

SUMMARY PLAN DESCRIPTION
FOR THE
GOVERNMENT OF GUAM
DEFINED BENEFIT 1.75 RETIREMENT SYSTEM PLAN
(SPD Effective as of January 1, 2018)

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SUMMARY PLAN DESCRIPTION

I. INTRODUCTION

The Government of Guam Defined Benefit 1.75 Retirement System Plan (“Plan” or “DB 1.75 Plan”) is established and maintained pursuant to Article 5, Chapter 8, Title 4, of the Guam Code Annotated, effective as of January 1, 2018. The Plan constitutes a tax-qualified “governmental plan” as described under Sections 414(d) and 401(a) of the United States Internal Revenue Code (and comparable provisions under the Guam Territorial Income Tax Code).

The DB 1.75 Plan is not a stand-alone and separate plan, but rather is an alternative benefit structure under the Government of Guam Retirement Fund (“GGRF”). The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the Government of Guam Defined Contribution Retirement System (or the new Government of Guam Retirement Security Plan) and who make a timely election on a voluntary basis to participate in the DB 1.75 Plan.

This Summary Plan Description (“Summary”) is a brief description of the DB 1.75 Plan and your rights, obligations, and benefits under the Plan. The DB 1.75 Plan is part of the GGRF and, therefore, the DB 1.75 Plan will be administered in accordance with the rules and procedures applicable under the GGRF (to the extent that such rules and procedures are not inconsistent with the DB 1.75 Plan legal provisions and documents). This Summary is intended to describe only the provisions of the DB 1.75 Plan, and not the underlying provisions of the GGRF that apply to both the GGRF and the DB 1.75 Plan. This Summary is not meant to interpret, extend, or change the provisions of the DB 1.75 Plan in any way. In the event of any conflict between this Summary and the actual Plan document, the DB 1.75 Plan document will be controlling.

This Summary concerns the DB 1.75 Plan in effect on January 1, 2018, for members in employment with the employer on or after that date. The DB 1.75 Plan operates on a calendar year basis (“Plan Year”).

II. ELIGIBILITY

1. Who is eligible to be a Plan member?

An employee of the Government of Guam who is employed by a “Contributing Employer” (“Employee”) shall be eligible to participate in the Plan upon the Employee’s date of hire, subject to the terms and conditions described below in this Summary. The Board of Trustees (“Board”) of the Government of Guam Retirement Fund retains final authority to make determinations with respect to eligibility under the Plan.

For this purpose, a “Contributing Employer” is each Government of Guam: (a) department or agency of the Executive Branch; (b) autonomous and semi-autonomous agency or instrumentality; (c) public corporation; (d) educational institution (secondary or post-secondary); (e) Legislative Branch; (f) Judicial Branch; (g) Public Defender Corporation; and (h) other public entity created by Guam law.

2. How and when do I become a Plan member?

a. New Employees commencing employment between April 1, 2017, and December 31, 2017

If you are a new Employee, and commence employment with a Contributing Employer during the period commencing on April 1, 2017, and ending on December 31, 2017, you will become a member in the Government of Guam Defined Contribution Retirement System (“DCRS”) as of the date you commence employment provided that you otherwise meet the eligibility requirements under the DCRS.

However, if you satisfy the eligibility requirements under the DB 1.75 Plan, you may elect to become a member in the DB 1.75 Plan instead of participating in the DCRS by filing a “New Employee Election”. A New Employee Election must be made during the “New Employee Election Window” commencing on your date of employment, and ending on December 31, 2017 (or January 31, 2018, if you commence employment during the month of December 2017), by submitting a prescribed election form in the form and manner as determined by the Board. Once submitted, a New Employee Election may be revoked and modified prior to the close of the New Employee Election Window, after which time it may not be modified or revoked. You must also remain continuously employed with the Contributing Employer through January 1, 2018 (or January 31, 2018, if you commence employment during the month of December 2017), for your New Employee Election to be effective. If your New Employee Election becomes effective, you will become a member in the DB 1.75 Plan as of January 1, 2018. As described in Section IV.4 below, your participation in the DCRS will also either terminate or become “inactive” as of January 1, 2018, and all or a portion of your account under the DCRS will be transferred to the DB 1.75 Plan as of January 1, 2018 (or January 31, 2018, if you commence employment during the month of December 2017).

b. DCRS members active as of March 31, 2017

If you are an Employee of a Contributing Employer and an active member in the DCRS as of March 31, 2017, you will continue active participation in the DCRS.

However, if you satisfy the eligibility requirements under the DB 1.75 Plan, you may elect to become a member in the Plan instead of participating in the DCRS by filing an “Active Member Election”. An Active Member Election must be made during the “Active Member Election Window” commencing on April 1, 2017, and ending on September 30, 2017, by submitting a prescribed election form in the form and manner as determined by the Board. Once submitted, an Active Member Election may be revoked and modified prior to the close of the Active Member Election Window, after which time it may not be modified or revoked. You must also remain continuously employed with the Contributing Employer through January 1, 2018, for your Active Member Election to be effective. If your Active Member Election becomes effective, you will become a member in the DB 1.75 Plan as of January 1, 2018. As described in Section IV.4 below, your participation in the DCRS will also either terminate or become “inactive”, and all or a portion of your account under the DCRS will be transferred to the DB 1.75 Plan, as of January 1, 2018.

c. DCRS members reemployed between April 1, 2017, and December 31, 2017

If you are a member in the DCRS and are reemployed with a Contributing Employer during the period commencing on April 1, 2017, and ending on December 31, 2017, you will become an active member in the DCRS upon your reemployment provided that you otherwise meet the eligibility requirements under the DCRS.

However, if your reemployment occurs during the period commencing on April 1, 2017, and ending on September 30, 2017, and you satisfy the eligibility requirements under the DB 1.75 Plan, you may elect to become a member in the DB 1.75 Plan instead of participating in the DCRS by filing a “Reemployed Member Election”. A Reemployed Member Election must be made during the “Reemployed Member Election Window” commencing April 1, 2017, and ending on September 30, 2017 (or October 31, 2017, if your reemployment occurs during the month of September 2017), by submitting a prescribed election form in the form and manner as determined by the Board. Once submitted, a Reemployed Member Election may be revoked and modified prior to the close of the Reemployed Member Election Window, after which time it may not be modified or revoked. You must also remain continuously employed with the employer through January 1, 2018, for your Reemployed Member Election to be effective. If your Reemployed Member Election becomes effective, you will become a member in the DB 1.75 Plan as of January 1, 2018. As described in Section IV.4 below, your participation in the DCRS will also either terminate or become “inactive”, and all or a portion of your account under the DCRS will be transferred to the DB 1.75 Plan, as of January 1, 2018.

If your reemployment occurs during the period commencing on October 1, 2017, and ending on December 31, 2017, and you satisfy the eligibility requirements under the DB 1.75 Plan, you may still elect to become a member in the Plan by filing a “Late Reemployed Member Election”. A Late Reemployed Member Election must be made during the “Late Reemployed Member Election Window”, which is the 30-day period commencing on your date of reemployment. If your Late Reemployed Member Election becomes effective, you will become a member in the DB 1.75 Plan as of January 1, 2018. As described in Section IV.4 below, your participation in the DCRS will also become “inactive” as of January 1, 2018. Your account under the DCRS will not be transferred to the DB 1.75 Plan.

d. DCRS members who have incurred a disability

Notwithstanding the above provisions, you will not be eligible to become a member in the Plan if you are a member in the DCRS who has incurred a disability and at any time been eligible to receive benefits provided under a long-term disability insurance policy issued pursuant to the DCRS or a welfare benefit plan for members in the DCRS. You will become an active member in the DCRS upon your reemployment provided that you otherwise meet the eligibility requirements under the DCRS.

However, if you receive such disability benefits during the period commencing on April 1, 2017, and ending on September 30, 2017, you may elect to become a member in the DB 1.75 Plan instead of participating in the DCRS in the event

you are reemployed by a Contributing Employer or you retire from the Contributing Employer on or after January 1, 2018, by filing a “Reemployed Disability Member Election”. A Reemployed Disability Member Election must be made during the “Reemployed Disability Member Election Window” commencing April 1, 2017, and ending on September 30, 2017 (or October 31, 2017, if you commence receiving disability benefits during the month of September 2017), by submitting a prescribed election form in the form and manner as determined by the Board. If your Reemployed Disability Member Election becomes effective, you will become a member in the DB 1.75 Plan as of the later of (i) January 1, 2018, or (ii) the date of your reemployment, retirement, or other termination of employment. As described in Section IV.4 below, your participation in the DCRS will also either terminate or become “inactive”, and all or a portion of your account under the DCRS will be transferred to the DB 1.75 Plan, as of the later of (i) January 1, 2018, or (ii) the date of your reemployment, retirement, or other termination of employment.

Summary of DB 1.75 Plan Participation Elections

Election	Election Period	Effective Date in DB 1.75 Plan	Effective Date of Termination from DCRS	Transfer of DCRS Account
New Employee Election [Employee’s employment commencement date is 4/1/2017-12/31/2017]	4/1-12/31/2017 [4/1-1/31/2018 if commencement of employment in 12/2017]	1/1/2018	1/1/2018	Yes (effective 1/1/2018 or 1/31/2018 if later close of election period)
Active Member Election [active member in DCRS as of 3/31/2017]	4/1-9/30/2017	1/1/2018	1/1/2018	Yes (effective 1/1/2018)
Reemployed Member Election [inactive member in DCRS reemployed 4/1/2017-9/30/2017]	4/1-9/30/2017 [4/1-10/31/2017 if commencement of employment in 9/2017]	1/1/2018	1/1/2018	Yes (effective 1/1/2018)
Late Reemployed Member Election [inactive member in DCRS reemployed 10/1/2017-12/31/2017]	30-day period commencing on date of reemployment	1/1/2018	N/A [continue as inactive member in DCRS]	No
Reemployed Disability Member Election [inactive member in DCRS reemployed or retirement/termination of employment on or after 1/1/2018]	4/1-9/30/2017 [4/1-10/31/2017 if commencement of disability benefits in 9/2017]	Later of 1/1/2018 or date of reemployment or retirement/ termination of employment	Later of 1/1/2018 or date of reemployment or retirement/ termination of employment	Yes (effective applicable date of reemployment or retirement/ termination of employment)

e. Employees commencing employment after December 31, 2017

If you commence employment with a Contributing Employer after December 31, 2017, you will participate in the Guam Retirement Security Plan (“GRSP”) unless you are otherwise excluded under the terms of the GRSP, and will become a member in the GRSP as of the date you commence employment.

However, if you satisfy the eligibility requirements for membership in the DCRS, you may elect to become a member in the DCRS instead of participating in the DB 1.75 Plan by filing a “DC System Election”. A DC System Election must be made during the “DC System Election Window”, which is the 60-day period commencing on your date of hire, by submitting a prescribed election form in the form and manner as determined by the Board. If your DC System Election becomes effective, you will become a member in the DCRS as of the date you commence employment.

f. GGRF members reemployed after December 31, 2017

If you are a member in the GGRF but did not retire (meaning you are not eligible to receive a distribution of benefits nor have you done so) under the GGRF, and you are reemployed with a Contributing Employer after December 31, 2017, you will become an active member in the GGRF upon your reemployment provided that you did not receive a refund of your GGRF contributions that makes you ineligible for GGRF membership, and you otherwise meet the eligibility requirements under the GGRF.

g. Retirees reemployed

If you retired (meaning you are eligible to receive a distribution of benefits or you have done so) under the GGRF, the DCRS, the GRSP, or the DB 1.75 Plan, and are later reemployed by a Contributing Employer, you will participate in the DCRS, provided you otherwise satisfy the eligibility requirements under the DCRS.

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) persons whose services are compensated on a fee basis; (b) independent contractors; (c) persons whose employment is engaged for a specific project; or (d) persons who are employed in the Senior Citizens Community Employment Program.

Further, if the Government of Guam extends Social Security coverage to Employees on a prospective basis, then all Employees hired on or after the effective date of such coverage will be enrolled in Social Security and will not be eligible to participate in the DB 1.75 Plan.

4. How is participation in the Plan coordinated with the Government of Guam Deferred Compensation Plan?

If you elect to participate in the DB 1.75 Plan, you will automatically also participate in the Government of Guam Deferred Compensation Plan (“DC Plan”) effective as of the date of your participation in the DB 1.75 Plan. You will be required to contribute 1% of your base salary 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.

5. Does participation in the Plan affect my participation in any other benefit plans?

Yes. Plan DB 1.75 members are ineligible to participate in certain welfare benefit plans for members in the DCRS. If you currently participate in any such welfare benefit plan, your participation in that plan will terminate as of the date you become a member in the Plan.

III. AMOUNT OF RETIREMENT BENEFIT

1. What is my Basic Retirement Annuity starting at my Normal Retirement Age?

If you terminate service with the Contributing Employer after completing at least five “Years of Credited Service”, and if you terminate service on or before your normal retirement age of 62 (“Normal Retirement Age”) and you start benefit payment at your Normal Retirement Age, you are entitled to a “Basic Retirement Annuity” in the form of a single life annuity equal to an annual payment of 1.75% of your “Average Annual Salary”, multiplied by your “Years of Credited Service”.

Examples: Basic Retirement Annuity calculation		
	Example 1	Example 2
Average Annual Salary	\$30,000	\$45,000
Year of Credited Service	10	25
Plan annuity calculation	\$30,000 x 1.75% x 10	\$45,000 x 1.75% x 25
Basic Retirement Annuity <u>annual</u> payment	\$5,250.00	\$19,687.50

* Examples assume retirement at age 62, and a minimum of five Years of Credited Vesting Service.

2. What is my Average Annual Salary?

Average Annual Salary for purposes of determining your Basic Retirement Annuity means the average of your annual base salary from the Contributing Employer for the three Plan Years of service which produce the highest average. If you are employed with the Contributing Employer for less than three Years of Credited Service, then your Average Annual Salary is based on your total number of Years of Credited Service. Your salary for a period when you are not an employee for the entire Plan Year is projected to an annual basis.

Generally, your base salary for this purpose means your annual rate of base salary, and any excess amounts are not counted. Also, the DB 1.75 Plan cannot recognize salary in excess of certain tax law limitations as adjusted for cost of living increases.

3. What are Years of Credited Service?

You earn a Year of Credited Service for each year of actual employment by the Government of Guam as an Employee for salary or compensation or service otherwise creditable under the applicable rules and procedures of the GGRF.

At the time of your election and initial participation in the DB 1.75 Plan, all or a portion of your Account under the DCRS will be transferred to this DB 1.75 Plan as discussed further below. Effective as of the date of your participation in the DB 1.75 Plan and this corresponding transfer of your Account, you will be credited with the service for which your Account was credited with employer contributions under the DCRS. Thus, for purposes of determining you benefit under the DB 1.75 Plan, you will be credited with the Years of Credited Service for which you received employer contributions under DCRS.

Further, if your account under the DCRS has been reduced by a withdrawal from your Account at the time you became a member of, or while you were a member in, the DCRS (that is, a withdrawal from your Member Contribution Reserve Account in the GGRF at the time you elected to change your participation from the GGRF to the DCRS, or a hardship withdrawal from your Employee Contribution Account in the DCRS during the time you were a member in the DCRS), you may repay your withdrawal amount with interest in order to reinstate your service under the DCRS for purposes of determining your Years of Credited Service under the DB 1.75 Plan. The repayment and reinstatement will be administered in accordance with the applicable rules and procedures of the GGRF, and generally the repayment may be satisfied by direct single or installment payments from you, or a transfer any excess portion of your account under the DCRS that is otherwise not required to be transferred to this DB 1.75 Plan for your participation in this DB 1.75 Plan. You may also be permitted to transfer all or a portion of your account under the DC Plan to the DB 1.75 Plan for this purpose. If a withdrawal is not repaid, as adjusted for interest, the amount of service credited to you under the DB 1.75 Plan will be reduced in accordance with rules and procedures determined by the Board.

4. What is the form of the payment of my Basic Retirement Benefit?

The Plan formula for determining your benefit assumes payment is made in a single life annuity (providing semi-monthly payments for your lifetime) starting at Normal Retirement Age. The amount of your benefit will generally be the pro-rata amount of the calculated annual benefit paid on a semi-monthly basis. This single life annuity is the normal form of benefit payment under the DB 1.75 Plan, but the form and timing of distributions shall further be determined in accordance with the rules and procedures of the GGRF.

5. What is my Service Retirement Annuity that may start before my Normal Retirement Age?

If you terminate serve after completing at least 25 Years of Credited Service you may elect a “Service Retirement Annuity” after attaining age 55. In this case, your Service Retirement Annuity will be your Basic Retirement Annuity determined as of age 62,

reduced by 1/2 of 1% for each month that you are under the age of 62 years determined as of the start of your benefit payment.

Thus, if you terminate service after 25 Years of Credited Service and before your Normal Retirement Age, your Service Retirement Annuity is calculated starting with the computation of your Basic Retirement Annuity shown above based on your Years of Credited Service and Average Annual Salary when you terminate service. However, your benefit payments under the Service Retirement Annuity are reduced because your payments begin sooner and are paid for a longer period of time than if your benefit payments start at Normal Retirement Age. The size of the reduction depends on your age when your Service Retirement Annuity payments begin, with larger reductions for younger ages.

6. What is my Late Retirement Annuity that may start after my Normal Retirement Age?

If you terminate service after completing at least five Years of Credited Service and after your Normal Retirement Age, you will be eligible for a “Late Retirement Annuity”. In this case, your Late Retirement Annuity beginning after you terminate service is your Basic Retirement Annuity determined based on your Years of Credited Service and Average Annual Salary as of your actual retirement date.

7. What is my Disability Retirement Annuity if I terminate from service because of Disability?

If you incur a “Disability”, you will be eligible for a “Disability Retirement Annuity” beginning as of the date of your Disability in a single life annuity form equal to 50% of your Average Annual Salary. For this purpose, Disability means total and permanent Disability from service, either for mental or physical reasons, and the Disability Retirement Annuity will be determined under the rules and procedures of the GGRF.

8. What if I terminate from service, start payment of my benefit, and then return to work for a Contributing Employer?

If you are rehired by a Contributing Employer after you begin receiving annuity payments from the DB 1.75 Plan, your benefit payments will be suspended for as long as you work. When you later terminate service, your benefit payments will resume but may be recalculated to take into account any adjustment that may accrue while reemployed. This suspension of benefit payment due to reemployment will be administered under the applicable rules and procedures of the GGRF.

9. What adjustments apply to my Plan benefits after payment starts?

If you are in pay status receiving a Basic Retirement Annuity, Service Retirement Annuity, Late Retirement Annuity, or Disability Retirement Annuity, you will be eligible to receive any automatic increases that are required for the similar type of benefit for regular members of the GGRF in accordance with the rules and procedures of the GGRF.

10. What benefits apply in the event of my death?

The death benefit and survivor annuity provisions and rules and procedures under the GGRF will apply to members of the DB 1.75 Plan.

IV. CONTRIBUTIONS AND TRANSFERS TO THE PLAN

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

Employee contributions on behalf of each Employee are made by mandatory payroll deduction at the rate of 9.5% of the Employee's base salary. The 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.

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

The Contributing Employer makes employer contributions to the Plan in accordance with reasonable actuarial methods and assumptions based on the determination of the Board.

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

For purposes of determining employee contributions and employer contributions, only the Employee's base salary is considered, and any compensation in excess of base salary is excluded. Further, compensation counted for purposes of the Plan is subject to tax law limitations as adjusted for cost of living increases.

4. **If I elect to join the DB 1.75 Plan, how will my participation in the DCRS be affected? How will my Accounts in the DCRS be transferred to the DB 1.75 Plan?**

If you would otherwise be eligible to participate in the DCRS, but you are eligible to make an election to participate in the DB 1.75 Plan and do so, all or a portion of your account under the DCRS may be transferred to the DB 1.75 Plan, and your participation in the DCRS will either terminate or become "inactive", meaning you have an existing account under the DCRS but are no longer eligible for any new contributions.

In the case of a New Member Election, your entire account under the DCRS will be transferred to the DB 1.75 Plan and your participation in the DCRS will terminate.

In the case of an Active Member Election, a Reemployed Member Election, or a Reemployed Disability Member Election, in accordance with the DCRS and the DB 1.75 Plan, the portion of your account under the DCRS that will be transferred to the DB 1.75 Plan will be as follows: (a) your Employer Contribution Account under the DCRS; and (b) the lesser of your (i) Employee Contribution Account and GGRF After-Tax Contribution Account under the DCRS, or (ii) the "Actuarial Cost of Credited Service". For this purpose, the "Actuarial Cost of Credited Service" means a percentage (as determined by the Board that is uniform for all members) of your historical base salary for the years for which you were credited with employer contributions in the DCRS prior to your new participation in the DB 1.75 Plan. At the present time, for purposes of determining the Actuarial Cost of Credited Service, the actuarial cost percentage rate is 7.48%. (For further information with respect to accounts under the DCRS, please refer to the DCRS Summary, and with respect to accounts under the DB 1.75 Plan, please refer to GGRF documentation.)

The accounts under the DCRS transferred to the DB 1.75 Plan will be maintained under the DB 1.75 Plan as follows: (a) your Employer Contribution Account under the DCRS will be credited to your Employer Contribution Reserve under the GGRF; (b) your Employee Contribution Account under the DCRS will be credited to your Member Contribution Reserve under the GGRF; and (c) your GGRF After-Tax Contribution

Account under the DCRS will also be credit to your Member Contribution Reserve under the GGFR. Any excess portion of your account under the DCRS that is not transferred to the DB 1.75 Plan will continue to be maintained under the DCRS for your benefit, and you will continue to be an “inactive” member of the DCRS.

In the case of a Late Reemployed Member Election, none of your account under the DCRS will be transferred to the DB 1.75 Plan, and you will continue to be an “inactive” member of the DCRS.

V. GENERAL PLAN INFORMATION

1. The official name of the Plan is: Government of Guam
Defined Benefit 1.75 Retirement System
Plan
2. The effective date of the Plan is: January 1, 2018
3. The Plan year is: the 12-month period ending December 31
4. The type of plan is: governmental defined benefit pension 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