

**SUMMARY PLAN DESCRIPTION**  
**FOR THE**  
**GOVERNMENT OF GUAM**  
**DEFERRED COMPENSATION PLAN**  
(SPD Effective as of January 1, 2018)

**GOVERNMENT OF GUAM DEFERRED COMPENSATION PLAN  
SUMMARY PLAN DESCRIPTION**

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**GOVERNMENT OF GUAM DEFERRED COMPENSATION PLAN**  
**SUMMARY PLAN DESCRIPTION**

**I. INTRODUCTION**

The Government of Guam Deferred Compensation Plan (“Plan”) is established and maintained pursuant to Article 3, Chapter 8, Title 4, of the Guam Code Annotated, originally effective as of May 1, 1999. The Plan is a nonqualified deferred compensation plan that constitutes an “eligible governmental plan” as described under regulations to Section 457(b) of the United States Internal Revenue Code (and comparable provisions under the Guam Territorial Income Tax Code).

The Plan is a supplemental deferred compensation plan open for participation by certain employees who also participate in the Government of Guam Retirement Fund (“GGRF”) or the Government of Guam Defined Contribution Retirement System (“DCRS”). The Plan is also coordinated with the newly established Government of Guam Defined Benefit 1.75 Retirement System Plan (“DB 1.75 Plan”), which is an alternative benefit structure under the GGRF. If you participate in the DB 1.75 Plan, you are required to participate in the Plan, and contribute to the Plan, as described in this Summary Plan Description (“Summary”).

This Summary is a brief description of the Plan and your rights, obligations, and benefits under the Plan. This Summary is not meant to interpret, extend, or change the provisions of the Plan in any way. In the event of any conflict between this Summary and the actual Plan document, the Plan document will be controlling.

This Summary concerns the Plan in effect on January 1, 2018, for participants in employment with the employer on or after that date. The Plan operates on a calendar year basis (“Plan Year”).

**II. ELIGIBILITY**

**1. Who is eligible to participate in the Plan?**

You will be eligible to participate in the Plan if you meet the following conditions:

- a.** You are an employee of the Government of Guam who is employed by a “Contributing Employer” (“Employee”). The Board of Trustees (“Board”) of the GGRF retains final authority to make determinations with respect to eligibility under the Plan.

For this purpose a “Contributing Employer” is each Government of Guam: (i) department or agency of the Executive Branch; (ii) autonomous and semi-autonomous agency or instrumentality; (iii) public corporation; (iv) educational institution (secondary or post-secondary); (v) Legislative Branch; (vi) Judicial Branch; (vii) Public Defender Corporation; and (viii) other public entity created by law within Guam.

- b.** You are a member in either the GGRF or the DCRS.

Required participation by DB 1.75 Plan participants. If you elect to participate in the DB 1.75 Plan, you will automatically also participate in the Plan effective as of the date of your participation in the DB 1.75 Plan. At the discretion of the Board, you may be able to directly transfer all or a portion of your account under the Plan to the DB 1.75 Plan to

purchase additional service credits under the DB 1.75 Plan. In particular, if you took a withdrawal under the DCRS which results in a reduction in the service credited to you upon joining the DB 1.75 Plan, you may be able to directly transfer all or a portion your account under the Plan to the DB 1.75 Plan to extent necessary to receive additional credit under the DB 1.75 Plan for your service. Contact the office of the GGRF (“Fund Office”) for more details.

**2. When do I become a participant in the Plan?**

If you were a participant in the Plan immediately before the Plan’s amendment and restatement effective January 1, 2018, you continue as a participant. Otherwise, you become a participant in the Plan on the first day of the calendar month coinciding with or next following the date on which you meet the eligibility requirements.

**3. Who is excluded from participating in the Plan?**

The following are not treated as “Employees” for purposes of the Plan and therefore are not eligible to participate in the Plan: (a) employees whose employment is governed by a collective bargaining agreement that does not specifically provide for participation in the Plan; (b) independent contractors; or (c) any person who participates under a Code Section 403(b) plan sponsored by a Contributing Employer.

**III. CONTRIBUTIONS TO THE PLAN**

**1. What does the Employee contribute?**

Pre-Tax Elective Employee Contributions. During a specified period (determined by the Board) preceding the date on which you satisfy the eligibility requirements, you will be able to file an election form to contribute a portion of your salary to the Plan. These contributions made by a participant are called “elective employee contributions.” Your election form will indicate the dollar amount or percentage of your salary you wish to contribute to the Plan for each payroll period and will authorize the Contributing Employer to deduct such dollar amount or percentage from your salary for each payroll period and pay the same into the Plan.

**a. Required contributions by DB 1.75 Plan participants.** If you elect to participate in the DB 1.75 Plan, you will be required to contribute 1% of your base salary to the Plan as a pre-tax mandatory contribution that the Contributing Employer will contribute for you as a salary reduction on a payroll basis. The Contributing Employer may adjust your contribution rate, as necessary, to meet this requirement. These employee contributions are referred to as employer “pick-up” contributions because the Contributing Employer makes the contributions as a mandatory pre-tax reduction of the employee’s base salary.

After-Tax Roth Elective Employee Contributions. You may also make after-tax Roth elective employee contributions to the Plan (“Roth contributions”). Specifically, on the election form that you complete during the applicable enrollment period, you may designate that all or a portion of your elective employee contributions will constitute after-tax Roth contributions. If you do not specify that your deferral election is for Roth contributions, or if it is otherwise uncertain based on your election form as to whether Roth contributions are being elected, your deferral election will be treated as an election for pre-tax elective employee contributions.

The amount of your Roth contributions will be includible in your income for the taxable year when made. While Roth contributions are made on an after-tax basis and subject to income tax, your designated Roth contributions will not be reduced by any tax withholdings. Appropriate tax withholding will apply against the regular salary you actually receive outside of the Plan. Thus, for example, if you elect Roth contributions amounting to \$100 per payroll, the full \$100 per payroll will be contributed to the Plan without any reduction for income tax withholding.

Any Roth contribution election will be irrevocable with respect to the designated Roth contributions, meaning that once Roth contributions are made to the Plan on your behalf, you may not redesignate such contributions instead as pre-tax elective employee contributions. However, you may elect to treat future pre-tax elective employee contributions as Roth contributions by appropriately completing a new election form during the applicable election periods.

Tax Consequences of Distributions of Roth Contributions. Distribution of your Roth contributions is subject to special income tax rules. Generally, if the distribution is a “qualified Roth distribution”, then the entire amount of the distribution may be excluded from income, even the portion of the distribution attributable to investment earnings on your Roth contributions. Generally, to be a “qualified Roth distribution”: (a) the distribution must be made after the end of five taxable years which start with the first day of your taxable year for which you make Roth contributions to the Plan; and (b) the distribution must be made after: (i) you reach age 59½; (ii) you become disabled; or (iii) you die. The Plan can provide for the distribution of Roth contributions even if they do not meet the requirements for a qualified Roth distribution. If a distribution of your Roth contributions is not a qualified Roth distribution, it may be subject to taxation on the part attributable to investment earnings. The income tax treatment of any Plan distribution is based on the individual facts and circumstances of the participant, and the determination of any income tax treatment is the responsibility of the participant. In the case of any Roth contribution distribution, you are advised to consult with a tax advisor.

Your pre-tax elective employee contributions and Roth contributions (collectively, “elective employee contributions”) to the Plan are subject to several independent limits.

Plan Limit. The amount of elective employee contributions you may contribute to the Plan for each payroll period may not exceed 100% of your compensation for such payroll period after reduction for all other payroll deductions, employment tax withholdings, and other amounts that may be required by law to be deducted from the your compensation for such payroll period.

Dollar Limit. The total amount of elective employee contributions you can contribute each calendar year to this Plan and any other 401(k) or 403(b) plan in which you might participate is:

Year	If you are younger than age 50 in the year	If you are age 50 or older in the year (and therefore eligible for an additional “catch-up” contribution of \$6,000)
2017	\$18,000	\$24,000
After 2017	As may be increased by the IRS for cost-of-living changes	

Special Catch-Up Dollar Limit. A special catch-up provision allows you to make additional contributions in one or more of the three consecutive Plan Years ending before you attain the age that you select as your normal retirement age under the Plan.

The total amount you can contribute using this special catch-up provision is the lesser of:

- a. Twice the regular contribution limit for that year (e.g., \$36,000 for 2017); or
- b. The regular contribution limit for that year plus the difference between previous years' regular contribution limits and the actual contributions made during those years (i.e., the unused contribution capacity). Only those years in which you were eligible to contribute to the Plan will be considered in this determination.

Please note that you may not utilize the special catch-up provision and the “catch-up” contribution provision in the same year.

**2. Can I change or discontinue my contribution election?**

Your election to contribute a portion of your salary, once made, will remain in effect from Plan Year to Plan Year unless you change or discontinue your contributions. You may change your contribution at any time, in which case your new election will be effective as soon as practicable, but no earlier than the first payroll date in the first month following receipt by the Contributing Employer of the new election. You may terminate your contributions at any time upon written notice to your Contributing Employer. The termination will become effective as soon as practicable after the date you file your termination notice with the Contributing Employer, but no earlier than the first payroll date in the first month following receipt by the Contributing Employer of the notice.

**3. What does the Contributing Employer contribute?**

The Contributing Employer does not make any employer contributions to the Plan.

**4. Is all of my compensation counted for purposes of the Plan?**

Generally, your compensation means your base salary.

**5. Can I transfer funds from another plan into the Plan?**

At the discretion of the Board, you may be able to “roll over” the payout you receive from another retirement plan to this Plan, thereby deferring taxes or avoiding penalties on the payout. Strict guidelines apply, and you must transfer the money directly from the other Plan, or transfer the money within 60 days of the date you receive it. You also may be able to directly transfer your plan account from another “eligible governmental plan” to this Plan. Contact the Fund Office for more details.

#### IV. PLAN ACCOUNTS

##### 1. How are contributions accounted for in the Plan?

Contributions to the Plan made on your behalf will be allocated to one or more accounts (“Account”) established for you. The Plan Accounts are as follows:

- a. **Elective Contribution Account.** This Account will be credited with your pre-tax elective employee contributions.
- b. **Roth Contribution Account.** This Account will be credited with your after-tax Roth elective employee contributions. Any pre-tax elective employee contributions and rollover contributions converted through an “In-Plan Roth Conversion”, described in Section IV.3 below, will be credited to this Account.
- c. **Rollover Contribution Account.** This Account will be credited with any rollover contributions or direct rollovers made to the Plan on your behalf, as described in Section III.5 above.

##### 2. How are investment earnings and losses allocated?

The balance of your Accounts will be adjusted at on an ongoing basis for earnings and losses of the trust fund attributable to investment of the account balances. If the Plan’s assets are invested in a general fund, such earnings and losses will be allocated to the Accounts of all participants on a pro rata basis based on their Account balances. However, to the extent that the Plan allows participants to direct the investment of their Accounts, earnings and losses will be allocated to each participant’s Accounts based on the earnings and losses attributable to such Accounts.

##### 3. Can I convert my pre-tax Accounts to an after-tax Roth Contribution Account?

You may elect to convert your pre-tax Elective Contribution Account and Rollover Contribution Account to an after-tax Roth Contribution Account under the Plan. More specifically, you may elect an “In-Plan Roth Conversion” of any portion or all of your pre-tax Elective Contribution Account and Rollover Contribution Account under the Plan. An In-Plan Roth Conversion will not result in the payment of any amount from the Plan to you. Instead the amount of the In-Plan Roth Conversion will be converted from the affected Accounts and credited to your Roth Contribution Account. This will result in you being subject to income tax on the pre-tax amount converted in the year in which the conversion occurs. Converted amounts are generally subject to the same treatment as Roth contributions, as described in Section III.1 above.

#### V. VESTING

##### 1. How do I become vested in my Plan Accounts?

You will always be fully vested (i.e., 100% ownership interest) in your Elective Contribution Account, Roth Contribution Account, and Rollover Contribution Account.

## **VI. DISTRIBUTIONS FROM THE PLAN**

### **1. When may I receive a distribution of my Plan Accounts?**

Your Accounts are payable following your termination of employment with the Contributing Employer.

### **2. How will my Plan Accounts be paid to me?**

At the time you are entitled to a distribution, you may elect to receive your distribution in the form of: (a) a single lump sum payment, (b) installment payments over a specified period as may be allowed by the Board, or (c) an annuity contract purchased in the form as may be allowed by the Board. In the absence of a timely election, the Board will distribute your Accounts to you in the form of a lump sum payment.

### **3. How do I elect to receive a distribution of my Plan Accounts?**

If you have or will have a termination of employment, the first step is to contact the Fund Office. This should be done within a reasonable time (generally two to three months) before the date you want payment of your benefits to begin to allow time for processing the distribution.

The Fund Office will then provide you with a packet of materials, including the following:

- An election form listing the payment options and allowing you to choose the form of payment; and
- A Special Tax Notice explaining some income tax implications of a distribution.

You must make your election and return the election form at least 30 days before your benefits are to begin. Once the Fund Office receives your signed, written election form, the Fund Office will review it and process your election for payment. Benefits under the Plan will be paid only if the Fund Office determines that you or your beneficiary is entitled to them.

### **4. Who is entitled to my Plan Accounts if I die?**

Distribution of your Accounts will be paid to your designated beneficiary in the event of your death. In this regard, your designated beneficiary will be the person or entity designated by you on a prescribed form last submitted to the Fund Office. If no effective beneficiary designation is in effect at the time of your death, your designated beneficiary will be deemed to be your estate.

### **5. May I receive a hardship withdrawal while I am employed?**

You may be entitled to withdraw all or a portion of your Account in the event of financial hardship due to an unforeseeable emergency. This withdrawal may be authorized only for financial hardship due to (a) a sudden and unexpected illness or accident for you, your beneficiary, or the spouse or dependent of either you or your beneficiary; (b) the loss of your property or your beneficiary's property or due to casualty; (c) the need to pay for the funeral expenses of the spouse or dependent of either you or your beneficiary; or (d) a



similar extraordinary and unforeseeable circumstances arising as a result of events beyond your or your beneficiary's control.

The circumstances that will constitute an unforeseeable emergency will 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 your 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 your child to college or the desire to purchase a home do not constitute an unforeseeable emergency. Any withdrawal for financial hardship is limited to the amount required to meet the unforeseeable emergency and is subject to the application procedure and documentation as required by the Fund Office.

**6. May I take a loan from the Plan?**

You may apply for a loan by filling out an application, which you can obtain from the Fund Office. All Plan loans must: (a) be adequately secured; (b) bear a reasonable rate of interest; and (c) have a definite repayment schedule providing for level payments not less frequently than quarterly over a period generally not extending beyond five years. When added to the outstanding balance of any other loans from plans maintained by the Government of Guam, any Plan loan must be limited to the lesser of (i) \$50,000 (reduced by the highest outstanding loan balance during the one year period prior to the date of the loan) or (ii) ½ of your Account balance. Please contact the Fund Office for further loan policies, requirements, and information.

**7. May I receive a distribution of my Plan Accounts while I am employed?**

Under certain circumstances, you may be allowed to elect a distribution while you are employed of your entire Account under the Plan if all of the following requirements are met:

- a. The total amount payable to you under the Plan excluding your Rollover Contribution Account does not exceed the limit specified by the Board (and not in excess of \$5,000);
- b. You have not previously received an in-service distribution of the total amount payable to you under the Plan; and
- c. You have not made any deferrals under the Plan during the two-year period ending on the date of the in-service distribution.

**8. Can I transfer funds from the Plan to another plan?**

At the discretion of the Board, you may be able to “roll over” the payout you receive from the Plan to another retirement plan, thereby deferring taxes or avoiding penalties on the payout. Strict guidelines apply, and you must transfer the money directly to the other plan, or transfer the money within 60 days of the date you receive it. You may also be able to directly transfer your Account to another “eligible governmental plan”. Contact the Fund Office for more details.

**9. Can I leave my money in the Plan indefinitely?**

If you have terminated employment and have an Account balance in the Plan when you reach age 70½, be sure to contact the Fund Office about starting Plan distributions, as you may be approaching your “required beginning date”. The law requires that Plan participants receive at least minimum required distributions by the required beginning date, and imposes severe tax penalties on those who do not meet this deadline.

In general, the “required beginning date” is April 1 of the calendar year following the later of the (a) calendar year in which you reach age 70½ or (b) the calendar year in which you retire.

In the case of your death, your designated beneficiary must begin to receive benefit distributions generally within one year of your death and must be paid over a period not extending beyond your beneficiary’s life expectancy. If the designated beneficiary is your spouse, the start of payments may be delayed until the year in which you would have attained age 70½.

**VII. CLAIMS PROCEDURE**

You, or your beneficiary, may make a claim for benefits by filing a written claim with the Board. If you submit a claim that is denied in whole or in part and you wish to appeal, you must do so in writing to the Board.

**VIII. PLAN ADMINISTRATION**

**1. Who administers the Plan?**

The Fund Office is responsible for the day-to-day administration and operation of the Plan. The Board has full discretionary authority and responsibility for the interpretation of Plan provisions, the establishment of rules and regulations for the day-to-day administration of the Plan, the review of benefit claims and hardship withdrawal requests, the establishment of the funding policy of the Plan, selection of any investment managers or investment program and options, and the retention of legal, accounting, and other professional services.

Only the Board and the Fund Office are authorized to make administrative interpretations of the provisions of the Plan. You should not rely on any representation, whether oral or in writing, which any other person may make concerning Plan provisions and your entitlement to benefits under them.

**2. Who holds the Plan’s assets?**

All amounts contributed to the Plan will be held under a trust fund maintained by the Board. The benefits provided under the Plan will be paid to participants or beneficiaries directly and solely from the trust fund. While a Contributing Employer is responsible for making contributions to the Plan, it is not be responsible for any direct payments of benefits under the Plan.

**3. Who handles the investment of Plan assets?**

The Board maintains responsibility for the investment of Plan assets, and has established an investment program under which participants are allowed to self-direct the investment

of their Accounts into various investment options. If you do not choose an investment option for all or part of your Accounts, you may be deemed to have elected the default investment alternative under the Plan for that portion of your Accounts.

The Board and Fund Office do not have liability for any losses that are the result of investment instructions given by a participant or beneficiary. This means you bear the risks and rewards of your investment decisions. However, the Board or selected investment managers maintain responsibility for the selection and monitoring of any designated investment alternatives.

**4. How are Plan expenses satisfied?**

Administrative expenses of the Plan may be charged against the assets of the trust fund as determined by the Board and Fund Office. The reasonable expenses relating to a participant's Account in determining whether payments can be made pursuant to a "qualified domestic relations order" (e.g., order for payment of benefits to an ex-spouse incident to a divorce) may be charged to the Account of such participant (or directly charged to the participant) unless otherwise determined by the Fund Office. Also, the reasonable expenses relating to the approval and processing of distributions with respect to a participant may be allocated to the participant's Account.

**IX. OTHER CIRCUMSTANCES THAT CAN AFFECT PLAN RIGHTS**

**1. Can the Plan be amended or terminated?**

The Board reserves the right to amend Plan at any time should it be considered desirable or necessary.

The Legislature of the Government of Guam may enact legislation to terminate the Plan and direct the Board with respect to the distribution of benefits.

**2. Can anyone else take my Plan benefits?**

You may not transfer or assign to any person your rights to benefits under the Plan. However, the Fund Office may be required by law to recognize obligations you incur as a result of court-ordered child support or alimony payments. Specifically, the Fund Office must honor the assignment of your rights to Plan benefits pursuant to a "qualified domestic relations order".

A "qualified domestic relations order" is as a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your assets in the Plan to your spouse, former spouse, child, or other dependent. If a qualified domestic relations order is received by the Fund Office, all or a portion of your benefits may be used to satisfy the obligation. The Fund Office will determine the validity of any domestic relations order received. You may obtain a copy of the procedures governing qualified domestic relations orders, without charge, from the Fund Office.

**3. Are Plan benefits insured by the Pension Benefit Guaranty Corporation?**

The benefits provided by the Plan are not guaranteed or insured by the Pension Benefit Guaranty Corporation or any other governmental agencies.

**X. GENERAL PLAN INFORMATION**

1. The official name of the Plan is: Government of Guam  
Deferred Compensation Plan
2. The effective date of current version of Plan is: January 1, 2018
3. The Plan year is: the 12-month period ending December 31
4. The type of plan is: nonqualified deferred compensation plan  
governmental 457(b) plan
5. The Plan Sponsor is: Government of Guam Retirement Fund  
424 Route 8  
Maite, Guam 96910
6. The Plan Administrator and Trustee is: Board of Trustees of the  
Government of Guam Retirement Fund  
P.O. Box 3-C  
Agana, Guam 96932