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#34-17-340
Speaker Benjamin J.F. Cruz

MAR 3 0 2017
Time: 441 [ ] AM [ ]
Received By

2017 MAR 30 PM 4:54

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

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:

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 **Deferred Compensation Plan** pursuant to the recently-enacted Public Law No. 33-186:3. 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 also 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.

0340

424 Route 8
Maite, Guam 96910
Tel: 671.475.8900
Fax: 671.475.8922
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 457 Deferred Compensation Plan. 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 Deferred Compensation Plan created under Public Law No. 33-186:3, 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 Section 3 of Public Law No. 33-186, codified at 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
Appendix B: Record of Public Hearing
Appendix C: Notice of Public Hearing
Appendix D: Cost Estimates (Economic Impact Statement)

4824-4565-0757.2.039415-00031

APPENDIX A

GOVERNMENT OF GUAM
DEFERRED COMPENSATION PLAN

(Effective as of January 1, 2018)

Doc. No. 34GL-17-0340.

GOVERNMENT OF GUAM
DEFERRED COMPENSATION PLAN

TABLE OF CONTENTS

Page

PREAMBLE 1

ARTICLE I DEFINITIONS I-1

1.01 "Account" I-1
1.02 "Alternate Payee" I-1
1.03 "Beneficiary" I-1
1.04 "Board of Trustees" I-1
1.05 "Code" I-1
1.06 "Compensation" I-1
1.07 "Deferral Election" I-1
1.08 "Director" I-1
1.09 "Effective Date" I-1
1.10 "Elective Employer Contributions" I-1
1.11 "Election Period" I-2
1.12 "Employee" I-2
1.13 "Employer" I-2
1.14 "Employer Contributions" I-2
1.15 "GCA" I-2
1.16 "Investment Options" I-2
1.17 "Investment Sponsors" I-2
1.18 "Normal Retirement Age" I-2
1.19 "Normal Retirement Date" I-3
1.20 "Participant" I-3
1.21 "Plan" I-3
1.22 "Plan Administrator" I-3
1.23 "Plan Year" I-3
1.24 "Qualified Custodian" I-3
1.25 "Qualified Domestic Relations Order" I-3
1.26 "Rollover Contributions" I-3
1.27 "Roth Contributions" I-3
1.28 "Service" I-3
1.29 "Spouse" I-3
1.30 "Trust" I-4
1.31 "Trustee" I-4
1.32 "Valuation Date" I-4

ARTICLE II PARTICIPATION IN THE PLAN II-1

2.01 Participation Requirements II-1
2.02 Employees Excluded II-1
2.03 Duration of Participation II-2

2.04 Reemployment II-2
2.05 Termination of Participation II-2

ARTICLE III CONTRIBUTIONS III-1

3.01 Elective Employer Contributions III-1
3.02 Rollover Contributions and Direct Rollovers III-5

ARTICLE IV ALLOCATION TO ACCOUNTS IV-1

4.01 Separate Accounts IV-1
4.02 Limitation on Contributions IV-3

ARTICLE V VESTING OF ACCOUNTS V-1

ARTICLE VI VALUATION OF ACCOUNTS VI-1

6.01 Valuation VI-1
6.02 Valuation of Segregated Accounts VI-1
6.03 Valuation Date VI-1
6.04 Special Valuation Dates at Plan Administrator's Discretion VI-1
6.05 Method of Valuation VI-1
6.06 Participant Accounts VI-2
6.07 Statement of Account VI-2
6.08 Valuation of Account When Payment Due VI-2

ARTICLE VII DISTRIBUTION OF BENEFITS VII-1

7.01 Distribution Event VII-1
7.02 Manner of Distribution VII-1
7.03 Time Limits for Commencing Distributions VII-5
7.04 Administration of Distributions VII-11
7.05 In-Service Withdrawals for Hardship VII-12
7.06 In-Service Distributions VII-13
7.07 Plan to Plan Transfers VII-13

ARTICLE VIII DESIGNATION OF BENEFICIARY VIII-1

8.01 Designation Procedure VIII-1
8.02 Lack of Designation VIII-1

ARTICLE IX ADMINISTRATION IX-1

9.01 Plan Governance IX-1
9.02 Plan Representatives IX-2
9.03 Reliance IX-2
9.04 Indemnification IX-3
9.05 Expenses IX-3
9.06 Claims for Benefits IX-3

ARTICLE X INVESTMENTS X-1

10.01 Funding X-1
10.02 Separate Investment Funds X-1
10.03 Loans to Participants X-2

ARTICLE XI ASSIGNMENTS XI-1
11.01 No Assignment XI-1
11.02 Qualified Domestic Relations Order XI-1
ARTICLE XII AMENDMENT AND TERMINATION XII-1
12.01 Amendment of Plan XII-1
12.02 Termination of Plan XII-1
12.03 Action Required Upon Plan Termination XII-1
ARTICLE XIII QUALIFIED MILITARY SERVICE REQUIREMENTS XIII-1
13.01 General XIII-1
13.02 Employer Contributions XIII-1
13.03 Interpretation XIII-2
13.04 HEART Act Provisions XIII-3
ARTICLE XIV MISCELLANEOUS XIV-1
14.01 Participant's Rights XIV-1
14.02 Construction XIV-1
14.03 Headings XIV-1
14.04 Gender and Number XIV-1

GOVERNMENT OF GUAM
DEFERRED COMPENSATION PLAN

PREAMBLE

The Government of Guam Deferred Compensation Plan is intended to advance the interests of Government of Guam by providing deferred compensation benefits to eligible Employees of the Employer, and has been established in accordance with Section 8302(a) of Title 4 of the Guam Code Annotated.

The Plan is intended to constitute an "eligible deferred compensation plan" meeting the requirements of Section 457(b) of the Internal Revenue Code of 1986, as amended. As a Code Section 457(b) "eligible deferred compensation plan", the Plan is exempt from the requirements of Code Section 409A pursuant to Code Section 409A(d)(2).

Under the terms of the Plan, originally effective May 1, 1999, the Employer reserves the right to amend the Plan at any time, and the Employer desires to amend the Plan in compliance with changes in law including the Job Creation and Workers Assistance Act of 2002, the Working Families Tax Relief Act of 2004, the Final Treasury Regulations under Code Sections 401(a)(9) and 457, the Pension Protection Act of 2006 ("PPA"), the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), and the Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART").

Further, the Employer desires to amend the Plan to comply with the requirements of Public Law No. 33-186, enacted by the Legislature of the Government of Guam on September 14, 2016, which establishes the "Defined Benefit 1.75 Retirement System" as codified in Article 5, Chapter 8, Title 4 of the GCA. Notwithstanding the preceding sentence however, the Plan shall not accept the transfer of amounts from accounts under the Government of Guam Defined Contribution Retirement System as described under GCA Section 8504, in order that the Plan may continue to meet the requirements of an eligible plan under Code Section 457 and Treasury Regulation Section 1.457-10.

Now therefore, based on the above, the Employer hereby amends and restates the Plan in its entirety as provided herein effective as of January 1, 2018, except as otherwise provided herein.

ARTICLE I

DEFINITIONS

As used in this Plan, the following terms shall have the meanings hereinafter set forth:

1.01 "Account" shall mean the aggregate of the accounts maintained for each Participant which represents his interest in the Plan and which shall include any account described in Section 4.01.

1.02 "Alternate Payee" shall mean any Spouse, former Spouse, child, or other dependent of a Participant recognized by a domestic relations order as having a right to receive all, or a portion of, a Participant's benefits under the Plan.

1.03 "Beneficiary" shall mean any person designated by a Participant to receive benefits upon the death of such Participant as described in Article VIII.

1.04 "Board of Trustees" shall mean the Board of Trustees of the Government of Guam Retirement Fund, as described GCA Section 8301(b).

1.05 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and mirror provisions of the Guam Territorial Income Tax Code.

1.06 "Compensation" shall mean all cash compensation for services to the Employer, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the Employee's gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Employee's gross income for the calendar year but for a compensation reduction election under Code Sections 125, 132(f), 401(k), 403(b), or 457(b), including an election to defer compensation under Article III. To the extent permitted by the Code, Treasury Regulations, or other similar guidance, Compensation shall include accrued bona fide sick, vacation or other leave pay paid within two and one-half months of a Participant's severance from Service so long as the employee would have been able to use the leave if employment had continued.

1.07 "Deferral Election" shall mean the election made by a Participant described in Section 3.01(a).

1.08 "Director" shall mean the Director of the Government of Guam Retirement Fund, as described in GCA Section 8301(d).

1.09 "Effective Date" shall mean January 1, 2018, the effective date of this amendment and restatement of the Plan, except as otherwise provided herein. The prior version of the Plan was effective as of January 1, 2002. The original effective date of the Plan was May 1, 1999.

1.10 "Elective Employer Contributions" shall mean the contributions to the Plan by the Employer as described in Section 3.01. However, the term shall mean only pre-tax Elective Employer Contributions (and not Roth Contributions) where the context so indicates.

1.11 "Election Period" shall mean the period within which a Deferral Election is made as described in Section 3.01(b).

1.12 "Employee" shall mean any person employed by the Employer.

1.13 "Employer" shall mean the Government of Guam, and any entity in the Government of Guam described in GCA Section 8301(f), including the following government entities, organizations or departments that are organized and operated in Guam: each and every line department or agency of the Executive Branch; every autonomous and semi-autonomous agency or instrumentality; every public corporation; every educational institution, whether secondary or post-secondary; the Legislative Branch; the Judicial Branch; and the Public Defender Corporation, as those terms are defined in the GCA, and every public entity created by law, within Guam.

1.14 "Employer Contributions" shall mean the aggregate of contributions made to the Plan by the Employer as described in Article III.

1.15 "GCA" shall mean the Guam Code Annotated. Unless otherwise specifically provided, references to the GCA shall mean references to Title 4 of the GCA.

1.16 "Investment Options" shall mean the investment options made available by an Investment Sponsor and designated pursuant to the terms of the Plan as being available for the investment of Accounts under this Plan.

1.17 "Investment Sponsors" shall mean an insurance company, regulated investment company, or other entity providing Investment Options under the Plan.

1.18 "Normal Retirement Age" shall mean age 70½, unless the Participant has elected an alternate Normal Retirement Age and delivered such election to the Plan Administrator prior to beginning use of the Special Catch-Up Limitation as described in Section 4.02(c) of the Plan. Once a Participant has begun use of the Special Catch-Up Limitation, his Normal Retirement Age may not be changed.

In accordance with Treasury Regulation 1.457-4(c)(3)(v), for Participants eligible to receive benefits under the Employer's basic defined benefit pension plan or money purchase pension plan, a Participant's alternate Normal Retirement Age may not be earlier than the earliest date the Participant has the right to retire and receive immediate retirement benefits under such pension plan, without actuarial or similar reduction because of retirement before some later specified age, and the date selected may not be later than age 70½.

If the Participant is not eligible to receive benefits under a basic defined benefit pension plan or money purchase pension plan, the Participant's alternate Normal Retirement Age may not be earlier than age 65 nor later than age 70½.

A special rule may be applied by the Plan Administrator to qualified police or firefighters under the Plan, if any, under which any qualified police or firefighter, as defined under Code Section 415(b)(2)(H)(ii)(I), who is participating in the Plan may choose a Normal Retirement Age that is not earlier than age 40 nor later than age 70½.

1.19 "Normal Retirement Date" shall mean the first day of the month coinciding with or next following the Participant's attainment of Normal Retirement Age.

1.20 "Participant" shall mean any Employee or former Employee who has entered the Plan in accordance with Article II, and whose Account hereunder has not subsequently been distributed.

1.21 "Plan" shall mean Government of Guam Deferred Compensation Plan, as described in GCA Section 8301(a), and as set forth herein and as amended from time to time.

1.22 "Plan Administrator" shall mean the person, persons or entity appointed by the Employer to administer the Plan, which shall be the Director pursuant to Section 9.01.

1.23 "Plan Year" shall mean each 12-month period ending on December 31.

1.24 "Qualified Custodian" shall mean a bank, as described in Code Section 408(n), a person other than a bank satisfying the requirements of Treasure Regulation Section 1.408-2(e) relating to the use of non-bank trustees, or the Board of Trustees in its capacity as Trustee, as described in GCA Section 8301(g).

1.25 "Qualified Domestic Relations Order" shall have the meaning set forth in Code Section 414(p).

1.26 "Rollover Contributions" shall mean such contributions to the Plan by the Employee as described in Section 3.02.

1.27 "Roth Contributions" shall mean Elective Employer Contributions that are designated by the Employee as after-tax Roth Contributions as described in Section 3.01(a).

1.28 "Service" shall mean an Employee's total period of employment with the Employer.

1.29 "Spouse" shall mean, the person to whom the Participant is married if the individuals are in a marriage that is recognized as a legal marriage under the Code. Under this definition, and in accordance with IRS Notice 2014-19 and Revenue Ruling 2013-17:

(a) Effective September 16, 2013, a legal marriage shall include a marriage of individuals of the same sex if the marriage is validly entered into in a state whose laws authorize same-sex marriage, even if they are domiciled in a state that does not recognize the validity of such marriages.

(b) Prior to September 16, 2013, and effective as of June 26, 2013, a legal marriage shall include a marriage of individuals of the same sex if the marriage is validly entered into in a state whose laws authorize same-sex marriage, but only if the participant is domiciled in a state that recognizes same-sex marriages.

For this purpose, the term "state" shall mean any state of the United States, the District of Columbia, any territory or possession of the United States, or any foreign jurisdiction having the legal authority to sanction marriages.

1.30 "Trust" shall mean the legal entity established pursuant to a written agreement that constitutes a valid trust under applicable state law and held by the Trustee. Trust shall also mean any annuity contracts or custodial accounts described in Section 10.01.

1.31 "Trustee" shall mean the Board of Trustees and any successor duly appointed pursuant to a trust agreement as described in Section 10.01.

1.32 "Valuation Date" shall mean the last day of each Plan Year and such other dates as may be designated as provided in Article VI for valuation of Participants' Accounts.

ARTICLE II

PARTICIPATION IN THE PLAN

2.01 Participation Requirements

(a) Eligibility Requirements

GCA Section 8301(e) provides that any person who is employed by the Employer and who is a member of either the Government of Guam Retirement Fund established in Article 1, Chapter 8 of the GCA or the Government of Guam Defined Contribution Retirement System established in Article 2, Chapter 8 of the GCA, with the exception of any person who participates under a Code Section 403(b) plan sponsored by the Employer, shall be eligible to participate in the Plan.

Accordingly, subject to any applicable statutory or regulatory exceptions, any full-time Employee of the Employer, any permanent, seasonal, temporary or similar part-time Employee of the Employer, and any elected or appointed official of the Employer, shall be eligible to participate in the Plan. However, any Employee who is included in a unit of employees covered by a collective bargaining agreement that does not specifically provide for participation in the Plan shall be excluded from participation in the Plan. Independent contractors shall also be excluded from participation in the Plan.

(b) Date of Participation

(1) Effective Date

Each Employee who is a Participant in the Plan immediately prior to the Effective Date of this Plan amendment and restatement shall continue to participate in the Plan as of the Effective Date.

(2) After Effective Date

Each Employee not meeting the above Section 2.01(b)(1) shall become a Participant in the Plan as of the first day of the calendar month coinciding with or first following the date on which the Employee meets the eligibility requirements described in Section 2.01(a).

Notwithstanding qualification as a Participant under this Section 2.01, no Participant shall have any rights or interests under the Plan until becoming an active Participant by having also made a contribution to the Plan described in Article III. Active participation in the Plan and all contributions shall be voluntary, in accordance with GCA Section 8302(b).

2.02 Employees Excluded

If an Employee participating in the Plan thereafter fails to meet the eligibility requirements of Section 2.01, Employer Contributions on behalf of the

Employee shall cease effective as of the effective date of such failure. While an excluded Participant, the Employee's Account shall continue to share in the allocation of gains and losses under the Plan and shall be distributed pursuant to the applicable provisions of the Plan.

If an Employee fails to meet the eligibility requirements of Section 2.01 and subsequently meets such requirements, the Employee shall be eligible to participate in the Plan as of the date on which he meets the eligibility requirements described in Section 2.01.

2.03 Duration of Participation

An Employee who becomes a Participant in the Plan shall remain a Participant (even after termination from Service) for so long as he maintains an Account under which he is entitled to receive benefits under the Plan.

2.04 Reemployment

A former Employee may become a Participant in the Plan after his reemployment with the Employer in accordance with the participation requirements set forth in Section 2.01.

2.05 Termination of Participation

A Participant shall cease to be a Participant as of the date the Participant receives a total distribution of the vested interest in his Account.

ARTICLE III

CONTRIBUTIONS

3.01 Elective Employer Contributions

(a) Deferral Election

In accordance with GCA Section 8302(b), participation in the Plan shall be voluntary. Each Participant may make an election ("Deferral Election") to have the Employer employing him reduce his Compensation by an amount in whole percentage points. For each such Plan Year, the Employer shall contribute to the Plan on behalf of each Participant an amount equal to the amount of Compensation which the Participant elects to reduce pursuant to his Deferral Election for the Plan Year ("Elective Employer Contributions"). A Deferral Election shall not apply to any Compensation currently available on or before the later of the date on which this Section 3.01 is adopted by the Employer as part of the Plan or the date on which the provisions of this Section 3.01 first becomes effective. Elective Employer Contributions made on a Participant's behalf shall be allocated to the Elective Contribution Account of the Participant described in Section 4.01.

As soon as administratively practicable after the adoption date of this amendment, a Participant shall also be allowed to designate on the Deferral Election the type of Elective Employer Contributions (either after-tax Roth Contributions, pre-tax Elective Employer Contributions, or a combination of both as such contributions are described in this Section 3.01) to be withheld.

(1) Designated Roth Contributions

As soon as administratively practicable after the adoption date of this amendment, a Participant shall be allowed to irrevocably designate on the Participant's Deferral Election that a portion of the Participant's Elective Employer Contributions shall be Roth Contributions ("Roth Contributions"). Such designated contributions made on behalf of a Participant shall constitute designated Roth contributions within the meaning of Code Section 402A to the extent the following requirements are satisfied.

(A) After-Tax Treatment

The designated Roth Contributions are treated by the Employer as includible in the Participant's income (e.g., treated as wages subject to applicable withholding requirements) at the time the Participant would have received such contributions as cash but for the Deferral Election.

(B) Separate Account

The Roth Contributions are credited to and maintained under the Participant's Roth Contribution Account described in Section 4.01(c) as a separate account from the Participant's Elective Contribution Account.

The Plan Administrator may at its discretion determine on a uniform and nondiscriminatory basis whether the Participant's designation of Roth Contributions may apply to all or a limited portion of the Elective Employer Contributions. To the extent that the Participant does not designate his Elective Employer Contributions as Roth Contributions, such Elective Employer Contributions shall constitute pre-tax Elective Employer Contributions under the Plan.

Except as otherwise provided hereunder, the Participant's Roth Contributions shall constitute Elective Employer Contributions and shall be subject to all Plan requirements applicable to Elective Employer Contributions.

(2) Defined Benefit 1.75 Retirement System Participants

Notwithstanding the foregoing portion of this Section 3.01(a), mandatory deferrals and contributions to the Plan, as described in this Section 3.01(a)(2), shall be required for any Participant who is a member of the Defined Benefit 1.75 Retirement System ("Defined Benefit 1.75 Plan"), as defined in GCA Section 8501(j). In accordance with GCA Section 8508, for each Plan Year, the Employer of a Participant who is also a member of the Defined Benefit 1.75 Plan shall reduce his Compensation by an amount equal to 1%, and shall contribute an equal amount to the Plan on behalf of the Participant. Reduction and contribution rates may be adjusted by the Employer (and may exceed 1%), as necessary, to comply with the contribution requirement of GCA Section 8508. An election to participate in the Defined Benefit 1.75 Plan shall be deemed to constitute a Deferral Election for such deferral and contribution as described in this Section 3.01, and constitute an agreement providing for such deferral, as described in Code Section 457(b)(4).

Plan contributions required under this Section 3.01(a)(2) shall be administered as pre-tax Elective Employer Contributions, and shall constitute pre-tax "pick-up" employer contributions comparable to those described in Code Section 414(h). Although such contributions shall be designated as employee contributions, such contributions shall be paid to the Plan by the Employer. A Participant shall not have a cash or deferred election right with respect to such contribution amounts as of the date of the "pick-up". Specifically, a Participant shall not be permitted to opt-out of the "pick-up" arrangement, or opt to receive such contribution amounts directly.

(b) Deferral Election Procedure

Each Participant shall make a Deferral Election by submitting the prescribed election form to the Employer during the applicable election period described hereunder ("Election Period"). In accordance with GCA Section 8302(b), the amount to be deferred must be as provided in a written agreement timely executed by and between the Participant and the Employer. Such agreement shall be in a form as prescribed by the Director, approved by the Board of Trustees, and in compliance with the requirements of Code Section 457.

With respect to the first Plan Year, the Election Period shall be the period as determined by the Plan Administrator, and the Deferral Election submitted during such Election Period shall be effective as soon as practicable on or after the date on which the Deferral Election is submitted, but no earlier than the first payment of Compensation by the Employer during the first month following receipt by the Employer of the Deferral Election, in accordance with Code Section 457(b)(4) and Treasury Regulation 1.457-4(b).

For any Employee who becomes a Participant during the Plan Year, the applicable Election Period shall be a period, as determined by the Plan Administrator, immediately preceding the date such Employee commences participation in the Plan. A Deferral Election submitted during such Election Period shall be effective as soon as practicable on or after the date of the Employee's commencement of participation in the Plan, but no earlier than the first payment of Compensation by the Employer during the first month following receipt by the Employer of the Deferral Election, in accordance with Code Section 457(b)(4) and Treasury Regulation 1.457-4(b). However, a new Employee may defer compensation payable in the calendar month during which the Participant first becomes an Employee if a Deferral Election providing for the deferral is entered into by the Participant and approved by the Plan Administrator on or before the first day on which the participant performs services for the Employer, in accordance with Treasury Regulation 1.457-4(b). Once made, a Deferral Election shall remain in effect from Plan Year to Plan Year unless otherwise modified or terminated as provided herein.

Any prior Employee who was a Participant in the Plan and is rehired by Employer may resume participation in the Plan by entering into a Participation Agreement, however, any deferred commencement date elected by such Employee with respect to those prior Plan assets shall be null and void.

For purposes of this Article III, and in accordance with procedures established by the Plan Administrator, the prescribed election form for a Deferral Election (or the modification or termination of a Deferral Election) may be completed and delivered in electronic or written form to the Plan Administrator or the Plan's recordkeeper or other appropriate vendor on behalf of the Plan.

The Plan Administrator retains the right to establish minimum deferral amounts per payroll period, and to change such minimums from time to time and to limit the number or timing of enrollments into the Plan. No adjustment in future deferrals shall be made if a periodic deferral is missed or is less than the amount elected. The Plan

Administrator shall have the right to modify or disallow the periodic deferral of Compensation elected by the Participant:

(1) in excess of the limitations stated in Article IV;

(2) in excess of the Participant's net Compensation for any payroll period;

(3) upon any change in the length of the payroll period utilized by the Employer. In such case the periodic deferral may be adjusted so that approximately the same percentage of pay shall be deferred on an annual basis;

(4) in order to round periodic deferrals to the nearest whole dollar amount;

(5) to reduce the future deferrals in the event that the amount actually deferred for any payroll period exceeds, for any reason whatsoever, the amount elected by the Participant. In the alternative, such amount of excess deferral may be refunded to the Participant; or

(6) if the deferral elected for any payroll period is less than the minimum amount specified by the Plan Administrator.

(c) Modification or Termination of Deferral Election

(1) Modification

A Participant may modify a Deferral Election in effect for him at the time by submitting a new election form to the Plan Administrator, in which case the modified Deferral Election shall be effective as soon as administratively feasible following the date of such submission as determined by the Plan Administrator, but no earlier than the first payment of Compensation by the Employer during the first month following receipt by the Employer of the new election.

For the Plan Year in which Roth Contributions are initially implemented, Participants shall be allowed to modify their Deferral Elections at the time and manner determined by the Plan Administrator at its complete discretion.

(2) Termination

A Participant may terminate a Deferral Election at any time by submitting a new election form to the Plan Administrator for the discontinuation of Elective Employer Contributions on his behalf, in which case the termination of his Deferral Election shall be effective as soon as administratively feasible following the date of such submission as determined by the Plan Administrator,

but no earlier than the first payment of Compensation by the Employer during the first month following receipt by the Employer of the notice.

(d) Payment of Elective Employer Contributions

Elective Employer Contributions made on behalf of a Participant for any Plan Year shall be paid to the Trust by the Employer as described in Section 10.01 as soon as reasonably practicable following the date such contributions would have been paid to the Participant if the Participant made no Deferral Election, in accordance with Code Section 457(g).

3.02 Rollover Contributions and Direct Rollovers

The Plan Administrator may accept a rollover contribution or a direct rollover to this Plan of an Eligible Rollover Distribution (as defined in Section 7.02(b)(2)(A)) on behalf of an Employee, including an Employee who has not yet satisfied the eligibility requirements under Section 2.01 from an Eligible Retirement Plan (as defined in Section 7.02(b)(2)(B)), in accordance with Treasury Regulation 1.457-10(e). If the Plan accepts a rollover contribution or a direct rollover from more than one Eligible Retirement Plan, a separate Rollover Contribution Account shall be established and maintained to separately account for the rollover contribution or direct rollover from each such Eligible Retirement Plan. The Plan Administrator may, but need not, authorize any rollover contribution or direct rollover, and the Plan Administrator may prohibit all such rollovers at its complete discretion. Such rollover contribution or direct rollover shall comply with the requirements of Code Section 402, including a direct rollover of an Eligible Rollover Distribution pursuant to Code Section 401(a)(31), and a rollover from a conduit individual retirement account pursuant to Code Section 408(d)(3)(A). A rollover contribution or direct rollover shall be allocated to the Participant's Rollover Contribution Account as of the date such contribution or rollover is received.

(a) Information Required

As determined by the Plan Administrator, a rollover contribution or direct rollover shall be accompanied by written representations identifying the transferor plan, stating the name of the Employee, stating the current value of the assets to be transferred, stating that the Employee maintains a 100% fully vested interest in such assets under the transferor plan, and providing such other information as the Plan Administrator may require. The Plan Administrator, in its sole discretion, may require an opinion of legal counsel that the amounts to be transferred meet the requirements of this Section 3.02.

(b) Eligibility Requirements

In the event of a rollover contribution or direct rollover on behalf of an Employee who has not satisfied the eligibility requirements under Section 2.01, the Employee shall be treated as a Participant under the Plan, except that the Employee shall not be eligible to receive any Employer Contributions until the Employee satisfies the applicable eligibility requirements and allocation requirements under the Plan.

(c) Investments

The Plan Administrator may allow or restrict, in its sole discretion, that the amounts transferred be in cash, in-kind, or a combination thereof. The amounts transferred shall share in the earnings and losses of the Trust and shall be subject to the investment requirements as provided under the Plan. Therefore, in the event that the Plan Administrator accepts a rollover contribution or direct rollover in-kind, the Plan Administrator may direct the Trustee to invest such amount in a segregated Account for the sole benefit of the Employee pursuant to Article X, without regard to whether the Employee is allowed to otherwise segregate or self-direct the investment of any other of his Accounts.

(d) Rollover Characteristics

In the event of a rollover contribution or a direct rollover of an amount to this Plan from another plan, the protected benefits available under the transferor plan shall not be retained under this Plan, and the distribution options as permitted under this Plan shall apply with respect to the distribution of the transferred amount.

(e) Transfer to the Plan due to Merger or Consolidation

At the discretion of the Plan Administrator and subject to the requirements of this Section 3.02(e), the Plan may accept a transfer of assets from another eligible governmental plan within the meaning of Code Section 457(b) and Treasury Regulation Section 1.457-2(f).

Such transfer may only be allowed if the transferring plan is located within Guam, all of the assets held by the transferor plan are transferred, the transferor plan provides for transfers, a participant or beneficiary whose amounts deferred are being transferred will have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that participant or beneficiary immediately before the transfer, and the participants or beneficiaries whose deferred amounts are being transferred are not eligible for additional annual deferrals in the Plan unless they are performing services for the Employer.

The transferred amounts shall be subject to distribution restrictions of Treasury Regulation Section 1.457-6 under the Plan in the same manner as if the transferred amount had originally been deferred under the Plan if the participant is performing services for the Employer. Such transfer shall be carried out in accordance with the requirements of Treasury Regulation Section 1.457-10(b).

ARTICLE IV

ALLOCATION TO ACCOUNTS

4.01 Separate Accounts

(a) In General

The Plan Administrator shall establish and maintain separate Accounts for each Participant in accordance with GCA Section 8305(f), including an Elective Contribution Account and a Rollover Contribution Account as described in this Section 4.01.

As soon as administratively practicable after the adoption date of this amendment, the Plan Administrator shall also establish and maintain separate Roth Contribution Accounts for each Participant as described in this Section 4.01.

(b) Elective Contribution Account

The Plan Administrator shall establish and maintain an Elective Contribution Account for each Participant, to which shall be allocated pre-tax Elective Employer Contributions made on behalf of the Participant and any adjustment for net income or loss under the Trust attributable to such Account. Amounts under this Section 4.01(b) shall be allocated, as of the last day of the Plan Year (or more frequently as determined by the Plan Administrator), among the Elective Contribution Accounts of Participants in accordance with their Deferral Elections described in Section 3.01.

(c) Roth Contribution Account

As soon as administratively practicable after the adoption date of this amendment, the Plan Administrator shall establish and maintain a Roth Contribution Account for each Participant who designates a Roth Contribution to the Plan in accordance with Section 3.01(a), to which shall be allocated the Roth Contribution and any adjustments for net income or loss under the Trust attributable to such Account. The Roth Contribution Account shall be subject to separate accounting, under which contributions and withdrawals of Roth Contributions on behalf of a Participant shall be credited and debited to the Roth Contribution Account of such Participant. The Roth Contribution Account shall include a record of the Participant's "investment in the contract" (i.e., Roth Contributions that have not been distributed) under such Account. Gains, losses, and other credits or charges shall be separately allocated on a reasonable and consistent basis to the Roth Contribution Account and other Accounts. However, any Forfeitures under this Plan shall not be allocated to any Roth Contribution Account. The separate accounting requirements described in this Section 4.01(c) shall be applicable at the time any Roth Contribution is made and credited to a Participant's Roth Contribution Account and shall continue until such Roth Contribution Account is completely distributed.

(1) In-Plan Roth Conversion Election. A Participant may elect to transfer ("In-Plan Roth Conversion") all or a portion of his vested interest in his Elective Contribution Account and Rollover Contribution Account to the Participant's Roth Contribution Account in accordance with the provisions of the Plan. In the event of an In-Plan Roth Conversion, the Participant shall continue to be eligible to participate in the Plan on the same basis as any other Participant. Except as otherwise provided under this Section 4.01(c)(1), and subject to the distribution requirements of Section 7.02(f)(3), In-Plan Roth Conversion amounts shall otherwise be treated as Roth Contributions in accordance with the terms of the Plan.

(2) After-Tax Treatment. The taxable amount of an In-Plan Roth Conversion is treated by the Employer as includible in the Participant's income for the taxable year in which the transfer occurs. This amount is equal to the fair market value of the In-Plan Roth Conversion reduced by any basis of the Participant in the transferred amount. If a loan to a Participant, as described in Section 10.03, is transferred as a result of an In-Plan Roth Conversion, the taxable amount shall be the outstanding balance of the loan.

(3) In-Plan Roth Transfer Credited to Roth Contribution Account. The election of an In-Plan Roth Conversion does not constitute a Plan distribution, or an election to receive an actual payment from the Plan to the Participant, and no such payment shall be made pursuant to the election. Rather, the amount of the In-Plan Roth Conversion shall be converted from the given existing Plan account and credited to the Participant's Roth Contribution Account. Accordingly, the Plan shall not withhold or distribute any amounts for income tax withholding, unless a distribution of other amounts is permitted pursuant to the terms of the Plan. The Plan shall transfer investments to the Participant's Roth Contribution Account in accordance with the Plan terms and procedures governing Plan investments. A Participant loan that is transferred to a Participant's Roth Contribution Account with no alteration to the repayment schedule shall not be treated as a new loan.

(4) Beneficiaries and Alternate Payees. An In-Plan Roth Conversion may be elected by a Beneficiary only if he is a surviving Spouse, and by an Alternate Payee only if he is a Spouse or former Spouse.

(5) In-Plan Roth Transfer Account. An "In-Plan Roth Conversion Account" is a subaccount of a Participant's Roth Contribution Account that the Plan Administrator establishes for the purpose of separately accounting for a Participant's transfers attributable to the Participant's In-Plan Roth Conversions. The Plan Administrator shall have authority to establish such a subaccount, and to the extent necessary, may establish subaccounts based on the source of the In-Plan Roth Conversion. The Plan Administrator will administer any In-Plan Roth Conversion Account in accordance with guidance provided by the Internal Revenue Service and pursuant to the terms of the Plan.

(d) Rollover Contribution Account

The Plan Administrator shall establish and maintain a Rollover Contribution Account for each Participant who makes a rollover contribution or direct rollover to the Plan in accordance with Section 3.02, to which shall be allocated such rollover contribution or direct rollover and any adjustments for net income or loss under the Trust attributable to such Account.

4.02 Limitation on Contributions

For purposes of this Section 4.02 only, in accordance with Treasury Regulation Section 1.457-2(g), Compensation shall mean, with respect to a taxable year, a Participant's compensation as defined in Code Section 415(c)(3), for services performed for the Employer. The amount of Compensation shall be determined without regard to any community property laws.

Compensation shall include a Participant's actual wages as reported in Box 1 of Internal Revenue Service Form W-2 for services to the Employer with respect to a taxable year, subject to a maximum of $265,000 (or such higher maximum as may apply under Code Section 401(a)(17)) and increased (up to the dollar maximum) by any compensation reduction election under Code Sections 125, 132(f), 401(k), 403(b), or 457(b) (including an election to defer Compensation under Article III).

(a) Primary Limitation

The maximum amount ("Primary Limitation") that normally may be contributed to the Plan pursuant to contributions as described in Article III on behalf of a Participant shall be the lesser of: (1) the applicable dollar amount, as set forth in Code Section 457(e)(15) (e.g., $18,000 for 2017); or (2) 100% of the Participant's Compensation for the Plan Year. Such limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 457(e)(15)(B). The Primary Limitation does not include any rollover amounts received by the Plan under Treasury Regulation Section 1.457-10(e).

(b) Age 50 Catch-Up Limitation

In addition to those contributions permissible under the Primary Limitation, additional amounts may be contributed to the Plan on behalf of a Participant who will attain age 50 or greater by the end of the Plan Year ("Age 50 Catch-Up Contributions") up to the limit described in Code Section 414(v)(2) ("Age 50 Catch-Up Limitation"), which is $6,000 for 2017. Such limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 414(v)(2)(C).

(c) Special Catch-Up Limitation

For each of the last three Plan Years ending before a Participant's attainment of his Normal Retirement Age, if the amount determined under this Section 4.02(c) exceeds the total of the Primary Limitation and the Age 50 Catch-Up Limitation

described in Sections 4.02(a) and 4.02(b), the maximum amount that may be contributed to the Plan on behalf of the Participant shall be the lesser of: (1) twice the applicable dollar amount in effect under Code Section 457(b)(2)(A) for the Plan Year; or (2) the sum of (i) the Primary Limitation determined under Section 4.02(a) above for the Plan Year and (ii) that portion of the Primary Limitation determined under Section 4.02(a) above not utilized by the Participant in prior Plan Years in which the Participant was eligible to participate in the Plan ("Special Catch-Up Limitation").

The Special Catch-Up Limitation shall apply to a single three-year period with respect to any Participant. If a Participant utilizes the Special Catch-Up Limitation and postpones his retirement beyond his Normal Retirement Date or is reemployed following his retirement on or after his Normal Retirement Date, then the Special Catch-Up Limitation shall not apply again to such Participant.

(d) Coordination of 50 Catch-Up Limitation and Special Catch-Up Limitation

In accordance with Treasury Regulation 1.457-4(c)(2), a Participant who is eligible for Age 50 Catch-Up Contributions for a Plan Year, and for whom that Plan Year is also one of the Participant's last three Plan Years ending before the Participant attains Normal Retirement Age, the maximum amount that may be contributed to the Plan on behalf of a Participant shall be the greater of:

(1) The total of the Primary Limitation described in Section 4.02(a) and the Age 50 Catch-Up Limitation described in Section 4.02(b); and

(2) The Special Catch-Up Limitation described in Section 4.02(c).

(e) Coordination With Other 457(b) Plans

If a Participant participates in more than one Code Section 457(b) plan, the maximum amount that may be contributed to all such plans for a Plan Year shall not exceed the applicable limitation described in Section 4.02(a) (subject to modification by the Age 50 Catch-Up Limitation and the Special Catch-Up Limitation described in Sections 4.02(b) and 4.02(c)).

(f) Excess Contributions

To the extent that any amount contributed for any Plan Year on behalf of a Participant exceeds the applicable maximum limitation described in this Section 4.02, such excess, as adjusted for allocable net income, shall be distributed to the Participant as soon as administratively practicable after the Plan determines that the amount is an excess deferral in accordance with Treasury Regulation Section 1.457-4(e)(2). Excess amounts shall be distributed in the following order of priority: (1) pre-tax Elective Employer Contributions; and (2) Roth Contributions.

ARTICLE V

VESTING OF ACCOUNTS

A Participant's interest in the balance of his Elective Contribution Account, Roth Contribution Account, and Rollover Contribution Account shall be fully and immediately vested and nonforfeitable at all times.

ARTICLE VI

VALUATION OF ACCOUNTS

6.01 Valuation

As of each Valuation Date, prior to any allocation of Employer Contributions to be made as of such date, the net income or loss of the Plan's general assets since the preceding Valuation Date, including net appreciation or depreciation and any expenses paid under the Plan, shall be allocated to each Account in the ratio that the value, as of the next preceding Valuation Date, of each such Account invested in the general assets bears to the value, as of the next preceding Valuation Date, of all Accounts invested in the general assets. If one or more separate investment funds have been established for purposes of the Plan, the net income or loss of each investment fund shall be similarly but separately allocated to each Account invested in such investment fund in proportion to the value of each Account invested in such funds as of the preceding Valuation Date. The Plan Administrator shall adopt equitable procedures to establish a proportionate crediting of Plan income or loss to those portions of Participants' Accounts in the case of contributions, transfers, or withdrawals that have occurred in the interim period since the next preceding Valuation Date.

6.02 Valuation of Segregated Accounts

The portion of any Participant's Account invested on a segregated basis as provided in Article X shall be valued separately on each Valuation Date and the net income or loss allocated to such Account shall be based on the assets, including income, gain, loss, allocated expenses, and other change in value of the assets constituting such portion of the Account.

6.03 Valuation Date

The General Account, any separate investment funds, and any segregated Account shall be valued as of the last day of each Plan Year.

6.04 Special Valuation Dates at Plan Administrator's Discretion

The Plan Administrator may determine the fair market value of an Account as of any date other than the last day of a Plan Year in accordance with the provisions of Section 6.02.

6.05 Method of Valuation

All determinations made by the Plan Administrator with respect to the value of an Account shall be made in accordance with generally accepted principles of accounting, and such determinations when so made by the Plan Administrator shall be conclusive and binding upon all persons having an interest under the Plan.

6.06 Participant Accounts

The Plan Administrator shall open and maintain separate Accounts for each Participant as described in Article IV, in accordance with GCA Section 8305(f). Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to the Plan. The records of the Plan shall be maintained by the Plan Administrator and shall accurately disclose the value of the Participant's Account.

6.07 Statement of Account

As soon as practicable after the end of each Plan Year, and the first day of the fourth, seventh, and tenth month of each Plan Year, the Plan Administrator shall furnish to each Participant a statement of his Account, determined as of the last day of such previous quarter of the Plan Year, in accordance with GCA Section 8309. Upon the discovery of any error or miscalculation in an Account, the Plan Administrator shall correct it, to the extent correction is practically feasible. Statements to Participants are for reporting purposes only, and no allocation, valuation, or statement shall vest any right or title to any part of the assets of the Employer, nor require any segregation of the assets of the Employer, except as is specifically provided in the Plan.

6.08 Valuation of Account When Payment Due

The amount of any payment in the case of a distribution from a Participant's Account pursuant to Article VII shall be based on the value of the Participant's Account as of the date of the applicable distribution event, in accordance with Section 8308 of the GCA, subject to adjustments pursuant to administrative rules and regulations under the Plan that are adopted by the Plan Administrator.

ARTICLE VII

DISTRIBUTION OF BENEFITS

7.01 Distribution Event

In the event of a Participant's severance from Service, the Participant (or, in the event of the Participant's death, his Beneficiary) shall be entitled to receive a benefit equal to the vested interest in his Account, the value of which shall be determined pursuant to Article VI. Distribution of the benefit shall commence at the time and form as described in this Article VII following the Participant's severance from Service, and shall be in accordance with the requirements of Treasury Regulation Section 1.457-6.

7.02 Manner of Distribution

(a) Time and Form of Distribution

Subject to applicable law and other provisions of this Plan, distributions may be made in accordance with one of the following payment options:

(1) A single lump-sum payment;

(2) Installment payments for a period of years (payable on a monthly, quarterly, semi-annual, or annual basis) which extends no longer than the life expectancy of the payee as permitted under Code Section 401(a)(9) (using the "declining balance method", under which each installment payment is determined by multiplying the remaining balance by a fraction, where the numerator is one and the denominator is the remaining payments in the payment period);

(3) A partial lump-sum payment of a designated amount, with the balance payable in installment payments for a period of years, as described in Section 7.02(a)(2);

(4) Annuity payments (payable on a monthly, quarterly or annual basis) for the lifetime of the payee or for the lifetimes of the payee and Beneficiary in compliance with Code Section 401(a)(9);

(5) Such other forms of installment payments as may be approved by the Employer consistent with the requirements of Code Section 401(a)(9); or

(6) A Participant who is an eligible retired public safety officer, as defined under Code Section 402(l)(4)(B), may elect to have distributions made directly to an insurer to pay qualified health insurance premiums for coverage for the eligible retired public safety officer, his Spouse and dependents, by an accident of health insurance plan or qualified long-term care insurance contract as defined in Code Section 7702B(b). Any elections and distributions under this Section 7.02(a)(6) shall be made in a manner consistent with the requirements and

limits contained in Code Section 402(1) and any applicable guidance issued thereunder.

A Participant shall make any distribution election in such manner and form as is approved by the Plan Administrator. The Employer or Plan Administrator may also adopt practices and procedures applicable to existing and new distribution elections. A payee's election of a payment option must be made at least 30 days prior to the date that the payment of benefits is to commence.

In the absence of an effective election by the Participant as to the commencement or form of benefits, distributions shall be made in accordance with the applicable requirements of Code Sections 401(a)(9) and 457(d), and final Treasury Regulations thereunder. In the absence of an effective election by the Beneficiary or Alternate Payee as to the commencement or form of benefits, distributions shall be made in a lump sum.

Notwithstanding any other provision of this Article VII, no distribution option may be selected by a payee under this Article VII unless it satisfies the applicable requirements of Code Sections 401(a)(9) and 457(d), and final Treasury Regulations thereunder. The terms of this Article VII shall be construed in accordance with all applicable Code sections. As a nonqualified deferred compensation plan described in Code Section 457(b), distributions under this Plan are generally includible in income for income tax purposes at the time such distributions are received.

(b) Direct Rollover Option

(1) In General

A Participant or Beneficiary who is otherwise entitled to a distribution under this Section 7.02 as a Distributee may elect, at the time and in the manner determined by the Plan Administrator, to have part or all of the distribution paid in a Direct Rollover to an Eligible Retirement Plan specified by the Participant or Beneficiary in accordance with Code Section 457(e)(16), provided the amount to be rolled over is an Eligible Rollover Distribution that meets one of the following minimum requirements:

(A) Total Account. If the amount of the Direct Rollover is the total amount of the interest of the Participant or Beneficiary in the Plan, then such amount must be at least $200 (or such other minimum amount required under the Code or Treasury Regulations).

(B) All of Distribution. If the amount of the Direct Rollover is the full amount of the distribution, then it must be reasonable to expect that the total amount of all distributions to the Participant or Beneficiary for the calendar year will be at least $200 (or such other minimum amount required under the Code or Treasury Regulations).

(C) Part of Distribution. If the amount of the Direct Rollover is part, but not all of the distribution, then such amount is at least $500 (or such other minimum amount required under the Code or Treasury Regulations).

(2) Definitions

For purposes of this Section 7.02 and Section 7.04(d), the following definitions shall apply:

(A) "Eligible Rollover Distribution" shall mean any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution shall not include: (1) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's beneficiary, or for a specified period of ten years or more; (2) any distribution to the extent such distribution is required under Code Section 401(a)(9); (3) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and (4) the portion of any distribution that is a hardship distribution.

(B) "Eligible Retirement Plan" shall mean any of the following accounts or plans to the extent it accepts the Distributee's Eligible Rollover Distribution, except as otherwise provided in the next paragraph: (1) an individual retirement account described in Code Section 408(a); (2) an individual retirement annuity described in Code Section 408(b); (3) an annuity plan described in Code Section 403(a); (4) an annuity contract described in Code Section 403(b); (5) an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state, and which agrees to separately account for amounts transferred into such plan from this Plan; (6) a qualified retirement plan described in Code Section 401(a); and (7) a Roth IRA described in Code Section 408A. The preceding definition of Eligible Retirement Plan shall also apply in the case of an Eligible Rollover Distribution to the Participant's Spouse, surviving Spouse, or former Spouse who is the Alternate Payee under a Qualified Domestic Relations Order.

However, for the portion, if any, of the Eligible Rollover Distribution that consists of after-tax employee contributions which are not includible in gross income (other than designated Roth contributions under Code Section 402A), "Eligible Retirement Plan" shall mean any of the following accounts or plans to the extent it accepts the Distributee's Eligible Rollover Distribution and agrees to separately account for

amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not includible: (1) an individual retirement account described in Code Section 408(a); (2) an individual retirement annuity described in Code Section 408(b); (3) an annuity plan described in Code Section 403(a); (4) a qualified retirement plan described in Code Section 401(a); and (5) for distributions after December 31, 2006, an annuity plan described in Code Section 403(b). Moreover, for any portion of the Eligible Rollover Distribution that is attributable to payments from a Roth Contribution Account, an Eligible Retirement Plan with respect to such portion shall mean only: a Roth IRA described in Code Section 408A; a designated Roth account described in Code Section 402A that is under a qualified Code Section 401(k) retirement plan; and a designated Roth account described in Code Section 402A that is under a Code Section 403(b) annuity plan.

(C) "Distributee" shall include an Employee or former Employee. In addition, the Employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order shall be treated as a Distributee with respect to the interest of such Spouse or former Spouse. Moreover, effective January 1, 2010, a non-Spouse Beneficiary who is a designated beneficiary under Code Section 401(a)(9)(E) and Treasury Regulation Section 1.401(a)(9)-4, may also be a Distributee for purposes of electing a Direct Rollover of an Eligible Rollover Distribution under Section 7.02 and Section 7.04(d), but only if the Eligible Retirement Plan accepting the Direct Rollover is an individual retirement account or an individual retirement annuity.

(D) "Direct Rollover" shall mean a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

(c) [Reserved]

(d) [Reserved]

(e) [Reserved]

(f) Special Rule for Roth Contribution Accounts

Generally, in accordance with Code Section 402A, a distribution from a Participant's Roth Contribution Account (comprising Roth Contributions plus earnings) would constitute a "qualified Roth distribution" ("Qualified Roth Distribution"), and would not be includible in income of the recipient, only if: (1) the Roth Contribution Account has been maintained for five taxable years of the Participant beginning with the first day of the taxable year of the Participant in which the Participant makes Roth Contributions to such Account (or, in the case of a rollover contribution to the Roth Contribution Account from a previously established Roth contribution account under

another qualified Code Section 401(k) retirement plan, for five taxable years of the Participant beginning with the first day of the taxable year of the Participant in which the Participant makes Roth contributions to such previously established Roth contribution account); and (2) the distribution is made after the Participant attains age 59½, the Participant becomes disabled, or the Participant dies. A distribution of Excess Elective Employer Contributions or Excess Deferrals would not constitute a Qualified Roth Distribution.

(1) Order of Priority. Unless otherwise provided under the Plan, if a Participant's Plan Account includes a Roth Contribution Account, then any distribution of the Participant's Plan Account shall be made in the following order of priority: (A) first, as a distribution of the Account that is not comprised of the Roth Contribution Account; and (B) second, as a distribution of the Account that is comprised of the Roth Contribution Account. Therefore, the Roth Contribution Account shall be distributed only after the distribution of the non-Roth Contribution Account.

(2) Exception for Direct Rollover. To the extent that a Roth Contribution Account becomes distributable as an Eligible Rollover Distribution, the Participant shall be allowed to elect a Direct Rollover of his Roth Contribution Account, notwithstanding that such Direct Rollover may precede the distribution of the non-Roth Contribution Account.

(3) In-Plan Roth Conversion Amounts. In addition to those conditions described above in this Section 7.02(f), a Participant may withdraw In-Plan Roth Conversion amounts, as described in Section 4.01(c)(1), from the Participant's Roth Contribution Account only when the Participant is eligible for a distribution from the Plan account that is the source of the In-Plan Roth Conversion amount. An In-Plan Roth Conversion shall not expand or eliminate any distribution rights, including any optional forms of benefit described in Code Section 411(d)(6), or any restrictions on amounts that a Participant elects to treat as an In-Plan Roth Conversion.

7.03 Time Limits for Commencing Distributions

(a) General Distribution Restrictions

Distribution of a Participant's Account shall be made no earlier than (1) severance from Service in accordance with Section 7.01; (2) the calendar year in which the Participant attains age 70½; (3) in the event of an approved financial hardship due to an "Unforeseeable Emergency" in accordance with Section 7.05; or (4) a Participant's Account meets the requirements for an in-service distribution in accordance with Section 7.06.

(b) Required Beginning Date under Code Section 401(a)(9)

Notwithstanding any provision of the Plan to the contrary, a Participant's vested interest in his Account shall be distributed or begun to be distributed no later than

the Participant's "Required Beginning Date" and shall be made in accordance with the requirements described in this Section 7.03(b) and shall otherwise comply with requirements of Code Section 401(a)(9) and underlying Treasury Regulations. Except as provided in the next paragraph, a Participant's "Required Beginning Date" shall be April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains age 70½ or (2) the calendar year in which the Participant retires.

However, in the case of a Participant who is a 5% Owner at any time during the five Plan Year period ending in the calendar year in which the Participant attains age 70½, the Required Beginning Date shall be April 1, of the calendar year following the calendar year in which he attains age 70½. Further, in the case of a Participant who becomes a 5% Owner during any subsequent Plan Year, the Required Beginning Date shall be the April 1 of the calendar year following the calendar year in which such subsequent Plan Year ends. Once distributions have commenced to a Participant who is a 5% Owner, the distributions shall continue even if the Participant ceases to be a 5% Owner in a subsequent year.

(c) Minimum Distribution Requirements

(1) General Rules

(A) Effective Date. The provisions of this Section 7.03(c) shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(B) Precedence. The requirements of this Section 7.03(c) shall take precedence over any inconsistent provisions of the Plan.

(C) Requirements of Treasury Regulations. All distributions required under this Section 7.03(c) shall be determined and made in accordance with the Treasury Regulations under Section 401(a)(9) of the Code and the minimum distribution incidental benefit requirement of Code Section 401(a)(9)(G), which are incorporated herein by this reference.

(2) Time and Manner of Distribution

(A) To Participant. The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(B) To Beneficiary. If the Participant dies before distributions begin, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:

(i) Surviving Spouse. If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, distributions to the surviving Spouse shall begin by December 31

of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later. The beginning date shall not be required if the surviving Spouse elects instead to complete distributions by December 31 of the calendar year containing the fifth anniversary of the Participant's death. The election must be made no later than September 30 of the earlier of the calendar year in which distributions would otherwise be required to begin if the election were not made, or the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, the surviving Spouse's) death.

(ii) Other Designated Beneficiary. If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, distributions to the designated Beneficiary shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died. The beginning date shall not be required if the designated Beneficiary elects instead to complete distributions by December 31 of the calendar year containing the fifth anniversary of the Participant's death. The election must be made no later than September 30 of the earlier of the calendar year in which distributions would otherwise be required to begin if the election were not made, or the calendar year which contains the fifth anniversary of the Participants (or, if applicable, the surviving Spouse's) death.

(iii) No Designated Beneficiary. If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) Death of Surviving Spouse. If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 7.03(e)(2)(B), other than Section 7.03(c)(2)(B)(i), shall apply as if the surviving Spouse were the Participant.

For purposes of this Section 7.03(c)(2)(B) and Section 7.03(c)(4), unless Section 7.03(c)(2)(B)(iv) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 7.03(c)(2)(B)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section 7.03(c)(2)(B)(i). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the

Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section 7.03(c)(2)(B)(i)), the date distributions are considered to begin is the date distributions actually commence.

(C) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year, distributions shall be made in accordance with Section 7.03(c)(3) and Section 7.03(c)(4) of this Article. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Section 401(a)(9) of the Code and Treasury Regulations.

(3) Required Minimum Distributions during Participant's Lifetime

During the Participant's lifetime, the minimum amount distributed for each Distribution Calendar Year (as defined in Section 7.03(c)(5)(B) shall be the lesser of:

(A) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year (as defined in Section 7.03(c)(5)(B)); or

(B) if the Participant's sole designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

Required minimum distributions shall be determined under this Section 7.03(c)(3) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

(4) Required Minimum Distributions After Participant's Death

(A) Death on or after Date Distributions Begin

(i) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of

the Participant's death shall be the quotient obtained by dividing the Participant's Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

(I) The Participant's remaining life expectancy shall be calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(II) If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, the surviving Spouse's remaining life expectancy shall be calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(III) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy shall be calculated using the age of Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death shall be the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) Death before Date Distributions Begin

(i) Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of the Participant's death shall be the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's

designated Beneficiary, determined as provided in Section 7.03(c)(4)(A).

(ii) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, and the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and if the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 7.03(c)(2)(B)(i), then this Section 7.03(c)(4)(B) shall apply as if the surviving Spouse were the Participant.

(5) Definitions

(A) "Designated Beneficiary" shall mean the individual who is designated as the Beneficiary in accordance with Section 1.04 of the Plan and is the designated Beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-4, of the Treasury Regulations. Section 1.401(a)(9)-4, Q&A-5, of the Treasury Regulations permits the designation of a trust as Beneficiary provided the requirements of the cited Section are met.

(B) "Distribution Calendar Year" shall mean a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year shall be the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year shall be the calendar year in which distributions are required to begin under Section 7.03(c)(2)(B). The required minimum distribution for the Participant's first Distribution Calendar Year shall be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, shall be made on or before December 31 of that Distribution Calendar Year.

(C) "Life Expectancy" shall mean life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(D) "Participant's Account Balance" shall mean the Account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(E) "Required Beginning Date" shall mean the date specified in Section 7.03(b) of the Plan.

7.04 Administration of Distributions

(a) In General

Benefits under the Plan shall be distributed solely from the Trust. No distributions shall be made or commence prior to the Participant's termination from Service, except as required under Article VII and Section 11.02, and in the case of termination of the Plan.

(b) Authority

Distributions shall be made only in accordance with the directions of the Plan Administrator. The Plan Administrator shall have the authority to direct the distributions in accordance with the terms and conditions of the Plan, but the Plan Administrator shall have no power of discretionary consent with regard to a Participant's or a Beneficiary's choice of the form or timing of a distribution, except as specifically stated herein, to the extent that the Plan Administrator is constrained by the options available under the Plan or by the requirements of law or regulation.

The Plan Administrator may determine that a Participant's election as to the timing and form of his distribution shall not be treated as valid unless the election is completed on a form prescribed or approved by the Plan Administrator, and unless such completed form is received and acknowledged by the Plan representatives.

(c) Minors or Legally Incompetents

In the case of any distribution to a minor or to a legally incompetent person, the Plan Administrator may: (1) direct the distribution to his legal representative, to a designated relative, or directly to such person for his benefit; or (2) instruct the distribution directly for his support, maintenance, or education.

(d) Written Explanations Regarding Eligible Rollover Distributions

(1) Required Tax Information

The Plan Administrator shall provide a Distributee (as described in Section 7.02(b)(2)(C) who is to receive an Eligible Rollover Distribution, with a "Section 402(f) Notice" not less than 30 days nor more than 180 days before making the distribution in accordance with Code Section 457(b)(16)(B). A "Section 402(f) Notice" shall be a written explanation of the various rules allowing the Distributee to elect a direct rollover to an Eligible Retirement Plan, requiring the withholding of tax on the distribution if it is not paid out in a direct rollover, allowing deferral of tax if a rollover is made within 60 days of a distribution, and other rules regarding the taxation of an Eligible Rollover Distribution, as described in Code Section 402(f).

(e) Explanation of a Right to Defer

Distribution forms issued in Plan Years beginning after December 31, 2006, shall include a description of a Participant's right, if any, to defer receipt of a distribution and shall describe the consequences of failing to defer receipt of the distribution. Subject to Internal Revenue Service guidance, the distribution forms shall include: (1) a description of the federal tax implications of failing to defer or to rollover a distribution; (2) a description indicating the investment options available under the Plan (including fees) that are available if the Participant defers distribution; and (3) a reference to the portion of the summary plan description that contains any special rules that might materially affect a Participant's decision to defer.

7.05 In-Service Withdrawals for Hardship

At the request of a Participant, the Plan Administrator may authorize a withdrawal at any time from the Participant's Account, provided that the authorization for such withdrawal and the amount thereof shall be given only on account of hardship incurred by the Participant due to an "Unforeseeable Emergency".

For this purpose, an "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from: (a) a sudden and unexpected illness or accident of the Participant, the Participant's Beneficiary, or the Participant's or Beneficiary's Spouse or dependent (within the meaning of Code Section 152); (b) loss of the Participant's or Beneficiary's property or due to casualty; (c) the need to pay for the funeral expenses of the Participant's or Beneficiary's Spouse or dependent (within the meaning of Code Section 152); or (d) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's or Beneficiary's control. The circumstances that will constitute an Unforeseeable Emergency shall depend upon the facts and circumstances of each case, but in any case, payment may not be made to the extent that such hardship is or may be relieved: (a) through reimbursement or compensation by insurance or otherwise; (b) by distribution of the Participant's assets, to the extent that distribution of such assets would not itself cause severe financial hardship; or (c) by cessation of deferrals under the Plan. The need to send a Participant's child to

college or the desire to purchase a home shall not be considered to be an Unforeseeable Emergency.

7.06 In-Service Distributions

(a) Voluntary In-Service Distribution of De Minimis Accounts. The Plan Administrator may permit a Participant, while in employment with the Employer, to elect an in-service distribution of the total amount payable to the Participant under the Plan if the following requirements are met:

(1) The total amount payable to the Participant under the Plan excluding Rollover Contributions does not exceed an amount specified from time to time by the Plan Administrator (and not in excess of $5,000 or other applicable limit under the Code Section 411(a)(11)(A));

(2) The Participant has not previously received an in-service distribution of the total amount payable to the Participant under the Plan; and

(3) No amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the in-service distribution.

7.07 Plan to Plan Transfers

(a) Post-Severance Transfer

At the sole discretion of the Plan Administrator, and subject to the requirements of this Section 7.07(a), the Plan may upon request transfer the Account balance of a Participant or Beneficiary to another eligible governmental plan within the meaning of Code Section 457(b) and Treasury Regulation Section 1.457-2(f) that is maintained by another employer, or accept a transfer of an account from such a plan.

Such transfer may only be allowed if the transferor plan provides for transfers, the receiving plan provides for the receipt of transfers, the participant or beneficiary whose amounts deferred are being transferred will have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that participant or beneficiary immediately before the transfer, and in the case of a transfer for a participant, the participant has had a severance from employment with the transferring employer and is performing services for the entity maintaining the receiving plan.

The transferred amounts shall be subject to distribution restrictions of Treasury Regulation Section 1.457-6 in the receiving plan in the same manner as if the transferred amount had been originally been deferred under the receiving plan if the participant is performing services for the entity maintaining the receiving plan. Such transfer shall be carried out in accordance with the requirements of Treasury Regulation Section 1.457-10(b).

(b) Transfer Among Plans of the Employer

At the sole discretion of the Plan Administrator, and subject to the requirements of this Section 7.07(b), the Plan may upon request transfer the Account balance of a Participant or Beneficiary to another eligible governmental plan within the meaning of Code Section 457(b) and Treasury Regulation Section 1.457-2(f) that is maintained by the Employer, or accept a transfer of an account from such a plan.

Such transfer may only be allowed if both the transferor and receiving plans are sponsored by the Employer (and, for this purpose, the Employer is not treated as the Employer if the participant's compensation is paid by a different entity), the transferor plan provides for transfers, the receiving plan provides for the receipt of transfers, the participant or beneficiary whose amounts deferred are being transferred will have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that participant or beneficiary immediately before the transfer, and the participant or beneficiary whose deferred amounts are being transferred is not eligible for additional annual deferrals in the receiving plan unless the participant or beneficiary is performing services for the entity maintaining the receiving plan.

The transferred amounts shall be subject to distribution restrictions of Treasury Regulation Section 1.457-6 in the receiving plan in the same manner as if the transferred amount had been originally been deferred under the receiving plan if the participant is performing services for the entity maintaining the receiving plan. Such transfer shall be carried out in accordance with the requirements of Treasury Regulation Section 1.457-10(b).

(c) Permissive Service Credit Transfers

If a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of transfers with respect to the Participant, the Plan Administrator may in its sole discretion, permit a Participant to elect to have any portion of the Participant's Account transferred to such defined benefit governmental plan. A transfer under this Section 7.07(c) shall not be treated as a distribution for purposes of Treasury Regulation Section 1.457-6 and may be made before the Participant has had a severance from Service.

A transfer may be made under this Section 7.07(c) if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3) or as otherwise allowed by the Internal Revenue Service.

ARTICLE VIII

DESIGNATION OF BENEFICIARY

8.01 Designation Procedure

Each Employee, upon becoming a Participant in the Plan, may designate a Beneficiary or Beneficiaries to receive the benefits provided under the Plan in the event of the Participant's death. A Participant shall be allowed to revoke any prior designation of Beneficiary and to change his Beneficiary designation at any time. Each Beneficiary designation shall be in a form prescribed by the Plan Administrator and shall be effective only when filed with, and acknowledged by, the Plan Administrator during the Participant's lifetime. Each Beneficiary designation filed with the Plan Administrator shall cancel any previously filed Beneficiary designations.

8.02 Lack of Designation

If it is determined by the Plan Administrator that all the individuals designated by the Participant as Beneficiaries to receive his interest in the Plan by reason of his death have predeceased the Participant or are otherwise incapable of receiving the interest, the Participant's interest shall be paid to the Participant's estate.

ARTICLE IX

ADMINISTRATION

9.01 Plan Governance

This Article describes the allocation of powers and duties for the operation of the Plan, Plan administration, and management of Plan assets among the Board of Trustees, the Plan Administrator, and the other parties, if any, involved in Plan Administration.

(a) Board of Trustees

In accordance with GCA Sections 8301(b) and 8304, the Board of Trustees shall be responsible for the direction and operation of the affairs and business of the Plan, the administration of the Plan, and may conduct all the business of the Plan.

As described in GCA Section 8305, the Board of Trustees shall further have the following discretionary authority in the administration of the Plan:

(1) To adopt the Plan and any amendments which the Board of Trustees shall determine to be required in order that the Plan shall comply with the requirements of Code Section 457;

(2) To exercise original jurisdiction in all matters relating to or affecting the Plan, including, but not limited to, claims for benefits and refunds;

(3) To approve such rules, regulations, administrative procedures and prescribed forms as established by the Director, as the Board of Trustees may deem necessary to effectuate the purposes of the Plan;

(4) To establish Accounts for each Participant, to which his respective contributions, together with all earnings on investments shall be deposited, and from which his respective benefits under the Plan and his respective pro-rata share of reasonable administrative fees and expenses, as authorized by the Board of Trustees, shall be paid;

(5) To engage actuarial, legal, clerical and all other advisors, including, but not limited to, a Qualified Custodian, as may be necessary to effectuate the purposes of the Plan;

(6) To cause to be maintained adequate accounting records that reflect the financial condition of the Plan, and such additional data as is necessary or required for its operation; and

(7) To establish an annual budget for costs in the soliciting, evaluating and periodic review process of companies offering Investment Options, and to charge a proportional share of all costs related to the periodic review to each such company currently under contract and charge a proportional share of all costs related to soliciting and evaluating bids to each such company offering investment options which is selected by the Board of Trustees.

As described in GCA Section 8305, the Board of Trustees shall further have the following discretionary authority with respect to investments:

(1) To enter into annuity contracts, trust agreements and custodial arrangements as required in order that the Plan shall comply with the requirements of Code Section 457(g);

(2) To contract with an insurance, annuity, mutual fund, trust company or other qualified company to administer the operations of the Plan;

(3) To take any and all additional actions, including, but not limited to, the execution of custodial, record keeping, and investment advisory agreements in order to implement the Plan;

(4) To solicit bids for investment options and retain consulting services to assist it in soliciting and evaluating bids and in the periodic review of companies offering investment options;

(5) To invest and reinvest the monies of the Plan and manage the assets and income of the Plan; and

(6) To delegate its authority to invest or manage the assets and income of the Plan, provided that the Board of Trustees shall exercise reasonable care, skill and caution in selecting an agent, establishing the scope and terms of the delegation, consistent with the purposes and terms of the Plan, and periodically reviewing the agent's performance and compliance with the terms of the delegation.

(b) Plan Administrator

The Director shall be the Plan Administrator. As described in GCA Section 8305, the Director shall establish rules, regulations, administrative procedures and prescribed forms for the administration of the Plan. As Plan Administrator, the Director shall further have responsibility and discretionary authority for making decisions regarding Plan administration and Plan investments, other than any decisions falling within the scope of the Board of Trustees' sole responsibilities, to the extent such responsibilities and discretionary authority have been delegated to the Plan Administrator by the Board of Trustees.

9.02 Plan Representatives

The Board of Trustees or the Plan Administrator may appoint Plan Representatives to represent the Plan, the Board of Trustees, or the Plan Administrator in the day-to-day administration of the Plan.

9.03 Reliance

To the extent permitted by law, the Board of Trustees, the Plan Administrator and any person to whom either may delegate any duty or power in connection with administering the Plan, the Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the

reliance upon, an enrolled actuary, legal counsel, accountant, other specialist, or other person selected by the Board of Trustees or the Plan Administrator, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of a committee, nor the Employer, nor the officers nor directors thereof, shall be liable for any neglect, omission or wrongdoing of any other member of the Board of Trustees or the Plan Administrator.

9.04 Indemnification

The Employer may, in its discretion, purchase insurance to protect the Board of Trustees, the Plan Administrator, or Plan Representatives against any potential liability under the terms of this Plan. The Employer shall indemnify the members of the Board of Trustees, the Plan Administrator, and Plan Representatives against all claims and demands for loss or damage and from and against all losses and expenses, including reasonable attorney's fees, arising out of or in connection with the performance of their obligations under this Plan, provided that any acts or omissions which are the basis for such claims, demands, losses and expenses are not the result of willful misconduct of the person being indemnified.

9.05 Expenses

All usual and reasonable expenses that shall arise in connection with the administration of the Plan, including but not limited to, administrative expenses and proper charges and disbursements under the Plan, and compensation and other expenses and charges of any legal counsel, enrolled actuary, accountant, specialist, or other person who shall be employed by the Board of Trustees or the Plan Administrator in connection with the administration thereof, shall be paid from the assets credited under the Plan to the extent not otherwise paid by the Employer, in accordance with GCA Section 8302(a). Any payment of such expenses shall be in accordance with GCA Section 8307.

9.06 Claims for Benefits

Any Participant, surviving Spouse, or other Beneficiary making a claim for benefits under the Plan shall file a written application with the Plan Administrator. In the event of a mistake or misstatement as to the eligibility, participation, or service of any Participant or the amount of payments made or to be made to a Participant, or Beneficiary, the Plan Administrator shall, if possible, cause to be withheld or accelerated or otherwise make adjustment of the amounts of payments as will in its sole judgment result in the Participant or Beneficiary receiving the proper amount of payments under the Plan.

ARTICLE X

INVESTMENTS

10.01 Funding

The Plan shall be funded on a current basis from Employer Contributions in accordance with GCA Section 8303. All amounts of Compensation deferred pursuant to the Plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights shall be held in Trust by the Trustee for the exclusive benefit of Participants and their Beneficiaries, in accordance with Code Section 457(g), Treasury Regulation Section 1.457-8(a), and GCA Sections 8301(b), 8302(a), and 8306.

The Trust shall be established pursuant to a written agreement that constitutes a valid trust under applicable state law. It shall be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries. All amounts of Compensation deferred pursuant to the Plan shall be transferred to the Trust within a period that is not longer than is reasonable for the proper administration of the accounts of Participants.

For purposes of this Section 10.01, a custodial account shall be treated as the Trust or part thereof if the custodian of such custodial account is a Qualified Custodian. Compensation deferred under the Plan which is to be held in such a custodial account shall be transferred to the custodial account within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants, and such custodial account shall be a custodial account as described in Code Section 401(f).

For purposes of this Section 10.01, an annuity contract shall be treated as the Trust or part thereof. Such annuity contract shall be an annuity as defined in Code Section 401(g), be issued by an insurance company qualified to do business in the state where the contract was issued, and be for the exclusive benefit of Participants and Beneficiaries under the Plan. Such annuity contract shall not be a life, health or accident, property, casualty, or liability insurance contract. Compensation deferred under the Plan which is to be held in such an annuity contract shall be invested within a period that is not longer than is reasonable for the proper administration of the Accounts of Participants. Such annuity contract shall be an annuity contract as described in Code Section 401(f).

The trust requirement of this Section 10.01 may be satisfied through use of a trust agreement, one or more custodial accounts, or one or more annuity contracts, as described herein, or a combination thereof, in accordance with Treasury Regulation Section 1.457-8(a).

10.02 Separate Investment Funds

(a) Plan Administrator May Establish Investment Options

The Plan Administrator may, in its sole discretion, create one or more separate Investment Options having such different specific investment objective as the

Plan Administrator shall from time to time determine, in accordance with GCA Sections 8305(e) and 8306. The Plan Administrator shall determine and may from time to time redetermine the number of Investment Options and the specific objectives of the Investment Options. From time to time the Plan Administrator may add or delete Investment Options without amending the Plan. Participants shall be informed of the various Investment Options available.

(b) Participant Direction Permitted

The Plan Administrator may, in its sole discretion, allow each Participant the right to instruct the Trustee in writing to invest his Account in one or more separate Investment Options. In the event a Participant fails to direct the investment of his Account at such time and in such manner as the Plan Administrator may require, the Participant shall be presumed to have elected to direct the investment of his Account as well as any future contributions and earnings to be allocated to his Account in the default Investment Option which the Plan Administrator may designate from time to time. Finally, the Plan Administrator may, but is not required to, permit Beneficiaries of deceased Participants to direct the investment of an Account in which they have an interest.

(c) Plan Administrator to Establish Rules

The Plan Administrator may at any time make such rules as it determines necessary regarding the administration of a directed Investment Option described in this Section 10.02. The Plan Administrator shall develop and maintain rules governing the rights of Participants to change their investment directions and the frequency with which such changes can be made.

10.03 Loans To Participants

A Participant who is an Employee may apply for and receive a loan from his or her Account balance as provided in this Section 10.03 or pursuant to a loan policy executed by the Plan Administrator. Any such loan may not be for an amount less than the minimum amount specified by the Plan Administrator. If not otherwise specified by the Administrator, the minimum loan amount shall be $1,000.

Except as modified by the loan policy adopted by the Plan Administrator from time to time, the following rules shall apply to loans under the Plan. Any loans that are issued under the Plan shall be administered in a manned consistent with the requirements contained in Code Section 72(p), Treasury Regulation Section 1.72(p)-1, and any applicable guidance issued thereunder.

(a) Maximum Loan Amount

No loan to a Participant hereunder may exceed the lesser of (1) $50,000, reduced by the greater of (A) the outstanding balance on any loan from the Plan to the Participant on the date the loan is made or (B) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the

date the loan is approved by the Plan Administrator (not taking into account any payments made during such one-year period), or (2) one-half of the value of the Participant's vested Account balance.

For purposes of this section 10.03, any loan from any other plan maintained by the Employer shall be treated as if it were a loan made from this Plan, and the Participant's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan under this section 10.03 to exceed the amount that would otherwise be permitted in the absence of this paragraph.

(b) Loan Provisions

The terms of any loan shall (1) require level amortization with payments not less frequently than quarterly throughout the repayment period, except that alternative arrangements for repayment may apply in the event that the borrower is on a bona fide unpaid leave of absence for a period not to exceed one year for leaves other than a qualified military leave within the meaning of Code Section 414(u) or for the duration of an interruption of employment which is due to qualified military service, (2) require that the loan be repaid within five years unless the Participant certifies in writing to the Plan Administrator that the loan is to be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence of the Participant, in which case the term of such loan shall be determined at the Plan Administrator's discretion, and (3) provide for a reasonable rate of interest to be fixed by the Plan Administrator from time to time. The Plan Administrator shall not discriminate among Participants in the matter of interest rates, but loans granted at different times may bear different interest rates based upon prevailing rates at the time.

A loan to a Participant shall be considered a directed investment option for such Participant's account balance.

(c) Security for Loan; Default

(1) Security. Any loan to a Participant under the Plan shall be secured by the pledge of the portion of the Participant's interest in the Plan invested in such loan.

(2) Default. In the event that a Participant fails to make a loan payment under this Section 10.03 by the end of the calendar quarter following the calendar quarter in which such payment was due, a default on the loan shall occur. In the event of such default (A) all remaining payments on the loan shall be immediately due and payable, (B) interest will continue to accrue on the unpaid balance until the loan is repaid in full, and (C) the Participant shall be permanently ineligible for any future loans from the Plan unless, in the Plan Administrator's sole discretion, the Participant is deemed to be credit worthy and agrees to repay the loan through payroll deduction.

In the case of any default on a loan to a Participant, the Plan Administrator shall apply the portion of the Participant's interest in the Plan held as security for the loan in satisfaction of the loan on the date of severance from Service. In addition, the Plan Administrator shall take any legal action it shall consider necessary or appropriate to enforce collection of the unpaid loan, with the costs of any legal proceeding or collection to be charged to the Account balance of the Participant.

Notwithstanding any other provision of the Plan to the contrary, in the event a loan is outstanding hereunder on the date of a Participant's death, his or her estate shall be his or her Beneficiary as to the portion of his or her interest in the Plan invested in such loan (with the Beneficiary or Beneficiaries as to the remainder of his or her interest in the Plan to be determined in accordance with otherwise applicable provisions of the Plan).

(d) Repayment

The Participant shall be required, as a condition to receiving a loan, to enter into an irrevocable agreement authorizing the Employer to make payroll deductions from his or her Compensation so long as the Participant is an Employee and to transfer such payroll deduction amounts to the Trustee in payment of such loan plus interest. Repayments of a loan shall be made by payroll deduction of equal amounts (comprised of both principal and interest) from each paycheck, with the first such deduction to be made as soon as practicable after the loan funds are disbursed; provided, however, a Participant may prepay the entire outstanding balance of his loan at any time; and provided, further, that if any payroll deductions cannot be made in full because a Participant is on an unpaid leave of absence or is no longer employed by the Employer or the Participant's paycheck is insufficient for any other reason, the Participant shall pay directly to the Plan the full amount that would have been deducted from the Participant's paycheck, with such payment to be made by the last business day of the calendar month in which the amount would have been deducted. Loan repayments may, at the Plan Administrator's discretion, be suspended for Qualified Military Service as permitted by Code Section 414(u)(4), or an approved leave of absence as described by Treasury Regulation Section 1.72(p)-1.

ARTICLE XI

ASSIGNMENTS

11.01 No Assignment

Except as otherwise provided in Section 11.02 below, in accordance with GCA Section 8308(c), the interest herein of any Participant, former Participant, or Beneficiary, shall not be subject to alienation, assignment, pledging, encumbrance, attachment, garnishment, execution, sequestration, or other legal or equitable process, or transferability by operation of law in the event of bankruptcy, insolvency, or otherwise.

11.02 Qualified Domestic Relations Order

The provisions of this Article XI shall not prevent the creation, assignment, or recognition of any individual's right to a benefit payable with respect to a Participant pursuant to a Qualified Domestic Relations Order ("QDRO"). The Plan Administrator shall allow payments under a QDRO pursuant to the terms of the QDRO.

(a) QDRO Determination

The Plan Administrator shall establish reasonable, timely procedures to (1) determine whether a domestic relations order is a QDRO, (2) notify affected parties as specified in Code Section 414(p)(6), and (3) administer Plan distributions in accordance with a QDRO.

(b) Separate Accounting of Alternate Payee's Account

During any period in which the issue of whether a domestic relations order is a QDRO is being determined by the Plan Administrator, a court of law, or otherwise, the Plan Administrator may separately account for the amounts (with investment income and loss) which are involved.

(c) Consent Requirements

Except as otherwise provided in a QDRO, payments made to an Alternate Payee shall not be subject to (1) spousal consent, or (2) consent of the Alternate Payee.

(d) Payments May Occur Before Termination From Service

This Plan specifically permits distribution to an Alternate Payee under a QDRO at any time, including prior to the Participant's termination from Service, and irrespective of whether the Participant has attained his "earliest retirement age" (as defined in Code Section 414(p)) under the Plan. A distribution to an Alternate Payee prior to the Participant's attainment of earliest retirement age shall be allowed only if the order specifically provides for the distribution at such time.

ARTICLE XII

AMENDMENT AND TERMINATION

12.01 Amendment of Plan

The Board of Trustees reserves the right to amend the Plan to any extent and in any manner that it may deem advisable. Further, to the extent such authority has been delegated to the Plan Administrator by the Board of Trustees, the Plan Administrator may also amend the Plan. The Employer, all Participants, their Beneficiaries, and all other persons having any interest hereunder shall be bound by any such amendment, provided, however, that no amendment shall reduce the then accrued benefit of any Participant without the Participant's consent.

12.02 Termination of Plan

The Government of Guam has established the Plan with the bona fide intention and expectation that the Plan shall continue indefinitely, and that it shall be able to make Employer Contributions indefinitely, but the Government of Guam shall be under no obligation to continue Employer Contributions or to maintain the Plan for any given length of time. The Legislature of the Government of Guam may, in its sole discretion, completely discontinue Employer Contributions or terminate the Plan by action of the Board of Trustees, and direct the Board of Trustees with respect to the disposition of the Trust.

12.03 Action Required Upon Plan Termination

Upon the termination of the Plan and after payment of all Plan expenses, including any compensation then due the agents of the Board of Trustees and Plan Administrator, all Participants' Accounts shall be revalued according to the procedures provided in Article VI. Accounts shall be distributed as directed by the Plan Administrator in accordance with the provisions of Article VII.

Notwithstanding the requirements of Article VII, if the Plan is terminated, then the Participant's Account shall be distributed to the Participant (or, in the event of the Participant's death, the Participant's Beneficiary) without the consent of the Participant or, if the Participant is married, the Participant's Spouse.

ARTICLE XIII

QUALIFIED MILITARY SERVICE REQUIREMENTS

13.01 General

Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credits with respect to "Qualified Military Service" shall be provided in accordance with Code Section 414(u) and regulations thereunder. For this purpose, "Qualified Military Service" shall mean any service in the uniformed services (as defined in the Uniformed Services Employment and Reemployment Rights Act of 1994, Chapter 43 of Title 38, United States Code ("USERRA")) by any individual if such individual is entitled to reemployment rights under such Chapter with respect to such service.

If any contribution is made by the Employer or the Employee to the Plan with respect to an Employee, and such contribution is required by reason of the Employee's rights resulting from Qualified Military Service, then (a) such contribution shall not be subject to any otherwise applicable limitation contained in Code Sections 402(g) (elective deferrals), 402(h) (simplified employee pension), 403(b) (tax-sheltered annuity), 404(a) (deduction limitations), 404(h) (simplified employee pension deduction limitation), 408 (individual retirement accounts), 415 (limitations on contributions and benefits), or 457 (deferred compensation plan) and other limitations as permitted by the Secretary of Treasury, and shall not be taken into account in applying such limitations to other contributions or benefits under the Plan with respect to the year in which the contributions are made; (b) such contribution shall be subject to such limitations with respect to the year to which the contributions relate (in accordance with rules prescribed by the Secretary of Treasury); and (c) the Plan shall not be treated as failing to meet the requirements of Code Sections 401(a)(4) (nondiscrimination in contributions and benefits), 401(a)(26) (minimum participation requirement), 401(k)(3) (actual deferral percentage test), 401(k)(11) (simple plan), 401(k)(12) (actual deferral percentage test safe harbor), 401(m) (actual contribution percentage test), 403(b)(12) (tax-sheltered annuity nondiscrimination), 408(k)(3) (simplified employee pension nondiscrimination), 408(k)(6) (simplified employee pension salary reduction), 408(p) (simplified employee pension), 410(b) (nondiscriminatory coverage), 416 (top-heavy plan requirements), or other requirements as allowable by the Secretary of Treasury by reason of the making of (or the right to make) such contributions.

13.02 Employer Contributions

(a) Additional Elective Employer Contributions

In the case where a Participant is entitled to benefits for Qualified Military Service, the Participant shall be allowed to make a Deferral Election ("Additional Deferral Election") during the period which commences on the date of reemployment of the Participant by the Employer and which extends over a period equal to the lesser of (1) the product of three times the period of the applicable Qualified Military Service or (2) five years ("Makeup Period"). The Elective Employer Contributions determined in accordance with such Deferral Election ("Additional Elective Employer Contributions") shall not exceed the maximum amount of the Elective Employer Contributions that the Participant would have been permitted to make under the terms of the Plan during the

period of Qualified Military Service if the Participant had continued to be employed by the Employer during such period and received a designated level of Compensation ("Deemed Compensation"). For this purpose, the Deemed Compensation shall be equal to: (1) the Compensation that the Participant would have received during the Makeup Period if the Participant were not in Qualified Military Service (determined based on the rate of pay the Participant would have received from the Employer but for absence during the period of Qualified Military Service) or (2) if the Plan Administrator determines that the Compensation the Participant would have received during the period of Qualified Military Service is not reasonably certain, the Participant's average Compensation from the Employer during the 12-month period immediately preceding the Qualified Military Service (or, if shorter, the period of employment immediately preceding the Qualified Military Service). The Additional Elective Employer Contributions shall be credited to the Participant's Elective Contribution Account.

(d) Adjustments to Account

The Participant's Account shall not be entitled to the allocation of any earnings with respect to any Additional Elective Employer Contributions before such contributions are actually made to the Plan. Further, the Participant's Account shall not be entitled to the allocation of any forfeiture of accounts under the Plan with respect to the period of Qualified Military Service.

(e) Credit for Service

In the case of the reemployment of a Participant who is entitled to benefits for Qualified Military Service, the Participant shall be treated as not having incurred a Break in Service with the Employer by reason of the Participant's period of Qualified Military Service. Further the period of Qualified Military Service shall be treated under this Plan to constitute Service for purposes of determining the Participant's vested interest in his Account and for purposes of determining the Participant's accrued benefit under the Plan.

(f) Termination from Service

If a Participant who is entitled to benefits for Qualified Military Service is not reemployed within the period required by USERRA, he shall be deemed to have terminated his Service when his leave of absence became effective, or, if later, at the time allowed in accordance with the provisions of USERRA.

13.03 Interpretation

The provisions of this Article XIV shall be interpreted and applied by the Plan Administrator in a manner consistent with the requirements of Code Section 414(u) and underlying Treasury Regulations and Internal Revenue Service pronouncements.

13.04 HEART Act Provisions

(a) Death Benefits

If a Participant dies on or after January 1, 2007, while on a leave of absence to perform Qualified Military Service (as defined in Code Section 414(u)), the Participant's Beneficiary shall be entitled to any additional benefits (other than benefit accruals relating to the period of Qualified Military Service) provided under the Plan as if the Participant had resumed and then terminated employment on account of death, in accordance with Code Section 457(g)(4). In particular, the Participant's benefit under the Plan shall become fully vested under Article V.

(b) Differential Wage Payments

This Section 13.04(b) shall apply for Plan Years beginning after December 31, 2008, if the Employer provides differential wage payments (within the meaning of Code Section 3401(h)(2)) with respect to a period during which the individual receiving such payments is in Qualified Military Service. The individual receiving differential wage payments shall be treated as an Employee of the Employer making the payment. Moreover, the differential wage payments shall be treated as Compensation for purposes of Code Section 415(c)(3) and Treas. Reg. 1.415(c)-2. However, differential wage payments shall not be treated as Compensation for purposes of determining contributions and benefits under the Plan. Thus, no Employer Contributions (whether elective or nonelective contributions) shall be determined or made on behalf of a Participant based on any differential wage payments.

The Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(1)(C) by reason of any contribution or benefit which is based on differential wage payments, but only if all Employees of the Employer performing service in the uniformed services, as described in Code Section 3401(h)(2)(A), are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in a qualified retirement plan maintained by the Employer, to make contributions based on the payments on reasonably equivalent terms (taking into account Code Sections 410(b)(3), (4), and (5)).

(c) Deemed Severance from Employment

This Section 13.04(c) shall apply for Plan Years beginning after December 31, 2008. Notwithstanding the above Section 13.04(b), for purposes of applying rules under Code Section 457(b) that permit distribution of elective contributions after severance from employment, an individual shall be treated as having been severed from employment during any period the individual is performing service in the uniformed services as described in Code Section 3401(h)(2)(A). If an individual elects to receive a distribution of elective contributions by reason of such a deemed severance from employment, the individual may not make an elective deferral during the six-month period beginning on the date of the distribution.

ARTICLE XIV

MISCELLANEOUS

14.01 Participant's Rights

The Plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or inducement for the employment of any Participant or Employee. Nothing contained in the Plan shall be deemed to give any Participant or Employee the right to be retained in the Service of the Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant under the Plan.

14.02 Construction

The provisions of the Plan shall be construed and enforced according to the laws of the state in which the Employer was incorporated or otherwise established. However, it is the intent of the Employer that the Plan meet the applicable requirements of the Code, and any ambiguities in construction relating to the provisions of the Plan shall be interpreted in order to effectuate such intent.

14.03 Headings

Headings of the Articles and Sections under the Plan are inserted only for convenience of reference and are not to be considered in the construction of the provisions of the Plan.

14.04 Gender and Number

Wherever any words are used under the Plan in the masculine, feminine, or neuter gender, they shall be construed as though there were also used in another gender in all cases where they would so apply, and whenever words are used herein in the singular or plural, they shall be construed as though they were also used in the other form in all cases where they would so apply.

IN WITNESS WHEREOF, the Employer has caused this Plan to be executed by its respective duly authorized representatives on this _____ day of _____, _____.

DIRECTOR OF THE GOVERNMENT OF GUAM RETIREMENT FUND

_____

Paula M. Blas

APPENDIX B

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

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
Tel: 671.475.8900
Fax: 671.475.8922
www.ggrf.com

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

Doc. No. 34GL-17-0340.

GOVERNMENT OF GUAM
RETIREMENT FUND
424 Route 8 • Maite, Guam 96910
T: 671.475.8900/01 • F: 671.475.8922

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

This ad is paid with government funds by Government of Guam Retirement Fund.

APPENDIX D

Milliman

650 California Street, 17th Floor
San Francisco, CA 94108-2702
USA

Tel +1 415 403 1333
Fax +1 415 403 1334

milliman.com

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

Doc. No. 34GL-17-0340.

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.

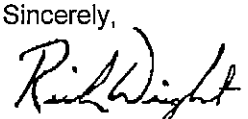
(b) GGRF may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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)

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.

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.

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 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	

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.

	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

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 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.

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.

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.

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 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.

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.