


MAY 14 1999

The Honorable Antonio R. Unpingco
Speaker
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Hagåtña, Guam 96910


11:20am
5.17.99

Dear Speaker Unpingco:



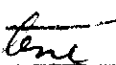
Enclosed please find Substitute Bill No. 185 (COR), "AN ACT TO AMEND §§8207, 8210, 8164(a), 8164(b) AND 8218(h), AND TO ADD §8209.1 AND 8201(o), ALL OF CHAPTER 8 OF TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM", which I have **signed** into law today as **Public Law No. 25-19**.

This legislation offers incentives for more government of Guam employees to shift from the old defined benefits retirement plan to the new defined contribution retirement plan now in place.

The incentives offered are the following:

- 1) Lengthens the time for choosing to be a member of the defined contribution plan until December 31, 1999.
- 2) If a person chooses to be a member of the defined contribution plan between now and December 31, 1999, Five Percent (5%) of a member's annual base pay for each year of creditable service directly prior to transferring to the defined contribution plan, up to a maximum of 5 years, is transferred to a "transfer incentive reserve" for that employee.

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 Name:  
 1999 • FAX 671-477 GUAM

This "transfer incentive reserve" may be accessed by the employee according to the distribution limitations as promulgated by the Board of Trustees of the Government of Guam Retirement Fund.

- 3) In the event that a member dies, or becomes permanently and totally disabled, the member or the member's beneficiaries may access his "transfer incentive reserve" fund in a lump sum payment.

Very truly yours,



Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

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

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

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session


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

This is to certify that Substitute Bill No. 185 (COR), "AN ACT TO AMEND §§8207, 8210, 8164(a), 8164(b) AND 8218(h), AND TO ADD §§8209.1 AND 8201(o), ALL TO CHAPTER 8 OF TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM," was on the 3rd of May, 1999, 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 6th day of May, 1999,
at 4:05 o'clock P.M.



Assistant Staff Officer
Maga'laha's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: 5-14-99

Public Law No. 25-19

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
1999 (FIRST) Regular Session

Bill No. 185 (COR)

As substituted by the Author
and amended on the Floor.

Introduced by:

V. C. Pangelinan
K. S. Moylan
F. B. Aguon, Jr. _____
E. C. Bermudes
A. C. Blaz
J. M.S. Brown
E. B. Calvo
M. G. Camacho
Mark Forbes
L. F. Kasperbauer
A.C. Lamorena, V
C. A. Leon Guerrero
J. C. Salas
S. A. Sanchez, II
A. R. Unpingco

AN ACT TO *AMEND* §§8207, 8210, 8164(a), 8164(b)
AND 8218(h), AND TO *ADD* §§8209.1 AND 8201(o),
ALL TO CHAPTER 8 OF TITLE 4 OF THE GUAM
CODE ANNOTATED, RELATIVE TO EXTENDING
THE TRANSFER PERIOD OF THE MEMBERS OF
THE GOVERNMENT OF GUAM RETIREMENT
FUND TO THE DEFINED CONTRIBUTION
RETIREMENT SYSTEM.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 **Section 1. Legislative Findings.** *I Liheslaturan Guåhan* finds that
3 Public Law Number 23-42, which established the Defined Contribution
4 Retirement System for all new employees of the government of Guam whose
5 employment commences on or after October 1, 1995, was enacted to protect
6 and preserve the fiscal soundness of the existing Defined Benefit Retirement
7 System, for the benefit of all members, present and future. To achieve this
8 objective, a certain number of members of the Defined Benefits Plan had to,
9 and were expected to, transfer to the newly-created Defined Contribution
10 Plan. The Government of Guam Retirement Fund and its actuary estimated
11 that approximately thirty-five percent (35%) of the members of the Defined
12 Benefits Retirement System with less than five (5) years of service and twenty-
13 five percent (25%) of the members with service between five (5) and twenty
14 (20) years of service would elect to transfer to the Defined Contribution
15 Retirement System. Actual transfers, *however*, fell much below expectations.

16 *I Liheslaturan Guåhan* further finds that creating incentives for those
17 enrolled in the Defined Benefits Plan to transfer to the Defined Contribution
18 Plan will have:

- 19 (1) a positive effect on the financial stability of the Defined
20 Benefits Plan;
- 21 (2) further reduce the unfunded liability of the Retirement
22 Fund; *and*
- 23 (3) increase the security ratio of the Retirement Fund.

1 **Section 2. Legislative Intent.** It is therefore the intent of I
2 *Liheslaturan Guåhan* to provide incentives for members of the Defined Benefits
3 Retirement System who transfer to the Defined Contribution Retirement
4 System, thus expanding the membership base of the new system and meeting
5 the objectives which led to the establishment of the Defined Contribution
6 Plan—to preserve the integrity of the Government of Guam Retirement
7 System for the future of all its prospective retirees.

8 **Section 3.** Section 8164(a) of Article 1, Chapter 8 of Title 4 of the Guam
9 Code Annotated is hereby *amended* to read as follows:

10 **"(a) Members' Contribution Reserve.** The amounts contributed
11 by the members shall be credited to this reserve, together with regular
12 interest thereon as herein provided. An individual account shall be
13 maintained for each member, to which shall be credited the amounts of
14 his contributions and interest thereon. Regular interest on such
15 contributions shall be credited annually, as of the close of each year and
16 shall be allowed only on the amount of the accumulated contributions
17 standing to the credit of each member at the close of each year. A
18 statement of account shall be issued to each member, annually, as of the
19 end of each fiscal year, showing the amount of his accumulated
20 contributions plus interest.

21 Upon the granting of a service retirement annuity, disability
22 annuity or survivors annuity or benefit, the accumulated contributions,
23 including interest, to the credit of the member concerned shall be
24 transferred from this reserve to the retirement reserve. Refunds and

1 death benefit payments representing members' contributions shall be
2 charged to this reserve.

3 Upon effective election by a member to participate in the Defined
4 Contribution Retirement System in accordance with the provisions of
5 §8207 of this Chapter, the accumulated contributions, including interest,
6 to the credit of the member concerned shall be transferred from this
7 reserve to the member's account in the Defined Contribution Retirement
8 System and treated as the member's contribution, *subject* to distribution
9 limitations applicable to funds in the member's account."

10 **Section 4.** Section 8164(b) of Article 1, Chapter 8 of Title 4 of the Guam
11 Code Annotated is hereby *amended* to read as follows:

12 **"(b) Employer's Contribution Reserve.** The amounts
13 contributed by the Government under the provisions hereof, for service
14 retirement annuity, disability retirement annuity and benefits to
15 survivors covering membership service and prior service, shall be
16 credited to this reserve. Regular interest shall be credited annually
17 upon the mean amount in the reserve.

18 Upon granting of a service retirement annuity, disability
19 retirement annuity or survivors' benefit, an amount representing the
20 excess of the actuarial value of the annuity or benefit over the
21 accumulated contributions of the member, including interest, shall be
22 transferred from this reserve to the retirement reserve.

23 Upon effective election by a member to participate in the Defined
24 Contribution Retirement System in accordance with the provisions of
25 §8207 of this Chapter, an amount equal to five percent (5%) of the

1 member's annual base pay for each year of creditable service
2 immediately prior to the member's transfer, up to a maximum of five (5)
3 years, not including interest, shall be transferred from this reserve to the
4 Transfer Incentive Reserve in accordance with §8209.1(b) of this Chapter
5 and shall be subject to the distribution limitations as promulgated by
6 the board. Transfers made pursuant to this Subsection constitute a
7 window benefit to the transferring member and shall *not* be available
8 after December 31, 1999."

9 **Section 5.** Section 8201(o) is hereby *added* to Article 2, Chapter 8 of Title
10 4 of the Guam Code Annotated to read as follows:

11 "(o) '*Transfer Incentive Reserve*' means an account established for
12 the benefit of the member under a trust agreement to record the deposit
13 of rollover funds received from the Employer's Contribution Reserve in
14 accordance with §8164(b) of this Chapter, and shall include subsequent
15 interest, dividends, and/or other accumulations credited or debited on
16 behalf of the member, all of which shall be segregated from member and
17 employer contributions and shall be subject to distribution limitations in
18 accordance with this Article and as set forth in rules promulgated by the
19 Board."

20 **Section 6.** Section 8207 of Article 2, Chapter 8 of Title 4 of the Guam
21 Code Annotated is hereby *amended* to read as follows:

22 "Section 8207. **Voluntary Participation in System.**

23 (a) Any member, with less than twenty (20) years service
24 credit, recognized under the existing system may, upon written

1 election, voluntarily elect membership in the Government of
2 Guam Defined Contribution Retirement System, on a prospective
3 basis, on or after October 1, 1995. Said member of the existing
4 retirement system upon election to withdraw his or her
5 contribution plus interest, must then deposit such funds in the
6 Government of Guam Defined Contribution Retirement System;
7 and as a result thereof, such member's years of service credit in
8 the existing system shall be applied toward the years of
9 employment service for vesting purposes under §8210 of this
10 Article, and no further benefits will be payable to such member
11 under the existing retirement system. Members electing to
12 transfer to the Defined Contribution Retirement System will have
13 their transfers effective at the end of the first pay period following
14 the month of transfer. Employees will have fifty-one (51) months,
15 after enactment of this legislation in which to elect to transfer to
16 the Defined Contribution Retirement System. After having made
17 such election, the employee may *not* change such election or again
18 become a member of the existing retirement system. Any member
19 who does *not* select one (1) option or the other at the end of the
20 fifty-one month period shall be deemed to have irrevocably
21 elected to be a member in the existing system."

22 **Section 7.** Section §218(h) of Article 2, Chapter 8 of Title 4 of the Guam
23 Code Annotated is hereby *amended* to read as follows:

24 "(h) Process pre--October 1, 1995, hire elections, transfer
25 accumulated member contributions from existing retirement system to

1 defined contribution plan or calculate frozen accrued benefits in existing
2 retirement plan as appropriate. This step is to be completed within
3 fifty-one (51) months of enactment of enabling legislation.”

4 **Section 8.** Section §209.1 is hereby *added* to Article 2, Chapter 8 of Title
5 4 of the Guam Code Annotated to read as follows:

6 **“Section 8209.1. Rollover from Member's and Employer's**
7 **Contributions Reserves. (a) Rollover of Member's**
8 **Contributions.** Amounts transferred from the Member's Contribution
9 Reserve in accordance with Subsection (a) of §8164 of this Chapter shall
10 be deposited to the member's account established for the benefit of the
11 member under a trust agreement, and shall be subject to distribution
12 limitations as provided in rules promulgated by the board. A statement
13 of account shall be issued to each member of the Government of Guam
14 Defined Contribution Retirement System who maintains an individual
15 account in this Reserve, annually, as of the end of each fiscal year,
16 showing the amount of the member's rolled over contributions and
17 interest, dividends and/or other accumulations credited or debited on
18 behalf of the member.

19 **(b) Rollover of Employer's Contributions.** Amounts
20 transferred from the Employer's Contribution Reserve to fund transfer
21 incentive benefits in accordance with Subsection (b) of §8164 of this
22 Chapter shall be deposited to the member's account in a Transfer
23 Incentive Reserve established for the benefit of the member under a
24 trust agreement. The Transfer Incentive Reserve shall be segregated

1 from employer contributions, and an individual account shall be
2 maintained for each member and include subsequent interest,
3 dividends, and/or any other accumulations credited or debited on
4 behalf of the member."

5 **Section 9.** Section 8210 of Article 2, Chapter 8 of Title 4 of the Guam
6 Code Annotated is hereby *amended* to read as follows:

7 **"Section 8210. Termination of Membership.** (a) Any
8 member who leaves government service after the completion of five (5)
9 complete years of employment service, for vesting purposes shall be
10 eligible following his or her attainment of age fifty-five (55) to receive a
11 distribution from the member's account of an amount equal to the
12 member's contribution plus one hundred percent (100%) of the
13 employer contributions and amounts in the member's Transfer
14 Incentive Reserve and any earnings thereon.

15 (b) Any member who leaves government service after the
16 completion of five (5) years, but less than twenty (20) years of service
17 shall be eligible to receive a distribution from the member's account, an
18 amount equal to the member's contributions plus any earnings thereon,
19 provided said member is less than fifty-five (55) years of age at
20 termination. The board shall promulgate rules and regulations to
21 determine reinstatement of vesting service with respect to future
22 government contributions upon reemployment of the member.

23 (c) Any member who leaves government service prior to the
24 completion of five (5) complete years of employment service for vesting
25 purposes shall be eligible to receive a distribution from the member's

1 account of an amount equal to the member's contributions, plus any
2 earnings thereon following his or her termination of employment.

3 (d) Notwithstanding any of the foregoing in the event of
4 permanent and total disability or death of any member, that member or
5 his or her beneficiary shall be eligible to receive a distribution equal to
6 the member's contributions plus one hundred percent (100%) of the
7 employer's contributions and amounts in the member's Transfer
8 Incentive reserve and any earnings thereon.

9 (e) The remaining balance, if any, in the member's account after
10 the distribution shall be credited to a suspense account. Any account
11 balances credited to the suspense account shall be maintained by the
12 board for a period of five (5) years following termination of the
13 member's employment. In the event that the member does *not* return to
14 the employ of the employer within said five (5) years, the amount
15 attributable to such member shall be released from the suspense account
16 and applied to employer contributions in future years. The aggregate
17 amount of forfeitures released from the suspense account at the end of
18 each fiscal year will be applied as contributions of contributing
19 employers in proportion to the aggregate amount of contributions made
20 by the contributing employer for the five (5) fiscal years ending with the
21 fiscal year in which the forfeitures are released from the suspense
22 account bears to the total contributions made by all contributing
23 employers for the same five (5) fiscal year period. Upon certification to
24 the several contributing employers of the aggregate account balances
25 plus earnings thereon which have been irrevocably forfeited pursuant to

1 this §8210, the several contributing employers shall be permitted in the
2 next succeeding fiscal year or years to reduce their total aggregate
3 contribution requirement pursuant to §8209 of this Article, for the then
4 current fiscal year by an amount equal to the aggregate amounts
5 irrevocably forfeited and certified as such to each contributing
6 employer.

7 (f) Any member or, in the event of death of any member, that
8 member or his or her beneficiary may elect to receive that member's
9 Transfer Incentive Reserve authorized in this Section in a lump sum
10 payment."

11 **Section 10. Severability.** *If* any of the provisions of this Act or
12 the application thereof to any person or circumstances are held invalid, such
13 invalidity shall *not* affect any other provision of application of this Act, which
14 can be given effect without the invalid provisions or application, and to this
15 end the provisions of this Act are severable.

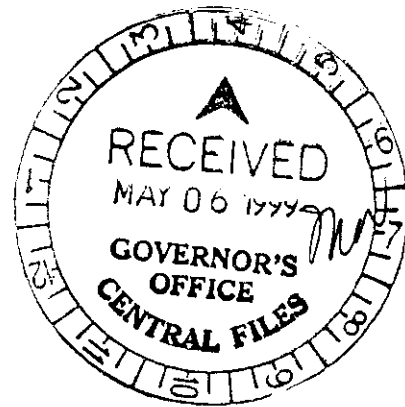
16 **Section 11. Effective Date.** This Act shall be effective upon
17 enactment; *except* that the Transfer Incentive Benefit authorized in this Act
18 shall be applicable retroactively to transfers from the Defined Benefit Plan to
19 the Defined Contribution Retirement System made on or after October 1, 1995.



MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN
TWENTY-FIFTH GUAM LEGISLATURE
155 Hesler Street, Hagåtña, Guam 96910

May 5, 1999

The Honorable Carl T.C. Gutierrez
I Maga'lahaen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910



Dear *Maga'lahi* Gutierrez:

Transmitted herewith are Substitute Bill Nos. 46 (COR) and 185 (COR) and Bill Nos. 64 (COR), 67 (COR), 76 (COR) and 91 (COR) which were passed by *I Mina' Bente Singko Na Liheslaturan Guåhan* on May 3, 1999.

Sincerely,

JOANNE M.S. BROWN
Senator and Legislative Secretary

Enclosure (6)

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session

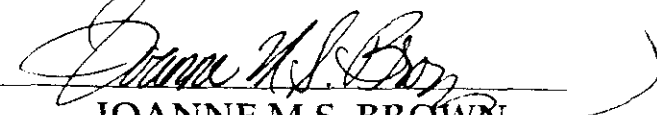
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 185 (COR), "AN ACT TO *AMEND* §§8207, 8210, 8164(a), 8164(b) AND 8218(h), AND TO *ADD* §§8209.1 AND 8201(o), ALL TO CHAPTER 8 OF TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM," was on the 3rd of May, 1999, duly and regularly passed.



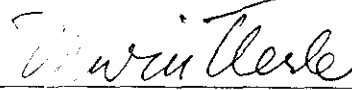
ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahaen Guahan this 6th day of May, 1999,
at 4:05 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: _____

Public Law No. _____

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
1999 (FIRST) Regular Session

Bill No. 185 (COR)

As substituted by the Author
and amended on the Floor.

Introduced by:

V. C. Pangelinan
K. S. Moylan
F. B. Aguon, Jr.
E. C. Bermudes
A. C. Blaz
J. M.S. Brown
E. B. Calvo
M. G. Camacho
Mark Forbes
L. F. Kasperbauer
A.C. Lamorena, V
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J. C. Salas
S. A. Sanchez, II
A. R. Unpingco

AN ACT TO *AMEND* §§8207, 8210, 8164(a), 8164(b)
AND 8218(h), AND TO *ADD* §§8209.1 AND 8201(o),
ALL TO CHAPTER 8 OF TITLE 4 OF THE GUAM
CODE ANNOTATED, RELATIVE TO EXTENDING
THE TRANSFER PERIOD OF THE MEMBERS OF
THE GOVERNMENT OF GUAM RETIREMENT
FUND TO THE DEFINED CONTRIBUTION
RETIREMENT SYSTEM.

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

2 **Section 1. Legislative Findings.** *I Liheslaturan Guåhan* finds that
3 Public Law Number 23-42, which established the Defined Contribution
4 Retirement System for all new employees of the government of Guam whose
5 employment commences on or after October 1, 1995, was enacted to protect
6 and preserve the fiscal soundness of the existing Defined Benefit Retirement
7 System, for the benefit of all members, present and future. To achieve this
8 objective, a certain number of members of the Defined Benefits Plan had to,
9 and were expected to, transfer to the newly-created Defined Contribution
10 Plan. The Government of Guam Retirement Fund and its actuary estimated
11 that approximately thirty-five percent (35%) of the members of the Defined
12 Benefits Retirement System with less than five (5) years of service and twenty-
13 five percent (25%) of the members with service between five (5) and twenty
14 (20) years of service would elect to transfer to the Defined Contribution
15 Retirement System. Actual transfers, *however*, fell much below expectations.

16 *I Liheslaturan Guåhan* further finds that creating incentives for those
17 enrolled in the Defined Benefits Plan to transfer to the Defined Contribution
18 Plan will have:

- 19 (1) a positive effect on the financial stability of the Defined
20 Benefits Plan;
- 21 (2) further reduce the unfunded liability of the Retirement
22 Fund; *and*
- 23 (3) increase the security ratio of the Retirement Fund.

1 **Section 2. Legislative Intent.** It is therefore the intent of /
2 *Liheslaturan Guåhan* to provide incentives for members of the Defined Benefits
3 Retirement System who transfer to the Defined Contribution Retirement
4 System, thus expanding the membership base of the new system and meeting
5 the objectives which led to the establishment of the Defined Contribution
6 Plan—to preserve the integrity of the Government of Guam Retirement
7 System for the future of all its prospective retirees.

8 **Section 3.** Section 8164(a) of Article 1, Chapter 8 of Title 4 of the Guam
9 Code Annotated is hereby *amended* to read as follows:

10 **"(a) Members' Contribution Reserve.** The amounts contributed
11 by the members shall be credited to this reserve, together with regular
12 interest thereon as herein provided. An individual account shall be
13 maintained for each member, to which shall be credited the amounts of
14 his contributions and interest thereon. Regular interest on such
15 contributions shall be credited annually, as of the close of each year and
16 shall be allowed only on the amount of the accumulated contributions
17 standing to the credit of each member at the close of each year. A
18 statement of account shall be issued to each member, annually, as of the
19 end of each fiscal year, showing the amount of his accumulated
20 contributions plus interest.

21 Upon the granting of a service retirement annuity, disability
22 annuity or survivors annuity or benefit, the accumulated contributions,
23 including interest, to the credit of the member concerned shall be
24 transferred from this reserve to the retirement reserve. Refunds and

1 death benefit payments representing members' contributions shall be
2 charged to this reserve.

3 Upon effective election by a member to participate in the Defined
4 Contribution Retirement System in accordance with the provisions of
5 §8207 of this Chapter, the accumulated contributions, including interest,
6 to the credit of the member concerned shall be transferred from this
7 reserve to the member's account in the Defined Contribution Retirement
8 System and treated as the member's contribution, *subject* to distribution
9 limitations applicable to funds in the member's account."

10 **Section 4.** Section 8164(b) of Article 1, Chapter 8 of Title 4 of the Guam
11 Code Annotated is hereby *amended* to read as follows:

12 **"(b) Employer's Contribution Reserve.** The amounts
13 contributed by the Government under the provisions hereof, for service
14 retirement annuity, disability retirement annuity and benefits to
15 survivors covering membership service and prior service, shall be
16 credited to this reserve. Regular interest shall be credited annually
17 upon the mean amount in the reserve.

18 Upon granting of a service retirement annuity, disability
19 retirement annuity or survivors' benefit, an amount representing the
20 excess of the actuarial value of the annuity or benefit over the
21 accumulated contributions of the member, including interest, shall be
22 transferred from this reserve to the retirement reserve.

23 Upon effective election by a member to participate in the Defined
24 Contribution Retirement System in accordance with the provisions of
25 §8207 of this Chapter, an amount equal to five percent (5%) of the

1 member's annual base pay for each year of creditable service
2 immediately prior to the member's transfer, up to a maximum of five (5)
3 years, not including interest, shall be transferred from this reserve to the
4 Transfer Incentive Reserve in accordance with §8209.1(b) of this Chapter
5 and shall be subject to the distribution limitations as promulgated by
6 the board. Transfers made pursuant to this Subsection constitute a
7 window benefit to the transferring member and shall *not* be available
8 after December 31, 1999."

9 **Section 5.** Section 8201(o) is hereby *added* to Article 2, Chapter 8 of Title
10 4 of the Guam Code Annotated to read as follows:

11 "(o) '*Transfer Incentive Reserve*' means an account established for
12 the benefit of the member under a trust agreement to record the deposit
13 of rollover funds received from the Employer's Contribution Reserve in
14 accordance with §8164(b) of this Chapter, and shall include subsequent
15 interest, dividends, and/or other accumulations credited or debited on
16 behalf of the member, all of which shall be segregated from member and
17 employer contributions and shall be subject to distribution limitations in
18 accordance with this Article and as set forth in rules promulgated by the
19 Board."

20 **Section 6.** Section 8207 of Article 2, Chapter 8 of Title 4 of the Guam
21 Code Annotated is hereby *amended* to read as follows:

22 **"Section 8207. Voluntary Participation in System.**

23 (a) Any member, with less than twenty (20) years service
24 credit, recognized under the existing system may, upon written

1 election, voluntarily elect membership in the Government of
2 Guam Defined Contribution Retirement System, on a prospective
3 basis, on or after October 1, 1995. Said member of the existing
4 retirement system upon election to withdraw his or her
5 contribution plus interest, must then deposit such funds in the
6 Government of Guam Defined Contribution Retirement System;
7 and as a result thereof, such member's years of service credit in
8 the existing system shall be applied toward the years of
9 employment service for vesting purposes under §8210 of this
10 Article, and no further benefits will be payable to such member
11 under the existing retirement system. Members electing to
12 transfer to the Defined Contribution Retirement System will have
13 their transfers effective at the end of the first pay period following
14 the month of transfer. Employees will have fifty-one (51) months,
15 after enactment of this legislation in which to elect to transfer to
16 the Defined Contribution Retirement System. After having made
17 such election, the employee may *not* change such election or again
18 become a member of the existing retirement system. Any member
19 who does *not* select one (1) option or the other at the end of the
20 fifty-one month period shall be deemed to have irrevocably
21 elected to be a member in the existing system."

22 **Section 7.** Section 8218(h) of Article 2, Chapter 8 of Title 4 of the Guam
23 Code Annotated is hereby *amended* to read as follows:

24 "(h) Process pre--October 1, 1995, hire elections, transfer
25 accumulated member contributions from existing retirement system to

1 defined contribution plan or calculate frozen accrued benefits in existing
2 retirement plan as appropriate. This step is to be completed within
3 fifty-one (51) months of enactment of enabling legislation.”

4 **Section 8.** Section 8209.1 is hereby *added* to Article 2, Chapter 8 of Title
5 4 of the Guam Code Annotated to read as follows:

6 **“Section 8209.1. Rollover from Member's and Employer's**
7 **Contributions Reserves. (a) Rollover of Member's**
8 **Contributions.** Amounts transferred from the Member's Contribution
9 Reserve in accordance with Subsection (a) of §8164 of this Chapter shall
10 be deposited to the member's account established for the benefit of the
11 member under a trust agreement, and shall be subject to distribution
12 limitations as provided in rules promulgated by the board. A statement
13 of account shall be issued to each member of the Government of Guam
14 Defined Contribution Retirement System who maintains an individual
15 account in this Reserve, annually, as of the end of each fiscal year,
16 showing the amount of the member's rolled over contributions and
17 interest, dividends and/or other accumulations credited or debited on
18 behalf of the member.

19 **(b) Rollover of Employer's Contributions.** Amounts
20 transferred from the Employer's Contribution Reserve to fund transfer
21 incentive benefits in accordance with Subsection (b) of §8164 of this
22 Chapter shall be deposited to the member's account in a Transfer
23 Incentive Reserve established for the benefit of the member under a
24 trust agreement. The Transfer Incentive Reserve shall be segregated

1 from employer contributions, and an individual account shall be
2 maintained for each member and include subsequent interest,
3 dividends, and/or any other accumulations credited or debited on
4 behalf of the member."

5 **Section 9.** Section 8210 of Article 2, Chapter 8 of Title 4 of the Guam
6 Code Annotated is hereby *amended* to read as follows:

7 **"Section 8210. Termination of Membership.** (a) Any
8 member who leaves government service after the completion of five (5)
9 complete years of employment service, for vesting purposes shall be
10 eligible following his or her attainment of age fifty-five (55) to receive a
11 distribution from the member's account of an amount equal to the
12 member's contribution plus one hundred percent (100%) of the
13 employer contributions and amounts in the member's Transfer
14 Incentive Reserve and any earnings thereon.

15 (b) Any member who leaves government service after the
16 completion of five (5) years, but less than twenty (20) years of service
17 shall be eligible to receive a distribution from the member's account, an
18 amount equal to the member's contributions plus any earnings thereon,
19 provided said member is less than fifty-five (55) years of age at
20 termination. The board shall promulgate rules and regulations to
21 determine reinstatement of vesting service with respect to future
22 government contributions upon reemployment of the member.

23 (c) Any member who leaves government service prior to the
24 completion of five (5) complete years of employment service for vesting
25 purposes shall be eligible to receive a distribution from the member's

1 account of an amount equal to the member's contributions, plus any
2 earnings thereon following his or her termination of employment.

3 (d) Notwithstanding any of the foregoing in the event of
4 permanent and total disability or death of any member, that member or
5 his or her beneficiary shall be eligible to receive a distribution equal to
6 the member's contributions plus one hundred percent (100%) of the
7 employer's contributions and amounts in the member's Transfer
8 Incentive reserve and any earnings thereon.

9 (e) The remaining balance, if any, in the member's account after
10 the distribution shall be credited to a suspense account. Any account
11 balances credited to the suspense account shall be maintained by the
12 board for a period of five (5) years following termination of the
13 member's employment. In the event that the member does *not* return to
14 the employ of the employer within said five (5) years, the amount
15 attributable to such member shall be released from the suspense account
16 and applied to employer contributions in future years. The aggregate
17 amount of forfeitures released from the suspense account at the end of
18 each fiscal year will be applied as contributions of contributing
19 employers in proportion to the aggregate amount of contributions made
20 by the contributing employer for the five (5) fiscal years ending with the
21 fiscal year in which the forfeitures are released from the suspense
22 account bears to the total contributions made by all contributing
23 employers for the same five (5) fiscal year period. Upon certification to
24 the several contributing employers of the aggregate account balances
25 plus earnings thereon which have been irrevocably forfeited pursuant to

1 this §8210, the several contributing employers shall be permitted in the
2 next succeeding fiscal year or years to reduce their total aggregate
3 contribution requirement pursuant to §8209 of this Article, for the then
4 current fiscal year by an amount equal to the aggregate amounts
5 irrevocably forfeited and certified as such to each contributing
6 employer.

7 (f) Any member or, in the event of death of any member, that
8 member or his or her beneficiary may elect to receive that member's
9 Transfer Incentive Reserve authorized in this Section in a lump sum
10 payment."

11 **Section 10. Severability.** *If any of the provisions of this Act or*
12 *the application thereof to any person or circumstances are held invalid, such*
13 *invalidity shall not affect any other provision of application of this Act, which*
14 *can be given effect without the invalid provisions or application, and to this*
15 *end the provisions of this Act are severable.*

16 **Section 11. Effective Date.** This Act shall be effective upon
17 enactment; *except* that the Transfer Incentive Benefit authorized in this Act
18 shall be applicable retroactively to transfers from the Defined Benefit Plan to
19 the Defined Contribution Retirement System made on or after October 1, 1995.

I MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN

1999 (FIRST) Regular Session

Date: _____

VOTING SHEET

Bill No. _____

Resolution No. _____

Question: _____

<u>NAME</u>	<u>YEAS</u>	<u>NAYS</u>	<u>NOT VOTING/ ABSTAINED</u>	<u>OUT DURING ROLL CALL</u>	<u>ABSENT ROLL CALL</u>
AGUON, Frank B., Jr.					
BLAZ, Anthony C.					
BERMUDES, Eulogio C.					
BROWN, Joanne M. S.					
CALVO, Eddie B.					
CAMACHO, Marcel G.					
FORBES, Mark					
KASPERBAUER, Lawrence F.					
LAMORENA, Alberto C., V					
LEON GUERRERO, Carlotta A.					
MOYLAN, Kaleo Scott					
PANGELINAN, Vicente C.					
SALAS, John C.					
SANCHEZ, Simon A., II					
UNPINGCO, Antonio R.					

TOTAL

_____ 10 _____ - 0 - _____

CERTIFIED TRUE AND CORRECT:

Clerk of the Legislature

* 3 Passes = No vote
EA = Excused Absence



MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN
TWENTY-FIFTH GUAM LEGISLATURE
155 Hesler Street, Hagåtña, Guam 96910

April 26, 1999
(DATE)

Memorandum

To: Senator VICENTE C. PANGELINAN

From: Clerk of the Legislature

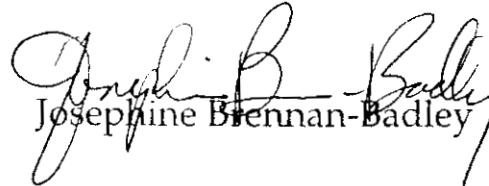
Subject: Report on Bill No. 185 (COR)

FILE

COPY

Pursuant to §7.04 of Rule VII of the 25th Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 185 (COR), for which you are the prime sponsor.

Should you have any questions or need further information, please call the undersigned at 472-3464/5.


Josephine Brennan-Badley

Attachment

FILE
FILE
FILE
FILE

Senator Kaleo S. Moylan
Chairperson, Committee on Housing,
General Government Services and Foreign Affairs
Mina' Bente Singko Na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature

April 23, 1999

Honorable Antonio R. Unpingco
Speaker
Mina' Bente Singko Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

VIA: Chairperson, Committee on Rules, Government Reform, Reorganization and
Federal Affairs

Dear Mr. Speaker:

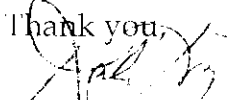
The Committee on Housing, General Government Services and Foreign Affairs, to which was referred Bill No. 185 (COR), "AN ACT TO AMEND SUBSECTIONS (a) AND (b) OF §164, §207 AND SUBSECTION (h) OF §218, AND TO ADD A NEW §209.1, ALL OF CHAPTER 8 OF TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM," has had the same under consideration and now wishes to report back the same with the recommendation to do pass.

The Committee votes are as follows:

To Do Pass
 Not to Pass
 Abstain
 Inactive File

A copy of the Committee Report and other pertinent documents are attached for your immediate reference and information.

Thank you,



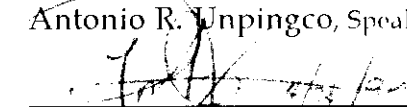

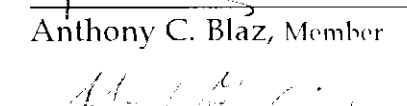
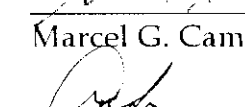
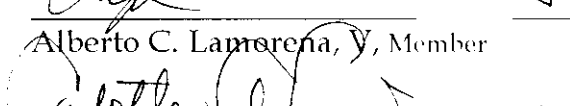
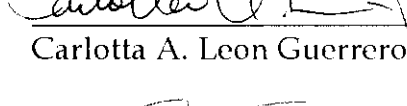


KALEO S. MOYLAN
Chairperson

Enclosure:

Committee on Housing, General Government Services and Foreign Affairs
Vote Sheet on
Bill No. 185 (COR)

AN ACT TO AMEND SUBSECTIONS (a) AND (b) OF 8164, SECTION 8207 AND SUBSECTION (h) OF SECTION 8218, AND TO ADD A NEW SECTIN 8209.1, ALL OF CHAPTER 8 OF TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM.

COMMITTEE MEMBER	TO PASS	NOT TO PASS	ABSTAIN	INACTIVE FILE
------------------	---------	-------------	---------	---------------

Kaleo S. Moylan, Chairperson				
 John C. Salas, Vice Chairperson	✓			
 Antonio R. Unpingco, Speaker & Ex-Officio	✓			
 Frank B. Aguon, Jr., Member	✓			
 Anthony C. Blaz, Member				
 Marcel G. Camacho, Member				
 Alberto C. Lamorena, Member	✓			
 Carlotta A. Leon Guerrero, Member	✓			
 Vicente C. Pangelinan, Member	✓			
 Simon A. Sanchez, Member	✓			

**COMMITTEE ON HOUSING
GENERAL GOVERNMENT SERVICES
AND FOREIGN AFFAIRS**
1 Mina Bente Sinko Na Liheslaturan Guahan
155 Hesler Street
Hagatna, Guam 96932

**COMMITTEE REPORT
ON
BILL NO. 185**

AN ACT TO AMEND SUBSECTIONS (a) AND (b) OF 8164, SECTION 8207 AND SUBSECTION (h) OF SECTION 8218, AND TO ADD A NEW SECTION 8209.1, ALL OF CHAPTER 8 OF TITLE 4, GUAM CODE ANNOTATED, RELATIVE TO EXTENDING THE TRANSFER PERIOD OF THE MEMBERS OF THE GOVERNMENT OF GUAM RETIREMENT FUND TO THE DEFINED CONTRIBUTION RETIREMENT SYSTEM.

COMMITTEE MEMBERS
CHAIRMAN: Senator Kaleo S. Moylan
Vice Chairman: Senator John C. Salas

Senator Frank B. Agnon, Jr.
Senator Marcel G. Camacho
Senator Carlotta A. Leon Guerrero
Senator Simon A. Sanchez, II.

Senator Anthony C. Blaz
Senator Albert C. Lamorena, V.
Senator Vicente C. Pangelinan
Senator Antonio R. Unpingco, Speaker

**COMMITTEE ON HOUSING
GENERAL GOVERNMENT SERVICES
AND FOREIGN AFFAIRS**

I Mina Bente Singko Na Liheslaturan Guahan
155 Hesler Street Hagatna, Guam 96932

**COMMITTEE REPORT
ON
BILL NO. 185**

INTRODUCTION

The Committee on Housing, General Government Services and Foreign Affairs conducted a Public Hearing at 8:30 a.m., on Wednesday, April 21, 1999, in the Public Hearing Room of the Guam Legislature in Hagatna.

Committee Members Present:

Senator Kaleo S. Moylan, Chairman
Senator Frank B. Aguon, Jr.
Senator Albert C. Lamorena, V
Senator Vicente C. Pangelinan
Senator Marcel G. Camacho

Other Senators Present

Senator Lawrence F. Kasperbauer
Senator Eduardo B. Calvo

Witnesses: Written Testimony

John Rios, Director
Government of Guam Retirement Fund
Vincent Camacho, Vice President
BenefitsCorp-Micronesia Operations
Tomas Mendiola, Legislative Rep
Guam Association of Retired Persons

Written Testimony

Oral Testimony

Committee Chair, Senator Kaleo Moylan, opened the public hearing on Bill 185 and recognized **Senator Vicente Pangelinan** to give an overview of the Bill's intent.

Mr. John Rios, Director, Government of Guam Retirement Fund, submitted written testimony in support of Bill 185 and included a Position Statement Regarding from the Board of Trustees. He supports the financial incentives in Bill 185 for employees to transfer over without additional cost to the government or the Retirement Fund. Mr. Rios offered some technical corrections and amendments on the bill detailed in the Board of Trustees Position Statement. He also requested extending the transfer deadline between Plans from September 30, 1999 to December 31, 1999.

Mr. Vincent Camacho, Vice President, BenefitsCorp-Micronesia Operations, submitted written testimony in support of Bill 185. He indicated that over the last several months there has been an increase in the number of individuals transferring from the Defined Benefit Plan to the Defined Contribution Plan and that the potential for more is there if people were given more time for an informed decision on the matter.

Mr. Tomas Mendiola, Legislative Representative of the Guam Association of Retired Persons, gave oral testimony indicating the group needed more time to review the proposed measure.

COMMITTEE FINDINGS

The Committee finds that Public Law 23-42, which established the Defined Contribution Retirement System for all new employees of the Government of Guam whose employment commence on or after October 1, 1995, was enacted to protect and preserve the soundness of the existing Defined Benefits Retirement System. To achieve this objective, some members of the Defined Benefits Plan have the option to transfer to the Defined Contribution Plan. The Government of Guam Retirement Fund and its actuary estimated that approximately 35% of the members of the Defined Benefits Plan with less than 5 years of service and 25% of the members with service between 5 and 20 years of service would elect to transfer to the Defined Contribution Plan. However, actual transfers fell far below expectations.

The Committee further finds that creating incentives for those enrolled in the Defined Benefits Plan to transfer to the Defined Contributions Plan will have a positive financial impact on the Defined Benefits Plan and reduce the unfunded liability of the Retirement Fund while increasing the security ratio of the Retirement Fund. Section 5 of Public Law 23-42 provides that employees who elect to transfer to the Defined Contribution Plan have three (3) years after enactment to do so and it further provides that any member who does not select one option or the other at the end of two (2) years shall be deemed to have irrevocably elected to be a member of the existing system. It is the Committee's findings that a time extension in both instances will not only afford potential transferees to make an informed decision but increase the number of such transferees which would be to the financial stability of the Defined Benefits Plan.

COMMITTEE RECOMMENDATIONS

The Committee on Housing, General Government Services and Foreign Affairs hereby reports out Bill No. 185 to the Twenty-Fifth Guam Legislature with the recommendation **TO PASS, as amended**.



MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
Kumitean Areklamento, Refotman Gubetnamento Siha, Inetnon di Nuebu, yan Asunton Fidirat

*Senadot Mark Forbes, Gehilu
Kabisiyon Mayurat*

APR 12 1999

MEMORANDUM

TO: Chairman
Committee on Housing, General Government Services and Foreign Affairs

FROM: Chairman *[Signature]*
Committee on Rules, Government Reform, Reorganization
and Federal Affairs

SUBJECT: Principal Referral – Bill No. 185

The above bill is referred to your Committee as the Principal Committee. In accordance with Section 6.04.05. of the Standing Rules, your Committee "shall be the Committee to perform the public hearing and have the authority to amend or substitute the bill, as well as report the bill out to the Body." It is recommended that you schedule a public hearing at your earliest convenience.

Thank you for your attention to this matter.

MARK FORBES

Attachment

GUAM LEGISLATURE	
OFFICE OF SENATOR KALEO S. MOYLAN	
ACKNOWLEDGEMENT RECEIPT	
Date: <u>4/12/99</u>	Time: <u>12:42 PM</u>
Received by: <u><i>[Signature]</i></u>	

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
1999 (FIRST) Regular Session

Bill No. 185

As substituted by the author:

v. c. pangelinan

K. Moylan

L. P. Pangelinan, Jr.

**AN ACT TO AMEND §§ 8207 AND 8210,
SUBSECTIONS (a) AND (b) OF §8164, AND
SUBSECTION (h) OF §8218, AND TO ADD A NEW
§8209.1 AND A NEW SUBSECTION (c) TO §8201,
ALL OF CHAPTER 8 OF TITLE 4, GUAM CODE
ANNOTATED, RELATIVE TO EXTENDING THE
TRANSFER PERIOD OF THE MEMBERS OF THE
GOVERNMENT OF GUAM RETIREMENT FUND
TO THE DEFINED CONTRIBUTION
RETIREMENT SYSTEM.**

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

2 **Section 1. Legislative Findings.** *I Liheslaturan Guåhan* finds that Public
3 Law Number 23-42, which established the Defined Contribution Retirement
4 System for all new employees of the Government of Guam whose
5 employment commences on or after October 1, 1995, was enacted to protect
6 and preserve the fiscal soundness of the existing Defined Benefit Retirement
7 System, for the benefit of all members, present and future. To achieve this
8 objective, a certain number of members of the Defined Benefits Plan had to,
9 and were expected to, transfer to the newly-created Defined Contribution
10 Plan. The Government of Guam Retirement Fund and its actuary estimated
11 that approximately thirty-five percent (35%) of the members of the Defined
12 Benefits Retirement System with less than five (5) years of service and twenty-

1 five percent (25%) of the members with service between five (5) and twenty
2 (20) years of service would elect to transfer to the Defined Contribution
3 Retirement System. Actual transfers, however, fell much below expectations.

4 *I Liheslaturan Guåhan* further finds that creating incentives for those
5 enrolled in the Defined Benefits Plan to transfer to the Defined Contribution
6 Plan will have:

7 (1) A positive effect on the financial stability of the Defined
8 Benefits Plan;

9 (2) Further reduce the unfunded liability of the Retirement
10 Fund; and

11 (3) Increase the security ratio of the Retirement Fund.

12 **Section 2. Legislative Intent.** It is therefore the intent of *I Liheslaturan*
13 *Guåhan* to provide incentives for members of the Defined Benefits Retirement
14 System who transfer to the Defined Contribution Retirement System, thus
15 expanding the membership base of the new system and meeting the objectives
16 which led to the establishment of the Defined Contribution Plan—to preserve
17 the integrity of the Government of Guam Retirement System for the future of
18 all its prospective retirees.

19 **Section 3.** Subsection (a) of 4 GCA §8164 is amended to read:

20 "(a) **Members' Contribution Reserve.** The amounts contributed
21 by the members shall be credited to this reserve, together with regular
22 interest thereon as herein provided. An individual account shall be
23 maintained for each member, to which shall be credited the amounts of
24 his contributions and interest thereon. Regular interest on such

1 contributions shall be credited annually, as of the close of each year and
2 shall be allowed only on the amount of the accumulated contributions
3 standing to the credit of each member at the close of each year. A
4 statement of account shall be issued to each member, annually, as of the
5 end of each fiscal year, showing the amount of his accumulated
6 contributions plus interest.

7 Upon the granting of a service retirement annuity, disability
8 annuity or survivors annuity or benefit, the accumulated contributions,
9 including interest, to the credit of the member concerned shall be
10 transferred from this reserve to the retirement reserve. Refunds and
11 death benefit payments representing members' contributions shall be
12 charged to this reserve.

13 Upon effective election by a member to participate in the Defined
14 Contribution Retirement System in accordance with the provisions of
15 §8207 of this Chapter, the accumulated contributions, including interest,
16 to the credit of the member concerned shall be transferred from this
17 reserve to the member's account in the Defined Contribution Retirement
18 System and treated as the member's contribution subject to distribution
19 limitations applicable to funds in the member's account."

20 **Section 4.** Subsection (b) of 4 GCA §8164 is amended to read:

21 "(b) **Employer's Contribution Reserve.** The amounts
22 contributed by the Government under the provisions hereof, for service
23 retirement annuity, disability retirement annuity and benefits to
24 survivors covering membership service and prior service, shall be

1 credited to this reserve. Regular interest shall be credited annually upon
2 the mean amount in the reserve.

3 Upon granting of a service retirement annuity, disability
4 retirement annuity or survivors' benefit, an amount representing the
5 excess of the actuarial value of the annuity or benefit over the
6 accumulated contributions of the member, including interest, shall be
7 transferred from this reserve to the retirement reserve.

8 Upon effective election by a member to participate in the Defined
9 Contribution Retirement System in accordance with the provisions of
10 §8207 of this Chapter, an amount equal to five percent (5%) of the
11 member's annual base pay for each year of creditable service
12 immediately prior to the member's transfer, up to a maximum of five (5)
13 years, not including interest, shall be transferred from this reserve to the
14 Transfer Incentive Reserve in accordance with subsection (b) of §8209.1
15 of this Chapter and shall be subject to the distribution limitations as
16 promulgated by the board. Transfers made pursuant to this subsection
17 constitute a window benefit to the transferring member and shall not be
18 available after December 31, 1999."

19 **Section 5.** Subsection (c) is hereby added to 4 GCA §8201 to read:

20 "(c) *Transfer Incentive Reserve* means an account established for
21 the benefit of the member under a trust agreement to record the deposit
22 of rollover funds received from the Employer's Contribution Reserve in
23 accordance with §8164(b) of this Chapter, and shall include subsequent
24 interest, dividends, and/or other accumulations credited or debited on

1 behalf of the member, all of which shall be segregated from member and
2 employer contributions and shall be subject to distribution limitations in
3 accordance with this Article and as set forth in rules promulgated by the
4 Board."

5 **Section 6.** 4 GCA §8207 is amended to read:

6 "**§8207. Voluntary Participation in System.** (a) Any member,
7 with less than twenty (20) years service credit, recognized under the
8 existing system may, upon written election, voluntarily elect
9 membership in the Government of Guam Defined Contribution
10 Retirement System, on a prospective basis, on or after October 1, 1995.
11 Said member of the existing retirement system upon election to
12 withdraw his or her contribution plus interest, must then deposit such
13 funds in the Government of Guam Defined Contribution Retirement
14 System; and as a result thereof, such member's years of service credit in
15 the existing system shall be applied toward the years of employment
16 service for vesting purposes under §8210 of this Article, and no further
17 benefits will be payable to such member under the existing retirement
18 system. Members electing to transfer to the Defined Contribution
19 Retirement System will have their transfers effective at the end of the
20 first pay period following the month of transfer. Employees will have
21 two (2) years fifty-one (51) months, after enactment of this legislation in
22 which to elect to transfer to the Defined Contribution Retirement
23 System. After having made such election, the employee may not change
24 such election or again become a member of the existing retirement

1 system. Any member who does not select one (1) option or the other at
2 the end of the ~~two-year~~ fifty-one month period shall be deemed to have
3 irrevocably elected to be a member in the existing system."

4 **Section 7.** Subsection (h) of 4 GCA §8218 is amended to read:

5 "(h) Process pre--October 1, 1995, hire elections, transfer
6 accumulated member contributions from existing retirement system to
7 defined contribution plan or calculate frozen accrued benefits in existing
8 retirement plan as appropriate. This step is to be completed within
9 ~~twenty-four (24)~~ fifty-one (51) months of enactment of enabling
10 legislation."

11 **Section 8.** §8209.1 is hereby added to 4 GCA to read:

12 "**§8209.1. Rollover from Member's and Employer's**
13 **Contributions Reserves.** (a) Rollover of Member's Contributions.
14 Amounts transferred from the Member's Contribution Reserve in
15 accordance with subsection (a) of §8164 of this chapter shall be
16 deposited to the member's account established for the benefit of the
17 member under a trust agreement, and shall be subject to distribution
18 limitations as provided in rules promulgated by the board. A statement
19 of account shall be issued to each member of the Government of Guam
20 Defined Contribution Retirement System who maintains an individual
21 account in this Reserve, annually, as of the end of each fiscal year,
22 showing the amount of the member's rolled over contributions and
23 interest, dividends and/or other accumulations credited or debited on
24 behalf of the member.

1 **(b) Rollover of Employer's Contributions.** Amounts
2 transferred from the Employer's Contribution Reserve to fund transfer
3 incentive benefits in accordance with subsection (b) of §8164 of this
4 Chapter shall be deposited to the member's account in a Transfer
5 Incentive Reserve established for the benefit of the member under a
6 trust agreement. The Transfer Incentive Reserve shall be segregated
7 from employer contributions and an individual account shall be
8 maintained for each member and include subsequent interest,
9 dividends, and/or any other accumulations credited or debited on
10 behalf of the member."

11 **Section 9.** 4 GCA §8210 is amended to read:

12 **"§8210. Termination of membership.** **(a)** Any member
13 who leaves government service after the completion of five (5) complete
14 years of employment service, for vesting purposes shall be eligible
15 following his or her attainment of age 55 to receive a distribution from
16 the member's account of an amount equal to the member's contribution
17 plus one hundred percent (100%) of the employer contributions and
18 amounts in the member's Transfer Incentive Reserve and any earnings
19 thereon.

20 **(b)** Any member who leaves government service after the
21 completion of five (5) years but less than twenty (20) years of service
22 shall be eligible to receive a distribution from the member's account, an
23 amount equal to the member's contributions plus any earnings thereon,
24 provided said member is less than fifty-five (55) years of age at

1 termination. The board shall promulgate rules and regulations to
2 determine reinstatement of vesting service with respect to future
3 government contributions upon reemployment of the member.

4 (c) Any member who leaves government service prior to the
5 completion of five (5) complete years of employment service for vesting
6 purposes shall be eligible to receive a distribution from the member's
7 account of an amount equal to the member's contributions plus any
8 earnings thereon following his or her termination of employment;
9 ~~provided, that~~

10 (d) Notwithstanding any of the foregoing in the event of
11 permanent and total disability or death of any member, that member or
12 his or her beneficiary shall be eligible to receive a distribution equal to
13 the member's contributions plus one hundred percent (100%) of the
14 employer's contributions and amounts in the member's Transfer
15 Incentive reserve and any earnings thereon.

16 (e) The remaining balance, if any, in the member's account after
17 the distribution shall be credited to a suspense account. Any account
18 balances credited to the suspense account shall be maintained by the
19 board for a period of five (5) years following termination of the
20 member's employment. In the event that the member does not return to
21 the employ of the employer within said five (5) years, the amount
22 attributable to such member shall be released from the suspense account
23 and applied to employer contributions in future years. The aggregate
24 amount of forfeitures released from the suspense account at the end of

1 each fiscal year will be applied as contributions of contributing
2 employers in proportion to the aggregate amount of contributions made
3 by the contributing employer for the five (5) fiscal years ending with the
4 fiscal year in which the forfeitures are released from the suspense
5 account bears to the total contributions made by all contributing
6 employers for the same five (5) fiscal year period. Upon certification to
7 the several contributing employers of the aggregate account balances
8 plus earnings thereon which have been irrevocably forfeited pursuant to
9 this § 8210, the several contributing employers shall be permitted in the
10 next succeeding fiscal year or years to reduce their total aggregate
11 contribution requirement pursuant to § 8209 of this Article, for the then
12 current fiscal year by an amount equal to the aggregate amounts
13 irrevocably forfeited and certified as such to each contributing
14 employer.

15 (f) Any member or, in the event of death of any member, that
16 member or his or her beneficiary may elect to receive that member's
17 Transfer Incentive Reserve authorized in this Section in a lump sum
18 payment."

19 **Section 10. Severability.** If any of the provisions of this Act or the
20 application thereof to any person or circumstances are held invalid, such
21 invalidity shall not affect any other provision of application of this Act, which
22 can be given effect without the invalid provisions or application, and to this
23 end the provisions of this Act are severable.

1 **Section 11. Effective Date.** This Act shall be effective upon enactment;
2 except that transfer incentive benefit authorized in this Act shall be applicable
3 retroactively to transfers from the Defined Benefit Plan to the Defined
4 Contribution Retirement System made on or after October 1, 1995.

BENEFITSCORP

Performance is the whole story.

April 21, 1999

Hafa Adai and Good Afternoon.

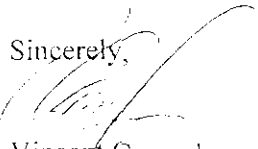
My name is Vince Camacho, Vice President, BenefitsCorp-Micronesian Operations, and I am here to provide in support of Bill No. 185.

With the implementation of the new Government of Guam Defined Contribution Retirement System (DCRS), the development of a comprehensive education plan was also needed. Since the onset, it has been the mission of BenefitsCorp to provide for members of the new retirement system, that level of education needed to make informed decisions regarding their retirement with the Government of Guam. In the past two and a half years we actively met and spoke with many individuals regarding the DCRS. For many of these government workers, the Defined Contribution System was truly a new concept—a concept that caused fear and apprehension. A comfortable retirement was still first and foremost in the minds of these individuals. The one question often asked was to allow them a little more time before they were to make a decision that would ultimately affect the financial outcome of their retirement.

Mr. Chairman, although Public Law 23-42 gave government employees some time to think about retirement with the DCRS, there were still others who needed more time. It was only in the last several months that we had begun to see an increase in the number of individuals transferring from the Defined Benefit Plan to the Defined Contribution System. When asked why it had taken the length of time it did to make the switch, many of the individuals responded that in addition to our seminars they needed this time to gather information on their own before a decision could be made. Even after the deadline to transfer had passed, our office was receiving requests for transfers. Mr. Chairman, whatever the reason for not having transferred prior to the original deadline, I see no harm in the time extension to transfer. To extend the deadline would only help to achieve the objectives that Public Law 23-42 set out to do—create a more financially stable Defined Benefits Plan, reduce the unfunded liability and increase the security ratio of the retirement fund. If it is the intention of the 25th Guam Legislature to see that the aforementioned does indeed occur, then I encourage full support from all members to expedite the passage of this bill.

Once again, BenefitsCorp supports the passage of Bill No. 185 as the outcome would only be beneficial to all members of the Government of Guam Retirement Fund.

Sincerely,


Vincent Camacho
VP BenefitsCorp
Micronesian Operations

Benefits Communication Corporation

Securities offered through BenefitsCorp Equities, Inc.

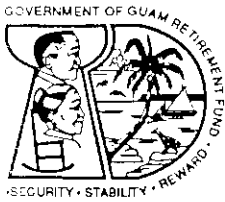
424-B, Route 8

Government of Guam Retirement Fund Bldg

Mongmong, Guam 96910

737-479-4100 • Fax: 737-479-4101

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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



April 21, 1999

Honorable Kaleo S. Moylan
Chairman, Committee on Housing,
General Governmental Services
and Foreign Affairs
Senator, Twenty-fifth Guam Legislature
Sinajana Shopping Mall, Phase II
Suite 16B, No. 777, Route 4
Sinajana, Guam 96926

Re: Testimony – Bill 185

Dear Mr. Chairman:

Good Afternoon Senator Moylan and Committee Members.

Thank you for allowing me to testify on Bill 185 relative to extending the period for members of the Defined Benefit Plan, or the "Old Plan," to transfer to the Defined Contribution Retirement System, or the "New Plan."

I am here today to support Bill 185.

We support efforts to encourage members of the Old Plan to transfer to the New Plan in order to achieve the goals underlying the creation of the New Plan. Bill 185 would create financial incentives to members to transfer over, without imposing additional costs to the government or to the Retirement Fund.

We had been concerned with Bill 185's predecessor, Bill 741, which would have allowed members to transfer to the New Plan and then withdraw the incentive upon termination of employment. Bill 741 did not contain safeguards to prevent members from transferring simply to access employer contributions otherwise inaccessible except for retirement.

Bill 185 addresses those concerns, and provides safeguards which would not allow the incentive amounts to be distributed until retirement, disability, or death.

There are some technical corrections to Bill 185 that we would like to see made, and these are contained in the Board of Trustee's position statement on Bill 185, also submitted to you today.



Testimony-Bill 185
April 21, 1999
Page 2

Again, thank you for affording me the opportunity to testify before your Committee. If we can be of any assistance to you in clarifying the provisions discussed today, please do not hesitate to contact me.

Sincerely,



JOHN A. RIOS
Director



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



GOVERNMENT OF GUAM RETIREMENT FUND
Board of Trustees
Position Statement Regarding Bill 185

April 21, 1999

I. SUMMARY OF THE BOARD'S POSITION

The Board of Trustees of the Government of Guam Retirement Fund supports Bill 185 introduced by Senator Vicente (Ben) C. Pangelinan and Senator Kaleo Moylan to the extent that it provides for an extension of time in which Defined Benefit Plan ("DB Plan") members may transfer to the Defined Contribution Retirement System ("DCRS"). The Board of Trustees also supports Bill 185 to the extent that it provides a financial incentive to encourage DB Plan members to transfer to the DCRS, without the need for additional funding by the government or by the Retirement Fund.

II. POSITION STATEMENT

A. Extension of Time to Transfer. The Board supports provisions of Bill 185, which extends the time in which a DB Plan member may elect to transfer to the DCRS to September 30, 1999.



B. Incentive Payment. The Board supports the Bill 185 to the extent that it provides for incentive payments to DB Plan members who elect to transfer to the DCRS, in an amount equal to 5% of each member's annual base pay, for each year of creditable service in the DB plan, to a maximum of five (5) years. The incentive is to be funded from employers' contributions already received from government employers, which currently are held in the Employers' Contribution Reserve in accordance with 4 G.C.A. § 8164(b).

C. Proposed Amendments regarding Employer Rollovers. In order to clarify the amounts to be retroactively rolled over to the Transfer Incentive Reserve in the Defined Contribution Retirement System, the Board recommends that proposed additions to 4 G.C.A. § 8164(b) contained in Section 4 of Bill 185 be amended to read as follows:

Upon effective election by a member to participate in the Defined Contribution Retirement System in accordance with the provisions of § 8207 of this Chapter, an amount equal to five percent (5%) of the member's annual base pay for each year of creditable service immediately prior to the member's transfer, up to a maximum of five (5) years, not including interest, shall be transferred from this reserve to the Transfer Incentive Reserve in accordance with subsection (b) of § 8209.1 of this Chapter and shall be subject to the distribution limitations as promulgated by the board. ~~Computation of the five percent (5%) of the member's base pay shall be based on the latest creditable service.~~ Transfers made pursuant to this subsection constitute a window benefit to the transferring member and shall not be available after September 30, 1999.