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 (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 (the “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 (the “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 Contributions and earnings are tax-deferred until money is withdrawn.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.

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.

<table>
<thead>
<tr>
<th>FY 2015</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant Counts - DB Plan</td>
<td></td>
</tr>
<tr>
<td>Active</td>
<td>2,459</td>
</tr>
<tr>
<td>Retired</td>
<td>7,202</td>
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<tr>
<td>Total Actives and Retirees</td>
<td>9,661</td>
</tr>
<tr>
<td>Inactive and Terminated Members with Accumulated Contributions</td>
<td>4,734</td>
</tr>
<tr>
<td></td>
<td>14,395</td>
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<tr>
<td>Participant Counts - DC Plan</td>
<td></td>
</tr>
<tr>
<td>Active</td>
<td>8,697</td>
</tr>
<tr>
<td>Inactive (Non-Contributing) Members with Account Balances</td>
<td>4,117</td>
</tr>
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<td></td>
<td>12,814</td>
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</tbody>
</table>
For 2015, the DB Plan investment portfolio posted a positive return of .83%, compared to 2014’s return of 10%, and 2013’s return of 14.36%.

GGRF investment returns averaged 8.3% percent from 1995 through 2015. Over that period, there have been three years with negative returns, all of which occurred in the last fourteen years.

For 2015, DC Plan investments totaled $399.6M compared to the $388M in 2014.

In addition, DC Plan employer and employee contributions increased by 2,289,651 or 6.8% over 2014. The increase in contributions is due largely to the increase in the number of DC Plan participants during 2015.
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 $1.37 billion at September 30, 2014. This represents a decrease in the security ratio, from 61.0% in 1995 to 53.3% in 2014, and an increase in the unfunded liability ratio from 39% in 1995 to 46.7% in 2014. 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 2015 are reflected below.

**DC Plan Alternatives**

The GGRF Board established a working committee several years ago to assess benefit enhancement options that would provide DC Plan members a reasonable opportunity to build sufficient post-retirement benefit levels, while also balancing GovGuam’s budgetary needs and obligations. The working committee’s extensive analysis involved consideration of a comprehensive and detailed study of alternative retirement plans and arrangements. The alternatives included 1) a Hybrid Plan, 2) Transitioning 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.

**2012 Audit**

On April 20, 2012, proposed legislation to establish a Hybrid Plan was submitted to the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement & Land (the “Committee”). A public hearing on the legislation, Bill No. 453-31, was held on August 14, 2012. The Bill however, was not acted on by the 31st Guam Legislature.

**2013 Audit**

During 2013, the Committee requested updated (based on the 2012 valuation) and additional information on the proposed Hybrid Plan. GGRF transmitted updated and additional information provided by our Actuary, to the Committee in 2014.

**2014 Audit**

On June 6, 2014 revised legislation, Bill No. 394-32, was transmitted to the Committee. The Committee considered different benefit options, the corresponding effect on the contribution rate, its’ impact on the unfunded liability, and comparison of costs between the proposed DB Plan component and a Social Security component. Upon the passing of the Honorable Vicente ‘Ben’ C. Pangelinan in July 2014, Vice-Speaker Benjamin ‘BJ’ Cruz was named Chairman of the Committee.

Public hearings on Bill No. 394-32 were held in September 2014. The Bill was reported out of Committee and discussed in a Legislative Special Session.

**Update - 2015 Audit**

GGRF was present during the Committee as a whole on October 17, 2014 to provide additional information and answer questions. 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. On November 6, 2014, Vice Speaker Cruz held a round table discussion. The Bill however, was not acted on by the 32nd Guam Legislature.

On January 20, 2015, Vice-Speaker Cruz held a round table discussion to discuss the Hybrid Bill - reintroduced as Bill No. 002-33, Vice-Speaker Cruz indicated that the Bill would be deferred until after the Government of Guam audit is completed in June 2015.

A public hearing on Bill 002-33 took place on November 19, 2015. Testimony and concerns were presented by a number of government of Guam employees. Vice-Speaker Cruz scheduled round table hearings on December 7, 015 and January 25, 2016, to address the inquiries and comments received on the Bill.

A public hearing was scheduled on February 29, 2016 on a new bill, Bill No. 266-33(LS).