About US

The Government of Guam Retirement Fund (the “Fund”) was established and became operative on May 1, 1951 to provide retirement annuities and other benefits to employees of the Government of Guam. Plans administered by the Fund are as follows:

The Defined Benefit Plan (“DB Plan”) is a single-employer defined benefit pension plan. The DB plan provides for retirement, disability, and survivor benefits to members of the Plan prior to October 1, 1995. All new employees whose employment commences on or after October 1, 1995 are required to participate in the Defined Contribution Retirement System.

The Defined Contribution Retirement System (“DC Plan”) was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed in the Government of Guam. The DC Plan is a single-employer pension plan and shall be the single retirement program for all new employees whose employment commences on or after October 1, 1995. The DC Plan, by its nature, is fully funded on a current basis from employer and member contributions.

The Deferred Compensation Plan (“457 Plan”) is available to both DB and DC Plan members. It is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing before-tax dollars through a voluntary salary contribution. Contributions and earnings are tax-deferred until money is withdrawn. Distributions are usually taken at retirement, but participants can also take distributions if they terminate employment.

The Defined Benefit 1.75 Plan (DB 1.75 Plan) became effective January 1, 2018, as more fully discussed on page five (5).

Board of Trustees

The Retirement Fund Board of Trustees (the “Board”) is responsible for the general administration and proper operation of the Fund. With the passage of Public Law 27-43, effective November 14, 2003 the Board comprises seven members. Three are appointed by the Governor with the advice and consent of the Legislature. Four trustees - 2 retirees and 2 active members - are elected by the class of members they represent. The term of office for all Board Members is five years.

The Fund is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Government of Guam.
For 2017, the **DB Plan** investment portfolio posted a positive return of 11.88%, compared to 2016’s return of 9.53%.

GGRF investment returns averaged 8.49% percent from 1995 through 2017. Over that period, there have been three years with negative returns, all of which occurred in the last fifteen years.

For 2017, **DC Plan** investments totaled $534M compared to the $456M in 2016.

In addition, DC Plan employer and employee contributions increased by 3,031,893 or 8.2% over 2016. The increase in contributions is due largely to the increase in the number of DC Plan participants during 2017.
An independent audit was conducted, resulting in a clean audit opinion. Complete financial information can be found at our website: www.ggrf.com.
Underfunding of the DB Plan continues to be an ongoing problem. The unfunded liability has grown from $552 million at September 30, 1995 to $1.25 billion at September 30, 2016. This represents a decrease in the security ratio, from 61.0% in 1995 to 56.99% in 2016, and an increase in the unfunded liability ratio from 39% in 1995 to 43.01% in 2016. The security ratio is the ratio of assets to liabilities.

If future contributions equal the actuarially determined contribution rate, and plan investments earn 7% each year, the DB Plan is expected to become fully funded in 2031. The Guam Legislature’s efforts toward full funding since 2007 have definitely narrowed the gap between the statutory and actuarially determined contribution rate. The increase in the gap from .82% in 2009 to 3.27% in 2010 is due largely to the negative return of 14.8% in 2008. A comparison of the “actuarially determined” versus the “statutory” employer contribution rates for 2007 to 2018 are reflected below.
**Public Law 33**
Governor Edward Calvo on May 17, 2016.

Legislature on May 3, 2016, and vetoed by roundtable hearings the Bill was passed by the 33 roundtable hearings the Bill was passed by the 33

In 2015, Vice Speaker Cruz held a round table discussion to discuss the Hybrid Bill which was reintroduced as a Hybrid Plan, 2) Transferring to Social Security, and 3) Combining DC with Social Security.

Hybrid Plan
Under the proposed plan: 1) All new employees and their employers will be required to contribute a certain percent of the employee’s wages to GGRF (similar to current retirement contributions), 2) Mandatory participation will be required for all new employees, and 3) Voluntary participation in certain circumstances for current DC Plan participants.

With DC Plan members’ balances averaging less than $40,000, they may be left without adequate income when they retire, and GovGuam may find itself subsidizing their costs of living through public assistance programs. In 2012, Bill No. 453-31, proposed legislation to establish a Hybrid Plan was submitted to the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement & Land (the “Committee”), and a public hearing on the legislation was held. The Bill however, was not acted on by the 31st Guam Legislature.

In 2014, revised legislation, Bill No. 394-32, was transmitted to the Committee. On October 21, 2014, the Bill was referred back to Committee to give the public and the Legislature, additional time to review supplemental reports provided by GGRF.

In 2015, Vice-Speaker Cruz held a round table discussion to discuss the Hybrid Bill which was reintroduced as Bill No. 502-33. After several roundtable hearings the Bill was passed by the 33rd Legislature on May 3, 2016, and vetoed by Governor Edward Calvo on May 17, 2016. On September 14, 2016, it was overridden by the 32nd Guam Legislature, and passed into law without the Governor’s signature on September 20, 2016, as Public Law 33-186.

Public Law 33-186 thereby:
1. Created as alternatives to the DC Plan, a new “Defined Benefit 1.75” retirement system (DB 1.75); and “Guam Retirement Security Plan”, a cash balance plan (‘GRSP”).
2. Gave eligible employees the option to elect, during the “Election Window”, commencing on April 1, 2017 and ending on December 31, 2017, to participate in the Plan effective as of January 1, 2018.
3. Increased the DC Plan member and employer contributions from five percent (5%) to six and two-tenths percent (6.2%), effective January 1, 2018.

4. Extends the period used to amortize the unfunded actuarial accrued liability (UAAL) of GGRF 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 the GRSP will be the default plan effective January 1, 2018, with an option to transfer to the DC Plan within 60 days from their date of hire.
6. 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.

DB 1.75 Plan:
DB 1.75 Plan members are required to contribute 9.5% of their base salary to the DB 1.75 Plan and 1% of base salary to the 457 Plan, and are fully vested for benefits upon attaining five (5) years of credited service. Members may retire with full benefits at age 62 and 5 years of credited service, or at age 55 with 25 years of credited service with reduced benefits, or at age 60 and 5 years of credited service without survivor benefits.

Plan Documents:
On February 27, 2017, the draft Plan Documents were approved by the Board of Trustees, and adjudicated on March 14, 2017. The finalized Plan Documents were transmitted to the Legislature on March 31, 2017, and accepted by the Legislature during their June 2017 session.

Education:
In March 2017, a team was established to produce and communicate educational materials. GGRF provided at least one (1) on-site seminar at all Government of Guam departments and agencies, and multiple sessions at GGRF, for a total of 143 seminars. The education seminars concluded on August 14, 2017. However, the video remained on the website until January 31, 2018.

Election Period:
The election to participate in the DB 1.75 Plan was for a limited time period.

- Commencing April 1, 2017, eligible employees in the DC Plan had the opportunity to voluntarily elect to transfer to the DB 1.75 Plan or the GRSP.
- The conclusion of the election period - contingent on the member’s employment or re-employment date - was on September 30, 2017, October 31, 2017, December 31, 2017, January 31, 2018, or 30 days from the member’s re-employment date.

Comparison Letters:
Prior to making an election, DC Plan members were given the opportunity to request and review: (a) a comparison illustrating the member’s estimated (1) required bi-weekly contributions under each plan, (2) monthly retirement income under each plan, and (3) cost to transfer to the DB 1.75 Plan; and (b) copies of the Plan Documents and Summary Plan Descriptions for each Plan, effective as of January 1, 2018.

During the election period, GGRF management and staff reviewed members’ contribution and distribution data, performed calculations and composited retirement income comparisons to assist members in making a potential Election with respect to their future plan participation. The estimates were based on assumptions with respect to the member’s age, salary, years of credited service, and account balance under the DC Plan, using information as of March 31, 2017.

Elections to Transfer:
As of the December 31, 2017 deadline for participants to elect to transfer to the DB 1.75 Plan or GRSP, approximately three thousand three hundred seventy-nine (3,379) of the approximately eight thousand nine hundred forty-seven (8,947) DC Plan participants, elected to transfer to the DB 1.75 Plan. Only six (6) participants elected to participate in the GRSP.

GRSP:
Given the level of GRSP assets expected to fund administrative costs and potential benefit obligations, the Board of Trustees:
- Determined that it is reasonable to expect that there could be a shortfall of GRSP assets to cover GRSP liability, but with no designated funding source.
- Agreed that implementation of the GRSP remained subject to the timely enactment of appropriate legislation to comply with IRC requirements applicable to governmental plans; and compliance with the “Lamorena Order”.
- Determined that pending enactment of such legislation, the implementation of the GRSP would violate the Code and the Lamorena Order.

Based on the above, GGRF notified the six (6) DCRS participants who elected to transfer to the GRSP that the implementation of the GRSP is uncertain and remains subject to the enactment of appropriate legislation to comply with IRC requirements and the Lamorena Order. As a result, the six (6) participants were allowed to evaluate their options and change their elections by November 30, 2017.

Default Plan:
To ensure that eligible Government of Guam new employees were enrolled in a retirement plan on or after January 1, 2018, the GGRF Board of Trustees determined the DCRS is appropriate to serve as a default plan until such time as the GRSP can be properly implemented.

DC Plan Funds Transferred to DB 1.75 Plan:
On January 23, 2018, the DC Plan funds of employees who elected to transfer to the DB 1.75 Plan, totaling approximately $225 million, were deposited into GGRF’s Northern Trust Administrative Account, and allocated to GGRF’s managers/cash account based on the asset reallocation.