be a qualified retirement plan.

(d) Rollover Authorization. The Board of Trustees of the Retirement Fund shall include a roll over authorization for GRSP member and employer contributions to either the GRSP or the Deferred Compensation account in the creation, adoption, and approval of such regulations. Such rollover authorization shall be in accordance with the Internal Revenue Code requirements for a Cash Balance Plan to be a qualified retirement plan.

(e) Vesting Schedule. The Board of Trustees of the Retirement Fund shall include a vesting schedule that details vesting for contributions, to include but not be limited to members and employers contributions and interest credits. Such vesting schedule
shall be in accordance with the Internal Revenue Code requirements for a Cash Balance Plan to be a qualified retirement plan.

(3) The Board of Trustees of the Retirement Fund shall be authorized to ensure that any GRSP membership and framework requirements identified in this Section shall be subject to change at the Board's discretion, only if such membership and framework requirements do not conform to Internal Revenue Service regulations for Cash Balance Plan qualifications.

Section 6. Social Security Option. If the government of Guam is authorized to extend Social Security coverage to government of Guam employees on a prospective basis, whether through one (1) or several voluntary agreements or through a specific statutory provision authorizing such extension, then all employees hired on or after the effective date or dates from which such coverage is extended shall be enrolled into Social Security and shall not be eligible for the Defined Benefit 1.75 Retirement System or the Guam Retirement Security Plan.

Section 7. § 8208 of Article 2, Chapter 8, Title 4, Guam Code Annotated is hereby amended to read:

"§ 8208. Members' Contributions.

All contributions by the members shall be mandatory. From the operative date through December 31, 2017, contributions shall be equal to five percent (5%) of base pay. On and after January 1, 2018, contributions shall be equal to six and two tenths percent (6.2%) of base pay. Such reductions from base pay, although designated as member contributions, shall be deducted by the employer at the normal payroll intervals, shall be paid by the employer in lieu of contributions by the member, and shall be remitted within five working days to the insurance, annuity, mutual fund, or other qualified company or companies designated by the board to administer the operations of the Defined Contribution Retirement System. The employer
shall deduct the member's mandatory contributions required by this Section from member's base pay on or after the first payroll interval following the latest of (i) the enactment of this Article (ii) October 1, 1995, or (iii) a member's transfer to the Defined Contribution Retirement System pursuant to § 8207, and the contributions so deducted shall be treated as employer contributions in determining federal tax treatment under Section 414 (h) of the United States Internal Revenue Code. The employer shall contribute or pay these member deducted contributions from the same source of funds which is used in paying base pay to the member. Member contributions deducted shall be treated for all purposes of the government of Guam Retirement Fund Defined Contribution Retirement System in the same manner and to the same extent as member contributions made prior to the date of deduction. All member contributions shall be immediately credited to an account or accounts established for the benefit of the member under a trust agreement. A summary plan description shall be issued to each member setting forth the terms and conditions under which contributions are received, and the investment and retirement options available to the member. The board shall promulgate within ninety (90) days after enactment of the law, pursuant to § 8205 of this Article, rules defining the minimum requirements for the investment and retirement options, including but not limited to:

1. Lump sum distributions of members' accounts which do not exceed an amount established by the board;
2. Joint and Survivor annuities;
3. Other annuity forms;
4. Variable annuities which gradually increase monthly retirement payments; provided, that said increased payments are funded solely by existing current value of the member's account at the time the
member’s retirement payments commence and not, to any extent, in a
manner which would require additional employer or member
contributions to any member’s account after retirement or after the
cessation of employment; and
5. The instances in which, if any, distributions or loans can
be made from this on account balances prior to having attained the age
of fifty-five.”

Section 8. § 8209(a) of Article 2, Chapter 8, Title 4, Guam Code Annotated
is hereby amended to read:

“§ 8209. Employer Contributions.
(a) Each employer shall, pursuant to § 8208, make a
contribution to each member’s account with respect to each member
whose employment commenced on or after October 1, 1995, or who
transfers to the Defined Contribution Retirement System pursuant to §
8207, which is equal to five percent (5%) of such member’s base pay.
In addition, each participating employer shall match the first five
percent (5%) of each member’s base pay. On and after January 1, 2018,
these contributions herein shall be increased to six and two tenths
percent (6.2%) of such member’s base pay.
The amounts contributed herein shall vest in accordance with the
vesting schedule set forth in of § 8210(c).”

Section 9. Extension of Amortization Period
(a) The first sentence of § 8137(b)of Article 1, Chapter 8, Title 4,
Guam Code Annotated is hereby amended to read:
“(b) Government Unfunded, Liability Amortization Cost. An
amount resulting from the application of a rate percent of total salaries
of all members which will amortize the remaining liability for prior
service over a period of eighty-two (82) years following May 1, 1951.”

(b) This Section 9 shall be effective January 1, 2018.”

Section 10. Effective Date. Except as otherwise provided herein, this Act
shall take effect upon enactment.

Section 11. Severability. If any provision of this Act or its application to
any person or circumstance is found to be invalid or contrary to law, such invalidity
shall not affect other provisions or applications of this Act that can be given effect
without the invalid provisions or applications, and to this end the provisions of this
Act are severable.