



CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<u>[Signature]</u>
Time	<u>11:55am</u>
Date	_____

**MAY 08 1998**

Refer to  
Legislative Secretary

The Honorable Antonio R. Unpingco  
Speaker  
Mina'Bente Kuáttro na Liheslaturan Guáhan  
Twenty-Fourth Guam Legislature  
Guam Legislature Temporary Building  
155 Hesler Street  
Hagåtña, Guam 96910

Dear Speaker Unpingco:

Enclosed please find Substitute Bill No. 537 (COR), "AN ACT TO AMEND §§8201 (h), 8203, 8205, AND 8209; AND TO ADD §8201(n), ALL TO ARTICLE 2, CHAPTER 8 OF TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO PROVIDING MEMBERS OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM WITH PRE-RETIREMENT ANCILLARY BENEFITS OF SURVIVOR DEATH INSURANCE AND DISABILITY INSURANCE.", which I have signed into law today as **Public Law No. 24-200**.

This legislation allows those who are members of the Defined Contribution Retirement System to have survivor death and pre-retirement disability insurance coverage, as is the case with the Defined Benefit Retirement System.

A slight error needs to be pointed out, and that is on page 2, line 5 of the legislation it states in the Legislative intent section that the new employees join the Defined Contribution Retirement System if they are employed after October 1, 1995, when in fact, under the law on the subject, new employees join the Defined Contribution Retirement System if they are employed on or after that date. In other words, the new system includes persons employed on October 1, 1995.

Very truly yours,

[Signature]  
Carl T. C. Gutierrez  
I Maga'lahaen Guáhan  
Governor of Guam

00012

Attachment: copy attached for signed bill  
original attached for vetoed bill


cc: The Honorable Joanne M. S. Brown  
Legislative Secretary

Office of the Speaker  
ANTONIO R. UNPINGCO  
Date: 5/8/98  
Time: 4:55 pm  
Rec'd by: [Signature]  
Print Name: Janice Mesa

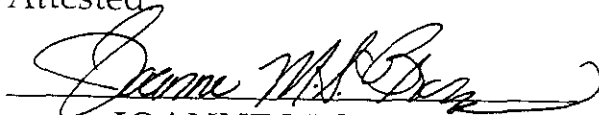
MINA'BENTE KUATTRO NA LIHESLATURAN GUAHAN  
1998 (SECOND) Regular Session

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


This is to certify that Substitute Bill No. 537 (COR), "AN ACT TO AMEND §§8201(h), 8203, 8205, AND 8209, AND TO ADD §8201(n), ALL TO ARTICLE 2, CHAPTER 8 OF TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO PROVIDING MEMBERS OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM WITH PRE-RETIREMENT ANCILLARY BENEFITS OF SURVIVOR DEATH INSURANCE AND DISABILITY INSURANCE," was on the 27<sup>th</sup> day of April, 1998, duly and regularly passed.

  
ANTONIO R. UNPINGCO  
Speaker


Attested:

  
JOANNE M.S. BROWN  
Senator and Legislative Secretary

-----  
This Act was received by *I Maga'lahaen Guahan* this 30<sup>th</sup> day of April, 1998,  
at 10:40 o'clock A.M.

  
Assistant Staff Officer  
Governor's Office

APPROVED:

  
CARL T. C. GUTIERREZ  
*I Maga'lahaen Guahan*

Date: 5-8-98

Public Law No. 24-200

MINA'BENTE KUATTRO NA LIHESLATURAN GUAHAN  
1998 (SECOND) Regular Session

**Bill No. 537 (COR)**

As amended by the Author and substituted  
by the Committee on Power, Foreign Affairs  
and General Government Services and  
further amended on the Floor.

Introduced by:

Felix P. Camacho  
T. C. Ada  
F. B. Aguon, Jr.  
A. C. Blaz  
J. M.S. Brown  
Francisco P. Camacho  
M. C. Charfauros  
E. J. Cruz  
W. B.S.M. Flores  
Mark Forbes  
L. F. Kasperbauer  
A. C. Lamorena, V  
C. A. Leon Guerrero  
L. Leon Guerrero  
V. C. Pangelinan  
J. C. Salas  
A. L.G. Santos  
F. E. Santos  
A. R. Unpingco  
J. Won Pat-Borja

AN ACT TO AMEND §§8201(h), 8203, 8205, AND 8209,  
AND TO ADD §8201(n), ALL TO ARTICLE 2,  
CHAPTER 8 OF TITLE 4 OF THE GUAM CODE  
ANNOTATED, RELATIVE TO PROVIDING  
MEMBERS OF THE DEFINED CONTRIBUTION  
RETIREMENT SYSTEM WITH PRE-RETIREMENT  
ANCILLARY BENEFITS OF SURVIVOR DEATH

## INSURANCE AND DISABILITY INSURANCE.

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

2           **Section 1. Legislative Findings.** *I Liheslaturan Guahan* finds that Public  
3 Law Number 23-42 created the Defined Contribution Retirement System to be the  
4 single retirement system for all new employees whose employment commences  
5 after October 1, 1995. Pursuant to Public Law Number 23-42, the Board of  
6 Trustees was authorized to contract with a private pension, insurance, annuity,  
7 mutual fund, or other qualified company or companies to make available to  
8 members supplemental annuity options, disability and other insurance benefits.  
9 See 4 GCA §8213. However, *I Liheslaturan Guahan* finds that the source of  
10 funding for such benefits was not expressly provided for in the statute.

11           *I Liheslaturan Guahan* further finds that currently an inequity exists between  
12 the Defined Benefit Plan and the Defined Contribution Retirement System,  
13 insofar as the Defined Benefit Plan provides for survivor death benefits and pre-  
14 retirement disability benefits to its members, while the Defined Contribution  
15 Retirement System does *not* provide for any similar benefits to its members.  
16 Furthermore, *I Liheslaturan Guahan* finds that the Defined Contribution  
17 Retirement System's membership, which is comprised of approximately 3,000  
18 members, is currently without survivor death and pre-retirement disability  
19 coverage, and is therefore subject to a risk of significant economic loss to which  
20 the members of the Retirement Fund are not otherwise exposed.

21           **Section 2. Legislative Intent.**                   It is the intent of *I Liheslaturan*  
22 *Guahan* that all government of Guam employees should be provided with similar,  
23 although not necessarily equal, survivor death benefits and pre-retirement

1 disability benefits, notwithstanding the commencement of the employee's  
2 employment with the government of Guam. It is the further intent of *I*  
3 *Liheslaturan Guahan* that the insurance premiums for such pre-retirement benefits  
4 for the Defined Contribution Retirement System shall be funded by employer  
5 contributions, and not by employee contributions.

6 **Section 3.** Section 8201(h) of Article 2, Chapter 8 of Title 4 of the Guam  
7 Code Annotated is hereby amended to read as follows:

8 "(h) Employer contribution means an amount deposited into the  
9 member's individual annuity account or ancillary benefit account on a  
10 periodic basis coinciding with the employee's base payroll period by an  
11 employer from its own funds;"

12 **Section 4.** Section 8203 of Article 2, Chapter 8 of Title 4 of the Guam Code  
13 Annotated is hereby amended to read as follows:

14 "**Section 8203. Article to be Liberally construed; Purpose.** The  
15 provisions of this Article shall be liberally construed so as to provide an  
16 individual account retirement system for any person who is employed in  
17 the government of Guam. The purpose of the Article is to provide a  
18 defined contribution retirement program which is fully funded on a current  
19 basis from employer and member contributions. In addition, the purpose  
20 of this Article is to provide pre-retirement ancillary benefits in the form of  
21 disability benefits for members, and survivor death benefits for the  
22 beneficiaries of such members, which benefits are fully funded on a current  
23 basis from employer contributions, with the objective of encouraging  
24 qualified personnel to enter and remain in the service of the government  
25 of Guam, thus effecting economy and efficiency in the administration of the

1 government.”

2 **Section 5.** Section 8205 of Article 2, Chapter 8 of Title 4 of the Guam Code  
3 Annotated is hereby amended to read as follows:

4 “**Section 8205. Powers and duties of the Board of Trustees in the**  
5 **administration of the Defined Contribution Retirement System.** The  
6 Board has all powers necessary to effectuate the purposes of this Article.  
7 The Board may contract with an insurance, annuity, mutual fund, or other  
8 qualified company or companies to administer the operations of the  
9 defined contribution system. In selecting such company or companies the  
10 Board shall take into account as its highest fiduciary duty, the proper  
11 safeguard and protection of the member and employer contributions and  
12 the interest dividends, or other returns thereon. The Board shall  
13 promulgate rules regarding the proper investment of funds. The Board  
14 may borrow monies to effectuate the purposes of this Article, including,  
15 but not limited to, monies loaned from the Government of Guam  
16 Retirement Fund for interim financing for survivor death insurance and  
17 pre-retirement disability insurance premiums offered under the Defined  
18 Contribution Retirement System.”

19 **Section 6.** Section 8209 of Article 2, Chapter 8 of Title 4 of the Guam Code  
20 Annotated, as amended by Public Law No. 23-45:IV:19, is hereby further  
21 amended to read as follows:

22 “**Section 8209. Employer Contributions.** Each employer shall,  
23 pursuant to §8208, make a contribution to each member’s account with  
24 respect to each member whose employment commenced on or after  
25 October 1, 1995, or who transfers to the Defined Contribution Retirement

1 System pursuant to §8207, which is equal to five percent (5%) of such  
2 member's base pay. In addition, each participating employer shall match  
3 the first five percent (5%) of each member's base pay. Furthermore, each  
4 participating employer also shall make a contribution to the ancillary  
5 benefit account for the sole purpose of financing pre-retirement disability  
6 insurance and survivor death insurance premiums, in an amount equal to  
7 a designated percentage of such member's base pay, the percentage to be  
8 determined on a quarterly basis by the Board within its sole discretion, in  
9 an amount not to exceed eight-tenths of one percent (0.8%) of each  
10 member's base pay. Each participating employer shall ensure that its  
11 employer or member contributions are made within five (5) working days.

12 In the case of an officer or an employee of the government of Guam, any  
13 unpaid employer contribution shall be a government debt, contracted as a  
14 result of a casual deficit in the government's revenues, to be accorded  
15 preferred status over other expenditures."

16 **Section 7.** Section 8201(n) is hereby added to Article 2, Chapter 8 of Title  
17 4 of the Guam Code Annotated to read as follows:

18 "(n) '*Ancillary Benefit Account*' means a pool account established for  
19 all members to record the deposit of employer contributions, interest  
20 and/or other accumulations credited on behalf of all members, the balance  
21 of which shall be used solely for the payment of insurance premiums  
22 associated with the disability benefits offered under the Defined  
23 Contribution Retirement System. The Ancillary Benefit Account, as  
24 distinguished from the '*Account*' as defined in §8201(i), shall *not* be subject  
25 to any distributions to members as prescribed in §8210, nor be included in

1 any account statements as prescribed in §8214.”





TWENTY-FOURTH  
**GUAM LEGISLATURE**

Senator Felix P. Camacho

Power, Foreign Affairs and General Government Services

138 Meyer Street  
Agana, Guam 96913

472-3505-6

472-9747

March 31, 1998

The Honorable  
Antonio R. Unpingco  
Speaker, 24th Guam Legislature  
Agana, Guam

**via: Committee on Rules**

Dear Mr. Speaker:

The Committee on Power, Foreign Affairs & General Government Services, to which was referred **Bill No. 537**, "An act to provide members of the Defined Contribution Retirement System with pre-retirement ancillary benefits of survivor death insurance and disability insurance" does hereby report back with the recommendation **TO DO PASS** as Substituted by the Committee.

Votes of committee members are as follows:

<u>  9  </u>	To pass
<u>     </u>	Not to pass
<u>     </u>	To place in inactive file
<u>     </u>	Abstained
<u>  5  </u>	Not available/Off island

for:   
**FELIX P. CAMACHO**  
Chairman

Attachments

**COMMITTEE ON POWER, FOREIGN AFFAIRS  
& GENERAL GOVERNMENT SERVICES**

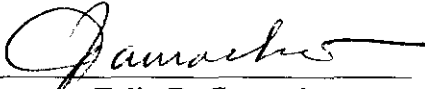
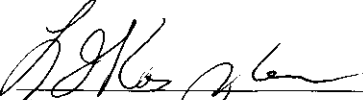
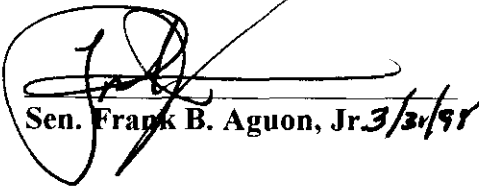
TWENTY-FOURTH GUAM LEGISLATURE  
155 Hesler Street, Agana, Guam 96910

**Senator Felix P. Camacho**  
Chairman



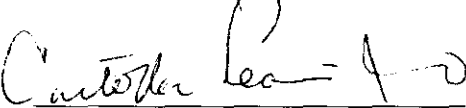


**Senator Lawrence F. Kasperbauer**  
Vice Chairman

**BILL NO. 537, VOTING SHEET**

“An act to provide members of the Defined Contribution Retirement System with pre-retirement ancillary benefits of survivor death insurance and disability insurance.”

<u>COMMITTEE MEMBERS</u>	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>TO PLACE IN INACTIVE FILE</u>
 Senator Felix P. Camacho	✓			
 Sen. Lawrence F. Kasperbauer	x			
_____ Sen. Thomas C. Ada				
_____ Sen. Elizabeth Barrett-Anderson				
 Sen. Frank B. Aguon, Jr. 3/31/98	✓			
_____ Sen. Francisco P. Camacho				
_____ Sen. Mark C. Charfauros				

**Committee on Power, Foreign Affairs  
& General Government Services  
Bill 537, Voting Sheet (Continued)**

<u>COMMITTEE MEMBERS</u>	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>TO PLACE IN INACTIVE FILE</u>
 Sen. Eduardo J. Cruz, MB	<input checked="" type="checkbox"/>			
 Sen. William B. S.M. Flores	<input checked="" type="checkbox"/>			
 Sen. Carlotta A. Leon Guerrero	<input checked="" type="checkbox"/>			
Sen. Alberto A.C. Lamorena V				
Sen. Vicente C. Pangelinan	<input checked="" type="checkbox"/>			
Sen. Angel L.G. Santos				
 Sen. Francis E. Santos	<input checked="" type="checkbox"/>			
Sen. Antonio R. Unpingco* (ex-officio member)				
 Sen. Judith Won-Pat Borja	<input checked="" type="checkbox"/>			

**COMMITTEE ON POWER, FOREIGN AFFAIRS  
AND GENERAL GOVERNMENT SERVICES  
TWENTY-FOURTH GUAM LEGISLATURE  
155 Hesler Street, Agana, Guam 96910**

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**COMMITTEE REPORT**

**ON**

**BILL 537**

**“An act to provide members of the Defined Contribution Retirement System with pre-retirement ancillary benefits of survivor death insurance and disability insurance.”**

**COMMITTEE MEMBERS**

Chairman: Felix P. Camacho

Vice Chairman: Lawrence F. Kasperbauer

Ex-Officio Member: Speaker Antonio R. Unpingco

Thomas C. Ada  
Frank B. Aguon, Jr.  
Elizabeth Barrett-Anderson  
Francisco P. Camacho  
Mark C. Charfauros  
Edwardo J. Cruz, M  
William B. S.M. Flores

Alberto A.C. Lamorena,  
Carlotta A. Leon Guerrero  
Vicente C. Pangelinan  
Angel L.G. Santos  
Francis E. Santos  
Judith Won Pat-Borja

**COMMITTEE REPORT  
POWER, FOREIGN AFFAIRS, AND GENERAL GOVERNMENT  
SERVICES**

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**BILL NO. 537**

**“An act to provide members of the Defined Contribution Retirement System with pre-retirement ancillary benefits of survivor death and disability insurance.”**

**PUBLIC HEARING**

Senator Felix P. Camacho, Chairman of the Committee on Power, Foreign Affairs, and General Government Services (PFA&GGS) called to order a public hearing on Wednesday, March 18, 1998 at 9:00 a.m. to hear testimonies on Bill No. 537.

**SENATORS PRESENT**

Felix P. Camacho	Chairman
Lawrence F. Kasperbauer	ViceChair
Francisco P. Camacho	Member

**PRESENT TO TESTIFY**

John A. Rios	Director, Government of Guam Retirement Fund
John T. Keck	Professor of Finance, University of Guam
Vince Camacho	DCRS Administrator, BenefitsCorp

**BACKGROUND**

Under Public Law 23-42, the Defined Contribution Retirement System (DCRS) was created as the single retirement system for all new employees whose employment commenced after October 1, 1995.

Pursuant to P.L. 23-42, the Board of Trustees was authorized to contract with a private pension, insurance, annuity, mutual fund, or other qualified company or companies to make available to members supplemental annuity options as well as disability and other insurance benefits. However, a funding source for such has never been identified nor provided for in statute.

This has left DCRS members without survivor death insurance and without pre-retirement disability insurance, benefits which members of the Defined Benefit (DB) Plan or “the Old Plan” are provided with.

Bill 537 is an attempt not only to provide said insurance benefits to DCRS members, but also to

identify, by statute, a proper funding source with minimal financial impact on employees.

### **TESTIMONY AND DISCUSSION**

**Professor John T. Keck, Professor of Finance, U.O.G.**, testified in favor of Bill 537. He explained how when transferring over to the DCRS from the DB Plan, it was to his understanding: that he would receive comparable insurance benefits; that likely, (accumulated) sick leave would be converted into retirement benefits; and that he would be allowed to increase his tax deductible contributions via the new proposed 457 Plan\*. Furthermore, it was to his understanding that only the details needed to be worked out.

*\*The 457 Plan is a newly proposed Plan by the Retirement Fund for DCRS members which would give them the option to contribute more than 5% of their base pay not to exceed a rate or an amount determined by applicable tax laws.*

Professor Keck noted that under the current DCRS: insurance is not funded for; employees must forfeit all accumulated sick leave at retirement; and that because of one's participation in the 403b plan, one is not eligible to participate in the newly proposed 457 Plan. He further noted that if Bill 309 (by W.B.S.M. Flores) were to pass, employees who had switched plans would not have the opportunity to buy their educational credits for retirement.

Keck explained how, by the mere fact that he transferred to the DCRS from the DB Plan, he saved the Retirement Fund \$130,000. For this reason, it is his position that the DCRS should provide incentives to participants like himself to move into the new DCRS and out of the old DB Plan. Not only would it be beneficial to the current account, but also to all Guam tax payers.

Professor Keck discussed the inequity between a member of the DB Plan who is essentially guaranteed a good retirement after thirty (30) years of employment and a DCRS member, who not only has his retirement subject to the risks of the markets, but who can also expect benefits inferior to those of his/her DB Plan co-worker.

Keck's recommendations both to achieve equity between the two plans and to eliminate disincentives were as follows: (1) to add disability and life insurance\*; (2) to increase employee's tax deductible contributions from 5% to 10% while maintaining the same govt. contribution of 5% \*\*; (3) allow the convergence of sick leave to retirement benefits; (4) allow DCRS employees the option to make retirement contributions from their overtime pay.

*\*Bill 537 would accomplish this.*

*\*\*The Committee notes that certain plans under the DCRS such as the 401a and 403b plans are subject to Federal statutes that do not allow an employee's contribution to exceed that of the employers'.*

**Mr. John A. Rios, Director, GovGuam Retirement Fund**, submitted and read written testimony

on behalf of the Fund in favor of Bill 537 as it would significantly enhance the DCRS. Rios also noted that Bill 537 would implement the section of statute authorizing supplemental annuity options. The Director further expressed the Fund's understanding that the intent of Bill 537 is to decrease the disparity between the DCRS and the DB Plan, and to affirm Legislative Resolution 251.\* (*Written testimony is attached*).

*\*Legislative Resolution 251 was adopted by the Twenty-Fourth Guam Legislature recognizing the need for the provisions proposed in Bill 537.*

**Mr. Vince Camacho, DCRS Administrator, BenefitsCorp,** provided and read written testimony in support of Bill 537 as it would provide similar benefits concerning survivor death insurance and pre-retirement disability insurance to DCRS members that are currently provided to DB Plan members. According to Camacho, this would instill a sense of security to the more than 3000 members of the DCRS should an unfortunate event occur while employed with the Government of Guam.

Mr. Camacho further noted that most public retirement systems are now providing said benefits through employer contributions in order to encourage qualified personnel to enter and remain in government service. (*Written testimony is attached*).

**Mr. Michael J. Reidy, Director, Department of Administration,** submitted written testimony in support of the passage of Bill 537 as it addresses the inequity that currently exists between the DB Plan and the DCRS with regards to pre-retirement benefits. According to Reidy, the Department of Administration was not able to provide an assessment on the overall effect or impact Bill 537 will have on the General Fund and/or the retirement Fund. (*Written testimony is attached*).

**Mr. Eloy P. Hara, Executive Director, Civil Service Commission** submitted written testimony in favor of Bill 537's intent to cover DCRS members with survivor death insurance and pre-retirement disability insurance. However, according to HARA, the CSC objects to having GovGuam pay the percentage for such benefits. It is their contention that that percentage should be contributed by the employee citing the DB members' required 9.5% retirement contribution which also funds said benefits. (*Written Testimony is attached*).

Discussion took place on the inequities between survivor death benefits provided to DB Plan recipients and those provided to DCRS recipients. Under the DB Plan, survivor spouses receive 50% of that member's retirement annuities. Additionally, dependents of that member receive a stipend of \$90/pay period until the age of 18, or, if attending college, until 22. Survivor spouses of DCRS members receive a \$40K lump sum, which is all that can be afforded.

More discussion took place on the differences between the newly proposed 457 Plan and the 403b Plan. The 403b Plan is deemed a more generous plan, but does not allow for an employee to contribute more than 5% of his/her income. The 457 Plan will allow a higher contribution rate. However, benefit-wise, it is considered less attractive.

**Senator Felix Camacho** brought up the possibility of including overtime earnings when calculating an employee's contribution, explaining its benefit to employees.

**Vince Camacho** noted it would be advantageous to government of Guam employees. He further explained the possibility of factoring in other non-base pay.

**John Rios** explained how previously, under the DB Plan, non-base pay would be calculated into an employee's "3 Average Annual Salaries" number. Rios maintained that in the past, this had been abused.\*

*\*Such abuses took place in the artificial inflation of one's "3 Average Annual Salaries" due to the excessive accumulation of overtime hours. The Committee notes that Section 6 of P.L. 22-6 denies the right of any new member of the Retirement Fund to make contributions on account of their non-base pay. (See P.L. 22-6 or §8136, Title 4GCA).*

Discussion took place on the possibility of exceeding the employee's 5% contribution under the 401a Plan while maintaining the government's 5% contribution. It was noted that because it is a 401a Plan, the IRS requires that whatever the employee contributes, the employer must match.

**Senator Felix Camacho** concluded the hearing on Bill 537.

### **FINDINGS**

The Committee found that minor technical corrections were needed for clarity. No major substantive changes were necessary. Bill 537 was referred back to the author for technical amendments only.

### **RECOMMENDATION**

The Committee on Power, Foreign Affairs and General Government Services wishes to report out Bill No. 537 As Amended by the Author and Substituted by the Committee **TO DO PASS**.





**FONDON RITIRAO GUBETNAMENTON GUÅHAN**  
*Government of Guam Retirement Fund*  
**424 ROUTE 8**  
**MAITE, GUAM 96927**  
Telephone Nos. (671) 475-8900/8901  
Facsimile No. (671) 475-8922



March 18, 1998

The Honorable Felix P. Camacho  
Chairman, Committee on Power, Foreign  
Affairs and General Governmental Operations  
Twenty-Fourth Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Dear Senator Camacho and Committee Members:

Hafa Adai. I would like to thank you for the opportunity to submit our comments on Bill No. 537 as introduced by Senator Felix Camacho. The Government of Guam Retirement Fund is in favor of this bill as it significantly enhances the new Defined Contribution Retirement System (DC Plan) which was enacted under Public Law 23-42. In addition to the public law authorizing supplemental annuity option, this legislation will in effect implement this section of the statute.

The Defined Benefit plan (DB Plan) currently provides survivor death and disability benefits to its members. The DC Plan, however, since its inception has not provided its participants with comparable benefits. We understand that the intent of Bill No. 537 is to decrease the disparity between the two plans by providing similar, but not equal benefits for DC Plan participants. It also serves to affirm Legislative Resolution 251.

We are therefore in support of Bill No. 537 for these reasons and look forward to your consideration in the passage of this bill.

Si Yuus Maase,



John A. Rios  
Director

cc: All Senators  
Board of Trustees

# **BENEFITSCORP**

Performance is the whole story.

March 18, 1998

Honorable Senator Felix Camacho, Chairman  
Committee on Power, Foreign Affairs & General Governmental Operations  
Twenty-Fourth Guam Legislature  
Agana, Guam 96910

SUBJECT: Bill 537

Dear Chairman Camacho & Committee Members:

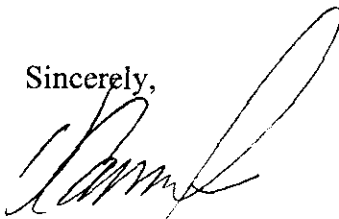
I wish to express my support as the Third Party Administrators of the Government of Guam Defined Contribution System (DC Plan) for Bill 537 which provides the members of the DC Plan with pre-retirement ancillary benefits such as survivor death and disability insurance.

This benefit would provide DC plan members with additional benefits similar, although, not necessarily equal survivor death and disability coverage comparable to members of the Defined Benefit Plan. This will instill a sense of security to the more than 3000 plus members of the plan should an unfortunate event occur while employed with the Government of Guam.

In the course of our business, which includes administering one-third of both local and state public retirement systems in the US, we see that most public retirement systems have taken the same position for which this bill attempts to accomplish. I am specifically referring to the funding source of the additional benefits which would be fully funded through employer contributions. We have seen that many public plans are now providing this benefit to encourage qualified personnel to enter and remain in government service which will effect the overall productivity and efficiency of the government.

We humbly seek the support of the Committee to proceed with placing Bill 537 on the next legislative session agenda as soon as possible.

Sincerely,



Vince Camacho  
DCRS Administrator

**Benefits Communication Corporation**

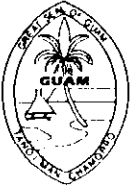
**Securities offered through BenefitsCorp Equities, Inc.**

424-B, Route 8

Government of Guam Retirement Fund Bldg.

Mongmong, Guam 96927

671/475-8978 • 671/477-1173 Fax



GOVERNMENT OF GUAM  
AGANA, GUAM 96932

DEPARTMENT OF ADMINISTRATION  
(DIPATTAMENTON ATMENESTRASION)  
**DIRECTOR'S OFFICE**  
(UFISINAN DIREKTOT)

Post Office Box 884 • Agana, Guam 96932  
Tel.: (671) 475-1101/1250 • Fax: (671) 477-6788

Carl T.C. Gutierrez  
*Governor*

Madeleine Z. Bordallo  
*Lieutenant Governor*

MAR 17 1998

Senator Felix Camacho  
Chairman, Legislative Committee on Power,  
Foreign Affairs & General Government Services  
Twenty-Fourth Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Dear Senator Camacho:

Hafa Adai! Thank you for the opportunity to comment on Bill 537 "AN ACT TO PROVIDE MEMBERS OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM WITH PRE-RETIREMENT ANCILLARY BENEFITS OF SURVIVOR DEATH INSURANCE AND DISABILITY INSURANCE."

The intent of Bill 537 is to provide the employees under the Defined Contribution Retirement System survivor death and pre-retirement disability coverage. In addition, the proposed bill identifies the funding source for such pre-retirement benefits.

We believe the proposed bill has merit and the Department of Administration supports passage of Bill 537 as it will address the inequity that currently exist between the Defined Benefit Plan and the Defined Contribution Retirement System with regards to pre-retirement benefits. However, we can not provide an assessment on the overall effect or impact Bill 537 will have on the General Fund and/or the Retirement Fund.

Should you have any questions, please call our office at 475-1288.

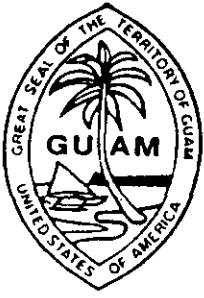
Si Yu'us Ma'ase.

Sincerely,

MICHAEL J. REIDY, Director  
Department of Administration



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## GOVERNMENT OF GUAM

### CIVIL SERVICE COMMISSION KUMISION I SETBISION SIBIT

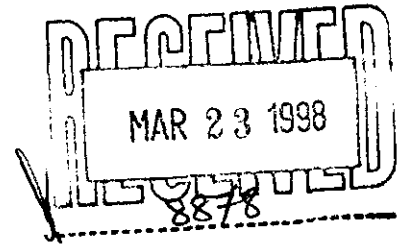
490 Chalan Palasyo, Agana Heights  
P.O. Box 3156 Agana, Guam 96910  
Tel: 475-1300/01 Fax: 477-3301



CSC NO. 98-220

18 MARCH 1998

Senator Felix P. Camacho  
Chairman  
Committee on Power, Foreign Affairs  
& General Government Services  
24th Guam Legislature  
Agana, Guam



Dear Senator Camacho:

Hafa Adai! Thank you for the opportunity to comment on Bill 537, "AN ACT TO PROVIDE MEMBERS OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM WITH PRE-RETIREMENT ANCILLARY BENEFITS OF SURVIVOR DEATH INSURANCE AND DISABILITY INSURANCE".

Amending Bill 537 to include coverage on Pre-retirement Ancillary benefits of Survivor Death Insurance and Disability Insurance for employees hired after 01 October 1995, is in the right direction. These employees deserve these benefits.

We object however, on the proposed plan payment suggested in the Bill 537. The bill proposes for the Government of Guam to pay the percentage for the survivors' benefits and the insurance coverage for employees enrolled under the new retirement plan. This move is unfair for those employees who enrolled under the Defined Benefit Plan. Under the Defined Benefit Plan, employees are required to pay 9.5% contribution for the benefit and insurance coverage. Under the Defined Contribution Plan, employees are not required to pay for the aforesaid coverages. They only pay 5% for their retirement contribution. Mathematically speaking, employees at Defined Benefit Plan will be shortchanged by 4.5%.

The Defined Contribution Plan was intended to minimize the financial burden of the GovGuam to pay the contribution for the benefit and insurance coverage for these employees. This plan is flexible for its members. They can invest their contribution at their options to outside financial institution, bonds, stocks, etc. Technically speaking, they have control over their contribution funds and the investment opportunities are at their doorsteps. Employees under the Defined



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Benefit Plan have no control over their contributions. The Retirement Fund does their investment opportunity. Employees under Defined Benefit Plan fund the liability incurred under the Retirement Plan. The other plan is exempted from funding retirement liability.

Should the Legislature intend to cover the Defined Contribution Plan, employees for the survivor's benefits and disability insurance coverages, the employees should be required to pay the 4.5% and not the GovGuam. The GovGuam has already committed its contribution at 5% under this plan.

Dangkulo Na Si Yuus Maase!

  
**SI ELOY P. HARA**  
Executive Director



FISCAL NOTE  
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

BBMR-F7

Bill Number: 531(COR)  
Amendatory Bill: Yes  
Department/Agency Affected: Retirement Fund  
Department/Agency Head: John Rios, Director  
Total FY Appropriation to Date: \$ 29,743,000

Date Received: 03/06/98  
Date Reviewed: 03/20/98

Bill Title (preamble):

An act to provide members of the Defined Contribution Retirement System with preretirement ancillary benefits of survivor death insurance and disability insurance.

Change in Law: Yes

Bill's Impact on Present Program Funding:

Increase x Decrease \_\_\_\_\_ Reallocation \_\_\_\_\_ No Change \_\_\_\_\_

Bill is for:

Operations x Capital Improvement \_\_\_\_\_ Other \_\_\_\_\_

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)			
PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
Autonomous			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL						
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL?      -- IF NO, ADD'L AMOUNT REQUIRED \$     

AGENCY/PERSON/DATE CONTACTED: \_\_\_\_\_

ESTIMATED POTENTIAL MULTI-YEAR REVENUES						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND						
OTHER						
TOTAL						

ANALYST Christine D.F. Quichocho DATE 3/20/98 DIRECTOR Joseph E. Rivera, Acting DATE 3/20/98

FOOTNOTE: Due to the fact that the Defined Contribution Retirement System does not provide survivor death and preretirement disability coverage, the proposed legislation provides a provision to include such coverages to be absorb by the participating employers. This legislation will pose an additional general fund annual requirement, however, the cost is unavailable at this time.