GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
Governor

Ray Tenorio
Lieutenant Governor

Paula M. Blas
Director

Trustees:

Joe T. San Agustin
Chairman

Wilfred P. Leon Guerrero,Ed.D.
Vice-Chairman
Investment Committee, Chairman

Antolina S. Leon Guerrero
Secretary

Gerard A. Cruz
Treasurer
Audit & Operations Committee, Chairman

Katherine T.E. Taitano
Trustee

David M. O'Brien
Trustee

Albert H. Santos
Trustee

March 30, 2017

GL#34-17-339

Via Hand Delivery and
Email [senatorbiscoelee@guamlegislature.org]

Speaker Benjamin J.F. Cruz

MAR 3 0 2017
Time: 440 [ ] AM [ ] PM File No.
Received By:

2017 MAR 30 PM 4:57

Senator Régine Biscoe Lee
Legislative Secretary
Guam Congress Building
163 Chalan Santo Papa
Hagåtña, Guam 96910

Office of the People
Senator Régine Biscoe Lee
Legislative Secretary
Date/Time: 3/30/17 @ 4:45pm
Initials: Allen, Jen

RE: **THIS IS A TRANSMITTAL TO I LIHESLATURAN GUÅHAN OF PROPOSED RULES AND REGULATIONS (PLAN DOCUMENT) PURSUANT TO THE ADMINISTRATIVE ADJUDICATION LAW**

Dear Madam Secretary,

The Board of Trustees of the Government of Guam Retirement Fund hereby submits the enclosed proposed **Plan Document** for the **Defined Contribution Retirement System** pursuant to the recently-enacted Public Law No. 33-186:3 and 7. Section 4 of Public Law No. 33-186 requires the Board of Trustees of the Government of Guam Retirement Fund to approve, no later than March 31, 2017, such "plan documents, rules, regulations, administrative procedures and forms that it may deem necessary and appropriate to implement the Defined Benefit 1.75 Retirement System." (Emphasis added.) The Defined Benefit 1.75 Retirement System created under Public Law No. 33-186 has provisions that impact two separate plans administered by the Board of Trustees of the Government of Guam Retirement Fund – the Defined Contribution Retirement System and the Deferred Compensation Plan.

The Board of Trustees of the Government of Guam Retirement Fund hereby encloses one (1) printed original approval copy and one (1) printed duplicate copy of the proposed Plan Document, along with the entire record of the public hearing held on the proposed Plan Document, to I Mina' Trentai Kuattro Na Liheslaturan Guåhan, for adoption in accordance with the Administrative Adjudication Law, Section 9303, Chapter 9, Title 5 of the Guam Code Annotated. Identical electronic versions (MSWord and PDF) also are provided to you at your email address listed above.

The proposed Plan Document was approved by the Board of Trustees on February 27, 2017 in the form substantially as enclosed hereto as Appendix A and approved by legal counsel to the Government of Guam Retirement Fund in accordance with the process set forth in Section 9301, Chapter 9, Title 5 of the Guam Code Annotated. The record of the public hearing on the proposed Plan Document is enclosed hereto as Appendix B.

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Maite, Guam 96910
Tel: 671.475.8900
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www.ggrf.com

On Friday, March 3, 2017, at least ten (10) days in advance of the public hearing scheduled on Tuesday, March 14, 2017, the Retirement Fund published notice of public hearing in the GUAM DAILY POST, a newspaper of general circulation in Guam, relative to the proposed Plan Document for the Defined Contribution Retirement System. A copy of the published notice of public hearing is enclosed as Appendix C.

The proposed Plan Document was posted on the Retirement Fund website and at least five (5) copies of the proposed Plan Document were made available at the Retirement Fund offices. On the date of the public hearing, all interested parties and authorized representatives were afforded an adequate opportunity to participate in the formulation of the proposed Plan Document through presentation of facts or argument or the submission of written data or views. All relevant matter presented was given full consideration by the Retirement Fund, and minor changes in the proposed Plan Document because of facts, arguments, written data or views were made without the setting of a new hearing.

An economic impact statement, in the form of the cost estimates prepared by the Consulting Actuary retained by the Retirement Fund and enclosed as Appendix D, was available before and at the public hearing, and is an update to comparable cost estimates previously submitted to Na Liheslaturan Guåhan as part of written testimony in connection with public hearings on Bill 2-33(COR), subsequently enacted as Public Law No. 33-186.

In implementing the Defined Contribution Retirement System created under Public Law No. 33-186:3 and 7, through the proposed Plan Document, the Board of Trustees of the Government of Guam Retirement Fund has interpreted and shall interpret the applicable provisions of Sections 3 and 7 of Public Law No. 33-186, codified at Article 2 and Article 5, Chapter 8, Title 4 of the Guam Code Annotated, in a manner necessary to ensure tax favorable treatment of the plans administered by the Board of Trustees, and to comply with applicable provisions of the Internal Revenue Code ("Code"), applicable to Guam under the Guam Territorial Income Tax Code, and the Code's regulations involving tax favorable treatment of plans such as those administered by the Board of Trustees.

Sincerely,

Paula M. Blas
Director

Enclosures (1 original and 1 duplicate copy of Appendices A – D)
Appendix A: Plan Document (Amendment No. 2017-1)
Appendix B: Record of Public Hearing
Appendix C: Notice of Public Hearing
Appendix D: Cost Estimates (Economic Impact Statement)

4815-1772-6277.2.039415-00031

APPENDIX A

AMENDMENT NO. 2017-1 TO THE GOVERNMENT OF GUAM DEFINED CONTRIBUTION RETIREMENT SYSTEM PLAN AND TRUST AGREEMENT

(EFFECTIVE JANUARY 1, 2018)

AMENDMENT NO. 2017-1 TO THE GOVERNMENT OF GUAM DEFINED CONTRIBUTION RETIREMENT SYSTEM PLAN AND TRUST AGREEMENT

In accordance with Resolution No. _____ of the Board of Trustees of the Government of Guam Retirement Fund, the Government of Guam Defined Contribution Retirement System Plan and Trust Agreement ("Plan") is amended as described below.

1. The Plan is amended, effective as of January 1, 2018, by inserting the following new Article IA immediately following Article I:

ARTICLE IA

COORDINATION WITH PARTICIPATION IN GOVERNMENT OF GUAM DEFINED BENEFIT 1.75 RETIREMENT SYSTEM

IA.1 Election to Participate in Alternative Plan

Public Law No. 33-186, approved on September 14, 2016, establishes the "Defined Benefit 1.75 Retirement System" or "DB 1.75 Plan" as codified in Article 5, Chapter 8, Title 4 of the Guam Code Annotated ("GCA") and the "Guam Retirement Security Plan" ("GRSP Plan"), both Plans which have been approved effective as of April 1, 2017. In accordance with GCA Article 5, certain Participants under this Government of Guam Defined Contribution Retirement System may elect to participate in the DB 1.75 Plan or the GRSP Plan effective as of various participation dates, at which time the Participants shall concurrently terminate active participation in this Defined Contribution System Plan and transfer a specified portion of their Accounts to the relevant DB 1.75 Plan or GRSP Plan.

(a) Election to Participate in Defined Benefit 1.75 Plan

In accordance with Article I of the DB 1.75 Plan, a Participant may elect to participate in the DB 1.75 Plan and terminate active participation in this Defined Contribution System as follows:

(1) New Employee Election. An Employee whose employment commences with the Government of Guam between April 1, 2017, and December 31, 2017, who would otherwise be treated as a Participant under this Defined Contribution System Plan and who makes a New Member Election as described in Article I of the DB 1.75 Plan, shall be eligible to participate in the DB 1.75 Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution System Plan as of January 1, 2018.

(2) Active Member Election. An Employee who is an active Participant in this Defined Contribution Retirement System Plan on March 31, 2017, and who makes an Active Member Election as described in Article I of the DB 1.75 Plan, shall be eligible to participate in the DB 1.75 Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(3) Reemployed Member Election. An Employee who is reemployed by the Government of Guam during the period commencing April 1, 2017, and ending on September 30, 2017, and who makes a Reemployed Member Election as described in Article I of the DB 1.75 Plan, shall be eligible to participate in the DB 1.75 Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(4) Late Reemployed Member Election. An Employee who is reemployed by the Government of Guam during the period commencing October 1, 2017, and ending on December 31, 2017, and who makes a Reemployed Member Election as described in Article I of the DB 1.75 Plan, shall be eligible to participate in the DB 1.75 Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(5) Reemployed Disability Member Election. An Employee who receives disability benefits under GCA 8213 or GCA Article 4, Chapter 8, on or before September 30, 2017, and is reemployed by the Government of Guam or terminates employment from the Government of Guam on or after January 1, 2018, and who makes a Reemployed Disability Member Election as described in Article I of the DB 1.75 Plan, shall be eligible to participate in the DB 1.75 Plan effective as of the date of his or her reemployment or retirement or other termination of employment as applicable, and shall terminate active participation under this Defined Contribution Retirement System Plan as of the applicable date.

(b) Election to Participate in the Guam Retirement Security Plan

In accordance with Article I of the GRSP Plan, a Participant may elect to participate in the GRSP Plan and terminate active participation in this Defined Contribution System as follows:

(1) New Employee Election. An Employee whose employment commences with the Government of Guam between April 1, 2017, and December 31, 2017, who would otherwise be treated as a Participant under this Defined Contribution System Plan and who makes a New Member Election as described in Article I of the GRSP Plan, shall be eligible to participate in the GRSP Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution System Plan as of January 1, 2018.

(2) Active Member Election. An Employee who is an active Participant in this Defined Contribution Retirement System Plan on March 31, 2017, and who makes an Active Member Election as described in Article I of the GRSP Plan, shall be eligible to participate in the GRSP Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(3) Reemployed Member Election. An Employee who is reemployed by the Government of Guam during the period commencing April 1, 2017, and ending on September 30, 2017, and who makes a Reemployed Member Election as described in Article I of the GRSP Plan, shall be eligible to participate in the GRSP Plan effective as of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(4) Late Reemployed Member Election. An Employee who is reemployed by the Government of Guam during the period commencing October 1, 2017, and ending on December 31, 2017, and who makes a Reemployed Member Election as described in Article I of the GRSP Plan, shall be eligible to participate in the GRSP Plan effective as of the date of January 1, 2018, and shall terminate active participation under this Defined Contribution Retirement System Plan as of January 1, 2018.

(5) Reemployed Disability Member Election. An Employee who receives disability benefits under GCA 8213 or GCA Article 4, Chapter 8, on or before September 30, 2017, and is reemployed by the Government of Guam or terminates employment from the Government of Guam on or after January 1, 2018, and who makes a Reemployed Disability Member Election as described in Article I of the GRSP Plan, shall be eligible to participate in the GRSP Plan effective as of the date of his or her reemployment or retirement or other termination of employment as applicable, and shall terminate active participation under this Defined Contribution Retirement System Plan as of the applicable date.

(c) Account Transfers to Defined Benefit 1.75 Plan or Guam Retirement Security Plan

(1) New Employee Election. In the case of an Employee who makes a New Employee Election to participate in the DB 1.75 Plan or the GRSP Plan as described in the above in this Section IA.1, the Member's Account in this Defined Contribution Retirement System shall be transferred to the Retirement Fund or the GRSP, as the case may be, as of January 1, 2018.

(2) Active Member Election. In the case of a Participant who makes an Active Member Election to participate in the DB 1.75 Plan or the GRSP Plan as described in the above in this Section 1A.1, the Member's Account in this Defined Contribution System shall be transferred to the Retirement Fund or the GRSP Plan, as the case may be, in the amount equal to: (a) the Member's Account balance as described in GCA Section 8209 (Employer Contribution Account); plus (b) the lesser of (i) the Member's Account balances as described in GCA Sections 8208 (i.e., Member Pick Up Contribution Account) and 8209.1(a) (i.e., Rollover Account of Member

Contribution Reserve from Existing Retirement System), or (ii) the "Actuarial Cost of Credited Service".

In the case that the Actuarial Cost of Credited Service is less than the Member's Account balances as described in GCA Sections 8208 (i.e., Member Pre-Tax Pick-Up Contribution Account) and 8209.1(a) (i.e., Rollover After-Tax Account of Member Contribution Reserve from Existing Retirement System), then the "Actuarial Cost of Credited Service": (a) first shall be funded from the Member's GCA Section 8209.1(a) Account (i.e., Rollover After-Tax Account of Member Contribution Reserve from Existing Retirement System); and (b) second any further amounts needed to fund up to the Actuarial Cost of Credited Service shall be funded from the Member's GCA Section 8208 Account (i.e., Member Pre-Tax Pick-Up Contribution Account).

For purposes of this Defined Contribution System, the term "Actuarial Cost of Credited Service" shall be defined in accordance with the DB 1.75 Plan and, as so defined, such term means a percentage of historical base salary corresponding to the service for which a Participant's Account is credited with Employer Contributions under the Defined Contribution Retirement System through the date preceding the Participant's effective date of participation in the Defined Benefit 1.75 Retirement System. The applicable percentage shall be specified by the Board based on an actuarial review of the cost of credited service. The same percentage shall apply to all members within categories of similarly situated members, which categories may be determined at the sole and complete discretion of the Board.

(3) Reemployed Member Election. In the case of a Participant who makes a Reemployed Member Election to participate in the DB 1.75 Plan or the GRSP Plan as described above in this Section IA.1, the Member's Account in this Defined Contribution System shall be transferred to the Retirement Fund or GRSP Plan, as the case may be, in the amount equal to that described in the above IA.1(c)(2) relating to the transfer applicable to an Active Member Election.

(4) Late Reemployed Member Election. In the case of a Participant who makes a Late Reemployed Member Election to participate in the DB 1.75 Plan or the GRSP Plan as described above in this Section IA.1, the Member's Account in this Defined Contribution System shall not be subject to any transfer to the Retirement Fund or GRSP Plan.

(5) Reemployed Disability Member Election. In the case of a Participant who makes a Reemployed Disability Member Election to participate in the DB 1.75 Plan or the GRSP Plan as described above in this Section IA.1, the Member's Account in this Defined Contribution System shall be transferred to the Retirement Fund or GRSP Plan, as the case may be, in the amount equal to that described in the above IA.1(c)(2) relating to the transfer applicable to an Active Member Election.

2. The Plan is amended effective as of January 1, 2018, by inserting the attached new Appendix A, "Current Employee and Employer Contribution Rates", immediately following the end of the Plan document.

GOVERNMENT OF GUAM
DEFINED CONTRIBUTION RETIREMENT SYSTEM PLAN
AND TRUST AGREEMENT

APPENDIX A
CURRENT EMPLOYEE AND EMPLOYER CONTRIBUTION RATES
(As of January 1, 2018)

Effective as of January 1, 2018, the required Employee Contributions and Employer Contributions under Article II of the Plan shall be as follows:

Employee Contribution Rate (As a percentage of base salary)	**Employer Contribution Rate** (As a percentage of base salary)
6.2%	6.2%

APPENDIX B

GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
Governor

Ray Tenorio
Lieutenant Governor

Paula M. Blas
Director

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Treasurer
Audit & Operations Committee, Chairman

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Trustee

David M. O'Brien
Trustee

Albert H. Santos
Trustee

GOVERNMENT OF GUAM RETIREMENT FUND
PUBLIC HEARING
PURSUANT TO PUBLIC LAW NO. 33-186
RELATIVE TO THE PROPOSED
PLAN DOCUMENTS

Tuesday, March 14, 2017, 2:30 to 5:00 P.M.
Retirement Fund Conference Room

Government of Guam Retirement Fund Board of Trustees Secretary, Antolina Leon Guerrero, opened the Public Hearing at 2:30 p.m. on Tuesday, March 14, 2017, in the Retirement Fund Conference Room.

Board of Trustees Present:
Antolina S. Leon Guerrero, Secretary
Gerard A. Cruz, Treasurer
Albert H. Santos, Trustee

Staff Present:
Paula Blas, Director
Diana Bernardo, Controller
Vivian Mantanona, Management Analyst IV
Melissa Quinata, Special Projects Coordinator
Jackie Blas, Recording Secretary
Alice Taijeron, Director, Client Relations & Plan Counseling, Empower Retirement

Legal Counsel Present:
Vince Camacho

Public Present:
Michael Carlson/Dorothy Carlson, 34th Guam Legislature/UOG
Robby Manalo, Student

424 Route 8
Maite, Guam 96910
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1) DEFINED CONTRIBUTION RETIREMENT SYSTEM(2:30-3:00 p.m.)

Secretary Antolina Leon Guerrero introduced the Board of Trustees, Management, and Legal Counsel present at today's Public Hearing. Secretary Leon Guerrero pointed out that the Plan Documents have been available on the Retirement Fund's Website since March 3, 2017. Secretary Leon Guerrero opened the hearing at 2:37 p.m. for any questions or comments.

Robby Manalo asked what the hearing is about. Secretary Leon Guerrero explained that the Retirement Fund has looked for options on how to improve the plan to provide income security for its members for life. Mr. Manalo asked whether there was a notice of the hearing advertised. Director Paula Blas replied, "Yes, a 10-day notice was published." Alice Taijeron of Empower Retirement asked whether this is an amendment to the current Plan Document. Secretary Leon Guerrero replied, "Yes."

Secretary Leon Guerrero stated that since there are no other questions or comments, she'll adjourn the hearing at this time unless someone comes in before 3:00 p.m. Hearing was closed at 2:47 p.m.

2) 457 DEFERRED COMPENSATION PLAN (3:00-3:30 p.m.)

Secretary Leon Guerrero opened the hearing at 3:00 p.m. for any questions or comments. Michael Carlson asked for a clarification on the second sentence of Article III, Section 3.01 - "Each Participant may make an election ("Deferral Election") to have the Employee employing him reduce his Compensation by an amount in whole percentage points." Mr. Carlson asked what does "by an amount in whole percentage points" mean. What will be the amount reduced in percentages? Treasurer Gerard Cruz stated that the intent was a percent of salary. Treasurer Cruz stated that there is a cap. Director Blas stated that the cap is $18,000. Treasurer Cruz stated that the intent was to be a percent of your salary and the employee elects that percentage. Treasurer Cruz suggested removing the word "points" and leaving in "whole percentage." Legal Counsel Vince Camacho stated that removal of the word "points" will be considered. Ms. Taijeron stated that the word "points" should be removed wherever it's mentioned in the document. Mr. Carlson stated that he wouldn't have a problem if it says "to reduce his compensation by an amount not to exceed statutory amount. Mr. Carlson stated that it is easier for the employees if it shows a dollar amount. Legal Counsel Camacho stated that the suggestions would be considered.

Secretary Leon Guerrero stated that since there are no other questions or comments, she'll adjourn the hearing at this time unless someone comes in before 3:30 p.m. Hearing was closed at 3:10 p.m.

3) DEFINED BENEFIT 1.75 RETIREMENT SYSTEM (3:30-4:30 p.m.)

Secretary Leon Guerrero opened the hearing at 3:30 p.m. for any questions or comments. Mr. Carlson inquired about Article II, Section 2.1 - "The Basic Retirement Annuity shall be an

annual retirement annuity commencing at age 62 under the normal form of payment which is a single life annuity for the life of the Member in the amount equal to 1.75% of Average Annual Compensation for each Year of Credited Service." Director Blas stated that it should read "Average Annual Salary." Mr. Carlson asked whether a review of the members' service jacket will be looked when a calculation of creditable service is done to determine percentage and that the gross will be used to determine what they will be entitled to. Director Blas stated that it won't be based on just the personnel actions, it will be based on the salary that the individual made for that year. What may be on the personnel action may not be your annual salary. Director Blas stated that we get copies of the individual's personnel actions. Director Blas stated that it will be based on the gross salary. Mr. Carlson stated that in doing the calculation for the three highest salaries, what is it based on? Director Blas stated that it is base pay. Mr. Carlson inquired about the creditable years of creditable service. Will that be determined in-house? Director Blas replied, "Yes." Mr. Carlson asked whether there is a mandatory retirement age in this plan? Director Blas replied, "No." Mr. Carlson asked if beyond age 62, it becomes at the discretion of the employee to decide when to retire? Director Blas replied, "Yes."

Mr. Carlson asked what is the processing time of applications submitted to be acted on. Is it the same process as the former DB Plan? Director Blas replied, "Yes." Mr. Carlson asked if there are there penalties if an individual elects to take out their 457 at age 65. Director Blas replied, "No." Legal Counsel Camacho stated that the trigger for the 457 Plan is your retirement date. Mr. Carlson asked if that would be added to the individual's annuity. Legal Counsel stated that it won't be added to the annuity. Treasurer Cruz stated that you will have access to it in a lump sum or purchase annuity. Mr. Carlson asked if he was to buy an annuity, is there is a cut-off date to purchase. Legal Counsel Camacho stated that it depends on the annuity you purchase. Mr. Carlson asked about using the lump sum to purchase annuity. Legal Counsel Camacho stated that it depends on the frequency and the length. The longer you receive the annuity, the price will be different. Mr. Carlson asked "What is the processing time for disbursement on the 457 Plan?" Ms. Taijeron stated that you could receive it at any time as long as you have the personnel action that indicates you've retired. Ms. Taijeron stated that there is a 30-day waiting period to purchase an annuity. Ms. Taijeron stated that the options on the 457 are flexible. Mr. Carlson asked whether the educational process will be made available. Ms. Taijeron replied, "Yes." Mr. Carlson inquired about the different tables in the plans. Ms. Taijeron stated that charts are being developed for the educational process.

Mr. Carlson inquired about annual and sick leave at the time of retirement. Director Blas stated that sick leave balances could be converted to service. Director Blas stated that annual leave is paid in a lump sum. Ms. Taijeron stated that DC members have an option to defer 50% of sick leave balances into the 457 Plan upon retirement status or 50% will be paid in a lump sum. Mr. Carlson asked if one retires on the DB 1.75 and is reemployed, is it an automatic enrollment into DC Plan? Director Blas replied, "Yes." Legal Counsel Camacho stated that any retirees go back into the DC Plan when reemployed. Mr. Carlson inquired about Mayors and Senators being in the DC Plan and elected to move to the DB 1.75 during the selection window, what happens if they are not retired and decide to leave their contributions in until they turn 62 years old, are they eligible for retirement? Ms. Taijeron stated that as long as they elected to move during the

selection window. Mr. Carlson asked whether there is a hardship distribution in the DB 1.75. Director Blas replied, "No." Mr. Carlson inquired about the educational process. Director Blas stated that it will be at the end of the month or early April 2017 to be out to the departments. Mr. Carlson asked whether it will be available from 8:00 a.m. to 5:00 p.m. Director Blas replied, "Yes."

Secretary Leon Guerrero stated that since there are no other questions or comments, she'll adjourn the hearing at this time unless someone comes in before 4:30 p.m. Hearing was closed at 3:55 p.m.

4) GUAM RETIREMENT SECURITY PLAN (4:30 – 5:00 p.m.)

Secretary Leon Guerrero opened the hearing at 4:30 p.m. for any questions or comments. Mr. Carlson inquired about the excess above the guaranteed rate. Is it a statutory issue? Treasurer Cruz stated that it is a statutory issue. Treasurer Cruz stated that the maximum credit rate is 4%. Director Blas stated that anything after that is to assist for covering shortfalls and the overall cost of this plan. Mr. Carlson asked whether the account is credited 4%. Secretary Leon Guerrero replied, "Yes." Mr. Carlson asked if in the future and Guam is allowed to join Social Security, would we be able to take excess earnings and use the earnings or will it be dumped into the excess black hole. Legal Counsel Camacho stated that the way the statute was intended once Social Security came in, there would be no new participants in the Guam Retirement Security Plan. Mr. Carlson asked whether transfers from the Guam Retirement Security Plan to Social Security is not the subject of this plan document. Secretary Leon Guerrero replied, "No." Legal Counsel Camacho stated that transfers would be negotiated with Washington. Legal Counsel Camacho stated that it's all up in the air at this point. Mr. Carlson stated that if a member from this plan goes elsewhere, are their contributions portable. Legal Counsel Camacho replied, "Yes." Director Blas stated that it is just the employee share and it is pre-tax. Director Blas stated that there is a rollover provision. Mr. Carlson asked if one does a rollover and moves to an employer where Social Security is available, what is the procedure? Treasurer Cruz replied, "IRA." Treasurer Cruz stated that Social Security was never meant to be a sole source of a retirement plan.

Legal Counsel Camacho stated that Election Forms are being developed.

Secretary Leon Guerrero stated that since there are no other questions or comments, she'll close the hearing at this time unless someone comes in by 5:00 p.m. Hearing was closed at 5:00 p.m.

Paula M. Blas
Director
Government of Guam Retirement Fund

APPENDIX C

Document: Trump administration has found only $20M in existing funds for wall



NEWLY BUILT: *A general view shows a newly built section of the U.S.-Mexico border fence at Sunland Park, U.S., opposite the Mexican border city of Ciudad Juarez, Mexico, on Jan. 16. Reuters*

(Reuters) - President Donald Trump's promise to use existing funds to begin immediate construction of a wall on the U.S.-Mexico border has hit a financial roadblock, according to a document seen by Reuters.

The rapid start of construction, promised throughout Trump's campaign and in an executive order issued in January on border security, was to be financed, according to the White House, with "existing funds and resources" of the Department of Homeland Security.

But so far, the DHS has identified only $20 million that can be re-directed to the multi-billion-dollar project, according to a document prepared by the agency and distributed to congressional budget staff last week.

The document said the funds would be enough to cover a handful of contracts for wall prototypes, but not enough to begin construction of an actual barrier. This means that for the wall to move forward, the White House will need to convince Congress to appropriate funds.

An internal report, previously reported by Reuters, estimated that fully walling off or fencing the entire southern border would cost $21.6 billion - $9.3 million per mile of fence and $17.8 million per mile of wall.

Sessions spoke with Russian envoy during Trump's 2016 campaign

By Chris Strohm
Bloomberg News

WASHINGTON - U.S. Attorney General Jeff Sessions had conversations with Russia's ambassador to the U.S. while he was a prominent surrogate for President Donald Trump's election campaign, even though he said during his confirmation hearing that no contacts had occurred, the Justice Department confirmed late Wednesday.

Justice Department spokeswoman Sarah Isgur Flores portrayed the contacts that Sessions had with Ambassador Sergey Kislyak as part of his work as a senator rather than a surrogate for Trump's campaign.

"Last year, the senator had over 25 conversations with foreign ambassadors as a senior member of the Armed Services Committee, including the British, Korean, Japanese, Polish, Indian, Chinese, Canadian, Australian, German and Russian ambassadors," she said. "He was asked during the hearing about communications between Russia and the Trump campaign - not about meetings he took as a senator and a member of the Armed Services Committee."

Oregon house fire kills four children

(Reuters) - An early morning house fire in western Oregon on Wednesday killed four children and left three other members of their family who were present at the time hospitalized with severe injuries, authorities said. The blaze was reported shortly after 2 a.m. in the town of Riddle, Oregon, about 200 miles south of Portland. The cause of the fire was under investigation but did not immediately appear to be suspicious in nature, according to a spokesman for the Douglas County Sheriff's Office, Dwes Hutson.

Judge approves release of Florida nightclub shooter's widow

(Reuters) - A judge cleared the way on Wednesday for the widow of the gunman who killed 49 people at a gay nightclub in Orlando, Florida, to be released from jail and also appeared to throw doubt on the strength of the government's case against her. Noor Salman, 30, was arrested in California in January on federal charges she knew before the June 2016 shootings that her husband, Omar Mateen, was planning the attack and concocted a cover story for him.

Guam Facilities Foundation, Inc.

Statement of Financial Position
As of December 31, 2016

Assets	2016
Cash	$ 78,457
Receivables	258,155
Fixed Assets	7,534
Total Assets	344,145
Liabilities & Fund Balance	
Payables	$ 216,975
Fund Balance	127,170
Total Net Assets	344,145

Statement of Revenues / Expenditures and Change in Fund Balance
For the year ended December 31, 2016

Contributions	135,000
Deductions / Expenditures	2 2,082
Net change in fund balance	$ 112,918

Submitted by **Nenita Baldovino**, *Director*
111 Chalan Pipitas, Summer Town Estates
Dededo, Guam, 96929

GOVERNMENT OF GUAM
RETIREMENT FUND
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NOTICE OF PUBLIC HEARING

The Government of Guam Retirement Fund (GGRF) has scheduled a Public Hearing on **Tuesday, March 14, 2017,** in the GGRF Conference Room, relative to the proposed plan documents for the following changes to Chapter 8, Title 4 Guam Code Annotated:

	Time	Subject Matter
1)	2:30 p.m.	**Defined Contribution Retirement System**
2)	3:00 p.m.	**457 Deferred Compensation Plan**
3)	3:30 p.m.	**Defined Benefit 1.75 Retirement System**
4)	4:30 p.m.	**Guam Retirement Security Plan**

A copy of the proposed plan documents is available for review on the GGRF website at www.ggrf.com. Copies are also available for review at the Director's Office located on the first floor of the GGRF Building, 424 Route 8, Maite, during normal business hours.

During the public hearing, any interested party in person or his authorized representative shall be afforded an adequate opportunity to participate in the formulation of the proposed plan documents.

For individuals requiring special accommodations, please contact 671.475.8900/01.

/s/PAULA M. BLAS, Director

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Doc. No. 34GL-17-0339

APPENDIX D

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February 23, 2017

Ms. Paula M. Blas
Director
Government of Guam Retirement Fund
424 Route 8
Maite, Guam 96910

Cost Estimates for P.L 33-186 (aka Bill 2-33 DB 1.75) -
As of September 30, 2016

Dear Ms. Blas:

As requested, I have estimated the actuarial accrued liability and change in employer contribution rates associated with Public Law 33-186, which was Bill 2-33 (LS) as passed by the Legislature. The actuarial accrued liability and the estimated contribution rates have been calculated as of September 30, 2016, based upon the actuarial valuation for the current GGRF Defined Benefit Plan as of September 30, 2015 rolled forward one year and reflecting actual 2015-16 payroll and investment return, and defined contribution census data provided as of September 2016.

The estimated costs as of September 30, 2016, are for informational purposes only. The actual impact of P.L. 33-186 will not be known until after the end of the election period for transfers from the DC Plan to the DB 1.75 Plan. The first actuarial valuation to reflect the actual results may not be until September 30, 2018. P.L 33-186 does the following:

1. Modifies contribution rates to the existing Defined Contribution Retirement System ("DC Plan") effective January 1, 2018.

2. Establishes a new Defined Benefit 1.75 Retirement System ("DB 1.75 Plan", formerly known as the "Hybrid Plan") and provides an opportunity for current employees in the DC Plan to transfer to the DB 1.75 Plan or the Government of Guam Retirement Security Plan (see item 3) effective January 1, 2018. The DB 1.75 Plan will be closed to new employees on and after January 1, 2018.

3. Establishes a new cash balance retirement plan known as the Government of Guam Retirement Security Plan (GRSP) which will be the default retirement plan for new employees hired on and after January 1, 2018. Current employees in the DC Plan may transfer to the GRSP effective January 1, 2018.

4. Extends the period used to amortize the unfunded actuarial accrued liability (UAAL) of the Government of Guam Retirement Fund by two years from an end date of May 1, 2031 to an end date of May 1, 2033, effective January 1, 2018.

5. Provides that if the Government of Guam is authorized to extend Social Security coverage to government of Guam employees on a prospective basis, then all employees hired on or after the effective date shall be enrolled into Social Security and will not be eligible for the DB 1.75 Plan or the GRSP.

These estimated costs update and replace the previous estimates provided as of June 16, 2015, and March 20, 2016. The changes from the estimates provided as of March 20, 2016, include the following:

- Defined contribution plan census data is updated from December 2014 to September 2016.
- Estimated actuarial valuation results for the Old DB Plan as of September 30, 2016, based on the actuarial valuation as of September 2015 rolled forward to September 2016.
- Actual FY 2016 payroll of $506 million and an investment return for FY 2016 of 9.53%.
- Revised transfer rates for the "Declining Percentages by Age" scenario.
- Amortization period for funding the DB Plan UAAL is increased by 2 years.

Defined Benefit 1.75 Retirement System (DB 1.75 Plan)

The key provisions of the DB 1.75 Plan are listed below. Appendix A compares the provisions of the current GGRF Defined Benefit Plan ("Old DB Plan") with the DB 1.75 Plan.

1. Covers DC Plan employees who elect to transfer to the DB 1.75 Plan effective January 1, 2018. For current DC Plan employees, the election window will commence on April 1, 2017 and end on September 30, 2017, although new employees hired between April 1, 2017 and December 31, 2017, have an extended window until December 31, 2017 during which they may elect into the DB 1.75 Plan. The DB 1.75 Plan is closed to new employees hired on or after January 1, 2018.

2. Provides a retirement annuity of 1.75% of a member's average annual salary (the average of the highest three annual base salaries, excluding non-base compensation) for each year of credited service at retirement age 62.

3. The minimum benefit is $1,200 per year, and the maximum is 85% of average annual salary.

4. A member shall be eligible to receive a reduced retirement annuity at age 55 and a minimum of 25 years of credited service, subject to a reduction of 0.5% per month for each month retirement precedes age 62.

5. The employee contribution rate is 9.5% of base salary. In addition, employees are required to make a pre-tax salary reduction contribution to the Deferred Compensation Program (457 Plan) equal to 1% of base salary.

6. A calculation is made of the full actuarial cost in order to credit all prior service during which employees participated in the DC Plan to the DB 1.75 Plan. The cost is converted to a percentage of past earnings, assuming 0% interest, which is shown in the chart below for each transfer scenario. Within each transfer scenario, the same percentage would apply to all members. To receive credit for prior service, an employee must pay 50% of the full actuarial cost from their DC Plan account balance derived from employee contributions (or the total employee balance if less than 50% of the cost). The employee will also remit 100% of their DC Plan account balance derived from employer contributions.

   As can be seen in the chart that follows, the full actuarial cost is dependent upon the assumption for who chooses to transfer. Who actually chooses to transfer will be dependent upon the full actuarial cost rate. In practice, a full actuarial cost rate will need to be chosen based on an assumption for transfer decisions.

The actuarial cost rates shown below have been calculated based on estimates of participant earnings histories derived from years of service and current earnings. We expect that the full actuarial cost for transferring members will be calculated by applying the actuarial cost rate selected by the Board to each member's actual earnings history. The amount of assets actually transferred to the DB Plan will differ from the expected amount to the extent that members' actual past earnings histories differ from the estimated past earnings.

Any DC Plan employee account balance remaining after the prior service buy-in is maintained in a qualified plan. Employees with DC Plan account balances that are less than the actuarial cost will receive credit for all prior service if the total DC Plan account balance is remitted, with the shortfall reflected as an increase to the UAAL of the employer. The UAAL represents the Actuarial Accrued Liability in excess of the total account balances transferred from the DC Plan. As is the case for the Old DB Plan, the DB 1.75 Plan UAAL is to be completely funded by May 1, 2033, and is amortized as a constant percentage of total payroll.

	Actuarial Cost of Credited Service[1]					
($ in millions)	100% Transfer	100% over Age 40 Transfer	100% over Age 50 Transfer	Declining %'s by Age Transfer	DC less than Actuarial Cost[2]	0% Transfer
Estimated full actuarial cost for past service as % of historical DC Plan compensation	13.60%	15.39%	17.76%	14.96%	14.96%	n/a
Employee share of actuarial cost	6.80%	7.70%	8.88%	7.48%	7.48%	n/a
Estimate of DC members with excess DC Plan employee account balances						
Count	2,588	1,556	716	1,783	1,783	n/a
Excess DC assets	$30.3	$19.4	$11.5	$21.6	$21.6	n/a
Estimate of DC members whose DC Plan employee account balance is less than 50% of actuarial cost						
Count	5,874	6,906	7,746	6,679	6,679	n/a
Shortfall	$14.9	$27.9	$51.4	$24.3	$24.3	n/a
Number assumed to transfer	8,462	4,775	2,371	4,573	6,679	0
Excess DC assets	$30.3	$18.4	$7.4	$15.6	$0.0	$0.0

[1] *Results are based upon DC census data as of September 30, 2016, and may change based upon the census and account balance information at the time of implementation.*

[2] *Assumed to be equivalent to "Declining %'s by Age Transfer" for this purpose*

Defined Contribution Retirement System (DC Plan)

Effective January 1, 2018, member contributions and employer contributions to the DC Plan shall each be increased from 5% to 6.2%. New employees on or after January 1, 2018 will automatically be enrolled in the GRSP but will have sixty (60) days from the date of hire to elect to participate in the DC Plan.

Guam Retirement Security Plan (GRSP)

P.L 33-186 provides for the establishment of a cash balance plan to be known as the Guam Retirement Security Plan (GRSP).

1. Effective January 1, 2018, all new employees shall be automatically enrolled into the GRSP but will have sixty (60) days from the date of hire to elect to participate in the Defined Contribution Retirement System. Current DC Plan employees may elect to transfer to the GRSP effective January 1, 2018. The election window will commence on April 1, 2017 and end on September, 2017, although new employees hired between April 1, 2017 and December 31, 2017, will have an extended window until December 31, 2017.

2. The GRSP will provide pay credits of 6.2% by both the government and the employee.

3. The GRSP will provide a fixed annual interest credit of 4%, subject to Internal Revenue Service regulations for tax-exempt, qualified retirement Cash Balance Plans. Investment gains in excess of the 4% interest credit will be employer-owned and will be used to offset losses generated during years in which investment returns are less than the 4% interest credit.

Contribution Comparisons

The table below compares the employer and employee costs for the various plans. The costs shown are expressed as a percentage of payroll for the members within the applicable Plans. Actual plan contribution rates are calculated as a blended percentage of total (DB Plan and DC Plan member) payroll.

Contribution Type	Costs as a % of Plan Payroll			
	Old DB Plan	DC Plan	DB 1.75 Plan	GRSP
Old DB Unfunded Actuarial Accrued Liability [1]	20.30%	n/a	n/a	n/a
Employer Costs (excluding Old DB UAAL)				
Employer DB Normal Cost [2]	6.81%	n/a	2.07%	n/a
DC Plan	n/a	6.20%	n/a	n/a
DB 1.75 UAAL [2]	n/a	n/a	4.15%	n/a
GRSP [3]	n/a	n/a	n/a	6.20%
Total Employer (excluding old DB UAAL) [3]	6.81%	6.20%	6.22%	6.20%
Employee Costs				
DB Employee Contributions	9.50%	n/a	9.50%	n/a
DC Employee Contributions	n/a	6.20%	n/a	n/a
457 Deferred Compensation Plan	n/a	n/a	1.00%	n/a
GRSP	n/a	n/a	n/a	6.20%
Total Employee Costs	9.50%	6.20%	10.50%	6.20%

[1] *With 2-year amortization extension. Rate is expressed as a percentage of DB 1.75 payroll.*
[2] *DB 1.75 Plan employer costs are estimated assuming 100% of DC members transfer to DB 1.75 Plan. See Exhibit 1 for other transfer scenarios.*
[3] *Old DB Plan and DB 1.75 Plan assume 7% investment return. GRSP rate shown is pay credit rate. If investment returns exceed 4%, the employer contribution rate will be lower if excess investment returns are used to reduce the contribution rate. If investment returns are less than 4%, the employer contribution rate will be higher.*

Annual Payroll

The total defined benefit and defined contribution payroll for the 2015-16 fiscal year was $506.3 million. We have estimated that total payroll for the 2016-17 fiscal year will be $521.5 million, an increase of 3.0%, and assumed a 3.0% per year increase thereafter. Note that if actual payroll increases are less than 3.0%, contribution rates will be higher than the rates shown in this estimate.

Exhibits and Appendices

Exhibit 1 shows the estimated cost of P.L 33-186 based upon the actuarial valuation results as of September 30, 2015 (projected to September 30, 2016), and DC Plan member census and account balances as of September 2016. It includes 6 transfer scenarios that illustrate the effect on costs and liabilities of various transfer populations. Costs and liabilities for future years will likely differ due to population changes, investment results, and actual experience that differs from the assumptions. Costs and liabilities will also vary depending upon the number of current defined contribution (DC) members who elect to transfer to the new DB 1.75 Plan or GRSP, as well as their age, service, DC Plan account balances, and the investment experience of the DC Plan accounts up to the time of transfer.

Exhibit 1 – Cost Comparison with Current Plan

Appendix A – Summary of Benefit Provisions
Appendix B – Implementation Provisions
Appendix C – Assumptions, Notes and Data Limitations
Appendix D – Glossary of Key Terms

Caveats

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Fund's staff. This information includes, but is not limited to, financial information, member census data, and plan provisions, and enacted legislation. We found this information to be reasonably consistent and comparable with information used for other purposes. The results of this analysis depend on the integrity of this information. If any of this information is inaccurate or incomplete the results may be different and the calculations may need to be revised.

This report is only an estimate of the Fund's financial condition as of a single date. It can neither predict the Fund's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Fund benefits, only the timing of Fund contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Except where otherwise noted in this report, this analysis is based on the September 30, 2015 actuarial valuation methods and assumptions, projected forward one year to September 30, 2016. Census data and account balances for DC Plan participants were provided as of September 2016. The results of our study depend on future experience conforming to those actuarial assumptions discussed earlier in this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these

measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Fund's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

Milliman's work is prepared solely for the use and benefit of the Government of Guam Retirement Fund. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) GGRF may provide a copy of Milliman's work, in its entirety, to its professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit GGRF.

(b) GGRF may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Richard A. Wright, FSA, MAAA
Consulting Actuary

RAW:jh
enc.
pl 33-186 cost estimates 2016 (final).doc

Estimated Cost Impact of P.L. 33-186 Associated with Various Transfer Scenarios
As of September 30, 2016
($$'s in millions)

		P.L. 33-186, including 2 year Amortization Extension					
	Current Plan	100% Transfer	100% over Age 40 Transfer	100% over Age 50 Transfer	Declining %'s by Age Transfer[1]	DC less than Actuarial Cost[2]	0% Transfer
DC Participants							
Assumed to Transfer	0	8,462	4,775	2,371	4,573	6,679	0
Not Assumed to Transfer	8,462	0	3,687	6,091	3,889	1,783	8,462
Total	8,462	8,462	8,462	8,462	8,462	8,462	8,462
DC Assets Transferred to DB	n/a	$355.72	$288.43	$155.14	$231.56	$192.63	$0.00
Excess DC Assets	n/a	$30.34	$18.36	$7.38	$15.61	$0.00	$0.00
DB 1.75 Plan (Excludes Old DB)							
Actuarial Accrued Liability	n/a	$548.26	$459.78	$267.16	$368.23	$311.79	n/a
Plan Assets	n/a	$355.72	$288.43	$155.14	$231.56	$192.63	n/a
Unfunded Liability (UAAL)	n/a	$192.54	$171.35	$112.02	$136.67	$119.16	n/a
Total UAAL (Including Old DB)							
Old DB UAAL	$1,281.96	$1,281.96	$1,281.96	$1,281.96	$1,281.96	$1,281.96	$1,281.96
DB 1.75 Plan UAAL	n/a	$192.54	$171.35	$112.02	$136.67	$119.16	0.00
Total UAAL	$1,281.96	$1,474.50	$1,453.31	$1,393.98	$1,418.63	$1,401.12	$1,281.96
Total Assets (Old DB+DB 1.75)	$1,654.27	$2,009.99	$1,942.70	$1,809.41	$1,885.83	$1,846.90	$1,654.27
Security Ratio	56.34%	57.68%	57.21%	56.48%	57.07%	56.86%	56.34%
Employer Contribution Rate Excluding Old DB							
DC / GRSP Plan	5.00%	n/a	2.29%	4.16%	2.67%	1.63%	6.20%
DB 1.75 Normal Cost[3]	n/a	2.07%	2.03%	1.56%	1.65%	1.57%	n/a
DB 1.75 UAAL	n/a	4.15%	3.69%	2.41%	2.95%	2.57%	n/a
Blended Rate (DC + DB 1.75)	5.00%	6.22%	8.01%	8.13%	7.27%	5.77%	6.20%
Employer Contributions Including Old DB (prior to Amortization Extension)[4]							
Contribution Rate	28.11%	29.31%	30.59%	30.59%	29.99%	28.86%	28.99%
Estimated Contribution Amount	$146.60	$152.86	$159.55	$159.52	$156.40	$150.49	$151.20
Change in Amount	n/a	$6.25	$12.94	$12.92	$9.80	$3.89	$4.60
Employer Contributions Including Old DB (after 2-Year Amortization Extension)[4]							
Contribution Rate		27.00%	28.32%	28.41%	27.77%	26.67%	26.99%
Estimated Contribution Amount		$140.83	$147.70	$148.15	$144.83	$139.07	$140.75
Total Change in Amount		$(5.77)	$1.09	$1.55	$(1.77)	$(7.54)	$(5.86)

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Footnotes:

1 Assumes the following transfer percentage by age: 90% of DC members age 55 and up, 80% for ages 50-54, 60% for ages 45-49, 50% for ages 40-44, 40% for ages 35-39, and 30% for ages 34 and below. Within each age group, those who transfer from the DC plan to the DB 1.75 plan are assumed to have the same average DC account balances and actuarial cost as those who don't transfer from the DC Plan to the DB 1.75 Plan.

2 Assumes that 100% of the members whose DC account balances are less than or equal to the actuarial cost of their past service attributed to DC service will transfer from the DC plan to the DB 1.75 plan. Members whose DC account balances are greater than the actuarial cost of their past service are assumed to stay in the DC plan and not transfer to the DB 1.75 Plan.

3 Normal cost rates shown here reflect the blended normal cost of the DB 1.75 Plan and the DC plan spread over the payroll of all DB 1.75 and DC plan members. This differs from the normal cost rate of the DB 1.75 plan expressed as a percentage of the payroll of DB 1.75 plan members. With everything else equal, the normal cost rate of the DB 1.75 Plan expressed as a percentage of the payroll of members who transfer to that plan will increase as the average entry age of the transferring population increases.

4 Assumes annual payroll of $521.5 million for the 2016-17 fiscal year.

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Appendix A. Summary of Benefit Provisions

Below is a comparison of the plan provisions of the Old DB Plan and the DB 1.75 Plan. The provisions shown for the Old DB Plan are those provisions applicable to employees who became members on or after August 22, 1984. In the DB 1.75 Plan, there is no distinction between Uniformed and Non-Uniformed Personnel.

	OLD DB PLAN	DB 1.75 PLAN
Eligibility	Employees hired on or before 9/30/95, who haven't previously transferred to the DC Plan	Employees currently in the DC Plan and hired prior to January 1, 2018 have the option of transferring to the DB 1.75 Plan
Benefit Formula	2.0% of Average Annual Salary for each year of service up to 10 years, plus 2.5% of Average Annual Salary for each year of service over 10 years, plus $20 multiplied by years of service, reduced by 0.01% of Average Annual Salary in excess of $6,000 Minimum: $1,200 per year Maximum: 85% of Average Annual Salary Unused sick leave is added to years of service upon retirement.	1.75% of Average Annual Salary for each year of service Minimum: $1,200 per year Maximum: 85% of Average Annual Salary Unused sick leave is added to years of service upon retirement.
Average Annual Salary	Highest 3 year average Minimum: $6,000 per year	Highest 3 year average Non-base compensation is excluded.
Unreduced Retirement	Age 65 or 30 years of service, or age 60 and 15 years of service, if uniformed personnel	Age 62 Maximum benefit of 85% is achieved with 49 years of service
Reduced Retirement	25 Years of Service Reduction: 3% per year early	Age 55 and 25 Years of Service Reduction: 6% per year early
Survivor Benefits		
Spouse	60% of member's benefit Minimum: $1,200 per year	Same as Old DB Plan
Child	$2,880 per year per surviving child	
Add'l lump sum	$1,000	

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	OLD DB PLAN	DB 1.75 PLAN
Disability Benefit	66-2/3% of the average of the highest three years of salary	50% of the average of the highest three years of salary
Vesting	5 years of service	Same as Old DB Plan
Automatic Increases		
Retirees/Survivors	Annual Amount / Annual Increase $ 0-3,500 / $600 3,500- 6,300 / 400 6,300-10,100 / 300 Over 10,100 / 200	Same as Old DB Plan
Disabled	$ 0-3,000 / $300 3,000-6,000 / 250 6,000-10,000 / 200 Over 10,000 / 100	
Employee Contribution	9.5% of compensation	9.5% of compensation
DC Plan Contribution	Employee: None Employer: None	Employee: None Employer: None
457 Plan	Employee: Voluntary Employer: None	Employee: Mandatory 1% Employer: None
DC Plan Transfer	n/a	Employee account Lesser of: 100% of account balance, or a percentage of historical DC Plan compensation determined by the actuarial cost of credited service Employer account 100% of account balance excluding Transfer Incentive amounts

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Appendix B. Implementation Provisions

1. **Participants in the Old DB Plan** will remain in the DB plan with no change in benefits.

2. Current **DC Plan Participants will have the option to transfer** to the DB 1.75 Plan or the GRSP and receive benefits with respect to past and future service.

    a. Current DC Plan participants who transfer to the DB 1.75 Plan or the GRSP must transfer their DC account balance to the new plan. For transfers to the GRSP, the entire DC account balance will be transferred and will become the balance in the new plan.. For transfers to the DB 1.75 Plan, a calculation is made of the full actuarial cost in order to credit prior service to the DB 1.75 Plan. If the DC Plan employee contribution account balance is greater than 50% of the calculated actuarial cost, the excess will be maintained in a qualified plan. If the DC Plan employee contribution account balance is less than or equal to 50% of the calculated actuarial cost, the entire employee contribution account balance will be transferred to the DB 1.75 Plan, and any shortfall will be amortized as part of the DB 1.75 Pan Unfunded Actuarial Liability. The entire DC Plan employer contribution account balance will be transferred to the DB 1.75 Plan, with the exception of any Transfer Incentive balance under GCA 8209.1(b).

    b. DC Plan participants who had previously withdrawn a portion of their DC Plan account balance will have the option to elect to repay amounts previously withdrawn, including the government's contribution paid to them, with interest.

    c. The decision to transfer to the DB 1.75 Plan and the decision to repay amounts previously withdrawn must be made concurrently.

3. **DC Plan participants who elect to transfer** their DC account balance to the DB 1.75 Plan will be credited with the appropriate years of service for DB 1.75 Plan benefits.

    a. Participants who have not withdrawn any of their DC Plan account balance will be credited with all of their years of DC service in the DB 1.75 Plan.

    b. Participants who have withdrawn a portion of their DC Plan account balance, and have not repaid the amount, will only receive partial credit for DC plan service.

        i. The reduced DC plan service will be in proportion to the amount of the withdrawal.
        ii. If the amounts withdrawn are repaid, the Participant will be credited with all years of DC plan service.

4. **DC Plan participants who do not elect to transfer** to the DB 1.75 Plan or the GRSP will retain their DC Accounts and continue participation in the DC Plan. The Employee and Employer contribution rate will each be increased to 6.2% effective January 1, 2018.

5. For the DB 1.75 Plan, there is a **1% mandatory contribution** to the 457 Plan in addition to the 9.5% mandatory contribution to the DB 1.75 Plan.

6. **New Employees** hired on or after January 1, 2018, will be automatically enrolled in the GRSP, but may elect within 60 days of hire to be in the DC Plan.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties hire their own actuary or other qualified professional when reviewing this Milliman work product.

Appendix C. Assumptions, Notes and Data Limitations

In estimating costs we made the following assumptions:

1. The actuarial cost method and assumptions were those reflected in the actuarial valuation of the DB plan as of September 30, 2015, as documented in Appendix B of the actuarial valuation report, with the exception of the return of contributions assumption. Participants in the DB 1.75 Plan who terminate employment with less than 20 years of service are assumed to retire at age 60 rather than elect a return of contributions. Liabilities have been valued as of September 30, 2016, with DB 1.75 Plan provisions applied effective as of that date. Variability of DC account balances due to actual investment returns different from the assumed return could impact the actual UAAL upon implementation.

2. The estimated costs assume future investment returns of 7% per year after September 30, 2016. If investment returns don't meet the actuarial interest rate assumption, the estimated costs will rise.

3. The estimated costs assume that the total GovGuam payroll for DB and DC will increase 3.0% per year. If the overall payroll increases are less than 3.0%, the estimated contribution rates will rise.

4. The cost and liability estimates reflect the updated DC census population provided to us as of September 2016. This data included 8,462 active members. Earnings were inferred from the annual contribution amounts.

5. Administrative expenses for the DB 1.75 Plan were assumed to be 5% of total normal cost (including expenses).

6. The actuarial cost for past service for each transfer scenario was calculated as the difference between the present value of future benefits payable under the DB 1.75 Plan taking into account GovGuam service prior to the valuation date and the present value of future benefits reflecting only future service for participants assumed to transfer, divided by estimated historical DC plan compensation for those participants.

7. For participants with DC employee contribution account balances that exceeded their DC employer contribution account balances, with a DB after-tax contribution account balance of zero, a rollover was assumed to have been made from another plan, and the rollover amount (i.e., the excess of the employee account over the employer account) was excluded from the amount assumed to be transferred to the DB 1.75 Plan. The total amount excluded was $0.8M.

8. Members were assumed to have commenced DC plan participation on the later of the member's hire date and October 1, 1995.

9. Missing or unreasonable hire dates/birth dates were estimated assuming that the member was hired at age 30.

10. Members for whom gender was not provided were assumed to be male.

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Replacement Ratio

The DB 1.75 formula provides a maximum benefit of 85% of Average Annual Salary for members with 49 years of service. Members with less than 49 years of service will have a lower benefit rate. For most retirees, replacement ratios of 80% to 100% are required for a retiree to maintain their standard of living in retirement. Therefore, retirees may need to supplement their income through additional savings, other retirement plans, or working during retirement.

Data Limitations

This report is based upon DC census data we received on 8,462 active members of the current DC plan. This data did not include information relating to withdrawals from member accounts. To account for a portion of the impact of withdrawals, for members whose employee contribution account balances were less than their employer contribution account balances (excluding Transfer Incentive amounts), we prorated the service credited under the DB 1.75 Plan by the ratio of the employee balance to the employer balance.

For members who transferred to the DC Plan from the Old DB Plan whose employee account balance was less than the employer account balance (excluding Transfer Incentive amounts), indicating a withdrawal of Old DB Plan employee contributions, we credited service under the DB 1.75 Plan only from the assumed DC Plan participation date.

Transfer incentive balances were not included in the 9/30/16 census data. To estimate these balances, we accumulated the balances provided in the 9/30/15 census data with a 7% assumed investment return.

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Appendix D. Glossary of Key Terms

Actuarial Accrued Liability. The Present Value of Future Benefits allocated to past service in accordance with the actuarial cost method.

Actuarial Cost Method. A method of allocating the present value of benefits to past and future periods. Actuarial cost methods take into consideration the effect of wage inflation.

Actuarial Gains and Losses. Changes to the Actuarial Accrued Liability due to deviations from the actuarial assumptions. These can include gains and losses from investments, employee turnover, disability, retirement, mortality, and administrative expenses.

Actuarial Value of Assets. A method of valuing Fund assets that recognizes gains and losses that occur in the market value of assets over a period of years rather than immediately.

Normal Cost. The value of benefits earned for one year of service. The normal cost is calculated in accordance with the actuarial cost method. The accumulation of all normal costs assigned to past service equals the Actuarial Accrued Liability.

Present Value of Benefits. The sum of all benefits expected to be paid in the future by the retirement system, with the payments discounted to the present using the valuation interest rate. This includes benefits to be earned in the future for current employees.

Present Value of Future Normal Cost. The sum of all future normal costs expected for current employees, with the costs discounted back to the present using the valuation interest rate.

Security Ratio. The percentage of the Actuarial Accrued Liability that is funded by the Fund assets. A plan with assets equal to the Actuarial Accrued Liability will have a security ratio of 100%.

Unfunded Actuarial Accrued Liability. The dollar value of the Actuarial Accrued Liability that exceeds the Actuarial Value of Assets. A fully funded plan will have no unfunded actuarial accrued liability.

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