

*I Mina'trentai Ocho Na Liheslaturan Guåhan*  
**BILL STATUS**

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	FISCAL NOTES	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	NOTES
263-38 (LS)	Telo T. Taitague V. Anthony Ada Joe S. San Agustin	AN ACT TO <i>AMEND</i> SECTIONS 8137(b)(1), 8143, 8146, 8154, AND 8157, ARTICLE 1, CHAPTER 8, TITLE 4 OF THE GUAM CODE ANNOTATED RELATIVE TO THE DEFINED BENEFIT PLAN.	1/27/26 11:57 a.m.  2/5/26 2:06 p.m.						

***I MINA'TRENTAI OCHO NA LIHESLATURAN GUÅHAN***  
**2026 (SECOND) Regular Session**

**Bill No. 263-38 (LS)**

Introduced by:

Telo T. Taitague 

V. Anthony Ada 

Joe S. San Agustin 

**AN ACT TO *AMEND* SECTIONS 8137(b)(1), 8143, 8146,  
8154, AND 8157, ARTICLE 1, CHAPTER 8, TITLE 4 OF  
THE GUAM CODE ANNOTATED RELATIVE TO THE  
DEFINED BENEFIT PLAN.**

**BE IT ENACTED BY THE PEOPLE OF GUAM:**

**Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds that the Defined Benefit Plan of the Government of Guam Retirement Fund is prudently managed by the Trustees of the Retirement Fund with professional advice rendered by investment agents (consultants and managers), and pension actuaries procured and retained by the Trustees. *I Liheslaturan Guåhan* further finds that amendments to several of the investment guidelines in the Defined Benefit statute, as recommended to the Trustees, will provide the Retirement Fund with greater opportunities to improve risk-adjusted returns on investments, with the desired result of reducing the Government of Guam's required contributions to the Defined Benefit Plan and the Defined Benefit 1.75 Plan.

*I Liheslaturan Guåhan* further finds that Section 8137(b)(1) of the Defined Benefit Plan, as amended by Public Law No. 33-186:9, provides for "the remaining liability for prior service" (referring to government of Guam's unfunded actuarial

1 accrued liability (“UAAL”), beyond its normal cost actuarial accrued liability as  
2 described in Section 8137(a)) to be amortized “over a period of eighty-two (82) years  
3 following May 1, 1951.” *I Liheslaturan Guåhan* further finds that the relatively  
4 short period until May 1, 2033 to amortize the government of Guam’s UAAL  
5 (calculated as of September 30th of each fiscal year) could lead to significant  
6 overfunding or underfunding in each subsequent year for which the contribution rate  
7 is established.

8 *I Liheslaturan Guåhan* further finds that as the amortization period gets  
9 shorter and shorter, the unpredictability and volatility could adversely impact the  
10 government of Guam’s ability to prudently plan and budget for predictable  
11 contributions to the Defined Benefit Plan as well as for ongoing government  
12 operations. As 2033 approaches, the remaining funding period will become shorter  
13 and shorter, which means that the government of Guam’s ability to fund the UAAL  
14 will be spread over shorter periods, which may cause large swings in the required  
15 employer contribution rate from one year to the next. For example, if the  
16 investments perform below the assumed rate of investment return during the fiscal  
17 years ending prior to September 30, 2032, that underperformance could potentially  
18 result in experience losses in the tens or even hundreds of millions of dollars, which,  
19 based upon the current requirement to be fully funded by May 1, 2033, could require  
20 employer contributions equal to that amount to be made within one year.  
21 Conversely, if investments perform at or above the assumed rate of investment return  
22 during the fiscal years ending prior to September 30, 2032, potentially resulting in  
23 full or excess funding by May 1, 2033, the government’s contributions could  
24 drastically drop in that last year to an amount equal to the normal cost actuarial  
25 accrued liability as defined in Section 8137(a) (currently approximately six percent  
26 (6%) of total salaries). The current amortization period ending in 2033 is projected  
27 to result in unpredictable and potentially disruptive employer contributions in and

1 prior to 2033. Because of the aforementioned risk of volatility in earnings that may  
2 increase unpredictability in required contributions prior to 2033, it may be prudent  
3 for government planning and budgeting purposes to offset that risk by phasing-in  
4 (smoothing out) that decrease in contributions over a longer period of time.

5 *I Liheslaturan Guåhan* further finds that the government’s obligation to fund  
6 the actuarial accrued liability (normal cost) as well as the unfunded actuarial accrued  
7 liability under Sections 8137(a) and (b) will necessarily continue after May 1, 2033,  
8 even if the Defined Benefit Plan is fully funded as of that date. Economic  
9 assumptions (investment returns, salary increases, payroll growth, and  
10 administrative expenses) and demographic assumptions (mortality, disability,  
11 withdrawal rates and return of contributions, ages at retirements, marital status,  
12 survivors, and leave adjustments) may differ from actual events, which, after 2033,  
13 would cause the pension plans to be overfunded or underfunded.

14 *I Liheslaturan Guåhan* therefore finds that amendments to the amortization  
15 periods for the government of Guam to fund the Defined Benefit Plan’s unfunded  
16 actuarial accrued liability in Section 8137(b)(1) of the Defined Benefit statute, as  
17 recommended by the actuaries retained by the Trustees, are reasonable, prudent, and  
18 necessary to decrease contribution rate volatility and to smooth out employer  
19 contributions each fiscal year.

20 Therefore, *I Liheslaturan Guåhan* finds that the UAAL established as of the  
21 actuarial valuation as of September 30, 2024 shall serve as the Initial UAAL, which  
22 may be amortized over periods of up to fifteen (15) years, in whole or in separate  
23 parts, to result in a phase down of the employer contribution rate over the chosen  
24 amortization period.

25 Additionally, *I Liheslaturan Guåhan* further finds that new UAAL bases shall  
26 be ascertained as of September 30th of each subsequent year, which UAAL bases  
27 may be positive or negative, as actual events are measured against economic and

1 demographic actuarial assumptions. Each new UAAL base shall be equal to the  
2 unexpected change in the UAAL for each year, and amortized over periods of up to  
3 fifteen (15) years, in whole or in separate parts, from the date each new UAAL base  
4 is established. *I Liheslaturan Guåhan* finds that the Initial UAAL and each new  
5 UAAL base will be factors in determining the amount of the government's  
6 contribution as described in Section 8137(b)(1)(F).

7 *I Liheslaturan Guåhan* further finds that in recognition of increased  
8 globalization and geographical diversity of the public securities market, the current  
9 limitation for non-U.S. investments (bonds and equity combined) to thirty-five  
10 percent (35%) of the Fund's assets has become disconnected to the evolving market  
11 opportunity set. To provide the Retirement Fund with better opportunities to achieve  
12 higher levels of diversification and potentially higher risk-adjusted long-term return,

13 *I Liheslaturan Guåhan* therefore finds that the current thirty-five percent  
14 (35%) limit on non-U.S. investments in Section 8146 should be increased to fifty  
15 percent (50%), and that the five percent (5%) limitation on any one political  
16 subdivision, corporation, or other single issuing entity be increased to ten percent  
17 (10%) of Fund assets at cost.

18 *I Liheslaturan Guåhan* further finds that bond quality defined by rating  
19 agencies' ratings go through cycles as economic conditions change, and therefore  
20 the current eight percent (8%) limitation in Section 8154(a)(2) on lesser-ranked  
21 domestic corporate bonds should be increased to fifteen percent (15%) of the Fund  
22 at cost, and the two percent (2%) limitation on obligations of any single corporation  
23 or domestic issuing entity be increased to five percent (5%).

24 Additionally, *I Liheslaturan Guåhan* further finds that fixed charge ratios are  
25 no longer applicable because the Fund relies on ratings agencies to define bond  
26 quality, and therefore these types of independent debt ratio tests are no longer needed  
27 in Section 8154's requirements. *I Liheslaturan Guåhan* further finds that limiting

1 bond investments to only fixed rate and investment grade is overly restrictive, as  
2 many bonds are floating rate and non-investment grade, so *I Liheslaturan Guåhan*  
3 further finds that such limits should be eliminated, and the appropriate benchmark  
4 should be amended so that tracking indices will include ones other than the U.S.  
5 Aggregate Bond Index, as approved from time to time by the Board of Trustees.

6 *I Liheslaturan Guåhan* further finds that specific security level selection  
7 requirements (such as dividend payout requirements) for domestic common stock in  
8 Section 8157(a) should be eliminated and replaced with the same prudent person  
9 investment standards applicable to non-U.S. common stock in Section 8157(b). *I*  
10 *Liheslaturan Guåhan* further finds that the five percent (5%) limitation on any one  
11 issuing domestic company be increased to ten percent (10%). *I Liheslaturan Guåhan*  
12 further finds that the current restriction on aggregate common stock investments at  
13 seventy percent (70%) severely constrains the Fund's asset allocation choices, and  
14 deviates from peer group practices. *I Liheslaturan Guåhan* therefore finds that the  
15 seventy percent (70%) maximum be eliminated.

16 *I Liheslaturan Guåhan* further finds that investments in companies that  
17 recognize and affirmatively implement business practices focused on long-term  
18 sustainability may provide investors in those companies with greater opportunities  
19 for improved investment returns, as such practices also contribute to change and  
20 innovations that may identify potential risks sooner. Many institutional funds  
21 employ criteria for assessing long-term sustainability business practices. *I*  
22 *Liheslaturan Guåhan* therefore finds that the Board of Trustees' consideration of  
23 long-term sustainability business practices should be expressly added to Section  
24 8143. Based on these findings, *I Liheslaturan Guåhan* intends to amend Sections  
25 8137(b)(1), 8143, 8146, 8154, and 8157, and add Section 8143(k) in the best  
26 interests of the Retirement Fund.

1           **Section 2.** Subsection 8137(b)(1), Article 1, Chapter 8, Title 4 of the Guam  
2 Code Annotated, is hereby *amended*, to read:

3                   “(b) Government Unfunded, Liability Amortization Cost.

4                   (1) An amount resulting from the application of a rate percent,  
5 not less than zero, of total salaries of all members, which will amortize the  
6 remaining unfunded liability for prior service as of September 30, 2024, and  
7 for any changes thereto calculated as of each subsequent September 30th  
8 thereafter, over a one or more amortization periods, each period not to exceed  
9 fifteen (15) years from the September 30<sup>th</sup> upon which the applicable  
10 remaining unfunded liability is calculated ~~eighty-two (82) years following~~  
11 ~~May 1, 1951.~~”

12           **Section 3.** A new Subsection (k) is hereby *added* to § 8143, Article 1, Chapter  
13 8, Title 4 of the Guam Code Annotated, to read:

14                   “(k) If deemed material, the Board may, at its discretion, incorporate  
15 long-term sustainability factors in evaluating investment products offered by  
16 investment agents for consideration by the Fund. Materiality assessments by  
17 the Board shall be based on whether such considerations may impact the  
18 investment product’s long-term sustainable earnings power, on a risk-adjusted  
19 basis.”

20           **Section 4.** Section 8146, Article 1, Chapter 8, Title 4 of the Guam Code  
21 Annotated, is hereby *amended* to read:

22                   **“§ 8146. General Investment Limitations.**

23                   No investment shall be made if, after such investment, the Fund would own:

24                   (a) any combination of obligations of any one political subdivision,  
25 corporation or other single issuing entity in excess of ~~five~~ten percent (~~5~~10%)  
26 of Fund assets at cost. This limitation shall not apply to general obligations

1 of the United States, investments authorized under § 8150, or general  
2 obligations of the territory of Guam.

3 (b) any combination of investment instruments as covered by §  
4 8151, Subsection (b) of § 8154, Subsection (b) of § 8156, and Subsection (b)  
5 of § 8157 in excess of ~~Thirty-Five~~Fifty Percent (~~35~~50%) of Fund assets at  
6 cost.

7 (c) Obligations or other investments issued or guaranteed by the  
8 Territory government of Guam in excess of ten percent (10%) of Fund assets  
9 at cost; provided, however, that this limitation shall not apply to such  
10 obligations or other investments that are unconditionally guaranteed as to  
11 principal and interest by, or supported by lease assignment from, another  
12 entity whose principle business is outside of said Territory ~~of Guam~~, and  
13 whose obligations are authorized investments under §§ 8143 through 8159,  
14 inclusive.”

15 **Section 5.** Section 8154, Article 1, Chapter 8, Title 4 of the Guam Code  
16 Annotated, is hereby amended to read:

17 **“§ 8154. Same: Bonds of Domestic and Foreign Corporations;**  
18 **Index-Eligible Securities.**

19 (a) Bonds of Domestic Corporations. Bonds, debentures,  
20 notes and other evidences of indebtedness of any corporation, or  
21 corporations created or existing under the laws of the United States,  
22 or of any of the states or territories of the United States, or the District  
23 of Columbia, which are not in default either as to principal or interest,  
24 provided that:

25 (1) such bonds or other evidence of indebtedness are  
26 rated within the four (4) highest categories of two (2) nationally

1 recognized and published rating services which have been  
2 approved by the Board and the Investment Agent; or

3 (2) in case such bonds or other evidence of  
4 indebtedness are not so rated by two (2) such services,  
5 investments in such lesser-ranked domestic corporate bonds  
6 shall not exceed ~~eight~~fifteen percent (~~8~~15%) of the Fund at cost;  
7 ~~unless the net earnings available for fixed charges over a prior~~  
8 ~~period of five (5) fiscal years next preceding the date of~~  
9 ~~investment have averaged per year and during either of the last~~  
10 ~~two (2) years have been, after depreciation and after taxes, not~~  
11 ~~less than:~~

12 ~~—— (A) two (2) times its average annual fixed~~  
13 ~~charges over the same period, in the case of any public~~  
14 ~~utility company;~~

15 ~~—— (B) one and one half (1-1/2) times its average~~  
16 ~~annual fixed charges over the same period, in the case of~~  
17 ~~any finance company; or~~

18 ~~—— (C) three (3) times its average annual fixed~~  
19 ~~charges over the same period, in the case of any other~~  
20 ~~company.~~

21 (3) No more than ~~two~~five percent (~~2~~5%) of the Fund  
22 at cost shall be invested in the obligations of any one (1)  
23 domestic corporation or other single domestic issuing entity  
24 described in this Subsection.

25 (b) Bonds of Foreign Corporations. Bonds, debentures, notes  
26 and other evidences of indebtedness of any corporation, or  
27 corporations created or existing under the laws of nations other than

1 the United States which are not in default either as to principal or  
2 interest, provided that the Investment Agent in its informed opinion,  
3 determines that such an investment would be employed by a prudent  
4 person acting in a like capacity and familiar with such matters would  
5 use in the investment of a fund of like character and with like aims.  
6 ~~No more than one and one-half percent (1-1/2%) of the Fund at cost~~  
7 ~~shall be invested in the obligations of any one (1) foreign corporation~~  
8 ~~or other single issuing foreign entity described in this Subsection.~~

9 (c) No investment shall be made in any one (1) issue  
10 described in Subsections (a) and (b) of this Section in an amount in  
11 excess of ten percent (10%) of such issues.

12 (d) ~~Other Securities in the U.S. Aggregate Board-Approved~~  
13 ~~Bond~~Index Benchmark Indices. Bonds, debentures, notes and other  
14 evidences of indebtedness which are denominated in U.S. Dollars,  
15 ~~investment-grade, fixed-rate~~ and of the quality of fixed income  
16 securities covered by applicable bond benchmark indices approved by  
17 the Board of Trustees~~the U.S. Aggregate Bond Index~~.

18 (e) Bonds authorized under this Section may be purchased  
19 and held in investment funds authorized under §8158, or in exchange-  
20 traded funds authorized under §8158.1; such purchases shall be  
21 excluded from the limitations of §8158(e) and §8158.1(b).”

22 **Section 6.** Section 8157, Article 1, Chapter 8, Title 4 of the Guam Code  
23 Annotated, is hereby amended to read:

24 “§ 8157. **Same; Common Stock.**

25 (a) [No text.]

1           ~~(1) Common or capital stock of any institution or entity created~~  
2 ~~or existing under the laws of the United States, or any state, district, or~~  
3 ~~territory thereof, or of the District of Columbia, provided that the Investment~~  
4 ~~Agent determines that such an investment would be employed by a prudent~~  
5 ~~person acting in a like capacity and familiar with such matters would use in~~  
6 ~~the investment of a fund with like character and with like aims. or of any~~  
7 ~~foreign country; provided that, with respect to at least fifty percent (50%) of~~  
8 ~~the investments at cost purchased directly under this Section:~~

9                   ~~(A) the issuing institution, entity or a predecessor thereto,~~  
10 ~~has reported a profit in at least four (4) of the five (5) fiscal years next~~  
11 ~~preceding the date of investment or alternatively in at least seven (7)~~  
12 ~~of the ten (10) fiscal years next preceding the date of investment; and~~

13                   ~~(B) the institution, entity or such predecessor has paid~~  
14 ~~cash dividends on its common or capital stock in at least four (4) of~~  
15 ~~the five (5) years next preceding the date of investment, or~~  
16 ~~alternatively in at least seven (7) of the ten (10) fiscal years next~~  
17 ~~preceding the date of investment; and~~

18                   ~~(C) total cash dividends have not exceeded total earning~~  
19 ~~in the five (5) years next preceding the date of investment; and~~

20                   ~~(D) On the date of investment, the issuer shall not be in~~  
21 ~~default in payment of principal or interest on any of its publicly held~~  
22 ~~bonds or other evidences of indebtedness and any contingent interest,~~  
23 ~~cumulative and noncumulative preferred dividends and dividends on~~  
24 ~~prior common or capital stock shall have been paid in full.~~

1 (21) No more than ~~five~~ten percent (~~5~~10%) of the Fund shall be  
2 invested directly in the common or capital stock of anyone issuing domestic  
3 company described in this Section.

4 (b) Common or capital stock of any institution or entity created or  
5 existing under the laws of nations other than the United States; provided, that  
6 the Investment Agent determines that such an investment would be  
7 employed by a prudent person acting in a like capacity and familiar with such  
8 matters would use in the investment of a fund with like character and with  
9 like aims. ~~No more than one and one-half percent (1-1/2%) of the Fund at~~  
10 ~~cost shall be invested directly in the common or capital stock of any one~~  
11 ~~issuing foreign company described in this Section.~~

12 (c) No direct investment shall be made in any one (1) issue described  
13 in this Section in an amount in excess of ten percent (10%) of such issues.

14 (d) Common or capital stock of any institution or entity created or  
15 existing under the laws of the United States, or any state, district, or territory  
16 thereof, or of the District of Columbia, or of any foreign country, purchased  
17 and held in investment funds authorized under § 8158, or in exchange-traded  
18 funds authorized under §8158.1; such purchases being excluded from the  
19 limitations of §8158(e) and §8158.1(b).

20 (e) ~~The aggregate amount of all direct and indirect investments under~~  
21 ~~this Section at cost shall not exceed seventy percent (70%) of the~~  
22 ~~Fund.~~[RESERVED]

23 **Section 7. Effective Date.** Except as expressly provided herein, this Act shall  
24 become effective upon enactment.

25 **Section 8. Severability.** If any provision of this Act or its application to any  
26 person or circumstance is held invalid, the invalidity shall not affect any other  
27 provision or applications of this Act which can be given effect without the invalid

1 provision or application, and to this end the provisions of the Act are severable.