


GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

Paula M. Blas
Director

October 22, 2007

Re: 401(a) Defined Contribution Plan Hardship Withdrawals

Dear Plan Participant:

On October 1, 1995, the Defined Contribution Retirement System (the "DC Plan") was established to provide retirement benefits for eligible Government of Guam employees.

The DC Plan includes a hardship provision in which a DC active participant may apply for a hardship withdrawal while still employed with the Government of Guam. In order to promote the accumulation of adequate financial reserves by DC Plan members for retirement, the Government of Guam Retirement Fund Board of Trustees has determined that the criteria for granting hardship withdrawals needs to be further limited.

Based on the above, effective December 22, 2007, the hardship withdrawal provisions of the Plan will be amended as follows:

1. A Participant may apply for only one hardship withdrawal in any consecutive twenty-four (24) month period, while an active participant.
2. To qualify for a hardship withdrawal, a Participant must demonstrate to the satisfaction of the Government of Guam Retirement Fund that the Participant has an "immediate and heavy financial need". As such, all hardship withdrawal applications will require the following documents:
 - a. Tax return for the previous two tax years.
 - b. Check stubs for the last two pay periods.
 - c. A personal financial statement.
3. Hardship withdrawals for the purchase of a principal residence, for tuition, and for educational expenses will not be allowed.
4. Hardship withdrawals which may be allowed will be limited to the following:
 - a. Medical Expenses – A hardship withdrawal for incurred medical expenses in any given year may be allowed and will be limited to allowable, incurred but unreimbursed medical expenses that in the aggregate exceed seven and a half percent (7.5%) of the Participant's average annual Adjusted Gross Income (AGI) as stated on the Participant's tax returns for the previous two (2) years.

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Trustee


424 Route 8
Maite, Guam 96910
Tel: 671.475.8900
Fax: 671.475.8922
www.ggrf.com

- b. Funeral Expenses – A hardship withdrawal for funeral home and burial expenses of the Participant’s Spouse, children, or dependents (as defined in Code Section 152, without regard to Section 152(d)(1)(B)) shall be allowed.
- c. Foreclosure/Eviction – A hardship withdrawal to prevent eviction of the Participant from the Participant’s principal residence, or foreclosure on the mortgage of the Participant’s principal residence shall be allowed only once during a Participant’s membership in the DC Plan.

Although hardship withdrawals will continue to be available for the limited purposes described above, participants are cautioned that hardship withdrawals will reduce the amount available for retirement and may have immediate adverse tax consequences, including the imposition of a 10% penalty tax if withdrawn prior to age 59½.

This notice is only a summary of the amendment to the DC Plan, and is intended to give you advance notice of the amendment. A copy of the actual amendment will be available upon request after it is adopted by the Board. In the event of any inconsistency between this summary and the actual amendment, the actual amendment will control.

Sincerely,



PAULA M. BLAS